

**BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

**APPLICATION OF BLACK HILLS POWER,)
INC. FOR APPROVAL OF ITS 2015)
TRANSMISSION FACILITY ADJUSTMENT) Docket EL15-_____
)**

Black Hills Power, Inc. (“Black Hills Power” or the “Company”), a South Dakota corporation, respectfully requests an order from the South Dakota Public Utilities Commission (“Commission”) approving a Transmission Facility Adjustment (“TFA”) to its electric rates, to become effective on June 1, 2015. In particular, the Company seeks approval of its proposal for the annual true-up of the actual amounts collected in the first year of the TFA, as approved in Docket EL14-013, and the forecasted recovery of revenue requirements associated with the second year of the TFA. Black Hills Power submits this Application pursuant to S.D.C.L. §§ 49-34A-25.1 through 49-34A-25.4.

In support, Black Hills Power sets forth the following facts and circumstances justifying the granting of this Application:

1. Applicant’s exact legal name is Black Hills Power, Inc., with its principal place of business located at 409 Deadwood Ave., Rapid City, South Dakota, 57701. Black Hills Power is a corporation, incorporated on August 27, 1941 under the laws of South Dakota. It is a wholly owned, first tier subsidiary of Black Hills Corporation.

2. Black Hills Power is a public utility as described in S.D.C.L. Ch. 49-34A, and is engaged in the generation, transmission, distribution, purchase and sale of electric power and energy through an interconnected transmission network.

3. On May 13, 2014, in Docket EL14-013, the Commission approved Black Hills Power’s tariff establishing a TFA rate. The approved TFA recovers the South Dakota

jurisdictional allocation of the revenue requirements related to the Custer to Hot Springs and Lookout to Sundance Hill transmission projects. The first year revenue requirement for the TFA was effective from February 15, 2014, through May 31, 2015.

4. On May 13, 2014, in Docket EL14-037, the Commission approved the Company's request to credit/charge the remaining Environmental Improvement Adjustment ("EIA") balancing account amounts through the TFA. On May 16, 2014, Black Hills Power submitted a compliance filing, in Docket EL14-013, for a revised TFA rate to reflect the credit/charge of the estimated remaining balance in the EIA through the TFA. The actual EIA balances are incorporated in this true-up filing as reflected on Exhibit 4 and Exhibit 5, Schedule 5-6.

5. In Docket EL14-026, In the Matter of the Application of Black Hills Power, Inc. for Authority to Increase its Electric Rates, the Company requested authority to shift cost recovery of the Custer to Hot Springs Phase I and Phase II transmission investments from the TFA to base rates. If the proposal is approved by the Commission, the Company will collect the Custer to Hot Springs project costs through interim rates for service provided on and after October 1, 2014. Therefore, the first year TFA revenue requirement only recovers the costs associated with the Custer to Hot Springs projects through September 30, 2014.

6. Through this Application, the Company requests Commission approval of the annual true-up for the first effective year of the TFA as required under the Settlement Stipulation entered in Docket EL14-013 and the forecasted recovery of revenue requirements associated with the second year of the TFA. Black Hills Power will not be seeking additional recoveries for transmission projects from June 2015 through May 2016, but reserves the right to file in future years with qualifying projects.

7. The first year revenue requirement and allocation by customer class is provided on Exhibit 5, Schedule 5-7 and Schedule 5-6, respectively. In accordance with the Settlement Stipulation in Docket EL14-013, the rate of return approved in the most recently approved rate case, Docket EL12-061, was applied to investments from March 2014 through May 2015. The following Schedules support the first year revenue requirement calculation:

- Schedule 5-8: Rate base has been updated to reflect actual project in-service dates and project capital costs. The Lookout to Sundance Hill line was placed in-service on February 3, 2015, and the actual project cost was not finalized at the time of the filing. The Company will supplement this filing with actual capital costs for the Lookout to Sundance Hill project prior to the Commission's decision. Although Butte Electric expressed an interest in contributing \$1,000,000 to the Lookout to Sundance Hill project, no contribution has been received as of the date of this filing.
- Schedule 5-9: The depreciation expense, property tax, and federal income tax associated with the transmission facilities were updated based on project costs and in-service dates. The recovery of property taxes associated with transmission facilities through the TFA ceases after September 30, 2014, as a result of the pending recovery of property taxes through the Energy Cost Adjustment. In Docket EL14-026, the Company requested authority to collect changes from test year property taxes through the Energy Cost Adjustment effective October 1, 2014.
- Schedule 5-10: Black Hills Power has a joint ownership agreement with Rushmore Electric, and its two members, Black Hills Electric Cooperative and

Butte Electric Cooperative, for the 69 kV transmission system. The cooperatives are underinvested in the system and pay a monthly fee to Black Hills Power for their load ratio share of facilities. A revenue credit for the fee from the cooperatives associated with the TFA investments is reflected in the TFA rate to ensure each party is paying its appropriate share of the transmission facilities.

8. The second year revenue requirement is provided on Exhibit 5, Schedule 5-3. The only investment reflected in the second year revenue requirement is the Lookout to Sundance Hill line. The Company proposes to apply the overall rate of return incorporated in the pending rate case settlement agreement, Docket EL14-026, to investments in the second year revenue requirement determination. Schedules 5-3, 5-4, and 5-5 support the rate base, operating expenses and other operating revenues associated with the Lookout to Sundance Hill line from June 2015 through May 2016.

9. The second year TFA customer rate calculations are provided on Exhibit 5, Schedule 5-1. The calculation starts with the second year revenue requirement and allocates the revenue requirement to customer classes with the same method approved in the Transmission Cost Adjustment tariff, Section No. 3C, Sheet No. 16. Next, the customer class revenue requirements are combined with the annual balancing account as shown on Schedule 5-2. The adjusted second year revenue requirements by customer class are then divided by forecasted kWh sales for the period of June 2015 through May 2016 to determine the TFA rate by customer class.

10. The Company proposes to implement the following rates per kWh to be effective June 1, 2015:

	<u>Transmission Facility Adjustment Rate \$/kWh</u>
Residential Service	0.00012
Small General Service	0.00017
Large General Service and Industrial	0.00011
Lighting Service	0.00022

The TFA rates are set forth in the TFA tariff sheet contained in Exhibits 2 and 3, attached hereto. The Company proposes to submit the revised Cost Adjustment Summary tariff sheet, Section No. 3C, Sheet No. 11, as a compliance filing after the Commission issues its decision in this docket.

11. Approximately 66,000 South Dakota retail customers are impacted by the TFA rate change. The annual net decrease in the cost of service is approximately \$110,000. Overall, the decrease to customers is primarily due to the proposed shift in recovery of the Custer to Hot Springs investment from the TFA to base rates.

12. Attached as Exhibit 6 is a copy of the notice that has been provided to the public in accordance with ARSD § 20:10:13:15, and pursuant to §§ 20:10:13:17 to 20:10:13:19, inclusive.

13. The following exhibits are provided in support of this Application and incorporated through this reference:

<u>Exhibit 1</u>	Report of Tariff Change
<u>Exhibit 2</u>	Legislative Format of Tariffs
<u>Exhibit 3</u>	Clean Format of Tariffs
<u>Exhibit 4</u>	Environmental Improvement Adjustment Balancing Account Credit/Charge
<u>Exhibit 5</u>	Transmission Facility Adjustment Calculation

Exhibit 6

Customer Notice

14. Copies of all notices, other correspondence and all inquiries concerning this Application should be sent to:

Marne Jones
Director Regulatory
625 Ninth Street
P.O. Box 1400
Rapid City, SD 57709
Phone: (605) 721-2348
Marne.Miller@blackhillscorp.com

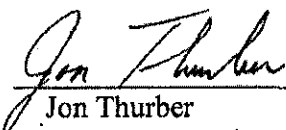
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WHEREFORE, Black Hills Power respectfully requests that the Commission enter an order effective June 1, 2015, approving the adjustment to the Company's electric rates set forth in this Application and the proposed tariffs.

Dated this 12th day of February, 2015.

BLACK HILLS POWER, INC.

By: 

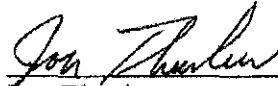
Jon Thurber
Manager, Regulatory Affairs

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

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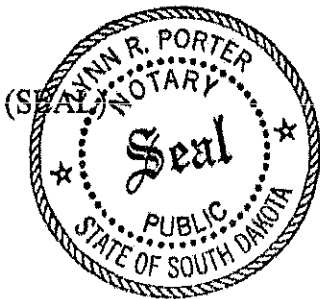
**STATE OF SOUTH DAKOTA)
COUNTY OF PENNINGTON) SS:**


I, Jon Thurber, being duly sworn, do hereby depose and say that I am Manager, Regulatory Affairs for Black Hills Power, Inc., Applicant in the foregoing Application; that I have read such Application; and that the facts set forth therein are true and correct to the best of my knowledge, information, and belief.



Jon Thurber
Manager, Regulatory Affairs

Subscribed and sworn to before me this 12th day of February, 2015.





Notary Public
Commission expires 12-1-20