

**BEFORE THE SOUTH DAKOTA  
PUBLIC UTILITIES COMMISSION**

**APPLICATION OF BLACK HILLS POWER, )  
INC. d/b/a BLACK HILLS ENERGY FOR )  
APPROVAL OF ITS 2016 TRANSMISSION ) Docket EL16-\_\_\_\_\_  
FACILITY ADJUSTMENT )**

Black Hills Power, Inc. d/b/a Black Hills Energy (“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 become effective on June 1, 2016.

South Dakota Codified Laws §§ 49-34A-25.1 through 25.4, authorize the Commission to approve a tariff mechanism for the automatic annual adjustment of charges for the jurisdictional costs of new or modified transmission facilities with a design capacity of 34.5 kV or more and which are more than five miles in length. The Commission approved the establishment of the TFA tariff in Docket EL12-061. Per the approved tariff, Black Hills Power is required to make an annual rate filing by February 15<sup>th</sup> each year.

Through this Application, the Company seeks approval of its proposal for the annual true-up of the actual amounts collected in the second year of the TFA, as approved in Docket EL15-007, and the forecasted recovery of revenue requirements associated with the third year of the TFA. Black Hills Power will not be seeking additional recoveries for transmission projects from June 2016 through May 2017, but reserves the right to file in future years with qualifying projects.

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. d/b/a Black Hills Energy, 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 SDCL 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. In Docket EL14-013, the Commission approved Black Hills Power's tariff establishing a TFA rate for the revised first year revenue requirement including the remaining Environmental Improvement Adjustment balancing account amount approved in Docket EL14-037.

4. On May 26, 2015, in Docket EL15-007, the Commission approved the second year revenue requirement for the TFA. The second year revenue requirement only recovers costs associated with the Lookout to Sundance Hill project, as the Commission approved the shift of cost recovery of the Custer to Hot Springs project from the TFA to base rates in Docket EL14-026.

5. The second year revenue requirement and allocation by customer class is provided on Exhibit 4, Schedule 4-7 and Schedule 4-6, respectively. In accordance with Element 3 of the Settlement Stipulation entered in Docket EL14-013, Black Hills Power applied the rate of return approved in the most recent general rate case, Docket EL14-026. The following schedules support the second year revenue requirement calculation:

- Schedule 4-8: Rate base has been updated to reflect actual project capital costs, the \$1,000,000 contribution by Butte Electric Cooperative ("Butte") made on November 16, 2015, and the utilization of bonus depreciation for federal income tax purposes.

- Schedule 4-9: The depreciation expense and federal income tax associated with the transmission facilities were updated based on project costs and contribution received.
- Schedule 4-10: Black Hills Power has a joint ownership agreement with Rushmore Electric, and its two members, Black Hills Electric Cooperative and Butte, 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. Line 4 reflects the reduction to the monthly fee relating to the \$1,000,000 contribution to the Lookout to Sundance Hill project by Butte and is calculated in accordance with Section 8.10 of the joint ownership agreement. The contribution resulted in an over investment on this specific project because the contribution was in excess of Butte's load ratio share of the line.

6. The third year revenue requirement is provided on Exhibit 4, Schedule 4-3. The only investment reflected in the third year revenue requirement is the Lookout to Sundance Hill line. The Company proposes to apply the rate of return in the most recent rate case, Docket EL14-026, to investments in the third year revenue requirement. Schedules 4-4, 4-5, and 4-10 support the rate base, operating expenses and other operating revenues associated with the Lookout to Sundance Hill line from June 2016 through May 2017.

7. The calculations for the TFA rates for the period of June 1, 2016, through May 31, 2017, are provided on Exhibit 4, Schedule 4-1. The third year revenue requirement, as supported

on Schedule 4-3, is allocated 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 amounts as shown on Schedule 4-2. The adjusted third year revenue requirements by customer class are then divided by forecasted kWh sales for the period of June 2016 through May 2017 to determine the TFA rate per kWh by customer class.

8. The Company proposes to implement the following rates per kWh to be effective June 1, 2016:

	<u>Transmission Facility Adjustment Rate \$/kWh</u>
Residential Service	0.00013
Small General Service	0.00016
Large General Service and Industrial	0.00010
Lighting Service	0.00013

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.

9. Approximately 68,000 South Dakota retail customers are impacted by the TFA rate change. The annual net decrease in the cost of service is approximately \$79,000. Although the cost of service decreased, the overall revenue required from customers increased because there was less of a credit from the balancing account in this filing than what was included in Docket EL15-007. The average bill impact for a typical residential electric customer using 650 kWh is an increase of approximately 0.02%.

10. Attached as Exhibit 5 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.

11. 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>	Transmission Facility Adjustment Calculation
<u>Exhibit 5</u>	Customer Notice

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

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WHEREFORE, Black Hills Power respectfully requests that the Commission enter an order effective June 1, 2016, approving the adjustment to the Company's electric rates set forth in this Application and the proposed tariffs.

Dated this 16<sup>th</sup> day of February, 2016.

BLACK HILLS POWER

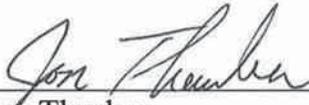
By:   
\_\_\_\_\_  
Jon Thurber  
Manager, Regulatory Services

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

\* \* \* \* \*

STATE OF SOUTH DAKOTA )  
COUNTY OF PENNINGTON )      SS:

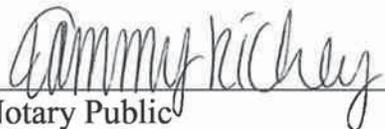
I, Jon Thurber, being duly sworn, do hereby depose and say that I am Manager, Regulatory Services for Black Hills Power, Inc. d/b/a Black Hills Energy, Applicant in the foregoing Application; that I have read such Application; and that the facts set forth therein are true and correct to the best of my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

  
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Jon Thurber  
Manager, Regulatory Services

Subscribed and sworn to before me this 16<sup>th</sup> day of February, 2016.

(SEAL)



  
\_\_\_\_\_  
Notary Public  
my commission expires:  
9/14/2021