



Black Hills Power, Inc. d/b/a Black Hills Energy
Rapid City, South Dakota

SOUTH DAKOTA ELECTRIC RATE BOOK

Transmission Facility Adjustment

Section No. 3C

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TRANSMISSION FACILITY ADJUSTMENT

APPLICABLE

This Transmission Facility Adjustment (TFA) applies to all rate schedules for all classes of service authorized by the Commission.

The TFA rate shall be calculated annually based on forecasted revenue requirements for eligible transmission projects and forecasted kWh retail sales for the applicable rate schedules for the twelve months of June through May, and shall include an over or under recovery from prior years' adjustments through the Balancing Account. The Company will update and make a TFA filing with the Commission on an annual basis no later than February 15th.

TRANSMISSION FACILITY ADJUSTMENT RATE

A TFA rate shall be the annual transmission facility improvement revenue requirements for the twelve-month period June 1 through May 31 of each year and the forecasted balance of the TFA Balancing Account divided by the forecasted retail sales volumes for the same June 1 through May 31 twelve-month period for each class of service. The TFA rate shall be rounded to the nearest \$0.00001 per kWh.

The TFA rate may be adjusted annually with approval of the Commission. The TFA rate is initially:

Residential Service	\$ 0.00010 <u>0.00013</u> per kWh
Small General Service	\$ 0.00014 <u>0.00016</u> per kWh
Large General Service and Industrial	\$ 0.00009 <u>0.00010</u> per kWh
Lighting Service	\$ 0.00019 <u>0.00013</u> per kWh

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Transmission Facility Improvement Revenue Requirements shall be the annual revenue requirements associated with new or modified transmission facilities eligible for recovery under SDCL 49-34A-25.1 and approved by the Commission. A standard model will be used to calculate the total forecasted revenue requirements for the designated periods.

TFA Balancing Account shall be the difference between the annual revenue requirements for eligible transmission facility improvements approved by the Commission for recovery through the TFA and the actual TFA amounts recovered during the year. The Balancing Account amount shall have interest applied or credited monthly at the annual rate of seven percent (7%). The Balancing Account balance will be included in the TFA rate calculation.

Forecasted Retail Sales Volumes shall be the estimated total retail electric kWh sales for the designated recovery period.

EFFECTIVE DATE

The TFA will be updated and filed each year on or before February 15th with forecasted information and with an effective date of June 1st.