

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

**APPLICATION OF BLACK HILLS POWER,)
INC. d/b/a BLACK HILLS ENERGY FOR)
APPROVAL OF ITS 2017 TRANSMISSION) Docket EL17-_____
FACILITY ADJUSTMENT)
)
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**BLACK HILLS POWER, INC. d/b/a BLACK HILLS ENERGY'S APPLICATION FOR
ITS 2017 TRANSMISSION 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, 2017.

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 15th each year.

Through this Application, the Company seeks approval of its proposal for the annual true-up of the actual amounts collected in the third year of the TFA, as approved in Docket EL16-005, and the forecasted recovery of revenue requirements associated with the fourth year of the TFA. Black Hills Power will not be seeking additional recoveries for transmission projects from June 2017 through May 2018, 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 and the annual true-up of the actual amounts collected in the first year of the TFA. The second year revenue requirement only includes 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. On May 13, 2016, in Docket EL16-005, the Commission approved the third year revenue requirement for the TFA and the annual true-up of the actual amounts collected in second year of the TFA.

6. The third year revenue requirement and allocation by customer class is provided on Exhibit 4, Schedule 4-7 and Schedule 4-6, respectively. Schedule 4-8, 4-9 and 4-10 support the

rate base, operating expenses and other revenue. 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.

7. The fourth year revenue requirement is provided on Exhibit 4, Schedule 4-3. The only investment reflected in the fourth year revenue requirement is the Lookout to Sundance Hill line. The Company applied the rate of return in the most recent rate case, Docket EL14-026, to investments in the fourth 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 2017 through May 2018.

8. The calculations for the TFA rates for the period of June 1, 2017, through May 31, 2018, are provided on Exhibit 4, Schedule 4-3. The fourth year revenue requirement, as supported on Schedule 4-1, 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 fourth year revenue requirements by customer class are then divided by forecasted kWh sales for the period of June 2017 through May 2018 to determine the TFA rate per kWh by customer class.

TFA PROPOSED RATE

The Company proposes to implement the following rates per kWh to be effective June 1, 2017:

	Transmission Facility Adjustment Rate \$/kWh
Residential Service	<hr/> \$0.00018

Small General Service	\$0.00021
Large General Service and Industrial	\$0.00016
Lighting Service	\$0.00020

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.

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 \$3,100. Although the cost of service decreased, the overall revenue required from customers increased because of the balancing account being under-collected in this filing. The average bill impact for a typical residential electric customer using 650 kWh is an increase of approximately 0.02%.

NOTICE

The Company plans to provide notice to customers regarding the TFA rate through a bill message with the first bill of service under the proposed rate in accordance with South Dakota Administrative Rule 20:10:13:19. A customer notice will be displayed in the Black Hills South Dakota district offices and has been attached as Exhibit 5. The Company will work with Commission Staff to determine if there are any required modifications to the notice.

EXHIBITS

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

Exhibit 1 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

COMPANY REPRESENTATIVES

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

Mr. Jason Keil
 Manager – Regulatory
 625 Ninth Street
 P.O. Box 1400
 Rapid City, SD 57709
 Phone: (605) 721-1502
Jason.Keil@blackhillscorp.com

Mr. Todd Brink
 Associate General Counsel
 625 Ninth Street
 P.O. Box 1400
 Rapid City, SD 57709
 Phone: (605) 721-2516
Todd.Brink@blackhillscorp.com

Mr. Vance Crocker
 Vice President – Electric Operations
 409 Deadwood Ave
 P.O. Box 1400
 Rapid City, SD 57709
 Phone: (605) 721-2612
Vance.Crocker@blackhillscorp.com

CONCLUSION

WHEREFORE, Black Hills Power respectfully requests that the Commission enter an order effective June 1, 2017, approving the adjustment to the Company’s electric rates set forth in this Application and the proposed tariffs.

Dated this 15th day of February, 2017.

BLACK HILLS POWER, INC

By: 

Jason S. Keil
Manager - Regulatory

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

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STATE OF SOUTH DAKOTA)
COUNTY OF PENNINGTON) SS:

I, Jason S. Keil, being duly sworn, do hereby depose and say that I am Manager – Regulatory 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.



Jason S. Keil
Manager – Regulatory

Subscribed and sworn to before me this 15th day of February, 2017.


Notary Public

Commission expires: 9/14/2021

(SEAL)

