

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

APPLICATION OF BLACK HILLS POWER, INC.,)
d/b/a BLACK HILLS ENERGY FOR APPROVAL TO) Docket No. EL21-_____
AMEND THE ENERGY COST ADJUSTMENT)
TARIFF)

**APPLICATION TO AMEND BLACK HILLS POWER’S ENERGY COST
ADJUSTMENT TARIFF**

Black Hills Power, Inc., d/b/a Black Hills Energy (“Black Hills Power” or the “Applicant”), a South Dakota corporation, submits this Application to change an existing tariff. Black Hills Power respectfully requests an Order from the South Dakota Public Utilities Commission (“Commission”) permitting the Applicant to revise Black Hills Power’s Energy Cost Adjustment (“ECA”) tariff (“ECA Tariff”). The requested changes are reflected in the revised tariff sheets included as Exhibit 1 to this Application.

Introduction

In this Application, Black Hills Power is requesting Commission approval to amend its existing ECA Tariff to include wholesale revenue from energy or capacity sales one year or longer in the “Power Marketing Operating Income” portion of the ECA calculation. This amendment aligns both customer and company interests to actively seek renewals or extensions of existing longer-term wholesale contracts, as well as new longer-term wholesale contracts. Specifically, this change will allow revenue from longer-term wholesale contracts to be included in the Company’s Power Marketing Operating Income portion of the ECA calculation in the same way revenue from shorter-term contracts is currently included. With this change, margins from all new wholesale contracts will be shared 70% by customers and 30% by the company, which is consistent with the current sharing arrangement for shorter-term wholesale contracts. Including longer-term wholesale contracts in the Power Marketing Operating Income portion of

the ECA will also reduce the Fuel and Purchased Power (“FPP”) expenses, resulting in all retail customers receiving a lower ECA component on their bill.

Exhibits in Support of the Application

Exhibit No. 1 Proposed ECA Tariff

Report of Proposed Tariff Changes

The following information is being provided pursuant to South Dakota Administrative Rule 20:10:13:26 regarding this Application for the amendment of the existing ECA Tariff

(1) Name and address of the public utility.

Black Hills Power, Inc. d/b/a Black Hills Energy, 7001 Mount Rushmore Road, Rapid City, South Dakota, 57702.

(2) Section and sheet number of tariff schedule.

The proposed amendment to the ECA is set forth in Exhibit 1, Section No 3C, Sheets 13-14.

(3) Description of the change.

Black Hills Power proposes this revision to its ECA Tariff that moves all Wholesale Contract Revenue to the Power Marketing Operating Income section of the ECA Tariff calculation. As proposed, the revision will affect agreements with a term of one year or greater, and will apply to both: i) new contracts with effective dates on or after January 1, 2022; and ii) extensions, renewals, and amendments of existing contracts with renewal/extension/amendment effective dates beginning on or after January 1, 2022. The purpose of this change is to align the sharing arrangement currently in place for shorter-term wholesale contracts with longer-term wholesale contracts, thereby encouraging Black Hills Power to actively seek not only the renewal or extension of existing longer-term contracts, but also new longer-term contracts. This

proposed change appropriately incents Black Hills Power to proactively seek and renewals and possibly new contracts for the benefit of customers and the company.

(4) Reason for the change.

Black Hills Power's reason for this amendment to the ECA Tariff is to align both customer and shareholder interests for the renewal or extension of existing wholesale contracts and new wholesale contracts, while providing customers with a 70% benefit through the existing sharing mechanism connected to Power Marketing Operating Income within the Company's ECA Tariff. Currently, if certain expiring wholesale contracts are not renewed or extended, retail customers will not see a direct benefit from any new longer-term wholesale contracts. Black Hills Power's proposal allows for Customers to receive a 70% benefit on all new wholesale contract margins, which will reduce FPP costs that retail customers are charged through the ECA Tariff.

(5) Present rate(s).

0.01482/kWh Base Cost

0.01062/kWh SD FPP Adjustment

(6) Proposed rate(s).

Under the amended ECA, customers will continue to pay their assigned rate schedule charges. Black Hills Power does not forecast its Fuel and Purchased Power Adjustment, this rate could be higher or lower depending on the experienced cost to generate and purchase power.

(7) Proposed effective date of modified rate(s):

Black Hills Power proposes an effective date of April 1, 2021 for the amended ECA Tariff. Black Hills Power currently anticipates the renewal or extension of any existing wholesale contracts will take effect on or after January 1, 2022.

(8) Approximation of approval amount of increase or decrease in revenue:

Including Wholesale Revenue in the sharing mechanism portion of its ECA calculation is expected to reduce costs for all customers paying the ECA rate by creating an appropriate incentive for the Company to enter into or renew long-term wholesale contracts.

(9) Points affected:

The proposed tariff changes will apply to all customers throughout the Black Hills Power electric service area in South Dakota.

(10) Estimation of the number of customers whose cost of service will be affected and annual amount of either increases or decreases, or both, in cost of service to those customers:

Approximately 72,000 South Dakota customers will be affected.

(11). Statement of facts, expert opinions, documents, and exhibits to support the proposed change:

Exhibit 1 to the Application includes the changes to the ECA tariff that are specifically requested.

Company Representatives

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

Marc Eyre
Vice President - Electric Operations
P.O. Box 1400
Rapid City, SD 57709-1400
Phone: (605) 399-5075
Marc.Eyre@blackhillscorp.com

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

Kyle Komata
Regulatory & Finance Analyst
P.O. Box 1400
Rapid City, SD 57709-1400
Phone: (605) 399-5055
Kyle.Komata@blackhillscorp.com

Verification

Attached is the Verification signed by Jason S. Keil, who is authorized to act on behalf of Black Hills Power, Inc. d/b/a Black Hills Energy, affirming that the contents of the Application are true, accurate and correct to the best of his understanding, knowledge and belief.

Conclusion

Based on this Application and the supportive exhibits, Black Hills Power respectfully requests the Commission issue an order approving Black Hills Power's proposed Amendment to its Energy Cost Adjustment Tariff with an effective date of April 1, 2021.

Dated: January 26, 2021

BLACK HILLS POWER, INC. d/b/a Black Hills Energy

By: 

Jason S. Keil
Manager, Regulatory & Finance

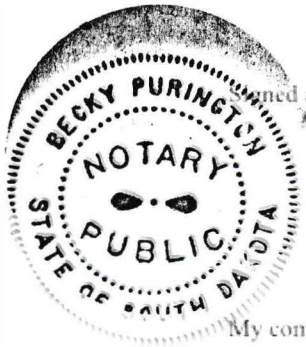
STATE OF SOUTH DAKOTA)
) SS.
COUNTY OF PENNINGTON)

I, Jason S. Keil, being duly sworn, do hereby depose and say that I am Manager -
Regulatory and Finance for Black Hills Power, Inc. d/b/a Black Hills Energy, 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 & Finance

signed and sworn to me on this 26th day of January 2021.





Notary Public

My Commission Expires June 22, 2023

My commission expires: _____