

market event. Despite these tremendous challenges, Black Hills Power is pleased to report that it was able to keep electric power flowing and was able to avoid any major interruptions to its customers during this period.

The record cold event produced subzero temperatures that were even colder than weather data and news channels had predicted. That record cold weather over a large geographic area, particularly in Texas, drove an unprecedented increase in demand for electric and natural gas energy, which contributed to unforeseeable dramatic increases in natural gas supply prices beyond the control of Black Hills Power.

As a result of the increased demand for electric and natural gas energy, Black Hills Power experienced significant natural gas commodity cost increases from its suppliers due to high demand. These natural gas purchases were critical in maintaining system reliability and to keep service available to customers in severe, life-threatening weather conditions.

Black Hills Power was required to spend as much for gas supply during this seven-day period as it normally spends on gas costs over an entire year. Black Hills Power normally has approximately \$4.0 to \$4.5 million of ECA Total System Costs during the month of February. In February 2021, Black Hills Power experienced approximately \$28 million of ECA Total System Costs, with some additional costs for gas purchases being trued-up carrying over into its March 2021 Total System Costs, which impacted March Total System Costs by approximately \$1.5 million. Black Hills Power fully understands and appreciates that the approximately \$24 million of incremental cost of natural gas during the February 2021 Cold Weather Event is unique and extreme when compared to natural gas prices normally experienced during the winter. Black Hills Power believes that these additional extraordinary costs should not be included within the Company's Energy Cost Adjustment (ECA).

Black Hills Power's approach to these extraordinary costs was to leave approximately \$4.0 to \$4.5 million of February Total System Costs in the ECA mechanism, to be consistent with historical ECA rate calculation and include the remaining cost in the request for treatment outside of the ECA, which equates to approximately \$24 million. Removing these costs from the ECA and allowing an alternate recovery mechanism will benefit Black Hills Power customers by allowing a reduced carrying charge to be applied. In addition, including these extraordinary costs in the ECA balancing cost has the effect of distorting the system average cost component that is tied to the Company's performance on its wholesale activity and the Company's Renewable Ready Service tariff.

Through this Petition, Black Hills Power requests that the Commission approve deferred accounting treatment for these February 2021 Cold Weather Event Costs. Black Hills Power proposes to begin amortization/recovery of the costs on June 1, 2021 through May 31, 2022, with a reduced carrying charge of 1.35%.

III. RECOVERY PLAN

Recovery Mechanism – It is Black Hills Power's intention to create a regulatory asset account for these extraordinary costs and to collect them through a separate line item on each customer bill labeled "February Costs" starting on June 1, 2021 through May 31, 2022.

Total Costs – Black Hills Power is proposing to transfer \$24 million in extraordinary natural gas costs out of February's Energy Cost Adjustment (ECA) Total System Costs into this regulatory asset account. Since Black Hills Power is a multi-jurisdictional utility (South Dakota, Wyoming and Montana), Black Hills Power's South Dakota jurisdiction

regulatory asset amount will be \$20,065,640 (83.6% of \$24 million), which can be found in Exhibit 1.

Recovery Period – Black Hills Power is seeking recovery of the regulatory asset account over a twelve-month period. Black Hills Power wanted a period of time long enough that the monthly bill impacts would be reasonable for our customers, but not so long that it would be financial hardship on the Company or incur unnecessary carry costs that our customers ultimately have to pay. With the twelve-month time-period chosen, the impacts on average customer bills are explained in further detail below. The twelve-month time-period will begin on June 1, 2021 and will conclude on May 31, 2022. Black Hills Power recognizes that there may be an over/under recovery of the February 2021 Cold Weather Event Costs after May 31, 2022. Black Hills proposes to reconcile the regulatory asset account once the twelve-month has ended and report to Commission Staff that balance. Upon Commission Staff’s agreement on the balance, Black Hills Power will propose to include the agreed upon over/under recovery in its next ECA filing.

Carrying Costs – Since Black Hills Power is proposing a twelve-month amortization, Black Hills Power is proposing a carrying cost of 1.35%, versus the authorized 7% ECA Commodity Account carrying cost rate. The 1.35% carrying cost rate is Black Hills Corporation’s forecasted interest rate on its revolving credit facility. Black Hills Corporation’s revolving credit facility is used to fund short-term working capital needs. The forecasted rate over the proposed twelve-month collection period is LIBOR plus 112.5 basis points. Black Hills Power believes that this is a fair and equitable benefit that

should be passed on to each customer. This lower interest rate saves customers approximately \$600,000 in carrying costs over the twelve-month period. Customer Impacts – Black Hills Power is proposing a volumetric recovery means and proposes the following rates, which can also be found in Exhibit 1:

<u>Rate Class</u>	<u>Regulatory Asset Rate / kWh</u>	
Residential	\$	0.0165
Small General Service	\$	0.0132
Large General Service	\$	0.0102
Industrial Contract Service	\$	0.0125
Public Street Lighting	\$	0.0150

IV. EXHIBITS

Exhibit No. 1 – Allocation of the \$24 million between jurisdictions

Exhibit No. 2 – Rate class amortization schedule

V. PROPOSED DEFERRAL AND AMORTIZATION ACCOUNTING METHOD

Black Hills Power requests that the Commission approve deferred accounting treatment of \$24 million in February 2021 Cold Weather Event Costs and recovery of the regulatory asset beginning on June 1, 2021 through May 31, 2022, with a carrying charge of 1.35%.

VI. COMPANY REPRESENTATIVES

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

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VII. 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 Petition are true, accurate and correct to the best of his understanding, knowledge and belief.

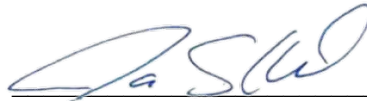
VIII. CONCLUSION

Black Hills Power is committed to delivering safe and reliable energy and did so during the February 2021 Cold Weather Event and requests that the Commission grant Black Hills Power authorization to establish a regulatory asset for these extraordinary costs with recovery beginning on June 1, 2021 and ending on May 31, 2022, and a carrying charge of 1.35%. Based on the Petition and supporting exhibits, Black Hills Power respectfully requests that the Commission:

1. Issue an order approving deferred accounting treatment of the February 2021 Cold Weather Event Costs;

2. Approve Black Hills Power's proposal to begin collecting the regulatory asset on June 1, 2021 and ending on May 31, 2022; and
3. Approve the proposed carrying charge of 1.35%.

Dated this 30th day of April, 2021.




Jason S. Keil

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

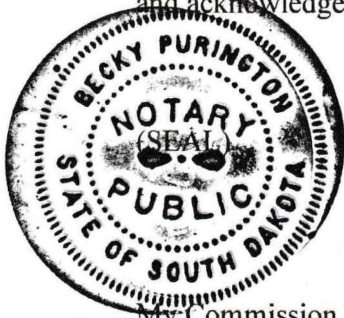
Jason S. Keil, being duly sworn, do hereby depose and state that I am Manager –
Regulatory & Finance for Black Hills Power, Inc. d/b/a Black Hills Energy, Applicant in the
foregoing Petition; that I have read such Petition; and that the facts set forth therein are true
and correct to the best of my knowledge, information, and belief.

Dated this 30th day of April, 2021.



Jason S. Keil

On April 30th 2021, appeared Jason S. Keil, not in my physical presence but rather
appearing remotely by means of communication technology from 7001 Mt. Rushmore Rd.,
Rapid City, SD 57702, known to me to be the person who executed the foregoing instrument,
and acknowledged that he executed the same as his free act, and deed.





Notary Public, South Dakota

My Commission Expires June 22, 2023

My Commission Expires: _____