



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

CONDITIONAL ENERGY COST ADJUSTMENT

Section No. 3C

Sixth Revised Sheet No. 1

Page 1 of 4

Cancels Fifth Revised Sheet No. 1

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

E112-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

CONDITIONAL ENERGY COST ADJUSTMENT

Section No. 3C

Second Revised Sheet No. 2

Page 2 of 4

Cancels First Revised Sheet No. 2

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

E L 12-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

CONDITIONAL ENERGY COST ADJUSTMENT

Section No. 3C

Second Revised Sheet No. 3

Page 3 of 4

Cancels First Revised Sheet No. 3

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

EL12-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

CONDITIONAL ENERGY COST ADJUSTMENT

Section No. 3C

Second Revised Sheet No. 4

Page 4 of 4

Cancels First Revised Sheet No. 4

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

E L 12-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

TRANSMISSION COST ADJUSTMENT

Page 1 of 4

Section No. 3C

Sixth Revised Sheet No. 5

Cancels Fifth Revised Sheet No. 5

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

E 412.042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

TRANSMISSION COST ADJUSTMENT

Page 2 of 4

Section No. 3C

Fifth Revised Sheet No. 5A

Cancels Fourth Revised Sheet No. 5A

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

EL12-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

TRANSMISSION COST ADJUSTMENT

Section No. 3C

Third Revised Sheet No. 6

Page 3 of 4 (T)

Cancels Second Revised Sheet No. 6

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

EL12-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

TRANSMISSION COST ADJUSTMENT

Page 4 of 4 (T)

Section No. 3C  
Third Revised Sheet No. 7  
Cancels Second Revised Sheet No. 7

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

EL12-042





Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

STEAM PLANT FUEL COST ADJUSTMENT

Section No. 3C

Sixth Revised Sheet No. 8

Page 1 of 3

Cancels Fifth Revised Sheet No. 8

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

E L 12-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

STEAM PLANT FUEL COST ADJUSTMENT

Section No. 3C

Second Revised Sheet No. 9

Page 2 of 3

Cancels First Revised Sheet No. 9

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

EL12-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

STEAM PLANT FUEL COST ADJUSTMENT

Section No. 3C

Second Revised Sheet No. 10

Cancels First Revised Sheet No. 10

Page 3 of 3

(Reserved)

(T)

Date Filed: May 31, 2012

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: July 3, 2012

E L 12-042



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### COST ADJUSTMENT SUMMARY

Section No. 3C

Tenth Revised Sheet No. 11

Cancels Ninth Revised Sheet No. 11

Page 1 of 1

### COST ADJUSTMENT SUMMARY

Rate Schedule	Base Costs <sup>1</sup>	ECA <sup>2</sup>	EIA <sup>3</sup>	EESA <sup>4</sup>	TFA <sup>5</sup>	Total Rate (\$/kWh)	
Residential Services	\$0.0227	\$0.0038	\$0.0005	\$ 0.0004	\$0.0000	\$ 0.0274	(R)
Small General Service	\$0.0227	\$0.0043	\$0.0005	\$ 0.0002	\$0.0000	\$ 0.0277	(R)
Large General Service	\$0.0227	\$0.0039	\$0.0003	\$ 0.0002	\$0.0000	\$ 0.0271	(R)
Industrial Contract Service	\$0.0227	\$0.0033	\$0.0003	\$ 0.0002	\$0.0000	\$ 0.0265	(R)
Lighting Service	\$0.0227	\$0.0039	\$0.0002	\$ 0.0002	\$0.0000	\$ 0.0270	(R)

<sup>1</sup>Base Costs are comprised of:

Base FPP Costs of \$0.0146/kWh as approved by the South Dakota Public Utilities Commission (the Commission) in Docket EL09-018; prior to April 1, 2013 the Base FPP Costs were recovered through base rates

Base Transmission Costs of \$0.0081 as approved by the Commission in Docket EL09-018; prior to April 1, 2013 the Base Transmission Costs were recovered through base rates

<sup>2</sup>Energy Cost Adjustments (ECA) is comprised of:

Fuel and Purchased Power Adjustment (FPPA) Sheet No. 12  
(Effective April 1, 2013)

Transmission Cost Adjustment (TCA) – Sheet No. 17

Fuel and Purchase Power Adjustment (FPPA) Sheet No. 1  
(Effective April 1, 2014)

<sup>3</sup>Environmental Improvement Adjustment (EIA) – Sheet No. 20

<sup>4</sup>Energy Efficiency Solutions Adjustments (EESA) Sheet No. 21

<sup>5</sup>Transmission Facility Adjustment (TFA) Sheet No. 2



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### FUEL AND PURCHASED POWER ADJUSTMENT

Section No. 3C

Page 1 of 4

Third Revised Sheet No. 12

Cancels Second Revised Sheet No. 12

### FUEL AND PURCHASED POWER ADJUSTMENT

#### APPLICABLE

This Fuel and Purchased Power Adjustment (FPPA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission).

The FPPA shall be calculated annually based on actual system costs for Fuel and Purchased Power (FPP) for the twelve months of April through March as compared to the base year FPP costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. Black Hills Power, Inc. (the Company) will update and make a FPPA filing with the Commission on an annual basis no later than May 10<sup>th</sup>.

<u>FUEL AND PURCHASED POWER ADJUSTMENT CALCULATION</u>		For the Twelve months ended March 31, 2013	(T)
1. Annual System FPP Costs	\$	33,425,580	(R)
2. Annual System Energy Sales		2,061,639,885 kWh	(I)
3. FPP Cost /kWh (Line 1 ÷ Line 2)	\$	0.0162 /kWh	(R)
4. Approved Base FPP Costs	\$	0.0146 /kWh	
5. FPP Cost /kWh Difference (Line 3 – Line 4)	\$	0.0016 /kWh	(R)
6. Total FPP Change from Base (Line 2 x Line 5)	\$	3,298,624	(R)
7. South Dakota Annual Retail Energy Sales		1,488,492,737 kWh	(I)
8. Total SD (Refund) / Charge (Line 5 x Line 7)	\$	2,381,588	(R)
9. SD Balancing Account (+/-)	\$	330,840	(I)
10. SD Surplus Energy Phase-out	\$	500,000	(I)
11. Net SD Amount to (Refund)/Charge (Line 8 + Line 9 + Line 10)	\$	3,212,428	(R)
12. Projected South Dakota Retail Energy Sales		1,494,792,736 kWh	(R)
13. SD FPPA (Line 11 + Line 12)	\$	0.0021 /kWh	(R)

Date Filed: April 30, 2013

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: June 1, 2013



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### FUEL AND PURCHASED POWER ADJUSTMENT

Section No. 3C  
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### FUEL AND PURCHASED POWER ADJUSTMENT

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#### ANNUAL SYSTEM FUEL AND PURCHASED POWER (FPP) COSTS (Line 1)

FPP Costs include all purchased power; fuel consumed for plant generation, including but not limited to coal, fuel oil and natural gas; less costs associated with Power Marketing; and a sharing of Power Marketing Operating Income. The Annual System FPP Costs shall be calculated on an annual basis using the total of:

- a. Total fuel costs of the Company's generation for items listed in the Federal Energy Regulatory Commission's (FERC) Accounts: 501 for Fuel and 547 for Other Power Production, as well as any other costs of fuel consumed to generate electricity not listed in these two accounts. The base price for coal, included in this cost, is determined in accordance with the methodology set forth in the Statement R of the Company's 2005 rate application Docket Number EL06-019;
- b. The costs of all energy purchases listed under FERC account 555;
- c. Less, Ninety percent (90%) of the share of margin generated by the sale of Renewable Energy Credits;
- d. Less, FPP used for Power Marketing Sales; and
- e. Less a share of Power Marketing Operating Income as described below.

#### POWER MARKETING OPERATING INCOME (PMOI)

As an incentive to provide the lowest cost FPP to customers, Power Marketing revenues and expenses will be included in the Fuel and Purchase Power Adjustment clause as follows:

- a. Power Marketing Sales revenues are defined as short-term (generally less than one year) energy sales to wholesale customers and sales of emission allowances.
- b. The Company's long-term (generally more than one year) customer obligations will be served with the lowest cost resources during each hour that the Company engages in Power Marketing Sales except for the following: 1) Any renewable resource energy; and 2) Specific energy blocks, up to 75MW, purchased to cover energy needs for 3 weeks or more. For these two situations, the cost of energy shall be directly assigned to the Company's long-term customers. Any remaining resources may be scheduled for, and if scheduled will be charged to, Power Marketing Sales as the costs of goods sold.
- c. Fifty percent (50%) of the base salary and benefit costs of the Company's generation dispatch and power marketing personnel shall be included as a power marketing expense.
- d. Any transmission expense incurred to facilitate Power Marketing Sales shall be included as an expense.

Date Filed: September 30, 2009

By: Chris Kilpatrick  
Director of Rates

Effective Date: April 1, 2010

EL09-018



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### FUEL AND PURCHASED POWER ADJUSTMENT

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### FUEL AND PURCHASED POWER ADJUSTMENT

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#### POWER MARKETING OPERATING INCOME (Continued)

- e. Bonuses payable to the Company's generation dispatch and power marketing personnel as a result of Power Marketing Sales shall be included as an expense.
- f. Any specifically identified expenses associated with Power Marketing Sales, such as legal expense or bad debt expense, shall be included as an expense.

#### SHARING OF POWER MARKETING OPERATING INCOME

The calculated Pre-Tax PMOI will be multiplied by 65% to determine the amount of the credit to be applied as a credit to the FPP costs.

The Power Marketing Operating Income Credit shall not be less than \$2,000,000.

#### ANNUAL SYSTEM ENERGY SALES (Line 2)

Annual System Energy Sales are the total kilowatt hours associated with the FERC accounts for Sales of Electricity by Rate Schedules and Sales for Resale, less Power Marketing Sales.

#### BASE FPP COSTS (Line 4)

The Base FPP Costs are as approved by the Commission in Docket EL09-018.

#### SOUTH DAKOTA ANNUAL RETAIL ENERGY SALES (Line 7)

The South Dakota Annual Retail Energy Sales are the total South Dakota retail energy kilowatt hour sales for the previous period for all classes of service authorized by the Commission.

#### SD BALANCING ACCOUNT (Line 9)

This Balancing Account amount on Line 9 (positive or negative) is the Line 10 amount from the previous filing (SD Net Amount to (Refund)/Charge) less the actual FPPA amount (Refunded) or Charged for the period, adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the annual rate of seven percent (7%). The FPPA (Refund)/Charge will be applied monthly to the Balancing Account, first to the interest balance, and thereafter to the principal amount.

Date Filed: September 30, 2009

EL09-018

By: Chris Kilpatrick  
Director of Rates

Effective Date: April 1, 2010



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### FUEL AND PURCHASED POWER ADJUSTMENT

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### FUEL AND PURCHASED POWER ADJUSTMENT

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#### SD SURPLUS ENERGY PHASE-OUT (Line 10)

The determination of South Dakota Base Rates included a Surplus Energy Credit which is phased-out as follows:

- For the twelve month period April 2010 through March 2011 the amount will be \$0
- For the twelve month period April 2011 through March 2012 the amount will be \$250,000
- For the twelve month period April 2012 through March 2013 the amount will be \$500,000
- All periods after March 2013, the phase-out amount will be \$2,500,000

#### NET SD AMOUNT TO (REFUND)/CHARGE (Line 11)

The net amount to refund or charge customers is the South Dakota's share of the total Net FPP costs adjusted by the Balancing Account and the SD Surplus Energy Phase-out (Line 8 + Line 9 + Line 10).

#### PROJECTED SOUTH DAKOTA RETAIL ENERGY SALES (Line 12)

These are the kilowatt hours of retail sales projected for the State of South Dakota for the period that the FPPA (Line 12) will be in effect.

#### SD FUEL AND PURCHASED POWER ADJUSTMENT (Line 13)

The FPPA on Line 12 shall be included in the Company's annual Energy Cost Adjustment and shall be applied to all rate schedules in all classes of service authorized by the Commission.

#### EFFECTIVE DATE

The FPPA will be updated and filed annually with the effective date of June 1<sup>st</sup>.

Date Filed: September 30, 2009

By: Chris Kilpatrick  
Director of Rates

Effective Date: April 1, 2010

EL09-018





Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### TRANSMISSION COST ADJUSTMENT

Section No. 3C

Third Revised Sheet No. 16

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Cancels Second Revised Sheet No. 16

### TRANSMISSION COST ADJUSTMENT

#### APPLICABLE

This Transmission Cost Adjustment (TCA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission). The TCA shall be calculated annually based on actual system transmission costs for the twelve months April through March as compared to the base year transmission costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. Black Hills Power, Inc. (the Company) will update and make a TCA filing with the Commission on an annual basis no later than May 10th.

#### TRANSMISSION COST ADJUSTMENT CALCULATION

For the Twelve months  
ended March 31, 2013

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1.	Annual System Transmission Costs	\$	19,461,269	(R)
2.	Power Marketing Transmission Costs	\$	1,295,179	(R)
3.	Transmission Costs Reimbursed by Others	\$	1,412,210	(I)
4.	Net Transmission Costs (Line 1 – Line 2 – Line 3)	\$	16,753,880	(R)
5.	Annual Retail Energy Sales		1,706,867,885	kWh (I)
6.	Adjusted Transmission Costs (Line 4 ÷ Line 5)	\$	0.0098	/kWh (R)
7.	Base Transmission Costs	\$	0.0081	/kWh
8.	Difference (Line 6 – Line 7)	\$	0.0017	/kWh (R)
9.	South Dakota Annual Year Retail Energy Sales		1,488,492,737	kWh (I)
10.	Transmission Costs to South Dakota (Line 8 x Line 9)	\$	2,530,438	(R)
11.	For Each Customer Class Calculate the Customer Class Allocation of Total South Dakota Transmission Expense Based Upon Class Allocators in Table 1 – Multiply Each Class Allocator by Line 10			

	Customer Class Allocation Factor	Allocated Amount	
Residential Service	34.00%	860,349	(R)
Small General Service	34.33%	868,699	(R)
Large General Service	20.73%	524,560	(R)
Industrial Contract Service	9.97%	252,285	(R)
Lighting Service	0.97%	24,545	(R)

Date Filed: April 30, 2013

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: June 1, 2013



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### TRANSMISSION COST ADJUSTMENT

Section No. 3C

Third Revised Sheet No. 17

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Cancels Second Revised Sheet No. 17

### TRANSMISSION COST ADJUSTMENT

12. Balancing Account (+/-) for each South Dakota Customer Class 145,938 (R)

Residential Service	\$	49,619
Small General Service	\$	50,101
Large General Service	\$	30,253
Industrial Contract Service	\$	14,550
Lighting Service	\$	1,416

13. Total Transmission Cost for each South Dakota Customer Class  
(Refund)/Charge (Line 11 + Line 12)

Residential Service	\$	909,968
Small General Service	\$	918,800
Large General Service	\$	554,813
Industrial Contract Service	\$	266,835
Lighting Service	\$	25,961

14. Forecast South Dakota Customer Class Annual Retail Energy Sales (kWh/Class)

Residential Service	522,093,897
Small General Service	424,088,428
Large General Service	313,371,613
Industrial Contract Service	221,146,481
Lighting Service	14,092,317

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15. South Dakota Customer Class Transmission Cost Adjustment  
(Line 13/Line 14)

Residential Service	\$	<u>0.0017/kWh</u>
Small General Service	\$	<u>0.0022/kWh</u>
Large General Service	\$	<u>0.0018/kWh</u>
Industrial Contract Service	\$	<u>0.0012/kWh</u>
Lighting Service	\$	<u>0.0018/kWh</u>

(R)

Date Filed: April 30, 2013

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: June 1, 2013



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### TRANSMISSION COST ADJUSTMENT

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### TRANSMISSION COST ADJUSTMENT

Table 1 – South Dakota Customer Class Capacity Allocation Factors

South Dakota Customer Class	Customer Class Capacity Allocation Factor
Residential Service	34.00%
Small General Service	34.33%
Large General Service	20.73%
Industrial Contract Service	9.97%
Lighting Service	0.97%

### TRANSMISSION SERVICES

The TCA shall recover the charges under the Company's Joint Open Access Transmission Tariff approved by the Federal Energy Regulatory Commission (FERC). The TCA may also include allowed charges billed to the Company by any other transmission provider.

Transmissions Services shall include all Network Integrated Transmission Service, all Point-to-Point Transmission Service, including all associated ancillary service charges, and regulation expenses, required to support the Company's system energy sales.

### ANNUAL SYSTEM TRANSMISSION COSTS (Line 1)

The Annual System Transmission Costs are the total Company annual year costs for Transmission Services.

### POWER MARKETING TRANSMISSION COSTS (Line 2)

Power Marketing Sales are defined as short-term sales to wholesale customers. The Power Marketing Transmission Costs are those transmission costs incurred in facilitating Power Marketing Sales.

### TRANSMISSION COSTS REIMBURSED BY OTHERS (Line 3)

These are the transmission costs of the Company that are reimbursed by others.

### ANNUAL RETAIL ENERGY SALES (Line 5)

Annual Retail Energy Sales are the total of FERC accounts for Sales of Electricity by Rate Schedules.

### BASE TRANSMISSION COSTS (Line 7)

The Base Transmission Costs are as approved by the Commission in Docket EL09-018.

### SOUTH DAKOTA ANNUAL RETAIL ENERGY SALES (Line 9)

The South Dakota Annual Year Retail Energy Sales are the total South Dakota retail energy sales for all classes of service authorized by the Commission.

Date Filed: September 30, 2009

EL09-018

By: Chris Kilpatrick  
Director of Rates

Effective Date: April 1, 2010



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### TRANSMISSION COST ADJUSTMENT

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### TRANSMISSION COST ADJUSTMENT

#### TRANSMISSION COSTS FOR SOUTH DAKOTA (Line 10)

This is the total dollar amount of Transmission Costs allocated to all South Dakota retail customers.

#### CUSTOMER CLASS CAPACITY ALLOCATION OF TRANSMISSION EXPENSE (Line 11)

This is the total South Dakota transmission expense multiplied by each of the customer class capacity allocators to determine the allocated share of the transmission costs (Line 10) for each customer class.

#### BALANCING ACCOUNT FOR EACH CUSTOMER CLASS (Line 12)

This Balancing Account Amount on Line 12 (positive or negative) is the Line 13 amount for each South Dakota customer class from the previous filing (Total Transmission Costs for each South Dakota Customer Class) less the actual TCA (Refund)/Charge from each customer class for the annual year as adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the annual rate of seven percent (7%). The TCA (Refund)/Charge will be applied monthly to the Balancing Account for each customer class, first to the interest balance, and thereafter to the principal amount.

#### TOTAL TRANSMISSION COSTS FOR EACH SOUTH DAKOTA CUSTOMER CLASS (Line 13)

This is the total dollar amount to be collected from or reimbursed to each South Dakota Customer Class.

#### FORECAST SOUTH DAKOTA ANNUAL RETAIL ENERGY SALES BY CUSTOMER CLASS (Line 14)

These are the kilowatt hours of South Dakota retail sales projected by customer class for the period that the TCA (Line 15) will be in effect.

#### TRANSMISSION COST ADJUSTMENT (Line 15)

The TCA on Line 15 shall be included in the Company's annual Energy Cost Adjustment and shall be applied to all rate schedules in all classes of service authorized by the Commission. Each customer class TCA is calculated by dividing class allocated expense (Line 13) by the forecast kilowatt hours of retail sales for each customer class (Line 14).

#### SOUTH DAKOTA CUSTOMER CLASS CAPACITY ALLOCATION FACTORS (Table 1)

The South Dakota Customer Class Capacity Allocation Factors in Table 1 are as approved by the Commission in Docket Number EL06-019.

#### EFFECTIVE DATE

The TCA will be updated and filed each year thereafter with the effective date of June 1<sup>st</sup>.

Date Filed: September 30, 2009

By: Chris Kilpatrick  
Director of Rates

Effective Date: April 1, 2010

EL09-018



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### ENVIRONMENTAL IMPROVEMENT ADJUSTMENT

Section No. 3C

Second Revised Sheet No. 20

Page 1 of 1

Cancels First Revised Sheet No. 20

### ENVIRONMENTAL IMPROVEMENT ADJUSTMENT

#### APPLICABLE

This Environmental Improvement Adjustment (EIA) applies to all rate schedules for all classes of service authorized by the Commission.

The EIA shall be calculated annually based on actual kWh retail sales for the twelve months of June through May as compared to the actual costs, and shall include an over or under recovery from prior years' adjustments through the Balancing Account. The Company will update and make an EIA filing with the Commission on an annual basis no later than February 15<sup>th</sup>.

#### ENVIRONMENTAL IMPROVEMENT ADJUSTMENT RATE

An EIA rate shall be determined by dividing the environmental improvement revenue requirement for the period April 1<sup>st</sup> through March 31<sup>st</sup> of each year and the forecasted balance of the EIA Balancing Account divided by the forecasted retail sales volumes for the period June 1<sup>st</sup> through May 31<sup>st</sup> for each upcoming year. The EIA rate shall be rounded to the nearest \$0.0001 per kWh.

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

Residential	\$0.0005 per kWh
Small General Service	\$0.0005 per kWh
Large General Service and Industrial	\$0.0003 per kWh
Lighting	\$0.0002 per kWh

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Environmental Improvement Revenue Requirement shall be the annual revenue requirements associated with environmental improvements eligible for recovery under SDCL 49-34A-97 and approved by the Commission.

EIA Balancing Account shall be the annual environmental improvement amount approved by the Commission from the previous filing less the actual environmental improvement adjustment amount recovered during the year. The Balancing Account amount shall have interest applied or credited monthly at the annual rate of seven percent (7%).

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

#### EFFECTIVE DATE

The EIA will be updated and filed each year on or before February 15<sup>th</sup> with forecasted financial information and then again no later than April 30<sup>th</sup> with actual financial information, and with the effective date of June 1<sup>st</sup>.

Date Filed: April 30, 2013

By: Chris Kilpatrick  
Director of Resource Planning  
and Electric Rates

Effective Date: June 1, 2013

EL13-009



Black Hills Power, Inc.  
Rapid City, South Dakota

## SOUTH DAKOTA ELECTRIC RATE BOOK

### ENERGY EFFICIENCY SOLUTIONS ADJUSTMENT

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First Revised Sheet No. 21  
Cancels Original Sheet No. 21

### ENERGY EFFICIENCY SOLUTIONS ADJUSTMENT

#### APPLICABLE

This Energy Efficiency Solutions Adjustment (EESA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission).

The EESA shall be calculated annually based on actual versus forecasted energy efficiency solutions program costs and kWh retail sales for the applicable rate schedules for the twelve months of June through May to coincide with other Black Hills Power adjustment clause mechanisms, and shall include an over or under recovery from prior years' adjustments through the Balancing Account. Black Hills Power, Inc. (the Company) will update and make an EESA filing with the Commission on an annual basis no later than April 30<sup>th</sup>. Since the energy efficiency solutions programs will be implemented September 1, 2011, the first year rate recovery period will be from September 1, 2011 through May 31, 2012 and the last rate recovery period for the three year program will be from June 1, 2014 through May 31, 2014.

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#### ENERGY EFFICIENCY SOLUTIONS ADJUSTMENT RATE

An EESA rate shall be determined by dividing the energy efficiency program costs and the forecasted balance of the EESA Balancing Account by the forecasted retail sales volumes for the upcoming year. The EESA rate shall be rounded to the nearest \$0.0001 per kWh.

The EESA rate may be adjusted annually with approval of the Commission. The EESA rates for the applicable rate schedules are:

Residential:	\$0.0004
Commercial/Industrial:	\$0.0002

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Energy Efficiency Solutions Program Costs shall include all expenses, costs and lost margins associated with energy efficiency programs and that are approved by the Commission. All revenues recovered pursuant to the Energy Efficiency Solutions Adjustment shall be credited to the Balancing Account.

EESA Balancing Account amount is the energy efficiency program costs incurred less all revenues recovered pursuant to the Energy Efficiency Solutions Adjustment for the annual year as adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the annual rate of seven percent (7%). The EESA revenues will be applied monthly to the Balancing Account for each customer class, first to the interest balance, and thereafter to the principal amount.

Forecasted Retail Sales Volumes shall be the estimated retail electric sales for the applicable rate schedules for the designated recovery period.

#### EFFECTIVE DATE

After the first period effective date of September 1, 2011 to coincide with the implementation of the energy efficiency solutions programs, the EESA will be updated and filed by April 30<sup>th</sup> each year thereafter with the effective date of June 1<sup>st</sup>.

Date Filed: May, 31, 2013

By: Chris Kilpatrick  
Director of Resource Planning  
and Rates

Effective Date: August 1, 2013

EL11-002