



Jacqueline A. Sargent, M.S., P.E.  
Director of Rates

Telephone: (605) 721-2228  
Facsimile: (605) 721-2550  
Email: jsargent@bh-corp.com

June 30, 2006

**HAND DELIVERED**

**RECEIVED**

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 E. Capitol  
Pierre, South Dakota 57501

JUN 30 2006

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

Re: Application of Black Hills Power, Inc. for an Increase in Electric Rates

Dear Ms. Van Gerpen:

Black Hills Power, Inc. (Company) hereby submits its Application to the South Dakota Public Utilities Commission (Commission) for authority and consent to make certain changes in its charges for retail electric service provided to the Company's South Dakota customers.

The Company herewith submits one original and ten copies of the following:

<u>VOLUME</u>	<u>SECTION</u>	
1	1	Letter of Transmittal Notice of Tariff Change Attestation by Chief Accounting Officer
	2	Present and Proposed South Dakota Rate Schedules, Rules and Regulations, and Sample Forms
	3	Comparison of Revenue under Present and Proposed Rates

VOLUME            SECTION

1

4

Statements A through R showing Cost of Service, including Schedules as appropriate

A     Balance Sheets  
B     Income Statement  
C     Retained Earnings Statement  
D     Cost of Plant  
E     Accumulated Depreciation  
F     Working Capital  
G     Rate of Return  
H     Operation and Maintenance Expense  
I     Operating Revenues  
J     Depreciation Expense  
K     Income Taxes  
L     Other Taxes  
M     Overall Cost of Service  
N     Allocated Cost of Service  
O     Comparison of Cost of Service  
P     Fuel Cost Adjustment Factor  
Q     Description of Utility Operations  
R     Purchases from Affiliated Companies

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Work Papers

VOLUME

2

Testimony of Witnesses:

Linden R. Evans  
Kyle D. White  
Jacqueline A. Sargent  
Thomas M. Ohlmacher  
Michael J. Fredrich  
Christopher J. Kilpatrick  
Mark T. Thies  
Perry S. Krush  
Larry W. Loos  
Garner M. Anderson  
William E. Avera  
Donald J. Martinez

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The Application proposes an approximate 9.5 percent increase to the rate schedules for the Company's South Dakota customers. The proposed changes to the rate schedules would increase revenues from South Dakota customers by \$9,593,688, based on the billings issued for sales of electric energy for the twelve months ended December 31, 2005. The proposed changes would affect the billings of approximately 60,434 customers. The effective date of the proposed changes is January 1, 2007.

The additional revenue requested in the Application is needed to offset the increased costs incurred by the Company in providing electric service to its customers.

The Company hereby certifies that the Notice of the Proposed Tariff Change (Notice) will be exhibited in a conspicuous place in each of the Company's local district offices in the territory affected, for at least thirty (30) days prior to the date such change is to become effective. Each Notice states that the proposed rates and charges are available in that office for inspection. The Company also certifies that Notice has been or is being provided to the public in all respects as required by ARSD §§ 20:10:13:17 through 20:10:13:19.

In addition to complying with the requirements of the Commission's administrative rules and regulations pertaining to notifying customers of the Application, the Company's key account representatives are personally contacting our fifty (50) largest customers; letters are being mailed to the Company's key account customers and community and government leaders; and all of our customers will be made aware of this Application through our August billing newsletter. Additionally, local media outlets will receive a news release and our website [www.blackhillspower.com](http://www.blackhillspower.com) will contain information describing the Application. We are also prepared to meet with customer groups as requested to provide detailed information regarding our Application. Finally, copies of the Application will be available in all of our local district offices, along with brochures explaining our Application.

The Commission's communications with the Company regarding this Application should be directed to:

Jacqueline A. Sargent, Director of Rates  
Black Hills Power, Inc.  
PO Box 1400 – 625 Ninth Street  
Rapid City, South Dakota 57709-1400  
(605) 721-2228

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with a copy to:

Brian G. Iverson, Senior Counsel  
Black Hills Corporation  
PO Box 1400 – 625 Ninth Street  
Rapid City, South Dakota 57709-1400  
(605) 721-2305

The Applicant's legal name is Black Hills Power, Inc., with its principal place of business in Rapid City, South Dakota. The Company is a corporation organized on August 27, 1941 under the laws of South Dakota.

The Company provides retail electric service in South Dakota, Wyoming and Montana.

Respectfully submitted,

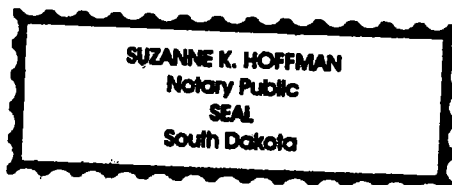
BLACK HILLS POWER, INC.

By Jacqueline A. Sargent  
Jacqueline A. Sargent  
Director of Rates

Sworn to and subscribed before me this 30<sup>th</sup> day of June 2006.

Suzanne K. Hoffman  
Notary Public of South Dakota

My Commission Expires: 4/7/2011



## NOTICE OF PROPOSED CHANGES OF RATES AND CHARGES

NOTICE IS HEREBY GIVEN that Black Hills Power, Inc. has filed an application with the South Dakota Public Utilities Commission for an increase in its electric rates and other changes to the tariffs for service to its South Dakota electric customers. The effective date of the proposed changes is January 1, 2007.

This notice was included as part of the Company's Application to the South Dakota Public Utilities Commission.

Under South Dakota law, the customers of an electric utility requesting changes in rates have a right to join with 24 other customers and file a written objection to such rate increases and they may request the Commission to suspend the rate increase and to hold a public hearing to determine if such rate increase should be allowed.

The application including the proposed rates and changes are available in this office for inspection. If you have any questions regarding the Company's Application, please feel free to contact your District Manager, \_\_\_\_\_.

BLACK HILLS POWER, INC.

By \_\_\_\_\_  
Jacqueline A. Sargent  
Director of Rates

Dated: June 30, 2006

## ATTESTATION

Mark T. Thies attests that he is the Chief Financial Officer of Black Hills Power, Inc. and is the principal accounting officer thereof and that the cost statements and supporting data submitted as part of this filing which purport to reflect the books of Black Hills Power, Inc. do, in fact, set forth the results shown by such books.

A handwritten signature in black ink, appearing to read 'M. Thies', is written above a horizontal line.

Mark T. Thies