

**BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF BLACK HILLS)
POWER, INC.'S APPLICATION FOR)
APPROVAL OF ITS ELECTRIC COST) Docket No. _____
ADJUSTMENT)
)**

APPLICATION FOR ELECTRIC COST ADJUSTMENT

Black Hills Power, Inc. (“Black Hills Power” or the “Company”), a South Dakota corporation, respectfully requests an order from the South Dakota Public Utilities Commission (“Commission”) approving the Electric Cost Adjustment (“ECA”) to its electric rates, to become effective on June 1, 2011. In support of its Application, Black Hills Power states as follows:

1. Black Hills Power is a public utility as defined under SDCL § 49-34A-1, with a business address of PO Box 1400, 625 Ninth Street, Rapid City, SD 57709.
2. This ECA filing is made in accordance with SDCL §49-34A and the Administrative Rules of South Dakota (ARSD) Chapter 20:10:13, which permit a public utility to pass on increases or decreases in costs to its customers. This Application sets forth the changes that the Company proposes to its ECA rates to be effective June 1, 2011. Black Hills Power requests that this rate adjustment be approved without the requirement of posting a bond or other security.
3. The ECA for Black Hills Power was approved in Docket No. EL09-018 (the “EL09-018 ECA”). The EL09-018 ECA consists of two separate adjustments: 1) the Fuel and Purchased Power Adjustment (FPPA); and 2) the Transmission Cost Adjustment (TCA). Each adjustment applies to all rate schedules for all classes of service authorized by the Commission. Each adjustment is calculated annually by taking the net amount to be refunded or charged divided by the projected South Dakota retail

energy sales (kWh), thus deriving the adjustment per kWh. The two adjustments are combined into the EL09-018 ECA for each rate class, which increases or decreases the rate accordingly.

4. Fuel and Purchased Power Adjustment (FPPA). The FPPA is 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 includes an over or under recovery from prior years' adjustments through the Balancing Account. The calculation of the FPPA is attached as Exhibit No. 3. The FPPA for this period, for all customer classes, is \$ (0.0016) /kWh.

5. Transmission Cost Adjustment (TCA). The TCA is calculated annually based on actual system transmission costs for the twelve months of 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. The calculation of the TCA is attached as Exhibit No. 4. The TCA for each customer class is based upon Class Allocators, found in Table 1 of Section 3C, First Revised Sheet No. 17. The TCA for this period for each class is as follows:

Customer Class Transmission Cost Adjustment

Residential Service	\$0.0021 /kWh
Small General Service	\$0.0026 /kWh
Large General Service	\$0.0021 /kWh
Industrial Contract Service	\$0.0025 /kWh
Lighting Service	\$0.0022 /kWh

6. Prior to April 1, 2010, Black Hills Power's energy cost adjustments included three separate adjustments approved in Docket No. EL06-019: (1) the TCA, (2) the Conditional Energy Cost Adjustment (the "CECA") and (3) the Steam Plant Fuel Cost Adjustment (the "SPFCA") (collectively, the "EL06-019 ECA"). The FPPA approved in Docket No. EL09-018 includes the CECA and the SPFCA.

7. In Docket No. EL11-003 approved by the Commission on March 1, 2011 the Company deferred recovery of costs under the EL06-019 ECA for the months of January, February and March 2010 to be included in this filing and recovered beginning June 1, 2011.

8. Pursuant to Paragraphs 6 and 7 above, the CECA was calculated for the months of January, February and March 2010 based on actual system costs for the Other Fuel and Purchased Power (OFAPP) for that three month period as compared to the base year OFAPP costs for the months of January, February and March. The calculation for the CECA is attached as Exhibit No. 6. The CECA for January, February and March 2010, for all customer classes, is \$0.0000 /kWh.

9. Also pursuant to Paragraphs 6 and 7 above, the SPFCA recovers the fuel cost associated with the steam plant generation resources of Black Hills Power used to serve retail customers. The SPFCA was calculated for the months of January, February and March 2010 based on actual system steam plant fuel costs for that three month period as compared to the base year steam plant fuel costs. The calculation of the SPFCA is attached as Exhibit No. 7. The SPFCA for January, February and March 2010, for all customer classes, is \$0.0002/kWh.

10. Finally pursuant to Paragraphs 6 and 7 above, the TCA recovers the actual system transmission costs for Black Hills Power customers. The TCA was calculated for the months of January, February and March 2010 based on actual system transmission costs compared to the base year transmission costs. The calculation of the TCA is attached as Exhibit No. 8. The TCA for January, February and March 2010, for this period for each class is as follows:

Customer Class Transmission Cost Adjustment

Residential Service	\$0.0010 /kWh
Small General Service	\$0.0012 /kWh
Large General Service	\$0.0009 /kWh
Industrial Contract Service	\$0.0011 /kWh
Lighting Service	\$0.0010 /kWh

11. The proposed ECA rate for each customer class is as follows:

	Three Months Energy Cost Adjustment Rate Summary ¢/kWh	Twelve Months Energy Cost Adjustment ¢/kWh	Total Rate Energy Cost Adjustment ¢/kWh
Total Residential Service	0.120	0.050	0.170
Total Small General Service	0.140	0.100	0.240
Total Large General Service	0.110	0.050	0.160
Total Industrial Contract	0.130	0.090	0.220
Total Lighting Service	0.120	0.060	0.180

The detailed electric cost adjustments are set forth in the Energy Cost Adjustment Summary sheet contained in Exhibit No. 2, attached hereto.

12. Approximately 64,000 South Dakota retail customers are affected by the ECA rate change. The annual increase in the cost of service is approximately \$1,000,000 or 0.68% higher than the revenue billed to customers during the twelve months ending March 31, 2011. This increase relates to the twelve months ECA rates as shown in paragraph 11.

13. Overall, the increase to customers is primarily related to increased transmission costs for our system.

14. Attached hereto as Exhibit No. 9 is a copy of the notice that has been provided to the public in accordance with ARSD § 20:10:13:15 and pursuant to §§ 20:10:13:17 to 20:10:13:19, inclusive.

15. In support of this Application, attached hereto and made a part hereof by this reference are Exhibit Nos. 1 through 9, showing supporting data for the proposed ECA:

- Exhibit No. 1 Report of Tariff Change
- Exhibit No. 2 Energy Cost Adjustment Summary (Section No. 3C, Fourth Revised Sheet No. 11)

<u>Exhibit No. 3</u>	FPPA Tariff calculation (Section No. 3C, First Revised Sheet No.12)
<u>Exhibit No. 4</u>	TCA Tariff calculation (Section No. 3C, First Revised Sheet No.16 and First Revised Sheet No. 17)
<u>Exhibit No. 5</u>	Table of Contents (Section No. 1, Twenty Second Revised Sheet No. 1 and Section No. 1, Seventeenth Revised Sheet No. 3)
<u>Exhibit No. 6</u>	CECA Tariff calculation (Section No. 3C, Fifth Revised Sheet No. 1)
<u>Exhibit No. 7</u>	SPFCA Tariff calculation (Section No. 3C, Fifth Revised Sheet No. 8)
<u>Exhibit No. 8</u>	TCA Tariff calculation (Section No. 3C, Fifth Revised Sheet No. 5 and 4 th Revised Sheet No. 5A.)
<u>Exhibit No. 9</u>	Notice to Customers

WHEREFORE, Black Hills Power respectfully requests that the Commission enter an order approving the proposed tariffs and ECA rate, and placing the rate into effect for service on and after June 1, 2011.

Dated this 29th day of April, 2011.

BLACK HILLS POWER, INC.

By: _____

Chris Kilpatrick

Director of Rates- Electric Regulation