



SOUTH DAKOTA ELECTRIC RATE BOOK

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CONDITIONAL ENERGY COST ADJUSTMENT

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CONDITIONAL ENERGY COST ADJUSTMENT (Reserved)

APPLICABLE

~~This Conditional Energy Cost Adjustment (CECA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission).~~

~~The CECA shall be calculated annually based on actual system costs for Other Fuel and Purchased Power (OFAPP) for the previous calendar year as compared to the base year OFAPP 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 CECA filing with the Commission on an annual basis no later than February 10th.~~

<u>CONDITIONAL ENERGY COST ADJUSTMENT CALCULATION</u>		For the Year Ended March 31, 2010
1. Annual System OFAPP Cost		\$ 6,161,248
2. Annual System Energy Sales		622,629,333 kWh
3. OFAPP Cost / kWh (Line 1 : Line 2)		\$ 0.00990 /kWh
4. Approved Base OFAPP Cost		\$ 0.00817 /kWh
5. OFAPP Cost / kWh Difference (Line 3 - Line 4)		\$ 0.00173 /kWh
6. Total OFAPP Change from Base (Line 2 x Line 5)		\$ 1,077,149
7. Cost Reduction: \$0; Unless Line 6 < 0 and > \$1,000,000, Then Line 6 x (-1)		\$ 0
8. Cost Reduction per kWh (Line 7 : Line 2)		\$ 0.00000 /kWh
9. Power Marketing Credit		(1,077,149)
10. Power Marketing Credit / kWh Line 9 : Line 2		\$ (0.00173) /kWh
11. Net OFAPP Costs/kWh (Line 5 + Line 8 + Line 10)		\$ 0.00000 /kWh
12. South Dakota Calendar Year Retail Energy Sales		397,093,555 kWh
13. Total SD (Refund)/Charge (Line 11 x Line 12)		\$ 0
14. Balancing Account (+/-)		\$ 0
15. Net Amount to (Refund)/Charge (Line 13 + Line 14)		\$ 0
16. Projected South Dakota Retail Energy Sales		1,452,937,724 kWh
17. CECA (Line 15 : Line 16)		\$ 0.00000 /kWh

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CONDITIONAL ENERGY COST ADJUSTMENT (Reserved)

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ANNUAL SYSTEM OTHER FUEL AND PURCHASED POWER (OFAPP) COSTS (Line 1)

~~OFAPP Costs includes all purchased power, and all fuel consumed for non-steam plant generation, including but not limited to fuel oil and natural gas. The Annual System OFAPP Costs shall be calculated on a calendar year basis using the total of:~~

- ~~a. Other fuel costs of the Company's generation for items listed in the Federal Energy Regulatory Commission's (FERC) account 547 for Other Power Production;~~
- ~~b. The costs of all energy purchases listed under FERC account 555;~~
- ~~c. Any other costs of fuel consumed to generate electricity not listed in FERC accounts 501 or 547; and~~
- ~~d. Less, the associated other fuel and purchased power expenses for Power Marketing Sales.~~

ANNUAL SYSTEM ENERGY SALES (Line 2)

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

BASE OFAPP COSTS (Line 4)

~~The Base OFAPP Costs are as approved by the Commission in Docket EL06-019. The Base OFAPP cost is in effect until for service up to March 31, 2010.~~

COST REDUCTION (Line 7)

~~When the OFAPP Change from Base (Line 6) is a decrease greater than \$1,000,000 the South Dakota allocated share of these costs will be credited to customers in the following year's CECA. If the OFAPP Change from Base (Line 6) is a decrease less than or equal to \$1,000,000 no credit will occur.~~

POWER MARKETING NET INCOME

~~The following will be used to determine Power Marketing Net Income realized from Power Marketing Sales:~~

- ~~a. Power Marketing Sales revenues are defined as short-term sales to wholesale customers.~~
- ~~b. The Company's long-term customer obligations will be served with the lowest cost resources during each hour that the Company engages in Power Marketing Sales. 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.~~



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CONDITIONAL ENERGY COST ADJUSTMENT (Reserved)

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POWER MARKETING NET INCOME (Continued)

- ~~d. Any transmission expense incurred to facilitate Power Marketing Sales shall be included as an expense.~~
- ~~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 expense associated with Power Marketing Sales, such as legal expense or bad debt expense, shall be included as an expense.~~
- ~~g. The Company's federal income taxes based on the then current maximum marginal tax rate for corporations (currently 35%), plus any other Company taxes or governmental impositions, resulting from the Company's Power Marketing Sales activities, shall be included as an expense.~~

POWER MARKETING CREDIT (Line 9)

~~The Power Marketing Credit is applicable when Annual System OFAPP Costs exceed Base OFAPP Costs, as calculated on Line 6. The Power Marketing Credit will not exceed the Line 6 amount and shall be determined as follows:~~

~~If Power Marketing Net Income is less than or equal to \$3,000,000, the Power Marketing Credit will be \$2,000,000.~~

~~If Power Marketing Net Income is greater than \$3,000,000 and less than or equal to \$6,000,000, a \$2,000,000 Power Marketing Credit will be applied, plus a Power Marketing Credit of twenty five percent (25%) of Power Marketing Net Income from \$3,000,000 to \$6,000,000.~~

~~If Power Marketing Net Income is greater than \$6,000,000, a \$2,750,000 Power Marketing Credit will be applied, plus a Power Marketing Credit of fifty percent (50%) of Power Marketing Net Income greater than \$6,000,000.~~

SOUTH DAKOTA CALENDAR YEAR RETAIL ENERGY SALES (Line 12)

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

BALANCING ACCOUNT (Line 14)

~~This Balancing Account amount on Line 14 (positive or negative) is the Line 15 amount from the previous filing (Balancing Account) less the actual CECA (Refund)/Charge for the calendar year adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the annual rate of seven percent (7%). The CECA (Refund)/Charge will be applied monthly to the Balancing Account, first to the interest balance, and thereafter to the principal amount.~~



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CONDITIONAL ENERGY COST ADJUSTMENT (Reserved)

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NET AMOUNT TO (REFUND)/CHARGE (Line 15)

The net amount to refund or charge customers is the South Dakota allocation of the total Net OFAPP costs adjusted by the Balancing Account (Line 13 + Line 14).

PROJECTED SOUTH DAKOTA RETAIL ENERGY SALES (Line 16)

These are the kilowatt hours of retail sales projected for the State of South Dakota for the period that the GECA (Line 17) will be in effect.

CONDITIONAL ENERGY COST ADJUSTMENT (Line 17)

The GECA on Line 17 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

For the calendar year 2010, there will be two GECA's in effect. At the end of the calendar year, a comparison of costs will be made based on the effective dates. The GECA will be updated and filed each year thereafter with the effective date of March 1st.



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TRANSMISSION COST ADJUSTMENT

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~~Fifth-Sixth~~ Revised Sheet No. 5

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TRANSMISSION COST ADJUSTMENT (Reserved)

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 previous calendar year 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 February 10th.~~

TRANSMISSION COST ADJUSTMENT CALCULATION For the Year Ended
March 31, 2010

1. Annual System Transmission Costs	\$ 4,849,899
2. Power Marketing Transmission Costs	\$ 245,976
3. Transmission Costs Reimbursed by Others	167,070
4. Net Transmission Costs (Line 1 - Line 2 - Line 3)	\$ 4,436,853
5. Annual Retail Energy Sales	454,263,754 kWh
6. Adjusted Transmission Costs (Line 4 : Line 5)	\$ 0.00977 /kWh
7. Base Transmission Costs	\$ 0.00599 /kWh
8. Difference (Line 6 - Line 7)	\$ 0.00378 /kWh
9. South Dakota Calendar Year Retail Energy Sales	397,093,555 kWh
10. Transmission Costs to South Dakota (Line 8 x Line 9)	1,501,014
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%	-510,345
Small General Service	34.33%	-515,298
Large General Service	20.73%	-311,160
Industrial Contract Service	-9.97%	-149,651
Lighting Service	-0.97%	-14,560

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TRANSMISSION COST ADJUSTMENT (Reserved)

~~12. Balancing Account (+/-) for each South Dakota Customer Class \$ 0~~

Residential Service	— \$
Small General Service	— \$
Large General Service	— \$
Industrial Contract Service	— \$
Lighting Service	— \$

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

Residential Service	\$ 510,345
Small General Service	\$ 515,298
Large General Service	\$ 311,160
Industrial Contract Service	\$ 149,651
Lighting Service	\$ 14,560

~~14. Forecast South Dakota Customer Class Annual Retail Energy Sales~~

	<u>kWh</u>
Residential Service	534,355,132
Small General Service	441,598,982
Large General Service	328,777,347
Industrial Contract Service	134,036,535
Lighting Service	14,379,294

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

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

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TRANSMISSION COST ADJUSTMENT (Reserved)
Table 1 — South Dakota Customer Class Capacity Allocation Factors

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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 calendar 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 EL06-019. The Base Transmission Cost is in effect for service up to March 31, 2010.~~

SOUTH DAKOTA CALENDAR YEAR RETAIL ENERGY SALES (Line 9)

~~The South Dakota Calendar 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~~
[May 31, 2012](#)

By: Chris Kilpatrick
Director of [Resource Planning](#)
and Rates

Effective Date: ~~For service on and after March 1, 2010 through February 28, 2011~~
[July 1, 2012](#)



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TRANSMISSION COST ADJUSTMENT (Reserved)

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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 calendar 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 shall first be applied to South Dakota retail rate schedules on March 1, 2008, based on calendar year 2007 results, and will continue for twelve (12) months thereafter. The TCA will likewise be updated and filed each year thereafter with the same effective date of application of March 1st.



SOUTH DAKOTA ELECTRIC RATE BOOK

STEAM PLANT FUEL COST ADJUSTMENT

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~~Fifth-Sixth~~ Revised Sheet No. 8

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STEAM PLANT FUEL COST ADJUSTMENT (Reserved)

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APPLICABLE

~~This Steam Plant Fuel Cost Adjustment (SPFCA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission). The SPFCA shall recover the fuel costs associated with the steam plant generation resources of Black Hills Power, Inc. (the Company) used to serve retail customers.~~

~~The SPFCA shall be calculated annually based on actual system steam plant fuel costs for the previous calendar year as compared to the base year steam plant fuel costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. The Company will update and make a SPFCA filing with the Commission on an annual basis no later than February 10th.~~

<u>STEAM PLANT FUEL COST ADJUSTMENT CALCULATION</u>	<u>For the Year Ended March 31, 2010</u>
1. Annual System Steam Plant Fuel Costs	\$ 4,809,885
2. Power Marketing Steam Plant Fuel Costs	\$ 419,392
3. Net Steam Plant Fuel Costs (Line 1 - Line 2)	\$ 4,390,493
4. Annual System Energy Sales	622,629,333 kWh
5. Adjusted Steam Plant Fuel Costs (Line 3 ÷ Line 4)	\$ 0.00705 /kWh
6. Base Steam Plant Fuel Costs	\$ 0.00631 /kWh
7. Difference (Line 5 - Line 6)	\$ 0.00074 /kWh
8. South Dakota Calendar Year Retail Energy Sales	397,093,555 kWh
9. Steam Plant Fuel Costs to South Dakota (Line 7 x Line 8)	\$ 293,849
10. Balancing Account (+/-)	\$ 0
11. Balance of Steam Plant Fuel Costs for South Dakota (Refund)/Charge (Line 9 + Line 10)	\$ 293,849
12. Projected South Dakota Retail Energy Sales	1,453,147,289 kWh
13. Steam Plant Fuel Cost Adjustment (Line 11 ÷ Line 12)	\$ 0.00020 /kWh



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STEAM PLANT FUEL COST ADJUSTMENT (Reserved)

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ANNUAL SYSTEM STEAM PLANT FUEL COSTS (Line 1)

~~The Annual System Steam Plant Fuel Costs are the total Company calendar year costs for steam fuel as stated in the Federal Regulatory Commission's (FERC) Account 501. 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.~~

POWER MARKETING STEAM PLANT FUEL COSTS (Line 2)

~~Power Marketing Sales are defined as short term sales to wholesale customers. The Power Marketing Steam Plant Fuel Costs are those steam plant fuel costs incurred in facilitating Power Marketing Sales. The Company's long term customer obligations will be served with the lowest cost resources. Any remaining resources may be scheduled for, and if scheduled will be charged to, Power Marketing Sales as the costs of goods sold.~~

ANNUAL SYSTEM ENERGY SALES (Line 4)

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

BASE STEAM PLANT FUEL COSTS (Line 6)

~~The Base Steam Plant Fuel Costs are as approved by the Commission in Docket Number EL06-019. The Base Steam Plant Fuel Cost is in effect for service up to March 31, 2010.~~

SOUTH DAKOTA CALENDAR YEAR RETAIL ENERGY SALES (Line 8)

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

BALANCING ACCOUNT (Line 10)

~~This Balancing Account amount on Line 10 (positive or negative) is the Line 11 amount from the previous filing (Balance of Steam Plant Fuel Costs for South Dakota) less the actual SPFCA (Refund)/Charge for the calendar year adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the annual rate of seven percent (7%). The SPFCA (Refund)/Charge will be applied monthly to the Balancing Account, first to the interest balance, and thereafter to the principal amount.~~

BALANCE OF STEAM PLANT FUEL COSTS FOR SOUTH DAKOTA (Line 11)

~~This is the total dollar amount to be collected from or reimbursed to South Dakota retail customers.~~

PROJECTED SOUTH DAKOTA RETAIL ENERGY SALES (Line 12)

~~These are the kilowatt hours of retail sales projected for the South Dakota retail energy sales for the period that the SPFCA (Line 13) will be in effect.~~



Black Hills Power, Inc.
Rapid City, South Dakota

Exhibit 3

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STEAM PLANT FUEL COST ADJUSTMENT (Reserved)

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STEAM PLANT FUEL COST ADJUSTMENT (Line 13)

~~The SPFCA on Line 13 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 SPFCA shall first be applied to South Dakota retail rate schedules on March 1, 2008, based on calendar year 2007 results, and will continue for twelve (12) months thereafter. The SPFCA will likewise be updated and filed each year thereafter with the same effective date of application of March 1st.~~

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By: Chris Kilpatrick
Director of Resource Planning
and Rates

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