

EXHIBIT C

1 **IX. PROPOSED CHANGES TO TARIFFS**

2 **Q. ARE ANY RATE STRUCTURES ON EXISTING TARIFFS BEING**
3 **MODIFIED OR ELIMINATED?**

4 A. Yes. Black Hills Power has reviewed its tariffs and has proposed several
5 refinements to the General Service and Forest Products Service tariff options. The
6 current rate structures for these tariffs have multiple billing steps based on
7 differing levels in the demand charge and also in the energy charge. Our proposal
8 is to reduce the number of steps from three to two in order to allow for a more
9 simplified bill calculation as well as the elimination of some inter-class subsidies
10 from the larger users to the smaller users on the same tariff.

11 Additionally, the enhanced capabilities of the AMI meters provide Black Hills
12 Power with complete and accurate demand readings from all of its General Service
13 customers not possible with the prior General Service meters used for billing. The
14 history behind the first demand billing bucket, 0 – 5 kW, originated out of the
15 smaller General Service customers having a non-demand watt hour meter. Their
16 previous electric meter did not register demand, only kilowatt hours consumed, the
17 same as with regular residential meters. As evidenced on Exhibit CRG-6, Pro
18 Forma billing determinants on current rates, almost 30% of the total kW measured
19 for General Service (Rate ID SD720) currently goes uncharged. To recover the
20 appropriate demand dollars, a larger charge per billed kW is necessary to achieve
21 the desired revenues. With the roll out of the new AMI meters, all customer

1 meters now register both energy (kWh) and demand (kW) for the billing period.
2 As accurate demand readings are now recorded in the billing system, the actual
3 metered demand for all general service customers can be billed appropriately. The
4 proposed rates have consolidated the 0- 5 kW demand bucket with the 5- 50 kW
5 bucket. In rate design process, by billing for all demand from all General Service
6 customers, the proposed rates offer a lower charge per kW for the customers
7 falling in the 5 -50 kW demand level than might ordinarily occur if the current
8 pricing structure was retained. The over 50 kW bucket is retained for the largest
9 users at this time. Further, the Company is proposing to consolidate the current
10 four step energy charges into a two step energy charge, 0 - 3000 kWh in bucket
11 one and all remaining kWh in bucket two.

12 The modification to the Forest Products Service tariff utilizes the same concept of
13 consolidation as the General Service tariff. The three step demand charge will be
14 consolidated into a two part demand charge, the first bucket of 0 -5,000 kVA and
15 second bucket of all excess kVA. The three step energy charge calculation will
16 become a two step charge, the first 800,000 kWh in the first bucket and excess
17 kWh in the second bucket. These modifications will provide the pricing break at
18 the 55% load factor level.

19 Black Hills Power believes these modifications will provide appropriate price
20 signals to customers to encourage optimum use of supply sources by promoting
21 desirable load characteristics, provide tariffs that are easy for customers to

1 understand, provide for ease of administration while avoiding undue
2 discrimination between customer classes and individual customers within each
3 class.

4 **X. PROPOSED TARIFFS**

5 **Q. PLEASE DESCRIBE THE PROPOSED TARIFFS.**

6 A. The tariff sheets are updated to reflect the new rates provided in Exhibit CRG-8.
7 The tariff sheets have been provided in legislative and non-legislative format in
8 Section 2.

9 **XI. CONCLUSION**

10 **Q. DO THE PROPOSED RATES INCORPORATE THE**
11 **RECOMMENDATIONS FROM THE CCOSS AND ALLOW BLACK**
12 **HILLS POWER THE OPPORTUNITY TO COLLECT THE ADDITIONAL**
13 **REVENUE REQUIREMENT OF \$14,634,238?**

14 A. Yes. These proposed rates will allow Black Hills Power the opportunity to
15 recover the allowed revenue requirement level.