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April 11, 2014

Ms. Patricia Van Gerpen, Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501

RE: SD PUC Docket EL14-026  
Update to the Black Hills Power Inc. South Dakota Rate Case

Dear Ms. Van Gerpen:

With this letter, Black Hills Power, Inc. ("Black Hills Power" or "Company") hereby files with the Commission updates to certain pages that were filed in the Company's Application in Docket EL14-026 ("Rate Case"). These updated pages will replace in their entirety, certain pages previously filed on March 31, 2014.

1. The documents submitted include:
  - Exhibit A - Revised Tariff Section No. 3, Sheet No. 11, No. 12 and No. 33 in clean and tracked changes to the present tariffs.
  - Exhibit B - Revised Section 3, page 1 of 3 in Volume I
  - Exhibit C - Revised pages 39, 40 and 41 of the Direct Testimony of Charles R. Gray
  - Exhibit D - Revised Exhibit CRG-8

All of the above Exhibits shall replace those same pages that were included in the Company's Rate Case Application.

2. The proposed effective date of updated tariffs shall not change, and shall be October 1, 2014, which is the date proposed in the Company's Rate Case Application.
3. A brief description of the proposed updates and the reasons for them are as follows:

The updated tariffs set forth in this filing represent a revision from the rates in the tariffs initially proposed for three rate IDs (SD721, SD731 and SD752). When Black Hills Power was preparing customer communication information using the initially proposed tariffs it was determined that at the three specific customer rate ID levels, the as-filed rate design resulted in unintended consequences for the limited number of customers within the identified rate IDs. The Company has determined that the tariffs for those three rate IDs should be revised so those rates are more consistent with the other proposed tariff rates included in the Company's Rate Case Application. Approximately 250 of the Company's 65,487 South Dakota customers fall within the three identified rate IDs. No other customers or rate IDs are affected by the revisions set forth in this filing.

The updated tariffs set forth in this filing are in-line with the Direct Testimony of Kyle White filed in the Company's Rate Case, and specifically, the updates are consistent with the principles of fair and consistent rates.

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Chris Kilpatrick  
April 11, 2014

4. Other information:

Notice of the Rate Case filing will be included in the customer bills that will be mailed commencing April 14, 2014. Accordingly, the documents on file in the Rate Case, including the updates set forth herein, will allow Customers the ability to analyze the impact of the Rate Case on their respective bills.

Sincerely,



Chris Kilpatrick  
Director of Regulatory

# EXHIBIT A



**SOUTH DAKOTA ELECTRIC RATE BOOK**

**GENERAL SERVICE - LARGE**  
**RATE DESIGNATION - GL**  
Page 1 of 3

Section No. 3  
Fourteenth Revised Sheet No. 11  
Replaces Thirteenth Revised Sheet No. 11

**GENERAL SERVICE - LARGE**

**AVAILABLE**

At points on the Company's existing transmission and distribution facilities supplied by its interconnected transmission system, within Butte, Custer, Fall River, Lawrence, Meade, and Pennington Counties of South Dakota.

**APPLICABLE**

To large power users for their entire electric service requirements supplied at one point of delivery and who agree to a Billing Capacity of 125 kilovolt-amperes (kVA) or more. This schedule is not applicable for temporary, standby, supplementary, emergency, resale, or shared service.

**CHARACTER OF SERVICE**

Alternating current, 60 hertz, three phase, at the Customer's service voltage (less than 69,000 volts) or secondary voltage (480 volts or below). (N)  
(N)

**NET MONTHLY BILL**

**Primary Service:** (SD731) (N)

Rate

Capacity Charge - On-Peak

\$2,000.00 for the first 125 kVA or less of Billing Capacity (I)  
\$ 10.50 for each additional kVA of Billing Capacity (I)

Capacity Charge - Off-Peak

Customers having a Contract Capacity of 250 kVA or greater may elect to receive Off-Peak Service of up to 1.5 times their Billing Capacity at no additional capacity charge above the On-Peak Capacity Charge. Off-Peak Service greater than 1.5 times Billing Capacity will be charged at regular rates and applied in determination of Billing Capacity.

Energy Charge

\$0.04332 per kWh for the first 50,000 kWh (I)  
\$0.04187 per kWh for the next 450,000 kWh (I)  
\$0.03661 per kWh for each additional kWh (I)

Minimum

The Capacity Charge but not less than \$2.79 per kVA times the highest Billing Capacity applicable in the twelve months ending with and including the current month, plus any tax adjustment. (I)



**SOUTH DAKOTA ELECTRIC RATE BOOK**

**GENERAL SERVICE - LARGE**  
**RATE DESIGNATION - GL**  
**Page 2 of 3**

Section No. 3  
Thirteenth Revised Sheet No. 12  
Replaces Twelfth Revised Sheet No. 12

**GENERAL SERVICE - LARGE**

**Secondary Service: (SD721)**

(N)

Rate

Capacity Charge – On-Peak

\$2,000.00 for the first 125 kVA or less of Billing Capacity  
\$ 12.00 for each additional kVA of Billing Capacity

Capacity Charge – Off-Peak

Customers having a Contract Capacity of 250 kVA or greater may elect to receive Off-Peak Service of up to 1.5 times their Billing Capacity at no additional capacity charge above the On-Peak Capacity Charge. Off-Peak Service greater than 1.5 times Billing Capacity will be charged at regular rates and applied in determination of Billing Capacity.

Energy Charge

\$0.04332 per kWh for the first 50,000 kWh  
\$0.04187 per kWh for the next 450,000 kWh  
\$0.03661 per kWh for each additional kWh

Minimum

The Capacity Charge but not less than \$2.79 per kVA times the highest Billing Capacity applicable in the twelve months ending with and including the current month, plus any tax adjustment.

**BILLING CAPACITY**

The Billing Capacity in any month shall be the highest of the following:

- a. The kilovolt-ampere (kVA) load during the fifteen-minute period of maximum use during the month determined by dividing the maximum capacity in kilowatts (kW) by the power factor.
- b. Eighty percent of the highest Billing Capacity in any of the preceding eleven months.
- c. Eighty percent of the Contract Capacity as stated in the Electric Service Agreement.

The power factor will be determined at the Company's option by a test of not less than fifteen-minute duration under conditions which the Company determines to be normal or by permanent measurement. The power factor is defined to be the quotient obtained by dividing the kilowatt-hours used during the test period by the square root of the sum of the squares of the kilowatt-hours used and the lagging reactive kilovolt-ampere-hours supplied during the same period. Any leading kilovolt-ampere-hours supplied during the period will not be considered.

Should the customer's measured Billing Capacity exceed the current Contract Capacity during three (3) or more billing months in any calendar year, a new Contract Capacity equal to the average of the three (3) highest measured Billing Capacities during the year will be established and the customer will be notified in writing prior to implementation.



**SOUTH DAKOTA ELECTRIC RATE BOOK**

**GENERAL SERVICE - LARGE**  
**RATE DESIGNATION - GLC**  
Page 1 of 3

Section No. 3  
Fifth Revised Sheet No. 33  
Replaces Fourth Revised Sheet No. 33

**GENERAL SERVICE - LARGE**  
(Optional Combined Account Billing)

**AVAILABLE**

At points on the Company's existing transmission and distribution facilities supplied by its interconnected transmission system within Butte, Custer, Fall River, Lawrence, Meade, and Pennington Counties of South Dakota.

**APPLICABLE**

To any single natural person, partnership, limited liability company, corporation, or controlled group of corporations as defined in 26 U.S.C. § 1563(a) ("Single Customer"), which Single Customer has multiple accounts at multiple service locations. Each Single Customer account currently billed on Company's General Service Large rate tariff must be converted to the Combined Account Billing tariff. Single Customer accounts approaching a size and character that would qualify for Company's General Service Large rate tariff will be considered by the Company for Combined Account Billing on a case-by-case basis. Single Customer's energy use (kWh), reactive energy use (kVARh), and peak demand (kW), for each service will be added together and the combined totals will be used in calculating the Single Customer's electric bill. This schedule is not applicable for temporary, standby, supplementary, emergency, resale, or shared service.

(N)  
(N)

**CHARACTER OF SERVICE**

Alternating current, 60 hertz, three phase, at a single standard utilization voltage most available at each service location of the customer.

**NET MONTHLY BILL**

Rate

Service Charge

\$105.40 per service location

(I)

Capacity Charge

\$2,000.00 for the first 125 kVA or less of Billing Capacity

\$ 12.00 for each additional kVA of Billing Capacity

(I)

(I)

Energy Charge

\$0.04332 per kWh for the first 50,000 kWh

\$0.04187 per kWh for the next 450,000 kWh

\$0.03661 per kWh for each additional kWh

(I)

(I)

(I)

Minimum

The Service Charge plus the Capacity Charge



**SOUTH DAKOTA ELECTRIC RATE BOOK**

**GENERAL SERVICE - LARGE**  
**RATE DESIGNATION - GL**  
**Page 1 of 3**

Section No. 3  
~~Thirteenth~~-~~Fourteenth~~ Revised Sheet No. 11  
Replaces ~~Twelfth~~-~~Thirteenth~~ Revised Sheet No. 11

**GENERAL SERVICE - LARGE**

**AVAILABLE**

At points on the Company's existing transmission and distribution facilities supplied by its interconnected transmission system, within Butte, Custer, Fall River, Lawrence, Meade, and Pennington Counties of South Dakota.

**APPLICABLE**

To large power users for their entire electric service requirements supplied at one point of delivery and who agree to a Billing Capacity of 125 kilovolt-amperes (kVA) or more. This schedule is not applicable for temporary, standby, supplementary, emergency, resale, or shared service.

**CHARACTER OF SERVICE**

Alternating current, 60 hertz, three phase, at ~~a single standard utilization voltage most available to the location of the customer.~~ the Customer's service voltage (less than 69,000 volts) or secondary voltage (480 volts or below). (D)  
(N)  
(N)

**NET MONTHLY BILL**

**Primary Service:** (SD731) (N)

Rate

Capacity Charge – On-Peak

~~\$1,350.00~~ \$2,000.00 for the first 125 kVA or less of Billing Capacity (I)

\$ ~~8.62~~ 210.50 for each additional kVA of Billing Capacity (I)

Capacity Charge – Off-Peak

Customers having a Contract Capacity of 250 kVA or greater may elect to receive Off-Peak Service of up to 1.5 times their Billing Capacity at no additional capacity charge above the On-Peak Capacity Charge. Off-Peak Service greater than 1.5 times Billing Capacity will be charged at regular rates and applied in determination of Billing Capacity.

Energy Charge

~~\$0.0386~~ \$0.04332 per kWh for the first 50,000 kWh (I)

~~\$0.0372~~ \$0.04187 per kWh for the next 450,000 kWh (I)

~~\$0.0324~~ \$0.03661 per kWh for each additional kWh (I)

Minimum

The Capacity Charge but not less than ~~\$2.44~~ \$2.79 per kVA times the highest Billing Capacity applicable in the twelve months ending with and including the current month, plus any tax adjustment. (I)



**SOUTH DAKOTA ELECTRIC RATE BOOK**

**GENERAL SERVICE - LARGE**  
**RATE DESIGNATION - GL**  
**Page 2 of 3**

Section No. 3  
~~Twelfth-Thirteenth~~ Revised Sheet No. 12  
Replaces ~~Eleventh-Twelfth~~ Revised Sheet No. 12

**GENERAL SERVICE - LARGE**

**Secondary Service: (SD721)**

(N)

Rate

Capacity Charge – On-Peak

\$2,000.00 for the first 125 kVA or less of Billing Capacity

\$ 12.00 for each additional kVA of Billing Capacity

Capacity Charge – Off-Peak

Customers having a Contract Capacity of 250 kVA or greater may elect to receive Off-Peak Service of up to 1.5 times their Billing Capacity at no additional capacity charge above the On-Peak Capacity Charge. Off-Peak Service greater than 1.5 times Billing Capacity will be charged at regular rates and applied in determination of Billing Capacity.

Energy Charge

\$0.04332 per kWh for the first 50,000 kWh

\$0.04187 per kWh for the next 450,000 kWh

\$0.03661 per kWh for each additional kWh

Minimum

The Capacity Charge but not less than \$2.79 per kVA times the highest Billing Capacity applicable in the twelve months ending with and including the current month, plus any tax adjustment.

**BILLING CAPACITY**

The Billing Capacity in any month shall be the highest of the following:

- a. The kilovolt-ampere (kVA) load during the fifteen-minute period of maximum use during the month determined by dividing the maximum capacity in kilowatts (kW) by the power factor.
- b. Eighty percent of the highest Billing Capacity in any of the preceding eleven months.
- c. Eighty percent of the Contract Capacity as stated in the Electric Service Agreement.

The power factor will be determined at the Company's option by a test of not less than fifteen-minute duration under conditions which the Company determines to be normal or by permanent measurement. The power factor is defined to be the quotient obtained by dividing the kilowatt-hours used during the test period by the square root of the sum of the squares of the kilowatt-hours used and the lagging reactive kilovolt-ampere-hours supplied during the same period. Any leading kilovolt-ampere-hours supplied during the period will not be considered.

Should the customer's measured Billing Capacity exceed the current Contract Capacity during three (3) or more billing months in any calendar year, a new Contract Capacity equal to the average of the three (3) highest measured Billing Capacities during the year will be established and the customer will be notified in writing prior to implementation.

(D)

**SUBSTATION OWNERSHIP DISCOUNT**





Black Hills Power, Inc.  
Rapid City, South Dakota

Rate Codes 21 and 30 (SD721, SD731)

~~Customers who furnish and maintain a transformer substation with controlling and protective equipment, with the exception of metering equipment, for the purpose of transforming service from the Company's most available 60 kV distribution facilities or primary distribution voltage (2,400 volts to 24,900 volts) to the customer's utilization voltages, shall receive a monthly credit of \$0.30 per kVA of Billing Capacity for 60 kV distribution facilities and \$0.18 per kVA of Billing Capacity for primary distribution service.~~

Date Filed: ~~September 30, 2009~~  
March 31, 2014  
Docket: ~~EL09-018EL14-~~

By: Chris Kilpatrick  
Director of Rates

Effective Date: ~~April 1, 2010~~  
October 1, 2014



**SOUTH DAKOTA ELECTRIC RATE BOOK**

**GENERAL SERVICE - LARGE**  
**RATE DESIGNATION - GLC**  
Page 1 of 3

Section No. 3  
Fourth ~~Fourth~~ Revised Sheet No. 33  
Replaces Third ~~Fourth~~ Revised Sheet No. 33

**GENERAL SERVICE - LARGE**  
(Optional Combined Account Billing)

**AVAILABLE**

At points on the Company's existing transmission and distribution facilities supplied by its interconnected transmission system within Butte, Custer, Fall River, Lawrence, Meade, and Pennington Counties of South Dakota.

**APPLICABLE**

To any single natural person, partnership, limited liability company, corporation, or controlled group of corporations as defined in 26 U.S.C. § 1563(a) ("Single Customer"), which Single Customer has multiple accounts at multiple service locations. Each Single Customer account currently billed on Company's General Service Large rate tariff must be converted to the Combined Account Billing tariff. (N)  
Single Customer accounts approaching a size and character that would qualify for Company's General Service Large rate tariff will be considered by the Company for Combined Account Billing on a case-by-case basis. Single Customer's energy use (kWh), reactive energy use (kVARh), and peak demand (kW), for each service will be added together and the combined totals will be used in calculating the Single Customer's electric bill. Each service location must have an average minimum monthly demand of 70 kVA during the previous 12 month period to qualify for the rate. (N)  
~~This schedule is not applicable for temporary, standby, supplementary, emergency, resale, or shared service.~~ (C)  
(C)

**CHARACTER OF SERVICE**

Alternating current, 60 hertz, three phase, at a single standard utilization voltage most available at each service location of the customer.

**NET MONTHLY BILL**

Rate

Service Charge

~~\$92.35~~ 105.40 per service location (I)

Capacity Charge

~~\$1,350.00~~ 2,000.00 for the first 125 kVA or less of Billing Capacity (I)

\$ ~~8.62~~ 62.12 for each additional kVA of Billing Capacity (I)

Energy Charge

~~\$0.038~~ 20.04332 per kWh for the first 50,000 kWh (I)

~~\$0.037~~ 210.04187 per kWh for the next 450,000 kWh (I)

~~\$0.032~~ 100.03661 per kWh for each additional kWh (I)

Minimum

The Service Charge plus the Capacity Charge

# EXHIBIT B

**BLACK HILLS POWER, INC.**  
**COMPARISON OF REVENUE FROM SALES**  
**UNDER PRO FORMA AND PROPOSED RATES**  
**FOR THE TEST YEAR ENDED SEPTEMBER 30, 2013**

Section 3  
Page 1 of 3  
4/11/2014

| LINE NO. | RESIDENTIAL SERVICE   | TARIFF SCHEDULE | RATE IDS            | REVENUE FROM SALES |                 |                |                          |            | AVERAGE NUMBER OF CUSTOMERS |
|----------|---|-----------------|---------------------|--------------------|-----------------|----------------|--------------------------|------------|-----------------------------|
|          |   |                 |                     | kWh                | PRO FORMA RATES | PROPOSED RATES | PROPOSED INCREASE AMOUNT | % INCREASE |                             |
| 1        | Residential   | Sect 3, 1-2     | SD710, SD875        | 328,835,952        | \$ 42,956,794   | \$ 47,975,480  | \$ 5,018,686             | 11.68%     | 42,144                      |
| 2        | Residential Total Electric                                  | Sect 3, 3-4     | SD712, SD876        | 88,923,685         | \$ 9,450,758    | \$ 10,108,103  | 657,345                  | 6.96%      | 6,725                       |
| 3        | Residential Demand Metered                                  | Sect 3A, 1-3    | SD714, SD716, SD887 | 90,666,049         | \$ 8,137,939    | \$ 8,998,136   | 860,197                  | 10.57%     | 3,579                       |
| 4        | Utility Controlled Residential (Closed)                     | Sect 3A, 4-5    | SD717               | 131,002            | \$ 8,735        | \$ 9,274       | 539                      | 6.17%      | 3                           |
| 5        | TOTAL Residential Service                                   |                 |                     | 508,556,688        | \$ 60,554,226   | \$ 67,090,992  | \$ 6,536,767             | 10.79%     | 52,450                      |
| 6        |   |                 |                     |                    |                 |                |                          |            |                             |
| 7        |   |                 |                     |                    |                 |                |                          |            |                             |
| 8        | SMALL GENERAL SERVICE                                       |                 |                     |                    |                 |                |                          |            |                             |
| 9        | General Service   | Sect 3, 7-8     | SD720, SD770, SD878 | 356,168,400        | \$ 46,242,061   | \$ 49,662,738  | 3,420,676                | 7.40%      | 10,841                      |
| 10       | General Service - Total Electric                            | Sect 3, 9-10    | SD723, SD703        | 38,153,493         | \$ 4,314,389    | \$ 4,614,629   | 300,240                  | 6.96%      | 882                         |
| 11       | Irrigation Pumping  | Sect 3, 19-20   | SD726               | 887,365            | \$ 119,166      | \$ 126,457     | 7,290                    | 6.12%      | 18                          |
| 12       | Utility Controlled General Service (Closed)                 | Sect 3A, 11-12  | SD727               | 2,375,455          | \$ 166,068      | \$ 178,024     | 11,957                   | 7.20%      | 24                          |
| 13       | Energy Storage Service                                      | Sect 3A, 6-10   | SD755               | 4,800,579          | \$ 374,486      | \$ 402,899     | 28,412                   | 7.59%      | 20                          |
| 14       | Municipal Pumping Service                                   | Sect 3, 24-25   | SD743               | 23,373,116         | \$ 2,062,417    | \$ 2,199,447   | 137,030                  | 6.64%      | 98                          |
| 15       | Small Interruptible General Service (Closed)                | Sect 3A, 18-20  | SD750               | 211,580            | \$ 19,185       | \$ 20,454      | 1,269                    | 6.62%      | 4                           |
| 16       | TOTAL Small General Service                                 |                 |                     | 425,969,988        | \$ 53,297,772   | \$ 57,204,647  | \$ 3,906,875             | 7.33%      | 11,886                      |
| 17       |   |                 |                     |                    |                 |                |                          |            |                             |
| 18       |   |                 |                     |                    |                 |                |                          |            |                             |
| 19       | LIGHTING SERVICE  |                 |                     |                    |                 |                |                          |            |                             |
| 20       | Public or Private Area Lighting                             | Sect 3, 16-18   | SDA24, SDB24, SDC24 | 3,937,907          | \$ 611,640      | \$ 657,807     | 46,167                   | 7.55%      | 404                         |
| 21       | Street Lighting Service-Company Owned                       | Sect 3, 21-23   | SD840               | 3,577,040          | \$ 794,414      | \$ 857,462     | 63,048                   | 7.94%      | 20                          |
| 22       | Street Lighting Service-Customer Owned                      | Sect 3, 21-23   | SD841, SD741        | 5,987,037          | \$ 482,114      | \$ 512,718     | 30,605                   | 6.35%      | 18                          |
| 23       | Traffic Signals   | Sect 3, 26-27   | SD742               | 706,762            | \$ 78,092       | \$ 86,681      | 8,589                    | 11.00%     | 146                         |
| 24       | Rental/Facilities   | Sect 3, 22      | SD798/SD799         | -                  | \$ 58,943       | \$ 58,943      | -                        | 0.00%      | 59                          |
| 25       | TOTAL Lighting Service                                      |                 |                     | 14,208,746         | \$ 2,025,202    | \$ 2,173,611   | \$ 148,409               | 7.33%      | 647                         |
| 26       |   |                 |                     |                    |                 |                |                          |            |                             |
| 27       |   |                 |                     |                    |                 |                |                          |            |                             |
| 28       | LARGE GENERAL SERVICE & INDUSTRIAL                          |                 |                     |                    |                 |                |                          |            |                             |
| 29       | General Service - Large (69 kV)                             | Sect 3, 11-13   | SD771               | 20,550,893         | \$ 1,479,881    | \$ 1,580,023   | 100,142                  | 6.77%      | 1                           |
| 30       | General Service - Large (Primary and Secondary)             | Sect 3, 11-13   | SD721, SD731        | 125,655,017        | \$ 11,675,799   | \$ 12,992,892  | 1,317,093                | 11.28%     | 108                         |
| 31       | General Service - Large (Optional Combined Account Billing) | Sect 3, 33-35   | SD752, SD772, SD775 | 199,897,157        | \$ 17,420,507   | \$ 19,072,748  | 1,652,241                | 9.48%      | 150                         |
| 32       | Large Demand Curtailable Service                            | Sect 3A, 13-17  | SD722               | 998,721            | \$ 71,582       | \$ 78,447      | 6,865                    | 9.59%      | 242                         |
| 33       | Industrial Contract Service (69 kV)                         | Sect 3, 14-15   | SD761               | 96,403,799         | \$ 5,336,167    | \$ 5,782,101   | 445,934                  | 8.36%      | 1                           |
| 34       | Forest Products Service - Primary                           | Sect 3, 36-39   | SD764, SD774        | 74,131,937         | \$ 4,941,885    | \$ 5,398,335   | 456,450                  | 9.24%      | 2                           |
| 35       | Forest Products Service - Secondary                         | Sect 3, 36-39   | SD765               | 11,054,048         | \$ 898,866      | \$ 967,759     | 68,894                   | 7.66%      | 1                           |
| 36       | TOTAL Large General Service & Industrial                    |                 |                     | 528,691,572        | \$ 41,824,686   | \$ 45,872,305  | \$ 4,047,619             | 9.68%      | 505                         |
| 37       |   |                 |                     |                    |                 |                |                          |            |                             |
| 38       |   |                 |                     |                    |                 |                |                          |            |                             |
| 39       | TOTAL SOUTH DAKOTA REVENUE FROM SALES                       |                 |                     | 1,477,426,994      | \$ 157,701,886  | \$ 172,341,555 | \$ 14,639,670            | 9.28%      | 65,487                      |

# 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.