

Black Hills Power, Inc.  
South Dakota  
Revenue Requirement Model Description

**Section G**

**20:10:13:72. Statement G -- Rate of Return.** Statement G shall show the percentage rate of return claimed, with a brief statement of its basis. The statement shall show the cost of debt capital, preferred stock capital, and the return on the stockholder's equity resulting from the overall rate of return claimed, based upon the utility's capitalization. In addition, items required in §§ 20:10:13:73 to 20:10:13:79, inclusive, shall be submitted as part of statement G. If 50 percent or more of the common stock of the public utility is not held by the public but is owned by another corporation, the information required by §§ 20:10:13:73 to 20:10:13:75, inclusive, shall also be submitted to the extent applicable for the debt, preferred stock, and common stock of the parent company.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

**Section G**

**20:10:13:73. Statement G -- Debt Capital.** Statement G shall also show the weighted average cost of debt capital based upon the following data for each class and series of long term debt outstanding according to the most recently available balance sheet:

- (1) Title;
- (2) Date of issuance and date of maturity;
- (3) Interest rate;
- (4) Principal amount of the issue;
- (5) Net proceeds;
- (6) Net proceeds per unit;
- (7) Amount currently outstanding;
- (8) Cost of money and yield to maturity based on the interest rate and net proceeds per unit outstanding determined by reference to any generally accepted table of bond yields;
- (9) If the issue is owned by an affiliate, the name and relationship of owner and a copy of the latest prospectus issued by the public utility, any superimposed holding company, or subsidiary companies;
- (10) A copy of the bond indenture provisions related to minimum interest coverage requirements for existing and new issues.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

**Statement G Page 2: Debt Capital as of September 30, 2013.** Weighted cost of debt based on test year.

**Statement G Page 3: Pro Forma Debt Capital.** Weighted cost of debt pro forma.

Black Hills Power, Inc.  
South Dakota  
Revenue Requirement Model Description

**Section G**

**20:10:13:74. Statement G -- Preferred Stock Capital.** Statement G shall also show the weighted average cost of preferred stock capital based upon the following data for each class and series of preferred stock outstanding according to the most recently available balance sheet:

- (1) Title;
- (2) Date of issuance;
- (3) If callable, call price;
- (4) If convertible, terms of conversion;
- (5) Dividend rate;
- (6) Par value or stated amount of issue;
- (7) Price to public per share;
- (8) Underwriters' discount or commission:
  - (a) Amount;
  - (b) Percent of gross proceeds;
- (9) Issuance expenses:
  - (a) Amount;
  - (b) Percent of gross proceeds;
- (10) Net proceeds;
- (11) Net proceeds per unit;
- (12) Cost of money, that is, the dividend rate divided by net proceeds per unit or share;
- (13) Amount outstanding;
- (14) Whether issue was offered to stockholders through subscription rights or to the public;
- (15) If issue is owned by an affiliate, then provide the name and relationship of owner.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

**Section G**

**20:10:13:75. Statement G -- Common Stock Capital.** Statement G shall also show for each sale of common stock during the five-year period preceding the most recently available balance sheet:

- (1) Number of shares sold;
- (2) Gross proceeds at offering price;
- (3) Underwriters' discount or commission;
- (4) Proceeds to the filing utility;
- (5) Amount of issuance expenses;
- (6) Net proceeds;
- (7) Offering price per share;
- (8) Net proceeds per share;
- (9) Book value per share at date immediately prior to date of issuance;
- (10) Closing market price at latest trading date prior to date of issuance;
- (11) Latest published earnings per share available at date of issuance;
- (12) Dividend rate at date of issuance;
- (13) Whether the issue was offered to stockholders through subscription rights or to the public and whether common stock was issued for property or for capital stock of others.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Black Hills Power, Inc.  
South Dakota  
Revenue Requirement Model Description

### Section G

**20:10:13:76. Schedule G-1 -- Stock Dividends, Stock Splits or Changes in Par or Stated Value.** Schedule G-1 shall show any stock dividends, stock splits or changes in par or stated value during the five-year period preceding the date of the most recently available balance sheet and by months for the 12-month test period plus subsequent months as available.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 86, effective November 24, 1985; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

**Section G**

**20:10:13:77. Schedule G-2 -- Common Stock Information.** Schedule G-2 shall show the following information on outstanding common stock for the 5 calendar years preceding the end of the test period and by months for the 12-month test period:

- (1) Average number of shares outstanding;
- (2) Earnings per average share for only the 5 years preceding the test year;
- (3) Annual earnings per share for only the latest reported 12-month average;
- (4) Annual dividend rate per share;
- (5) Dividends listed as percent of earnings;
- (6) Average market price based on the monthly high and low;
- (7) Earnings price ratio, the relationship of annual earnings per share to average of the 12 monthly high and low market values of stock. In the case of monthly data, use the latest reported earnings in computing ratio of earnings to average high and low market value for the month;
- (8) Dividend price ratio, the relationship of dividend per share to average high and low market value of stock.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Black Hills Power, Inc.  
South Dakota  
Revenue Requirement Model Description

**Section G**

**20:10:13:78. Schedule G-3 -- Reacquisition of Bonds or Preferred Stock.** If any bonds or preferred stock have been reacquired by the utility during the 18 months prior to filing, show full details in schedule G-3, including:

- (1) Title or series;
- (2) Principal amounts or par value reacquired;
- (3) Reacquisition cost;
- (4) Gain or loss on reacquisition;
- (5) Income taxes, if any, allocable to the gain or loss, and basis of allocation.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Black Hills Power, Inc.  
South Dakota  
Revenue Requirement Model Description

### **Section G**

**20:10:13:79. Schedule G-4 -- Earnings Per Share for Claimed Rate of Return.**

Schedule G-4 shall show the earnings per share of common stock which the claimed rate of return would yield and the basis upon which it is determined.

**Source:** 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 49-34A-4.

**Law Implemented:** SDCL 49-34A-10, 49-34A-12, 49-34A-41.



**BLACK HILLS POWER, INC.**  
**COST OF CAPITAL - PRO FORMA**  
For the Pro Forma Test Year Ended September 30, 2013

Statement G  
Page 1 of 5

Line No.	Description	Reference	(a) Amount	(b) Percent of Total	(c) Cost	(d) (b)*(c) Weighted Cost
1	Pro Forma:					
2	Long-Term Debt	Stmt. G pg. 3 Ln. 15(j)	320,055,000	46.68%	6.45%	3.01%
3	Common Equity (1)	Ln. 16	365,592,883	53.32%	10.25%	5.47%
4			<u>\$ 685,647,883</u>	<u>100%</u>		<u>8.48%</u>
5						
6	(1) Common Equity:					
7	Common Stock Issued	Stmt. A pg. 2 Ln. 2(a)	\$ 23,416,396			
8	Premium on Capital Stock	Stmt. A pg. 2 Ln. 3(a)	42,076,811			
9	Other Paid-In Capital		-			
10	Capital Stock Expense	Stmt. A pg. 2 Ln. 4(a)	(2,501,882)			
11	Accumulated Other Comprehensive Income/(Loss)	Stmt. A pg. 2 Ln. 6(a)	(1,356,399)			
12	Retained Earnings	Stmt. A pg. 2 Ln. 5(a)	271,419,376			
13	Common Equity		<u>\$ 333,054,302</u>			
14						
15	Pro Forma Adjustments to Equity (Note 1)		<u>32,538,581</u>			
16	Adjusted Equity		<u>\$ 365,592,883</u>			
17						
18						
19	Note (1) Adjustment to reflect future debt/equity structure to be maintained by Black Hills Power. The pro forma capital structure is reflective of the					
20	historical capital structure.					

**BLACK HILLS POWER, INC.**  
**DEBT CAPITAL**  
For the Test Year Ended September 30, 2013

Statement G  
Page 2 of 5

Line No.	(a) Description	(b) Issue	(c) Maturity	(d) Amount Issued	(e) Interest Rate	(f) Net Proceeds Amount	(g) (f) / (d) Per Unit	(h) (e) Yield to Maturity	(i) (h) / (g) Cost of Money	(j) Principal Outstanding	(k) Annual Cost
1	<b>BLACK HILLS POWER</b>										
2	<b>FIRST MORTGAGE BONDS:</b>										
3	Series AE	8/13/2002	8/15/2032	75,000,000	7.36%	74,343,750	0.9913	7.36%	7.42%	75,000,000	5,565,000
4	Series AF	10/27/2009	11/1/2039	180,000,000	6.17%	178,300,800	0.9906	6.17%	6.23%	180,000,000	11,214,000
5	Series Y (Note 1)	6/15/1998	6/15/2018	6,000,000	9.49%	5,906,578	0.9844	9.49%	9.64%	-	11,109
6	Series Z (Note 1)	5/29/1991	5/29/2021	35,000,000	9.35%	34,790,305	0.9940	9.35%	9.41%	-	84,828
7	Series AB (Note 1)	9/1/1999	9/1/2024	45,000,000	8.30%	44,507,250	0.9891	8.30%	8.39%	-	116,828
8											
9											
10	<b>OTHER BONDS:</b>										
11	Series 94A Gillette (Note 2)	6/15/1994	6/1/2024	3,000,000	1.25%	2,930,057	0.9767	1.25%	1.28%	2,855,000	36,544
12	Series 2004 Campbell County due 2024	10/1/2004	10/1/2024	12,200,000	5.74%	12,062,750	0.9888	5.74%	5.80%	12,200,000	707,600
13	Total Outstanding									270,055,000	17,735,909
14											
15	Weighted Average Cost of Debt										6.57%
16											
17	<b>BLACK HILLS CORP. DEBT</b>										
18	\$250MM Notes Due 2013 (3)	5/21/2003	5/15/2013	250,000,000	6.79%	248,052,500	0.9922	6.79%	6.84%	-	8,759,571
19	\$250MM Notes Due 2014 (4)	5/14/2009	5/15/2014	250,000,000	9.18%	248,500,000	0.9940	9.18%	9.24%	250,000,000	23,100,000
20	\$200MM Notes Dues 2020 (5)	7/16/2010	7/15/2020	200,000,000	5.96%	198,700,000	0.9935	5.96%	6.00%	200,000,000	12,000,000
21	\$100MM Term Loan (6)	9/30/2011	9/30/2013	100,000,000	(7)	100,000,000	(7)	(7)	(7)	-	1,186,979
22	\$275M Term Loan (7)	6/21/2013	6/19/2015	275,000,000	(7)	275,000,000	(7)	(7)	(7)	275,000,000	1,096,935
23											
24	(1) Identified bonds have been paid off. However, FERC allows for DFC or LRD costs to be amortized over the original life of the bond. Annual costs reflect actual costs incurred.										
25	(2) The Series 1994A bonds have a variable component that resets weekly. The rate reflected is the average interest rate for the test year period.										
26	(3) Note was issued by BHC, but was allocated through BH Utility Holding Company to the BHE entities. \$25M was paid off in May 2004 and the remaining \$225M was paid off on Oct. 31, 2012. Costs reflected were for the period of Oct 2012 and include \$7,069,500 make-whole provision.										
27	(4) Note was issued by BHC in May 2009, but was allocated through BH Utility Holding Company to the BHE entities.										
28	(5) Note was issued by BHC in July 2010, but is allocated to Colorado Electric.										
29	(6) Cost of borrowing has fixed and variable rate components, with the variable rate based on Libor. The \$100M term loan was paid off by \$275M tranche on June 21, 2013. Costs reflected are for the period of Oct. 1, 2012 - June 21, 2013.										
30	(7) Cost of borrowing has fixed (1.125%) and variable rate components (Libor). Rate as of Sept. 30, 2013 was 1.3125%. Costs reflected are for the period of June 21 - Sept. 30, 2013.										

**BLACK HILLS POWER, INC.**  
**PRO FORMA DEBT CAPITAL**  
For the Pro Forma Test Year Ended September 30, 2013

Line No.	(a) Description	(b) Issue	(c) Maturity	(d) Amount Issued	(e) Interest Rate	(f) Net Proceeds Amount	(g) (f) / (d) Per Unit	(h) (e) Yield to Maturity	(i) (h) / (g) Cost of Money	(j) Principal Outstanding	(k) Annual Cost	
1	<b>BLACK HILLS POWER</b>											
2	<b>FIRST MORTGAGE BONDS:</b>											
3	Series AE	8/13/2002	8/15/2032	75,000,000	7.36%	74,343,750	0.9913	7.36%	7.42%	75,000,000	5,565,000	
4	Series AF	10/27/2009	11/1/2039	180,000,000	6.17%	178,300,800	0.9906	6.17%	6.23%	180,000,000	11,214,000	
5	Series Y (Note 1)	6/15/1998	6/15/2018	6,000,000	9.49%	5,906,578	0.9844	9.49%	9.64%	-	11,109	
6	Series Z (Note 1)	5/29/1991	5/29/2021	35,000,000	9.35%	34,790,305	0.9940	9.35%	9.41%	-	84,828	
7	Series AB (Note 1)	9/1/1999	9/1/2024	45,000,000	8.30%	44,507,250	0.9891	8.30%	8.39%	-	116,828	
8	New Financing (Note 3)	10/1/2014	10/1/2044	50,000,000	5.67%	49,000,000	0.9800	5.67%	5.79%	50,000,000	2,895,000	
9												
10	<b>OTHER BONDS:</b>											
11	Series 94A Gillette (Note 2)	6/15/1994	6/1/2024	3,000,000	1.25%	2,930,057	0.9767	1.25%	1.28%	2,855,000	36,544	
12	Series 2004 Campbell County due 2024	10/1/2004	10/1/2024	12,200,000	5.74%	12,062,750	0.9888	5.74%	5.80%	12,200,000	707,600	
13												
14	Total Outstanding										<u>320,055,000</u>	<u>20,630,909</u>
15												
16	Weighted Average Cost of Debt											<u>6.45%</u>
17												
18	<b>BLACK HILLS CORP. DEBT</b>											
19	\$525MM Notes Due 2023 (4)	11/19/2013	11/30/2023	525,000,000	4.40%	519,120,000	0.9888	4.40%	4.45%	525,000,000	23,362,500	
20	\$200MM Notes Dues 2020 (5)	7/16/2010	7/15/2020	200,000,000	5.96%	198,700,000	0.9935	5.96%	6.00%	200,000,000	12,000,000	
21	\$275M Term Loan (6)	6/21/2013	6/19/2015	275,000,000	(6)	275,000,000	(6)	(6)	(6)	275,000,000	-	
22												

23 (1) Identified bonds have been paid off. However, FERC allows for DFC or LRD costs to be amortized over the original life of the bond. Annual costs reflect actual costs incurred.  
24 (2) The Series 1994A bonds have a variable component that resets weekly. The rate reflected is the average interest rate for the test year period.  
25 (3) New tranche expected October 2014 to finance BHP's portion of Cheyenne Prairie Generating Station. 30-year maturity expected. DFC's estimated at 2% of amount issued.  
26 (4) Note was issued by BHC in November 2013. Proceeds used to finance BHE Utilities and BHC non-regulated business segment.  
27 (5) Note was issued by BHC in July 2010, but is allocated to Colorado Electric.  
28 (6) Term loan is used to finance BHW and BH-JPP. Cost of borrowing has a fixed (1.125%) and variable rate component (Libor). Rate as of Sept. 30, 2013 was 1.3125%.

**BLACK HILLS POWER, INC.**  
**COST OF PREFERRED STOCK**  
**For the Test Year Ended September 30, 2013**

Line No.	Policy Description
1	No preferred stock as of September 30, 2013.

**BLACK HILLS CORPORATION**  
**SALE OF COMMON STOCK**  
For the Period January 1, 2008 Through September 30, 2013

Statement G  
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Line No.	Description	Number of Shares Issued	Gross Proceeds at Offering Price	Underwriter's Discount	Proceeds to Black Hills Corporation	Issuance Expense	Net Proceeds	Offering Price Per Share	Net Proceeds Per Share	Book value Per Share	Closing Mkt Price Per Latest Trading Date Prior to Date of Issuance	Earnings/Share at Date of Issuance	Dividend Rate at Date of Issuance	Public or Subscribed Issue	
1	<b>BLACK HILLS CORPORATION</b>														
2															
3	<b>Year 2008</b>														
4	Stock Options	90,214	2,266,176	-	2,266,176	-	2,266,176	25.12	25.12	27.19	26.96	2.75	1.40	Private	
5															
6	<b>Year 2009</b>														
7	Stock Options	78,917	1,740,013	-	1,740,013	-	1,740,013	22.05	22.05	27.84	26.63	2.11	1.42	Private	
8	DRIP (Note 1)	143,332	3,100,929	-	3,100,929	-	3,100,929	21.63	21.63	27.84	26.63	2.11	1.42	Subscribed by Shareholders	
9															
10	<b>Year 2010</b>														
11	Stock Options	43,000	1,034,330	-	1,034,330	-	1,034,330	24.05	24.05	28.02	30.00	1.76	1.44	Private	
12	DRIP (Note 1)	106,289	3,142,531	-	3,142,531	-	3,142,531	29.57	29.57	28.02	30.00	1.76	1.44	Subscribed by Shareholders	
13															
14	<b>Year 2011</b>														
15	Stock Options	33,285	1,009,313	-	1,009,313	-	1,009,313	30.32	30.32	27.55	33.58	1.24	1.46	Private	
16	DRIP (Note 1)	102,512	3,201,268	-	3,201,268	-	3,201,268	31.23	31.23	27.55	33.58	1.24	1.46	Subscribed by Shareholders	
17	Equity Issuance	4,413,519	131,302,190	-	119,600,000	-	119,600,000	29.75	27.10	27.51	33.71	1.24	1.46	Private	
18															
19	<b>Year 2012</b>														
20	Stock Options	100,654	2,838,978	-	2,838,978	-	2,838,978	28.21	28.21	27.84	36.34	1.85	1.48	Private	
21	DRIP (Note 1)	100,741	3,382,857	-	3,382,857	-	3,382,857	33.58	33.58	27.84	36.34	1.85	1.48	Subscribed by Shareholders	
22															
23	<b>As of September 2013</b>														
24	Stock Options	63,605	1,965,135	-	1,965,135	-	1,965,135	30.90	30.90	28.99	49.86	2.18	1.14	Private	
25	DRIP (Note 1)	51,551	2,352,463	-	2,352,463	-	2,352,463	45.63	45.63	28.99	49.86	2.18	1.14	Subscribed by Shareholders	
26															
27															
28	Note 1: DRIP is the Company's Dividend Reinvestment Plan.														

**BLACK HILLS POWER, INC.**  
**STOCK DIVIDENDS, STOCK SPLITS, OR CHANGES IN PAR VALUE OF COMMON STOCK**  
**For the Period January 1, 2008 Through September 30, 2013**

**Schedule G-1**  
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Line No.	Year	Stock Dividends	Stock Splits	Changes in Par Value
1	2008	N/A	N/A	N/A
2	2009	N/A	N/A	N/A
3	2010	N/A	N/A	N/A
4	2011	N/A	N/A	N/A
5	2012	N/A	N/A	N/A
6	9/30/2013	N/A	N/A	N/A

**BLACK HILLS POWER, INC.**  
**COMMON STOCK INFORMATION**  
For the Period January 1, 2008 Through September 30, 2013

Schedule G-2  
Page 1 of 1

Line No.	Period	Average Shares Outstanding	Earnings Per Average Share (Note 1)	Dividends Per Share (Note 2)	Dividends as a % of Earnings	BHP Market Price at End of Year	BHP Price/Earnings Ratio	BHP Dividend Yield
1	2008	23,416,396	\$ 0.97	\$ -	0%	N/A	N/A	N/A
2	2009	23,416,396	\$ 0.99	\$ -	0%	N/A	N/A	N/A
3	2010	23,416,396	\$ 1.34	\$ -	0%	N/A	N/A	N/A
4	2011	23,416,396	\$ 1.16	\$ -	0%	N/A	N/A	N/A
5	2012	23,416,396	\$ 1.16	\$ -	0%	N/A	N/A	N/A
6								
7	Oct-12	23,416,396	\$ 0.26	\$ -	0%	N/A	N/A	N/A
8	Nov-12	23,416,396	\$ 0.26	\$ -	0%	N/A	N/A	N/A
9	Dec-12	23,416,396	\$ 0.26	\$ -	0%	N/A	N/A	N/A
10	Jan-13	23,416,396	\$ 0.24	\$ -	0%	N/A	N/A	N/A
11	Feb-13	23,416,396	\$ 0.24	\$ -	0%	N/A	N/A	N/A
12	Mar-13	23,416,396	\$ 0.24	\$ -	0%	N/A	N/A	N/A
13	Apr-13	23,416,396	\$ 0.28	\$ -	0%	N/A	N/A	N/A
14	May-13	23,416,396	\$ 0.28	\$ -	0%	N/A	N/A	N/A
15	Jun-13	23,416,396	\$ 0.28	\$ -	0%	N/A	N/A	N/A
16	Jul-13	23,416,396	\$ 0.40	\$ -	0%	N/A	N/A	N/A
17	Aug-13	23,416,396	\$ 0.40	\$ -	0%	N/A	N/A	N/A
18	Sep-13	23,416,396	\$ 0.40	\$ -	0%	N/A	N/A	N/A
19								
20								

21 Note 1: Earnings Per Average Share excludes net income of discontinued operations.

22 Note 2: Monthly Dividends Per Share are computed on the current quarter and preceding three quarters.

**BLACK HILLS POWER, INC.**  
**REACQUISITION OF BONDS OR PREFERRED STOCK**  
**For the 18 Month Period Prior to Filing**

<u>Line No.</u>	<u>Policy Description</u>
1	Black Hills Power did not reacquire any bonds or preferred stock in the 18 months prior
2	to filing.



**BLACK HILLS POWER, INC.**  
**EARNINGS PER SHARE FOR CLAIMED RATE OF RETURN**  
**For the Test Year Ended September 30, 2013**

**Schedule G-4**  
**Page 1 of 1**

Line No.	Description	Reference	Amount
1	Common Equity	Stmt. G pg. 1 Ln. 16(a)	\$ 365,592,883
2	Return - Percentage	Stmt. G pg. 1 Ln. 3(c)	10.25%
3	Return - Amount	Ln. 1 * Ln. 2	<u>\$ 37,473,271</u>
4			
5	Common Shares Outstanding September 30, 2013	Sched. G-2 Ln.18	23,416,396
6			
7	Earnings Per Common Share - Black Hills Power	Ln. 3 / Ln. 5	<u>\$ 1.60</u>

