

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

Section P

20:10:13:100. Statement P – Energy Cost Adjustment Factors. Statement P shall show the derivation of the cost adjustment factor as stated therein if the rate schedule or sales contract embodies a fuel clause or gas adjustment clause. If the fuel clause differs from the one prescribed by the commission, the statement shall show the derivation as proposed by the company and as prescribed by the commission.

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 P Page 1 - Fuel and Purchase Power Adjustment. This schedule is used to calculate the test year base unit cost by adding together Steam Plant Fuel, Other Production Fuel, Purchase Power expenses, Reagent costs, Incremental SD Property Taxes and Incremental SD Contract Sales. This total is then divided by the retail energy sales.

Statement P Page 2 - Transmission Adjustment. This schedule is used to calculate the test year base unit cost for Transmission by taking the adjusted Transmission expenses and dividing by the total retail energy sales.

BLACK HILLS POWER, INC.
DERIVATION OF BASE UNIT COST - FUEL AND PURCHASE POWER ADJUSTMENT
For the Pro Forma Test Year Ended September 30, 2013

Line No.	Description	Reference	Amount
1	Total Company Costs		
1a	Steam Plant Fuel Expense (Adjusted) - FERC Account 501	Such H-9, Ln. 28	\$ 17,482,287
2			
3	Other Production Fuel Expense (Adjusted) - FERC Account 547	Such H-9, Ln. 17	1,759,552
4			
5	Purchase Power - Energy (Adjusted) - FERC Account 555	Such H-9, Ln. 7	13,266,017
6			
7	Plus: Reagent Costs- Lime, Lime Freight, Ammonia, Chemical	Such H-9, Ln. 49	1,011,946
8			
9	Base Cost for Fuel and Purchase Power Expense	Sum (Ln.1a:Ln.7)	<u>\$ 33,519,802</u>
10			
11	Incremental South Dakota Jurisdictional Costs		
12	Property Taxes		
13	Annual SD Property Taxes (Note 1):		
14	Total Company Amount	Stmt I, Ln. 14	\$ 5,042,451
15	FERC Jurisdictional Property Taxes	FERC Formula Rate	601,902
16	Retail Jurisdictional - SD, WY, & MT	Ln. 14 - Ln. 15	4,440,549
17	SD Property Tax Allocation - Total Plant	Stmt N-1, Such AP, Ln. 100	91,201%
18	SD Property Tax Amount	Ln. 16 * Ln. 17	4,049,818
19	Base SD Property Taxes	Stmt N-1, Such I, Ln. 16	4,049,818
20	Incremental Property Taxes	Ln. 18 - Ln. 19	<u>\$ -</u>
21			
22	Long-Term Contract Sales		
23	Annual SD Long-Term Contract Sales (Note 1):		
24	Total Company Amount	Stmt I, Pg 1, Ln. 10	\$ 21,472,488
25	SD Contract Sales Allocation - Demand Production	Stmt N-1, Such AP, Ln. 100	89.831%
26	SD Contract Sales Amount	Ln. 24 * Ln. 25	19,288,845
27	Base SD Contract Sales	Stmt N-1, Such I, Ln. 5	19,288,845
28	Incremental Contract Sales	Ln. 26 - Ln. 27	<u>\$ -</u>
29			
30			
31	<u>kWh SALES</u>		
32	Retail Energy Sales (Note 2)	WP-1 (Ln. 48(a)) * 1000	1,696,490,136
33			
34	Base Unit Cost for Fuel and Purchase Power (Note 3)	(Ln.9 + Ln. 20 - Ln 28)/ Ln.13	<u>\$ 0.01976</u> /kWh
35			
36	Base Unit Cost for Fuel and Purchase Power	Approved Docket EL09-018	<u>\$ 0.01460</u> /kWh
37			

38 Note 1: The annual SD property tax and contract sales calculations are for illustrative purposes only. The annual total company and FERC
39 jurisdictional amounts will reflect the actual costs for the FPPA time period, allocated to SD based on the jurisdictional allocations
40 established in this docket. The South Dakota property taxes and contract sales will be compared to the amount included in base rates
41 to determine the incremental change that needs to be recovered or credited to customers through the FPPA.

42 Note 2: The revised FPPA rate will be calculated using retail energy sales instead of system energy sales. This modification allows for the
43 collection of fuel costs associated with contract sales from retail customers. The matching principle supports the inclusion of
44 the fuel costs associated with contract sales as retail customers are receiving 100% of the wholesale contract revenues through the
45 ECA per Docket EL12-062.

46 Note 3: In Docket EL12-061, the Commission approved removing the ECA costs from base rates. The calculation is for illustrative
47 purposes only.

BLACK HILLS POWER, INC.
DERIVATION OF BASE UNIT COST OF TRANSMISSION
For the Pro Forma Test Year Ended September 30, 2013

Line No.	Description	Reference	Amount
1	Transmission Expense (Adjusted)- FERC Account 565	Sch H-9, Ln. 38	\$ 17,732,568
2			
3	Base Cost for Transmission Expense		<u>\$ 17,732,568</u>
4			
5	<u>kWh SALES</u>		
6			
7	Retail Energy Sales	WP-1 Ln.48(a) * 1000	1,696,490,136
8			
9	Base Unit Cost for Transmission	Ln.3 / Ln.7	<u>\$ 0.01045</u> /kWh
10			
11	Base Unit Cost for Transmission	Approved Docket EL09-018	<u>\$ 0.00810</u> /kWh
12			

13 Note: The Statement is for illustrated purposes only. The Company is not proposing a change to the base cost for the Transmission
14 Cost Adjustment. The base unit cost approved in Docket EL09-018 is used to calculate the removal of the Energy Cost Revenue on
15 Statement I page 4, line 1.