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 <u>49-34A-10</u>, <u>49-34A-12</u>, <u>49-34A-41</u>.

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.

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

Statement P Page 1 of 2

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No. Description Reference Amount 1 Total Company Costs 5 17,482,287 1 Steam Plant Fuel Expense (Adjusted) - FERC Account 501 Such H-9, Ln. 28 \$ 17,482,287 2 Other Production Fuel Expense (Adjusted) - FERC Account 547 Such H-9, Ln. 7 1,759,552 3 Other Production Fuel Expense (Adjusted) - FERC Account 547 Such H-9, Ln. 7 13,266,017 6 Purchase Power - Energy (Adjusted) - FERC Account 555 Such H-9, Ln. 7 13,266,017 6 Plus: Reagent Costs - Lime, Lime Freight, Ammonia, Chemical Such H-9, Ln. 49 1,011,946 8 Base Cost for Fuel and Purchase Power Expense Sum (Ln.1a:Ln.7) \$ 33,519,802 10 Incremental South Dakota Jurisdictional Costs Property Taxes Sum (Ln.1a:Ln.7) \$ 33,519,802 11 Incremental SD Property Taxes (Note 1): Total Company Amount Stmt I, Ln. 14 \$ 5,042,451 12 Property Taxes Stmt N-1, Such AP, Ln. 100 91,201% 01,902 13 SD Property Taxes Stmt N-1, Such AP, Ln. 100 91,201%	Line					
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1a Steam Plant Fuel Expense (Adjusted) - FERC Account 501 Such H-9, Ln. 28 \$ 17,482,287 2 Other Production Fuel Expense (Adjusted) - FERC Account 547 Such H-9, Ln. 17 1,759,552 3 Other Production Fuel Expense (Adjusted) - FERC Account 555 Such H-9, Ln. 7 13,266,017 6 Plus: Reagent Costs - Lime, Lime Freight, Ammonia, Chemical Such H-9, Ln. 49 1,011,946 7 Plus: Reagent Costs - Lime, Lime Freight, Ammonia, Chemical Such H-9, Ln. 49 1,011,946 8 Base Cost for Fuel and Purchase Power Expense Sum (Ln.1acln.7) \$ 33,519,802 11 Incremental South Dakota Jurisdictional Costs Property Taxes Stmt L, Ln. 14 \$ 5,042,451 15 FERC Jurisdictional Property Taxes FERC Formula Rate 601,902 1 16 Retail Jurisdictional Property Taxes Stmt N-1, Such AP, Ln. 100 91,201% 16 Retail Jurisdictional - Total Plant Stmt N-1, Such AP, Ln. 100 91,201% 17 SD Property Taxes Stmt N-1, Such L, Ln. 16 4,049,818 16 Incremental Property Taxes Stmt N-1, Such L, Ln. 16 4,049,818 10 Incremental Property Taxe					···	
2 Other Production Fuel Expense (Adjusted) - FERC Account 547 Such H-9, Ln. 17 1,759,552 3 Purchase Power - Energy (Adjusted) - FERC Account 555 Such H-9, Ln. 7 13,266,017 5 Purchase Power - Energy (Adjusted) - FERC Account 555 Such H-9, Ln. 7 13,266,017 6 Plus: Reagent Costs - Lime, Lime Freight, Ammonia, Chemical Such H-9, Ln. 49 1,011,946 8 Base Cost for Fuel and Purchase Power Expense Sum (Ln.1a:Ln.7) <u>5</u> 33,519,802 11 Incremental South Dakota Jurisdictional Costs Property Taxes Stmt L, Ln. 14 \$ 5,042,451 12 FERC Jurisdictional Property Taxes FERC Formula Rate <u>601,902</u> 4,440,549 13 SD Property Tax Allocation - Total Plant Stmt N-1, Such AP, Ln. 10 <u>9,1201%</u> 10,498,818 13 SD Property Taxes Stmt N-1, Such AP, Ln. 10 <u>9,2120%</u> 10,498,818 14 Incremential Property Taxes Stmt N-1, Such AP, Ln. 10 <u>8,21,472,488</u> 10,288,845 15 Dorder Tyra Kamount In. 24 * Ln. 25 19,288,845 19,288,845 15 Dorder Tyra Kamount In. 24 * Ln. 25 19,288,845 19,288,845 </td <td>1</td> <td></td> <td></td> <td></td> <td></td> <td></td>	1					
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5 Purchase Power - Energy (Adjusted) - FERC Account 555 Such H-9, Ln. 7 13,266,017 7 Plus: Reagent Costs- Lime, Lime Freight, Armonia, Chemical Such H-9, Ln. 49 1,011,946 9 Base Cost for Fuel and Purchase Power Expense Sum (Ln.1a:Ln.7) \$ 33,519,802 10 Incremental South Dakota Jurisdictional Costs Property Taxes Stmt L, Ln. 14 \$ 5,042,451 11 Incremental South Dakota Jurisdictional Costs Property Taxes FERC Formula Rate 601,902 12 Property Taxes FERC Formula Rate 601,902 4,440,549 13 SD Property Tax Allocation - Total Plant Stmt N-1, Such AP, Ln. 100 91,201% 14 Total Company Amount Stmt N-1, Such AP, Ln. 100 91,201% 15 FERC Formula Rate 601,902 4,440,549 16 Retail Jurisdictional - Total Plant Stmt N-1, Such AP, Ln. 100 91,201% 17 SD Property Taxes Stmt N-1, Such L, Ln. 16 4,409,818 20 Incremental Property Taxes Ln. 18 - Ln. 19 5 21 Long-Term Contract Sales Stmt N, Such L, Ln. 10 89,831% 5 <td>2</td> <td></td> <td></td> <td></td> <td></td> <td></td>	2					
S Purchase Power - Energy (Adjusted) - FERC Account 555 Such H-9, Ln. 7 13,266,017 6 9 Base Cost for Fuel and Purchase Power Expense Such H-9, Ln. 49 1,011,946 9 Base Cost for Fuel and Purchase Power Expense Sum (Ln.1a:Ln.7) \$ 33,519,802 11 Incremental South Dakota Jurisdictional Costs Property Taxes Annual SD Property Taxes (Note 1): 12 Property Taxes (Note 1): 5 5,042,451 \$ 5,042,451 15 FERC formula Rate 601,902 \$ 601,902 16 Retail Jurisdictional Property Taxes FERC Formula Rate 601,902 17 S D Property Tax Allocation - Total Plant Stmt 1, L, 14 \$ 5,042,451 18 S D Property Tax Allocation - Total Plant Stmt 1, Such AP, Ln. 100 91,201% 18 Base SD Property Taxes Ln. 16 + Ln. 15 4,049,818 19 Base SD Property Taxes Ln. 18 - Ln. 19 \$ 12 Long-Term Contract Sales Ln. 16 + Ln. 10 \$ 21,472,488 23 Annual SD Ingerterm Contract Sales (Note 1): Contract Sales Amount Ln. 24 + Ln. 25 19,288,845 24 SD Contract Sales Amount <td>3</td> <td>Other Production Fuel Expense (Adjusted) - FERC Account 547</td> <td>Such H-9, Ln. 17</td> <td></td> <td>1,759,552</td> <td></td>	3	Other Production Fuel Expense (Adjusted) - FERC Account 547	Such H-9, Ln. 17		1,759,552	
6 Plus: Reagent Costs- Lime, Lime Freight, Ammonia, Chemical Such H-9, Ln. 49 1,011,946 7 Plus: Reagent Costs- Lime, Lime, Freight, Ammonia, Chemical Such H-9, Ln. 49 1,011,946 9 Base Cost for Fuel and Purchase Power Expense Sum (Ln.1a:Ln.7) \$ 33,519,802 10 Incremental South Dakota Jurisdictional Costs Property Taxes Stmt l, Ln. 14 \$ 5,042,451 11 Incremental South Dakota Jurisdictional Costs Incremental Rate \$ 601,902 13 Annual SD Property Taxes (Note 1): In. 14 \$ 5,042,451 14 Total Company Amount Stmt l, Ln. 14 \$ 5,042,451 15 FERC Formula Rate \$ 601,902 16 Retail Jurisdictional - Total Plant Stmt N-1, Such AP, Ln. 100 \$ 91,201% 17 SD Property Tax Anount Ln. 16 * Ln. 17 \$ 4,049,818 19 Base SD Property Taxes Stmt N-1, Such L, Ln. 16 \$ 4,049,818 20 Incremental Property Taxes Ln. 18 · Ln. 19 \$						
7 Plus: Reagent Costs- Lime, Lime Freight, Ammonia, Chemical Such H-9, Ln. 49 1,011,946 8 Sum (Ln.1a:Ln.7) 5 33,519,802 10 Incremental South Dakota Jurisdictional Costs 5 33,519,802 11 Incremental South Dakota Jurisdictional Costs 5 33,519,802 12 Property Taxes Stmt L, Ln. 14 \$ 5,042,451 13 Annual SD Property Taxes (Note 1): 1 1 4 5,042,451 14 Total Company Amount Stmt L, In. 14 \$ 5,042,451 15 FERC Linsicitional Property Taxes FERC Formula Rate 601,902 16 Retail Jurisdictional - SD, WY, & MT Ln. 14 - Ln. 15 4,440,549 17 SD Property Taxes Stmt N-1, Such AP, Ln. 100 91,201% 18 SD Property Taxes Stmt N-1, Such L, Ln. 16 4,049,818 20 Incremental Property Taxes Ln. 18 - Ln. 19 5 21 Long-Term Contract Sales (Note 1): Total Company Amount Stmt N-1, Such AP, Ln. 10 \$ 21,472,488 23 Annual SD Long-Term Contract Sales (Note 1): Stmt N-1, Such AP, Ln. 10		Purchase Power - Energy (Adjusted) - FERC Account 555	Such H-9, Ln. 7		13,266,017	
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19 Base SD Property Taxes Stmt N-1, Such L, Ln. 16 4,049,818 20 Incremental Property Taxes Ln. 18 - Ln. 19 \$ - 21 22 Long-Term Contract Sales 23 Annual SD Long-Term Contract Sales (Note 1): 24 5 21,472,488 23 Annual SD Long-Term Contract Sales (Note 1): 24 5 21,472,488 24 Total Company Amount Stmt N-1, Such AP, 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 \$ - 29 WP-1 (Ln. 48(a)) * 1000 1,696,490,136 31 American Purchase Power (Note 3) 32 Retail Energy Sales (Note 2) WP-1 (Ln. 48(a)) * 1000 1,696,490,136 33 36 Base Unit Cost for Fuel and Purchase Power (Note 3) (Ln.9 + Ln. 20 - Ln 28)/ Ln. 13 \$ 0.01976 /kWh		· ·				
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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 Stmt N.1, Such I, Ln. 5 19,288,845 28 Incremental Contract Sales Ln. 26 - Ln. 27 5 29 KWh SALES 1 31 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 \$ 0.01976 / kWh 35 36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 / kWh						
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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 \$ - 29				\$	21,472,488	
27 Base SD Contract Sales Stmt N-1, Such I, Ln. 5 19,288,845 28 Incremental Contract Sales Ln. 26 - Ln. 27 \$ 29		SD Contract Sales Allocation - Demand Production				
28 Incremental Contract Sales Ln. 26 - Ln. 27 \$ - 29 30 kWh SALES 31 31 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 \$ 0.01976 /kWh 35 36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 /kWh					19,288,845	
29 30 kWh SALES 31 31 32 Retail Energy Sales (Note 2) WP-1 (Ln. 48(a)) * 1000 1,696,490,136 33 33 34 Base Unit Cost for Fuel and Purchase Power (Note 3) (Ln.9 + Ln. 20 - Ln 28)/ Ln.13 \$ 0.01976 / kWh 35 36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 / kWh					19,288,845	
30 kWh SALES 31	28	Incremental Contract Sales	Ln. 26 - Ln. 27	\$		
31 31 32 Retail Energy Sales (Note 2) WP-1 (Ln. 48(a)) * 1000 1,696,490,136 33 33 Image: Sales (Note 2) Image: Sales (Note 2) Image: Sales (Note 2) 33 34 Base Unit Cost for Fuel and Purchase Power (Note 3) (Ln.9 + Ln. 20 - Ln 28)/ Ln.13 \$ 0.01976 /kWh 35 36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 /kWh						
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 \$ 0.01976 /kWh 35 35 36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 /kWh		kWh SALES				
33 33 34 Base Unit Cost for Fuel and Purchase Power (Note 3) (Ln.9 + Ln. 20 - Ln 28)/ Ln.13 \$ 0.01976 /kWh 35 35 36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 /kWh						
34 Base Unit Cost for Fuel and Purchase Power (Note 3) (Ln.9 + Ln. 20 - Ln 28)/ Ln.13 \$ 0.01976 /kWh 35 36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 /kWh		Retail Energy Sales (Note 2)	WP-1 (Ln. 48(a)) * 1000	:	1,696,490,136	
35 36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 /kWh				_		
36 Base Unit Cost for Fuel and Purchase Power Approved Docket EL09-018 \$ 0.01460 /kWh	34	Base Unit Cost for Fuel and Purchase Power (Note 3)	(Ln.9 + Ln. 20 - Ln 28)/ Ln.13	\$	0.01976	/kWh
······································						
37	36	Base Unit Cost for Fuel and Purchase Power	Approved Docket EL09-018	\$	0.01460	/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

established in this docket. The South Dakota property taxes and contract sales will be compared to the amount included in bas
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

Statement P

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Page 2 of 2

Line No.	Description	Reference					
1	Transmission Expense (Adjusted)- FERC Account 565	Sch H-9, Ln. 38	\$	17,732,568			
2							
3	Base Cost for Transmission Expense		\$	17,732,568			
4							
5	kwh sales						
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	\$	0.01045	/kWh		
10							
11	Base Unit Cost for Transmission	Approved Docket EL09-018	\$	0.00810	/kWh		
12							
17	Note: The Statement is for illustrated purposes only. The Company is not proposing a change to the base cost for the Transmission						

Note: The Statement is for illustrated purposes only. The Company is not proposing a change to the base cost for the Transmission 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.