

BLACK HILLS POWER, INC.
SD PUC DOCKET: EL14-026
RATE CASE

REQUEST DATE : April 29, 2014
RESPONSE DATE : October 13, 2014
REQUESTING PARTY: SDPUC Staff

SDPUC Request No. 2-57:

According to the financing application (EL14-034), BHP is planning to issue up to \$110 million, to finance its "approximately \$93 million" interest in CPGS, and to recall the Series 2004 Campbell County bonds (\$12.2 million). Please explain why the pro-forma adjustments to capital structure on Statement G, Page 3 of 5, do not reflect the full \$110 million.

Response to SDPUC Request No. 2-57:

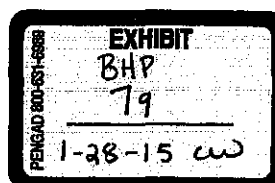
In Docket EL14-026, the pro forma adjustments to the capital structure on Statement G, Page 3 of 5, do not reflect the full \$110 million of additional debt because the Company may not issue the full amount. The Company requested authority to issue up to \$110 million in additional first mortgage bonds, and \$50 million would fall within the Company's request. Statement G will be updated during discovery in Docket EL14-026 to reflect the actual debt transaction.

The amount of debt the Company ultimately issues will depend on market conditions. When the Company was preparing Docket EL14-026, forecasted interest rates were higher than current interest rates.

Supplemental Response to SDPUC Request No. 2-57:

Please see attachment 2-57 for the revised Statement G, page 3 to reflect the cost of the debt issuance authorized in Docket EL14-034.

Attachment: 2-57 Revised Statement G Pg 3



BHP-SD-008926

BLACK HILLS POWER, INC.
PRO FORMA DEBT CAPITAL
FOR THE PRO FORMA TEST YEAR ENDED SEPTEMBER 30, 2013

Line No.	(a) Title	(b) Issue	(c) Maturity	(d) Amount Issued	(e) Coupon Rate	(f) Purchase Price	(g) (f) / (d) Per Unit	(h) (e) Yield to Maturity	(i) Amortization of DFC & Other costs	(j) (h) + (i) Cost of Money	(k) Principal Outstanding	(l) Annual Cost
1	BLACK HILLS POWER											
2	FIRST MORTGAGE BONDS:											
3	Series AE	8/13/2002	8/15/2032	75,000,000	7.23%	74,343,750	0.9913	7.29%	0.13%	7.42%	75,000,000	5,566,612
4	Series AF	10/27/2009	11/1/2039	180,000,000	6.13%	178,300,800	0.9906	6.19%	0.04%	6.23%	180,000,000	11,216,244
5	Series Y (1)	6/15/1988	6/15/2018	6,000,000	9.49%	5,906,578	n/a	n/a	0.19%	0.19%	-	11,109 (1)
6	Series Z (1)	5/29/1991	5/29/2021	35,000,000	9.35%	34,790,305	n/a	n/a	0.24%	0.24%	-	84,828 (1)
7	Series AB (1)	9/1/1999	9/1/2024	45,000,000	8.30%	44,507,250	n/a	n/a	0.26%	0.26%	-	116,828 (1)
8	Series AG (2)	10/1/2014	10/1/2044	85,000,000	4.43%	85,000,000	1.0000	4.43%	0.03%	4.46%	85,000,000	3,789,663 (2)
9	OTHER BONDS:											
10	Series 94A Gillette (3)	6/15/1994	6/1/2024	3,000,000	(3)	2,930,057	0.9767	(3)	0.08%	1.25%	2,855,000	35,672 (3)
11	Series 2004 Campbell County due 2024 (7)	10/1/2004	10/1/2024	12,200,000	5.35%	12,062,750	n/a	n/a	0.31%	0.31%	-	37,260
12												
13	Total Outstanding										<u>342,855,000</u>	<u>20,858,217</u>
14												
15	Weighted Average Cost of Debt											<u>6.03%</u>
16												
17	BLACK HILLS CORP. DEBT											
18	\$525MM Notes Due 2023 (4)	11/19/2013	11/30/2023	525,000,000	4.25%	522,532,500	0.9953	4.31%	0.09%	4.40%	525,000,000	23,113,911
18	\$200MM Notes Dues 2020 (5)	7/16/2010	7/15/2020	200,000,000	5.88%	200,000,000	1.0000	5.88%	0.08%	5.96%	200,000,000	11,917,126
19	\$275M Term Loan (6)	6/21/2013	6/19/2015	275,000,000	(6)	275,000,000	(6)	(6)	0.00%	(6)	275,000,000	-
20												

(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.

(2) New tranche closed October 1, 2014 to finance BHP's portion of new Cheyenne Prairie Generating Station.

(3) The Series 1994A bonds have a variable component that resets weekly. The proforma cost of money is the average all-in interest rate for the test year period.

(4) Note was issued by BHC in November 2013. Proceeds used to finance BHE Utilities and BHC non-regulated business segment.

(5) Note was issued by BHC in July 2010, but is allocated to Colorado Electric.

(6) Term loan is used to finance BHWand BH-IPP. Cost of borrowing has a fixed (1.125%) and variable rate component (libor). Rate as of Sept. 30, 2013 was 1.3125%.

(7) Redeemed bondholders on Oct. 1, 2014 using proceeds of new Series AG bonds issued on same day.