

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

**In the Matter of the Application  
of Black Hills Power, Inc. for  
Authority to Increase its Electric  
Rates**

**Docket No. EL14-026**

**EXHIBIT \_\_ (SJB-5)**

**OF**

**STEPHEN J. BARON**

**ON BEHALF OF THE  
BLACK HILLS INDUSTRIAL INTERVENORS**

**J. KENNEDY AND ASSOCIATES, INC.  
ROSWELL, GEORGIA**

**December 2014**

BLACK HILLS INDUSTRIAL INTERVENORS  
CORRECTED PRO FORMA CLASS COST OF SERVICE STUDY  
FOR THE TEST YEAR ENDED SEPTEMBER 30, 2013

LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL SOUTH DAKOTA	RESIDENTIAL SERVICE	GENERAL SERVICE	GS LARGE/ INDUSTRIAL CONTRACT	LIGHTING SERVICE	WATER PUMP IRRIGATION
	(a)	(b)	(c)	(d)	(e)	(h)	(i)	(j)
1	<b>SUMMARY AT PRESENT RATES</b>							
2								
3	<b>DEVELOPMENT OF RETURN</b>							
4								
5	<b>OPERATING REVENUE</b>							
		<u>Sched O-1 Reference</u>						
6	Base Sales of Electricity		124,169,353	49,009,989	41,997,396	29,828,727	1,702,416	1,630,824
7	Contract Revenues		19,288,845	7,350,394	5,857,566	5,751,361	106,151	223,374
8	Other Operating Revenue		5,800,779	3,478,253	1,209,889	928,155	131,091	53,392
9	<b>TOTAL OPERATING REVENUE</b>		149,258,977	59,838,635	49,064,851	36,508,243	1,939,658	1,907,590
10								
11	<b>OPERATING EXPENSES</b>							
12	Operation and Maintenance Expense		67,628,526	32,165,655	18,601,295	15,552,318	587,592	721,667
13	Depreciation Expense		26,137,533	11,979,102	7,295,360	6,275,606	291,762	295,703
14	Amortization Expense		4,031,631	1,980,627	1,085,427	888,252	35,436	41,889
15	Taxes Other Than Income Taxes		4,199,038	1,923,263	1,172,479	1,007,551	47,845	47,902
16	State Income Tax		0	0	0	0	0	0
17	Federal Income Tax		10,753,377	1,415,317	5,723,640	3,113,140	285,057	216,223
18	<b>TOTAL OPERATING EXPENSES</b>		112,750,105	49,463,963	33,878,201	26,836,866	1,247,691	1,323,385
19								
20	<b>OPERATING INCOME (RETURN)</b>		36,508,872	10,374,672	15,186,649	9,671,377	691,968	584,205
21								
22								
23	<b>DEVELOPMENT OF RATE BASE</b>							
24	Electric Plant in Service		901,099,320	412,869,069	251,496,019	216,167,196	10,294,636	10,272,399
25	Less: Accumulated Depreciation		251,710,991	117,394,415	69,368,736	58,651,647	3,415,356	2,880,837
26	Less: Amortization		2,835,303	1,080,448	861,014	845,403	15,603	32,834
27	Plus: Working Capital		13,863,167	5,602,535	3,841,110	4,071,969	155,094	192,459
28	Less: Other Rate Base Deductions		117,714,228	54,469,729	32,969,748	27,521,751	1,426,478	1,326,522
29								
30	<b>TOTAL RATE BASE</b>		542,701,964	245,527,012	152,137,631	133,220,364	5,592,293	6,224,664
31								
32								
33	<b>RATE OF RETURN (PRESENT)</b>		6.73%	4.23%	9.98%	7.26%	12.37%	9.39%
34								
35	<b>INDEX RATE OF RETURN (PRESENT)</b>		1.00	0.63	1.48	1.08	1.84	1.40
36								
37								
38								
39								
40								
41								
42								
43								



BLACK HILLS INDUSTRIAL INTERVENORS  
CORRECTED PRO FORMA CLASS COST OF SERVICE STUDY  
FOR THE TEST YEAR ENDED SEPTEMBER 30, 2013

LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL SOUTH DAKOTA	RESIDENTIAL SERVICE	GENERAL SERVICE	GS LARGE/ INDUSTRIAL CONTRACT	LIGHTING SERVICE	WATER PUMP IRRIGATION
	(a)	(b)	(c)	(d)	(e)	(h)	(i)	(j)
92								
93	<b>RETURN AT PROPOSED RATES</b>							
94								
95	<b>DEVELOPMENT OF RETURN AT PROPOSED RATE LEVELS</b>							
96								
97	<b>OPERATING REVENUE</b>							
98	Sales of Electricity		138,803,636	55,546,653	45,733,753	33,896,966	1,851,073	1,775,191
99	Contract Revenues		19,288,845	7,350,394	5,857,566	5,751,361	106,151	223,374
100	Other Operating Revenue		5,800,779	3,478,253	1,209,889	928,155	131,091	53,392
101	<b>TOTAL OPERATING REVENUE</b>		163,893,260	66,375,300	52,801,207	40,576,482	2,088,315	2,051,956
102								
103	<b>OPERATING EXPENSES</b>							
104	Operation and Maintenance Expense		67,628,526	32,165,655	18,601,295	15,552,318	587,592	721,667
105	Depreciation Expense		26,137,533	11,979,102	7,295,360	6,275,606	291,762	295,703
106	Amortization Expense		4,031,631	1,980,627	1,085,427	888,252	35,436	41,889
107	Taxes Other Than Income Taxes		4,199,038	1,923,263	1,172,479	1,007,551	47,845	47,902
108	State Income Tax	CALCULATED	0	0	0	0	0	0
109	Federal Income Tax	CALCULATED	15,875,376	3,703,150	7,031,365	4,537,023	337,087	266,752
110	<b>TOTAL OPERATING EXPENSES</b>		117,872,104	51,751,795	35,185,926	28,260,749	1,299,720	1,373,913
111								
112	<b>OPERATING INCOME (RETURN) AT PROPOSED RATES</b>		46,021,156	14,623,504	17,615,281	12,315,733	788,595	678,043
113								
114								
115	<b>RATE BASE</b>		542,701,964	245,527,012	152,137,631	133,220,364	5,592,293	6,224,664
116								
117								
118	<b>RATE OF RETURN</b>		8.48%	5.96%	11.58%	9.24%	14.10%	10.89%
119								
120	<b>INDEX RATE OF RETURN</b>		1.00	0.70	1.37	1.09	1.66	1.28
121								
122								
123	<b>PROPOSED TOTAL REVENUE INCREASE (\$)</b>		14,634,283	6,536,664	3,736,357	4,068,239	148,657	144,367
124								
125	<b>BASE SALES OF ELECTRICITY</b>		124,169,353	49,009,989	41,997,396	29,828,727	1,702,416	1,630,824
126	<b>SALES OF ELECTRICITY FOR BASE ENERGY COSTS ENERGY2</b>		33,682,213	11,594,018	9,158,128	12,053,051	323,929	553,088
127	<b>TOTAL CURRENT RETAIL REVENUES</b>		157,851,566	60,604,006	51,155,524	41,881,778	2,026,346	2,183,912
128								
129	<b>PROPOSED TOTAL REVENUE INCREASE (%)</b>		9.27%	10.79%	7.30%	9.71%	7.34%	6.61%