

Docket EL14-034
Response to DR 1-5

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

Statement G
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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)	367,855,000	46.68%	6.35%	2.96%
3	Common Equity (1)	Ln. 16	420,193,935	53.32%	10.25%	5.47%
4			<u>\$ 788,048,935</u>	<u>100%</u>		<u>8.43%</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)		87,139,633			
16	Adjusted Equity		<u>\$ 420,193,935</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.
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) Per Unit (f) / (d)	(h) Yield to Maturity (e)	(i) Cost of Money (h) / (g)	(j) Principal Outstanding	(k) Annual Cost
1	BLACK HILLS POWER										
2	FIRST MORTGAGE BONDS:										
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	110,000,000	5.67%	108,350,000	0.9850	5.67%	5.76%	110,000,000	6,336,000
9											
10	OTHER BONDS:										
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											
13	Total Outstanding									367,855,000	23,364,309
14											
15	Weighted Average Cost of Debt										6.35%
16											
17	BLACK HILLS CORP. DEBT										
18	\$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
19	\$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
20	\$275M Term Loan (6)	6/21/2013	6/19/2015	275,000,000	(6)	275,000,000	(6)	(6)	(6)	275,000,000	-
21											

(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) The Series 1994A bonds have a variable component that resets weekly. The rate reflected is the average interest rate for the test year period.
 (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.
 (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 BHW and BH-IPP. Cost of borrowing has a fixed (1.125%) and variable rate component (Libor). Rate as of Sept. 30, 2013 was 1.3125%.