

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

APPLICATION OF BLACK HILLS POWER,)
INC. d/b/a BLACK HILLS ENERGY FOR)
APPROVAL OF ITS 2017) Docket EL17-_____
ENVIRONMENTAL IMPROVEMENT)
ADJUSTMENT)

**BLACK HILLS POWER, INC. d/b/a BLACK HILLS ENERGY'S APPLICATION FOR
ITS 2017 ENVIRONMENTAL IMPROVEMENT ADJUSTMENT**

Black Hills Power, Inc. d/b/a Black Hills Energy ("Black Hills Power" or the "Company"), a South Dakota corporation, respectfully requests an order from the South Dakota Public Utilities Commission ("Commission") approving an Environmental Improvement Adjustment ("EIA") to its electric rates, to become effective on June 1, 2017.

South Dakota Codified Laws §§ 49-34A-97 through 100, authorize the Commission to approve a tariff mechanism for automatic annual adjustment of charges for jurisdictional costs of environmental improvements to its existing electric generation facilities, as such facilities are defined under South Dakota Law. SDCL § 49-34A-97, defines qualifying environmental improvements as any requirements under the Clean Air Act, the Clean Water Act, or any other federal law or rule, or any state law or rule implementing a federal law or rule, or voluntary environmental measures designed to protect the environment. The Commission approved the establishment of the EIA tariff for Black Hills Power in Docket EL11-001. Per the approved tariff, Black Hills Power is required to make an annual rate filing by February 15th each year.

Through this Application, the Company seeks approval of its proposal for the annual true-up of EIA revenue requirement from April 15, 2016, through May 31, 2017, as approved in Docket EL15-008, and the forecasted recovery of EIA revenue requirement associated with

eligible environmental improvements from June 1, 2017, through May 31, 2018. Black Hills will not be seeking additional recoveries for environmental projects from June 2017 through May 2018, but reserves the right to file in future years with qualifying projects.

ANNUAL RATE ADJUSTMENT APPLICATION REQUIREMENTS

The Company offers the following supporting information in accordance with SDCL § 49-34A-99:

(1) A description of and context for the costs and expenses of environmental improvements included for recovery:

In Docket EL15-008, the Commission approved the recovery of a revenue requirement associated with the Wyodak Mercury Control Project and Wygen III CO and O2 Grid Installation project.

In Docket EL16-006, the Commission approved the recovery of a revenue requirement associated with the Neil Simpson Common – Compressed Air Project, Neil Simpson II – Electrostatic Precipitator (ESP) Project, Neil Simpson Common – Amended Silicates Silo Project for Neil Simpson II, Neil Common – Amended Silicates Silo Project for Wygen III.

(2) A schedule for implementation of applicable projects:

As of the date of this Application, all projects have been placed in service with the exception of the Neil Simpson II ESP Upgrade Project (projected in-service date of June 2017) and Neil Simpson II and Wygen I Amended Silicate Silo Projects (projected in-service date of March 2017).

(3) The public utility's costs and expenses for these projects:

Exhibit 4 reflects the costs, expenses, and recoveries for eligible environmental improvements from April 15, 2016, through May 31, 2017, and the forecasted costs and expenses from June 1, 2017, through May 31, 2018.

(4) Calculations to establish that the rate adjustment is consistent with the terms of the tariff established in SDCL 49-34A-98:

The calculation for the EIA rate for the period of June 1, 2017, through May 31, 2018, is provided on Exhibit 4, Schedule 4-1. The forecasted EIA revenue requirement from June 1, 2017, through May 31, 2018, as supported on Schedule 4-3, is allocated to the customer classes based on production capacity allocators used in Black Hills Power's most recent general rate case, Docket EL14-026. Next, the customer class revenue requirements are combined with the annual balancing account as shown on Schedule 4-2. The adjusted revenue requirements by customer class are then divided by the forecasted kWh sales for the period of June 2017 through May 2018 to determine the EIA rate by customer class as listed on page 4 of this Application.

Schedule 4-4 calculates the estimated total rate base amount for the EIA from June 1, 2017, through May 31, 2018. The rate base calculation includes Plant in Service, less Accumulated Depreciation and Accumulated Deferred Income Taxes. The Company applied the overall rate of return incorporated in its most recent rate case, Docket EL14-026. Schedule 4-5 supports the estimated operating expenses and taxes associated with the environmental improvements from June 1, 2017 through May 31, 2018. The operating expenses include depreciation expense and the assessed Commission filing fee.

The actual EIA revenue requirement from April 15, 2016, through May 31, 2017, and allocation by customer class is provided on Exhibit 4, Schedule 4-7 and Schedule 4-6, respectively. In accordance with the Settlement Stipulation in Docket EL15-008, the rate of return approved in the most recent rate case, Docket EL14-026, was applied to the investments.

Schedule 4-8 supports the rate base calculation and Schedule 4-9 supports the operating expenses and taxes from April 15, 2016, through May 31, 2017. Rate base has been updated to reflect actual project in-service dates, project capital costs and the utilization of bonus depreciation. The depreciation expense and federal income tax associated with the environmental improvements were updated based on project costs and in-service dates.

EIA PROPOSED RATE

The Company proposes to implement the following rates per kWh to be effective June 1, 2017:

| | |
|--------------------------------------|---------------|
| Residential | \$0.00025/kWh |
| Small General Service | \$0.00022/kWh |
| Large General Service and Industrial | \$0.00020/kWh |
| Lighting | \$0.00014/kWh |

The EIA rates are set forth in the EIA tariff sheet contained in Exhibits 2 and 3, attached hereto.

The Company proposes to submit the revised Cost Adjustment Summary tariff sheet, Section No. 3C, Sheet No. 11, as a compliance filing after the Commission issues its decision in this docket.

Approximately 68,000 South Dakota retail customers are affected by the EIA rate change. The annual net increase in the cost of service is approximately \$123,000. The average bill impact for a typical residential electric customer using 650 kWh is approximately 0.03%.

NOTICE

The Company plans to provide notice to customers regarding the EIA rate through a bill message with the first bill for service under the proposed rate in accordance with South Dakota Administrative Rule 20:10:13:19. A customer notice will be displayed in the Black Hills Power South Dakota district offices and has been attached as Exhibit 5. The Company will work with Commission Staff to determine if there are any suggestions to modify the notice to customers.

EXHIBITS

The following exhibits are provided in support of this Application and incorporated through this reference:

| | |
|------------------|--|
| <u>Exhibit 1</u> | Report of Tariff Change |
| <u>Exhibit 2</u> | Legislative Format of Tariffs |
| <u>Exhibit 3</u> | Clean Format of Tariffs |
| <u>Exhibit 4</u> | Environmental Improvement Adjustment Calculation |
| <u>Exhibit 5</u> | Customer Notice |

COMPANY REPRESENTATIVES

Copies of all notices, other correspondence and all inquiries concerning this Application should be sent to:

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CONCLUSION

WHEREFORE, Black Hills Power respectfully requests that the Commission enter an order effective June 1, 2017, approving the adjustment to the Company’s electric rates set forth in this Application and the proposed tariffs.

Dated this 15th day of February, 2017.

BLACK HILLS POWER, INC

By: 

Jason S. Keil
Manager - Regulatory

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

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STATE OF SOUTH DAKOTA)
COUNTY OF PENNINGTON) SS:

I, Jason S. Keil, being duly sworn, do hereby depose and say that I am Manager – Regulatory for Black Hills Power, Inc. d/b/a Black Hills Energy, Applicant in the foregoing Application; that I have read such Application; and that the facts set forth therein are true and correct to the best of my knowledge, information, and belief.



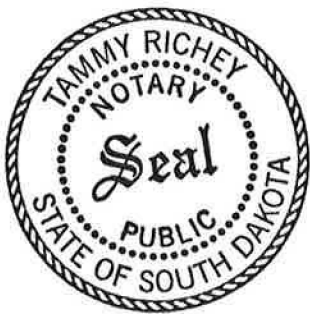
Jason S. Keil
Manager – Regulatory

Subscribed and sworn to before me this 15th day of February, 2017.



Notary Public

(SEAL)



Commission Expires: 9/14/2021

