



SOUTH DAKOTA ELECTRIC RATE BOOK

FUEL AND PURCHASED POWER ADJUSTMENT

Section No. 3C
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 Cancels Tenth Revised Sheet No. 12

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FUEL AND PURCHASED POWER ADJUSTMENT

APPLICABLE

This Fuel and Purchased Power Adjustment (FPPA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission).

The FPPA shall be calculated annually based on actual system costs for Fuel and Purchased Power (FPP) for the twelve months of April through March as compared to the base year FPP costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. Black Hills Power, Inc. (the Company) will update and make a FPPA filing with the Commission on an annual basis no later than May 10th.

For the Twelve months
 Ended March 31, 2018

FUEL AND PURCHASED POWER ADJUSTMENT CALCULATION

1.	Annual System FPP Costs (Including Renewable Ready Credit)	\$	47,031,247	
2.	Annual Retail Energy Sales		1,766,341,107	kWh
3.	FPP Cost /kWh (Line 1 ÷ Line 2)	\$	0.02663	/kWh
4.	Approved Base FPP Costs	\$	0.0146	/kWh
5.	FPP Cost /kWh Difference (Line 3 – Line 4)	\$	0.01203	/kWh
6.	Total FPP Change from Base (Line 2 x Line 5)	\$	21,249,084	
7.	South Dakota Annual Retail Energy Sales		1,490,222,496	kWh
8.	Total SD (Refund) / Charge (Line 5 x Line 7)	\$	17,927,377	
9.	SD Balancing Account (+/-)	\$	(1,283,195)	
10.	Incremental SD Jurisdictional Costs	\$	(5,178,403)	
11.	Rate Case True-up Items	\$	0	
12.	Net SD Amount to (Refund)/Charge (Line 8 through Line 11)	\$	11,465,779	
13.	Projected South Dakota Retail Energy Sales		1,514,572,232	kWh
14.	SD FPPA (Line 12 ÷ Line 13)	\$	0.00757	/kWh



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FUEL AND PURCHASED POWER ADJUSTMENT

ANNUAL SYSTEM FUEL AND PURCHASED POWER (FPP) COSTS (Line 1)

(N)

FPP Costs include all purchased power; fuel consumed for plant generation, including but not limited to coal, fuel oil and natural gas; plus costs for certain re-agents used in conjunction with fuel consumed for plant generation; less costs associated with Power Marketing; and a sharing of Power Marketing Operating Income. The Annual System FPP Costs shall be calculated on an annual basis using the total of:

- a. Total fuel costs of the Company's generation for items listed in the Federal Energy Regulatory Commission's (FERC) Accounts: 501 for Fuel and 547 for Other Power Production, as well as any other costs of fuel consumed to generate electricity not listed in these two accounts. The base price for coal, included in this cost, is determined in accordance with the methodology set forth in the Statement R of the Company's 2006 rate application Docket No. EL06-019;
- b. The costs of re-agents necessary to use in conjunction with fuel consumed for plant generation. This includes lime and the associated freight, ammonia and other chemicals;
- c. The costs of all energy or short term capacity purchases listed under FERC account 555 including any Renewable Ready Credit in a subaccount of FERC account 555.
- d. Less, ninety percent (90%) of the share of margin generated by the sale of Renewable Energy Credits;
- e. Less, FPP used for Power Marketing Sales; and
- f. Less a share of Power Marketing Operating Income as described below.

POWER MARKETING OPERATING INCOME (PMOI)

As an incentive to provide the lowest cost FPP to customers, Power Marketing revenues and expenses will be included in the Fuel and Purchase Power Adjustment clause as follows:

- a. Power Marketing Sales revenues are defined as short-term (generally less than one year) energy or capacity sales to wholesale customers and sales of emission allowances.
- b. The Company's long-term (generally one year or longer) customer obligations will be served with the lowest cost resources during each hour that the Company engages in Power Marketing Sales except for the following: 1) Any renewable resource energy; and 2) Specific energy or capacity blocks, up to 75MW, purchased to cover capacity needs for 3 weeks or more [but not to exceed 6 months] in length. For these two situations, the cost of capacity or energy shall be directly assigned to the Company's long-term customers. Any remaining resources may be scheduled for, and if scheduled will be charged to, Power Marketing Sales as the costs of goods sold.
- c. Fifty percent (50%) of the base salary and benefit costs of the Company's generation dispatch and power marketing personnel shall be included as a power marketing expense.