



SOUTH DAKOTA ELECTRIC RATE BOOK

FUEL AND PURCHASED POWER ADJUSTMENT

Section No. 3C

Third Revised Sheet No. 13

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Cancels Second Revised Sheet No. 13

FUEL AND PURCHASED POWER ADJUSTMENT

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

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) and long-term energy or capacity sales to wholesale customers and sales of emission allowances. Long-term energy and capacity sales will apply to new or extended/renewed contracts effective beginning January 1, 2022 or later. (C)
- 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.



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POWER MARKETING OPERATING INCOME (Continued)

- d. Any transmission expense incurred to facilitate Power Marketing Sales shall be included as an expense.
- e. Bonuses payable to the Company's generation dispatch and power marketing personnel as a result of Power Marketing Sales shall be included as an expense.
- f. Any specifically identified expenses associated with Power Marketing Sales, such as legal expense or bad debt expense, shall be included as an expense.

SHARING OF POWER MARKETING OPERATING INCOME

The calculated Pre-Tax PMOI will be multiplied by 70% to determine the amount of the credit to be applied as a reduction to the FPP costs.

The Power Marketing Operating Income Credit shall not be less than \$1,000,000 over the 12 month period.

ANNUAL RETAIL ENERGY SALES (Line 2)

Annual Retail Energy Sales are the total sales of Electricity, for retail customers.

APPROVED BASE FPP COSTS (Line 4)

The Base FPP Costs are as approved by the Commission in Docket No. EL09-018.

SOUTH DAKOTA ANNUAL RETAIL ENERGY SALES (Line 7)

The South Dakota Annual Retail Energy Sales are the total South Dakota retail energy kilowatt hour sales for the previous period for all classes of service authorized by the Commission.

SD BALANCING ACCOUNT (Line 9)

This Balancing Account amount on Line 9 (positive or negative) is the amount from the previous filing (SD Net Amount to (Refund)/Charge) less the actual FPPA amount (Refunded) or Charged for the period, adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the annual rate of seven percent (7%). The FPPA (Refund)/Charge will be applied monthly to the Balancing Account, first to the interest balance, and thereafter to the principal amount.

INCREMENTAL SD JURISDICTIONAL COSTS (Line 10)

These costs represent the difference of the actual ad valorem and wholesale contract revenue for new or extended/renewed contracts effective prior to January 1, 2022 as compared to the amount in base rates as approved in Docket No. EL14-026, Statement P, page 1, lines 19 and 27.

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