

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

IN THE MATTER OF BLACK HILLS)	
POWER, INC. d/b/a BLACK HILLS)	
ENERGY FOR AUTHORIZATION TO)	Docket EL24-_____
ENTER INTO UP TO \$450 MILLION OF)	
INTERCOMPANY NOTES WITH BLACK)	
HILLS CORPORATION)	

**APPLICATION OF BLACK HILLS POWER, INC. d/b/a BLACK HILLS ENERGY FOR
AUTHORIZATION TO ENTER INTO UP TO \$450 MILLION OF INTERCOMPANY
NOTES WITH BLACK HILLS CORPORATION**

Black Hills Power, Inc. d/b/a Black Hills Energy (“Black Hills Power” or the “Applicant”), a South Dakota corporation, submits this Application for authorization to enter into up to \$450 million of Intercompany Notes with Black Hills Corporation.

APPLICATION

In this Application, Black Hills Power is requesting that the Commission enter an order authorizing Black Hills Power to issue debt securities, specifically unsecured Intercompany Promissory Notes (“Intercompany Notes”) payable to the corporate parent of Black Hills Power, Black Hills Corporation. The Intercompany Notes would have a term of at least two years and would be for a total amount up to \$450 million. As described further herein, Black Hills Power will also continue to engage in short-term borrowings under its Utility Money Pool (“UMP”) agreement with Black Hills Service Company, LLC. Black Hills Power will also remain compliant with the South Dakota Public Utilities Commission order issued in Docket No. EL01-001 in which short-term borrowings under the UMP may not consist of more than 30% of Black Hills Power’s total capitalization, which is equity and long-term indebtedness (“Short-Term Debt Limit”).

In support of this Application, Black Hills Power states as follows:

1. Black Hills Power’s legal name is Black Hills Power, Inc., with a principal place of business located at 7001 Mount Rushmore Rd., Rapid City, SD 57702. Black Hills Power is a wholly owned subsidiary of Black Hills Corporation, which operates as a holding company under the Public Utility Holding Company Act of 2005. Black Hills Power conducts business within its service area under the trade name Black Hills Energy. Black Hills Power is a public utility engaged in the generation, transmission, and distribution of electricity.

2. Black Hills Power currently has an Indenture of Mortgage dated August 13, 2002 which consists of three bonds totaling \$340 million of long-term debt. These three outstanding mortgage bonds consist of the following:

Issue	Amount Outstanding	Maturity Date	Coupon Rate	Docket Authorized
Series AE (2002)	\$75,000,000	8/15/2032	7.23%	20002-63-ES-02
Series AF (2009)	\$180,000,000	11/01/2039	6.125%	20002-73-ES-09
Series AG (2014)	\$85,000,000	10/20/2044	4.43%	20002-92-ES-14
Total Bonds	\$340,000,000			

3. Since the issuance of the Series 2014 Bond under the Black Hills Power Indenture of Mortgage, Black Hills Power has funded its incremental rate base capital through a combination of equity and Intercompany Notes payable to Black Hills Corporation with a term of 364 days (“364-Day Intercompany Notes”). The use of the Intercompany Notes has allowed Black Hills Power to benefit from more timely and diversified access to capital by drawing from the proceeds of Black Hills Corporation’s diversified long-term bond portfolio rather than being subject to market demand and pricing at a specific point in time for the debt financing needs of Black Hills Power. In addition, accessing funding from Black Hills Corporation allows Black Hills Power to benefit from the favorable terms associated with the corporate debt offerings,

including access to cost-effective debt that results from borrowing at index-eligible scale¹ for Black Hills Corporation debt offerings as opposed to the smaller tranches of debt that would otherwise be required specifically for Black Hills Power. As to additional forms of financing, Black Hills Power also participates and will continue to participate in the UMP, for its shorter-term financing needs. Through the UMP, Black Hills Power can access funds for its working capital requirements.

4. Under the FERC Uniform System of Accounts (“USoA”), the 364-Day Intercompany Notes are classified as short-term debt on Black Hills Power’s books and records. The primary purpose of these Intercompany Notes is to provide funding for long-term assets, such as capital investments which often have service lives spanning multiple decades. Currently Black Hills Power has approximately \$190 million of 364-Day Intercompany Notes with Black Hills Corporation.

5. The purpose of this Application is to secure Commission approval to replace the current 364-Day Intercompany Notes with new Intercompany Notes with a term of least two years, for a total amount up to \$450 million and to explain Black Hills Power’s short-term borrowing activity under the UMP.²

6. As required by Commission Rules, Black Hills Power has included the current form utilized by Black Hills Corporation for Intercompany Notes as Exhibit 1 to the Application. The Intercompany Notes will reflect the assignment of a portion of outstanding unsecured bonds held by Black Hills Corporation and priced at the weighted-average cost of those underlying

¹ The Barclays Investment Grade Index, which is the benchmark index for investment grade debt, requires a minimum tranche size for index inclusion of \$300 million. Many investors use this index to benchmark their debt and will not invest in non-index eligible bonds.

² The existing short-term notes would be refinanced with the requested longer-term notes with no penalty or increased costs of the debt.

bonds. Exhibit 2 contains the current weighted average cost of debt for all bonds issued by Black Hills Corporation.³ Black Hills Power believes this longer term is more appropriate to better align with the primary purpose of the Intercompany Notes and to give the Commission better insight into the financing activities of Black Hills Power through securities filings prior to the amounts being included in the capital structure in future rate cases.

7. Black Hills Power intends to use the funds obtained through the Intercompany Notes for the construction, completion, extension, or improvement of its facilities; the improvement or maintenance of facilities; and for general Black Hills Power purposes. Short-term borrowings from the UMP are used to finance day-to-day short-term cash requirements.

8. An estimate of the fair value of Black Hills Power, based on its most recent Annual FERC Form No. 1 filed with FERC and included as Exhibit 3, and reflecting the additional proceeds from the Intercompany Notes requested in this proceeding is shown below:

Description	2023 FERC Form No. 1 (as of 12/31/2023)	Proposed
Total Assets	\$1,507,402,680	\$1,507,402,680
Incremental Proceeds from LT Intercompany Notes ⁴		\$ 450,000,000
Fair Value of Utility	\$1,507,402,680	\$1,957,402,680

9. The proposed issuance of the Intercompany Notes does not result in the aggregate amount of the securities outstanding and proposed to be outstanding exceeding the estimated fair value of Black Hills Power as shown below:

³ If the weighted-average cost of debt reflected on Exhibit 2 changes due to future Black Hills Corporation debt issuances or refinancing activities, the weighted-average cost for the Black Hills Power Intercompany Notes will also reflect this new weighted-average cost of debt for Black Hills Corporation.

⁴ The incremental proceeds from long-term Intercompany notes are the maximum amount of Intercompany Notes requested in this Application.

Description	2023 FERC Form No. 1 (as of 12/31/2023)	Proposed
Total Equity	\$588,273,661	\$ 588,273,661
Total Long-Term Debt	\$339,934,450	\$ 339,934,450
Proposed Incremental LT Debt		\$ 450,000,000
Securities Outstanding	\$928,208,111	\$1,378,208,111

10. The proposed issuance of the Intercompany Notes in an amount up to \$450 million serves Black Hills Power’s corporate purpose and is consistent with the public interest and the aggregate amount of the securities outstanding and proposed to be outstanding does not exceed the estimated fair value of Black Hills Power as detailed in paragraphs 8 and 9 above.

11. Black Hills Power can enter into Intercompany Notes with the authorization of the Chief Financial Officer, the Treasurer, or the Assistant Treasurer. Intercompany Notes do not require authorization by the Board of Directors or a Board of Directors Resolution.

12. Exhibit 4 contains the UMP Agreement. The UMP Agreement governs Black Hills Power’s short-term borrowings under the UMP. Under the UMP Agreement Black Hills Power, along with Black Hills Power’s regulated sister utilities, can engage in short-term borrowings from the UMP (to the extent funds are available and as authorized by the participant’s Chief Financial Officer, Treasure, or designee) and can also contribute surplus funds to the UMP (as surplus may be identified by the participant’s Chief Financial Officer, Treasurer or designee).⁵ The interest rate applicable to the then outstanding loans through the UMP is the composite weighted average daily effective cost incurred by the Lending Parties for external funds – outstanding on that date. If there are no external funds outstanding on that date, the rate will be the daily one-month Term SOFR rate plus 112.5 basis points. Interest is

⁵ Funds not required for UMP loans, or the liquidity of the UMP program can be invested. Interest income and other investment income earned by the UMP on loans and investments is allocated to the participants in accordance with the proportion to its contribution of funds in the UMP to the total amount of funds in the UMP.

computed daily and settled once per month. Borrowings from the UMP are payable, on demand, or within 365 days after the date the loan was made.

13. No other approval of any federal or state governmental commission, for issuance of the securities proposed in this Application by Black Hills Power, is required except for the approval of this Commission and the Wyoming Public Service Commission. A companion Application will be filed with the Wyoming Public Utilities Commission requesting their approval of the issuance of the securities proposed in this Application.

EXHIBITS THAT SUPPORT THE APPLICATION

- Exhibit 1 Example Intercompany Note
- Exhibit 2 Current Black Hills Corporation Weighted Average Cost of Debt Calculation
- Exhibit 3 2023 Black Hills Power FERC Form No. 1
- Exhibit 4 Eighth Amended and Restated Utility Money Pool Agreement

COMPANY REPRESENTATIVES

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

Jason Keil Manager – Regulatory Black Hills Service Company, LLC P.O. Box 1400 Rapid City, SD 57702 Tel: (605) 721-1502 Jason.Keil@blackhillscorp.com	Jana Smoot White Associate General Counsel Black Hills Service Company, LLC P.O. Box 1400 Rapid City, SD 57702 Tel: (605) 399-5059 Jana.White@blackhillscorp.com
Jerrad Hammer Director- Regulatory Black Hills Service Company, LLC P.O. Box 1400 Rapid City, SD 57702 Tel: (605) 399-5136 Jerrad.Hammer@blackhillscorp.com	Becky Purington Senior Paralegal Black Hills Service Company, LLC P.O. Box 1400 Rapid City, SD 57702 Tel: (605) 721-2506 Becky.Purington@blackhillscorp.com

VERIFICATION

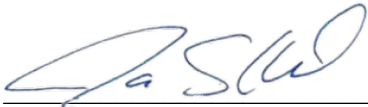
Attached is the Verification signed by Jason S. Keil, who is authorized to act on behalf of Black Hills Power Inc. d/b/a Black Hills Energy, affirming that the contents of the Application are true, accurate, and correct to the best of his understanding, knowledge and belief.

CONCLUSION

Based on this Application and the supportive exhibits, Black Hills Power respectfully requests that the Commission issue an order approving the Application as filed.

Dated this 4th day of October, 2024

BLACK HILLS POWER, INC. D/B/A BLACK
HILLS ENERGY

By: 

Jason S. Keil
Manager - Regulatory

STATE OF SOUTH DAKOTA)
) SS:
COUNTY OF PENNINGTON)

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, 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 4th day of October, 2024.





Notary Public

My Commission Expires: 2/25/25