

Black Hills Power, Inc.
Cost of Service Model Description

Statement R

20:10:13:102. Statement R-- Purchases from affiliated companies. If any of the preceding statements cover purchases or other transfers of equipment, fuels or gas, materials, or services from an affiliate that are not regulated for price, the applicant shall submit a detailed explanation, including a showing of the affiliate's rate of return on investment associated with the purchases and the prices of comparable equipment, materials, or services offered by unaffiliated suppliers.

Source: 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

General Authority: [SDCL 49-34A-4](#).

Law Implemented: [SDCL 49-34A-10](#), [49-34A-12](#), [49-34A-41](#).

BLACK HILLS POWER, INC., d/b/a BLACK HILLS ENERGY
COMPUTATION OF COAL PRICING
FOR THE YEAR ENDING DECEMBER 31, 2024

COST OF SERVICE STUDY

Statement R

Page 1 of 6

(a)	(b)	(c)	(d)	(e)
Line No.	Description	Reference	Total Company	Applicable Sales to BHP/Cheyenne Light
1	Gross Mining Plant		\$ 171,945,241	
2	Accumulated Provision for Depreciation, Depletion and Amortization - Mining Plant		110,635,357	
3	Net Mining Plant	Ln. 1 - Ln. 2	\$ 61,309,884	\$ 25,970,867
4				
5	Blending Facility		14,012,435	
6	Accumulated Provision for Depreciation		10,043,872	
7	Net Blending Facility	Ln. 5 - Ln. 6	\$ 3,968,563	\$ 1,688,227
8				
9	Processing Plant		39,230,895	
10	Accumulated Provision for Depreciation		27,686,074	
11	Net Processing Plant	Ln. 9 - Ln. 10	\$ 11,544,821	\$ 4,890,386
12				
13	Mining Investment for BHP/Cheyenne Light Sales		-	
14	Accumulated Provision for Depreciation		-	
15	Net Investment for Sales to BHP/Cheyenne Light	Ln. 13 - Ln. 14	\$ -	
16				
17				
18	Net Mining and Processing Plant	Ln. 3 + Ln. 7 + Ln. 11 + Ln. 15	\$ 76,823,268	\$ 32,549,480
19				
20	Unamortized Stripping Costs		-	-
21	Materials, Supplies and Prepayments		13,104,504	5,551,068
22	Total Utility Type Investment Base	Ln. 18 + Ln. 20 + Ln. 21	\$ 89,927,772	\$ 38,100,548
23				
24	Percent applicable to Blending Facility	Stmt R pg. 3, Ln. 11		42.54%
25	Percent applicable to Processing	Stmt R pg. 3, Ln. 14		42.36%
26	Percent applicable to Mining	Stmt R pg. 3, Ln. 7		42.36%

BLACK HILLS POWER, INC., d/b/a BLACK HILLS ENERGY
COMPUTATION OF COAL PRICING
FOR THE YEAR ENDING DECEMBER 31, 2024

COST OF SERVICE STUDY
Statement R
Page 2 of 6

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Reference	Total WRDC	Applicable Sales to BHP/Cheyenne Light	Adjusted Sales to BHP/Cheyenne Light
1	Receipts from Coal Sales		\$ 68,923,257	\$ 26,841,965	\$ 26,841,965
2					
3	Operating Expenses				
4	Mining Expenses - Note (3)	Note (3)	21,541,820	9,125,115	9,125,115
5	Royalties		8,615,407	3,355,246	3,355,246
6	Production Tax		3,529,421	1,374,523	1,374,523
7	Severance Tax		3,681,428	1,433,722	1,433,722
8	Black Lung Tax		1,391,588	541,950	541,950
9	Blending Facility Expenses - Note (1)	Note (1)	1,379,548	586,860	586,860
10	Processing Expenses - Note (2)	Note (2)	3,438,084	1,456,372	1,456,372
11	Depreciation and Depletion of Mining Plant - Note (3)	Note (3)	6,465,434	2,738,758	2,738,758
12	Depreciation -- Blending Facility - Note (1)	Note (1)	518,740	220,672	220,672
13	Depreciation -- Processing Plant - Note (2)	Note (2)	1,873,329	793,542	793,542
14	Depreciation -- Investment for BHP/Cheyenne Light Sale		-	-	-
15	Federal Reclamation, FICA, and Unemployment - Note (3)	Note (3)	1,325,341	561,414	561,414
16	Total Operating Expenses		53,760,140	22,188,173	22,188,173
17					
18	Property Taxes				
19	Mining - Note (3)	Note (3)	537,153	227,538	227,538
20	Blending Facility - Note (1)	Note (1)	43,775	18,622	18,622
21	Processing - Note (2)	Note (2)	122,556	51,915	51,915
22	Investment for BHP/Cheyenne Light Sale		-	-	-
23	Total Property Taxes		703,484	298,075	298,075
24					
25	Total Operating Expenses (before Taxes)	Ln. 16 + Ln. 23	54,463,624	22,486,248	22,486,248
26					
27	Federal Income Tax - Note (4)	Stmt R, pg. 4 Ln. 5	2,837,057	716,951	716,951
28	Total Operating Expenses	Ln. 25 + Ln. 27	\$ 57,300,681	\$ 23,203,199	\$ 23,203,199
29					
30	Net Mining Income	Ln. 1 - Ln. 28	11,622,576	3,638,766	3,638,766
31	Other non-mining income (net)		(634,935)		
32	Less: Interest on Long-term Debt		-		
33	Net Income	Sum Ln. 30 - 32	10,987,641		
34					
35	Utility Type Investment Base Applicable to Sales to BHP/Cheyenne Light	Stmt R, pg. 1, Ln. 22, Col. (e)		38,100,548	38,100,548
36					
37	Utility Type Rate of Return Related to Sales to BHP/Cheyenne Light	Stmt R pg. 5, Ln. 4		9.55%	9.55%
38					
39	Note (1) Percent applicable to Blending Facility.	Stmt R pg. 3, Ln. 11		42.54%	
40	Note (2) Percent applicable to Processing.	Stmt R pg. 3, Ln. 14		42.36%	
41	Note (3) Percent applicable to Mining.	Stmt R pg. 3, Ln. 7		42.36%	
42	Note (4) Coal taxes calculated based on applicable sales to those subsidiaries.	Stmt R pg. 4, Ln. 14		716,951	

BLACK HILLS POWER, INC., d/b/a BLACK HILLS ENERGY
COMPUTATION OF COAL PRICING
FOR THE YEAR ENDING DECEMBER 31, 2024

COST OF SERVICE STUDY
Statement R
Page 3 of 6

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Tons Sold
1	Total Coal Sold		\$ 3,686,050
2	Total Coal Sold - Wyodak Plant		1,500,619
3	Total Coal Sold - All Except Wyodak	Ln. 1 - Ln. 2	<u>2,185,431</u>
4			
5	Total Tons Sold - BHP Wyodak		349,757
6	Total Coal Sold - BHP Other/Wygen II/Wygen III		1,211,821
7	Percent Applicable to Mining	(Ln. 5 + Ln. 6) ÷ (Ln. 1)	<u>42.36%</u>
8			
9	Total Coal Sold by Blending Facility	BHP Other less NSII, Trucks, Wygen II & Wygen III	720,738
10	Other Coal Sold by Blending Facility		973,610
11	Percent Applicable to Processing Blending Facility	Ln. 9 ÷ (Ln. 9 + Ln. 10)	<u>42.54%</u>
12			
13	Total Coal Sold - Train Load Out		-
14	Percent Applicable to Processing	(Ln. 5 + Ln 6) ÷ (Ln. 1 - Ln. 13)	<u>42.36%</u>

BLACK HILLS POWER, INC., d/b/a BLACK HILLS ENERGY
COMPUTATION OF COAL PRICING
FOR THE YEAR ENDING DECEMBER 31, 2024

COST OF SERVICE STUDY
Statement R
Page 4 of 6

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	Total Federal Income Tax Applicable to Mining Income		\$ 2,837,057
2			
3	Income before Federal Income Tax:		
4	Net Income		14,399,014
5	Federal Income Tax	Ln. 1	2,837,057
6	Mining Income Before Federal Income Tax	Ln. 4 + Ln. 5	<u>17,236,071</u>
7			
8	Unadjusted Receipts from Coal Sales	Stmt R pg. 2, Ln. 1, Col. (e)	26,841,965
9			
10	Total Operating Expenses (before Taxes)	Stmt R pg. 2, Ln. 25, Col. (e)	22,486,248
11			
12	Income before Federal Income Tax Applicable to BHP/Cheyenne Light	Ln. 8 - Ln. 10	4,355,717
13	Federal Income Tax Rate	Ln. 5 ÷ Ln. 6	16.46%
14	Federal Income Tax		<u>\$ 716,951</u>

BLACK HILLS POWER, INC., d/b/a BLACK HILLS ENERGY
COMPUTATION OF COAL PRICING (WYODAK COST OF CAPITAL)
FOR THE YEAR ENDING DECEMBER 31, 2024

COST OF SERVICE STUDY

Statement R

Page 5 of 6

(a)	(b)	(c)	(d)	(e)
Line No.	Description	Percent of Total	Cost	Weighted Cost
1	For The Year Ending December 31, 2024			
2	Long-Term Debt	0.00%	0.00%	0.00%
3	Common Equity	100.00%	9.55%	9.55%
4	Rate of Return	100.00%		9.55%
5				
6	Utility A-rated Bonds	5.55%		
7	Plus 400 Basis Points	4.00%		
8	Return on Equity	9.55%		
9				
10	Weighted Cost of Equity	9.55%		
11	Weighted Cost of Debt	0.00%		
12	Weighted cost of Capital	9.55%		

BLACK HILLS POWER, INC., d/b/a BLACK HILLS ENERGY
COMPUTATION OF COAL PRICING
FOR THE YEAR ENDING DECEMBER 31, 2024

COST OF SERVICE STUDY
Statement R
Page 6 of 6

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	Price per Ton required to balance Affiliate Coal Adjustment to approximately \$0		\$ 17.19
2			
3	Coal Receipts from BHP/Cheyenne Light	Stmt R pg. 2, Ln. 1, Col. (e)	26,841,965
4	Coal Receipts from BHP/Cheyenne Light as Adjusted	Stmt R pg. 2, Ln. 1, Col. (f)	26,841,965
5	Difference in Coal Receipts BHP/Cheyenne Light/MDU	Ln. 3 - Ln. 4	<u>-</u>
6			
7	Annual Retail Energy Sales in South Dakota - MWH		1
8	Annual Total Energy Sales - MWH		1
9	Percent Applicable to South Dakota	Ln. 7 ÷ Ln. 8	<u>100%</u>
10	Affiliate Coal Adjustment	Ln. 5 x Ln. 9	<u>\$ -</u>