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January 30, 2009

Ms Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 East Capital
Pierre, SD 57504-5070

Re: Black Hills Power, Inc. – Energy Cost Adjustment

Dear Ms Van Gerpen:

Enclosed is the Energy Cost Adjustment for Black Hills Power. If you have any questions, please do not hesitate to contact me.

Sincerely,

Chris Kilpatrick

Commission. Each adjustment is calculated annually by taking the net amount to be refunded or charged divided by the projected South Dakota retail energy sales (kWh), thus deriving the adjustment per kWh. The three adjustments are combined into the ECA for each rate class, which increases or decreases the rate accordingly.

4. Conditional Energy Cost Adjustment (CECA). The CECA is calculated annually based on actual system costs for the Other Fuel and Purchased Power (OFAPP) for the previous calendar year as compared to the base year OFAPP costs, and includes an over or under recovery from prior years' adjustments through the Balancing Account. The calculation of the CECA is attached as Exhibit No. 3. The CECA for this period, for all customer classes, is \$0.00136/kWh.

The increase in the CECA is attributed to the actual system costs for natural gas burned in our combustion turbines and purchase power energy. The major contributors to the increased OFAPP costs are unplanned generation maintenance and higher year on year summer prices and winter volumes.

During the early months of summer, some Black Hills Power coal generation was restricted by an unscheduled extended maintenance outage. This generation deficiency was replaced by purchase power. Since purchase power has a base cost that is derived from the price of natural gas, at this time, the replacement purchase power cost was higher than Black Hills Power's coal generation. This higher cost replacement power resulted in increased actual system costs.

Additionally, during the month of December, Black Hills Power set a new winter peak load nine times and the new all time winter peak was 40MW above the old record. The higher loads exhausted generation, the Colstrip contract, market purchasing power and transmission resources which resulted in a premium price for energy for the west.

5. Transmission Cost Adjustment (TCA). The TCA is calculated annually based on actual system transmission costs for the previous calendar year as compared to the base year transmission costs, and shall include an over or under recovery from prior years adjustments through the Balancing Account. The calculation of the TCA is attached as Exhibit No. 4. The TCA for each customer class is based upon Class Allocators, found in Table 1 of Section 3C, Second Revised Sheet No. 5. The TCA for this period is an increase for each class as follows:

Customer Class Transmission Cost Adjustment

Residential Service	\$0.00019/kWh
Small General Service	\$0.00023/kWh
Large General Service	\$0.00017/kWh
Industrial Contract Service	\$0.00015/kWh
Lighting Service	\$0.00020/kWh

The increase in the TCA is primarily attributed to an increase in Basin Electric's rates on the Common Use Transmission System, which took effect December 1, 2008 and an increase in Western Area Power Administration's ancillary services rate, which took effect in November 2007.

6. Steam Plant Fuel Cost Adjustment (SPFCA). The SPFCA recovers the fuel cost associated with the steam plant generation resources of Black Hills Power used to serve retail customers. The SPFCA is calculated annually based on actual system steam plant fuel costs for the previous calendar year as compared to the base year steam plant fuel costs, and includes an over or under recovery from prior years' adjustments through the Balancing Account. The calculation of the SPFCA is attached as Exhibit No. 5. The SPFCA for this period, for all customer classes, is \$0.00156/kWh.

The increase in the SPFCA is attributed to the rising costs to mine coal. The rising costs to mine coal stem from increased fuel costs, which are approximately \$3,000,000 over 2007 costs; expanding production hours and production days, which

were extended from approximately fifty (50) hours over five (5) days to eighty-fours (84) hours over seven (7) days; and an increased amount of overburden, or the amount of land removal required before coal mining can begin. In a time of increased costs to mine coal, Black Hills Power and its customers continue to realize benefits from mine mouth operations, which represent seventy-nine (79) percent of Black Hills Power's coal generation.

7. The proposed ECA rate for each customer class is as follows:

Residential Service \$0.00311/kWh

Small General Service \$0.00315/kWh

Large General Service \$0.00309/kWh

Industrial Contract Service \$0.00307/kWh

Lighting Service \$0.00312/kWh

The detailed electric cost adjustments are set forth in the Energy Cost Adjustment Summary sheet contained in Exhibit No. 2, attached hereto.

8. Approximately 63,500 South Dakota retail customers are affected by the ECA rate change. The annual increase in the cost of service is \$6,223,735 or 5.48% higher than 2008 revenue.
9. Attached hereto as Exhibit No. 7 is a copy of the notice that has been provided to the public in accordance with ARSD § 20:10:13:15 and pursuant to §§ 20:10:13:17 to 20:10:13:19, inclusive.
10. In support of this Application, attached hereto and made a part hereof by this reference are Exhibit Nos. 1 through 7, showing supporting data for the proposed ECA:

Exhibit No. 1

Report of Tariff Change

- Exhibit No. 2 Energy Cost Adjustment Summary (Section No. 3C, First Revised Sheet No. 11)
- Exhibit No. 3 CECA Tariff calculation (Section No. 3C, Second Revised Sheet No.1)
- Exhibit No. 4 TCA Tariff calculation (Section No. 3C, Second Revised Sheet No.5 and First Revised Sheet No. 5A)
- Exhibit No. 5 SPFCA Tariff calculation (Section No. 3C, Second Revised Sheet No.8)
- Exhibit No. 6 Table of Contents (Section No. 1, Seventeenth Revised Sheet No. 1 and Section No. 1, Fourteenth Revised Sheet No. 3)
- Exhibit No. 7 Notice to Customers

WHEREFORE, Black Hills Power respectfully requests that the Commission enter an order approving the proposed tariffs and ECA rate, and placing the rate into effect for service on and after March 1, 2009.

Dated this 30th day of January, 2009.

BLACK HILLS POWER, INC.

By: _____



Chris Kilpatrick
Director of Rates- Electric Regulation

Report of Tariff Change

Name of Utility: Black Hills Power Inc.; PO Box 1400, 625 Ninth Street, Rapid City, SD 57709

Address of Main Office: PO Box 1400, 625 Ninth Street, Rapid City, SD 57709

Changes to Black Hills Power Inc.'s South Dakota Electric Rate Book:

- Section No. 3C, First Revised Sheet No. 11
- Section No. 3C, Second Revised Sheet No.1
- Section No. 3C, Second Revised Sheet No.5
- Section No. 3C, First Revised Sheet No. 5A
- Section No. 3C, Second Revised Sheet No.8
- Section No. 1, Seventeenth Revised Sheet No. 1
- Section No. 1, Fourteenth Revised Sheet No. 3

Description of the change: Electric Cost Adjustment to be implemented March 1, 2009

Reason for the change: To reflect the increase in the cost of service, as determined by the Conditional Energy Costs Adjustment, the Transmission Costs Adjustment, and the Steam Plant Fuel Cost Adjustment.

	Present Rate ¢/kWh	Proposed Rate ¢/kWh
Total Residential Service	0.05300	0.31100
Total Small General Service	0.04900	0.31500
Total Large General Service	0.05600	0.30900
Total Industrial Contract	0.05800	0.30700
Total Lighting Service	0.05400	0.31200

Approximation of annual amount of increase/(decrease) in revenue: \$4,175,820

Points affected: Approximately 63,500 South Dakota retail customers

Increase/(decrease) to cost of service: Approximately \$6,223,735

Remarks: The facts, opinions, documents and exhibits needed to support the proposed changes are included in the Application and exhibits thereto.

BLACK HILLS POWER, INC.

By: 
Chris Kilpatrick
Director of Rates-Electric Regulation

SOUTH DAKOTA ELECTRIC RATE BOOK

	Section No.	3C
	First Revised Sheet No.	11 (T)
	Original Sheet No.	11 (T)

ENERGY COST ADJUSTMENT SUMMARY

		¢/kWh		
		Present	Proposed	
		ECA	ECA	
<u>Residential Service</u>				
1.	CECA	0.04200	0.13600	(I)
2.	TCA	(0.02100)	0.01900	(I)
3.	SPFCA	0.03200	0.15600	(I)
4. Total Residential Service		0.05300	0.31100	(I)
<u>Small General Service</u>				
5.	CECA	0.04200	0.13600	(I)
6.	TCA	(0.02500)	0.02300	(I)
7.	SPCFA	0.03200	0.15600	(I)
8. Total Small General Service		0.04900	0.31500	(I)
<u>Large General Service</u>				
9.	CECA	0.04200	0.13600	(I)
10.	TCA	(0.01800)	0.01700	(I)
11.	SPFCA	0.03200	0.15600	(I)
12. Total Large General Service		0.05600	0.30900	(I)
<u>Industrial Contract Service</u>				
13.	CECA	0.04200	0.13600	(I)
14.	TCA	(0.01600)	0.01500	(I)
15.	SPFCA	0.03200	0.15600	(I)
16. Total Industrial Contract		0.05800	0.30700	(I)
<u>Lighting Service</u>				
17.	CECA	0.04200	0.13600	(I)
18.	TCA	(0.02000)	0.02000	(I)
19.	SPFCA	0.03200	0.15600	(I)
20. Total Lighting Service		0.05400	0.31200	(I)

CECA - Conditional Energy Cost Adjustment
TCA - Transmission Cost Adjustment
SPFCA - Steam Plant Cost Adjustment

Date Filed: January 30, 2009 By: Chris Kilpatrick Effective Date: For service on
Director of Rates and after March 1, 2009

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CONDITIONAL ENERGY COST ADJUSTMENT

APPLICABLE

This Conditional Energy Cost Adjustment (CECA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission).

The CECA shall be calculated annually based on actual system costs for Other Fuel and Purchased Power (OFAPP) for the previous calendar year as compared to the base year OFAPP costs, and shall include an over-or-under recovery from prior year's adjustments through the Balancing Account. Black Hills Power, Inc. (the Company) will update and make a CECA filing with the Commission on an annual basis no later than February 10th.

<u>CONDITIONAL ENERGY COST ADJUSTMENT CALCULATION</u>		For the Year Ended December 31, 2008	(T)
1.	Annual System OFAPP Costs	\$ <u>24,613,645</u>	(I)
2.	Annual System Energy Sales	<u>2,330,870,020</u> kWh	(D)
3.	OFAPP Cost / kWh (Line 1 ÷ Line 2)	\$ <u>0.01056</u> /kWh	(I)
4.	Base OFAPP Costs	\$ 0.00817 /kWh	
5.	OFAPP Cost / kWh Difference (line 3 - Line 4)	\$ <u>0.00239</u> /kWh	(I)
6.	Total OFAPP Change from Base (Line 2 x Line 5)	\$ <u>5,570,779</u>	(I)
7.	Cost Reduction: \$0; Unless Line 6 < 0 and > -\$1,000,000, Then Line 6 x (-1)	\$ <u>0</u>	
8.	Cost Reduction per kWh (Line 7 ÷ Line 2)	\$ <u>0.00000</u> /kWh	
9.	Power Marketing Credit	\$ <u>(2,265,981)</u>	(I)
10.	Power Marketing Credit / kWh (Line 9 ÷ Line 2)	\$ <u>(0.00097)</u> /kWh	(I)
11.	Net OFAPP Costs/kWh (Line 5 + Line 8 + Line 10)	\$ <u>0.00142</u> /kWh	(I)
12.	South Dakota Calendar Year Retail Energy Sales	<u>1,466,488,375</u> kWh	(D)
13.	Total SD (Refund)/Charge (Line 11 x Line 12)	\$ <u>2,082,413</u>	(I)
14.	Balancing Account (+/-)	\$ <u>11,586</u>	(I)
15.	Net Amount to (Refund)/Charge (Line 13 + Line 14)	\$ <u>2,094,000</u>	(I)
16.	Projected South Dakota Retail Energy Sales	<u>1,543,709,359</u> kWh	(I)
17.	CECA (Line 15 ÷ Line 16)	\$ <u>0.00136</u> /kWh	(I)

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TRANSMISSION COST ADJUSTMENT

APPLICABLE

This Transmission Cost Adjustment (TCA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission). The TCA shall be calculated annually based on actual system transmission costs for the previous calendar year as compared to the base year transmission 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 TCA filing with the Commission on an annual basis no later than February 10th.

<u>TRANSMISSION COST ADJUSTMENT CALCULATION</u>		For the Year Ended December 31, 2008	(T)
1.	Annual System Transmission Costs	\$ 12,759,381	(I)
2.	Power Marketing Transmission Costs	\$ 1,665,155	(I)
3.	Transmission Costs Reimbursed by Others	\$ 726,152	(I)
4.	Net Transmission Costs (Line 1 - Line 2 - Line 3)	\$ 10,368,074	(I)
5.	Annual Retail Energy Sales	1,672,933,270 kWh	(D)
6.	Adjusted Transmission Costs (Line 4 ÷ Line 5)	\$ 0.00620 /kWh	(I)
7.	Base Transmission Costs	\$ 0.00599 /kWh	
8.	Difference (Line 6 - Line 7)	\$ 0.00021 /kWh	(I)
9.	South Dakota Calendar Year Retail Energy Sales	1,466,488,375 kWh	(D)
10.	Transmission Costs to South Dakota (Line 8 x Line 9)	\$ 307,963	(I)
11.	For Each Customer Class Calculate the Customer Class Allocation of Total South Dakota Transmission Expense Based Upon Class Allocators in Table 1 - Multiply Each Class Allocator by Line 10 - dollars per class.		
		<u>Cust. Class Allocation Factor</u>	<u>Allocated Amount</u>
	Residential Service	34.00%	104,707
	Small General Service	34.33%	105,724
	Large General Service	20.73%	63,841
	Industrial Contract Service	9.97%	30,704
	Lighting Service	0.97%	2,987

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TRANSMISSION COST ADJUSTMENT CALCULATION, Continued

12.	Balancing Account (+/-) for each SD Customer Class	<u>(8,375)</u>	(D)
	Residential Service	\$ (2,848)	(D)
	Small General Service	\$ (2,875)	(D)
	Large General Service	\$ (1,736)	(D)
	Industrial Contract Service	\$ (835)	(D)
	Lighting Service	\$ (81)	(D)
13.	Total Transmission Cost for each SD Customer Class (Refund)/Charge (Line 11 + Line 12)		
	Residential Service	\$ 101,859	(I)
	Small General Service	\$ 102,849	(I)
	Large General Service	\$ 62,105	(I)
	Industrial Contract Service	\$ 29,869	(I)
	Lighting Service	\$ 2,906	(I)
14.	Forecast SD Customer Class Annual Retail Energy Sales (kWh/Class)		
	Residential Service	532,053,653	(I)
	Small General Service	439,935,109	(I)
	Large General Service	356,729,319	(D)
	Industrial Contract Service	200,534,000	(I)
	Lighting Service	14,457,278	(D)
15.	South Dakota Customer Class Transmission Cost Adjustment (Line 13/Line 14)		
	Residential Service	<u>\$ 0.00019</u> /kWh	(I)
	Small General Service	<u>\$ 0.00023</u> /kWh	(I)
	Large General Service	<u>\$ 0.00017</u> /kWh	(I)
	Industrial Contract Service	<u>\$ 0.00015</u> /kWh	(I)
	Lighting Service	<u>\$ 0.00020</u> /kWh	(I)

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STEAM PLANT FUEL COST ADJUSTMENT

APPLICABLE

This Steam Plant Fuel Cost Adjustment (SPFCA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission). The SPFCA shall recover the fuel costs associated with the steam plant generation resources of Black Hills Power, Inc. (the Company) used to serve retail customers.

The SPFCA shall be calculated annually based on actual system steam plant fuel costs for the previous calendar year as compared to the base year steam plant fuel costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. The Company will update and make the SPFCA filing with the Commission on an annual basis no later than February 10th.

<u>STEAM PLANT FUEL COST ADJUSTMENT CALCULATION</u>		For the Year Ended December 31, 2008	(T)
1.	Annual System Steam Plant Fuel Costs	\$ 19,583,102	(I)
2.	Power Marketing Steam Plant Fuel Costs	\$ 1,050,774	(D)
3.	Net Steam Plant Fuel Costs (Line 1 - Line 2)	\$ 18,532,327	(I)
4.	Annual System Energy Sales	2,330,870,020 kWh	(D)
5.	Adjusted Steam Plant Fuel Costs (Line 3 + Line 4)	\$ 0.00795 /kWh	(I)
6.	Base Steam Plant Fuel Costs	\$ 0.00631 /kWh	
7.	Difference (Line 5 - Line 6)	\$ 0.00164 /kWh	(I)
8.	South Dakota Calendar Year Retail Energy Sales	1,466,488,375 kWh	(D)
9.	Steam Plant Fuel Costs to South Dakota (Line 7 x Line 8)	\$ 2,405,041	(I)
10.	Balancing Account (+/-)	\$ 8,852	(I)
11.	Balance of Steam Plant Fuel Costs for South Dakota (Refund)/Charge (Line 9 + Line 10)	\$ 2,413,893	(I)
12.	Projected South Dakota Retail Energy Sales	1,543,709,359 kWh	(I)
13.	Steam Plant Fuel Cost Adjustment (Line 11 ÷ Line 12)	\$ 0.00156 /kWh	(I)



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In January 2009, Black Hills Power, Inc. filed an application with the South Dakota Public Utilities Commission (PUC) for a change to the Electric Cost Adjustment rate. This rate change affects all South Dakota Retail Customers. For the typical residential customer using 620 kWh per month, this adjustment will increase the electric bill by \$0.00311 per kWh or approximately \$1.92 per month.

The application is available in this office for inspection. Please inquire at the customer service desk.