

Attachment A

**Revised Attachment H to the
Joint Open Access Transmission Tariff of
Black Hills Power, Basin Electric Power Cooperative,
and Powder River Energy Corporation**

Clean Version

ATTACHMENT H

MONTHLY NETWORK TRANSMISSION REVENUE REQUIREMENT FOR TRANSMISSION SERVICE ON THE AC TRANSMISSION SYSTEM

1. The Annual Transmission Cost for Transmission Service on the AC Transmission System is:
 - a. Black Hills Component: Annual Transmission Revenue Requirement as determined pursuant to the formula set forth in this Attachment H
 - b. Basin Electric Component: \$16,482,130
 - c. PRECorp Component: \$1,297,602
 - d. Annual Transmission Cost: \$ (a + b + c)

The amounts in (a) (b) and (c) shall be effective until amended by the Transmission Provider or until modified by the Commission. Each of Black Hills, Basin Electric and PRECorp (“Party”) may unilaterally modify its component of the Annual Transmission Cost pursuant to a filing with the FERC; provided that it must notify the other two Parties in writing not less than thirty (30) days prior to making such filing.

2. The Monthly Network Transmission Revenue Requirement shall be computed each month as follows:

$$x = (y \div 12) - z$$

x = Monthly Network Transmission Revenue Requirement
y = Annual Transmission Cost (item 1(d))
z = Revenues from all Point-to-Point Transmission Service on the AC Transmission System in the month.

Black Hills Power, Inc.
Annual Transmission Revenue Requirement Formula

Estimate

Service Year 2009

Cost of Service Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator (page 4)	(5) Transmission (Col 3 times Col 4)
GROSS PLANT IN SERVICE					
1	Production	205.46.g	329,718,108	NA	
2	Transmission	207.58.g	70,930,677	TP 0.73987	52,479,764
3	New Construction CUS Assets	See Workpaper 2 (line 9)	17,247,000	TP 0.73987	12,760,607
4	New Construction CUS Assets	See Workpaper 3 (line 19 col D)	2,974,250	TP 0.73987	2,200,570
5	Distribution	207.75.g	239,729,489	NA	
6	General & Intangible	See Workpaper 4 (line 5 col 1)	31,450,235	W/S 0.07016	2,206,407
7	Allocated Plant	See Workpaper 5 (line 5)	5,054,792	W/S 0.07016	354,621
8	Communication System	207.94.g	6,874,999	T&D 0.21360	1,468,503
9	Common	356.1	0	CE 0.00000	0
10	TOTAL GROSS PLANT	(sum lines 1 - 9)	703,979,550	GP= 10.152%	71,470,473
11					
ACCUMULATED DEPRECIATION					
12	Production	219.20-24.c	159,696,980	NA	
13	Transmission	219.25.c	23,826,360	TPA 0.88176	21,009,226
14	Additional Transmission Depr	See Workpaper 2 (line 48)	2,090,423	TPA 0.88176	1,843,259
15	Distribution	219.26.c	79,001,766	NA	
16	General & Intangible	See Workpaper 4 (line 24 col 1)	15,050,577	W/S 0.07016	1,055,881
17	Allocated Plant	See Workpaper 5 (line 11)	2,073,154	W/S 0.07016	145,443
18	Communication System	See Workpaper 4 (line 22 col 2)	2,136,253	T&D 0.21360	456,305
19	Common	356.1	0	CE 0.00000	0
20	TOTAL ACCUM. DEPRECIATION	(sum lines 13 - 20)	283,875,513		24,510,115
21					
22					
NET PLANT IN SERVICE					
23	Production	(line 1 - line 13)	170,021,128	Auto	
24	Transmission	(line 2 - line 14)	47,104,317	Auto	31,470,537
25	New Construction CUS Assets	(line 3 - line 15)	15,156,577	Auto	10,917,347
26	New Construction CUS Assets	(line 4)	2,974,250	Auto	2,200,570
27	Distribution	(line 5 - line 16)	160,727,723	Auto	
28	General & Intangible	(line 6 - line 17)	16,399,658	Auto	1,150,526
29	Allocated Plant	(line 7 - line 18)	2,981,638	Auto	209,178
30	Communication System	(line 8 - line 19)	4,738,746	Auto	1,012,199
31	Common	(line 9 - line 20)	0	Auto	0
32	TOTAL NET PLANT	(sum lines 24 - 32)	420,104,037	NP= 11.178%	46,960,358
33					
34					
ADJUSTMENTS TO RATE BASE (Note A)					
35	Account No. 281 (enter negative)	273.8.k	(4,343)	NA zero	-
36	Account No. 282 (enter negative)	275.2.k	(68,245,483)	NP 0.11178	(7,628,663)
37	Account No. 283 (enter negative)	277.9.k	(8,788,261)	NP 0.11178	(982,375)
38	Account No. 190	234.8.c	7,258,863	NP 0.11178	811,415
39	Account No. 255 (enter negative)	267.8.h	(307,159)	NP 0.11178	(34,335)
40	FAS 109 Adjustment	(232.1.f - 278.1.f - 278.3.f)*.35	806,475	NP 0.11178	90,150
41	TOTAL ADJUSTMENTS	(sum lines 36 - 41)			(7,743,809)
42					
43					
44	LAND HELD FOR FUTURE USE	214.x.d (Note B)	0	DA 0.00000	0
45					
WORKING CAPITAL (Notes C & H)					
46	CWC	(1/8 * line 63)	2,437,258	Auto	232,223
47	Materials & Supplies	227.5.c	4,668,225	T&D 0.21360	997,135
48	Materials & Supplies	227.8.c	94,372	TP 0.73987	69,823
49	Prepayments (Account 165)	111.57.c	6,173,396	GP 0.10152	626,745
50	TOTAL WORKING CAPITAL	(sum lines 47 - 50)			1,925,927
51					
52					
53	TRANSMISSION RATE BASE	(sum lines 33, 42, 44, & 51)			41,142,476

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Line No.	(1)	(2)	(3)	(4)	(5)
Line No.	Form No. 1 Page, Line, Col.	Company Total	Allocator (page 4)	Transmission (Col 3 times Col 4)	
O&M					
54	Transmission	321.112.b	9,746,087	TP 0.73987	7,210,876
55	Less: Account 565 and 561	321.84-92.b & 96.b	9,091,266	TP 0.73987	6,726,391
56	A&G	323.194.b	19,414,837	W/S 0.07016	1,362,058
57	Less FERC Annual Fees (Note D)	350.1.b	201,513	W/S 0.07016	14,137
58	Plus: Fixed PBOP expense	(Note I)	227,200	W/S 0.07016	15,939
59	Less: Actual PBOP expense	(Company Records)	224,882	W/S 0.07016	15,777
60	Less: EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note E)		449,068	W/S 0.07016	31,505
61	Plus Trans Related Reg. Comm. Exp. (Note E) (Workpaper 1 line 11)		76,667	TP 0.73987	56,724
62	Common	356.1	0	CE 0.00000	0
63	TOTAL O&M (sum lines 54, 56, 58, 61, 62 less lines 55, 57, 59, 60)		19,498,062		1,857,787
64					
65	DEPRECIATION EXPENSE (Note I)				
66	Transmission	336.7.b	1,650,459	TP 0.73987	1,221,132
67	New Construction CUS Assets	See Workpaper 2 (line 13)	400,130	TP 0.73987	296,046
68	New Construction CUS Assets	See Workpaper 3 (line 23)	69,003	TP 0.73987	51,053
69	General & intangible	336.10.b & 336.1.d&e	2,389,067	W/S 0.07016	167,606
70	Common	336.11.b	0	CE 0.00000	0
71	TOTAL DEPRECIATION (Sum lines 66 - 70)		4,508,659		1,735,837
72					
73	TAXES OTHER THAN INCOME TAXES (Note F)				
74	LABOR RELATED				
75	Payroll	263.3i, 263.4i, 263.12i	1,667,209	W/S 0.07016	116,964
76	Highway and vehicle	263.i	0	W/S 0.07016	0
77	PLANT RELATED				
78	Property	263.23i	4,341,000	GP 0.10152	440,714
79	Gross Receipts	263.i	0	NA zero	0
80	Other	263.i	0	GP 0.10152	0
81	TOTAL OTHER TAXES (sum lines 75 - 80)		6,008,209		557,677
82					
83					
84	INCOME TAXES (Note G)				
85	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		35.00%		
86	CIT=(T/1-T) * (1-(WCLTD/R)) =		34.99%		
87	where WCLTD=(line 156) and R=(line 159)				
88	and FIT, SIT & p are as given in footnote G.				
89					
90	Total Income Taxes	(line 86 * line 93)			1,363,778
91					
92	RETURN				
93	[Rate Base (line 53) * R (line 159)]			Auto	3,897,187
94					
95	ESTIMATED REVENUE REQUIREMENT (sum lines 63, 71, 81, 90, 93)		30,014,930		9,412,267

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN JOINT TARIFF RATES				
		<u>Form 1 Reference</u>			
96	Total transmission plant	Column (3) sum lines 2 - 4			91,151,927
97	Less transmission plant excluded from Common Use Facilities	Company Records			25,310,952
98	Less transmission plant included in Ancillary Services				0
99	Transmission plant included in Common Use Facilities (line 96 less lines 97 and 98)				65,840,975
100	Plus Common Use AC Facilities (line 110)				6,150,861
101	Total Gross Plant for the CUS System (line 99 plus line 100)				71,991,836
102	Total CUS Plant (line 96 plus line 110)				97,302,788
103					
104	Percentage of transmission plant included in Common Use Facilities (line 101 divided by line 102)			TP=	0.739874
105					
106	DISTRIBUTION PLANT INCLUDED IN JOINT TARIFF RATES	<u>Form 1 Reference</u>			
107	Total distribution plant	Column (3) line 5			239,729,489
108	Less distribution plant excluded from Common Use Facilities	Company Records			233,578,628
109	Less distribution plant included in Ancillary Services				0
110	Common Use AC Facilities (line 107 less lines 108 & 109)				6,150,861
111					
112	Percentage of distribution plant included in Common Use Facilities (line 107 divided by line 110)			DP=	0.025658
113					
114	ACCUMULATED DEPRECIATION	<u>Form 1 Reference</u>			
115	Total Transmission Accumulated Depreciation	Column (3), sum lines 14 - 15			25,916,783
116	Less transmission plant excluded from Common Use Facilities	Company Records			3,428,179
117	Total Transmission Accumulated Depreciation included in Common Use Facilities (line 115 - line 116)				22,488,604
118	Plus Common Use AC Facilities Accumulated Depreciation (line 127)				3,077,649
119	Total Accumulated Depreciation for the CUS System (line 117 plus line 118)				25,566,253
120	Total CUS Accumulated Depreciation (line 115 plus line 118)				28,994,432
121					
122	Percentage of transmission plant accumulated depreciation included in Common Use Facilities (line 119 divided by line 120)			TPA=	0.881764
123					
124		<u>Form 1 Reference</u>			
125	Total Distribution Accumulated Depreciation	219.26.c			79,001,766
126	Less distribution accumulated depreciation excluded from Common Use Facilities (Company Records)				75,924,117
127	Common Use AC Facilities (line 125 less line 126)				3,077,649
128					
129	Percentage of distribution plant accumulated depreciation included in Common Use Facilities (line 127 divided by line 125)			DPA=	0.038957
130					
131	WAGES & SALARY ALLOCATOR (W&S)				
132		<u>Form 1 Reference</u>	\$	TP	Allocation
133	Transmission	354.21.b	1,171,648	0.74	866,872
134	Total Wages Expense	354.28.b	14,244,451	0.00	0
135	Less: A&G Wages	354.27.b	-1,888,017	0.00	0
136	Adjusted Total (sum lines 134-135)		12,356,434		866,872 WS=
137					0.07016
138	TRANSMISSION & DISTRIBUTION ALLOCATOR (T&D)		\$	% TP	T&D
139	Transmission Net Plant	lines 25, 26 & 27	65,235,144	28.87%	74% 21.36%
140	Distribution Net Plant	line 28	160,727,723	71.13%	
141	Total (sum lines 139 - 140)		225,962,867	100%	T&D = 21.36%
142					
143	RETURN (R)	<u>Form 1 Reference</u>			\$
144	Long Term Interest	117, sum of 62.c through 66.c			11,817,050
145					
146	Preferred Dividends	118.29.c (positive number)			-
147					
148	Development of Common Stock:	<u>Form 1 Reference</u>			
149	Proprietary Capital	112.16.c			232,419,703
150	Less: Preferred Stock	112.3.c			-
151	Less: Undistributed Earnings	112.12.c (enter negative)			-
152	Less: Accum Other Comp Inc	112.15.c (enter negative)			1,277,097
153	Adjusted Common Stock	(sum lines 149-152)			233,696,800
154					
155		<u>Form 1 Reference</u>	\$	%	Cost
156	Long Term Debt	112.24.c	153,217,473	43.00%	7.71%
157	Preferred Stock	112.3.c	0	0.00%	0.00%
158	Adjusted Common Stock	(see above line 153)	233,696,800	57.00% (Note I)	10.80% (Note I)
159	Total (sum lines 156-158)		386,914,273		R = 9.47%

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Note
Letter

- A The balances in Accounts 281, 282, 283 and 190, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 109. Balance of Account 255 is reduced by prior flow through and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at line 47, column 5.
- D The FERC's annual charges for the year assessed the Transmission Owner for service since annual charges assessed directly under this tariff.
- E Line 1 - EPRI Annual Membership Dues listed in Form 1 at 335.1.b, all Regulatory Commission Expenses itemized at 351.1.h, and non-safety related advertising included in Account 930.1.
- F Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in rates, since they are recovered elsewhere.
- G The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 7, line 26).

Inputs Required:	FIT =	35.00%	
	SIT=	0.00%	(State Income Tax Rate or Composite SIT)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- H See Note H for the True-Up calculation.
- I Depreciation rates, PBOP, ROE, and Capital Structure are fixed amounts that can be changed only through a Section 205 filing.

True Up

Service Year 2009

Cost of Service Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator (page 4)	(5) Transmission (Col 3 times Col 4)
	GROSS PLANT IN SERVICE				
1	Production	(Note H) 205.46.g	0	NA	
2	Transmission	207.58.g	0	TP	0.00000
3	Distribution	207.75.g	0	NA	
4	General & Intangible	See Workpaper 4	0	W/S	0.00000
5	Allocated Plant	See Workpaper 5	0	W/S	0.00000
6	Communication System	See Workpaper 4	0	T&D	0.00000
7	Common	356.1	0	CE	0.00000
8	TOTAL GROSS PLANT	(sum lines 1 - 7)	0	GP=	0.000%
	ACCUMULATED DEPRECIATION				
11	Production	(Note H) 219.20-24.c	0	NA	
12	Transmission	219.25.c	0	TPA	0.00000
13	Distribution	219.26.c	0	NA	
14	General & Intangible	219.28.c	0	W/S	0.00000
15	Allocated Plant	See Workpaper 5	0	W/S	0.00000
16	Communication System	See Workpaper 4	0	T&D	0.00000
17	Common	356.1	0	CE	0.00000
18	TOTAL ACCUM. DEPRECIATION	(sum lines 11 - 17)	0		0
	NET PLANT IN SERVICE				
21	Production	(Note H) (line 1 - line 11)	0	Auto	
22	Transmission	(line 2 - line 12)	0	Auto	0
23	Distribution	(line 3 - line 13)	0	Auto	
24	General & Intangible	(line 4 - line 14)	0	Auto	0
25	Allocated Plant	(line 5 - line 15)	0	Auto	0
26	Communication System	(line 6 - line 16)	0	Auto	0
27	Common	(line 7 - line 17)	0	Auto	0
28	TOTAL NET PLANT	(sum lines 21 - 27)	0	NP=	0.000%
	ADJUSTMENTS TO RATE BASE				
31	Account No. 281 (enter negative)	(Notes A & H) 273.8.k	0	NA	zero
32	Account No. 282 (enter negative)	275.2.k	0	NP	0.00000
33	Account No. 283 (enter negative)	277.9.k	0	NP	0.00000
34	Account No. 190	234.8.c	0	NP	0.00000
35	Account No. 255 (enter negative)	267.8.h	0	NP	0.00000
36	FAS 109 Adjustment	(232.1.f - 278.1.f - 278.3.f)*.35	0	NP	0.00000
37	TOTAL ADJUSTMENTS	(sum lines 31 - 36)	0		-
39	LAND HELD FOR FUTURE USE	214.x.d (Notes B & H)	0	DA	0.00000
	WORKING CAPITAL (Notes C & H)				
42	CWC	(1/8 * line 58)	0	Auto	0
43	Materials & Supplies	227.5.c	0	T&D	0.00000
44	Materials & Supplies	227.8.c	0	TP	0.00000
45	Prepayments (Account 165)	111.57.d	0	GP	0.00000
46	TOTAL WORKING CAPITAL	(sum lines 42 - 45)	0		0
48	TRANSMISSION RATE BASE	(sum lines 28, 37, 39, & 46)			0

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Line No.	(1)	(2)	(3)	(4)	(5)	
Line No.	Form No. 1 Page, Line, Col.	Company Total	Allocator (page 4)	Transmission (Col 3 times Col 4)		
O&M						
49	Transmission	321.112.b		TP	0.00000	0
50	Less: Account 565 and 561	321.84-92.b & 96.b		TP	0.00000	0
51	A&G	323.194.b		W/S	0.00000	0
52	Less FERC Annual Fees (Note D)	350.1.b		W/S	0.00000	0
53	Plus: Fixed PBOP expense	(Note I)		W/S	0.00000	0
54	Less: Actual PBOP expense	(Company Records)		W/S	0.00000	0
55	Less: EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note E)			W/S	0.00000	0
56	Plus Transmission Related Reg. Comm. Exp. (Note E)			TP	0.00000	0
57	Common	356.1		CE	0.00000	0
58	TOTAL O&M (sum lines 49, 51, 53, 56, 57 less lines 50, 52, 54, 55)	0				0
59						
DEPRECIATION EXPENSE (Note I)						
61	Transmission	336.7.b		TP	0.00000	0
62	General & intangible	336.10.b & 336.1.d&e		W/S	0.00000	0
63	Common	336.11.b		CE	0.00000	0
64	TOTAL DEPRECIATION (Sum lines 61 - 63)	0			0	
65						
TAXES OTHER THAN INCOME TAXES (Note F)						
LABOR RELATED						
68	Payroll	263.3i, 263.4i, 263.12i		W/S	0.00000	0
69	Highway and vehicle	263.i		W/S	0.00000	0
PLANT RELATED						
71	Property	263.23i		GP	0.00000	0
72	Gross Receipts	263.i		NA	zero	0
73	Other	263.i		GP	0.00000	0
74	TOTAL OTHER TAXES (sum lines 68 - 73)	0			0	
75						
INCOME TAXES (Note G)						
78	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =	35.00%				
79	CIT=(T/1-T) * (1-(WCLTD/R)) =	53.85%				
80	where WCLTD=(line 154) and R=(line 157)					
81	and FIT, SIT & p are as given in footnote G.					
82						
83	Total Income Taxes	(line 79 * line 86)			0	
84						
RETURN						
86	[Rate Base (line 48) * R (line 157)]			Auto		0
87						
88	REVENUE REQUIREMENT (sum lines 58, 64, 74, 83, 85)	0			0	
89						
90	ESTIMATED REVENUE REQUIREMENT (pg. 3 line 95)				0	
91						
92	TRUE-UP AMOUNT TO BE (REFUNDED)/PAID (line 88 - line 90)				0	

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN JOINT TARIFF RATES					
		<u>Form 1 Reference</u>				
93	Total transmission plant	Column (3) line 2				0
94	Less transmission plant excluded from Common Use Facilities	Company Records				
95	Less transmission plant included in Ancillary Services	Company Records				
96	Transmission plant included in Common Use Facilities (line 93 less lines 94 and 95)					0
97	Plus Common Use AC Facilities (line 107)					0
98	Total Gross Plant for the CUS System (line 96 plus line 97)					0
99	Total CUS Plant (line 93 plus line 107)					0
100						
101	Percentage of transmission plant included in Common Use Facilities (line 98 divided by line 99)			TP=		0.000000
102						
103	DISTRIBUTION PLANT INCLUDED IN JOINT TARIFF RATES					
		<u>Form 1 Reference</u>				
104	Total distribution plant	Column (3) line 3				0
105	Less distribution plant excluded from Common Use Facilities	Company Records				
106	Less distribution plant included in Ancillary Services	Company Records				
107	Common Use AC Facilities (line 104 less lines 105 & 106)					0
108						
109	Percentage of distribution plant included in Common Use Facilities (line 104 divided by line 107)			DP=		0.000000
110						
111	ACCUMULATED DEPRECIATION					
		<u>Form 1 Reference</u>				
112	Total Transmission Accumulated Depreciation	Column (3) line 12				0
113	Less transmission plant excluded from Common Use Facilities	Company Records				
114	Total Transmission Accumulated Depreciation included in Common Use Facilities (line 112 - line 113)					0
115	Plus Common Use AC Facilities Accumulated Depreciation (line 124)					0
116	Total Accumulated Depreciation for the CUS System (line 114 plus line 115)					0
117	Total CUS Accumulated Depreciation (line 112 plus line 115)					0
118						
119	Percentage of transmission plant accumulated depreciation included in Common Use Facilities (line 116 divided by line 117)			TPA=		0.000000
120						
121		<u>Form 1 Reference</u>				
122	Total Distribution Accumulated Depreciation	Column (3) line 13				0
123	Less distribution accumulated depreciation excluded from Common Use Facilities (Company Records)					
124	Common Use AC Facilities (line 122 less line 123)					0
125						
126	Percentage of distribution plant accumulated depreciation included in Common Use Facilities (line 124 divided by line 122)			DPA=		0.000000
127						
128	WAGES & SALARY ALLOCATOR (W&S)					
129		<u>Form 1 Reference</u>	<u>\$</u>	<u>TP</u>	<u>Allocation</u>	
130	Transmission	354.21.b		0.00	0	
131	Total Wages Expense	354.28.b		0.00	0	W&S Allocator
132	Less: A&G Wages	354.27.b		0.00	0	(\$ / Allocation)
133	Adjusted Total (sum lines 131-132)		0		0	WS= 0.00000
134						
135	TRANSMISSION & DISTRIBUTION ALLOCATOR (T&D)					
136		<u>\$</u>	<u>%</u>	<u>TP</u>	<u>T&D</u>	
137	Transmission Net Plant	line 22	0	0.00%	0% 0.00%	
138	Distribution Net Plant	line 23	0	0.00%		
139	Total (sum lines 137 - 138)		0	0%		T&D = 0.00%
140						
141	RETURN (R)					<u>\$</u>
142	Long Term Interest	117, sum of 62.c through 66.c				
143						
144	Preferred Dividends	118.29.c (positive number)				
145						
146	Development of Common Stock:					
		<u>Form 1 Reference</u>				
147	Proprietary Capital	112.16.c				
148	Less: Preferred Stock	112.3.c				
149	Less: Undistributed Earnings	112.12.c (enter negative)				
150	Less: Accum Other Comp Inc	112.15.c (enter negative)				
151	Adjusted Common Stock		(sum lines 147-150)			-
152						
153		<u>Form 1 Reference</u>	<u>\$</u>	<u>%</u>	<u>Cost</u>	<u>Weighted</u>
154	Long Term Debt	112.24.c		43.00%	0.00%	0.00%
155	Preferred Stock	112.3.c		0.00%	0.00%	0.00%
156	Adjusted Common Stock	(see above line 151)	0	57.00% (Note I)	10.80% (Note I)	6.16%
157	Total (sum lines 154-156)		0		R =	6.16%

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Note
Letter

- A The balances in Accounts 281, 282, 283 and 190, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 109. Balance of Account 255 is reduced by prior flow through and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at line 42, column 5.
- D The FERC's annual charges for the year assessed the Transmission Owner for service since annual charges assessed directly under this tariff.
- E Line 1 - EPRI Annual Membership Dues listed in Form 1 at 335.b, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1.
- F Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in rates, since they are recovered elsewhere.
- G The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 7, line 26).

Inputs Required:	FIT =	35.00%	
	SIT=	0.00%	(State Income Tax Rate or Composite SIT)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- H For the True-Up calculation only, Gross Plant, Accumulated Depreciation and Net Plant are based on the 13-monthly plant balances. All other rate base items are based on the average of the beginning of the year and end of year balances.
- I Depreciation rates, PBOP, ROE, and Capital Structure are fixed amounts that can be changed only through a Section 205 filing.

Capital True Up

Line
No.

1 The True-Up Adjustment component of the Formula Rate for each Rate Year beginning with rates effective January 1, 2010 shall be determined as follows:

- 2
3 (i) Beginning with 2009, no later than June 1 of each year, Black Hills Power shall recalculate an adjusted Annual
4 Transmission Revenue Requirement (ATRR) for the previous calendar year based on its actual costs as reflected
5 in its Form No. 1 and its books and records for that calendar year, consistent with FERC
6 accounting policies.
7
8 (ii) Black Hills Power shall determine the difference between the recalculated ATRR as determined in paragraph (i)
9 above, and ATRR based on projected costs for the previous calendar year (True-Up Adj before Interest).
10

11 (iii) The True-Up Adjustment shall be determined as follows:

12 True-Up Adjustment equals the True-Up Adjustment before Interest multiplied by $(1+i)^{18}$ months.

13 Where: i = Sum of (the monthly rates for the 4 months ending April 30 of the current year and
14 the monthly rates for the 12 months ending December 31 of the preceding year)
15 divided by 16 months.
16
17
18

19 Summary of Formula Rate Process including True-Up Adjustment (Using 2009 as an example)

Month	Year	Action
True-Up Calculation:		
Step 1	May	2010 TO populates the formula with 2009 Actual data and calculates the 2009 True-up Adjustment before Interest
Step 2	May	2010 TO compares the revenue received during 2009 to the True-Up calculation done above
Step 3	May	2010 TO calculates the Interest to include in the 2009 True-Up Adjustment
Step 4	July	2010 TO either collects or pays the lump-sum adjustment calculated above
Annual Rate Calculation:		
Step 5	September	2010 TO populates the formula with 2009 Actual data plus known additions placed in service (over \$1,000,000) for 2010 (See WP 2 for an example)
Step 6	September	2010 TO estimates transmission Capital Additions (over \$1,000,000) for 2011 expected to be in service in 2011 (See WP 3 for an example)
Step 7	September	2010 TO adds weighted Capital Adds, Accumulated Depreciation and Depreciation Expense to plant in service in Formula
Step 8	September	2010 Post results of Step 7 on web site
Step 9	October	2010 TO to hold an open meeting for it's customers and representatives to explain the formula rate projections and cost details
Step 10	January	2011 Results of Step 7 go into effect

20
21
22
23
24
25
26
27
28 Note 1: To the extent possible each input into the Formula Rate used to calculate the actual ATRR included in the True-Up
29 Adjustment either will be taken directly from the FERC Form No. 1 or will be reconcilable to the FERC Form No. 1
30 by the application of clearly identified and supported information. If the reconciliation is provided through a
31 worksheet included in the filed Formula Rate template, the inputs to the worksheet must meet this transparency
32 standard, and doing so will satisfy this transparency requirement for the amounts that are output from the
33 worksheet and input to the main body of the Formula Rate.
34
35

36 Complete for Each Calendar Year beginning in 2009

	Transmission Schedule 1	
A True-Up Amount (Transmission see pg 7 line 92 and Schedule 1 see pg 18 line 12)	-	-
B Future Value Factor $(1+i)^{18}$	1.00	1.00
C True-Up Amount to be (Refunded)/Paid based on 2009 Actual Load (A*B)	\$0.00	\$0.00

37
38
39
40
41
42
43
44
45
46
47
48 Where: i = average interest rate as calculated below

Month	Year	Interest 35.19a for Month
January	Year 1	0.0000%
February	Year 1	0.0000%
March	Year 1	0.0000%
April	Year 1	0.0000%
May	Year 1	0.0000%
June	Year 1	0.0000%
July	Year 1	0.0000%
August	Year 1	0.0000%
September	Year 1	0.0000%
October	Year 1	0.0000%
November	Year 1	0.0000%
December	Year 1	0.0000%
January	Year 2	0.0000%
February	Year 2	0.0000%
March	Year 2	0.0000%
April	Year 2	0.0000%
Average Interest Rate		0.0000%

Black Hills Power, Inc.
Formula Rate Protocols

Section I. Applicability

The following procedures shall apply to Black Hills Power, Inc.'s ("Black Hills Power") calculation of its projected net revenue requirement, actual net revenue requirement, and True-Up Adjustment (as that term is defined in Section VI.1 of these protocols) for a calendar year ("Service Year").

Section II. Annual True-Up and Projected Net Revenue Requirement

1. On or before June 1 of each year, Black Hills Power shall determine its actual net revenue requirement and True-Up Adjustment (collectively, "Annual True-Up") for the preceding Service Year in accordance with the Black Hills Power formula rate under Attachment H to the Joint Open Access Transmission Tariff of Black Hills Power, Basin Electric Power Cooperative, and Powder River Energy Corporation ("Joint Tariff") and Section VI of these protocols, and shall post its Annual True-Up on the Black Hills Power website and OASIS. Within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties (as that term is defined in Section II.6 of these protocols) of such posting via an email exploder list for which Interested Parties may subscribe on the Black Hills Power website.

2. On or before September 30 of each year, Black Hills Power shall determine its projected net revenue requirement for the following Service Year in accordance with the Black Hills Power formula rate under the Joint Tariff, and shall post its projected net revenue requirement on the Black Hills Power website and OASIS. Within ten (10) days of posting the projected net revenue requirement, Black Hills Power shall provide notice to Interested Parties of such posting to an email exploder list for which Interested Parties may subscribe on the Black Hills Power website.

3. If the date for posting the Annual True-Up or the projected net revenue requirement falls on a weekend or a holiday recognized by Federal Energy Regulatory Commission (“FERC”), then the posting shall be due on the next business day. The dates on which posting of the Annual True-Up and the projected net revenue requirement occur shall be that year’s “True-Up Publication Date” and “Projected Rate Publication Date,” respectively. Any delay in the True-Up Publication Date or Projected Rate Publication Date will result in an equivalent extension of time for the submission of information and document requests discussed in Section III of these protocols.

4. The Annual True-Up shall:

- A. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
- B. Be based on Black Hills Power’s FERC Form No. 1 for the prior calendar year;
- C. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the Annual True-Up that are not otherwise available in FERC Form No. 1;
- D. Provide sufficient information to enable Interested Parties to replicate the calculation of the Annual True-Up results from FERC Form No. 1;
- E. Identify any changes in the formula references (page and line numbers) to FERC Form No. 1;
- F. Identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to FERC Form No. 1 and any

adjustments not shown in FERC Form No. 1;

G. Provide underlying data for formula rate inputs that provide greater granularity than is required for FERC Form No. 1;

H. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”):

a. Identify any Accounting Changes, including:

i. the initial implementation of an accounting standard or policy,

ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction,

iii. correction of errors and prior period adjustments that impact the True-Up Adjustment calculation,

iv. the implementation of new estimation methods or policies that change prior estimates, and

v. changes to income tax elections;

b. Identify items included in the Annual True-Up at an amount other than on a historic cost basis (*e.g.*, fair value adjustments);

c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the

Annual True-Up; and

- d. Provide, for each item identified pursuant to Sections II.4.H.a - II.4.H.c of these protocols, a narrative explanation of the individual impact of such changes on the True-Up Adjustment.

5. The projected net revenue requirement shall:

- A. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
- B. Be based on Black Hills Power's most recent FERC Form No. 1;
- C. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected net revenue requirement that are not otherwise available in FERC Form No. 1;
- D. Provide sufficient information to enable Interested Parties to replicate the calculation of the projected net revenue requirement;
- E. With respect to any Accounting Change:
 - a. Identify any Accounting Changes, including:
 - i. the initial implementation of an accounting standard or policy;
 - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

- iii. correction of errors and prior period adjustments that impact the projected net revenue requirement calculation;
- iv. the implementation of new estimation methods or policies that change prior estimates; and
- v. changes to income tax elections;

- b. Identify items included in the projected net revenue requirement at an amount other than on a historic cost basis (*e.g.*, fair value adjustments);
- c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected net revenue requirement; and
- d. Provide, for each item identified pursuant to Sections II.5.D.a - II.5.D.c of these protocols, a narrative explanation of the individual impact of such changes on the projected net revenue requirement.

6. Black Hills Power shall hold an open meeting among Interested Parties between the True-Up Publication Date and July 1 each year (“Annual True-Up Meeting”). No less than seven (7) days prior to such Annual True-Up Meeting, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the Annual True-Up Meeting, and shall provide notice of such meeting via an email exploder list. For purposes of these procedures, the term Interested Party includes, but is not limited to, customers under the Joint Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general. The Annual True-Up Meeting shall: (i) permit Black Hills Power to explain and clarify its Annual True-Up;

and (ii) provide Interested Parties an opportunity to seek information and clarifications from Black Hills Power about the Annual True-Up. Black Hills Power shall provide remote access to Annual True-Up Meetings to allow all Interested Parties the opportunity to remotely participate in such meetings.

7. Black Hills Power shall hold an open meeting among Interested Parties between the Projected Rate Publication Date and October 30 each year (“Annual Projected Rate Meeting”). No less than seven (7) days prior to such Annual Projected Rate Meeting, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the Annual Projected Rate Meeting, and shall provide notice of such meeting via an email exploder list. The Annual Projected Rate Meeting shall: (i) permit Black Hills Power to explain and clarify its projected net revenue requirement; and (ii) provide Interested Parties an opportunity to seek information and clarifications from Black Hills Power about the projected net revenue requirement. Black Hills Power shall provide remote access to Annual Projected Rate Meetings to allow all Interested Parties the opportunity to remotely participate in such meetings.

8. In the event that Black Hills Power utilizes a regional cost sharing mechanism with other transmission owners for the recovery of transmission project costs under Black Hills Power’s formula rate contained in this Attachment H of the Joint Tariff, Black Hills Power shall endeavor to coordinate with other transmission owners utilizing the same regional cost sharing mechanism to hold an annual joint informational meeting among those transmission owners and Interested Parties to enable all Interested Parties the opportunity to understand how those transmission owners are implementing their formula rates for recovering the costs of such projects. No less than seven (7) days prior to such joint informational meetings, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the joint informational

meeting, and shall provide notice of such meeting via an email exploder list. Black Hills Power shall provide remote access to joint informational meetings to allow all Interested Parties the opportunity to remotely participate in such meetings.

Section III. Information Exchange Procedures

Each Annual True-Up and projected net revenue requirement shall be subject to the following information exchange procedures (“Information Exchange Procedures”):

1. Interested Parties shall have until August 1 following the True-Up Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to serve reasonable information and document requests on Black Hills Power (“True-Up Information Exchange Period”). If August 1 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests for the True-Up Information Exchange Period shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

- A. the extent or effect of an Accounting Change;
- B. whether the Annual True-Up fails to include data properly recorded in accordance with these protocols;
- C. the proper application of the formula rate and procedures in these protocols;
- D. the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up;
- E. the prudence of actual costs and expenditures, including utilized procurement methods and cost control methodologies;

- F. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
- G. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

2. Interested Parties shall have until November 30 following the Projected Rate Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to serve reasonable information and document requests on Black Hills Power (“Projected Rate Information Exchange Period”). If November 30 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests for the Projected Rate Information Exchange Period shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

- A. the extent or effect of an Accounting Change;
- B. whether the projected net revenue requirement fails to include data properly recorded in accordance with these protocols;
- C. the proper application of the formula rate and procedures in these protocols;
- D. the accuracy of data and consistency with the formula rate of the calculations shown in the projected net revenue requirement;
- E. the prudence of projected costs and expenditures, including utilized procurement methods and cost control methodologies;

- F. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
- G. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

3. Black Hills Power shall make a good faith effort to respond to information and document requests within fifteen (15) business days of receipt of such requests. Black Hills Power shall respond to all information and document requests submitted during the True-Up Information Exchange Period by no later than September 1 following the True-Up Publication Date, unless the True-Up Information Exchange Period is extended by Black Hills Power or FERC. Further, Black Hills Power shall respond to all information and document requests submitted during the Projected Rate Information Exchange Period by no later than December 31 following the Projected Rate Publication Date, unless the Projected Rate Information Exchange Period is extended by Black Hills Power or FERC.

4. Black Hills Power will post on its website and OASIS all information and document requests from Interested Parties and Black Hills Power's response(s) to such requests; except, however, if responses to information and document requests include material deemed by Black Hills Power to be privileged and/or confidential, such information will not be publicly posted but confidential information will be made available to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party.

5. Black Hills Power shall not claim that responses to information and document requests provided pursuant to these protocols are subject to any settlement privilege, in any subsequent

FERC proceeding addressing Black Hills Power's Annual True-Up or projected net revenue requirement.

Section IV. Challenge Procedures

1. Interested Parties shall have until September 15 following the True-Up Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Black Hills Power in writing, which may be made electronically, of any specific Informal Challenges to the Annual True-Up. The period of time from the True-Up Publication Date until September 15 shall be referred to as the "True-Up Review Period." If September 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges regarding the Annual True-Up shall be extended to the next business day.

2. Interested Parties shall have until January 15 following the Projected Rate Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Black Hills Power in writing, which may be made electronically, of any specific Informal Challenges to the projected net revenue requirement. The period of time from the Projected Rate Publication Date until January 15 shall be referred to as the "Projected Rate Review Period." If January 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges regarding the projected net revenue requirement shall be extended to the next business day.

3. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge within the timelines provided in these protocols regarding any issue as to a given Annual True-Up or projected net revenue requirement shall bar pursuit of such issue with respect to that

Annual True-Up or projected net revenue requirement under the challenge procedures set forth in these protocols, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual True-Up or projected net revenue requirement. This Section IV.3 in no way shall affect a party's rights under Section 206 of the Federal Power Act as set forth in Section IV.10 of these protocols.

4. A party submitting an Informal Challenge to Black Hills Power must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Black Hills Power shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. Black Hills Power shall appoint a senior representative to work with the party (or its representative) submitting the Informal Challenge toward a resolution of the dispute, and, where deemed necessary, may request the appointment of a FERC Administrative Law Judge that is mutually acceptable to the challenging party to facilitate discussions to attempt to resolve the dispute. If Black Hills Power disagrees with such challenge, Black Hills Power will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge of the Annual True-Up or projected net revenue requirement may be submitted after September 15 and January 15, respectively, following the True-Up Publication Date and Projected Rate Publication Date, unless September 15 or January 15 falls on a weekend or a holiday recognized by FERC, in which case the deadline for submitting all Informal Challenges shall be extended to the next business day. Black Hills Power must respond to: (1) all Informal Challenges of the Annual True-Up by no later than October 15 following the True-Up Publication Date, unless the True-Up Review Period is extended by Black Hills Power

or FERC; and (2) all Informal Challenges of the projected net revenue requirement by February 15 following the Projected Rate Publication Date, unless the Projected Rate Review Period is extended by Black Hills Power or FERC.

5. Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of the following requirements:

A. A Formal Challenge shall:

- a. Clearly identify the action or inaction which is alleged to violate the formula rate or protocols;
- b. Explain how the action or inaction violates the formula rate or protocols;
- c. Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:
 - i. The extent or effect of an Accounting Change;
 - ii. Whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols;
 - iii. The proper application of the formula rate and procedures in these protocols;
 - iv. The accuracy of data and consistency with the formula rate of the

charges shown in the Annual True-Up or projected net revenue requirement;

v. The prudence of actual or projected costs and expenditures;

vi. The effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or

vii. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

d. Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;

e. State whether the issues presented are pending in an existing FERC proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;

f. State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

g. Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and

h. State whether the filing party utilized the Informal Challenge procedures

described these protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

B. Service. Any person filing a Formal Challenge must serve a copy of the Formal Challenge on Black Hills Power. Service to Black Hills Power must be simultaneous with filing at FERC. Simultaneous service can be accomplished by electronic mail in accordance with Section 385.2010(f)(3) of FERC's Rules of Practice and Procedure, facsimile, express delivery, or messenger. 18 C.F.R. § 385.2010(f)(3). The party filing the Formal Challenge shall serve the individual listed as the contact person on Black Hills Power's Informational Filing required under Section V of these protocols.

6. Informal and Formal Challenges shall be limited to all issues that may be necessary to determine: (1) the extent or effect of an Accounting Change; (2) whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up and projected net revenue requirement; (5) the prudence of actual or projected costs and expenditures; (6) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

7. Black Hills Power will post on its website and OASIS all Informal Challenges from Interested Parties and Black Hills Power's response(s) to such Informal Challenges; except, however, if Informal Challenges or responses to Informal Challenges include material deemed by Black Hills Power to be privileged and/or confidential, such information will not be publicly

posted but confidential information will be made available to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party.

8. An Interested Party shall have until April 1 following the True-Up Review Period and Projected Rate Review Period (unless such date is extended with the written consent of Black Hills Power to continue efforts to resolve the Informal Challenge) to make a Formal Challenge with FERC, which shall be served on Black Hills Power on the date of such filing as specified in Section IV.5.B of these protocols. A Formal Challenge shall be filed in the same docket as Black Hills Power's Informational Filing discussed in Section V of these protocols. Black Hills Power shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge during the applicable True-Up Review Period or Projected Rate Review Period.

9. In any proceeding initiated by FERC concerning the Annual True-Up or projected net revenue requirement or in response to a Formal Challenge, Black Hills Power shall bear the burden, consistent with Section 205 of the Federal Power Act, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in Attachment H of the Joint Tariff and these protocols. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

10. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Black Hills Power to file unilaterally, pursuant to Federal Power Act Section 205 and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to Section

206 of the Federal Power Act and the regulations thereunder.

11. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols, and the Annual True-Up and projected net revenue requirement shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, a Federal Power Act Section 205 or Section 206 filing.

12. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or FERC Form No. 1, shall first raise the matter with Black Hills Power in accordance with this Section IV before pursuing a Formal Challenge.

Section V. Informational Filings

1. By March 1 of each year, Black Hills Power shall submit to FERC an informational filing (“Informational Filing”) of its projected net revenue requirement and Annual True-Up in connection with the postings performed in accordance with Section II of these protocols during the prior year. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Black Hills Power has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the net revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Informational Filing shall include the formula rate template and underlying workpapers in native format fully populated and with formulas intact. The Informational Filing also must describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge

procedures. Within five (5) days of such Informational Filing, Black Hills Power shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to Black Hills Power's Informational Filing on its website and OASIS.

2. Any challenges to the implementation of the Black Hills Power formula rate under Attachment H of the Joint Tariff must be made through the Challenge Procedures described in Section IV of these protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

Section VI. Calculation of True-Up Adjustment

The True-Up Adjustment will be determined in the following manner:

1. The projected net revenue requirement on the Annual Transmission Revenue Requirement Formula Estimate template, line 95, column 5 of Attachment H for the Service Year will be compared to the True-Up net revenue requirement for the same Service Year (Annual Transmission Revenue Requirement True Up template, line 88, column 5 of Attachment H of the Joint Tariff) calculated in accordance with Attachment H of the Joint Tariff using Black Hills Power's FERC Form No. 1 for the same Service Year to determine any over or under recovery. The sum of the excess or shortfall due to the actual versus projected net revenue requirement shall constitute the "True-Up Adjustment" amount. The True-Up Adjustment and related calculations shall be posted to Black Hills Power's website and OASIS no later than June 1 (or if that day falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day) following the issuance of the FERC Form No. 1 for the previous year, as set forth in Section II of these protocols.

2. The True-Up Adjustment amount to be refunded or paid, as calculated on line 47 of the Annual Transmission Revenue Requirement Capital True Up in Attachment H of the Joint Tariff,

shall be paid in full in July of each year. The amount on any over or under recovery shall be allocated to the customers based on actual billing determinants for the preceding year.

3. Interest on any over recovery of the net revenue requirement shall be determined based on Section 35.19a of FERC's regulations. 18 C.F.R. § 35.19a. Interest on any under recovery of the net revenue requirement shall be determined using the interest rate equal to Black Hills Power's actual short-term debt costs capped at the applicable FERC refund interest rate. In either case, the interest payable shall be calculated using an average interest rate for the sixteen (16) months during which the over or under recovery in the net revenue requirement exists (*i.e.*, January of the year prior through April of the year in which the true-up occurs). That interest rate will be applied, with quarterly compounding, to the principal amount (*i.e.*, the over or under recovery in the net revenue requirement) for the eighteen (18) months during which that over or under recovery exists.

Section VII. Changes to True-Up Adjustment or Projected Net Revenue Requirement

1. Any changes or adjustments made to the True-Up Adjustment after the True-Up Publication Date, including but not limited to changes or adjustments to the data inputs in Black Hills Power's FERC Form No. 1, or as the result of any FERC proceeding to consider the Annual True-Up, or as a result of the procedures set forth herein, resulting in a change to Black Hills Power's True-Up Adjustment, shall be: (1) posted on the Black Hills Power website and OASIS, and, within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties of such posting via an email exploder; and (2) paid in full within thirty (30) calendar days of the date that any such change or adjustment to the True-Up Adjustment is posted to Black Hills Power's website and OASIS, or in accordance with any FERC order. Interest on any refund or surcharge shall be calculated in accordance with the procedures

outlined in Section VI.3 of these protocols or as FERC may otherwise order.

2. Any changes or adjustments made to the projected net revenue requirement after the Projected Rate Publication Date, including but not limited to changes to the data inputs, or as the result of any FERC proceeding to consider the projected net revenue requirement, resulting in a change to Black Hills Power's projected net revenue requirement, shall be posted on the Black Hills Power website and OASIS, and, within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties of such posting via an email exploder. Any such changes or adjustments to the projected net revenue requirement agreed to by Black Hills Power on or before January 15 following the Projected Rate Publication Date will be reflected in the projected net revenue requirement for that Service Year. Any changes or adjustments made to the projected net revenue requirement after January 15 following the Projected Rate Publication Date, including but not limited to changes or adjustments as a result of any FERC proceeding to consider the projected net revenue requirement, shall be reflected in Black Hills Power's projected net revenue requirement invoices to be delivered no later than thirty (30) days from the date of posting such change or adjustment to Black Hills Power's website and OASIS, or in accordance with any FERC order. Invoices delivered prior to any such changes or adjustments being made shall be re-invoiced to reflect such changes or adjustments. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VI.3 of these protocols or as FERC may otherwise order.

Attachment B

**Revised Attachment H to the
Joint Open Access Transmission Tariff of
Black Hills Power, Basin Electric Power Cooperative,
and Powder River Energy Corporation**

Redline Version

ATTACHMENT H

MONTHLY NETWORK TRANSMISSION REVENUE REQUIREMENT FOR TRANSMISSION SERVICE ON THE AC TRANSMISSION SYSTEM

1. The Annual Transmission Cost for Transmission Service on the AC Transmission System is:
 - a. Black Hills Component: Annual Transmission Revenue Requirement as determined pursuant to the formula set forth in this Attachment H
 - b. Basin Electric Component: \$16,482,130
 - c. PRECorp Component: \$1,297,602
 - d. Annual Transmission Cost: \$ (a + b + c)

The amounts in (a) (b) and (c) shall be effective until amended by the Transmission Provider or until modified by the Commission. Each of Black Hills, Basin Electric and PRECorp (“Party”) may unilaterally modify its component of the Annual Transmission Cost pursuant to a filing with the FERC; provided that it must notify the other two Parties in writing not less than thirty (30) days prior to making such filing.

2. The Monthly Network Transmission Revenue Requirement shall be computed each month as follows:

$$x = (y \div 12) - z$$

x = Monthly Network Transmission Revenue Requirement
y = Annual Transmission Cost (item 1(d))
z = Revenues from all Point-to-Point Transmission Service on the AC Transmission System in the month.

Black Hills Power, Inc.
Annual Transmission Revenue Requirement Formula

Estimate

Service Year **2009**

Cost of Service Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator (page 4)	(5) Transmission (Col 3 times Col 4)
GROSS PLANT IN SERVICE					
1	Production	205.46.g	329,718,108	NA	
2	Transmission	207.58.g	70,930,677	TP	0.73987
3	New Construction CUS Assets	See Workpaper 2 (line 9)	17,247,000	TP	0.73987
4	New Construction CUS Assets	See Workpaper 3 (line 19 col D)	2,974,250	TP	0.73987
5	Distribution	207.75.g	239,729,489	NA	
6	General & Intangible	See Workpaper 4 (line 5 col 1)	31,450,235	W/S	0.07016
7	Allocated Plant	See Workpaper 5 (line 5)	5,054,792	W/S	0.07016
8	Communication System	207.94.g	6,874,999	T&D	0.21360
9	Common	356.1	0	CE	0.00000
10	TOTAL GROSS PLANT	(sum lines 1 - 9)	703,979,550	GP=	10.152%
11					
ACCUMULATED DEPRECIATION					
12	Production	219.20-24.c	159,696,980	NA	
13	Transmission	219.25.c	23,826,360	TPA	0.88176
14	Additional Transmission Depr	See Workpaper 2 (line 48)	2,090,423	TPA	0.88176
15	Distribution	219.26.c	79,001,766	NA	
16	General & Intangible	See Workpaper 4 (line 24 col 1)	15,050,577	W/S	0.07016
17	Allocated Plant	See Workpaper 5 (line 11)	2,073,154	W/S	0.07016
18	Communication System	See Workpaper 4 (line 22 col 2)	2,136,253	T&D	0.21360
19	Common	356.1	0	CE	0.00000
20	TOTAL ACCUM. DEPRECIATION	(sum lines 13 - 20)	283,875,513		
21					
22					
NET PLANT IN SERVICE					
23	Production	(line 1 - line 13)	170,021,128	Auto	
24	Transmission	(line 2 - line 14)	47,104,317	Auto	
25	New Construction CUS Assets	(line 3 - line 15)	15,156,577	Auto	
26	New Construction CUS Assets	(line 4)	2,974,250	Auto	
27	Distribution	(line 5 - line 16)	160,727,723	Auto	
28	General & Intangible	(line 6 - line 17)	16,399,658	Auto	
29	Allocated Plant	(line 7 - line 18)	2,981,638	Auto	
30	Communication System	(line 8 - line 19)	4,738,746	Auto	
31	Common	(line 9 - line 20)	0	Auto	
32	TOTAL NET PLANT	(sum lines 24 - 32)	420,104,037	NP=	11.178%
33					
34					
ADJUSTMENTS TO RATE BASE (Note A)					
35	Account No. 281 (enter negative)	273.8.k	(4,343)	NA	zero
36	Account No. 282 (enter negative)	275.2.k	(68,245,483)	NP	0.11178
37	Account No. 283 (enter negative)	277.9.k	(8,788,261)	NP	0.11178
38	Account No. 190	234.8.c	7,258,863	NP	0.11178
39	Account No. 255 (enter negative)	267.8.h	(307,159)	NP	0.11178
40	FAS 109 Adjustment	(232.1.f - 278.1.f - 278.3.f)*.35	806,475	NP	0.11178
41	TOTAL ADJUSTMENTS	(sum lines 36 - 41)			
42					
43					
44	LAND HELD FOR FUTURE USE	214.x.d (Note B)	0	DA	0.00000
45					
46	WORKING CAPITAL (Notes C & H)				
47	CWC	(1/8 * line 63)	2,437,258	Auto	
48	Materials & Supplies	227.5.c	4,668,225	T&D	0.21360
49	Materials & Supplies	227.8.c	94,372	TP	0.73987
50	Prepayments (Account 165)	111.57.c	6,173,396	GP	0.10152
51	TOTAL WORKING CAPITAL	(sum lines 47 - 50)			
52					
53	TRANSMISSION RATE BASE	(sum lines 33, 42, 44, & 51)			

41,142,476

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Line No.	(1)	(2)	(3)	(4)	(5)
Line No.	Form No. 1 Page, Line, Col.	Company Total	Allocator (page 4)	Transmission (Col 3 times Col 4)	
O&M					
54	Transmission	321.112.b	9,746,087	TP 0.73987	7,210,876
55	Less: Account 565 and 561	321.84-92.b & 96.b	9,091,266	TP 0.73987	6,726,391
56	A&G	323.194.b	19,414,837	W/S 0.07016	1,362,058
57	Less FERC Annual Fees (Note D)	350.1.b	201,513	W/S 0.07016	14,137
58	Plus: Fixed PBOP expense	(Note I)	227,200	W/S 0.07016	15,939
59	Less: Actual PBOP expense	(Company Records)	224,882	W/S 0.07016	15,777
60	Less: EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note E)		449,068	W/S 0.07016	31,505
61	Plus Trans Related Reg. Comm. Exp. (Note E) (Workpaper 1 line 11)		76,667	TP 0.73987	56,724
62	Common	356.1	0	CE 0.00000	0
63	TOTAL O&M (sum lines 54, 56, 58, 61, 62 less lines 55, 57, 59, 60)		19,498,062		1,857,787
64					
65	DEPRECIATION EXPENSE (Note I)				
66	Transmission	336.7.b	1,650,459	TP 0.73987	1,221,132
67	New Construction CUS Assets	See Workpaper 2 (line 13)	400,130	TP 0.73987	296,046
68	New Construction CUS Assets	See Workpaper 3 (line 23)	69,003	TP 0.73987	51,053
69	General & intangible	336.10.b & 336.1.d&e	2,389,067	W/S 0.07016	167,606
70	Common	336.11.b	0	CE 0.00000	0
71	TOTAL DEPRECIATION (Sum lines 66 - 70)		4,508,659		1,735,837
72					
73	TAXES OTHER THAN INCOME TAXES (Note F)				
74	LABOR RELATED				
75	Payroll	263.3i, 263.4i, 263.12i	1,667,209	W/S 0.07016	116,964
76	Highway and vehicle	263.i	0	W/S 0.07016	0
77	PLANT RELATED				
78	Property	263.23i	4,341,000	GP 0.10152	440,714
79	Gross Receipts	263.i	0	NA zero	0
80	Other	263.i	0	GP 0.10152	0
81	TOTAL OTHER TAXES (sum lines 75 - 80)		6,008,209		557,677
82					
83					
84	INCOME TAXES (Note G)				
85	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		35.00%		
86	CIT=(T/1-T) * (1-(WCLTD/R)) =		34.99%		
87	where WCLTD=(line 156) and R=(line 159)				
88	and FIT, SIT & p are as given in footnote G.				
89					
90	Total Income Taxes	(line 86 * line 93)			1,363,778
91					
92	RETURN				
93	[Rate Base (line 53) * R (line 159)]			Auto	3,897,187
94					
95	ESTIMATED REVENUE REQUIREMENT (sum lines 63, 71, 81, 90, 93)		30,014,930		9,412,267

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN JOINT TARIFF RATES				
		<u>Form 1 Reference</u>			
96	Total transmission plant	Column (3) sum lines 2 - 4			91,151,927
97	Less transmission plant excluded from Common Use Facilities	Company Records			25,310,952
98	Less transmission plant included in Ancillary Services				0
99	Transmission plant included in Common Use Facilities (line 96 less lines 97 and 98)				65,840,975
100	Plus Common Use AC Facilities (line 110)				6,150,861
101	Total Gross Plant for the CUS System (line 99 plus line 100)				71,991,836
102	Total CUS Plant (line 96 plus line 110)				97,302,788
103					
104	Percentage of transmission plant included in Common Use Facilities (line 101 divided by line 102)			TP=	0.739874
105					
106	DISTRIBUTION PLANT INCLUDED IN JOINT TARIFF RATES	<u>Form 1 Reference</u>			
107	Total distribution plant	Column (3) line 5			239,729,489
108	Less distribution plant excluded from Common Use Facilities	Company Records			233,578,628
109	Less distribution plant included in Ancillary Services				0
110	Common Use AC Facilities (line 107 less lines 108 & 109)				6,150,861
111					
112	Percentage of distribution plant included in Common Use Facilities (line 107 divided by line 110)			DP=	0.025658
113					
114	ACCUMULATED DEPRECIATION	<u>Form 1 Reference</u>			
115	Total Transmission Accumulated Depreciation	Column (3), sum lines 14 - 15			25,916,783
116	Less transmission plant excluded from Common Use Facilities	Company Records			3,428,179
117	Total Transmission Accumulated Depreciation included in Common Use Facilities (line 115 - line 116)				22,488,604
118	Plus Common Use AC Facilities Accumulated Depreciation (line 127)				3,077,649
119	Total Accumulated Depreciation for the CUS System (line 117 plus line 118)				25,566,253
120	Total CUS Accumulated Depreciation (line 115 plus line 118)				28,994,432
121					
122	Percentage of transmission plant accumulated depreciation included in Common Use Facilities (line 119 divided by line 120)			TPA=	0.881764
123					
124		<u>Form 1 Reference</u>			
125	Total Distribution Accumulated Depreciation	219.26.c			79,001,766
126	Less distribution accumulated depreciation excluded from Common Use Facilities (Company Records)				75,924,117
127	Common Use AC Facilities (line 125 less line 126)				3,077,649
128					
129	Percentage of distribution plant accumulated depreciation included in Common Use Facilities (line 127 divided by line 125)			DPA=	0.038957
130					
131	WAGES & SALARY ALLOCATOR (W&S)				
132		<u>Form 1 Reference</u>	\$	TP	<u>Allocation</u>
133	Transmission	354.21.b	1,171,648	0.74	866,872
134	Total Wages Expense	354.28.b	14,244,451	0.00	0
135	Less: A&G Wages	354.27.b	-1,888,017	0.00	0
136	Adjusted Total (sum lines 134-135)		12,356,434		866,872 WS=
137					0.07016
138	TRANSMISSION & DISTRIBUTION ALLOCATOR (T&D)		\$	% TP	T&D
139	Transmission Net Plant	lines 25, 26 & 27	65,235,144	28.87%	74% 21.36%
140	Distribution Net Plant	line 28	160,727,723	71.13%	
141	Total (sum lines 139 - 140)		225,962,867	100%	T&D = 21.36%
142					
143	RETURN (R)	<u>Form 1 Reference</u>			\$
144	Long Term Interest	117, sum of 62.c through 66.c			11,817,050
145					
146	Preferred Dividends	118.29.c (positive number)			-
147					
148	Development of Common Stock:	<u>Form 1 Reference</u>			
149	Proprietary Capital	112.16.c			232,419,703
150	Less: Preferred Stock	112.3.c			-
151	Less: Undistributed Earnings	112.12.c (enter negative)			-
152	Less: Accum Other Comp Inc	112.15.c (enter negative)			1,277,097
153	Adjusted Common Stock	(sum lines 149-152)			233,696,800
154					
155		<u>Form 1 Reference</u>	\$	%	<u>Cost</u>
156	Long Term Debt	112.24.c	153,217,473	43.00%	7.71%
157	Preferred Stock	112.3.c	0	0.00%	0.00%
158	Adjusted Common Stock	(see above line 153)	233,696,800	57.00% (Note I)	10.80% (Note I)
159	Total (sum lines 156-158)		386,914,273		R = 9.47%

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Note
Letter

- A The balances in Accounts 281, 282, 283 and 190, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 109. Balance of Account 255 is reduced by prior flow through and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at line 47, column 5.
- D The FERC's annual charges for the year assessed the Transmission Owner for service since annual charges assessed directly under this tariff.
- E Line 1 - EPRI Annual Membership Dues listed in Form 1 at 335.1.b, all Regulatory Commission Expenses itemized at 351.1.h, and non-safety related advertising included in Account 930.1.
- F Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in rates, since they are recovered elsewhere.
- G The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 7, line 26).

Inputs Required:	FIT =	35.00%	
	SIT=	0.00%	(State Income Tax Rate or Composite SIT)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- H See Note H for the True-Up calculation.
- I Depreciation rates, PBOP, ROE, and Capital Structure are fixed amounts that can be changed only through a Section 205 filing.

True Up

Service Year 2009

Cost of Service Utilizing FERC Form 1 Data

Black Hills Power, Inc.

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator (page 4)	(5) Transmission (Col 3 times Col 4)
1	GROSS PLANT IN SERVICE	(Note H)			
1	Production	205.46.g	0	NA	
2	Transmission	207.58.g	0	TP	0.00000
3	Distribution	207.75.g	0	NA	
4	General & Intangible	See Workpaper 4	0	W/S	0.00000
5	Allocated Plant	See Workpaper 5	0	W/S	0.00000
6	Communication System	See Workpaper 4	0	T&D	0.00000
7	Common	356.1	0	CE	0.00000
8	TOTAL GROSS PLANT	(sum lines 1 - 7)	0	GP=	0.000%
9					
10	ACCUMULATED DEPRECIATION	(Note H)			
11	Production	219.20-24.c	0	NA	
12	Transmission	219.25.c	0	TPA	0.00000
13	Distribution	219.26.c	0	NA	
14	General & Intangible	219.28.c	0	W/S	0.00000
15	Allocated Plant	See Workpaper 5	0	W/S	0.00000
16	Communication System	See Workpaper 4	0	T&D	0.00000
17	Common	356.1	0	CE	0.00000
18	TOTAL ACCUM. DEPRECIATION	(sum lines 11 - 17)	0		0
19					
20	NET PLANT IN SERVICE	(Note H)			
21	Production	(line 1 - line 11)	0	Auto	
22	Transmission	(line 2 - line 12)	0	Auto	0
23	Distribution	(line 3 - line 13)	0	Auto	
24	General & Intangible	(line 4 - line 14)	0	Auto	0
25	Allocated Plant	(line 5 - line 15)	0	Auto	0
26	Communication System	(line 6 - line 16)	0	Auto	0
27	Common	(line 7 - line 17)	0	Auto	0
28	TOTAL NET PLANT	(sum lines 21 - 27)	0	NP=	0.000%
29					
30	ADJUSTMENTS TO RATE BASE	(Notes A & H)			
31	Account No. 281 (enter negative)	273.8.k	0	NA	zero
32	Account No. 282 (enter negative)	275.2.k	0	NP	0.00000
33	Account No. 283 (enter negative)	277.9.k	0	NP	0.00000
34	Account No. 190	234.8.c	0	NP	0.00000
35	Account No. 255 (enter negative)	267.8.h	0	NP	0.00000
36	FAS 109 Adjustment	(232.1.f - 278.1.f - 278.3.f)*.35	0	NP	0.00000
37	TOTAL ADJUSTMENTS	(sum lines 31 - 36)	0		-
38					
39	LAND HELD FOR FUTURE USE	214.x.d (Notes B & H)	0	DA	0.00000
40					
41	WORKING CAPITAL (Notes C & H)				
42	CWC	(1/8 * line 58)	0	Auto	0
43	Materials & Supplies	227.5.c	0	T&D	0.00000
44	Materials & Supplies	227.8.c	0	TP	0.00000
45	Prepayments (Account 165)	111.57.d	0	GP	0.00000
46	TOTAL WORKING CAPITAL	(sum lines 42 - 45)	0		0
47					
48	TRANSMISSION RATE BASE	(sum lines 28, 37, 39, & 46)			0

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Line No.	(1)	(2)	(3)	(4)	(5)	
Line No.	Form No. 1 Page, Line, Col.	Company Total	Allocator (page 4)	Transmission (Col 3 times Col 4)		
O&M						
49	Transmission	321.112.b		TP	0.00000	0
50	Less: Account 565 and 561	321.84-92.b & 96.b		TP	0.00000	0
51	A&G	323.194.b		W/S	0.00000	0
52	Less FERC Annual Fees (Note D)	350.1.b		W/S	0.00000	0
53	Plus: Fixed PBOP expense	(Note I)		W/S	0.00000	0
54	Less: Actual PBOP expense	(Company Records)		W/S	0.00000	0
55	Less: EPRI & Reg. Comm. Exp. & Non-safety Ad. (Note E)			W/S	0.00000	0
56	Plus Transmission Related Reg. Comm. Exp. (Note E)			TP	0.00000	0
57	Common	356.1		CE	0.00000	0
58	TOTAL O&M (sum lines 49, 51, 53, 56, 57 less lines 50, 52, 54, 55)	0				0
59						
DEPRECIATION EXPENSE (Note I)						
61	Transmission	336.7.b		TP	0.00000	0
62	General & intangible	336.10.b & 336.1.d&e		W/S	0.00000	0
63	Common	336.11.b		CE	0.00000	0
64	TOTAL DEPRECIATION (Sum lines 61 - 63)	0			0	
65						
TAXES OTHER THAN INCOME TAXES (Note F)						
LABOR RELATED						
68	Payroll	263.3i, 263.4i, 263.12i		W/S	0.00000	0
69	Highway and vehicle	263.i		W/S	0.00000	0
PLANT RELATED						
71	Property	263.23i		GP	0.00000	0
72	Gross Receipts	263.i		NA	zero	0
73	Other	263.i		GP	0.00000	0
74	TOTAL OTHER TAXES (sum lines 68 - 73)	0			0	
75						
INCOME TAXES (Note G)						
78	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =	35.00%				
79	CIT=(T/1-T) * (1-(WCLTD/R)) =	53.85%				
80	where WCLTD=(line 154) and R=(line 157)					
81	and FIT, SIT & p are as given in footnote G.					
82						
83	Total Income Taxes	(line 79 * line 86)			0	
84						
RETURN						
86	[Rate Base (line 48) * R (line 157)]		Auto		0	
87						
88	REVENUE REQUIREMENT (sum lines 58, 64, 74, 83, 85)	0			0	
89						
90	ESTIMATED REVENUE REQUIREMENT (pg. 3 line 95)				0	
91						
92	TRUE-UP AMOUNT TO BE (REFUNDED)/PAID (line 88 - line 90)				0	

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

SUPPORTING CALCULATIONS AND NOTES

Line No.	TRANSMISSION PLANT INCLUDED IN JOINT TARIFF RATES					
		<u>Form 1 Reference</u>				
93	Total transmission plant	Column (3) line 2				0
94	Less transmission plant excluded from Common Use Facilities	Company Records				
95	Less transmission plant included in Ancillary Services	Company Records				
96	Transmission plant included in Common Use Facilities (line 93 less lines 94 and 95)					0
97	Plus Common Use AC Facilities (line 107)					0
98	Total Gross Plant for the CUS System (line 96 plus line 97)					0
99	Total CUS Plant (line 93 plus line 107)					0
100						
101	Percentage of transmission plant included in Common Use Facilities (line 98 divided by line 99)			TP=		0.000000
102						
103	DISTRIBUTION PLANT INCLUDED IN JOINT TARIFF RATES					
		<u>Form 1 Reference</u>				
104	Total distribution plant	Column (3) line 3				0
105	Less distribution plant excluded from Common Use Facilities	Company Records				
106	Less distribution plant included in Ancillary Services	Company Records				
107	Common Use AC Facilities (line 104 less lines 105 & 106)					0
108						
109	Percentage of distribution plant included in Common Use Facilities (line 104 divided by line 107)			DP=		0.000000
110						
111	ACCUMULATED DEPRECIATION					
		<u>Form 1 Reference</u>				
112	Total Transmission Accumulated Depreciation	Column (3) line 12				0
113	Less transmission plant excluded from Common Use Facilities	Company Records				
114	Total Transmission Accumulated Depreciation included in Common Use Facilities (line 112 - line 113)					0
115	Plus Common Use AC Facilities Accumulated Depreciation (line 124)					0
116	Total Accumulated Depreciation for the CUS System (line 114 plus line 115)					0
117	Total CUS Accumulated Depreciation (line 112 plus line 115)					0
118						
119	Percentage of transmission plant accumulated depreciation included in Common Use Facilities (line 116 divided by line 117)			TPA=		0.000000
120						
121		<u>Form 1 Reference</u>				
122	Total Distribution Accumulated Depreciation	Column (3) line 13				0
123	Less distribution accumulated depreciation excluded from Common Use Facilities (Company Records)					
124	Common Use AC Facilities (line 122 less line 123)					0
125						
126	Percentage of distribution plant accumulated depreciation included in Common Use Facilities (line 124 divided by line 122)			DPA=		0.000000
127						
128	WAGES & SALARY ALLOCATOR (W&S)					
129		<u>Form 1 Reference</u>	<u>\$</u>	<u>TP</u>	<u>Allocation</u>	
130	Transmission	354.21.b		0.00	0	
131	Total Wages Expense	354.28.b		0.00	0	W&S Allocator
132	Less: A&G Wages	354.27.b		0.00	0	(\$ / Allocation)
133	Adjusted Total (sum lines 131-132)		0			0 WS= 0.00000
134						
135	TRANSMISSION & DISTRIBUTION ALLOCATOR (T&D)					
136			<u>\$</u>	<u>%</u>	<u>TP</u>	<u>T&D</u>
137	Transmission Net Plant	line 22	0	0.00%	0% 0.00%	
138	Distribution Net Plant	line 23	0	0.00%		
139	Total (sum lines 137 - 138)		0	0%		T&D = 0.00%
140						
141	RETURN (R)					
		<u>Form 1 Reference</u>				<u>\$</u>
142	Long Term Interest	117, sum of 62.c through 66.c				
143						
144	Preferred Dividends	118.29.c (positive number)				
145						
146	Development of Common Stock:					
		<u>Form 1 Reference</u>				
147	Proprietary Capital	112.16.c				
148	Less: Preferred Stock	112.3.c				
149	Less: Undistributed Earnings	112.12.c (enter negative)				
150	Less: Accum Other Comp Inc	112.15.c (enter negative)				
151	Adjusted Common Stock		(sum lines 147-150)			-
152						
153		<u>Form 1 Reference</u>	<u>\$</u>	<u>%</u>	<u>Cost</u>	<u>Weighted</u>
154	Long Term Debt	112.24.c		43.00%	0.00%	0.00%
155	Preferred Stock	112.3.c		0.00%	0.00%	0.00%
156	Adjusted Common Stock	(see above line 151)	0	57.00% (Note I)	10.80% (Note I)	6.16%
157	Total (sum lines 154-156)		0		R =	6.16%

**Cost of Service
Utilizing FERC Form 1 Data**

Black Hills Power, Inc.

Note
Letter

- A The balances in Accounts 281, 282, 283 and 190, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 109. Balance of Account 255 is reduced by prior flow through and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at line 42, column 5.
- D The FERC's annual charges for the year assessed the Transmission Owner for service since annual charges assessed directly under this tariff.
- E Line 1 - EPRI Annual Membership Dues listed in Form 1 at 335.b, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1.
- F Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in rates, since they are recovered elsewhere.
- G The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 7, line 26).

Inputs Required:	FIT =	35.00%	
	SIT=	0.00%	(State Income Tax Rate or Composite SIT)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- H For the True-Up calculation only, Gross Plant, Accumulated Depreciation and Net Plant are based on the 13-monthly plant balances. All other rate base items are based on the average of the beginning of the year and end of year balances.
- I Depreciation rates, PBOP, ROE, and Capital Structure are fixed amounts that can be changed only through a Section 205 filing.

Capital True Up

Line
No.

1 The True-Up Adjustment component of the Formula Rate for each Rate Year beginning with rates effective January 1, 2010 shall be determined as follows:

2
3 (i) Beginning with 2009, no later than June 1 of each year, Black Hills Power shall recalculate an adjusted Annual
4 Transmission Revenue Requirement (ATRR) for the previous calendar year based on its actual costs as reflected
5 in its Form No. 1 and its books and records for that calendar year, consistent with FERC
6 accounting policies.

7
8 (ii) Black Hills Power shall determine the difference between the recalculated ATRR as determined in paragraph (i)
9 above, and ATRR based on projected costs for the previous calendar year (True-Up Adj before Interest).

10 (iii) The True-Up Adjustment shall be determined as follows:

11 True-Up Adjustment equals the True-Up Adjustment before Interest multiplied by $(1+i)^{18}$ months.

12
13 Where: i = Sum of (the monthly rates for the 4 months ending April 30 of the current year and
14 the monthly rates for the 12 months ending December 31 of the preceding year)
15 divided by 16 months.

16
17
18
19 Summary of Formula Rate Process including True-Up Adjustment (Using 2009 as an example)

Month	Year	Action
True-Up Calculation:		
Step 1	May 2010	TO populates the formula with 2009 Actual data and calculates the 2009 True-up Adjustment before Interest
Step 2	May 2010	TO compares the revenue received during 2009 to the True-Up calculation done above
Step 3	May 2010	TO calculates the Interest to include in the 2009 True-Up Adjustment
Step 4	July 2010	TO either collects or pays the lump-sum adjustment calculated above
Annual Rate Calculation:		
Step 5	September 2010	TO populates the formula with 2009 Actual data plus known additions placed in service (over \$1,000,000) for 2010 (See WP 2 for an example)
Step 6	September 2010	TO estimates transmission Capital Additions (over \$1,000,000) for 2011 expected to be in service in 2011 (See WP 3 for an example)
Step 7	September 2010	TO adds weighted Capital Adds, Accumulated Depreciation and Depreciation Expense to plant in service in Formula
Step 8	September 2010	Post results of Step 7 on web site
Step 9	October 2010	TO to hold an open meeting for it's customers and representatives to explain the formula rate projections and cost details
Step 10	January 2011	Results of Step 7 go into effect

20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36 Note 1: To the extent possible each input into the Formula Rate used to calculate the actual ATRR included in the True-Up
37 Adjustment either will be taken directly from the FERC Form No. 1 or will be reconcilable to the FERC Form No. 1
38 by the application of clearly identified and supported information. If the reconciliation is provided through a
39 worksheet included in the filed Formula Rate template, the inputs to the worksheet must meet this transparency
40 standard, and doing so will satisfy this transparency requirement for the amounts that are output from the
41 worksheet and input to the main body of the Formula Rate.

42 Complete for Each Calendar Year beginning in 2009

	Transmission Schedule 1	
A True-Up Amount (Transmission see pg 7 line 92 and Schedule 1 see pg 18 line 12)	-	-
B Future Value Factor $(1+i)^{18}$	1.00	1.00
C True-Up Amount to be (Refunded)/Paid based on 2009 Actual Load (A*B)	\$0.00	\$0.00

43
44
45
46
47
48
49 Where: i = average interest rate as calculated below

Month	Year	Interest 35.19a for Month
January	Year 1	0.0000%
February	Year 1	0.0000%
March	Year 1	0.0000%
April	Year 1	0.0000%
May	Year 1	0.0000%
June	Year 1	0.0000%
July	Year 1	0.0000%
August	Year 1	0.0000%
September	Year 1	0.0000%
October	Year 1	0.0000%
November	Year 1	0.0000%
December	Year 1	0.0000%
January	Year 2	0.0000%
February	Year 2	0.0000%
March	Year 2	0.0000%
April	Year 2	0.0000%
Average Interest Rate		0.0000%

Black Hills Power, Inc.
Formula Rate Protocols

Section I. Applicability

The following procedures shall apply to Black Hills Power, Inc.'s ("Black Hills Power") calculation of its projected net revenue requirement, actual net revenue requirement, and True-Up Adjustment (as that term is defined in Section VI.1 of these protocols) for a calendar year ("Service Year").

Section II. Annual True-Up and Projected Net Revenue Requirement

1. On or before June 1 of each year, Black Hills Power shall determine its actual net revenue requirement and True-Up Adjustment (collectively, "Annual True-Up") for the preceding Service Year in accordance with the Black Hills Power formula rate under Attachment H to the Joint Open Access Transmission Tariff of Black Hills Power, Basin Electric Power Cooperative, and Powder River Energy Corporation ("Joint Tariff") and Section VI of these protocols, and shall post its Annual True-Up on the Black Hills Power website and OASIS. Within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties (as that term is defined in Section II.6 of these protocols) of such posting via an email exploder list for which Interested Parties may subscribe on the Black Hills Power website.

2. On or before September 30 of each year, Black Hills Power shall determine its projected net revenue requirement for the following Service Year in accordance with the Black Hills Power formula rate under the Joint Tariff, and shall post its projected net revenue requirement on the Black Hills Power website and OASIS. Within ten (10) days of posting the projected net revenue requirement, Black Hills Power shall provide notice to Interested Parties of such posting to an email exploder list for which Interested Parties may subscribe on the Black Hills Power website.

3. If the date for posting the Annual True-Up or the projected net revenue requirement falls on a weekend or a holiday recognized by Federal Energy Regulatory Commission (“FERC”), then the posting shall be due on the next business day. The dates on which posting of the Annual True-Up and the projected net revenue requirement occur shall be that year’s “True-Up Publication Date” and “Projected Rate Publication Date,” respectively. Any delay in the True-Up Publication Date or Projected Rate Publication Date will result in an equivalent extension of time for the submission of information and document requests discussed in Section III of these protocols.

4. The Annual True-Up shall:

- A. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
- B. Be based on Black Hills Power’s FERC Form No. 1 for the prior calendar year;
- C. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the Annual True-Up that are not otherwise available in FERC Form No. 1;
- D. Provide sufficient information to enable Interested Parties to replicate the calculation of the Annual True-Up results from FERC Form No. 1;
- E. Identify any changes in the formula references (page and line numbers) to FERC Form No. 1;
- F. Identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to FERC Form No. 1 and any

adjustments not shown in FERC Form No. 1;

G. Provide underlying data for formula rate inputs that provide greater granularity than is required for FERC Form No. 1;

H. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”):

a. Identify any Accounting Changes, including:

i. the initial implementation of an accounting standard or policy,

ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction,

iii. correction of errors and prior period adjustments that impact the True-Up Adjustment calculation,

iv. the implementation of new estimation methods or policies that change prior estimates, and

v. changes to income tax elections;

b. Identify items included in the Annual True-Up at an amount other than on a historic cost basis (*e.g.*, fair value adjustments);

c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the

Annual True-Up; and

- d. Provide, for each item identified pursuant to Sections II.4.H.a - II.4.H.c of these protocols, a narrative explanation of the individual impact of such changes on the True-Up Adjustment.

5. The projected net revenue requirement shall:

- A. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
- B. Be based on Black Hills Power's most recent FERC Form No. 1;
- C. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected net revenue requirement that are not otherwise available in FERC Form No. 1;
- D. Provide sufficient information to enable Interested Parties to replicate the calculation of the projected net revenue requirement;
- E. With respect to any Accounting Change:
 - a. Identify any Accounting Changes, including:
 - i. the initial implementation of an accounting standard or policy;
 - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

- iii. correction of errors and prior period adjustments that impact the projected net revenue requirement calculation;
- iv. the implementation of new estimation methods or policies that change prior estimates; and
- v. changes to income tax elections;

- b. Identify items included in the projected net revenue requirement at an amount other than on a historic cost basis (*e.g.*, fair value adjustments);
- c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected net revenue requirement; and
- d. Provide, for each item identified pursuant to Sections II.5.D.a - II.5.D.c of these protocols, a narrative explanation of the individual impact of such changes on the projected net revenue requirement.

6. Black Hills Power shall hold an open meeting among Interested Parties between the True-Up Publication Date and July 1 each year (“Annual True-Up Meeting”). No less than seven (7) days prior to such Annual True-Up Meeting, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the Annual True-Up Meeting, and shall provide notice of such meeting via an email exploder list. For purposes of these procedures, the term Interested Party includes, but is not limited to, customers under the Joint Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general. The Annual True-Up Meeting shall: (i) permit Black Hills Power to explain and clarify its Annual True-Up;

and (ii) provide Interested Parties an opportunity to seek information and clarifications from Black Hills Power about the Annual True-Up. Black Hills Power shall provide remote access to Annual True-Up Meetings to allow all Interested Parties the opportunity to remotely participate in such meetings.

7. Black Hills Power shall hold an open meeting among Interested Parties between the Projected Rate Publication Date and October 30 each year (“Annual Projected Rate Meeting”). No less than seven (7) days prior to such Annual Projected Rate Meeting, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the Annual Projected Rate Meeting, and shall provide notice of such meeting via an email exploder list. The Annual Projected Rate Meeting shall: (i) permit Black Hills Power to explain and clarify its projected net revenue requirement; and (ii) provide Interested Parties an opportunity to seek information and clarifications from Black Hills Power about the projected net revenue requirement. Black Hills Power shall provide remote access to Annual Projected Rate Meetings to allow all Interested Parties the opportunity to remotely participate in such meetings.

8. In the event that Black Hills Power utilizes a regional cost sharing mechanism with other transmission owners for the recovery of transmission project costs under Black Hills Power’s formula rate contained in this Attachment H of the Joint Tariff, Black Hills Power shall endeavor to coordinate with other transmission owners utilizing the same regional cost sharing mechanism to hold an annual joint informational meeting among those transmission owners and Interested Parties to enable all Interested Parties the opportunity to understand how those transmission owners are implementing their formula rates for recovering the costs of such projects. No less than seven (7) days prior to such joint informational meetings, Black Hills Power shall provide notice on its website and OASIS of the time, date, and location of the joint informational

meeting, and shall provide notice of such meeting via an email exploder list. Black Hills Power shall provide remote access to joint informational meetings to allow all Interested Parties the opportunity to remotely participate in such meetings.

Section III. Information Exchange Procedures

Each Annual True-Up and projected net revenue requirement shall be subject to the following information exchange procedures (“Information Exchange Procedures”):

1. Interested Parties shall have until August 1 following the True-Up Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to serve reasonable information and document requests on Black Hills Power (“True-Up Information Exchange Period”). If August 1 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests for the True-Up Information Exchange Period shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

- A. the extent or effect of an Accounting Change;
- B. whether the Annual True-Up fails to include data properly recorded in accordance with these protocols;
- C. the proper application of the formula rate and procedures in these protocols;
- D. the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up;
- E. the prudence of actual costs and expenditures, including utilized procurement methods and cost control methodologies;

- F. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
- G. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

2. Interested Parties shall have until November 30 following the Projected Rate Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to serve reasonable information and document requests on Black Hills Power (“Projected Rate Information Exchange Period”). If November 30 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests for the Projected Rate Information Exchange Period shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

- A. the extent or effect of an Accounting Change;
- B. whether the projected net revenue requirement fails to include data properly recorded in accordance with these protocols;
- C. the proper application of the formula rate and procedures in these protocols;
- D. the accuracy of data and consistency with the formula rate of the calculations shown in the projected net revenue requirement;
- E. the prudence of projected costs and expenditures, including utilized procurement methods and cost control methodologies;

- F. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
- G. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

3. Black Hills Power shall make a good faith effort to respond to information and document requests within fifteen (15) business days of receipt of such requests. Black Hills Power shall respond to all information and document requests submitted during the True-Up Information Exchange Period by no later than September 1 following the True-Up Publication Date, unless the True-Up Information Exchange Period is extended by Black Hills Power or FERC. Further, Black Hills Power shall respond to all information and document requests submitted during the Projected Rate Information Exchange Period by no later than December 31 following the Projected Rate Publication Date, unless the Projected Rate Information Exchange Period is extended by Black Hills Power or FERC.

4. Black Hills Power will post on its website and OASIS all information and document requests from Interested Parties and Black Hills Power's response(s) to such requests; except, however, if responses to information and document requests include material deemed by Black Hills Power to be privileged and/or confidential, such information will not be publicly posted but confidential information will be made available to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party.

5. Black Hills Power shall not claim that responses to information and document requests provided pursuant to these protocols are subject to any settlement privilege, in any subsequent

FERC proceeding addressing Black Hills Power's Annual True-Up or projected net revenue requirement.

Section IV. Challenge Procedures

1. Interested Parties shall have until September 15 following the True-Up Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Black Hills Power in writing, which may be made electronically, of any specific Informal Challenges to the Annual True-Up. The period of time from the True-Up Publication Date until September 15 shall be referred to as the "True-Up Review Period." If September 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges regarding the Annual True-Up shall be extended to the next business day.

2. Interested Parties shall have until January 15 following the Projected Rate Publication Date (unless such period is extended with the written consent of Black Hills Power or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Black Hills Power in writing, which may be made electronically, of any specific Informal Challenges to the projected net revenue requirement. The period of time from the Projected Rate Publication Date until January 15 shall be referred to as the "Projected Rate Review Period." If January 15 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges regarding the projected net revenue requirement shall be extended to the next business day.

3. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge within the timelines provided in these protocols regarding any issue as to a given Annual True-Up or projected net revenue requirement shall bar pursuit of such issue with respect to that

Annual True-Up or projected net revenue requirement [under the challenge procedures set forth in these protocols](#), but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual True-Up or projected net revenue requirement. [This Section IV.3 in no way shall affect a party's rights under Section 206 of the Federal Power Act as set forth in Section IV.10 of these protocols.](#)

4. A party submitting an Informal Challenge to Black Hills Power must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Black Hills Power shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. Black Hills Power shall appoint a senior representative to work with the party (or its representative) submitting the Informal Challenge toward a resolution of the dispute, and, where deemed necessary, may request the appointment of a FERC Administrative Law Judge that is mutually acceptable to the challenging party to facilitate discussions to attempt to resolve the dispute. If Black Hills Power disagrees with such challenge, Black Hills Power will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge of the Annual True-Up or projected net revenue requirement may be submitted after September 15 and January 15, respectively, following the True-Up Publication Date and Projected Rate Publication Date, unless September 15 or January 15 falls on a weekend or a holiday recognized by FERC, in which case the deadline for submitting all Informal Challenges shall be extended to the next business day. Black Hills Power must respond to: (1) all Informal Challenges of the Annual True-Up by no later than October 15 following the True-Up Publication Date, unless the True-Up Review Period is extended by Black Hills Power

or FERC; and (2) all Informal Challenges of the projected net revenue requirement by February 15 following the Projected Rate Publication Date, unless the Projected Rate Review Period is extended by Black Hills Power or FERC.

5. Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of the following requirements:

A. A Formal Challenge shall:

- a. Clearly identify the action or inaction which is alleged to violate the formula rate or protocols;
- b. Explain how the action or inaction violates the formula rate or protocols;
- c. Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:
 - i. The extent or effect of an Accounting Change;
 - ii. Whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols;
 - iii. The proper application of the formula rate and procedures in these protocols;
 - iv. The accuracy of data and consistency with the formula rate of the

charges shown in the Annual True-Up or projected net revenue requirement;

v. The prudence of actual or projected costs and expenditures;

vi. The effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or

vii. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

d. Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;

e. State whether the issues presented are pending in an existing FERC proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;

f. State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

g. Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and

h. State whether the filing party utilized the Informal Challenge procedures

described these protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

B. Service. Any person filing a Formal Challenge must serve a copy of the Formal Challenge on Black Hills Power. Service to Black Hills Power must be simultaneous with filing at FERC. Simultaneous service can be accomplished by electronic mail in accordance with Section 385.2010(f)(3) of FERC's Rules of Practice and Procedure, facsimile, express delivery, or messenger. 18 C.F.R. § 385.2010(f)(3). The party filing the Formal Challenge shall serve the individual listed as the contact person on Black Hills Power's Informational Filing required under Section V of these protocols.

6. Informal and Formal Challenges shall be limited to all issues that may be necessary to determine: (1) the extent or effect of an Accounting Change; (2) whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up and projected net revenue requirement; (5) the prudence of actual or projected costs and expenditures; (6) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula rate.

7. Black Hills Power will post on its website and OASIS all Informal Challenges from Interested Parties and Black Hills Power's response(s) to such Informal Challenges; except, however, if Informal Challenges or responses to Informal Challenges include material deemed by Black Hills Power to be privileged and/or confidential, such information will not be publicly

posted but confidential information will be made available to requesting parties provided that a confidentiality agreement is executed by Black Hills Power and the requesting party.

8. An Interested Party shall have until ~~March 15~~[April 1](#) following the True-Up Review Period and Projected Rate Review Period (unless such date is extended with the written consent of Black Hills Power to continue efforts to resolve the Informal Challenge) to make a Formal Challenge with FERC, which shall be served on Black Hills Power on the date of such filing as specified in Section IV.5.B of these protocols. A Formal Challenge shall be filed in the same docket as Black Hills Power's Informational Filing discussed in Section V of these protocols. Black Hills Power shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge during the applicable True-Up Review Period or Projected Rate Review Period.

9. In any proceeding initiated by FERC concerning the Annual True-Up or projected net revenue requirement or in response to a Formal Challenge, Black Hills Power shall bear the burden, consistent with Section 205 of the Federal Power Act, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in Attachment H of the Joint Tariff and these protocols. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

10. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Black Hills Power to file unilaterally, pursuant to Federal Power Act Section 205 and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to Section

206 of the Federal Power Act and the regulations thereunder.

11. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols, and the Annual True-Up and projected net revenue requirement shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, a Federal Power Act Section 205 or Section 206 filing.

12. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or FERC Form No. 1, shall first raise the matter with Black Hills Power in accordance with this Section IV before pursuing a Formal Challenge.

Section V. Informational Filings

1. By March 1 of each year, Black Hills Power shall submit to FERC an informational filing (“Informational Filing”) of its projected net revenue requirement and Annual True-Up in connection with the postings performed in accordance with Section II of these protocols during the prior year. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Black Hills Power has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the net revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Informational Filing shall include the formula rate template and underlying workpapers in native format fully populated and with formulas intact. The Informational Filing also must describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge

procedures. Within five (5) days of such Informational Filing, Black Hills Power shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to Black Hills Power's Informational Filing on its website and OASIS.

2. Any challenges to the implementation of the Black Hills Power formula rate under Attachment H of the Joint Tariff must be made through the Challenge Procedures described in Section IV of these protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

Section VI. Calculation of True-Up Adjustment

The True-Up Adjustment will be determined in the following manner:

1. The projected net revenue requirement on the Annual Transmission Revenue Requirement Formula Estimate template, line 95, column 5 of Attachment H for the Service Year will be compared to the True-Up net revenue requirement for the same Service Year (Annual Transmission Revenue Requirement True Up template, line 88, column 5 of Attachment H of the Joint Tariff) calculated in accordance with Attachment H of the Joint Tariff using Black Hills Power's FERC Form No. 1 for the same Service Year to determine any over or under recovery. The sum of the excess or shortfall due to the actual versus projected net revenue requirement shall constitute the "True-Up Adjustment" amount. The True-Up Adjustment and related calculations shall be posted to Black Hills Power's website and OASIS no later than June 1 (or if that day falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day) following the issuance of the FERC Form No. 1 for the previous year, as set forth in Section II of these protocols.

2. The True-Up Adjustment amount to be refunded or paid, as calculated on line 47 of the Annual Transmission Revenue Requirement Capital True Up in Attachment H of the Joint Tariff,

shall be paid in full in July of each year. The amount on any over or under recovery shall be allocated to the customers based on actual billing determinants for the preceding year.

3. Interest on any over recovery of the net revenue requirement shall be determined based on Section 35.19a of FERC's regulations. 18 C.F.R. § 35.19a. Interest on any under recovery of the net revenue requirement shall be determined using the interest rate equal to Black Hills Power's actual short-term debt costs capped at the applicable FERC refund interest rate. In either case, the interest payable shall be calculated using an average interest rate for the sixteen (16) months during which the over or under recovery in the net revenue requirement exists (*i.e.*, January of the year prior through April of the year in which the true-up occurs). That interest rate will be applied, with quarterly compounding, to the principal amount (*i.e.*, the over or under recovery in the net revenue requirement) for the eighteen (18) months during which that over or under recovery exists.

Section VII. Changes to True-Up Adjustment or Projected Net Revenue Requirement

1. Any changes or adjustments made to the True-Up Adjustment after the True-Up Publication Date, including but not limited to changes or adjustments to the data inputs in Black Hills Power's FERC Form No. 1, or as the result of any FERC proceeding to consider the Annual True-Up, or as a result of the procedures set forth herein, resulting in a change to Black Hills Power's True-Up Adjustment, shall be: (1) posted on the Black Hills Power website and OASIS, and, within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties of such posting via an email exploder; and (2) paid in full within thirty (30) calendar days of the date that any such change or adjustment to the True-Up Adjustment is posted to Black Hills Power's website and OASIS, or in accordance with any FERC order. Interest on any refund or surcharge shall be calculated in accordance with the procedures

outlined in Section VI.3 of these protocols or as FERC may otherwise order.

2. Any changes or adjustments made to the projected net revenue requirement after the Projected Rate Publication Date, including but not limited to changes to the data inputs, or as the result of any FERC proceeding to consider the projected net revenue requirement, resulting in a change to Black Hills Power's projected net revenue requirement, shall be posted on the Black Hills Power website and OASIS, and, within ten (10) days of such posting, Black Hills Power shall provide notice to Interested Parties of such posting via an email exploder. Any such changes or adjustments to the projected net revenue requirement agreed to by Black Hills Power on or before January 15 following the Projected Rate Publication Date will be reflected in the projected net revenue requirement for that Service Year. Any changes or adjustments made to the projected net revenue requirement after January 15 following the Projected Rate Publication Date, including but not limited to changes or adjustments as a result of any FERC proceeding to consider the projected net revenue requirement, shall be reflected in Black Hills Power's projected net revenue requirement invoices to be delivered no later than thirty (30) days from the date of posting such change or adjustment to Black Hills Power's website and OASIS, or in accordance with any FERC order. Invoices delivered prior to any such changes or adjustments being made shall be re-invoiced to reflect such changes or adjustments. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VI.3 of these protocols or as FERC may otherwise order.