

**BLACK HILLS COLORADO ELECTRIC, LLC**  
d/b/a BLACK HILLS ENERGY

Colo. PUC No. 11  
Cancels Colo. PUC No. 10  
Original Sheet No. 99  
Cancels \_\_\_\_\_ Sheet No. \_\_\_\_\_

TRANSMISSION COST ADJUSTMENT (TCA) ELECTRIC
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**Applicability:** All rate schedules for electric service are subject to a Transmission Cost Adjustment (“TCA”) rider to reflect the ongoing capital costs associated with transmission investment that are not being recovered through the Company’s base rates. The TCA amount will be subject to annual changes to be effective on January 1 of each year. The TCA to be applied to each rate schedule is as set forth on Sheet No.101.

**Definitions:** Over/Under Recovery Amount – The Over/Under Recovery Amount is the balance, positive or negative, of TCA revenues received less the Transmission Cost intended to be recovered each year through the rider.

True-Up Amount – The True-Up Amount is equal to the difference, positive or negative, between the Transmission Cost, calculated based on the projected year-end net transmission plant and transmission CWIP balances, and the Transmission Cost calculated based on the actual year-end net transmission plant and transmission CWIP balances.

**TCA Qualified Projects – Capital costs associated with transmission investment that results in a net increase in transmission capacity.**

Transmission Cost – For the purpose of this tariff, the Transmission Cost is defined as (1) a return, equal to the Company’s weighted average cost of capital, on the projected increase in the retail jurisdictional portion of the thirteen month average net transmission plant of TCA Qualified Projects for the thirteen months immediately preceding the year in which the TCA will be in effect; (2) the plant- related ownership costs associated with such incremental transmission investment, including depreciation, accumulated deferred income taxes, income taxes and pre-funded AFUDC, and (3) a return, equal to the Company’s weighted average cost of capital, on the projected year-end transmission construction work in progress (“CWIP”) balance of TCA Qualified Projects that is not being recovered through base rates. For purposes of calculating the Transmission Cost to be recovered through the TCA that will go into effect on January 1 each year, the Company shall calculate the incremental increase in net transmission plant in service from January 1, 2016 through December 31, 2022 and the incremental increase in net transmission plant of TCA Qualified Projects in service from January 1, 2023 and the day prior to the Tariff effective date to be determined as set forth under (1) above.

Transmission Cost Adjustment - The Transmission Cost Adjustment is equal to the Transmission Cost, plus, beginning with the second year of the rider, the True-Up Amount and, beginning with the third year of the rider, the Over/Under Recovery Amount, charged on a dollar per kilowatt-hour basis for all tariff schedules.