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Advice No. 626 – Amended

Public Utilities Commission
of the State of Colorado
1560 Broadway
Suite 250
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The accompanying tariff sheets issued by Black Hills/Colorado Electric Utility Company, LP, d/b/a Black Hills Energy (“Black Hills”) are sent to you for filing in compliance with the requirements of the Public Utilities Law and the applicable rules of the Public Utilities Commission of the State of Colorado, including Rule 1210, 4 *Colorado Code of Regulations* 723-1 (2009). The following sheets are attached:

COLORADO P.U.C. NO. 8

<u>Colorado P.U.C. Sheet Number</u>	<u>Title of Sheet</u>	<u>Cancels Colorado P.U.C. Sheet Number</u>
Amended - First Revised Sheet No. 64	Purchased Capacity Cost Adjustment (PCCA) Electric	First Revised Sheet No. 64
Amended - Original Sheet No. 64C	Purchased Capacity Cost Adjustment (PCCA) (Continued) Electric	Original Sheet No. 64C

The purpose of this filing is to implement a Purchased Capacity Cost Adjustment (“PCCA”) mechanism and rider in Black Hills’ Colorado PUC No. 8 -- Electric tariffs, on more than thirty (30) days statutory notice. The filing of these tariffs has been compelled by a significant increase in wholesale purchased capacity rates requested by Public Service Company of Colorado (“Public Service”) in a recent wholesale rate case filing, described in this Advice Letter. Black Hills requests that the PCCA tariffs sheets above be allowed to become effective on January 1, 2010 by operation of law without hearing and suspension, pursuant to Colo. Rev. Stat. § 40-6-111.

The proposed PCCA tariff will implement an annual adjustment clause designed to recover the incremental increased cost of capacity purchased from Public Service, on a dollar-for-dollar basis. The PCCA rate rider will recover purchase capacity costs that are not included in Black Hills’ base electric rates, through annual or interim filings for any future incremental capacity cost changes authorized by the Federal Energy Regulatory Commission (“FERC”). As set forth in detail in the proposed PCCA tariffs, the Purchased Capacity Cost Adjustment will be the Projected Purchased Capacity Cost, less the Base Purchased Capacity Cost, plus the Deferred

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Purchased Capacity Cost, and the monthly rider rate will be charged on a dollar per kilowatt basis for tariff schedules with demand rates and on a per kilowatt-hour basis for tariff schedules without demand rates.

Black Hills purchases electric capacity and energy from Public Service pursuant to an amended long-term purchased power agreement that will expire on December 31, 2011. Black Hills currently purchases from Public Service approximately 75% of the electric capacity and energy with which Black Hills serves its approximately 93,300 retail electric customers in Colorado.

On October 30, 2009, Public Service filed with the FERC a wholesale rate case that will significantly increase the base wholesale rates Black Hills pays for the electric capacity and energy used to supply its customers in Colorado. (FERC Docket No. ER10-192-000.) In Public Service's wholesale rate filing, the existing demand rate for wholesale capacity of \$11.02 per kW-Month will increase to a proposed total demand rate of \$15.23 per kW-Month. Based upon the current purchased power agreement with Public Service, using Black Hills' coincident peak demand at a load of 300,000 kW per month, Black Hills estimates Public Service's wholesale rate filing will increase wholesale capacity costs by approximately \$1.26 Million per month. Public Service has requested that the FERC allow the new wholesale tariffs and rate increase to become effective sixty (60) days after the filing date, on or about January 1, 2010.

Reasons for Amendment to Advice Letter and Certain Tariffs.

Black Hills submits this Amended Advice Letter, amending two of the tariff sheets filed with Advice Letter 626 on November 12, 2009, to clarify the definitions of Base Revenue, Base Purchased Capacity Cost, and Recovered Purchased Capacity Cost on First Revised Sheet No. 64 and to change the rates shown on Original Sheet No. 64C to \$0. These amendments are made pursuant to discussions with the Commission Staff and because the effective date of the increase in wholesale purchased capacity rates requested by Public Service in its FERC wholesale rate case is uncertain, due to a delay in the commercial operation of the Comanche 3 generating plant and an extension of the protest period by the FERC.

The text of Advice Letter 626, the other tariff sheets in Appendix A, and Appendices B, C, and D otherwise remain the same. The effective date of the tariff sheets filed with Advice Letter 626 and with this Amended Advice Letter remains January 1, 2010.

If the filed tariffs, as amended, are approved by the Commission, when Black Hills knows the amount and effective date of the increase in the Public Service wholesale purchased capacity rates, Black Hills will file with this Commission a less-than-statutory notice application, if appropriate, and revised Sheet No. 64C with proposed PCCA rates.

Sincerely,

/s/ Bryan S. Owens
Manager – Colorado Electric Regulatory Affairs