

Black Hills Power, Inc.
South Dakota
Cost of Service Model Description

Section E

20:10:13:64. Statement E -- Accumulated depreciation. Statement E shall include a statement of the accumulated provision for depreciation by functional classification as of the beginning of each month of the test period and as of the end of the test period. Any claimed adjustments to the book amounts shall be shown in adjoining columns. All adjustments shall be clearly and fully explained in the supporting material submitted. The schedules required by §§ 20:10:13:65 to 20:10:13:67, inclusive, shall be submitted as part of statement E.

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

General Authority:SDCL 49-34A-4.

Law Implemented:SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Black Hills Power, Inc.
South Dakota
Cost of Service Model Description

Section E

20:10:13:65. Schedule E-1 -- Working papers on recorded changes to accumulated depreciation. Schedule E-1 shall include a yearly summary of the book changes in each functional classification set forth in statement E since the date of the last prior review in a rate proceeding or by private audit. The summary shall include:

- (1) Starting balance;
- (2) Annual provision;
- (3) Retirements, with cross reference to plant schedule;
- (4) Salvage;
- (5) Removal costs;
- (6) Adjustments, including particulars of any significant items;
- (7) Ending balance.

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

General Authority:SDCL 49-34A-4.

Law Implemented:SDCL 49-34A-10, 49-34A-12, 49-34A-41.

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Section E

20:10:13:66. Schedule E-2 -- Working papers on depreciation and amortization method. Schedule E-2 shall include a description of the methods and procedures followed in depreciating or amortizing plant and recording abandonments by the utility if any policy change has been made effective since the period covered by the last annual report on FERC form no. 1 or FERC form no. 2 as filed with the FERC.

Source: 2 SDR 90, effective July 7, 1976; 12 SDR 86, effective November 24, 1985; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

General Authority: SDCL 49-34A-4.

Law Implemented: SDCL 49-34A-10, 49-34A-12, 49-34A-41.

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South Dakota
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Section E

20:10:13:67. Schedule E-3 -- Working papers on allocation of overall accounts. For each allocation of an overall account to obtain the amounts applicable to various functional groups of plant, schedule E-3 shall provide a complete explanation of the method, procedures and significant data used in making the allocation.

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

General Authority:SDCL 49-34A-4.

Law Implemented:SDCL 49-34A-10, 49-34A-12, 49-34A-41.

BLACK HILLS POWER, INC.
ACCUMULATED PROVISION FOR DEPRECIATION
TOTAL COMPANY BY FUNCTION
FOR TWELVE MONTHS ENDING JUNE 30, 2009

Statement E
Page 1 of 2

Line No.	Month	Production Plant	Transmission Plant	Distribution Plant	General Plant	Other Utility Plant	TOTAL
1	June 2008	164,262,107	24,548,436	82,196,631	18,508,775	2,786,395	292,302,344
2	July 2008	165,044,259	24,685,699	82,710,627	18,730,270	2,073,154	293,244,009
3	August 2008	165,678,146	24,823,063	83,209,167	18,919,161	2,182,890	294,812,427
4	September 2008	166,442,759	24,920,524	83,576,205	18,645,049	2,297,974	295,882,511
5	October 2008	166,971,795	25,059,012	84,090,251	18,609,140	2,410,637	297,140,835
6	November 2008	167,672,889	25,196,262	84,403,524	18,813,567	2,544,502	298,630,744
7	December 2008	168,432,520	25,332,766	81,959,016	19,007,609	2,659,629	297,391,540
8	January 2009	169,221,642	25,480,081	82,584,451	19,227,266	2,148,805	298,662,245
9	February 2009	169,541,773	25,585,372	83,053,937	19,409,006	2,193,699	299,783,787
10	March 2009	170,471,852	25,746,701	83,745,614	19,645,241	2,244,396	301,853,804
11	April 2009	171,080,261	25,768,631	84,304,011	19,828,562	2,288,535	303,270,000
12	May 2009	171,760,223	25,926,560	84,853,335	20,044,533	2,331,555	304,916,206
13	June 2009	172,641,984	26,115,214	85,470,993	20,287,227	2,375,295	306,890,713
14							
15	Twelve Month Average	\$ 168,401,708	\$ 25,322,179	\$ 83,550,597	\$ 19,205,800	\$ 2,349,036	\$ 298,829,320
16							
17	Transmission Amounts	-	24,453,338 *	3,476,356 *	1,591,248 *	148,993 *	29,669,935
18							
19	Net BHP Amount	\$ 168,401,708	\$ 868,841	\$ 80,074,241	\$ 17,614,552	\$ 2,200,043	\$ 269,159,385

* The amount directly assigned to the Transmission jurisdictional assets related to the CUS system and AC-DC-AC Tie assets.

BLACK HILLS POWER, INC.
ACCUMULATED PROVISION FOR AMORTIZATION
FOR TWELVE MONTHS ENDING JUNE 30, 2009

Statement E
Page 2 of 2

<u>Line No.</u>	<u>Month</u>	<u>Amount</u>
1	June 2008	2,599,105
2	July 2008	2,611,722
3	August 2008	2,624,339
4	September 2008	2,636,956
5	October 2008	2,649,573
6	November 2008	2,662,190
7	December 2008	2,674,807
8	January 2009	2,687,424
9	February 2009	2,700,041
10	March 2009	2,712,658
11	April 2009	2,725,275
12	May 2009	2,737,892
13	June 2009	2,750,509
14		
15	Twelve Month Average	<u>\$ 2,674,807</u>

BLACK HILLS POWER, INC.
ACCUMULATED PROVISION FOR DEPRECIATION
FOR THE TEST YEAR ENDED JUNE 30, 2009

Schedule E-1
Page 1 of 1

Line No.	Description	Reference	Production Plant	Transmission Plant	Distribution Plant	General Plant	Other Utility Plant	TOTAL
1	Balance June 30, 2008	Stmt E Ln.1	\$ 164,262,107	\$ 24,548,436	\$ 82,196,631	\$ 18,508,775	\$ 2,786,395	\$ 292,302,344
2	Add: Depreciation Exp		8,775,337	1,742,481	7,484,970	2,594,819	595,478	21,193,085
3	Less: Retirements Closed		(451,279)	(179,362)	(4,001,619)	(890,407)		(5,522,667)
4	Cost of Removal Closed		(97,765)	(23,271)	(736,057)	(21,304)		(878,397)
5								-
6	Add: Salvage Closed		-	1,522	445,969	70,199		517,690
7								-
8	RWIP		10,921	2,038	9,238	3,378		25,575
9	Construction Contribution		110,878	20,696	93,792	34,295		259,661
10	Miscellaneous Adjustments		31,785	2,674	(21,931)	(12,528)	(1,006,578)	(1,006,578)
11								
12	Balance June 30, 2009	Stmt E Ln.13	<u>\$ 172,641,984</u>	<u>\$ 26,115,214</u>	<u>\$ 85,470,993</u>	<u>\$ 20,287,227</u>	<u>\$ 2,375,295</u>	<u>\$ 306,890,713</u>

BLACK HILLS POWER, INC.
DEPRECIATION AND AMORTIZATION METHOD
FOR THE TEST YEAR ENDED JUNE 30, 2009

Schedule E-2
Page 1 of 1

Line No.	Policy Description
1	The Company's depreciation expense rates are based on a depreciation study completed
2	by Black & Veatch Consulting Engineers of Kansas City, Missouri, in September 2009.
3	The study was performed in accordance with standard industry practice. The study was
4	completed using Company data through December 31, 2008. Specific
5	depreciation expense rates are calculated for each FERC property account and are
6	applied to a twelve-month average of the property account investments to calculate
7	annual depreciation expense. See Statement J for calculation of depreciation expense
8	for the test year based on the new rates developed by Black & Veatch.

**BLACK HILLS POWER, INC.
ALLOCATION OF OVERALL ACCOUNTS
FOR THE TEST YEAR ENDED JUNE 30, 2009**

**Schedule E-3
Page 1 of 1**

<u>Line No.</u>	<u>Policy Description</u>
1	Accumulated depreciation balances shown on Statement E for each functional
2	classification are the result of journal entries recorded monthly to reflect depreciation
3	expense, retirements, cost of removal, and salvage.