

Black Hills Power, Inc.  
South Dakota  
Revenue Requirement Model Description

**Section H**

**Schedule H-7 – Bad Debt Analysis.** This Schedule represents the calculation to normalize bad debt expense using a three year historical period. Once calculated, the average rate is applied to the projected new revenue amount on Statement M, Line 2(e) to determine the expected bad debt expense. The increase to bad debt expense is adjusted in Statement H, column (f).

**BLACK HILLS POWER, INC.**  
**BAD DEBT ANALYSIS**  
**For the Test Year Ended June 30, 2012**

Schedule H-7  
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Line No.	Description	Reference	Amount
1	2009 Net Write Offs		\$ 421,495
2	2010 Net Write Offs		369,200
3	2011 Net Write Offs		439,580
4	Total 2009-2011 Net Write Offs		<u>1,230,275</u>
5			
6	Average Net Write Offs	Ln. 4 / 3 years	410,092
7			
8	Average Billed Revenue (2009-2011)		141,302,165
9			
10	Average Effective Uncollectible Rate (3 year average)	Ln. 6 / Ln. 8	0.2902%
11			
12	Adjusted Revenue	Stmt. M Ln. 2(e)	139,659,308
13			
14	Net Write Off Calculated	Ln. 10 * Ln. 12	405,324
15			
16	BHP per books	Stmt. H Ln. 103(a)	<u>290,583</u>
17			
18	FERC Acct 904 Adjustment	Ln. 14 - Ln. 16	<u><u>\$ 114,741</u></u>