

EXHIBIT __ (LK-16)

Docket No. EL14-026
Black Hills Power, Inc.
BHII Adjustment to Reduce Depreciation Expense by Extending Service Life Span of CPGS
And to Include ADIT in Rate Base
(\$ Millions)

| | <u>Total Company</u> | <u>South Dakota Retail %</u> | <u>South Dakota Retail</u> |
|--|--------------------------|--------------------------------------|--------------------------------|
| Source: Statements E and J | | | |
| As Filed CPGS Plant in Service | 92.251 | | |
| As Filed CPGS Average Depreciation Rate | <u>3.29%</u> | Based on 35 Year Life Span | |
| As Filed CPGS Depreciation Expense | <u>3.035</u> | | |
| As Adjusted CPGS Average Depreciation Rate | 2.88% | Based on 40 Year Life Span | |
| As Adjusted CPGS Depreciation Expense | <u>2.659</u> | | |
| Reduce Depreciation Expense to Extend Life Span of CPG | <u>(0.376)</u> | 89.831% PRODPLT | <u>(0.338)</u> |
| Accumulated Depreciation One Half of Depreciation Expense Reduction (See Statement E Note 3) | (0.188) | | |
| Decrease Accumulated Depreciation for Expense Reductio The Effect Increases Rate Base | <u>0.188</u> | 89.831% PRODPLT | <u>0.169</u> |
| Accumulated Deferred Income Taxes (See Schedule M-2) Book Depreciation Expense Reduction | (0.376) | 100% of Expense Reduction x Tax Rate | |
| Federal Income Tax Rate | <u>0.35</u> | | |
| Increase ADIT for Expense Reduction The Effect Decreases Rate Base | <u>(0.132)</u> | 89.831% PRODPLT | <u>(0.118)</u> |

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Computation of Adjusted Depreciation Rate

See BHII 15 Attach b for Computed Rates

| | Original Cost | Future Book Accruals | Rem Life at 35 Year Span | Rem Life at 40 Year Span | Annual Accrual | Rate |
|----------|-------------------|-------------------------|-----------------------------|-----------------------------|-------------------|--------------|
| Acct 341 | 7,028,693 | 7,309,841 | 33.75 | 38.57 | 189,521 | 2.70% |
| Acct 342 | 10,543,040 | 10,964,761 | 31.5 | 36 | 304,577 | 2.89% |
| Acct 344 | 38,657,812 | 40,204,125 | 31.61 | 36.13 | 1,112,763 | 2.88% |
| Acct 345 | 10,543,040 | 10,964,761 | 31.78 | 36.32 | 301,893 | 2.86% |
| Acct 346 | 3,514,347 | 3,654,920 | 27.37 | 31.28 | 116,845 | 3.32% |
| | <u>70,286,931</u> | | | | <u>2,025,600</u> | <u>2.88%</u> |