

EXHIBIT __ (LK-9)

BLACK HILLS POWER, INC.
SD PUC DOCKET: EL-14-026
RATE CASE

REQUEST DATE : April 28, 2014

RESPONSE DATE : July 7, 2014

REQUESTING PARTY: Black Hills Industrial Intervenors

BHII Request No. 26: Reference Schedules J-3, M-1, and M-2. The following questions relate to accumulated deferred income taxes (“ADIT”) associated with the proposed regulatory asset amounts for Winter Storm Atlas and the System Inspection Costs.

- a. Please indicate whether the Company included ADIT in rate base associated with each of these regulatory assets.
- b. If the Company did include the associated ADIT in rate base, please indicate where in the filing this is shown.
- c. If the Company did not include the associated ADIT in rate base, please explain why it did not.
- d. Please confirm that the Company already has taken some or all of the income tax deductions for the Winter Storm Atlas costs and provide a schedule that shows the amount of the deductions in the 2013 tax year already taken for (1) casualty losses, (2) O&M expenses, and (3) tax depreciation. Please provide the Company’s calculations of these deductions, including electronic spreadsheets with formulas intact. Please reconcile the deductions that have been taken to the amounts the Company included in the regulatory asset.
- e. Please provide a schedule that shows the amount of the income tax deductions for the Winter Storm Atlas costs in the 2014 tax year that already have been or are estimated to be taken for (1) casualty losses, (2) O&M expenses, and (3) tax depreciation. Please provide the Company’s calculations of these deductions, including electronic spreadsheets with formulas intact. Please reconcile the deductions that have been taken to the amounts the Company included in the regulatory asset.

Response to BHII Request No. 26:

- a. The reconciliation referred to in response to request d. below provides an itemization of costs included in the rate filing on Sched J-3. A portion of these costs were estimated to be treated as a casualty loss. The deferred income tax effect associated with such treatment has been included in line 47 of Sched M-1 as part of the property related ADIT. The difference between the unamortized regulatory asset and estimated casualty loss deduction does result in a temporary difference for which an ADIT adjustment increasing net deferred tax liabilities will be made. That adjustment should

BLACK HILLS POWER, INC.
SD PUC DOCKET: EL-14-026
RATE CASE

REQUEST DATE : April 28, 2014
RESPONSE DATE : July 7, 2014
REQUESTING PARTY: Black Hills Industrial Intervenors

have been reflected on Sched M-1 and inadvertently it was not. Such an adjustment is determined to be \$792,771 (35% times (\$3,310,806-\$1,045,745)).

- b. Please see the response in a. above.
- c. Please see the response in a. above.
- d. At the time the rate case was filed, an evaluation of Storm Atlas costs was being conducted to make sure there will be proper reporting on the tax return. An analysis of the information that was available at December 31, 2013 indicated an estimated casualty loss of \$1,045,745, repair costs of \$1,000,000, and capitalized costs of \$1,900,000 as a result of Storm Atlas. These costs and the reporting of such costs will be trued up with the filing of the 2013 income tax return in September 2014. Please see Attachment 26d.1 for an estimate of the deductions and costs reflected in the tax accrual. In addition, Attachment 26d.2 provides a reconciliation of the Storm Atlas costs to Schedules D-10 and J-3 included in the rate filing. Also, the schedule indicates how these costs are expected to be accounted for on the 2013 income tax return.
- e. The schedules referenced in response d. above reflect the expenses associated with Storm Atlas that will be deducted on the 2013 tax return. Certain operation and maintenance costs and accelerated tax depreciation will be deducted in the 2014 tax year.

Attachments:

- 26d.1 – Winter Storm Atlas Costs
- 26d.2 - Amortization