

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

Section M

Schedule M-2 – Adjustment to Deferred Taxes. This Schedule reflects an adjustment for deferred income taxes on the pro forma plant additions from Statement D, page 2, as well as the retirements of Ben French, Osage and Neil Simpson I. This calculation is based on assets that qualify for a bonus depreciation. This adjustment is summarized on Statement M, line 27.

BLACK HILLS POWER, INC.
Adjustment to Deferred Taxes - Total Company
For the Pro Forma Test Year Ended September 30, 2013

Schedule M-2
Page 1 of 1

Line No.	(a) (Stmt D Pg 2) Capital Additions	(b) (Stmt. J) Book Depreciation	(c) 1st Year Tax Depreciation Rate	(d) (a x c) Tax Depreciation	(e) (b - d) Difference	(f) Tax Rate	(g) (e x f) Deferred Tax	
1	CPGS R&D	\$ 7,413,363	\$ 243,900	100.00%	\$ 7,413,363	\$ (7,169,463)	35.00%	\$ (2,509,312)
2	CPGS - 2013 Expenditures	57,433,266	1,889,554	51.88%	29,796,378	(27,906,824)	35.00%	(9,767,388)
3	CPGS - 2014 Expenditures	23,628,242	777,369	3.75%	886,059	(108,690)	35.00%	(38,042)
4	CPGS - 12" Gas Pipeline	3,775,753	124,222	51.88%	1,958,861	(1,834,639)	35.00%	(642,124)
5	Wyodak- 2012/2013 Annualizations	821,000	23,481	51.88%	425,935	(402,454)	35.00%	(140,859)
6	Neil Simpson II - 2012/2013 Annualizations	485,505	14,080	51.88%	251,880	(237,800)	35.00%	(83,230)
7	Wygen III - 2012/2013 Annualizations	1,042,238	27,515	51.88%	540,713	(513,198)	35.00%	(179,619)
8	Other Production - 2012/2013 Annualizations	1,035,919	25,898	51.88%	537,435	(511,537)	35.00%	(179,038)
9	Distribution - 2012/2013 Annualizations	5,203,942	140,506	51.88%	2,699,805	(2,559,299)	35.00%	(895,755)
10	General - 2012/2013 Annualizations	2,523,540	116,588	51.88%	1,309,213	(1,192,625)	35.00%	(417,419)
11	Wyodak- 2014 Additions	1,161,207	33,211	3.75%	43,545	(10,334)	35.00%	(3,617)
12	Neil Simpson II - 2014 Additions	4,656,216	135,030	3.75%	174,608	(39,578)	35.00%	(13,852)
13	Neil Simpson Common - Additions	5,289,145	153,385	3.75%	198,343	(44,958)	35.00%	(15,735)
14	Wygen III - 2014 Additions	2,867,704	75,707	3.75%	107,539	(31,832)	35.00%	(11,141)
15	Other Production - 2014 Additions	1,679,621	41,991	3.75%	62,986	(20,995)	35.00%	(7,348)
16	Distribution - 2014 Additions	21,674,332	585,207	3.75%	812,787	(227,580)	35.00%	(79,653)
17	General - 2014 Additions	4,462,479	206,167	3.75%	167,343	38,824	35.00%	13,588
18	Other Utility - 2014 Additions	1,456,749	111,444	3.75%	54,628	56,816	35.00%	19,886
19	Total	<u>\$ 146,610,221</u>	<u>\$ 4,725,255</u>		<u>\$ 47,441,421</u>	<u>\$ (42,716,166)</u>		<u>(14,950,658)</u>
20								
21	NOL Adjustment							(455,493)
22								
23	Net Adjustment							<u>\$ (15,406,151)</u>
24								
25	Note 1: Line 1 above relates to costs estimated to qualify for current deduction as research and development under IRC Section 174.							
26								
27		Sched J-2	Sched J-2					
28			Book	Depreciation	Tax			
29	Retirements	Amount	Depreciation	Rate	Depreciation	Difference	Tax Rate	Deferred Tax
30	Ben French, Neil Simpson and Osage	\$ (54,932,189)	\$ (51,321,939)	91.271%	\$(50,137,375)	\$ (1,184,564)	35.00%	\$ (414,597)
31								
32	Decommissioning Reg Asset Amort							
33	Ben French, Neil Simpson and Osage							
34	Plant Related		722,050		1,190,973	(468,923)	35.00%	(164,123)
35	Decommissioning Costs		2,177,351		-	2,177,351	35.00%	762,073
36	Total							<u>597,950</u>
37								
38	Net Other Rate Base Reduction Adjustment							<u>\$ (15,222,798)</u>