

## Section K

**20:10:13:88. Statement K -- Income taxes.** Statement K shall show for the test period income taxes computed on the basis of the rate of return claimed applied to the overall utility rate base and separated between federal and state taxes. If the rate base claimed includes adjustments other than book figures for the test period 13-month average, the income taxes shall be computed separately for claimed rate base and for the 13-month average rate base per books for the test period. All tax adjustments shall be completely described and the amounts shown separately. Amounts of deferred taxes debited and credited shall be shown separately. The amounts and basis of assignment of income taxes attributed to other utility departments and nonutility operations shall be shown, together with all tax savings affecting the total tax liability. If the filing public utility joins in a consolidated tax return, the total estimated tax savings, expressed as a percentage, resulting from the filing of a consolidated return shall be given, as well as a full explanation of the method of computing the tax savings. Any abnormalities such as nonrecurring income, gains, losses, and deductions affecting the income tax for the test period shall be explained and the tax effect set forth. Items required by §§ 20:10:13:89 to 20:10:13:93, inclusive, shall be submitted as a part of statement K.

**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](#).

**20:10:13:89. Schedule K-1 -- Working papers for federal income taxes.** In support of federal income taxes, the utility shall submit a complete reconciliation of the book net income with taxable net income as reported to the federal Internal Revenue Service for the most recent year for which a tax return was filed and for the three previous years. A complete explanation of all items in the reconciliation shall be submitted. If the tax allowances claimed give

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effect to omission of items appearing or inclusion of items not appearing in the reconciliations for the most recent tax return, the reasons for such omissions or inclusions shall be submitted. All items in the reconciliation shall be referenced specifically to the elements of the cost of service to which they refer.

**20:10:13:90. Schedule K-2 -- Differences in book and tax depreciation.** If tax depreciation differs from book depreciation, the utility shall file schedule K-2 showing the computation of the tax depreciation which will indicate the differences between book and tax depreciation on a straightline basis, and differences arising from class life (ADR) depreciation, and the excess of liberalized depreciation and amortization of emergency facilities over straightline depreciation for tax purposes for the taxable year or years.

**20:10:13:91. Schedule K-3 -- Working papers for consolidated federal income tax.** If the utility joins in the filing of a consolidated federal income tax return, schedule K-3 shall be submitted showing the net taxable income or loss for each company in the consolidation, including an adjustment to effect the exclusion of excess of liberalized depreciation and amortization of emergency facilities over straightline depreciation for each company involved. There shall also be submitted with the statement of taxable net income or tax loss of each individual company participating in the consolidated returns, the details of consolidating adjustments and a computation of the system tax liability based on the consolidated net income for the last tax year ending within or immediately prior to the test period for which a tax return was filed. In addition, there shall be included a computation showing the percentage of tax savings arising from consolidation for the taxable year or years covered by the test period. Only one copy of schedule K-3 need be supplied by the utility.

**20:10:13:92. Schedule K-4 -- Working papers for an allowance for current tax greater than tax calculated at consolidated rate.** If the utility claims an allowance for current tax in its cost of service which would be greater than the federal income tax calculated at the consolidated tax rate or taxes as a percentage of total taxable income of individual companies with positive taxable income, full disclosure thereof shall be made, including the allocation among utility and nonutility departments of the tax payable and the assignment of deductions or tax benefits relied upon, or both.

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**Schedule K-5: Working papers for claimed allowances for state income taxes.** In support of the claimed allowances for income taxes paid state governments, the utility shall submit schedule K-5 showing the income tax paid each state in the current or previous year covered by the test period, including the effect of liberalized depreciation on the taxes paid.

Northern States Power Company  
 Electric Utility - Total Company  
 Cost of Service Income Tax Calculation  
 Year End 2013  
 (Dollars in Thousands)

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	<u>Unadjusted</u> <u>Test Year</u>	<u>Adjustments</u>	<u>Pro Forma</u>
<b><u>Income Before Taxes</u></b>			
Total Operating Revenues	4,072,151	(62,031)	4,010,120
less: Total Operating Expenses	(2,858,531)	26,776	(2,831,755)
Book Depreciation & Amortization	(426,708)	(42,766)	(469,474)
Taxes (Other Than Current Income)	(380,394)	(91,535)	(471,929)
<b>Total Before Tax Book Income</b>	<b>406,518</b>	<b>(169,557)</b>	<b>236,961</b>
<b><u>Tax Additions</u></b>			
Book Depreciation	401,171	42,352	443,523
Deferred Income Taxes & ITC	193,643	40,878	234,522
Nuclear Fuel Burn (ex D&D)	108,436	0	108,436
Nuclear Outage Accounting	71,482	0	71,482
Avoided Tax Interest	32,049	(12,276)	19,773
<b>Total Tax Additions</b>	<b>806,781</b>	<b>70,955</b>	<b>877,736</b>
<b><u>Tax Deductions</u></b>			
Debt Interest Expense	148,596	13,652	162,248
Tax Depreciation & Removal	1,103,850	80,802	1,184,652
Manufacture Production Deduction	162	0	162
Other Tax/Book Timing Differences	56,487	0	56,487
<b>Total Tax Deductions</b>	<b>1,309,094</b>	<b>94,454</b>	<b>1,403,548</b>
<b>State Taxable Income</b>	<b>(95,794)</b>	<b>(193,057)</b>	<b>(288,851)</b>
State Income Tax Rate	9.06%	9.23%	9.17%
State Taxes before Credits	(8,678)	(17,811)	(26,489)
State Credits	0	0	0
<b>Total State Income Taxes</b>	<b>(8,678)</b>	<b>(17,811)</b>	<b>(26,489)</b>
<b>Federal Taxable Income</b>	<b>(87,116)</b>	<b>(175,246)</b>	<b>(262,362)</b>
Federal Income Tax Rate	35.00%	35.00%	35.00%
Federal Tax before Credits	(30,491)	(61,336)	(91,827)
Federal Tax Credits	0	0	0
<b>Total Federal Income Taxes</b>	<b>(30,491)</b>	<b>(61,336)</b>	<b>(91,827)</b>
<b>Total Federal &amp; State Income Taxes</b>	<b>(39,168)</b>	<b>(79,148)</b>	<b>(118,316)</b>

	Northern States Power Company (Minnesota)			
Current Income Tax Federal	<u>Total</u>	<u>Electric</u>	<u>Gas</u>	<u>Non-Utility</u>
Final Provision	(35,685,424)	(36,800,079)	733,799	380,856
	100.00%	103.12%	-2.05%	-1.07%