

EXHIBIT C

Rate Calculation

**BLACK HILLS POWER**  
**ENVIRONMENTAL IMPROVEMENTS**  
**Placed in Service as of April 16, 2011**

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**BLACK HILLS POWER**  
**COST RECOVERY RATE - ENVIRONMENTAL IMPROVEMENTS**  
Placed in Service as of April 16, 2011

Line No.	Description	Reference	South Dakota Forecast
1			
2	Environmental Improvement (EI) Annual Revenue Requirement (April 1, 2011 through March 31, 2012)	Schedule C-2 line 2	\$ 3,105,226
3			
4	First year in-service date depreciation expense adjustment - (April 1, 2011 through April 15, 2011)	Schedule C-4 line 6 ÷ 365 days x 15 days	<u>(32,521)</u>
5			
6	Year 1 Revenue Requirement Recovery	line 2 - line 4	3,072,704
7			
8	Production Capacity Allocators by Customer Class		
9	Residential	Docket No. EL09-018	35.31%
10	Small General Service	Docket No. EL09-018	35.27%
11	Large General Service and Industrial	Docket No. EL09-018	28.53%
12	Lighting	Docket No. EL09-018	0.89%
13			
14	Revenue Requirement by Customer Class		
15	Residential	line 6 x line 9	\$ 1,084,972
16	Small General Service	line 6 x line 10	\$ 1,083,743
17	Large General Service and Industrial	line 6 x line 11	\$ 876,643
18	Lighting	line 6 x line 12	\$ 27,347
19			
20	Forecasted South Dakota kWh sales		
21	Residential	BHP 2011 Budget	532,777,441
22	Small General Service	BHP 2011 Budget	710,172,860
23	Large General Service and Industrial	BHP 2011 Budget	191,246,499
24	Lighting	BHP 2011 Budget	10,124,308
25			
26	Environmental Improvement Adjustment Rate / kWh (June 1, 2011 through May 31, 2012)		
27	Residential	line 15 ÷ line 21	\$ 0.0020
28	Small General Service	line 15 ÷ line 22	\$ 0.0015
29	Large General Service and Industrial	line 15 ÷ line 23	\$ 0.0046
30	Lighting	line 15 ÷ line 24	\$ 0.0027
31			
32	Residential Bill Impact / Month	(line 27 x 600 kWh)	\$ 1.22
33	Residential % Bill Impact	(line 32 ÷ \$72.43)	1.7%

**BLACK HILLS POWER**  
**COST OF SERVICE - ENVIRONMENTAL IMPROVEMENTS**  
Placed in Service as of April 16, 2011

Line No.	Description	Reference	South Dakota Only
1	Operating Revenue Required		
2	Environmental Improvement Revenue		\$ 3,105,226
3			
4	Operating Expenses		
5	Depreciation	Schedule C-4, line 6	791,354
6	Property Taxes	Schedule C-4, line 23	195,079
7	Total Operating Expenses		<u>986,433</u>
8			
9	Operating Income Before Tax	(line 2 - line 7)	2,118,793
10			
11	Federal Income Tax	Schedule C-4, line 17	524,762
12			
13	Return (Operating Income)	(line 9 - line 11)	<u>\$ 1,594,031</u>
14			
15	Rate of Return	Docket No. EL09-018	<u>8.26%</u>
16			
17	Rate Base		
18	Plant in Service	Schedule C-3, line 5	26,031,379
19	Less: Accumulated Depreciation	Schedule C-3, line 8	395,677
20	Less: Accumulated Deferred Income Taxes	Schedule C-3, line 22	(190,499)
21	Less: Accumulated Deferred Adjustment	Schedule C-3, line 25	6,528,014
22			
23	Total Rate Base	(line 18 - line 19 - line 20 - line 21)	<u>\$ 19,298,188</u>

**BLACK HILLS POWER**  
**RATE BASE - ENVIRONMENTAL IMPROVEMENTS**  
Placed in Service as of April 16, 2011

Schedule C-3  
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Line No.	Description	Reference	Plant in Service for Rate Base	(Schedule C-4) South Dakota Allocation	South Dakota Plant in Service for Rate Base
1	Property, Plant, and Equipment				
2	SO2 and PM Emission Control Upgrade		\$ 25,488,564	91.53%	\$ 23,329,713
3	NOX Clean Air Initiative		2,951,669	91.53%	2,701,667
4					
5	Total Plant in Service - Environmental Improvements		<u>\$ 28,440,233</u>		<u>26,031,379</u>
6					
7					
8	Book Depreciation Reserve	Schedule C-4 line 6 x 50%			<u>395,677</u>
9					
10					
11	Accumulated Deferred Taxes				
12	Environmental Improvements - Plant in Service - South Dakota	line 5			26,031,379
13	Less: Bonus Depreciation	Schedule C-5 line 33			<u>19,442,821</u>
14					6,588,558
15					
16	MACRS Table - Depreciation Rate (20 year life)				3.75%
17					
18	South Dakota Tax Depreciation	line 14 x line 16			247,071
19	South Dakota Book Depreciation	Schedule C-4 line 6			<u>791,354</u>
20	Timing Difference	line 18 - line 19			(544,283)
21					
22	South Dakota Deferred Tax	line 20 x 35%			<u>(190,499)</u>
23					
24					
25	Accumulated Deferred Taxes Adjustment	Schedule C-5 line 39			<u>6,528,014</u>
26					
27					
28	South Dakota Rate Base	(line 5 - line 8 - line 22 - line 25)			<u>\$ 19,298,188</u>
29					

**BLACK HILLS POWER**  
**OPERATING EXPENSES AND TAXES - ENVIRONMENTAL IMPROVEMENTS**  
Placed in Service as of April 16, 2011

Line No.	Description	Reference	South Dakota	
1				
2			South Dakota	Depreciation
3	Depreciation Expense		Plant in Service	Rate
4	SO2 and PM Emission Control Upgrade	Schedule C-3 line 2	23,329,713	3.04%
5	NOX Clean Air Initiative	Schedule C-3 line 3	2,701,667	3.04%
6	Depreciation Expense - South Dakota	line 4 + line 5		<u>791,354</u>
7				
8				
9	Federal Tax			
10	Rate Base - South Dakota	Schedule C-3 line 28		19,298,188
11				
12	Interest Expense	calculated		619,009
13	Return on Equity	calculated		974,558
14	Return	line 12 + line 13		<u>1,593,567</u>
15				
16	Authorized Return - 8.26%	Docket No. EL09-018		8.26%
17	Federal Tax Expense - South Dakota	((line 13 x line 27) - line 13)		<u>524,762</u>
18				
19				
20	Property Taxes			
21	SD Plant in Service - Environmental Improvements	(Schedule C-3 line 5)		\$ 26,031,379
22	Effective Blended Tax Rate	Docket No. EL09-018		0.7494%
23	Property Tax - South Dakota	(line 21 x line 22)		<u>\$ 195,079</u>
24				
25				
26	Assumptions			
27	Tax Multiplier - Federal Tax Rate at 35% - tax multiplier	(1/(1-.35))		1.5385
28				
29	Allocation Factor		Total	South Dakota
30	Production Capacity (kW ICP)	Docket No. EL09-018	332,000	303,880
31	Production Capacity (kW ICP)	Docket No. EL09-018	100%	91.53%
32				

**BLACK HILLS POWER**  
**ADJUSTMENT TO DEFERRED TAXES - ENVIRONMENTAL IMPROVEMENTS**  
Placed in Service as of April 16, 2011

Schedule C-5  
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Line No.	Description	Reference	Total BHP	South Dakota
1				
2	Project Expenses:			
3	2009 Actual - SO2 and PM Emission Control Upgrade	Schedule C-6 line 2 through line 11	4,153,867	91.53% 3,802,039
4	2009 Actual - NOX Clean Air Initiative	Schedule C-6 line 27 through line 35	41,929	91.53% 38,378
5	2010 Jan-Sept Actual - SO2 and PM Emission Control Upgrade	Schedule C-6 line 12 through line 20	9,868,497	91.53% 9,032,647
6	2010 Jan-Sept Actual - NOX Clean Air Initiative	Schedule C-6 line 36 through line 44	332,188	91.53% 304,052
7	2010 Oct-Dec Actual - SO2 and PM Emission Control Upgrade	Schedule C-6 line 21 through line 23	3,128,905	91.53% 2,863,890
8	2010 Oct-Dec Actual - NOX Clean Air Initiative	Schedule C-6 line 45 through line 47	154,249	91.53% 141,184
9	2011 Projection - SO2 and PM Emission Control Upgrade	PacifiCorp's Projection	8,337,295	91.53% 7,631,137
10	2011 Projection - NOX Clean Air Initiative	PacifiCorp's Projection	2,423,303	91.53% 2,218,052
11	Total Capital Project Expense		<u>28,440,233</u>	<u>26,031,379</u>
12				
13	Book Depreciation Rate	Docket No. EL09-018		<u>3.04%</u>
14				
15	Book Depreciation	line 11 x line 13		791,354
16				
17	Expenses Eligible for 50% Bonus Depreciation:			
18	2009 Actual Project Capital Expenses	line 3 + line 4		3,840,417
19	2010 Actual Project Capital Expenditures January - September	line 5 + line 6		<u>9,336,700</u>
20		line 18 + line 19		13,177,117
21	50% Bonus Depreciation			<u>50.00%</u>
22				
23	50 % Tax Depreciation	line 20 x line 21		6,588,558
24				
25	Expenses Eligible for 100% Bonus Depreciation:			
26	2010 Actual Project Capital Expenditures October - December	line 7 + line 8		3,005,074
27	2011 Projected Capital Expenditures	line 9 + line 10		<u>9,849,189</u>
28		line 26 + line 27		12,854,263
29	100% Bonus Depreciation			<u>100%</u>
30				
31	100% Tax Depreciation	line 28 x line 29		12,854,263
32				
33	Total Tax Depreciation	line 23 + line 31		19,442,821
34				
35	Difference	line 33 - line 15		18,651,467
36				
37	Tax Rate			<u>35%</u>
38				
39	Deferred Tax	line 35 x line 37		<u>6,528,014</u>
40				
41				

**BLACK HILLS POWER**  
**MONTHLY 2009-2010 ACTUAL PROJECT COST DETAIL - ENVIRONMENTAL IMPROVEMENTS**  
Placed in Service as of April 16, 2011

Line No.	Source	BHP
1	Monthly Actual Project Costs - SO2 and PM Emission Control Upgrade	
2	March-09	17,545
3	April-09	3,796
4	May-09	1,198,582
5	June-09	(1,169,566)
6	July-09	1,451,483
7	August-09	890,004
8	September-09	(836,744)
9	October-09	1,678,100
10	November-09	372,493
11	December-09	548,173
12	January-10	392,547
13	February-10	1,120,842
14	March-10	642,464
15	April-10	969,987
16	May-10	1,097,566
17	June-10	1,927,501
18	July-10	1,121,746
19	August-10	892,377
20	September-10	1,703,466
21	October-10	1,235,101
22	November-10	949,650
23	December-10	944,154
24		<u>17,151,268</u>
25		

**BLACK HILLS POWER**  
**MONTHLY 2009-2010 ACTUAL PROJECT COST DETAIL - ENVIRONMENTAL IMPROVEMENTS**  
Placed in Service as of April 16, 2011

Line No.	Source	BHP
26	Monthly Actual Project Costs - NOX Clean Air Initiative	
27	April-09	12,194
28	May-09	(5,670)
29	June-09	31
30	July-09	14,843
31	August-09	7,917
32	September-09	6,242
33	October-09	10,810
34	November-09	26,649
35	December-09	(31,087)
36	January-10	56,797
37	February-10	3,997
38	March-10	20,212
39	April-10	41,965
40	May-10	(4,545)
41	June-10	1,269
42	July-10	9,935
43	August-10	267,718
44	September-10	(65,160)
45	October-10	60,749
46	November-10	72,204
47	December-10	21,296
48		<u>528,366</u>