

**BLACK HILLS POWER**  
**ENVIRONMENTAL IMPROVEMENTS**  
**Placed in Service as of May 2, 2012**

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
C-1	Cost Recovery Rate Calculation	2
C-2	Cost of Service	3
C-3	Rate Base	4
C-4	Operating Expenses and Taxes	5
C-5	Deferred Tax Adjustment	6
C-6	Monthly Project Cost Detail	7 - 8

**BLACK HILLS POWER**  
**COST RECOVERY RATE - ENVIRONMENTAL IMPROVEMENTS**  
**Placed in Service as of May 2, 2012**

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	\$ 3,169,465
3			
4	First year in-service date depreciation expense adjustment - (April 1, 2011 through May 2, 2011)	Schedule C-4 line 6 ÷ 365 days x 32 days	<u>(70,897)</u>
5			
6	Year 1 Revenue Requirement Recovery	line 2 - line 4	3,098,568
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	\$ 1,094,104
16	Small General Service	line 6 x line 10	\$ 1,092,865
17	Large General Service and Industrial	line 6 x line 11	\$ 884,021
18	Lighting	line 6 x line 12	\$ 27,577
19			
20	Forecasted South Dakota kWh sales		
21	Residential	BHP 2011 Budget	532,777,441
22	Small General Service	BHP 2011 Budget	419,261,096
23	Large General Service and Industrial	BHP 2011 Budget	482,158,263
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	\$ 0.0021
28	Small General Service	line 15 ÷ line 22	\$ 0.0026
29	Large General Service and Industrial	line 15 ÷ line 23	\$ 0.0018
30	Lighting	line 15 ÷ line 24	\$ 0.0027
31			
32	Residential Bill Impact / Month	(line 27 x 600 kWh)	\$ 1.23
33	Residential % Bill Impact	(line 32 ÷ \$72.43)	1.7%

**BLACK HILLS POWER**  
**COST OF SERVICE - ENVIRONMENTAL IMPROVEMENTS**  
**Placed in Service as of May 2, 2012**

Line No.	Description	Reference	South Dakota Only
1	Operating Revenue Required		
2	Environmental Improvement Revenue		\$ 3,169,465
3			
4	Operating Expenses		
5	Depreciation	Schedule C-4, line 6	808,670
5a	Assessed Filing Fee (EL11-001 Order 3-14-2011)		50,000
6	Property Taxes	Schedule C-4, line 23	199,348
7	Total Operating Expenses		<u>1,058,018</u>
8			
9	Operating Income Before Tax	(line 2 - line 7)	2,111,447
10			
11	Federal Income Tax	Schedule C-4, line 17	529,316
12			
13	Return (Operating Income)	Schedule C-4, line 14 (line 9 - line 11)	<u>\$ 1,582,131</u>
14			
15	Rate of Return		<u>8.16%</u>
16			
17	Rate Base		
18	Plant in Service	Schedule C-3, line 5	26,600,987
19	Less: Accumulated Depreciation	Schedule C-3, line 8	404,335
20	Less: Accumulated Deferred Income Taxes	Schedule C-3, line 22	(196,560)
21	Less: Accumulated Deferred Adjustment	Schedule C-3, line 25	7,004,350
22			
23	Total Rate Base	(line 18 - line 19 - line 20 - line 21)	<u>\$ 19,388,861</u>

**BLACK HILLS POWER**  
**RATE BASE - ENVIRONMENTAL IMPROVEMENTS**  
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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		\$ 25,641,899	91.53%	\$ 23,470,061
3	NOX Clean Air Initiative		3,420,650	91.53%	3,130,925
4					
5	Total Plant in Service - Environmental Improvements		<u>\$ 29,062,549</u>		<u>26,600,987</u>
6					
7					
8	Book Depreciation Reserve	Schedule C-4 line 6 x 50%			<u>404,335</u>
9					
10					
11	Accumulated Deferred Taxes				
12	Environmental Improvements - Plant in Service - South Dakota	line 5			26,600,987
13	Less: Bonus Depreciation	Schedule C-5 line 33			<u>20,012,428</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>808,670</u>
20	Timing Difference	line 18 - line 19			(561,599)
21					
22	South Dakota Deferred Tax	line 20 x 35%			<u>(196,560)</u>
23					
24					
25	Accumulated Deferred Taxes Adjustment	Schedule C-5 line 39			<u>7,004,350</u>
26					
27					
28	South Dakota Rate Base	(line 5 - line 8 - line 22 - line 25)			<u><u>\$ 19,388,861</u></u>
29					

**BLACK HILLS POWER**  
**OPERATING EXPENSES AND TAXES - ENVIRONMENTAL IMPROVEMENTS**  
**Placed in Service as of May 2, 2012**

Line No.	Description	Reference	South Dakota	
1				
2				
3	Depreciation Expense		South Dakota Plant in Service	Depreciation Rate
4	SO2 and PM Emission Control Upgrade	Schedule C-3 line 2	23,470,061	3.04%
5	NOX Clean Air Initiative	Schedule C-3 line 3	3,130,925	3.04%
6	Depreciation Expense - South Dakota	line 4 + line 5		<u>808,670</u>
7				
8				
9	Federal Tax			
10	Rate Base - South Dakota	Schedule C-3 line 28		19,388,861
11				
12	Interest Expense	calculated		599,116
13	Return on Equity	calculated		<u>983,015</u>
14	Return	line 12 + line 13		1,582,131
15				
16	Authorized Return - 8.16%			<u>8.16%</u>
17	Federal Tax Expense - South Dakota	((line 13 x line 27) - line 13)		<u>529,316</u>
18				
19				
20	Property Taxes			
21	SD Plant in Service - Environmental Improvements	(Schedule C-3 line 5)		\$ 26,600,987
22	Effective Blended Tax Rate	Docket No. EL09-018		<u>0.7494%</u>
23	Property Tax - South Dakota	(line 21 x line 22)		<u>\$ 199,348</u>
24				
25				
26	Assumptions			
27	Tax Multiplier - Federal Tax Rate at 35% - tax multiplier	(1/(1-.35))		1.5385
28				
29	Allocation Factor		<u>Total</u>	<u>South Dakota</u>
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 May 2, 2012

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 Jan-Apr Actual - SO2 and PM Emission Control Upgrade	Schedule C-6 line 23a through 23d	7,077,508	91.53%	6,478,052
10	2011 Jan-Apr Actual - NOX Clean Air Initiative	Schedule C-6 line 47a through 47d	1,877,637	91.53%	1,718,604
10a	2011 Projection - SO2 and PM Emission Control Upgrade	PacifiCorp's Projection	1,413,123	91.53%	1,293,433
10b	2011 Projection - NOX Clean Air Initiative	PacifiCorp's Projection	1,014,647	91.53%	928,707
11	Total Capital Project Expense		29,062,549		26,600,987
12					
13					
14					
15					
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			9,336,700
20		line 18 + line 19			13,177,117
21	50% Bonus Depreciation				50.00%
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			10,418,796
28		line 26 + line 27			13,423,870
29	100% Bonus Depreciation				100%
30					
31	100% Tax Depreciation	line 28 x line 29			13,423,870
32					
33	Total Tax Depreciation	line 23 + line 31			20,012,428
34					
35					
36					
37	Tax Rate				35%
38					
39	Deferred Tax	line 33 x line 37			7,004,350
40					

**BLACK HILLS POWER**  
**MONTHLY 2009-2010 ACTUAL PROJECT COST DETAIL - ENVIRONMENTAL IMPROVEMENTS**  
**Placed in Service as of May 2, 2012**

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
23a	January-11	961,367
23b	February-11	1,972,454
23c	March-11	1,483,735
23d	April-11	2,659,952
24		<u>24,228,776</u>
25		

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**MONTHLY 2009-2010 ACTUAL PROJECT COST DETAIL - ENVIRONMENTAL IMPROVEMENTS**  
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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
47a	January-11	327,818
47b	February-11	547,342
47c	March-11	455,934
47d	April-11	546,543
48		<u>2,406,004</u>