

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

## **Section M**

**Schedule M-1 – Other Rate Base Reductions.** This schedule shows reductions to rate base, based on a twelve month average balance, by FERC account. The other rate base reduction amounts related specifically to the BHP CUS are on line 60. The total of these rate base reductions are on Statement M, Line 27.



**BLACK HILLS POWER, INC.**  
**OTHER RATE BASE REDUCTION**  
**For the Test Year Ended June 30, 2012**

Line No.	Account	Description	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)
			March 2012	April 2012	May 2012	June 2012	[(Sum (a)-(m))/13]	Adj. to Per Books Tax Rtn True Up	(n) + (o)	Pro Forma Adjustments	Final Adjusted Total
			12 Month Average								
1	182316	Regulatory Asset - Pension	\$ 27,283,818	\$ 27,283,818	\$ 27,283,818	\$ 27,283,818	\$ 23,021,749	\$ -	\$ 23,021,749	\$ -	\$ 23,021,749
2	182385	Regulatory Asset - Retiree H.C.	317,893	317,893	317,893	317,893	432,180	-	432,180	-	432,180
3	182390	Regulatory Asset - AFUDC	8,552,058	8,552,058	8,552,058	8,552,058	8,984,586	-	8,984,586	-	8,984,586
4	182395	Regulatory Asset - Unit of Property	5,928,712	5,928,712	5,928,712	6,153,139	5,437,715	-	5,437,715	-	5,437,715
5		<b>Total Regulatory Assets</b>	<b>42,082,480</b>	<b>42,082,480</b>	<b>42,082,480</b>	<b>42,306,907</b>	<b>37,876,230</b>	<b>-</b>	<b>37,876,230</b>	<b>-</b>	<b>37,876,230</b>
6											
7	190175	DT1000 - Vacation	212,023	212,023	212,023	212,023	210,665	7,455	218,120	-	218,120
8	190175	DT1010 - Bad Debt Reserve	490,692	490,692	490,692	490,692	462,039	28,558	490,597	-	490,597
9	190175	DT1020 - EE Group Insurance	78,005	78,005	78,005	78,005	79,108	-	79,108	-	79,108
10	190175	DT1050 - Workers Comp	279,553	279,553	279,553	201,112	298,520	-	298,520	-	298,520
11	190175	DT1070 - Results Comp Plan	163,106	163,106	163,106	330,965	317,448	7,421	324,869	-	324,869
12	190520	DT2020 - Retiree Healthcare	3,078,924	3,078,924	3,078,924	3,084,157	2,992,237	-	2,992,237	-	2,992,237
13	190520	DT2025 - PEP Plan	539,440	539,440	539,440	539,835	509,374	(11,105)	498,269	-	498,269
14	190520	DT2065 - Pension (AOCI)	14,691,286	14,691,286	14,691,286	14,691,286	12,396,326	-	12,396,326	-	12,396,326
15	190520	DT2070 - PEP (AOCI)	263,123	263,123	263,123	263,123	245,679	-	245,679	-	245,679
16	190520	DT2085 - ITC	-	-	-	-	672	-	672	-	672
17	190520	DT2090 - FAS 109 ITC	-	-	-	-	362	-	362	-	362
18	190520	DT2092 - FAS 109	250,756	244,217	237,678	231,139	270,373	-	270,373	-	270,373
19	190520	DT3010 - Performance Plan	4,167	4,167	4,167	4,167	3,475	143	3,618	-	3,618
20	190520	DT3040 - Retiree Health (AOCI)	(317,892)	(317,892)	(317,892)	(317,892)	(432,180)	-	(432,180)	-	(432,180)
21	190520	DT3070 - Deferred Compensation	313,993	313,993	313,993	308,928	320,891	-	320,891	-	320,891
22	190520	DT3075 - Line Extension Deposit	(117,799)	(117,799)	(117,799)	(99,300)	279,172	(11,245)	267,927	-	267,927
23	190520	DT4135 - Insurance Reserve	(2,144)	(2,144)	(2,144)	87	(1,477)	(44)	(1,521)	-	(1,521)
24	190520	DT4165 - NOL Carryforward	30,098,756	30,098,756	30,098,756	23,781,097	24,009,034	1,196,640	25,205,674	(4,734,638)	20,471,036
25	190520	DT4170 - Power Plant Maintenance	78,638	78,638	78,638	144,993	78,073	-	78,073	-	78,073
26	190599	DT3020 - Deferred Tax State Income Tax	4,110	4,110	4,110	4,110	1,265	-	1,265	-	1,265
27		<b>Total 190 Accounts</b>	<b>50,108,736</b>	<b>50,102,197</b>	<b>50,095,658</b>	<b>43,948,525</b>	<b>42,041,056</b>	<b>1,217,823</b>	<b>43,258,879</b>	<b>(4,734,638)</b>	<b>38,524,241</b>
28											
29	252000	Customer Advances for Construction	(1,466,211)	(1,490,542)	(1,539,334)	(1,519,066)	(2,235,444)	-	(2,235,444)	-	(2,235,444)
30											
31	253011	Accrued Group Insurance Retiree LT	(7,633,310)	(7,670,503)	(7,716,200)	(7,761,656)	(7,534,716)	-	(7,534,716)	-	(7,534,716)
32	253100	Accrued PEP	(2,138,933)	(2,141,270)	(2,143,607)	(2,140,062)	(2,093,571)	-	(2,093,571)	-	(2,093,571)
33	253105	Accrued Pension	(14,518,222)	(14,789,144)	(15,060,067)	(15,330,990)	(14,385,917)	-	(14,385,917)	-	(14,385,917)
34	253110	Accrued Pension Supplement - SERP	(909,665)	(904,841)	(900,018)	(895,194)	(913,341)	-	(913,341)	-	(913,341)
35	254010	Regulatory Liability Power Plant Maint.	(224,680)	(287,875)	(351,070)	(414,265)	(80,480)	-	(80,480)	-	(80,480)
36	254015	Regulatory Liability ITC	-	-	-	-	(1,035)	-	(1,035)	-	(1,035)
37	254015	Regulatory Liability Flowback Excess Def. Tax	(705,984)	(687,096)	(668,208)	(649,320)	(762,648)	-	(762,648)	-	(762,648)
38	254200	Regulatory Liability LT Pension Inc. Tax	(14,691,286)	(14,691,286)	(14,691,286)	(14,691,286)	(12,396,326)	-	(12,396,326)	-	(12,396,326)
39	254385	Regulatory Liability LT Retiree HC	(590,371)	(590,371)	(590,371)	(590,371)	(802,619)	-	(802,619)	-	(802,619)
40		<b>Total Regulatory Liabilities</b>	<b>(41,412,451)</b>	<b>(41,762,386)</b>	<b>(42,120,827)</b>	<b>(42,473,144)</b>	<b>(38,970,653)</b>	<b>-</b>	<b>(38,970,653)</b>	<b>-</b>	<b>(38,970,653)</b>
41											
42	282100/282998	DT4062 - Accelerated Depreciation	(153,853,430)	(153,853,430)	(153,853,430)	(153,808,928)	(149,226,895)	(1,533,268)	(150,760,163)	(1,761,534)	(152,521,697)
43	283005	DT4004 - Prepaid Expenses	(256,125)	(256,125)	(256,125)	(256,125)	(254,961)	(14,893)	(269,854)	-	(269,854)
44	283440	DT2015 - Pension Plan	(4,463,571)	(4,463,571)	(4,463,571)	(1,786,852)	(2,903,399)	(1,196,125)	(4,099,524)	-	(4,099,524)
45	283440	DT2093 - FAS 109 AFUDC	(2,993,220)	(2,993,220)	(2,993,220)	(2,993,220)	(3,144,605)	-	(3,144,605)	-	(3,144,605)
46	283440	DT3018 - Tax Effect on State NOL	(1,439)	(1,439)	(1,439)	(1,439)	(443)	-	(443)	-	(443)
47	283440	DT4065 - FAS 109 Equity AFUDC	(5,558,838)	(5,558,838)	(5,558,838)	(5,558,838)	(5,839,981)	-	(5,839,981)	-	(5,839,981)
48	283440	DT4070 - Required Bond Loss	(945,794)	(945,794)	(945,794)	(917,827)	(938,158)	-	(938,158)	-	(938,158)
49	283440	DT4275 - Unit of Property	(2,075,049)	(2,075,049)	(2,075,049)	(2,153,598)	(1,903,200)	(159,325)	(2,062,525)	-	(2,062,525)
50	283440	<b>Total 282 and 283 Accounts</b>	<b>(170,147,466)</b>	<b>(170,147,466)</b>	<b>(170,147,466)</b>	<b>(167,476,826)</b>	<b>(164,211,642)</b>	<b>(2,903,611)</b>	<b>(167,115,253)</b>	<b>(1,761,534)</b>	<b>(168,876,787)</b>
51											
52											
53		<b>Total- Black Hills Power</b>	<b>\$ (120,834,911)</b>	<b>\$ (121,215,717)</b>	<b>\$ (121,629,488)</b>	<b>\$ (125,213,603)</b>	<b>\$ (125,500,453)</b>	<b>\$ (1,685,788)</b>	<b>\$ (127,186,241)</b>	<b>\$ (6,496,172)</b>	<b>\$ (133,682,413)</b>
54											
55		<b>Less: Transmission Other Rate Base Reductions</b>									
56	282100/282998	Accelerated Depreciation					(20,336,769)	(208,693.11)	(20,545,462)	-	(20,545,462)
57	283005/283440	Accumulated Deferred Income Taxes					(2,252,115)	(186,517.39)	(2,438,632)	-	(2,438,632)
58	190520/190175/190599	Accumulated Deferred Income Taxes					5,326,077	165,757.89	5,491,835	(644,432)	4,847,403
59	182390/254015/254012	FAS 109 Adjustment (Gross Up on Excess DIT)					393,312	-	393,312	-	393,312
60		Subtotal					(16,869,495)	(229,453)	(17,098,948)	(644,432)	(17,743,379)
61		<b>Total to be included in the Black Hills Power Rate Base</b>					<b>\$ (108,630,958)</b>	<b>\$ (1,456,335)</b>	<b>\$ (110,087,293)</b>	<b>\$ (5,851,740)</b>	<b>\$ (115,939,034)</b>