

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

Section M

20:10:13:96. Statement M -- Overall Cost of Service. Statement M shall show for the test period the overall cost of service per books for the filing public utility's utility operations during the test period, including allowances for return and income taxes based upon the rate of return claimed, together with the operating revenues of the filing public utility for the test period. If the filing public utility claims any adjustments to book figures, the cost of service based upon the claimed adjustments shall be shown on a separate schedule. If the amount of the filing public utility's total utility operating revenue differs significantly from its overall cost of service, including allowances for claimed return and income taxes, the filing public utility shall show the amounts available for return and taxes on income and return expressed as a percentage of rate base.

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.

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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 66. The total of these rate base reductions are on Statement M, Line 27.

Black Hills Power, Inc.
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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.
OVERALL COST OF SERVICE
For the Pro Forma Test Year Ended September 30, 2013

Statement M
Page 1 of 1

Line No.	Description	Reference	(a) Per Books	(b) Pro Forma Adjustments	(c) (a) + (b) Adjusted Total	(d) Additional Revenue Required	(e) (c) + (d) Adjusted Rate of Return	
1	Operating Revenue							
2	Sales of Electricity	Stmt. I pg. 1 Ln. 14	\$ 215,699,899	\$ (59,355,396)	\$ 156,344,503	\$ 12,208,401	\$ 168,552,904	
3	Other Operating Revenue	Stmt. I pg. 1 Ln. 25	33,237,836	(4,638,529)	28,599,307	-	28,599,307	
4	Total Operating Revenue		<u>248,937,735</u>	<u>(63,993,925)</u>	<u>184,943,810</u>	<u>12,208,401</u>	<u>197,152,212</u>	
5								
6	Operating Expenses							
7	Operation and Maintenance	Stmt. H Ln. 136	154,728,047	(74,747,077)	79,980,969	-	79,980,969	
8	Depreciation	Stmt. J Ln. 20	27,909,862	3,584,757	31,494,618	-	31,494,618	
9	Amortization	Stmt. J Ln. 22	97,406	4,300,416	4,397,822	-	4,397,822	
10	Taxes Other Than Income Tax	Stmt. L Ln. 18	5,359,279	66,743	5,426,022	-	5,426,022	
11	State Income Tax	Sched. K-5 Ln. 1	3,403	-	3,403	-	3,403	
12	Total Operating Expenses		<u>188,097,996</u>	<u>(66,795,162)</u>	<u>121,302,834</u>	<u>-</u>	<u>121,302,834</u>	
13								
14	Operating Income Before Tax	Ln. 4 - Ln. 12	60,839,739	2,801,238	63,640,976	12,208,401	75,849,377	
15								
16	Federal Income Tax	Stmt. K. pg. 2 Ln. 68	14,025,480	1,128,515	15,153,995	4,272,940	19,426,935	
17								
18	Return (Operating Income)	Ln. 14 - Ln. 16	<u>46,814,259</u>		<u>48,486,981</u>		<u>56,422,442</u>	
19								
20	Rate of Return	Ln. 18 / Ln.29	<u>8.83%</u>		<u>7.29%</u>		<u>8.48%</u>	
21								
22	Rate Base							
23	Plant in Service	Stmt. D pg. 2 Ln. 24	1,016,264,830	92,428,757	1,108,693,587	-	1,108,693,587	
24	Accumulated Depreciation	Stmt. E pg. 1	(357,675,969)	46,889,614	(310,786,355)	-	(310,786,355)	
25	Accumulated Amort. Acq. Adjustment	Stmt. E pg. 2 Ln. 15	(3,156,280)	-	(3,156,280)	-	(3,156,280)	
26	Working Capital	Stmt. F Ln 9	16,814,753	1,009,516	17,824,269	-	17,824,269	
27	Other Rate Base Reductions	Sched M-1 Ln. 59	(141,965,577)	(5,250,660) (1)	(147,216,237)	-	(147,216,237)	
28								
29	Total Rate Base	Sum (Ln.23:Ln.27)	<u>\$ 530,281,756</u>	<u>\$ 135,077,228</u>	<u>\$ 665,358,984</u>	<u>\$ -</u>	<u>\$ 665,358,984</u>	
30								
31	Note 1: Schedule M-1 Ln.54 (o) + (q) + Schedule M-2 Ln 38 + Schedule J-2 Ln. 10 + Schedule J-3 Ln. 16 + Schedule H-20 Ln. 11							

BLACK HILLS POWER, INC.
OTHER RATE BASE REDUCTIONS
For the Pre Forma Test Year Ended September 30, 2013

Line No.	Account	Description	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013
1	182316	Regulatory Asset - Pension	\$ 27,289,818	\$ 27,289,818	\$ 27,289,818	\$ 26,683,304	\$ 26,683,304	\$ 26,683,304	\$ 26,683,304	\$ 26,683,304	\$ 26,683,304	\$ 26,683,304
2	182385	Regulatory Asset - AFUDC	317,892	317,892	317,892	317,892	317,892	317,892	317,892	317,892	317,892	317,892
3	182390	Regulatory Asset - Unit of Property	8,552,058	8,552,058	8,552,058	8,459,622	8,459,622	8,459,622	8,459,622	8,459,622	8,459,622	8,459,622
4	182395	Total Regulatory Assets	37,159,768	37,159,768	37,159,768	35,460,826	35,460,826	35,460,826	35,460,826	35,460,826	35,460,826	35,460,826
5	190175	DT1000 - Variation	226,932	226,932	226,932	200,410	200,410	200,410	200,410	200,410	200,410	200,410
6	190176	DT1001 - Bad Debt Reserve	547,808	547,808	547,808	547,808	547,808	547,808	547,808	547,808	547,808	547,808
7	190177	DT1002 - EE Group Insurance	78,005	78,005	78,005	63,142	63,142	63,142	63,142	63,142	63,142	63,142
8	190178	DT1050 - Workers Comp	217,411	217,411	217,411	126,353	126,353	126,353	126,353	126,353	126,353	126,353
9	190179	DT1070 - Results Comp Plan	536,810	536,810	536,810	704,083	704,083	704,083	704,083	704,083	704,083	704,083
10	190175	DT1465 - NOL Carryforward	-	-	-	17,266,000	17,266,000	17,266,000	17,266,000	17,266,000	17,266,000	17,266,000
11	190520	DT2020 - Retiree Healthcare	3,097,900	3,097,900	3,097,900	3,126,435	3,126,435	3,126,435	3,126,435	3,126,435	3,126,435	3,126,435
12	190520	DT2025 - PEP Plan	518,020	518,020	518,020	474,783	474,783	474,783	474,783	474,783	474,783	474,783
13	190520	DT2065 - Pension (AOI)	14,691,286	14,691,286	14,691,286	14,691,286	14,691,286	14,691,286	14,691,286	14,691,286	14,691,286	14,691,286
14	190520	DT2085 - ITC	263,123	263,123	263,123	355,645	355,645	355,645	355,645	355,645	355,645	355,645
15	190520	DT2090 - FAS 109 ITC	-	-	-	191,905	191,905	191,905	191,905	191,905	191,905	191,905
16	190520	DT2092 - FAS 109	204,983	204,983	204,983	191,905	191,905	191,905	191,905	191,905	191,905	191,905
17	190520	DT3040 - Performance Plan	4,454	4,454	4,454	4,454	4,454	4,454	4,454	4,454	4,454	4,454
18	190520	DT3040 - Retiree Health (AOI)	(317,892)	(317,892)	(317,892)	394,211	394,211	394,211	394,211	394,211	394,211	394,211
19	190520	DT3070 - Deferred Compensation	303,863	303,863	303,863	303,863	303,863	303,863	303,863	303,863	303,863	303,863
20	190520	DT3075 - Line Extension Deposit	(134,421)	(134,421)	(134,421)	14,367,933	14,367,933	14,367,933	14,367,933	14,367,933	14,367,933	14,367,933
21	190520	DT4120 - Reg Pension	-	-	-	(1,170,431)	(1,170,431)	(1,170,431)	(1,170,431)	(1,170,431)	(1,170,431)	(1,170,431)
22	190520	DT4125 - Reg Retiree Healthcare	-	-	-	-	-	-	-	-	-	-
23	190520	DT4135 - Insurance Reserve	23,340,252	23,340,252	23,340,252	(6,825,329)	(6,825,329)	(6,825,329)	(6,825,329)	(6,825,329)	(6,825,329)	(6,825,329)
24	190520	DT4165 - NOL Carryforward	9,184	9,184	9,184	47,198	47,198	47,198	47,198	47,198	47,198	47,198
25	190520	DT4285 - IRS Adjustment	1,263,944	1,263,944	1,263,944	-	-	-	-	-	-	-
26	190520	DT4415 - Alternative Fuel Vehicle Credit	-	-	-	-	-	-	-	-	-	-
27	190520	DT4430 - R&D Credit Carryover	-	-	-	-	-	-	-	-	-	-
28	190520	DT3020 - Deferred Tax State Income Tax	4,862,349	4,862,349	4,862,349	4,110	4,110	4,110	4,110	4,110	4,110	4,110
29	190520	Total 190 Accounts	(1,482,978)	(1,482,978)	(1,482,978)	(1,039,875)	(1,039,875)	(1,039,875)	(1,039,875)	(1,039,875)	(1,039,875)	(1,039,875)
30	252000	Customer Advances for Construction	(7,847,783)	(7,847,783)	(7,847,783)	(6,348,524)	(6,348,524)	(6,348,524)	(6,348,524)	(6,348,524)	(6,348,524)	(6,348,524)
31	253011	Accrued RFP	(2,441,491)	(2,441,491)	(2,441,491)	(2,220,102)	(2,220,102)	(2,220,102)	(2,220,102)	(2,220,102)	(2,220,102)	(2,220,102)
32	253100	Accrued Pension	(16,143,738)	(16,143,738)	(16,143,738)	(16,586,093)	(16,586,093)	(16,586,093)	(16,586,093)	(16,586,093)	(16,586,093)	(16,586,093)
33	253105	Accrued Pension Supplement - EFRP	(82,444)	(82,444)	(82,444)	(82,444)	(82,444)	(82,444)	(82,444)	(82,444)	(82,444)	(82,444)
34	253110	Regulatory Liability - Plant Maint.	(25,240)	(25,240)	(25,240)	(25,240)	(25,240)	(25,240)	(25,240)	(25,240)	(25,240)	(25,240)
35	254015	Regulatory Liability - Forward Excess Def. Tax	(692,556)	(692,556)	(692,556)	(535,893)	(535,893)	(535,893)	(535,893)	(535,893)	(535,893)	(535,893)
36	254298	Regulatory Liability - Pension Inc. Tax	(14,691,286)	(14,691,286)	(14,691,286)	(14,367,933)	(14,367,933)	(14,367,933)	(14,367,933)	(14,367,933)	(14,367,933)	(14,367,933)
37	254385	Regulatory Liability - ITC	(590,271)	(590,271)	(590,271)	(2,173,658)	(2,173,658)	(2,173,658)	(2,173,658)	(2,173,658)	(2,173,658)	(2,173,658)
38	282100/282398	Total Regulatory Liabilities	(42,394,007)	(42,394,007)	(42,394,007)	(45,100,476)	(45,100,476)	(45,100,476)	(45,100,476)	(45,100,476)	(45,100,476)	(45,100,476)
39	283005	DT4063 - Accelerated Depreciation	(153,533,303)	(153,533,303)	(153,533,303)	(154,686,866)	(154,686,866)	(154,686,866)	(154,686,866)	(154,686,866)	(154,686,866)	(154,686,866)
40	283440	DT4065 - Prepaid Expenses	(285,910)	(285,910)	(285,910)	(285,910)	(285,910)	(285,910)	(285,910)	(285,910)	(285,910)	(285,910)
41	283440	DT2015 - Pension Plan	(3,894,653)	(3,894,653)	(3,894,653)	(3,610,164)	(3,610,164)	(3,610,164)	(3,610,164)	(3,610,164)	(3,610,164)	(3,610,164)
42	283440	DT3028 - Tax Effect on State NOL	(2,993,220)	(2,993,220)	(2,993,220)	(2,980,867)	(2,980,867)	(2,980,867)	(2,980,867)	(2,980,867)	(2,980,867)	(2,980,867)
43	283440	DT4065 - FAS 309 AFUDC	(5,528,838)	(5,528,838)	(5,528,838)	(5,498,794)	(5,498,794)	(5,498,794)	(5,498,794)	(5,498,794)	(5,498,794)	(5,498,794)
44	283440	DT4070 - Required Bond Loss	(895,510)	(895,510)	(895,510)	(875,192)	(875,192)	(875,192)	(875,192)	(875,192)	(875,192)	(875,192)
45	283440	Total 282 and 283 Accounts	(163,760,272)	(163,760,272)	(163,760,272)	(170,725,771)	(170,725,771)	(170,725,771)	(170,725,771)	(170,725,771)	(170,725,771)	(170,725,771)
46	283440	Note (1) Existing Other Utility Plant - ADIT	-	-	-	-	-	-	-	-	-	-
47	283440	Total Black Hills Power	(125,772,798)	(125,772,798)	(125,772,798)	(126,483,542)	(126,483,542)	(126,483,542)	(126,483,542)	(126,483,542)	(126,483,542)	(126,483,542)
48	283005	Less: Transmission Other Rate Base Reductions	(1,451,342,662)	(1,451,342,662)	(1,451,342,662)	(1,451,342,662)	(1,451,342,662)	(1,451,342,662)	(1,451,342,662)	(1,451,342,662)	(1,451,342,662)	(1,451,342,662)
49	283005/283440	Accumulated Depreciation	(1,452,115,460)	(1,452,115,460)	(1,452,115,460)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)
50	283005/283440	Accumulated Deferred Income Taxes	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)
51	190520/190175/190599	Accumulated Deferred Income Taxes	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)
52	182390/254015/254012	FAS 109 Adjustment (Gross Up on Excess DIT)	-	-	-	-	-	-	-	-	-	-
53	182390/254015/254012	Subtotal	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)
54	182390/254015/254012	Total to be included in the Black Hills Power Rate Base	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)	(1,452,826,204)

Note (1) Existing Other Utility Plant - ADIT

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

Schedule M-2
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Line No.	(a) (Stmt D Pg 2) Capital Additions Amount	(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) (c 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	<u>Retirements</u>	<u>Amount</u>	<u>Depreciation</u>	<u>Rate</u>	<u>Depreciation</u>	<u>Difference</u>	<u>Tax Rate</u>	<u>Deferred Tax</u>
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	<u>Decommissioning Reg Asset Amort</u>							
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			Ln. 23 + Ln. 30 + Ln. 36				<u>\$ (15,222,798)</u>