

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

Section H

Schedule H-7 – Bad Debt Adjustment. This Schedule represents the calculation to normalize bad debt expense using a three year historical period. Once calculated, the average rate is applied to the adjusted revenue amount to determine the expected bad debt expense. The decrease to bad debt expense is adjusted in Statement H, column (e).

BLACK HILLS POWER, INC.
BAD DEBT ADJUSTMENT
For the Pro Forma Test Year Ended September 30, 2013

Line No.	Description	Reference	Amount
1	2011 Net Write Offs		\$ 439,580
2	2012 Net Write Offs		310,597
3	2013 Net Write Offs		333,183
4	Total 2011-2013 Net Write Offs		<u>1,083,360</u>
5			
6	Average Net Write Offs	Ln. 4 / 3 years	361,120
7			
8	Average Billed Revenue (2011-2013)		160,215,281
9			
10	Average Effective Uncollectible Rate (3 year average)	Ln. 6 / Ln. 8	0.2254%
11			
12	Adjusted Revenue	Note 1	186,312,275
13			
14	Net Write Off Calculated	Ln. 10 * Ln. 12	419,942
15			
16	BHP per books	Stmt. H Ln. 103(a)	<u>440,879</u>
17			
18	FERC Acct 904 Adjustment	Ln. 14 - Ln. 16	<u>\$ (20,937)</u>
19			
20	Note 1: Stmt I Pg 1 Ln 6(a) + Stmt I Pg 1 Ln 6(b) + Stmt I Pg 4 Ln 7(c) + Stmt M Ln 2(d)		