

Statement K

20:10:13:88. Statement K-- Income taxes. Statement K shall show for the test period income taxes computed on the basis of the rate of return claimed applied to the overall utility rate base and separated between federal and state taxes. If the rate base claimed includes adjustments other than book figures for the test period 13-month average, the income taxes shall be computed separately for claimed rate base and for the 13-month average rate base per books for the test period. All tax adjustments shall be completely described and the amounts shown separately. Amounts of deferred taxes debited and credited shall be shown separately. The amounts and basis of assignment of income taxes attributed to other utility departments and nonutility operations shall be shown, together with all tax savings affecting the total tax liability. If the filing public utility joins in a consolidated tax return, the total estimated tax savings, expressed as a percentage, resulting from the filing of a consolidated return shall be given, as well as a full explanation of the method of computing the tax savings. Any abnormalities such as nonrecurring income, gains, losses, and deductions affecting the income tax for the test period shall be explained and the tax effect set forth. Items required by §§ 20:10:13:89 to 20:10:13:93, inclusive, shall be submitted as a part of statement K.

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](#).

**BLACK HILLS POWER, INC., d/b/a BLACK HILLS ENERGY
COMPUTATION OF FEDERAL INCOME TAX
FOR THE PRO FORMA PERIOD ENDING SEPTEMBER 30, 2026**

**COST OF SERVICE STUDY
Statement K**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line No.	Description	Reference	Per Book Test Period	Adjustment	Adjusted Total Company Amount	Remove DC Tie	Remove CUS	Adjusted Amount
1	Permanent Differences							
2	Operating Income before Federal Income Taxes	Stmt. M pg. 1, Ln. 12	\$ 84,900,709	\$ (64,282,884)	\$ 20,617,824	\$ -	\$ -	\$ 20,617,824
3	Interest Expense	Ln. 88	(27,806,733)	4,029,059	(23,777,674)	-	-	(23,777,674)
4	Pre-Tax Net Operating Income		\$ 57,093,975	\$ (60,253,825)	\$ (3,159,850)	\$ -	\$ -	\$ (3,159,850)
5								
6	Tax Adjustments - Permanent Differences							
7	Fines & Penalties		35,094	(35,094)	-	-	-	-
8	Meals		115,443	-	115,443	(5,549)	(22,527)	87,367
9	Club Dues		97,507	(97,507)	-	-	-	-
10	Lobbying		42,984	(42,984)	-	-	-	-
11	Entertainment		3,716	(3,716)	-	-	-	-
12	PEP Life - Cash Surrender Value		(239,991)	239,991	-	-	-	-
13	Captive Insurance		(372,556)	372,556	-	-	-	-
14	Total Permanent Differences	Sum Ln. (7 - 13)	\$ (317,803)	\$ 433,246	\$ 115,443	\$ (5,549)	\$ (22,527)	\$ 87,367
15								
16	Temporary Differences							
17	190300.DT1000 DTA LT - Vacation		125,883	-	125,883	(6,051)	(24,564)	95,268
18	190300.DT1010 DTA LT - Bad Debt Reserve	Sched H-9, Col. (d), Ln. 23	28,486	90,169	118,655	(5,704)	(23,153)	89,798
19	190300.DT1020 DTA LT - Employee Group Insurance		44,262	-	44,262	(2,128)	(8,637)	33,497
20	190300.DT1030 DTA LT - Bonus		(3,573)	-	(3,573)	172	697	(2,704)
21	190300.DT1050 DTA LT - Workers' Compensation		160,629	-	160,629	(7,721)	(31,344)	121,563
22	190300.DT1099 DTA LT - Other		-	-	-	-	-	-
23	190300.DT2025 DTA LT-PEP PLAN:		(112,465)	-	(112,465)	5,406	21,946	(85,113)
24	190300.DT3070 DTA LT- Deferred Compensation		(51,250)	-	(51,250)	2,464	10,001	(38,786)
25	190300.DT4098 DTA LT - Deferred Regulatory:		34,347	-	34,347	(1,651)	(6,702)	25,994
26	190301.DT1040 DTA LT - NON QUAL DEF COMP:		25,408	(25,408)	-	-	-	-
27	190301.DT3060 DTA LT - FAS 143 (ARO)		58,138	(58,138)	-	-	-	-
28	190301.DT4098 DTA LT - Deferred Regulatory		-	-	-	-	-	-
29	190300.DT4135 DTA LT-INS RESERVE LIAB:		(1,100,000)	-	(1,100,000)	52,877	214,646	(832,477)
30	190301.DT4156 DTA LT - Operating Lease		(221,609)	221,609	-	-	-	-
31	190301.DT4180 DTA LT - Rate Refund		-	-	-	-	-	-
32	190300.DT3076 DTA LT - Line Extension Depr Gas		1,722,491	-	1,722,491	(82,800)	(336,115)	1,303,577
33	190300.DT3090 DTA LT - Pension FAS 87		-	-	-	-	-	-
34	190301.DT1099 DTA LT - Other		90,646	(90,646)	-	-	-	-
35	190300.DT2020 DTA LT - Retiree Healthcare	Sched H-10, Col. (d), Ln. 4	(84,474)	(39,277)	(123,750)	5,949	24,148	(93,654)
36	190301.DT4230 DTA LT - Goodwill Amortization		-	-	-	-	-	-
37	190300.DT4466 DTA LT - PUC Fees	Sched H-13, Col. (d), Ln. 24	86,057	89,965	176,023	(8,461)	(34,348)	133,214
38	190301.DT4490 DTA LT - Transaction Costs		-	-	-	-	-	-
39	282300.DT4062 Def Tax Property LT - Accelerated Depr		59,659	2,590,072	2,649,730	(127,373)	(517,049)	2,005,308
40	282300.DT4094 DTL LT - Other Property		(74,283)	-	(74,283)	3,571	14,495	(56,217)
41	282302.DT4097 DTL LT - CWIP		214,692	-	214,692	(10,320)	(41,893)	162,478
42	282998.DT4060 DTL LT - Svc Co Def Tax Liab Prop		347,908	(1,118,621)	(770,713)	37,048	150,392	(583,274)
43	282302.DT4065 DT Liability Fed Property		(2,089,245)	2,819,353	730,108	(35,096)	(142,468)	552,543
44	282302.DT4275 DEF TAX PROPERTY LT-REG UOP ASSET		(12,854,790)	4,637,840	(8,216,950)	-	-	(8,216,950)
45	283300.DT2015 DTL LT-PENSION PLAN:	Sched H-10, Col. (d), Ln. 9	138,655	(35,817)	102,839	(4,943)	(20,067)	77,828
46	283300.DT4040 DTL LT - Prepaid Expenses		(157,397)	-	(157,397)	7,566	30,713	(119,117)
47	283300.DT4070 DTL LT-REACQUIRED BOND LOSS		1,894	-	1,894	(91)	(370)	1,433
48	283301.DT4098 DTL LT - Deferred Regulatory		(13,152,184)	13,152,184	-	-	-	-

BLACK HILLS POWER, INC., d/b/a BLACK HILLS ENERGY
COMPUTATION OF FEDERAL INCOME TAX
FOR THE PRO FORMA PERIOD ENDING SEPTEMBER 30, 2026

COST OF SERVICE STUDY
Statement K

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line No.	Description	Reference	Per Book Test Period	Adjustment	Adjusted Total Company Amount	Remove DC Tie	Remove CUS	Adjusted Amount
49	283300.DT4155 DTL LT - Reg PSC Pension Asset		-	-	-	-	-	-
50	283301.DT4156 DTL LT - Operating Lease		171,146	(171,146)	-	-	-	-
51	283301.DT4185 DTL LT - Winter Storm URI		-	-	-	-	-	-
52	283301.DT4440 DTL LT - DERIVATIVE NON-CURRE		64,332	(64,332)	-	-	-	-
53	283301.DT4230 DTL LT - Goodwill Amortization		-	-	-	-	-	-
54	Total Temporary Differences	Sum Ln. (17 - 53)	\$ (26,526,636)	\$ 21,997,807	\$ (4,528,829)	\$ (177,288)	\$ (719,674)	\$ (5,425,790)
55								
56	Taxable Income	Sum Ln. (4 + 14 + 54)	30,249,537	(37,822,772)	(7,573,235)	(182,837)	(742,200)	(8,498,273)
57	Taxable Income	Ln. 56	\$ 30,249,537	\$ (37,822,772)	\$ (7,573,235)	\$ (182,837)	\$ (742,200)	\$ (8,498,273)
58								
59	Provision for Federal Income Tax:							
60	Federal Taxable Income		30,249,537	(37,822,772)	(7,573,235)	(182,837)	(742,200)	(8,498,273)
61	Total Federal Tax	21.00%	6,352,403	(7,942,782)	(1,590,379)	(38,396)	(155,862)	(1,784,637)
62								
63	Summary of Provision for Income Tax:							
64	Federal Income Tax		6,352,403	(7,942,782)	(1,590,379)	(38,396)	(155,862)	(1,784,637)
65								
66	Deferred Income Taxes:							
67	Deferred Income Tax	Ln. 54 x Fed Rate	5,570,593	(4,619,539)	951,054	37,230	151,131	1,139,416
68								
69	Deferred Tax Adjustments							
70	AFUDC Equity Reg Asset Amortization		150,644	-	150,644	-	-	150,644
71	R&D Tax Credits		(334,240)	-	(334,240)	-	-	(334,240)
72	ITC Amortization		-	-	-	-	-	-
73	Flow Thru Federal Reg Asset		(2,699,506)	(464,201)	(3,163,706)	-	-	(3,163,706)
74	Production Tax Credits		(3,942,592)	-	(3,942,592)	-	-	(3,942,592)
75	ARAM Plant Protected EDFIT		(1,455,900)	(1,974,525)	(3,430,425)	60,170	515,078	(2,855,177)
76	ARAM Plant Non-Protected EDFIT		(367,763)	(368,368)	(736,131)	12,912	110,530	(612,690)
77	Amortization 1986 EDFIT		-	-	-	-	-	-
78	Allocated Service Company EDFIT Amortization		(82,857)	26,082	(56,775)	996	8,525	(47,254)
79	Total Deferred Tax Adjustments		\$ (8,732,213)	\$ (2,781,012)	\$ (11,513,225)	\$ 74,077	\$ 634,133	\$ (10,805,015)
80								
81	Total Income Tax		\$ 3,190,783	\$ (15,343,333)	\$ (12,152,550)	\$ 72,912	\$ 629,403	\$ (11,450,236)
82								
83	Interest Expense Sync with Rate Base							
84	Total Rate Base	Stmt M pg. 1, Ln. 26	1,081,974,059					925,201,322
85	X Wtd Cost of Debt	Stmt G, Ln. 2 & Ln. 8	2.57%					2.57%
86	Interest Expense	Ln. 84 x Ln. 85	\$ 27,806,733					\$ 23,777,674
87								
88	Adjusted Interest Expense	Ln. 86	\$ 27,806,733					\$ 23,777,674