

Exhibit B
Calculation of Tax Refund

22-Mar-18

**BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
CALCULATION OF REVENUE DEFICIENCY
SETTLEMENT**

SECTION I
SCHEDULE 4

LINE NO.		SETTLEMENT	SETTLEMENT	DIFFERENCE	Comments
		ANNUALIZED 12/31/09	W/ TAX CHANGE ANNUALIZED [1] 12/31/09	REFUND AMOUNT	
		\$	\$		
1	RATE BASE	109,239,284	109,239,284		Section C, Schedule 1
2	NET OPERATING INCOME BEFORE TAXES	9,820,484	9,820,484		Section I, Schedule 1
3	TAXES ADJUSTED - STATE	214,250	230,505		Section I, Schedule 2
4	- FEDERAL	<u>1,751,664</u>	<u>1,042,077</u>		Section I, Schedule 2
5	NET OPERATING INCOME AFTER TAXES	7,854,570	8,547,902		In2 - In3 - In4
6	OVERALL RATE OF RETURN %	7.1902	7.8249		In5 / In1 * 100
7	RATE OF RETURN REQUESTED %	9.1728	9.1728		Section G, Schedule 1
8	REQUIRED NET OPERATING INCOME	10,020,301	10,020,301		In7 * In1 / 100
9	INCOME DEFICIENCY	2,165,731	1,472,399		In8 - In5
10	GROSS REVENUE CONVERSION FACTOR	<u>1.711450</u>	<u>1.420310</u>		see GR below
11	REVENUE DEFICIENCY	<u><u>3,706,540</u></u>	<u><u>2,091,264</u></u>	<u><u>1,615,277</u></u>	In9 * In10

THE INCREMENTAL AMOUNT OF GROSS REVENUE REQUIRED TO
GENERATE AN ADDITIONAL DOLLAR OF OPERATING INCOME.

	PERCENTAGES	PERCENTAGES	
	%	%	
1	FEDERAL	31.46	18.72
2	STATE	<u>10.11</u>	<u>10.88</u>
3	TOTAL EFFECTIVE TAX RATE (T)	41.57	29.59
4	GROSS REVENUE CONVERSION FACTOR (GR) {GR = 1/(1-T)}	1.711450	1.420310

[1] Schedules adjusted for taxes: Section I, Schedule 2 and Section I, Schedule 4

Exhibit B
Support for Settlement
Calculation

12-Mar-18

BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
RATE BASE

SECTION C
SCHEDULE 1
PAGE 1 OF 1

<u>LINE NO.</u>		<u>PER BOOK</u> (A) \$	<u>ADJUSTED</u> (B) \$
1	GAS PLANT IN SERVICE	231,235,641	245,050,641
2	LESS: ACCUM PROV FOR DEPR & AMORT	<u>132,427,260</u>	<u>132,667,905</u>
3	NET GAS PLANT IN SERVICE	98,808,381	112,382,736
	DEDUCT:		
4	DEFERRED INCOME TAXES	4,383,477	4,383,477
5	CUSTOMER ADVANCES	7,560	7,560
6	CUSTOMER DEPOSITS	2,905,519	2,905,519
7	RESERVE FOR BAD DEBT	973,204	973,204
8	ACCRUED COMPENSATED ABSENCES	230,661	230,661
9	RESERVES FOR SELF INSURANCE	1,239,589	876,589
	ADD:		
10	ALLOWANCE FOR WORKING CAPITAL	<u>6,580,886</u>	<u>6,233,558</u>
11	TOTAL RATE BASE	<u><u>95,649,257</u></u>	<u><u>109,239,284</u></u>

12-Mar-18

**BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
CAPITALIZATION, COST OF CAPITAL
AND CLAIMED RATE OF RETURN**

**SECTION G
SCHEDULE 1
PAGE 1 OF 1**

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>CAPITALIZATION 13 MONTH AVG ENDED 12/31/09</u>	<u>CAPITALI- ZATION PERCENT</u>	<u>WEIGHTED COST OF CAPITAL</u>	<u>CLAIMED RATE OF RETURN</u>
		(A) \$	(B) %	(C) %	(D) %
1	LONG TERM DEBT	67,211,035	48.4192	8.0400	3.8929
2	COMMON EQUITY	71,599,787	51.5808	10.2362	5.2799
<u>3</u>	<u>TOTAL CAPITALIZATION</u>	<u>138,810,822</u>	<u>100.000</u>		<u>9.1728</u>

12-Mar-18

BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
INCOME STATEMENT AND PRO FORMA ADJUSTMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2009

SECTION I
SCHEDULE 1
PAGE 1 OF 24

LINE NO.	INCOME STATEMENT	NORM/PRO FORMA ADJUSTMENTS	ADJUSTED INCOME STATEMENT
	(A)	(B)	(C)
	\$	\$	\$
1	OPERATING REVENUES		
	178,404,329		178,404,329
2	HEATING NORMALIZATION (12 yr)	(6,831,695)	(6,831,695)
3	REVENUE SYNCHRONIZATION	105,806	105,806
4	ANNUALIZATION RECONCILIATION	1,033,479	1,033,479
5	GRAIN DRYER NORMALIZATION	(2,195,486)	(2,195,486)
6	ETHANOL PLANT TRUE-UP	(145,184)	(145,184)
7	ELIMINATE ENERGY EFFICIENCY REVENUES	(5,213,159)	(5,213,159)
8	TOTAL REVENUES	(13,246,239)	165,158,090
	OPERATING EXPENSES		
9	PURCHASED GAS		118,717,551
10	HEATING NORMALIZATION	(5,714,937)	(5,714,937)
11	GRAIN DRYER NORMALIZATION	(2,010,088)	(2,010,088)
12	TOTAL PURCHASES	(7,725,025)	110,992,526
13	O&M EXPENSE - PAYROLL		13,922,851
14	PAYROLL	299,924	299,924
15	PAYROLL INCENTIVE	133,781	133,781
16	PAYROLL STAFF ADDITIONS	168,358	168,358
17	UNION WAGE INCREASE	145,942	145,942
18	SEVERANCE	(41,558)	(41,558)
19	TOTAL PAYROLL	706,447	14,629,298
20	O&M EXPENSE - OTHER		21,701,179
21	EMPLOYEE BENEFITS - P/R ADJ.	99,308	99,308
22	EMPLOYEE BENEFITS - UNION INC.	44,965	44,965
23	ELIMINATE ENERGY EFFICIENCY EXPENSES	(5,213,159)	(5,213,159)
24	EMPLOYEE BENEFITS - SEVERANCE	3,257	3,257
25	EMPLOYEE BENEFITS - P/R STAFF ADDS	51,871	51,871
26	BAD DEBT EXPENSE	328,814	328,814
27	INSURANCE	76,189	76,189
28	ADVERTISING	(6,619)	(6,619)
29	TOTAL O&M - OTHER	(4,615,374)	17,085,805
30	TAXES OTHER THAN INCOME		3,523,134
31	EXCISE TAXES	153,978	153,978
32	PAYROLL TAXES - P/R ADJ.	34,696	34,696
33	PAYROLL TAXES - P/R STAFF ADDS	13,469	13,469
34	PAYROLL TAXES - UNION INC.	11,675	11,675
35	TOTAL TAXES OTHER THAN INCOME	213,818	3,736,952
36	DEPRECIATION & AMORTIZATION	240,645	8,681,030
37	INTEREST ON CUSTOMER DEPOSITS	0	211,995
38	TOTAL OPERATING EXPENSE	(11,179,489)	155,337,606
39	NET OPER INCOME BEFORE TAXES		9,820,484
40	INCOME TAX PROVISION		1,965,914
41	NET OPER INCOME AFTER TAXES		7,854,570

12-Mar-18

**BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
CALCULATION OF INCOME TAXES
PER BOOK AND ADJUSTED
DECEMBER 31, 2009**

SECTION I
SCHEDULE 2
PAGE 1 OF 1

LINE NO.	CATEGORY	PER BOOK FEDERAL TAXES	PER BOOK STATE TAXES	ADJUSTED FEDERAL TAXES	ADJUSTED STATE TAXES
		(A) \$	(B) \$	(C) \$	(D) \$
1	NET OPERATING INCOME BEFORE TAX	11,887,234	11,887,234	9,820,484	9,820,484
	ADD:				
2	BOOK DEPRECIATION	8,440,385	8,440,385	8,681,030	8,681,030
	LESS:				
3	TAX DEPRECIATION	16,540,385	11,200,327	17,619,809	12,129,752
4	ACCRUED INTEREST	3,723,530	3,723,530	4,252,576	4,252,576
5	NET COST OF REMOVAL	0	0	0	0
6	TAXABLE INCOME	63,704	5,403,762	(3,370,871)	2,119,186
7	EFFECTIVE TAX RATE %	31.46	10.11	31.46	10.11
8	TOTAL CURRENT INCOME TAXES	20,041	546,320	(1,060,476)	214,250
	ADD:				
9	ACTUAL DEF INC TAXES 0.3146	2,548,260		2,812,140	
10	TOTAL CURRENT AND DEF INC TAX	2,568,301	546,320	1,751,664	214,250

12-Mar-18

**BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
CALCULATION OF REVENUE DEFICIENCY
SETTLEMENT**

SECTION I
SCHEDULE 4
PAGE 1 OF 2

<u>LINE NO.</u>		<u>ANNUALIZED 12/31/09</u> \$
1	RATE BASE	109,239,284
2	NET OPERATING INCOME BEFORE TAXES	9,820,484
3	TAXES ADJUSTED - STATE	214,250
4	- FEDERAL	<u>1,751,664</u>
5	NET OPERATING INCOME AFTER TAXES	7,854,570
6	OVERALL RATE OF RETURN %	7.1902
7	RATE OF RETURN REQUESTED %	9.1728
8	REQUIRED NET OPERATING INCOME	10,020,301
9	INCOME DEFICIENCY	2,165,731
10	GROSS REVENUE CONVERSION FACTOR	<u>1.711450</u>
11	REVENUE DEFICIENCY	<u><u>3,706,540</u></u>

12-Mar-18

**BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
DEVELOPMENT OF GROSS REVENUE
CONVERSION FACTOR**

SECTION I
SCHEDULE 4
PAGE 2 OF 2

LINE
NO.

PERCENTAGES
%

THE INCREMENTAL AMOUNT OF GROSS REVENUE REQUIRED TO
GENERATE AN ADDITIONAL DOLLAR OF OPERATING INCOME.

GR = GROSS REVENUE CONVERSION FACTOR
T = TOTAL EFFECTIVE TAX RATE

1	FEDERAL	31.46
2	STATE	<u>10.11</u>
3	TOTAL EFFECTIVE TAX RATE	41.57
4	GROSS REVENUE CONVERSION FACTOR {GR = 1/(1-T)}	1.711450

Exhibit B
Support for Settlement
with Tax Change
Calculation

12-Mar-18

BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
RATE BASE

SECTION C
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2009 RATE CASE
CAPITALIZATION, COST OF CAPITAL
AND CLAIMED RATE OF RETURN**

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39	NET OPER INCOME BEFORE TAXES		9,820,484
	11,887,234		
40	INCOME TAX PROVISION		1,272,582
	2,115,671		
41	NET OPER INCOME AFTER TAXES		8,547,902
	9,771,563		

12-Mar-18

**BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
CALCULATION OF INCOME TAXES
PER BOOK AND ADJUSTED
DECEMBER 31, 2009**

SECTION I
SCHEDULE 2
PAGE 1 OF 1

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5	NET COST OF REMOVAL	0	0	0	0
6	TAXABLE INCOME	63,704	5,403,762	(3,370,871)	2,119,186
7	EFFECTIVE TAX RATE %	18.72	10.88	18.72	10.88
8	TOTAL CURRENT INCOME TAXES	11,923	587,770	(630,885)	230,505
	ADD:				
9	ACTUAL DEF INC TAXES 0.1872	1,515,978		1,672,962	
10	TOTAL CURRENT AND DEF INC TAX	1,527,901	587,770	1,042,077	230,505

12-Mar-18

**BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
CALCULATION OF REVENUE DEFICIENCY
SETTLEMENT**

SECTION I
SCHEDULE 4
PAGE 1 OF 2

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12-Mar-18

**BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
2009 RATE CASE
DEVELOPMENT OF GROSS REVENUE
CONVERSION FACTOR**

SECTION I
SCHEDULE 4
PAGE 2 OF 2

LINE
NO.

PERCENTAGES
%

THE INCREMENTAL AMOUNT OF GROSS REVENUE REQUIRED TO
GENERATE AN ADDITIONAL DOLLAR OF OPERATING INCOME.

GR = GROSS REVENUE CONVERSION FACTOR
T = TOTAL EFFECTIVE TAX RATE

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