

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

**In the Matter of the Application of Black  
Hills/Kansas Gas Utility Company, LLC,  
d/b/a Black Hills Energy, for Approval of  
the Commission to Make Certain Changes  
in its Rates for Natural Gas Service** )  
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**Docket No. 25-BHCG-298-RTS**

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**DIRECT TESTIMONY OF SAMANTHA K. JOHNSON**

**ON BEHALF OF**

**BLACK HILLS/KANSAS GAS UTILITY  
COMPANY, LLC, d/b/a BLACK HILLS ENERGY**

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**EXHIBITS**

KSG Direct Exhibit SKJ-1	Education, Employment History, and Professional Experience
KSG Direct Exhibit SKJ-2	Revenue Requirement Study
KSG Direct Exhibit SKJ-3	RRS Statements and Schedules Detail & Filing Requirements Sections 3-11 to RRS Cross Reference
KSG Direct Exhibit SKJ-4	Black Hills Service Company Cost Allocation Manual (Amended December 2022)
KSG Direct Exhibit SKJ-5	Black Hills Service Company Cost Allocation Manual (Amended December 2023)
KSG Direct Exhibit SKJ-6	Black Hills Service Company Cost Allocation Manual (Amended June 2024)

### List of Acronyms

ADIT	Accumulated Deferred Income Tax
AIP	Annual Incentive Pay
ARAM	Average Rate Assumption Method
AVTS	Ad Valorem Tax Surcharge Rider
BHC	Black Hills Corporation
BHSC	Black Hills Service Company, LLC
“Black Hills” or the “Company”	Black Hills/Kansas Gas Utility Company, LLC
BS	Balance Sheet
CAM	BHSC Cost Allocation Manual
CCOSS	Class Cost of Service Study
Commission	State Corporation Commission of the State of Kansas
CWC	Cash Working Capital
DDFIT	Deficient Deferred Federal Income Tax
DIIP	Data Improvement Integrity Program
DSM	Demand-Side Management
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EDFIT	Excess Deferred Federal Income Tax
EDIT	Excess Deferred Income Tax
FERC	Federal Energy Regulatory Commission
FICA	Federal Insurance Contributions Act
FUTA	Federal Unemployment Tax Act
GCA	Gas Cost Adjustment
GSRS	Gas System Reliability Surcharge
IRS	Internal Revenue Service
IS	Income Statement
KCC	Kansas Corporation Commission
KSG	Kansas Gas
LTIP	Long-Term Incentive Plan
LVTS	Large Volume Transportation Service
NOL	Net Operating Loss

O&M	Operations & Maintenance
OPEB	Other Post Employment Benefits
OTD	Operations Technology Development
PLR	Private Letter Ruling
PUHCA	Public Utility Holding Company Act of 2005
<i>Pro Forma</i> Period	October 1, 2024, through September 30, 2025 (Capital and O&M)
ROE	Return on Equity
RRS	Revenue Requirement Study(ies)
STIP	Short-Term Incentive Plan
SUTA	State Unemployed Tax Act
TA Rider	Tax Adjustment Rider
Test Year	Historical test year based on 12 months ending September 30, 2024 (10/1/2023 to 9/30/2024)
TOTI	Taxes Other than Federal Income Taxes
WACC	Weighted Average Cost of Capital
WNA	Weather Normalization Adjustment

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Samantha K. Johnson. My business address is 7001 Mount Rushmore Rd, Rapid  
4 City, SD 57702.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Black Hills Service Company, LLC (“BHSC”), a wholly owned  
7 subsidiary of Black Hills Corporation (“BHC”). I am Director - Regulatory.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 A. I am testifying on behalf of Black Hills/Kansas Gas Utility Company, LLC. (“Black Hills”  
10 or the “Company”) d/b/a Black Hills Energy.

11 **II. STATEMENT OF QUALIFICATIONS**

12 **Q. WILL YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**  
13 **BUSINESS EXPERIENCE?**

14 A. My education, employment history, and professional experience are provided on KSG Direct  
15 Exhibit SKJ-1.

16 **Q. WHAT ARE YOUR CURRENT JOB RESPONSIBILITIES?**

17 A. As Director of Regulatory, I am responsible for managing the Revenue Requirements group  
18 and provide oversight and technical expertise for cost-of-service studies, revenue  
19 requirement calculations, Federal Energy Regulatory Commission (“FERC”) formula rates,  
20 and regulatory reporting. I lead a team of managers and analysts responsible for various  
21 financial and revenue requirement analysis in support of BHC’s utility subsidiaries in  
22 multiple states and jurisdictions.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY BODIES?**

2 A. Yes, I have provided testimony in Wyoming, Iowa, and Colorado. Additionally, as provided  
3 on KSG Direct Exhibit SKJ-1, I have also prepared, filed, or participated in rate applications,  
4 testimony, testimony exhibits, data responses, settlement conferences, hearings, and other  
5 regulatory proceedings for various subsidiaries of BHC.

6 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

7 A. Yes, I am sponsoring the following Exhibits:

KSG Direct Exhibit SKJ-1	Education, Employment History, and Professional Experience
KSG Direct Exhibit SKJ-2	Revenue Requirement Study
KSG Direct Exhibit SKJ-3	RRS Statements and Schedules Detail & Filing Requirements Sections 3-11 to RRS Cross Reference
KSG Direct Exhibit SKJ-4	Black Hills Service Company Cost Allocation Manual (Amended December 2022)
KSG Direct Exhibit SKJ-5	Black Hills Service Company Cost Allocation Manual (Amended December 2023)
KSG Direct Exhibit SKJ-6	Black Hills Service Company Cost Allocation Manual (Amended June 2024)

8 **Q. HAVE THE TESTIMONY AND EXHIBITS THAT YOU ARE SPONSORING BEEN**  
9 **PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

10 A. KSG Direct Exhibits SKJ-1, SKJ-2, and SKJ-3 have been prepared by me or under my  
11 supervision. KSG Direct Exhibits SKJ-4 and SKJ-5, the Black Hills Service Company Cost  
12 Allocation Manual (“CAM”), are the product of a multifunctional committee of Subject  
13 Matter Experts from BHC subsidiaries. I am part of the committee that reviews the CAM  
14 and am familiar with the contents.

15 The CAM is updated and reviewed in December of each year and takes effect January

1 1 of the following calendar year. In 2024 there was an additional CAM revision in June,  
2 which has been provided as KSG Direct Exhibit SKJ-6. KSG Direct Exhibit SKJ-4 is the  
3 CAM that was in effect for calendar year 2023 and KSG Direct Exhibit SKJ-5 is the CAM  
4 that was in effect from January 1, 2024, through June 29, 2024.

### 5 **III. PURPOSE OF TESTIMONY**

#### 6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to provide support for the following areas:

#### 8 **A. Revenue Requirement Study**

9 My testimony presents the results of the Revenue Requirement Study (“RRS”) prepared for  
10 Black Hills. The Proposed RRS, which is included as KSG Direct Exhibit SKJ-1, is  
11 presented by the Company in support of the revenue requested in this proceeding and is the  
12 primary focus of my Direct Testimony. I introduce and describe each of the statements and  
13 schedules contained within the RRS model and explain the reasoning behind the various  
14 known and measurable and other *pro forma* adjustments to the Company’s per-book  
15 investments, expenses, and revenues and how those adjustments are reflected within the  
16 RRS. The RRS supports the required increase in base rate revenues that Black Hills proposes  
17 in its Rate Application. The RRS also establishes the cost basis for the structure and design  
18 of proposed base rates.

#### 19 **B. Rate Application Requirements**

20 My testimony supports Black Hills’ Rate Application in this proceeding. Specifically, I am  
21 sponsoring the following Rate Application Sections for Black Hills:

- 22 • Section 3 – Summary of rate base, operating income, and rate of return;



- 1 • Section 4 – Plant investments;
- 2 • Section 5 – Accumulated provision for depreciation and amortization;
- 3 • Section 6 – Working Capital;
- 4 • Section 7 – Capital and cost of money;
- 5 • Section 8 – Financial and operating data;
- 6 • Section 9 – Test year and *pro forma* income statements;
- 7 • Section 10 – Depreciation and amortization;
- 8 • Section 11 – Taxes; and
- 9 • Section 12 – Allocation Ratios.

10 After an initial discussion and explanation of Black Hills’ Revenue Requirement  
11 Study provided in KSG Direct Exhibit SKJ-2, the structure of my testimony follows the State  
12 Corporation Commission of the State of Kansas’ (“Commission”) Rate Application filing  
13 requirement for each of the Commission’s Rate Application Sections identified above. In  
14 addition, my testimony will cover the additional items identified below. The CAMs required  
15 for Black Hills’ Application Section 12 are not contained within KSG Direct Exhibit SKJ-2  
16 (RRS) but are provided separately as identified in the testimony exhibits referenced above.

17 **C. Adjustments**

18 My testimony discusses the reasoning behind the various adjustments made within the Rate  
19 Application to (1) per-book investments and (2) expenses and revenues. The testimony  
20 explains how those adjustments are reflected within the Revenue Requirement Study.

21 **D. Working Capital**

22 I support the calculation of the working capital adjustment included in the Revenue

1 Requirement Study.

2 **E. Depreciation**

3 My testimony adopts the depreciation rates approved in Black Hills' last rate proceeding in  
4 KCC Docket No. 21-BHCG-418-RTS.<sup>1</sup>

5 **F. Accounting Tracking Mechanisms**

6 My testimony supports the proposed accounting tracking mechanism related to insurance  
7 expense.

8 **G. Cost Allocation Manual**

9 My testimony supports the costs allocated by BHSC to Black Hills under the CAM. The  
10 CAMs in effect for 2023 and 2024, respectively, were used to develop the Company's  
11 proposed revenue requirement and are provided with this testimony as KSG Direct Exhibits  
12 SKJ-4, SKJ-5 and SKJ-6.

13 **Q. PLEASE SUMMARIZE THE RRS THAT YOU ARE SPONSORING.**

14 A. The RRS develops a revenue requirement based on the Company's actual accounting and  
15 financial data for the twelve months ended September 30, 2024 ("Test Year").

16 The RRS adjusts the Test Year data to include accounting, regulatory, and other *pro*  
17 *forma* adjustments for revenues, expenses, and rate base components, to calculate the *Pro*  
18 *Forma* Period revenue requirements. Accounting adjustments are made to add or remove  
19 certain accounts and expense transactions in the calculation of the revenue requirement.

20 Regulatory adjustments are applied consistent with rate recovery policies and principles

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<sup>1</sup> In the Matter of the Application of Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy, for Approval of the Commission to Make Certain Changes in its Rates for Natural Gas Service, KCC Docket No. 21-BHCG-418-RTS (Dec. 30, 2021).

1 established by the Commission. *Pro forma* and known and measurable adjustments are made  
2 to reflect future conditions that will occur prior to or when new rates are in effect. This  
3 approach applies the matching principle to preserve the interrelationship between the  
4 revenues, expenses, and rate base components. The *Pro Forma* Period forms the basis for  
5 the Class Cost of Service Study (“CCOSS”) and Rate Design presented by Company  
6 witness, Mr. Ethan J. Fritel. I provide more detail on the adjustments the Company has made  
7 later in my testimony.

8 **Q. WHAT OTHER COSTS IS THE COMPANY PROPOSING TO RECOVER**  
9 **THROUGH BASE RATES THAT ARE CURRENTLY RECOVERED THROUGH**  
10 **OTHER COST RECOVERY MECHANISMS?**

11 A. As discussed in more detail by Mr. Robert Daniel and Mr. Nicholas W. Smith, the Company  
12 is proposing to include the investments and expenses currently being recovered through the  
13 Gas System Reliability Surcharge Rider (“GSRS”) to reset the Pension and Other Post  
14 Employment Benefits (“OPEB”) Tracker’s Ad Valorem Tax Surcharge.

15 **Q. PLEASE SUMMARIZE THE RESULTS OF THE RRS.**

16 A. The RRS calculates a total revenue requirement for base rate revenues of \$77,555,362 which  
17 represents a deficiency of \$17,207,752 as summarized in Statement A of KSG Direct Exhibit  
18 SKJ-2. This is based on the proposed return on equity (“ROE”) of 10.5%, a cost of long-  
19 term debt of 4.71%, and a capital structure of 50.44% equity, 49.56% debt, resulting in a  
20 Weighted Average Cost of Capital (“WACC”) of 7.63%.

1 **IV. RECOMMENDATIONS**

2 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

3 A. I recommend that the Commission approve:

- 4 1. The proposed RRS ending September 30, 2025, and the resulting total revenue  
5 requirement reflected in the KSG Direct Hearing Exhibit SKJ-2 of \$77,555,362;  
6 2. An annual deficiency of \$17,207,752; and  
7 3. The accounting tracking mechanism related to insurance expense and continuation of the  
8 Ad Valorem Tax Surcharge Rider, and Pension and retiree healthcare tracking mechanisms.<sup>2</sup>

9 **V. THE REVENUE REQUIREMENT STUDY**

10 **Q. WHERE DOES BLACK HILLS PROVIDE THE REVENUE REQUIREMENT**  
11 **STUDY WITHIN THE RATE APPLICATION?**

12 A. The Revenue Requirement Study is KSG Direct Exhibit SKJ-2. Testimony references to the  
13 “Revenue Requirement Study” or “RRS” or “KSG Direct Exhibit SKJ-2” reference the same  
14 document. A list of each statement and schedule contained in the RRS model is provided in  
15 KSG Direct Exhibit SKJ-3, Pages 1 and 2.

16 Many elements of the RRS are presented in Sections 3 through 11 of Black Hills’  
17 Rate Application. In compliance with the Commission’s Rules and Regulations, various  
18 statements or schedules from the RRS by Black Hills are duplicated or otherwise referenced  
19 in the Rate Application Sections to provide the information required by the Commission’s  
20 General Rate Filing Rules and Regulations.<sup>3</sup> My testimony references either the

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<sup>2</sup> See Black Hills Tariff Index No. 14 (Rate Schedule Index) for identification of various charges currently approved by the Commission.

<sup>3</sup> K.A.R. 82-1-231.

1 Commission Rate Application sections or KSG Direct Exhibit SKJ-2 or both, as appropriate,  
2 in support of Black Hills' Rate Application.

3 **Q. WHAT IS THE PURPOSE OF A REVENUE REQUIREMENT STUDY?**

4 A. A revenue requirement study, also sometimes referred to as a cost-of-service study, is the  
5 financial analysis used to determine the level of revenues required to recover the costs  
6 incurred by a jurisdictional utility providing service to its customers. The revenue  
7 requirement study revenues must also allow the jurisdictional utility an opportunity to earn  
8 a fair and reasonable return on its investments in its property dedicated to the provision of  
9 safe and reliable natural gas service. The costs included in a cost-of-service study include  
10 the expenses incurred by the jurisdictional utility to operate and maintain facilities. Such  
11 costs include, but are not limited to, labor costs, depreciation and taxes, administrative costs  
12 to oversee the operations, and capital costs necessary to service the utility's debt and to  
13 provide investors a fair return. At a basic level, the revenue requirement equation is as  
14 follows:

$$\text{Revenue Requirement} = \text{Expenses} + \text{Return on Rate Base}$$

16 Operating Expense categories include operating, maintenance, administrative,  
17 general, property tax, sales tax, payroll tax, state and federal income tax, depreciation, and  
18 amortization. The rate base consists of net plant investment (gross plant less accumulated  
19 provision for depreciation), working capital, including cash working capital, accumulated  
20 deferred income taxes ("ADIT"), and net excess deferred income taxes ("EDIT"). The  
21 return on rate base is calculated using the Weighted Average Cost of Capital ("WACC"),  
22 which includes a weighting of the cost of long-term debt and equity. The WACC is

1 multiplied by the calculated rate base to yield the total amount of required earnings. The  
2 RRS indicates the overall level of revenues necessary to earn the authorized return, which is  
3 then used in setting base rates.

4 The resulting calculation, the Revenue Requirement, is the amount Kansas Gas  
5 (“KSG”) collects from customers to recover its costs and provide a reasonable return to  
6 investors.

7 **Q. HOW WAS THE REVENUE REQUIREMENT STUDY DEVELOPED FOR THIS**  
8 **RATE APPLICATION?**

9 A. The detailed Revenue Requirement Study in KSG Direct Exhibit SKJ-2 was prepared using  
10 a general format that is standard across BHC’s utility jurisdictions and is presented in  
11 Sections 3 through 11 in the format prescribed by the Kansas Corporation Commission.  
12 The design of the general format of KSG Direct Exhibit SKJ-2 provides detailed calculations  
13 for some of the data, so these schedules remain as supporting documentation and are  
14 described briefly here.

15 The Revenue Requirement Study starts with Black Hills’ per book, or unadjusted,  
16 financial statements for the 12 months ending September 30, 2024 (Test Year), as reflected  
17 in the Balance Sheet and Income Statement schedules of the Revenue Requirement Study,  
18 prepared in accordance with the Federal Energy Regulatory Commission (“FERC”) Uniform  
19 System of Accounts.

20 In developing a revenue requirement study, accounting adjustments are made to add  
21 or remove certain accounts and expense transactions in the calculation of the revenue  
22 requirement. Regulatory adjustments are necessary to comply with rate recovery policies

1 established through Commission orders in prior rate proceedings, rules, and law. Known and  
2 measurable and other *pro forma* adjustments are made to reflect future conditions at the time  
3 when new rates will be effective.

4 **Q. WHAT ARE THE CONTENTS OF THE RRS MODEL?**

5 A. Table SKJ-1 below shows each statement presented within KSG Direct Exhibit SKJ-2. A  
6 complete list of the statements and schedules contained in the RRS Model is provided as  
7 KSG Direct Exhibit SKJ-3, Pages 1 and 2.

**Table SKJ-1 – Revenue Requirement Study Statements**

<b>Statement</b>	<b>Description</b>
Statement A	Calculation of Revenue Deficiency
Statement B	Overall Revenue Requirement
Statement C	Other Rate Base Items
Statement D	Plant in Service
Statement E	Accumulated Provision for Depreciation
Statement F	Working Capital
Statement G	Cost of Capital
Statement H	Operating and Maintenance Expenses
Statement I	Operating Revenue
Statement J	Depreciation Expense
Statement K	Computation of Federal Income Tax
Statement L	Taxes Other Than Income
Statement M	Detailed Calculation of the Revenue Deficiency

8 **Q. PLEASE EXPLAIN HOW THE STATEMENTS AND SCHEDULES INCLUDED IN**  
9 **THE REVENUE REQUIREMENT STUDY SUPPORT THE PROPOSED REVENUE**  
10 **REQUIREMENT?**

11 A. Statements C through L within the Revenue Requirement Study (“RRS”) support the  
12 revenue requirement summary in Statement B. Statement A of the Revenue Requirement

1 Study calculates the revenue deficiency based upon inputs from the previous statements.

2 The schedules within the Revenue Requirement Study provide detailed information  
3 and are used to support the statements throughout the Revenue Requirement Study.

4 For example, adjustments to rate base are shown in Statements C, D, E, F and J.  
5 Expense adjustments are reflected in Statements H, J, K and L. Revenue adjustments are  
6 shown in Statement I. Each adjustment is referenced by a corresponding schedule and  
7 explained separately in my Direct Testimony.

8 Revenue Requirement Study Statement M summarizes the detailed schedules and  
9 forms the basis for the CCOSS and Rate Design presented in Company witness, Mr. Fritel's  
10 Direct Testimony.

11 The revenue deficiency is the amount by which the base rate revenues need to be  
12 increased to recover the costs to operate, maintain, and manage the utility while providing  
13 the Company a reasonable opportunity to earn its authorized rate of return. The results of the  
14 revenue deficiency are summarized on Statement A.

15 **Q. PLEASE SUMMARIZE THE REVENUE REQUIREMENT BEING REQUESTED**  
16 **BY THE COMPANY.**

17 A. Table SKJ-2 below summarizes the total revenue requirement and rate increase being  
18 requested in this proceeding.



1

**Table SKJ-2 – Summary of Requested Rate Increase**

Description	Pro Forma Period
Total Adjusted Rate Base	\$ 305,947,330
Rate of Return	7.63%
<b>Return</b>	<b>\$ 23,343,781</b>
Operations & Maintenance	32,351,842
Depreciation/Amortization	12,746,995
Taxes Other Than Income	8,963,372
FIT - Existing Rates	(84,781)
Other Operating Revenue	(3,379,475)
<b>Total Cost of Service</b>	<b>\$ 73,941,734</b>
Revenue Under Existing Rates	60,347,609
<b>Increase/(Decrease) Before Taxes</b>	<b>\$ 13,594,124</b>
Combined Tax Rate	21.00%
<b>Revenue Deficiency / (Excess) After Tax Gross up</b>	<b>\$ 17,207,752</b>
<b>Total Revenue Requirement after Tax Gross up</b>	<b>\$ 77,555,362</b>

2

**VI. COMMISSION RATE APPLICATION SECTION SUPPORT**

3

**Q. HOW DOES THE REVENUE REQUIREMENT STUDY DISCUSSED ABOVE SUPPORT THE COMMISSION RATE APPLICATION FILING REQUIREMENTS?**

4

5

6

A. Company witness Mr. Daniel supports the Commission’s Rate Application filing requirements. As noted above, my testimony focuses on Sections 3-12 of those requirements. The RRS provided in KSG Direct Exhibit SKJ-2 provides additional detail for the revenue requirement of Black Hills when compared to the Commission’s requirements.

7

8

9

10

Exhibit SKJ-3 page 3 shows the correlation between the Statements and Schedules included in the Revenue Requirement Study to Sections 3-11 of the Commission Rate Application filing requirements.

11

12

1 **Q. PLEASE DISCUSS THE SPECIFIC RATE APPLICATION SECTIONS THAT**  
2 **YOUR TESTIMONY SUPPORTS.**

3 A. As noted above, my testimony supports Sections 3-12 of the Commission's Rate Application  
4 filing requirements. Table SKJ-3 below provides specific references to KSG Direct Exhibit  
5 SKJ-2-RRS so that the Commission's rate application filing requirements are easily  
6 identified. Each of the identified rate application sections are supported by the information  
7 contained in Black Hills' Application and RRS provided as SKJ-2-RRS.

**Table SKJ-3 - Requirements to Revenue Requirement Study Cross Reference**

<b>Application Filing Requirement Section</b>	<b>Topic</b>	<b>Revenue Requirement Study Section</b>
3.3	Calculation of Revenue Deficiency	Statement A
4.1	Gas Plant in Service	Statement D
4.2	Gas Plant in Service Adjustments	Sched D-1
5.1	Accumulated Provision for Depreciation and Amortization	Statement E
6.1	Working Capital	Statement F
7.1	Capitalization and Requested Rate of Return	Statement G
7.2p1	Cost of Each Issue of Debt - Long Term Debt	Sched G-1
7.2p2	Cost of Each Issue of Debt	Sched G-1
7.3	Interest Coverage Computation	Statement K
7.4	Capital Structure	Statement G
8.1p1	Balance Sheet - Assets	BS Pg 1
8.1p2	Balance Sheet - Liabilities	BS Pg 2
8.2	Income Statement	IS
8.3p1	Revenues and Expenses	Statement I
8.3p2	Revenues and Expenses	Statement I
8.3p3	Revenues and Expenses	Statement H
8.3p4	Revenues and Expenses	Statement H
8.5p1	Payroll Expense	N/A
8.5p2	Payroll Expense	N/A
8.5p3	Payroll Expense	N/A
9.1	Income Statement Summary	3.2p2 and 3.2p3
9.2	Adjustments for Revenues and Expenses	Statement H and Statement I
10.1	Depreciation and Amortization	Statement J
11.1p1	Adjusted Income Taxes and Taxes Other Than Income	Statement K and Statement L
11.1p2	Unemployment and FICA Taxes	Statement L
11.2 and 11.3	Computation of Taxable Income	Statement K
11.4	Computation of Income Taxes	Statement K
11.5	Deferred Income Taxes Related to Investment Tax Credit	N/A
11.6	Deferred Income Taxes	Statement K

1 I identify each of the Rate Application sections supported by my testimony below.

2 **A. Rate Application Section 3**

3 **Q. WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 3?**

4 A. Section 3 requires rate base, operating income, and rate of return information.

5 **Q. PLEASE DESCRIBE THE RATE BASE USED IN THE REVENUE**  
6 **REQUIREMENT STUDY.**

7 A. Rate base is the value of invested capital, including all items used to provide utility service.  
8 Rate base represents the investor financed plant facilities and other investments required in  
9 providing utility service to customers. A regulated utility is allowed and should have a  
10 reasonable opportunity to earn a fair rate of return on rate base. As summarized on Section  
11 3, Schedule 2 of the Rate Application and KSG Direct Exhibit SKJ-2 Statement B, rate base  
12 includes Plant in Service, Accumulated Depreciation, Working Capital, and Other Rate Base  
13 Items which include Accumulated Deferred Income Taxes (“ADIT”), Customer Advances,  
14 Regulatory Assets, and Regulatory Liabilities.

15 **1. Rate Base Components**

16 **Q. PLEASE EXPLAIN HOW RATE BASE IS CALCULATED IN A REVENUE**  
17 **REQUIREMENT STUDY.**

18 A. Rate base represents the net investment by the utility necessary to operate the business and  
19 serve customers. Rate base is comprised of two general components. Costs related to  
20 property, plant, and equipment make up the primary component and include the initial  
21 investment such as gross plant in-service, but also any related offsets, such as the  
22 accumulated depreciation reserve, ADIT, EDIT, and non-tax rate base components. The

1 other component is the investment in short-term assets necessary to operate the business,  
2 which is referred to as Working Capital. The total investment is determined by summing the  
3 items listed above.

4 **Q. WHAT METHOD OF CALCULATING RATE BASE IS BLACK HILLS**  
5 **PROPOSING FOR THE REVENUE REQUIREMENT STUDY PRESENTED IN**  
6 **THIS RATE APPLICATION?**

7 A. Black Hills uses a Test Year ending on September 30, 2024, which is used as the anchor of  
8 the data. Rate base adjustments were then made by adding capital additions, net of  
9 retirements, which will be placed in service as well as the attendant impacts to arrive at the  
10 *Pro Forma* period ending September 30, 2025, rate base.

11 **Q. PLEASE WALK THROUGH HOW THE RATE BASE WAS DEVELOPED IN THE**  
12 **REVENUE REQUIREMENT MODEL.**

13 A. As summarized on Section 3.1 and KSG Direct Exhibit SKJ-2 Statement B, rate base  
14 includes Plant in Service, Accumulated Depreciation, Working Capital, and Other Rate Base  
15 Items such as ADIT, EDIT, Customer Deposits, Customer Advances for Construction,  
16 Regulatory Assets, and Regulatory Liabilities.

17 Statement C provides details regarding rate base items including certain regulatory  
18 assets, deferred income tax assets, other deferred credits, regulatory liabilities, ADIT, as well  
19 as customer deposits and customer advances. The adjustments are included in the total as a  
20 reduction to rate base and shown on Statement C.

21 Statement D details the plant in-service information by displaying Intangible, Natural  
22 Gas Production, Transmission, Distribution, General and Other Utility Plant Balances from

1 Accounts 101 (Plant In-Service), 106 (Completed Construction not Classified), and 118  
2 (Other Utility Plant) and accounts for capital additions and retirements, as detailed in  
3 Schedules D-1 and D-2.

4 Statement E shows the Accumulated Provision for Depreciation and Amortization  
5 from Accounts 108 (Accumulated Provision for Depreciation) and 119 (Reserve for  
6 Depreciation Other Utility Property) by the individual asset accounts for Intangible, Natural  
7 Gas Production, Transmission, Distribution, General and Other Utility Plant and adjusts the  
8 accumulated depreciation for capital additions and retirements, as detailed in Schedules E-1  
9 and E-2 as well as the roll-forward of the accumulated depreciation on existing assets to  
10 September 30, 2025 as shown on Schedule E-3.

11 Statement F summarizes the calculated working capital included in the proposed rate  
12 base. Schedule F-1 details the calculations to determine the working capital balances  
13 (Materials and Supplies, Gas Stored Underground and Prepaid Expenses) displayed on  
14 Statement F.

15 **Q. WOULD YOU PLEASE EXPLAIN THE SCHEDULES IN SECTION 3?**

16 A. Section 3 of the Rate Application shows the computation of rate base for Black Hills and the  
17 adjusted rate of return during the Test Year and the *Pro Forma* Period. Rate Application  
18 Schedule 1 is a summary which presents the various components of rate base and the  
19 adjusted rate of return for Black Hills. Line 17 of Rate Application Schedule 1 shows the  
20 adjusted rate base as of September 30, 2025, of \$305,947,330. Line 21 of Schedule 1 shows  
21 the rate of return of 3.19% under present rates. The proposed revenue increase necessary to  
22 yield the requested 7.63% rate of return is \$17,207,752 as shown on Schedule 1, Line 26.

1                   **2.     Rate Base Adjustments**

2   **Q.    WOULD YOU PLEASE DESCRIBE RATE APPLICATION SECTION 3,**  
3   **SCHEDULE 2, PAGE 1?**

4   A.    This schedule is a summary of the adjusted rate base, rate base adjustments, and the resulting  
5   rate base after these adjustments. There are five adjustments to Test Year rate base: capital  
6   additions (RB-1), capital retirements (RB-2), the adjustment for depreciation (RB-3), the  
7   working capital adjustment (RB-4), and other rate base adjustments (RB-5).

8                   **(a)    Adjustment RB-1**

9   **Q.    WOULD YOU PLEASE DESCRIBE ADJUSTMENT RB-1?**

10  A.    This adjustment to rate base is for the capital projects that will be completed and placed in  
11  service as used and useful utility assets from October 1, 2024, through September 30, 2025.  
12  The *pro forma* plant additions of \$39,917,692 are shown on Section 3, Schedule 2, page 1  
13  and KSG Direct Exhibit SKJ-2 Statement D and is discussed in the Direct Testimony of  
14  Company witness, Mr. Marc T. Eyre. Schedule D-1 outlines the monthly additions of KSG  
15  direct plant as well as KSG’s allocated share of BHSC’s plant additions for the same period.  
16  These adjustments are incorporated into the revenue requirement calculation by the addition  
17  of the gross plant, accumulated depreciation, the associated ADIT and the annual  
18  depreciation expense.

19           A *pro forma* adjustment to accumulated depreciation related to the net plant  
20  additions, in the amount of \$625,942, is shown on Section 3, Schedule 2, page 1 and SKJ-2,  
21  Statement E and Schedule E-1. These amounts were calculated with the depreciation rates  
22  approved in Docket No. 21-BHCG-418-RTS.

1 **Q. WERE ANY ASSUMPTIONS MADE IN THE INCLUSION OF THE CAPITAL**  
2 **ADDITIONS TO THE DETAILED PLANT ACCOUNTS IN KSG DIRECT EXHIBIT**  
3 **SKJ-2, SCHEDULE D-1?**

4 A. Yes, Black Hills considered each project and estimated which plant FERC account the total  
5 project dollars would be allocated to based on the specific type of project. Capital addition  
6 dollars were then assigned to specific FERC accounts based on historical project closure  
7 allocations.

8 **Q. ARE THE DOLLARS REPRESENTED IN THE PLANT ACCOUNTS**  
9 **REASONABLE BASED ON THE METHOD DESCRIBED ABOVE?**

10 A. Yes, the dollars in the plant accounts are reasonable. While the actual dollars recorded for  
11 these projects may differ somewhat from the projected cost, the methods described above  
12 provide a reasonable representation of the plant that are used and useful and will be placed  
13 in service.

14 **Q. WHAT IS THE BASIS FOR INCLUDING PLANT IN RATE BASE THAT WILL BE**  
15 **COMPLETED SUBSEQUENT TO THE TEST YEAR?**

16 A. Black Hills included additional capital spending related to specific capital projects that will  
17 be completed and placed into service by September 30, 2025. Kansas law as set forth in  
18 K.S.A. 66-128 (b) (2) (A) permits capital additions projects completed within one year from  
19 the end of the test period to be included in Black Hills' rate base. The projects included in  
20 this adjustment will be completed, in service, and booked to the proper accounts prior to  
21 September 30, 2025. Mr. Daniel discusses the Company's proposal for an abbreviated rate  
22 case and the impacts it will have in the instant docket as it relates to projects placed in service



1 by the end of the *Pro Forma* Period.

2 **(b) Adjustment RB-2**

3 **Q. WOULD YOU PLEASE DESCRIBE ADJUSTMENT RB-2?**

4 A. This adjustment is to reduce the plant in service balance to account for the impact of expected  
5 retirements for both KSG and BHSC plant additions. The *pro forma* plant retirements of  
6 \$6,172,769 are shown on KSG Direct Exhibit SKJ-2 Statement D and Schedule D-2.

7 An adjustment to accumulated depreciation related to the *pro forma* plant  
8 retirements, in the amount of \$6,577,146, is shown on Statement E and Schedule E-2. These  
9 amounts were calculated with the rates approved in Docket No. 21-BHCG-418-RTS.

10 **Q. WOULD YOU PLEASE EXPLAIN THE COMPONENTS OF TOTAL GAS PLANT  
11 BALANCES WHICH ARE INCLUDED IN THE RATE BASE CALCULATIONS?**

12 A. The amounts shown for Total Gas Plant on Section 3, Schedule 2, Line 1, Column 1,  
13 represent the amounts directly booked to Black Hills as of September 30, 2024, and the  
14 amount allocated from BHSC to Black Hills as of September 30, 2024, as well as the *Pro*  
15 *Forma* amounts shown in Column 2.

16 **Q. IS CONSTRUCTION WORK IN PROGRESS (“CWIP”) INCLUDED IN THE  
17 TOTAL PLANT BALANCE AS OF SEPTEMBER 30, 2024?**

18 A. No. Black Hills has followed past practices and excluded CWIP from the rate base  
19 calculation. However, Black Hills is proposing recovery of capital additions that will be  
20 completed and placed in service by September 30, 2025, as discussed above in adjustments  
21 RB-1 and RB-2.

1 (c) Adjustment RB-3

2 Q. WOULD YOU PLEASE DESCRIBE ADJUSTMENT RB-3?

3 A. This adjustment to rate base increases accumulated depreciation to reflect the roll-forward  
4 of the accumulated depreciation balances on existing plant in service as of September 30,  
5 2024, resulting in an increase to accumulated depreciation of \$12,678,231, as also shown on  
6 Statement E and Schedule E-3.

7 (d) Adjustment RB-4

8 Q. WOULD YOU PLEASE DESCRIBE ADJUSTMENT RB-4?

9 A. This adjustment reflects the impact of the working capital calculation shown in Section 6.  
10 Thirteen months of balances for working capital items are included on KSG Direct Exhibit  
11 SKJ-2, Schedule F-1 and summarized in Rate Application Section 6.

12 Q. WHAT IS INCLUDED IN THE MATERIALS AND SUPPLIES BALANCE SHOWN  
13 ON SECTION 3, SCHEDULE 2, PAGE 1?

14 A. Black Hills has prepared a thirteen-month average of Materials and Supplies balances for  
15 use in its rate base calculation, which includes inventory kept on-hand necessary to complete  
16 day to day operational work.

17 Q. WHAT DOES GAS STORAGE REPRESENT SHOWN ON SECTION 3,  
18 SCHEDULE 2, PAGE 1?

19 A. This represents a thirteen-month average of the gas inventory owned by Black Hills and used  
20 for its operations.

1 **Q. WHAT IS INCLUDED IN PREPAYMENTS ON RATE APPLICATION SECTION 3,**  
2 **SCHEDULE 2, PAGE 1?**

3 A. Prepayments include advance payments for insurance, software maintenance and licenses,  
4 PUC assessment fees, and actuarial services.

5 **Q. IS A CASH WORKING CAPITAL INCLUDED IN THE CALCULATION OF RATE**  
6 **BASE?**

7 A. As explained on pages 29 and 30 below, Black Hills has included cash working capital of  
8 zero in this Rate Application. The only adjustment for working capital included in the  
9 calculation of rate base is the adjustment from the period end balances to thirteen-month  
10 averages for materials and supplies, gas storage, and prepayments shown above and  
11 discussed later in Section 6.

12 **(e) Adjustment RB-5**

13 **Q. WOULD YOU PLEASE DESCRIBE ADJUSTMENT RB-5?**

14 A. This adjustment shows each rate base item, not previously discussed, that is included in rate  
15 base. These include adjustments to ADIT, EDIT, Allocated BHSC ADIT, Allocated BHSC  
16 EDIT, Customer Deposits and Customer Advances. Schedule C-1 details the adjustments  
17 for the ADIT related to pension, retiree healthcare and bad debt reserve, deferred tax assets  
18 and liabilities, EDIT regulatory liabilities, ADIT, and other adjustments made within the  
19 revenue requirement calculation, resulting in a decrease of \$3,842,740 as shown on RB-5  
20 and Schedule C-1.

1 **Q. WERE *PRO FORMA* ADJUSTMENTS MADE TO OTHER RATE BASE**  
2 **COMPONENTS?**

3 A. Yes. Schedules C-1 and C-2 detail the adjustments for deferred tax assets (“DTA”) and  
4 liabilities (“DTL” collectively “ADIT”), Net Operating Loss Carryforward (“NOL”), EDIT  
5 regulatory liabilities, and other adjustments made associated within the revenue requirement  
6 calculation.

7 **Q. PLEASE BRIEFLY DESCRIBE ADIT AND INCOME TAX NORMALIZATION.**

8 A. In setting utility rates in Kansas, the Commission has adopted the normalization method of  
9 accounting for income taxes. Under normalization, tax expense is recognized in the same time  
10 period as the income or expense from which it is derived. In other words, tax expense is  
11 recorded when the liability to pay the tax is established, not when the taxes are actually paid.  
12 An ADIT account is created for the portion of that tax that is not payable immediately but is  
13 deferred and payable in a future year. In this way, normalization results in the proper  
14 allocation of tax expense between current and future customers while considering the time  
15 value of the savings resulting from deferred tax payments by including ADIT in rate base.  
16 For ratemaking purposes, the sum of all the ADIT accounts is generally a liability balance  
17 and therefore reduces rate base. This recognizes that the temporary cash savings resulting  
18 from the deferred tax payments represents a cost-free source of capital to the utility. The  
19 inclusion of the net ADIT liability ensures that customers receive the benefit of this cost-free  
20 capital.

1 **Q. PLEASE DESCRIBE THE ADIT ADJUSTMENTS MADE TO OTHER RATE BASE**  
2 **ITEMS.**

3 A. Schedule C-1 includes the following ADIT impacts and adjustments:

- 4 • ADIT impacts of rolling forward the existing Per-Book Base Period plant-related  
5 ADIT balances to the end of the *Pro Forma* Period;
- 6 • ADIT impacts for the *pro forma* plant additions;
- 7 • ADIT impacts of plant retirements;
- 8 • ADIT adjustments for allocated BHSC plant, including rolling forward the existing  
9 Per-Book Base Period ADIT balances to the *Pro Forma* Period, *pro forma* plant  
10 additions and retirements; and
- 11 • ADIT that is impacted by pension and retiree healthcare expense, rate case expense,  
12 Kansas Corporation Committee (“KCC”) fees, and bad debt expense adjustments.

13 The *pro forma* adjustments in column (d) of Schedule C-1, lines 24 (utility direct)  
14 and 46 (allocated BHSC) to plant-related ADIT in the net amount of \$6,197,349 are the  
15 result in additional tax deductions over book deductions and increases to DTLs in the *Pro*  
16 *Forma* Period. This increase to the rate base reductions also includes the impact of a change  
17 in the method of accounting for tax repair deductions described in the Direct Testimony of  
18 Robert Daniel, beginning at page 20, line 18. In addition to the benefit of reclassifying  
19 Protected EDIT to Non-Protected EDIT for prior depreciation claimed, the change in  
20 accounting method also increases the amount of ADIT as a rate base reduction. The true up  
21 of prior year’s results in additional tax repair deductions in excess of the prior depreciation  
22 taken. This method change results in approximately \$1.0M of additional DTLs.

23 The adjustments to ADIT on Schedule C-1 for pension and retiree healthcare are  
24 related to increases or decreases in the accrued pension and retiree healthcare expense in

1 cost of service on Schedules H-6 and H-7. The book deductions from net income for  
2 pension and retiree healthcare expenses occur as the benefits are earned and expenses are  
3 accrued on the utility's books. The tax deductions are permitted only when the expenditures  
4 are actually paid. This creates a timing difference that impacts the ADIT balance. Therefore,  
5 adjustments to the accrued pension and retiree healthcare expenses per book require an  
6 associated adjustment to ADIT.

7 **Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO EDIT ON SCHEDULE C-1.**

8 A. An adjustment was also made to the Protected EDIT on Schedule C-1, column(d) line 30  
9 (utility direct ARAM) and line 46 (allocated BHSC ARAM), for projected amortization  
10 determined by the average rate assumption method ("ARAM") for the *Pro Forma* Period.  
11 The amortization results in a reduction to income tax expense on Statement K, column (f),  
12 line 80 in the amount of \$461,339 (utility direct ARAM) and line 81 (allocated BHSC  
13 ARAM) in the amount of \$60,077. The \$1,061,683 *pro forma* adjustment to the per book  
14 base period EDIT amortization on Schedule K, column (d), line 80 is to remove the  
15 amortization of Non-Protected EDIT that has been refunded to customers outside of base  
16 rates in the current TA Rider.

17 **Q. WHAT IS THE TOTAL IMPACT TO RATE BASE FOR THE *PRO FORMA***  
18 **ADJUSTMENTS ON SCHEDULE C-1?**

19 A. The net of the ADIT and EDIT *pro forma* adjustments is a reduction to rate base of  
20 \$3,842,740 to arrive at a total of \$54,613,284 shown on Schedule C-1, line 51, column (e),  
21 of Exhibit SKJ-2.

22 Customer deposits in the amount of (\$1,090,806) and Customer Advances for

1 Construction in the amount of (\$506,945) are also included as other rate base items.

2 **Q. WHAT IS A NET OPERATING LOSS?**

3 A. If a utility has more tax deductions than taxable income in a given tax year, it results in a net  
4 operating loss (“NOL”). For KSG, the effect of accelerated depreciation, including bonus  
5 depreciation in the *Pro Forma* Period, has resulted in tax deductions in excess of taxable  
6 income. The DTA attributable to accelerated tax depreciation is added to rate base to the  
7 extent that it offsets the ADIT related to the book/tax depreciation temporary difference.  
8 As the resulting NOL-DTA unwinds in the future and additional net income can be used to  
9 offset the accumulated tax deductions, the offset to ADIT will be reduced and the  
10 corresponding rate base amount will be restored.

11 **Q. HAS THE COMPANY INCLUDED AN ADJUSTMENT FOR THE NOL**  
12 **DEFERRED TAX ASSET IN THE COST OF SERVICE IN ACCORDANCE WITH**  
13 **TAX NORMALIZATION RULES?**

14 A. Yes. Failure to include the portion of an NOL carryforward that is attributable to  
15 accelerated depreciation in calculating the amount of ADIT in rate base would be  
16 inconsistent with the normalization requirements under the Internal Revenue Code. Further,  
17 the method for determining the portion of NOL carryforward attributable to accelerated  
18 depreciation should be determined using the “with and without” method. The adjustments  
19 to the NOL-DTA on Schedule C-1 to the *Pro Forma* Period are determined based on the  
20 “with and without” methodology as shown on Schedule C-2 of the RRS to arrive at the *Pro*  
21 *Forma* balance of \$2,380,165. The “with and without” methodology compares taxable  
22 income or losses with tax depreciation and without tax depreciation. If an NOL is generated

1 in both scenarios, the difference in the two scenarios is the amount of NOL that is the result  
2 of accelerated tax depreciation. On Schedule C-2, an NOL is generated only in the “with”  
3 scenario, so the entire amount is attributable to tax depreciation and the resulting NOL DTA  
4 must be included in rate base. Specific guidance previously issued by the Internal Revenue  
5 Service (“IRS”) in the form of Private Letter Rulings (“PLRs”)<sup>4</sup> prescribe the “with and  
6 without” methodology with respect to determining the NOL DTA. Furthermore, three recent  
7 PLRs issued by the IRS in 2024 further state the NOL DTA to include in rate base must be  
8 computed on a separate return method and must not be reduced by tax sharing payments by  
9 other members of a consolidated group.<sup>5</sup> The NOL calculation on Schedule C-2 is in  
10 compliance with these PLRs.

11 **Q. WOULD YOU PLEASE EXPLAIN RATE APPLICATION SECTION 3, SCHEDULE**  
12 **2, PAGES 2-41?**

13 A. Page 2 shows the Black Hills income statement for the Test Year ended September 30, 2024.  
14 Page 3 reflects the total of all *pro forma* adjustments. Page 4 shows the income statement  
15 resulting from combining all the *pro forma* adjustments with the Test Year income  
16 statement. A calculation of each adjustment is provided in Section 3, Schedule 2, Pages 5  
17 through 41. The adjustments are discussed further in my testimony below and summarized  
18 in Section 9, Schedule 2. Table SKJ-4 below cross references the adjustments to their  
19 locations within KSG Direct Exhibit SKJ-2, the Revenue Requirement Study.

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<sup>4</sup> *PLRs 8818040, 201436037, 201436038 and 201438003.*

<sup>5</sup> *PLRs 202426002 through 202426004*



**Table SKJ-4 - Summary List of RRS Adjustments - Section 3, Schedule 2**  
**Page 3 Cross Reference**

Adjustment #	Adjustment Type	Section 3, Schedule 2 Pages	Revenue Requirement Study Section
IS-1 to IS-10	Revenues	Pages 5-14	Stmt I
IS-11 to IS-30	O&M Expenses	Pages 15-34	Stmt H
IS-31	Depreciation	Page 35	Stmt J
IS-32 to IS-35	TOTI	Pages 36-39	Stmt L
IS-36 to IS-37	Income Taxes	Pages 40-41	Stmt K

A comprehensive list of the various RRS adjustments made by Black Hills is provided in Exhibit SKJ-3, pages 4 and 5.

**Q. WOULD YOU PLEASE DESCRIBE APPLICATION SECTION 3, SCHEDULE 3?**

A. This schedule shows the computation of the Black Hills revenue deficiency based on the requested rate of return. The calculated revenue deficiency is \$17,207,752, as also shown on KSG Direct Exhibit SKJ-2, Statement A.

**B. Rate Application Section 4**

**Q. WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 4?**

A. This section shows the plant investment for Black Hills. Schedule 1 and KSG Direct Exhibit SKJ-2, Statement D summarizes Gas Plant in Service by functional classification, with an adjusted plant balance of \$495,300,471. Schedule 2 details the gas plant in service by primary account for the three calendar years preceding the Test Year, for the Test Year, and for the 12-month period preceding the Test Year. It also details the adjustments made on Schedules D-1 and D-2 and the *pro forma* adjusted plant balance, as shown on Statement D.

1           **C.     Rate Application Section 5**

2   **Q.     WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 5?**

3   A.     This section presents accumulated depreciation and amortization for Black Hills. Section 5  
4         Schedule 1 and KSG Direct Exhibit SKJ-2, Statement E summarizes the accumulated  
5         depreciation and amortization by functional class for the three calendar years preceding the  
6         Test Year, for the Test Year, and for the 12-month period preceding the Test Year. It also  
7         details the adjustments made on Schedule E-1, E-2 and E-3 and the *pro forma* adjusted  
8         balance of \$138,756,353, as shown on Statement E.

9           **D.     Rate Application Section 6**

10 **Q.     WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 6?**

11 A.     Section 6 shows the components of working capital that Black Hills is including in rate base  
12         in this filing.

13 **Q.     WHAT IS WORKING CAPITAL?**

14 A.     Working capital is the capital necessary to operate the business and is made up of Cash  
15         Working Capital (“CWC”), materials and supplies, gas stored underground, and prepaid  
16         expenses.

17 **Q.     WHAT ADJUSTMENTS WERE MADE TO THE COMPONENTS OF WORKING**  
18 **CAPITAL?**

19 A.     Black Hills has included cash working capital at a zero balance in this Rate Application.  
20         Materials and Supplies, Gas Stored Underground, and Prepaid Expenses were adjusted to  
21         reflect the thirteen-month average balances for the Test Year. This averaging represents the  
22         ongoing level of investment necessary to serve customers throughout the year and avoids

1 peaks and valleys in the investment based on timing. This differs from Property, Plant, and  
2 Equipment investment because these investments are expected to be used or consumed in  
3 less than a year while Property, Plant, and Equipment are expected to have a useful life of  
4 multiple years.

5 **Q. DOES BLACK HILLS ANTICIPATE ANY MATERIAL CHANGES TO THE**  
6 **LEVELS OF THESE COMPONENTS OF WORKING CAPITAL?**

7 A. No. While the amounts fluctuate by month, Black Hills considers the Test Year thirteen-  
8 month average to be representative of normal levels going forward.

9 **Q. WHAT IS THE AMOUNT OF WORKING CAPITAL REQUESTED TO BE**  
10 **INCLUDED IN RATE BASE?**

11 A. As shown on Section 6, schedule 1 and adjustment RB-4 on Section 3, schedule 2, page 1, a  
12 downward adjustment of \$693,085 was made to adjust Materials and Supplies, Gas Stored  
13 Underground, and Prepaid Expenses to the thirteen-month average. A total of \$5,614,247 is  
14 included in rate base for these working capital items, as shown on KSG Direct Exhibit SKJ-  
15 2, Statement F.

16 **E. Rate Application Section 7**

17 **Q. WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 7?**

18 A. Section 7 requires Black Hills's proposed capital structure and rate of return information.

19 **Q. WHAT IS THE PROPOSED CAPITAL STRUCTURE AND RATE OF RETURN**  
20 **INCLUDED IN THE COST-OF-SERVICE CALCULATION?**

21 A. The proposed capital structure as presented on 7.1 and Statement G of KSG Direct Exhibit  
22 SKJ-2 is 50.44% equity and 49.56% debt. Based on the proposed return on equity of 10.50%,

1 as supported by the Direct Testimony of Company witness, Mr. Adrien M. McKenzie, and  
2 the cost of long-term debt of 4.71%, as sponsored by Company witness, Mr. Thomas D.  
3 Stevens, the requested Weighted Average Cost of Capital (“WACC”) is 7.63% and is shown  
4 in Table SKJ-5 below.

5 **Table SKJ-5 – WACC**

Description	Amount	Percent of Total	Cost	Weighted Cost
Long-Term Debt	\$ 151,800,000	49.56%	4.71%	2.33%
Common Equity	\$ 154,464,934	50.44%	10.50%	5.30%
Total	\$ 306,264,934	100%		7.63%

6 **Q. WOULD YOU PLEASE DESCRIBE RATE APPLICATION SECTION 7,**  
7 **SCHEDULES 1, 2, AND 3?**

8 A. This section of the Rate Application presents the capital structure and requested rate of  
9 return. Schedule 1 shows the rate of return on total capital at the end of the test year as well  
10 as the requested rate of return for the *Pro Forma* Period. Schedule 2 shows a summary of  
11 BHC’s long-term debt for the beginning and end of the Test Year and the cost of each series  
12 of notes and the calculation of the weighted average cost of long-term debt. Company  
13 witness, Mr. Stevens discusses debt and capitalization in his Direct Testimony. Schedule 3  
14 shows the interest coverage calculation for Black Hills.

15 **Q. WOULD YOU PLEASE DESCRIBE RATE APPLICATION SECTION 7,**  
16 **SCHEDULE 4?**

17 A. Schedule 4 summarizes the capital structure for BHC for the beginning and end of the test  
18 year.

1           **F.     Rate Application Section 8**

2   **Q.     WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 8?**

3   A.     Section 8 requires financial and operating data that contains a balance sheet, income  
4           statement and retained earnings statement. The following schedules in Section 8 provide  
5           account detail corresponding to the balance sheet and income statement data presented on  
6           Section 8, Schedule 1.

7   **Q.     WOULD YOU PLEASE DESCRIBE RATE APPLICATION SECTION 8,**  
8           **SCHEDULE 1?**

9   A.     Rate Application Section 8, Schedule 1, pages 1 and 2, is a balance sheet by primary account  
10           for Black Hills. The balance sheet includes the three calendar years preceding the Test Year,  
11           for the Test Year, and for the 12-month period preceding the Test Year.

12   **Q.     WOULD YOU PLEASE DESCRIBE SECTION 8, SCHEDULE 2?**

13   A.     Schedule 2 is an income statement by primary account for Black Hills and a statement of  
14           retained earnings, both for the three calendar years preceding the Test Year, for the Test  
15           Year, and for the 12-month period preceding the Test Year.

16   **Q.     WOULD YOU PLEASE DESCRIBE SECTION 8, SCHEDULE 3?**

17   A.     Schedule 3, Pages 1 through 4, shows operating revenues and expenses by primary account  
18           for Black Hills, as also shown on KSG Direct Exhibit SKJ-2, Statements H and I, for the  
19           three calendar years preceding the Test Year, for the Test Year, and for the 12-month period  
20           preceding the Test Year.

21   **Q.     WOULD YOU PLEASE DESCRIBE SECTION 8, SCHEDULE 5?**

22   A.     Schedule 5, pages 1 through 3, shows the annual payroll expense by primary account for the

1 same time periods as the previous Section 8 schedules.

2 **G. Rate Application Section 9**

3 **Q. WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 9?**

4 A. Section 9 requires Test Year and *Pro Forma* Income Statements.

5 **Q. WOULD YOU PLEASE BRIEFLY SUMMARIZE RATE APPLICATION SECTION**  
6 **9, SCHEDULE 1?**

7 A. Rate Application Section 9, Schedule 1 presents the income statement and all *pro forma*  
8 adjustments to the Test Year. Column 1 of Schedule 1 provides the per-book income  
9 statement, Column 2 is the sum of the *pro forma* adjustments, and Column 3 is the income  
10 statement after all adjustments. The net effect of all *pro forma* adjustments is to reduce utility  
11 operating income by (\$4,869,337).

12 **Q. WOULD YOU PLEASE EXPLAIN RATE APPLICATION SECTION 9, SCHEDULE**  
13 **2?**

14 A. Schedule 2 is a schedule of all *pro forma*, regulatory, and accounting adjustments that affect  
15 the income statement.

16 **Q. WHY WERE THESE ADJUSTMENTS MADE?**

17 A. Accounting adjustments are made to add or remove certain accounts and expense  
18 transactions in the calculation of the revenue requirement. Regulatory adjustments are  
19 applied consistent with rate recovery policies and principles established by the Commission.  
20 *Pro forma* and known and measurable adjustments are made to reflect future conditions that  
21 will occur prior to or when new rates are in effect. This approach applies the matching  
22 principle to preserve the interrelationship between the revenues, expenses, and rate base

1 components. I provide more detail on the adjustments Black Hills has made later in my  
2 testimony.

3 **1. Revenues & Revenue Adjustments**

4 **Q. HOW DO REVENUES IMPACT THE REVENUE REQUIREMENT?**

5 A. Revenues do not impact the calculation of the revenue requirement. Revenues are used as  
6 the measure of whether a company is receiving the required revenues calculated in the study.  
7 The difference between the revenues received and the revenue requirement is the Revenue  
8 Deficiency (if the revenues received are less than the revenue requirement) or the Excess  
9 Revenues (if the revenues received are more than the revenue requirement).

10 **Q. HOW WERE THE *PRO FORMA* YEAR REVENUES DEVELOPED FOR**  
11 **PURPOSES OF THE REVENUE REQUIREMENT STUDY?**

12 A. KSG Direct Exhibit SKJ-2, Statement I details the Test Year revenues from the billing  
13 system. All the adjustments to the Test Year revenues are shown in Section 3.2, IS -1 through  
14 IS-10 and Schedules I-1 through I-10 to arrive at the amounts used to calculate the revenue  
15 deficiency on Statement M. I will summarize each of these revenue adjustments below.

16 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-1, THE ADJUSTMENT TO**  
17 **REMOVE UNBILLED AND OTHER REVENUES?**

18 A. IS-1 removes unbilled revenues recorded during the Test Year that are associated with  
19 activity outside the Test Year. For this reason, unbilled revenues totaling \$547,621 are  
20 removed from the total of the revenues. Black Hills also removes revenues recorded during  
21 the per book period associated with reclassification of balancing fees and revenues related  
22 to the property tax rider refund in the amounts of \$747,798 and \$713,674. These adjustments,

1 which result in an increase of \$2,009,093 to revenues, are shown on KSG Direct Exhibit  
2 SKJ-2, Schedule I-1.

3 **Q. WHAT IS ADJUSTMENT IS-2, THE GAS COST ADJUSTMENT?**

4 A. IS-2 removes the gas cost revenues from the Test Year, which are recovered outside of base  
5 rates through the Purchased Gas Cost Adjustment. The resulting revenue reduction of  
6 (\$62,530,354) is presented on IS-2 and KSG Direct Exhibit SKJ-2, Schedule I-2.

7 **Q. WHAT IS ADJUSTMENT IS-3, THE WNA REVENUE RIDER ADJUSTMENT?**

8 A. The adjustment on IS-3 removes all revenue collected through the Weather Normalization  
9 Adjustment (WNA) Rider, as they are recovered outside of base rates. The adjustment of  
10 (\$1,903,789) is also shown on KSG Direct Exhibit SKJ-2, Schedule I-3.

11 **Q. WHAT IS ADJUSTMENT IS-4, AVTS REVENUE?**

12 A. Ad Valorem Tax Surcharge (ATVS) revenues are recovered as a separate line item on  
13 customer bills and are recovered outside of base rates. The adjustment of (\$1,457,265) is  
14 shown on IS-4 and KSG Direct Exhibit SKJ-2, Schedule I-4.

15 **Q. WHAT IS ADJUSTMENT IS-5, TA RIDER REVENUE ADJUSTMENT?**

16 A. The adjustment on IS-5 removes all revenue refunded through the TA Rider as they are  
17 recovered outside of base rates. The resulting revenue increase of \$2,985,240 is also shown  
18 on KSG Direct Exhibit SKJ-2, Schedule I-5.

19 **Q. WHAT IS ADJUSTMENT IS-6, NEGOTIATED RATES REVENUE**  
20 **ADJUSTMENT?**

21 A. Negotiated rate revenues are removed because the special contract transport rate revenues  
22 are recovered outside of base rates. This adjustment decreases base rate revenues by



1 \$2,291,493 as shown on IS-6 and Schedule I-6 and the negotiated rate revenues are added  
2 to other revenues.

3 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-7, REVENUE**  
4 **SYNCHRONIZATION ADJUSTMENT?**

5 A. The billing determinant synchronization adjustment is required to synchronize the revenues  
6 calculated using the billing determinants and the revenues from the accounting system in the  
7 amount of \$136,907, as shown on IS-7 and KSG Direct Exhibit SKJ-2, Schedule I-7. This  
8 adjustment is discussed further in the Direct Testimony of Company witness Mr. Fritel.

9 **Q. WHAT IS ADJUSTMENT IS-8, WEATHER NORMALIZATION ADJUSTMENT?**

10 A. Different from IS-3, the WNA Rider Revenue Adjustment, this adjustment is proposing to  
11 adjust revenues to that which would be expected in an otherwise “normal” or typical year  
12 related to weather and irrigation services. The resulting revenue increase of \$34,697, is  
13 reflected on IS-8 and Schedule I-8. Mr. Fritel further explains this adjustment in his Direct  
14 Testimony.

15 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-9, INCREMENTAL GSRS**  
16 **REVENUES?**

17 A. This adjustment captures the incremental increase in GSRS revenues that will be collected  
18 in the *Pro Forma* Period, as approved in Docket No. 24-BHCG-727-TAR. This adjustment  
19 increases base rate revenues by \$1,390,930 as shown on IS-9 and Schedule I-9.

20 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-10, LVTS CUSTOMER**  
21 **REVENUE ADJUSTMENT?**

22 A. The LVTS customer revenue adjustment is based upon new tariff rate Large Volume

1 Transportation customers that will begin service during the *Pro Forma* Period. The  
2 adjustment results in an increase of \$419,027 to base rate revenues, which is reflected on  
3 Adjustment IS-10 and Schedule I-10, and is further discussed in the Direct Testimony of Mr.  
4 Fritel. This adjustment also includes an adjustment of \$91,560 for negotiated rate Large  
5 Volume Transport customers which is added to other revenues.

6 **2. O&M Expenses and O&M Adjustments**

7 **Q. PLEASE EXPLAIN HOW THE STATEMENTS AND SCHEDULES CONTAINED**  
8 **IN THE REVENUE REQUIREMENT STUDY SUPPORT THE EXPENSE**  
9 **AMOUNTS PRESENTED IN THIS RATE PROCEEDING.**

10 A. Rate Application Section 9, Schedule 2 and KSG Direct Exhibit SKJ-2, Statement H details  
11 the Test Year O&M expenses by FERC account, provides a summary of the adjustments and  
12 calculates the *pro forma* expense totals. 9.2 and Statement H start with the Test Year  
13 expenses and the expense adjustments are shown in IS-11 through IS-30 and Schedules H-1  
14 through H-20 to arrive at the amounts used to calculate the revenue requirement on  
15 Schedules 1 and 3 of Rate Application Section 3 (Statement B of the revenue requirement  
16 study).

17 Rate Application Section 10, Schedule 1 summarizes depreciation and amortization  
18 expenses. These expenses are detailed on KSG Direct Exhibit SKJ-2, Statement J which  
19 shows the *pro forma* adjustments along with the adjusted totals used to calculate revenue  
20 requirements in Section 3 (Statement B of the Revenue Requirement Study).

1 Taxes other than income are shown on Rate Application Section 11, Schedule 1  
2 (detailed on KSG Direct Exhibit SKJ-2, Statement L) which shows the adjustments along  
3 with the adjusted totals used to calculate revenue requirements in Rate Application Section  
4 3 and KSG Direct Exhibit SKJ-2, Statement B.

5 Income tax calculations are summarized in Rate Application Section 11, Schedule 1  
6 and detailed on the Revenue Requirement Study on KSG Direct Exhibit SKJ-2, Statement  
7 K, which details the income tax expense along with the timing differences and associated  
8 deferred income tax expense. Statement K also shows the *pro forma* adjustments along with  
9 the adjusted totals used to calculate revenue requirements on Rate Application Section 3 and  
10 Statement B.

11 As previously discussed and cross referenced in Exhibit SKJ-3, adjustments  
12 throughout the Revenue Requirement Study on KSG Direct Exhibit SKJ-2 are presented in  
13 Adjustments IS-1 through IS-37 of Section 3, Schedule 2.

14 **Q. WOULD YOU PLEASE LIST THE ADJUSTMENTS MADE TO THE PER BOOK**  
15 **O&M EXPENSES?**

16 A. See Exhibit SKJ-3 pages 4 and 5 for a listing of the O&M adjustments made on IS-11  
17 through IS-30.

18 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-11, OUT OF**  
19 **PERIOD/ATYPICAL EXPENSE ADJUSTMENT?**

20 A. IS-11 removes entries that are either one time in nature or related to expenses from a prior  
21 year. The adjustment is related to a refund of overcharges from the third-party line locating  
22 company. The reduction of O&M expenses of \$18,155 is shown on IS-11 and Schedule H-

1 1.

2 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-12, REMOVAL OF**  
3 **ADVERTISING EXPENSE?**

4 A. Adjustment IS-12 removes advertising expenses not allowed for recovery in prior Kansas  
5 rate proceedings. Black Hills is seeking recovery of only those expenses which relate to  
6 hiring, regulatory notices, and safety. Safety advertising is a public service and is directed at  
7 promoting public awareness and preventing damage to the system. Advertising associated  
8 with hiring is a necessary business expense to obtain applicants for any open positions, and  
9 expenses related to regulatory notices are necessary expenses to meet Commission  
10 requirements. Black Hills is requesting \$55,212 of advertising costs specifically for these  
11 allowable categories of advertising. The resulting adjustment is a decrease of \$85,650 as  
12 shown on IS-12 and Schedule H-2.

13 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-13, DUES AND**  
14 **CONTRIBUTIONS EXPENSE ADJUSTMENT?**

15 A. In adjustment IS-13 Black Hills has removed 100% of donations, sponsorships and similar  
16 miscellaneous expenses that are not paid for by customers. Black Hills has reduced the  
17 remaining Test Year expenses for membership dues and chamber of commerce dues by 50%,  
18 recognizing that this reduction is typically made by the Staff of the Corporation Commission  
19 of the State of Kansas. As shown on IS-13 and Schedule H-3, the result is a reduction to  
20 O&M of \$99,435.

1 **Q. IS BLACK HILLS REQUESTING RECOVERY OF CHARITABLE**  
2 **CONTRIBUTIONS OR LOBBYING EXPENSES?**

3 A. No. Charitable contributions and lobbying expenses are recorded “below the line” or in Non-  
4 Utility Operating Income and Expense and excluded from the O&M expenses or any  
5 component of the RRS. During the analyses of advertising, dues, and memberships, any  
6 costs identified as sponsorships, contributions, and political or lobbying expenses were  
7 specifically excluded.

8 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-14, REMOVAL OF GAS**  
9 **COSTS?**

10 A. IS-14 is removing the costs of gas purchased on behalf of customers and recovered through  
11 the PGA. The revenues associated with these costs are also removed on IS-2 and Schedule  
12 I-2. An adjustment to decrease operating expenses by \$59,251,385 is shown on IS-14 and  
13 Schedule H-4.

14 **Q. WOULD YOU PLEASE EXPLAIN THE ADJUSTMENT FOR ANNUALIZATION**  
15 **OF DIRECT EMPLOYEE EXPENSES ON IS-15?**

16 A. The adjustment of \$609,858 on IS-15 and Schedule H-5 represents the adjustment to  
17 annualize the wages of direct KSG employees using payroll data as of November 4, 2024,  
18 which is representative of employee headcount when the rates from this proceeding go into  
19 effect. As of that date, there were 118 employees of KSG plus two open positions and one  
20 employee whose labor costs are charged 50% to KSG. The adjusted amounts incorporate  
21 merit increases of 3.75% for union contracted employees and 4% merit increases for non-  
22 union employees that will be implemented in March 2025, AIP costs representing 100% of

1 targeted payout and benefits. The overtime, call-out and standby pay included is the actual  
2 amount for the test year. The payroll tax adjustment related to wages and salaries is included  
3 in Statement L.

4 **Q. HOW DID BLACK HILLS CALCULATE THE ONGOING ANNUAL EXPENSES**  
5 **OF THE DIRECT EMPLOYEES?**

6 A. Black Hills obtained the gross pay, merit increase, overtime, stand-by pay, call out pay,  
7 incentive pay, 401(k) contributions, retirement contributions, and insurance costs for health,  
8 life, dental, and AD&D insurance from the Human Resources department to determine the  
9 ongoing annual pay and benefits received by each employee. The costs in the Test Year for  
10 overtime, stand-by, and call out pay are representative of those costs going forward on an  
11 annual basis; thus these components were not adjusted.

12 Black Hills pulled detail from the general ledger to determine where these costs were  
13 recorded in the Test Year, since some of these costs are recorded to the balance sheet as a  
14 component of capital based on the time coding of the employees. Black Hills determined the  
15 ratio of costs that are included in the Operations and Maintenance (“O&M”) expense  
16 accounts is 59% of the total direct labor costs.

17 **Q. WHAT IS INCLUDED IN THE REVENUE REQUIREMENT REGARDING**  
18 **INCENTIVES?**

19 A. Incentive compensation included within the *Pro Forma* period includes Annual Incentive  
20 Pay (AIP), Short-term Incentive Pay (STIP), Long-term Incentive Pay (LTIP) and equity  
21 compensation. These incentive programs are described in detail by Mr. Kris J. Pontious in  
22 his Direct Testimony.

1 **Q. DOES BLACK HILLS TYPICALLY PAY 100% OF TARGET?**

2 A. No, the actual annual payout could be more, or it could be less than the target. Incentive pay  
3 is based upon performance targets (both financial and non-financial) that pay out as a  
4 percentage of the incentive calculation from 0% to 150% of the target. In the last five years  
5 the performance target for KSG was paid out for performance related to the prior year as  
6 follows: 2023 was 99.42%; 2022 was 74.14%, 2021 was 99.64%, 2020 was 109.73%; and  
7 2019 was 107.57%. While the results of the performance targets do vary from year-to-year,  
8 KSG proposes the inclusion of incentive pay at 100% of target.

9 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-16, EMPLOYEE BENEFITS**  
10 **ADJUSTMENT?**

11 A. IS-16 adjusts the Test Year expenses for pension and retiree healthcare costs to the  
12 actuarially forecasted expenses for the *Pro Forma* Period, as discussed in the Direct  
13 Testimony of Mr. Stevens. Retiree Healthcare expense adjustments result in a decrease to  
14 operating expense in the amount of \$17,470. Pension expense adjustments result in a  
15 decrease of \$12,376. The net of these adjustments is a decrease to operating expense in the  
16 amount of \$29,846 as shown on IS-16 and KSG Direct Exhibit SKJ-2 Schedule H-6.

17 **Q. WHAT IS THE PURPOSE OF ADJUSTMENT IS-17, AMORTIZATION OF**  
18 **PENSION AND RETIREE HEALTHCARE LIABILITY?**

19 A. Black Hills proposes within IS-17 to return, over 3 years, the liabilities accrued for both the  
20 retiree healthcare plan tracker regulatory liability in the amount of \$81,474 and the pension  
21 plan tracker regulatory liability in the amount of \$503,629. The net of these adjustments is  
22 a decrease to operating expense in the amount of \$585,103 as shown on IS-17 and KSG

1 Direct Exhibit SKJ-2 Schedule H-7. This adjustment is discussed further in the Direct  
2 Testimony of Mr. Stevens.

3 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-18, INTERCOMPANY**  
4 **CHARGES FROM BLACK HILLS SERVICE COMPANY?**

5 A. IS-18 shows BHSC allocated charges under the Cost Allocation Manual (CAM) for the Test  
6 Year and associated *pro forma* adjustments. These adjustments reflect updated BHSC costs  
7 and allocations of expense through the *Pro Forma* period and adjust for known and  
8 measurable changes. Black Hills receives costs through both direct and indirect allocations  
9 under the terms of the BHSC CAM. The following adjustments are included within IS-18  
10 and KSG Direct Exhibit SKJ-2 Schedule H-8:

- 11 • Updated CAM allocation factors to be applied to the *Pro Forma* period expenses.  
12 This adjustment is completed so the CAM calculations utilized in computing the new  
13 rates for KSG match the *Pro Forma* period expenses in the revenue requirement.  
14 This adjustment results in a decrease to operating expenses in the amount of  
15 \$219,427.
- 16 • Labor related adjustments are summarized below:
  - 17 ○ Annualization of labor expense after the 2025 merit increases and  
18 promotions, based upon March 1, 2025, pay rates.
  - 19 ○ Adjusting the AIP and STIP payout to 100% of target.

20 The net of the labor adjustments is an increase of \$986,304.

- 21 • Insurance premiums are adjusted to reflect the estimated new contract rates for  
22 operations insurance, property insurance and general business insurance. This



1 adjustment increases expenses by \$392,862, based upon current invoices.

- 2 • Pooled medical benefit costs are adjusted to reflect the 2025 level of expense which  
3 increases expenses by \$268,098.

4 The sum of the adjustments as shown on IS-18 is an adjustment of \$1,427,838.

5 **Q. WOULD YOU PLEASE EXPLAIN THE ADJUSTMENT FOR BAD DEBT**  
6 **EXPENSE SHOWN ON ADJUSTMENT IS-19?**

7 A. Bad debt is calculated as a percentage of overall jurisdictional revenue. The adjustment  
8 reflects the impact of higher bad debt expense because of the higher revenues resulting from  
9 this rate review and adjusts the bad debt expense to increase at the same rate as proportional  
10 to revenues. Black Hills calculated an average effective uncollectible rate of 0.6002%,  
11 which was accomplished by averaging the net write-offs from the three years prior to the  
12 Test Year, October 2020 – September 2023. The average net write-offs are then divided by  
13 the average total billed revenue over that same timeframe. To determine the adjustment, the  
14 average effective uncollectible rate was multiplied by the adjusted revenue requirement  
15 shown on Statement B, line 2, column (h) plus the revenues recovered outside of base rates  
16 from Statement I, line 6, columns (i), (j), (k) and (m). This calculated net write-off amount  
17 was then compared to the Test Year bad debt expense amount in FERC Account 904. The  
18 result is an adjustment which increases expenses in the amount of \$187,896 as shown on  
19 adjustment IS-19 and KSG Direct Exhibit SKJ-2 Schedule H-9.

20 **Q. WOULD YOU PLEASE DESCRIBE THE ADJUSTMENT FOR RATE CASE**  
21 **EXPENSES ON ADJUSTMENT IS-20?**

22 A. As reflected on Adjustment IS-20 and KSG Direct Exhibit SKJ-2 Schedule H-10, Black

1 Hills is requesting to recover its rate case expenses from this proceeding and related expenses  
2 incurred in conjunction with two previous proceedings. Black Hills estimates it will incur  
3 \$700,000 of consulting, legal, noticing, and other external expenses related to this  
4 proceeding.

5 Additionally, Black Hills is requesting recovery of \$174,638 of expenses from the  
6 following proceedings:

- 7 • Anadarko Acquisition Expenses as approved in Docket No. 21-BHCG-418-RTS, in  
8 the amount of \$19,154.
- 9 • 2021 KS Gas Rate Review 3<sup>rd</sup> Party Expenses as approved in Docket No. 21-BHCG-  
10 418-RTS, in the amount of \$155,484.

11 **Q. HOW DOES BLACK HILLS PROPOSE TO RECOVER THESE EXPENSES?**

12 A. Black Hills proposes to recover its current rate case expenses over a 3-year amortization  
13 period. Prior Commission rate orders, including a precedential order on rate case expenses,  
14 allow recovery of rate case expenses over a 3-year period. Using the proposed amortization  
15 period and the current estimate of rate case expenses results in an adjustment of \$233,333.  
16 Black Hills is proposing a 15-month amortization period, 1.25 years, for the recovery of the  
17 prior rate case expenses. This timeframe is the remaining months included in the original  
18 amortization schedule of these expenses from Docket No. 21-BHCG-418-RTS. At the end  
19 of the *Pro Forma* period, October 1, 2025, there will be 15 months remaining on the original  
20 5-year (60 month) amortization period which began on January 1, 2022. Using the proposed  
21 amortization period of these prior expense results in an adjustment of \$139,710. The subtotal  
22 of these expenses is \$373,044. The Test Year rate case expense in the amount of \$139,710

1 is removed from this subtotal, resulting in an adjustment of \$233,333, as shown on IS-20  
2 and KSG Direct Exhibit SKJ-2, Schedule H-10. Black Hills will update its estimate of rate  
3 case expenses at an appropriate time in the procedural schedule.

4 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-21, SEVERANCE EXPENSE**  
5 **ADJUSTMENT?**

6 A. Severance expense is a normal cost of business which may apply when a position is  
7 eliminated due to changes in work resulting from operational efficiency gains, technology  
8 gains or other improvements to business operations. The elimination of a position can reduce  
9 the overall operating expenses over time, resulting in lower rates for customers. IS-21 and  
10 Schedule H-11 adjusts the Test Year severance expense of \$144,989 to a 3-year average of  
11 \$118,673 for the timeframe of October 2021 through September 2024 and normalized the  
12 Test Year expense to the average. The result is a decrease to expenses of \$26,316.

13 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-22, PAYMENT**  
14 **PROCESSING FEE EXPENSE ADJUSTMENT?**

15 A. This adjustment allows customers the convenience of paying their bill with a credit or debit  
16 card without the customer incurring separate fees. Customers increasingly want the  
17 convenience of this payment method, without a separate service fee, and the fees associated  
18 with card processing are reduced per transaction when they are paid by the utility rather than  
19 by individual customers paying bills. The test year fees of \$216,791 were adjusted to account  
20 for a coding error in the amount of \$99,680, for a total test year amount of \$316,471. The  
21 incremental increase calculated is based on the actual number of card transactions in the Test  
22 Year increased by 18% to reflect an increase in transaction volume in line with historical

1 year over year volume increases. The resulting adjustment of \$168,706 is shown on IS-22  
2 and Schedule H-12.

3 **Q. WOULD YOU PLEASE EXPLAIN THE FLEET DEPRECIATION EXPENSE**  
4 **ADJUSTMENT ON ADJUSTMENT IS-23?**

5 A. Depreciation expense associated with fleet investment is not recorded in the depreciation  
6 accounts, but rather is recorded in a clearing account and included in the fleet loading  
7 process. This process allocates fleet costs, including depreciation expense, based upon the  
8 actual use of the vehicles. Utilizing the depreciation rates approved in Docket No. 21-  
9 BHCG-418-RTS, depreciation expense was adjusted to annualize the expense, considering  
10 that only a portion of the actual expense is reflected in Test Year O&M expenses. The  
11 remaining depreciation expense is coded to either capital projects or to non-utility expense  
12 based on the use of the vehicles. The adjustment for fleet depreciation expense is allocated  
13 to accounts in the same ratio as the fleet loadings. This method reflects the annualized  
14 depreciation expense as though it had been recorded through the fleet loading process. The  
15 O&M adjustment for fleet depreciation is \$111,532 as shown on IS-23 and Schedule H-13.

16 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-24, COMMISSION FEE**  
17 **EXPENSE ADJUSTMENT?**

18 A. IS-24 and Schedule H-14 details the increase in O&M expense related to the KCC fees  
19 incurred. The incremental increase in revenue is multiplied by the current assessment rate  
20 from the most recent invoices related to the Citizens Utility Rates Board Assessment Fee  
21 Docket 25-ALLB-028-ASM and the Commission Costs Assessment Fee Docket 25-ALLX-  
22 029-ASM. The test year docket fees were also adjusted to a three-year average to arrive at a

1 total adjustment of \$21,868.

2 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-25, DATA IMPROVEMENT**  
3 **INTEGRITY PROGRAM EXPENSE ADJUSTMENT?**

4 A. This adjustment increases Test Year O&M expenses by \$250,276 to reflect the \$400,000  
5 annual average cost of the Data Improvement Integrity Program (DIIP), as shown on IS-25  
6 and Schedule H-15. The DIIP constitutes investment in improving infrastructure system data  
7 for system safety as discussed in greater detail in the testimony of Mr. Eyre.

8 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-26, PHMSA FEE EXPENSE**  
9 **ADJUSTMENT?**

10 A. IS-26 and Schedule H-16 increases the Pipeline and Hazardous Materials Safety  
11 Administration (PHMSA) Fees from the most recent PHMSA Invoice paid in April 2024 of  
12 \$160,552 by a 10.66% calculated 3-year average annual increase. The average annual  
13 increase was calculated from the FY2022 to FY2024 per mile cost (unit price) from those  
14 respective PHMSA invoices. This calculation results in an increase to O&M expenses of  
15 \$17,113.

16 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-27, RESEARCH AND**  
17 **DEVELOPMENT EXPENSE ADJUSTMENT?**

18 A. The research and development adjustment relates to a fee Black Hills proposes to pay to the  
19 Operations Technology Development (OTD) organization. OTD is a member-controlled  
20 partnership of natural gas distribution companies formed to develop, test and implement new  
21 technologies. The objective of OTD is to address a wide range of technology issues related  
22 to gas operations and its infrastructure. The adjustment for the membership cost is \$0.50 per

1 customer multiplied by the average number of customers in the Test Year as determined by  
2 the average number of monthly bills from the billing determinants. The *pro forma*  
3 adjustment of \$59,712 is shown on IS-27 and Schedule H-17. This adjustment is further  
4 discussed in the Direct Testimony of Mr. Smith.

5 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-28, DAMAGE PREVENTION**  
6 **EXPENSE ADJUSTMENT?**

7 A. IS-28 and Schedule H-18 adjusts the annual damage prevention expense to account for  
8 additional advertising and public training costs related to damage prevention. The *pro forma*  
9 adjustment of \$49,228 is further discussed in the Direct Testimony of Mr. Smith.

10 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-29, LINE LOCATE**  
11 **EXPENSE ADJUSTMENT?**

12 A. As discussed in the Direct Testimony of Mr. Eyre, the Test Year line locate expenses are  
13 adjusted for contract pricing increases through the *Pro Forma* period. Test Year rates were  
14 increased by a Consumer Price Index (CPI) of 3.7% for October 2024 through March 2025,  
15 based upon the contractor agreement. Test Year rates were increased by 4% for the  
16 remaining months of the *Pro Forma* period, April 2025 through September 2025. An  
17 adjustment to increase O&M expenses by \$69,889 is shown on IS-29 and Schedule H-19.

18 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-30, VEGETATION**  
19 **MANAGEMENT EXPENSE ADJUSTMENT?**

20 A. The adjustment made on IS-30 reflects the increased O&M costs in the *Pro Forma* Period  
21 to vegetation management expenses. The result of the adjustment is an increase to expenses  
22 of \$100,000 as shown on IS-30 and KSG Direct Exhibit SKJ-2 Schedule H-20 and is

1 discussed in the Direct Testimony of Mr. Eyre.

2 **H. Rate Application Section 10**

3 **Q. WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 10?**

4 A. Rate Application Section 10 shows the per-book annual depreciation and amortization  
5 expenses by functional class for the Test Year. KSG Direct Exhibit SKJ-2, Schedule J-1  
6 provides the detail by FERC account of depreciation expense in the Test Year which is  
7 summarized on Statement J. Plant depreciation and amortization expense has been adjusted  
8 to reflect the annual depreciation and amortization expense calculated using the depreciation  
9 rates as approved in Docket No. 21-BHCG-418-RTS as shown on KSG Direct Exhibit SKJ-  
10 2, Schedule J-1.

11 **1. Depreciation and Amortization Adjustment**

12 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-31, DEPRECIATION AND**  
13 **AMORTIZATION EXPENSE ADJUSTMENT?**

14 A. Adjustment IS-31 is the result of the depreciation and amortization calculation summarized  
15 on KSG Direct Exhibit SKJ-2, Statement J. The resulting increase in depreciation and  
16 amortization expense of \$874,479 is shown on Adjustment IS-31.

17 **Q. COULD YOU DISCUSS HOW DEPRECIATION AND AMORTIZATION**  
18 **EXPENSE WERE CALCULATED IN THE REVENUE REQUIREMENT STUDY?**

19 A. The annual plant depreciation and amortization expense is calculated by multiplying the *Pro*  
20 *Forma* period ending September 30, 2025, depreciable plant balances on Schedule J-1 by  
21 the depreciation rates as approved in Docket No. 21-BHCG-418-RTS. This adjustment  
22 annualizes the depreciation expense KSG will incur when rates become effective. Schedule

1 J-1 removes the non-depreciable accounts to determine the depreciable plant balances. The  
2 adjustment to reflect the depreciation and amortization changes results in an increase in  
3 depreciation and amortization expense of \$874,479 is shown on Adjustment IS-31 and  
4 Statement J.

5 **Q. WHY WAS THE COMPOSITE RATE CALCULATED FOR THE BHSC ASSETS?**

6 A. The composite rate was calculated in order to accurately determine the depreciation expense  
7 that would be allocated to Black Hills. This was done by dividing the depreciation expense  
8 by the plant balance at the end of the Test Year for Vehicles, Other and CIS+ assets.

9 **Q. HOW WAS THE COMPOSITE RATE CALCULATED?**

10 A. Black Hills calculated the depreciation expense by multiplying the depreciation rates for  
11 BHSC by the BHSC plant in service by FERC account detail. The sum of the depreciation  
12 expense by category was divided by the plant in service amount by category to arrive at the  
13 composite depreciation rate shown on Schedule J-1.

14 **I. Rate Application Section 11**

15 **Q. WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 11?**

16 A. Section 11 shows the impact of all adjustments on income taxes and taxes other than income  
17 taxes (“TOTI”). Schedule 1 summarizes the Test Year data and the adjustments made to  
18 arrive at the *Pro Forma* Period amounts for adjusted income taxes and taxes other than  
19 income. Additional data related to TOTI is shown in the Revenue Requirement Study, KSG  
20 Direct Exhibit SKJ-2, Statement L. Schedules 2 and 3 show the computation of taxable  
21 income before and after all *pro forma* adjustments. Schedule 4 shows the computation of  
22 income taxes before and after all *pro forma* adjustments. Schedule 5 shows deferred taxes



1 relating to Investment Tax credits, and Schedule 6 shows the deferred income tax balances.  
2 Additional detail related to income taxes is shown in the Revenue Requirement Study, KSG  
3 Direct Exhibit SKJ-2, Statement K.

4 **1. TOTI Adjustments**

5 **Q. ARE ANY ADJUSTMENTS MADE IN THE REVENUE REQUIREMENT TO**  
6 **TAXES OTHER THAN INCOME?**

7 A. Yes. Adjustments to TOTI include Federal Insurance Contributions Act (“FICA”) taxes,  
8 federal and state unemployment, and property taxes.

9 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-32, FICA TAX EXPENSE**  
10 **ADJUSTMENT?**

11 A. Black Hills’ proposed adjustment to labor expenses impacts the amount of FICA tax that  
12 Black Hills will be required to pay. The adjustment captures this increase by multiplying the  
13 wage adjustment from IS-15 (Schedule H-5) and IS-18 (Schedule H-8) by the FICA rate,  
14 resulting in a *pro forma* adjustment of \$122,106, as shown on IS-32 and Schedule L-1, lines  
15 4 and 9. This adjustment results in FICA tax expense aligning with the increased O&M  
16 wages requested.

17 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-33, FUTA TAX EXPENSE**  
18 **ADJUSTMENT?**

19 A. Federal Unemployment Tax Adjustment (FUTA) IS-33 is based upon the cost per employee  
20 at a rate of \$42 per year per employee. Since there are two open positions, KSG calculates  
21 there to be an additional expense of \$84 and adjusts the FUTA to reflect the change on IS-  
22 33 and Schedule L-1.

1 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-34, SUTA TAX EXPENSE**  
2 **ADJUSTMENT?**

3 A. State Unemployment Tax Adjustment (SUTA) IS-34 is based upon taxable earnings by  
4 employee with total taxable earnings of the two open positions subject to state  
5 unemployment tax to be \$28,000 with a rate of 0.47% resulting in additional expenses of  
6 \$132 as shown on IS-34 and Schedule L-1.

7 **Q. WHAT ADJUSTMENTS HAVE BEEN MADE IN ADJUSTMENT IS-35,**  
8 **PROPERTY TAX EXPENSE ADJUSTMENT?**

9 A. Adjustment IS-35 includes an adjustment to remove an out of period credit entry for 2008-  
10 2022 property taxes of \$901,483. Additionally, two *pro forma* adjustments are included. A  
11 *pro forma* adjustment of \$494,452 is proposed in order to include the Tax Year 2024 tax  
12 bills received in December 2024. The 2024 actual average total combined mill levy rate was  
13 used to estimate Kansas 2024 property taxes. A *pro forma* adjustment of \$570,848 is also  
14 proposed to reflect the impact of the net capital additions as shown on Schedule D-1 and D-  
15 2. The adjustment was calculated by multiplying the actual 2024 tax year property tax factor  
16 by the net plant in service adjustments. As shown on IS-35 and Schedule L-1, these  
17 adjustments result in a \$1,966,783 increase to property taxes.

18 This addresses the expense true-up needed to establish the level of Ad Valorem Tax  
19 expenses in base rates. Revenue adjustment IS-4 removes the AVTS revenues, allowing this  
20 new level of expense to serve as the new base for rates established from this proceeding, as  
21 well as for future Ad Valorem Tax surcharges.

1                   **2.     Income Tax Adjustments**

2   **Q.    WHICH ADJUSTMENTS RELATE TO INCOME TAXES?**

3   A.    Adjustment IS-36 and Adjustment IS-37 relate to income taxes. Adjustment IS-36 increases  
4        taxes by \$1,061,683 for Amortization of Protected Plant Excess Deferred Income Taxes  
5        under the Average Rate Assumption Method, also shown on KSG Direct Exhibit SKJ-2  
6        Statement K, line 80. This adjustment was necessary because the Test Year Per Book EDIT  
7        amortization of \$1,523,021 includes the Non-Protected EDIT amortization currently  
8        refunded through the TA Rider approved in the prior rate proceeding. The Adjusted Total  
9        EDIT amortization of \$461,339 is the Protected EDIT ARAM amortization. Adjustment IS-  
10       37 decreases taxes by \$6,478 for Amortization of Service Company Plant EDIT - ARAM,  
11       also shown on KSG Direct Exhibit SKJ-2 Statement K, line 81. This adjustment rolls the  
12       allocated BHSC EDIT amortization from the Per Book period ending September 30, 2024,  
13       to the *Pro Forma* Period ending September 30, 2025. A complete view of Test Year income  
14       taxes and adjustments is shown on Statement K.

15       **J.    Rate Application Section 12**

16   **Q.    WHAT RATE APPLICATION DATA IS REQUIRED UNDER SECTION 12?**

17   A.    Section 12 contains detail for all ratios used in the allocations between jurisdictions, areas  
18        of operations, departments, and other allocable items.

19                   **VII.   ACCOUNTING TRACKING MECHANISMS**

20   **Q.    WHAT IS THE COMPANY PROPOSING WITH RESPECT TO DEFERRED**  
21        **ACCOUNTING TRACKERS IN THIS PROCEEDING?**

22   A.    The Company is proposing continuation of the deferred accounting mechanisms for pension

1 and retiree healthcare expenses and property tax expenses as well as a deferred accounting  
2 mechanism for insurance expenses. Generally, deferred accounting orders are used to grant  
3 a public utility the opportunity to defer and track unanticipated costs with the opportunity to  
4 request recovery of the costs at a later time. The costs are generally significant in amount  
5 and/or could stem from unanticipated costs and/or are from new federal or state laws or rules  
6 that impact the utility's costs.

7 **Q. HOW WILL THESE TRACKERS OPERATE AFTER THE EFFECTIVE DATE OF**  
8 **NEW RATES IN THIS PROCEEDING?**

9 A. The Company proposes to establish a base level cost that corresponds with the amounts  
10 included in the RRS and serve as the baseline for the tracking of costs going forward at the  
11 time new rates from this proceeding are implemented. The difference between actual booked  
12 expenses and the base level amounts will be deferred and recorded to the regulatory asset  
13 (or liability) account established for that tracker. With a tracker, customers are protected if  
14 the actual expenses are less than the amount included in base rates.

15 **Q. WHAT IS THE PROPOSED BASELINE AMOUNT INCLUDED IN THE REVENUE**  
16 **REQUIREMENT FOR PROPERTY TAX EXPENSE?**

17 A. As discussed above in reference to the *pro forma* adjustments for property tax, the proposed  
18 baseline property tax amount is \$7,815,966, as shown on Statement L, line 29 of Attachment  
19 SKJ-2.

20 **Q. PLEASE EXPLAIN WHY THE COMPANY IS REQUESTING TO CONTINUE THE**  
21 **AD VALOREM TAX SURCHARGE RIDER.**

22 A. Property tax expenses are highly variable year over year, outside the control of management,

1 support the local communities, and must be paid. In addition, those taxes are material and  
2 recurring. Allowing the Company to recover no more or less than the actual property taxes  
3 assessed is reasonable and ensures that the Company can recover the costs to comply with  
4 its tax obligations. The AVTS (i.e., property tax tracker) was initially approved for the  
5 Company in the Commission's April 7, 2008, Order in Docket No. 08-AQLG-834-TAR,  
6 and approved for continuation in Commission Docket No. 25-BHCG-247-TAR.

7 **Q. WHAT IS THE PROPOSED BASELINE AMOUNT INCLUDED IN THE REVENUE**  
8 **REQUIREMENT FOR PENSION AND RETIREE HEALTHCARE EXPENSE?**

9 A. The proposed baseline pension and retiree healthcare expense amount is \$426,255, as shown  
10 on Schedule H-6, line 11 of Attachment SKJ-2.

11 **Q. PLEASE EXPLAIN WHY THE COMPANY IS REQUESTING TO CONTINUE THE**  
12 **PENSION AND RETIREE HEALTHCARE TRACKER.**

13 A. Among other reasons established by the Commission, a Pension and retiree healthcare  
14 tracker ensures that the Company can recover Pension and retiree healthcare costs and  
15 expenses as incurred and assure consumers the amounts recovered in rates for these costs  
16 will be placed in separate trusts and used only for their authorized purpose.<sup>6</sup> Similar to the  
17 Pension and retiree healthcare trackers approved for Kansas Gas Service, Westar, and  
18 KCP&L, Black Hills states that its pension expenses also qualify for a tracker. The  
19 Company's Pension and retiree healthcare costs are (1) expenses are largely outside of  
20 management control, (2) variable, unpredictable, or expected to increase measurably in the

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<sup>6</sup> See Commission's Precedent and Guidance Documents, *In the Matter of the General Investigation into Commission Policy Regarding Pension and Retirement Costs for Investor-Owned Utilities*, Docket No. 07-GIMX-1041-GIV.

1 future, and (3) material and recurring. Accordingly, the Commission should approve  
2 continuation of the Company's Pension and retiree healthcare tracker in this proceeding.

3 **Q. WHAT IS THE PROPOSED BASELINE AMOUNT INCLUDED IN THE REVENUE**  
4 **REQUIREMENT FOR INSURANCE EXPENSE?**

5 A. The proposed baseline insurance expense amount is \$1,128,696.

6 **Q. PLEASE EXPLAIN WHY AN INSURANCE EXPENSE TRACKER IS REQUESTED**  
7 **IN THIS PROCEEDING.**

8 A. Like property tax expenses, insurance expenses are highly variable year over year, outside  
9 the control of the management, material, recurring, and are required to be paid. There has  
10 been an extraordinary increase in insurance premiums, primarily for excess liability  
11 insurance. Insurance is necessary for the mitigation of risks both to the Company and its  
12 customers for continued safe and reliable service. The tracker ensures customers pay no  
13 more or no less than the assessed tax expense. The Company did not request a tracker for  
14 insurance expense in its 2021 rate case. Since then, however, insurance rates have become  
15 even more volatile and material.

16 **Q. PLEASE EXPLAIN THE RECENT HISTORY OF INSURANCE EXPENSES FOR**  
17 **THE COMPANY.**

18 A. BHC secures insurance policies to respond in the event of an insured loss. The types of  
19 coverage that BHC secures on an annual basis include, but are not limited to, General  
20 Liability, Excess Liability, Commercial Auto, Workers Compensation, Property, Business  
21 Interruption, Directors & Officers, and Terrorism. Over the past seven years, the commercial  
22 insurance marketplace has experienced steady insurance premium increases year over year.

1 Table SKJ-6 below shows the continued volatility and increases in insurance expenses for  
2 the Company from 2018 through 2024.

3 **Table SKJ-6 – Historical Insurance Expense**

Period	Amount	YoY Change	YoY % Change
2018	\$ 420,988		
2019	\$ 437,037	\$ 16,049	3.8%
2020	\$ 471,140	\$ 34,103	7.8%
2021	\$ 545,975	\$ 74,835	15.9%
2022	\$ 632,771	\$ 86,796	15.9%
2023	\$ 741,058	\$ 108,286	17.1%
2024	\$1,097,733	\$ 356,675	48.1%
2018-2024 Change		\$ 676,744	160.8%

4 **Q. DID BHC RECENTLY EXPERIENCE A SUBSTANTIAL INCREASE IN**  
5 **PREMIUM FOR ANY OF THE COMPONENTS OF ITS INSURANCE**  
6 **PROGRAM?**

7 A. Yes, in comparison to the premium paid in 2023, as an overall organization, BHC  
8 experienced approximately a one-hundred and fifty percent (150%) increase in premium for  
9 its excess liability coverage that renewed on July 1, 2024.

10 **Q. PLEASE PROVIDE YOUR PERSPECTIVE ON WHY THE EXCESS LIABILITY**  
11 **PREMIUMS DRAMATICALLY INCREASED.**

12 A. Over the last several years, utility-involved losses have resulted in claims that are estimated  
13 to be in the billions of dollars. Consequently, insurers who have historically provided excess  
14 liability coverage for losses have either declined to provide coverage, reduced the levels of  
15 coverage they are offering to the market, or – if willing to continue to provide some level of  
16 coverage – have significantly increased the premium charged for the coverage. In this

1 instance, the increase in the insurance premiums for the July 1, 2024, through June 30, 2025,  
2 policy term is known and measurable and the Company has updated the amount of insurance  
3 expense to the actual amounts in its base rate proposal.

#### 4 **VIII. THE COST ALLOCATION MANUAL**

##### 5 **Q. WHAT IS A COST ALLOCATION MANUAL?**

6 A. A cost allocation manual or CAM is an internal written document that governs and directs  
7 how corporate costs and assets are distributed among the corporation's affiliates. Simply  
8 stated, the CAM is the document that details the methodology used to allocate shared service  
9 costs.

##### 10 **Q. WHAT CAM WAS USED TO DEVELOP THE REVENUE REQUIREMENT IN** 11 **THIS PROCEEDING?**

12 A. The BHSC CAMs in effect for calendar years 2023 and 2024 and presented as KSG Direct  
13 Exhibit SKJ-4, KSG Direct Exhibit SKJ-5, and KSG Direct Exhibit SKJ-6 are the basis for  
14 shared service costs in the Test Year. The 2024 CAMs were used for the Intercompany  
15 Charges from BHSC adjustment.

##### 16 **Q. PLEASE PROVIDE AN OVERVIEW OF THE CAM.**

17 A. The CAM employs the Modified Massachusetts formula<sup>7</sup> and identifies the methods used  
18 to ensure that expenditures are appropriately and consistently assigned, distributed, or

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<sup>7</sup> The methodology applied in the BHSC CAM is modeled after a commonly used multi-factor formula approved for use by state and federal utility regulators called the "Modified Massachusetts" formula. The Modified Massachusetts formula consisting of direct labor, capital investment and net operating revenues (i.e. without cost of goods sold) was initially approved in *Distrigas of Massachusetts Corp.*, 41 FERC ¶ 61,205 (1987). See *Accounting for Public Utilities*, by Robert L. Hahne and Gregory E. Aliff, Release No. 31, November 2014 Chapter 19.03[4][d].



1 allocated among utility operations and to the non-regulated activities within BHC. In  
2 accordance with the CAM, costs incurred by BHC to support and administer non-regulated  
3 activities are charged to non-regulated accounts to avoid any subsidization.

4 **Q. WHAT PRACTICES PROVIDE ASSURANCE THAT BLACK HILLS’**  
5 **CUSTOMERS BEAR AN APPROPRIATE PORTION OF SHARED SERVICE**  
6 **COSTS?**

7 A. For direct costs, contemporaneous accounting coding, of both time and expenses, is the most  
8 accurate way to ensure that only costs borne due to Black Hills’ activities are charged to the  
9 Black Hills’ business unit. To ensure proper coding, BHC has established internal controls  
10 requiring supervisor review of time and expense reporting. For indirect costs, the design and  
11 consistent application of the CAM procedures ensure that the entities receiving the benefits  
12 of the service bear the costs. Each allocation factor in the CAM is supported by cost  
13 causation principles. The CAM is applicable to all jurisdictions and non-regulated business  
14 segments to ensure allocation methods are consistent throughout all BHSC affiliates.

15 **Q. DOES THE CAM ENSURE THAT BLACK HILLS’ CUSTOMERS WILL NOT**  
16 **SUBSIDIZE BHC'S NON-REGULATED OR OTHER AFFILIATED UTILITY**  
17 **ACTIVITIES?**

18 A. Yes. By adhering to the direction and guidelines of the CAM, Black Hills is charged for its  
19 costs, but not charged costs that are properly attributable to BHC's non-regulated activities  
20 and other BHC utility affiliates.

1 **Q. DOES THE CAM DIFFERENTIATE BLACK HILLS FROM ELECTRIC**  
2 **UTILITIES, NON-REGULATED SUBSIDIARIES, AND OTHER NATURAL GAS**  
3 **UTILITIES?**

4 A. Yes. Black Hills is a regulated natural gas utility and is assigned and allocated costs  
5 consistent with its inclusion in the natural gas utility segment of BHC. The CAM language  
6 differentiates BHC's natural gas utilities from BHC's electric utilities and non-regulated  
7 affiliates. For example, certain departments, such as the Natural Gas Utilities Design  
8 Engineering's indirect costs are allocated exclusively to the natural gas utility segment.  
9 Similarly, Transmission and Distribution Engineering – Electric Department, exclusively  
10 serve the electric utility segment. Therefore, the indirect costs incurred by the Electric  
11 Engineering Services department are allocated exclusively to the electric utility segment.

12 **Q. WHEN WAS THE CAM LAST UPDATED?**

13 A. The CAM is updated and reviewed in December of each year and takes effect January 1 of  
14 the following calendar year. KSG Direct Exhibit SKJ-4 is the CAM that was in effect for  
15 calendar year 2023 and KSG Direct Exhibits SKJ-5 and SKJ-6 were the CAMs in effect for  
16 calendar year 2024. There were no major changes in the CAM during that update, so these  
17 two CAM exhibits look very similar.

18 **IX. CONCLUSION**

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes.

**AFFIDAVIT OF SAMANTHA K. JOHNSON**

State of SD )  
 ) ss  
County of Pennington )

I, SAMANTHA K. JOHNSON, being first duly sworn on oath, depose and state that I am the same Samantha K. Johnson identified in the foregoing Direct Testimony; that I have caused the foregoing Direct Testimony to be prepared and am familiar with the contents thereof; and that the foregoing Direct Testimony is true and correct to the best of my knowledge, information, and belief as of the date of this Affidavit.

  
Samantha K. Johnson

Subscribed and sworn to before me,  
A Notary Public, in and for said County  
and State, this 23<sup>rd</sup> day of January, 2025.

  
Notary Public

My Commission expires: 8/31/2028



Samantha K. Johnson

I graduated from Black Hills State University in 2012 with a Bachelor of Science degree in Business Administration, with an emphasis in accounting and management, and from South Dakota School of Mines and Technology in 2020 with a Master of Science degree in Engineering Management.

I began my career in accounting as a financial internal auditor with Regional Health, where I was responsible for operational and financial audits across the organization. I began my career with Black Hills Energy in 2014 as a Regulatory Analyst and then Principal Regulatory and Finance Analyst, where I was responsible for providing various financial analyses in support of BHC's utility subsidiaries and support for revenue requirement calculations in multiple states and jurisdictions. In 2018, I was promoted to Regulatory and Finance Manager – Revenue Requirements. In that role I had responsibility for the preparation and oversight of annual reports, normalized earnings reports, FERC formula rate filings and revenue requirement studies supporting various base rate filings in various states. In May of 2022, I was promoted to Senior Manager Regulatory and Finance where I was responsible for revenue requirements, regulatory reporting, and regulatory and finance project management across BHC.

In May of 2023, I was promoted to my current role as Director of Regulatory where I am responsible for directing all aspects of the revenue requirements, regulatory reporting, and regulatory and finance project management across BHC. I am responsible for managing the Revenue Requirements group and provide oversight and technical expertise for cost-of-service studies, revenue requirement calculations, FERC formula rates, and regulatory reporting. I lead

Exhibit SKJ-1  
Education, Employment History  
and Professional Experience

a team of managers and analysts responsible for various financial and revenue requirement analysis in support of BHC's utility subsidiaries in multiple states and jurisdictions. I direct the preparation of, review, and analyze the revenue requirements that support base rates, Federal Energy Regulatory Commission ("FERC") transmission rates, and report on annual financial performance. I am also responsible for the preparation and support of revenue requirement studies across BHC.

I have submitted written testimony before the Colorado Public Service Commission in Proceeding Nos. 20AL-0380G, 22AL-0426G, 23AL-0231G and 24AL-0275E. I have also submitted written testimony before the Wyoming Public Service Commission as the Revenue Requirement Witness in Docket Nos. 30011-97-GR-17, 30026-2-GR-19, 20003-214-ER-22, and 30026-78-GR-23, as well as before the Iowa Utilities Board in Docket Nos. RPU-2021-0002 and RPU-2024-0001

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**KSG Direct Exhibit SKJ-2**  
**Revenue Requirement Study**  
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Statement A	Calculation of the Revenue Deficiency
Statement B	Overall Revenue Requirement
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Statement F	Working Capital
Statement G	Cost of Capital
Statement H	Operating and Maintenance Expenses
Statement I	Operating Revenue
Statement J	Depreciation Expense
Statement K	Computation of Federal Income Tax
Statement L	Taxes Other Than Income
Statement M	Revenue Requirement Analysis
BS	Balance Sheet
IS	Income Statement

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
CALCULATION OF REVENUE DEFICIENCY  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement A**

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	Total Adjusted Rate Base	Stmt. B, Ln. 26, Col. (f)	\$ 305,947,330
2	Rate of Return	Stmt. G, Ln. 35 Col. (g)	7.63%
3	<b>Return</b>	(Line 1 * Line 2)	<b>\$ 23,343,781</b>
4			
5	Operations & Maintenance	Stmt. B, Ln. 7, Col. (f)	32,351,842
6	Depreciation/Amortization	Stmt. B, Ln. 8, Col. (f)	12,746,995
7	Taxes Other Than Income	Stmt. B, Ln. 9, Col. (f)	8,963,372
8	FIT - Existing Rates	Stmt. B, Ln. 14, Col. (f)	(84,781)
9	Other Operating Revenue	Stmt B, Ln. 3 Col. (f)	(3,379,475)
10	<b>Total Cost of Service</b>	(Sum Ln. 3 thru 9)	<b>73,941,734</b>
11			
12	Revenue Under Existing Base Rates	Stmt. B, Ln. 2, Col. (f)	60,347,609
13	<b>Increase/(Decrease) Before Taxes</b>	(Ln. 10 - Ln. 12)	<b>13,594,124</b>
14			
15	Combined Tax Rate	Fed Rate	21.00%
16	<b>Revenue Deficiency / (Excess) After Tax Gross up</b>	(Ln. 13 / (1 - Ln. 15))	<b>\$ 17,207,752</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
OVERALL REVENUE REQUIREMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement B**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Line No.	Description	Reference	Test Year Ended September 30, 2024	Pro Forma Adjustments	Adjusted Total	Additional Revenue Required	Adjusted Rate of Return
1	<b>Operating Revenue</b>						
2	Total Sales	Stmt. I, Ln.6	\$ 122,456,099	\$ (62,108,490)	\$ 60,347,609	\$ 17,207,752	\$ 77,555,362
3	Other Operating Revenue	Stmt. I, Ln.15 + Stmt. I, Ln.17	94,939	3,284,536	3,379,475	-	3,379,475
4	<b>Total Operating Revenue</b>		<u>\$ 122,551,039</u>	<u>\$ (58,823,954)</u>	<u>\$ 63,727,085</u>	<u>\$ 17,207,752</u>	<u>\$ 80,934,837</u>
5							
6	<b>Operating Expenses</b>						
7	Operation and Maintenance	Stmt. H, Ln.165	\$ 89,140,483	\$ (56,788,641)	\$ 32,351,842	\$ -	\$ 32,351,842
8	Depreciation	Stmt. J, Ln.24	11,872,517	874,479	12,746,995	-	12,746,995
9	Taxes Other Than Income Tax	Stmt. L, Ln.44 + Ln. 50 & Ln. 47 + Ln. 53	6,874,267	2,089,105	8,963,372	-	8,963,372
10	<b>Total Operating Expenses</b>		<u>\$ 107,887,267</u>	<u>\$ (53,825,058)</u>	<u>\$ 54,062,209</u>	<u>\$ -</u>	<u>\$ 54,062,209</u>
11							
12	<b>Operating Income Before Tax</b>	Ln.4 - Ln.10	\$ 14,663,772	\$ (4,998,896)	\$ 9,664,876	\$ 17,207,752	\$ 26,872,628
13							
14	Income Tax Expense	Stmt. K, Ln.82	44,778	(129,560)	(84,781)	3,613,628	3,528,847
15							
16	<b>Return (Operating Income)</b>	Ln.12 - Ln.14	<u>\$ 14,618,994</u>		<u>\$ 9,749,657</u>		<u>\$ 23,343,781</u>
17							
18	<b>Rate of Return</b>	Ln.16 ÷ Ln.26	<u>5.16%</u>		<u>3.19%</u>		<u>7.63%</u>
19							
20	<b>Rate Base</b>						
21	Plant in Service	Stmt. D, Ln.83	\$ 461,555,548	\$ 33,744,923	\$ 495,300,471	\$ -	\$ 495,300,471
22	Accumulated Depreciation	Stmt. E, Ln.83	(132,029,326)	(6,727,027)	(138,756,353)	-	(138,756,353)
23	Working Capital	Stmt. F, Ln.7	6,307,332	(693,085)	5,614,247	-	5,614,247
24	Other Rate Base Items	Stmt. C, Ln.14	(52,368,296)	(3,842,740)	(56,211,035)	-	(56,211,035)
25							
26	<b>Total Rate Base</b>		<u>\$ 283,465,259</u>	<u>\$ 22,482,071</u>	<u>\$ 305,947,330</u>	<u>\$ -</u>	<u>\$ 305,947,330</u>



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**OTHER RATE BASE ITEMS**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Statement C**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Ended September 30, 2024	Pro Forma Adjustments	Adjusted Total
1	<b>Other Rate Base Tax Items</b>				
2	190 - Total Deferred Income Tax Assets	Sched. C-1, Ln. 21	\$ 5,198,048	\$ 1,097,975	\$ 6,296,023
3	254 - Total Regulatory Liabilities/EDIT	Sched. C-1, Ln. 34 + Ln. 38	(12,462,256)	1,204,932	(11,257,324)
4	282 - Total Accelerated Deferred Income Taxes - Property	Sched. C-1, Ln. 27	(41,786,171)	(6,207,968)	(47,994,139)
5	283 - Total Accelerated Deferred Income Taxes - Other	Sched. C-1, Ln. 43	(153,659)	(3,669)	(157,328)
6	254/282 - Allocated BHSC ADIT	Sched. C-1, Ln. 49	(1,566,507)	65,990	(1,500,517)
7	<b>Subtotal Other Rate Base Tax Items</b>		<b>\$ (50,770,545)</b>	<b>\$ (3,842,740)</b>	<b>\$ (54,613,284)</b>
8					
9	<b>Other Rate Base Non-Tax Items</b>				
10	235 - Customer Deposits	Sched. C-1, Ln. 54	(1,090,806)	-	(1,090,806)
11	252 - Customer Advances	Sched. C-1, Ln. 55	(506,945)	-	(506,945)
12	<b>Subtotal Other Rate Base Non-Tax Items</b>		<b>\$ (1,597,751)</b>	<b>\$ -</b>	<b>\$ (1,597,751)</b>
13					
14	<b>Total Other Rate Base Items</b>		<b>\$ (52,368,296)</b>	<b>\$ (3,842,740)</b>	<b>\$ (56,211,035)</b>

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
OTHER RATE BASE ITEMS - TAX  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
Schedule C-1

(a)	(b)	(c)	(d)	(e)
Line No.	Account & Description	Test Year Ended September 30, 2024	Pro Forma Adjustments	Adjusted Total
1	<b>Deferred Income Tax Assets</b>			
2	190300 - DTA LT - VACATION:	\$ 107,390	\$ -	\$ 107,390
3	190300 - DTA LT - BAD DEBT RESERVE:	576,298	39,458	615,756
4	190300 - DTA LT - EMPLOYEE GROUP INSURANCE:	26,999	-	26,999
5	190300 - DTA LT - AIP BONUS:	172,079	-	172,079
6	190300 - DTA LT - WORKMANS COMP:	(45,485)	-	(45,485)
7	190300 - DTA LT-OTHER:	2,533,810	-	2,533,810
8	190300 - DTA LT-RETIREE HEALTHCARE:	-	-	-
9	190300 - DTA LT-TAX ON TAX FED GROSS UP - TCJA	83,263	(95,094)	(11,830)
10	190300 - DTA LT-PERFORMANCE PLAN:	0	-	0
11	190300 - DTA LT-LINE EXTENSION DEP GAS:	162,933	-	162,933
12	190300 - DTA LT-PENSION FAS 87:	(403,647)	(2,599)	(406,246)
13	190300 - DTA LT-PENSION FAS 158 LIAB:	1,086,907	(1,086,907)	-
14	190300 - DTA LT-RET HLTH FAS158 LIAB:	141,642	(141,642)	-
15	190300 - DTA LT-NOL CARRYFORWARD:	(1)	2,380,166	2,380,165
16	190300 - DTA LT-INS RESERVE LIAB:	1	-	1
17	190300 - DTA LT - ALT FUEL VEHICLE CREDIT:	50,000	-	50,000
18	190300 - DTA LT - R&D CREDIT:	549,676	-	549,676
19	190300 - DTA LT - PUC FEES:	83,215	4,592	87,808
20	190998 - DTA LT - SVC CO FAS 109 OTHER:	72,966	-	72,966
21	<b>Subtotal Deferred Income Tax Assets</b>	<b>\$ 5,198,048</b>	<b>\$ 1,097,975</b>	<b>\$ 6,296,023</b>
22				
23	<b>Accelerated Deferred Income Taxes - Property</b>			
24	282300 - DEF TAX PROPERTY LT-ACCELERATED DEP:	\$ (42,182,475)	\$ (6,207,968)	\$ (48,390,443)
25	282300 - DEF TAX PROPERTY LT-CWIP:	218,644	-	218,644
26	282300 - DEF TAX PROPERTY LT-OTHER PROPERTY:	177,660	-	177,660
27	<b>Subtotal Accelerated Deferred Income Taxes - Property</b>	<b>\$ (41,786,171)</b>	<b>\$ (6,207,968)</b>	<b>\$ (47,994,139)</b>
28				
29	<b>Regulatory Liabilities</b>			
30	254015 - PROTECTED PROPERTY RB	\$ (12,189,693)	\$ 221,880	\$ (11,967,813)
31	254015 - NON-PROTECTED COST OF REMOVAL - ARAM	\$ 724,243	\$ (13,753)	\$ 710,490
32	254015 - NON-PROTECTED PROPERTY RB_PT	(386,997)	386,997	-
33	254015 - NON-REFUNDED ARAM	142,296	(142,296)	-
34	<b>Subtotal Regulatory Liabilities</b>	<b>\$ (11,710,151)</b>	<b>\$ 452,828</b>	<b>\$ (11,257,324)</b>
35				
36	<b>Regulatory Liabilities</b>			
37	254015 - REG LIAB EXCESS DEF STATE	\$ (752,105)	\$ 752,105	\$ -
38	<b>Subtotal Regulatory Liabilities</b>	<b>\$ (752,105)</b>	<b>\$ 752,105</b>	<b>\$ -</b>
39				
40	<b>Accumulated Deferred Income Taxes - Other</b>			
41	283300 - DTL LT - PREPAID EXPENSES:	\$ (10,168)	\$ -	\$ (10,168)
42	283300 - DTL LT-RETIREE HEALTHCARE:	(143,491)	(3,669)	(147,159)
43	<b>Subtotal Accumulated Deferred Income Taxes - Other</b>	<b>\$ (153,659)</b>	<b>\$ (3,669)</b>	<b>\$ (157,328)</b>
44				
45	<b>Other Utility Plant</b>			
46	282998 - BHSC ALLOC DEF TAX PROPERTY-LT ACCELERATED DEP	\$ (1,221,469)	\$ 10,619	\$ (1,210,850)
47	254998 - BHSC ALLOC REG LIAB EDIT PROTECTED PROPERTY	(331,068)	50,555	(280,513)
48	254998 - BHSC ALLOC REG LIAB EDIT NONPROTECTED PROPERTY	(13,970)	4,816	(9,154)
49	<b>Subtotal Other Utility Plant</b>	<b>\$ (1,566,507)</b>	<b>\$ 65,990</b>	<b>\$ (1,500,517)</b>
50				
51	<b>Total Other Rate Base Items - Tax</b>	<b>\$ (50,770,545)</b>	<b>\$ (3,842,740)</b>	<b>\$ (54,613,284)</b>
52				
53	<b>Customer Payments</b>			
54	235000/235050 Customer Deposits	\$ (1,090,806)	\$ -	\$ (1,090,806)
55	252000/252001 Customer Advance for Construction	(506,945)	-	(506,945)
56	<b>Subtotal Customer Payments</b>	<b>\$ (1,597,751)</b>	<b>\$ -</b>	<b>\$ (1,597,751)</b>
57				
58	<b>Total Other Rate Base Items - Non Tax</b>	<b>\$ (1,597,751)</b>	<b>\$ -</b>	<b>\$ (1,597,751)</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
ADIT-NOL WITH AND WITHOUT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule C-2**

(a)	(b)	(c)	(d)	(e)
Line No.	Description	With Accelerated Depreciation	Without Accelerated Depreciation	Adjustment to Rate Base
1	<b>Adjusted Pretax Income</b>			
2	Utility Op Income	26,872,628	26,872,628	
3	Less synchronized interest	(7,128,573)	(7,128,573)	
4	<b>Adjusted Pretax Income</b>	<u>19,744,055</u>	<u>19,744,055</u>	
5				
6	<b>Permanent and Temporary Differences</b>			
7	Book & Tax Difference Accelerated Depreciati	(27,134,866)		
8	Other Perm Differences	61,393	61,393	
9	Other Temp Differences on Stmt K	(4,004,708)	(4,004,708)	
10	<b>Total Permanent and Temporary Differences</b>	<u>(31,078,181)</u>	<u>(3,943,314)</u>	
11				
12	<b>Taxable Income / (NOL)</b>	<u>(11,334,125)</u>	<u>15,800,741</u>	
13				
14	190300.DT4165 DTA LT - NOL Carryforward	(1)	(1)	
15				
16	<b>DTA-NOL Fed @21%</b>	<u>2,380,166</u>	-	<u>\$ 2,380,166</u>
17				
18	190300.DT4165 DTA LT - NOL Carryforward as of 09/30/2024			(1)
19				
20	<b>DTA- NOL for Pro Forma Period</b>			<u>2,380,165</u>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PLANT IN SERVICE ADJUSTMENTS DETAIL  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Statement D**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line No.	Account & Description	Plant in Service 12/31/2021	Plant in Service 12/31/2022	Plant in Service 9/30/2023	Plant in Service 12/31/2023	Test Year Plant in Service 9/30/2024	Adjustment to Plant in Service for Capital Additions (Sched. D-1)	Adjustment to Plant in Service for Retirements on Capital Additions (Sched. D-2)	Adjusted Total
1	<b>Intangible Plant</b>								
2	30100 - Intangibles Organization	\$ 186,932	\$ 186,932	\$ 186,932	\$ 186,932	\$ 186,932	\$ -	\$ -	\$ 186,932
3	30200 - Intangibles Franchises & Consents	74,990	74,990	74,990	74,990	74,990	-	-	74,990
4	30300 - Intangibles Miscellaneous	1,039,860	1,039,860	1,039,860	1,039,860	1,039,860	-	-	1,039,860
5	30301 - Intangibles Miscellaneous - Easements	1,730,332	1,730,332	1,730,332	1,730,332	1,730,332	-	-	1,730,332
6	30302 - Intangibles Miscellaneous - Trademarks	181,000	181,000	181,000	181,000	181,000	-	-	181,000
7	30303 - Intangibles Miscellaneous - Workforce	-	-	-	-	-	-	-	-
8	30370 - Intangibles Miscellaneous - Farm Tap	295,646	295,646	295,646	295,646	295,646	-	-	295,646
9	<b>Total Intangible Plant</b>	\$ 3,508,760	\$ 3,508,760	\$ 3,508,760	\$ 3,508,760	\$ 3,508,760	\$ -	\$ -	\$ 3,508,760
10									
11	<b>Natural Gas Production &amp; Gathering Plant</b>								
12	33601 - Purification Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	<b>Total Natural Gas Production &amp; Gathering Plant</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14									
15	<b>Transmission Plant</b>								
16	36501 - Land	\$ 9,431	\$ 9,431	\$ 9,431	\$ 9,431	\$ 9,431	\$ -	\$ -	\$ 9,431
17	36502 - Land Rights/Right-of-Way (Non-Depreciable)	616,595	616,595	720,634	720,634	720,497	5,069	(503)	725,064
18	36571 - Land/Farm Tap	644	644	644	644	644	-	-	644
19	36572 - Land Rights/Farm Tap (Non-Depreciable)	2,100	2,100	2,100	2,100	2,100	-	-	2,100
20	36601 - Structures and Improvements	134,758	159,579	159,579	159,579	159,579	6,441	(639)	165,381
21	36620 - Measuring	-	19,359	65,598	65,598	74,963	14,200	(1,409)	87,754
22	36671 - Structures and Improvements	8,600	8,600	8,600	8,600	8,600	-	-	8,600
23	36700 - Transmission Plant - Mains	54,520,963	56,696,043	56,758,606	55,760,844	58,767,417	2,679,328	(265,789)	61,180,956
24	36780 - Gas Trans -Other Mains-RNG	-	-	-	-	-	-	-	-
25	36804 - Compressor Station Equipment	2,475	2,475	2,475	2,475	2,475	-	-	2,475
26	36880 - Gas Trans-Comp Sta Eqp-RNG	-	-	-	-	-	-	-	-
27	36903 - Measuring & Regulating Station Equipment	4,486,989	4,575,494	4,971,769	5,008,874	5,147,043	210,549	(20,887)	5,336,706
28	36973 - Measuring & Regulating Station Equipment	51,304	51,304	51,304	51,304	51,304	-	-	51,304
29	37101 - Transmission Plant - Other Equipment	106,791	106,791	106,238	106,238	106,238	-	-	106,238
30	<b>Total Transmission Plant</b>	\$ 59,940,649	\$ 62,248,415	\$ 62,856,977	\$ 61,896,321	\$ 65,050,291	\$ 2,915,588	\$ (289,226)	\$ 67,676,653
31									
32	<b>Distribution Plant</b>								
33	37401 - Land	\$ 186,909	\$ 186,909	\$ 186,909	\$ 186,909	\$ 186,909	\$ -	\$ -	\$ 186,909
34	37402 - Land Rights/Right of Way (Non-Depreciable)	635,199	658,535	737,174	737,174	776,669	17,461	(1,732)	792,398
35	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	-	-	-	-	-	-	-	-
36	37501 - Structures and Improvements	945,246	992,111	1,025,552	1,243,879	1,167,578	23,656	(2,347)	1,188,888
37	37503 - Structures and Improvements - TBS	-	-	-	-	-	-	-	-
38	37580 - Gas Dist-Strct&Improve-RNG	-	-	-	-	-	-	-	-
39	37600 - Distribution Plant - Mains	132,394,490	139,990,152	144,114,492	146,771,373	152,609,049	13,331,572	(1,322,492)	164,618,129
40	37680 - Gas Dist - Mains - RNG	-	-	-	874,723	989,195	-	-	989,195
41	37700 - Compressor Station Equipment	175,304	175,304	175,304	175,304	175,304	-	-	175,304
42	37800 - Measuring & Regulating Station Equipment - General	6,805,632	7,776,075	8,473,999	8,504,396	8,892,806	1,756,608	(174,256)	10,475,158
43	37850 - Measuring & Regulating Station Equipment - Lease	-	-	-	-	-	-	-	-
44	37870 - Measuring & Regulating Station Equipment	188,347	161,882	161,882	161,882	174,723	4,847	(481)	179,090
45	37880 - Gas Dist-Mea/Reg St-RNG	-	-	-	-	-	-	-	-
46	37900 - Measuring & Regulating Station Equipment - City Gate	61,111	61,111	61,111	61,111	61,111	-	-	61,111
47	38000 - Distribution Plant - Services	83,259,412	89,587,006	95,235,005	97,693,398	100,601,826	6,576,049	(652,344)	106,525,531
48	38100 - Meters	10,301,799	10,643,912	11,189,366	12,103,450	12,635,869	1,556,996	(154,454)	14,038,411
49	38101 - Meters - ERT & AMI	9,584,753	9,893,012	10,000,855	10,026,507	10,095,105	445,333	(44,177)	10,496,261
50	38201 - Meter Installations	1,843,759	1,843,994	1,910,155	4,778,976	4,786,072	94,430	(9,367)	4,871,135
51	38301 - House Regulators	36,091,386	40,163,449	41,167,753	43,450,348	47,383,736	6,838,085	(678,338)	53,543,483
52	38501 - Industrial Measuring & Regulating Station Equipment	6,226,701	6,520,945	6,332,311	2,608,278	2,760,797	223,767	(22,198)	2,962,366
53	38700 - Other Equipment	109,363	109,363	109,363	109,363	115,909	-	-	115,909
54	<b>Total Distribution Plant</b>	\$ 288,809,411	\$ 308,763,760	\$ 320,881,229	\$ 329,487,071	\$ 343,412,658	\$ 30,868,803	\$ (3,062,185)	\$ 371,219,276
55									

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PLANT IN SERVICE ADJUSTMENTS DETAIL  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement D

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line No.	Account & Description	Plant in Service 12/31/2021	Plant in Service 12/31/2022	Plant in Service 9/30/2023	Plant in Service 12/31/2023	Test Year Plant in Service 9/30/2024	Adjustment to Plant in Service for Capital Additions (Sched. D-1)	Adjustment to Plant in Service for Retirements on Capital Additions (Sched. D-2)	Adjusted Total
56	<b>General Plant</b>								
57	38901 - Land	\$ 856,543	\$ 856,543	\$ 856,543	\$ 856,543	\$ 856,543	\$ -	\$ -	\$ 856,543
58	39001 - Structures and Improvements	12,612,082	12,659,097	12,664,422	12,636,399	12,622,890	889,085	(88,197)	13,423,778
59	39051 - Leasehold Improvements	-	-	-	-	-	-	-	-
60	39101 - Office Furniture & Equipment	581,572	588,437	603,854	612,628	612,628	8,444	(1,407)	619,665
61	39103 - Computer Hardware	984,743	1,035,891	1,127,462	1,302,582	1,298,502	360,131	(637,308)	1,021,325
62	39104 - Software	95,874	95,874	95,874	95,874	95,874	14,250	(143)	109,982
63	39107 - Ipad Hardware	256,192	256,192	256,723	256,723	33,899	79	-	33,978
64	39201 - Transportation Equipment	50,025	82,886	86,534	124,748	207,305	83,138	(831)	289,611
65	39203 - Light Trucks	7,480,890	7,429,823	8,685,593	9,406,013	10,069,428	1,837,509	(18,375)	11,888,562
66	39204 - Medium Trucks	62,551	62,551	-	-	-	-	-	-
67	39205 - Heavy Trucks	427,251	531,165	498,021	498,021	498,021	40,969	(410)	538,580
68	39206 - Trailers	196,208	196,208	184,148	184,331	189,639	21,250	(212)	210,677
69	39300 - Stores Equipment	73,045	73,045	73,045	51,583	51,583	4,257	(566)	55,274
70	39400 - Tools, Shop, and Garage Equipment	2,941,066	3,199,260	3,308,601	3,447,550	3,554,977	1,421,023	(79,080)	4,896,920
71	39500 - Laboratory Equipment	11,714	11,714	11,714	11,714	11,714	-	-	11,714
72	39600 - Power Operated Equipment	1,104,675	1,202,259	1,036,404	1,044,659	1,031,830	68,367	(684)	1,099,514
73	39700 - Communication Equipment	1,541,150	1,381,005	1,552,330	1,276,953	1,221,839	-	-	1,221,839
74	39800 - Miscellaneous Equipment	32,417	32,417	32,417	32,417	32,417	-	-	32,417
75	<b>Total General Plant</b>	\$ 29,307,998	\$ 29,694,367	\$ 31,073,684	\$ 31,838,736	\$ 32,389,088	\$ 4,748,501	\$ (827,212)	\$ 36,310,377
76									
77	<b>Other Utility Plant</b>								
78	118 - Other Utility Plant Note (1a)	\$ 12,770,129	\$ 13,492,109	\$ 13,977,464	\$ 15,174,152	\$ 15,776,087	\$ 1,320,942	\$ (1,639,034)	\$ 15,457,994
79	118 - Other Utility Plant (CIS+) Note (1b)	525,833	524,584	598,830	598,411	615,026	11,941	(349,412)	277,554
80	118 - Other Utility Plant (Vehicles)	641,161	683,444	736,509	741,226	803,638	51,916	(5,698)	849,856
81	<b>Total Other Utility Plant</b>	\$ 13,937,123	\$ 14,700,137	\$ 15,312,803	\$ 16,513,790	\$ 17,194,751	\$ 1,384,799	\$ (1,994,145)	\$ 16,585,405
82									
83	<b>Total Gas Plant In Service</b>	\$ 395,503,942	\$ 418,915,438	\$ 433,633,454	\$ 443,244,677	\$ 461,555,548	\$ 39,917,692	\$ (6,172,769)	\$ 495,300,471

85 Note (1a) Figure represents all assets except the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per the CAM.  
 86 Note (1b) Figure represents the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per the CAM.

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PLANNED PLANT ADDITIONS FROM OCTOBER 1, 2024 TO SEPTEMBER 30, 2025  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Schedule D-1

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
Line No.	Account & Description	Plant Additions October 2024	Plant Additions November 2024	Plant Additions December 2024	Plant Additions January 2025	Plant Additions February 2025	Plant Additions March 2025	Plant Additions April 2025	Plant Additions May 2025	Plant Additions June 2025	Plant Additions July 2025	Plant Additions August 2025	Plant Additions September 2025	Adjustment to Plant in Service for Capital Additions
1	<b>Intangible Plant</b>													
2	30100 - Intangibles Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	30200 - Intangibles Franchises & Consents	-	-	-	-	-	-	-	-	-	-	-	-	-
4	30300 - Intangibles Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
5	30301 - Intangibles Miscellaneous - Easements	-	-	-	-	-	-	-	-	-	-	-	-	-
6	30302 - Intangibles Miscellaneous - Trademarks	-	-	-	-	-	-	-	-	-	-	-	-	-
7	30303 - Intangibles Miscellaneous - Workforce	-	-	-	-	-	-	-	-	-	-	-	-	-
8	30370 - Intangibles Miscellaneous - Farm Tap	-	-	-	-	-	-	-	-	-	-	-	-	-
9	<b>Total Intangible Plant</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10														
11	<b>Natural Gas Production &amp; Gathering Plant</b>													
12	33601 - Purification Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	<b>Total Natural Gas Production &amp; Gathering Plant</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14														
15	<b>Transmission Plant</b>													
16	36501 - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	36502 - Land Rights/Right-of-Way (Non-Depreciable)	317	299	2,053	703	435	264	206	56	141	171	148	276	5,069
18	36571 - Land/Farm Tap	-	-	-	-	-	-	-	-	-	-	-	-	-
19	36572 - Land Rights/Farm Tap (Non-Depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-
20	36601 - Structures and Improvements	1,082	938	778	631	518	444	619	215	267	267	310	373	6,441
21	36620 - Measuring	725	685	3,063	665	786	889	1,148	1,320	1,269	1,269	1,234	1,148	14,200
22	36671 - Structures and Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
23	36700 - Transmission Plant - Mains	261,590	236,327	815,826	328,582	224,895	156,027	160,827	55,696	89,568	100,689	99,655	149,646	2,679,328
24	36780 - Gas Trans -Other Mains-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
25	36804 - Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
26	36880 - Gas Trans-Comp Sta Eqp-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
27	36903 - Measuring & Regulating Station Equipment	11,959	11,931	55,583	10,546	11,419	12,298	15,804	16,795	16,389	16,427	16,074	15,326	210,549
28	36973 - Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
29	37101 - Transmission Plant - Other Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
30	<b>Total Transmission Plant</b>	\$ 275,673	\$ 250,180	\$ 877,302	\$ 341,127	\$ 238,053	\$ 169,923	\$ 178,604	\$ 74,083	\$ 107,633	\$ 118,821	\$ 117,422	\$ 166,768	\$ 2,915,588
31														
32	<b>Distribution Plant</b>													
33	37401 - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	37402 - Land Rights/Right of Way (Non-Depreciable)	925	2,338	6,003	760	509	635	948	1,156	1,094	1,094	1,052	948	17,461
35	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
36	37501 - Structures and Improvements	4,567	1,798	8,439	767	830	884	1,018	1,108	1,081	1,081	1,063	1,018	23,656
37	37503 - Structures and Improvements - TBS	-	-	-	-	-	-	-	-	-	-	-	-	-
38	37580 - Gas Dist-Strct&Improve-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
39	37600 - Distribution Plant - Mains	1,387,271	1,263,384	2,344,696	553,486	578,396	657,819	947,136	1,040,208	872,513	1,254,891	1,233,358	1,198,413	13,331,572
40	37680 - Gas Dist - Mains - RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
41	37700 - Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
42	37800 - Measuring & Regulating Station Equipment - General	134,515	113,872	163,309	78,019	80,549	97,037	152,195	180,977	146,998	210,366	206,668	192,102	1,756,608
43	37850 - Measuring & Regulating Station Equipment - Lease	-	-	-	-	-	-	-	-	-	-	-	-	-
44	37870 - Measuring & Regulating Station Equipment	351	240	508	347	231	289	434	530	501	501	482	434	4,847
45	37880 - Gas Dist-Mea/Reg St-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
46	37900 - Measuring & Regulating Station Equipment - City Gate	-	-	-	-	-	-	-	-	-	-	-	-	-
47	38000 - Distribution Plant - Services	893,012	783,814	747,664	553,787	591,281	484,907	554,760	402,853	323,771	397,701	455,339	387,160	6,576,049
48	38100 - Meters	176,570	204,617	156,951	31,418	49,409	75,576	118,853	163,002	140,940	132,856	181,460	125,346	1,556,996
49	38101 - Meters - ERT & AMI	50,384	57,786	52,695	9,124	14,105	21,164	33,214	45,300	39,298	37,120	50,179	34,964	445,333
50	38201 - Meter Installations	7,361	11,874	8,913	25,800	7,104	5,514	5,427	5,046	3,310	4,673	5,490	3,918	94,430
51	38301 - House Regulators	594,017	846,436	699,292	1,776,763	397,125	340,886	409,187	352,541	265,890	381,066	416,009	358,873	6,838,085
52	38501 - Industrial Measuring & Regulating Station Equipment	25,085	28,991	22,372	4,925	7,509	11,064	17,098	23,446	20,158	19,166	25,995	17,959	223,767
53	38700 - Other Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
54	<b>Total Distribution Plant</b>	\$ 3,274,057	\$ 3,315,150	\$ 4,210,842	\$ 3,035,197	\$ 1,727,048	\$ 1,695,774	\$ 2,240,269	\$ 2,216,168	\$ 1,815,554	\$ 2,440,515	\$ 2,577,095	\$ 2,321,134	\$ 30,868,803
55														

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PLANNED PLANT ADDITIONS FROM OCTOBER 1, 2024 TO SEPTEMBER 30, 2025  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Schedule D-1

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
Line No.	Account & Description	Plant Additions October 2024	Plant Additions November 2024	Plant Additions December 2024	Plant Additions January 2025	Plant Additions February 2025	Plant Additions March 2025	Plant Additions April 2025	Plant Additions May 2025	Plant Additions June 2025	Plant Additions July 2025	Plant Additions August 2025	Plant Additions September 2025	Adjustment to Plant in Service for Capital Additions
56	<b>General Plant</b>													
57	38901 - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
58	39001 - Structures and Improvements	173,403	60,119	319,500	29,137	31,519	33,560	38,663	42,066	41,045	41,045	40,364	38,663	889,085
59	39051 - Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
60	39101 - Office Furniture & Equipment	1,647	571	3,034	277	299	319	367	399	390	390	383	367	8,444
61	39103 - Computer Hardware	9,332	4,528	324,725	1,712	1,913	2,004	2,514	2,801	2,715	2,715	2,657	2,514	360,131
62	39104 - Software	2,779	964	5,121	467	505	538	620	674	658	658	647	620	14,250
63	39107 - Ipad Hardware	15	5	28	3	3	3	3	4	4	4	4	3	79
64	39201 - Transportation Equipment	-	-	63,510	1,922	7,574	2,757	2,011	1,530	676	918	1,208	1,033	83,138
65	39203 - Light Trucks	-	-	453,429	135,514	534,062	194,398	141,781	107,886	47,680	64,714	85,208	72,838	1,837,509
66	39204 - Medium Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-
67	39205 - Heavy Trucks	-	-	-	4,011	15,808	5,754	4,197	3,193	1,411	1,916	2,522	2,156	40,969
68	39206 - Trailers	-	-	6,324	1,461	5,759	2,096	1,529	1,163	514	698	919	785	21,250
69	39300 - Stores Equipment	830	288	1,530	140	151	161	185	201	197	197	193	185	4,257
70	39400 - Tools, Shop, and Garage Equipment	50,364	47,093	395,557	17,442	21,366	25,664	159,195	166,650	166,444	166,711	164,875	39,661	1,421,023
71	39500 - Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
72	39600 - Power Operated Equipment	-	-	-	6,694	26,380	9,602	7,003	5,329	2,355	3,197	4,209	3,598	68,367
73	39700 - Communication Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
74	39800 - Miscellaneous Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
75	<b>Total General Plant</b>	<b>\$ 238,371</b>	<b>\$ 113,568</b>	<b>\$ 1,572,758</b>	<b>\$ 198,779</b>	<b>\$ 645,340</b>	<b>\$ 276,856</b>	<b>\$ 358,069</b>	<b>\$ 331,897</b>	<b>\$ 264,088</b>	<b>\$ 283,161</b>	<b>\$ 303,190</b>	<b>\$ 162,424</b>	<b>\$ 4,748,501</b>
76														
77	<b>Other Utility Plant</b>													
78	118 - Other Utility Plant Note (1a)	\$ 90,295	\$ 65,682	\$ 628,361	\$ 4,002	\$ 4,002	\$ 4,002	\$ 62,938	\$ 4,472	\$ 19,751	\$ 4,002	\$ 429,432	\$ 4,002	\$ 1,320,942
79	118 - Other Utility Plant (CIS+) Note (1b)	-	-	11,941	-	-	-	-	-	-	-	-	-	11,941
80	118 - Other Utility Plant (Vehicles)	-	-	51,916	-	-	-	-	-	-	-	-	-	51,916
81	<b>Total Other Utility Plant</b>	<b>\$ 90,295</b>	<b>\$ 65,682</b>	<b>\$ 692,218</b>	<b>\$ 4,002</b>	<b>\$ 4,002</b>	<b>\$ 4,002</b>	<b>\$ 62,938</b>	<b>\$ 4,472</b>	<b>\$ 19,751</b>	<b>\$ 4,002</b>	<b>\$ 429,432</b>	<b>\$ 4,002</b>	<b>\$ 1,384,799</b>
82														
83	<b>Total Gas Plant In Service</b>	<b>\$ 3,878,395</b>	<b>\$ 3,744,579</b>	<b>\$ 7,353,120</b>	<b>\$ 3,579,105</b>	<b>\$ 2,614,444</b>	<b>\$ 2,146,555</b>	<b>\$ 2,839,880</b>	<b>\$ 2,626,621</b>	<b>\$ 2,207,025</b>	<b>\$ 2,846,500</b>	<b>\$ 3,427,139</b>	<b>\$ 2,654,329</b>	<b>\$ 39,917,692</b>

85 Note (1a) Figure represents all assets except the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per the CAM.

86 Note (1b) Figure represents the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per the CAM.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**PLANNED PLANT RETIREMENTS FROM OCTOBER 1, 2024 TO SEPTEMBER 30, 2025**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Schedule D-2**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
Line No.	Account & Description	Retirements on Plant Additions October 2024	Retirements on Plant Additions November 2024	Retirements on Plant Additions December 2024	Retirements on Plant Additions January 2025	Retirements on Plant Additions February 2025	Retirements on Plant Additions March 2025	Retirements on Plant Additions April 2025	Retirements on Plant Additions May 2025	Retirements on Plant Additions June 2025	Retirements on Plant Additions July 2025	Retirements on Plant Additions August 2025	Retirements on Plant Additions September 2025	Adjustment to Plant in Service for Retirements on Capital Additions
1	<b>Intangible Plant</b>													
2	30100 - Intangibles Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	30200 - Intangibles Franchises & Consents	-	-	-	-	-	-	-	-	-	-	-	-	-
4	30300 - Intangibles Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
5	30301 - Intangibles Miscellaneous - Easements	-	-	-	-	-	-	-	-	-	-	-	-	-
6	30302 - Intangibles Miscellaneous - Trademarks	-	-	-	-	-	-	-	-	-	-	-	-	-
7	30303 - Intangibles Miscellaneous - Workforce	-	-	-	-	-	-	-	-	-	-	-	-	-
8	30370 - Intangibles Miscellaneous - Farm Tap	-	-	-	-	-	-	-	-	-	-	-	-	-
9	<b>Total Intangible Plant</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
10														
11	<b>Natural Gas Production &amp; Gathering Plant</b>													
12	33601 - Purification Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	<b>Total Natural Gas Production &amp; Gathering Plant</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
14														
15	<b>Transmission Plant</b>													
16	36501 - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	36502 - Land Rights/Right-of-Way (Non-Depreciable)	(31)	(30)	(204)	(70)	(43)	(26)	(20)	(6)	(14)	(17)	(15)	(27)	(503)
18	36571 - Land/Farm Tap	-	-	-	-	-	-	-	-	-	-	-	-	-
19	36572 - Land Rights/Farm Tap (Non-Depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-
20	36601 - Structures and Improvements	(107)	(93)	(77)	(63)	(51)	(44)	(61)	(21)	(26)	(26)	(31)	(37)	(639)
21	36620 - Measuring	(72)	(68)	(304)	(66)	(78)	(88)	(114)	(131)	(126)	(126)	(122)	(114)	(1,409)
22	36671 - Structures and Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
23	36700 - Transmission Plant - Mains	(25,950)	(23,444)	(80,930)	(32,595)	(22,310)	(15,478)	(15,954)	(5,525)	(8,885)	(9,988)	(9,886)	(14,845)	(265,789)
24	36780 - Gas Trans -Other Mains-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
25	36804 - Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
26	36880 - Gas Trans-Comp Sta Eqp-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
27	36903 - Measuring & Regulating Station Equipment	(1,186)	(1,184)	(5,514)	(1,046)	(1,133)	(1,220)	(1,568)	(1,666)	(1,626)	(1,630)	(1,595)	(1,520)	(20,887)
28	36973 - Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
29	37101 - Transmission Plant - Other Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
30	<b>Total Transmission Plant</b>	<b>\$ (27,347)</b>	<b>\$ (24,818)</b>	<b>\$ (87,028)</b>	<b>\$ (33,840)</b>	<b>\$ (23,615)</b>	<b>\$ (16,856)</b>	<b>\$ (17,717)</b>	<b>\$ (7,349)</b>	<b>\$ (10,677)</b>	<b>\$ (11,787)</b>	<b>\$ (11,648)</b>	<b>\$ (16,543)</b>	<b>\$ (289,226)</b>
31														
32	<b>Distribution Plant</b>													
33	37401 - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	37402 - Land Rights/Right of Way (Non-Depreciable)	(92)	(232)	(595)	(75)	(51)	(63)	(94)	(115)	(109)	(109)	(104)	(94)	(1,732)
35	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
36	37501 - Structures and Improvements	(453)	(178)	(837)	(76)	(82)	(88)	(101)	(110)	(107)	(107)	(105)	(101)	(2,347)
37	37503 - Structures and Improvements - TBS	-	-	-	-	-	-	-	-	-	-	-	-	-
38	37580 - Gas Dist-Strct&Improve-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
39	37600 - Distribution Plant - Mains	(137,617)	(125,328)	(232,594)	(54,906)	(57,377)	(65,256)	(93,956)	(103,189)	(86,553)	(124,485)	(122,349)	(118,883)	(1,322,492)
40	37680 - Gas Dist - Mains - RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
41	37700 - Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
42	37800 - Measuring & Regulating Station Equipment - General	(13,344)	(11,296)	(16,200)	(7,740)	(7,990)	(9,626)	(15,098)	(17,953)	(14,582)	(20,868)	(20,502)	(19,057)	(174,256)
43	37850 - Measuring & Regulating Station Equipment - Lease	-	-	-	-	-	-	-	-	-	-	-	-	-
44	37870 - Measuring & Regulating Station Equipment	(35)	(24)	(50)	(34)	(23)	(29)	(43)	(53)	(50)	(50)	(48)	(43)	(481)
45	37880 - Gas Dist-Mea/Reg St-RNG	-	-	-	-	-	-	-	-	-	-	-	-	-
46	37900 - Measuring & Regulating Station Equipment - City Gate	-	-	-	-	-	-	-	-	-	-	-	-	-
47	38000 - Distribution Plant - Services	(88,587)	(77,754)	(74,168)	(54,936)	(58,655)	(48,103)	(55,032)	(39,963)	(32,118)	(39,452)	(45,170)	(38,406)	(652,344)
48	38100 - Meters	(17,516)	(20,298)	(15,570)	(3,117)	(4,901)	(7,497)	(11,790)	(16,170)	(13,981)	(13,179)	(18,001)	(12,434)	(154,454)
49	38101 - Meters - ERT & AMI	(4,998)	(5,732)	(5,227)	(905)	(1,399)	(2,100)	(3,295)	(4,494)	(3,898)	(3,682)	(4,978)	(3,468)	(44,177)
50	38201 - Meter Installations	(730)	(1,178)	(884)	(2,559)	(705)	(547)	(538)	(501)	(328)	(464)	(545)	(389)	(9,367)
51	38301 - House Regulators	(58,926)	(83,966)	(69,370)	(176,255)	(39,395)	(33,816)	(40,591)	(34,972)	(26,376)	(37,802)	(41,268)	(35,600)	(678,338)
52	38501 - Industrial Measuring & Regulating Station Equipment	(2,488)	(2,876)	(2,219)	(489)	(745)	(1,098)	(1,696)	(2,326)	(2,000)	(1,901)	(2,579)	(1,782)	(22,198)
53	38700 - Other Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
54	<b>Total Distribution Plant</b>	<b>\$ (324,786)</b>	<b>\$ (328,863)</b>	<b>\$ (417,716)</b>	<b>\$ (301,091)</b>	<b>\$ (171,323)</b>	<b>\$ (168,221)</b>	<b>\$ (222,235)</b>	<b>\$ (219,844)</b>	<b>\$ (180,103)</b>	<b>\$ (242,099)</b>	<b>\$ (255,648)</b>	<b>\$ (230,257)</b>	<b>\$ (3,062,185)</b>
55														



BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PLANNED PLANT RETIREMENTS FROM OCTOBER 1, 2024 TO SEPTEMBER 30, 2025  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Schedule D-2

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
Line No.	Account & Description	Retirements on Plant Additions October 2024	Retirements on Plant Additions November 2024	Retirements on Plant Additions December 2024	Retirements on Plant Additions January 2025	Retirements on Plant Additions February 2025	Retirements on Plant Additions March 2025	Retirements on Plant Additions April 2025	Retirements on Plant Additions May 2025	Retirements on Plant Additions June 2025	Retirements on Plant Additions July 2025	Retirements on Plant Additions August 2025	Retirements on Plant Additions September 2025	Adjustment to Plant in Service for Retirements on Capital Additions
56	<b>General Plant</b>													
57	38901 - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
58	39001 - Structures and Improvements	(17,202)	(5,964)	(31,694)	(2,890)	(3,127)	(3,329)	(3,835)	(4,173)	(4,072)	(4,072)	(4,004)	(3,835)	(88,197)
59	39051 - Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
60	39101 - Office Furniture & Equipment	-	-	-	(1,407)	-	-	-	-	-	-	-	-	(1,407)
61	39103 - Computer Hardware	(268,574)	-	(52,744)	-	(186,822)	-	-	-	(78,568)	-	(50,600)	-	(637,308)
62	39104 - Software	(28)	(10)	(51)	(5)	(5)	(5)	(6)	(7)	(7)	(7)	(6)	(6)	(143)
63	39107 - Ipad Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-
64	39201 - Transportation Equipment	-	-	(635)	(19)	(76)	(28)	(20)	(15)	(7)	(9)	(12)	(10)	(831)
65	39203 - Light Trucks	-	-	(4,534)	(1,355)	(5,341)	(1,944)	(1,418)	(1,079)	(477)	(647)	(852)	(728)	(18,375)
66	39204 - Medium Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-
67	39205 - Heavy Trucks	-	-	-	(40)	(158)	(58)	(42)	(32)	(14)	(19)	(25)	(22)	(410)
68	39206 - Trailers	-	-	(63)	(15)	(58)	(21)	(15)	(12)	(5)	(7)	(9)	(8)	(212)
69	39300 - Stores Equipment	-	-	-	(566)	-	-	-	-	-	-	-	-	(566)
70	39400 - Tools, Shop, and Garage Equipment	-	-	-	(62,879)	(4,940)	-	-	-	(8,823)	(2,438)	-	-	(79,080)
71	39500 - Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
72	39600 - Power Operated Equipment	-	-	-	(67)	(264)	(96)	(70)	(53)	(24)	(32)	(42)	(36)	(684)
73	39700 - Communication Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
74	39800 - Miscellaneous Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
75	<b>Total General Plant</b>	<b>\$ (285,803)</b>	<b>\$ (5,973)</b>	<b>\$ (89,723)</b>	<b>\$ (69,243)</b>	<b>\$ (200,790)</b>	<b>\$ (5,481)</b>	<b>\$ (5,407)</b>	<b>\$ (5,371)</b>	<b>\$ (91,995)</b>	<b>\$ (7,231)</b>	<b>\$ (55,551)</b>	<b>\$ (4,646)</b>	<b>\$ (827,212)</b>
76														
77	<b>Other Utility Plant</b>													
78	118 - Other Utility Plant Note ( 1a)	\$ (32,051)	\$ (13,366)	\$ (369,221)	\$ (255,435)	\$ (4,714)	\$ (10,729)	\$ (8,942)	\$ (140,272)	\$ (32,679)	\$ (17,444)	\$ (20,594)	\$ (733,586)	\$ (1,639,034)
79	118 - Other Utility Plant (CIS+) Note (1b)	-	-	(349,412)	-	-	-	-	-	-	-	-	-	(349,412)
80	118 - Other Utility Plant (Vehicles)	-	-	(5,698)	-	-	-	-	-	-	-	-	-	(5,698)
81	<b>Total Other Utility Plant</b>	<b>\$ (32,051)</b>	<b>\$ (13,366)</b>	<b>\$ (724,332)</b>	<b>\$ (255,435)</b>	<b>\$ (4,714)</b>	<b>\$ (10,729)</b>	<b>\$ (8,942)</b>	<b>\$ (140,272)</b>	<b>\$ (32,679)</b>	<b>\$ (17,444)</b>	<b>\$ (20,594)</b>	<b>\$ (733,586)</b>	<b>\$ (1,994,145)</b>
82														
83	<b>Total Gas Plant In Service</b>	<b>\$ (669,987)</b>	<b>\$ (373,021)</b>	<b>\$ (1,318,799)</b>	<b>\$ (659,609)</b>	<b>\$ (400,442)</b>	<b>\$ (201,287)</b>	<b>\$ (254,301)</b>	<b>\$ (372,836)</b>	<b>\$ (315,454)</b>	<b>\$ (278,561)</b>	<b>\$ (343,441)</b>	<b>\$ (985,032)</b>	<b>\$ (6,172,769)</b>

85 Note (1a) Figure represents all assets except the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per the CAM.

86 Note (1b) Figure represents the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per the CAM.

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 ADJUSTED ACCUMULATED PROVISION FOR DEPRECIATION  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement E

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Line No.	Account & Description	Accumulated Depreciation 12/31/2021	Accumulated Depreciation 12/31/2022	Accumulated Depreciation 9/30/2023	Accumulated Depreciation 12/31/2023	Test Year Accumulated Depreciation 9/30/2024	Adjustment to Accumulated Depreciation for Capital Additions (Sched. E-1)	Adjustment to Accumulated Depreciation for Retirements on Capital Additions (Sched. E-2)	Accumulated Depreciation as of 9/30/2025 for Existing Assets (Sched. E-3)	Adjusted Total
1	<b>Intangible Plant</b>									
2	30100 - Intangibles Organization	\$ 176,609	\$ 182,240	\$ 186,463	\$ 186,932	\$ 186,932	\$ -	\$ -	\$ -	\$ 186,932
3	30200 - Intangibles Franchises & Consents	73,660	74,434	74,955	74,990	74,990	-	-	360	75,350
4	30300 - Intangibles Miscellaneous	773,616	776,718	779,045	779,820	782,147	-	-	19,029	801,176
5	30301 - Intangibles Miscellaneous - Easements	1,159,697	1,247,252	1,312,918	1,334,807	1,400,473	-	-	87,555	1,488,028
6	30302 - Intangibles Miscellaneous - Trademarks	-	3,312	5,797	6,625	9,109	-	-	-	9,109
7	30303 - Intangibles Miscellaneous - Workforce	-	-	-	-	-	-	-	-	-
8	30370 - Intangibles Miscellaneous - Farm Tap	295,646	295,646	295,646	295,646	295,646	-	-	-	295,646
9	<b>Total Intangible Plant</b>	\$ 2,479,228	\$ 2,579,602	\$ 2,654,823	\$ 2,678,819	\$ 2,749,296	\$ -	\$ -	\$ 106,944	\$ 2,856,240
10										
11	<b>Natural Gas Production &amp; Gathering Plant</b>									
12	33601 - Purification Equipment	\$ (5,607)	\$ (5,607)	\$ (5,607)	\$ (5,607)	\$ -	\$ -	\$ -	\$ -	\$ -
13	<b>Total Natural Gas Production &amp; Gathering Plant</b>	\$ (5,607)	\$ (5,607)	\$ (5,607)	\$ (5,607)	\$ -	\$ -	\$ -	\$ -	\$ -
14										
15	<b>Transmission Plant</b>									
16	36501 - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	36502 - Land Rights/Right-of-Way (Non-Depreciable)	691,895	691,895	691,895	691,895	691,895	-	-	-	691,895
18	36571 - Land/Farm Tap	-	-	-	-	-	-	-	-	-
19	36572 - Land Rights/Farm Tap (Non-Depreciable)	-	-	-	-	-	-	-	-	-
20	36601 - Structures and Improvements	96,369	97,700	98,873	99,264	100,437	32	(645)	1,564	101,387
21	36620 - Measuring	-	24	449	610	1,111	70	(1,422)	735	493
22	36671 - Structures and Improvements	77,991	78,076	78,139	78,160	78,223	-	-	84	78,308
23	36700 - Transmission Plant - Mains	10,748,432	11,143,385	11,749,586	11,940,696	12,536,385	18,487	(269,457)	810,990	13,096,406
24	36780 - Gas Trans -Other Mains-RNG	-	-	-	-	-	-	-	-	-
25	36804 - Compressor Station Equipment	(99,728)	(99,548)	(99,413)	(99,368)	(98,136)	-	-	180	(97,956)
26	36880 - Gas Trans-Comp Sta Eqp-RNG	-	-	-	-	-	-	-	-	-
27	36903 - Measuring & Regulating Station Equipment	1,692,861	1,818,580	1,917,085	1,972,036	2,075,710	2,958	(21,473)	144,632	2,201,827
28	36973 - Measuring & Regulating Station Equipment	50,515	51,952	53,029	53,388	54,466	-	-	1,442	55,907
29	37101 - Transmission Plant - Other Equipment	45,847	55,352	61,897	64,261	71,352	-	-	9,455	80,808
30	<b>Total Transmission Plant</b>	\$ 13,304,183	\$ 13,837,416	\$ 14,551,541	\$ 14,800,943	\$ 15,511,444	\$ 21,547	\$ (292,998)	\$ 969,082	\$ 16,209,075
31										
32	<b>Distribution Plant</b>									
33	37401 - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	37402 - Land Rights/Right of Way (Non-Depreciable)	(8,628)	(8,628)	(8,628)	(8,628)	-	-	-	-	-
35	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	-	-	-	-	-	-	-	-	-
36	37501 - Structures and Improvements	381,211	404,417	423,394	429,865	451,834	290	(2,404)	28,606	478,326
37	37503 - Structures and Improvements - TBS	-	-	-	-	-	-	-	-	-
38	37580 - Gas Dist-Strct&Improve-RNG	-	-	-	-	-	-	-	-	-
39	37600 - Distribution Plant - Mains	43,366,890	45,116,279	46,327,162	46,104,147	47,667,887	102,653	(1,342,858)	2,350,179	48,777,861
40	37680 - Gas Dist - Mains - RNG	-	-	1,954	-	12,770	-	-	15,234	28,004
41	37700 - Compressor Station Equipment	62,642	71,162	77,551	79,681	86,071	-	-	8,520	94,591
42	37800 - Measuring & Regulating Station Equipment - General	1,677,581	1,860,301	1,878,419	1,894,106	2,023,073	20,464	(178,316)	207,202	2,072,424
43	37850 - Measuring & Regulating Station Equipment - Lease	-	-	-	-	-	-	-	-	-
44	37870 - Measuring & Regulating Station Equipment	51,540	55,851	58,680	59,623	62,514	56	(492)	4,071	66,150
45	37880 - Gas Dist-Mea/Reg St-RNG	-	-	-	-	-	-	-	-	-
46	37900 - Measuring & Regulating Station Equipment - City Gate	33,345	36,241	38,413	39,138	41,310	-	-	2,897	44,207
47	38000 - Distribution Plant - Services	28,768,590	30,164,583	30,298,412	30,718,804	31,147,071	68,720	(665,978)	2,102,578	32,652,391
48	38100 - Meters	(594,638)	(2,593)	464,850	1,318,966	1,703,063	71,855	(168,710)	1,166,291	2,772,499
49	38101 - Meters - ERT & AMI	4,382,937	4,904,362	5,284,724	5,348,419	5,603,106	15,809	(47,314)	716,752	6,288,354
50	38201 - Meter Installations	1,234,351	1,250,935	1,256,960	2,519,528	2,536,651	425	(9,452)	43,075	2,570,699
51	38301 - House Regulators	2,874,810	4,062,404	5,302,388	5,797,446	6,660,629	105,307	(699,231)	1,459,419	7,526,124
52	38501 - Industrial Measuring & Regulating Station Equipment	1,781,138	1,870,901	1,914,709	354,971	326,961	2,741	(22,741)	67,640	374,600
53	38700 - Other Equipment	25,882	29,075	31,470	32,269	34,720	-	-	3,385	38,104
54	<b>Total Distribution Plant</b>	\$ 84,037,649	\$ 89,815,290	\$ 93,350,460	\$ 94,688,335	\$ 98,357,662	\$ 388,321	\$ (3,137,496)	\$ 8,175,848	\$ 103,784,334
55										

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 ADJUSTED ACCUMULATED PROVISION FOR DEPRECIATION  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement E

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Line No.	Account & Description	Accumulated Depreciation 12/31/2021	Accumulated Depreciation 12/31/2022	Accumulated Depreciation 9/30/2023	Accumulated Depreciation 12/31/2023	Test Year Accumulated Depreciation 9/30/2024	Adjustment to Accumulated Depreciation for Capital Additions (Sched. E-1)	Adjustment to Accumulated Depreciation for Retirements on Capital Additions (Sched. E-2)	Accumulated Depreciation as of 9/30/2025 for Existing Assets (Sched. E-3)	Adjusted Total
56	<b>General Plant</b>									
57	38901 - Land	\$ (179)	\$ (179)	\$ (179)	\$ (179)	\$ -	\$ -	\$ -	\$ -	\$ -
58	39001 - Structures and Improvements	515,274	837,778	1,033,513	1,063,581	1,299,213	12,047	(90,587)	342,080	1,562,753
59	39051 - Leasehold Improvements	-	-	-	-	-	-	-	-	-
60	39101 - Office Furniture & Equipment	428,792	417,207	409,006	406,460	398,878	210	(1,477)	30,509	428,120
61	39103 - Computer Hardware	299,425	460,642	632,852	622,166	814,496	31,764	(749,729)	229,056	325,586
62	39104 - Software	47,613	57,201	64,391	66,788	73,979	1,257	(168)	16,912	91,980
63	39107 - Ipad Hardware	151,396	203,824	243,212	253,152	31,221	8	-	6,780	38,009
64	39201 - Transportation Equipment	74,015	76,524	82,047	84,561	96,310	3,546	(902)	17,683	116,637
65	39203 - Light Trucks	2,683,063	3,145,122	3,375,428	3,421,724	3,270,756	65,507	(19,685)	717,950	4,034,528
66	39204 - Medium Trucks	43,402	46,913	2,895	2,895	2,895	-	-	-	2,895
67	39205 - Heavy Trucks	309,838	282,941	264,235	265,629	269,813	229	(414)	5,578	275,206
68	39206 - Trailers	153,535	153,535	119,782	118,825	118,010	155	(216)	2,769	120,718
69	39300 - Stores Equipment	24,830	27,316	29,181	8,305	9,526	85	(589)	2,063	11,085
70	39400 - Tools, Shop, and Garage Equipment	932,511	860,431	942,385	969,779	1,056,863	27,710	(82,164)	138,644	1,141,053
71	39500 - Laboratory Equipment	17,791	15,984	14,630	14,178	12,823	-	-	517	13,340
72	39600 - Power Operated Equipment	330,787	392,103	185,779	200,307	239,671	1,904	(722)	57,473	298,326
73	39700 - Communication Equipment	673,698	657,374	747,182	699,363	726,564	-	-	80,519	807,083
74	39800 - Miscellaneous Equipment	(2,701)	856	3,524	4,413	7,081	-	-	2,162	9,244
75	<b>Total General Plant</b>	\$ 6,683,089	\$ 7,635,574	\$ 8,149,864	\$ 8,201,948	\$ 8,428,099	\$ 144,422	\$ (946,652)	\$ 1,650,695	\$ 9,276,564
76										
77	<b>Other Utility Plant</b>									
78	119 - Other Utility Plant Note (1a)	\$ 1,503,041	\$ 3,739,956	\$ 4,950,946	\$ 5,418,556	\$ 6,326,780	\$ 68,660	\$ (1,809,422)	\$ 1,640,019	\$ 6,226,038
79	119 - Other Utility Plant (CIS+) Note (1b)	254,615	309,091	349,944	368,552	419,850	597	(384,354)	61,503	97,596
80	119 - Other Utility Plant (Vehicles)	131,581	170,099	187,470	196,522	236,195	2,395	(6,224)	74,141	306,507
81	<b>Total Other Utility Plant</b>	\$ 1,889,237	\$ 4,219,146	\$ 5,488,361	\$ 5,983,630	\$ 6,982,825	\$ 71,652	\$ (2,199,999)	\$ 1,775,663	\$ 6,630,141
82										
83	<b>Total Gas Plant In Service</b>	\$ 108,387,779	\$ 118,081,421	\$ 124,189,442	\$ 126,348,068	\$ 132,029,326	\$ 625,942	\$ (6,577,146)	\$ 12,678,231	\$ 138,756,353
84										
85	Note (1a) Figure represents all assets except the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per the CAM.									
86	Note (1b) Figure represents the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per the CAM.									

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
ADJUSTED ACCUMULATED DEPRECIATION - PRO FORMA CAPITAL ADDITIONS  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
Schedule E-1

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Capital Additions Sched. D-1, Col. (o)	2024 Depreciation Existing Rates Note (1)	Book Depreciation Expense	Adjustment to Accumulated Depreciation for Capital Additions
1	<b>Intangible Plant</b>				
2	30100 - Intangibles Organization	\$ -	0.00%	\$ -	\$ -
3	30200 - Intangibles Franchises & Consents	-	0.48%	-	-
4	30300 - Intangibles Miscellaneous	-	1.83%	-	-
5	30301 - Intangibles Miscellaneous - Easements	-	5.06%	-	-
6	30302 - Intangibles Miscellaneous - Trademarks	-	0.00%	-	-
7	30303 - Intangibles Miscellaneous - Workforce	-	0.00%	-	-
8	30370 - Intangibles Miscellaneous - Farm Tap	-	0.00%	-	-
9	<b>Total Intangible Plant</b>	\$ -		\$ -	\$ -
10					
11	<b>Natural Gas Production &amp; Gathering Plant</b>				
12	33601 - Purification Equipment	\$ -	2.76%	\$ -	\$ -
13	<b>Total Natural Gas Production &amp; Gathering Plant</b>	\$ -		\$ -	\$ -
14					
15	<b>Transmission Plant</b>				
16	36501 - Land	\$ -	0.00%	\$ -	\$ -
17	36502 - Land Rights/Right-of-Way (Non-Depreciable)	5,069	0.00%	-	-
18	36571 - Land/Farm Tap	-	0.00%	-	-
19	36572 - Land Rights/Farm Tap (Non-Depreciable)	-	0.00%	-	-
20	36601 - Structures and Improvements	6,441	0.98%	63	32
21	36620 - Measuring	14,200	0.98%	139	70
22	36671 - Structures and Improvements	-	0.98%	-	-
23	36700 - Transmission Plant - Mains	2,679,328	1.38%	36,975	18,487
24	36780 - Gas Trans -Other Mains-RNG	-	1.38%	-	-
25	36804 - Compressor Station Equipment	-	7.27%	-	-
26	36880 - Gas Trans-Comp Sta Eqp-RNG	-	7.27%	-	-
27	36903 - Measuring & Regulating Station Equipment	210,549	2.81%	5,916	2,958
28	36973 - Measuring & Regulating Station Equipment	-	2.81%	-	-
29	37101 - Transmission Plant - Other Equipment	-	8.90%	-	-
30	<b>Total Transmission Plant</b>	\$ 2,915,588		\$ 43,093	\$ 21,547
31					
32	<b>Distribution Plant</b>				
33	37401 - Land	\$ -	0.00%	\$ -	\$ -
34	37402 - Land Rights/Right of Way (Non-Depreciable)	17,461	0.00%	-	-
35	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	-	0.00%	-	-
36	37501 - Structures and Improvements	23,656	2.45%	580	290
37	37503 - Structures and Improvements - TBS	-	2.45%	-	-
38	37580 - Gas Dist-Strct&Improve-RNG	-	2.45%	-	-
39	37600 - Distribution Plant - Mains	13,331,572	1.54%	205,306	102,653
40	37680 - Gas Dist - Mains - RNG	-	1.54%	-	-
41	37700 - Compressor Station Equipment	-	4.86%	-	-
42	37800 - Measuring & Regulating Station Equipment - General	1,756,608	2.33%	40,929	20,464
43	37850 - Measuring & Regulating Station Equipment - Lease	-	2.33%	-	-
44	37870 - Measuring & Regulating Station Equipment	4,847	2.33%	113	56
45	37880 - Gas Dist-Mea/Reg St-RNG	-	2.33%	-	-
46	37900 - Measuring & Regulating Station Equipment - City Gate	-	4.74%	-	-
47	38000 - Distribution Plant - Services	6,576,049	2.09%	137,439	68,720
48	38100 - Meters	1,556,996	9.23%	143,711	71,855
49	38101 - Meters - ERT & AMI	445,333	7.10%	31,619	15,809
50	38201 - Meter Installations	94,430	0.90%	850	425
51	38301 - House Regulators	6,838,085	3.08%	210,613	105,307
52	38501 - Industrial Measuring & Regulating Station Equipment	223,767	2.45%	5,482	2,741
53	38700 - Other Equipment	-	2.92%	-	-
54	<b>Total Distribution Plant</b>	\$ 30,868,803		\$ 776,642	\$ 388,321
55					

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**ADJUSTED ACCUMULATED DEPRECIATION - PRO FORMA CAPITAL ADDITIONS**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Schedule E-1**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Capital Additions Sched. D-1, Col. (o)	2024 Depreciation Existing Rates Note (1)	Book Depreciation Expense	Adjustment to Accumulated Depreciation for Capital Additions
56	<b>General Plant</b>				
57	38901 - Land	\$ -	0.00%	\$ -	\$ -
58	39001 - Structures and Improvements	889,085	2.71%	24,094	12,047
59	39051 - Leasehold Improvements	-	0.00%	-	-
60	39101 - Office Furniture & Equipment	8,444	4.98%	420	210
61	39103 - Computer Hardware	360,131	17.64%	63,527	31,764
62	39104 - Software	14,250	17.64%	2,514	1,257
63	39107 - Ipad Hardware	79	20.00%	16	8
64	39201 - Transportation Equipment	83,138	8.53%	7,092	3,546
65	39203 - Light Trucks	1,837,509	7.13%	131,014	65,507
66	39204 - Medium Trucks	-	11.60%	-	-
67	39205 - Heavy Trucks	40,969	1.12%	459	229
68	39206 - Trailers	21,250	1.46%	310	155
69	39300 - Stores Equipment	4,257	4.00%	170	85
70	39400 - Tools, Shop, and Garage Equipment	1,421,023	3.90%	55,420	27,710
71	39500 - Laboratory Equipment	-	4.41%	-	-
72	39600 - Power Operated Equipment	68,367	5.57%	3,808	1,904
73	39700 - Communication Equipment	-	6.59%	-	-
74	39800 - Miscellaneous Equipment	-	6.67%	-	-
75	<b>Total General Plant</b>	<u>\$ 4,748,501</u>		<u>\$ 288,845</u>	<u>\$ 144,422</u>
76					
77	<b>Other Utility Plant</b>				
78	118 - Other Utility Plant	\$ 1,320,942	10.40%	\$ 137,320	\$ 68,660
79	118 - Other Utility Plant (CIS+)	11,941	10.00%	1,194	597
80	118 - Other Utility Plant (Vehicles)	51,916	9.23%	4,790	2,395
81	<b>Total Other Utility Plant</b>	<u>\$ 1,384,799</u>		<u>\$ 143,304</u>	<u>\$ 71,652</u>
82					
83	<b>Total Gas Plant In Service</b>	<u>\$ 39,917,692</u>		<u>\$ 1,251,883</u>	<u>\$ 625,942</u>
84					
85	Note (1) Depreciation Rates as approved in Docket No. 21-BHCG-418-RTS.				

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 ADJUSTED ACCUMULATED DEPRECIATION - PRO FORMA CAPITAL RETIREMENTS  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Schedule E-2

(a)	(b)	(c)	(d) Note (1)	(e)	(f) Adjustment to Accumulated Depreciation for Retirements on Capital Additions
Line No.	Account & Description	Retirements on Capital Additions Sched. D-2, Col. (o)	2024 Depreciation Existing Rates	Roll Forward Deduction	Retirements on Capital Additions
1	<b>Intangible Plant</b>				
2	30100 - Intangibles Organization	\$ -	0.00%	\$ -	\$ -
3	30200 - Intangibles Franchises & Consents	-	0.48%	-	-
4	30300 - Intangibles Miscellaneous	-	1.83%	-	-
5	30301 - Intangibles Miscellaneous - Easements	-	5.06%	-	-
6	30302 - Intangibles Miscellaneous - Trademarks	-	0.00%	-	-
7	30303 - Intangibles Miscellaneous - Workforce	-	0.00%	-	-
8	30370 - Intangibles Miscellaneous - Farm Tap	-	0.00%	-	-
9	<b>Total Intangible Plant</b>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
10					
11	<b>Natural Gas Production &amp; Gathering Plant</b>				
12	33601 - Purification Equipment	\$ -	2.76%	\$ -	\$ -
13	<b>Total Natural Gas Production &amp; Gathering Plant</b>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
14					
15	<b>Transmission Plant</b>				
16	36501 - Land	\$ -	0.00%	\$ -	\$ -
17	36502 - Land Rights/Right-of-Way (Non-Depreciable)	(503)	0.00%	-	-
18	36571 - Land/Farm Tap	-	0.00%	-	-
19	36572 - Land Rights/Farm Tap (Non-Depreciable)	-	0.00%	-	-
20	36601 - Structures and Improvements	(639)	0.98%	(6)	(645)
21	36620 - Measuring	(1,409)	0.98%	(14)	(1,422)
22	36671 - Structures and Improvements	-	0.98%	-	-
23	36700 - Transmission Plant - Mains	(265,789)	1.38%	(3,668)	(269,457)
24	36780 - Gas Trans -Other Mains-RNG	-	1.38%	-	-
25	36804 - Compressor Station Equipment	-	7.27%	-	-
26	36880 - Gas Trans-Comp Sta Eqp-RNG	-	7.27%	-	-
27	36903 - Measuring & Regulating Station Equipment	(20,887)	2.81%	(587)	(21,473)
28	36973 - Measuring & Regulating Station Equipment	-	2.81%	-	-
29	37101 - Transmission Plant - Other Equipment	-	8.90%	-	-
30	<b>Total Transmission Plant</b>	<u>\$ (289,226)</u>		<u>\$ (4,275)</u>	<u>\$ (292,998)</u>
31					
32	<b>Distribution Plant</b>				
33	37401 - Land	\$ -	0.00%	\$ -	\$ -
34	37402 - Land Rights/Right of Way (Non-Depreciable)	(1,732)	0.00%	-	-
35	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	-	0.00%	-	-
36	37501 - Structures and Improvements	(2,347)	2.45%	(57)	(2,404)
37	37503 - Structures and Improvements - TBS	-	2.45%	-	-
38	37580 - Gas Dist-Strct&Improve-RNG	-	2.45%	-	-
39	37600 - Distribution Plant - Mains	(1,322,492)	1.54%	(20,366)	(1,342,858)
40	37680 - Gas Dist - Mains - RNG	-	1.54%	-	-
41	37700 - Compressor Station Equipment	-	4.86%	-	-
42	37800 - Measuring & Regulating Station Equipment - General	(174,256)	2.33%	(4,060)	(178,316)
43	37850 - Measuring & Regulating Station Equipment - Lease	-	2.33%	-	-
44	37870 - Measuring & Regulating Station Equipment	(481)	2.33%	(11)	(492)
45	37880 - Gas Dist-Mea/Reg St-RNG	-	2.33%	-	-
46	37900 - Measuring & Regulating Station Equipment - City Gate	-	4.74%	-	-
47	38000 - Distribution Plant - Services	(652,344)	2.09%	(13,634)	(665,978)
48	38100 - Meters	(154,454)	9.23%	(14,256)	(168,710)
49	38101 - Meters - ERT & AMI	(44,177)	7.10%	(3,137)	(47,314)
50	38201 - Meter Installations	(9,367)	0.90%	(84)	(9,452)
51	38301 - House Regulators	(678,338)	3.08%	(20,893)	(699,231)
52	38501 - Industrial Measuring & Regulating Station Equipment	(22,198)	2.45%	(544)	(22,741)
53	38700 - Other Equipment	-	2.92%	-	-
54	<b>Total Distribution Plant</b>	<u>\$ (3,062,185)</u>		<u>\$ (77,043)</u>	<u>\$ (3,137,496)</u>
55					

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 ADJUSTED ACCUMULATED DEPRECIATION - PRO FORMA CAPITAL RETIREMENTS  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Schedule E-2

(a)	(b)	(c)	(d) Note (1)	(e)	(f)
Line No.	Account & Description	Retirements on Capital Additions Sched. D-2, Col. (o)	2024 Depreciation Existing Rates	Roll Forward Deduction	Adjustment to Accumulated Depreciation for Retirements on Capital Additions
56	<b>General Plant</b>				
57	38901 - Land	\$ -	0.00%	\$ -	\$ -
58	39001 - Structures and Improvements	(88,197)	2.71%	(2,390)	(90,587)
59	39051 - Leasehold Improvements	-	0.00%	-	-
60	39101 - Office Furniture & Equipment	(1,407)	4.98%	(70)	(1,477)
61	39103 - Computer Hardware	(637,308)	17.64%	(112,421)	(749,729)
62	39104 - Software	(143)	17.64%	(25)	(168)
63	39107 - Ipad Hardware	-	20.00%	-	-
64	39201 - Transportation Equipment	(831)	8.53%	(71)	(902)
65	39203 - Light Trucks	(18,375)	7.13%	(1,310)	(19,685)
66	39204 - Medium Trucks	-	11.60%	-	-
67	39205 - Heavy Trucks	(410)	1.12%	(5)	(414)
68	39206 - Trailers	(212)	1.46%	(3)	(216)
69	39300 - Stores Equipment	(566)	4.00%	(23)	(589)
70	39400 - Tools, Shop, and Garage Equipment	(79,080)	3.90%	(3,084)	(82,164)
71	39500 - Laboratory Equipment	-	4.41%	-	-
72	39600 - Power Operated Equipment	(684)	5.57%	(38)	(722)
73	39700 - Communication Equipment	-	6.59%	-	-
74	39800 - Miscellaneous Equipment	-	6.67%	-	-
75	<b>Total General Plant</b>	<u>\$ (827,212)</u>		<u>\$ (119,440)</u>	<u>\$ (946,652)</u>
76					
77	<b>Other Utility Plant</b>				
78	118 - Other Utility Plant	\$ (1,639,034)	10.40%	\$ (170,387)	\$ (1,809,422)
79	118 - Other Utility Plant (CIS+)	(349,412)	10.00%	(34,941)	(384,354)
80	118 - Other Utility Plant (Vehicles)	(5,698)	9.23%	(526)	(6,224)
81	<b>Total Other Utility Plant</b>	<u>\$ (1,994,145)</u>		<u>\$ (205,854)</u>	<u>\$ (2,199,999)</u>
82					
83	<b>Total Gas Plant In Service</b>	<u>\$ (6,172,769)</u>		<u>\$ (406,612)</u>	<u>\$ (6,577,146)</u>
84					
85	Note (1) Depreciation Rates as approved in Docket No. 21-BHCG-418-RTS.				

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 ACCUMULATED DEPRECIATION FOR EXISTING ASSETS TO SEPTEMBER 30, 2025  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Schedule E-3

(a)	(b)	(c)	(d) Note (1)	(e)
Line No.	Description	Plant in Service 9/30/2024 Stmt. D, Col. (g)	2024 Depreciation Existing Rates	Accumulated Depreciation as of 09/30/2025 on Existing Assets
1	<b>Intangible Plant</b>			
2	30100 - Intangibles Organization	\$ 186,932	0.00%	\$ -
3	30200 - Intangibles Franchises & Consents	74,990	0.48%	360
4	30300 - Intangibles Miscellaneous	1,039,860	1.83%	19,029
5	30301 - Intangibles Miscellaneous - Easements	1,730,332	5.06%	87,555
6	30302 - Intangibles Miscellaneous - Trademarks	181,000	0.00%	-
7	30303 - Intangibles Miscellaneous - Workforce	-	0.00%	-
8	30370 - Intangibles Miscellaneous - Farm Tap	295,646	0.00%	-
9	<b>Total Intangible Plant</b>	<u>\$ 3,508,760</u>		<u>\$ 106,944</u>
10				
11	<b>Natural Gas Production &amp; Gathering Plant</b>			
12	33601 - Purification Equipment	-	2.76%	-
13	<b>Total Natural Gas Production &amp; Gathering Plant</b>	<u>\$ -</u>		<u>\$ -</u>
14				
15	<b>Transmission Plant</b>			
16	36501 - Land	9,431	0.00%	-
17	36502 - Land Rights/Right-of-Way (Non-Depreciable)	720,497	0.00%	-
18	36571 - Land/Farm Tap	644	0.00%	-
19	36572 - Land Rights/Farm Tap (Non-Depreciable)	2,100	0.00%	-
20	36601 - Structures and Improvements	159,579	0.98%	1,564
21	36620 - Measuring	74,963	0.98%	735
22	36671 - Structures and Improvements	8,600	0.98%	84
23	36700 - Transmission Plant - Mains	58,767,417	1.38%	810,990
24	36780 - Gas Trans -Other Mains-RNG	-	1.38%	-
25	36804 - Compressor Station Equipment	2,475	7.27%	180
26	36880 - Gas Trans-Comp Sta Eqp-RNG	-	7.27%	-
27	36903 - Measuring & Regulating Station Equipment	5,147,043	2.81%	144,632
28	36973 - Measuring & Regulating Station Equipment	51,304	2.81%	1,442
29	37101 - Transmission Plant - Other Equipment	106,238	8.90%	9,455
30	<b>Total Transmission Plant</b>	<u>\$ 65,050,291</u>		<u>\$ 969,082</u>
31				
32	<b>Distribution Plant</b>			
33	37401 - Land	186,909	0.00%	-
34	37402 - Land Rights/Right of Way (Non-Depreciable)	776,669	0.00%	-
35	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	-	0.00%	-
36	37501 - Structures and Improvements	1,167,578	2.45%	28,606
37	37503 - Structures and Improvements - TBS	-	2.45%	-
38	37580 - Gas Dist-Strct&Improve-RNG	-	2.45%	-
39	37600 - Distribution Plant - Mains	152,609,049	1.54%	2,350,179
40	37680 - Gas Dist - Mains - RNG	989,195	1.54%	15,234
41	37700 - Compressor Station Equipment	175,304	4.86%	8,520
42	37800 - Measuring & Regulating Station Equipment - General	8,892,806	2.33%	207,202
43	37850 - Measuring & Regulating Station Equipment - Lease	-	2.33%	-
44	37870 - Measuring & Regulating Station Equipment	174,723	2.33%	4,071
45	37880 - Gas Dist-Mea/Reg St-RNG	-	2.33%	-
46	37900 - Measuring & Regulating Station Equipment - City Gate	61,111	4.74%	2,897
47	38000 - Distribution Plant - Services	100,601,826	2.09%	2,102,578
48	38100 - Meters	12,635,869	9.23%	1,166,291
49	38101 - Meters - ERT & AMI	10,095,105	7.10%	716,752
50	38201 - Meter Installations	4,786,072	0.90%	43,075
51	38301 - House Regulators	47,383,736	3.08%	1,459,419
52	38501 - Industrial Measuring & Regulating Station Equipment	2,760,797	2.45%	67,640
53	38700 - Other Equipment	115,909	2.92%	3,385
54	<b>Total Distribution Plant</b>	<u>\$ 343,412,658</u>		<u>\$ 8,175,848</u>
55				



BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
ACCUMULATED DEPRECIATION FOR EXISTING ASSETS TO SEPTEMBER 30, 2025  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
Schedule E-3

(a)	(b)	(c)	(d) Note (1)	(e)
Line No.	Description	Plant in Service 9/30/2024 Stmt. D, Col. (g)	2024 Depreciation Existing Rates	Accumulated Depreciation as of 09/30/2025 on Existing Assets
56	<b>General Plant</b>			
57	38901 - Land	856,543	0.00%	\$ -
58	39001 - Structures and Improvements	12,622,890	2.71%	342,080
59	39051 - Leasehold Improvements	-	0.00%	-
60	39101 - Office Furniture & Equipment	612,628	4.98%	30,509
61	39103 - Computer Hardware	1,298,502	17.64%	229,056
62	39104 - Software	95,874	17.64%	16,912
63	39107 - Ipad Hardware	33,899	20.00%	6,780
64	39201 - Transportation Equipment	207,305	8.53%	17,683
65	39203 - Light Trucks	10,069,428	7.13%	717,950
66	39204 - Medium Trucks	-	11.60%	-
67	39205 - Heavy Trucks	498,021	1.12%	5,578
68	39206 - Trailers	189,639	1.46%	2,769
69	39300 - Stores Equipment	51,583	4.00%	2,063
70	39400 - Tools, Shop, and Garage Equipment	3,554,977	3.90%	138,644
71	39500 - Laboratory Equipment	11,714	4.41%	517
72	39600 - Power Operated Equipment	1,031,830	5.57%	57,473
73	39700 - Communication Equipment	1,221,839	6.59%	80,519
74	39800 - Miscellaneous Equipment	32,417	6.67%	2,162
75	<b>Total General Plant</b>	<u>\$ 32,389,088</u>		<u>\$ 1,650,695</u>
76				
77	<b>Other Utility Plant</b>			
78	118 - Other Utility Plant	15,776,087	10.40%	1,640,019
79	118 - Other Utility Plant (CIS+)	615,026	10.00%	61,503
80	118 - Other Utility Plant (Vehicles)	803,638	9.23%	74,141
81	<b>Total Other Utility Plant</b>	<u>\$ 17,194,751</u>		<u>\$ 1,775,663</u>
82				
83	<b>Total Gas Plant In Service</b>	<u>\$ 461,555,548</u>		<u>\$ 12,678,231</u>
84				
85	Note (1) Depreciation Rates as approved in Docket No. 21-BHCG-418-RTS.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
WORKING CAPITAL  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement F**

(a)	(b)	(c)	(d)	(e) Note (1)	(f)
Line No.	Description	Reference	Test Year Ended September 30, 2024	Pro Forma Adjustments	Adjusted Total
1	Materials and Supplies	Sched. F-1 Ln.13, Col. (d)	\$ 2,857,668	\$ 41,439	\$ 2,899,107
2					
3	Gas Stored Underground	Sched. F-1 Ln.13, Col. (e)	3,401,168	(738,331)	2,662,837
4					
5	Prepaid Expenses	Sched. F-1 Ln.13, Col. (f)	48,496	3,807	52,303
6					
7	<b>Total Working Capital</b>		<b>\$ 6,307,332</b>	<b>\$ (693,085)</b>	<b>\$ 5,614,247</b>
8					
9	Note (1) The adjustment is based on a thirteen month average. See Schedule F-1 for details.				

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**COMPONENTS OF WORKING CAPITAL**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Schedule F-1**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Year	Month	Materials and Supplies (a/c 154, 163)	Gas Stored Underground (a/c 164)	Prepaid Expense (a/c 165)
1		September	\$ 3,113,140	\$ 4,367,399	\$ 36,731
2		October	3,088,399	4,718,183	103,734
3		November	2,866,669	3,947,460	75,766
4	2023	December	2,721,551	3,444,519	48,398
5		January	2,754,037	2,455,675	28,670
6		February	2,837,070	1,854,676	48,195
7		March	2,893,400	973,340	29,451
8		April	2,779,951	922,155	51,019
9		May	2,981,039	1,263,457	47,461
10		June	2,856,955	1,722,357	23,191
11		July	2,957,084	2,490,372	68,358
12		August	2,981,431	3,056,117	70,472
13	2024	September	2,857,668	3,401,168	48,496
14	<b>13-Month Average</b>		<b>\$ 2,899,107</b>	<b>\$ 2,662,837</b>	<b>\$ 52,303</b>
15					
16	<b>Adjustment</b>		<b>\$ 41,439</b>	<b>\$ (738,331)</b>	<b>3,807</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**COST OF CAPITAL**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Statement G**

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No.	Description	Reference	Amount	Percent of Total	Cost	Weighted Cost
7	<b>Cost of Capital September 30, 2023:</b>					
8	Long-Term Debt		\$ 130,000,000	50.37%		
9	Preferred Stock		-	0.00%		
10	Common Equity		128,103,103	49.63%		
11			<u>\$ 258,103,103</u>	<u>100.00%</u>		
12						
13	<b>Test Year Ended Cost of Capital September 30, 2024:</b>					
14	Long-Term Debt	Sched. G-1, Ln. 84	\$ 139,100,000	49.90%	4.61%	2.30%
15	Preferred Stock		-	0.00%	0.00%	0.00%
16	Common Equity	Note (1)	139,646,666	50.10%	10.50%	5.26%
17	<b>Rate of Return</b>		<u>\$ 278,746,666</u>	<u>100.00%</u>		<u>7.56%</u>
18						
19	<b>Pro Forma Period Ended Cost of Capital September 30, 2025:</b>					
20	Long-Term Debt		\$ 151,800,000	49.56%	4.71%	2.33%
21	Preferred Stock		-	0.00%	0.00%	0.00%
22	Common Equity		154,464,934	50.44%	10.50%	5.30%
23	<b>Rate of Return</b>		<u>\$ 306,264,934</u>	<u>100.00%</u>		<u>7.63%</u>
24						
25	Note (1) Prior year return on equity percentage is adjusted to reflect the rate proposed in this proceeding.					

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
COST OF DEBT

KSG Direct Exhibit SKJ-2  
Schedule G-1

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
Line No.	Title	Issue	Maturity	Amount Issued	Price Per Unit	Net Proceeds Amount	Coupon/Interest Rate	Yield to Maturity	Financing Costs	(Gain)/Loss on Reacquired Debt	Cost of Money	Principal Outstanding	Annual Cost
1	<b>FOR THE YEAR ENDED SEPTEMBER 30, 2023</b>												
2	BHC \$525M Notes Due 2023	11/19/2013	11/30/2023	525,000,000	0.9953	522,532,500	4.25%	4.31%	0.09%	0.00%	4.40%	525,000,000	23,100,000
3	BHC \$300M Notes Due 2026	1/13/2016	1/15/2026	300,000,000	0.9970	299,091,000	3.95%	3.99%	0.10%	0.00%	4.08%	300,000,000	12,240,000
4	BHC \$400M Notes Due 2027	8/19/2016	1/15/2027	400,000,000	0.9995	399,796,000	3.15%	3.16%	0.79%	0.20%	4.15%	400,000,000	16,600,000
5	BHC \$350M Notes Due 2028	3/7/2023	3/15/2028	350,000,000	0.9968	348,869,500	5.95%	6.02%	0.19%	0.00%	6.22%	350,000,000	21,770,000
6	BHC \$400M Notes Due 2029	10/3/2019	10/15/2029	400,000,000	0.9966	398,624,000	3.05%	3.09%	0.09%	0.00%	3.18%	400,000,000	12,720,000
7	BHC \$400M Notes Due 2030	6/17/2020	6/15/2030	400,000,000	0.9966	398,632,000	2.50%	2.54%	0.09%	0.00%	2.63%	400,000,000	10,520,000
8	BHC \$400M Notes Due 2033	8/17/2018	5/1/2033	400,000,000	0.9954	398,172,000	4.35%	4.39%	0.08%	0.04%	4.51%	400,000,000	18,040,000
9	BHC \$450M Notes Due 2034	9/15/2023	5/15/2034	450,000,000	0.9923	446,512,500	6.15%	6.25%	0.09%	0.00%	6.34%	450,000,000	28,530,000
10	BHC \$300M Notes Due 2046	8/19/2016	9/15/2046	300,000,000	0.9946	298,365,000	4.20%	4.23%	0.04%	0.10%	4.37%	300,000,000	13,110,000
11	BHC \$300M Notes Due 2049	10/3/2019	10/15/2049	300,000,000	0.9981	299,415,000	3.88%	3.89%	0.04%	0.06%	3.98%	300,000,000	11,940,000
12													
13	Long-Term Debt at BHC											3,825,000,000	168,570,000
14													
15	Weighted Average Cost of BHC Debt												4.41%
16													
17	Debt Allocated to Black Hills Kansas Gas											\$ 130,000,000	\$ 5,733,000
18													
19	<b>FOR THE TEST YEAR ENDED SEPTEMBER 30, 2024</b>												
20	BHC \$300M Notes Due 2026	1/13/2016	1/15/2026	300,000,000	0.9970	299,091,000	3.95%	3.99%	0.10%	0.00%	4.08%	300,000,000	12,240,000
21	BHC \$400M Notes Due 2027	8/19/2016	1/15/2027	400,000,000	0.9995	399,796,000	3.15%	3.16%	0.79%	0.20%	4.15%	400,000,000	16,600,000
22	BHC \$350M Notes Due 2028	3/7/2023	3/15/2028	350,000,000	0.9968	348,869,500	5.95%	6.02%	0.19%	0.00%	6.22%	350,000,000	21,770,000
23	BHC \$400M Notes Due 2029	10/3/2019	10/15/2029	400,000,000	0.9966	398,624,000	3.05%	3.09%	0.09%	0.00%	3.18%	400,000,000	12,720,000
24	BHC \$400M Notes Due 2030	6/17/2020	6/15/2030	400,000,000	0.9966	398,632,000	2.50%	2.54%	0.09%	0.00%	2.63%	400,000,000	10,520,000
25	BHC \$400M Notes Due 2033	8/17/2018	5/1/2033	400,000,000	0.9954	398,172,000	4.35%	4.39%	0.08%	0.04%	4.51%	400,000,000	18,040,000
26	BHC \$450M Notes Due 2034	9/15/2023	5/15/2034	450,000,000	0.9923	446,512,500	6.15%	6.25%	0.09%	0.00%	6.34%	450,000,000	28,530,000
27	BHC \$450M Notes Due 2035	5/16/2024	1/15/2035	450,000,000	0.9979	449,041,500	6.00%	6.03%	0.09%	0.00%	6.12%	450,000,000	27,540,000
28	BHC \$300M Notes Due 2046	8/19/2016	9/15/2046	300,000,000	0.9946	298,365,000	4.20%	4.23%	0.04%	0.10%	4.37%	300,000,000	13,110,000
29	BHC \$300M Notes Due 2049	10/3/2019	10/15/2049	300,000,000	0.9981	299,415,000	3.88%	3.89%	0.04%	0.06%	3.98%	300,000,000	11,940,000
30													
31	Long-Term Debt at BHC											3,750,000,000	173,010,000
32													
33	Weighted Average Cost of BHC Debt												4.61%
34													
35	Debt Allocated to Black Hills Kansas Gas											\$ 139,100,000	\$ 6,412,510
36													
37	<b>FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025</b>												
38	Pro Forma Weighted Average Cost of Debt Adjustment Note (1)												4.71%
39													
40	Note (1): The pro forma weighted COD is discussed in the Direct Testimony of Mr. Stevens.												

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Line No.	Account & Description	Expenses 12/31/2021	Expenses 12/31/2022	Expenses 9/30/2023	Expenses 12/31/2023	Test Year Expenses 9/30/2024	Sched. H-1 Out of Period / Atypical Expense Adjustment	Sched. H-2 Removal of Advertising Expense	Sched. H-3 Dues & Contributions Expense Adjustment	Sched. H-4 Removal of Gas Costs	Sched. H-5 Wages and Salaries Adjustment for Annualization of Direct Employees
1	<b>Production and Gathering</b>										
2	<b>Operation</b>										
3	750 - Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	752 - Gas Wells Expense	-	-	-	-	-	-	-	-	-	-
5	753 - Field Line Expense	-	-	-	-	-	-	-	-	-	-
6	754 - Field Compressor Station Expense	-	-	-	-	-	-	-	-	-	-
7	755 - Field Compressor Station Fuel and Power	-	-	-	-	-	-	-	-	-	-
8	756 - Field Measuring & Regulating Station Expense	-	-	-	-	-	-	-	-	-	-
9	757 - Purification Expense	-	-	-	-	-	-	-	-	-	-
10	758 - Gas Well Royalties	-	-	-	-	-	-	-	-	-	-
11	759 - Other Expenses	-	-	-	-	-	-	-	-	-	-
12	760 - Rents	-	-	-	-	-	-	-	-	-	-
13	<b>Total Production Operation Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
14											
15	<b>Maintenance</b>										
16	761 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	762 - Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-	-	-
18	763 - Maintenance of Producing Gas Wells	-	-	-	-	-	-	-	-	-	-
19	764 - Maintenance of Field Lines	-	-	-	-	-	-	-	-	-	-
20	765 - Maintenance of Field Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-
21	766 - Maintenance of Field Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-
22	767 - Maintenance of Purification Equipment	-	-	-	-	-	-	-	-	-	-
23	<b>Total Production Maintenance Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
24											
25											
26	<b>Other Gas Supply Expense</b>										
27	<b>Operation</b>										
28	804 - Natural Gas City Gate Purchase	\$ 151,977,133	\$ 116,087,700	\$ 74,595,686	\$ 55,712,693	\$ 52,079,893	\$ -	\$ -	\$ -	\$ (52,079,893)	\$ -
29	805 - Other Gas Purchases	456,903	11,908,447	(2,126,597)	(10,463,728)	(414,456)	-	-	-	414,456	-
30	805.1 - Purchased Gas Cost Adjustments	(91,488,650)	(1,856,931)	29,477,174	38,101,351	8,388,144	-	-	-	(8,388,144)	-
31	805.2 - Financial Gas Cost Adj	183,404	(1,056,457)	(2,392,131)	(2,167,462)	(1,750,359)	-	-	-	1,750,359	-
32	806 - Exchange Gas	-	-	-	-	-	-	-	-	-	-
33	808 - Gas Storage-Gas Ops	-	-	-	-	-	-	-	-	-	-
34	808.1 - Withdrawals from Storage	5,296,239	13,617,557	15,328,817	11,342,571	5,762,137	-	-	-	(5,762,137)	-
35	808.2 - Gas Delivered to Storage	(9,112,107)	(16,759,015)	(7,295,009)	(5,511,903)	(4,795,906)	-	-	-	4,795,906	-
36	812 - Gas Used for Other Utility Operation	(19,783)	(43,718)	(43,225)	(37,723)	(18,266)	-	-	-	18,266	-
37	813 - Other Gas Supply Expense	0	1	8,261	8,261	198	-	-	-	(198)	-
38	<b>Total Other Gas Supply Expense</b>	<b>\$ 57,293,140</b>	<b>\$ 121,897,583</b>	<b>\$ 107,552,975</b>	<b>\$ 86,984,060</b>	<b>\$ 59,251,385</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (59,251,385)</b>	<b>\$ -</b>
39											

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(m) IS-16	(n) IS-17	(o) IS-18	(p) IS-19	(q) IS-20	(r) IS-21	(s) IS-22	(t) IS-23	(u) IS-24	(v) IS-25	(w) IS-26
Line No.	Account & Description	Sched. H-6 Employee Benefits Adjustment	Sched. H-7 Amortization and Retiree Healthcare Liability	Sched. H-8 Intercompany Charges from Black Hills Service Company	Sched. H-9 Bad Debt Adjustment	Sched. H-10 Rate Case Amortization	Sched. H-11 Severance Expense Adjustment	Sched. H-12 Payment Processing Fee Adjustment	Sched. H-13 Fleet Depreciation Expense Adjustment	Sched. H-14 Commission Fees Expense Adjustment	Sched. H-15 Data Improvement Integrity Program Adjustment	Sched. H-16 PHMSA Fees Expense Adjustment
1	<b>Production and Gathering</b>											
2	<b>Operation</b>											
3	750 - Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	752 - Gas Wells Expense	-	-	-	-	-	-	-	-	-	-	-
5	753 - Field Line Expense	-	-	-	-	-	-	-	-	-	-	-
6	754 - Field Compressor Station Expense	-	-	-	-	-	-	-	-	-	-	-
7	755 - Field Compressor Station Fuel and Power	-	-	-	-	-	-	-	-	-	-	-
8	756 - Field Measuring & Regulating Station Expense	-	-	-	-	-	-	-	-	-	-	-
9	757 - Purification Expense	-	-	-	-	-	-	-	-	-	-	-
10	758 - Gas Well Royalties	-	-	-	-	-	-	-	-	-	-	-
11	759 - Other Expenses	-	-	-	-	-	-	-	-	-	-	-
12	760 - Rents	-	-	-	-	-	-	-	-	-	-	-
13	<b>Total Production Operation Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14												
15	<b>Maintenance</b>											
16	761 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	762 - Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-	-	-	-
18	763 - Maintenance of Producing Gas Wells	-	-	-	-	-	-	-	-	-	-	-
19	764 - Maintenance of Field Lines	-	-	-	-	-	-	-	-	-	-	-
20	765 - Maintenance of Field Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-
21	766 - Maintenance of Field Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-	-
22	767 - Maintenance of Purification Equipment	-	-	-	-	-	-	-	-	-	-	-
23	<b>Total Production Maintenance Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24												
25												
26	<b>Other Gas Supply Expense</b>											
27	<b>Operation</b>											
28	804 - Natural Gas City Gate Purchase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	805 - Other Gas Purchases	-	-	-	-	-	-	-	-	-	-	-
30	805.1 - Purchased Gas Cost Adjustments	-	-	-	-	-	-	-	-	-	-	-
31	805.2 - Financial Gas Cost Adj	-	-	-	-	-	-	-	-	-	-	-
32	806 - Exchange Gas	-	-	-	-	-	-	-	-	-	-	-
33	808 - Gas Storage-Gas Ops	-	-	-	-	-	-	-	-	-	-	-
34	808.1 - Withdrawals from Storage	-	-	-	-	-	-	-	-	-	-	-
35	808.2 - Gas Delivered to Storage	-	-	-	-	-	-	-	-	-	-	-
36	812 - Gas Used for Other Utility Operation	-	-	-	-	-	-	-	-	-	-	-
37	813 - Other Gas Supply Expense	-	-	-	-	-	-	-	-	-	-	-
38	<b>Total Other Gas Supply Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39												

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(x) IS-27	(y) IS-28	(z) IS-29	(aa) IS-30	(ab)	(ac)
Line No.	Account & Description	Sched. H-17 Research & Development Expense Adjustment	Sched. H-18 Damage Prevention Expense Adjustment	Sched. H-19 Line Locate Expense Adjustment	Sched. H-20 Vegetation Management Expense Adjustment	Total Adjustments	Adjusted Total
1	<b>Production and Gathering</b>						
2	<b>Operation</b>						
3	750 - Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	752 - Gas Wells Expense	-	-	-	-	-	-
5	753 - Field Line Expense	-	-	-	-	-	-
6	754 - Field Compressor Station Expense	-	-	-	-	-	-
7	755 - Field Compressor Station Fuel and Power	-	-	-	-	-	-
8	756 - Field Measuring & Regulating Station Expense	-	-	-	-	-	-
9	757 - Purification Expense	-	-	-	-	-	-
10	758 - Gas Well Royalties	-	-	-	-	-	-
11	759 - Other Expenses	-	-	-	-	-	-
12	760 - Rents	-	-	-	-	-	-
13	<b>Total Production Operation Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14							
15	<b>Maintenance</b>						
16	761 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	762 - Maintenance of Structures & Improvements	-	-	-	-	-	-
18	763 - Maintenance of Producing Gas Wells	-	-	-	-	-	-
19	764 - Maintenance of Field Lines	-	-	-	-	-	-
20	765 - Maintenance of Field Compressor Station Equipment	-	-	-	-	-	-
21	766 - Maintenance of Field Measuring & Regulating Station Equipment	-	-	-	-	-	-
22	767 - Maintenance of Purification Equipment	-	-	-	-	-	-
23	<b>Total Production Maintenance Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24							
25							
26	<b>Other Gas Supply Expense</b>						
27	<b>Operation</b>						
28	804 - Natural Gas City Gate Purchase	\$ -	\$ -	\$ -	\$ -	\$ (52,079,893)	\$ -
29	805 - Other Gas Purchases	-	-	-	-	414,456	-
30	805.1 - Purchased Gas Cost Adjustments	-	-	-	-	(8,388,144)	-
31	805.2 - Financial Gas Cost Adj	-	-	-	-	1,750,359	-
32	806 - Exchange Gas	-	-	-	-	-	-
33	808 - Gas Storage-Gas Ops	-	-	-	-	-	-
34	808.1 - Withdrawals from Storage	-	-	-	-	(5,762,137)	-
35	808.2 - Gas Delivered to Storage	-	-	-	-	4,795,906	-
36	812 - Gas Used for Other Utility Operation	-	-	-	-	18,266	-
37	813 - Other Gas Supply Expense	-	-	-	-	(198)	-
38	<b>Total Other Gas Supply Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ (59,251,385)	\$ -
39							



BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Line No.	Account & Description	Expenses 12/31/2021	Expenses 12/31/2022	Expenses 9/30/2023	Expenses 12/31/2023	Test Year Expenses 9/30/2024	Sched. H-1 Out of Period / Atypical Expense Adjustment	Sched. H-2 Removal of Advertising Expense	Sched. H-3 Dues & Contributions Expense Adjustment	Sched. H-4 Removal of Gas Costs	Sched. H-5 Wages and Salaries Adjustment for Annualization of Direct Employees
40	<b>Underground Storage Expense</b>										
41	<b>Operation</b>										
42	814 - Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43	816 - Wells Expense	-	-	-	-	-	-	-	-	-	-
44	817 - Lines Expense	-	-	-	-	-	-	-	-	-	-
45	818 - Compressor Station Expense	-	-	-	-	-	-	-	-	-	-
46	819 - Compressor Station Fuel and Power	-	-	-	-	-	-	-	-	-	-
47	820 - Storage - Measuring & Regulating Station Expense	-	-	-	-	-	-	-	-	-	-
48	821 - Purification Expense	-	-	-	-	-	-	-	-	-	-
49	824 - Other Expenses	-	-	-	-	-	-	-	-	-	-
50	826 - Rents	-	-	-	-	-	-	-	-	-	-
51	<b>Total Operation Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
52											
53	<b>Maintenance</b>										
54	830 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55	832 - Maintenance of Reservoirs & Wells	-	-	-	-	-	-	-	-	-	-
56	833 - Maintenance of Lines	-	-	-	-	-	-	-	-	-	-
57	834 - Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-
58	835 - Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-
59	836 - Maintenance of Purification Equipment	-	-	-	-	-	-	-	-	-	-
60	<b>Total Maintenance Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61											
62	<b>Total Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63											
64	<b>Transmission Expense</b>										
65	<b>Operation</b>										
66	850 - Operation Supervision & Engineering	\$ 130,636	\$ 389,343	\$ 349,505	\$ 336,641	\$ 180,821	\$ -	\$ -	\$ (233)	\$ -	\$ -
67	851 - System Control & Load Dispatching	1,512	480	-	-	1,447	-	-	-	-	72
68	852 - Communication System Expenses	139	1,292	1,029	705	1,184	-	-	-	-	50
69	853 - Compressor Labor & Expense	-	-	-	-	-	-	-	-	-	-
70	856 - Mains Expense	100,421	106,239	101,290	103,365	111,033	-	-	-	-	3,117
71	857 - Measuring & Regulating Station Expense	6,832	7,942	6,609	6,444	7,860	-	-	-	-	124
72	859 - Other Expenses	119,730	161,899	132,076	130,584	214,856	-	-	-	-	50
73	860 - Rents	27,224	20,280	19,589	17,375	19,709	-	-	-	-	-
74	<b>Total Operation</b>	\$ 386,493	\$ 687,474	\$ 610,099	\$ 595,113	\$ 536,910	\$ -	\$ -	\$ (233)	\$ -	\$ 3,413
75											
76	<b>Maintenance</b>										
77	861 - Maintenance Supervision & Engineering	\$ 15,893	\$ 28,378	\$ 33,211	\$ 27,188	\$ 22,710	\$ -	\$ -	\$ -	\$ -	\$ 1,386
78	862 - Maintenance of Structures & Improvements	2,841	-	-	928	3,948	-	-	-	-	239
79	863 - Maintenance of Mains	52,820	20,536	11,380	15,996	6,078	-	-	-	-	133
80	864 - Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-
81	865 - Maintenance of Measuring & Regulating Station Equipment	1,600	-	-	-	1,514	-	-	-	-	82
82	866 - Maintenance of Communication Equipment	-	-	-	-	5,043	-	-	-	-	277
83	867 - Maintenance of Other Equipment	1,213	573	-	-	-	-	-	-	-	-
84	<b>Total Maintenance</b>	\$ 74,366	\$ 49,487	\$ 44,591	\$ 44,113	\$ 39,293	\$ -	\$ -	\$ -	\$ -	\$ 2,117
85											
86	<b>Total Transmission Expense</b>	\$ 460,859	\$ 736,962	\$ 654,690	\$ 639,226	\$ 576,203	\$ -	\$ -	\$ (233)	\$ -	\$ 5,530
87											

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(m) IS-16	(n) IS-17	(o) IS-18	(p) IS-19	(q) IS-20	(r) IS-21	(s) IS-22	(t) IS-23	(u) IS-24	(v) IS-25	(w) IS-26
Line No.	Account & Description	Sched. H-6 Employee Benefits Adjustment	Sched. H-7 Amortization and Retiree Healthcare Liability	Sched. H-8 Intercompany Charges from Black Hills Service Company	Sched. H-9 Bad Debt Adjustment	Sched. H-10 Rate Case Amortization	Sched. H-11 Severance Expense Adjustment	Sched. H-12 Payment Processing Fee Adjustment	Sched. H-13 Fleet Depreciation Expense Adjustment	Sched. H-14 Commission Fees Expense Adjustment	Sched. H-15 Data Improvement Integrity Program Adjustment	Sched. H-16 PHMSA Fees Expense Adjustment
40	<b>Underground Storage Expense</b>											
41	<b>Operation</b>											
42	814 - Operation Supervision & Engineering	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
43	816 - Wells Expense	-	-	-	-	-	-	-	-	-	-	-
44	817 - Lines Expense	-	-	-	-	-	-	-	-	-	-	-
45	818 - Compressor Station Expense	-	-	-	-	-	-	-	-	-	-	-
46	819 - Compressor Station Fuel and Power	-	-	-	-	-	-	-	-	-	-	-
47	820 - Storage - Measuring & Regulating Station Expense	-	-	-	-	-	-	-	-	-	-	-
48	821 - Purification Expense	-	-	-	-	-	-	-	-	-	-	-
49	824 - Other Expenses	-	-	-	-	-	-	-	-	-	-	-
50	826 - Rents	-	-	-	-	-	-	-	-	-	-	-
51	<b>Total Operation Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
52												
53	<b>Maintenance</b>											
54	830 - Maintenance Supervision & Engineering	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
55	832 - Maintenance of Reservoirs & Wells	-	-	-	-	-	-	-	-	-	-	-
56	833 - Maintenance of Lines	-	-	-	-	-	-	-	-	-	-	-
57	834 - Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-
58	835 - Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-	-
59	836 - Maintenance of Purification Equipment	-	-	-	-	-	-	-	-	-	-	-
60	<b>Total Maintenance Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61												
62	<b>Total Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63												
64	<b>Transmission Expense</b>											
65	<b>Operation</b>											
66	850 - Operation Supervision & Engineering	\$ -	\$ -	786	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
67	851 - System Control & Load Dispatching	-	-	9	-	-	-	-	21	-	-	-
68	852 - Communication System Expenses	-	-	(10)	-	-	-	-	15	-	-	-
69	853 - Compressor Labor & Expense	-	-	-	-	-	-	-	-	-	-	-
70	856 - Mains Expense	-	-	662	-	-	-	-	861	-	-	-
71	857 - Measuring & Regulating Station Expense	-	-	-	-	-	-	-	26	-	-	-
72	859 - Other Expenses	-	-	-	-	-	-	-	11	-	-	17,113
73	860 - Rents	-	-	-	-	-	-	-	-	-	-	-
74	<b>Total Operation</b>	\$ -	\$ -	\$ 1,447	\$ -	\$ -	\$ -	\$ -	\$ 934	\$ -	\$ -	\$ 17,113
75												
76	<b>Maintenance</b>											
77	861 - Maintenance Supervision & Engineering	\$ -	\$ -	49	\$ -	\$ -	\$ -	-	\$ 305	\$ -	\$ -	\$ -
78	862 - Maintenance of Structures & Improvements	-	-	-	-	-	-	-	57	-	-	-
79	863 - Maintenance of Mains	-	-	1	-	-	-	-	34	-	-	-
80	864 - Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-
81	865 - Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	32	-	-	-
82	866 - Maintenance of Communication Equipment	-	-	-	-	-	-	-	46	-	-	-
83	867 - Maintenance of Other Equipment	-	-	-	-	-	-	-	-	-	-	-
84	<b>Total Maintenance</b>	\$ -	\$ -	\$ 49	\$ -	\$ -	\$ -	\$ -	\$ 473	\$ -	\$ -	\$ -
85												
86	<b>Total Transmission Expense</b>	\$ -	\$ -	\$ 1,496	\$ -	\$ -	\$ -	\$ -	\$ 1,407	\$ -	\$ -	\$ 17,113
87												

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(x) IS-27	(y) IS-28	(z) IS-29	(aa) IS-30	(ab)	(ac)
Line No.	Account & Description	Sched. H-17 Research & Development Expense Adjustment	Sched. H-18 Damage Prevention Expense Adjustment	Sched. H-19 Line Locate Expense Adjustment	Sched. H-20 Vegetation Management Expense Adjustment	Total Adjustments	Adjusted Total
40	<b>Underground Storage Expense</b>						
41	<b>Operation</b>						
42	814 - Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43	816 - Wells Expense	-	-	-	-	-	-
44	817 - Lines Expense	-	-	-	-	-	-
45	818 - Compressor Station Expense	-	-	-	-	-	-
46	819 - Compressor Station Fuel and Power	-	-	-	-	-	-
47	820 - Storage - Measuring & Regulating Station Expense	-	-	-	-	-	-
48	821 - Purification Expense	-	-	-	-	-	-
49	824 - Other Expenses	-	-	-	-	-	-
50	826 - Rents	-	-	-	-	-	-
51	<b>Total Operation Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
52							
53	<b>Maintenance</b>						
54	830 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55	832 - Maintenance of Reservoirs & Wells	-	-	-	-	-	-
56	833 - Maintenance of Lines	-	-	-	-	-	-
57	834 - Maintenance of Compressor Station Equipment	-	-	-	-	-	-
58	835 - Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-
59	836 - Maintenance of Purification Equipment	-	-	-	-	-	-
60	<b>Total Maintenance Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61							
62	<b>Total Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63							
64	<b>Transmission Expense</b>						
65	<b>Operation</b>						
66	850 - Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ 553	\$ 181,374
67	851 - System Control & Load Dispatching	-	-	-	-	103	1,550
68	852 - Communication System Expenses	-	-	-	-	55	1,239
69	853 - Compressor Labor & Expense	-	-	-	-	-	-
70	856 - Mains Expense	-	-	-	100,000	104,639	215,672
71	857 - Measuring & Regulating Station Expense	-	-	-	-	150	8,010
72	859 - Other Expenses	-	-	-	-	17,174	232,030
73	860 - Rents	-	-	-	-	-	19,709
74	<b>Total Operation</b>	\$ -	\$ -	\$ -	\$ 100,000	\$ 122,674	\$ 659,584
75							
76	<b>Maintenance</b>						
77	861 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ 1,739	\$ 24,448
78	862 - Maintenance of Structures & Improvements	-	-	-	-	296	4,244
79	863 - Maintenance of Mains	-	-	-	-	168	6,246
80	864 - Maintenance of Compressor Station Equipment	-	-	-	-	-	-
81	865 - Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	114	1,628
82	866 - Maintenance of Communication Equipment	-	-	-	-	323	5,366
83	867 - Maintenance of Other Equipment	-	-	-	-	-	-
84	<b>Total Maintenance</b>	\$ -	\$ -	\$ -	\$ -	\$ 2,639	\$ 41,932
85							
86	<b>Total Transmission Expense</b>	\$ -	\$ -	\$ -	\$ 100,000	\$ 125,313	\$ 701,516
87							

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Line No.	Account & Description	Expenses 12/31/2021	Expenses 12/31/2022	Expenses 9/30/2023	Expenses 12/31/2023	Test Year Expenses 9/30/2024	Sched. H-1 Out of Period / Atypical Expense Adjustment	Sched. H-2 Removal of Advertising Expense	Sched. H-3 Dues & Contributions Expense Adjustment	Sched. H-4 Removal of Gas Costs	Sched. H-5 Wages and Salaries Adjustment for Annualization of Direct Employees
88	<b>Distribution Expense</b>										
89	<b>Operation</b>										
90	870 - Dist. Operating and Supervision Engineering	\$ 1,732,011	\$ 1,662,341	\$ 1,882,457	\$ 1,889,321	\$ 1,656,873	\$ -	\$ (1,749)	\$ (346)	\$ -	\$ 32,035
91	871 - Dist. Load Dispatching	11,633	2,290	36	36	1,222	-	-	-	-	72
92	872 - Compressor Station Labor & Expense	-	-	1,081	514	(567)	-	-	-	-	-
93	873 - Distr Fuel/Power Compr Station	-	-	61	61	-	-	-	-	-	-
94	874 - Oper./Inspect Underground Dist. Mains - Gas	2,614,662	2,861,517	3,108,087	3,188,873	3,066,584	(18,155)	-	-	-	85,496
95	875 - Dist. Measuring & Regulating Station Expense - General	340,976	391,573	353,402	336,588	383,006	-	-	-	-	22,459
96	876 - Dist. Measuring & Regulating Station Expense - Industrial	22,398	20,842	18,447	17,733	24,218	-	-	-	-	1,394
97	877 - Measuring & Regulating Station Expense - City Gate Check Station	107,984	103,095	142,409	154,975	129,106	-	-	-	-	7,563
98	878 - Oper./Inspect Meters & Collect Data - Gas	600,662	584,678	653,602	719,831	826,900	-	-	-	-	40,382
99	879 - Dist. Customer Installation Expense	506,681	531,818	590,770	562,279	539,956	-	-	-	-	32,131
100	880 - Dist. Ops. Other Expenses	1,552,724	1,936,582	2,124,413	1,927,775	1,665,038	-	(457)	(2,066)	-	62,826
101	881 - Dist. Oper. Rents	26,722	21,894	18,995	19,687	16,633	-	-	-	-	-
102	<b>Total Operation</b>	<b>\$ 7,516,453</b>	<b>\$ 8,116,631</b>	<b>\$ 8,893,761</b>	<b>\$ 8,817,674</b>	<b>\$ 8,308,968</b>	<b>\$ (18,155)</b>	<b>\$ (2,206)</b>	<b>\$ (2,412)</b>	<b>\$ -</b>	<b>\$ 284,359</b>
103											
104	<b>Maintenance</b>										
105	885 - Dist. Maint. Supervision & Engineering	\$ 68,951	\$ 82,546	\$ 85,020	\$ 84,528	\$ 78,223	\$ -	\$ -	\$ -	\$ -	\$ 4,813
106	886 - Maintenance of Structures & Improvements	2,129	536	-	-	-	-	-	-	-	-
107	887 - Perf. Underground Distribution Line Maintenance - Gas	515,544	463,567	697,387	832,862	747,080	-	-	-	-	26,044
108	888 - Dist. Maint. of Compressor Station Equipment	91,818	63,703	53,674	55,075	71,325	-	-	-	-	3,429
109	889 - Maintenance of Measuring & Regulating Station Expense -General	124,572	131,159	138,811	140,619	120,886	-	-	-	-	4,215
110	890 - Dist. Maint. of Measuring & Regulating Station Equip - Industrial	29,538	65,186	90,717	99,308	79,596	-	-	-	-	4,646
111	891 - Maintenance of Measuring & Regulating Station - City Gate Check Stn.	211,213	176,319	254,501	308,190	294,131	-	-	-	-	9,835
112	892 - Dist. Maint. of Services	234,634	286,970	334,490	334,960	301,520	-	-	-	-	14,558
113	893 - Dist. Maint. of Meters & House Regulators	594,157	692,256	628,036	617,799	606,078	-	-	(144)	-	30,229
114	894 - Dist. Maint. of Other Equipment	23,649	25,804	16,021	22,323	68,613	-	-	-	-	2,673
115	<b>Total Maintenance</b>	<b>\$ 1,896,204</b>	<b>\$ 1,988,045</b>	<b>\$ 2,298,656</b>	<b>\$ 2,495,664</b>	<b>\$ 2,367,452</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (144)</b>	<b>\$ -</b>	<b>\$ 100,441</b>
116											
117	<b>Total Distribution Expense</b>	<b>\$ 9,412,657</b>	<b>\$ 10,104,676</b>	<b>\$ 11,192,417</b>	<b>\$ 11,313,337</b>	<b>\$ 10,676,420</b>	<b>\$ (18,155)</b>	<b>\$ (2,206)</b>	<b>\$ (2,556)</b>	<b>\$ -</b>	<b>\$ 384,800</b>
118											
119	<b>Customer Account Expenses</b>										
120	<b>Operation</b>										
121	901 - Customer Accounts Supervision	\$ 197,782	\$ 191,687	\$ 210,066	\$ 210,890	\$ 194,279	\$ -	\$ -	\$ -	\$ -	\$ 6,010
122	902 - Meter Reading Expense	343,711	295,403	341,399	361,170	365,244	-	-	-	-	19,102
123	903 - Customer Record & Collection Expense	2,156,633	2,391,960	2,434,647	2,429,936	2,327,698	-	(3,417)	-	-	13,053
124	904 - Uncollectible Accounts	(53,023)	627,649	610,163	634,477	686,894	-	-	-	-	-
125	905 - Miscellaneous Customer Accounts Expense	58,432	53,368	48,997	48,608	54,479	-	-	-	-	1,243
126	<b>Total Customer Account Expense</b>	<b>\$ 2,703,534</b>	<b>\$ 3,560,067</b>	<b>\$ 3,645,272</b>	<b>\$ 3,685,080</b>	<b>\$ 3,628,594</b>	<b>\$ -</b>	<b>\$ (3,417)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,407</b>
127											
128	<b>Customer Service and Information Expenses</b>										
129	<b>Operation</b>										
130	907 - Supervision	\$ 48,895	\$ 50,762	\$ 68,419	\$ 68,508	\$ 51,062	\$ -	\$ -	\$ -	\$ -	\$ -
131	908 - Customer Assistance Expense	200,718	157,288	136,337	144,026	123,383	-	(392)	-	-	-
132	909 - Informational/Instructional Advertising Expense	21,509	84,230	58,526	61,545	22,378	-	(2,782)	-	-	-
133	910 - Miscellaneous Cust Serv & Inform Expense	4,693	890	89	89	395	-	-	-	-	-
134	<b>Total Customer Srvc &amp; Inform Exp.</b>	<b>\$ 275,815</b>	<b>\$ 293,169</b>	<b>\$ 263,371</b>	<b>\$ 274,168</b>	<b>\$ 197,217</b>	<b>\$ -</b>	<b>\$ (3,174)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
135											

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(m) IS-16	(n) IS-17 Sched. H-7 Amortization and Retiree Healthcare Liability	(o) IS-18 Sched. H-8 Intercompany Charges from Black Hills Service Company	(p) IS-19 Sched. H-9 Bad Debt Adjustment	(q) IS-20 Sched. H-10 Rate Case Amortization	(r) IS-21 Sched. H-11 Severance Expense Adjustment	(s) IS-22 Sched. H-12 Payment Processing Fee Adjustment	(t) IS-23 Sched. H-13 Fleet Depreciation Expense Adjustment	(u) IS-24 Sched. H-14 Commission Fees Expense Adjustment	(v) IS-25 Sched. H-15 Data Improvement Integrity Program Adjustment	(w) IS-26 Sched. H-16 PHMSA Fees Expense Adjustment
88	<b>Distribution Expense</b>											
89	<b>Operation</b>											
90	870 - Dist. Operating and Supervision Engineering	\$ -	\$ -	(36,869)	\$ -	\$ -	\$ -	-	\$ 6,929	\$ -	\$ 250,276	\$ -
91	871 - Dist. Load Dispatching	-	-	15	-	-	-	-	21	-	-	-
92	872 - Compressor Station Labor & Expense	-	-	9	-	-	-	-	-	-	-	-
93	873 - Distr Fuel/Power Compr Station	-	-	-	-	-	-	-	-	-	-	-
94	874 - Oper./Inspect Underground Dist. Mains - Gas	-	-	(23)	-	-	-	-	18,199	-	-	-
95	875 - Dist. Measuring & Regulating Station Expense - General	-	-	-	-	-	-	-	6,175	-	-	-
96	876 - Dist. Measuring & Regulating Station Expense - Industrial	-	-	-	-	-	-	-	373	-	-	-
97	877 - Measuring & Regulating Station Expense - City Gate Check Station	-	-	-	-	-	-	-	2,184	-	-	-
98	878 - Oper./Inspect Meters & Collect Data - Gas	-	-	-	-	-	-	-	11,161	-	-	-
99	879 - Dist. Customer Installation Expense	-	-	-	-	-	-	-	7,628	-	-	-
100	880 - Dist. Ops. Other Expenses	-	-	114	-	-	-	-	19,470	-	-	-
101	881 - Dist. Oper. Rents	-	-	-	-	-	-	-	-	-	-	-
102	<b>Total Operation</b>	\$ -	\$ -	\$ (36,755)	\$ -	\$ -	\$ -	\$ -	\$ 72,139	\$ -	\$ 250,276	\$ -
103												
104	<b>Maintenance</b>											
105	885 - Dist. Maint. Supervision & Engineering	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ 977	\$ -	\$ -	\$ -
106	886 - Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-	-	-	-
107	887 - Perf. Underground Distribution Line Maintenance - Gas	-	-	(115)	-	-	-	-	6,460	-	-	-
108	888 - Dist. Maint. of Compressor Station Equipment	-	-	-	-	-	-	-	1,559	-	-	-
109	889 - Maintenance of Measuring & Regulating Station Expense -General	-	-	-	-	-	-	-	1,113	-	-	-
110	890 - Dist. Maint. of Measuring & Regulating Station Equip - Industrial	-	-	15	-	-	-	-	1,446	-	-	-
111	891 - Maintenance of Measuring & Regulating Station - City Gate Check Stn.	-	-	-	-	-	-	-	2,679	-	-	-
112	892 - Dist. Maint. of Services	-	-	-	-	-	-	-	4,411	-	-	-
113	893 - Dist. Maint. of Meters & House Regulators	-	-	1,111	-	-	-	-	8,716	-	-	-
114	894 - Dist. Maint. of Other Equipment	-	-	0	-	-	-	-	667	-	-	-
115	<b>Total Maintenance</b>	\$ -	\$ -	\$ 1,011	\$ -	\$ -	\$ -	\$ -	\$ 28,028	\$ -	\$ -	\$ -
116												
117	<b>Total Distribution Expense</b>	\$ -	\$ -	\$ (35,744)	\$ -	\$ -	\$ -	\$ -	\$ 100,167	\$ -	\$ 250,276	\$ -
118												
119	<b>Customer Account Expenses</b>											
120	<b>Operation</b>											
121	901 - Customer Accounts Supervision	\$ -	\$ -	6,430	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
122	902 - Meter Reading Expense	-	-	312	-	-	-	-	5,691	-	-	-
123	903 - Customer Record & Collection Expense	-	-	100,014	-	-	-	168,706	4,060	-	-	-
124	904 - Uncollectible Accounts	-	-	-	187,896	-	-	-	-	-	-	-
125	905 - Miscellaneous Customer Accounts Expense	-	-	585	-	-	-	-	-	-	-	-
126	<b>Total Customer Account Expense</b>	\$ -	\$ -	\$ 107,341	\$ 187,896	\$ -	\$ -	\$ 168,706	\$ 9,751	\$ -	\$ -	\$ -
127												
128	<b>Customer Service and Information Expenses</b>											
129	<b>Operation</b>											
130	907 - Supervision	\$ -	\$ -	2,551	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
131	908 - Customer Assistance Expense	-	-	6,653	-	-	-	-	-	-	-	-
132	909 - Informational/Instructional Advertising Expense	-	-	0	-	-	-	-	-	-	-	-
133	910 - Miscellaneous Cust Serv & Inform Expense	-	-	(18)	-	-	-	-	-	-	-	-
134	<b>Total Customer Srvc &amp; Inform Exp.</b>	\$ -	\$ -	\$ 9,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
135												

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(x) IS-27	(y) IS-28	(z) IS-29	(aa) IS-30	(ab)	(ac)
Line No.	Account & Description	Sched. H-17 Research & Development Expense Adjustment	Sched. H-18 Damage Prevention Expense Adjustment	Sched. H-19 Line Locate Expense Adjustment	Sched. H-20 Vegetation Management Expense Adjustment	Total Adjustments	Adjusted Total
88	<b>Distribution Expense</b>						
89	<b>Operation</b>						
90	870 - Dist. Operating and Supervision Engineering	\$ -	\$ -	\$ -	\$ -	\$ 250,275	\$ 1,907,147
91	871 - Dist. Load Dispatching	-	-	-	-	108	1,330
92	872 - Compressor Station Labor & Expense	-	-	-	-	9	(559)
93	873 - Distr Fuel/Power Compr Station	-	-	-	-	-	-
94	874 - Oper./Inspect Underground Dist. Mains - Gas	-	-	69,889	-	155,405	3,221,989
95	875 - Dist. Measuring & Regulating Station Expense - General	-	-	-	-	28,634	411,639
96	876 - Dist. Measuring & Regulating Station Expense - Industrial	-	-	-	-	1,767	25,985
97	877 - Measuring & Regulating Station Expense - City Gate Check Station	-	-	-	-	9,747	138,853
98	878 - Oper./Inspect Meters & Collect Data - Gas	-	-	-	-	51,543	878,442
99	879 - Dist. Customer Installation Expense	-	-	-	-	39,759	579,715
100	880 - Dist. Ops. Other Expenses	-	-	-	-	79,888	1,744,926
101	881 - Dist. Oper. Rents	-	-	-	-	-	16,633
102	<b>Total Operation</b>	\$ -	\$ -	\$ 69,889	\$ -	\$ 617,135	\$ 8,926,103
103							
104	<b>Maintenance</b>						
105	885 - Dist. Maint. Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ 5,790	\$ 84,013
106	886 - Maintenance of Structures & Improvements	-	-	-	-	-	-
107	887 - Perf. Underground Distribution Line Maintenance - Gas	-	-	-	-	32,390	779,470
108	888 - Dist. Maint. of Compressor Station Equipment	-	-	-	-	4,988	76,313
109	889 - Maintenance of Measuring & Regulating Station Expense -General	-	-	-	-	5,328	126,214
110	890 - Dist. Maint. of Measuring & Regulating Station Equip - Industrial	-	-	-	-	6,107	85,702
111	891 - Maintenance of Measuring & Regulating Station - City Gate Check Stn.	-	-	-	-	12,513	306,644
112	892 - Dist. Maint. of Services	-	-	-	-	18,969	320,489
113	893 - Dist. Maint. of Meters & House Regulators	-	-	-	-	39,912	645,990
114	894 - Dist. Maint. of Other Equipment	-	-	-	-	3,340	71,953
115	<b>Total Maintenance</b>	\$ -	\$ -	\$ -	\$ -	\$ 129,336	\$ 2,496,788
116							
117	<b>Total Distribution Expense</b>	\$ -	\$ -	\$ 69,889	\$ -	\$ 746,471	\$ 11,422,890
118							
119	<b>Customer Account Expenses</b>						
120	<b>Operation</b>						
121	901 - Customer Accounts Supervision	\$ -	\$ -	\$ -	\$ -	\$ 12,440	\$ 206,719
122	902 - Meter Reading Expense	-	-	-	-	25,104	390,348
123	903 - Customer Record & Collection Expense	-	-	-	-	282,416	2,610,115
124	904 - Uncollectible Accounts	-	-	-	-	187,896	874,790
125	905 - Miscellaneous Customer Accounts Expense	-	-	-	-	1,828	56,307
126	<b>Total Customer Account Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ 509,685	\$ 4,138,279
127							
128	<b>Customer Service and Information Expenses</b>						
129	<b>Operation</b>						
130	907 - Supervision	\$ -	\$ -	\$ -	\$ -	\$ 2,551	\$ 53,612
131	908 - Customer Assistance Expense	-	-	-	-	6,261	129,645
132	909 - Informational/Instructional Advertising Expense	-	-	-	-	(2,782)	19,596
133	910 - Miscellaneous Cust Serv & Inform Expense	-	-	-	-	(18)	377
134	<b>Total Customer Srvc &amp; Inform Exp.</b>	\$ -	\$ -	\$ -	\$ -	\$ 6,012	\$ 203,229
135							

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Line No.	Account & Description	Expenses 12/31/2021	Expenses 12/31/2022	Expenses 9/30/2023	Expenses 12/31/2023	Test Year Expenses 9/30/2024	Sched. H-1 Out of Period / Atypical Expense Adjustment	Sched. H-2 Removal of Advertising Expense	Sched. H-3 Dues & Contributions Expense Adjustment	Sched. H-4 Removal of Gas Costs	Sched. H-5 Wages and Salaries Adjustment for Annualization of Direct Employees
136	<b>Sales Expenses</b>										
137	<b>Operation</b>										
138	911 - Supervision	\$ 0	\$ 18	\$ 106	\$ 88	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
139	912 - Demonstrating and Selling Expense	108,799	184,619	193,751	199,204	192,495	-	(130)	(13)	-	-
140	913 - Advertising Expenses	47,580	73,742	36,717	16,024	15,353	-	(9,133)	-	-	330
141	916 - Miscellaneous Sales Expense	-	-	-	-	4,699	-	(4,699)	-	-	-
142	<b>Total Sales Expense</b>	<b>\$ 156,379</b>	<b>\$ 258,379</b>	<b>\$ 230,574</b>	<b>\$ 215,316</b>	<b>\$ 212,547</b>	<b>\$ -</b>	<b>\$ (13,962)</b>	<b>\$ (13)</b>	<b>\$ -</b>	<b>\$ 330</b>
143											
144	<b>Administrative &amp; General Expense</b>										
145	<b>Operation</b>										
146	920 - Administrative & General Salaries	\$ 6,288,305	\$ 5,915,152	\$ 6,466,906	\$ 6,581,624	\$ 6,726,547	\$ -	\$ -	\$ -	\$ -	\$ 30,353
147	921 - Office Supplies & Expense	1,441,624	1,977,841	1,748,901	1,676,946	1,759,269	-	(345)	(47,022)	-	-
148	922 - Administrative Expense Transferred-Cr	(1,267,872)	(1,443,405)	(1,442,124)	(1,456,224)	(1,488,429)	-	-	-	-	-
149	923 - Outside Services Employed	1,092,582	1,297,153	1,320,165	1,167,500	860,536	-	-	-	-	-
150	924 - Property Insurance	10,674	15,686	15,206	14,869	18,101	-	-	-	-	-
151	925 - Injuries and Damages	467,597	554,715	575,816	598,769	769,703	-	-	-	-	-
152	926 - Employee Pensions and Benefits	3,970,895	2,859,431	3,034,773	3,023,777	2,666,666	-	-	-	-	136,204
153	927 - Franchise Requirements	-	-	-	-	-	-	-	-	-	-
154	928 - Regulatory Commission Expense	(48,363)	415,361	362,662	340,338	331,334	-	-	-	-	-
155	929 - Duplicate Charges - Credit	2	-	-	-	-	-	-	-	-	-
156	930.1 - General Advertising Expense	300,003	277,039	172,385	54,598	76,104	-	(62,542)	-	-	-
157	930.2 - Miscellaneous General Expense	406,786	430,145	229,782	196,514	388,884	-	(4)	(49,601)	-	-
158	931 - Rents	859,284	789,325	799,527	801,678	784,010	-	-	-	-	-
159	<b>Total Operation</b>	<b>\$ 13,521,516</b>	<b>\$ 13,088,442</b>	<b>\$ 13,283,999</b>	<b>\$ 13,000,390</b>	<b>\$ 12,892,724</b>	<b>\$ -</b>	<b>\$ (62,892)</b>	<b>\$ (96,623)</b>	<b>\$ -</b>	<b>\$ 166,558</b>
160											
161	<b>Maintenance</b>										
162	932 - Maintenance of General Plant	\$ 1,022,391	\$ 1,359,573	\$ 1,437,349	\$ 1,505,551	\$ 1,705,393	\$ -	\$ -	(10)	\$ -	\$ 13,234
163	<b>Total Administrative &amp; General Exp</b>	<b>\$ 14,543,907</b>	<b>\$ 14,448,015</b>	<b>\$ 14,721,348</b>	<b>\$ 14,505,941</b>	<b>\$ 14,598,117</b>	<b>\$ -</b>	<b>\$ (62,892)</b>	<b>\$ (96,633)</b>	<b>\$ -</b>	<b>\$ 179,791</b>
164											
165	<b>Total Operating &amp; Maintenance Exp</b>	<b>\$ 84,846,292</b>	<b>\$ 151,298,850</b>	<b>\$ 138,260,647</b>	<b>\$ 117,617,128</b>	<b>\$ 89,140,483</b>	<b>\$ (18,155)</b>	<b>\$ (85,650)</b>	<b>\$ (99,435)</b>	<b>\$ (59,251,385)</b>	<b>\$ 609,858</b>

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
 Statement H

(a)	(b)	(m) IS-16	(n) IS-17 Sched. H-7 Amortization of Pension and Retiree Healthcare Liability	(o) IS-18 Sched. H-8 Intercompany Charges from Black Hills Service Company	(p) IS-19 Sched. H-9 Bad Debt Adjustment	(q) IS-20 Sched. H-10 Rate Case Amortization	(r) IS-21 Sched. H-11 Severance Expense Adjustment	(s) IS-22 Sched. H-12 Payment Processing Fee Adjustment	(t) IS-23 Sched. H-13 Fleet Depreciation Expense Adjustment	(u) IS-24 Sched. H-14 Commission Fees Expense Adjustment	(v) IS-25 Sched. H-15 Data Improvement Integrity Program Adjustment	(w) IS-26 Sched. H-16 PHMSA Fees Expense Adjustment
Line No.	Account & Description	Sched. H-6 Employee Benefits Adjustment										
136	<b>Sales Expenses</b>											
137	<b>Operation</b>											
138	911 - Supervision	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
139	912 - Demonstrating and Selling Expense	-	-	9,677	-	-	-	-	-	-	-	-
140	913 - Advertising Expenses	-	-	(57)	-	-	-	-	5	-	-	-
141	916 - Miscellaneous Sales Expense	-	-	-	-	-	-	-	-	-	-	-
142	<b>Total Sales Expense</b>	\$ -	\$ -	\$ 9,620	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -
143												
144	<b>Administrative &amp; General Expense</b>											
145	<b>Operation</b>											
146	920 - Administrative & General Salaries	\$ -	\$ -	560,364	\$ -	\$ -	\$ (26,316)	-	\$ 0	\$ -	\$ -	\$ -
147	921 - Office Supplies & Expense	-	-	(25,180)	-	-	-	-	-	-	-	-
148	922 - Administrative Expense Transferred-Cr	-	-	(1)	-	-	-	-	-	-	-	-
149	923 - Outside Services Employed	-	-	(17,477)	-	-	-	-	-	-	-	-
150	924 - Property Insurance	-	-	1,613	-	-	-	-	-	-	-	-
151	925 - Injuries and Damages	-	-	367,635	-	-	-	-	-	-	-	-
152	926 - Employee Pensions and Benefits	(29,846)	(585,103)	459,590	-	-	-	-	-	-	-	-
153	927 - Franchise Requirements	-	-	-	-	-	-	-	-	-	-	-
154	928 - Regulatory Commission Expense	-	-	69	-	233,333	-	-	-	21,868	-	-
155	929 - Duplicate Charges - Credit	-	-	-	-	-	-	-	-	-	-	-
156	930.1 - General Advertising Expense	-	-	(395)	-	-	-	-	-	-	-	-
157	930.2 - Miscellaneous General Expense	-	-	(3,357)	-	-	-	-	-	-	-	-
158	931 - Rents	-	-	20,543	-	-	-	-	-	-	-	-
159	<b>Total Operation</b>	\$ (29,846)	\$ (585,103)	\$ 1,363,404	\$ -	\$ 233,333	\$ (26,316)	\$ -	\$ 0	\$ 21,868	\$ -	\$ -
160												
161	<b>Maintenance</b>											
162	932 - Maintenance of General Plant	\$ -	\$ -	(27,465)	\$ -	\$ -	\$ -	-	\$ 202	\$ -	\$ -	\$ -
163	<b>Total Administrative &amp; General Exp</b>	\$ (29,846)	\$ (585,103)	\$ 1,335,939	\$ -	\$ 233,333	\$ (26,316)	\$ -	\$ 202	\$ 21,868	\$ -	\$ -
164												
165	<b>Total Operating &amp; Maintenance Exp</b>	\$ (29,846)	\$ (585,103)	\$ 1,427,838	\$ 187,896	\$ 233,333	\$ (26,316)	\$ 168,706	\$ 111,532	\$ 21,868	\$ 250,276	\$ 17,113



BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
OPERATING AND MAINTENANCE EXPENSES  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
Statement H

(a)	(b)	(x) IS-27	(y) IS-28	(z) IS-29	(aa) IS-30	(ab)	(ac)
Line No.	Account & Description	Sched. H-17 Research & Development Expense Adjustment	Sched. H-18 Damage Prevention Expense Adjustment	Sched. H-19 Line Locate Expense Adjustment	Sched. H-20 Vegetation Management Expense Adjustment	Total Adjustments	Adjusted Total
136	<b>Sales Expenses</b>						
137	<b>Operation</b>						
138	911 - Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
139	912 - Demonstrating and Selling Expense	-	-	-	-	9,534	202,029
140	913 - Advertising Expenses	-	-	-	-	(8,855)	6,498
141	916 - Miscellaneous Sales Expense	-	-	-	-	(4,699)	-
142	<b>Total Sales Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ (4,020)	\$ 208,527
143							
144	<b>Administrative &amp; General Expense</b>						
145	<b>Operation</b>						
146	920 - Administrative & General Salaries	\$ -	\$ -	\$ -	\$ -	\$ 564,402	\$ 7,290,949
147	921 - Office Supplies & Expense	-	-	-	-	(72,548)	1,686,722
148	922 - Administrative Expense Transferred-Cr	-	-	-	-	(1)	(1,488,431)
149	923 - Outside Services Employed	-	-	-	-	(17,477)	843,059
150	924 - Property Insurance	-	-	-	-	1,613	19,713
151	925 - Injuries and Damages	-	-	-	-	367,635	1,137,339
152	926 - Employee Pensions and Benefits	-	-	-	-	(19,155)	2,647,511
153	927 - Franchise Requirements	-	-	-	-	-	-
154	928 - Regulatory Commission Expense	-	-	-	-	255,270	586,604
155	929 - Duplicate Charges - Credit	-	-	-	-	-	-
156	930.1 - General Advertising Expense	-	49,228	-	-	(13,709)	62,394
157	930.2 - Miscellaneous General Expense	59,712	-	-	-	6,749	395,633
158	931 - Rents	-	-	-	-	20,543	804,552
159	<b>Total Operation</b>	\$ 59,712	\$ 49,228	\$ -	\$ -	\$ 1,093,323	\$ 13,986,047
160							
161	<b>Maintenance</b>						
162	932 - Maintenance of General Plant	\$ -	\$ -	\$ -	\$ -	\$ (14,039)	\$ 1,691,353
163	<b>Total Administrative &amp; General Exp</b>	\$ 59,712	\$ 49,228	\$ -	\$ -	\$ 1,079,283	\$ 15,677,400
164							
165	<b>Total Operating &amp; Maintenance Exp</b>	\$ 59,712	\$ 49,228	\$ 69,889	\$ 100,000	\$ (56,788,641)	\$ 32,351,841

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OUT OF PERIOD/ATYPICAL ACCOUNTING ADJUSTMENTS  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-1**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Expenses	Pro Forma Adjustment	Adjusted Total
1	874 - Oper./Inspect Underground Dist. Mains - Gas	Note (1)	\$ 18,155	\$ (18,155)	\$ -
2					
3	<b>Total</b>		<b>\$ 18,155</b>	<b>\$ (18,155)</b>	<b>\$ -</b>
4					
5	Note (1) Refund of overcharges from third party line locating company during the time period of January to August, 2024.				

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 REMOVAL OF ADVERTISING EXPENSE  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-2**

(a)	(b)	(c)	(d)	(e) Note (1)	(f)
Line No.	Account & Description	Test Year Expenses	Test Year Expenses Removed	Test Year Expenses Included	Total Pro Forma Adjustment
1	870 - Dist. Operating and Supervision Engineering	\$ 1,749	\$ 1,749	\$ -	\$ (1,749)
2	880 - Dist. Ops. Other Expenses	457	457	-	(457)
3	903 - Customer Record & Collection Expense	4,172	3,417	755	(3,417)
4	908 - Customer Assistance Expense	392	392	-	(392)
5	909 - Informational/Instructional Advertising Expense	22,304	2,782	19,522	(2,782)
6	912 - Demonstrating and Selling Expense	130	130	-	(130)
7	913 - Advertising Expenses	9,133	9,133	-	(9,133)
8	916 - Miscellaneous Sales Expense	4,699	4,699	-	(4,699)
9	921 - Office Supplies & Expense	33,820	345	33,474	(345)
10	923 - Outside Services Employed	-	-	-	-
11	930.1 - General Advertising Expense	64,003	62,542	1,460	(62,542)
12	930.2 - Miscellaneous General Expense	4	4	-	(4)
13	<b>Total</b>	<u>\$ 140,862</u>	<u>\$ 85,650</u>	<u>\$ 55,212</u>	<u>\$ (85,650)</u>
14					
15	Note (1) Test Year Advertising Expense included is related to Hiring, Customer Communications or Safety.				

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
DUES AND CONTRIBUTIONS EXPENSE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-3**

(a) Line No.	(b) Account & Description	(c) Test Year Expenses	(d) Note (1) Test Year Expenses Removed at 100%	(e) Test Year Total, As Adjusted	(f) Note (2) Adjustment Percentage	(g) Test Year Expenses Removed at 50%	(h) Note (3) Total Pro Forma Adjustment
1	850 - Operation Supervision & Engineering	\$ 442	\$ 24	418	50%	\$ 209	\$ (233)
2	870 - Dist. Operating and Supervision Engineering	346	346	-	50%	-	(346)
3	880 - Dist. Ops. Other Expenses	2,066	2,066	-	50%	-	(2,066)
4	893 - Dist. Maint. of Meters & House Regulators	144	144	-	50%	-	(144)
5	903 - Customer Record & Collection Expense	-	-	-	50%	-	-
6	912 - Demonstrating and Selling Expense	13	13	-	50%	-	(13)
7	921 - Office Supplies & Expense	85,100	8,943	76,157	50%	38,078	(47,022)
8	923 - Outside Services Employed	-	-	-	50%	-	-
9	930.2 - Miscellaneous General Expense	74,766	24,437	50,330	50%	25,165	(49,601)
10	932 - Maintenance of General Plant	10	10	-	50%	-	(10)
11	<b>Total</b>	<u>\$ 162,887</u>	<u>\$ 35,983</u>	<u>\$ 126,904</u>		<u>\$ 63,452</u>	<u>\$ (99,435)</u>

- 12
- 13 Note (1) The Company has removed 100% of Donations, sponsorships and similar miscellaneous expenses that are not recoverable from customers.
- 14 Note (2) The Company has reduced the remaining Test Year expenses for Membership Dues and chamber of commerce dues by 50%, per Statute K.S.A. 66-1,206(a).
- 15 Note (3) The removal of expenses not appropriate for recovery is discussed in the Direct Testimony of Ms. Johnson.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**REMOVAL OF GAS COSTS**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Schedule H-4**

(a)	(b)	(c)	(d)
Line No.	Account & Description	Reference	Note (1) Pro Forma Adjustment
1	804 - Natural Gas City Gate Purchase	Stmt H, Ln. 28, Col. (g)	\$ (52,079,893)
2	805 - Other Gas Purchases	Stmt H, Ln. 29, Col. (g)	414,456
3	805.1 - Purchased Gas Cost Adjustments	Stmt H, Ln. 30, Col. (g)	(8,388,144)
4	805.2 - Financial Gas Cost Adj	Stmt H, Ln. 31, Col. (g)	1,750,359
5	806 - Exchange Gas	Stmt H, Ln. 32, Col. (g)	-
6	808.1 - Withdrawals from Storage	Stmt H, Ln. 34, Col. (g)	(5,762,137)
7	808.2 - Gas Delivered to Storage	Stmt H, Ln. 35, Col. (g)	4,795,906
8	812 - Gas Used for Other Utility Operation	Stmt H, Ln. 36, Col. (g)	18,266
9	813 - Other Gas Supply Expense	Stmt H, Ln. 37, Col. (g)	(198)
10	<b>Total Gas Costs</b>		<b><u>\$ (59,251,385)</u></b>
11			
12	Note (1) Adjustment to remove fuel costs recovered through the Purchased Gas Adjustment.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**WAGES AND SALARIES ADJUSTMENT FOR ANNUALIZATION OF DIRECT EMPLOYEES**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Schedule H-5**

(a)	(b)	(c)	(d)	(e)
Line No.	Account & Description	Test Year Expenses	Annualized Payroll Note (1)	Adjusted Total
1	<b>Production and Gathering</b>			
2	<b>Operation</b>			
3	750 - Operation Supervision & Engineering	\$ -	\$ -	\$ -
4	752 - Gas Wells Expense	-	-	-
5	753 - Field Line Expense	-	-	-
6	754 - Field Compressor Station Expense	-	-	-
7	755 - Field Compressor Station Fuel and Power	-	-	-
8	756 - Field Measuring & Regulating Station Expense	-	-	-
9	757 - Purification Expense	-	-	-
10	758 - Gas Well Royalties	-	-	-
11	759 - Other Expenses	-	-	-
12	760 - Rents	-	-	-
13	<b>Total Production Operation Expenses</b>	\$ -	\$ -	\$ -
14				
15	<b>Maintenance</b>			
16	761 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -
17	762 - Maintenance of Structures & Improvements	-	-	-
18	763 - Maintenance of Producing Gas Wells	-	-	-
19	764 - Maintenance of Field Lines	-	-	-
20	765 - Maintenance of Field Compressor Station Equipment	-	-	-
21	766 - Maintenance of Field Measuring & Regulating Station Equipment	-	-	-
22	767 - Maintenance of Purification Equipment	-	-	-
23	<b>Total Production Maintenance Expenses</b>	\$ -	\$ -	\$ -
24				
25				
26	<b>Other Gas Supply Expense</b>			
27	<b>Operation</b>			
28	804 - Natural Gas City Gate Purchase	\$ -	\$ -	\$ -
29	805 - Other Gas Purchases	-	-	-
30	805.1 - Purchased Gas Cost Adjustments	-	-	-
31	805.2 - Financial Gas Cost Adj	-	-	-
32	806 - Exchange Gas	-	-	-
33	808 - Gas Storage-Gas Ops	-	-	-
34	808.1 - Withdrawals from Storage	-	-	-
35	808.2 - Gas Delivered to Storage	-	-	-
36	812 - Gas Used for Other Utility Operation	-	-	-
37	813 - Other Gas Supply Expense	-	-	-
38	<b>Total Other Gas Supply Expense</b>	\$ -	\$ -	\$ -
39				
40	<b>Underground Storage Expense</b>			
41	<b>Operation</b>			
42	814 - Operation Supervision & Engineering	\$ -	\$ -	\$ -
43	816 - Wells Expense	-	-	-
44	817 - Lines Expense	-	-	-
45	818 - Compressor Station Expense	-	-	-
46	819 - Compressor Station Fuel and Power	-	-	-
47	820 - Storage - Measuring & Regulating Station Expense	-	-	-
48	821 - Purification Expense	-	-	-
49	824 - Other Expenses	-	-	-
50	826 - Rents	-	-	-
51	<b>Total Operation Underground Storage Expense</b>	\$ -	\$ -	\$ -
52				
53	<b>Maintenance</b>			
54	830 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -
55	832 - Maintenance of Reservoirs & Wells	-	-	-
56	833 - Maintenance of Lines	-	-	-
57	834 - Maintenance of Compressor Station Equipment	-	-	-
58	835 - Maintenance of Measuring & Regulating Station Equipment	-	-	-
59	836 - Maintenance of Purification Equipment	-	-	-
60	<b>Total Maintenance Underground Storage Expense</b>	\$ -	\$ -	\$ -
61				
62	<b>Total Underground Storage Expense</b>	\$ -	\$ -	\$ -

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**WAGES AND SALARIES ADJUSTMENT FOR ANNUALIZATION OF DIRECT EMPLOYEES**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Schedule H-5**

(a) Line No.	(b) Account & Description	(c) Test Year Expenses	(d) Annualized Payroll Note (1)	(e) Adjusted Total
63				
64	<b>Transmission Expense</b>			
65	<b>Operation</b>			
66	850 - Operation Supervision & Engineering	\$ -	\$ -	\$ -
67	851 - System Control & Load Dispatching	1,053	1,125	72
68	852 - Communication System Expenses	733	783	50
69	853 - Compressor Labor & Expense	-	-	-
70	856 - Mains Expense	45,526	48,643	3,117
71	857 - Measuring & Regulating Station Expense	1,809	1,933	124
72	859 - Other Expenses	729	778	50
73	860 - Rents	-	-	-
74	<b>Total Operation</b>	<b>\$ 49,850</b>	<b>\$ 53,263</b>	<b>\$ 3,413</b>
75				
76	<b>Maintenance</b>			
77	861 - Maintenance Supervision & Engineering	\$ 20,237	\$ 21,623	\$ 1,386
78	862 - Maintenance of Structures & Improvements	3,485	3,724	239
79	863 - Maintenance of Mains	1,948	2,082	133
80	864 - Maintenance of Compressor Station Equipment	-	-	-
81	865 - Maintenance of Measuring & Regulating Station Equipment	1,194	1,276	82
82	866 - Maintenance of Communication Equipment	4,049	4,326	277
83	867 - Maintenance of Other Equipment	-	-	-
84	<b>Total Maintenance</b>	<b>\$ 30,913</b>	<b>\$ 33,030</b>	<b>\$ 2,117</b>
85				
86	<b>Total Transmission Expense</b>	<b>\$ 80,763</b>	<b>\$ 86,293</b>	<b>\$ 5,530</b>
87				
88	<b>Distribution Expense</b>			
89	<b>Operation</b>			
90	870 - Dist. Operating and Supervision Engineering	\$ 467,888	\$ 499,922	\$ 32,035
91	871 - Dist. Load Dispatching	1,049	1,121	72
92	872 - Compressor Station Labor & Expense	-	-	-
93	873 - Distr Fuel/Power Compr Station	-	-	-
94	874 - Oper./Inspect Underground Dist. Mains - Gas	1,248,737	1,334,233	85,496
95	875 - Dist. Measuring & Regulating Station Expense - General	328,033	350,492	22,459
96	876 - Dist. Measuring & Regulating Station Expense - Industrial	20,365	21,759	1,394
97	877 - Measuring & Regulating Station Expense - City Gate Check Station	110,467	118,030	7,563
98	878 - Oper./Inspect Meters & Collect Data - Gas	589,804	630,186	40,382
99	879 - Dist. Customer Installation Expense	469,300	501,431	32,131
100	880 - Dist. Ops. Other Expenses	917,619	980,445	62,826
101	881 - Dist. Oper. Rents	-	-	-
102	<b>Total Operation</b>	<b>\$ 4,153,262</b>	<b>\$ 4,437,620</b>	<b>\$ 284,359</b>
103				
104	<b>Maintenance</b>			
105	885 - Dist. Maint. Supervision & Engineering	\$ 70,297	\$ 75,109	\$ 4,813
106	886 - Maintenance of Structures & Improvements	-	-	-
107	887 - Perf. Underground Distribution Line Maintenance - Gas	380,397	406,442	26,044
108	888 - Dist. Maint. of Compressor Station Equipment	50,077	53,505	3,429
109	889 - Maintenance of Measuring & Regulating Station Expense -General	61,561	65,776	4,215
110	890 - Dist. Maint. of Measuring & Regulating Station Equip - Industrial	67,856	72,502	4,646
111	891 - Maintenance of Measuring & Regulating Station - City Gate Check Stn.	143,640	153,475	9,835
112	892 - Dist. Maint. of Services	212,632	227,190	14,558
113	893 - Dist. Maint. of Meters & House Regulators	441,520	471,749	30,229
114	894 - Dist. Maint. of Other Equipment	39,035	41,707	2,673
115	<b>Total Maintenance</b>	<b>\$ 1,467,014</b>	<b>\$ 1,567,455</b>	<b>\$ 100,441</b>
116				
117	<b>Total Distribution Expense</b>	<b>\$ 5,620,276</b>	<b>\$ 6,005,076</b>	<b>\$ 384,800</b>
118				
119	<b>Customer Account Expenses</b>			
120	<b>Operation</b>			
121	901 - Customer Accounts Supervision	\$ 87,774	\$ 93,784	\$ 6,010
122	902 - Meter Reading Expense	278,991	298,093	19,102
123	903 - Customer Record & Collection Expense	190,646	203,699	13,053
124	904 - Uncollectible Accounts	-	-	-
125	905 - Miscellaneous Customer Accounts Expense	18,159	19,402	1,243
126	<b>Total Customer Account Expense</b>	<b>\$ 575,571</b>	<b>\$ 614,978</b>	<b>\$ 39,407</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
WAGES AND SALARIES ADJUSTMENT FOR ANNUALIZATION OF DIRECT EMPLOYEES  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-5**

(a)	(b)	(c)	(d)	(e)
Line No.	Account & Description	Test Year Expenses	Annualized Payroll Note (1)	Adjusted Total
127				
128	<b>Customer Service and Information Expenses</b>			
129	<b>Operation</b>			
130	907 - Supervision	\$ -	\$ -	\$ -
131	908 - Customer Assistance Expense	-	-	-
132	909 - Informational/Instructional Advertising Expense	-	-	-
133	910 - Miscellaneous Cust Serv & Inform Expense	-	-	-
134	<b>Total Customer Srvc &amp; Inform Exp.</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
135				
136	<b>Sales Expenses</b>			
137	<b>Operation</b>			
138	911 - Supervision	\$ -	\$ -	\$ -
139	912 - Demonstrating and Selling Expense	-	-	-
140	913 - Advertising Expenses	4,825	5,155	330
141	916 - Miscellaneous Sales Expense	-	-	-
142	<b>Total Sales Expense</b>	<u>\$ 4,825</u>	<u>\$ 5,155</u>	<u>\$ 330</u>
143				
144	<b>Administrative &amp; General Expense</b>			
145	<b>Operation</b>			
146	920 - Administrative & General Salaries	\$ 443,332	\$ 473,685	\$ 30,353
147	921 - Office Supplies & Expense	-	-	-
148	922 - Administrative Expense Transferred-Cr	-	-	-
149	923 - Outside Services Employed	-	-	-
150	924 - Property Insurance	-	-	-
151	925 - Injuries and Damages	-	-	-
152	926 - Employee Pensions and Benefits	1,989,361	2,125,565	136,204
153	927 - Franchise Requirements	-	-	-
154	928 - Regulatory Commission Expense	-	-	-
155	929 - Duplicate Charges - Credit	-	-	-
156	930.1 - General Advertising Expense	-	-	-
157	930.2 - Miscellaneous General Expense	-	-	-
158	931 - Rents	-	-	-
159	<b>Total Operation</b>	<u>\$ 2,432,693</u>	<u>\$ 2,599,250</u>	<u>\$ 166,558</u>
160				
161	<b>Maintenance</b>			
162	932 - Maintenance of General Plant	\$ 193,287	\$ 206,521	\$ 13,234
163	<b>Total Administrative &amp; General Exp</b>	<u>\$ 2,625,980</u>	<u>\$ 2,805,771</u>	<u>\$ 179,792</u>
164				
165	<b>Total Operating &amp; Maintenance Exp</b>	<u><u>\$ 8,907,415</u></u>	<u><u>\$ 9,517,272</u></u>	<u><u>\$ 609,858</u></u>

167 Note (1) Black Hills Kansas Gas calculated its annual costs (including benefits, incentives and base pay) for each of the 120 employees of Kansas Gas  
168 and allocated a percentage of costs for the Kansas operational leader.



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
EMPLOYEE BENEFITS ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-6**

(a) Line No.	(b) Description	(c) Test Year Expenses	(d) Note (1) Pro Forma Adjustment	(e) Adjusted Total
1	<b>Retiree Medical:</b>			
2	Retiree Medical Net Periodic Expense	\$ 171,905	\$ (16,545)	\$ 155,360
3	Retiree Medical Administrative Costs	8,508	(925)	7,583
4	<b>Total Retiree Medical Expense</b>	<u>\$ 180,413</u>	<u>\$ (17,470)</u>	<u>\$ 162,943</u>
5				
6	<b>Pension:</b>			
7	Pension Plan Net Periodic Expense	\$ 238,728	\$ (12,380)	\$ 226,348
8	Pension Plan Administrative Costs	36,930	4	36,934
9	<b>Total Pension Plan Expense</b>	<u>\$ 275,658</u>	<u>\$ (12,376)</u>	<u>\$ 263,282</u>
10				
11	<b>Total Benefits Adjustment - Employee Pensions and Benefits FERC 9</b>	<u><u>\$ 456,071</u></u>	<u><u>\$ (29,846)</u></u>	<u><u>\$ 426,225</u></u>

12  
13 Note (1) Adjustment amounts are the difference between the test year expenses for Pension and OPEB and  
14 the adjusted expenses going forward, as discussed in the Direct Testimony of Mr. Stevens.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 AMORTIZATION OF PENSION AND RETIREE HEALTHCARE LIABILITY  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-7**

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	Retiree Healthcare Plan Tracker Liability Balance	Note (1)	\$ (244,422)
2			
3	Amortization Period		3
4			
5	<b>Retiree Healthcare Plan Tracker Liability Annual Amortization</b>	Ln. 1 ÷ Ln. 3	<b>\$ (81,474)</b>
6			
7	Pension Plan Tracker Liability Balance	Note (1)	\$ (1,510,888)
8			
9	Amortization Period		3
10			
11	<b>Pension Plan Tracker Liability Annual Amortization</b>	Ln. 7 ÷ Ln. 9	<b>\$ (503,629)</b>
12			
13	<b>Total Annual Amortization - Employee Pensions and Benefits FERC 926</b>	Ln. 5 + Ln. 11	<b>\$ (585,103)</b>
14			
15	Note (1) The Direct Testimony of Mr. Stevens further discusses the pension and retiree healthcare		
16	regulatory liability balances the Company proposes to return to customers.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
INTERCOMPANY CHARGES FROM BLACK HILLS SERVICE COMPANY  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-8**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) Note (1)	(i)
Line No.	Account & Description	Test Year Expenses	CAM Adjustment	Labor Adjustment	Insurance Premium Adjustment	Pooled Medical Adjustment	Pro Forma Adjustments	Adjusted Total
1	<b>Production and Gathering</b>							
2	<b>Operation</b>							
3	750 - Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	752 - Gas Wells Expense	-	-	-	-	-	-	-
5	753 - Field Line Expense	-	-	-	-	-	-	-
6	754 - Field Compressor Station Expense	-	-	-	-	-	-	-
7	755 - Field Compressor Station Fuel and Power	-	-	-	-	-	-	-
8	756 - Field Measuring & Regulating Station Expense	-	-	-	-	-	-	-
9	757 - Purification Expense	-	-	-	-	-	-	-
10	758 - Gas Well Royalties	-	-	-	-	-	-	-
11	759 - Other Expenses	-	-	-	-	-	-	-
12	760 - Rents	-	-	-	-	-	-	-
13	<b>Total Production Operation Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
14								
15	<b>Maintenance</b>							
16	761 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	762 - Maintenance of Structures & Improvements	-	-	-	-	-	-	-
18	763 - Maintenance of Producing Gas Wells	-	-	-	-	-	-	-
19	764 - Maintenance of Field Lines	-	-	-	-	-	-	-
20	765 - Maintenance of Field Compressor Station Equipment	-	-	-	-	-	-	-
21	766 - Maintenance of Field Measuring & Regulating Station Equipment	-	-	-	-	-	-	-
22	767 - Maintenance of Purification Equipment	-	-	-	-	-	-	-
23	<b>Total Production Maintenance Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
24								
25								
26	<b>Other Gas Supply Expense</b>							
27	<b>Operation</b>							
28	804 - Natural Gas City Gate Purchase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	805 - Other Gas Purchases	-	-	-	-	-	-	-
30	805.1 - Purchased Gas Cost Adjustments	-	-	-	-	-	-	-
31	805.2 - Financial Gas Cost Adj	-	-	-	-	-	-	-
32	806 - Exchange Gas	-	-	-	-	-	-	-
33	808 - Gas Storage-Gas Ops	-	-	-	-	-	-	-
34	808.1 - Withdrawals from Storage	-	-	-	-	-	-	-
35	808.2 - Gas Delivered to Storage	-	-	-	-	-	-	-
36	812 - Gas Used for Other Utility Operation	-	-	-	-	-	-	-
37	813 - Other Gas Supply Expense	-	-	-	-	-	-	-
38	<b>Total Other Gas Supply Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
39								

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
INTERCOMPANY CHARGES FROM BLACK HILLS SERVICE COMPANY  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-8**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) Note (1)	(i)
Line No.	Account & Description	Test Year Expenses	CAM Adjustment	Labor Adjustment	Insurance Premium Adjustment	Pooled Medical Adjustment	Pro Forma Adjustments	Adjusted Total
40	<b>Underground Storage Expense</b>							
41	<b>Operation</b>							
42	814 - Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43	816 - Wells Expense	-	-	-	-	-	-	-
44	817 - Lines Expense	-	-	-	-	-	-	-
45	818 - Compressor Station Expense	-	-	-	-	-	-	-
46	819 - Compressor Station Fuel and Power	-	-	-	-	-	-	-
47	820 - Storage - Measuring & Regulating Station Expense	-	-	-	-	-	-	-
48	821 - Purification Expense	-	-	-	-	-	-	-
49	824 - Other Expenses	-	-	-	-	-	-	-
50	826 - Rents	-	-	-	-	-	-	-
51	<b>Total Operation Underground Storage Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
52								
53	<b>Maintenance</b>							
54	830 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55	832 - Maintenance of Reservoirs & Wells	-	-	-	-	-	-	-
56	833 - Maintenance of Lines	-	-	-	-	-	-	-
57	834 - Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-
58	835 - Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-
59	836 - Maintenance of Purification Equipment	-	-	-	-	-	-	-
60	<b>Total Maintenance Underground Storage Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
61								
62	<b>Total Underground Storage Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
63								
64	<b>Transmission Expense</b>							
65	<b>Operation</b>							
66	850 - Operation Supervision & Engineering	\$ 180,821	\$ (3,963)	\$ 4,749	\$ -	\$ -	\$ 786	\$ 181,608
67	851 - System Control & Load Dispatching	221	(7)	16	-	-	9	230
68	852 - Communication System Expenses	329	(10)	-	-	-	(10)	319
69	853 - Compressor Labor & Expense	-	-	-	-	-	-	-
70	856 - Mains Expense	-	-	662	-	-	662	662
71	857 - Measuring & Regulating Station Expense	-	-	-	-	-	-	-
72	859 - Other Expenses	214,039	-	-	-	-	-	214,039
73	860 - Rents	-	-	-	-	-	-	-
74	<b>Total Operation</b>	<b>\$ 395,410</b>	<b>\$ (3,980)</b>	<b>\$ 5,427</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,447</b>	<b>\$ 396,857</b>
75								
76	<b>Maintenance</b>							
77	861 - Maintenance Supervision & Engineering	\$ -	\$ -	\$ 49	\$ -	\$ -	\$ 49	\$ 49
78	862 - Maintenance of Structures & Improvements	-	-	-	-	-	-	-
79	863 - Maintenance of Mains	(142)	0	1	-	-	1	(142)
80	864 - Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-
81	865 - Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-
82	866 - Maintenance of Communication Equipment	-	-	-	-	-	-	-
83	867 - Maintenance of Other Equipment	-	-	-	-	-	-	-
84	<b>Total Maintenance</b>	<b>\$ (142)</b>	<b>\$ 0</b>	<b>\$ 49</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49</b>	<b>\$ (93)</b>
85								

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
INTERCOMPANY CHARGES FROM BLACK HILLS SERVICE COMPANY  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
Schedule H-8

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line No.	Account & Description	Test Year Expenses	CAM Adjustment	Labor Adjustment	Insurance Premium Adjustment	Pooled Medical Adjustment	Pro Forma Adjustments	Adjusted Total
86	<b>Total Transmission Expense</b>	\$ 395,267	\$ (3,980)	\$ 5,476	\$ -	\$ -	\$ 1,496	\$ 396,764
87								
88	<b>Distribution Expense</b>							
89	<b>Operation</b>							
90	870 - Dist. Operating and Supervision Engineering	\$ 968,437	\$ (10,577)	\$ (26,292)	\$ -	\$ -	\$ (36,869)	\$ 931,567
91	871 - Dist. Load Dispatching	-	-	15	-	-	15	15
92	872 - Compressor Station Labor & Expense	(567)	-	9	-	-	9	(559)
93	873 - Distr Fuel/Power Compr Station	-	-	-	-	-	-	-
94	874 - Oper./Inspect Underground Dist. Mains - Gas	1,035	(15)	(8)	-	-	(23)	1,012
95	875 - Dist. Measuring & Regulating Station Expense - General	-	-	-	-	-	-	-
96	876 - Dist. Measuring & Regulating Station Expense - Industrial	-	-	-	-	-	-	-
97	877 - Measuring & Regulating Station Expense - City Gate Check Station	-	-	-	-	-	-	-
98	878 - Oper./Inspect Meters & Collect Data - Gas	-	-	-	-	-	-	-
99	879 - Dist. Customer Installation Expense	-	-	-	-	-	-	-
100	880 - Dist. Ops. Other Expenses	8,150	(132)	246	-	-	114	8,264
101	881 - Dist. Oper. Rents	9,025	-	-	-	-	-	9,025
102	<b>Total Operation</b>	\$ 986,080	\$ (10,724)	\$ (26,031)	\$ -	\$ -	\$ (36,755)	\$ 949,325
103								
104	<b>Maintenance</b>							
105	885 - Dist. Maint. Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
106	886 - Maintenance of Structures & Improvements	-	-	-	-	-	-	-
107	887 - Perf. Underground Distribution Line Maintenance - Gas	646	(1)	(114)	-	-	(115)	531
108	888 - Dist. Maint. of Compressor Station Equipment	-	-	-	-	-	-	-
109	889 - Maintenance of Measuring & Regulating Station Expense -General	-	-	-	-	-	-	-
110	890 - Dist. Maint. of Measuring & Regulating Station Equip - Industrial	-	-	15	-	-	15	15
111	891 - Maintenance of Measuring & Regulating Station - City Gate Check Stn.	-	-	-	-	-	-	-
112	892 - Dist. Maint. of Services	-	-	-	-	-	-	-
113	893 - Dist. Maint. of Meters & House Regulators	48,479	(124)	1,235	-	-	1,111	49,590
114	894 - Dist. Maint. of Other Equipment	-	-	0	-	-	0	0
115	<b>Total Maintenance</b>	\$ 49,125	\$ (125)	\$ 1,136	\$ -	\$ -	\$ 1,011	\$ 50,136
116								
117	<b>Total Distribution Expense</b>	\$ 1,035,205	\$ (10,850)	\$ (24,895)	\$ -	\$ -	\$ (35,744)	\$ 999,460
118								
119	<b>Customer Account Expenses</b>							
120	<b>Operation</b>							
121	901 - Customer Accounts Supervision	\$ 106,504	\$ (221)	\$ 6,652	\$ -	\$ -	\$ 6,430	\$ 112,935
122	902 - Meter Reading Expense	12,808	(15)	326	-	-	312	13,120
123	903 - Customer Record & Collection Expense	2,083,328	(2,150)	102,164	-	-	100,014	2,183,342
124	904 - Uncollectible Accounts	-	-	-	-	-	-	-
125	905 - Miscellaneous Customer Accounts Expense	35,885	(69)	654	-	-	585	36,470
126	<b>Total Customer Account Expense</b>	\$ 2,238,526	\$ (2,455)	\$ 109,796	\$ -	\$ -	\$ 107,341	\$ 2,345,867
127								

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
INTERCOMPANY CHARGES FROM BLACK HILLS SERVICE COMPANY  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025

KSG Direct Exhibit SKJ-2  
Schedule H-8

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Line No.	Account & Description	Test Year Expenses	CAM Adjustment	Labor Adjustment	Insurance Premium Adjustment	Pooled Medical Adjustment	Pro Forma Adjustments	Adjusted Total	
128	<b>Customer Service and Information Expenses</b>								
129	<b>Operation</b>								
130	907 - Supervision	\$ 51,062	\$ (243)	\$ 2,794	\$ -	\$ -	\$ 2,551	\$ 53,612	
131	908 - Customer Assistance Expense	123,383	(468)	7,121	-	-	6,653	130,036	
132	909 - Informational/Instructional Advertising Expense	18,828	(40)	40	-	-	0	18,828	
133	910 - Miscellaneous Cust Serv & Inform Expense	395	(11)	(7)	-	-	(18)	377	
134	<b>Total Customer Srvc &amp; Inform Exp.</b>	<b>\$ 193,667</b>	<b>\$ (762)</b>	<b>\$ 9,948</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,186</b>	<b>\$ 202,853</b>	
135									
136	<b>Sales Expenses</b>								
137	<b>Operation</b>								
138	911 - Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
139	912 - Demonstrating and Selling Expense	192,470	(120)	9,797	-	-	9,677	202,147	
140	913 - Advertising Expenses	1,957	(57)	-	-	-	(57)	1,901	
141	916 - Miscellaneous Sales Expense	4,699	-	-	-	-	-	4,699	
142	<b>Total Sales Expense</b>	<b>\$ 199,126</b>	<b>\$ (177)</b>	<b>\$ 9,797</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,620</b>	<b>\$ 208,746</b>	
143									
144	<b>Administrative &amp; General Expense</b>								
145	<b>Operation</b>								
146	920 - Administrative & General Salaries	\$ 6,039,753	\$ (96,857)	\$ 657,221	\$ -	\$ -	\$ 560,364	\$ 6,600,117	
147	921 - Office Supplies & Expense	1,334,089	(25,169)	(12)	-	-	(25,180)	1,308,909	
148	922 - Administrative Expense Transferred-Cr	(1,404,856)	-	(1)	-	-	(1)	(1,404,858)	
149	923 - Outside Services Employed	853,157	(17,477)	-	-	-	(17,477)	835,681	
150	924 - Property Insurance	18,101	(114)	-	1,727	-	1,613	19,713	
151	925 - Injuries and Damages	741,348	(23,499)	-	391,135	-	367,635	1,108,983	
152	926 - Employee Pensions and Benefits	1,622,563	(26,070)	217,562	-	268,098	459,590	2,082,154	
153	927 - Franchise Requirements	-	-	-	-	-	-	-	
154	928 - Regulatory Commission Expense	193,900	69	-	-	-	69	193,970	
155	929 - Duplicate Charges - Credit	-	-	-	-	-	-	-	
156	930.1 - General Advertising Expense	14,241	(400)	5	-	-	(395)	13,846	
157	930.2 - Miscellaneous General Expense	203,775	(4,793)	1,435	-	-	(3,357)	200,418	
158	931 - Rents	779,675	20,543	-	-	-	20,543	800,218	
159	<b>Total Operation</b>	<b>\$ 10,395,746</b>	<b>\$ (173,766)</b>	<b>\$ 876,210</b>	<b>\$ 392,862</b>	<b>\$ 268,098</b>	<b>\$ 1,363,404</b>	<b>\$ 11,759,150</b>	
160									
161	<b>Maintenance</b>								
162	932 - Maintenance of General Plant	\$ 1,267,997	\$ (27,438)	\$ (28)	\$ -	\$ -	\$ (27,465)	\$ 1,240,532	
163	<b>Total Administrative &amp; General Exp</b>	<b>\$ 11,663,743</b>	<b>\$ (201,204)</b>	<b>\$ 876,182</b>	<b>\$ 392,862</b>	<b>\$ 268,098</b>	<b>\$ 1,335,939</b>	<b>\$ 12,999,682</b>	
164									
165	<b>Total Operating &amp; Maintenance Exp</b>	<b>\$ 15,725,534</b>	<b>\$ (219,427)</b>	<b>\$ 986,304</b>	<b>\$ 392,862</b>	<b>\$ 268,098</b>	<b>\$ 1,427,838</b>	<b>\$ 17,153,372</b>	
166									
167	Note (1) This adjustment is described in the Direct Testimony of Ms. Johnson.								

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
BAD DEBT ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-9**

(a) Line No.	(b) Description	(c) Reference	(d) Note (1) Amount
1	October 2020 - September 2021 Net Write-Offs		\$ 657,020
2	October 2021 - September 2022 Net Write-Offs		784,691
3	October 2022 - September 2023 Net Write-Offs		1,228,239
4	Total Net Write-Offs	Ln. 1 + Ln. 2 + Ln. 3	\$ 2,669,950
5			
6	Average Net Write Offs	Ln. 4 / 3	\$ 889,983
7			
8	October 2020 - September 2021 Billed Revenue		\$ 112,364,586
9	October 2021 - September 2022 Billed Revenue		158,764,556
10	October 2022 - September 2023 Billed Revenue		173,678,965
11	Total Billed Revenue	Ln. 8 + Ln. 9 + Ln. 10	\$ 444,808,108
12			
13	Average Billed Revenue	Ln. 11 / 3	\$ 148,269,369
14			
15	Average Effective Uncollectible Rate (3 year average)	Ln. 6 / Ln. 13	0.6002%
16			
17	Adjusted Revenue	Stmt B, Ln. 2, Col. (h) - Stmt I, Ln. 6, Col. (i), (j), (k), (m)	\$ 145,738,263
18			
19	Net Write Off Calculated	Ln. 15 * Ln. 17	\$ 874,790
20			
21	904 - Uncollectible Accounts	Stmt H, Ln. 124, Col. (g)	\$ 686,894
22			
23	<b>Total Adjustment - Uncollectible Accounts FERC 904</b>		<b>\$ 187,896</b>
24			
25	Note (1) This adjustment is described in the Direct Testimony of Ms. Johnson.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 RATE CASE AMORTIZATION  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-10**

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	<b>Rate Case Expenses</b>		
2	Estimated Current Rate Case Expenses		700,000
3	<b>Total Rate Case Expenses</b>		<u>\$ 700,000</u>
4			
5	Amortization Period		3
6			
7	<b>Total Rate Case Annual Amortization</b>	Ln. 3 ÷ Ln. 5	<u>\$ 233,333</u>
8			
9	<b>Prior Rate Case Expenses</b>		
10	Anadarko Acquisition Expenses	Note (1)	19,154
11	2021 KS Gas Rate Review 3rd Party Expenses	Note (1)	155,484
12	<b>Total Rate Case Expenses</b>		<u>\$ 174,638</u>
13			
14	Amortization Period		1.25
15			
16	<b>Total Prior Rate Case Annual Amortization</b>	Ln. 12 ÷ Ln. 14	<u>\$ 139,710</u>
17			
18	<b>Total Annual Amortization</b>	Ln. 7 + Ln. 16	<u><u>\$ 373,044</u></u>
19			
20	Per Book Rate Case Amortization		139,710
21			
22	<b>Adjustment to Rate Case Amortization FERC 928</b>	Ln. 18 - Ln. 20	<u><u>\$ 233,333</u></u>
23			
24	Note (1) Recovery as approved in Docket No. 21-BHCG-418-RTS.		



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
SEVERANCE EXPENSE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-11**

(a)	(b)	(c)	(d)	(e)
Line No.	Account & Description	Test Year Expenses	Note (1) Pro Forma Adjustment	Adjusted Total
1	920 - Administrative & General Salaries	\$ 144,989	\$ (26,316)	\$ 118,673
2				
3	<b>Total Adjustment FERC 920</b>	<b>\$ 144,989</b>	<b>\$ (26,316)</b>	<b>\$ 118,673</b>
4				
5	Note (1) Adjustment to normalize test year severance expense to a three year average.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PAYMENT PROCESSING FEE ADJUSTMENT  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-12**

(a) Line No.	(b) Account & Description	(c) Reference	(d) Note (1) Amount
1	Test Year Payment Processing fees		\$ 216,791
2	Correction to GL coding error during test year		99,680
3	<b>Total Test Year Payment Processing fees</b>		<b>\$ 316,471</b>
4			
5	Incremental increase in fees during the Pro Forma year		\$ 69,026
6			
7	<b>Total Pro Forma year Payment Processing Fees</b>		<b>\$ 385,497</b>
8			
9	Adjustment to Customer Record & Collection Expense FERC 903	Note (1)	<b>\$ 168,706</b>
10			
11	Note (1) The alternative forms of payment adjustment captures the incremental		
12	increase in payment processing fees in the Pro Forma Period.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
FLEET DEPRECIATION ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-13**

(a)	(b)	(c)	(d)	(e)
Line No.	Account & Description	Test Year Expenses	Note (1) Pro Forma Adjustment	Adjusted Total
1	<b>Production and Gathering</b>			
2	<b>Operation</b>			
3	750 - Operation Supervision & Engineering	\$ -	\$ -	-
4	752 - Gas Wells Expense	-	-	-
5	753 - Field Line Expense	-	-	-
6	754 - Field Compressor Station Expense	-	-	-
7	755 - Field Compressor Station Fuel and Power	-	-	-
8	756 - Field Measuring & Regulating Station Expense	-	-	-
9	757 - Purification Expense	-	-	-
10	758 - Gas Well Royalties	-	-	-
11	759 - Other Expenses	-	-	-
12	760 - Rents	-	-	-
13	<b>Total Production Operation Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
14				
15	<b>Maintenance</b>			
16	761 - Maintenance Supervision & Engineering	\$ -	\$ -	-
17	762 - Maintenance of Structures & Improvements	-	-	-
18	763 - Maintenance of Producing Gas Wells	-	-	-
19	764 - Maintenance of Field Lines	-	-	-
20	765 - Maintenance of Field Compressor Station Equipment	-	-	-
21	766 - Maintenance of Field Measuring & Regulating Station Equipment	-	-	-
22	767 - Maintenance of Purification Equipment	-	-	-
23	<b>Total Production Maintenance Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
24				
25				
26	<b>Other Gas Supply Expense</b>			
27	<b>Operation</b>			
28	804 - Natural Gas City Gate Purchase	\$ -	\$ -	-
29	805 - Other Gas Purchases	-	-	-
30	805.1 - Purchased Gas Cost Adjustments	-	-	-
31	805.2 - Financial Gas Cost Adj	-	-	-
32	806 - Exchange Gas	-	-	-
33	808 - Gas Storage-Gas Ops	-	-	-
34	808.1 - Withdrawals from Storage	-	-	-
35	808.2 - Gas Delivered to Storage	-	-	-
36	812 - Gas Used for Other Utility Operation	-	-	-
37	813 - Other Gas Supply Expense	-	-	-
38	<b>Total Other Gas Supply Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
39				
40	<b>Underground Storage Expense</b>			
41	<b>Operation</b>			
42	814 - Operation Supervision & Engineering	\$ -	\$ -	-
43	816 - Wells Expense	-	-	-
44	817 - Lines Expense	-	-	-
45	818 - Compressor Station Expense	-	-	-
46	819 - Compressor Station Fuel and Power	-	-	-
47	820 - Storage - Measuring & Regulating Station Expense	-	-	-
48	821 - Purification Expense	-	-	-
49	824 - Other Expenses	-	-	-
50	826 - Rents	-	-	-
51	<b>Total Operation Underground Storage Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
52				
53	<b>Maintenance</b>			
54	830 - Maintenance Supervision & Engineering	\$ -	\$ -	-
55	832 - Maintenance of Reservoirs & Wells	-	-	-
56	833 - Maintenance of Lines	-	-	-
57	834 - Maintenance of Compressor Station Equipment	-	-	-
58	835 - Maintenance of Measuring & Regulating Station Equipment	-	-	-
59	836 - Maintenance of Purification Equipment	-	-	-
60	<b>Total Maintenance Underground Storage Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
61				
62	<b>Total Underground Storage Expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
FLEET DEPRECIATION ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-13**

(a)	(b)	(c)	(d) Note (1)	(e)
Line No.	Account & Description	Test Year Expenses	Pro Forma Adjustment	Adjusted Total
63				
64	<b>Transmission Expense</b>			
65	<b>Operation</b>			
66	850 - Operation Supervision & Engineering	\$ -	\$ -	-
67	851 - System Control & Load Dispatching	173	21	195
68	852 - Communication System Expenses	122	15	137
69	853 - Compressor Labor & Expense	-	-	-
70	856 - Mains Expense	6,984	861	7,845
71	857 - Measuring & Regulating Station Expense	210	26	236
72	859 - Other Expenses	88	11	99
73	860 - Rents	-	-	-
74	<b>Total Operation</b>	<b>\$ 7,578</b>	<b>\$ 934</b>	<b>\$ 8,512</b>
75				
76	<b>Maintenance</b>			
77	861 - Maintenance Supervision & Engineering	\$ 2,473	\$ 305	2,777
78	862 - Maintenance of Structures & Improvements	463	57	520
79	863 - Maintenance of Mains	273	34	307
80	864 - Maintenance of Compressor Station Equipment	-	-	-
81	865 - Maintenance of Measuring & Regulating Station Equipment	263	32	295
82	866 - Maintenance of Communication Equipment	371	46	417
83	867 - Maintenance of Other Equipment	-	-	-
84	<b>Total Maintenance</b>	<b>\$ 3,843</b>	<b>\$ 473</b>	<b>\$ 4,316</b>
85				
86	<b>Total Transmission Expense</b>	<b>\$ 11,421</b>	<b>\$ 1,407</b>	<b>\$ 12,828</b>
87				
88	<b>Distribution Expense</b>			
89	<b>Operation</b>			
90	870 - Dist. Operating and Supervision Engineering	\$ 56,235	\$ 6,929	63,164
91	871 - Dist. Load Dispatching	174	21	195
92	872 - Compressor Station Labor & Expense	-	-	-
93	873 - Distr Fuel/Power Compr Station	-	-	-
94	874 - Oper./Inspect Underground Dist. Mains - Gas	147,707	18,199	165,905
95	875 - Dist. Measuring & Regulating Station Expense - General	50,116	6,175	56,290
96	876 - Dist. Measuring & Regulating Station Expense - Industrial	3,027	373	3,400
97	877 - Measuring & Regulating Station Expense - City Gate Check Station	17,724	2,184	19,907
98	878 - Oper./Inspect Meters & Collect Data - Gas	90,585	11,161	101,746
99	879 - Dist. Customer Installation Expense	61,912	7,628	69,540
100	880 - Dist. Ops. Other Expenses	158,027	19,470	177,497
101	881 - Dist. Oper. Rents	-	-	-
102	<b>Total Operation</b>	<b>\$ 585,505</b>	<b>\$ 72,139</b>	<b>\$ 657,645</b>
103				
104	<b>Maintenance</b>			
105	885 - Dist. Maint. Supervision & Engineering	\$ 7,927	\$ 977	8,903
106	886 - Maintenance of Structures & Improvements	-	-	-
107	887 - Perf. Underground Distribution Line Maintenance - Gas	52,433	6,460	58,893
108	888 - Dist. Maint. of Compressor Station Equipment	12,654	1,559	14,213
109	889 - Maintenance of Measuring & Regulating Station Expense -General	9,033	1,113	10,145
110	890 - Dist. Maint. of Measuring & Regulating Station Equip - Industrial	11,740	1,446	13,186
111	891 - Maintenance of Measuring & Regulating Station - City Gate Check Stn.	21,741	2,679	24,419
112	892 - Dist. Maint. of Services	35,800	4,411	40,211
113	893 - Dist. Maint. of Meters & House Regulators	70,738	8,716	79,453
114	894 - Dist. Maint. of Other Equipment	5,417	667	6,085
115	<b>Total Maintenance</b>	<b>\$ 227,481</b>	<b>\$ 28,028</b>	<b>\$ 255,509</b>
116				
117	<b>Total Distribution Expense</b>	<b>\$ 812,986</b>	<b>\$ 100,167</b>	<b>\$ 913,154</b>
118				
119	<b>Customer Account Expenses</b>			
120	<b>Operation</b>			
121	901 - Customer Accounts Supervision	\$ -	\$ -	-
122	902 - Meter Reading Expense	46,188	5,691	51,879
123	903 - Customer Record & Collection Expense	32,954	4,060	37,014
124	904 - Uncollectible Accounts	-	-	-
125	905 - Miscellaneous Customer Accounts Expense	-	-	-
126	<b>Total Customer Account Expense</b>	<b>\$ 79,142</b>	<b>\$ 9,751</b>	<b>\$ 88,893</b>
127				
128	<b>Customer Service and Information Expenses</b>			
129	<b>Operation</b>			
130	907 - Supervision	\$ -	\$ -	-
131	908 - Customer Assistance Expense	-	-	-
132	909 - Informational/Instructional Advertising Expense	-	-	-
133	910 - Miscellaneous Cust Serv & Inform Expense	-	-	-
134	<b>Total Customer Srvc &amp; Inform Exp.</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
FLEET DEPRECIATION ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-13**

(a)	(b)	(c)	(d) Note (1)	(e)
Line No.	Account & Description	Test Year Expenses	Pro Forma Adjustment	Adjusted Total
135				
136	<b>Sales Expenses</b>			
137	<b>Operation</b>			
138	911 - Supervision	\$ -	\$ -	-
139	912 - Demonstrating and Selling Expense	-	-	-
140	913 - Advertising Expenses	39	5	44
141	916 - Miscellaneous Sales Expense	-	-	-
142	<b>Total Sales Expense</b>	<b>\$ 39</b>	<b>\$ 5</b>	<b>\$ 44</b>
143				
144	<b>Administrative &amp; General Expense</b>			
145	<b>Operation</b>			
146	920 - Administrative & General Salaries	\$ 3	\$ 0	3
147	921 - Office Supplies & Expense	-	-	-
148	922 - Administrative Expense Transferred-Cr	-	-	-
149	923 - Outside Services Employed	-	-	-
150	924 - Property Insurance	-	-	-
151	925 - Injuries and Damages	-	-	-
152	926 - Employee Pensions and Benefits	-	-	-
153	927 - Franchise Requirements	-	-	-
154	928 - Regulatory Commission Expense	-	-	-
155	929 - Duplicate Charges - Credit	-	-	-
156	930.1 - General Advertising Expense	-	-	-
157	930.2 - Miscellaneous General Expense	-	-	-
158	931 - Rents	-	-	-
159	<b>Total Operation</b>	<b>\$ 3</b>	<b>\$ -</b>	<b>\$ 3</b>
160				
161	<b>Maintenance</b>			
162	932 - Maintenance of General Plant	\$ 1,636	\$ 202	1,838
163	<b>Total Administrative &amp; General Exp</b>	<b>\$ 1,639</b>	<b>\$ 202</b>	<b>\$ 1,841</b>
164				
165	<b>Total Operating &amp; Maintenance Exp</b>	<b>\$ 905,227</b>	<b>\$ 111,532</b>	<b>\$ 1,016,760</b>
166				
167				
168	Fleet Depreciation Expense adjustment from Statement J		\$ 187,790	
169	Vehicle loading capitalization rate		40.61%	
170	<b>Capitalized amount</b>		<b>\$ 76,258</b>	
171	<b>O&amp;M amount</b>		<b>\$ 111,532</b>	
172				
173	Note (1) This schedule reflects the calculation on Statement J for the portion of depreciation expense charged to Operation & Maintenance Expenses.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 COMMISSION FEE ADJUSTMENT  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-14**

(a) Line No.	(b) Account & Description	(c) Reference	(d) Note (1) Amount
1	<b>CURB Assessment Fee Docket: 25-ALLB-028-ASM</b>		
2	Incremental Revenue Increase	Stmnt B, Ln. 4, Col. (g)	\$ 17,207,752
3			
4	Current Quarterly Assessment Rate from Most Recent Invoice		0.000025644609
5			
6	Quarterly Incremental CURB Assessment Fee Expense	Ln. 2 x Ln. 4	<u>\$ 441</u>
7			
8	Annual Incremental CURB Assessment Fee Expense	Ln.6 x 4	<u>\$ 1,765</u>
9			
10	<b>Commission Costs Assessment Fee Docket: 25-ALLX-029-ASM</b>		
11	Incremental Revenue Increase	Stmnt B, Ln. 4, Col. (g)	\$ 17,207,752
12			
13	Current Quarterly Assessment Rate from Most Recent Invoice		0.000160078273
14			
15	Quarterly Incremental Commission Costs Assessment Expense	Ln. 11 x Ln. 13	<u>\$ 2,755</u>
16			
17	Annual Incremental Commission Costs Assessment Expense	Ln.15 x 4	<u>\$ 11,018</u>
18			
19	Three year average - Docket Fees expense		\$ 25,351
20			
21	Docket fees expense per books - test year		\$ 16,267
22			
23	Annual Incremental Adjustment for Docket Fee Expense	Ln. 19 - Ln. 21	<u>\$ 9,084</u>
24			
25	<b>Total Adjustment - Regulatory Commission Expense FERC 928</b>	Ln. 8 + Ln. 17 + Ln. 23	<u><u>\$ 21,868</u></u>
26			
27	Note (1) Adjustment to increase O & M expense related to the assessment and docket fees paid.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
DATA IMPROVEMENT INTEGRITY PROGRAM ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-15**

(a)	(b)	(c)	(d)	(e)
Line No.	Account & Description	Test Year Expenses	Note (1) Pro Forma Adjustment	Adjusted Total
1	870 - Dist. Operating and Supervision Engineering	\$ 149,724	\$ 250,276	\$ 400,000
2				
3	<b>Total Adjustment FERC 870</b>	<b>\$ 149,724</b>	<b>\$ 250,276</b>	<b>\$ 400,000</b>
4				
5	Note (1) Data Improvement Integrity Program (DIIP) costs required to meet long term program goals as discussed in the			
6	Direct Testimony of Mr. Eyre.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PHMSA FEE ADJUSTMENT  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-16**

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	KSG Allocation of Most Recent PHMSA Invoice (Assessment Paid April 2024)		\$ 160,552
2			
3	FY 2025 Projected Increase	Note (1)	10.66%
4			
5	<b>Adjustment to FERC 859</b>	Ln. 1 x Ln. 3	<u>\$ 17,113</u>
6			
7	Pro Forma PHMSA Fee Expense		<u>\$ 177,665</u>
8			
9	Note (1) Adjusted to a three year average percentage increase in Pipeline & Hazardous Materials Safety Administration Fees.		



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
RESEARCH AND DEVELOPMENT EXPENSE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-17**

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	Monthly Average Customer Count		119,424
2			
3	Per Customer Fee		\$ 0.50
4			
5	<b>Total Miscellaneous General Expense FERC 930.2</b>	Note (1)	<b><u>\$ 59,712</u></b>
6			
7	Note (1) Operations Technology Development (OTD) membership dues are based upon the number of customers.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
DAMAGE PREVENTION EXPENSE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule H-18**

(a)	(b)	(c)	(d) Note (1)	(e)
Line No.	Account & Description	Test Year Expenses	Pro Forma Adjustment	Adjusted Total
1	930.1 - General Advertising Expense	\$ 772	\$ 49,228	\$ 50,000
2				
3	<b>Total</b>	<b>\$ 772</b>	<b>\$ 49,228</b>	<b>\$ 50,000</b>
4				
5	Note (1) Adjust annual damage prevention expense for advertising and public training costs.			
6	This adjustment is discussed in the Direct Testimony of Mr. Smith.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 LINE LOCATE EXPENSE ADJUSTMENT  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-19**

(a)	(b)	(c)	(d)	(e)
Line No.	Account & Description	Test Year Expenses	Pro Forma Adjustment	Adjusted Total
1	874 - Oper./Inspect Underground Dist. Mains	\$ 1,380,538	\$ 69,889	\$ 1,450,426
2				
3	<b>Total</b>	<b>\$ 1,380,538</b>	<b>\$ 69,889</b>	<b>\$ 1,450,426</b>
4				
5	Note (1) The line locate expense adjustment is discussed in the Direct Testimony of Mr. Eyre.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 VEGETATION MANAGEMENT ADJUSTMENT  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule H-20**

(a)	(b)	(c)	(d)	(e)
Line No.	Account & Description	Test Year Expenses	Note (1) Pro Forma Adjustment	Adjusted Total
1	856 - Mains Expense	\$ -	\$ 100,000	\$ 100,000
2				
3	<b>Total</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>
4				

5 Note (1) The vegetation management expense adjustment is discussed in the Direct Testimony of Mr. Eyre.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**OPERATING REVENUE**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Statement I**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line No.	Account & Description	Revenues 12/31/2021	Revenues 12/31/2022	Revenues 9/30/2023	Revenues 12/31/2023	Test Year Revenues 9/30/2024	Sched I-1 Unbilled and Other Revenue Adjustment	Sched I-2 Gas Cost Revenue Adjustment
1	<b>Operating Revenue</b>							
2	<b>Sales of Gas</b>							
3	480 - Residential Sales	\$ 68,363,336	\$ 100,315,869	\$ 104,699,778	\$ 91,687,754	\$ 77,174,514	\$ (29,985)	\$ (39,061,279)
4	481 - Commercial and Industrial Sales	39,073,611	74,018,331	55,353,080	48,166,237	35,869,061	215,899	(23,469,075)
5	489 - Revenue from Transport of Gas of Others	9,448,493	10,619,610	11,398,266	10,454,745	9,412,525	921,696	-
6	<b>Total Sales of Gas</b>	<b>\$ 116,885,441</b>	<b>\$ 184,953,810</b>	<b>\$ 171,451,124</b>	<b>\$ 150,308,736</b>	<b>\$ 122,456,099</b>	<b>\$ 1,107,610</b>	<b>\$ (62,530,354)</b>
7								
8	<b>Other Operating Revenues</b>							
9	483 - Sales for Resale	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
10	487 - Forfeited Discounts	(5)	93	260,667	329,157	333,613	-	-
11	488 - Miscellaneous Service Revenues	645,721	672,166	673,368	679,991	662,809	-	-
12	489 - Revenue from Transport of Gas of Others	-	-	-	-	-	-	-
13	493 - Rent From Gas Property	-	-	-	-	-	-	-
14	495 - Other Gas Revenues	641,355	49,179	100	100	-	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ 1,287,071</b>	<b>\$ 721,438</b>	<b>\$ 934,135</b>	<b>\$ 1,009,248</b>	<b>\$ 996,422</b>	<b>\$ -</b>	<b>\$ -</b>
16								
17	496 - Provision for Rate Refund	\$ (1,718,678)	\$ -	\$ -	\$ (901,483)	\$ (901,483)	901,483	\$ -
18								
19	<b>Total Operating Revenue</b>	<b>\$ 116,453,834</b>	<b>\$ 185,675,248</b>	<b>\$ 172,385,259</b>	<b>\$ 150,416,501</b>	<b>\$ 122,551,039</b>	<b>\$ 2,009,093</b>	<b>\$ (62,530,354)</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
OPERATING REVENUE  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER**

**KSG Direct Exhibit SKJ-2  
Statement I**

(a)	(b)	(j) IS-3	(k) IS-4	(l) IS-5	(m) IS-6	(n) IS-7	(o) IS-8	(p) IS-9	(q) IS-10	(r)
Line No.	Account & Description	Sched I-3 WNA Rider Revenue Adjustment	Sched I-4 AVTS Revenue Adjustment	Sched I-5 TA Rider Revenue Adjustment	Sched I-6 Negotiated Rate Revenue Adjustment	Sched I-7 Synchronization Revenue Adjustment	Sched I-8 Weather & Irrigation Normalization Adjustment	Sched I-9 Incremental GSRS Revenue Adjustment	Sched I-10 LVTS Customer Revenue Adjustment	Adjusted Total
1	<b>Operating Revenue</b>									
2	<b>Sales of Gas</b>									
3	480 - Residential Sales	\$ (1,569,511)	\$ (525,444)	\$ 1,942,953	\$ -	\$ 163,689	\$ 207,518	\$ 941,814	\$ -	\$ 39,244,269
4	481 - Commercial and Industrial Sales	(334,278)	(266,130)	654,420	(6,133)	(2,346)	(104,804)	319,179	-	12,875,793
5	489 - Revenue from Transport of Gas of Others	-	(665,691)	387,867	(2,285,361)	(24,436)	(68,017)	129,938	419,027	8,227,548
6	<b>Total Sales of Gas</b>	<b>\$ (1,903,789)</b>	<b>\$ (1,457,265)</b>	<b>\$ 2,985,240</b>	<b>\$ (2,291,493)</b>	<b>\$ 136,907</b>	<b>\$ 34,697</b>	<b>\$ 1,390,930</b>	<b>\$ 419,027</b>	<b>\$ 60,347,609</b>
7										
8	<b>Other Operating Revenues</b>									
9	483 - Sales for Resale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	487 - Forfeited Discounts	-	-	-	-	-	-	-	-	333,613
11	488 - Miscellaneous Service Revenues	-	-	-	-	-	-	-	-	662,809
12	489 - Revenue from Transport of Gas of Others	-	-	-	2,291,493	-	-	-	91,560	2,383,053
13	493 - Rent From Gas Property	-	-	-	-	-	-	-	-	-
14	495 - Other Gas Revenues	-	-	-	-	-	-	-	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,291,493</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,560</b>	<b>\$ 3,379,475</b>
16										
17	496 - Provision for Rate Refund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18										
19	<b>Total Operating Revenue</b>	<b>\$ (1,903,789)</b>	<b>\$ (1,457,265)</b>	<b>\$ 2,985,240</b>	<b>\$ -</b>	<b>\$ 136,907</b>	<b>\$ 34,697</b>	<b>\$ 1,390,930</b>	<b>\$ 510,587</b>	<b>\$ 63,727,085</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
UNBILLED AND OTHER REVENUE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule I-1**

(a) Line No.	(b) Account & Description	(c) Note (1) Exclude Unbilled Revenues	(d) Note (2) Exclude Other Revenues	(e) Note (3) Exclude Other Revenues	(f) Pro Forma Adjustment
1	<b>Operating Revenue</b>				
2	<b>Sales of Gas</b>				
3	480 - Residential Sales	\$ (57,555)	\$ -	\$ 87,540	\$ (29,985)
4	481 - Commercial and Industrial Sales	(259,856)	-	43,957	215,899
5	489 - Revenue from Transport of Gas of Others	(230,211)	(747,798)	56,312	921,696
6	<b>Total Sales of Gas</b>	<b>\$ (547,621)</b>	<b>\$ (747,798)</b>	<b>\$ 187,809</b>	<b>\$ 1,107,610</b>
7					
8	<b>Other Operating Revenues</b>				
9	483 - Sales for Resale	\$ -	\$ -	\$ -	-
10	487 - Forfeited Discounts	-	-	-	-
11	488 - Miscellaneous Service Revenues	-	-	-	-
12	489 - Revenue from Transport of Gas of Others	-	-	-	-
13	493 - Rent From Gas Property	-	-	-	-
14	495 - Other Gas Revenues	-	-	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
16					
17	496 - Provision for Rate Refund	\$ -	\$ -	\$ (901,483)	901,483
18					
19	<b>Total Operating Revenue</b>	<b>\$ (547,621)</b>	<b>\$ (747,798)</b>	<b>\$ (713,674)</b>	<b>\$ 2,009,093</b>

21 Note (1) Unbilled revenues recorded during the test year associated with activity outside of that period are removed.

22 Note (2) Other revenues recorded during the test year associated with reclass of balancing fees are removed.

23 Note (3) Other revenues recorded during the test year associated with property tax rider refund are removed.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 GAS COST REVENUE ADJUSTMENT  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule I-2**

(a) Line No.	(b) Account & Description	(c) Note (1) Test Year Revenues	(d) Revenue Adjustment
1	<b>Operating Revenue</b>		
2	<b>Sales of Gas</b>		
3	480 - Residential Sales	\$ 39,061,279	\$ (39,061,279)
4	481 - Commercial and Industrial Sales	23,469,075	(23,469,075)
5	489 - Revenue from Transport of Gas of Others	-	-
6	<b>Total Sales of Gas</b>	<b>\$ 62,530,354</b>	<b>\$ (62,530,354)</b>
7			
8	<b>Other Operating Revenues</b>		
9	483 - Sales for Resale	\$ -	-
10	487 - Forfeited Discounts	-	-
11	488 - Miscellaneous Service Revenues	-	-
12	489 - Revenue from Transport of Gas of Others	-	-
13	493 - Rent From Gas Property	-	-
14	495 - Other Gas Revenues	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>
16			
17	496 - Provision for Rate Refund	\$ -	-
18			
19	<b>Total Operating Revenue</b>	<b>\$ 62,530,354</b>	<b>\$ (62,530,354)</b>
20			
21	Note (1) Adjustment to remove total gas cost revenues from base revenues as they are recovered outside of base rates.		



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
WNA RIDER REVENUE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule I-3**

(a) Line No.	(b) Account & Description	(c) Note (1) Test Year Revenues	(d) Revenue Adjustment
1	<b>Operating Revenue</b>		
2	<b>Sales of Gas</b>		
3	480 - Residential Sales	\$ 1,569,511	\$ (1,569,511)
4	481 - Commercial and Industrial Sales	334,278	(334,278)
5	489 - Revenue from Transport of Gas of Others	-	-
6	<b>Total Sales of Gas</b>	<u>\$ 1,903,789</u>	<u>\$ (1,903,789)</u>
7			
8	<b>Other Operating Revenues</b>		
9	483 - Sales for Resale	\$ -	-
10	487 - Forfeited Discounts	-	-
11	488 - Miscellaneous Service Revenues	-	-
12	489 - Revenue from Transport of Gas of Others	-	-
13	493 - Rent From Gas Property	-	-
14	495 - Other Gas Revenues	-	-
15	<b>Total Other Operating Revenue</b>	<u>\$ -</u>	<u>\$ -</u>
16			
17	496 - Provision for Rate Refund	\$ -	-
18			
19	<b>Total Operating Revenue</b>	<u>\$ 1,903,789</u>	<u>\$ (1,903,789)</u>
20			
21	Note (1) Adjustment to remove weather normalization adjustment rider revenues from base		
22	revenues as they are recovered outside of base rates.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
AVTS REVENUE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule I-4**

(a) Line No.	(b) Account & Description	(c) Note (1) Test Year Revenues	(d) Revenue Adjustment
1	<b>Operating Revenue</b>		
2	<b>Sales of Gas</b>		
3	480 - Residential Sales	\$ 525,444	\$ (525,444)
4	481 - Commercial and Industrial Sales	266,130	(266,130)
5	489 - Revenue from Transport of Gas of Others	665,691	(665,691)
6	<b>Total Sales of Gas</b>	<u>\$ 1,457,265</u>	<u>\$ (1,457,265)</u>
7			
8	<b>Other Operating Revenues</b>		
9	483 - Sales for Resale	\$ -	-
10	487 - Forfeited Discounts	-	-
11	488 - Miscellaneous Service Revenues	-	-
12	489 - Revenue from Transport of Gas of Others	-	-
13	493 - Rent From Gas Property	-	-
14	495 - Other Gas Revenues	-	-
15	<b>Total Other Operating Revenue</b>	<u>\$ -</u>	<u>\$ -</u>
16			
17	496 - Provision for Rate Refund	\$ -	-
18			
19	<b>Total Operating Revenue</b>	<u><u>\$ 1,457,265</u></u>	<u><u>\$ (1,457,265)</u></u>
20			
21	Note (1) Adjustment to remove Ad Valorem Tax Surcharge revenues, as they are recovered outside of base rates.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
TA RIDER REVENUE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule I-5**

(a)	(b)	(c)	(d)
Line		Note (1)	Revenue
No.	Account & Description	Test Year Revenues	Adjustment
1	<b>Operating Revenue</b>		
2	<b>Sales of Gas</b>		
3	480 - Residential Sales	\$ (1,942,953)	\$ 1,942,953
4	481 - Commercial and Industrial Sales	(654,420)	654,420
5	489 - Revenue from Transport of Gas of Others	(387,867)	387,867
6	<b>Total Sales of Gas</b>	<b>\$ (2,985,240)</b>	<b>\$ 2,985,240</b>
7			
8	<b>Other Operating Revenues</b>		
9	483 - Sales for Resale	\$ -	-
10	487 - Forfeited Discounts	-	-
11	488 - Miscellaneous Service Revenues	-	-
12	489 - Revenue from Transport of Gas of Others	-	-
13	493 - Rent From Gas Property	-	-
14	495 - Other Gas Revenues	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>
16			
17	496 - Provision for Rate Refund	\$ -	-
18			
19	<b>Total Operating Revenue</b>	<b>\$ (2,985,240)</b>	<b>\$ 2,985,240</b>
20			
21	Note (1) Tax Adjustment Rider revenues are removed, as they are recovered outside of base rates.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 NEGOTIATED RATE REVENUE ADJUSTMENT  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule I-6**

(a) Line No.	(b) Account & Description	(c) Test Year Revenues	(d) Pro Forma Adjustment Note (1)	(e) Adjusted Revenue
1	<b>Operating Revenue</b>			
2	<b>Sales of Gas</b>			
3	480 - Residential Sales	\$ -	\$ -	\$ -
4	481 - Commercial and Industrial Sales	6,133	(6,133)	-
5	489 - Revenue from Transport of Gas of Others	2,285,361	(2,285,361)	-
6	<b>Total Sales of Gas</b>	<b>\$ 2,291,493</b>	<b>\$ (2,291,493)</b>	<b>\$ -</b>
7				
8	<b>Other Operating Revenues</b>			
9	483 - Sales for Resale	\$ -	-	-
10	487 - Forfeited Discounts	-	-	-
11	488 - Miscellaneous Service Revenues	-	-	-
12	489 - Revenue from Transport of Gas of Others	-	2,291,493	2,291,493
13	493 - Rent From Gas Property	-	-	-
14	495 - Other Gas Revenues	-	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ 2,291,493</b>	<b>\$ 2,291,493</b>
16				
17	496 - Provision for Rate Refund	\$ -	-	-
18				
19	<b>Total Operating Revenue</b>	<b>\$ 2,291,493</b>	<b>\$ -</b>	<b>\$ 2,291,493</b>

21 Note (1) Special contract transport rate revenues are reclassified as other operating revenues as they are not a component of base rate revenue

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
BILLING DETERMINANTS SYNCHRONIZATION ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule I-7**

(a) Line No.	(b) Account & Description	(c) Stmt I, Sum Col. (g) - (m) Adjusted Test Year Revenues	(d) Note (1) Billing Determinant Revenue Synchronization Adjustment	(e) Billing Determinant Revenue
1	<b>Operating Revenue</b>			
2	<b>Sales of Gas</b>			
3	480 - Residential Sales	\$ 37,931,248	\$ 163,689	\$ 38,094,937
4	481 - Commercial and Industrial Sales	12,663,764	(2,346)	12,661,418
5	489 - Revenue from Transport of Gas of Others	7,771,036	(24,436)	7,746,600
6	<b>Total Sales of Gas</b>	<b>\$ 58,366,048</b>	<b>\$ 136,907</b>	<b>\$ 58,502,955</b>
7				
8	<b>Other Operating Revenues</b>			
9	483 - Sales for Resale	\$ -	\$ -	-
10	487 - Forfeited Discounts	-	-	-
11	488 - Miscellaneous Service Revenues	-	-	-
12	489 - Revenue from Transport of Gas of Others	-	-	-
13	493 - Rent From Gas Property	-	-	-
14	495 - Other Gas Revenues	-	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
16				
17	496 - Provision for Rate Refund	\$ -	\$ -	-
18				
19	<b>Total Operating Revenue</b>	<b>\$ 58,366,048</b>	<b>\$ 136,907</b>	<b>\$ 58,502,955</b>

21 Note (1) Adjustment required to synchronize the revenues calculated using the Test Year billing determinants  
22 and the revenues from the accounting system. This adjustment is described in the Direct Testimony of Mr. Fritel.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
WEATHER NORMALIZATION ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule I-8**

(a) Line No.	(b) Account & Description	(c) Weather Normalization Revenue Adjustment	(d) Irrigation Revenue Adjustment	(e) Note (1) Total Adjustment
1	<b>Operating Revenue</b>			
2	<b>Sales of Gas</b>			
3	480 - Residential Sales	\$ 207,518	\$ -	\$ 207,518
4	481 - Commercial and Industrial Sales	61,873	(166,677)	(104,804)
5	489 - Revenue from Transport of Gas of Others	-	(68,017)	(68,017)
6	<b>Total Sales of Gas</b>	<b>\$ 269,391</b>	<b>\$ (234,694)</b>	<b>\$ 34,697</b>
7				
8	<b>Other Operating Revenues</b>			
9	483 - Sales for Resale	\$ -	\$ -	\$ -
10	487 - Forfeited Discounts	-	-	-
11	488 - Miscellaneous Service Revenues	-	-	-
12	489 - Revenue from Transport of Gas of Others	-	-	-
13	493 - Rent From Gas Property	-	-	-
14	495 - Other Gas Revenues	-	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
16				
17	496 - Provision for Rate Refund	\$ -		-
18				
19	<b>Total Operating Revenue</b>	<b>\$ 269,391</b>	<b>\$ (234,694)</b>	<b>\$ 34,697</b>
20				

21 Note (1) The WNA and irrigation revenue adjustments are described in the Direct Testimony of Mr. Fritel.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 INCREMENTAL GSRS REVENUE ADJUSTMENT  
 FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
 Schedule I-9**

(a) Line No.	(b) Account & Description	(c) Test Year Revenues	(d) Note (1) Pro Forma Adjustment	(e) Adjusted Revenue
1	<b>Operating Revenue</b>			
2	<b>Sales of Gas</b>			
3	480 - Residential Sales	\$ 2,028,080	\$ 941,814	\$ 2,969,894
4	481 - Commercial and Industrial Sales	687,313	319,179	1,006,492
5	489 - Revenue from Transport of Gas of Others	279,805	129,938	409,743
6	<b>Total Sales of Gas</b>	<b>\$ 2,995,199</b>	<b>\$ 1,390,930</b>	<b>\$ 4,386,129</b>
7				
8	<b>Other Operating Revenues</b>			
9	483 - Sales for Resale	\$ -	-	-
10	487 - Forfeited Discounts	-	-	-
11	488 - Miscellaneous Service Revenues	-	-	-
12	489 - Revenue from Transport of Gas of Others	-	-	-
13	493 - Rent From Gas Property	-	-	-
14	495 - Other Gas Revenues	-	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
16				
17	496 - Provision for Rate Refund	\$ -	-	-
18				
19	<b>Total Operating Revenue</b>	<b>\$ 2,995,199</b>	<b>\$ 1,390,930</b>	<b>\$ 4,386,129</b>

21 Note (1) Incremental increase in GSRS revenue in the Pro Forma Period, as approved in Docket No. 24-BHCG-727-TAR.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
LVTS CUSTOMER REVENUE ADJUSTMENT  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule I-10**

(a) Line No.	(b) Account & Description	(c) Test Year Revenues	(d) Note (1) Pro Forma Adjustment	(e) Adjusted Revenue
1	<b>Operating Revenue</b>			
2	<b>Sales of Gas</b>			
3	480 - Residential Sales	\$ -	\$ -	\$ -
4	481 - Commercial and Industrial Sales	-	-	-
5	489 - Revenue from Transport of Gas of Others	-	419,027	419,027
6	<b>Total Sales of Gas</b>	<b>\$ -</b>	<b>\$ 419,027</b>	<b>\$ 419,027</b>
7				
8	<b>Other Operating Revenues</b>			
9	483 - Sales for Resale	\$ -	-	-
10	487 - Forfeited Discounts	-	-	-
11	488 - Miscellaneous Service Revenues	-	-	-
12	489 - Revenue from Transport of Gas of Others	-	91,560	91,560
13	493 - Rent From Gas Property	-	-	-
14	495 - Other Gas Revenues	-	-	-
15	<b>Total Other Operating Revenue</b>	<b>\$ -</b>	<b>\$ 91,560</b>	<b>\$ 91,560</b>
16				
17	496 - Provision for Rate Refund	\$ -	-	-
18				
19	<b>Total Operating Revenue</b>	<b>\$ -</b>	<b>\$ 510,587</b>	<b>\$ 510,587</b>

21 Note (1) The Large Volume transportation service revenue adjustment is described in the Direct Testimony of Mr. Fritel.



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
DEPRECIATION AND AMORTIZATION EXPENSE  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement J**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Reference	Test Year Expenses	Adjusted Depreciation Expenses, Sched. J-1	Depreciation/Amortization Adjustment
1	<b>Depreciation</b>				
2					
3	Intangible	Sched. J-1 Ln. 9 (g)	\$ 94,473	\$ 106,944	\$ 12,471
4					
5	Production and Gathering Plant	Sched. J-1 Ln. 13 (g)	5,607	-	(5,607)
6					
7	Storage Plant		-	-	-
8					
9	Transmission	Sched. J-1 Ln. 30 (g)	947,807	1,007,900	60,093
10					
11	Distribution	Sched. J-1 Ln. 54 (g)	7,977,123	8,875,446	898,323
12					
13	General (less Vehicles)	Sched. J-1 Ln. 75 (g) - Ln. 64 through Ln. 68 & Ln. 72 (g)	860,683	877,391	16,708
14					
15	Amortization of Unrecovered Reserve	As approved in Docket No. 21-BHCG-418-RTS	(5,105)	(5,105)	-
16					
17	<b>Direct Depreciation &amp; Amortization Expense less Vehicles</b>		<b>\$ 9,880,588</b>	<b>\$ 10,862,576</b>	<b>\$ 981,988</b>
18					
19	<b>Other Utility Plant</b>				
20	Other Utility Plant - BHSC	Sched. J-1 Ln. 78 (g) + Ln. 79 (g)	1,742,216	1,634,707	(107,510)
21	Amortization of Unrecovered Reserve - BHSC		249,713	249,713	-
22	<b>Total Other Utility Plant</b>		<b>\$ 1,991,929</b>	<b>\$ 1,884,420</b>	<b>\$ (107,510)</b>
23					
24	<b>Total Depreciation &amp; Amortization Expense less Vehicles</b>	Note (1)	<b>\$ 11,872,517</b>	<b>\$ 12,746,995</b>	<b>\$ 874,479</b>
25					
26	Depreciation charged to Fleet Clearing Accounts (Vehicles)	Sched. J-1 Ln. 64 through Ln. 68 & Ln. 72 (g)	\$ 754,919	\$ 942,709	\$ 187,790
27	Depreciation charged to BHSC Allocated Plant (Vehicles)	Sched. J-1 Ln. 80 (g)	41,911	78,405	36,494
28					
29	<b>Total Depreciation and Amortization Expense</b>	Ln. 24 + Ln. 26 + Ln. 27	<b>\$ 12,669,347</b>	<b>\$ 13,768,109</b>	<b>\$ 1,098,762</b>
30					
31	Note (1) The Adjusted Depreciation Expense and Test Period amounts includes the removal of fleet capitalization which is charged through the vehicle loadings process.				

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**DEPRECIATION AND AMORTIZATION EXPENSE**  
**FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2**  
**Schedule J-1**

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No.	Description	Adjusted Plant in Service Stmt D, Col. (j)	Remove: Non-Depreciable Items	Depreciable Plant	Depreciation Rates Note (1)	Adjusted Depreciation Expense
1	<b>Intangible Plant</b>					
2	30100 - Intangibles Organization	\$ 186,932	\$ (186,932)	\$ -	0.00%	\$ -
3	30200 - Intangibles Franchises & Consents	74,990	-	74,990	0.48%	360
4	30300 - Intangibles Miscellaneous	1,039,860	-	1,039,860	1.83%	19,029
5	30301 - Intangibles Miscellaneous - Easements	1,730,332	-	1,730,332	5.06%	87,555
6	30302 - Intangibles Miscellaneous - Trademarks	181,000	-	181,000	0.00%	-
7	30303 - Intangibles Miscellaneous - Workforce	-	-	-	0.00%	-
8	30370 - Intangibles Miscellaneous - Farm Tap	295,646	-	295,646	0.00%	-
9	<b>Total Intangible Plant</b>	<u>\$ 3,508,760</u>	<u>\$ (186,932)</u>	<u>\$ 3,321,828</u>		<u>\$ 106,944</u>
10						
11	<b>Natural Gas Production &amp; Gathering Plant</b>					
12	33601 - Purification Equipment	-	\$ -	\$ -	2.76%	\$ -
13	<b>Total Natural Gas Production &amp; Gathering Plant</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
14						
15	<b>Transmission Plant</b>					
16	36501 - Land	9,431	\$ (9,431)	\$ -	0.00%	\$ -
17	36502 - Land Rights/Right-of-Way (Non-Depreciable)	725,064	(725,064)	-	0.00%	-
18	36571 - Land/Farm Tap	644	(644)	-	0.00%	-
19	36572 - Land Rights/Farm Tap (Non-Depreciable)	2,100	(2,100)	-	0.00%	-
20	36601 - Structures and Improvements	165,381	-	165,381	0.98%	1,621
21	36620 - Measuring	87,754	-	87,754	0.98%	860
22	36671 - Structures and Improvements	8,600	-	8,600	0.98%	84
23	36700 - Transmission Plant - Mains	61,180,956	-	61,180,956	1.38%	844,297
24	36780 - Gas Trans -Other Mains-RNG	-	-	-	1.38%	-
25	36804 - Compressor Station Equipment	2,475	-	2,475	7.27%	180
26	36880 - Gas Trans-Comp Sta Eqp-RNG	-	-	-	7.27%	-
27	36903 - Measuring & Regulating Station Equipment	5,336,706	-	5,336,706	2.81%	149,961
28	36973 - Measuring & Regulating Station Equipment	51,304	-	51,304	2.81%	1,442
29	37101 - Transmission Plant - Other Equipment	106,238	-	106,238	8.90%	9,455
30	<b>Total Transmission Plant</b>	<u>\$ 67,676,653</u>	<u>\$ (737,239)</u>	<u>\$ 66,939,415</u>		<u>\$ 1,007,900</u>
31						
32	<b>Distribution Plant</b>					
33	37401 - Land	186,909	\$ (186,909)	\$ -	0.00%	\$ -
34	37402 - Land Rights/Right of Way (Non-Depreciable)	792,398	(792,398)	-	0.00%	-
35	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	-	-	-	0.00%	-
36	37501 - Structures and Improvements	1,188,888	-	1,188,888	2.45%	29,128
37	37503 - Structures and Improvements - TBS	-	-	-	2.45%	-
38	37580 - Gas Dist-Strct&Improve-RNG	-	-	-	2.45%	-
39	37600 - Distribution Plant - Mains	164,618,129	-	164,618,129	1.54%	2,535,119
40	37680 - Gas Dist - Mains - RNG	989,195	-	989,195	1.54%	15,234
41	37700 - Compressor Station Equipment	175,304	-	175,304	4.86%	8,520
42	37800 - Measuring & Regulating Station Equipment - General	10,475,158	-	10,475,158	2.33%	244,071
43	37850 - Measuring & Regulating Station Equipment - Lease	-	-	-	2.33%	-
44	37870 - Measuring & Regulating Station Equipment	179,090	-	179,090	2.33%	4,173
45	37880 - Gas Dist-Mea/Reg St-RNG	-	-	-	2.33%	-
46	37900 - Measuring & Regulating Station Equipment - City Gate	61,111	-	61,111	4.74%	2,897
47	38000 - Distribution Plant - Services	106,525,531	-	106,525,531	2.09%	2,226,384
48	38100 - Meters	14,038,411	-	14,038,411	9.23%	1,295,745
49	38101 - Meters - ERT & AMI	10,496,261	-	10,496,261	7.10%	745,235
50	38201 - Meter Installations	4,871,135	-	4,871,135	0.90%	43,840
51	38301 - House Regulators	53,543,483	-	53,543,483	3.08%	1,649,139
52	38501 - Industrial Measuring & Regulating Station Equipment	2,962,366	-	2,962,366	2.45%	72,578
53	38700 - Other Equipment	115,909	-	115,909	2.92%	3,385
54	<b>Total Distribution Plant</b>	<u>\$ 371,219,276</u>	<u>\$ (979,307)</u>	<u>\$ 370,239,969</u>		<u>\$ 8,875,446</u>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
DEPRECIATION AND AMORTIZATION EXPENSE  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule J-1**

(a)	(b)	(c)	(d)	(e)	(f) Note (1)	(g)
Line No.	Description	Adjusted Plant in Service Stmt D, Col. (j)	Remove: Non- Depreciable Items	Depreciable Plant	Depreciation Rates	Adjusted Depreciation Expense
55						
56	<b>General Plant</b>					
57	38901 - Land	856,543	\$ (856,543)	\$ -	0.00%	\$ -
58	39001 - Structures and Improvements	13,423,778	-	13,423,778	2.71%	363,784
59	39051 - Leasehold Improvements	-	-	-	0.00%	-
60	39101 - Office Furniture & Equipment	619,665	-	619,665	4.98%	30,859
61	39103 - Computer Hardware	1,021,325	-	1,021,325	17.64%	180,162
62	39104 - Software	109,982	-	109,982	17.64%	19,401
63	39107 - Ipad Hardware	33,978	-	33,978	20.00%	6,796
64	39201 - Transportation Equipment	289,611	-	289,611	8.53%	24,704
65	39203 - Light Trucks	11,888,562	-	11,888,562	7.13%	847,654
66	39204 - Medium Trucks	-	-	-	11.60%	-
67	39205 - Heavy Trucks	538,580	-	538,580	1.12%	6,032
68	39206 - Trailers	210,677	-	210,677	1.46%	3,076
69	39300 - Stores Equipment	55,274	-	55,274	4.00%	2,211
70	39400 - Tools, Shop, and Garage Equipment	4,896,920	-	4,896,920	3.90%	190,980
71	39500 - Laboratory Equipment	11,714	-	11,714	4.41%	517
72	39600 - Power Operated Equipment	1,099,514	-	1,099,514	5.57%	61,243
73	39700 - Communication Equipment	1,221,839	-	1,221,839	6.59%	80,519
74	39800 - Miscellaneous Equipment	32,417	-	32,417	6.67%	2,162
75	<b>Total General Plant</b>	\$ 36,310,377	\$ (856,543)	\$ 35,453,834		\$ 1,820,100
76						
77	<b>Other Utility Plant</b>					
78	118 - Other Utility Plant	\$ 15,457,994	-	15,457,994	10.40%	1,606,952
79	118 - Other Utility Plant (CIS+)	277,554	-	277,554	10.00%	27,755
80	118 - Other Utility Plant (Vehicles)	849,856	-	849,856	9.23%	78,405
81	<b>Total Other Utility Plant</b>	\$ 16,585,405	\$ -	\$ 16,585,405		\$ 1,713,112
82						
83	<b>Total Gas Plant In Service</b>	\$ 495,300,471	\$ (2,760,021)	\$ 492,540,451		\$ 13,523,502
84						
85	Note (1) Depreciation Rates as approved in Docket No. 21-BHCG-418-RTS.					

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
COMPUTATION OF FEDERAL INCOME TAX  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement K**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Expenses	Pro Forma Adjustments	Adjusted Total
1	<b>Operating Income Before Federal Income Taxes</b>	Stmt. B Ln. 12	\$ 14,663,772	\$ (4,998,896)	\$ 9,664,876
2	Interest Expense		(6,519,701)	(608,872)	(7,128,573)
3	<b>Pre-tax net operating income</b>		<b>\$ 8,144,071</b>	<b>\$ (5,607,768)</b>	<b>\$ 2,536,303</b>
4					
5	<b>Tax Adjustments - Permanent Differences</b>				
6	Fines & Penalties		\$ 14,815	\$ (14,815)	-
7	Meals		61,393	-	61,393
8	Club Dues		43,912	(43,912)	-
9	Lobbying		2,419	(2,419)	-
10	Entertainment		1,475	(1,475)	-
11	PEP Life - Cash Surrender Value		(28,655)	28,655	-
12	<b>Total Permanent Differences</b>		<b>\$ 95,359</b>	<b>\$ (33,966)</b>	<b>\$ 61,393</b>
13					
14	<b>Tax Adjustments - Temporary Differences</b>				
15	190300 - DTA LT - VACATION:		\$ 40,192	\$ -	\$ 40,192
16	190300 - DTA LT - BAD DEBT RESERVE:		(4,216,984)	187,896	(4,029,088)
17	190300 - DTA LT - BONUS:		69,088	-	69,088
18	190300 - DTA LT - WORKMANS COMP:		(83,394)	-	(83,394)
19	190300 - DTA LT-RETIREE HEALTHCARE:		-	(17,470)	(17,470)
20	190300 - DTA LT-INS RESERVE LIAB:		56,026	-	56,026
21	190300 - DTA LT-LINE EXTENSION DEP GAS:		3,337	-	3,337
22	190300 - DTA LT-PENSION FAS 87:		14,540	(12,376)	2,164
23	190300 - DTA LT-PENSION FAS 158 LIAB:		0	-	-
24	190300 - DTA LT - PUC FEES:		141,885	21,868	163,753
25	190300 - DTA LT - EMPLOYEE GROUP INSURANCE:		(17,083)	-	(17,083)
26	190301 - DTA LT - STIP BONUS:		0	-	-
27	190301 - DTA LT-OTHER:		(1,929,979)	1,929,979	-
28	190301 - DTA LT-FAS 143 (ARO):		-	-	-
29	190301 - DTA LT-LT ENVIRONMENT CLEANUP LIAB:		0	-	-
30	190301 - DTA LT - RETIREE HEALTHCARE TRACKER:		(91,402)	91,402	-
31	190301 - DTA LT - OPERATING LEASE:		(80,910)	80,910	-
32	190301 - DTA LT - RATE REFUND:		713,674	(713,674)	-
33	190998 - DTA LT - SVC CO FAS 109 OTHER:		0	-	-
34	282300 - DEF TAX PROPERTY LT-ACCELERATED DEP:		(16,253,628)	(10,881,238)	(27,134,866)
35	282300 - DTL LT - CWIP:		(3,291,343)	-	(3,291,343)
36	282300 - DTL LT - OTHER PROPERTY:		2,068,681	-	2,068,681
37	282301 - DT LIABILITY FED NON-RATE BASE:		(115,479)	115,479	-
38	282998 - DTL LT - SVC CO DEF TAX LIAB PROP :		1,653,021	(587,367)	1,065,654
39	283300 - DTL LT-REG RETIREE HEALTHCARE ASSET:		0	-	-
40	283300 - DTL LT - PREPAID EXPENSES:		(11,765)	-	(11,765)
41	283300 - DTL LT-OTHER REGULATORY LIABILITIES:		0	-	-
42	283300 - DTL LT-RETIREE HEALTHCARE:		(23,458)	-	(23,458)
43	283300 - DTL LT-LT RATE CASE ASSET:		0	-	-
44	283300 - DTL LT-REG PSC PENSION ASSET:		-	-	-
45	283300 - DTL LT-LT REG OTHER ASSET:		0	-	-
46	283301 - DTL LT-GOODWILL AMORT:		64,317	(64,317)	-
47	283301 - DTL LT - PENSION TRACKER:		(1,156,184)	1,156,184	-
48	283301 - DTL LT-GAIN DEFERRAL:		1,888,352	(1,888,352)	-
49	283301 - DTL LT-OPERATING LEASE:		74,183	(74,183)	-
50	283301 - DTL LT - DEFERRED REGULATORY:		(3,740)	3,740	-
51	283301 - DTL LT - REG LIAB RETIREETRACKER:		0	-	-
52	283301 - DTL LT - WINTER STORM URI:		17,204,252	(17,204,252)	-
53	283301 - DTA LT - GOODWILL AMORT:		0	-	-
54	283301 - DTL LT-REG ASSET ARO LIABILITY:		-	-	-
55	<b>Total Temporary Differences</b>		<b>\$ (3,283,802)</b>	<b>\$ (27,855,772)</b>	<b>\$ (31,139,574)</b>
56					
57	Taxable Income (NOL)		\$ 4,955,628	\$ (33,497,506)	\$ (28,541,878)
58	Net Operating Loss				
59	<b>Taxable Income</b>		<b>\$ 4,955,628</b>	<b>\$ (33,497,506)</b>	<b>\$ (28,541,878)</b>
60					

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
COMPUTATION OF FEDERAL INCOME TAX  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement K**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Expenses	Pro Forma Adjustments	Adjusted Total
61	<b>Provision for Federal Income Tax:</b>				
62	Net Taxable Income		\$ 4,955,628		\$ (28,541,878)
63	Deduct Kansas Income Tax @ 100.0%	0.00%	-		-
64	<b>Federal Taxable Income</b>		<b>\$ 4,955,628</b>		<b>\$ (28,541,878)</b>
65					
66	<b>Total Federal Tax</b>	21.00%	<b>1,040,682</b>		<b>(5,993,794)</b>
67					
68	<b>Summary of Provision for Income Tax:</b>				
69	Federal Income Tax		\$ 1,040,682	\$ (7,034,476)	\$ (5,993,794)
70	Kansas Income Tax		-	-	-
71	<b>Total Provision for Income Tax</b>		<b>\$ 1,040,682</b>	<b>\$ (7,034,476)</b>	<b>\$ (5,993,794)</b>
72					
73	<b>Deferred Income Taxes:</b>				
74	Deferred Income Tax Expense		689,598	5,849,712	6,539,311
75	<b>Total Deferred Income Tax Expense</b>		<b>\$ 689,598</b>	<b>\$ 5,849,712</b>	<b>\$ 6,539,311</b>
76					
77	Deferred Federal Income Tax		689,598	5,849,712	6,539,311
78	Deferred Kansas Income Tax		-	-	-
79	Research and Development Tax Credits		(108,882)	-	(108,882)
80	Amortization Protected Plant EDIT - ARAM		\$ (1,523,021)	1,061,683	(461,339)
81	Amortization Service Company Plant EDIT - ARAM		\$ (53,599)	(6,478)	(60,077)
82	<b>Total Income Tax</b>		<b>\$ 44,778</b>	<b>\$ (129,560)</b>	<b>\$ (84,781)</b>
83					
84	<b>Interest Expense Sync with Rate Base:</b>				
85	Total Rate Base	Stmt B Ln. 26	\$ 283,465,259		\$ 305,947,330
86	x Weighted Cost of Debt	Stmt G Ln. 14 & Ln. 20	2.30%		2.33%
87	<b>Interest Expense</b>		<b>\$ 6,519,701</b>		<b>\$ 7,128,573</b>
88					
89	<b>Adjusted Interest Expense</b>		<b>\$ 6,519,701</b>		<b>\$ 7,128,573</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
TAXES OTHER THAN FEDERAL INCOME TAX  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement L**

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	<b>FICA Tax</b>		
2	Test Year 9/30/2024		\$ 922,754
3	Out of Period adjustments		-
4	Pro Forma Adjustment	Sched L-1, Ln. 4	46,654
5	<b>Adjusted Total</b>	Sum (Ln. 2 to Ln. 4)	<b>\$ 969,408</b>
6			
7	<b>Federal Unemployment Tax</b>		
8	Test Year 9/30/2024		\$ 5,261
9	Out of Period adjustments		-
10	Pro Forma Adjustment	Sched L-1, Ln. 17	84
11	<b>Adjusted Total</b>	Sum (Ln. 8 - Ln. 10)	<b>\$ 5,345</b>
12			
13	<b>State Unemployment Tax</b>		
14	Test Year 9/30/2024		\$ 8,219
15	Out of Period adjustments		-
16	Pro Forma Adjustment	Sched L-1, Ln. 22	132
17	<b>Adjusted Total</b>	Sum (Ln. 14 to Ln. 16)	<b>\$ 8,351</b>
18			
19	<b>State Sales &amp; Use Tax</b>		
20	Test Year 9/30/2024		\$ (36,402)
21	Out of Period adjustments		-
22	Pro Forma Adjustment		-
23	<b>Adjusted Total</b>	Sum (Ln. 20 to Ln. 22)	<b>\$ (36,402)</b>
24			
25	<b>Property Taxes</b>		
26	Test Year 9/30/2024		\$ 5,849,183
27	Out of Period adjustments	Sched L-1, Ln. 25	901,483
28	Pro Forma Adjustment	Sched L-1, Ln. 26	1,065,300
29	<b>Adjusted Total</b>	Sum (Ln. 26 to Ln. 28)	<b>\$ 7,815,966</b>
30			
31	<b>Miscellaneous Other Taxes &amp; Customer Deposit Interest Expense</b>		
32	Test Year 9/30/2024		\$ 53,926
33	Out of Period adjustments		-
34	Pro Forma Adjustment		-
35	<b>Adjusted Total</b>	Sum (Ln. 32 to Ln. 34)	<b>\$ 53,926</b>
36			
37	<b>TOTIT - Payroll Loading &amp; Other</b>		
38	Test Year 9/30/2024		\$ (424,703)
39	Out of Period adjustments		-
40	Pro Forma Adjustment		-
41	<b>Adjusted Total</b>	Sum (Ln. 38 to Ln. 40)	<b>\$ (424,703)</b>
42			
43	<b>Total KSG Taxes Other Than Income</b>		
44	Test Year 9/30/2024	Sum (Ln. 2, Ln. 8, Ln. 14, Ln. 20, Ln. 26, Ln. 32 & Ln. 38)	\$ 6,378,239
45	Out of Period adjustments	Sum (Ln. 3, Ln. 9, Ln. 15, Ln. 21, Ln. 27, Ln. 33 & Ln. 39)	901,483
46	Pro Forma Adjustment	Sum (Ln. 4, Ln. 10, Ln. 16, Ln. 22, Ln. 28, Ln. 34, & Ln. 40)	1,112,170
47	<b>Adjusted Total</b>	Sum (Ln. 44 to Ln. 46)	<b>\$ 8,391,892</b>
48			
49	<b>Allocated Taxes Other Than Income</b>		
50	Test Year 9/30/2024		\$ 496,028
51	Out of Period adjustments		-
52	Pro Forma Adjustment	Sched L-1, Ln. 9	75,452
53	<b>Adjusted Total</b>	Sum (Ln. 50 to Ln. 52)	<b>\$ 571,480</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
TAXES OTHER THAN FEDERAL INCOME TAX  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Schedule L-1**

(a)	(b)	(c)	(d)
Line No.	Description	Reference	Amount
1	<b>FICA Tax Adjustment - Kansas Direct Labor Adjustment</b>		
2	Net O&M Payroll Changes	Sched H-5, Ln. 165, Col. (e)	\$ 609,858
3	FICA Tax Rate		7.65%
4	<b>Adjustment to FICA Tax</b>	Ln. 2 x Ln. 3	<u>\$ 46,654</u>
5			
6	<b>FICA Tax Adjustment - Service Company Labor Adjustment</b>		
7	Net O&M Payroll Changes	Sched H-8, Ln. 165, Col. (e)	\$ 986,304
8	FICA Tax Rate		7.65%
9	<b>Adjustment to FICA Tax</b>	Ln. 7 x Ln. 8	<u>\$ 75,452</u>
10			
11	<b>Total FICA Tax Adjustment</b>	Ln. 4 + Ln. 9	<u>\$ 122,106</u>
12			
13	<b>Unemployment Tax Adjustment</b>		
14	FUTA		
15	Additional headcount in Pro-forma period		2
16	FUTA cost per employee		<u>\$ 42</u>
17	<b>Adjustment to FUTA Tax</b>	Ln. 15 x Ln. 16	<u>\$ 84</u>
18			
19	<b>SUTA</b>		
20	Taxable earnings		\$ 28,000
21	SUTA Rate Applied		0.47%
22	<b>Adjustment to SUTA Tax</b>	Ln. 20 x Ln. 21	<u>\$ 132</u>
23			
24	<b>Property Taxes</b>		
25	Out of period 2008-2022 Property Tax transaction	Note (1)	\$ 901,483
26	Pro Forma Adjustment to Property Tax	Note (2)	1,065,300
27	<b>Adjustment to Property Taxes</b>		<u>\$ 1,966,783</u>
28			
29	Note (1) Adjustment to remove prior period entry for 2008-2022 Property Taxes on Stored Gas.		
30	Note (2) Pro Forma adjustments to account for 2024 tax bills received in December 2024 and		
31	adjustment to Pro-Forma Year Capital Additions. This adjustment is described in the Direct Testimony of Ms. Johnson.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement M**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Ended September 30, 2024	Reference	Adjusted Total
1	<b>Plant in Service</b>				
2	<b>Intangible Plant</b>				
3	30100 - Intangibles Organization	Stmt D	\$ 186,932	Stmt D	\$ 186,932
4	30200 - Intangibles Franchises & Consents	Stmt D	74,990	Stmt D	74,990
5	30300 - Intangibles Miscellaneous	Stmt D	1,039,860	Stmt D	1,039,860
6	30301 - Intangibles Miscellaneous - Easements	Stmt D	1,730,332	Stmt D	1,730,332
7	30302 - Intangibles Miscellaneous - Trademarks	Stmt D	181,000	Stmt D	181,000
8	30303 - Intangibles Miscellaneous - Workforce	Stmt D	-	Stmt D	-
9	30370 - Intangibles Miscellaneous - Farm Tap	Stmt D	295,646	Stmt D	295,646
10	<b>Total Intangible Plant</b>		<b>\$ 3,508,760</b>		<b>\$ 3,508,760</b>
11					
12	<b>Natural Gas Production &amp; Gathering Plant</b>				
13	33601 - Purification Equipment	Stmt D	\$ -	Stmt D	\$ -
14	<b>Total Natural Gas Production &amp; Gathering Plant</b>		<b>\$ -</b>		<b>\$ -</b>
15					
16	<b>Transmission Plant</b>				
17	36501 - Land	Stmt D	\$ 9,431	Stmt D	\$ 9,431
18	36502 - Land Rights/Right-of-Way (Non-Depreciable)	Stmt D	720,497	Stmt D	725,064
19	36571 - Land/Farm Tap	Stmt D	644	Stmt D	644
20	36572 - Land Rights/Farm Tap (Non-Depreciable)	Stmt D	2,100	Stmt D	2,100
21	36601 - Structures and Improvements	Stmt D	159,579	Stmt D	165,381
22	36620 - Measuring	Stmt D	74,963	Stmt D	87,754
23	36671 - Structures and Improvements	Stmt D	8,600	Stmt D	8,600
24	36700 - Transmission Plant - Mains	Stmt D	58,767,417	Stmt D	61,180,956
25	36780 - Gas Trans -Other Mains-RNG	Stmt D	-	Stmt D	-
26	36804 - Compressor Station Equipment	Stmt D	2,475	Stmt D	2,475
27	36880 - Gas Trans-Comp Sta Eqp-RNG	Stmt D	-	Stmt D	-
28	36903 - Measuring & Regulating Station Equipment	Stmt D	5,147,043	Stmt D	5,336,706
29	36973 - Measuring & Regulating Station Equipment	Stmt D	51,304	Stmt D	51,304
30	37101 - Transmission Plant - Other Equipment	Stmt D	106,238	Stmt D	106,238
31	<b>Total Transmission Plant</b>		<b>\$ 65,050,291</b>		<b>\$ 67,676,653</b>
32					
33	<b>Distribution Plant</b>				
34	37401 - Land	Stmt D	186,909	Stmt D	186,909
35	37402 - Land Rights/Right of Way (Non-Depreciable)	Stmt D	776,669	Stmt D	792,398
36	37482 - Gas Dist-Ld Rt/ROW-ND-RNG	Stmt D	-	Stmt D	-
37	37501 - Structures and Improvements	Stmt D	1,167,578	Stmt D	1,188,888
38	37503 - Structures and Improvements - TBS	Stmt D	-	Stmt D	-
39	37580 - Gas Dist-Strct&Improve-RNG	Stmt D	-	Stmt D	-
40	37600 - Distribution Plant - Mains	Stmt D	152,609,049	Stmt D	164,618,129
41	37680 - Gas Dist - Mains - RNG	Stmt D	989,195	Stmt D	989,195
42	37700 - Compressor Station Equipment	Stmt D	175,304	Stmt D	175,304
43	37800 - Measuring & Regulating Station Equipment - General	Stmt D	8,892,806	Stmt D	10,475,158
44	37850 - Measuring & Regulating Station Equipment - Lease	Stmt D	-	Stmt D	-
45	37870 - Measuring & Regulating Station Equipment	Stmt D	174,723	Stmt D	179,090
46	37880 - Gas Dist-Mea/Reg St-RNG	Stmt D	-	Stmt D	-
47	37900 - Measuring & Regulating Station Equipment - City Gate	Stmt D	61,111	Stmt D	61,111
48	38000 - Distribution Plant - Services	Stmt D	100,601,826	Stmt D	106,525,531
49	38100 - Meters	Stmt D	12,635,869	Stmt D	14,038,411
50	38101 - Meters - ERT & AMI	Stmt D	10,095,105	Stmt D	10,496,261
51	38201 - Meter Installations	Stmt D	4,786,072	Stmt D	4,871,135
52	38301 - House Regulators	Stmt D	47,383,736	Stmt D	53,543,483
53	38501 - Industrial Measuring & Regulating Station Equipment	Stmt D	2,760,797	Stmt D	2,962,366
54	38700 - Other Equipment	Stmt D	115,909	Stmt D	115,909
55	<b>Total Distribution Plant</b>		<b>\$ 343,412,658</b>		<b>\$ 371,219,276</b>



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement M**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Ended September 30, 2024	Reference	Adjusted Total
56					
57	<b>General Plant</b>				
58	38901 - Land	Stmt D	856,543	Stmt D	856,543
59	39001 - Structures and Improvements	Stmt D	12,622,890	Stmt D	13,423,778
60	39051 - Leasehold Improvements	Stmt D	-	Stmt D	-
61	39101 - Office Furniture & Equipment	Stmt D	612,628	Stmt D	619,665
62	39103 - Computer Hardware	Stmt D	1,298,502	Stmt D	1,021,325
63	39104 - Software	Stmt D	95,874	Stmt D	109,982
64	39107 - Ipad Hardware	Stmt D	33,899	Stmt D	33,978
65	39201 - Transportation Equipment	Stmt D	207,305	Stmt D	289,611
66	39203 - Light Trucks	Stmt D	10,069,428	Stmt D	11,888,562
67	39204 - Medium Trucks	Stmt D	-	Stmt D	-
68	39205 - Heavy Trucks	Stmt D	498,021	Stmt D	538,580
69	39206 - Trailers	Stmt D	189,639	Stmt D	210,677
70	39300 - Stores Equipment	Stmt D	51,583	Stmt D	55,274
71	39400 - Tools, Shop, and Garage Equipment	Stmt D	3,554,977	Stmt D	4,896,920
72	39500 - Laboratory Equipment	Stmt D	11,714	Stmt D	11,714
73	39600 - Power Operated Equipment	Stmt D	1,031,830	Stmt D	1,099,514
74	39700 - Communication Equipment	Stmt D	1,221,839	Stmt D	1,221,839
75	39800 - Miscellaneous Equipment	Stmt D	32,417	Stmt D	32,417
76	<b>Total General Plant</b>		<b>\$ 32,389,088</b>		<b>\$ 36,310,377</b>
77					
78	<b>Other Utility Plant</b>				
79	118 - Other Utility Plant	Stmt D	\$ 15,776,087	Stmt D	\$ 15,457,994
80	118 - Other Utility Plant (CIS+)	Stmt D	615,026	Stmt D	277,554
81	118 - Other Utility Plant (Vehicles)	Stmt D	803,638	Stmt D	849,856
82	<b>Total Other Utility Plant</b>		<b>\$ 17,194,751</b>		<b>\$ 16,585,405</b>
83					
84	<b>Total Gas Plant In Service</b>		<b>\$ 461,555,548</b>		<b>\$ 495,300,471</b>
85					
86	<b>Accumulated Depreciation</b>				
87	Intangible Plant	Stmt E	\$ (2,749,296)	Stmt E	\$ (2,856,240)
88	Production and Gathering Plant	Stmt E	-	Stmt E	-
89	Storage Plant	Stmt E	-	Stmt E	-
90	Transmission Plant	Stmt E	(15,511,444)	Stmt E	(16,209,075)
91	Distribution Plant	Stmt E	(98,357,662)	Stmt E	(103,784,334)
92	General Plant	Stmt E	(8,428,099)	Stmt E	(9,276,564)
93	118 - Other Utility Plant	Stmt E	(6,326,780)	Stmt E	(6,226,038)
94	118 - Other Utility Plant (CIS+)	Stmt E	(419,850)	Stmt E	(97,596)
95	118 - Other Utility Plant (Vehicles)	Stmt E	(236,195)	Stmt E	(306,507)
96	<b>Total Accumulated Depreciation</b>		<b>\$ (132,029,326)</b>		<b>\$ (138,756,353)</b>
97					
98	<b>Net Plant</b>		<b>\$ 329,526,222</b>		<b>\$ 356,544,118</b>
99					
100	<b>Working Capital</b>				
101	Materials and Supplies	Stmt F	2,857,668	Stmt F	2,899,107
102	Gas Stored Underground	Stmt F	3,401,168	Stmt F	2,662,837
103	Prepaid Expenses	Stmt F	48,496	Stmt F	52,303
104	<b>Total Working Capital</b>		<b>\$ 6,307,332</b>		<b>\$ 5,614,247</b>
105					
106	<b>Other Rate Base Items</b>				
107	Other Rate Base Tax Items	Stmt C	(50,770,545)	Stmt C	(54,613,284)
108	Customer Deposits	Stmt C	(1,090,806)	Stmt C	(1,090,806)
109	Customer Advances	Stmt C	(506,945)	Stmt C	(506,945)
110	<b>Total Other Rate Base Items</b>		<b>\$ (52,368,296)</b>		<b>\$ (56,211,035)</b>
111					
112	<b>Total Rate Base</b>		<b>\$ 283,465,259</b>		<b>\$ 305,947,330</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement M**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Ended September 30, 2024	Reference	Adjusted Total
113					
114	<b>Operation and Maintenance Expense</b>				
115					
116	<b>Production and Gathering</b>				
117	<b>Operation</b>				
118	750 - Operation Supervision & Engineering	Stmt H	\$ -	Stmt H	\$ -
119	752 - Gas Wells Expense	Stmt H	-	Stmt H	-
120	753 - Field Line Expense	Stmt H	-	Stmt H	-
121	754 - Field Compressor Station Expense	Stmt H	-	Stmt H	-
122	755 - Field Compressor Station Fuel and Power	Stmt H	-	Stmt H	-
123	756 - Field Measuring & Regulating Station Expense	Stmt H	-	Stmt H	-
124	757 - Purification Expense	Stmt H	-	Stmt H	-
125	758 - Gas Well Royalties	Stmt H	-	Stmt H	-
126	759 - Other Expenses	Stmt H	-	Stmt H	-
127	760 - Rents	Stmt H	-	Stmt H	-
128	<b>Total Production Operation Expenses</b>		<b>\$ -</b>		<b>\$ -</b>
129					
130	<b>Maintenance</b>				
131	761 - Maintenance Supervision & Engineering	Stmt H	\$ -	Stmt H	\$ -
132	762 - Maintenance of Structures & Improvements	Stmt H	-	Stmt H	-
133	763 - Maintenance of Producing Gas Wells	Stmt H	-	Stmt H	-
134	764 - Maintenance of Field Lines	Stmt H	-	Stmt H	-
135	765 - Maintenance of Field Compressor Station Equipment	Stmt H	-	Stmt H	-
136	766 - Maintenance of Field Measuring & Regulating Station Equip	Stmt H	-	Stmt H	-
137	767 - Maintenance of Purification Equipment	Stmt H	-	Stmt H	-
138	<b>Total Production Maintenance Expenses</b>		<b>\$ -</b>		<b>\$ -</b>
139					
140	<b>Other Gas Supply Expense</b>				
141	<b>Operation</b>				
142	804 - Natural Gas City Gate Purchase	Stmt H	\$ 52,079,893	Stmt H	\$ -
143	805 - Other Gas Purchases	Stmt H	(414,456)	Stmt H	-
144	805.1 - Purchased Gas Cost Adjustments	Stmt H	8,388,144	Stmt H	-
145	805.2 - Financial Gas Cost Adj	Stmt H	(1,750,359)	Stmt H	-
146	806 - Exchange Gas	Stmt H	-	Stmt H	-
147	808 - Gas Storage-Gas Ops	Stmt H	-	Stmt H	-
148	808.1 - Withdrawals from Storage	Stmt H	5,762,137	Stmt H	-
149	808.2 - Gas Delivered to Storage	Stmt H	(4,795,906)	Stmt H	-
150	812 - Gas Used for Other Utility Operation	Stmt H	(18,266)	Stmt H	-
151	813 - Other Gas Supply Expense	Stmt H	198	Stmt H	-
152	<b>Total Other Gas Supply Expense</b>		<b>\$ 59,251,385</b>		<b>\$ -</b>
153					
154	<b>Underground Storage Expense</b>				
155	<b>Operation</b>				
156	814 - Operation Supervision & Engineering	Stmt H	\$ -	Stmt H	\$ -
157	816 - Wells Expense	Stmt H	-	Stmt H	-
158	817 - Lines Expense	Stmt H	-	Stmt H	-
159	818 - Compressor Station Expense	Stmt H	-	Stmt H	-
160	819 - Compressor Station Fuel and Power	Stmt H	-	Stmt H	-
161	820 - Storage - Measuring & Regulating Station Expense	Stmt H	-	Stmt H	-
162	821 - Purification Expense	Stmt H	-	Stmt H	-
163	824 - Other Expenses	Stmt H	-	Stmt H	-
164	826 - Rents	Stmt H	-	Stmt H	-
165	<b>Total Operation Underground Storage Expense</b>		<b>\$ -</b>		<b>\$ -</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement M**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Ended September 30, 2024	Reference	Adjusted Total
166					
167	<b>Maintenance</b>				
168	830 - Maintenance Supervision & Engineering	Stmt H	\$ -	Stmt H	\$ -
169	832 - Maintenance of Reservoirs & Wells	Stmt H	-	Stmt H	-
170	833 - Maintenance of Lines	Stmt H	-	Stmt H	-
171	834 - Maintenance of Compressor Station Equipment	Stmt H	-	Stmt H	-
172	835 - Maintenance of Measuring & Regulating Station Equipment	Stmt H	-	Stmt H	-
173	836 - Maintenance of Purification Equipment	Stmt H	-	Stmt H	-
174	<b>Total Maintenance Underground Storage Expense</b>		<u>\$ -</u>		<u>\$ -</u>
175					
176	<b>Total Underground Storage Expense</b>		<u>\$ -</u>		<u>\$ -</u>
177					
178	<b>Transmission Expenses</b>				
179	<b>Operation</b>				
180	850 - Operation Supervision & Engineering	Stmt H	\$ 180,821	Stmt H	\$ 181,374
181	851 - System Control & Load Dispatching	Stmt H	1,447	Stmt H	1,550
182	852 - Communication System Expenses	Stmt H	1,184	Stmt H	1,239
183	853 - Compressor Labor & Expense	Stmt H	-	Stmt H	-
184	856 - Mains Expense	Stmt H	111,033	Stmt H	215,672
185	857 - Measuring & Regulating Station Expense	Stmt H	7,860	Stmt H	8,010
186	859 - Other Expenses	Stmt H	214,856	Stmt H	232,030
187	860 - Rents	Stmt H	19,709	Stmt H	19,709
188	<b>Total Transmission Operation</b>		<u>\$ 536,910</u>		<u>\$ 659,584</u>
189					
190	<b>Maintenance</b>				
191	861 - Maintenance Supervision & Engineering	Stmt H	\$ 22,710	Stmt H	\$ 24,448
192	862 - Maintenance of Structures & Improvements	Stmt H	3,948	Stmt H	4,244
193	863 - Maintenance of Mains	Stmt H	6,078	Stmt H	6,246
194	864 - Maintenance of Compressor Station Equipment	Stmt H	-	Stmt H	-
195	865 - Maintenance of Measuring & Regulating Station Equipment	Stmt H	1,514	Stmt H	1,628
196	866 - Maintenance of Communication Equipment	Stmt H	5,043	Stmt H	5,366
197	867 - Maintenance of Other Equipment	Stmt H	-	Stmt H	-
198	<b>Total Transmission Maintenance</b>		<u>\$ 39,293</u>		<u>\$ 41,932</u>
199					
200	<b>Total Transmission Expenses</b>		<u>\$ 576,203</u>		<u>\$ 701,516</u>
201					
202	<b>Distribution Expense</b>				
203	<b>Operation</b>				
204	870 - Dist. Operating and Supervision Engineering	Stmt H	\$ 1,656,873	Stmt H	\$ 1,907,147
205	871 - Dist. Load Dispatching	Stmt H	1,222	Stmt H	1,330
206	872 - Compressor Station Labor & Expense	Stmt H	(567)	Stmt H	(559)
207	873 - Distr Fuel/Power Compr Station	Stmt H	-	Stmt H	-
208	874 - Oper./Inspect Underground Dist. Mains - Gas	Stmt H	3,066,584	Stmt H	3,221,989
209	875 - Dist. Measuring & Regulating Station Expense - General	Stmt H	383,006	Stmt H	411,639
210	876 - Dist. Measuring & Regulating Station Expense - Industrial	Stmt H	24,218	Stmt H	25,985
211	877 - Measuring & Regulating Station Expense - City Gate Check	Stmt H	129,106	Stmt H	138,853
212	878 - Oper./Inspect Meters & Collect Data - Gas	Stmt H	826,900	Stmt H	878,442
213	879 - Dist. Customer Installation Expense	Stmt H	539,956	Stmt H	579,715
214	880 - Dist. Ops. Other Expenses	Stmt H	1,665,038	Stmt H	1,744,926
215	881 - Dist. Oper. Rents	Stmt H	16,633	Stmt H	16,633
216	<b>Total Distribution Operation</b>		<u>\$ 8,308,968</u>		<u>\$ 8,926,103</u>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement M**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Ended September 30, 2024	Reference	Adjusted Total
217					
218	<b>Maintenance</b>				
219	885 - Dist. Maint. Supervision & Engineering	Stmt H	\$ 78,223	Stmt H	\$ 84,013
220	886 - Maintenance of Structures & Improvements	Stmt H	-	Stmt H	-
221	887 - Perf. Underground Distribution Line Maintenance - Gas	Stmt H	747,080	Stmt H	779,470
222	888 - Dist. Maint. of Compressor Station Equipment	Stmt H	71,325	Stmt H	76,313
223	889 - Maintenance of Measuring & Regulating Station Expense -G	Stmt H	120,886	Stmt H	126,214
224	890 - Dist. Maint. of Measuring & Regulating Station Equip - Indt	Stmt H	79,596	Stmt H	85,702
225	891 - Maintenance of Measuring & Regulating Station - City Gate	Stmt H	294,131	Stmt H	306,644
226	892 - Dist. Maint. of Services	Stmt H	301,520	Stmt H	320,489
227	893 - Dist. Maint. of Meters & House Regulators	Stmt H	606,078	Stmt H	645,990
228	894 - Dist. Maint. of Other Equipment	Stmt H	68,613	Stmt H	71,953
229	<b>Total Distribution Maintenance</b>		<b>\$ 2,367,452</b>		<b>\$ 2,496,788</b>
230					
231	<b>Total Distribution Expenses</b>		<b>\$ 10,676,420</b>		<b>\$ 11,422,890</b>
232					
233	<b>Customer Accounting Expense</b>				
234	<b>Operation</b>				
235	901 - Customer Accounts Supervision	Stmt H	\$ 194,279	Stmt H	\$ 206,719
236	902 - Meter Reading Expense	Stmt H	365,244	Stmt H	390,348
237	903 - Customer Record & Collection Expense	Stmt H	2,327,698	Stmt H	2,610,115
238	904 - Uncollectible Accounts	Stmt H	686,894	Stmt H	874,790
239	905 - Miscellaneous Customer Accounts Expense	Stmt H	54,479	Stmt H	56,307
240	<b>Total Customer Accounting Expense</b>		<b>\$ 3,628,594</b>		<b>\$ 4,138,279</b>
241					
242	<b>Customer Service &amp; Information</b>				
243	<b>Operation</b>				
244	907 - Supervision	Stmt H	\$ 51,062	Stmt H	\$ 53,612
245	908 - Customer Assistance Expense	Stmt H	123,383	Stmt H	129,645
246	909 - Informational/Instructional Advertising Expense	Stmt H	22,378	Stmt H	19,596
247	910 - Miscellaneous Cust Serv & Inform Expense	Stmt H	395	Stmt H	377
248	<b>Total Customer Service and Information</b>		<b>\$ 197,217</b>		<b>\$ 203,229</b>
249					
250	<b>Total Customer Expense</b>		<b>\$ 3,825,811</b>		<b>\$ 4,341,508</b>
251					
252	<b>Sales Expense</b>				
253	<b>Operation</b>				
254	911 - Supervision	Stmt H	\$ -	Stmt H	\$ -
255	912 - Demonstrating and Selling Expense	Stmt H	192,495	Stmt H	202,029
256	913 - Advertising Expenses	Stmt H	15,353	Stmt H	6,498
257	916 - Miscellaneous Sales Expense	Stmt H	4,699	Stmt H	-
258	<b>Total Sales Expense</b>		<b>\$ 212,547</b>		<b>\$ 208,527</b>
259					
260	<b>Administrative and General Expenses</b>				
261	<b>Operation</b>				
262	920 - Administrative & General Salaries	Stmt H	\$ 6,726,547	Stmt H	\$ 7,290,949
263	921 - Office Supplies & Expense	Stmt H	1,759,269	Stmt H	1,686,722
264	922 - Administrative Expense Transferred-Cr	Stmt H	(1,488,429)	Stmt H	(1,488,431)
265	923 - Outside Services Employed	Stmt H	860,536	Stmt H	843,059
266	924 - Property Insurance	Stmt H	18,101	Stmt H	19,713
267	925 - Injuries and Damages	Stmt H	769,703	Stmt H	1,137,339
268	926 - Employee Pensions and Benefits	Stmt H	2,666,666	Stmt H	2,647,511
269	927 - Franchise Requirements	Stmt H	-	Stmt H	-
270	928 - Regulatory Commission Expense	Stmt H	331,334	Stmt H	586,604
271	929 - Duplicate Charges - Credit	Stmt H	-	Stmt H	-
272	930.1 - General Advertising Expense	Stmt H	76,104	Stmt H	62,394
273	930.2 - Miscellaneous General Expense	Stmt H	388,884	Stmt H	395,633
274	931 - Rents	Stmt H	784,010	Stmt H	804,552
275	<b>Total Admin &amp; General Operations</b>		<b>\$ 12,892,724</b>		<b>\$ 13,986,047</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement M**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Ended September 30, 2024	Reference	Adjusted Total
276					
277	<b>Maintenance</b>				
278	932 - Maintenance of General Plant	Stmt H	\$ 1,705,393	Stmt H	\$ 1,691,353
279	<b>Total Admin &amp; General Maintenance</b>		<b>\$ 1,705,393</b>		<b>\$ 1,691,353</b>
280					
281	<b>Total Administrative &amp; General Expenses</b>		<b>\$ 14,598,117</b>		<b>\$ 15,677,400</b>
282					
283	<b>Total Operating &amp; Maintenance Expenses</b>		<b>\$ 89,140,482</b>		<b>\$ 32,351,841</b>
284					
285	<b>Depreciation Expense</b>				
286	Intangible	Stmt J	\$ 94,473	Stmt J	\$ 106,944
287	Production and Gathering Plant	Stmt J	5,607	Stmt J	-
288	Storage Plant	Stmt J	-	Stmt J	-
289	Transmission	Stmt J	947,807	Stmt J	1,007,900
290	Distribution	Stmt J	7,977,123	Stmt J	8,875,446
291	General (less Vehicles)	Stmt J	855,578	Stmt J	872,286
292	Other Utility Plant - BHSC	Stmt J	1,991,929	Stmt J	1,884,420
293	<b>Total Depreciation Expense</b>		<b>\$ 11,872,517</b>		<b>\$ 12,746,995</b>
294					
295	<b>Taxes Other Than Income</b>				
296	Property Taxes	Stmt L	\$ 5,849,183	Stmt L	\$ 7,815,966
297	Payroll Taxes	Stmt L	922,754	Stmt L	969,408
298	Unemployment - Federal	Stmt L	5,261	Stmt L	5,345
299	Unemployment - State	Stmt L	8,219	Stmt L	8,351
300	Sales & Use Taxes	Stmt L	(36,402)	Stmt L	(36,402)
301	Miscellaneous Other Taxes & Customer Deposit Interest Expense	Stmt L	53,926	Stmt L	53,926
302	Payroll Loading & Other	Stmt L	(424,703)	Stmt L	(424,703)
303	Allocated Taxes Other Than Income	Stmt L	496,028	Stmt L	571,480
304	<b>Total Taxes Other Than Income</b>		<b>\$ 6,874,267</b>		<b>\$ 8,963,372</b>
305					
306	<b>Total Oper. Exp. Before Inc. Tax</b>		<b>\$ 107,887,266</b>		<b>\$ 54,062,209</b>
307					
308	<b>Base Revenues</b>				
309	480 - Residential Sales	Stmt I	\$ 77,174,514	Stmt I	\$ 39,244,269
310	481 - Commercial and Industrial Sales	Stmt I	35,869,061	Stmt I	12,875,793
311	489 - Revenue from Transport of Gas of Others	Stmt I	9,412,525	Stmt I	8,227,548
312	<b>Total Base Revenues</b>		<b>\$ 122,456,099</b>		<b>\$ 60,347,609</b>
313					
314	<b>Other Operating Revenues</b>				
315	483 - Sales for Resale	Stmt I	\$ -	Stmt I	\$ -
316	487 - Forfeited Discounts	Stmt I	333,613	Stmt I	333,613
317	488 - Miscellaneous Service Revenues	Stmt I	662,809	Stmt I	662,809
318	489 - Revenue from Transport of Gas of Others	Stmt I	-	Stmt I	2,383,053
319	493 - Rent From Gas Property	Stmt I	-	Stmt I	-
320	495 - Other Gas Revenues	Stmt I	-	Stmt I	-
321	496 - Provision for Rate Refund	Stmt I	(901,483)	Stmt I	-
322	<b>Total Other Operating Revenue</b>		<b>\$ 94,939</b>		<b>\$ 3,379,475</b>
323					
324	<b>Total Operating Revenue</b>		<b>\$ 122,551,039</b>		<b>\$ 63,727,085</b>
325					
326	<b>Oper. Expense Before Income Tax</b>		<b>\$ 107,887,266</b>		<b>\$ 54,062,209</b>
327					
328	<b>Oper. Income Before Income Tax</b>		<b>\$ 14,758,711</b>		<b>\$ 13,044,352</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE PRO FORMA PERIOD ENDED SEPTEMBER 30, 2025**

**KSG Direct Exhibit SKJ-2  
Statement M**

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Account & Description	Reference	Test Year Ended September 30, 2024	Reference	Adjusted Total
329					
330	<b>Federal Income Tax Calculation</b>				
331	Oper. Income Before Income Tax		\$ 14,758,711		\$ 13,044,352
332	Federal and State Income Tax	Stmt K	\$ 44,778	Stmt K	(84,781)
333	<b>Total Federal Income Tax</b>		<u>\$ 44,778</u>		<u>\$ (84,781)</u>
334					
335	<b>Total Operating Expense</b>		<b>\$ 107,932,045</b>		<b>\$ 53,977,427</b>
336					
337	Return to equity pretax		\$ 14,713,933		\$ 13,129,133
338	Rate Base		\$ 283,465,259		\$ 305,947,330
339	Rate of Return, Existing Rates		5.19%		4.29%
340					
341	<b>Return Under Current Rates</b>				
342					
343	Total Base Revenues		\$ 122,456,099		\$ 60,347,609
344	Total Other Operating Revenue		\$ 94,939		3,379,475
345					
346	<b>Total Operating Revenue</b>		<u>\$ 122,551,039</u>		<u>\$ 63,727,085</u>
347					
348	Operation and Maintenance Expense		\$ 89,140,482		\$ 32,351,841
349	Depreciation and Amortization Expense		11,872,517		12,746,995
350	Taxes Other than Income Tax		6,874,267		8,963,372
351	Federal Income Tax - Existing Rates		44,778		(84,781)
352					
353	<b>Total Operating Expense</b>		<u>\$ 107,932,045</u>		<u>\$ 53,977,427</u>
354					
355	Return		\$ 14,618,994		\$ 9,749,657
356	Rate Base		283,465,259		305,947,330
357	Rate of Return, Current Rates		5.16%		3.19%
358					
359	<b>Overall Revenue Requirement and Revenue Deficiency</b>				
360					
361	Rate Base				\$ 305,947,330
362	Rate of Return			Stmt G	7.63%
363	Return				<u>\$ 23,343,781</u>
364	Operation and Maintenance Expenses				32,351,841
365	Depreciation and Amortization Expense				12,746,995
366	Taxes Other than Income Tax				8,963,372
367	Federal Income Tax - Existing Rates				(84,781)
368					
369	<b>Total Pre-tax Revenue Requirement</b>				<u>\$ 77,321,209</u>
370	Less: Other Operating Revenue				3,379,475
371					
372	<b>Net Pre-tax Revenue Requirement</b>				<u>\$ 73,941,733</u>
373					
374	Revenue Under Existing Rates				\$ 60,347,609
375	<b>Revenue Deficiency</b>				
376	Amount before tax adjustment				\$ (13,594,124)
377	Tax Adjusted Amount Needed (line 346 x line 349)				<u>(17,207,752)</u>
378					
379	Tax Multiplier (1/(1-.21))				1.26582

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**ASSETS AND OTHER DEBITS**  
**FOR THE TEST YEAR ENDED SEPTEMBER 30, 2024**

**KSG Direct Exhibit SKJ-2**  
**Balance Sheet**  
**Page 1 of 2**

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No.	Account & Description	12/31/2021	12/31/2022	9/30/2023	12/31/2023	9/30/2024
1	<b>Utility Plant</b>					
2	(101) Gas Plant in Service	\$ 346,747,473	\$ 360,774,522	\$ 407,825,125	\$ 412,542,517	\$ 423,634,798
3	(101) Gas Leased Assets	242,276	233,479	249,278	249,278	36,158
4	(106) Completed Construction Not Classified	34,819,345	43,440,779	10,495,525	14,188,370	20,725,998
5	(107) Construction Work in Progress	2,399,305	4,061,123	4,980,357	4,971,446	7,543,194
6	(114) Gas Plant Acquisition Adjustment	4,317,034	4,317,034	4,317,034	4,317,034	4,317,034
7	(117) Gas Stored Underground	-	-	-	-	-
8	(118) Other-Utility Property	13,937,123	14,700,137	15,312,803	16,513,790	17,194,751
9	<b>Gross Utility Plant</b>	<b>\$ 402,462,556</b>	<b>\$ 427,527,074</b>	<b>\$ 443,180,122</b>	<b>\$ 452,782,435</b>	<b>\$ 473,451,933</b>
10						
11	(108) Accum. Prov. For Depreciation	(106,507,350)	(113,871,083)	(118,484,920)	(120,598,215)	(125,046,501)
12	(108) Accum. Prov. For Depreciation - RWIP	252,890	298,506	189,337	205,974	149,807
13	(108) Accum. Prov. For Gas Leased Assets	(123,487)	(131,572)	(147,358)	(153,236)	(8,420)
14	(111) Accum. Prov. For Amortization	8,808	8,808	8,808	8,808	-
15	(115) Accum. Prov. For Amort. Of Acq Adj	-	-	-	-	-
16	(119) Res for Depr Other Utility Property	(1,889,237)	(4,219,146)	(5,472,813)	(5,983,630)	(6,982,825)
17	<b>Total Utility Plant</b>	<b>\$ 294,204,180</b>	<b>\$ 309,612,587</b>	<b>\$ 319,273,176</b>	<b>\$ 326,262,136</b>	<b>\$ 341,563,994</b>
18						
19	<b>Non-Utility Property</b>					
20	(121-122) Non-Utility Property	\$ 315,108	\$ 168,151	\$ 153,166	\$ 173,478	\$ 158,428
21	<b>Total Non-Utility Property</b>	<b>\$ 315,108</b>	<b>\$ 168,151</b>	<b>\$ 153,166</b>	<b>\$ 173,478</b>	<b>\$ 158,428</b>
22						
23	<b>Current and Accrued Assets</b>					
24	(131) Cash	\$ -	\$ 208,152	\$ 1	\$ 1	\$ 1
25	(135) Working Funds	-	-	-	-	-
26	(141-145; 173) Notes and Accts Receivable - Net	17,978,876	44,482,640	18,291,701	25,592,906	10,359,449
27	(146) Accts. Rec. Assoc Company	2,382,692	3,027,871	1,653,009	3,387,010	882,658
28	(151, 152) Fuel Stocks	-	-	-	-	-
29	(154-163) Material and Supplies	2,397,717	3,185,976	3,113,140	2,721,551	2,857,668
30	(164) Gas Stored Underground	6,133,729	9,275,187	4,367,399	3,444,519	3,401,168
31	(165) Prepayments	50,727	52,695	36,733	48,400	48,498
32	(174, 176) Other Current Assets	31,490	174,424	126,899	-	-
33	(175) Derv Instrument Assets	-	-	-	-	-
34	<b>Total Current &amp; Accrued Assets</b>	<b>\$ 28,975,231</b>	<b>\$ 60,406,945</b>	<b>\$ 27,588,882</b>	<b>\$ 35,194,387</b>	<b>\$ 17,549,442</b>
35						
36	<b>Deferred Debits</b>					
37	(181) Unamortized Debt Expense	\$ -	\$ -	\$ -	\$ -	\$ -
38	(182) Other Regulatory Assets	11,845,785	10,196,403	9,764,864	10,142,809	11,267,829
39	(183) Preliminary Survey	-	-	-	-	-
40	(184-187) Miscellaneous Debits	109,084	273,763	302,053	242,788	(57,089)
41	(190) Deferred Income Tax	26,111,584	27,957,572	26,129,082	25,956,845	23,662,653
42	(191) Unrecovered PGA	88,849,970	78,934,243	65,278,107	61,485,946	48,073,856
43	<b>Total Deferred Debits</b>	<b>\$ 126,916,423</b>	<b>\$ 117,361,981</b>	<b>\$ 101,474,106</b>	<b>\$ 97,828,388</b>	<b>\$ 82,947,249</b>
44						
45	<b>Total Assets and Other Debits</b>	<b>\$ 450,410,942</b>	<b>\$ 487,549,664</b>	<b>\$ 448,489,330</b>	<b>\$ 459,458,389</b>	<b>\$ 442,219,113</b>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**LIABILITIES AND OTHER CREDITS**  
**FOR THE TEST YEAR ENDED SEPTEMBER 30, 2024**

**KSG Direct Exhibit SKJ-2**  
**Balance Sheet**  
**Page 2 of 2**

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No.	Account & Description	12/31/2021	12/31/2022	9/30/2023	12/31/2023	9/30/2024
1	<b>Proprietary Capital</b>					
2	(211) Additional Paid in Capital	82,514,021	102,514,021	110,514,021	110,514,021	124,514,021
3	(216) Unapprop. Retained Earnings	36,271,074	47,275,767	42,589,081	46,273,229	31,832,644
4	(219) Accum. Other Comprehensive Incc	-	-	-	-	-
5	<b>Total Proprietary Capital</b>	<b>\$ 118,785,095</b>	<b>\$ 149,789,788</b>	<b>\$ 153,103,102</b>	<b>\$ 156,787,250</b>	<b>\$ 156,346,665</b>
6						
7	<b>Long Term Debt</b>					
8	(223) Intercompany Notes Payable	-	-	-	-	-
9	(226) Unamort. Discount on LTD	-	-	-	-	-
10	(227) Operating Lease Obligation	101,030	84,253	87,639	83,518	27,996
11	(228-230) Other Non-Current Liabilities	2,486,219	2,557,575	2,761,030	3,582,872	3,335,748
12	<b>Total Long-Term Debt</b>	<b>\$ 2,587,249</b>	<b>\$ 2,641,828</b>	<b>\$ 2,848,669</b>	<b>\$ 3,666,390</b>	<b>\$ 3,363,744</b>
13						
14	<b>Current &amp; Accrued Liability</b>					
15	(232) Accounts Payable	13,923,908	22,155,863	4,745,754	9,258,255	4,904,810
16	(233) Notes Pay. Assoc Company	208,779,761	192,191,986	170,914,317	169,426,172	172,796,357
17	(234) Accts Pay. Assoc Company	21,739,449	24,335,735	16,785,872	19,182,809	16,930,455
18	(235) Customer Deposits	1,077,514	1,000,600	1,050,325	1,107,871	1,090,806
19	(236) Taxes Accrued	3,144,651	2,570,575	5,380,735	3,470,682	5,530,215
20	(237) Accrued Interest	8,011	4,005	36,517	-	36,260
21	(241) Tax Collections Payable	1,051,527	2,243,994	706,741	1,389,787	640,298
22	(242) Misc. Current and Accrued Liab.	4,412,172	4,725,419	3,641,141	5,802,860	4,778,701
23	(243) Operating Lease Obligation - ST	20,737	20,391	21,856	15,220	590
24	(244) Derivative Instrument Liab.	-	-	-	-	-
25	<b>Total Current &amp; Accrued Liability</b>	<b>\$ 254,157,730</b>	<b>\$ 249,248,568</b>	<b>\$ 203,283,258</b>	<b>\$ 209,653,656</b>	<b>\$ 206,708,492</b>
26						
27	<b>Deferred Credits</b>					
28	(252) Customer Advance for Constructio	18,627	523,973	523,973	506,474	506,945
29	(253) Other Deferred Credits	1,292,983	965,023	1,447,526	1,218,969	774,763
30	(254) Other Regulatory Liabilities	28,441,074	27,226,800	31,701,337	31,949,651	19,569,049
31	(255) Accum. Def ITC	-	-	-	-	-
32	(282) Accum. Def Inc Taxes - Property	32,973,460	37,277,355	39,165,881	40,181,172	42,652,003
33	(283) Accum. Def Inc Taxes - Other	12,154,724	19,876,329	16,415,584	15,494,827	12,297,452
34	<b>Total Deferred Credits</b>	<b>\$ 74,880,868</b>	<b>\$ 85,869,480</b>	<b>\$ 89,254,301</b>	<b>\$ 89,351,093</b>	<b>\$ 75,800,212</b>
35						
36	<b>Total Liabilities &amp; Other Credits</b>	<b>450,410,942</b>	<b>487,549,664</b>	<b>448,489,330</b>	<b>459,458,389</b>	<b>442,219,113</b>



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**STATEMENT OF INCOME**  
**FOR THE TEST YEAR ENDED SEPTEMBER 30, 2024**

**KSG Direct Exhibit SKJ-2**  
**Income Statement**

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Line No.	Account & Description	12/31/2021	12/31/2022	9/30/2023	12/31/2023	9/30/2024
1	<b>Revenue</b>					
2	(480-482) Gas Sales	\$ 107,436,946	\$ 174,334,201	\$ 160,052,855	\$ 139,853,992	\$ 113,043,575
3	(483-496) Other Revenue	9,016,887	11,341,049	12,332,403	10,562,510	9,507,464
4	<b>Total Revenue</b>	<b>\$ 116,453,833</b>	<b>\$ 185,675,250</b>	<b>\$ 172,385,258</b>	<b>\$ 150,416,502</b>	<b>\$ 122,551,039</b>
5						
6	<b>Operation and Maintenance (O&amp;M)</b>					
7	(750-770) Production & Gathering	\$ -	\$ -	\$ -	\$ -	\$ -
8	(800-813) Other Gas Supply	57,293,139	121,897,584	107,552,974	86,984,060	59,251,385
9	(814-836) Underground Storage	-	-	-	-	-
10	(840-844) Other Storage Expense	-	-	-	-	-
11	(850-867) Transmission Expense	461,044	736,962	654,685	639,226	576,203
12	(870-894) Distribution Expense	9,412,474	10,104,677	11,192,425	11,313,339	10,676,420
13	(901-905) Customer Accounts Expense	2,703,535	3,560,067	3,645,274	3,685,081	3,628,594
14	(907-910) Customer Service & Informational Expense	275,815	293,170	263,370	274,168	197,217
15	(911-916) Sales Expenses	156,379	258,379	230,575	215,316	212,547
16	(920-932) Administrative & General Expense	14,543,908	14,448,015	14,721,346	14,505,939	14,598,117
17	<b>Total Operation and Maintenance (O&amp;M)</b>	<b>\$ 84,846,294</b>	<b>\$ 151,298,854</b>	<b>\$ 138,260,649</b>	<b>\$ 117,617,129</b>	<b>\$ 89,140,483</b>
18						
19	<b>Depreciation and Taxes Other than Income</b>					
20	(403-405) Depreciation and Amortization	\$ 9,683,549	\$ 10,762,494	\$ 11,162,722	\$ 11,337,460	\$ 11,854,347
21	(408.1) Taxes Other than Income	6,180,469	6,749,982	7,489,281	6,877,233	6,820,317
22	<b>Total Depreciation and Taxes Other than Income</b>	<b>\$ 15,864,018</b>	<b>\$ 17,512,476</b>	<b>\$ 18,652,003</b>	<b>\$ 18,214,693</b>	<b>\$ 18,674,664</b>
23						
24	<b>Net Operating Income</b>	<b>\$ 15,743,521</b>	<b>\$ 16,863,920</b>	<b>\$ 15,472,606</b>	<b>\$ 14,584,680</b>	<b>\$ 14,735,892</b>
25						
26	<b>Non-Operating Income/(Expense)</b>					
27	(408.2, 409.2,410.2, 415-426) Non-Utility Operating Income (and E	\$ 2,249,421	\$ 3,221,855	\$ 3,462,483	\$ 3,540,960	\$ 3,257,131
28	(427-431) Interest Expense	(5,902,460)	(6,884,439)	(8,336,121)	(8,806,505)	(9,385,483)
29	(432) AFUDC - Debt and Equity	126,099	104,533	83,637	105,140	156,361
30	<b>Total Non-Operating Income/(Expense)</b>	<b>\$ (3,526,940)</b>	<b>\$ (3,558,051)</b>	<b>\$ (4,790,001)</b>	<b>\$ (5,160,405)</b>	<b>\$ (5,971,991)</b>
31						
32	<b>Income/(Loss) Before Tax</b>	<b>\$ 12,216,581</b>	<b>\$ 13,305,869</b>	<b>\$ 10,682,605</b>	<b>\$ 9,424,275</b>	<b>\$ 8,763,901</b>
33						
34	<b>(409.1, 410-411) Federal Income Taxes</b>	<b>\$ (2,100,986)</b>	<b>\$ (301,178)</b>	<b>\$ 77,738</b>	<b>\$ 843,744</b>	<b>\$ 779,654</b>
35						
36	<b>Net Utility Income/(Loss)</b>	<b>\$ 10,115,595</b>	<b>\$ 13,004,691</b>	<b>\$ 10,760,343</b>	<b>\$ 10,268,019</b>	<b>\$ 9,543,555</b>

**List of RRS Model Statements and Schedules**

Revenue Requirement Study Section	Topic
Stmt A	Calculation of Revenue Deficiency
Stmt B	Overall Cost of Service
Sched C	Other Rate Base Items
Sched C-1	Other Rate Base Items - Tax
Sched C-2	Calculation of Net Operating Loss
Stmt D	Adjusted Plant in Service - Period Ending December 31, 2023
Sched D-1	Adjusted Plant in Service Pro Forma Capital Additions
Sched D-2	Adjusted Plant in Service Pro Forma Retirements
Stmt E	Adjusted Accumulated Depreciation
Sched E-1	Adjusted Accumulated Depreciation Pro Forma Additions
Sched E-2	Adjusted Accumulated Depreciation Pro Forma Retirements
Sched E-3	Accumulated Depreciation for Existing Assets to 12/31/2023
Stmt F	Working Capital
Sched F-1	Claimed Working Capital
Stmt G	Cost of Capital
Sched G-1	Cost of Debt
Stmt H	Operation and Maintenance Expenses
Sched H-1	Out of Period / Atypical Expense Adjustment
Sched H-2	Removal of Advertising Expenses
Sched H-3	Removal of Dues & Contributions
Sched H-4	Removal of Gas Costs
Sched H-5	Adjustment for Annualization of Direct Employees
Sched H-6	Employee Benefits Adjustment
Sched H-7	Pension and Retiree Healthcare Adjustment
Sched H-8	Intercompany Allocated Charges from Black Hills Service Company
Sched H-9	Bad Debt Adjustment
Sched H-10	Rate Case Expense Adjustment
Sched H-11	Severance Expense Adjustment
Sched H-12	Payment Processing Fee Adjustment
Sched H-13	Fleet Depreciation O & M Adjustment
Sched H-14	Commission Fee Adjustment
Sched H-15	Data Improvement Integrity Program Adjustment
Sched H-16	PHMSA Fee Expense Adjustment
Sched H-17	Research & Development Expense Adjustment
Sched H-18	Damage Prevention Expense Adjustment
Sched H-19	Line Locate Expense Adjustment
Sched H-20	Vegetation Management Expense Adjustment

KSG Direct Exhibit SKJ-3  
RRS Statements and Schedules Detail & Filing  
Requirements Sections 3-11 to RRS Cross Reference

Stmt I	Operating Revenue
Sched I-1	Unbilled & Other Revenue Adjustment
Sched I-2	Gas Cost Revenue Adjustment
Sched I-3	WNA Rider Revenue Adjustment
Sched I-4	AVTS Revenue Adjustment
Sched I-5	TA Rider Revenue Adjustment
Sched I-6	Negotiated Rate Revenue Adjustment
Sched I-7	Synchronization to Billing Determinants
Sched I-8	Weather Normalization / Irrigation Normalization Adjustment
Sched I-9	Incremental GSRS Revenue Adjustment
Sched I-10	LVTS Customer Revenue Adjustment
Stmt J	Depreciation and Amortization Expense
Sched J-1	Depreciation Expense Adjustment
Stmt K	Computation of Federal Income Tax
Stmt L	Taxes Other than Federal Income Tax ("TOTI")
Sched L-1	Taxes Other than Federal Income Tax (TOTI) Adjustments
Stmt M	Revenue Requirement Analysis
BS pg 1	Balance Sheet - Assets and Other Debits
BS pg 2	Balance Sheet - Liabilities and Other Credits
IS	Income Statement

**Filing Requirements to Revenue Requirement Study Cross Reference**

Filing Requirement Section	Topic	Revenue Requirement Study Section
Section 3	Summary of Rate Base, Operating Income, and Rate of Return	Statement B
Section 4	Plant Investments	Statement D
Section 5	Accumulated Provision for Depreciation and Amortization	Statement E
Section 6	Working Capital	Statement F
Section 7	Capital and Cost of Money	Statement G
Section 8	Balance Sheet	Statement A
Section 8	Historical Income Statements	Statement B
Section 8	Retained Earnings Statement	omitted
Section 8	Operating Revenue	Statement I
Section 8	Operating Expenses	Statement H
Section 8	Annual Payrolls	omitted
Section 9	Test Year and Pro Forma Income Statements	Statement M
Section 10	Depreciation and Amortization	Statement J
Section 11	Income Taxes	Statement K
Section 11	Taxes Other Than Income	Statement L

**Comprehensive List of RRS Adjustments - Statements and Schedules**

Adjustment #	Description	Adjustment Type	Section 3, Schedule 2 Pages	Revenue Requirement Study Schedule
IS-1	Unbilled and Other Revenue Adjustment	Revenues	Page 5 of 41	Sched I-1
IS-2	Gas Cost Revenue Adjustment	Revenues	Page 6 of 41	Sched I-2
IS-3	WNA Rider Revenue Adjustment	Revenues	Page 7 of 41	Sched I-3
IS-4	AVTS Revenue Adjustment	Revenues	Page 8 of 41	Sched I-4
IS-5	TA Rider Revenue Adjustment	Revenues	Page 9 of 41	Sched I-5
IS-6	Negotiated Rate Revenue Adjustment	Revenues	Page 10 of 41	Sched I-6
IS-7	Revenue Synchronization Adjustment	Revenues	Page 11 of 41	Sched I-7
IS-8	Weather Normalization Adjustment	Revenues	Page 12 of 41	Sched I-8
IS-9	Incremental GSRS Revenue Adjustment	Revenues	Page 13 of 41	Sched I-9
IS-10	LVTS Customer Revenue Adjustment	Revenues	Page 14 of 41	Sched I-10
IS-11	Out of Period/Atypical Accounting Adjustment	O&M Expenses	Page 15 of 41	Sched H-1
IS-12	Removal of Advertising Expense	O&M Expenses	Page 16 of 41	Sched H-2
IS-13	Dues and Contributions Expense Adjustment	O&M Expenses	Page 17 of 41	Sched H-3
IS-14	Removal of Gas Costs Adjustment	O&M Expenses	Page 18 of 41	Sched H-4
IS-15	Wages & Salaries Adjustment for Annualization of Direct Employees	O&M Expenses	Page 19 of 41	Sched H-5
IS-16	Employee Benefits Adjustment	O&M Expenses	Page 20 of 41	Sched H-6
IS-17	Amortization of Pension and Retiree Healthcare Liability	O&M Expenses	Page 21 of 41	Sched H-7
IS-18	Intercompany Charges from Black Hills Service Company	O&M Expenses	Page 22 of 41	Sched H-8
IS-19	Bad Debt Adjustment	O&M Expenses	Page 23 of 41	Sched H-9

KSG Direct Exhibit SKJ-3  
RRS Statements and Schedules Detail & Filing  
Requirements Sections 3-11 to RRS Cross Reference

IS-20	Rate Case Amortization	O&M Expenses	Page 24 of 41	Sched H-10
IS-21	Severance Expense Adjustment	O&M Expenses	Page 25 of 41	Sched H-11
IS-22	Payment Processing Fee Adjustment	O&M Expenses	Page 26 of 41	Sched H-12
IS-23	Fleet Depreciation Adjustment	O&M Expenses	Page 27 of 41	Sched H-13
IS-24	Commission Fee Expense Adjustment	O&M Expenses	Page 28 of 41	Sched H-14
IS-25	Data Improvement Integrity Program Adjustment	O&M Expenses	Page 29 of 41	Sched H-15
IS-26	PHMSA Fees Expense Adjustment	O&M Expenses	Page 30 of 41	Sched H-16
IS-27	Research and Development Expense Adjustment	O&M Expenses	Page 31 of 41	Sched H-17
IS-28	Damage Prevention Expense Adjustment	O&M Expenses	Page 32 of 41	Sched H-18
IS-29	Line Locate Expense Adjustment	O&M Expenses	Page 33 of 41	Sched H-19
IS-30	Vegetation Management Expense Adjustment	O&M Expenses	Page 34 of 41	Sched H-20
IS-31	Depreciation and Amortization Expense Adjustment	Depreciation	Page 35 of 41	Stmt J
IS-32	FICA Tax Expense Adjustment	TOTI	Page 36 of 41	Stmt L
IS-33	FUTA Tax Expense Adjustment	TOTI	Page 37 of 41	Stmt L
IS-34	SUTA Tax Expense Adjustment	TOTI	Page 38 of 41	Stmt L
IS-35	Property Tax Expense Adjustment	TOTI	Page 39 of 41	Stmt L
IS-36	Amortization of Protected Plant EDIT - ARAM Adjustment	Income Taxes	Page 40 of 41	Stmt K
IS-37	Amortization Service Company Plant EDIT - ARAM	Income Taxes	Page 41 of 41	Stmt K

# Black Hills Service Company

## Cost Allocation Manual

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Effective Date: July 14, 2008  
Amended: January 1, 2010  
Amended: August 1, 2010  
Amended: December 1, 2013  
Amended: December 1, 2014  
Amended: December 1, 2015  
Amended: December 1, 2016  
Amended: December 1, 2017  
Amended: November 7, 2018  
Amended: December 20, 2018  
Amended: December 20, 2019  
Amended: December 20, 2020  
Amended: December 20, 2021  
Amended: November 1, 2022  
Amended: December 20, 2022

# Black Hills Service Company Cost Allocation Manual

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## **Introduction**

The purpose of this cost allocation manual is to document the allocation processes of Black Hills Service Company, from recording the original transaction through the allocation of costs to Black Hills Corporation subsidiaries. Various topics to be addressed include the organization of the Service Company, the recording of transactions, calculating and assigning allocation factors, and recording allocation transactions.

Black Hills Service Company (Service Company) was formed on December 30, 2004 and was fully implemented and operational as of January 1, 2006. The Service Company was formed as required by the Public Utility Holding Company Act of 1935, which was administered by the Securities and Exchange Commission (SEC). Service companies were required of all registered holding companies under this law. Service companies coordinate corporate support functions and distribute costs to registered holding company subsidiaries using pre-defined allocation methodologies that had to be approved by the SEC.

Black Hills Corporation became a registered holding company at the end of 2004, and through a transition period and various amendments to the registered holding company filings, established the date of January 1, 2006 to fully implement the Service Company. In August of 2005, this law was repealed and replaced by the Public Utility Holding Company Act of 2005, which is administered by the Federal Energy Regulatory Commission (FERC). This new law was effective in February of 2006. Although certain administrative and reporting requirements changed as a result of the repeal, Black Hills Corporation did not change its implementation plan.

In 2017, BHC made a strategic business decision to divest its oil and gas division and transition from a diversified energy company to a utility-centered energy company. The divestiture of the oil and gas division followed BHC's earlier decision in 2014 to divest of its energy trading division, all steps in furtherance of its transition to a utility company. As a result of this strategic shift, BHC no longer needed two service companies, the Service Company and Black Hills Utility Holding (BHUH). On January 1, 2019, BHUH transferred its employees and assets to the Service Company. The process improvement results in one Service Company instead of two, eliminating unnecessary complexity and improved visibility for our regulators.

The Service Company is a wholly owned subsidiary of Black Hills Corporation (the Holding Company or BHC) and is a separate legal entity. The only transactions that remain at the Holding Company are transactions pertaining to long-term debt and related deferred finance costs, short-term financing (corporate credit facility and commercial paper program) and related deferred finance costs, and the administration of money pool transactions for both the utility money pool and the non-utility money pool. In addition, as will be discussed in greater detail later, certain corporate costs are charged directly to the Holding Company. The most notable of these types of costs are corporate development project costs.

## **Service Company Organization**

The Service Company is organized into operating departments based upon the services that those departments provide to Black Hills Corporation subsidiaries. A list of each department, as well as a brief description of the services they provide, is attached as Appendix 2.

## Direct Costs versus Indirect Costs

A key issue in distributing Service Company costs is distinguishing between direct and indirect costs. The Operating Unit will change depending on whether the cost is a direct or indirect cost. Costs for shared services are distributed to affiliates within Black Hills through *direct* costs (direct assignable or direct distributed) or *indirect* allocation. Costs are direct charged to the extent possible. Costs that cannot be directly assigned nor distributed reasonably to the applicable business units receive the benefit using indirect allocation. Below is a summary of each of these types of costs and examples of these costs.

**Direct costs** are those costs that are specifically associated with an identified subsidiary or collection of subsidiaries.

Methods of Direct Charges include:

- Direct Cost Assignable: Costs which can be directly identified to support a subsidiary.
- Direct Cost Distributed: Costs that benefit all subsidiaries within a business line (e.g. gas utilities or electric utilities) and are allocated to business lines based on a designated percentage.

Here are some examples:

- A Facilities employee is supporting the facilities management for Black Hills Power. The labor costs incurred in supporting facilities are specifically associated with an identified subsidiary. Therefore, this would be a Direct Cost Assignable.
- A Regulatory employee who directly supports one jurisdiction travels to Rapid City to attend a BHC strategic conference. The time and travel associated with attending the conference shall be Direct Cost Assignable to that employee's business unit they directly support.
- A Gas Engineer is reviewing the Distribution Integrity Management Program for all the gas utilities. This charge cannot be directly attributable to any specific individual business but can be identified to support multiple businesses within the gas utilities. Therefore, this charge would be considered a Direct Cost Distributed.

Methods of Direct Cost Distributed:

Regulated Electric - Blended	Direct Cost Distributed
Regulated Electric - Customers	Direct Cost Distributed
Regulated Electric - Transmission/Distribution	Direct Cost Distributed
Regulated Natural Gas - Blended	Direct Cost Distributed
Regulated Natural Gas - Customers	Direct Cost Distributed
Non-Regulated- Blended	Direct Cost Distributed
GDPM	Direct Cost Distributed
Nameplate Generation Capacity	Direct Cost Distributed
Power Generation Capacity	Direct Cost Distributed

**Indirect costs** are those costs that are not associated with an identified subsidiary. This means that the costs indirectly support all companies or directly support the operation of the Service Company, or all the gas and electric Utilities. In other words, costs that would be directly charged to the Service Company using the definition and examples above would be classified as indirect costs. Here are some examples:

- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.

- A Human Resources representative attends an industry training event. This charge cannot be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost.
- The Corporate Accounting department is completing monthly close of the BHC financials. Since the Corporate Accounting department is supporting the enterprise and all of its subsidiaries, it is impractical to direct code, this charge would be considered an indirect cost.
- A Help Desk technician orders a replacement computer monitor for an employee of the Service Company. This hardware cost incurred is specifically associated with the Service Company. Therefore, this would be an indirect cost.

Methods of Indirect Charges:

SC All – Blended	Indirect
SC All – Employee	Indirect
SC All – Asset Cost	Indirect
SC All – Regulated Customers	Indirect
SC All – Customers (Regulated and Non-Regulated)	Indirect
SC Utility - Blended	Indirect

It is important to consider two things when determining if a cost is a direct cost or an indirect cost: (1) Can the costs that are coded to a specific company or group of companies be substantiated; and (2) Can it be substantiated that a utility-based entity is not subsidizing the operations of non-utility-based company with the time and expenses that have been charged to them. A certain level of judgment will be involved when deciding whether a particular cost should be directly charged or indirectly allocated.

There are certain costs that will always be considered either direct or indirect costs. Below is a list of significant Service Company expenses that follow these rules:

Always considered direct costs:

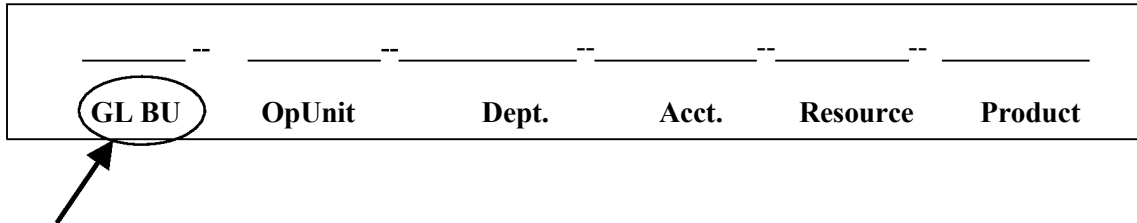
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

Always considered indirect costs:

- Board of Directors' fees and expenses
- Horizon Point rent
- Depreciation of Service Company assets (recorded in SC All or SC Utility)
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

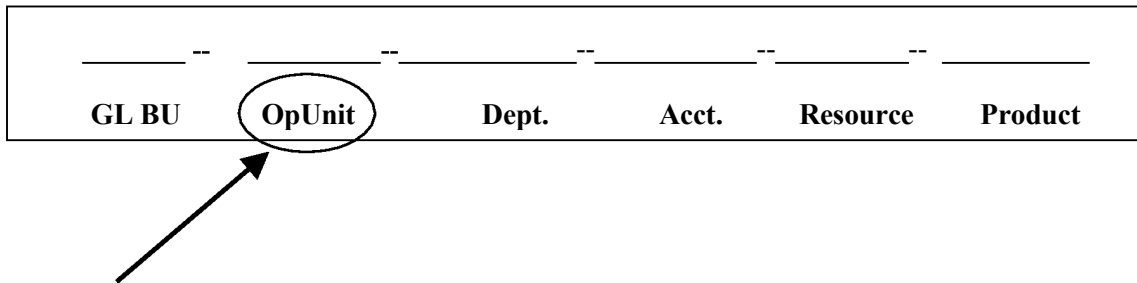
## Transaction Coding

The Service Company uses an accounting software system to accumulate and distribute both direct costs and indirect costs. It is important to have costs properly classified as direct or indirect. Direct costs will be directly charged to the subsidiaries, while indirect costs will be allocated to the subsidiaries using pre-defined allocation factors. Below is a description of the coding.



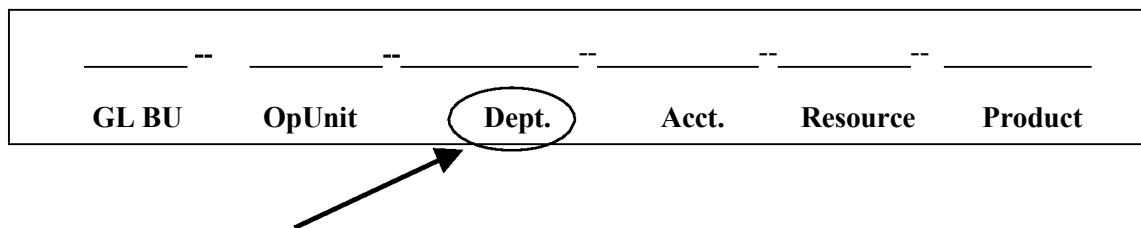
### General Ledger Business Unit (GLBU):

- Five (5) character numeric field.
- The GLBU field is used to identify the company that will be receiving the charges, either as a direct cost or an indirect cost.
- The GLBU field is required on all accounting transactions.
- The GLBU field will default based on the operating unit (Op Unit), as described below.



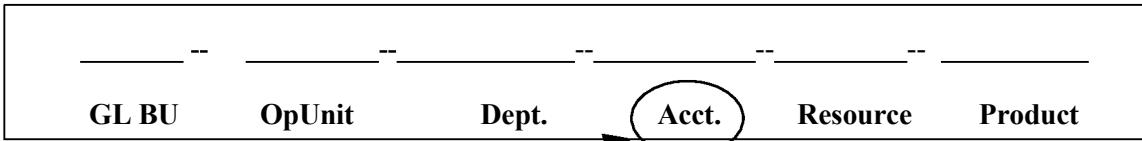
### Operating Unit (OpUnit):

- Six (6) character numeric field.
- The OpUnit field is used to identify the code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- The Op Unit field will be populated using one of the Service Company Op Units for indirect costs. Indirect costs also include costs from other areas of the company that are directly related to the Utility Holding Company.



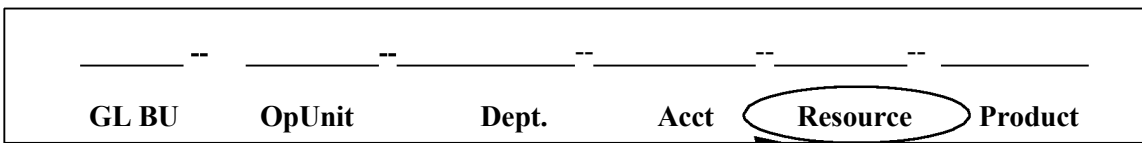
### Department (Dept):

- Four (4) character numeric field.
- The Department field is used to identify where the cost(s) originated.
- The Department field is required on all income statement and capital transactions.
- Every Department is assigned to a GLBU.



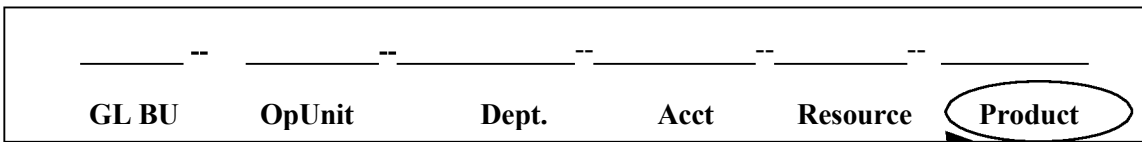
**Account (Acct)**

- Six (6) character numeric field.
- The Account field is required on all accounting transactions.
- All companies will generally use the same Chart of Accounts although some values will be specific to certain companies.



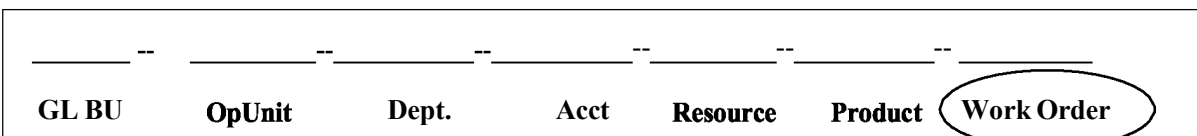
**Resource:**

- Four (4) character numeric field.
- A Resource is used to identify types of costs.
- The Resource field is required for operating expenses and capital accounting transactions.



**Product:**

- Three (3) character numeric field.
- A Product code is used to identify business lines.
- Examples of the product line include electric, gas, and non-regulated



**Work Order:**

- Alpha or numeric field.
- Represents the collection of costs to allow the monitoring of a job or group of costs.
- The Work Order field is required on all construction work in progress transactions

## **Timekeeping**

All Service Company employees are required to complete a timesheet for each two week pay period. Timesheets of appropriate employees must be approved by a supervisor.

Employees must complete the code block, as previously discussed, for each time record. The timesheet will default the department and resource. However, the employee is responsible for providing the remainder of the code block. Employees are encouraged to enter their time in one half hour increments, although they may use smaller increments if they so choose.

## **Loadings**

Certain benefits that are provided to employees become an inherent cost of labor. To account for these benefits and allow for them to be charged to the appropriate subsidiary, they become part of a loading rate that is added on to each payroll dollar.

The loading rates are calculated at the beginning of the year based on budgeted benefit expenses and budgeted labor. Benefit costs and loading rates are reviewed and updated as needed. Below is a list of components of the loading rates:

General labor loadings:

- Compensated Absences: including but not limited to paid time off (PTO), Holiday, Jury duty, Funeral pay, United Way day, Short-term Disability, life cycle leave and Annual Physical appointment.
- Payroll Taxes: including but not limited to FICA, FUTA SUTA and city taxes
- Employee Benefits: including but not limited to health and medical, 401K match and fees, Pension, Retiree healthcare and associated fees
- Incentives: including but not limited to non-officer incentive plans, Restricted Stock and Stock Option expense

Supplemental loadings:

- Officer short term incentive plans
- Officer supplemental retirement
- Officer performance plan

Loadings calculated on payroll are based on estimated benefit costs, therefore, differences between actual benefits will be inherent to this process.

## **Allocation Ratios**

As previously stated, the Service Company costs are either directly charged to a subsidiary or businesses line, or indirectly allocated when they support all companies. Indirect and Direct Cost Distributed are allocated using one of several pre-defined allocation ratios. Each department has been assigned one of these allocation ratios. All indirect and Direct Cost Distributed costs of that department are then allocated using that ratio. When determining which allocation ratio should be assigned to each department, a ratio is selected based on the specific cost driver of that department. For instance, the expenses incurred by a Human Resources department are primarily related to their support of all company employees. In this example, the cost driver for the Human Resources department indirect costs is employees. Therefore, their indirect costs will be allocated based upon the Employee Ratio.

For certain departments, a specific cost driver may not be clearly identifiable, or the driver may not be cost effective to compute on a continuing basis. In these instances, a three-factor general allocation ratio is used, which is referred to as the Blended Ratio. This ratio equally weights three different general ratios: Gross Margin, Asset Cost, and Payroll Dollars. These factors were chosen to be included in the Blended Ratio because they best allocate costs based on the diverse nature of BHC operations.

One additional item to note is that pooled benefits, primarily health care costs, are allocated differently due to the pooling method for benefits such as self-insured health care. BHC has chosen to pool certain benefit costs and spread the risk amongst all subsidiaries equally. All pooled benefit costs of BHC are paid by the Service Company and allocated to subsidiaries based on employee counts.

A list of all allocation ratios, including a brief description of the ratio, the basis for the calculation of the ratio, and the department to which that ratio has been assigned, is attached hereto as Appendix 1.

### **Changing Allocation Ratios**

Allocation ratios are set at the first of the year, based upon financial information from the trailing twelve months ending September 30 for prior year. Assets, utility assets, customer counts, employee counts, and power generation capacity are based on values as of previous period ending September 30. Gross margin, utility gross margin, payroll dollars, and utility payroll dollars are based on values for the trailing twelve months ending September 30.

The Service Company maintains certain departments (reflected as Centralized Utility Departments) that are used by and benefit only the Utilities. These departments include employees and assets that support the utility functions of: regulatory, engineering, customer service, gas supply, etc. Because these costs only support utility subsidiaries; their respected assets, payroll and employee count are allocated to only the utility subsidiaries before arriving at the allocation ratios.

Certain events may occur during the year that are deemed to be significant to BHC that will require corresponding adjustments be made to the allocation ratios. A significant change is any singular event at any individual entity that changes the value of any of the three-factors denominators from the Blended Ratio by more than 3%. Any change would take effect the month following the singular event. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams. Less significant events that may require a change include complete divestiture of a business unit or acquisition of a new business unit. A certain level of judgment is required to determine whether an event is significant enough to require an adjustment to the allocations.

When these events occur, indirect allocation ratios will be adjusted. When adjusting allocation ratios, it is the policy of the Service Company to not recalculate all allocation ratios. Rather, allocation ratios will be adjusted with pro forma adjustments for the subsidiary with a significant change in a specific allocation ratio base. For example, if an acquisition occurs during the middle of the year, pro forma values will be loaded. Asset values at the time of the acquisition would be used, as well as pro forma gross margin and payroll dollars for a 12-month period. It should be noted that estimations may be required, especially when significant additions or changes are expected as a result of the acquisition.

It should also be noted that asset values, gross margin, and payroll dollars for the other companies will not be changed. However, the ratios will change because the base against which the ratios are calculated will change. Subsidiary companies would see decreased ratio values with acquisitions, and increased ratio values with divestitures. Changes will be effective as of the beginning of the month following the significant event and will apply to all transactions for the month.

## **Subsidiary Payment for Direct and Indirect Charges**

It is the policy of the Service Company to ensure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to the Service Company by the end of the following month. The Service Company will monitor payments received during the month to ensure that all subsidiary companies make payment in a timely manner.

### **Allocating Fixed Assets**

The Service Company maintains certain fixed assets that are used by and benefit multiple BHC subsidiaries. These fixed assets primarily consist of computer hardware and software that form the corporate-wide information technology network. Because these fixed assets support multiple BHC subsidiaries, they are allocated to the appropriate subsidiaries monthly as part of the month-end close process, along with the allocation of these assets' accumulated depreciation. Construction Work in Process balances are not allocated.

Allocated assets and accumulated depreciation are maintained in separate general ledger accounts at the subsidiary level so that they are not intermingled with regular subsidiary fixed assets, and for ease of reconciliation.

The allocation ratio used for fixed assets and accumulated depreciation follows the appropriate cost driver.

### **Allocating Capitalized Inventory**

The gas and electric meter shops are Centralized Utility Departments serving the utility operating companies. As meters are purchased, they are recorded as capitalized inventory (charged to plant-in-service) by the Service Company, as the meters are issued out of inventory to the specific operating company those assets are transferred from the Service Company to the specific utility operating companies. All unassigned gas and electric meter investment and accumulated depreciation reserve is held at the Service Company and is allocated to the applicable utilities monthly. The Customer Count Ratio is used for this allocation.

### **Allocating FERC Functional Accounts**

FERC Functional accounts are used by Service Company to code charges in support of the business units. When direct charging to a business unit is not appropriate, using a direct distributed or indirect method is applicable. The FERC functional accounts will be allocated based on one of the allocation ratios identified in Appendix 1 and the receiving regulated entities will align with the Functional Account matrix found in Appendix 3.

#### **Appendix 1 – Allocation Ratios**

*Asset Cost Ratio* – Based on the net cost of assets as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Assets are limited to the direct property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP). In addition to the BHC subsidiaries cost, the Assets shall also include the cost of any third-party assets or minority interests in assets the subsidiaries operate. The Asset Cost Ratio measures the level of investment in the businesses.

*Gross Margin Ratio* – Based on the total gross margin for the trailing twelve months ending September 30, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Gross margin is defined as revenue less cost of sales. Certain intercompany transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party. The Gross Margin Ratio measures where the businesses make money.



*Payroll Dollars Ratio* – Based on the total payroll dollars for the trailing twelve months ending September 30, the numerator of which is the direct payroll charges from all BHC subsidiaries charging the applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000. The Payroll Dollar Ratio measures where the businesses employees spend their time.

*Blended Ratio (SC All)* – A composite ratio comprised of an average of the Asset Cost Ratio, the Payroll Dollars Ratio, and the Gross Margin Ratio. These ratios are equally weighted. This ratio is sometimes referred to as the three-factor blended ratio.

The Service Company is utilizing the following segment variations and additional variations may be added if additional product lines are added or in the event that additional segmentation is deemed appropriate to most effectively allocate costs from a specific department.

SC All-Blended (No BHES)

*Blended Ratio (SC Utility)* – A composite ratio comprised of an average of the Asset Cost Ratio, Payroll Dollar Ratio and the Gross Margin Ratio. These factors are equally weighted. This factor is sometimes referred to as the three-factor blended ratio.

There are currently several variations of the Utility Blended Ratio that are specific to the segment that are appropriate for which charges are being allocated. For example, charges for electric engineering department labor would utilize an electric blended ratio whereby no allocations would be charged to a gas utility.

The Service Company is utilizing the following segment variations and additional variations may be added if additional product lines are added or in the event that additional segmentation is deemed appropriate to most effectively allocate costs from a specific department

Regulated Utilities  
Regulated Electric  
Regulated Natural Gas

*Employee Ratio* – Based on the number of employees as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

*Power Generation Capacity Ratio* – Based on the total power generation capacity as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Power generation includes capacity in service and capacity under construction.

*Nameplate Generation Capacity Ratio* – Based on the total facility’s power generation capacity at the end of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Nameplate generation includes capacity in service and capacity under construction at the facility.

*Square Footage Ratio* – The total square footage of a given facility, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

*Regulated Electric Transmission/Distribution Ratio* – Based on a simple average of a multiple of cross-sectional drivers for the transmission function as of September 30 for the prior year that includes customer counts, peak load, number of substations, number of feeders, number of distribution and transmission miles, and number of remote terminal units. The numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

*Customer Count Ratio* – Based on the number of customers as of September 30 for the prior year, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

There are currently several variations of the Customer Count ratio that are specific to the type of customers that are appropriate to the department for which charges are being allocated. For example, a department that supports gas engineering would be allocated based on gas customers only whereas a general customer service department would be allocated based on total customers.

The Service Company is utilizing the following customer counts to calculate customer count ratios, additional variations may be added if additional product lines are added or in the event that additional segmentation of customers are deemed appropriate to most effectively allocate costs from a specific department

- All Customers
- Regulated Electric Customers
- Regulated Natural Gas Customers
- Programs and Services Customers (Non-Regulated)

*GDPM*–Allocates Generation Dispatch & Power Marketing based on Generating Capacity Managed per the GDEMA (Generation Dispatch and Energy Management Agreement).

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4700	SC-ACCOUNTING SYSTEMS	SC All-Blended	Provides system analyst support for Black Hill's key financial systems, including Oracle PeopleSoft ERP, PowerPlan Property and Tax System, and Utilities International Planning/Regulatory System.		Yes	Yes	Yes	Yes	Yes	Yes
4701	SC-Accounts Payable	SC All-Blended	Provides payment services support for purchased goods and/or services for all Black Hill's entities using People Soft ERP to forward invoices for approvals to the appropriate departments and use FileNet to store backup documents.		Yes	Yes	Yes	Yes	Yes	Yes
4703	SC-CORP GOVERNANCE	SC All-Blended	Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Oversees the administrative duties to the Board of Directors.		Yes	Yes	Yes	Yes	Yes	Yes
4704	SC-TAX SERVICES	SC All-Blended	Prepares quarterly and annual tax provisions of all Black Hills Corporation subsidiaries. Maintains and reconciles all direct and indirect tax general ledger accounts. Prepares tax filings and ensures compliance with applicable laws and regulations. Oversees various tax planning projects to reduce risk, reduce customer and shareholder tax liabilities, and complete mergers and acquisitions.		Yes	Yes	Yes	Yes	Yes	Yes
4705	SC-RISK	SC All-Blended	Provides risk management, risk evaluation, and risk analysis, internal controls, natural gas contract management, and Endur (Natural Gas Transaction system) system administration support services. Provides support for the Company's Sarbanes Oxley Compliance program, the Electric, Natural Gas, and BHES risk committees, and the Executive Risk Committee.		Yes	Yes	Yes	Yes	Yes	Yes
4706	SC-LEGAL - CORPORATE	SC All-Blended	Provides legal counsel and services related to general business operations, including labor and employment law, finance, litigation, contracts, utility rates and regulation, financial reporting, Securities and Exchange Commission, Federal Energy Regulatory Commission and other state and federal compliance, environmental matters, real estate and other legal matters. Oversees the hiring and administration of external counsel. Provides legal support to various corporate development projects. Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans.		Yes	Yes	Yes	Yes	Yes	Yes
4709	SC-ENVIRONMENTAL SERVICES	Asset Cost	Establishes policies and procedures for compliance with environmental laws and regulations. Research emerging environmental issues and monitors compliance with environmental requirements. Oversees environmental clean-up projects. Obtains permits to support the business operations of Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4710	SC-EXECUTIVE MGMT	SC All-Blended	Provides overall oversight of Black Hills Corporation and its subsidiaries. Provides the Board of Directors information for decision making purposes.		Yes	Yes	Yes	Yes	Yes	Yes
4711	SC-SAFETY & HEALTH	Employee Ratio	Leads and directs safety and health activities through projects, education and training to achieve industry leading results and establish a strong safety culture. Provides technical and compliance expertise on DOT, OSHA, and MSHA regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4712	SC-TREASURY	SC All-Blended	Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and investing activities. Monitors capital markets to support financial planning for all subsidiaries. Oversees the administration of corporate pension and 401(k) plans.		Yes	Yes	Yes	Yes	Yes	Yes
4715	SC-F&A LEADERSHIP	SC All-Blended	Provides management and administrative support for accounting functions of the Company's regulated and non-regulated businesses including external audit coordination. Responsible for closing the general ledger for the Company's regulated and non-regulated businesses. Oversees the corporate consolidation of subsidiary financial statements. Prepares monthly internal financial reports for management. Prepares quarterly and annual financial reports to the Securities and Exchange Commission, financial statements to banks and quarterly and annual financial statements filed with FERC. Research emerging accounting issues and assists with the compliance of new accounting rules and regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4717	SC-FIN PLANNING ANALYSIS	SC All-Blended	Provides financial management to the Company's regulated and non-regulated businesses. Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide-budget and forecast. Guides the preparation of strategic plans.		Yes	Yes	Yes	Yes	Yes	Yes

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4718	SC-TALENT ACQUISITION	Employee Ratio	Includes the Talent function of HR and provides full cycle recruiting for positions across the enterprise.		Yes	Yes	Yes	Yes	Yes	
4720	SC-LABOR AND EMPL RELATIONS	Employee Ratio	Includes the Employee & Labor Relations, Compliance, and HRSS/HRIS functions of HR and provides direction for employee-related matters, strategic business advice to leaders, labor relations strategy for the enterprise, and HRIS and HRSS support services for the enterprise.		Yes	Yes	Yes	Yes	Yes	
4721	SC-HR TOTAL REWARDS	Employee Ratio	Administers policies related to compensation and benefits. Oversees the self-insured medical benefits plans and other pooled benefits and provides support to the third-party administrators of the plans. Provides general Human Resources support services to regulatory proceedings.		Yes	Yes	Yes	Yes	Yes	
4722	SC-HR ORGANIZATION DEVELOPMENT	Employee Ratio	Provides for employee and leadership development, succession planning, performance management, goal alignment, employee engagement, strategic workforce planning, talent assessment and general HR support for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	
4723	SC – CORPORATE PLANNING/SUSTAINABILITY/ESG	SC All Blended	Corporate Planning integrates all processes and engages all stakeholders in the development of corporate strategy and alignment of strategic initiatives. Sustainability and ESG (environmental, social and governance) provide the enterprise with climate-related strategies and gives internal and external stakeholders information about the utilities ESG priorities.		Yes	Yes	Yes	Yes	Yes	Yes
4724	SC –ENTERPRISE DATA & ANALYTICS	SC All-Blended	Provides strategic planning and development for enterprise data and analytics products, processes, and technology.		Yes	Yes	Yes	Yes	Yes	Yes
4725	SC-INTERNAL AUDIT	SC All-Blended	Provide independent assurance to the Audit Committee of the Board of Directors and Management related to the quality of risk management activities including: understanding the intersection between organization objectives and risk management approaches; independently evaluating the adequacy, effectiveness, and consistency of controls in relation to achieving defined objectives (including assessing the Sarbanes-Oxley compliance program); and validating that the balance of cost and benefit or risk management activities is consistent with the company's strategy and objectives.		Yes	Yes	Yes	Yes	Yes	Yes
4726	SC-BRAND MGMT & COMMS	SC All-Blended	Develops strategies, plans and tactics for effective communication with internal and external stakeholders. Develops and manages measured customer communications that enhance positive relationships and understanding of energy topics including safety, preparation, and conservation.		Yes	Yes	Yes	Yes	Yes	Yes
4728	SC-POWER DELIVERY MGMT	Power Generation Capacity	Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets.		Yes					Yes
4729	SC-PROPERTY ACCOUNTING	Asset Cost	Maintains Property Accounting records, plant and equipment, book depreciation, Allowance for Funds Used During Construction (AFUDC), for the majority of subsidiaries of the corporation. Assists in compliance with Property Accounting regulatory requirements. Prepares various operating and financial reports for management and regulators.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN PROCUREMENT	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Executes the procurement process including purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders.		Yes	Yes	Yes		Yes	Yes
4732	SC-SUPPLY CHAIN MATERIALS	SC All-Blended (No BHES)	Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials.		Yes	Yes	Yes		Yes	Yes
4734	SC-FLEET SERV	SC All-Blended	Manages fleet expenses, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling of company fleet assets. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations. Manages in-house garages/vehicle shops (excluding WRDC). Manages fleet sustainability data and reporting for ESG (excluding WRDC).		Yes	Yes	Yes	Yes	Yes	Yes
4736	SC-REAL ESTATE & FACILITIES	SC All-Blended	Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning.		Yes	Yes	Yes	Yes	Yes	Yes
4737	SD-I/C FACILITIES	SC Square Footage	Maintains the Share Capital Asset fees (Inter-company rent) for subsidiary owned facilities used by Black Hills Service Company.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances corporate objectives by initiating, influencing, monitoring, and researching government legislation and policies. Acts as a liaison with legislators and other governmental officials. Maintains relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT ADMINISTRATION	SC All-Blended	Provides guidance, governance, and strategic planning to the overall information technology operations.		Yes	Yes	Yes	Yes	Yes	Yes
4743	SC-IT BUS APPS FIN & HR SYSTEMS	SC All-Blended	Manages, maintains, and enhances the finance, human resource, web-based service and enterprise-wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4744	SC-IT BUS APPS CUSTMR SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise-wide business applications.		Yes	Yes				
4745	SC-IT BUS APPS-WEB SYSTEMS	SC All-Blended	Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes	Yes	Yes	Yes	Yes
4746	SC-IT BUS APPS-UTILITY SYSTEMS	SC All-Blended	Manages, maintains, and enhances the electric and natural gas utility enterprise-wide business applications.		Yes	Yes	Yes		Yes	Yes
4747	SC-IT INFRASTRUCTURE & OPERATIONS	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, infrastructure architecture, cloud environments, enterprise applications, and corporate databases. Supports the user endpoint and mobile devices needs for the company and provides mobile expense management services. Operates Help Desk services, technology training, as well as technology support services and field service support for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4748	SC-IT EPMO	SC All-Blended	Provides service company portfolio oversight and standards, governance, and execution for enterprise system and capital service company projects.		Yes	Yes	Yes	Yes	Yes	Yes
4749	SC-IT BUS APPS-EA-INTEG SYSTEMS	SC All-Blended	Manages, maintains, and enhances integrations between enterprise wide business applications and responsible for overall enterprise architecture for solutions across the organization.		Yes	Yes	Yes	Yes	Yes	
4750	SC-IT OPERATIONAL TECHNOLOGY	SC All-Blended	Manages, maintains, and enhances Control System functionality in partnership with Operations staff. Supports Control System infrastructure components, system software, architecture, and disaster recovery. Supports the data and voice network communication needs for the company and provides telecommunication expense management services.		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-ENTERPRISE SECURITY	SC All-Blended	Responsible for security governance, cyber security, physical security, IT risk management, and internal and external audit compliance, change management and legal compliance related to technology.		Yes	Yes	Yes	Yes	Yes	Yes
4754	SC-GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHCOE and BHCIPP for the Pueblo Airport Generation Station		Yes					Yes
4755	SC-IT BUS APPS-ECM & GRC SYSTEMS	SC All-Blended	Manages, maintains, and enhances governance, risk, compliance and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4756	SC-CPGS PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHSDE and BHWYE for the Cheyenne Prairie Generation Station and Corriedale. Operates and manages maintenance for the gas turbines and diesel generators in Rapid City and Gillette.		Yes					Yes
4771	SC-IT COSTS-EMP HDCNT	Employee Ratio	Holds centralized employee related IT costs.		Yes	Yes	Yes	Yes	Yes	
4796	SC-BENEFIT LOADINGS	SC All-Blended	Records overhead benefit costs loaded to labor costs.		Yes	Yes	Yes	Yes	Yes	Yes
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/Distribution	Allocates property assets (transmission)	Yes	Yes					
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes				
4793	SC – ASSET BLENDED	SC All-Blended	Allocates property assets (service company)		Yes	Yes	Yes	Yes	Yes	Yes
4794	SC-BENEFIT POOLED	Employee Ratio	Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	
4795	SC-ACCOUNTING ACCRUAL ENTRIES	SC All-Blended	Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department		Yes	Yes	Yes	Yes	Yes	Yes
4803	SC-NGU ASSET RISK MGMT & STDS	Regulated Natural Gas Blended	Provides asset risk management to evaluate threats throughout the pipeline life cycle in order to reduce risk and enhance system safety for the organization.	Yes		Yes	Yes			
4804	SC-NGU Project Delivery	Regulated Natural Gas Blended	Provides installation/construction oversight of major gas transmission and distribution projects including initiation, planning, installation, commissioning and turnover to Operations.	Yes		Yes	Yes			
4805	SC-NGU DESIGN ENGINEERING	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, design, analyses, and identifying and defining processes for the safe operation of the natural gas system.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY	Regulated Natural Gas Blended	Responsible for implementing API RP 1173 Pipeline Safety Management Systems and reporting DOT regulatory requirements.	Yes		Yes	Yes			

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4807	SC – NGU GIS	Regulated Natural Gas Blended	Responsible for capturing as-built records for all NGU facilities in GIS. Responsible for managing the design, development, configuration, access, integration, testing, and training of the NGU GIS and digital as-building platforms.	Yes		Yes	Yes			
4808	SC – EU GIS	Regulated Electric Customers	Responsible for capturing as-built records for all EU facilities in GIS. Responsible for managing the design, development, configuration, access, integration, and testing of the EU GIS platform.	Yes	Yes					
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/ Distribution	Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages.	Yes	Yes					
4811	SC-OPERATIONAL SERVICES	Regulated Electric Transmission/ Distribution	Maintains operational tools, such as SCADA, and its supporting applications. Verifies systems are upgraded, modified, or replaced as necessary for operating the Transmission & Distribution electrical system. Performs near-term Transmission & Distribution studies to maintain reliability for planned/unplanned maintenance activities.	Yes	Yes					
4812	SC-EU PROJECT DELIVERY	Regulated Electric Transmission/ Distribution	Responsible for project management and execution of projects on the transmission and distribution systems of all three electric utilities.	Yes	Yes					
4813	SC-TRANSMISSION & DISTRIBUTION ENGINEERING	Regulated Electric Transmission/ Distribution	Provides engineering support for electric transmission and distribution lines at all three electric utilities, including planning, design monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/ Distribution	Designs, coordinates, and oversees the electric transmission and distribution substation infrastructure for all three electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same.	Yes	Yes					
4816	SC-GENERATION DISPATCH POWER MARKETING	GDPM	Manages the three electric utilities and others generation units dispatch and energy management services to generating resources on a system wide, least-cost basis.		Yes					Yes
4818	SC-MAINTENANCE	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), Substation Maintenance Services supports the commissioning, maintenance and operation of the substation and line equipment.	Yes	Yes					
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), Vegetation Management supports the vegetation management and related wildfire risk mitigation activities.	Yes	Yes					
4820	SC- EU ELECTRIC SERVICES	Regulated Electric Blended	Electric services leadership resides within this department and is responsible for oversight of Asset Management, Electric Strategy Planning & Policy, Engineering Services & Project Delivery and Electric Utility operational excellence.	Yes	Yes					
4821	SC-PWR SUPPLY AND RENEWABLES	Regulated Electric Blended	Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies.	Yes	Yes					
4822	SC-REGULATORY AND FINANCE	Regulated Utilities- Blended	Provides regulatory financial support for all electric and gas utility regulatory filings including rate reviews, class cost of service studies, rate design, regulatory reporting, adjustment clauses, riders, trackers and other regulatory issues. Also develops and advances regulatory policy and strategy and maintains relationships with regulatory stakeholders. Additionally, provides financial management to the Company's regulated businesses.	Yes	Yes	Yes	Yes			
4823	SC-RELAY & CONTROLS	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), supports the commissioning, maintenance and operation of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS CONTROL SCADA MEASUREMENT	Regulated Natural Gas Customers	Manages and provides Gas control, SCADA communications and Gas Measurement support to NGU field operations.	Yes		Yes				
4825	SC-EU ASSET PROGRAMS	All Customers	For all three Electric Utility Business Units (SDE, COE, WYE), this department provides management and oversight over the primary areas of: vegetation management, pole inspection, line patrol, wildfire risk management, third-party pole attachments, and maintenance observations.	Yes	Yes					

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4826	SC-MDMS & ELECTRIC METER SVCS	All Customers	Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric utilities and manages the MDMS for electric and gas utilities	Yes	Yes	Yes				
4827	SC-DISTRIBUTION STRATEGY	Regulated Electric Transmission/ Distribution	Performs various short and long-range distribution planning studies to ensure reliability of the electric distribution system. Maintains and updated distribution planning models and ensures data integrity in multiple data warehouses related to equipment ratings, AMI data, DER interconnections, and GIS data. Provides distribution planning support to many internal teams including System Control; Legal; Regulatory; Operations; and Utility Construction Planners. Provides distribution projections for the 5 and 10-year financial plans.	Yes	Yes					
4828	SC-NERC COMPLIANCE	Regulated Electric Transmission/ Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards and Western Electricity Coordinating Council (WECC) Regional Reliability Standards and Regional Criteria. Reliability Standards establish requirements to maintain and reduce risks to the security and reliability of the Bulk Electric System	Yes	Yes					
4829	SC-TRANSMISSION STRATEGY	Regulated Electric Transmission/ Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system).Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups.	Yes	Yes					
4830	SC - EU OMS (ADMS) SERVICES	Regulated Electric Customers	Oversee and maintain the distribution outage management/advance distribution management system for all three Electric Utility Business Units (SDE, COE, WYE). Track, report, and maintain the data for EU distribution reliability reporting.	Yes	Yes					
4831	SC-CUSTOMER SERV CALL CENTERS/FRC	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers. Support teams within contact center provide quality analysis and training. A 24/7 field operations dispatch function. Also providing customer energy service interruption and emergency call support.	Yes	Yes	Yes				
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	Manages customer billing, payment, and collections processes. Provides support to customer services areas through customer information system project management and process control for customer information system changes, and revenue assurance analysis.	Yes	Yes	Yes				
4840	SC-STRATEGIC COMMS	All Customers	Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for community growth	Yes	Yes	Yes				
4845	SC- PROGRAMS AND SERVICES (NREG)	Programs and Services Customers (Non-Regulated)	Provides and manages product development and marketing with the primary focus on Service Guard (appliance options) and HomeServe (protection plans) for the non-regulated business for customers.	Yes	Yes	Yes				
4846	SC-UTILITY PROGRAMS & SERVICE	Programs and Services Customers (Regulated)	Provides and manages program development and administration with the primary focus on Choice Gas (supply and pricing options) and Renewable Ready (voluntary renewable solutions) for utility customers.	Yes	Yes	Yes				
4871	SC GAS Supply & Transportation Services	All Customers	Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity, optimization, and procurement of pipeline capacity and services. Additionally, provides for the execution of the sale and management of BHE pipeline and storage capacity and tariff services to third-party Shippers.	Yes	Yes	Yes	Yes			
4872	SC-EXEC MGMT-UTILITIES	Regulated Utilities-Blended	Provides guidance, direction and management to overall utility operations and support services.	Yes	Yes	Yes	Yes	Yes		
4873	SC-ENERGY EFFICIENCY/DSM	All Customers	Supports the energy efficiency programs across the utilities.	Yes	Yes	Yes				
4874	SC-TECHNICAL TRAINING & OQ	Regulated Gas - Blended	Provides technical training and Operator Qualification for gas utilities.	Yes		Yes				

## Appendix 2- Service Company Departments

	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4875	SC-HR ROTATION PROGRAM	Regulated Utilities-Blended	Provides programs designed to attract and develop diverse talent to fill utility operations positions.	Yes	Yes	Yes	Yes			
4876	SC- STRATEGIC INITATIVES	Regulated Utilities-Blended	Provide training and support for utility employees on current and future business process standardization efforts. As well as providing support in the alignment of strategic initiatives for the enterprise.	Yes	Yes	Yes	Yes			
4877	SC-UTILITY TECHNOLOGY SYSTEMS	Regulated Utilities-Blended	Responsible for managing the design, development, configuration, access, integration, and testing of the Field Service Management and Enterprise Asset Management platforms. Responsible for managing the Utility Data and Records Improvement Program.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	SC All- Blended	Manages the company's right of way and other related land rights activities.	No	Yes	Yes	Yes		Yes	Yes
4880	SC-BUSINESS DEVELOPMENT	Regulated Utilities-Blended	Provide customer-focused solutions to serve current and prospective customers of our gas and electric utilities.	Yes	Yes	Yes				
4881	SC-CORP GROWTH & STRATEGY	Regulated Utilities-Blended	Provides the enterprise with energy innovation strategies to assist the enterprise in growth solutions.	Yes	Yes	Yes				
All Other	All Other	SC All-Blended	Departments at Black Hills Corporation and subsidiaries that are not specifically listed in the Cost Allocation Manual or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.		Yes	Yes	Yes	Yes	Yes	Yes
Centralized Utility Departments are primarily for the service of the Utility business units										



### Appendix 3- FERC Functional Accounts – for regulated entities

Account Range	Type of Accounts	50501	50502	50507	50504	50505	50508	50510	50511	50512	50515	50516	50521	50522
		BHP	CLFP-E	COE	KSG	IAG	COG	Shoshone	BHEA	GDCO	RMNG	BHES	GWY	GNE
440 - 449	Electric Sales Revenues	X	X	X										
450 - 455	Misc Electric Revenues	X	X	X										
456 - 457	Electric Transmission Revenues	X	X	X										
480 - 486	Gas Sales Revenues				X	X	X		X	X		X	X	X
487 - 488	Misc Gas Revenues				X	X	X	X	X	X	X	X	X	X
489	Gas Transmission Revenues				X	X	X	X	X	X	X		X	X
490 - 496	Other Gas Revenues				X	X	X	X	X	X	X		X	X
500 - 515	Steam Power Generation	X	X											
517 - 532	Nuclear Power Generation													
535 - 545	Hydraulic Power Generation													
546 - 554	Other Power Generation	X	X	X										
555 - 557	Power Supply Expenses	X	X	X										
560 - 574	Electric Transmission Expenses	X	X	X										
575 - 576	Electric Regional Market Expenses	X	X	X										
580 - 598	Electric Distribution Expenses	X	X	X										
700 - 708	Manufactured Gas Steam Production													
710 - 742	Manufactured Gas Production													
750 - 769	Gas Production & Gathering								X		X		X	
770 - 791	Products Extraction										X			
795 - 798	Gas Exploration & Development													
800 - 813	Gas Supply Expenses				X	X	X		X	X	X		X	X
814 - 837	Gas Storage Expenses								X		X		X	
840 - 843	Other Storage Expenses													
844 - 847	LNG Terminaling Expenses													
850 - 869	Gas Transmission Expenses				X	X	X	X	X	X	X		X	X
870 - 894	Gas Distribution Expenses				X	X	X		X	X			X	X
901 - 905	Customer Accounts Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X
907 - 910	Customer Service and Information Expenses	X	X	X	X	X	X		X	X		X	X	X
911 - 916	Sales Expenses	X	X	X	X	X	X		X	X		X	X	X
920 - 931	Administrative and General Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X
932	Maintenance of general plant (gas)				X	X	X	X	X	X	X	X	X	X
935	Maintenance of general plant (electric)	X	X	X										

# Black Hills Service Company

## Cost Allocation Manual

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Amended: August 1, 2010

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Amended: December 1, 2014

Amended: December 1, 2015

Amended: December 1, 2016

Amended: December 1, 2017

Amended: November 7, 2018

Amended: December 20, 2018

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Amended: December 20, 2020

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Amended: November 1, 2022

Amended: December 20, 2022

Amended: December 20, 2023

# Black Hills Service Company Cost Allocation Manual

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## **Introduction**

The purpose of this cost allocation manual is to document the allocation processes of Black Hills Service Company, from recording the original transaction through the allocation of costs to Black Hills Corporation subsidiaries. Various topics to be addressed include the organization of the Service Company, the recording of transactions, calculating and assigning allocation factors, and recording allocation transactions.

Black Hills Service Company (Service Company) was formed on December 30, 2004 and was fully implemented and operational as of January 1, 2006. The Service Company was formed as required by the Public Utility Holding Company Act of 1935, which was administered by the Securities and Exchange Commission (SEC). Service companies were required of all registered holding companies under this law. Service companies coordinate corporate support functions and distribute costs to registered holding company subsidiaries using pre-defined allocation methodologies that had to be approved by the SEC.

Black Hills Corporation became a registered holding company at the end of 2004, and through a transition period and various amendments to the registered holding company filings, established the date of January 1, 2006 to fully implement the Service Company. In August of 2005, this law was repealed and replaced by the Public Utility Holding Company Act of 2005, which is administered by the Federal Energy Regulatory Commission (FERC). This new law was effective in February of 2006. Although certain administrative and reporting requirements changed as a result of the repeal, Black Hills Corporation did not change its implementation plan.

In 2017, BHC made a strategic business decision to divest its oil and gas division and transition from a diversified energy company to a utility-centered energy company. The divestiture of the oil and gas division followed BHC's earlier decision in 2014 to divest of its energy trading division, all steps in furtherance of its transition to a utility company. As a result of this strategic shift, BHC no longer needed two service companies, the Service Company and Black Hills Utility Holding (BHUH). On January 1, 2019, BHUH transferred its employees and assets to the Service Company. The process improvement results in one Service Company instead of two, eliminating unnecessary complexity and improved visibility for our regulators.

The Service Company is a wholly owned subsidiary of Black Hills Corporation (the Holding Company or BHC) and is a separate legal entity. The only transactions that remain at the Holding Company are transactions pertaining to long-term debt and related deferred finance costs, short-term financing (corporate credit facility and commercial paper program) and related deferred finance costs, and the administration of money pool transactions for both the utility money pool and the non-utility money pool. In addition, as will be discussed in greater detail later, certain corporate costs are charged directly to the Holding Company. The most notable of these types of costs are corporate development project costs.

## **Service Company Organization**

The Service Company is organized into operating departments based upon the services that those departments provide to Black Hills Corporation subsidiaries. A list of each department, as well as a brief description of the services they provide, is attached as Appendix 2.

### Direct Costs versus Indirect Costs

A key issue in distributing Service Company costs is distinguishing between direct and indirect costs. The Operating Unit will change depending on whether the cost is a direct or indirect cost. Costs for shared services are distributed to affiliates within Black Hills through *direct* costs (direct assignable or direct distributed) or *indirect* allocation. Costs are direct charged to the extent possible. Costs that cannot be directly assigned nor distributed reasonably to the applicable business units receive the benefit using indirect allocation. Below is a summary of each of these types of costs and examples of these costs.

**Direct costs** are those costs that are specifically associated with an identified subsidiary or collection of subsidiaries.

Methods of Direct Charges include:

- Direct Cost Assignable: Costs which can be directly identified to support a subsidiary.
- Direct Cost Distributed: Costs that benefit all subsidiaries within a business line (e.g. gas utilities or electric utilities) and are allocated to business lines based on a designated percentage.

Here are some examples:

- A Facilities employee is supporting the facilities management for Black Hills Power. The labor costs incurred in supporting facilities are specifically associated with an identified subsidiary. Therefore, this would be a Direct Cost Assignable.
- A Regulatory employee who directly supports one jurisdiction travels to Rapid City to attend a BHC strategic conference. The time and travel associated with attending the conference shall be Direct Cost Assignable to that employee's business unit they directly support.
- A Gas Engineer is reviewing the Distribution Integrity Management Program for all the gas utilities. This charge cannot be directly attributable to any specific individual business but can be identified to support multiple businesses within the gas utilities. Therefore, this charge would be considered a Direct Cost Distributed.

Methods of Direct Cost Distributed:

Regulated Electric - Blended	Direct Cost Distributed
Regulated Electric - Customers	Direct Cost Distributed
Regulated Electric - Transmission/Distribution	Direct Cost Distributed
Regulated Natural Gas - Blended	Direct Cost Distributed
Regulated Natural Gas - Customers	Direct Cost Distributed
Non-Regulated- Blended	Direct Cost Distributed
GDPM	Direct Cost Distributed
Nameplate Generation Capacity	Direct Cost Distributed
Power Generation Capacity	Direct Cost Distributed

**Indirect costs** are those costs that are not associated with an identified subsidiary. This means that the costs indirectly support all companies or directly support the operation of the Service Company, or all the gas and electric Utilities. In other words, costs that would be directly charged to the Service Company using the definition and examples above would be classified as indirect costs. Here are some examples:

- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.

- A Human Resources representative attends an industry training event. This charge cannot be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost.
- The Corporate Accounting department is completing monthly close of the BHC financials. Since the Corporate Accounting department is supporting the enterprise and all of its subsidiaries, it is impractical to direct code, this charge would be considered an indirect cost.
- A Help Desk technician orders a replacement computer monitor for an employee of the Service Company. This hardware cost incurred is specifically associated with the Service Company. Therefore, this would be an indirect cost.

Methods of Indirect Charges:

SC All – Blended	Indirect
SC All – Employee	Indirect
SC All – Asset Cost	Indirect
SC All – Regulated Customers	Indirect
SC All – Customers (Regulated and Non-Regulated)	Indirect
SC Utility - Blended	Indirect

It is important to consider two things when determining if a cost is a direct cost or an indirect cost: (1) Can the costs that are coded to a specific company or group of companies be substantiated; and (2) Can it be substantiated that a utility-based entity is not subsidizing the operations of non-utility-based company with the time and expenses that have been charged to them. A certain level of judgment will be involved when deciding whether a particular cost should be directly charged or indirectly allocated.

There are certain costs that will always be considered either direct or indirect costs. Below is a list of significant Service Company expenses that follow these rules:

Always considered direct costs:

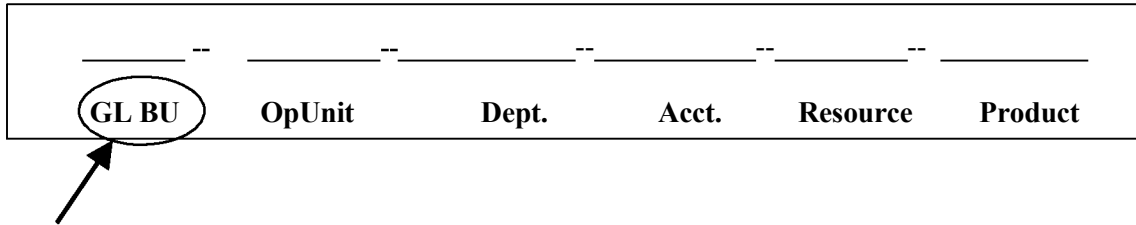
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

Always considered indirect costs:

- Board of Directors’ fees and expenses
- Horizon Point rent
- Depreciation of Service Company assets (recorded in SC All or SC Utility)
- Directors’ and officers’ insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

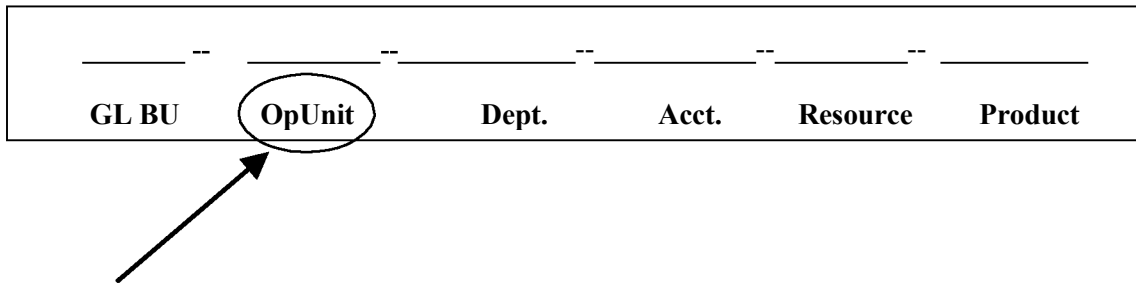
## Transaction Coding

The Service Company uses an accounting software system to accumulate and distribute both direct costs and indirect costs. It is important to have costs properly classified as direct or indirect. Direct costs will be directly charged to the subsidiaries, while indirect costs will be allocated to the subsidiaries using pre-defined allocation factors. Below is a description of the coding.



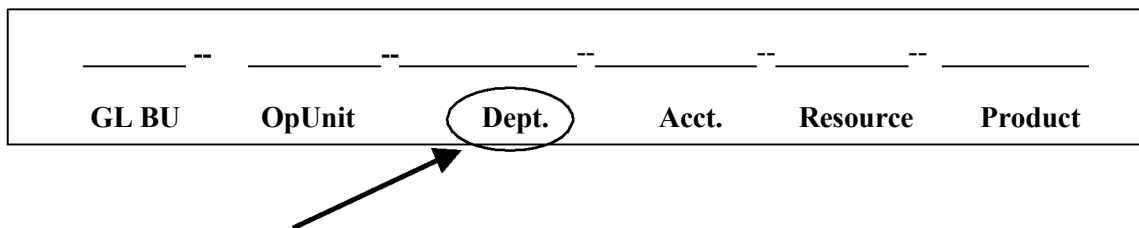
### General Ledger Business Unit (GLBU):

- Five (5) character numeric field.
- The GLBU field is used to identify the company that will be receiving the charges, either as a direct cost or an indirect cost.
- The GLBU field is required on all accounting transactions.
- The GLBU field will default based on the operating unit (Op Unit), as described below.



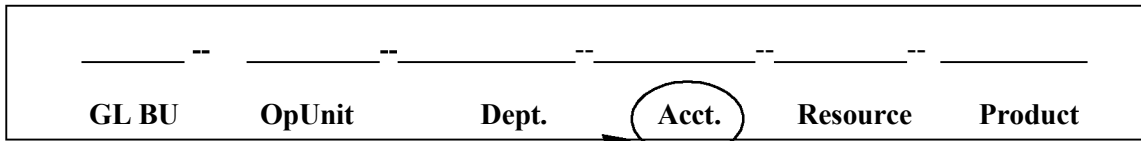
### Operating Unit (OpUnit):

- Six (6) character numeric field.
- The OpUnit field is used to identify the code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- The Op Unit field will be populated using one of the Service Company Op Units for indirect costs. Indirect costs also include costs from other areas of the company that are directly related to the Utility Holding Company.



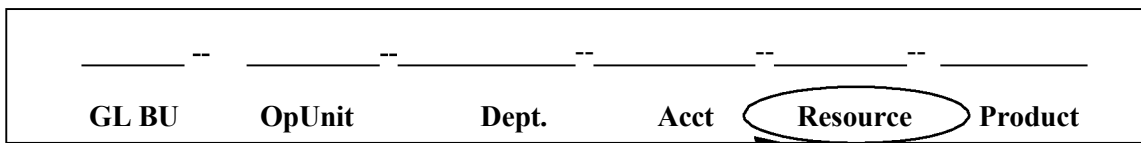
### Department (Dept):

- Four (4) character numeric field.
- The Department field is used to identify where the cost(s) originated.
- The Department field is required on all income statement and capital transactions.
- Every Department is assigned to a GLBU.



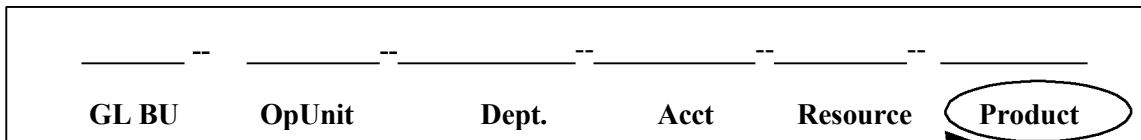
**Account (Acct)**

- Six (6) character numeric field.
- The Account field is required on all accounting transactions.
- All companies will generally use the same Chart of Accounts although some values will be specific to certain companies.



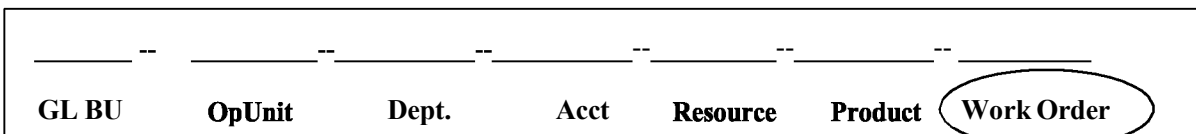
**Resource:**

- Four (4) character numeric field.
- A Resource is used to identify types of costs.
- The Resource field is required for operating expenses and capital accounting transactions.



**Product:**

- Three (3) character numeric field.
- A Product code is used to identify business lines.
- Examples of the product line include electric, gas, and non-regulated



**Work Order:**

- Alpha or numeric field.
- Represents the collection of costs to allow the monitoring of a job or group of costs.
- The Work Order field is required on all construction work in progress transactions



## **Timekeeping**

All Service Company employees are required to complete a timesheet for each two week pay period. Timesheets of appropriate employees must be approved by a supervisor.

Employees must complete the code block, as previously discussed, for each time record. The timesheet will default the department and resource. However, the employee is responsible for providing the remainder of the code block. Employees are encouraged to enter their time in one half hour increments, although they may use smaller increments if they so choose.

## **Loadings**

Certain benefits that are provided to employees become an inherent cost of labor. To account for these benefits and allow for them to be charged to the appropriate subsidiary, they become part of a loading rate that is added on to each payroll dollar.

The loading rates are calculated at the beginning of the year based on budgeted benefit expenses and budgeted labor. Benefit costs and loading rates are reviewed and updated as needed. Below is a list of components of the loading rates:

General labor loadings:

- Compensated Absences: including but not limited to paid time off (PTO), Holiday, Jury duty, Funeral pay, United Way day, Short-term Disability, life cycle leave and Annual Physical appointment.
- Payroll Taxes: including but not limited to FICA, FUTA SUTA and city taxes
- Employee Benefits: including but not limited to health and medical, 401K match and fees, Pension, Retiree healthcare and associated fees
- Incentives: including but not limited to non-officer incentive plans, Restricted Stock and Stock Option expense

Supplemental loadings:

- Officer short term incentive plans
- Officer supplemental retirement
- Officer performance plan

Loadings calculated on payroll are based on estimated benefit costs, therefore, differences between actual benefits will be inherent to this process.

## **Allocation Ratios**

As previously stated, the Service Company costs are either directly charged to a subsidiary or businesses line, or indirectly allocated when they support all companies. Indirect and Direct Cost Distributed are allocated using one of several pre-defined allocation ratios. Each department has been assigned one of these allocation ratios. All indirect and Direct Cost Distributed costs of that department are then allocated using that ratio. When determining which allocation ratio should be assigned to each department, a ratio is selected based on the specific cost driver of that department. For instance, the expenses incurred by a Human Resources department are primarily related to their support of all company employees. In this example, the cost driver for the Human Resources department indirect costs is employees. Therefore, their indirect costs will be allocated based upon the Employee Ratio.

For certain departments, a specific cost driver may not be clearly identifiable, or the driver may not be cost effective to compute on a continuing basis. In these instances, a three-factor general allocation ratio is used, which is referred to as the Blended Ratio. This ratio equally weights three different general ratios: Gross Margin, Asset Cost, and Payroll Dollars. These factors were chosen to be included in the Blended Ratio because they best allocate costs based on the diverse nature of BHC operations.

One additional item to note is that pooled benefits, primarily health care costs, are allocated differently due to the pooling method for benefits such as self-insured health care. BHC has chosen to pool certain benefit costs and spread the risk amongst all subsidiaries equally. All pooled benefit costs of BHC are paid by the Service Company and allocated to subsidiaries based on employee counts.

A list of all allocation ratios, including a brief description of the ratio, the basis for the calculation of the ratio, and the department to which that ratio has been assigned, is attached hereto as Appendix 1.

### **Changing Allocation Ratios**

Allocation ratios are set at the first of the year, based upon financial information from the trailing twelve months ending September 30 for prior year. Assets, utility assets, customer counts, employee counts, and power generation capacity are based on values as of previous period ending September 30. Gross margin, utility gross margin, payroll dollars, and utility payroll dollars are based on values for the trailing twelve months ending September 30.

The Service Company maintains certain departments (reflected as Centralized Utility Departments) that are used by and benefit only the Utilities. These departments include employees and assets that support the utility functions of: regulatory, engineering, customer service, gas supply, etc. Because these costs only support utility subsidiaries; their respected assets, payroll and employee count are allocated to only the utility subsidiaries before arriving at the allocation ratios.

Certain events may occur during the year that are deemed to be significant to BHC that will require corresponding adjustments be made to the allocation ratios. A significant change is any singular event at any individual entity that changes the value of any of the three-factors denominators from the Blended Ratio by more than 3%. Any change would take effect the month following the singular event. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams. Less significant events that may require a change include complete divestiture of a business unit or acquisition of a new business unit. A certain level of judgment is required to determine whether an event is significant enough to require an adjustment to the allocations.

When these events occur, indirect allocation ratios will be adjusted. When adjusting allocation ratios, it is the policy of the Service Company to not recalculate all allocation ratios. Rather, allocation ratios will be adjusted with pro forma adjustments for the subsidiary with a significant change in a specific allocation ratio base. For example, if an acquisition occurs during the middle of the year, pro forma values will be loaded. Asset values at the time of the acquisition would be used, as well as pro forma gross margin and payroll dollars for a 12-month period. It should be noted that estimations may be required, especially when significant additions or changes are expected as a result of the acquisition.

It should also be noted that asset values, gross margin, and payroll dollars for the other companies will not be changed. However, the ratios will change because the base against which the ratios are calculated will change. Subsidiary companies would see decreased ratio values with acquisitions, and increased ratio values with divestitures. Changes will be effective as of the beginning of the month following the significant event and will apply to all transactions for the month.

## **Subsidiary Payment for Direct and Indirect Charges**

It is the policy of the Service Company to ensure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to the Service Company by the end of the following month. The Service Company will monitor payments received during the month to ensure that all subsidiary companies make payment in a timely manner.

### **Allocating Fixed Assets**

The Service Company maintains certain fixed assets that are used by and benefit multiple BHC subsidiaries. These fixed assets primarily consist of computer hardware and software that form the corporate-wide information technology network. Because these fixed assets support multiple BHC subsidiaries, they are allocated to the appropriate subsidiaries monthly as part of the month-end close process, along with the allocation of these assets' accumulated depreciation. Construction Work in Process balances are not allocated.

Allocated assets and accumulated depreciation are maintained in separate general ledger accounts at the subsidiary level so that they are not intermingled with regular subsidiary fixed assets, and for ease of reconciliation.

The allocation ratio used for fixed assets and accumulated depreciation follows the appropriate cost driver.

### **Allocating Capitalized Inventory**

The gas and electric meter shops are Centralized Utility Departments serving the utility operating companies. As meters are purchased, they are recorded as capitalized inventory (charged to plant-in-service) by the Service Company, as the meters are issued out of inventory to the specific operating company those assets are transferred from the Service Company to the specific utility operating companies. All unassigned gas and electric meter investment and accumulated depreciation reserve is held at the Service Company and is allocated to the applicable utilities monthly. The Customer Count Ratio is used for this allocation.

### **Allocating FERC Functional Accounts**

FERC Functional accounts are used by Service Company to code charges in support of the business units. When direct charging to a business unit is not appropriate, using a direct distributed or indirect method is applicable. The FERC functional accounts will be allocated based on one of the allocation ratios identified in Appendix 1 and the receiving regulated entities will align with the Functional Account matrix found in Appendix 3.

## Appendix 1 – Allocation Ratios

*Asset Cost Ratio* – Based on the net cost of assets as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Assets are limited to the direct property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP). In addition to the BHC subsidiaries cost, the Assets shall also include the cost of any third-party assets or minority interests in assets the subsidiaries operate. The Asset Cost Ratio measures the level of investment in the businesses.

*Gross Margin Ratio* – Based on the total gross margin for the trailing twelve months ending September 30, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Gross margin is defined as revenue less cost of sales. Certain intercompany transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party. The Gross Margin Ratio measures where the businesses make money.

*Payroll Dollars Ratio* – Based on the total payroll dollars for the trailing twelve months ending September 30, the numerator of which is the direct payroll charges from all BHC subsidiaries charging the applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000. The Payroll Dollar Ratio measures where the businesses employees spend their time.

*Blended Ratio (SC All)* – A composite ratio comprised of an average of the Asset Cost Ratio, the Payroll Dollars Ratio, and the Gross Margin Ratio. These ratios are equally weighted. This ratio is sometimes referred to as the three-factor blended ratio.

The Service Company is utilizing the following segment variations and additional variations may be added if additional product lines are added or in the event that additional segmentation is deemed appropriate to most effectively allocate costs from a specific department.

SC All-Blended (No BHES)

*Blended Ratio (SC Utility)* – A composite ratio comprised of an average of the Asset Cost Ratio, Payroll Dollar Ratio and the Gross Margin Ratio. These factors are equally weighted. This factor is sometimes referred to as the three-factor blended ratio.

There are currently several variations of the Utility Blended Ratio that are specific to the segment that are appropriate for which charges are being allocated. For example, charges for electric engineering department labor would utilize an electric blended ratio whereby no allocations would be charged to a gas utility.

The Service Company is utilizing the following segment variations and additional variations may be added if additional product lines are added or in the event that additional segmentation is deemed appropriate to most effectively allocate costs from a specific department

Regulated Utilities  
Regulated Electric  
Regulated Natural Gas

*Employee Ratio* – Based on the number of employees as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

*Power Generation Capacity Ratio* – Based on the total power generation capacity as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Power generation includes capacity in service and capacity under construction.

*Nameplate Generation Capacity Ratio* – Based on the total facility’s power generation capacity at the end of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Nameplate generation includes capacity in service and capacity under construction at the facility.

*Square Footage Ratio* – The total square footage of a given facility, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

*Regulated Electric Transmission/Distribution Ratio* – Based on a simple average of a multiple of cross-sectional drivers for the transmission function as of September 30 for the prior year that includes customer counts, peak load, number of substations, number of feeders, number of distribution and transmission miles, and number of remote terminal units. The numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

*Customer Count Ratio* – Based on the number of customers as of September 30 for the prior year, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

There are currently several variations of the Customer Count ratio that are specific to the type of customers that are appropriate to the department for which charges are being allocated. For example, a department that supports gas engineering would be allocated based on gas customers only whereas a general customer service department would be allocated based on total customers.

The Service Company is utilizing the following customer counts to calculate customer count ratios, additional variations may be added if additional product lines are added or in the event that additional segmentation of customers are deemed appropriate to most effectively allocate costs from a specific department

- All Customers
- Regulated Electric Customers
- Regulated Natural Gas Customers
- Programs and Services Customers (Non-Regulated)

*GDPM*–Allocates Generation Dispatch & Power Marketing based on Generating Capacity Managed per the GDEMA (Generation Dispatch and Energy Management Agreement).

## Appendix 2- Service Company Departments

N/A

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4700	SC-ACCOUNTING SYSTEMS	SC All-Blended	Provides system analyst support for Black Hill's key financial systems, including Oracle PeopleSoft ERP, PowerPlan Property and Tax System, Utilities International Planning/Regulatory System, and Openlink (Natural Gas transaction system)		Yes	Yes	Yes	Yes	Yes	Yes
4701	SC-Accounts Payable	SC All-Blended	Provides payment services support for purchased goods and/or services for all Black Hill's entities using People Soft ERP to forward invoices for approvals to the appropriate departments and use FileNet to store backup documents.		Yes	Yes	Yes	Yes	Yes	Yes
4703	SC-CORP GOVERNANCE	SC All-Blended	Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Oversees the administrative duties to the Board of Directors.		Yes	Yes	Yes	Yes	Yes	Yes
4704	SC-TAX SERVICES	SC All-Blended	Prepares quarterly and annual tax provisions of all Black Hills Corporation subsidiaries. Maintains and reconciles all direct and indirect tax general ledger accounts. Prepares tax filings and ensures compliance with applicable laws and regulations. Oversees various tax planning projects to reduce risk, reduce customer and shareholder tax liabilities, and complete mergers and acquisitions.		Yes	Yes	Yes	Yes	Yes	Yes
4705	SC-RISK	SC All-Blended	Provides risk management, risk evaluation, and risk analysis, internal controls, natural gas contract management services. Provides support for the Company's Sarbanes Oxley Compliance program, the Electric, Natural Gas, and BHES risk committees, and the Executive Risk Committee.		Yes	Yes	Yes	Yes	Yes	Yes
4706	SC-LEGAL - CORPORATE	SC All-Blended	Provides legal counsel and services related to general business operations, including labor and employment law, finance, litigation, contracts, utility rates and regulation, financial reporting, Securities and Exchange Commission, Federal Energy Regulatory Commission and other state and federal compliance, environmental matters, real estate and other legal matters. Oversees the hiring and administration of external counsel. Provides legal support to various corporate development projects. Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans.		Yes	Yes	Yes	Yes	Yes	Yes
4709	SC-ENVIRONMENTAL SERVICES	Asset Cost	Establishes policies and procedures for compliance with environmental laws and regulations. Research emerging environmental issues and monitors compliance with environmental requirements. Oversees environmental clean-up projects. Obtains permits to support the business operations of Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4710	SC-EXECUTIVE MGMT	SC All-Blended	Provides overall oversight of Black Hills Corporation and its subsidiaries. Provides the Board of Directors information for decision making purposes.		Yes	Yes	Yes	Yes	Yes	Yes
4711	SC-SAFETY & HEALTH	Employee Ratio	Leads and directs safety and health activities through projects, education and training to achieve industry leading results and establish a strong safety culture. Provides technical and compliance expertise on DOT, OSHA, and MSHA regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4712	SC-TREASURY	SC All-Blended	Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and investing activities. Monitors capital markets to support financial planning for all subsidiaries. Oversees the administration of corporate pension and 401(k) plans.		Yes	Yes	Yes	Yes	Yes	Yes
4715	SC-F&A LEADERSHIP	SC All-Blended	Provides management and administrative support for accounting functions of the Company's regulated and non-regulated businesses including external audit coordination. Responsible for closing the general ledger for the Company's regulated and non-regulated businesses. Oversees the corporate consolidation of subsidiary financial statements. Prepares monthly internal financial reports for management. Prepares quarterly and annual financial reports to the Securities and Exchange Commission, financial statements to banks and quarterly and annual financial statements filed with FERC. Research emerging accounting issues and assists with the compliance of new accounting rules and regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4717	SC-FIN PLANNING ANALYSIS	SC All-Blended	Provides financial management to the Company's regulated and non-regulated businesses. Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide-budget and forecast. Guides the preparation of strategic plans.		Yes	Yes	Yes	Yes	Yes	Yes

## Appendix 2- Service Company Departments

N/A

4718	SC-TALENT ACQUISITION	Employee Ratio	Includes the Talent function of HR and provides full cycle recruiting for positions across the enterprise.		Yes	Yes	Yes	Yes	Yes	
4720	SC-LABOR AND EMPL RELATIONS	Employee Ratio	Includes the Employee & Labor Relations, Compliance, and HRSS/HRIS functions of HR and provides direction for employee-related matters, strategic business advice to leaders, labor relations strategy for the enterprise, and HRIS and HRSS support services for the enterprise.		Yes	Yes	Yes	Yes	Yes	
4721	SC-HR TOTAL REWARDS	Employee Ratio	Administers policies related to compensation, benefits, pension, retiree benefits and relocation. Oversees the self-insured medical benefits plans, retiree plans, other pooled benefits and provides support to the third-party administrators of the plans. Provides general Human Resources support services to regulatory proceedings.		Yes	Yes	Yes	Yes	Yes	
4722	SC-HR ORGANIZATION DEVELOPMENT	Employee Ratio	Provides for employee and leadership development, succession planning, performance management, goal alignment, employee engagement, strategic workforce planning, talent assessment and general HR support for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	
4723	SC - CORPORATE PLANNING/SUSTAINABILITY/ESG	SC All Blended	Corporate Planning integrates all processes and engages all stakeholders in the development of corporate strategy and alignment of strategic initiatives. Sustainability and ESG (environmental, social and governance) provide the enterprise with climate-related strategies and gives internal and external stakeholders information about the utilities ESG priorities.		Yes	Yes	Yes	Yes	Yes	Yes
4724	SC -ENTERPRISE DATA & ANALYTICS	SC All-Blended	Provides strategic planning and development for enterprise data and analytics products, processes, and technology.		Yes	Yes	Yes	Yes	Yes	Yes
4725	SC-INTERNAL AUDIT	SC All-Blended	Provide independent assurance to the Audit Committee of the Board of Directors and Management related to the quality of risk management activities including: understanding the intersection between organization objectives and risk management approaches; independently evaluating the adequacy, effectiveness, and consistency of controls in relation to achieving defined objectives (including assessing the Sarbanes-Oxley compliance program); and validating that the balance of cost and benefit or risk management activities is consistent with the company's strategy and objectives.		Yes	Yes	Yes	Yes	Yes	Yes
4726	SC-BRAND MGMT & COMMS	SC All-Blended	Develops strategies, plans and tactics for effective communication with internal and external stakeholders. Develops and manages measured customer communications that enhance positive relationships and understanding of energy topics including safety, preparation, and conservation.		Yes	Yes	Yes	Yes	Yes	Yes
4728	SC-POWER DELIVERY MGMT	Power Generation Capacity	Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets.		Yes					Yes
4729	SC-PROPERTY ACCOUNTING	Asset Cost	Maintains Property Accounting records, plant and equipment, book depreciation, Allowance for Funds Used During Construction (AFUDC), for the majority of subsidiaries of the corporation. Assists in compliance with Property Accounting regulatory requirements. Prepares various operating and financial reports for management and regulators.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN PROCUREMENT	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders.		Yes	Yes	Yes		Yes	Yes
4732	SC-SUPPLY CHAIN MATERIALS	SC All-Blended (No BHES)	Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials.		Yes	Yes	Yes		Yes	Yes
4734	SC-FLEET SERV	SC All-Blended	Manages fleet expenses, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling of company fleet assets. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations. Manages in-house garages/vehicle shops (excluding WRDC). Manages fleet sustainability data and reporting for ESG (excluding WRDC).		Yes	Yes	Yes	Yes	Yes	Yes
4736	SC-REAL ESTATE & FACILITIES	SC All-Blended	Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning.		Yes	Yes	Yes	Yes	Yes	Yes

## Appendix 2- Service Company Departments

N/A

4737	SC-I/C FACILITIES	SC Square Footage	Maintains the Share Capital Asset fees (Inter-company rent) for subsidiary owned facilities used by Black Hills Service Company.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances strategies for sound public policy benefiting the company, customers, and other stakeholders. Engages in the legislative and policy making process including monitoring analysis, and advocacy. Acts as a liaison with legislators and other governmental officials to provide updates on business plans and operations. Maintains constructive relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT ADMINISTRATION	SC All-Blended	Provides guidance, governance, and strategic planning to the overall information technology operations.		Yes	Yes	Yes	Yes	Yes	Yes
4743	SC-IT BUS APPS FIN & HR SYSTEMS	SC All-Blended	Manages, maintains, and enhances the finance, human resource, web-based service and enterprise-wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4744	SC-IT BUS APPS CUSTMR SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise-wide business applications.		Yes	Yes				
4745	SC-IT BUS APPS-WEB SYSTEMS	SC All-Blended	Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes	Yes	Yes	Yes	Yes
4746	SC-IT BUS APPS-UTILITY SYSTEMS	SC All-Blended	Manages, maintains, and enhances the electric and natural gas utility enterprise-wide business applications.		Yes	Yes	Yes		Yes	Yes
4747	SC-IT INFRASTRUCTURE & OPERATIONS	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, infrastructure architecture, cloud environments, enterprise applications, and corporate databases. Supports the user endpoint and mobile devices needs for the company and provides mobile expense management services. Operates Help Desk services, technology training, as well as technology support services and field service support for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4748	SC-IT EPMO	SC All-Blended	Provides service company portfolio oversight and standards, governance, and execution for enterprise system and capital service company projects.		Yes	Yes	Yes	Yes	Yes	Yes
4749	SC-IT BUS APPS-EA-INTEG SYSTEMS	SC All-Blended	Manages, maintains, and enhances integrations between enterprise wide business applications and responsible for overall enterprise architecture for solutions across the organization.		Yes	Yes	Yes	Yes	Yes	
4750	SC-IT OPERATIONAL TECHNOLOGY	SC All-Blended	Manages, maintains, and enhances Control System functionality in partnership with Operations staff. Supports Control System infrastructure components, system software, architecture, and disaster recovery. Supports the data and voice network communication needs for the company and provides telecommunication expense management services.		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-ENTERPRISE SECURITY	SC All-Blended	Responsible for Enterprise Security for Black Hills Energy, which includes Security Governance, Cyber Security, Physical Security, Identity and Access Management, IT Risk Management, and IT Compliance.		Yes	Yes	Yes	Yes	Yes	Yes
4754	SC-GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHCOE and BHCIPP for the Pueblo Airport Generation Station		Yes					Yes
4755	SC-IT BUS APPS-ECM & GRC SYSTEMS	SC All-Blended	Manages, maintains, and enhances governance, risk, compliance and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes



## Appendix 2- Service Company Departments

N/A

4756	SC-CPGS PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHSDE and BHWYE for the Cheyenne Prairie Generation Station and Corriedale. Operates and manages maintenance for the gas turbines and diesel generators in Rapid City and Gillette.		Yes						Yes
4757	SC-TRANSFORMATION MGMT OFFICE	SC All Blended	Deliver business transformation to be a connected and simple company positioned for growth through transformational projects that involve a holistic rethinking and reshaping of aspects of our company. Such projects require substantial investments in people, processes, technology and data to fundamentally enhance or deliver new capabilities.		Yes	Yes	Yes	Yes	Yes	Yes	Yes
4758	SC-POWER PLANT OPERATIONS	Nameplate Generation Capacity	Operates all gas turbine, diesel, and renewable generation assets for BHCOE, BHCIPP, BHSDE, and BHWYE		Yes						Yes
4759	SC-RENEWABLE GEN MAINTENANCE	Nameplate Generation Capacity	Manages the renewable generation for BHCOE, BHCIPP, BHSDE, and BHWYE.		Yes						Yes
4761	SC-UTILITY SERVICES	SC All-Blended	Provides a center of knowledge, concentrating on developing analytics and resources to improve service and cost efficiency, measure and track operational performance, develop, and standardize efficient processes and governance activities across business units.		Yes	Yes	Yes	Yes	Yes	Yes	Yes
4771	SC-IT COSTS-EMP HDCNT	Employee Ratio	Holds centralized employee related IT costs.		Yes	Yes	Yes	Yes	Yes		
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/ Distribution	Allocates property assets (transmission)	Yes	Yes						
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes					
4793	SC – ASSET BLENDED	SC All-Blended	Allocates property assets (service company)		Yes	Yes	Yes	Yes	Yes	Yes	Yes
4794	SC-BENEFIT POOLED	Employee Ratio	Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes		
4795	SC-ACCOUNTING ACCRUAL ENTRIES	SC All-Blended	Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department		Yes	Yes	Yes	Yes	Yes	Yes	Yes
4796	SC-BENEFIT LOADINGS	SC All-Blended	Records overhead benefit costs loaded to labor costs.		Yes	Yes	Yes	Yes	Yes	Yes	Yes
4803	SC-NGU ASSET RISK MGMT & STDS	Regulated Natural Gas Blended	Provides asset risk management to evaluate threats throughout the pipeline life cycle in order to reduce risk and enhance system safety for the organization. Responsible for maintaining updated Operations and Maintenance manuals in compliance with state and federal pipeline safety regulations.	Yes		Yes	Yes				
4804	SC-NGU Project Delivery	Regulated Natural Gas Blended	Provides installation/construction oversight of major gas transmission and distribution projects including initiation, planning, installation, commissioning and turnover to Operations.	Yes		Yes	Yes				

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N/A

4805	SC-NGU DESIGN ENGINEERING	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, design, analyses, and identifying and defining processes for the safe operation of the natural gas system.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY	Regulated Natural Gas Blended	Responsible for implementing API RP 1173 Pipeline Safety Management Systems and reporting DOT regulatory requirements.	Yes		Yes	Yes			
4807	SC – NGU GIS	Regulated Natural Gas Blended	Responsible for capturing as-built records for all NGU facilities in GIS. Responsible for managing the design, development, configuration, access, integration, testing, and training of the NGU GIS and digital as-building platforms.	Yes		Yes	Yes			
4808	SC – EU GIS	Regulated Electric Customers	Responsible for capturing as-built records for all EU facilities in GIS. Responsible for managing the design, development, configuration, access, integration, and testing of the EU GIS platform.	Yes	Yes					
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/ Distribution	Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages.	Yes	Yes					
4811	SC-OPERATIONAL SERVICES	Regulated Electric Transmission/ Distribution	Maintains operational tools, such as SCADA, and its supporting applications. Verifies systems are upgraded, modified, or replaced to as necessary for operating the Transmission & Distribution electrical system. Performs near-term Transmission & Distribution studies to maintain reliability for planned/unplanned maintenance activities.	Yes	Yes					
4812	SC-EU PROJECT DELIVERY	Regulated Electric Transmission/ Distribution	Responsible for project management and execution of projects on the transmission and distribution systems of all three electric utilities.	Yes	Yes					
4813	SC-TRANSMISSION & DISTRIBUTION ENGINEERING	Regulated Electric Transmission/ Distribution	Provides engineering support for electric transmission and distribution lines at all three electric utilities, including planning, design, monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/ Distribution	Designs, coordinates, and oversees the electric transmission and distribution substation infrastructure for all three electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same.	Yes	Yes					
4816	SC-GENERATION DISPATCH POWER MARKETING	GDPM	Manages the three electric utilities and others generation units dispatch and energy management services to generating resources on a system wide, least-cost basis.		Yes					Yes
4818	SC-MAINTENANCE	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), Substation Maintenance Services supports the commissioning, maintenance and operation of the substation and line equipment.	Yes	Yes					
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), Vegetation Management supports the vegetation management and related wildfire risk mitigation activities.	Yes	Yes					
4820	SC- EU ELECTRIC SERVICES	Regulated Electric Blended	Electric services leadership resides within this department and is responsible for oversight of Asset Management, Electric Strategy Planning & Policy, Engineering Services & Project Delivery.	Yes	Yes					
4821	SC-PWR SUPPLY AND RENEWABLES	Regulated Electric Blended	Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies.	Yes	Yes					

## Appendix 2- Service Company Departments

N/A

4822	SC-REGULATORY	Regulated Utilities-Blended	Provides regulatory support for all electric and gas utility regulatory filings including rate reviews, class cost of service studies, rate design, regulatory reporting, adjustment clauses, riders, trackers and other regulatory issues. Also develops and advances regulatory policy and strategy and maintains relationships with regulatory stakeholders.	Yes	Yes	Yes	Yes			
4823	SC-RELAY & CONTROLS	Regulated Electric Transmission/Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), supports the commissioning, maintenance and operation of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS CONTROL SCADA MEASUREMENT	Regulated Natural Gas Customers	Manages and provides Gas control, SCADA communications and Gas Measurement support to NGU field operations.	Yes		Yes				
4825	SC-EU ASSET PROGRAMS	All Customers	For all three Electric Utility Business Units (SDE, COE, WYE), this department provides management and oversight over the primary areas of: vegetation management, pole inspection, line patrol, wildfire risk management, and third-party pole attachments.	Yes	Yes					
4826	SC-MDMS & ELECTRIC METER SVCS	All Customers	Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric utilities and manages the MDMS for electric and gas utilities	Yes	Yes	Yes				
4827	SC-DISTRIBUTION STRATEGY	Regulated Electric Transmission/Distribution	Performs various short and long-range distribution planning studies to ensure reliability of the electric distribution system. Maintains and updated distribution planning models and ensures data integrity in multiple data warehouses related to equipment ratings, AMI data, DER interconnections, and GIS data. Provides distribution planning support to many internal teams including System Control; Legal; Regulatory; Operations; and Utility Construction Planners. Provides distribution projections for the 5 and 10-year financial plans.	Yes	Yes					
4828	SC-NERC COMPLIANCE	Regulated Electric Transmission/Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards and Western Electricity Coordinating Council (WECC) Regional Reliability Standards and Regional Criteria. Reliability Standards establish requirements to maintain and reduce risks to the security and reliability of the Bulk Electric System.	Yes	Yes					
4829	SC-TRANSMISSION STRATEGY	Regulated Electric Transmission/Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system).Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups.	Yes	Yes					
4830	SC - EU OMS (ADMS) SERVICES	Regulated Electric Customers	Oversee and maintain the distribution outage management/advance distribution management system for all three Electric Utility Business Units (SDE, COE, WYE). Track, report, and maintain the data for EU distribution reliability reporting.	Yes	Yes					
4831	SC-CUSTOMER SERV CALL CENTERS/FRC	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers. Support teams within contact center provide quality analysis and training. A 24/7 field operations dispatch function. Also providing customer energy service interruption and emergency call support.	Yes	Yes	Yes				
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	Manages customer billing, payment, and collections processes. Provides support to customer services areas through customer information system project management and process control for customer information system changes, and revenue assurance analysis.	Yes	Yes	Yes				
4840	SC-STRATEGIC COMMS	All Customers	Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for community growth	Yes	Yes	Yes				
4845	SC- PROGRAMS AND SERVICES (NREG)	Programs and Services Customers (Non-Regulated)	Provides and manages product development and marketing with the primary focus on Service Guard (appliance options) and HomeServe (protection plans) for the non-regulated business for customers.	Yes	Yes	Yes				

## Appendix 2- Service Company Departments

N/A

4846	SC-UTILITY PROGRAMS & SERVICE	Programs and Services Customers (Regulated)	Provides and manages program development and administration with the primary focus on Choice Gas (supply and pricing options) and Renewable Ready (voluntary renewable solutions) for utility customers.	Yes	Yes	Yes				
4871	SC GAS Supply & Transportation Services	All Customers	Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity, optimization, and procurement of pipeline capacity and services. Additionally, provides for the execution of the sale and management of BHE pipeline and storage capacity and tariff services to third-party Shippers.	Yes	Yes	Yes	Yes			
4872	SC-EXEC MGMT-UTILITIES	Regulated Utilities- Blended	Provides guidance, direction and management to overall utility operations and support services.	Yes	Yes	Yes	Yes	Yes		
4873	SC-ENERGY EFFICIENCY/DSM	All Customers	Supports the energy efficiency programs across the utilities.	Yes	Yes	Yes				
4874	SC-TECHNICAL TRAINING & OQ	Regulated Gas - Blended	Provides technical training and Operator Qualification for gas utilities.	Yes		Yes				
4875	SC-HR ROTATION PROGRAM	Regulated Utilities- Blended	Provides programs designed to attract and develop diverse talent to fill utility operations positions.	Yes		Yes				
4877	SC-UTILITY TECHNOLOGY SYSTEMS	Regulated Utilities- Blended	Responsible for managing the design, development, configuration, access, integration, and testing of the Field Service Management and Enterprise Asset Management platforms. Responsible for managing the Utility Data and Records Improvement Program.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	SC All- Blended	Manages the company's right of way and other related land rights activities.		Yes	Yes	Yes		Yes	Yes
4880	SC-BUSINESS DEVELOPMENT	Regulated Utilities- Blended	Provide customer-focused solutions to serve current and prospective customers of our gas and electric utilities.	Yes	Yes	Yes				
4881	SC-CORP GROWTH & STRATEGY	Regulated Utilities- Blended	Provides the enterprise with energy innovation strategies to assist the enterprise in growth solutions.	Yes	Yes	Yes				
All Other	All Other	SC All-Blended	Departments at Black Hills Corporation and subsidiaries that are not specifically listed in the Cost Allocation Manual or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.		Yes	Yes	Yes	Yes	Yes	Yes
Centralized Utility Departments are primarily for the service of the Utility business units										

### Appendix 3- FERC Functional Accounts – for regulated entities

Account Range	Type of Accounts	50501	50502	50507	50504	50505	50508	50510	50511	50512	50515	50516	50521	50522
		BHP	CLFP-E	COE	KSG	IAG	COG	Shoshone	BHEA	GDCO	RMNG	BHES	GWY	GNE
440 - 449	Electric Sales Revenues	X	X	X										
450 - 455	Misc Electric Revenues	X	X	X										
456 - 457	Electric Transmission Revenues	X	X	X										
480 - 486	Gas Sales Revenues				X	X	X		X	X		X	X	X
487 - 488	Misc Gas Revenues				X	X	X	X	X	X	X	X	X	X
489	Gas Transmission Revenues				X	X	X	X	X	X	X		X	X
490 - 496	Other Gas Revenues				X	X	X	X	X	X	X		X	X
500 - 515	Steam Power Generation	X	X											
517 - 532	Nuclear Power Generation													
535 - 545	Hydraulic Power Generation													
546 - 554	Other Power Generation	X	X	X										
555 - 557	Power Supply Expenses	X	X	X										
560 - 574	Electric Transmission Expenses	X	X	X										
575 - 576	Electric Regional Market Expenses	X	X	X										
580 - 598	Electric Distribution Expenses	X	X	X										
700 - 708	Manufactured Gas Steam Production													
710 - 742	Manufactured Gas Production													
750 - 769	Gas Production & Gathering								X		X		X	
770 - 791	Products Extraction										X			
795 - 798	Gas Exploration & Development													
800 - 813	Gas Supply Expenses				X	X	X		X	X	X		X	X
814 - 837	Gas Storage Expenses								X		X		X	
840 - 843	Other Storage Expenses													
844 - 847	LNG Terminaling Expenses													
850 - 869	Gas Transmission Expenses				X	X	X	X	X	X	X		X	X
870 - 894	Gas Distribution Expenses				X	X	X		X	X			X	X
901 - 905	Customer Accounts Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X
907 - 910	Customer Service and Information Expenses	X	X	X	X	X	X		X	X		X	X	X
911 - 916	Sales Expenses	X	X	X	X	X	X		X	X		X	X	X
920 – 931	Administrative and General Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X
932	Maintenance of general plant (gas)				X	X	X	X	X	X	X	X	X	X
935	Maintenance of general plant (electric)	X	X	X										

# Black Hills Service Company

## Cost Allocation Manual

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Amended: December 1, 2015

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Amended: November 1, 2022

Amended: December 20, 2022

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# Black Hills Service Company Cost Allocation Manual

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## **Introduction**

The purpose of this cost allocation manual is to document the allocation processes of Black Hills Service Company, from recording the original transaction through the allocation of costs to Black Hills Corporation subsidiaries. Various topics to be addressed include the organization of the Service Company, the recording of transactions, calculating and assigning allocation factors, and recording allocation transactions.

Black Hills Service Company (Service Company) was formed on December 30, 2004 and was fully implemented and operational as of January 1, 2006. The Service Company was formed as required by the Public Utility Holding Company Act of 1935, which was administered by the Securities and Exchange Commission (SEC). Service companies were required of all registered holding companies under this law. Service companies coordinate corporate support functions and distribute costs to registered holding company subsidiaries using pre-defined allocation methodologies that had to be approved by the SEC.

Black Hills Corporation became a registered holding company at the end of 2004, and through a transition period and various amendments to the registered holding company filings, established the date of January 1, 2006 to fully implement the Service Company. In August of 2005, this law was repealed and replaced by the Public Utility Holding Company Act of 2005, which is administered by the Federal Energy Regulatory Commission (FERC). This new law was effective in February of 2006. Although certain administrative and reporting requirements changed as a result of the repeal, Black Hills Corporation did not change its implementation plan.

In 2017, BHC made a strategic business decision to divest its oil and gas division and transition from a diversified energy company to a utility-centered energy company. The divestiture of the oil and gas division followed BHC's earlier decision in 2014 to divest of its energy trading division, all steps in furtherance of its transition to a utility company. As a result of this strategic shift, BHC no longer needed two service companies, the Service Company and Black Hills Utility Holding (BHUH). On January 1, 2019, BHUH transferred its employees and assets to the Service Company. The process improvement results in one Service Company instead of two, eliminating unnecessary complexity and improved visibility for our regulators.

The Service Company is a wholly owned subsidiary of Black Hills Corporation (the Holding Company or BHC) and is a separate legal entity. The only transactions that remain at the Holding Company are transactions pertaining to long-term debt and related deferred finance costs, short-term financing (corporate credit facility and commercial paper program) and related deferred finance costs, and the administration of money pool transactions for both the utility money pool and the non-utility money pool. In addition, as will be discussed in greater detail later, certain corporate costs are charged directly to the Holding Company. The most notable of these types of costs are corporate development project costs.

## **Service Company Organization**

The Service Company is organized into operating departments based upon the services that those departments provide to Black Hills Corporation subsidiaries. A list of each department, as well as a brief description of the services they provide, is attached as Appendix 2.



## Direct Costs versus Indirect Costs

A key issue in distributing Service Company costs is distinguishing between direct and indirect costs. The Operating Unit will change depending on whether the cost is a direct or indirect cost. Costs for shared services are distributed to affiliates within Black Hills through *direct* costs (direct assignable or direct distributed) or *indirect* allocation. Costs are direct charged to the extent possible. Costs that cannot be directly assigned nor distributed reasonably to the applicable business units receive the benefit using indirect allocation. Below is a summary of each of these types of costs and examples of these costs.

**Direct costs** are those costs that are specifically associated with an identified subsidiary or collection of subsidiaries.

Methods of Direct Charges include:

- Direct Cost Assignable: Costs which can be directly identified to support a subsidiary.
- Direct Cost Distributed: Costs that benefit all subsidiaries within a business line (e.g. gas utilities or electric utilities) and are allocated to business lines based on a designated percentage.

Here are some examples:

- A Facilities employee is supporting the facilities management for Black Hills Power. The labor costs incurred in supporting facilities are specifically associated with an identified subsidiary. Therefore, this would be a Direct Cost Assignable.
- A Regulatory employee who directly supports one jurisdiction travels to Rapid City to attend a BHC strategic conference. The time and travel associated with attending the conference shall be Direct Cost Assignable to that employee's business unit they directly support.
- A Gas Engineer is reviewing the Distribution Integrity Management Program for all the gas utilities. This charge cannot be directly attributable to any specific individual business but can be identified to support multiple businesses within the gas utilities. Therefore, this charge would be considered a Direct Cost Distributed.

Methods of Direct Cost Distributed:

Regulated Electric - Blended	Direct Cost Distributed
Regulated Electric - Customers	Direct Cost Distributed
Regulated Electric - Transmission/Distribution	Direct Cost Distributed
Regulated Natural Gas - Blended	Direct Cost Distributed
Regulated Natural Gas - Customers	Direct Cost Distributed
Non-Regulated- Blended	Direct Cost Distributed
GDPM	Direct Cost Distributed
Nameplate Generation Capacity	Direct Cost Distributed
Power Generation Capacity	Direct Cost Distributed

**Indirect costs** are those costs that are not associated with an identified subsidiary. This means that the costs indirectly support all companies or directly support the operation of the Service Company, or all the gas and electric Utilities. In other words, costs that would be directly charged to the Service Company using the definition and examples above would be classified as indirect costs. Here are some examples:

- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.

- A Human Resources representative attends an industry training event. This charge cannot be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost.
- The Corporate Accounting department is completing monthly close of the BHC financials. Since the Corporate Accounting department is supporting the enterprise and all of its subsidiaries, it is impractical to direct code, this charge would be considered an indirect cost.
- A Help Desk technician orders a replacement computer monitor for an employee of the Service Company. This hardware cost incurred is specifically associated with the Service Company. Therefore, this would be an indirect cost.

Methods of Indirect Charges:

SC All – Blended	Indirect
SC All – Employee	Indirect
SC All – Asset Cost	Indirect
SC All – Regulated Customers	Indirect
SC All – Customers (Regulated and Non-Regulated)	Indirect
SC Utility - Blended	Indirect
SC All – Customer Asset	Indirect

It is important to consider two things when determining if a cost is a direct cost or an indirect cost: (1) Can the costs that are coded to a specific company or group of companies be substantiated; and (2) Can it be substantiated that a utility-based entity is not subsidizing the operations of non-utility-based company with the time and expenses that have been charged to them. A certain level of judgment will be involved when deciding whether a particular cost should be directly charged or indirectly allocated.

There are certain costs that will always be considered either direct or indirect costs. Below is a list of significant Service Company expenses that follow these rules:

Always considered direct costs:

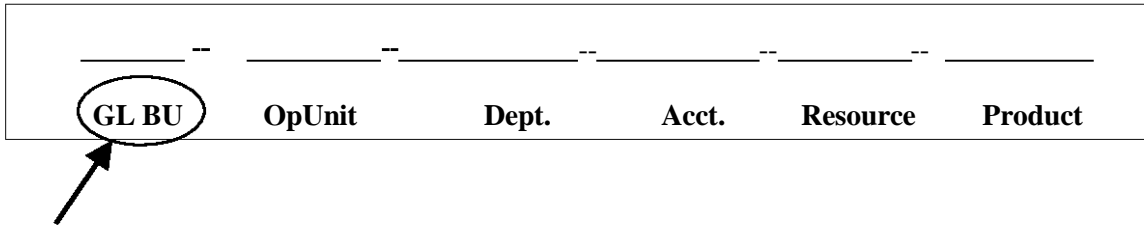
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

Always considered indirect costs:

- Board of Directors' fees and expenses
- Horizon Point rent
- Depreciation of Service Company assets (recorded in SC All or SC Utility)
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

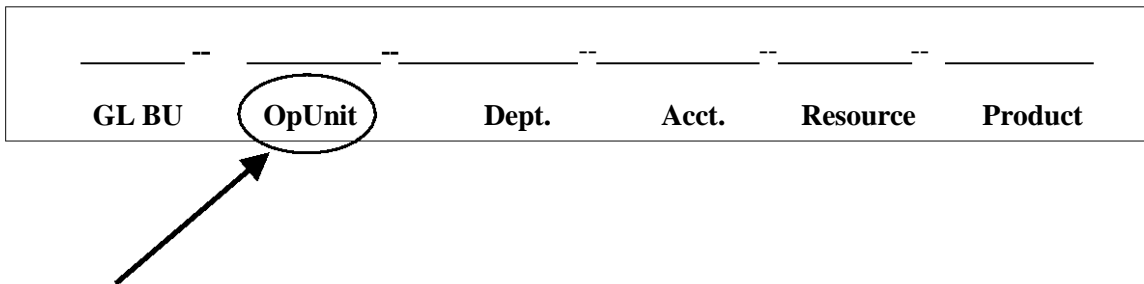
## Transaction Coding

The Service Company uses an accounting software system to accumulate and distribute both direct costs and indirect costs. It is important to have costs properly classified as direct or indirect. Direct costs will be directly charged to the subsidiaries, while indirect costs will be allocated to the subsidiaries using pre-defined allocation factors. Below is a description of the coding.



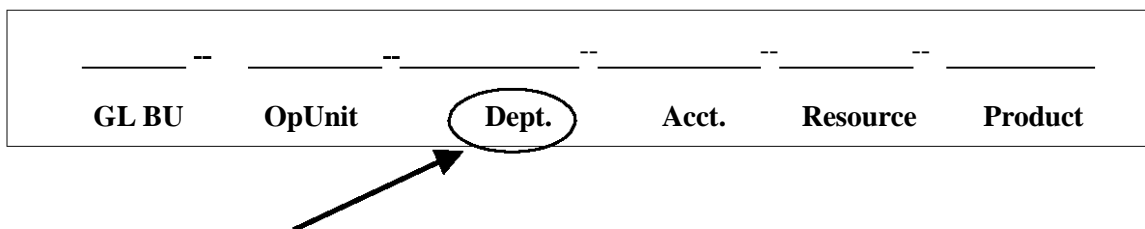
### General Ledger Business Unit (GLBU):

- Five (5) character numeric field.
- The GLBU field is used to identify the company that will be receiving the charges, either as a direct cost or an indirect cost.
- The GLBU field is required on all accounting transactions.
- The GLBU field will default based on the operating unit (Op Unit), as described below.



### Operating Unit (OpUnit):

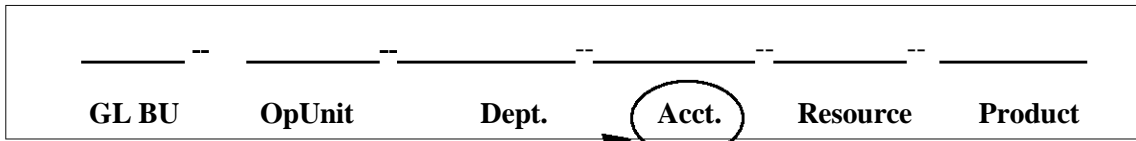
- Six (6) character numeric field.
- The OpUnit field is used to identify the code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- The Op Unit field will be populated using one of the Service Company Op Units for indirect costs. Indirect costs also include costs from other areas of the company that are directly related to the Utility Holding Company.



### Department (Dept):

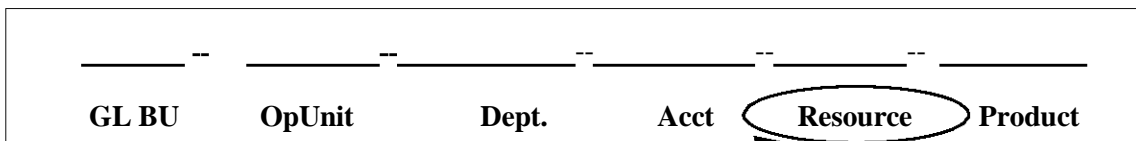
- Four (4) character numeric field.
- The Department field is used to identify where the cost(s) originated.

- The Department field is required on all income statement and capital transactions.
- Every Department is assigned to a GLBU.



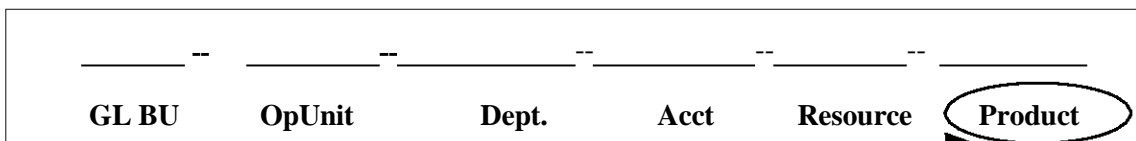
**Account (Acct)**

- Six (6) character numeric field.
- The Account field is required on all accounting transactions.
- All companies will generally use the same Chart of Accounts although some values will be specific to certain companies.



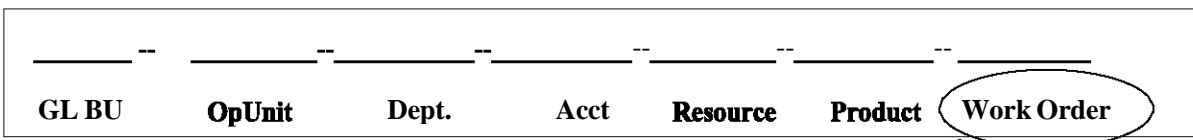
**Resource:**

- Four (4) character numeric field.
- A Resource is used to identify types of costs.
- The Resource field is required for operating expenses and capital accounting transactions.



**Product:**

- Three (3) character numeric field.
- A Product code is used to identify business lines.
- Examples of the product line include electric, gas, and non-regulated



**Work Order:**

- Alpha or numeric field.
- Represents the collection of costs to allow the monitoring of a job or group of costs.
- The Work Order field is required on all construction work in progress transactions

## **Timekeeping**

All Service Company employees are required to complete a timesheet for each two week pay period. Timesheets of appropriate employees must be approved by a supervisor.

Employees must complete the code block, as previously discussed, for each time record. The timesheet will default the department and resource. However, the employee is responsible for providing the remainder of the code block. Employees are encouraged to enter their time in one half hour increments, although they may use smaller increments if they so choose.

## **Loadings**

Certain benefits that are provided to employees become an inherent cost of labor. To account for these benefits and allow for them to be charged to the appropriate subsidiary, they become part of a loading rate that is added on to each payroll dollar.

The loading rates are calculated at the beginning of the year based on budgeted benefit expenses and budgeted labor. Benefit costs and loading rates are reviewed and updated as needed. Below is a list of components of the loading rates:

### **General labor loadings:**

- **Compensated Absences:** including but not limited to paid time off (PTO), Holiday, Jury duty, Funeral pay, United Way day, Short-term Disability, life cycle leave and Annual Physical appointment.
- **Payroll Taxes:** including but not limited to FICA, FUTA SUTA and city taxes
- **Employee Benefits:** including but not limited to health and medical, 401K match and fees, Pension, Retiree healthcare and associated fees
- **Incentives:** including but not limited to non-officer incentive plans, Restricted Stock and Stock Option expense

### **Supplemental loadings:**

- Officer short term incentive plans
- Supplemental retirement
- Officer performance plan

Loadings calculated on payroll are based on estimated benefit costs, therefore, differences between actual benefits will be inherent to this process.

## **Allocation Ratios**

As previously stated, the Service Company costs are either directly charged to a subsidiary or businesses line, or indirectly allocated when they support all companies. Indirect and Direct Cost Distributed are allocated using one of several pre-defined allocation ratios. Each department has been assigned one of these allocation ratios. All indirect and Direct Cost Distributed costs of that department are then allocated using that ratio. When determining which allocation ratio should be assigned to each department, a ratio is selected based on the specific cost driver of that department. For instance, the expenses incurred by a Human Resources department are primarily related to their support of all company employees. In this example, the cost driver for the Human Resources department indirect costs is employees. Therefore, their indirect costs will be allocated based upon the Employee Ratio.

For certain departments, a specific cost driver may not be clearly identifiable, or the driver may not be cost effective to compute on a continuing basis. In these instances, a three-factor general allocation ratio is used, which is referred to as the Blended Ratio. This ratio equally weights three different general ratios: Gross Margin, Asset Cost, and Payroll Dollars. These factors were chosen to be included in the Blended Ratio because they best allocate costs based on the diverse nature of BHC operations.

One additional item to note is that pooled benefits, primarily health care costs, are allocated differently due to the pooling method for benefits such as self-insured health care. BHC has chosen to pool certain benefit costs and spread the risk amongst all subsidiaries equally. All pooled benefit costs of BHC are paid by the Service Company and allocated to subsidiaries based on employee counts.

A list of all allocation ratios, including a brief description of the ratio, the basis for the calculation of the ratio, and the department to which that ratio has been assigned, is attached hereto as Appendix 1.

### **Changing Allocation Ratios**

Allocation ratios are set at the first of the year, based upon financial information from the trailing twelve months ending September 30 for prior year. Assets, utility assets, customer counts, employee counts, and power generation capacity are based on values as of previous period ending September 30. Gross margin, utility gross margin, payroll dollars, and utility payroll dollars are based on values for the trailing twelve months ending September 30.

The Service Company maintains certain departments (reflected as Centralized Utility Departments) that are used by and benefit only the Utilities. These departments include employees and assets that support the utility functions of: regulatory, engineering, customer service, gas supply, etc. Because these costs only support utility subsidiaries; their respected assets, payroll and employee count are allocated to only the utility subsidiaries before arriving at the allocation ratios.

Certain events may occur during the year that are deemed to be significant to BHC that will require corresponding adjustments be made to the allocation ratios. A significant change is any singular event at any individual entity that changes the value of any of the three-factors denominators from the Blended Ratio by more than 3%. Any change would take effect the month following the singular event. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams. Less significant events that may require a change include complete divestiture of a business unit or acquisition of a new business unit. A certain level of judgment is required to determine whether an event is significant enough to require an adjustment to the allocations.

When these events occur, indirect allocation ratios will be adjusted. When adjusting allocation ratios, it is the policy of the Service Company to not recalculate all allocation ratios. Rather, allocation ratios will be adjusted with pro forma adjustments for the subsidiary with a significant change in a specific allocation ratio base. For example, if an acquisition occurs during the middle of the year, pro forma values will be loaded. Asset values at the time of the acquisition would be used, as well as pro forma gross margin and payroll dollars for a 12-month period. It should be noted that estimations may be required, especially when significant additions or changes are expected as a result of the acquisition.

It should also be noted that asset values, gross margin, and payroll dollars for the other companies will not be changed. However, the ratios will change because the base against which the ratios are calculated will change. Subsidiary companies would see decreased ratio values with acquisitions, and increased ratio values with divestitures. Changes will be effective as of the beginning of the month following the significant event and will

apply to all transactions for the month.

### **Subsidiary Payment for Direct and Indirect Charges**

It is the policy of the Service Company to ensure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to the Service Company by the end of the following month. The Service Company will monitor payments received during the month to ensure that all subsidiary companies make payment in a timely manner.

### **Allocating Fixed Assets**

The Service Company maintains certain fixed assets that are used by and benefit multiple BHC subsidiaries. These fixed assets primarily consist of computer hardware and software that form the corporate-wide information technology network. Because these fixed assets support multiple BHC subsidiaries, they are allocated to the appropriate subsidiaries monthly as part of the month-end close process, along with the allocation of these assets' accumulated depreciation. Construction Work in Process balances are not allocated.

Allocated assets and accumulated depreciation are maintained in separate general ledger accounts at the subsidiary level so that they are not intermingled with regular subsidiary fixed assets, and for ease of reconciliation.

The allocation ratio used for fixed assets and accumulated depreciation follows the appropriate cost driver.

### **Allocating Capitalized Inventory**

The gas and electric meter shops are Centralized Utility Departments serving the utility operating companies. As meters are purchased, they are recorded as capitalized inventory (charged to plant-in-service) by the Service Company, as the meters are issued out of inventory to the specific operating company those assets are transferred from the Service Company to the specific utility operating companies. All unassigned gas and electric meter investment and accumulated depreciation reserve is held at the Service Company and is allocated to the applicable utilities monthly. The Customer Count Ratio is used for this allocation.

### **Allocating FERC Functional Accounts**

FERC Functional accounts are used by Service Company to code charges in support of the business units. When direct charging to a business unit is not appropriate, using a direct distributed or indirect method is applicable. The FERC functional accounts will be allocated based on one of the allocation ratios identified in Appendix 1 and the receiving regulated entities will align with the Functional Account matrix found in Appendix 3.

## Appendix 1 – Allocation Ratios

*Asset Cost Ratio* – Based on the net cost of assets as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Assets are limited to the direct property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP). In addition to the BHC subsidiaries cost, the Assets shall also include the cost of any third-party assets or minority interests in assets the subsidiaries operate. The Asset Cost Ratio measures the level of investment in the businesses.

*Gross Margin Ratio* – Based on the total gross margin for the trailing twelve months ending September 30, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Gross margin is defined as revenue less cost of sales. Certain intercompany transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party. The Gross Margin Ratio measures where the businesses make money.

*Payroll Dollars Ratio* – Based on the total payroll dollars for the trailing twelve months ending September 30, the numerator of which is the direct payroll charges from all BHC subsidiaries charging the applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000. The Payroll Dollar Ratio measures where the businesses employees spend their time.

*Blended Ratio (SC All)* – A composite ratio comprised of an average of the Asset Cost Ratio, the Payroll Dollars Ratio, and the Gross Margin Ratio. These ratios are equally weighted. This ratio is sometimes referred to as the three-factor blended ratio.

The Service Company is utilizing the following segment variations and additional variations may be added if additional product lines are added or in the event that additional segmentation is deemed appropriate to most effectively allocate costs from a specific department.

### SC All-Blended (No BHES)

*Blended Ratio (SC Utility)* – A composite ratio comprised of an average of the Asset Cost Ratio, Payroll Dollar Ratio and the Gross Margin Ratio. These factors are equally weighted. This factor is sometimes referred to as the three-factor blended ratio.

There are currently several variations of the Utility Blended Ratio that are specific to the segment that are appropriate for which charges are being allocated. For example, charges for electric engineering department labor would utilize an electric blended ratio whereby no allocations would be charged to a gas utility.

The Service Company is utilizing the following segment variations and additional variations may be added if additional product lines are added or in the event that additional segmentation is deemed appropriate to most effectively allocate costs from a specific department

Regulated Utilities  
Regulated Electric  
Regulated Natural Gas

*Employee Ratio* – Based on the number of employees as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.



*Power Generation Capacity Ratio* – Based on the total power generation capacity as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Power generation includes capacity in service and capacity under construction.

*Nameplate Generation Capacity Ratio* – Based on the total facility’s power generation capacity at the end of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Nameplate generation includes capacity in service and capacity under construction at the facility.

*Square Footage Ratio* – The total square footage of a given facility, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

*Regulated Electric Transmission/Distribution Ratio* – Based on a simple average of a multiple of cross-sectional drivers for the transmission function as of September 30 for the prior year that includes customer counts, peak load, number of substations, number of feeders, number of distribution and transmission miles, and number of remote terminal units. The numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

*Customer Count Ratio* – Based on the number of customers as of September 30 for the prior year, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

There are currently several variations of the Customer Count ratio that are specific to the type of customers that are appropriate to the department for which charges are being allocated. For example, a department that supports gas engineering would be allocated based on gas customers only whereas a general customer service department would be allocated based on total customers.

The Service Company is utilizing the following customer counts to calculate customer count ratios, additional variations may be added if additional product lines are added or in the event that additional segmentation of customers are deemed appropriate to most effectively allocate costs from a specific department

- All Customers
- Regulated Electric Customers
- Regulated Natural Gas Customers
- Programs and Services Customers (Non-Regulated)

*GDPM*–Allocates Generation Dispatch & Power Marketing based on Generating Capacity Managed per the GDEMA (Generation Dispatch and Energy Management Agreement).

*Customer Asset Ratio* – A composite ratio comprised of an average of the Customer Count Ratio and the Asset Cost Ratio. These ratios are equally weighted.

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4700	SC-ACCOUNTING SYSTEMS	SC All-Blended	Provides system analyst support for Black Hill's key financial systems, including Oracle PeopleSoft ERP, PowerPlan Property and Tax System, Utilities International Planning/Regulatory System, and Openlink (Natural Gas transaction system)		Yes	Yes	Yes	Yes	Yes	Yes
4701	SC-Accounts Payable	SC All-Blended	Provides payment services support for purchased goods and/or services for all Black Hill's entities using People Soft ERP to forward invoices for approvals to the appropriate departments and use FileNet to store backup documents.		Yes	Yes	Yes	Yes	Yes	Yes
4703	SC-CORP GOVERNANCE	SC All-Blended	Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Oversees the administrative duties to the Board of Directors.		Yes	Yes	Yes	Yes	Yes	Yes
4704	SC-TAX SERVICES	SC All-Blended	Prepares quarterly and annual tax provisions of all Black Hills Corporation subsidiaries. Maintains and reconciles all direct and indirect tax general ledger accounts. Prepares tax filings and ensures compliance with applicable laws and regulations. Oversees various tax planning projects to reduce risk, reduce customer and shareholder tax liabilities, and complete mergers and acquisitions.		Yes	Yes	Yes	Yes	Yes	Yes
4705	SC-RISK	SC All-Blended	Provides risk management, risk evaluation, and risk analysis, internal controls, natural gas contract management services. Provides support for the Company's Sarbanes Oxley Compliance program, the Electric, Natural Gas, and BHES risk committees, and the Executive Risk Committee.		Yes	Yes	Yes	Yes	Yes	Yes
4706	SC-LEGAL - CORPORATE	SC All-Blended	Provides legal counsel and services related to general business operations, including labor and employment law, finance, litigation, contracts, utility rates and regulation, financial reporting, Securities and Exchange Commission, Federal Energy Regulatory Commission and other state and federal compliance, environmental matters, real estate and other legal matters. Oversees the hiring and administration of external counsel. Provides legal support to various corporate development projects. Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans.		Yes	Yes	Yes	Yes	Yes	Yes
4709	SC-ENVIRONMENTAL SERVICES	Asset Cost	Establishes policies and procedures for compliance with environmental laws and regulations. Research emerging environmental issues and monitors compliance with environmental requirements. Oversees environmental clean-up projects. Obtains permits to support the business operations of Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4710	SC-EXECUTIVE MGMT	SC All-Blended	Provides overall oversight of Black Hills Corporation and its subsidiaries. Provides the Board of Directors information for decision making purposes.		Yes	Yes	Yes	Yes	Yes	Yes
4711	SC-SAFETY & HEALTH	Employee Ratio	Leads and directs safety and health activities through projects, education and training to achieve industry leading results and establish a strong safety culture. Provides technical and compliance expertise on DOT, OSHA, and MSHA regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4712	SC-TREASURY	SC All-Blended	Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and investing activities. Monitors capital markets to support financial planning for all subsidiaries. Oversees the administration of corporate pension and 401(k) plans. Provides risk management of the Company's energy market risks and oversight and monitoring of risk policy compliance, to include facilitating natural gas contract management services.		Yes	Yes	Yes	Yes	Yes	Yes
4715	SC-F&A LEADERSHIP	SC All-Blended	Provides management and administrative support for accounting functions of the Company's regulated and non-regulated businesses including external audit coordination. Responsible for closing the general ledger for the Company's regulated and non-regulated businesses. Oversees the corporate consolidation of subsidiary financial statements. Prepares monthly internal financial reports for management. Prepares quarterly and annual financial reports to the Securities and Exchange Commission, financial statements to banks and quarterly and annual financial statements filed with FERC. Research emerging accounting issues and assists with the compliance of new accounting rules and regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4717	SC-FIN PLANNING ANALYSIS	SC All-Blended	Provides financial management to the Company's regulated and non-regulated businesses. Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide-budget and forecast. Guides the preparation of strategic plans.		Yes	Yes	Yes	Yes	Yes	Yes

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Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4718	SC-TALENT ACQUISITION	Employee Ratio	Includes the Talent function of HR and provides full cycle recruiting for positions across the enterprise.		Yes	Yes	Yes	Yes	Yes	
4720	SC-LABOR AND EMPL RELATIONS	Employee Ratio	Includes the Employee & Labor Relations, Compliance, and HRSS/HRIS functions of HR and provides direction for employee-related matters, strategic business advice to leaders, labor relations strategy for the enterprise, and HRIS and HRSS support services for the enterprise.		Yes	Yes	Yes	Yes	Yes	
4721	SC-HR TOTAL REWARDS	Employee Ratio	Administers policies related to compensation, benefits, pension, retiree benefits and relocation. Oversees the self-insured medical benefits plans, retiree plans, other pooled benefits and provides support to the third-party administrators of the plans. Provides general Human Resources support services to regulatory proceedings.		Yes	Yes	Yes	Yes	Yes	
4722	SC-HR ORGANIZATION DEVELOPMENT	Employee Ratio	Provides for employee and leadership development, succession planning, performance management, goal alignment, employee engagement, strategic workforce planning, talent assessment and general HR support for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	
4723	SC – CORPORATE PLANNING/SUSTAINABILITY/ESG	SC All Blended	Corporate Planning integrates all processes and engages all stakeholders in the development of corporate strategy and alignment of strategic initiatives. Sustainability and ESG (environmental, social and governance) provide the enterprise with climate-related strategies and gives internal and external stakeholders information about the utilities ESG priorities.		Yes	Yes	Yes	Yes	Yes	Yes
4724	SC –ENTERPRISE DATA & ANALYTICS	SC All-Blended	Provides strategic planning and development for enterprise data and analytics products, processes, and technology.		Yes	Yes	Yes	Yes	Yes	Yes
4725	SC-INTERNAL AUDIT	SC All-Blended	Provide independent assurance to the Audit Committee of the Board of Directors and Management related to the quality of risk management activities including: understanding the intersection between organization objectives and risk management approaches; independently evaluating the adequacy, effectiveness, and consistency of controls in relation to achieving defined objectives (including assessing the Sarbanes-Oxley compliance program); and validating that the balance of cost and benefit or risk management activities is consistent with the company's strategy and objectives.		Yes	Yes	Yes	Yes	Yes	Yes
4726	SC-BRAND MGMT & COMMS	SC All-Blended	Develops strategies, plans and tactics for effective communication with internal and external stakeholders. Develops and manages measured customer communications that enhance positive relationships and understanding of energy topics including safety, preparation, and conservation.		Yes	Yes	Yes	Yes	Yes	Yes
4728	SC-POWER DELIVERY MGMT	Power Generation Capacity	Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets.		Yes					Yes
4729	SC-PROPERTY ACCOUNTING	Asset Cost	Maintains Property Accounting records, plant and equipment, book depreciation, Allowance for Funds Used During Construction (AFUDC), for the majority of subsidiaries of the corporation. Assists in compliance with Property Accounting regulatory requirements. Prepares various operating and financial reports for management and regulators.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN PROCUREMENT	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders.		Yes	Yes	Yes		Yes	Yes
4732	SC-SUPPLY CHAIN MATERIALS	SC All-Blended (No BHES)	Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials.		Yes	Yes	Yes		Yes	Yes

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Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4734	SC-FLEET SERV	SC All-Blended	Manages fleet expenses, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling of company fleet assets. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations. Manages in-house garages/vehicle shops (excluding WRDC). Manages fleet sustainability data and reporting for ESG (excluding WRDC).		Yes	Yes	Yes	Yes	Yes	Yes
4736	SC-REAL ESTATE & FACILITIES	SC All-Blended	Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning.		Yes	Yes	Yes	Yes	Yes	Yes
4737	SC-I/C FACILITIES	SC Square Footage	Maintains the Share Capital Asset fees (Inter-company rent) for subsidiary owned facilities used by Black Hills Service Company.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances strategies for sound public policy benefiting the company, customers, and other stakeholders. Engages in the legislative and policy making process including monitoring analysis, and advocacy. Acts as a liaison with legislators and other governmental officials to provide updates on business plans and operations. Maintains constructive relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT CIO OFFICE – BUSINESS OFFICE	SC All-Blended	Provides guidance, governance, and strategic planning to the overall information technology operations.		Yes	Yes	Yes	Yes	Yes	Yes
4743	SC-IT BUS APPS FIN & HR SYSTEMS	SC All-Blended	Manages, maintains, and enhances the finance, human resource, web-based service and enterprise-wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4744	SC-IT BUS APPS CUSTMR SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise-wide business applications. Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes				
4745	SC-IT BUS APPS- INTEGRATION	SC All-Blended	Manages, maintains, and enhances integrations between enterprise wide business applications and third parties.		Yes	Yes	Yes	Yes	Yes	Yes
4746	SC-IT BUS APPS-UTILITY SYSTEMS	SC All-Blended	Manages, maintains, and enhances the electric and natural gas utility enterprise-wide business applications.		Yes	Yes	Yes		Yes	Yes
4747	SC-IT INFRASTRUCTURE & OPERATIONS	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, infrastructure architecture, cloud environments, enterprise applications, and corporate databases. Supports the user endpoint and mobile devices needs for the company and provides mobile expense management services. Operates Help Desk services, technology training, as well as technology support services and field service support for the company. Supports the data and voice network communication needs for the company and provides telecommunication expense management services.		Yes	Yes	Yes	Yes	Yes	Yes
4748	SC-IT CIO OFFICE - EPMO	SC All-Blended	Provides service company portfolio oversight and standards, governance, and execution for enterprise system and capital service company projects.		Yes	Yes	Yes	Yes	Yes	Yes
4749	SC-IT CIO OFFICE - EA	SC All-Blended	Responsible for overall enterprise architecture for solutions across the organization.		Yes	Yes	Yes	Yes	Yes	Yes

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4750	SC-IT OPERATIONAL TECHNOLOGY	SC All-Blended	Manages, maintains, and enhances Control System functionality in partnership with Operations staff. Supports Control System and energy delivery/metering infrastructure components, system software, architecture, and disaster recovery		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-ENTERPRISE SECURITY	SC All-Blended	Responsible for Enterprise Security for Black Hills Energy, which includes Security Governance, Cyber Security, Physical Security, Identity and Access Management, IT Risk Management, and IT Compliance.		Yes	Yes	Yes	Yes	Yes	Yes
4754	SC-GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHCOE and BHCIPP for the Pueblo Airport Generation Station		Yes					Yes
4755	SC-IT BUS APPS-ECM & GRC SYSTEMS	SC All-Blended	Manages, maintains, and enhances governance, risk, compliance and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4756	SC-CPGS PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHSDE and BHWYE for the Cheyenne Prairie Generation Station and Corriedale. Operates and manages maintenance for the gas turbines and diesel generators in Rapid City and Gillette.		Yes					Yes
4757	SC-TRANSFORMATION MGMT OFFICE	SC All Blended	Deliver business transformation to be a connected and simple company positioned for growth through transformational projects that involve a holistic rethinking and reshaping of aspects of our company. Such projects require substantial investments in people, processes, technology and data to fundamentally enhance or deliver new capabilities.		Yes	Yes	Yes	Yes	Yes	Yes
4758	SC-POWER PLANT OPERATIONS	Nameplate Generation Capacity	Operates all gas turbine, diesel, and renewable generation assets for BHCOE, BHCIPP, BHSDE, and BHWYE		Yes					Yes
4759	SC-RENEWABLE GEN MAINTENANCE	Nameplate Generation Capacity	Manages the renewable generation for BHCOE, BHCIPP, BHSDE, and BHWYE.		Yes					Yes
4761	SC-UTILITY SERVICES	SC All-Blended	Provides a center of knowledge, concentrating on developing analytics and resources to improve service and cost efficiency, measure and track operational performance, develop, and standardize efficient processes and governance activities across business units.		Yes	Yes	Yes	Yes	Yes	Yes
4771	SC-IT COSTS-EMP HDCNT	Employee Ratio	Holds centralized employee related IT costs.		Yes	Yes	Yes	Yes	Yes	
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/Distribution	Allocates property assets (transmission)	Yes	Yes					
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes				

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4793	SC – ASSET BLENDED	SC All-Blended	Allocates property assets (service company)		Yes	Yes	Yes	Yes	Yes	Yes
4794	SC-BENEFIT POOLED	Employee Ratio	Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	
4795	SC-ACCOUNTING ACCRUAL ENTRIES	SC All-Blended	Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department		Yes	Yes	Yes	Yes	Yes	Yes
4796	SC-BENEFIT LOADINGS	SC All-Blended	Records overhead benefit costs loaded to labor costs.		Yes	Yes	Yes	Yes	Yes	Yes
4803	SC-NGU ASSET RISK MGMT & STDS	Regulated Natural Gas Blended	Provides asset risk management to evaluate threats throughout the pipeline life cycle in order to reduce risk and enhance system safety for the organization. Responsible for maintaining updated Operations and Maintenance manuals in compliance with state and federal pipeline safety regulations.	Yes		Yes	Yes			
4804	SC-NGU Project Delivery	Regulated Natural Gas Blended	Provides installation/construction oversight of major gas transmission and distribution projects including initiation, planning, installation, commissioning and turnover to Operations.	Yes		Yes	Yes			
4805	SC-NGU DESIGN ENGINEERING	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, design, analyses, and identifying and defining processes for the safe operation of the natural gas system.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY	Regulated Natural Gas Blended	Responsible for implementing API RP 1173 Pipeline Safety Management Systems and reporting DOT regulatory requirements.	Yes		Yes	Yes			
4807	SC – Utility GIS	Regulated Utilities-Blended	Responsible for capturing as-built records for all EU & NGU facilities in GIS. Responsible for managing the design, development, configuration, access, integration, testing, and training of the NGU GIS and digital as-building platforms.	Yes	Yes	Yes	Yes			
4808	SC – GIS	Regulated Utilities-Blended	Responsible for capturing as-built records for all EU & NGU facilities in GIS. Responsible for managing the design, development, configuration, access, integration, and testing of the EU GIS platform.	Yes	Yes	Yes	Yes			
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/ Distribution	Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages.	Yes	Yes					
4811	SC-OPERATIONAL SERVICES	Customer Asset	Maintains operational tools, such as SCADA, and its supporting applications for electric and gas transmission and distribution systems. Verifies systems are upgraded, modified, or replaced to as necessary for operating the Transmission & Distribution system. Performs near-term Transmission & Distribution studies to maintain reliability for planned/unplanned maintenance activities.	Yes	Yes	Yes				

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Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4812	SC-EU PROJECT DELIVERY	Regulated Electric Transmission/ Distribution	Responsible for project management and execution of projects on the transmission and distribution systems of all three electric utilities.	Yes	Yes					
4813	SC-TRANSMISSION & DISTRIBUTION ENGINEERING	Regulated Electric Transmission/ Distribution	Provides engineering support for electric transmission and distribution lines at all three electric utilities, including planning, design, monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/ Distribution	Designs, coordinates, and oversees the electric transmission and distribution substation infrastructure for all three electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same.	Yes	Yes					
4816	SC-GENERATION DISPATCH POWER MARKETING	GDPM	Manages the three electric utilities and others generation units dispatch and energy management services to generating resources on a system wide, least-cost basis.		Yes					Yes
4818	SC-MAINTENANCE	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), Substation Maintenance Services supports the commissioning, maintenance and operation of the substation and line equipment.	Yes	Yes					
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), Vegetation Management supports the vegetation management and related wildfire risk mitigation activities.	Yes	Yes					
4820	SC- ELECTRIC AND NGU SERVICES	Regulated Utilities- Blended	Central services leadership supporting both the EU and NGU resides within this department, and is responsible for oversight of Asset Management, Electric Strategy Planning & Policy, Engineering Services & Project Delivery.	Yes	Yes	Yes	Yes			
4821	SC-PWR SUPPLY AND RENEWABLES	Regulated Electric Blended	Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies.	Yes	Yes					
4822	SC-REGULATORY	Regulated Utilities- Blended	Provides regulatory support for all electric and gas utility regulatory filings including rate reviews, class cost of service studies, rate design, regulatory reporting, adjustment clauses, riders, trackers and other regulatory issues. Also develops and advances regulatory policy and strategy and maintains relationships with regulatory stakeholders.	Yes	Yes	Yes	Yes			
4823	SC-RELAY & CONTROLS	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), supports the commissioning, maintenance and operation of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS CONTROL	Regulated Natural Gas Customers	Manages and provides Gas control services to ensure the safety & reliability of gas transmission and distribution systems.	Yes		Yes				
4825	SC-EU ASSET PROGRAMS	All Customers	For all three Electric Utility Business Units (SDE, COE, WYE), this department provides management and oversight over the primary areas of: vegetation management, pole inspection, line patrol, wildfire risk management, and third-party pole attachments.	Yes	Yes					

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Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4826	SC-MDMS & ELECTRIC METER SVCS	All Customers	Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric utilities and manages the MDMS for electric and gas utilities	Yes	Yes	Yes				
4827	SC-DISTRIBUTION STRATEGY	Regulated Electric Transmission/Distribution	Performs various short and long-range distribution planning studies to ensure reliability of the electric distribution system. Maintains and updated distribution planning models and ensures data integrity in multiple data warehouses related to equipment ratings, AMI data, DER interconnections, and GIS data. Provides distribution planning support to many internal teams including System Control; Legal; Regulatory; Operations; and Utility Construction Planners. Provides distribution projections for the 5 and 10-year	Yes	Yes					
4828	SC-NERC COMPLIANCE	Regulated Electric Transmission/Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards and Western Electricity Coordinating Council (WECC) Regional Reliability Standards and Regional Criteria. Reliability Standards establish requirements to maintain and reduce risks to the security and reliability of the Bulk Electric System.	Yes	Yes					
4829	SC-TRANSMISSION STRATEGY	Regulated Electric Transmission/Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system).Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups.	Yes	Yes					
4830	SC - EU OMS (ADMS) SERVICES	Regulated Electric Customers	Oversee and maintain the distribution outage management/advance distribution management system for all three Electric Utility Business Units (SDE, COE, WYE). Track, report, and maintain the data for EU distribution reliability reporting.	Yes	Yes					
4831	SC-CUSTOMER SERV CALL CENTERS/FRC	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers. Support teams within contact center provide quality analysis and training. A 24/7 field operations dispatch function. Also providing customer energy service interruption and emergency call support.	Yes	Yes	Yes				
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	Manages customer billing, payment, and collections processes. Provides support to customer services areas through customer information system project management and process control for customer information system changes, and revenue assurance analysis.	Yes	Yes	Yes				
4838	SC-MEASUREMENT	All Customers	Monitor, configure, and analyze customer measurement information with data collection and validation tools. Support EU/NGU field operations and internal/external customers in troubleshooting, resolving measurement issues to ensure timely, and accurate billing data.	Yes	Yes	Yes				
4840	SC-STRATEGIC COMMS	All Customers	Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for community growth	Yes	Yes	Yes				
4845	SC- PROGRAMS AND SERVICES (NREG)	Programs and Services Customers (Non-Regulated)	Provides and manages product development and marketing with the primary focus on Service Guard (appliance options) and HomeServe (protection plans) for the non-regulated business for customers.	Yes	Yes	Yes				
4846	SC-UTILITY PROGRAMS & SERVICE	Programs and Services Customers (Regulated)	Provides and manages program development and administration with the primary focus on Choice Gas (supply and pricing options) and Renewable Ready (voluntary renewable solutions) for utility customers.	Yes	Yes	Yes				



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4871	SC GAS Supply & Transportation Services	All Customers	Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity, optimization, and procurement of pipeline capacity and services. Additionally, provides for the execution of the sale and management of BHE pipeline and storage capacity and tariff services to third-party Shippers.	Yes	Yes	Yes	Yes			
4872	SC-EXEC MGMT-UTILITIES	Regulated Utilities-Blended	Provides guidance, direction and management to overall utility operations and support services.	Yes	Yes	Yes	Yes	Yes		
4873	SC-ENERGY EFFICIENCY/DSM	All Customers	Supports the energy efficiency programs across the utilities.	Yes	Yes	Yes				
4874	SC-TECHNICAL TRAINING & OQ	Regulated Utilities - Blended	Provides EU & NGU technical training support and Operator Qualification for gas utilities.	Yes	Yes	Yes				
4875	SC-HR ROTATION PROGRAM	Regulated Utilities-Blended	Provides programs designed to attract and develop diverse talent to fill utility operations positions.	Yes		Yes				
4876	SC-IT BUS APPS-AUTOMATION	SC All-Blended	Manages, maintains, and enhances IT Automation platforms and IT management platforms.		Yes	Yes	Yes	Yes	Yes	Yes
4877	SC-UTILITY TECHNOLOGY SYSTEMS	Regulated Utilities-Blended	Responsible for managing the design, development, configuration, access, integration, and testing of the Field Service Management and Enterprise Asset Management platforms.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	SC All- Blended	Manages the company's right of way and other related land rights activities.		Yes	Yes	Yes		Yes	Yes
4880	SC-BUSINESS DEVELOPMENT	Regulated Utilities-Blended	Provide customer-focused solutions to serve current and prospective customers of our gas and electric utilities.	Yes	Yes	Yes				
4881	SC-CORP GROWTH & STRATEGY	Regulated Utilities-Blended	Provides the enterprise with energy innovation strategies to assist the enterprise in growth solutions.	Yes	Yes	Yes				
All Other	All Other	SC All-Blended	Departments at Black Hills Corporation and subsidiaries that are not specifically listed in the Cost Allocation Manual or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.		Yes	Yes	Yes	Yes	Yes	Yes
Centralized Utility Departments are primarily for the service of the Utility business units										

### Appendix 3- FERC Functional Accounts – for regulated entities

Account Range	Type of Accounts	50501	50502	50507	50504	50505	50508	50510	50511	50512	50515	50516	50521	50522
		BHP	CLFP-E	COE	KSG	IAG	COG	Shoshone	BHEA	GDCO	RMNG	BHES	GWY	GNE
440 - 449	Electric Sales Revenues	X	X	X										
450 - 455	Misc Electric Revenues	X	X	X										
456 - 457	Electric Transmission Revenues	X	X	X										
480 - 486	Gas Sales Revenues				X	X	X		X	X		X	X	X
487 - 488	Misc Gas Revenues				X	X	X	X	X	X	X	X	X	X
489	Gas Transmission Revenues				X	X	X	X	X	X	X		X	X
490 - 496	Other Gas Revenues				X	X	X	X	X	X	X		X	X
500 - 515	Steam Power Generation	X	X											
517 - 532	Nuclear Power Generation													
535 - 545	Hydraulic Power Generation													
546 - 554	Other Power Generation	X	X	X										
555 - 557	Power Supply Expenses	X	X	X										
560 - 574	Electric Transmission Expenses	X	X	X										
575 - 576	Electric Regional Market Expenses	X	X	X										
580 - 598	Electric Distribution Expenses	X	X	X										
700 - 708	Manufactured Gas Steam Production													
710 - 742	Manufactured Gas Production													
750 - 769	Gas Production & Gathering								X		X		X	
770 - 791	Products Extraction										X			
795 - 798	Gas Exploration & Development													
800 - 813	Gas Supply Expenses				X	X	X		X	X	X		X	X
814 - 837	Gas Storage Expenses								X		X		X	
840 - 843	Other Storage Expenses													
844 - 847	LNG Terminaling Expenses													
850 - 869	Gas Transmission Expenses				X	X	X	X	X	X	X		X	X
870 - 894	Gas Distribution Expenses				X	X	X		X	X			X	X
901 - 905	Customer Accounts Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X
907 - 910	Customer Service and Information Expenses	X	X	X	X	X	X		X	X		X	X	X
911 - 916	Sales Expenses	X	X	X	X	X	X		X	X		X	X	X
920 – 931	Administrative and General Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X
932	Maintenance of general plant (gas)				X	X	X	X	X	X	X	X	X	X
935	Maintenance of general plant (electric)	X	X	X										