

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Black Hills Energy Filing)
Compliance Reports and Information as Prescribed)
by Commission Order Dated December 3, 2010, in) Docket No. 11-BHCG-800-CPL
Docket No. 06-GIMX-181-GIV)

**COMPLIANCE FILING OF
BLACK HILLS ENERGY**

COMES NOW Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills") and pursuant to the requirements of the Commission's Order issued in Docket No. 06-GIMX-181-GIV ("181 Docket") on December 3, 2010, provides the following information in compliance with the Commission's Order:

1. Cost Allocation Manual ("CAM") and Service Agreements. An amended Black Hills Utility Holdings, Inc. ("BHUH") CAM and Black Hills Service Company ("BHSC") CAM, and redlined versions showing the amendments to the CAMs, are included in this year-ended 2014 filing and are attached hereto and incorporated herein (requirement and Tab A1). There have been no changes to the following items as filed in the Black Hills' Kansas Compliance filing dated May 31, 2011:

(a) Service Agreement with BHUH and Service Agreement with BHSC; and

2. BHSC's FERC Form 60 and BHUH's FERC Form 60, attached hereto and incorporated herein (requirement and Tab A2);

3. Organizational Chart of Black Hills Corporation ("BHC"), attached hereto and incorporated herein (requirement and Tab B1);

4. Description of activities and business at each non-utility company attached hereto and incorporated herein (requirement and Tab B2);

5. Organizational chart of personnel that includes list of directors, corporate officers, and

other key personnel shared by any jurisdictional public utility and any non-utility associate company or holding company, along with a description of each person's duties and responsibilities to each entity, including:

- (a) Board list and description;
- (b) Kansas Officer list and responsibilities; and
- (c) Other key personnel - None (officer list sufficiently identifies key personnel),

attached hereto and incorporated herein (requirement and Tab B3);

6. Summaries of each mortgage, loan document and debt agreement attached hereto and incorporated herein (requirement and Tab B4);

7. Income statements, balance sheets, and cash flow statements for (1) consolidated utility operations; (2) consolidated non-regulated operations; (3) consolidated corporate financials:

(1) Black Hills' income statement and balance sheet; no cash flow statement for Black Hills;

(2) Financial Statements for consolidated non-regulated operations are not maintained. BHC's Form 10K Annual Report does include operating results for each of the financial segments in the utilities and non-regulated energy business groups, but not full income statements and balance sheets; and

(3) BHC's income statement, balance sheet, and cash flow statement, attached hereto and incorporated herein (requirement and Tab B5); and

8. If maintained, summary of financial ratios (attachment) for (1) consolidated utility operations; (2) consolidated non-regulated operations; (3) consolidated corporate financials:

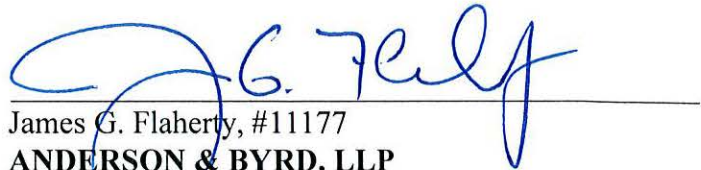
(1) This information is not maintained;

(2) This information is not maintained; and

(3) BHC's financial ratios using calculation set forth in the attachment, attached hereto and incorporated herein (requirement and Tab B6).

9. List of analysts that have recently provided either research updates on BHC or made comments regarding latest earnings is attached hereto and incorporated herein (requirement and Tab C3).

WHEREFORE, Black Hills requests the information provided be accepted by the Commission in compliance with the reporting requirements in the 181 Docket.

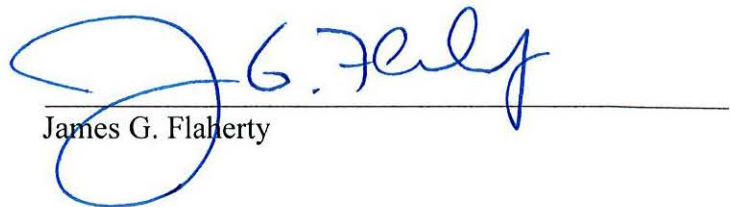


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VERIFICATION

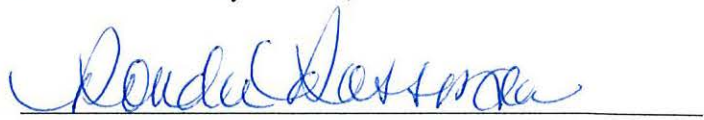
STATE OF KANSAS, COUNTY OF FRANKLIN, ss:

James G. Flaherty, of lawful age, being duly sworn upon oath, deposes and says that he is attorney for the within named applicant, that he has read the above and foregoing Compliance Filing, and the statements contained therein are true.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 1st day of June, 2015.



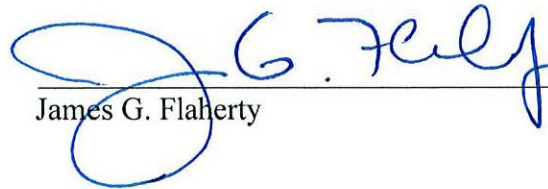
Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail this 1st day of June, 2015, addressed to:

Amber Smith
Litigation Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027


James G. Flaherty

Tab A1

Black Hills Utility Holdings, Inc.

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: August 1, 2009

Amended: January 1, 2011

Amended: January 1, 2012

Amended: January 1, 2013

Amended: December 1, 2013

Amended: December 1, 2014

Black Hills Utility Holdings, Inc. Cost Allocation Manual

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Introduction

The purpose of this cost allocation manual is to document the allocation processes of Black Hills Utility Holdings, Inc. (“BHUH”), from recording the original transaction through the allocation of costs to entities receiving services from BHUH. Various topics to be addressed include the organization of BHUH, the recording of transactions, calculating and assigning allocation ratios, and recording allocation transactions.

BHUH began formal operations in July 2008. The company was formed in anticipation of the purchase of certain gas and electric utility operating companies from Aquila, Inc. BHUH is a wholly owned subsidiary of Black Hills Corporation (“BHC”). BHUH is the parent company of each of the five acquired Aquila operating companies. In addition, BHUH also supports the operations of the five acquired Aquila operating companies and other utility and utility like operating companies, together the “operating companies”. These costs are allocated to the operating companies requesting service using formal cost allocation methodologies. Departments that provide support services to the five acquired Aquila operating companies as well as other Black Hills Corporation subsidiaries are held at Black Hills Service Company, LLC (“BHSC”). BHSC cost allocation methodologies are discussed in a separate cost allocation manual.

BHUH Organization

BHUH is organized into [operating](#) departments based upon the services that those departments provide to the operating companies. A list of each department, as well as a brief description of the services they provide, is attached hereto as Appendix 1.

Direct Costs versus Indirect Costs

A key issue in distributing BHUH costs is distinguishing between direct costs and indirect costs. The account coding will change depending on whether the cost is a direct or indirect cost. 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 operating company. This means that it is known exactly to which operating company these costs relate. Here are some examples:

- Advertising is prepared for a new customer information and instructional advertising campaign in the state of Nebraska. The advertising costs incurred are specifically associated with an identified operating company. Therefore, this would be a direct cost.
- The Vice President of Utilities attends a meeting on the proposed budget for the state of Iowa. The labor costs incurred in attending this meeting are specifically associated with an identified operating company. Therefore, this would be a direct cost.
- A trainer from Gas Engineering travels to various Black Hills Kansas Gas field offices to conduct training. These travel costs are specifically associated with an identified operating company. Therefore, this would be a direct cost.

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

- Advertising is prepared for all customers to inform them of changes to electronic payment processes. These advertising costs incurred apply to all operating companies. Therefore, this would be an indirect cost.
- The Vice President of Utilities attends a meeting to present the consolidated budget for all gas utilities to the Board of Directors. The labor costs incurred in attending this meeting are not specifically associated with an identified operating company. Therefore, this would be an indirect cost.
- A trainer from Gas Engineering travels to Rapid City to present a training program to operating company executives. These travel costs are specifically associated with BHUH. Therefore, this would be an indirect cost.

It is important to consider two things when determining if a cost is a direct cost or an indirect cost-~~to consider two things~~: (1) Can the costs coded to a specific operating company or group of operating companies be substantiated, and (2) Can it be substantiated that a utility-based subsidiary is not subsidizing the operations of a non-utility based subsidiary 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 BHUH expenses that follow these rules:

Always considered direct costs:

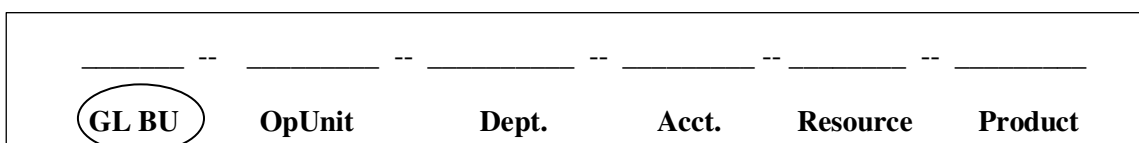
- Capitalized costs for non-BHUH projects (including capitalized labor)
- Retiree healthcare costs

Always considered indirect costs:

- Depreciation of BHUH and BHSC assets
- Intercompany interest expense and income related to the BHUH balance payable or receivable from the Utility Money Pool

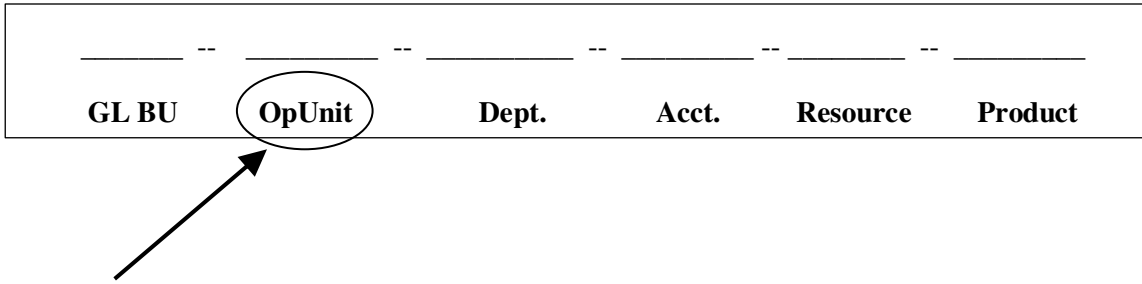
Transaction Coding

The Holding 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.



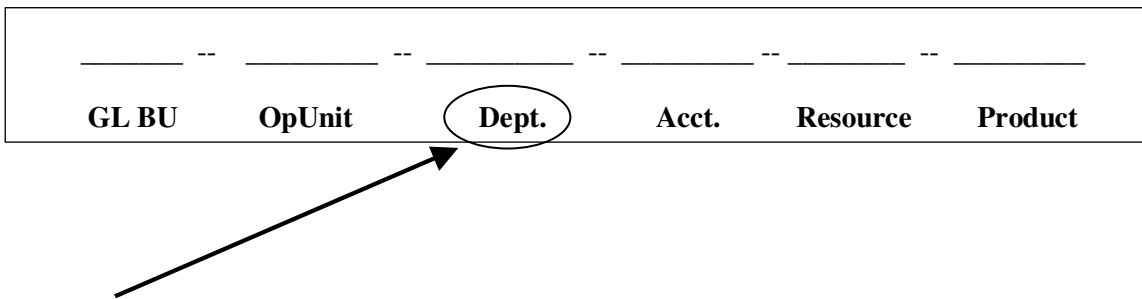
General Ledger Business Unit (“**GLBU**”):

- 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 ~~to be populated~~ on all accounting transactions
- The GLBU field will default based on the operating unit (Op Unit), as described below.



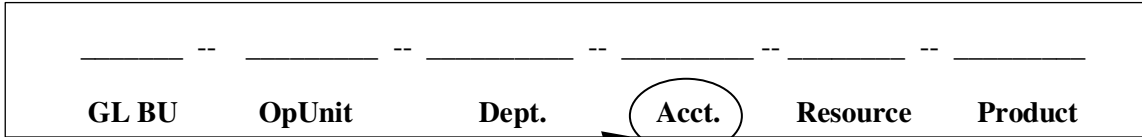
Operating Unit (“OpUnit”):

- Six (6) character numeric field.
- The Op Unit field is used to identify the ~~account~~ code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the Op Unit field will be populated using an Op Unit at the specific [GLBU-company](#) being charged.
- The Op Unit field will be populated using one of the BHUH 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.



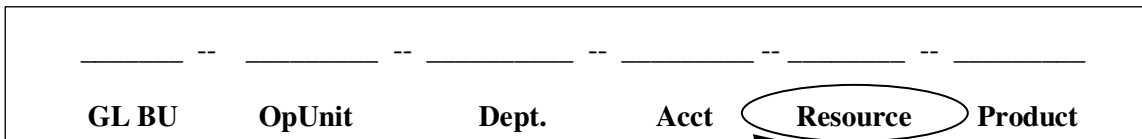
Department (“Dept.”):

- Four (4) character numeric field
- The [D](#)epartment field is used to identify where the cost(s) originated
- The [D](#)epartment field is required on all income statement and capital transactions
- Every [eD](#)epartment is assigned to a GLBU



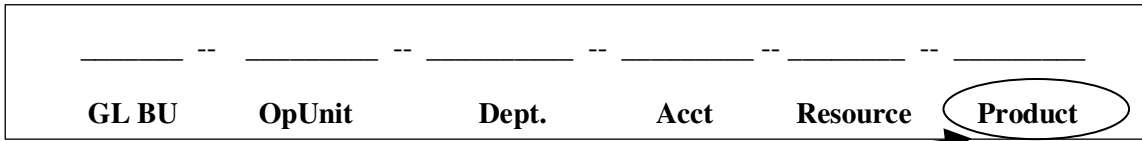
Account (**Acct.**):

- 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.



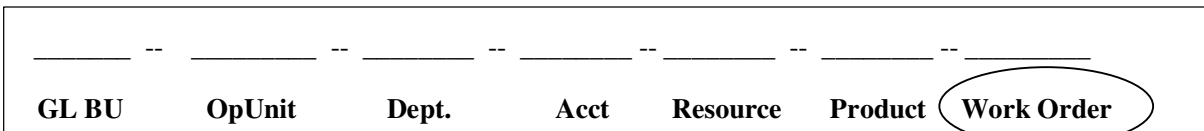
Resource:

- Four (4) character numeric field
- A Resource is used to identify types of costs
- The **R**resource field is required for all income statement and capital accounting transactions



Product:

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



Work Order:

- Eight (8) character 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 BHUH 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 coding string, 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 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 and Pension audit fees.
- **Incentives:** including but not limited to Non-officer incentive plans, Restricted Stock and Stock Option expense.

Loadings calculated on payroll are based on estimated benefit costs, therefore, differences between actual benefits will be inherent to this process. After the difference is calculated and reviewed for reasonableness, it is recorded to a separate department, and indirectly allocated to Black Hills Corporation subsidiaries.

Allocation Ratios

As previously stated, BHUH costs are either directly charged to an operating company, or indirectly allocated when the cost is not associated with a specific operating company. Indirect costs are allocated

using one of several pre-defined allocation ratios. Each department has been assigned one of these allocation ratios. All indirect costs of that department are then allocated using that ratio. When determining which allocation ratio should be assigned to each department, a ratio was selected based on the specific cost driver of that department. For instance, the expenses incurred by the Customer Service - Rapid City department are primarily related to the support of all utility customers. In this example, the cost driver for the Customer Service - Rapid City department indirect costs is the number of customers. Therefore, the indirect costs will be allocated based upon the Customer Count Ratio.

When determining how the assigned ratio should be applied, consideration is given to the operating companies or segments that are supported by the department. For instance, the Appliance Technical Training department was determined to have a cost driver of number of Service Guard customers. Therefore, the indirect costs will be allocated based on the Customer Count Ratio using Service Guard customers whereas the Customer Service – Rapid City department used in the previous example would be allocated based on the Customer Count Ratio using Regulated Utility customers.

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-pronged general allocation ratio is used. This ratio equally weights three different general ratios: Gross Margin, Asset Cost, and Payroll Dollars. These [ratios-factors](#) were chosen to be included in the Blended Allocator Ratio because they best allocate costs based on the diverse nature of BHUH operations.

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 2.

Changing Allocation Ratios

Allocation ratios are set at the first of the year, based upon financial information from the prior year ending December 31st. The ratios for Asset Cost and Customer Count are based on values as of the previous period ending December 31st. The ratios for Gross Margin, Payroll Dollars, are based on values for the 12 months ended December 31st.

Certain events may occur during the year that are deemed to be significant to BHUH that will require corresponding adjustments be made to the allocation ratios. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams.

When these events occur, indirect allocation ratios will be adjusted. When adjusting allocation ratios, it is the policy of BHUH 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. Operating companies would normally 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 BHUH to insure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to BHUH by the end of the following month. BHUH will monitor payments received during the month to insure that all subsidiary companies make payment in a timely manner.

Allocating Fixed Assets

BHUH maintains certain fixed assets that are used by and benefit all operating companies. These fixed assets primarily consist of computer hardware and software and shared office facilities. Because these fixed assets support all operating companies, they are allocated 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 they are not intermingled with regular subsidiary fixed assets, and for ease of reconciliation.

The allocation ratio used to allocate assets and accumulated depreciation will vary depending on the type of asset being allocated, and will be based on the function the asset is serving. For instance, customer service software is allocated based on the Customer Count Ratio, while general office space is allocated using the Blended Allocator Ratio.

Allocating Capitalized Inventory

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

Appendix 1- BHUH Departments

The following departments are included in BHUH as of 01/01/2015 and are subject to changes as required to support evolving business requirements.

UHC-GSS ADMINISTRATION (2301)

Description: 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 and optimization and procurement of pipeline capacity and services. (Customer Count Ratio)

UHC-ASSETS-LINCOLN CCTR/CAD (4247)

Description: The assets invested for the Computer Aided Dispatch system for Black Hills Energy. This includes capitalized and centrally located hardware and software costs to service multiple utilities. Depreciation expense and maintenance expense on this group of assets is also charged from here. (Customer Count Ratio)

UHC-ASSETS-FAME (4251)

Description: The assets invested for the Facilitated Asset Mapping Enterprise system for Black Hills Energy. This includes capitalized and centrally located hardware and software costs to serve multiple utilities. Depreciation expense on this group of assets is also charged from here. (Customer Count Ratio)

UHC-ASSETS-WORK MGMT (4257)

Description: The assets invested for the Work Management system for Black Hills Energy. This includes capitalized and centrally located hardware and software costs to serve multiple utilities. Depreciation expense on this group of assets is also charged from here. (Customer Count Ratio)

UHC-ASSETS-REG GENERATION (4258)

Description: The assets for electric utilities specifically. This includes capitalized and centrally located hardware and software costs to serve multiple electric utilities. Depreciation expense on this group of assets is also charged from here. (Customer-Regulated)

UHC-BENEFITS LOADINGS (4470)

Description: Utilized for charging out benefits, including medical costs, to the operating departments. Provided that all labor is loaded with overhead loadings, only the residual charges are to the operating companies. (Blended)

UHC-ACCOUNTING ACCRUAL ENTRIES (4474)

Description: Created to facilitate the accrual of certain charges not related to specific departments. (Blended)

UHC-ASSETS-BLENDED-ALL (4478)

Description: The assets invested and centrally located for gas and electric operating companies where the Blended Ratio is determined to be the best form of allocation. Depreciation expense on this group of assets is also charged from here. (Blended)

UHC-ASSETS-BLENDED-ELECTRIC (4479)

Description: The assets invested and centrally located for electric operating companies where the Blended Ratio is determined to be the best form of allocation. Depreciation expense on this group of assets is also charged from here. (Blended)

UHC-ASSETS-BLENDED-GAS (4480)

Description: The assets invested and centrally located for gas operating companies where the Blended Ratio is determined to be the best form of allocation. Depreciation expense on this group of assets is also charged from here. (Blended)

UHC-ASSETS-BLENDED-CUSTOMERS (4481)

Description: The assets invested and centrally located for gas and electric companies where the Customer Ratio is determined to be the best form of allocation. Depreciation expense on this group of assets is also charged from here. (Customer Count Ratio)

UHC-DESIGN ENGINEERING GAS (5105)

Description: Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses. (Customer-Regulated)

UHC-STANDARDS AND COMPLIANCE GAS (5106)

Description: Responsible for implementing and reporting DOT regulatory requirements, maintaining standards, and supporting GIS Smallworld mapping. (Customer-Regulated)

UHC-TRANSMISSION PLANNING (5107)

Description: 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. (Transmission)

UHC-NERC COMPLIANCE (5108)

Description: Develops, coordinates and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which

standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System. (Transmission)

UHC-FERC TARIFF AND COMPLIANCE (5109)

Description: 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). (Transmission)

UHC-T AND D RELIABILITY CTR (5110)

Description: 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. (Transmission)

UHC-NERC TRANSMISSION AND TECH SUPPORT (5111)

Description: Develops, coordinates and oversees the technical support piece of the Electric Utilities Group’s compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System. (Transmission)

UHC-TRANSMISSION SERVICES MGMT (5112)

Description: For all three electric utilities (BHP, CLFP and Colorado Electric), Transmission Services directs the 24/7 Reliability Centers in Rapid City and Pueblo, Transmission Planning, NERC Compliance, FERC Compliance, and Transmission Tariff Administration. (Transmission)

UHC-Elec Ops Communications (5117)

Description: Manages and supports the Electric Utilities radio, fiber and microwave based communication needs for the electric operating companies. Provides telecommunication expense management for the electric operating companies. (Blended)

UHC-ELEC ENGINEERING SERV (5120)

Description: Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T and D asset management, metering, substation maintenance, Vegetation Management, GIS/drafting and outage management systems. Provides Director level support to GIS support functions as defined in Dept. 5305 for both the electric and gas network operations. (Blended)

UHC-PWR SUPPLY AND RENEWABLES (5121)

Description: Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies. (Blended)

UHC-ELECTRIC REGULATORY SERV (5122)

Description: Supports and manages all electric and gas regulatory filings, rate cases, and regulatory issues. (Blended)

UHC-HR Rotation Program (5125)

Description: Provides a rotation program to develop staff for critical need areas within the utility operating companies of Black Hills Corporation. (Blended)

UHC-Technical Training(5254)

Description: Provides technical training support for gas and electric utilities. (Customer-Regulated)

UHC-GIS SUPPORT (5305)

Description: Researches, builds and implements utility software solutions for the benefit of electric and gas network operations. This department supports Smallworld GIS, STORMS work management, PowerOn outage management, Korterra line locates, and GTViewer mobile maps. (Customer Count Ratio)

UHC-GAS METERING SERV (5490)

Description: Manages and provides gas measurement support to field operations located in gas service states. (Customer-Regulated)

UHC-UTILITY FINANCIAL MGMT (5668)

Description: Assists in the compliance with regulatory and operating unit business strategy from a financial perspective. Responsible for preparation of all phases of the financial planning process including budgets, forecasts and strategic plans. Prepares various operating and financial reports for management. (Blended)

UHC-UTILITY ACCOUNTING (5670)

Description: Responsible for closing the general ledger for the utilities on a monthly basis and assists in the compliance of all accounting rules and regulations. Prepares various operating and financial reports for utility financial management. Assists the utility financial management team with monthly analysis. (Blended)

UHC-EXEC MGMT-CUST SERV (5674)

Description: Provides general direction and supervision of customer service activities. Encourages the safe, efficient and economical use of the utilities services. (Customer Count Ratio)

UHC-EXEC MGMT-UTILITIES (5682)

Description: Provides guidance, direction and management to overall utility operations and support services. (Blended)

UHC-MARKETING (5688)

Description: Provides business and planning services, including marketing. Searches for competitive business opportunities and energy solutions (Blended)

UHC-EXTERNAL AFFAIRS (5690)

Description: 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 (Customer Count Ratio)

UHC-Electric Meter Services (5691)

Description: Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric entities. (Customer-Regulated)

UHC-CUSTOMER SERV-LINCOLN (5701)

Description: Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers. (Customer Count Ratio)

UHC-CUSTOMER ACCT SERV-OMAHA (5702)

Description: Assists customers with billing, payment and collection issues. (Customer Count Ratio)

UHC-CUSTOMER SERV SUPP (5703)

Description: Provides support to customer services areas through customer information system project management and process control for customer information system changes, revenue assurance analysis, quality analysis, training, and customer and community communication. (Customer Count Ratio)

UHC-CUSTOMER ACCT SERV-RC (5704)

Description: Assists customers with billing, payment and collection issues. (Customer Count Ratio)

~~UHC-CUSTOMER SERV-RC (5705)~~

~~Description: Answers and resolves customer inquiries and requests for services, for both regulated and non-regulated customers. (Customer Count Ratio)~~

UHC-LARGE VOLUME BILLING (5706)

Description: Manages and maintains regulated and non-regulated sales and billing of gas to large volume customers. (Customer Count Ratio)

UHC CS CTR SUPPORT (5707)

Description: Provides direct support to the operations of the two customer service centers in Lincoln and Rapid City. Provides analysis on employee staffing, monitoring service metrics, projects, and planning. (Customer Count Ratio)

UHC-BILL PRINT AND LOCKBOX (5711)

Description: Prepares prints, inserts and mails regulated and non-regulated letters and bills for BHC utility customers. Processes payments for regulated and non-regulated services mailed back to BHC by utility customers. (Customer Count Ratio)

UHC-BILL PROCESSING (5712)

Description: Outside services, supplies and postage expenses required for billing, correspondence, remittance, credit and collection services related to BHC utility customers. (Customer Count Ratio)

UHC-FIELD RESOURCE CTR-LINCOLN (5715)

Description: Plans work, and schedules and dispatches premise service activities to both regulated and non-regulated customers. (Customer Count Ratio)

UHC-FIELD RESOURCE CTR-RC (5717)

Description: Plans work, and schedules and dispatches premise service activities to both regulated and non-regulated customers. (Customer Count Ratio)

UHC-SERV GUARD MARKETING (6005)

Description: Provides and manages product development for consumer marketing with the primary focus on Service Guard (appliance options) a non-regulated business for utility/regulating customers. (Customers-Service Guard)

UHC Gas Engineering Management (6183)

Description: Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety. (Blended)

UHC-TECHNICAL TRN-APPLIANCE (6331)

Description: Designs and implements safety programs and incentives, incident investigation, hazard identification and problem solving, and appliance repair technical skill training, program development and administration of technical-related training for our front-line utility employees supporting Service Guard. (Customers-Service Guard)

~~***UHC-GAS REGULATORY SERV (6372)***~~

~~Description: Supports and manages all gas regulatory filings, rate cases, and regulatory issues. (Blended)~~

UHC-ENERGY SERVICES (6373)

Description: Supports the energy efficiency programs across the utilities supported by BHUC (Customer Count Ratio)

CATCH-ALL

Description: Departments at Black Hills Corporation that are not specifically listed in the CAM or included in the master allocation design that charge BHUH will be allocated using the Blended Allocator Ratio or Customer Count Ratio.

Appendix 2- Allocation Ratios

Any asset ratios and employee and customer count ratios are calculated as of period-end dates, while revenue and expense ratios are calculated for twelve months ended as of period-end dates.

Asset Cost Ratio – Based on the ~~total-net~~ cost of assets as of December 31 for the prior year, the numerator of which is for an applicable operating company and the denominator of which is all applicable operating companies. Assets are limited to property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP). ~~Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any elimination that are done to bring their FERC financial statements into compliance with GAAP. FERC requires that acquired fixed assets be recorded at their gross value with accumulated depreciation, while GAAP requires acquired fixed assets be recorded at their net value. An elimination journal entry is used to eliminate the gross up for preparation of GAAP financial statements, but this elimination journal entry is not factored into the calculation of the Asset Cost Ratio.~~

No departments utilize this ratio, but it is a component in the Blended Ratio.

Gross Margin Ratio – Based on the total gross margin for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies. 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.

No departments utilize this ratio, but it is a component in the Blended Ratio.

Payroll Dollar Ratio –Based on the total payroll dollars for the prior year ending December 31, the numerator of which is the direct payroll charges from all BHC subsidiaries charging the ~~for~~ an applicable operating company and the denominator of which is for all applicable operating companies. 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 of \$50,000.

No departments utilize this ratio, but it is a component in the Blended Ratio.

Blended Ratio – 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 general allocation factor.

There are currently several variations of the 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.

As of December 31, 2014 BHUH 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

Electric Blended

Gas Blended

BHE Blended

All Regulated Utility Blended

Departments that utilize this ratio include BHUH benefits loading, retiree, BHUH accounting accruals, all blended assets, electric blended assets, gas blended assets, electric engineering services, electric regulatory services, utility margin accounting, utility financial management, utility accounting, utility operations management, utility market services, power supply and renewables, and gas regulatory services.

Any department at Black Hills Corp that appropriately charges a BHUH operating unit but is not part of the predefined allocation design will also utilize the Blended Allocator Ratio. For example if a BHSC IT department provides maintenance on the SCADA system supporting the regulated

electric companies they would charge BHUH operating unit 201900 and these costs would be allocated using the Blended Ratio across the regulated electric companies.

Customer Count Ratio – Based on the number of customers at the end of the prior year ending December 31, 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.

As of December 31, 2014~~2~~ –BHUH 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

Regulated Electric Customers

Regulated Gas Customers

Non-Regulated Customers

Total Customers

Departments that utilize this ratio include gas supply services administration, computer aided dispatch, FAME assets, general assets, work management assets, regulated generation assets, customer blended assets, electric AMI blended assets, gas engineering services, GIS support, general meter shop, customer service management, Lincoln customer service center, Omaha customer account services, Rapid City customer service support, Rapid City customer account services, Rapid City customer service center, large volume billing, customer service center support, bill processing, Lincoln field resource center, Rapid City field resource center, service guard marketing, lockbox & bill-print, and appliance technical training.

Transmission Ratio – Based on a simple average of a multiple of cross-sectional drivers for the transmission function 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.

The departments that utilize this ratio include transmission planning, NERC compliance, FERC tariff and compliance, transmission and distribution reliability, NERC transmission and tech support, and transmission service management.

Black Hills Utility Holdings, Inc.

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: August 1, 2009

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Amended: January 1, 2012

Amended: January 1, 2013

Amended: December 1, 2013

Amended: December 1, 2014

Black Hills Utility Holdings, Inc. Cost Allocation Manual

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Introduction

The purpose of this cost allocation manual is to document the allocation processes of Black Hills Utility Holdings, Inc. (“BHUH”), from recording the original transaction through the allocation of costs to entities receiving services from BHUH. Various topics to be addressed include the organization of BHUH, the recording of transactions, calculating and assigning allocation ratios, and recording allocation transactions.

BHUH began formal operations in July 2008. The company was formed in anticipation of the purchase of certain gas and electric utility operating companies from Aquila, Inc. BHUH is a wholly owned subsidiary of Black Hills Corporation (“BHC”). BHUH is the parent company of each of the five acquired Aquila operating companies. In addition, BHUH also supports the operations of the five acquired Aquila operating companies and other utility and utility like operating companies, together the “operating companies”. These costs are allocated to the operating companies requesting service using formal cost allocation methodologies. Departments that provide support services to the five acquired Aquila operating companies as well as other Black Hills Corporation subsidiaries are held at Black Hills Service Company, LLC (“BHSC”). BHSC cost allocation methodologies are discussed in a separate cost allocation manual.

BHUH Organization

BHUH is organized into operating departments based upon the services that those departments provide to the operating companies. A list of each department, as well as a brief description of the services they provide, is attached hereto as Appendix 1.

Direct Costs versus Indirect Costs

A key issue in distributing BHUH costs is distinguishing between direct costs and indirect costs. The account coding will change depending on whether the cost is a direct or indirect cost. 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 operating company. This means that it is known exactly to which operating company these costs relate. Here are some examples:

- Advertising is prepared for a new customer information and instructional advertising campaign in the state of Nebraska. The advertising costs incurred are specifically associated with an identified operating company. Therefore, this would be a direct cost.
- The Vice President of Utilities attends a meeting on the proposed budget for the state of Iowa. The labor costs incurred in attending this meeting are specifically associated with an identified operating company. Therefore, this would be a direct cost.
- A trainer from Gas Engineering travels to various Black Hills Kansas Gas field offices to conduct training. These travel costs are specifically associated with an identified operating company. Therefore, this would be a direct cost.

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

- Advertising is prepared for all customers to inform them of changes to electronic payment processes. These advertising costs incurred apply to all operating companies. Therefore, this would be an indirect cost.
- The Vice President of Utilities attends a meeting to present the consolidated budget for all gas utilities to the Board of Directors. The labor costs incurred in attending this meeting are not specifically associated with an identified operating company. Therefore, this would be an indirect cost.
- A trainer from Gas Engineering travels to Rapid City to present a training program to operating company executives. These travel costs are specifically associated with BHUH. Therefore, this would be an indirect cost.

It is important to consider two things when determining if a cost is a direct cost or an indirect cost: (1) Can the costs coded to a specific operating company or group of operating companies be substantiated, and (2) Can it be substantiated that a utility-based subsidiary is not subsidizing the operations of a non-utility based subsidiary 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 BHUH expenses that follow these rules:

Always considered direct costs:

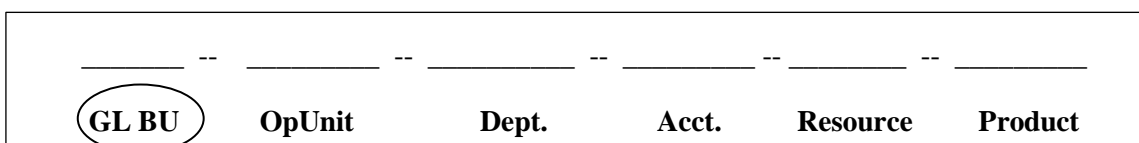
- Capitalized costs for non-BHUH projects (including capitalized labor)
- Retiree healthcare costs

Always considered indirect costs:

- Depreciation of BHUH and BHSC assets
- Intercompany interest expense and income related to the BHUH balance payable or receivable from the Utility Money Pool

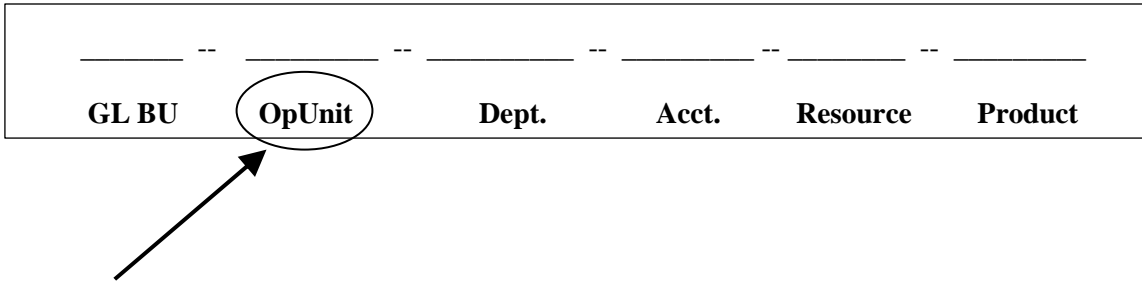
Transaction Coding

The Holding 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.



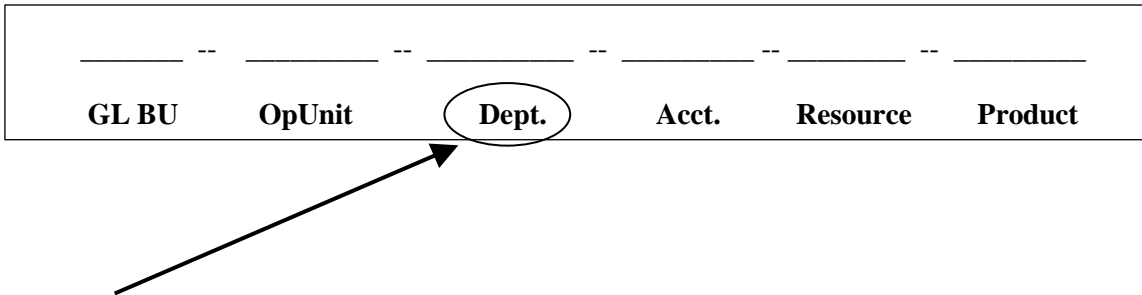
General Ledger Business Unit (**GLBU**):

- 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.



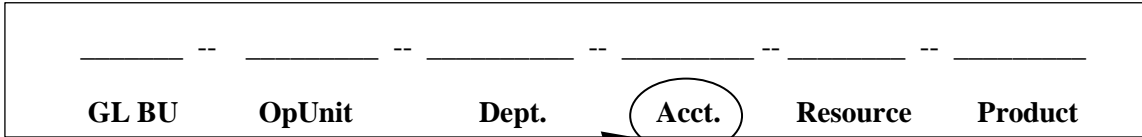
Operating Unit (OpUnit):

- Six (6) character numeric field.
- The Op Unit 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 Op Unit field will be populated using an Op Unit at the specific company being charged.
- The Op Unit field will be populated using one of the BHUH 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.



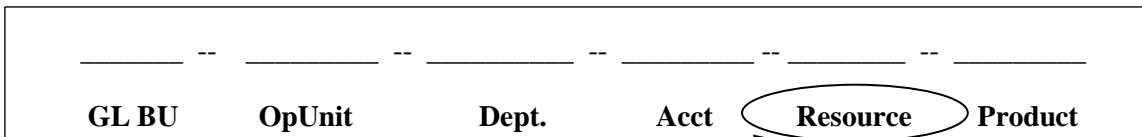
Department (Dept.):

- 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



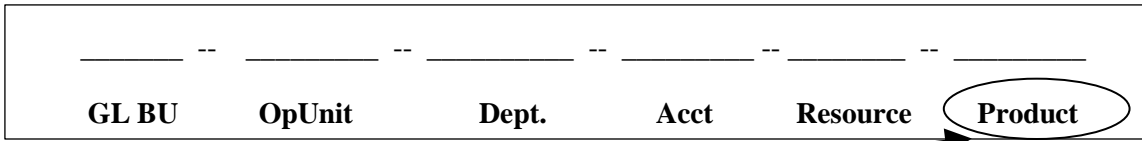
Account (Acct.):

- 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.



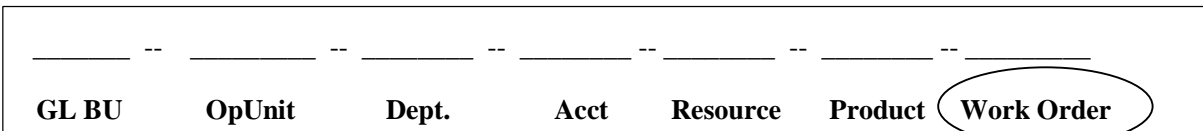
Resource:

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



Product:

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



Work Order:

- Eight (8) character 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 BHUH 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 coding string, 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 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 and Pension audit fees.
- Incentives: including but not limited to Non-officer incentive plans, Restricted Stock and Stock Option expense.

Loadings calculated on payroll are based on estimated benefit costs, therefore, differences between actual benefits will be inherent to this process. After the difference is calculated and reviewed for reasonableness, it is recorded to a separate department, and indirectly allocated to Black Hills Corporation subsidiaries.

Allocation Ratios

As previously stated, BHUH costs are either directly charged to an operating company, or indirectly allocated when the cost is not associated with a specific operating company. Indirect costs are allocated

using one of several pre-defined allocation ratios. Each department has been assigned one of these allocation ratios. All indirect costs of that department are then allocated using that ratio. When determining which allocation ratio should be assigned to each department, a ratio was selected based on the specific cost driver of that department. For instance, the expenses incurred by the Customer Service - Rapid City department are primarily related to the support of all utility customers. In this example, the cost driver for the Customer Service - Rapid City department indirect costs is the number of customers. Therefore, the indirect costs will be allocated based upon the Customer Count Ratio.

When determining how the assigned ratio should be applied, consideration is given to the operating companies or segments that are supported by the department. For instance, the Appliance Technical Training department was determined to have a cost driver of number of Service Guard customers. Therefore, the indirect costs will be allocated based on the Customer Count Ratio using Service Guard customers whereas the Customer Service – Rapid City department used in the previous example would be allocated based on the Customer Count Ratio using Regulated Utility customers.

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-pronged general allocation ratio is used. 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 Allocator Ratio because they best allocate costs based on the diverse nature of BHUH operations.

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 2.

Changing Allocation Ratios

Allocation ratios are set at the first of the year, based upon financial information from the prior year ending December 31st. The ratios for Asset Cost and Customer Count are based on values as of the previous period ending December 31st. The ratios for Gross Margin, Payroll Dollars, are based on values for the 12 months ended December 31st.

Certain events may occur during the year that are deemed to be significant to BHUH that will require corresponding adjustments be made to the allocation ratios. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams.

When these events occur, indirect allocation ratios will be adjusted. When adjusting allocation ratios, it is the policy of BHUH 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. Operating companies would normally 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 BHUH to insure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to BHUH by the end of the following month. BHUH will monitor payments received during the month to insure that all subsidiary companies make payment in a timely manner.

Allocating Fixed Assets

BHUH maintains certain fixed assets that are used by and benefit all operating companies. These fixed assets primarily consist of computer hardware and software and shared office facilities. Because these fixed assets support all operating companies, they are allocated 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 they are not intermingled with regular subsidiary fixed assets, and for ease of reconciliation.

The allocation ratio used to allocate assets and accumulated depreciation will vary depending on the type of asset being allocated, and will be based on the function the asset is serving. For instance, customer service software is allocated based on the Customer Count Ratio, while general office space is allocated using the Blended Allocator Ratio.

Allocating Capitalized Inventory

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

Appendix 1- BHUH Departments

The following departments are included in BHUH as of 01/01/2015 and are subject to changes as required to support evolving business requirements.

UHC-GSS ADMINISTRATION (2301)

Description: 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 and optimization and procurement of pipeline capacity and services. (Customer Count Ratio)

UHC-ASSETS-LINCOLN CCTR/CAD (4247)

Description: The assets invested for the Computer Aided Dispatch system for Black Hills Energy. This includes capitalized and centrally located hardware and software costs to service multiple utilities. Depreciation expense and maintenance expense on this group of assets is also charged from here. (Customer Count Ratio)

UHC-ASSETS-FAME (4251)

Description: The assets invested for the Facilitated Asset Mapping Enterprise system for Black Hills Energy. This includes capitalized and centrally located hardware and software costs to serve multiple utilities. Depreciation expense on this group of assets is also charged from here. (Customer Count Ratio)

UHC-ASSETS-WORK MGMT (4257)

Description: The assets invested for the Work Management system for Black Hills Energy. This includes capitalized and centrally located hardware and software costs to serve multiple utilities. Depreciation expense on this group of assets is also charged from here. (Customer Count Ratio)

UHC-ASSETS-REG GENERATION (4258)

Description: The assets for electric utilities specifically. This includes capitalized and centrally located hardware and software costs to serve multiple electric utilities. Depreciation expense on this group of assets is also charged from here. (Customer-Regulated)

UHC-BENEFITS LOADINGS (4470)

Description: Utilized for charging out benefits, including medical costs, to the operating departments. Provided that all labor is loaded with overhead loadings, only the residual charges are to the operating companies. (Blended)

UHC-ACCOUNTING ACCRUAL ENTRIES (4474)

Description: Created to facilitate the accrual of certain charges not related to specific departments. (Blended)

UHC-ASSETS-BLENDED-ALL (4478)

Description: The assets invested and centrally located for gas and electric operating companies where the Blended Ratio is determined to be the best form of allocation. Depreciation expense on this group of assets is also charged from here. (Blended)

UHC-ASSETS-BLENDED-ELECTRIC (4479)

Description: The assets invested and centrally located for electric operating companies where the Blended Ratio is determined to be the best form of allocation. Depreciation expense on this group of assets is also charged from here. (Blended)

UHC-ASSETS-BLENDED-GAS (4480)

Description: The assets invested and centrally located for gas operating companies where the Blended Ratio is determined to be the best form of allocation. Depreciation expense on this group of assets is also charged from here. (Blended)

UHC-ASSETS-BLENDED-CUSTOMERS (4481)

Description: The assets invested and centrally located for gas and electric companies where the Customer Ratio is determined to be the best form of allocation. Depreciation expense on this group of assets is also charged from here. (Customer Count Ratio)

UHC-DESIGN ENGINEERING GAS (5105)

Description: Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses. (Customer-Regulated)

UHC-STANDARDS AND COMPLIANCE GAS (5106)

Description: Responsible for implementing and reporting DOT regulatory requirements, maintaining standards, and supporting GIS Smallworld mapping. (Customer-Regulated)

UHC-TRANSMISSION PLANNING (5107)

Description: 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. (Transmission)

UHC-NERC COMPLIANCE (5108)

Description: Develops, coordinates and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which

standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System. (Transmission)

UHC-FERC TARIFF AND COMPLIANCE (5109)

Description: 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). (Transmission)

UHC-T AND D RELIABILITY CTR (5110)

Description: 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. (Transmission)

UHC-NERC TRANSMISSION AND TECH SUPPORT (5111)

Description: Develops, coordinates and oversees the technical support piece of the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System. (Transmission)

UHC-TRANSMISSION SERVICES MGMT (5112)

Description: For all three electric utilities (BHP, CLFP and Colorado Electric), Transmission Services directs the 24/7 Reliability Centers in Rapid City and Pueblo, Transmission Planning, NERC Compliance, FERC Compliance, and Transmission Tariff Administration. (Transmission)

UHC-Elec Ops Communications (5117)

Description: Manages and supports the Electric Utilities radio, fiber and microwave based communication needs for the electric operating companies. Provides telecommunication expense management for the electric operating companies. (Blended)

UHC-ELEC ENGINEERING SERV (5120)

Description: Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T and D asset management, metering, substation maintenance, Vegetation Management, GIS/drafting and outage management systems. Provides Director level support to GIS support functions as defined in Dept. 5305 for both the electric and gas network operations. (Blended)

UHC-PWR SUPPLY AND RENEWABLES (5121)

Description: Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies. (Blended)

UHC-REGULATORY SERV (5122)

Description: Supports and manages all electric and gas regulatory filings, rate cases, and regulatory issues. (Blended)

UHC-HR Rotation Program (5125)

Description: Provides a rotation program to develop staff for critical need areas within the utility operating companies of Black Hills Corporation. (Blended)

UHC-Technical Training(5254)

Description: Provides technical training support for gas and electric utilities. (Customer-Regulated)

UHC-GIS SUPPORT (5305)

Description: Researches, builds and implements utility software solutions for the benefit of electric and gas network operations. This department supports Smallworld GIS, STORMS work management, PowerOn outage management, Korterra line locates, and GTViewer mobile maps. (Customer Count Ratio)

UHC-GAS METERING SERV (5490)

Description: Manages and provides gas measurement support to field operations located in gas service states. (Customer-Regulated)

UHC-UTILITY FINANCIAL MGMT (5668)

Description: Assists in the compliance with regulatory and operating unit business strategy from a financial perspective. Responsible for preparation of all phases of the financial planning process including budgets, forecasts and strategic plans. Prepares various operating and financial reports for management. (Blended)

UHC-UTILITY ACCOUNTING (5670)

Description: Responsible for closing the general ledger for the utilities on a monthly basis and assists in the compliance of all accounting rules and regulations. Prepares various operating and financial reports for utility financial management. Assists the utility financial management team with monthly analysis. (Blended)

UHC-EXEC MGMT-CUST SERV (5674)

Description: Provides general direction and supervision of customer service activities. Encourages the safe, efficient and economical use of the utilities services. (Customer Count Ratio)

UHC-EXEC MGMT-UTILITIES (5682)

Description: Provides guidance, direction and management to overall utility operations and support services. (Blended)

UHC-MARKETING (5688)

Description: Provides business and planning services, including marketing. Searches for competitive business opportunities and energy solutions (Blended)

UHC-EXTERNAL AFFAIRS (5690)

Description: 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 (Customer Count Ratio)

UHC-Electric Meter Services (5691)

Description: Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric entities. (Customer-Regulated)

UHC-CUSTOMER SERV-LINCOLN (5701)

Description: Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers. (Customer Count Ratio)

UHC-CUSTOMER ACCT SERV-OMAHA (5702)

Description: Assists customers with billing, payment and collection issues. (Customer Count Ratio)

UHC-CUSTOMER SERV SUPP (5703)

Description: Provides support to customer services areas through customer information system project management and process control for customer information system changes, revenue assurance analysis, quality analysis, training, and customer and community communication. (Customer Count Ratio)

UHC-CUSTOMER ACCT SERV-RC (5704)

Description: Assists customers with billing, payment and collection issues. (Customer Count Ratio)

UHC-LARGE VOLUME BILLING (5706)

Description: Manages and maintains regulated and non-regulated sales and billing of gas to large volume customers. (Customer Count Ratio)

UHC CS CTR SUPPORT (5707)

Description: Provides direct support to the operations of the two customer service centers in Lincoln and Rapid City. Provides analysis on employee staffing, monitoring service metrics, projects, and planning. (Customer Count Ratio)

UHC-BILL PRINT AND LOCKBOX (5711)

Description: Prepares prints, inserts and mails regulated and non-regulated letters and bills for BHC utility customers. Processes payments for regulated and non-regulated services mailed back to BHC by utility customers. (Customer Count Ratio)

UHC-BILL PROCESSING (5712)

Description: Outside services, supplies and postage expenses required for billing, correspondence, remittance, credit and collection services related to BHC utility customers. (Customer Count Ratio)

UHC-FIELD RESOURCE CTR-LINCOLN (5715)

Description: Plans work, and schedules and dispatches premise service activities to both regulated and non-regulated customers. (Customer Count Ratio)

UHC-FIELD RESOURCE CTR-RC (5717)

Description: Plans work, and schedules and dispatches premise service activities to both regulated and non-regulated customers. (Customer Count Ratio)

UHC-SERV GUARD MARKETING (6005)

Description: Provides and manages product development for consumer marketing with the primary focus on Service Guard (appliance options) a non-regulated business for utility/regulated customers. (Customers-Service Guard)

UHC Gas Engineering Management (6183)

Description: Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety. (Blended)

UHC-TECHNICAL TRN-APPLIANCE (6331)

Description: Designs and implements safety programs and incentives, incident investigation, hazard identification and problem solving, and appliance repair technical skill training, program development and administration of technical-related training for our front-line utility employees supporting Service Guard. (Customers-Service Guard)

UHC-ENERGY SERVICES (6373)

Description: Supports the energy efficiency programs across the utilities supported by BHUC (Customer Count Ratio)

CATCH-ALL

Description: Departments at Black Hills Corporation that are not specifically listed in the CAM or included in the master allocation design that charge BHUH will be allocated using the Blended Allocator Ratio or Customer Count Ratio.

Appendix 2- Allocation Ratios

Any asset ratios and employee and customer count ratios are calculated as of period-end dates, while revenue and expense ratios are calculated for twelve months ended as of period-end dates.

Asset Cost Ratio – Based on the net cost of assets as of December 31 for the prior year, the numerator of which is for an applicable operating company and the denominator of which is all applicable operating companies. Assets are limited to property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP).

No departments utilize this ratio, but it is a component in the Blended Ratio.

Gross Margin Ratio – Based on the total gross margin for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies. 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.

No departments utilize this ratio, but it is a component in the Blended Ratio.

Payroll Dollar Ratio –Based on the total payroll dollars for the prior year ending December 31, the numerator of which is the direct payroll charges from all BHC subsidiaries charging the for an applicable operating company and the denominator of which is for all applicable operating companies. 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 of \$50,000.

No departments utilize this ratio, but it is a component in the Blended Ratio.

Blended Ratio – 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 general allocation factor.

There are currently several variations of the 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.

As of December 31, 2014 BHUH 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

Electric Blended

Gas Blended

BHE Blended

All Regulated Utility Blended

Departments that utilize this ratio include BHUH benefits loading, retiree, BHUH accounting accruals, all blended assets, electric blended assets, gas blended assets, electric engineering services, electric regulatory services, utility margin accounting, utility financial management, utility accounting, utility operations management, utility market services, power supply and renewables, and gas regulatory services.

Any department at Black Hills Corp that appropriately charges a BHUH operating unit but is not part of the predefined allocation design will also utilize the Blended Allocator Ratio. For example if a BHSC IT department provides maintenance on the SCADA system supporting the regulated electric companies they would charge BHUH operating unit 201900 and these costs would be allocated using the Blended Ratio across the regulated electric companies.

Customer Count Ratio – Based on the number of customers at the end of the prior year ending December 31, 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.

As of December 31, 2014 BHUH 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

Regulated Electric Customers

Regulated Gas Customers

Non-Regulated Customers

Total Customers

Departments that utilize this ratio include gas supply services administration, computer aided dispatch, FAME assets, general assets, work management assets, regulated generation assets, customer blended assets, electric AMI blended assets, gas engineering services, GIS support, general meter shop, customer service management, Lincoln customer service center, Omaha customer account services, Rapid City customer service support, Rapid City customer account services, Rapid City customer service center, large volume billing, customer service center support, bill processing, Lincoln field resource center, Rapid City field resource center, service guard marketing, lockbox & bill-print, and appliance technical training.

Transmission Ratio – Based on a simple average of a multiple of cross-sectional drivers for the transmission function 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.

The departments that utilize this ratio include transmission planning, NERC compliance, FERC tariff and compliance, transmission and distribution reliability, NERC transmission and tech support, and transmission service management.

Black Hills Service Company

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: January 1, 2013

Amended: December 1, 2013

Amended: December 1, 2014

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 (the 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.

The Service Company is a wholly owned subsidiary of Black Hills Corporation (the Holding Company), and is a separate legal entity. The majority of operations and all employees were transferred out of the Holding Company on the effective date of implementation. The only transactions that remain at the Holding Company are transactions pertaining to long-term debt and related deferred finance costs, corporate credit facility 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 1.

Direct Costs versus Indirect Costs

A key issue in distributing Service Company costs is distinguishing between direct costs and indirect costs. The account coding will change depending on whether the cost is a direct or indirect cost. 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. This means that it is known exactly to which subsidiary these costs relate. Here are some examples:

- A Payroll Processor is processing the payroll for Black Hills Power. The labor costs incurred in processing payroll are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.
- An Internal Auditor travels to Denver to complete audits for Colorado Independent Power Production and Black Hills Exploration and Production. The time associated with completing the audits would be charged to each company based on the time worked for each specific company project. The travel expenses should be split equally or on a pro rata share based on days worked.
- The Human Resources department incurs costs to bring an employment candidate on-site to Gillette for an interview with Wyodak Resources. These travel costs incurred in bringing the employee in for the interview are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.
- A Help Desk technician orders a replacement computer monitor for an employee at Black Hills Power. This hardware cost incurred is specifically associated with an identified subsidiary. Therefore, this would be a direct cost.

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. 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.
- An Environmental 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.
- 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.

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:

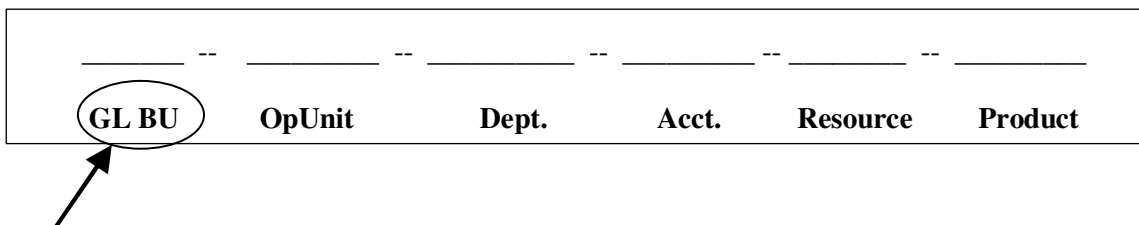
- Capitalized costs for non-BHSC projects (including capitalized labor)
- Corporate development project costs
- Retiree healthcare costs

Always considered indirect costs:

- Board of Directors' fees and expenses
- General Office rent
- Depreciation of BHSC assets
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

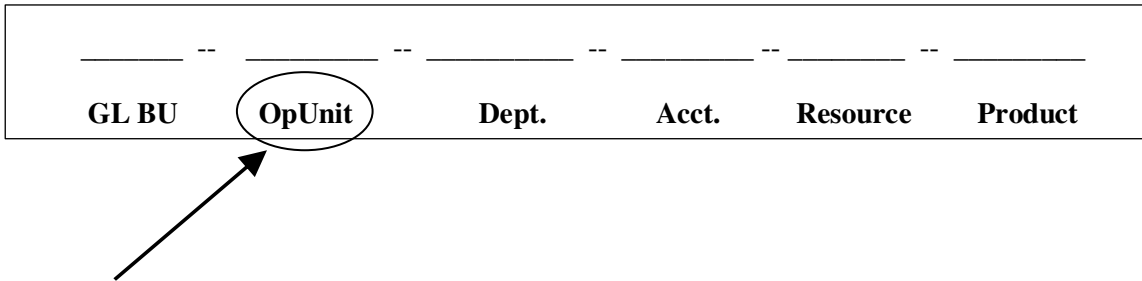
Transaction Coding

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.



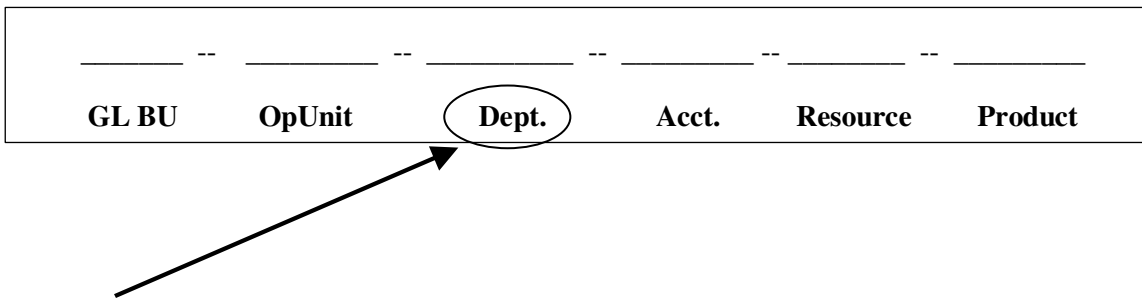
General Ledger Business Unit (GLBU):

- 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.



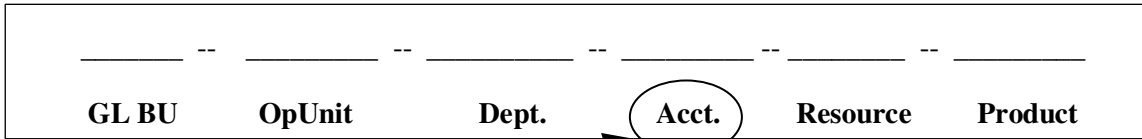
Operating Unit (OpUnit):

- 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 BHUH 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.



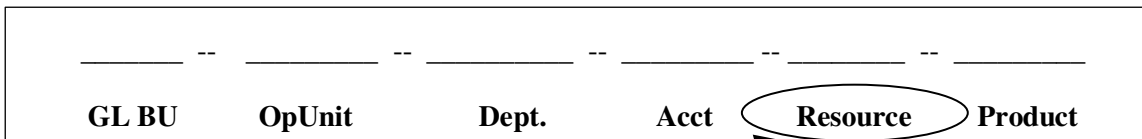
Department (Dept):

- 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.



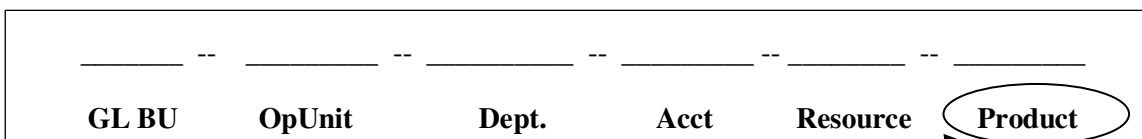
Account (Acct)

- 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 all income statement and capital accounting transactions.

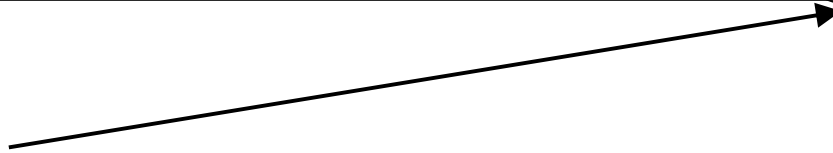


Product:

- Three (3) character numeric field.

- A Product code is used to identify business lines.
- Examples of the product line include electric, gas, coal and non-regulated

_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product
										Work Order



Work Order:

- Eight (8) character 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 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 and Pension audit 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. After the difference is calculated and reviewed for reasonableness, it is recorded to a separate department, and indirectly allocated to Black Hills Corporation subsidiaries.

Allocation Ratios

As previously stated, Service Company costs are either directly charged to a subsidiary, or indirectly allocated when the cost is not associated with a specific subsidiary. Indirect costs are allocated using one of several pre-defined allocation ratios. Each department has been assigned one of these allocation ratios. All indirect 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-pronged 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 ~~(limited to gross PP&E)~~, and Payroll Dollars. These ~~ratios-factors~~ were chosen to be included in the Blended Ratio because they best allocate costs based on the diverse nature of BHC operations.

In addition, some departments utilize a Holding Company Blended Ratio. The difference between the Blended Ratio and the Holding Company Blended Ratio is that the Holding Company Blended Ratio allocates a percentage of costs to BHC Holding Company. For example, the Corporate Governance department will allocate indirect costs using the Holding Company Blended Ratio because certain costs incurred, such as New York Stock Exchange fees and Board of Directors costs, relate to both the Holding Company and the subsidiary companies.

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. Black Hills Corporation 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 2.

Changing Allocation Ratios

Allocation ratios are set at the first of the year, based upon financial information from the prior year ending December 31st. Assets, utility assets, employee counts, and power generation capacity are based on values as of the previous period ending December 31st. Gross margin, utility gross margin, payroll dollars, and utility payroll dollars are based on values for the 12 months ended December 31st.

Certain events may occur during the year that are deemed to be significant to Black Hills Corporation that will require corresponding adjustments be made to the allocation ratios. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams.

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 insure 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 insure 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 Black Hills Corporation 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 Black Hills Corporation 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 is the Blended Ratio, except as otherwise noted. Depreciation expense is also allocated using the Blended Ratio.

Appendix 1 – BHSC Departments

The following departments are included in BHSC as of 01/01/2015 and are subject to changes as required to support evolving business requirements.

SC-ACCOUNTING SYSTEMS (4700)

Description: Maintains the corporate- wide accounting systems of Black Hills Corporation, most notably the general ledger and financial statement preparation systems. (Blended)

SC-DISBURSEMENTS (4701)

Description: Processes payments to vendors and prepares 1099s and applicable documentation for the majority of Black Hills Corporation subsidiaries. Also, processes payroll including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports for Black Hills Corporation and its subsidiaries. (Blended)

SC-CORP DEVELOPMENT (4702)

Description: Facilitates the development of the corporate strategy, prepares strategic plans, and evaluates potential business opportunities. Department also assists various subsidiaries with financial analysis and special projects. (HoldCo Blended)

SC-CORP GOV AND SHAREHOLDER SERV (4703)

Description: 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. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans. (HoldCo Blended)

SC-TAX (4704)

Description: Prepares quarterly and annual tax provisions of all Black Hills Corporation subsidiaries. Maintains and reconciles all current and deferred income tax general ledger accounts. Prepares tax filings and ensures compliance with applicable laws and regulations. Oversees various tax planning projects. (Blended)

SC-CREDIT AND RISK (4705)

Description: Provides risk management, risk evaluation, and risk analysis services. Provides support to the Executive Risk Committee. Evaluates contract risks. (Blended)

SC-LEGAL - CORPORATE (4706)

Description: 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. (Blended)

SC-CORPORATE AFFAIRS (4708)

Description: Provides oversight to Public Relations, Marketing, Governmental Affairs, Regulatory Affairs and Regulatory Services/Resource Planning for all Black Hills Corporation and its subsidiaries. (Blended)

SC-ENVIRONMENTAL SERVICES (4709)

Description: Establishes policies and procedures for compliance with environmental laws and regulations. Researches 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. (Asset Cost)

SC-EXECUTIVE MGMT (4710)

Description: Provides overall oversight of Black Hills Corporation and its subsidiaries. Provides the Board of Directors information for decision making purposes. (HoldCo Blended)

SC-SAFETY (4711)

Description: Develops and implements safety planning activities and provides employee safety education. Administers the corporate safety program. Assists with compliance with DOT, OSHA, and MSHA regulations. (Employee)

SC-FINANCE AND TREASURY (4712)

Description: 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. (HoldCo Blended)

SC-FINANCIAL REPORTING (4713)

Description: 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. Researches emerging accounting issues and assists with the compliance of new accounting rules and regulations. (HoldCo Blended)

SC-BUDGET AND FORECAST (4714)

Description: 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. (Blended)

SC-GENERAL ACCOUNTING (4715)

Description: Provides management and administrative support for accounting and finance functions of the Company's regulated and non-regulated businesses including external audit coordination. (Blended)

SC-ACCOUNTING-CENTRAL SERVICES (4716)

Description: Maintains the accounting records for Black Hills Service Company and Black Hills Corporation. Provides oversight of the Disbursements and Property Accounting departments. (Blended)

SC-ACCOUNTING-GENERATION SERVFINANCIAL MANAGEMENT ELECTRIC UTILITIES AND GENERATION SERVICES (4717)

Description: Provides general ledger accounting to non-regulated generation facilities and accounting support to all generation facilities financial management to the electric utilities and non-regulated generation facilities, and accounting support to all generation facilities. (Generation CapacityBlended)

~~SC-HUMAN RESOURCES CORP (4718)~~

~~Description: Provides general Human Resources support services through the administration of policies for all facets of Human Resources, including employee relations, labor relations, talent management, recruiting and employment staffing, compensation and benefits administration and state/federal regulation compliance. (Employee)~~

SC-HUMAN RESOURCES REGULATED (4720)

Description: Provides general Human Resources support services to the subsidiaries through the administration of policies and labor contracts for all facets of Human Resources, including employee relations, labor relations, talent management, recruiting and employment staffing, compensation and benefits administration. (Employee)

SC-COMPENSATION AND BENEFITS (4721)

Description: 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. (Employee)

SC-ORGANIZATIONAL DEVELOPMENT AND TRAINING (4722)

Description: 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. (Employee)

~~***SC-ENGINEERING ROTATION PROGRAM (4723)***~~

~~**Description: Provides a rotation program to develop staff for critical need areas within Black Hills Corporation and its subsidiaries. (Blended)**~~

~~***SC-INSURANCE (4724)***~~

~~Description: Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. (Blended)~~

SC-INTERNAL AUDIT (4725)

Description: Reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Oversees the Sarbanes Oxley compliance efforts. (Blended)

SC-IN-HOUSE CREATIVE SOLUTIONS (4726)

Description: Provides program for effective, measured, and coordinated advertising. Manages, develops and implements communication channels to maintain effective communications with stakeholders. Designs and develops communication materials. (Blended)

SC-POWER DELIVERY MGMT (4728)

Description: Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets. (Generation Capacity)

SC-PROPERTY ACCOUNTING (4729)

Description: Maintains the accounting records for property, plant and equipment for the majority of subsidiaries of the corporation. Assists in compliance with regulatory accounting requirements as it relates to property. Prepares various operating and financial reports for management. (Asset Cost)

SC-RECORDS MGMT (4730)

Description: Administers and maintains the records retention policies and procedures of the corporation. Manages and maintains the content management software. (Blended)

SC-SUPPLY CHAIN MGMT (4731)

Description: Develops strategies and provides general oversight to Facilities, Contract Management, Strategic Sourcing, Procurement, Fleet Services, Materials Management and Supplier Diversity departments. (Blended)

SC-CONTRACTS MGMT (4732)

Description: Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. (Blended)

SC-STRATEGIC SOURCING (4733)

Description: Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. (Blended)

SC-FLEET SERV (4734)

Description: Manages fleet expense cards, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations. (Blended)

SC-FACILITIES (4736)

Description: Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning. (Blended)

SC-GOVERNMENTAL AFFAIRS (4741)

Description: 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. (Blended)

SC-IT ADMINISTRATION (4742)

Description: Provides guidance, governance, and strategic planning to the overall information technology operations. (Blended)

SC-IT BUSINESS APPLICATIONS-FIN AND HR SYSTM (4743)

Description: Manages, maintains, and enhances the financial and human resource related business applications of the company. (Blended)

SC-IT BUSINESS APPLICATIONS-REGULATED (4744)

Description: Manages, maintains, and enhances business applications within the utility companies. (Utility Blended)

SC-IT BUSINESS APPLICATIONS-WEB SERV SUPP (4745)

Description: Manages, maintains, and enhances the web-based service business applications of the company. (Blended)

SC-IT BUSINESS APPLICATIONS-WHOLESALE AND ENTERPRISE (4746)

Description: Manages, maintains, and enhances the wholesale and enterprise-wide business applications of the company. (Blended)

SC-IT INFRASTRUCTURE SERV (4747)

Description: Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture, and corporate databases. (Blended)

SC-IT COMMUNICATIONS (4748)

Description: Manages and supports the data and voice communication needs for the company. Provides telecommunication expense management services. (Blended)

SC-IT USER SERVICES (4749)

Description: Provides technology support services for the company, including field services. (Blended)

SC-IT COMPLIANCE (4751)

Description: Responsible for internal and external audit compliance, disaster recovery, change management and legal compliance related to technology. (Blended)

SC-MATERIALS MGMT (4752)

Description: Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. (Blended)

SC-CONTINUOUS IMPROVEMENT (4753)

Description: Helps identify solutions to improve work processes, maximize business performance and add value for customers and stakeholders. (Blended)

SC-GENERATION PLANT OPERATIONS (4754)

Description: Operates and manages the generation for BHCOE and BHCIPP. (NamePlate Generation Capacity)

SC-IT HELPDESK / TECHNOLOGY INTEGRATION (4755)

Description: Provides IT telephone support, technology training and technology integration services. (Blended-~~Ratio~~)

SC-CPGS PLANT OPERATIONS (4756)

Description: Operates and manages the new generation for the Cheyenne Prairie Generation Station. (NamePlate Generation Capacity)

SC-PROCUREMENT (4760)

Description: Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. (Blended)

SC – ASSET BLENDED (4793)

Description: Records depreciation for the Service Company assets. (Blended)

SC-BENEFIT POOLED (4794)

Description: Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries. (Employee)

SC-ACCOUNTING ACCRUAL ENTRIES (4795)

Description: Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department. (Blended)

SC-BENEFITS LOADING (4796)

Description: Records overhead benefit costs loaded to labor costs (Blended)

CATCH-ALL

Description: Departments at Black Hills Corporation that are not specifically listed in the CAM or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.

Appendix 2 – Allocation Ratios

Asset Cost Ratio – Based on the total-net cost of assets as of December 31 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 property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP). ~~Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any adjustments that are required to bring their FERC financial statements into compliance with GAAP. FERC requires that acquired fixed assets be recorded at their gross value with accumulated depreciation, while GAAP requires that acquired fixed assets be recorded at their net book value. An adjustment journal entry is used to eliminate the gross-up of cost and accumulated depreciation for preparation of GAAP financial statements, but this adjustment is not ratioed into the calculation of the Asset Cost Ratio.~~

The Environmental Services and Property Accounting departments utilize this ratio, and it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Gross Margin Ratio – Based on the total gross margin for the prior year ending December 31, 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.

No departments utilize this ratio, but it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Payroll Dollars Ratio – Based on the total payroll dollars for the prior year ending December 31, the numerator of which is the direct payroll charges from all BHC subsidiaries charging the for ~~an~~ 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.

No departments utilize this ratio, but it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Blended Ratio – 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 general allocation ratio.

Departments that utilize this ratio include Accounting Systems, Accounts Payable, Tax, Credit and Risk, General Accounting, Insurance, Internal Audit, Legal, Corporate Affairs, Budget and Forecast, General Accounting, Accounting-Central Services, Engineering Rotation Program,

Insurance, Internal Audit, In-House Creative Solutions, Records Management, Supply Chain Management, Contract Management, Strategic Sourcing, Fleet Services, Facilities, Governmental Affairs, Information Technology Administration, Information Technology Business Applications Wholesale and Enterprise, Information Technology Business Applications Web Service Support, Information Technology Business Applications Financial and HR Systems, Information Technology Infrastructure Services, Information Technology Communications, Information Technology User Services, Corporate Security, Information Technology Compliance, Materials Management, Continuous Improvement, Information Technology Helpdesk / Technology Integration, Procurement, Assets Blended, Accounting Accruals, Benefits and BHSC portion of the Rapid City Plant Street Facility, Midlands Data Facility and Bellevue Data Center Facility.

Holding Company Blended Ratio – 5% of costs allocated to the Holding Company, with the remaining 95% of costs allocated using 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.

Departments that utilize this ratio include Corporate Development, Corporate Governance and Shareholder Services, Executive Management, Finance and Treasury and Financial Reporting.

Employee Ratio – Based on the number of employees at the end of the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

Departments that utilize this ratio include Safety, ~~Human Resources Corp.~~, Human Resources Regulated, Compensation and Benefits and, ~~Organizational Development and Training, and Payroll~~. Health and welfare costs for BHC will be in a pool and allocated to subsidiaries based on the Employee Ratio.

Power Generation Capacity Ratio – Based on the total power generation capacity at the end of the prior year ending December 31, 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.

Departments that use this ratio include Power Delivery Management and Accounting-Generation Services.

Utility Asset Cost Ratio – Based on the total cost of utility assets as of December 31 for the prior year, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility assets are limited to property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP). ~~Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any adjustments that are required to bring their FERC financial statements into compliance with GAAP. FERC requires that acquired fixed assets be recorded at their gross value with accumulated depreciation, while~~

~~GAAP requires that acquired fixed assets be recorded at their net book value. An adjustment journal entry is used to eliminate the gross up of cost and accumulated depreciation for preparation of GAAP financial statements, but this adjustment is not ratioed into the calculation of the Utility Asset Cost Ratio.~~

No departments utilize this ratio, but it is a component in the Utility Blended Ratio

Utility Employee Ratio – Based on the number of utility employees at the end of the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries.

No departments currently utilize this ratio.

Utility Gross Margin Ratio – Based on the total utility gross margin for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility gross margin is defined as revenue less cost of sales. Certain intercompany transaction may be excluded from utility gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party.

No departments utilize this ratio, but it is a component in the Utility Blended Ratio.

Utility Payroll Dollars Ratio – Based on the total utility payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility 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.

No departments utilize this ratio, but it is a component in the Utility Blended Ratio.

Utility Blended Ratio – A composite ratio comprised of an average of the Utility Asset Cost Ratio, the Utility Payroll Dollars Ratio, and the Utility Gross Margin Ratio. These ratios are equally weighted.

The IT Business Applications Regulated department utilizes this ratio.

Nameplate Generation Capacity Ratio – Based on the total facility's power generation capacity at the end of the prior year ending December 31, 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.

The Generation Plant Operations and CPGS Plant Operations departments utilize this ratio.

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.

| The Rapid City Plant Street Facility and the Denver Office Facility utilize this ratio.

Black Hills Service Company

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: January 1, 2013

Amended: December 1, 2013

Amended: December 1, 2014

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 (the 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.

The Service Company is a wholly owned subsidiary of Black Hills Corporation (the Holding Company), and is a separate legal entity. The majority of operations and all employees were transferred out of the Holding Company on the effective date of implementation. The only transactions that remain at the Holding Company are transactions pertaining to long-term debt and related deferred finance costs, corporate credit facility 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 1.

Direct Costs versus Indirect Costs

A key issue in distributing Service Company costs is distinguishing between direct costs and indirect costs. The account coding will change depending on whether the cost is a direct or indirect cost. 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. This means that it is known exactly to which subsidiary these costs relate. Here are some examples:

- A Payroll Processor is processing the payroll for Black Hills Power. The labor costs incurred in processing payroll are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.
- An Internal Auditor travels to Denver to complete audits for Colorado Independent Power Production and Black Hills Exploration and Production. The time associated with completing the audits would be charged to each company based on the time worked for each specific company project. The travel expenses should be split equally or on a pro rata share based on days worked.
- The Human Resources department incurs costs to bring an employment candidate on-site to Gillette for an interview with Wyodak Resources. These travel costs incurred in bringing the employee in for the interview are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.
- A Help Desk technician orders a replacement computer monitor for an employee at Black Hills Power. This hardware cost incurred is specifically associated with an identified subsidiary. Therefore, this would be a direct cost.

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. 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.
- An Environmental 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.
- 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.

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:

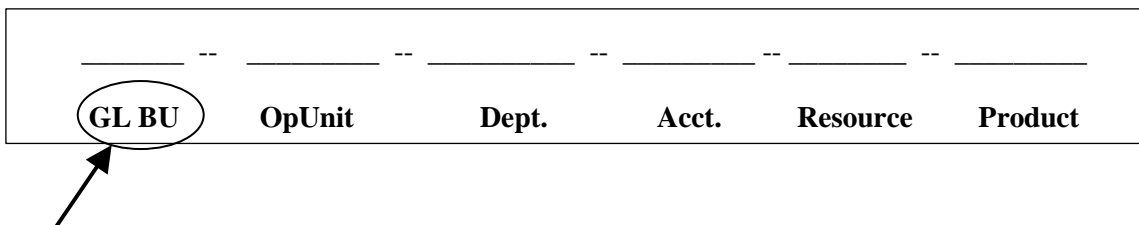
- Capitalized costs for non-BHSC projects (including capitalized labor)
- Corporate development project costs
- Retiree healthcare costs

Always considered indirect costs:

- Board of Directors' fees and expenses
- General Office rent
- Depreciation of BHSC assets
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

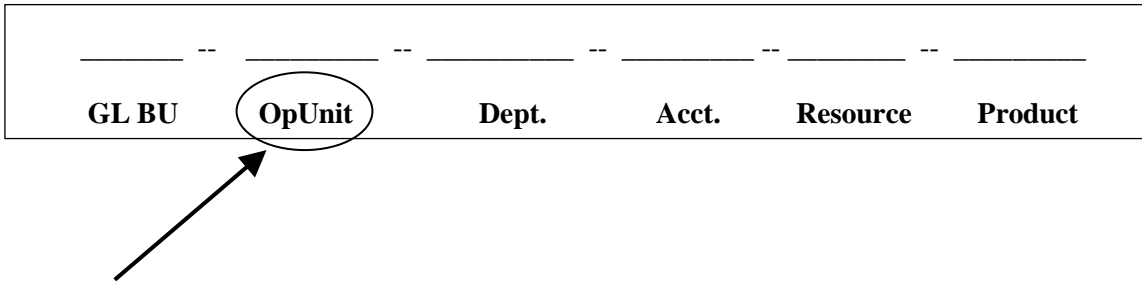
Transaction Coding

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.



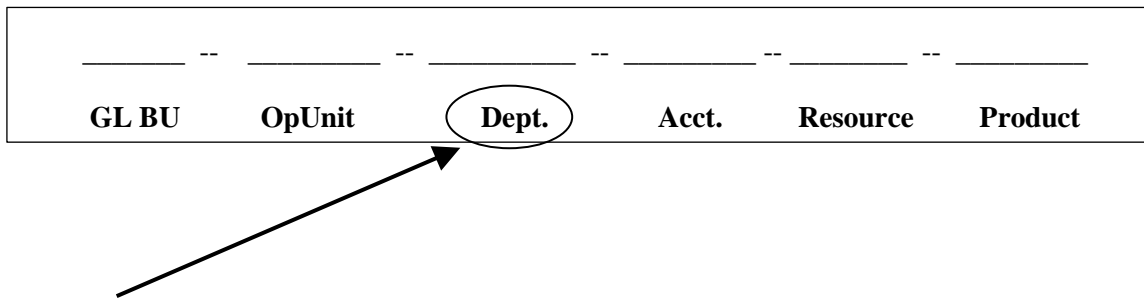
General Ledger Business Unit (GLBU):

- 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.



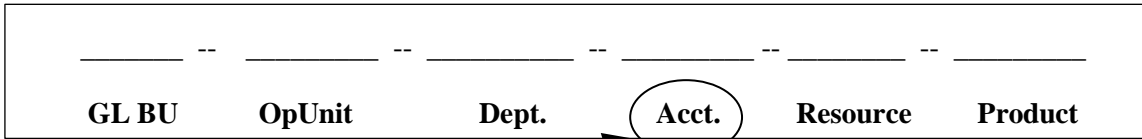
Operating Unit (OpUnit):

- 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 BHUH 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.



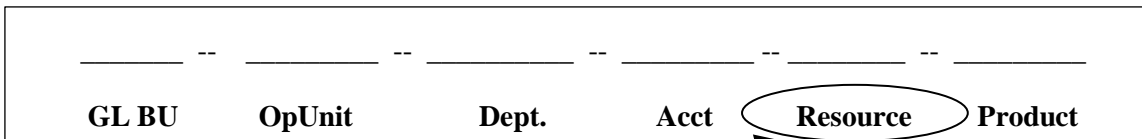
Department (Dept):

- 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.



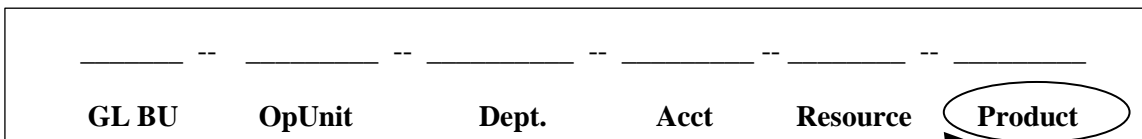
Account (Acct)

- 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 all income statement and capital accounting transactions.

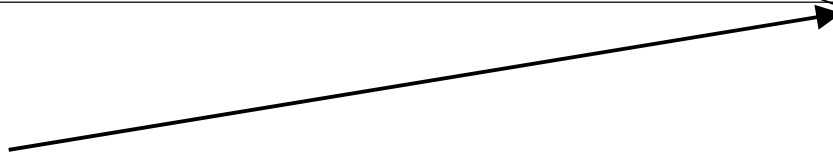


Product:

- Three (3) character numeric field.

- A Product code is used to identify business lines.
- Examples of the product line include electric, gas, coal and non-regulated

GL BU	OpUnit	Dept.	Acct	Resource	Product	Work Order
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Work Order:

- Eight (8) character 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 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 and Pension audit 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. After the difference is calculated and reviewed for reasonableness, it is recorded to a separate department, and indirectly allocated to Black Hills Corporation subsidiaries.

Allocation Ratios

As previously stated, Service Company costs are either directly charged to a subsidiary, or indirectly allocated when the cost is not associated with a specific subsidiary. Indirect costs are allocated using one of several pre-defined allocation ratios. Each department has been assigned one of these allocation ratios. All indirect 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-pronged 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.

In addition, some departments utilize a Holding Company Blended Ratio. The difference between the Blended Ratio and the Holding Company Blended Ratio is that the Holding Company Blended Ratio allocates a percentage of costs to BHC Holding Company. For example, the Corporate Governance department will allocate indirect costs using the Holding Company Blended Ratio because certain costs incurred, such as New York Stock Exchange fees and Board of Directors costs, relate to both the Holding Company and the subsidiary companies.

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. Black Hills Corporation 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 2.

Changing Allocation Ratios

Allocation ratios are set at the first of the year, based upon financial information from the prior year ending December 31st. Assets, utility assets, employee counts, and power generation capacity are based on values as of the previous period ending December 31st. Gross margin, utility gross margin, payroll dollars, and utility payroll dollars are based on values for the 12 months ended December 31st.

Certain events may occur during the year that are deemed to be significant to Black Hills Corporation that will require corresponding adjustments be made to the allocation ratios. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams.

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 insure 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 insure 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 Black Hills Corporation 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 Black Hills Corporation 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 is the Blended Ratio, except as otherwise noted. Depreciation expense is also allocated using the Blended Ratio.

Appendix 1 – BHSC Departments

The following departments are included in BHSC as of 01/01/2015 and are subject to changes as required to support evolving business requirements.

SC-ACCOUNTING SYSTEMS (4700)

Description: Maintains the corporate- wide accounting systems of Black Hills Corporation, most notably the general ledger and financial statement preparation systems. (Blended)

SC-DISBURSEMENTS (4701)

Description: Processes payments to vendors and prepares 1099s and applicable documentation for the majority of Black Hills Corporation subsidiaries. Also, processes payroll including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports for Black Hills Corporation and its subsidiaries. (Blended)

SC-CORP DEVELOPMENT (4702)

Description: Facilitates the development of the corporate strategy, prepares strategic plans, and evaluates potential business opportunities. Department also assists various subsidiaries with financial analysis and special projects. (HoldCo Blended)

SC-CORP GOV AND SHAREHOLDER SERV (4703)

Description: 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. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans. (HoldCo Blended)

SC-TAX (4704)

Description: Prepares quarterly and annual tax provisions of all Black Hills Corporation subsidiaries. Maintains and reconciles all current and deferred income tax general ledger accounts. Prepares tax filings and ensures compliance with applicable laws and regulations. Oversees various tax planning projects. (Blended)

SC-CREDIT AND RISK (4705)

Description: Provides risk management, risk evaluation, and risk analysis services. Provides support to the Executive Risk Committee. Evaluates contract risks. (Blended)

SC-LEGAL - CORPORATE (4706)

Description: 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. (Blended)

SC-CORPORATE AFFAIRS (4708)

Description: Provides oversight to Public Relations, Marketing, Governmental Affairs, Regulatory Affairs and Regulatory Services/Resource Planning for all Black Hills Corporation and its subsidiaries. (Blended)

SC-ENVIRONMENTAL SERVICES (4709)

Description: Establishes policies and procedures for compliance with environmental laws and regulations. Researches 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. (Asset Cost)

SC-EXECUTIVE MGMT (4710)

Description: Provides overall oversight of Black Hills Corporation and its subsidiaries. Provides the Board of Directors information for decision making purposes. (HoldCo Blended)

SC-SAFETY (4711)

Description: Develops and implements safety planning activities and provides employee safety education. Administers the corporate safety program. Assists with compliance with DOT, OSHA, and MSHA regulations. (Employee)

SC-FINANCE AND TREASURY (4712)

Description: 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. (HoldCo Blended)

SC-FINANCIAL REPORTING (4713)

Description: 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. Researches emerging accounting issues and assists with the compliance of new accounting rules and regulations. (HoldCo Blended)

SC-BUDGET AND FORECAST (4714)

Description: 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. (Blended)

SC-GENERAL ACCOUNTING (4715)

Description: Provides management and administrative support for accounting and finance functions of the Company's regulated and non-regulated businesses including external audit coordination. (Blended)

SC-ACCOUNTING-CENTRAL SERVICES (4716)

Description: Maintains the accounting records for Black Hills Service Company and Black Hills Corporation. Provides oversight of the Disbursements and Property Accounting departments. (Blended)

SC-FINANCIAL MANAGEMENT ELECTRIC UTILITIES AND GENERATION SERVICES (4717)

Description: Provides financial management to the electric utilities and non-regulated generation facilities, and accounting support to all generation facilities. (Blended)

SC-HUMAN RESOURCES REGULATED (4720)

Description: Provides general Human Resources support services to the subsidiaries through the administration of policies and labor contracts for all facets of Human Resources, including employee relations, labor relations, talent management, recruiting and employment staffing, compensation and benefits administration. (Employee)

SC-COMPENSATION AND BENEFITS (4721)

Description: 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. (Employee)

SC-ORGANIZATIONAL DEVELOPMENT AND TRAINING (4722)

Description: 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. (Employee)

SC-INSURANCE (4724)

Description: Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. (Blended)

SC-INTERNAL AUDIT (4725)

Description: Reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Oversees the Sarbanes Oxley compliance efforts. (Blended)

SC-IN-HOUSE CREATIVE SOLUTIONS (4726)

Description: Provides program for effective, measured, and coordinated advertising. Manages, develops and implements communication channels to maintain effective communications with stakeholders. Designs and develops communication materials. (Blended)

SC-POWER DELIVERY MGMT (4728)

Description: Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets. (Generation Capacity)

SC-PROPERTY ACCOUNTING (4729)

Description: Maintains the accounting records for property, plant and equipment for the majority of subsidiaries of the corporation. Assists in compliance with regulatory accounting requirements as it relates to property. Prepares various operating and financial reports for management. (Asset Cost)

SC-RECORDS MGMT (4730)

Description: Administers and maintains the records retention policies and procedures of the corporation. Manages and maintains the content management software. (Blended)

SC-SUPPLY CHAIN MGMT (4731)

Description: Develops strategies and provides general oversight to Facilities, Contract Management, Strategic Sourcing, Procurement, Fleet Services, Materials Management and Supplier Diversity departments. (Blended)

SC-CONTRACTS MGMT (4732)

Description: Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. (Blended)

SC-STRATEGIC SOURCING (4733)

Description: Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. (Blended)

SC-FLEET SERV (4734)

Description: Manages fleet expense cards, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations. (Blended)

SC-FACILITIES (4736)

Description: Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning. (Blended)

SC-GOVERNMENTAL AFFAIRS (4741)

Description: 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. (Blended)

SC-IT ADMINISTRATION (4742)

Description: Provides guidance, governance, and strategic planning to the overall information technology operations. (Blended)

SC-IT BUSINESS APPLICATIONS-FIN AND HR SYSTMS (4743)

Description: Manages, maintains, and enhances the financial and human resource related business applications of the company. (Blended)

SC-IT BUSINESS APPLICATIONS-REGULATED (4744)

Description: Manages, maintains, and enhances business applications within the utility companies. (Utility Blended)

SC-IT BUSINESS APPLICATIONS-WEB SERV SUPP (4745)

Description: Manages, maintains, and enhances the web-based service business applications of the company. (Blended)

SC-IT BUSINESS APPLICATIONS-WHOLESALE AND ENTERPRISE (4746)

Description: Manages, maintains, and enhances the wholesale and enterprise-wide business applications of the company. (Blended)

SC-IT INFRASTRUCTURE SERV (4747)

Description: Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture, and corporate databases. (Blended)

SC-IT COMMUNICATIONS (4748)

Description: Manages and supports the data and voice communication needs for the company. Provides telecommunication expense management services. (Blended)

SC-IT USER SERVICES (4749)

Description: Provides technology support services for the company, including field services. (Blended)

SC-IT COMPLIANCE (4751)

Description: Responsible for internal and external audit compliance, disaster recovery, change management and legal compliance related to technology. (Blended)

SC-MATERIALS MGMT (4752)

Description: Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. (Blended)

SC-CONTINUOUS IMPROVEMENT (4753)

Description: Helps identify solutions to improve work processes, maximize business performance and add value for customers and stakeholders. (Blended)

SC-GENERATION PLANT OPERATIONS (4754)

Description: Operates and manages the generation for BHCOE and BHCIPP. (NamePlate Generation Capacity)

SC-IT HELPDESK / TECHNOLOGY INTEGRATION (4755)

Description: Provides IT telephone support, technology training and technology integration services. (Blended)

SC-CPGS PLANT OPERATIONS (4756)

Description: Operates and manages the new generation for the Cheyenne Prairie Generation Station. (NamePlate Generation Capacity)

SC-PROCUREMENT (4760)

Description: Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. (Blended)

SC – ASSET BLENDED (4793)

Description: Records depreciation for the Service Company assets. (Blended)

SC-BENEFIT POOLED (4794)

Description: Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries. (Employee)

SC-ACCOUNTING ACCRUAL ENTRIES (4795)

Description: Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department. (Blended)

SC-BENEFITS LOADING (4796)

Description: Records overhead benefit costs loaded to labor costs (Blended)

CATCH-ALL

Description: Departments at Black Hills Corporation that are not specifically listed in the CAM or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.

Appendix 2 – Allocation Ratios

Asset Cost Ratio – Based on the net cost of assets as of December 31 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 property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP).

The Environmental Services and Property Accounting departments utilize this ratio, and it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Gross Margin Ratio – Based on the total gross margin for the prior year ending December 31, 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.

No departments utilize this ratio, but it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Payroll Dollars Ratio – Based on the total payroll dollars for the prior year ending December 31, 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.

No departments utilize this ratio, but it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Blended Ratio – 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 general allocation ratio.

Departments that utilize this ratio include Accounting Systems, Accounts Payable, Tax, Credit and Risk, General Accounting, Insurance, Internal Audit, Legal, Corporate Affairs, Budget and Forecast, General Accounting, Accounting-Central Services, Engineering Rotation Program, Insurance, Internal Audit, In-House Creative Solutions, Records Management, Supply Chain

Management, Contract Management, Strategic Sourcing, Fleet Services, Facilities, Governmental Affairs, Information Technology Administration, Information Technology Business Applications Wholesale and Enterprise, Information Technology Business Applications Web Service Support, Information Technology Business Applications Financial and HR Systems, Information Technology Infrastructure Services, Information Technology Communications, Information Technology User Services, Corporate Security, Information Technology Compliance, Materials Management, Continuous Improvement, Information Technology Helpdesk / Technology Integration, Procurement, Assets Blended, Accounting Accruals, Benefits and BHSC portion of the Rapid City Plant Street Facility, Midlands Data Facility and Bellevue Data Center Facility.

Holding Company Blended Ratio – 5% of costs allocated to the Holding Company, with the remaining 95% of costs allocated using 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.

Departments that utilize this ratio include Corporate Development, Corporate Governance and Shareholder Services, Executive Management, Finance and Treasury and Financial Reporting.

Employee Ratio – Based on the number of employees at the end of the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

Departments that utilize this ratio include Safety, Human Resources Regulated, Compensation and Benefits and Organizational Development and Training. Health and welfare costs for BHC will be in a pool and allocated to subsidiaries based on the Employee Ratio.

Power Generation Capacity Ratio – Based on the total power generation capacity at the end of the prior year ending December 31, 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.

Departments that use this ratio include Power Delivery Management and Accounting-Generation Services.

Utility Asset Cost Ratio – Based on the total cost of utility assets as of December 31 for the prior year, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility assets are limited to property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP)..

No departments utilize this ratio, but it is a component in the Utility Blended Ratio

Utility Employee Ratio – Based on the number of utility employees at the end of the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries.

No departments currently utilize this ratio.

Utility Gross Margin Ratio – Based on the total utility gross margin for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility gross margin is defined as revenue less cost of sales. Certain intercompany transaction may be excluded from utility gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party.

No departments utilize this ratio, but it is a component in the Utility Blended Ratio.

Utility Payroll Dollars Ratio – Based on the total utility payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility 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.

No departments utilize this ratio, but it is a component in the Utility Blended Ratio.

Utility Blended Ratio – A composite ratio comprised of an average of the Utility Asset Cost Ratio, the Utility Payroll Dollars Ratio, and the Utility Gross Margin Ratio. These ratios are equally weighted.

The IT Business Applications Regulated department utilizes this ratio.

Nameplate Generation Capacity Ratio – Based on the total facility's power generation capacity at the end of the prior year ending December 31, 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.

The Generation Plant Operations and CPGS Plant Operations departments utilize this ratio.

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.

The Rapid City Plant Street Facility and the Denver Office Facility utilize this ratio.

Tab A2

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____

Form 60 Approved
OMB No. 1902-0215
Expires 04/30/2016



FERC FINANCIAL REPORT

FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)

Black Hills Service Company, LLC

Year of Report

Dec 31, 2014

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1 for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission, (Attention: Information Clearance Officer, CIO),
888 First Street NE,
Washington, DC 20426
or by email to DataClearance@ferc.gov

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Office for the Federal
Energy Regulatory Commission).
Comments to OMB should be submitted by email to: oir_submission@omb.eop.gov

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

**FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES**

IDENTIFICATION

01 Exact Legal Name of Respondent Black Hills Service Company, LLC		02 Year of Report Dec 31, <u>2014</u>	
03 Previous Name (If name changed during the year)		04 Date of Name Change / /	
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 9th Street, Rapid City, SD 57701		06 Name of Contact Person Esther Newbrough	
07 Title of Contact Person Vice President and Corporate Controller		08 Address of Contact Person 625 9th Street, Rapid City, SD 57701	
09 Telephone Number of Contact Person (605) 721-2398		10 E-mail Address of Contact Person esther.newbrough@blackhillscorp.com	
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year) / /	
13 Date of Incorporation / /		14 If Not Incorporated, Date of Organization 12/30/2004	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA			
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation			

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Signing Officer Esther Newbrough		19 Signature of Signing Officer		20 Date Signed (Month, Day, Year)	
18 Title of Signing Officer Vice President - Corporate Controller		Esther Newbrough		04/29/2015	

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List of Schedules and Accounts

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	
5	Schedule V - Accounts Receivable from Associate Companies	106	
6	Schedule VI - Fuel Stock Expenses Undistributed	107	None
7	Schedule VII - Stores Expense Undistributed	108	None
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	None
9	Schedule IX - Miscellaneous Deferred Debits	110	None
10	Schedule X - Research, Development, or Demonstration Expenditures	111	None
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII - Long-Term Debt	202	None
13	Schedule XIII - Current and Accrued Liabilities	203	
14	Schedule XIV - Notes to Financial Statements	204	
15	Schedule XV - Comparative Income Statement	301-302	
16	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	303-306	
17	Schedule XVII - Analysis of Billing - Associate Companies (Account 457)	307	
18	Schedule XVIII - Analysis of Billing - Non-Associate Companies (Account 458)	308	None
21	Schedule XIX - Miscellaneous General Expenses - Account 930.2	307	
23	Schedule XX - Organization Chart	401	
24	Schedule XXI - Methods of Allocation	402	

Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	0	0
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified		0	0
5	107	Construction Work In Progress	103	3,561,479	846,606
6		Total Property (Total Of Lines 2-5)		3,561,479	846,606
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	10,008	2,880
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		3,551,471	843,726
10		Investments			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105	5,754,034	5,337,805
14		Total Investments (Total of Lines 11-13)		5,754,034	5,337,805
15		Current And Accrued Assets			
16	131	Cash			
17	134	Other Special Deposits			
18	135	Working Funds			
19	136	Temporary Cash Investments			
20	141	Notes Receivable		11,712,003	8,980,688
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		520,782	522,568
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	36,290,314	36,017,141
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		73,803	94,577
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		5,339,478	4,716,958
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		53,936,380	50,331,932
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets			
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts			1,429
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits			
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes			
46		Total Deferred Debits (Total of Lines 37-45)			1,429
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		63,241,885	56,514,892

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		Proprietary Capital			
49	201	Common Stock Issued	201		
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	100,000	100,000
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	(778,368)	(778,368)
54	219	Accumulated Other Comprehensive Income	201	(24,372,759)	(12,941,899)
55		Total Proprietary Capital (Total of Lines 49-54)		(25,051,127)	(13,620,267)
56		Long-Term Debt			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		333,390	307,987
65	228.3	Accumulated Provision For Pensions and Benefits			
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		333,390	307,987
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		6,435,846	4,364,997
71	233	Notes Payable to Associate Companies	203		
72	234	Accounts Payable to Associate Companies	203	1,540,067	1,134,272
73	236	Taxes Accrued		886,327	758,326
74	237	Interest Accrued			
75	241	Tax Collections Payable		291,447	747
76	242	Miscellaneous Current and Accrued Liabilities	203	18,834,367	17,890,329
77	243	Obligations Under Capital Leases - Current			
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities - Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		27,988,054	24,148,671
81		Deferred Credits			
82	253	Other Deferred Credits		59,971,568	45,678,501
83	254	Other Regulatory Liabilities			
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Recquired Debt			
86	282	Accumulated deferred income taxes-Other property			
87	283	Accumulated deferred income taxes-Other			
88		Total Deferred Credits (Total of Lines 82-87)		59,971,568	45,678,501
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		63,241,885	56,514,892

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
FOOTNOTE DATA			

Schedule Page: 101 Line No.: 2 Column: d

Includes allocation of Service Company property, which is allocated monthly to subsidiaries.

Schedule Page: 101 Line No.: 2 Column: e

Includes allocation of Service Company property, which is allocated monthly to subsidiaries.

Schedule Page: 101 Line No.: 4 Column: d

Includes allocation of Service Company property, which is allocated monthly to subsidiaries.

Schedule Page: 101 Line No.: 4 Column: e

Includes allocation of Service Company property, which is allocated monthly to subsidiaries.

Schedule Page: 101 Line No.: 5 Column: d

Construction Work in Progress is not allocated.

Schedule Page: 101 Line No.: 5 Column: e

Construction Work in Progress is not allocated.

Schedule Page: 101 Line No.: 7 Column: d

Includes allocation of Service Company Accumulated Provision, which is allocated monthly to subsidiaries. Retirement Work in Progress is not allocated.

Schedule Page: 101 Line No.: 7 Column: e

Includes allocation of Service Company Accumulated Provision, which is allocated monthly to subsidiaries. Retirement Work in Progress is not allocated.

Schedule Page: 101 Line No.: 20 Column: d

Presentation change in 2014 to include Interest Receivable related to Note Receivable, previously reported in 2013 with account 146 (line 24).

Schedule Page: 101 Line No.: 24 Column: d

Service Company Property (lines 2 and 4) and Accumulated Provision for Depreciation (line 7) are allocated to the subsidiaries. The associated receivable from the allocation is included in account 146. Presentation change in 2014 to exclude interest receivable, now included in line 20.

Schedule Page: 101 Line No.: 53 Column: d

Includes a cumulative effect of an accounting adjustment made in prior years.

Schedule Page: 101 Line No.: 53 Column: e

Includes a cumulative effect of an accounting adjustment made in prior years.

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights	291,371			(291,371)	
5	390	Structures and Improvements	3,435,987	68,908	10,000	(3,494,895)	
6	391	Office Furniture and Equipment	44,945,512	4,300,060	2,261,679	(46,983,893)	
7	392	Transportation Equipment	1,814,501	309,629	240,998	(1,883,132)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)	50,487,371	4,678,597	2,512,677	(52,653,291)	
17	107	Construction Work in Progress:					
18		Software/Hardware Implementation in Progress	828,952	6,760,036		(4,291,482)	3,297,506
19		Vehicles	3,865	500,338		(309,629)	194,574
20		Facilities	13,789	133,086		(77,486)	69,389
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)	846,606	7,393,460		(4,678,597)	3,561,469
32		Total (Lines 16 and Line 31)	51,464,880	12,072,057		(57,462,792)	3,561,469

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
FOOTNOTE DATA			

Schedule Page: 103 Line No.: 16 Column: c

The true Service Company Property beginning balance is zero. The beginning balance activity in column c includes the reversal of the entry which allocated all property at 12/31/13. Presented in this format to show the flow of activity and amount of property that is allocated by Service Company, including miscellaneous adjustments.

Schedule Page: 103 Line No.: 16 Column: f

Includes the allocation of Service Company Property, which is allocated monthly to subsidiaries, and other miscellaneous adjustments.

Schedule Page: 103 Line No.: 31 Column: g

Construction Work in Progress is not allocated.

Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	449,632	62,947	15,000	(497,561)	18
6	391	Office Furniture and Equipment	27,677,571	4,112,929	2,261,679	(29,528,821)	
7	392	Transportation Equipment	1,176,571	54,943	223,451	(998,073)	9,990
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total	29,303,774	4,230,819	2,500,130	(31,024,455)	10,008

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
FOOTNOTE DATA			

Schedule Page: 104 Line No.: 5 Column: g

Plant in Service Accumulated Depreciation Removal Cost of Service is not allocated.

Schedule Page: 104 Line No.: 7 Column: g

Retirement Work in Progress is not allocated.

Schedule Page: 104 Line No.: 16 Column: c

The true provision beginning balance is zero, with the exception of Retirement Work in Progress. The beginning balance activity in column C is the reversal of the entry which allocated all Accumulated Provision at 12/31/13. Presented in this format to show the flow of activity and the amount of Accumulated Provision that is allocated by Service Company.

Schedule Page: 104 Line No.: 16 Column: f

Includes the allocation of Service Company's Accumulated Provision which is allocated to subsidiaries on a monthly basis.

Schedule IV – Investments

1. For other investments (Account 124) and other special funds (Account 128), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies		
2	124	Other Investments		
3	128	Other Special Funds	5,337,805	5,754,034
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	5,337,805	5,754,034

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 105 Line No.: 3 Column: c

PEP Insurance Cash Surrender Values

Schedule Page: 105 Line No.: 3 Column: d

PEP Insurance Cash Surrender Values

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		Wyodak Resources Development Corp	1,820,613	1,590,381
4		Black Hills Wyoming LLC	628,371	584,778
5		Black Hills Electric Generation LLC	4,025	7,607
6		Black Hills Non-Regulated Holdings Inc	115,497	36
7		Black Hills Colorado IPP LLC	1,305,198	1,238,860
8		Generation Development Co LLC	187	
9		Black Hills Midstream LLC	2,644	2,644
10		Black Hills Exploration And Production Inc	3,466,632	3,637,916
11		Black Hills Gas Resources Inc	24,989	24,989
12		Black Hills Plateau Production LLC	12,793	12,793
13		Black Hills Power Inc	7,193,303	8,061,741
14		Cheyenne Light Fuel And Power Company	2,898,245	3,475,045
15		Black Hills Utility Holdings Inc	3,555,867	4,023,291
16		Black Hills Kansas Gas Utility Company LLC	2,275,539	2,176,317
17		Black Hills Iowa Gas Utility Company LLC	2,862,229	2,586,552
18		Black Hills Nebraska Gas Utility Company LLC	3,213,655	3,177,600
19		Black Hills Colorado Electric Utility Company LP	5,272,811	4,423,179
20		Black Hills Colorado GasUtility Company LP	1,262,741	1,079,594
21		Black Hills Corporation	101,802	186,991
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	Total		36,017,141	36,290,314

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
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39					
40	Total				

Schedule VII – Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
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34					
35					
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37					
38					
39					
40	Total				

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
3				
4				
5				
6				
7				
8				
9				
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11				
12				
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35				
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37				
38				
39				
40	Total			

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3				
4				
5				
6				
7				
8				
9				
10				
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37				
38				
39				
40	Total			

Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3			
4			
5			
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32			
33			
34			
35			
36			
37			
38			
39			
40	Total		

Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	
2			Par or Stated Value per Share	
3			Outstanding Number of Shares	
4			Close of Period Amount	
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		100,000
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(24,372,759)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	(778,368)
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	(778,368)

Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL							
14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
2				
3				
4				
5				
6				
7				
8				
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11				
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14				
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22				
23				
24	234	Accounts Payable to Associate Companies		
25		Wyodak Resources Development Corporation	5,718	1,427
26		Black Hills Wyoming LLC	11,829	1,173
27		Black Hills Electric Generation LLC	552	
28		Black Hills Non-Regulated Holdings LLC	87,912	5,518
29		Black Hills Colorado IPP LLC	10,789	
30		Black Hills Exploration and Production Inc	102,895	333,631
31		Black Hills Power Inc	140,528	94,071
32		Cheyenne Light Fuel And Power Company	25,275	298,334
33		Black Hills Utility Holdings Inc	141,671	254,373
34		Black Hills Kansas Gas Utility Company LLC	12,796	73
35		Black Hills Iowa Gas Utility Company LLC	51,318	109
36		Black Hills Nebraska Gas Utility Company LLC	11,155	24,582
37		Black Hills Colorado Electric Utility Company LP	35,539	11,132
38		Black Hills Colorado Gas Utility Company LP	10,579	1,058
39		Black Hills Corporation	485,716	514,586
40				
41	242	Miscellaneous Current and Accrued Liabilities	17,890,329	18,834,367
42				
43				
44				
45				
46				
47				
48				
49				
50		(Total)	19,024,601	20,374,434

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 203 Line No.: 41 Column: c

Account and Description	2013
242001 ACCRUED AUDIT FEES	839,066
242003 ACCRUED BENEFITS COMP ABSENCES	852,948
242008 ACCRUED SERP OBLIG CURRENT	225,000
242009 SFAS 106 CURRENT PORTIONS	1,085,519
242010 ACCRUED PEP ST	5,000
242011 ACCRUED DIRECTORS FEES	339,537
242012 ACCRUED BOD CSE'S - CURRENT	1,038,853
242013 ACCRUED BENEFITS 401K	2,540,002
242041 ACCRUED INCENTIVE	7,477,294
242045 ACCRUED PAYROLL	866,126
242046 ACCRUED EE REIMBURSED EXP	17,580
242052 ACCRUED LT PERFORMANCE PLAN	2,496,107
242053 ACCRUED WORKER'S COMPENSATION	80,797
242999 ACCRUED OTHER	26,500
MISC CURRENT & ACCRUED LIAB	17,890,329

Schedule Page: 203 Line No.: 41 Column: d

Account and Description	2014
242001 ACCRUED AUDIT FEES	814,206
242003 ACCRUED BENEFITS COMP ABSENCES	1,041,391
242008 ACCRUED SERP OBLIG CURRENT	69,000
242009 SFAS 106 CURRENT PORTIONS	316,000
242010 ACCRUED PEP ST	1,019,000
242011 ACCRUED DIRECTORS FEES	(417)
242012 ACCRUED BOD CSE'S - CURRENT	341,865
242013 ACCRUED BENEFITS 401K	359,130
242014 ACCRUED BONUS OTHER	3,011,079
242041 ACCRUED INCENTIVE	9,391,428
242045 ACCRUED PAYROLL	768,160
242046 ACCRUED EE REIMBURSED EXP	31,810
242052 ACCRUED LT PERFORMANCE PLAN	1,604,215
242053 ACCRUED WORKER'S COMPENSATION	67,500
MISC CURRENT & ACCRUED LIAB	18,834,367

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XIV- Notes to Financial Statements			

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.
6. Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.

Note 1 – Summary of Significant Accounting Policies

Organization

Black Hills Service Company, LLC (BHSC) is a wholly-owned subsidiary of Black Hills Corporation (BHC), a public utility holding company subject to the regulation of the Public Utility Holding Company Act of 2005 (PUHCA 2005). BHSC began operations effective January 1, 2006 as a service company under the Public Utility Holding Company Act of 1935, as amended (35 Act) to provide support and administrative services to BHC and its subsidiaries. The 35 Act was repealed with the enactment of PUHCA 2005.

Nature of Operations

BHSC provides services at cost. The cost of services are determined on a direct charge basis to the extent practicable and where not practicable, on a reasonable basis of allocation for indirect costs. The charges for services include no compensation for the use of capital.

Basis of Presentation

BHSC follows the Uniform System of Accounts prescribed for public utilities by the Federal Energy Regulatory Commission. BHSC's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Changes in facts and circumstances or additional information may result in revised estimates and actual results could differ materially from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Depreciation

Additions to property, plant and equipment are recorded at cost when placed in service. Property primarily consists of computer hardware, computer software, office equipment, and vehicles. Depreciation is recorded on a straight-line method over the estimated economic life of the related asset.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XIV- Notes to Financial Statements			

Legal Costs

Litigation liabilities, including potential settlements, are recorded when it is both probable that a liability or settlement has been incurred, and the amount can be reasonably estimated. Legal costs related to ongoing litigation are expensed as incurred.

When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, we record a loss contingency at the minimum amount in the range. If the loss contingency at issue is not both probable and reasonably estimable, we do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable.

Income Taxes

The Company and its subsidiaries file consolidated federal income tax returns. Each tax paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the subsidiaries based on separate company computations of taxable income or loss.

We use the liability method in accounting for income taxes. Under the liability method, deferred income taxes are recognized at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities as well as operating loss and tax credit carry forwards. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements. We classify deferred tax assets and liabilities into current and non-current amounts based on the nature of the related assets and liabilities.

We recognize interest income or interest expense and penalties related to income tax matters in Income tax (expense) benefit on the Black Hills Corporation Consolidated Statements of Income.

We account for uncertainty in income taxes recognized in the financial statements in accordance with accounting standards for income taxes. The unrecognized tax benefit is classified in Other deferred credits and other liabilities on the Black Hills Corporation Consolidated Balance Sheets.

Note 2 – Related Party Transactions

BHSC has entered into service agreements with BHC and its subsidiaries to provide services at cost. At December 31, 2014, BHSC's associates include:

- Black Hills Corporation
- Black Hills Non-Regulated Holdings, LLC
- Black Hills Exploration and Production, Inc.
- Black Hills Gas Resources, Inc.
- Black Hills Electric Generation, LLC
- Black Hills Midstream, LLC
- Black Hills Plateau Production, LLC
- Black Hills Power, Inc.
- Black Hills Wyoming, LLC
- Cheyenne Light, Fuel and Power Company
- Wyodak Resources Development Corp.
- Black Hills Utility Holdings, Inc.
- Black Hills Iowa Gas Utility Company, LLC

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XIV- Notes to Financial Statements			

- Black Hills Kansas Gas Utility Company, LLC
- Black Hills Nebraska Gas Utility Company, LLC
- Black Hills Colorado Gas Utility Company, LP
- Black Hills Colorado Electric Utility Company, LP
- Black Hills Colorado IPP, LLC
- Generation Development Co, LLC

At December 31, 2014 and 2013, associate company receivables were \$36,300,609 and \$36,017,141 respectively, and associate company payables were \$1,540,067 and \$1,134,272 respectively. BHSC has an agreement with Black Hills Power, Inc. (BHP), whereby BHP provides BHSC with certain facility services to be used for internal administrative and general purposes. The services include use of office space and office equipment. Charges for these services were \$680,412 in 2014 and \$660,597 in 2013.

The Utility Money Pool and the Non-Utility Money Pool exist to permit affiliates to borrow excess cash from other affiliate companies. BHC serves as the administrator for these money pools. BHSC is a participant in the Non-Utility Money Pool. At December 31, 2014, BHSC had a note receivable from the Non-Utility Money Pool of \$11,701,708 and interest receivable of \$10,295. At December 31, 2013, BHSC had a note receivable from the Non-Utility Money Pool of \$8,980,688 and interest receivable of \$4,978.

Note 3 – Equity Compensation

BHC provides various short-term and long-term incentive plans to officers and other employees of its affiliates. These plans permit the granting of stock, restricted stock, restricted stock units, stock options, and performance shares. Under these plans, BHSC recognized compensation expense of \$2,918,843 and \$2,820,347 respectively for 2014 and 2013.

Note 4 – Pension Plans and Other Employee Benefits

Defined Benefit Pension Plans

Our BHC Pension Plan covers certain eligible employees of Black Hills Service Company, Black Hills Power, WRDC, BHEP and Cheyenne Light. The benefits for the Pension Plan are based on year of service and calculations of average earnings during a specific time period prior to retirement. As of Jan. 1, 2010, the Pension Plan was frozen to new employees and certain employees who did not meet age and service based criteria at the time the Pension Plan was frozen.

Pension Plan assets are held in a Master Trust. The Pension Plan holds an undivided interest in the Master Trust. Our Board of Directors has approved the Plans' investment policy. The objective of the investment policy is to manage assets in such a way that will allow the eventual settlement of our obligations to the Pension Plans' beneficiaries. To meet this objective, our pension assets are managed by an outside adviser using a portfolio strategy that will provide liquidity to meet the Plans' benefit payment obligations. The Pension Plans' assets consist primarily of equity, fixed income and hedged investments. The expected long-term rate of return for investments was 6.75 percent and 7.25 percent for the 2014 and 2013 plan years, respectively. Our Pension Plan funding policy is in accordance with the federal government's funding requirements.

Supplemental Non-qualified Defined Benefit Plans

BHC has various supplemental retirement plans for key executives of the Company, including executives of Black Hills Service Company. The plans are non-qualified defined benefit and defined contribution plans (Supplemental Plans). The Supplemental Plans are subject to various vesting schedules and are not funded by BHC.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
Schedule XIV- Notes to Financial Statements			

Non-pension Defined Benefit Postretirement Healthcare Plans

BHC sponsors three retiree healthcare plans (Healthcare Plans) for employees who meet certain age and service requirements at retirement. Healthcare Plan benefits are subject to premiums, deductibles, co-payment provisions and other limitations. A portion of the Healthcare Plans is pre-funded via VEBA's. Effective January 1, 2014, health care coverage for Medicare-eligible retirees will be provided through an individual market health care exchange for retirees.

Benefit Obligations as of December 31, 2014

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 1,088,000	\$ 316,000
Deferred credits and other liabilities - other	\$ 11,403,603	\$ 35,166,067	\$ 4,487,133
Accumulated other comprehensive income	\$ (11,845,948)	\$ (11,176,595)	\$ (1,350,216)

Benefit Obligations as of December 31, 2013

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 1,085,519	\$ 225,000
Deferred credits and other liabilities - other	\$ 5,252,106	\$ 27,630,537	\$ 4,006,062
Accumulated other comprehensive income	\$ (5,450,659)	\$ (6,426,332)	\$ (1,064,908)

Defined Contribution Plan

BHC sponsors a 401(k) retirement savings plan (the 401(k) Plan). Participants in the 401(k) Plan may elect to invest a portion of their eligible compensation to the 401(k) Plan up to the maximum amounts established by the IRS. The 401(k) Plan provides employees the opportunity to invest up to 50 percent of their eligible compensation on a pre-tax or after-tax basis. The 401(k) Plan provides a Company Matching Contribution for all eligible participants and for certain eligible participants a Company Retirement Contribution based on the participant's age and years of service. Vesting of all Company contributions ranges from immediate vesting to graduated vesting at 20 percent per year with 100 percent vesting when the participant has 5 years of service with BHC.

Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		SERVICE COMPANY OPERATING REVENUES		
2	400	Service Company Operating Revenues	134,218,032	132,325,388
3		SERVICE COMPANY OPERATING EXPENSES		
4	401	Operation Expenses	121,640,276	117,199,810
5	402	Maintenance Expenses	7,123,221	7,383,285
6	403	Depreciation Expenses	4,230,819	7,145,107
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property		
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	139,761	207,719
13	409.1	Income Taxes, Operating Income		
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	37,548	28,487
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	133,171,625	131,964,408
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	1,046,407	360,980
24		OTHER INCOME		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	48,355	31,940
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	518,201	483,357
29	421.1	Gain on Disposition of Property		61,707
30		TOTAL OTHER INCOME (Total of Lines 25-29)	566,556	577,004
31		OTHER INCOME DEDUCTIONS		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	975,348	342,730
35	426.2	Life Insurance		
36	426.3	Penalties	1,908	(7,727)
37	426.4	Expenditures for Certain Civic, Political and Related Activities	178,899	68,624
38	426.5	Other Deductions	413,644	487,495
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	1,569,799	891,122
40		TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS		

Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)		
47		INTEREST CHARGES		
48	427	Interest on Long-Term Debt	508	
49	428	Amortization of Debt Discount and Expense	8,338	
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	2,005	21,948
52	431	Other Interest Expense	32,313	24,914
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		TOTAL INTEREST CHARGES (Total of Lines 48-53)	43,164	46,862
55		NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)		
56		EXTRAORDINARY ITEMS		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		Net Extraordinary Items (Line 57 less Line 58)		
60	409.4	(less) Income Taxes, Extraordinary		
61		Extraordinary Items After Taxes (Line 59 less Line 60)		
62		NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)		

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
FOOTNOTE DATA			

Schedule Page: 301 Line No.: 6 Column: c

The decrease of Depreciation Expense between 2013 and 2014 is due to implementation of a depreciation study, beginning January 1, 2014. The depreciation study resulted in an increase of the useful lives of Service Company assets and a decrease in Depreciation Expense.

Schedule Page: 301 Line No.: 36 Column: c

Tax return penalty.

Schedule Page: 301 Line No.: 36 Column: d

\$2,248 is a tax return penalty, (\$10,000) is a reversal of NERC penalty accrual, and \$25 misc.

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		4,230,819	4,230,819			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	(70)	139,831	139,761			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services						
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	37,206	342	37,548			
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income		48,355	48,355			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		518,201	518,201			
19	421.1	Gain on Disposition of Property						
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	51,203	924,145	975,348			
23	426.2	Life Insurance						
24	426.3	Penalties	1,908		1,908			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	15,850	163,049	178,899			
26	426.5	Other Deductions		413,644	413,644			
27	427	Interest On Long-Term Debt	508		508			
28	428	Amortization of Debt Discount and Expense	8,338		8,338			
29	429	Amortization of Premium on Debt – Credit						
30	430	Interest on Debt to Associate Companies		2,005	2,005			
31	431	Other Interest Expense	18,943	13,370	32,313			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	280,462		280,462			
34	510-515	Total Steam Power Generation Maintenance Expenses	74,838		74,838			

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses						
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses						
39	546-550.1	Total Other Power Generation Operation Expenses	1,546,581		1,546,581			
40	551-554.1	Total Other Power Generation Maintenance Expenses	2,203,087		2,203,087			
41	555-557	Total Other Power Supply Operation Expenses	(506)		(506)			
42	560	Operation Supervision and Engineering	20,709		20,709			
43	561.1	Load Dispatch-Reliability						
44	561.2	Load Dispatch-Monitor and Operate Transmission System						
45	561.3	Load Dispatch-Transmission Service and Scheduling						
46	561.4	Scheduling, System Control and Dispatch Services						
47	561.5	Reliability Planning and Standards Development	5,969		5,969			
48	561.6	Transmission Service Studies						
49	561.7	Generation Interconnection Studies						
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)						
52	563	Overhead Line Expenses (Major Only)						
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)						
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	26,678		26,678			
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)						
66	571	Maintenance of Overhead Lines (Major Only)						
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses						
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	(113,065)		(113,065)			
74	590-598	Total Distribution Maintenance Expenses	1,011		1,011			
75		Total Electric Operation and Maintenance Expenses	4,152,972	5,320,649	9,473,621			
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses						
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses						
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	49,173		49,173			

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	210		210			
106		Total Natural Gas Operation and Maintenance Expenses	49,383		49,383			
107	901	Supervision	268		268			
108	902	Meter reading expenses	(1,737)		(1,737)			
109	903	Customer records and collection expenses	5,031		5,031			
110	904	Uncollectible accounts						
111	905	Miscellaneous customer accounts expenses	4,982		4,982			
112	906	Total Customer Accounts Operation Expenses	8,544		8,544			
113	907	Supervision						
114	908	Customer assistance expenses	1,034		1,034			
115	909	Informational And Instructional Advertising Expenses	5,276		5,276			
116	910	Miscellaneous Customer Service And Informational Expenses	1,929		1,929			
117		Total Service and Informational Operation Accounts	8,239		8,239			
118	911	Supervision	25		25			
119	912	Demonstrating and Selling Expenses	1,245		1,245			
120	913	Advertising Expenses	391		391			
121	916	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses	1,661		1,661			
123	920	Administrative and General Salaries	21,113,050	39,172,932	60,285,982			
124	921	Office Supplies and Expenses	6,437,142	6,786,961	13,224,103			
125	923	Outside Services Employed	4,620,755	7,088,636	11,709,391			
126	924	Property Insurance	2,512,320	4,601	2,516,921			
127	925	Injuries and Damages	1,737,358	5,400,314	7,137,672			
128	926	Employee Pensions and Benefits	391,266	18,927,765	19,319,031			
129	928	Regulatory Commission Expenses						
130	930.1	General Advertising Expenses	167,429	134,479	301,908			
131	930.2	Miscellaneous General Expenses	31,930	2,018,890	2,050,820			
132	931	Rents	348,567	2,938,113	3,286,680			
133		Total Administrative and General Operation Expenses	37,359,817	82,472,691	119,832,508			
134	935	Maintenance of Structures and Equipment	1,511,152	3,332,924	4,844,076			
135		Total Administrative and General Maintenance Expenses	38,889,413	85,805,615	124,695,028			
136		Total Cost of Service	43,091,768	91,126,264	134,218,032			

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense		4,230,819	4,230,819
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes	(70)	139,831	139,761
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	37,206	342	37,548
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income		48,355	48,355
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		518,201	518,201
19	421.1	Gain on Disposition of Property			
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	51,203	924,145	975,348
23	426.2	Life Insurance			
24	426.3	Penalties	1,908		1,908
25	426.4	Expenditures for Certain Civic, Political and Related Activities	15,850	163,049	178,899
26	426.5	Other Deductions		413,644	413,644
27	427	Interest On Long-Term Debt	508		508
28	428	Amortization of Debt Discount and Expense	8,338		8,338
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies		2,005	2,005
31	431	Other Interest Expense	18,943	13,370	32,313
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	280,462		280,462
34	510-515	Total Steam Power Generation Maintenance Expenses	74,838		74,838

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses			
39	546-550.1	Total Other Power Generation Operation Expenses	1,546,581		1,546,581
40	551-554.1	Total Other Power Generation Maintenance Expenses	2,203,087		2,203,087
41	555-557	Total Other Power Supply Operation Expenses	(506)		(506)
42	560	Operation Supervision and Engineering	20,709		20,709
43	561.1	Load Dispatch-Reliability			
44	561.2	Load Dispatch-Monitor and Operate Transmission System			
45	561.3	Load Dispatch-Transmission Service and Scheduling			
46	561.4	Scheduling, System Control and Dispatch Services			
47	561.5	Reliability Planning and Standards Development	5,969		5,969
48	561.6	Transmission Service Studies			
49	561.7	Generation Interconnection Studies			
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)			
52	563	Overhead Line Expenses (Major Only)			
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)			
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	26,678		26,678
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)			
66	571	Maintenance of Overhead Lines (Major Only)			
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses			
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	(113,065)		(113,065)
74	590-598	Total Distribution Maintenance Expenses	1,011		1,011
75		Total Electric Operation and Maintenance Expenses	4,152,972	5,320,649	9,473,621
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses			
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching.			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses			
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	49,173		49,173

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	210		210
106		Total Natural Gas Operation and Maintenance Expenses	49,383		49,383
107	901	Supervision	268		268
108	902	Meter reading expenses	(1,737)		(1,737)
109	903	Customer records and collection expenses	5,031		5,031
110	904	Uncollectible accounts			
111	905	Miscellaneous customer accounts expenses	4,982		4,982
112	906	Total Customer Accounts Operation Expenses	8,544		8,544
113	907	Supervision			
114	908	Customer assistance expenses	1,034		1,034
115	909	Informational And Instructional Advertising Expenses	5,276		5,276
116	910	Miscellaneous Customer Service And Informational Expenses	1,929		1,929
117		Total Service and Informational Operation Accounts	8,239		8,239
118	911	Supervision	25		25
119	912	Demonstrating and Selling Expenses	1,245		1,245
120	913	Advertising Expenses	391		391
121	916	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses	1,661		1,661
123	920	Administrative and General Salaries	21,113,050	39,172,932	60,285,982
124	921	Office Supplies and Expenses	6,437,142	6,786,961	13,224,103
125	923	Outside Services Employed	4,620,755	7,088,636	11,709,391
126	924	Property Insurance	2,512,320	4,601	2,516,921
127	925	Injuries and Damages	1,737,358	5,400,314	7,137,672
128	926	Employee Pensions and Benefits	391,266	18,927,765	19,319,031
129	928	Regulatory Commission Expenses			
130	930.1	General Advertising Expenses	167,429	134,479	301,908
131	930.2	Miscellaneous General Expenses	31,930	2,018,890	2,050,820
132	931	Rents	348,567	2,938,113	3,286,680
133		Total Administrative and General Operation Expenses	37,359,817	82,472,691	119,832,508
134	935	Maintenance of Structures and Equipment	1,511,152	3,332,924	4,844,076
135		Total Administrative and General Maintenance Expenses	38,889,413	85,805,615	124,695,028
136		Total Cost of Service	43,091,768	91,126,264	134,218,032

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
FOOTNOTE DATA			

Schedule Page: 304 Line No.: 13 Column: k

Includes:

Account and Description

416000 Expense Merch Jobbing & Contract	\$ 442
417101 Non-Utility Expense - Other O&M	\$ (783)
417160 Non-Utility Selling Expense	\$ 21,824
417161 Non-Utility Admin & General	\$ 15,131
417162 Admin and General - Employee Benefits	\$ 933
Total	\$ 37,548

Schedule Page: 304 Line No.: 40 Column: k

Includes Account 604230 Non-Reg Power Generation O&M.

Schedule XVII - Analysis of Billing – Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Black Hills Exploration And Production Inc	2,230,405	8,566,812		10,797,217
2	Wyodak Resources Development Corp	1,660,420	4,056,963		5,717,383
3	Black Hills Wyoming LLC	643,986	1,483,897		2,127,883
4	Black Hills Electric Generation LLC	507,678			507,678
5	Black Hills Non-Regulated Holdings LLC	128,948			128,948
6	Black Hills Colorado IPP LLC	2,298,595	2,832,664		5,131,259
7	Generation Development Co LLC	3,250			3,250
8	Black Hills Power Inc	6,584,452	18,511,849		25,096,301
9	Cheyenne Light Fuel And Power Company	3,640,415	7,304,554		10,944,969
10	Black Hills Utility Holdings Inc	13,297,791	11,241,203		24,538,994
11	Black Hills Kansas Gas Utility Company LLC	1,871,895	6,072,763		7,944,658
12	Black Hills Iowa Gas Utility Company LLC	1,962,593	7,551,631		9,514,224
13	Black Hills Nebraska Gas Utility Company LLC	2,119,013	8,970,122		11,089,135
14	Black Hills Colorado Electric Utility Company LP	5,122,034	11,047,081		16,169,115
15	Black Hills Colorado Gas Utility Company LP	900,373	2,905,858		3,806,231
16	Black Hills Corporation	119,920	580,867		700,787
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	Total	43,091,768	91,126,264		134,218,032

Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
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25						
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27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40	Total					

Schedule XIX - Miscellaneous General Expenses - Account 930.2

1. Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than \$50,000 may be grouped showing the number of items and the total for the group.
2. Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Annual Report	90,458
2	Consulting and Other Outside Services	148,422
3	Director Fees	1,517,924
4	Dues	196,567
5	Office Expenses and Supplies	25,670
6	Travel	52,500
7	Miscellaneous	19,279
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
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28		
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32		
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34		
35		
36		
37		
38		
39		
40	Total	2,050,820

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
Schedule XX - Organization Chart			

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

**LIST OF OFFICERS
BLACK HILLS SERVICE COMPANY, LLC**

OFFICER	TITLE
David R. Emery	Chairman, President and Chief Executive Officer
Linden R. Evans	Chief Operating Officer – Utilities
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)
Robert A. Myers	Senior Vice President – Chief Human Resources Officer
Scott A. Buchholz	Senior Vice President – Chief Information Officer
Roxann R. Basham	Vice President – Governance and Corporate Secretary
Brian G. Iverson	Senior Vice President – Regulatory and Government Affairs and Assistant General Counsel
Stephen L. Pella	Vice President – Corporate Affairs
Perry S. Krush	Vice President – Supply Chain
Richard W. Kinzley	Vice President – Corporate Controller (Executive Vice President and Chief Financial Officer - Effective January 1, 2015)
Brian G. Iverson	Vice President – Treasurer (acting until successor is appointed)
Kyle D. White	Vice President – Regulatory Affairs
Jeffrey B. Berzina	Vice President – Strategic Planning and Development
Ivan Vancas	Vice President – Operations Services
Esther Newbrough	Vice President – Corporate Controller (Effective January 5, 2015)
Kimberly Nooney	Vice President – Treasurer (Effective January 5, 2015)

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
Schedule XX - Organization Chart			

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
Schedule XXI - Methods of Allocation			

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.
2. Include any other allocation methods used to allocate costs.

Allocation Factors

Asset Cost Ratio – Based on the total cost of assets as of December 31 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 property, plant, and equipment, and include construction or work in process. Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any adjustments that are required to bring their FERC financial statements into compliance with GAAP. FERC requires that acquired fixed assets be recorded at their gross value with accumulated depreciation, while GAAP requires that acquired fixed assets be recorded at their net book value. An adjustment journal entry is used to eliminate the gross-up of cost and accumulated depreciation for preparation of GAAP financial statements, but this adjustment is not factored into the calculation of the Asset Cost Ratio.

The Environmental Services and Property Accounting departments utilize this ratio, and it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Gross Margin Ratio – Based on the total gross margin for the prior year ending December 31, 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.

No departments utilize this ratio, but it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Payroll Dollars Ratio – Based on the total payroll dollars for the prior year ending December 31, the numerator of which is for an 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.

No departments utilize this ratio, but it is a component in the Blended Ratio and the Holding Company Blended Ratio.

Blended Ratio – A composite ratio comprised of an average of the Asset Cost Ratio, the Payroll Dollars Ratio, and the Gross Margin Ratio. These factors are equally weighted. This factor is sometimes referred to as the general allocation factor.

Departments that utilize this ratio include Accounting Systems, Accounts Payable, Tax, Credit and Risk, General Accounting, Insurance, Internal Audit, Legal, Corporate Affairs, Budget and Forecast, General Accounting, Accounting-Central Services, Engineering Rotation Program, Insurance, Internal Audit, In-House Creative Solutions, Records Management, Supply Chain Management, Contract Management, Strategic Sourcing, Fleet Services, Facilities, Governmental Affairs, Information Technology Administration, Information Technology Business Applications Wholesale and Enterprise, Information Technology Business Applications Web Service Support, Information Technology Business Applications Financial and HR Systems, Information Technology Infrastructure Services, Information Technology Communications, Information Technology User Services, Corporate Security, Information Technology Compliance, Materials Management, Continuous Improvement, Information Technology Helpdesk / Technology Integration, Procurement, Assets Blended, Accounting Accruals, Benefits and BHSC portion of the Rapid City Plant Street Facility, Midlands Data Facility and Bellevue Data Center Facility.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Service Company, LLC			
Schedule XXI - Methods of Allocation			

Holding Company Blended Ratio – 5% of costs allocated to the Holding Company, with the remaining 95% of costs allocated using a composite ratio comprised of an average of the Asset Cost Ratio, the Payroll Dollars Ratio, and the Gross Margin Ratio. These factors are equally weighted.

Departments that utilize this ratio include Corporate Development, Corporate Governance and Shareholder Services, Executive Management, Finance and Treasury and Financial Reporting.

Employee Ratio – Based on the number of employees at the end of the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

Departments that utilize this ratio include Safety, Human Resources Corp., Human Resources Regulated, Compensation and Benefits, Organizational Development and Training, and Payroll. Health and welfare costs for BHC will be in a pool and allocated to subsidiaries based on the Employee Ratio.

Power Generation Capacity Ratio – Based on the total power generation capacity at the end of the prior year ending December 31, 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.

Departments that use this ratio include Power Delivery Management and Accounting-Generation Services.

Utility Asset Cost Ratio – Based on the total cost of utility assets as of December 31 for the prior year, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility assets are limited to property, plant, and equipment, and include construction or work in process. Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any adjustments that are required to bring their FERC financial statements into compliance with GAAP. FERC requires that acquired fixed assets be recorded at their gross value with accumulated depreciation, while GAAP requires that acquired fixed assets be recorded at their net book value. An adjustment journal entry is used to eliminate the gross-up of cost and accumulated depreciation for preparation of GAAP financial statements, but this adjustment is not factored into the calculation of the Utility Asset Cost Ratio.

No departments utilize this ratio, but it is a component in the Utility Blended Ratio

Utility Employee Ratio – Based on the number of utility employees at the end of the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries.

No departments currently utilize this ratio.

Utility Gross Margin Ratio – Based on the total utility gross margin for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility gross margin is defined as revenue less cost of sales. Certain intercompany transaction may be excluded from utility gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party.

No departments utilize this ratio, but it is a component in the Utility Blended Ratio.

Utility Payroll Dollars Ratio – Based on the total utility payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility payroll dollars include all bonuses and compensation paid to employees, but do not include

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XXI - Methods of Allocation			

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.

No departments utilize this ratio, but it is a component in the Utility Blended Ratio.

Utility Blended Ratio – A composite ratio comprised of an average of the Utility Asset Cost Ratio, the Utility Payroll Dollars Ratio, and the Utility Gross Margin Ratio. These factors are equally weighted.

The IT Business Applications Regulated department utilizes this ratio.

Nameplate Generation Capacity Ratio – Based on the total facility's power generation capacity at the end of the prior year ending December 31, 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.

The Generation Plant Operations and CPGS Plant Operations departments utilize this ratio. (should the Generation Plant Operations department be re-named to PAGS Plant Operations? If so, this will need to be updated in multiple places.

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.

The Rapid City Plant Street Facility and the Denver Office Facility utilize this ratio.

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____

Form 60 Approved
OMB No. 1902-0215
Expires 04/30/2016



FERC FINANCIAL REPORT

FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)

Black Hills Utility Holdings, Inc.

Year of Report

Dec 31, 2014

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1 for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission, (Attention: Information Clearance Officer, CIO),
888 First Street NE,
Washington, DC 20426
or by email to DataClearance@ferc.gov

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Office for the Federal
Energy Regulatory Commission).
Comments to OMB should be submitted by email to: oir_submission@omb.eop.gov

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

**FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES**

IDENTIFICATION

01 Exact Legal Name of Respondent Black Hills Utility Holdings, Inc.		02 Year of Report Dec 31, <u>2014</u>	
03 Previous Name (If name changed during the year)		04 Date of Name Change / /	
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 Ninth Street, Rapid City, SD 57701		06 Name of Contact Person Esther J. Newbrough	
07 Title of Contact Person Vice President - Corporate Controller		08 Address of Contact Person 625 Ninth Street, Rapid City, SD, 57701	
09 Telephone Number of Contact Person (605) 721-2398		10 E-mail Address of Contact Person esther.newbrough@blackhillscorp.com	
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year) / /	
13 Date of Incorporation 06/09/2008		14 If Not Incorporated, Date of Organization / /	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA			
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation			

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Signing Officer Esther J. Newbrough		19 Signature of Signing Officer		20 Date Signed (Month, Day, Year)	
18 Title of Signing Officer Vice President - Corporate Controller		Esther J. Newbrough		04/29/2015	

List of Schedules and Accounts

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	
5	Schedule V - Accounts Receivable from Associate Companies	106	
6	Schedule VI - Fuel Stock Expenses Undistributed	107	None
7	Schedule VII - Stores Expense Undistributed	108	None
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	None
9	Schedule IX - Miscellaneous Deferred Debits	110	
10	Schedule X - Research, Development, or Demonstration Expenditures	111	None
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII - Long-Term Debt	202	
13	Schedule XIII - Current and Accrued Liabilities	203	
14	Schedule XIV - Notes to Financial Statements	204	
15	Schedule XV - Comparative Income Statement	301-302	
16	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	303-306	
17	Schedule XVII - Analysis of Billing - Associate Companies (Account 457)	307	
18	Schedule XVIII - Analysis of Billing - Non-Associate Companies (Account 458)	308	
21	Schedule XIX - Miscellaneous General Expenses - Account 930.2	307	
23	Schedule XX - Organization Chart	401	
24	Schedule XXI - Methods of Allocation	402	

Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	24,686,278	24,686,278
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103	13,698,065	4,800,209
6		Total Property (Total Of Lines 2-5)		38,384,343	29,486,487
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	(30,330)	6,453
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		38,414,673	29,480,034
10		Investments			
11	123	Investment In Associate Companies	105	625,254,072	600,653,965
12	124	Other Investments	105		
13	128	Other Special Funds	105	10,000	10,000
14		Total Investments (Total of Lines 11-13)		625,264,072	600,663,965
15		Current And Accrued Assets			
16	131	Cash		4,325,247	772,339
17	134	Other Special Deposits			
18	135	Working Funds			750
19	136	Temporary Cash Investments			
20	141	Notes Receivable		419,000,000	410,000,000
21	142	Customer Accounts Receivable			8,142
22	143	Accounts Receivable		2,031,701	73,721
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	100,604,407	80,815,293
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		15,279	4,199
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		5,895,275	6,024,740
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			
33	175	Derivative Instrument Assets	109		662,081
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		531,871,909	498,361,265
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		30,889,964	17,191,412
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts		259	7,150
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		2,715,333	(3,212,670)
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		32,705,193	24,330,391
46		Total Deferred Debits (Total of Lines 37-45)		66,310,749	38,316,283
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		1,261,861,403	1,166,821,547

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		Proprietary Capital			
49	201	Common Stock Issued	201	1,000	1,000
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	(2,500,000)	(2,500,000)
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	561,099,149	445,431,051
54	219	Accumulated Other Comprehensive Income	201	(57,812)	(55,124)
55		Total Proprietary Capital (Total of Lines 49-54)		558,542,337	442,876,927
56		Long-Term Debt			
57	223	Advances From Associate Companies	202	419,000,000	410,000,000
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)		419,000,000	410,000,000
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		292,639	293,555
65	228.3	Accumulated Provision For Pensions and Benefits			
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		292,639	293,555
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		7,274,573	3,102,088
71	233	Notes Payable to Associate Companies	203	64,847,159	121,174,533
72	234	Accounts Payable to Associate Companies	203	19,400,787	12,245,186
73	236	Taxes Accrued		5,150,624	4,263,385
74	237	Interest Accrued			
75	241	Tax Collections Payable		177,371	
76	242	Miscellaneous Current and Accrued Liabilities	203	5,752,532	5,201,868
77	243	Obligations Under Capital Leases – Current			
78	244	Derivative Instrument Liabilities		8,882,566	6,732,431
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		111,485,612	152,719,491
81		Deferred Credits			
82	253	Other Deferred Credits		47,785,365	47,306,234
83	254	Other Regulatory Liabilities		9,098,567	5,581,353
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		10,957,466	13,187,120
87	283	Accumulated deferred income taxes-Other		104,699,417	94,856,867
88		Total Deferred Credits (Total of Lines 82-87)		172,540,815	160,931,574
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		1,261,861,403	1,166,821,547

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 101 Line No.: 24 Column: d

BHUH Property and Accumulated Provision (lines 2, 4, 7 and 8) are allocated to subsidiaries. The associated receivable from the allocation is included in account 146 along with other intercompany receivables, including interest related to notes receivable from associated companies.

Schedule Page: 101 Line No.: 72 Column: d

Interest payable from subsidiaries is included in Accounts Payables from Associated Companies account 234 (line 72) on the balance sheet.

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
 2. Describe each construction work in progress on lines 18 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization	24,656,278				24,656,278
2	303	Miscellaneous Intangible Plant	30,000				30,000
3	306	Leasehold Improvements					
4	389	Land and Land Rights	646,324			(646,324)	
5	390	Structures and Improvements	7,847,483	78,986	16,972	(7,909,497)	
6	391	Office Furniture and Equipment	78,224,116	4,512,486	383,971	(82,352,631)	
7	392	Transportation Equipment	676,512	95,397	63,468	(708,441)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	1,665,818	40,865	980,426	(726,257)	
10	395	Laboratory Equipment	78,101	(20,500)		(57,601)	
11	396	Power Operated Equipment					
12	397	Communications Equipment	581,943	35,918	196,023	(421,838)	
13	398	Miscellaneous Equipment	2,675	29,950		(32,625)	
14	399	Other Tangible Property	10,008,674	5,594,862	4,148,999	(11,454,537)	
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)	124,417,924	10,367,964	5,789,859	(104,309,751)	24,686,278
17	107	Construction Work in Progress:					
18		Accounting Accruals	316,147	839,954		(1,031,205)	124,896
19		AMI Hardware	1,014,465	750,525		(1,732,054)	32,936
20		Software Conversions	401,905	7,296,876		(1,559,844)	6,138,937
21		SCADA System	311	117,948		(7,790)	110,469
22		Vehicles	40,315	126,744		(95,397)	71,662
23		Field Collection System	2,102,929	8,928,459		(4,249,422)	6,781,966
24		Facilities	924,137	1,205,315		(1,692,253)	437,199
25							
26							
27							
28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)	4,800,209	19,265,821		(10,367,965)	13,698,065
32		Total (Lines 16 and Line 31)	129,218,133	29,633,785			38,384,343

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 103 Line No.: 1 Column: g

Plant Acquisition Adjustment is not allocated to the subsidiaries.

Schedule Page: 103 Line No.: 2 Column: g

Intangible costs are not allocated to the subsidiaries.

Schedule Page: 103 Line No.: 16 Column: c

The true beginning property balance is \$24,686,278 for property that is not allocated. The other beginning balances in Column (c) are the reversal of the entry which allocated all property at 12/31/2013. Information is presented in this format to show the flow of activity and the amount of property that is allocated by BHUH.

Schedule Page: 103 Line No.: 16 Column: f

Includes the allocation of BHUH's property which is allocated monthly to subsidiaries and other miscellaneous adjustments

Schedule Page: 103 Line No.: 24 Column: c

Presentation Change: All offices and locations appear under 'Facilities'. The beginning amount \$924,137 is General Office only.

Schedule Page: 103 Line No.: 31 Column: g

Construction Work In Progress is not allocated to the subsidiaries.

Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	2,045,749	147,103	16,972	(2,175,880)	
6	391	Office Furniture and Equipment	64,471,680	2,491,194	368,971	(66,624,233)	(30,330)
7	392	Transportation Equipment	119,323	70,056	61,614	(127,765)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	171,537	121,941	974,601	681,123	
10	395	Laboratory Equipment	(37,968)	5,993		31,975	
11	396	Power Operated Equipment					
12	397	Communications Equipment	237,793	32,096	196,023	(73,866)	
13	398	Miscellaneous Equipment	11,561	42		(11,603)	
14	399	Other Tangible Property	1,611,415	590,498	3,993,561	1,791,648	
15	399.1	Asset Retirement Costs					
16		Total	68,631,090	3,458,923	5,611,742	(66,508,601)	(30,330)

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 104 Line No.: 6 Column: d

Includes allocations from Black Hills Service Company (a related company) of \$320,696.

Schedule Page: 104 Line No.: 16 Column: c

The true beginning Accumulated Provision balance is \$6,453 for Retirement Work in Progress which is not allocated. The other beginning balance activity in Column (c) is the reversal of the entry which allocated all property at 12/31/2013. Information is presented in this format to show the flow of activity and the amount of Accumulated Provision allocated by BHUH.

Schedule Page: 104 Line No.: 16 Column: f

Includes the allocation of Accumulated Provision for Depreciation which is allocated monthly to subsidiaries and other miscellaneous adjustments.

Name of Respondent
 Black Hills Utility Holdings, Inc.

This Report Is:
 (1) An Original
 (2) A Resubmission

Resubmission Date
 (Mo, Da, Yr)
 / /

Year/Period of Report
 Dec 31, 2014

Schedule IV – Investments

1. For other investments (Account 124) and other special funds (Account 128), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies	600,653,965	625,254,072
2	124	Other Investments		
3	128	Other Special Funds	10,000	10,000
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	600,663,965	625,264,072

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 105 Line No.: 3 Column: d

Holds the loss deposit and prefunding fee for Specialty Risk Services a Third Party Administrator.

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
 2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		Black Hills Power, Inc	6,051,556	9,023,803
4		Cheyenne Light Fuel & Power Company	2,745,345	4,282,413
5		Black Hills Utility Holdings Company		8,030,712
6		Black Hills Kansas Gas Utility Company, LLC	10,561,720	12,088,797
7		Black Hills Iowa Gas Utility Company, LLC	18,192,398	19,758,842
8		Black Hills Nebraska Gas Utility, LLC	18,954,865	20,514,240
9		Black Hills Colorado Electric Utility Company, LP	15,698,199	15,960,409
10		Black Hills Colorado Gas Utility Company, LP	8,465,257	9,196,809
11				
12				
13				
14		Non Associate Company:		
15		Black Hills Wyoming, LLC	658	582
16		Black Hills Non-Regulated Holdings, LLC	975	
17		Black Hills Colorado IPP, LLC	149	5,569
18		Black Hills Exploration & Production, Inc	2,500	4,920
19		Black Hills Corporation		1,482,938
20		Black Hills Service Company	141,671	254,373
21				
22				
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25				
26				
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28				
29				
30				
31				
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34				
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36				
37				
38				
39				
40	Total		80,815,293	100,604,407

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
FOOTNOTE DATA			

Schedule Page: 106 Line No.: 5 Column: d

BHUH receivable is the result of an asset transfer within BHUH which also created an offsetting payable in account 234.

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
5					
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32					
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34					
35					
36					
37					
38					
39					
40	Total				

Schedule VII – Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
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34					
35					
36					
37					
38					
39					
40	Total				

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
3				
4				
5				
6				
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34				
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37				
38				
39				
40	Total			

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		Deferred Gas Cost		420,044
4		Meter Shop Cap Exp State Alloc	(3,279,841)	(4,289,792)
5		Unrecovered Purchase Gas Cost Actual - General System	67,171	6,585,081
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
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39				
40	Total		(3,212,670)	2,715,333

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 110 Line No.: 3 Column: d

Presentation Change: Deferred Gas Cost presented separately which was included in Meter Shop Capex State Alloc in prior years.

Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
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39			
40	Total		

Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.

2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	1,000,000
2			Par or Stated Value per Share	1.00
3			Outstanding Number of Shares	1,000
4			Close of Period Amount	1,000
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		(2,500,000)
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(57,812)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	445,431,051
13			Net Income or (Loss)	49,668,098
14			Dividend Paid	66,000,000
15			Balance at Close of Year	561,099,149

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Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 201 Line No.: 14 Column: d

Includes a non-cash contribution from BHC (parent company of BHUH) of \$66,000,000.

Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3		Black Hills Corporation	116 Months	08/30/2023	4.40000		410,000,000	9,000,000	419,000,000
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL					410,000,000	9,000,000	419,000,000
14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
2		Black Hills Power	121,174,533	64,847,159
3				
4				
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22				
23				
24	234	Accounts Payable to Associate Companies		
25		Black Hills Power, Inc	347,243	282,842
26		Cheyenne Light Fuel & Power Company	174,605	533,404
27		Black Hills Utility Holdings Company		8,030,712
28		Black Hills Kansas Gas Utility Company, LLC	63,391	308,128
29		Black Hills Iowa Gas Utility Company, LLC	50,665	292,522
30		Black Hills Nebraska Gas Utility Company, LLC	148,764	437,293
31		Black Hills Colorado Electric Utility Company, LP	5,119,742	5,185,368
32		Black Hills Colorado Gas Utility Company, LP	29,363	247,403
33				
34		Accounts Payable to Non Associate Companies		
35		Wyodak Resources Development Corporation		1,097
36		Black Hills Wyoming, LLC		1,802
37		Black Hills Exploration & Production, Inc		65
38		Black Hills Corporation	2,755,546	56,913
39		Black Hills Service Company, LLC	3,555,867	4,023,238
40				
41	242	Miscellaneous Current and Accrued Liabilities	5,201,868	57,701
42		Accrued Benefits Compensated Absences		589,910
43		Accrued Incentive and Bonus		3,547,262
44		Accrued Payroll		801,465
45		SFAS 106 Current Portions		443,000
46		Accrued LT Performance Plan		176,317
47		Accrued Benefits 401K		136,877
48				
49				
50		(Total)	138,621,587	90,000,478

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 203 Line No.: 27 Column: d

BHUH payable is the result of an asset transfer within BHUH which also created an offsetting receivable in account 146.

Schedule Page: 203 Line No.: 41 Column: c

Includes:

Miscellaneous Current and Accrued Liabilities	\$	60,215
Accrued Benefits Compensated Absences	\$	504,986
Accrued Incentive and Bonus	\$	3,239,076
Accrued Payroll	\$	657,046
SFAS 106 Current Portions	\$	337,000
Accrued PEP ST	\$	53,000
Accrued LT Performance Plan	\$	350,545
Total	\$	5,201,868

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XIV- Notes to Financial Statements			

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.
6. Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.

BHUH Notes to Financial Statements – FERC Form 60 2014

Note 1 – Business Description and Summary of Significant Accounting Policies

Business Description

Black Hills Utility Holdings, Inc. (BHUH) is a direct wholly-owned subsidiary of Black Hills Corporation (BHC). We are a combination electric and gas public utility serving electric utility customers in Colorado and gas utility customers in Colorado, Iowa, Kansas and Nebraska.

Organization

BHUH began formal operations in July 2008. The company was formed in anticipation of the purchase of certain gas and electric utility operating companies from Aquila, Inc. BHUH is the parent company of each of the five acquired operating companies. In addition, BHUH holds certain departments that support the operations of the five acquired operating companies and other utility operating companies (Black Hills Power, Inc. and Cheyenne Light, Fuel & Power Company), together the “operating companies”.

Nature of Operations

BHUH provides services at cost. The cost of services are determined on a direct charge basis to the extent practicable and where not practicable, on a reasonable basis of allocation for indirect costs. The charges for services include no compensation for the use of capital.

Regulatory Accounting

BHUH’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Our operations are subject to regulation by state and federal agencies. The accounting policies followed are generally subject to the Uniform System of Accounts of FERC. Our financial statements reflect the effects of the different ratemaking principles followed by FERC and applicable state regulatory commissions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property, Plant, and Equipment

Additions to property, plant and equipment are recorded at cost when placed in service. The cost of regulated utility property, plant and equipment retired, or otherwise disposed of in the ordinary course of business, less salvage, is charged to accumulated depreciation. Repairs and maintenance of property are charged to operations as incurred.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Utility Holdings, Inc.			
Schedule XIV- Notes to Financial Statements			

Goodwill and Intangible Assets

Under accounting standards for goodwill and intangible assets, goodwill and intangible assets with indefinite lives are not amortized, but the carrying values are reviewed annually for impairment (or more frequently if impairment indicators arise). Intangible assets with a finite life continue to be amortized over their estimated useful lives and are reviewed for impairment as impairment indicators arise.

Derivatives and Hedging Activities

Accounting standards for derivative and hedging activities require that derivative instruments that do not meet the requirements of normal purchase/normal sale, be recorded on the balance sheet as either an asset or liability measured at its fair value. The accounting standards also require that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The financial instruments we utilize have been entered into to reduce our utility customers' underlying exposure to fluctuations in gas prices. Although these qualify as derivatives and are marked-to-market, the change in market value is recorded in regulatory assets or regulatory liabilities in accordance with accounting standards for regulated utility operations.

Income Taxes

We use the liability method in accounting for income taxes. Under the liability method, deferred income taxes are recognized, at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the consolidated financial statements. We classify deferred tax assets and liabilities into current and non-current amounts based on the classification of our related assets and liabilities.

We file a consolidated federal income tax return with other BHC affiliates. For consolidated financial statement purposes, consolidated federal income taxes are allocated to the individual companies based on amounts calculated on a separate return basis.

We recognize interest income or interest expense and penalties related to income tax matters in Income tax (expense) benefit. We account for uncertainty in income taxes recognized in the financial statements in accordance with accounting standards for income taxes.

Note 2 – Risk Management Activities

On behalf of our Utilities, BHUH purchases and distributes natural gas in five states. During the winter heating season, our gas customers are exposed to the effect of volatile natural gas prices; therefore, as allowed or required by state utility commissions, we have entered into certain exchange traded natural gas futures, options and basis swaps to reduce our customers' underlying exposure to these fluctuations. These transactions are considered derivatives in accordance with accounting standards for derivatives and mark-to-market adjustments are recorded as Derivative assets or Derivative liabilities. Gains and losses, as well as option premiums, on these transactions are recorded as Regulatory assets or Regulatory liabilities in accordance with accounting standards for regulated operations. Accordingly, the earnings impact is recognized in the Income Statements as a component of PGA (Purchase Gas Adjustment) and ECA (Electric Cost Adjustment) costs when the related costs are recovered through our rates as part of PGA/ECA costs in operating revenue.

Note 3 – Related Party Transactions

Note Payable

As of December 31, 2013 we had a Note Payable to the Parent of \$410 million. As of December 31, 2014 the Note Payable to Parent increased to \$419 million after re-capitalization of subsidiaries.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XIV- Notes to Financial Statements			

Non-cash Contribution from Parent

In 2014, we recorded a non-cash contribution from our Parent for \$66 million and decreased the utility money pool note payable, net by the amount of \$66 million.

Money Pool Agreement

We have entered into a Utility Money Pool Agreement (the Agreement) with BHC and Black Hills Power, an electric utility subsidiary of the Parent. Under the Agreement, we may borrow from the Parent. The Agreement restricts us from lending funds to the Parent or to any of the Parent's non-utility subsidiaries; the Agreement does not restrict us from paying dividends to the Parent. Borrowings under the Agreement bear interest at the weighted average daily cost of our parent company's credit facility borrowings as defined under the Agreement, or if there are no external funds outstanding on that date, the rate will be the daily one-month LIBOR plus 1%. Borrowings under the agreement are due upon demand. Outstanding advances, net were \$64,847,159 and \$121,174,533 at December 31, 2014 and 2013, respectively. At December 31, 2014 the cost of borrowing under the Utility Money Pool was 1.36%.

We had net interest payable to the Money Pool of \$0.1 million and \$0.2 million at December 31, 2014 and 2013, respectively. Net interest expense on the money pool borrowings was approximately \$0.9 million and \$0.9 million for the year ended December 31, 2014 and 2013, respectively.

Note 4 – Employee Benefit Plans

Funded Status of Benefit Plans

The funded status of postretirement benefit plans is required to be recognized in the statement of financial position. The funded status for pension plans is measured as the difference between the projected benefit obligation and the fair value of plan assets. The funded status for all other benefit plans is measured as the difference between the accumulated benefit obligation and the fair value of plan assets. A liability is recorded for an amount by which the benefit obligation exceeds the fair value of plan assets or an asset is recorded for any amount by which the fair value of plan assets exceeds the benefit obligation.

The unrecognized net periodic benefit cost, previously recorded as an offset to the liability for benefit obligations, was reclassified and recorded as a regulatory asset or regulatory liability, net of tax in accordance with accounting standards for regulated utility operations.

Defined Benefit Pension Plan

We have a non-contributory defined benefit pension plan (the "Pension Plan") covering the employees who meet certain eligibility requirements. Benefits are based on years of service and compensation levels during the highest four consecutive years of the last ten years of service. We use a December 31 measurement date for the Pension Plan.

Pension Plan assets are held in a Master Trust. Our Board of Directors has approved the Plans' investment policy. The objective of the investment policy is to manage assets in such a way that will allow the eventual settlement of our obligations to the Pension Plans' beneficiaries. To meet this objective, our pension assets are managed by an outside adviser using a portfolio strategy that will provide liquidity to meet the Plans' benefit payment obligations. The Pension Plans' assets consist primarily of equity, fixed income and hedged investments. The expected long-term rate of return for investments was 6.75% and 7.25% for the 2014 and 2013 plan years, respectively. Our Pension Plan funding policy is in accordance with the federal government's funding requirements.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Utility Holdings, Inc.			
Schedule XIV- Notes to Financial Statements			

Supplemental Non-qualified Defined Benefit Plans

We have two supplemental retirement plans for key executives of the Company. The plans are non-qualified defined benefit plans (Supplemental Plans). The Supplemental Plans are subject to various vesting schedules. We fund on a cash basis as benefits are paid.

Non-pension Defined Benefit Postretirement Plan

Employees who retire on or after attaining age 55 and after completion of at least five years of service are entitled to postretirement healthcare benefits (the "Postretirement Plan"). These benefits are subject to premiums, deductibles, co-payment provisions, and other limitations. We may amend or change the Postretirement Plan periodically. A portion of our healthcare plan is pre-funded via VEBA and the assets are held in trust. We use a December 31 measurement date for the Postretirement Plan.

It has been determined that the Postretirement Plan's post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy.

Benefit Obligations as of December 31, 2014

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 45,000	\$ 443,000
Deferred credits and other liabilities - other	\$ 13,535,756	\$ 570,383	\$ 5,414,918
Accumulated other comprehensive income	\$ --	\$ (57,812)	\$ --

Benefit Obligations as of December 31, 2013

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 53,000	\$ 337,000
Deferred credits and other liabilities - other	\$ 7,865,608	\$ 461,636	\$ 5,293,646
Accumulated other comprehensive income	\$ --	\$ (55,124)	\$ --

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XIV- Notes to Financial Statements			

Defined Contribution Plan

We sponsor a 401(k) retirement savings plan. Participants in the 401(k) plan may elect to invest a portion of their eligible compensation to the 401(k) Plan up to the maximum amounts established by the IRS. The 401(k) Plan provides employees the opportunity to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis. The 401(k) Plan provides a Company Matching Contribution for all eligible participants and for certain eligible participants a Company Retirement Contribution based on the participant's age and years of service. Matching contributions vest at 20% per year with 100% vesting when the participant has five years of service with the Company.

Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		SERVICE COMPANY OPERATING REVENUES		
2	400	Service Company Operating Revenues	88,241,619	88,295,719
3		SERVICE COMPANY OPERATING EXPENSES		
4	401	Operation Expenses	71,110,787	64,201,049
5	402	Maintenance Expenses	8,271,947	8,199,535
6	403	Depreciation Expenses	3,458,923	4,392,713
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property		
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	165,620	220,003
13	409.1	Income Taxes, Operating Income	(2,598,622)	
14	410.1	Provision for Deferred Income Taxes, Operating Income	27,720,622	
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income	(25,189,992)	
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	2,927,290	3,602,808
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	85,866,575	80,616,108
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	2,375,044	7,679,611
24		OTHER INCOME		
25	418.1	Equity in Earnings of Subsidiary Companies	49,600,106	35,643,263
26	419	Interest and Dividend Income	3,665	2,898
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	54,771	52,485
29	421.1	Gain on Disposition of Property		4,048
30		TOTAL OTHER INCOME (Total of Lines 25-29)	49,658,542	35,702,694
31		OTHER INCOME DEDUCTIONS		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	77,660	43,983
35	426.2	Life Insurance		
36	426.3	Penalties		6
37	426.4	Expenditures for Certain Civic, Political and Related Activities	76,878	83,641
38	426.5	Other Deductions	49,308	96,911
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	203,846	224,541
40		TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS		

Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions		(2,042,192)
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		14,410,008
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		(11,131,670)
45	411.5	Investment Tax Credit, Other Income Deductions		
46		TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)		1,236,146
47		INTEREST CHARGES		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	2,160,676	7,513,541
52	431	Other Interest Expense	966	960
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		TOTAL INTEREST CHARGES (Total of Lines 48-53)	2,161,642	7,514,501
55		NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)	49,668,098	34,407,117
56		EXTRAORDINARY ITEMS		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		Net Extraordinary Items (Line 57 less Line 58)		
60	409.4	(less) Income Taxes, Extraordinary		
61		Extraordinary Items After Taxes (Line 59 less Line 60)		
62		NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)	49,668,098	34,407,117

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 301 Line No.: 13 Column: c

Presentation Change: Taxes accounts 409.1 through 411.1 were included in 409.2 through 411.2 in prior year.

Schedule Page: 301 Line No.: 62 Column: c

BHUH does not have any true net income as all of BHUH's cost are allocated to the subsidiaries. As a parent company, BHUH holds the earnings from its subsidiaries which is Equity in Earnings of Subsidiary Companies and the related income taxes.

418.1 Equity in Earnings of Subsidiary Companies \$ 49,600,106

(LESS)

409.1 Income Taxes, Operating Income \$ (2,598,622)

410.1 Provision for Deferred Income Taxes, Operating Income \$ 27,720,622

411.1 Prov for Defer Inc Taxes - Credit, Operating Income \$ (25,189,992)

Total \$ 49,668,098

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		3,458,923	3,458,923			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes		165,620	165,620			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services						
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	823,643	2,103,647	2,927,290			
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income		3,665	3,665			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		54,771	54,771			
19	421.1	Gain on Disposition of Property						
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	967	76,693	77,660			
23	426.2	Life Insurance						
24	426.3	Penalties						
25	426.4	Expenditures for Certain Civic, Political and Related Activities	3,053	73,825	76,878			
26	426.5	Other Deductions	(2)	49,310	49,308			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense						
29	429	Amortization of Premium on Debt – Credit						
30	430	Interest on Debt to Associate Companies		2,160,676	2,160,676			
31	431	Other Interest Expense		966	966			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	4,033		4,033			
34	510-515	Total Steam Power Generation Maintenance Expenses	25,343		25,343			

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses						
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses						
39	546-550.1	Total Other Power Generation Operation Expenses	9,364		9,364			
40	551-554.1	Total Other Power Generation Maintenance Expenses				13,809		13,809
41	555-557	Total Other Power Supply Operation Expenses	56,915		56,915			
42	560	Operation Supervision and Engineering	204,281	1,073,618	1,277,899			
43	561.1	Load Dispatch-Reliability						
44	561.2	Load Dispatch-Monitor and Operate Transmission System	906,179	790,158	1,696,337			
45	561.3	Load Dispatch-Transmission Service and Scheduling	383,061	301,253	684,314			
46	561.4	Scheduling, System Control and Dispatch Services	278,474	25,000	303,474			
47	561.5	Reliability Planning and Standards Development	529,227	539,027	1,068,254			
48	561.6	Transmission Service Studies	27,657	2,258	29,915			
49	561.7	Generation Interconnection Studies	(20,156)		(20,156)			
50	561.8	Reliability Planning and Standards Development Services	398,989		398,989			
51	562	Station Expenses (Major Only)	2,150	301	2,451			
52	563	Overhead Line Expenses (Major Only)	11,628		11,628			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	11,539	8,608	20,147			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	2,733,029	2,740,223	5,473,252			
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)	590		590			
66	571	Maintenance of Overhead Lines (Major Only)	8,291		8,291			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	8,881		8,881			
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	1,188,500	872,597	2,061,097			
74	590-598	Total Distribution Maintenance Expenses	5,220,946	232,400	5,453,346			
75		Total Electric Operation and Maintenance Expenses	10,074,672	11,876,444	21,951,116	13,809		13,809
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses		(3,870)	(3,870)			
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses						
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	316,408	2,174,519	2,490,927			

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	108,714	599,198	707,912			
106		Total Natural Gas Operation and Maintenance Expenses	425,122	2,769,847	3,194,969			
107	901	Supervision	575	764,708	765,283			
108	902	Meter reading expenses	(2)	16,761	16,759			
109	903	Customer records and collection expenses	3,299,731	14,165,913	17,465,644			
110	904	Uncollectible accounts	4,337,090	5,858	4,342,948			
111	905	Miscellaneous customer accounts expenses	125,390	902,051	1,027,441			
112	906	Total Customer Accounts Operation Expenses	7,762,784	15,855,291	23,618,075			
113	907	Supervision	3,964	594,949	598,913			
114	908	Customer assistance expenses	66,374	92,913	159,287			
115	909	Informational And Instructional Advertising Expenses	124,576	4,739	129,315			
116	910	Miscellaneous Customer Service And Informational Expenses	14,129	44,727	58,856			
117		Total Service and Informational Operation Accounts	209,043	737,328	946,371			
118	911	Supervision	2,254	198,534	200,788			
119	912	Demonstrating and Selling Expenses	3,362	462,067	465,429			
120	913	Advertising Expenses	6,620	40,276	46,896			
121	916	Miscellaneous Sales Expenses	167	48,360	48,527			
122		Total Sales Operation Expenses	12,403	749,237	761,640			
123	920	Administrative and General Salaries	3,477,404	21,195,925	24,673,329	51,349		51,349
124	921	Office Supplies and Expenses	117,131	4,354,920	4,472,051	33,288		33,288
125	923	Outside Services Employed	448,873	2,922,255	3,371,128	61,504		61,504
126	924	Property Insurance		1,277	1,277			
127	925	Injuries and Damages	26	1,226,717	1,226,743			
128	926	Employee Pensions and Benefits		220,155	220,155			
129	928	Regulatory Commission Expenses	183		183			
130	930.1	General Advertising Expenses	4,927	102,438	107,365			
131	930.2	Miscellaneous General Expenses	82,420	579,178	661,598			
132	931	Rents		812,893	812,893	117		117
133		Total Administrative and General Operation Expenses	4,130,964	31,415,758	35,546,722	146,258		146,258
134	935	Maintenance of Structures and Equipment		2,062,659	2,062,659			
135		Total Administrative and General Maintenance Expenses	12,115,194	50,820,273	62,935,467	146,258		146,258
136		Total Cost of Service	22,614,988	65,466,564	88,081,552	160,067		160,067

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense		3,458,923	3,458,923
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes		165,620	165,620
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	823,643	2,103,647	2,927,290
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income		3,665	3,665
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		54,771	54,771
19	421.1	Gain on Disposition of Property			
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	967	76,693	77,660
23	426.2	Life Insurance			
24	426.3	Penalties			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	3,053	73,825	76,878
26	426.5	Other Deductions	(2)	49,310	49,308
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense			
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies		2,160,676	2,160,676
31	431	Other Interest Expense		966	966
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	4,033		4,033
34	510-515	Total Steam Power Generation Maintenance Expenses	25,343		25,343

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses			
39	546-550.1	Total Other Power Generation Operation Expenses	9,364		9,364
40	551-554.1	Total Other Power Generation Maintenance Expenses	13,809		13,809
41	555-557	Total Other Power Supply Operation Expenses	56,915		56,915
42	560	Operation Supervision and Engineering	204,281	1,073,618	1,277,899
43	561.1	Load Dispatch-Reliability			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	906,179	790,158	1,696,337
45	561.3	Load Dispatch-Transmission Service and Scheduling	383,061	301,253	684,314
46	561.4	Scheduling, System Control and Dispatch Services	278,474	25,000	303,474
47	561.5	Reliability Planning and Standards Development	529,227	539,027	1,068,254
48	561.6	Transmission Service Studies	27,657	2,258	29,915
49	561.7	Generation Interconnection Studies	(20,156)		(20,156)
50	561.8	Reliability Planning and Standards Development Services	398,989		398,989
51	562	Station Expenses (Major Only)	2,150	301	2,451
52	563	Overhead Line Expenses (Major Only)	11,628		11,628
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	11,539	8,608	20,147
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	2,733,029	2,740,223	5,473,252
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)	590		590
66	571	Maintenance of Overhead Lines (Major Only)	8,291		8,291
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	8,881		8,881
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	1,188,500	872,597	2,061,097
74	590-598	Total Distribution Maintenance Expenses	5,220,946	232,400	5,453,346
75		Total Electric Operation and Maintenance Expenses	10,088,481	11,876,444	21,964,925
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses		(3,870)	(3,870)
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching.			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses			
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	316,408	2,174,519	2,490,927

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	108,714	599,198	707,912
106		Total Natural Gas Operation and Maintenance Expenses	425,122	2,769,847	3,194,969
107	901	Supervision	575	764,708	765,283
108	902	Meter reading expenses	(2)	16,761	16,759
109	903	Customer records and collection expenses	3,299,731	14,165,913	17,465,644
110	904	Uncollectible accounts	4,337,090	5,858	4,342,948
111	905	Miscellaneous customer accounts expenses	125,390	902,051	1,027,441
112	906	Total Customer Accounts Operation Expenses	7,762,784	15,855,291	23,618,075
113	907	Supervision	3,964	594,949	598,913
114	908	Customer assistance expenses	66,374	92,913	159,287
115	909	Informational And Instructional Advertising Expenses	124,576	4,739	129,315
116	910	Miscellaneous Customer Service And Informational Expenses	14,129	44,727	58,856
117		Total Service and Informational Operation Accounts	209,043	737,328	946,371
118	911	Supervision	2,254	198,534	200,788
119	912	Demonstrating and Selling Expenses	3,362	462,067	465,429
120	913	Advertising Expenses	6,620	40,276	46,896
121	916	Miscellaneous Sales Expenses	167	48,360	48,527
122		Total Sales Operation Expenses	12,403	749,237	761,640
123	920	Administrative and General Salaries	3,528,753	21,195,925	24,724,678
124	921	Office Supplies and Expenses	150,419	4,354,920	4,505,339
125	923	Outside Services Employed	510,377	2,922,255	3,432,632
126	924	Property Insurance		1,277	1,277
127	925	Injuries and Damages	26	1,226,717	1,226,743
128	926	Employee Pensions and Benefits		220,155	220,155
129	928	Regulatory Commission Expenses	183		183
130	930.1	General Advertising Expenses	4,927	102,438	107,365
131	930.2	Miscellaneous General Expenses	82,420	579,178	661,598
132	931	Rents	117	812,893	813,010
133		Total Administrative and General Operation Expenses	4,277,222	31,415,758	35,692,980
134	935	Maintenance of Structures and Equipment		2,062,659	2,062,659
135		Total Administrative and General Maintenance Expenses	12,261,452	50,820,273	63,081,725
136		Total Cost of Service	22,775,055	65,466,564	88,241,619

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2014
FOOTNOTE DATA			

Schedule Page: 304 Line No.: 13 Column: k

The following activity was included in 416:

413000 Expense of Property Leased to Other	\$	1,081
416000 Exp Merchandising, Jobbing and Contract	\$	98
417100 NonUtility Expenses - COS	\$	119,344
417101 NonUtility Expense Other O&M	\$	148,513
417158 NonUtility Operations Expense Other	\$	30,805
417160 NonUtility Selling Expense	\$	1,580,691
417161 NonUtility Admin and General	\$	312,268
417162 Admin and General Employee Benefits	\$	603,581
417165 Expense for Uncolletable Accounts Non-Reg	\$	127,528
417170 NonUtility Maintenance Expense	\$	3,381
Total	\$	2,927,290

Schedule Page: 304 Line No.: 40 Column: k

Includes Account 604230 Non-Reg Power Generation O&M - \$13,809

Schedule XVII - Analysis of Billing – Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Black Hills Power, Inc	7,420,506	11,524,764		18,945,270
2	Cheyenne Light Fuel & Power Company	2,145,253	5,426,436		7,571,689
3	Black Hills Kansas Gas Utility Company, LLC	2,399,864	8,326,779		10,726,643
4	Black Hills Iowa Gas Utility Company, LLC	2,644,111	11,288,625		13,932,736
5	Black Hills Nebraska Gas Utility Company, LLC	1,851,924	13,843,172		15,695,096
6	Black Hills Colorado Electric Utility Company, LP	5,184,036	10,021,909		15,205,945
7	Black Hills Colorado Gas Utility Company, LP	969,294	5,034,879		6,004,173
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40	Total	22,614,988	65,466,564		88,081,552

Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1	Wyodak Resources Development Corporation	4,702				4,702
2	Black Hills Wyoming, LLC	7,634				7,634
3	Black Hills Electric Generation, LLC	33,273				33,273
4	Black Hills Non-Regulated Holdings, LLC	2,704				2,704
5	Black Hills Colorado IPP, LLC	7,240				7,240
6	Black Hills Exploration & Production, Inc	5,083				5,083
7	Black Hills Service Company, LLC	99,431				99,431
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40	Total	160,067				160,067

Schedule XIX - Miscellaneous General Expenses - Account 930.2

1. Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than \$50,000 may be grouped showing the number of items and the total for the group.
2. Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Industry Association Dues for Company Membership	375,199
2	Director Fees and Expenses	109,291
3	Consulting Fees and Other Outside Services	85,856
4	Other	91,252
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40	Total	661,598

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Utility Holdings, Inc.			
Schedule XX - Organization Chart			

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

**LIST OF OFFICERS
BLACK HILLS UTILITY HOLDINGS, INC.**

OFFICER	TITLE
David R. Emery	Chairman and Chief Executive Officer
Linden R. Evans	President and Chief Operating Officer – Utilities
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)
Robert A. Myers	Senior Vice President – Chief Human Resources Officer
Scott A. Buchholz	Senior Vice President – Chief Information Officer
Brian G. Iverson	Senior Vice President – Regulatory and Government Affairs and Assistant General Counsel
Roxann R. Basham	Vice President – Governance and Corporate Secretary
Stephen L. Pella	Vice President – Corporate Affairs
Perry S. Krush	Vice President – Supply Chain
Richard W. Kinzley	Vice President – Corporate Controller (Executive Vice President and Chief Financial Officer effective January 1, 2015)

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Utility Holdings, Inc.			
Schedule XX - Organization Chart			

Brian G. Iverson Vice President – Treasurer (acting until successor is appointed)

Kyle D. White Vice President – Regulatory Affairs

Jeffrey B. Berzina Vice President – Strategic Planning and Development

Stuart A. Wevik Vice President – Utility Operations

Ivan Vancas Vice President – Operations Services

Mark L. Lux Vice President and General Manager – Power Delivery

Randy D. Winkelman Vice President – Customer Service

Richard C. Loomis Vice President – Energy Asset Optimization

Steven M. Jurek Vice President – Regulatory Services

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XX - Organization Chart			

OFFICER	TITLE
Vacant	Vice President – Regulatory Services and Resource Planning
Esther J. Newbrough	Vice President – Corporate Controller (Effective January 5, 2015)
Kimberly F. Nooney	Vice President – Treasurer (Effective January 5, 2015)

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Utility Holdings, Inc.			
Schedule XXI - Methods of Allocation			

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.
2. Include any other allocation methods used to allocate costs.

Any asset ratios and employee and customer count ratios are calculated as of period-end dates, while revenue and expense ratios are calculated for twelve months ended as of period-end dates.

Asset Cost Ratio – Asset Cost Ratio – Based on the total cost of assets as of December 31 for the prior year, the numerator of which is for an applicable operating company and the denominator of which is all applicable operating companies. Assets are limited to property, plant, and equipment, and include construction or work in process. Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any elimination that are done to bring their FERC financial statements into compliance with GAAP. FERC requires that acquired fixed assets be recorded at their gross value with accumulated depreciation, while GAAP requires acquired fixed assets be recorded at their net value. An elimination journal entry is used to eliminate the gross-up for preparation of GAAP financial statements, but this elimination journal entry is not factored into the calculation of the Asset Cost Ratio.

No departments utilize this ratio, but it is a component in the Blended Ratio.

Gross Margin Ratio – Based on the total gross margin for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies. Gross margin is defined as revenue less cost of sales.

No departments utilize this ratio, but it is a component in the Blended Ratio.

Payroll Dollar Ratio –Based on the total payroll dollars for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies. 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 of \$50,000.

No departments utilize this ratio, but it is a component in the Blended Ratio.

Blended Ratio – 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 general allocation factor.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Black Hills Utility Holdings, Inc.			
Schedule XXI - Methods of Allocation			

Departments that utilize this ratio include BHUH benefits loading, retiree, BHUH accounting accruals, all blended assets, electric blended assets, gas blended assets, electric engineering services, electric regulatory services, utility margin accounting, utility financial management, utility accounting, utility operations management, utility market services, power supply and renewables, and gas regulatory services.

Any department at Black Hills Corp that appropriately charges a BHUH operating unit but is not part of the predefined allocation design will also utilize the Blended Allocator Ratio. For example if a BHSC IT department provides maintenance on the SCADA system supporting the regulated electric companies they would charge BHUH operating unit 201900 and these costs would be allocated using the Blended Ratio across the regulated electric companies.

Customer Count Ratio – Based on the number of customers at the end of the prior year ending December 31, 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.

As of December 31, 2012 BHUH 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

Regulated Electric Customers

Regulated Gas Customers

Non-Regulated Customers

Total Customers

Departments that utilize this ratio include gas supply services administration, computer aided dispatch, FAME assets, general assets, work management assets, regulated generation assets, customer blended assets, electric AMI blended assets, gas engineering services, GIS support, general meter shop, customer service management,

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2014
Schedule XXI - Methods of Allocation			

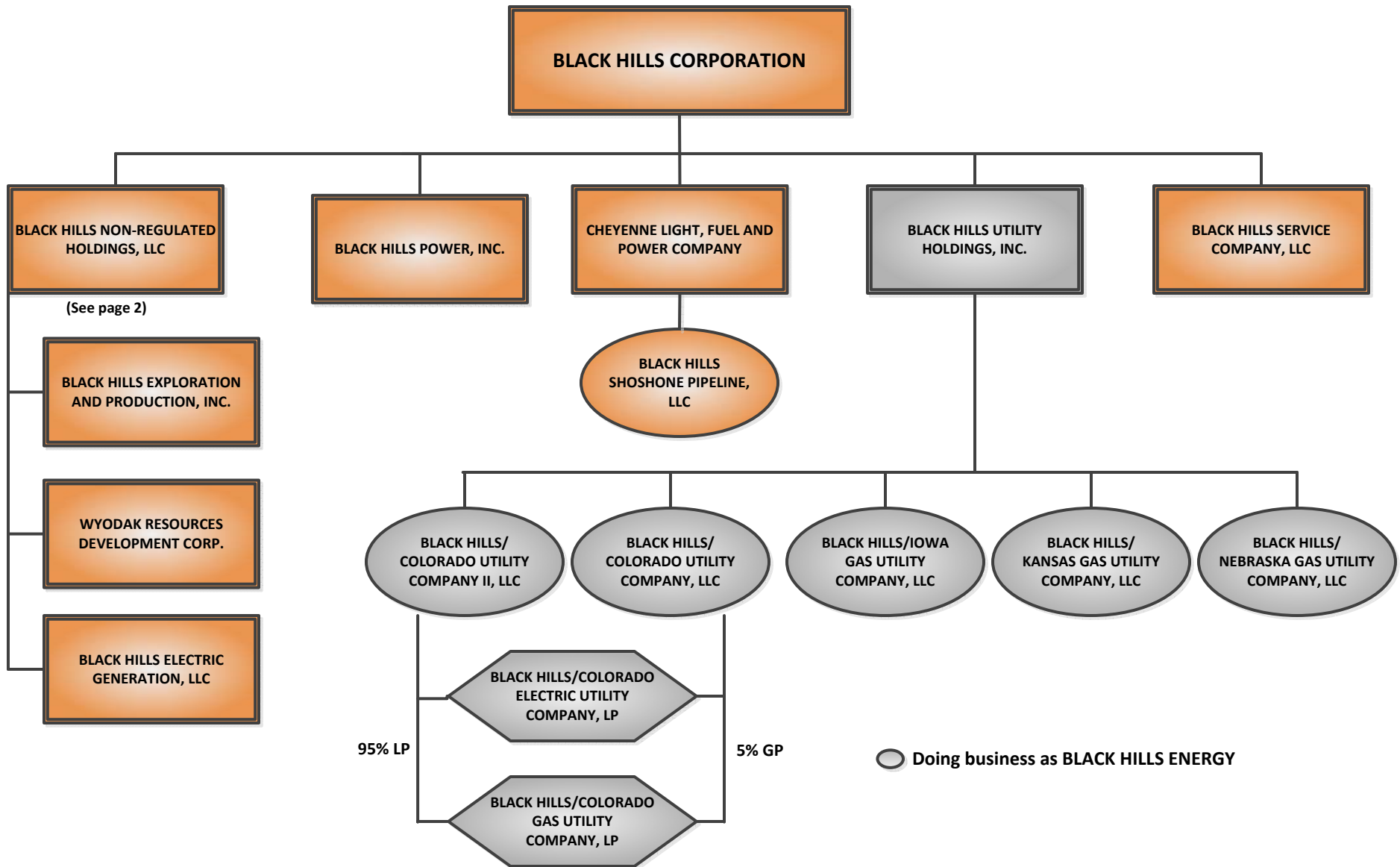
Lincoln customer service center, Omaha customer account services, Rapid City customer service support, Rapid City customer account services, Rapid City customer service center, large volume billing, customer service center support, bill processing, Lincoln field resource center, Rapid City field resource center, service guard marketing, lockbox & bill-print, and appliance technical training.

Transmission Ratio – Based on a simple average of a multiple of cross-sectional drivers for the transmission function 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.

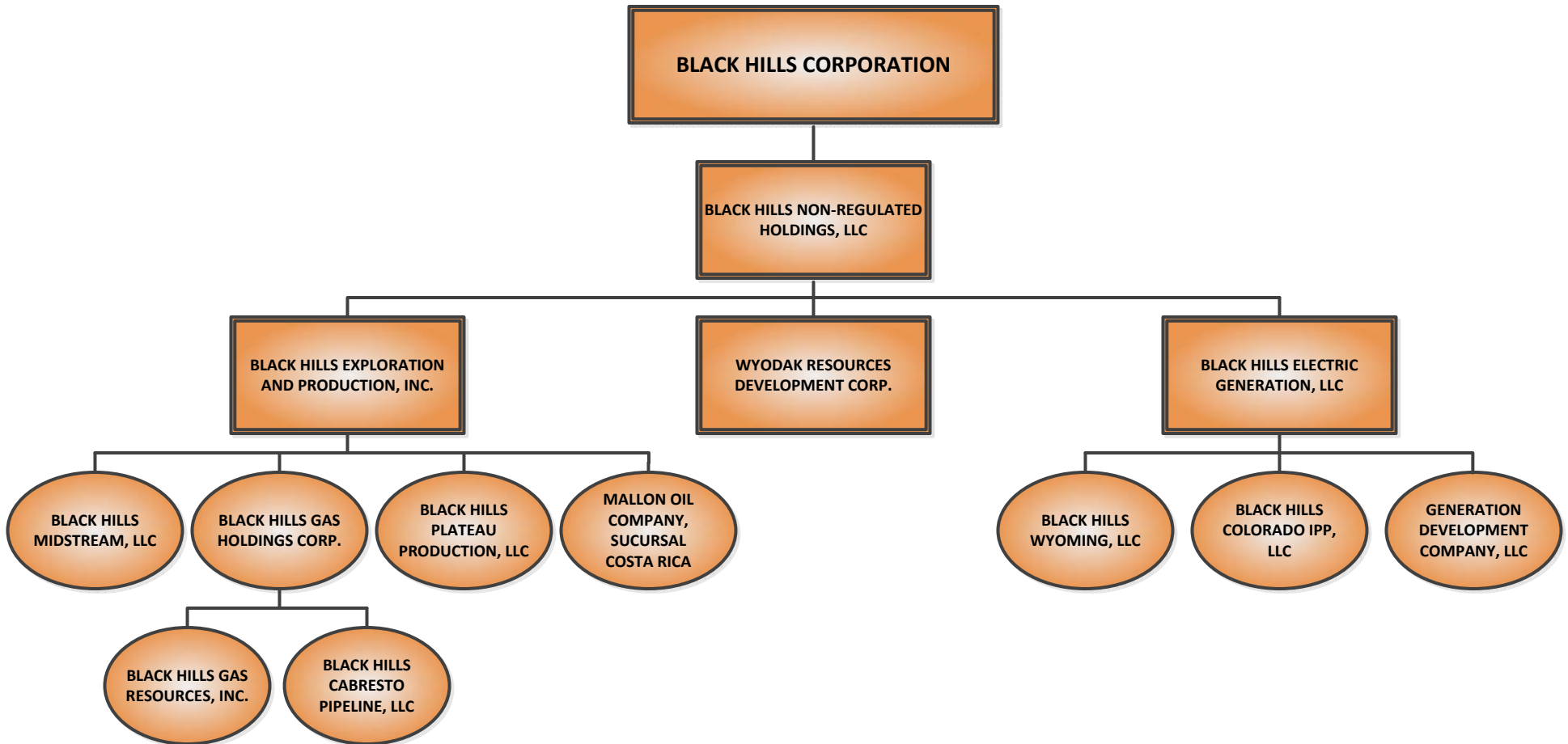
The departments that utilize this ratio include transmission planning, NERC compliance, FERC tariff and compliance, transmission and distribution reliability, NERC transmission and tech support, and transmission service management.

Tab B 1

BLACK HILLS CORPORATION ORGANIZATIONAL CHART



BLACK HILLS CORPORATION ORGANIZATIONAL CHART



Tab B2

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

Registrant's telephone number, including area code
(605) 721-1700

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock of \$1.00 par value	New York Stock Exchange

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the aggregate market value of the voting stock held by non-affiliates of the Registrant.

At June 30, 2014 \$2,696,775,649

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at January 31, 2015</u>
Common stock, \$1.00 par value	44,676,072 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2015 Annual Meeting of Stockholders to be held on April 28, 2015, are incorporated by reference in Part III of this Form 10-K.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

History and Organization

Black Hills Corporation, a South Dakota corporation (together with its subsidiaries, referred to herein as the “Company,” “we,” “us” or “our”), is a growth-oriented, vertically-integrated energy company headquartered in Rapid City, South Dakota. Our predecessor company, Black Hills Power and Light Company, was incorporated and began providing electric utility service in 1941. It was formed through the purchase and combination of several existing electric utilities and related assets, some of which had served customers in the Black Hills region since 1883. In 1956, we began producing, selling and marketing various forms of energy through non-regulated businesses.

We operate principally in the United States with two major business groups: Utilities and Non-regulated Energy. Our Utilities Group is comprised of regulated Electric Utilities and regulated Gas Utilities segments, and our Non-regulated Energy Group is comprised of Power Generation, Coal Mining and Oil and Gas segments.

Business Group	Financial Segment
<i>Utilities</i>	Electric Utilities Gas Utilities
Non-regulated Energy	Power Generation Coal Mining Oil and Gas

Our Electric Utilities segment generates, transmits and distributes electricity to approximately 205,400 electric customers in South Dakota, Wyoming, Colorado and Montana and also distributes natural gas to approximately 36,000 gas utility customers of Cheyenne Light in and around Cheyenne, Wyoming. Our Gas Utilities segment serves approximately 543,200 natural gas utility customers in Colorado, Nebraska, Iowa and Kansas. Our Electric Utilities own 841 MW of generation and 8,660 miles of electric transmission and distribution lines, and our Gas Utilities own 645 miles of intrastate gas transmission pipelines and 19,058 miles of gas distribution mains and service lines. Our Utilities Group generated net income of \$101 million for the year ended December 31, 2014, and had total assets of \$3.7 billion at December 31, 2014.

Our Power Generation segment produces electric power from our generating plants and sells the electric capacity and energy primarily to our utilities under long-term contracts. Our Coal Mining segment produces coal at our coal mine near Gillette, Wyoming, and sells the coal primarily under long-term contracts to mine-mouth electric generation facilities including our own regulated and non-regulated generating plants. Our Oil and Gas segment engages in the exploration, development and production of crude oil and natural gas, primarily in the Rocky Mountain region. Our Non-regulated Energy Group generated net income of \$28 million for the year ended December 31, 2014, and had total assets of \$0.5 billion at December 31, 2014.

For more than 15 years, prior to February 2012, we also owned and operated Enserco, an energy marketing business that engaged in natural gas, crude oil, coal, power and environmental marketing and trading in the United States and Canada. On February 29, 2012, we sold Enserco, representing our entire Energy Marketing segment, which resulted in this segment being reclassified as discontinued operations. See Note 21 in the accompanying Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further details.

Segment Financial Information

We discuss our business strategy and other prospective information in Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations. Financial information regarding our business segments is incorporated herein by reference to Item 8 - Financial Statements and Supplementary Data, and particularly Note 4 to the Consolidated Financial Statements, in this Annual Report on Form 10-K.

Discontinued Operations in the accompanying financial information includes the results of our Energy Marketing segment sold in February 2012.

In March 2011, Nebraska Gas executed an Allocation, Indemnification and Access Agreement with the successor to the former operator of the Nebraska MGPs. Under this agreement, Nebraska Gas received \$1.9 million from the successor to the operator for Nebraska Gas to remediate two sites in Nebraska (Blair and Plattsmouth). The successor is responsible for remediation activity at the two remaining sites in Nebraska (Columbus and Norfolk). Subsequent to this transaction, Nebraska Gas enrolled Blair and Plattsmouth in Nebraska's Voluntary Cleanup Program. Site remediation was completed in September 2012. Both Nebraska sites will be required to monitor groundwater quality for a minimum two-year period ending in 2015.

As of December 31, 2014, we estimate a range of approximately \$2.7 million to \$6.3 million to remediate the MGP site in Council Bluffs, Iowa, of which we could be responsible for up to 25% of the costs. In 2014, we began the process of evaluating legal and corporate successorship avenues for cost recovery from other potential responsible parties. At this time no parties have been formally named nor have we determined the degree to which they are responsible. There are currently no regulatory requirements or deadlines for cleanup.

As part of the Aquila Transaction, we also acquired the former Lawrence, Kansas MGP site which was partially addressed through a removal action conducted in the early 2000s under the supervision of the Kansas Department of Health and Environment. An existing warehouse that is the last remnant of the former MGP site will be removed in 2015 to enable environmental characterization of the area beneath the building. We estimate remaining site activities will not exceed \$150,000.

Prior to Black Hills Corporation's ownership, Aquila received rate orders that approved recovery of environmental cleanup costs in certain jurisdictions. We anticipate recovery of current and future remediation costs would be allowed. Additionally, we may pursue recovery or agreements with other potentially responsible parties when and where permitted.

Non-regulated Energy Group

Our Non-regulated Energy Group, which operates through various subsidiaries, produces and sells electric capacity and energy through a portfolio of generating plants, produces and sells coal from our mine located in the Powder River Basin in Wyoming and acquires, explores for, develops and produces natural gas and crude oil primarily in the Rocky Mountain region. The Non-regulated Energy Group consists of three business segments for reporting purposes:

- Power Generation
- Coal Mining
- Oil and Gas

Power Generation Segment

Our Power Generation segment, which operates through **Black Hills Electric Generation and its subsidiaries**, acquires, develops and operates our non-regulated power plants. As of December 31, 2014, we held varying interests in independent power plants operating in Wyoming and Colorado with a total net ownership of approximately 269 MW.

Portfolio Management

We produce electric power from our generating plants and sell the electric capacity and energy, primarily to affiliates under a combination of mid- to long-term contracts, which mitigates the impact of a potential downturn in future power prices. We currently sell a substantial majority of our non-regulated generating capacity under contracts having terms greater than one year.

As of December 31, 2014, the power plant ownership interests held by our Power Generation segment included:

Power Plants	Fuel Type	Location	Ownership Interest	Owned Capacity (MW)	In Service Date
Wygen I	Coal	Gillette, Wyoming	76.5%	68.9	2003
Pueblo Airport Generation ⁽¹⁾	Gas	Pueblo, Colorado	100.0%	200.0	2012
				268.9	

(1) Black Hills Colorado IPP owns and operates this facility. This facility provides capacity and energy to Colorado Electric under a 20-year PPA with Colorado Electric. This PPA is accounted for as a capital lease on the accompanying Consolidated Financial Statements.

Black Hills Wyoming - Wygen I. The Wygen I generation facility is a mine-mouth, coal-fired power plant with a total capacity of 90 MW located at our Gillette, Wyoming energy complex. We own 76.5% of the plant and MEAN owns the remaining 23.5%. We sell 60 MW of unit-contingent capacity and energy from this plant to Cheyenne Light under a PPA that expires on December 31, 2022. The PPA includes an option for Cheyenne Light to purchase Black Hills Wyoming's ownership interest in the Wygen I facility through 2019. The purchase price in the contract related to the option is \$2.6 million per megawatt adjusted for capital additions and reduced by depreciation over 35 years starting January 1, 2009 (approximately \$5 million per year). The net book value of Wygen I at December 31, 2014 was \$79 million and if Cheyenne Light had exercised the purchase option at year-end 2014, the estimated purchase price would have been approximately \$154 million. We expect Cheyenne Light to exercise its option to purchase sometime during the next several years, at which time we will file for approval with the WPSC. We sell excess power from our generating capacity into the wholesale power markets when it is available and economical.

Black Hills Colorado IPP - Pueblo Airport Generation. The Pueblo Airport Generation Station consists of two 100 MW combined-cycle gas-fired power generation plants located at a site shared with Colorado Electric. The plants commenced operation on January 1, 2012 and the assets are accounted for as a capital lease under a 20-year PPA with Colorado Electric. Under the PPA with Colorado Electric, any excess capacity and energy shall be for the benefit of Colorado Electric.

The following table summarizes MWh for our Power Generation segment:

Quantities Sold, Generated and Purchased (MWh) ⁽¹⁾	2014	2013	2012
Sold			
Black Hills Colorado IPP	1,178,464	1,008,482	762,950
Black Hills Wyoming ⁽²⁾	581,696	556,307	541,687
Total Sold	1,760,160	1,564,789	1,304,637
Generated			
Black Hills Colorado IPP	1,178,464	1,008,482	762,950
Black Hills Wyoming	543,796	556,106	538,945
Total Generated	1,722,260	1,564,588	1,301,895
Purchased			
Black Hills Colorado IPP	—	—	—
Black Hills Wyoming ⁽²⁾	38,237	5,481	8,011
Total Purchased	38,237	5,481	8,011

(1) Company use and losses are not included in the quantities sold, generated and purchased.

(2) Under the 20-year economy energy PPA with the City of Gillette, effective September 2014, Black Hills Wyoming purchases energy on behalf of the City of Gillette.

Operating Agreements. Our Power Generation segment has the following material operating agreements:

- Economy Energy PPA and other ancillary agreements -
 - Black Hills Wyoming sold its CTII 40 MW natural gas-fired generating unit to the City of Gillette, Wyoming on September 3, 2014. Under the terms of the sale, Black Hills Wyoming entered into ancillary agreements to operate CTII, provide use of shared facilities including a ground lease and dispatch generation services. In addition, the agreement includes a 20-year economy energy PPA that contains a sharing arrangement in which the parties share the savings of wholesale power purchases made when market power prices are less than the cost of operating the generating unit.
- Shared Services Agreements -
 - Black Hills Power, Cheyenne Light and Black Hills Wyoming are parties to a shared facilities agreement, whereby each entity charges for the use of assets by the affiliate entity.
 - Black Hills Colorado IPP and Colorado Electric are parties to a facility fee agreement, whereby Colorado Electric charges Black Hills Colorado IPP for the use of Colorado Electric assets.
 - Colorado IPP and Black Hills Wyoming receive certain staffing and management services from BHSC.
- Jointly Owned Facilities -
 - Black Hills Wyoming and MEAN are parties to a shared joint ownership agreement, whereby Black Hills Wyoming charges MEAN for administrative services, plant operations and maintenance on their share of the Wygen I generating facility over the life of the plant.

Competition. The independent power industry consists of many strong and capable competitors, some of which may have more extensive operating experience or greater financial resources than we possess.

With respect to the merchant power sector, FERC has taken steps to increase access to the national transmission grid by utility and non-utility purchasers and sellers of electricity and foster competition within the wholesale electricity markets. Our Power Generation business could face greater competition if utilities are permitted to robustly invest in power generation assets. Conversely, state regulatory rules requiring utilities to competitively bid generation resources may provide opportunity for independent power producers in some regions.

The Energy Policy Act of 1992. The passage of the Energy Policy Act of 1992 encouraged independent power production by providing certain exemptions from regulation for EWGs. EWGs are exclusively in the business of owning or operating, or both owning and operating, eligible power facilities and selling electric energy at wholesale. EWGs are subject to FERC regulation, including rate regulation. We own two EWGs: Wygen I and 200 MW (two 100 MW combined-cycle gas-fired units) at the Pueblo Airport Generating Station. Our EWGs were granted market-based rate authority, which allows FERC to waive certain accounting, record-keeping and reporting requirements imposed on public utilities with cost-based rates.

Environmental Regulation. Many of the environmental laws and regulations applicable to our regulated Electric Utilities also apply to our Power Generation operations. See the discussion above under the “Environmental” and “Regulation” captions for the Utilities Group for additional information on certain laws and regulations.

Clean Air Act. The Clean Air Act impacts our Power Generation business in a manner similar to the impact disclosed for our Electric Utilities. Our Wygen I and Pueblo Airport Generating facilities are subject to Titles IV and V of the Clean Air Act and have the required permits in place or have applications submitted in accordance with regulatory time lines. As a result of SO₂ allowances credited to us from the installation of sulfur removal equipment at our jointly owned Wyodak plant, we hold sufficient allowances for our Wygen I plant through 2044, without purchasing additional allowances. The EPA’s MACT rule described in the Utilities Group section will apply to Wygen I.

Clean Water Act. The Clean Water Act impacts our Power Generation business in a manner similar to the impact described above for our Electric Utilities. Each of our facilities that is required to have NPDES permits have those permits and are in compliance with discharge limitations. The EPA also regulates surface water oil pollution prevention through its oil pollution prevention regulations. Each of our facilities regulated under this program have the requisite pollution prevention plans in place.

Solid Waste Disposal. We dispose of all Wygen I coal ash and scrubber wastes in mined areas at our WRDC coal mine under the terms and conditions of a state permit. The factors discussed under this caption for the Utilities Group also impact our Power Generation segment in a similar manner.

Greenhouse Gas Regulations. The EPA's GHG Tailoring Rule described in the Utilities Group section will apply to the Wygen I and the Pueblo Airport Generating units upon a major modification, upon operating permit renewal or in the case of Pueblo Airport Generating Station, upon initial issuance of the Title V operating permit.

Coal Mining Segment

Our Coal Mining segment **operates through our WRDC subsidiary.** We surface mine, process and sell primarily low-sulfur sub-bituminous coal at our coal mine near Gillette, Wyoming. The WRDC coal mine, which we acquired in 1956 from Homestake Gold Mining Company, is located in the Powder River Basin. The Powder River Basin contains one of the largest coal reserves in the United States. We produced approximately 4.3 million tons of coal in 2014.

During our surface mining operations, we strip and store the topsoil. We then remove the overburden (earth and rock covering the coal) with heavy equipment. Removal of the overburden sometimes requires drilling and blasting. Once the coal is exposed, we drill, fracture and systematically remove it, using front-end loaders and conveyors to transport the coal to the mine-mouth generating facilities. We reclaim disturbed areas as part of our normal mining activities by back-filling the pit with overburden removed during the mining process. Once we have replaced the overburden and topsoil, we re-establish vegetation and plant life in accordance with our approved Post Mining Topography plan.

In a basin characterized by thick coal seams, our overburden ratio, a comparison of the cubic yards of dirt removed to a ton of coal uncovered, had in recent years trended upwards. The overburden ratio decreased in the second half of 2012 when we relocated mining operations to an area of the mine with lower overburden. The overburden ratio was reduced approximately 60% during 2013. In 2014, the overburden ratio increased as we are entering mining areas with higher overburden, resulting in an increased stripping ratio of 1.08. We expect our stripping ratio to increase to approximately 1.5 in 2015 as we mine back into areas with higher overburden.

Mining rights to the coal are based on four federal leases and one state lease. The federal leases expire between September 30, 2015 to March 31, 2021 and the state lease expires on August 1, 2023. The duration of the leases varies; however, the lease terms generally are extended to the exhaustion of economically recoverable reserves, as long as active mining continues. We pay federal and state royalties of 12.5% and 9.0%, respectively, of the selling price of all coal. As of December 31, 2014, we estimated our recoverable coal reserves to be approximately 208 million tons, based on a life-of-mine engineering study utilizing currently available drilling data and geological information prepared by internal engineering studies. The recoverable coal reserve life is equal to approximately 48 years at the current expected production levels. Our recoverable coal reserve estimates are periodically updated to reflect past coal production and other geological and mining data. Changes in mining methods or the utilization of new technologies may increase or decrease the recovery basis for a coal seam. Our recoverable coal reserves include reserves that can be economically and legally extracted at the time of their determination. We use various assumptions in preparing our estimate of recoverable coal reserves. See Risk Factors under Coal Mining for further details.

Substantially all of our coal production is currently sold under mid-term and long-term contracts to:

- Black Hills Power for use at its Neil Simpson II plant;
- Cheyenne Light for use at its Wygen II plant;
- the 362 MW Wyodak power plant owned 80% by PacifiCorp and 20% by Black Hills Power. PacifiCorp is obligated to purchase a minimum of 1.5 million tons of coal each year of the contract term, subject to adjustments for planned outages. This contract expires at the end of December 2022;
- the 110 MW Wygen III power plant owned 52% by Black Hills Power, 25% by MDU and 23% by the City of Gillette to which we sell approximately 600,000 tons of coal each year. This contract expires June 1, 2060;
- the 90 MW Wygen I power plant owned 76.5% by Black Hills Wyoming and 23.5% by MEAN to which we sell approximately 500,000 tons of coal each year. This contract expires June 30, 2038; and

- certain regional industrial customers served by truck to which we sell a total of approximately 150,000 tons of coal each year. These contracts are short-term and have terms of one to three years.

Our Coal Mining segment sells coal to Black Hills Power and Cheyenne Light for all of their requirements under cost-based agreements that regulate earnings from these affiliate coal sales to a specified return on our coal mine's cost-depreciated investment base. The return calculated annually is 400 basis points above A-rated utility bonds applied to our coal mining investment base. Black Hills Power made a commitment to the SDPUC, the WPSC and the City of Gillette that coal for Black Hills Power's operating plants would be furnished and priced as provided by that agreement for the life of the Neil Simpson II plant and through June 1, 2060, for Wygen III. The agreement with Cheyenne Light provides coal for the life of the Wygen II plant.

The price of unprocessed coal sold to PacifiCorp for the Wyodak plant is determined by the coal supply agreement described above. The agreement includes a price adjustment in 2014, which has been implemented, and an additional price adjustment in 2019. The price adjustments essentially allow us to retain the full economic advantage of the mine's location adjacent to the plant. The price adjustments will be based on the market price of coal plus considerations for the avoided costs of rail transportation and a coal unloading facility which PacifiCorp would have to incur if it purchased coal from another mine. In addition, the agreement also provides for the monthly escalation of coal price based on an escalation factor.

WRDC supplies coal to Black Hills Wyoming for the Wygen I generating facility for requirements under an agreement using a base price that includes price escalators and quality adjustments through June 30, 2038 and includes actual cost per ton plus a margin equal to the yield for Moody's A-Rated 10-Year Corporate Bond Index plus 400 basis points with the base price being adjusted on a 5-year interval. The agreement stipulates that WRDC will supply coal to the 90 MW Wygen I plant through June 30, 2038.

Competition. Our primary strategy is to sell the majority of our coal production to on-site, mine-mouth generation facilities under long-term supply contracts. Historically, off-site sales have been to consumers within a close proximity to the mine. Rail transport market opportunities for WRDC coal are limited due to the lower heating value (Btu) of the coal, combined with the fact that the WRDC coal mine is served by only one railroad, resulting in less competitive transportation rates. Management continues to explore the limited market opportunities for our product through truck transport.

Additionally, coal competes with other energy sources, such as natural gas, wind, solar and hydropower. Costs and other factors relating to these alternative fuels, such as safety, environmental considerations and availability affect the overall demand for coal as a fuel.

Environmental Regulation. The construction and operation of coal mines are subject to environmental protection and land use regulation in the United States. These laws and regulations often require a lengthy and complex process of obtaining licenses, permits and approvals from federal, state and local agencies. Many of the environmental issues and regulations discussed under the Utilities Group also apply to our Coal Mining segment.

Operations at WRDC must regularly address issues arising due to the proximity of the mine disturbance boundary to the City of Gillette and to residential and industrial development. Homeowner complaints and challenges to the permits may occur as mining operations move closer to residential development areas. Specific concerns could include damage to wells, fugitive dust emissions and vibration and nitrous oxide fumes from blasting. To mitigate these concerns, WRDC is actively pursuing the establishment of buffer zones through land purchases and long-term surface leases.

Ash is the inorganic residue remaining after the combustion of coal. Ash from our Wyoming power plants, as well as PacifiCorp's Wyodak power plant, is disposed of in the mine and is utilized for backfill to meet permitted post-mining contour requirements. On December 19, 2014, the EPA signed national disposal regulations regulating coal ash as a solid waste. While these regulations do not address mine backfill, it is widely expected that the U.S. Office of Surface Mining will collaborate with the EPA to address mine backfill in the near future. These regulations may increase the cost of ash disposal for the power plants and/or increase backfill costs for the coal mine.

Mine Reclamation. Reclamation is required during production and after mining has been completed. Under applicable law, we must submit applications to, and receive approval from, the WDEQ for any mining and reclamation plan that provides for orderly mining, reclamation and restoration of the WRDC mine. We have approved mining permits and are in compliance with other permitting programs administered by various regulatory agencies. The WRDC coal mine is permitted to operate under a five year mining permit issued by the State of Wyoming. The current permit expires in 2016. Based on extensive reclamation studies, we have accrued approximately \$19 million for reclamation costs as of December 31, 2014. Mining regulatory requirements continue to increase, which impose additional cost on the mining process.

Oil and Gas Segment

Our Oil and Gas segment, which conducts business through **BHEP and its subsidiaries**, acquires, explores for, develops and produces natural gas and crude oil in the United States primarily in the Rocky Mountain region.

As of December 31, 2014, the principal assets of our Oil and Gas segment included: (i) operating interests in crude oil and natural gas properties, including properties in the San Juan Basin (with holdings primarily on the tribal lands of the Jicarilla Apache Nation in New Mexico and Southern Ute Nation in Colorado), the Powder River Basin (Wyoming) and the Piceance Basin (Colorado); (ii) non-operated interests in crude oil and natural gas properties including wells located in the Williston (Bakken Shale in North Dakota), Wind River (Wyoming), Bear Paw Uplift (Montana), Arkoma (Oklahoma), Anadarko (Texas and Kansas) and Sacramento (California) basins; and (iii) a 44.7% ownership interest in the Newcastle gas processing plant and associated gathering system located in Weston County, Wyoming. The plant, operated by Western Gas Partners, LP, is adjacent to our producing properties in that area and BHEP's production accounts for more than 55% of the facility's throughput. We also own natural gas gathering, compression and treating facilities, and water collection and delivery systems serving the operated San Juan and Piceance Basin properties and working interests in similar facilities serving our non-operated Montana and Wyoming properties.

At December 31, 2014, we had total reserves of approximately 101 Bcfe, of which natural gas comprised 65%, crude oil comprised 25% and NGLs comprised 10%. The majority of our reserves are located in select crude oil and natural gas producing basins in the Rocky Mountain region. Approximately 24% of our reserves are located in the San Juan Basin of northwestern New Mexico, primarily in the East Blanco Field of Rio Arriba County; 31% are located in the Powder River Basin of Wyoming, primarily in the Finn-Shurley Field of Weston and Niobrara counties; and 33% are located in the Piceance Basin of western Colorado, primarily in Mesa county.

Effective July 1, 2012, we sold approximately 85% of our Bakken and Three Forks shale assets in the Williston Basin in North Dakota, including approximately 73 gross wells and 28,000 net leasehold acres.

Summary Oil and Gas Reserve Data

The summary information presented for our estimated proved developed and undeveloped crude oil, natural gas, and NGL reserves and the 10% discounted present value of estimated future net revenues is based on reports prepared by Cawley Gillespie & Associates, an independent consulting and engineering firm located in Fort Worth, Texas. Reserves were determined consistent with SEC requirements using a 12-month average product price calculated using the first-day-of-the-month price for each of the 12 months in the reporting period held constant for the life of the properties. Estimates of economically recoverable reserves and future net revenues are based on a number of variables, which may differ from actual results. Reserves for crude oil, natural gas, and NGLs are reported separately and then combined for a total MMcfe (where oil and NGLs in Mbbbl are converted to an MMcfe basis by multiplying Mbbbl by six).

The SEC definition of "reliable technology" allows the use of any reliable technology to establish reserve volumes in addition to those established by production and flow test data. This definition allows, but does not require us, to book PUD locations that are more than one location away from a producing well. We elected to only include PUDs which are one location away from a producing well in our volume reserve estimate. Companies are allowed, but not required, to disclose probable and possible reserves. We have elected not to report these additional reserve categories. Additional information on our oil and gas reserves, related financial data and the SEC requirements can be found in Note 20 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

We maintain adequate and effective internal controls over the reserve estimation process as well as the underlying data upon which reserve estimates are based. The primary inputs to the reserve estimation process are comprised of technical information, financial data, ownership interest and production data. All field and reservoir technical information, which is updated annually, is assessed for validity when the reservoir engineers hold technical meetings with geoscientists, operations and land personnel to discuss field performance and to validate future development plans. Our internal engineers and our independent reserve engineering firm, CG&A, work independently and concurrently to develop reserve volume estimates. Current revenue and expense information is obtained from our accounting records, which are subject to external quarterly reviews, annual audits and internal controls over financial reporting. All current financial data such as commodity prices, lease operating expenses, production taxes and field commodity price differentials are updated in the reserve database and then analyzed to ensure that they have been entered accurately and that all updates are complete. Our current ownership in mineral interests and well production data are also subject to the aforementioned internal controls over financial reporting and they are incorporated in the reserve database and verified to ensure their accuracy and completeness. Once the reserve database has been entirely updated with current information and all relevant technical support materials have been assembled, CG&A meets with our technical personnel to review field performance and future development plans to further verify their validity. Following these reviews the reserve database, including updated cost, price and ownership data, is furnished to CG&A so they can prepare their independent reserve estimates and final report. Access to our reserve database is restricted to specific members of the engineering department.

CG&A is a Texas Registered Engineering Firm. Our primary contact at CG&A is Mr. Zane Meekins. Mr. Meekins has been practicing consulting petroleum engineering since 1989. Mr. Meekins is a Registered Professional Engineer in the State of Texas and has over 26 years of practical experience in petroleum engineering and over 24 years of experience in the estimation and evaluation of reserves. He graduated from Texas A&M University in 1987 with a Bachelor of Science in Petroleum Engineering. Mr. Meekins meets or exceeds the education, training and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers and he is proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying SEC and other industry reserves definitions and guidelines.

BHEP's Manager of Planning and Analysis is the technical person primarily responsible for overseeing our third party reserve estimates. He has over 34 years of exploration and production industry experience as a geologist and financial analyst. He has over 24 years of experience working closely with internal and third party qualified reserve estimators in major and mid-sized oil and gas companies. He holds a Bachelor of Science degree in Geology and a Master's in Business Administration.

As of December 31, 2014, we began to separate the NGL production and reserves from the prior years reported wet natural gas reserves and production. NGL production and reserves are processed volumes received by taking the wellhead gas to a gas plant where the various components are extracted into a dry natural gas stream and a natural gas liquids stream. NGL volumes reported are in barrels and are the weighted volumes of the various liquids components; ethane (if recovered), propane, iso butane, normal butane, and natural gasoline. Presently, ethane is not being recovered at any of the facilities that process our natural gas production.

Tab B3

LIST OF OFFICERS
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC

OFFICER	TITLE	AREA OF RESPONSIBILITY
David R. Emery	Chairman and Chief Executive Officer	Oversees all company operations
Linden R. Evans	President and Chief Operating Officer – Utilities	Oversees all utility operations
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)	Oversees finance, accounting
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)	Legal, compliance, contracts
Robert A. Myers	Senior Vice President – Chief Human Resources Officer	Compensation, benefits
Scott A. Buchholz	Senior Vice President – Chief Information Officer	Information technology, billing systems, customer information, supply chain
Brian G. Iverson	Senior Vice President – Regulatory and Government Affairs and Assistant General Counsel	Oversees regulatory affairs, resource planning and governmental affairs, legal
Roxann R. Basham	Vice President – Governance and Corporate Secretary	Company records, internal audit
Stephen L. Pella	Vice President – Corporate Affairs	Oversees corporate affairs, public relations, marketing
Perry S. Krush	Vice President – Supply Chain	Supply chain
Richard W. Kinzley	Vice President – Corporate Controller	Accounting
Brian G. Iverson	Vice President – Treasurer (acting until successor is named)	Financing, cash management
Kyle D. White	Vice President – Regulatory Affairs	Regulatory affairs
Jeffrey B. Berzina	Vice President – Strategic Planning and Development	Planning, strategy
Stuart A. Wevik	Vice President – Utility Operations	Oversees utility operations

OFFICER	TITLE	AREA OF RESPONSIBILITY
Ivan Vancas	Vice President – Operations Services	Safety, environmental, marketing services
Randy D. Winkelman	Vice President – Customer Service	Customer service, customer billing
Richard C. Loomis	Vice President – Energy Asset Optimization	Generation dispatch and power marketing, gas supply services, generation resource planning
Steven M. Jurek	Vice President – Regulatory Services	Regulatory filings, rates
Vacant	Vice President – Regulatory Services and Resource Planning	Resource planning, regulatory affairs, rates

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PROXY STATEMENT AND FORM 10K

Black Hills Corporation Board of Directors

2014 Annual Report



David Emery, age 52, was elected Chairman in 2005 and has been President and Chief Executive Officer and a member of the Board of Directors since 2004. Previously, he was our President and Chief Operating Officer - Retail Business Segment from 2003 to 2004 and Vice President - Fuel Resources from 1997 to 2003.



Jack Eugster, age 69, was elected to the Board of Directors in 2004 and currently chairs the Compensation Committee. Mr. Eugster was Chairman, Chief Executive Officer and President of Musicland Stores, Inc. from 1980 until his retirement in 2001. He was Non-Executive Chairman of Shopko Stores, Inc., a general merchandise discount store chain, from 2001 to 2005. He also serves on the board of directors of Graco, Inc. and Life Time Fitness, Inc.



Michael Madison, age 66, was elected to the Board of Directors in 2012. Mr. Madison was President and Chief Executive Officer and a Director of Cleco Corporation, a public utility holding company, from 2005 to 2011. He was President and Chief Operating Officer of Cleco Power, LLC, from 2003 to 2005 and State President, Louisiana-Arkansas with American Electric Power, from 2000 to 2003.



Linda Massman, age 48, was elected to the Board of Directors in January 2015. Ms. Massman is President and Chief Executive Officer of Clearwater Paper Corporation, a premier supplier of private label tissue to major retailers and a producer of bleached paperboard, since 2013. She previously served as Clearwater's President and Chief Operating Officer from 2011 to 2013 and its Chief Financial Officer from 2008 to 2011. Prior to joining Clearwater, she was Group Vice President of Finance and Corporate Planning for SUPERVALU Inc. and a business strategy consultant for Accenture.



Steven Mills, age 59, was elected to the Board of Directors in 2011. Mr. Mills was Chief Financial Officer of Amyris, Inc., an integrated renewable products company, from 2012 to 2013. He was Senior Executive Vice President Performance and Growth of Archer Daniels Midland Company, a processor, transporter, buyer and marketer of agricultural products, from 2010 to 2012, Executive Vice President and Chief Financial Officer from 2008 to 2010 and Senior Vice Strategic Planning from 2006 to 2008.



Stephen Newlin, age 62, was elected to the Board of Directors in 2004 and currently chairs the Governance Committee. His Board term ends at the 2015 Annual Meeting of Shareholders. Mr. Newlin has been Executive Chairman of PolyOne Corporation, a global premier provider of specialized polymer materials, services and solutions, since May 2014 and Chairman President and Chief Executive Officer from 2006 to May 2014. He was President of the Industrial Sector of Ecolab, Inc., a global leader of services, specialty chemicals and equipment serving industrial and institutional clients, from 2003 to 2006. He also serves on the board of directors of Oshkosh Corporation.



Gary Pechota, age 65, was elected to the Board of Directors in 2007. Mr. Pechota has been President and Chief Executive Officer of DT-TRAK Consulting, Inc., a medical billing services company, since 2007. He was retired from 2005 to 2007. He was Chief of Staff of the National Indian Gaming Commission from 2003 to 2005. He previously held executive positions in the cement industry and positions in finance and accounting. He also serves on the board of directors of Insteel Industries, Inc.



Rebecca Roberts, age 62, was elected to the Board of Directors in 2011. Ms. Roberts was President of Chevron Pipe Line Company, a pipeline company transporting crude oil, refined petroleum products, liquefied petroleum gas, natural gas and chemicals within the United States, from 2006 to 2011. She was President of Chevron Global Power Generation from 2003 to 2006. She also serves on the board of directors of Enbridge Energy Company, Inc., Enbridge Energy Management, LLC, and MSA Safety Incorporated.



Warren Robinson, age 64, was elected to the Board of Directors in 2007 and currently chairs the Audit Committee. He has announced his resignation from the Board effective April 28, 2015. Mr. Robinson was Executive Vice President, Treasurer and Chief Financial Officer of MDU Resources Group, Inc., a diversified energy and resources company, from 1992 until his retirement in 2006.



John Vering, age 65, was elected to the Board of Directors in 2005. Mr. Vering has been Managing Director of Lone Mountain Investments, Inc., an oil and gas investment firm, since 2002. He served as Interim President and General Manager of Black Hills Exploration and Production, Inc., our oil and gas subsidiary, from 2010 to 2011. He previously held several executive positions in the oil and gas industry.



Thomas Zeller, age 67, was elected to the Board of Directors in 1997 and currently serves as Presiding Director. Mr. Zeller was Chief Executive Officer of RESPEC, a technical consulting and services firm with expertise in engineering, information technologies and water and natural resources specializing in emerging environmental protection protocols, from January 2011 to August 2011 and served as President from 1995 to January 2011.

CORPORATE GOVERNANCE

Corporate Governance Guidelines. Our Board of Directors has adopted corporate governance guidelines titled “Corporate Governance Guidelines of the Board of Directors,” which guide the operation of our Board and assist the Board in fulfilling its obligations to shareholders and other constituencies. The guidelines lay the foundation for the Board’s responsibilities, operations, leadership, organization and committee matters. The Governance Committee reviews the guidelines annually, and the guidelines may be amended at any time, upon recommendation by the Governance Committee and approval of the Board. These guidelines can be found in the “Governance” section of our website (www.blackhillscorp.com/investor-relations/corporate-governance).

Board Independence. In accordance with New York Stock Exchange rules, the Board of Directors through its Governance Committee affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the NYSE listing standards. These guidelines are contained in our Policy for Director Independence, which can be found in the “Governance” section of our website (www.blackhillscorp.com/investor-relations/corporate-governance). Based on these standards, the Governance Committee determined that each of the following non-employee directors is independent and has no relationship with us, except as a director and shareholder:

Jack W. Eugster	Stephen D. Newlin	Warren L. Robinson
Michael H. Madison	Gary L. Pechota	Thomas J. Zeller
Linda K. Massman	Rebecca B. Roberts	John B. Vering
Steven R. Mills		

In addition, based on such standards, the Governance Committee determined that Mr. Emery is not independent because he is our Chairman, President and Chief Executive Officer (“CEO”).

Board Leadership Structure. Mr. Emery has served as our Chairman of the Board and CEO since 2005 and has been a member of our Board since 2004. Mr. Emery provides strategic, operational, and technical expertise and context for the matters considered by our Board. After considering alternative board leadership structures, our Board chose to retain the ability to balance an independent Board structure with the designation of an independent Presiding Director and to appoint as Chairman a CEO-Director with knowledge of and experience in the operations of our Company. At this time, our Board believes that having a single person serve as Chairman and CEO provides unified and responsible leadership for our Company and in conjunction with the Presiding Director provides the proper balance to ensure the Board receives the information, experience and direction it needs to effectively govern.

Our Board has and continues to value a high degree of Board independence. As a result, our corporate governance structure and practices promote a strong, independent Board and include several independent oversight mechanisms. Only independent directors serve on our Audit, Compensation and Governance Committees. Our Board believes these practices ensure that experienced and independent directors will continue to effectively oversee management and critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity. All of our Board committees may seek legal, financial or other expert advice from a source independent of management.

Our Board annually appoints an independent Presiding Director. Thomas J. Zeller is our current Presiding Director and has served in this role since 2010. The responsibilities of Presiding Director, as provided in the Board’s Governance Guidelines, are to chair executive sessions of the independent directors and communicate the Board’s annual evaluation of the CEO. The Presiding Director, together with the independent directors, establishes the agenda for executive sessions, which are held at each regular Board meeting. The Presiding Director serves as a liaison between the independent members of the Board and the CEO and discusses, to the extent appropriate, matters raised by the independent directors in executive session. The Presiding Director also consults with the Chairman regarding meeting agendas and presides over regular meetings of the Board in the absence of the Chairman. This leadership structure provides consistent and effective oversight of our management and our Company.

Risk Oversight. Our Board oversees an enterprise approach to risk management that supports our operational and strategic objectives. The Corporate Governance Guidelines of our Board of Directors provide that the Board will review major risks facing our Company and the options for risk mitigation presented by management. Our Board delegates oversight of certain risk considerations to its committees within each of their respective areas of responsibility; however, the full Board monitors

risk relating to strategic planning and execution, as well as executive succession. Financial risk oversight falls within the purview of our Audit Committee. Our Compensation Committee oversees compensation and benefit plan risks. Each committee reports to the full Board.

Our Board reviews any material changes in our key enterprise risk management ("ERM") issues with management at each quarterly Board meeting in conjunction with the presentation of quarterly financial results. In so doing, our Board seeks to ensure appropriate risk mitigation strategies are implemented by management on an ongoing basis. Operational and strategic plan presentations by management to our Board include consideration of the challenges and risks to our business. Our Board and management actively engage in discussions of these topics and utilize outside consultants as needed. Our Board oversees the assessment of our strategic plan risks as part of our strategic planning process. In addition, our Board periodically receives safety performance, environmental, legal and compliance reports.

Our Audit Committee oversees management's strategy and performance relative to our significant financial risks. In consultation with management, the independent auditors and the internal auditors, the Audit Committee discusses our risk assessment, risk management and credit policies and reviews significant financial risk exposures along with steps management has taken to monitor, mitigate and report such exposures. At least twice a year, our Chief Risk Officer provides a Risk and Credit Report to the Audit Committee. We adopted a Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within established risk tolerances.

Our Compensation Committee adopted an executive compensation philosophy that provides the foundation for our executive compensation program. The executive compensation philosophy states that the executive pay program should be market-based and maintain an appropriate and competitive balance between fixed and variable pay elements, short-term and long-term compensation and cash and stock-based compensation. The Compensation Committee establishes company-specific performance goals with potential incentive payouts for our executive officers to motivate and reward performance, consistent with our long-term success. The target compensation for our senior officers is heavily weighted in favor of long-term incentives, aligning performance incentives with long-term results for our shareholders. Our Compensation Committee also sets minimum performance thresholds and maximum payouts in the incentive programs and maintains the discretion to reduce awards if excessive risk is taken. Stock ownership guidelines established for all of our officers require our executives to hold 100 percent of all shares awarded to them (net of share withholding for taxes and, in the case of cashless stock option exercises, net of the exercise price and withholding for taxes) until the established stock ownership guidelines are achieved. Our Compensation Committee also instituted "clawback" provisions in our incentive plans, which may require an executive to return incentives received, if the Compensation Committee determines, in its discretion, that the executive engaged in specified misconduct or wrongdoing or in the event of certain financial restatements.

Our management is responsible for day-to-day risk management and operates under an ERM program that addresses strategic, operational, financial and compliance risks. The ERM program includes practices to identify risks, assesses the impact and probability of occurrence, and develops action plans to prevent the occurrence or mitigate the impact of the risk. The ERM program includes regular reporting to our senior management team and includes monitoring and testing by Risk Management, Compliance and Internal Audit groups. The overall ERM program is reviewed with the Board of Directors on a regular basis.

We believe this division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company.

Director Nominees. The Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Board candidates are considered based upon various criteria, including diverse business, administrative and professional skills or experiences; an understanding of relevant industries, technologies and markets; financial literacy; independence status; the ability and willingness to contribute time and special competence to Board activities; personal integrity and independent judgment; and a commitment to enhancing shareholder value. The Governance Committee considers these and other factors as it deems appropriate, given the needs of the Board and us. Our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. The Governance Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, the use of third-party executive search firms, members of management and shareholders. Any shareholder may make recommendations for consideration by the Governance Committee for membership on the Board by sending a written statement of the qualifications of the recommended individual to the Corporate Secretary. There are no differences in the manner by which the Committee evaluates director candidates recommended by shareholders from those recommended by other sources.

Shareholders who intend to nominate persons for election to the Board of Directors must provide timely written notice of the nomination in accordance with Article I, Section 9 of our Bylaws. Generally, our Corporate Secretary must receive the written notice at our executive offices at 625 Ninth Street, Rapid City, South Dakota, 57701, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. The notice must set forth at a minimum the information set forth in Article I, Section 9 of our Bylaws, including the shareholder's identity and status, contingent ownership interests, description of any agreement made with others acting in concert with respect to the nomination, specific information about the nominee and supply certain representations by the nominee to us.

Communications with the Board. Shareholders and others interested in communicating directly with the Presiding Director, with the independent directors as a group, or the Board of Directors may do so in writing to the Presiding Director, Black Hills Corporation, 625 Ninth Street, Rapid City, South Dakota, 57701.

Corporate Governance Documents. The charters of the Audit, Compensation and Governance committees, as well as the Board's Corporate Governance Guidelines, Policy for Director Independence, Code of Business Conduct and the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, and certain other persons performing similar functions can be found in the "Governance" section of our website (www.blackhillscorp.com/investor-relations/corporate-governance). We intend to disclose any amendments to, or waivers of the Code of Ethics on our website. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

Our Corporate Governance Guidelines include a plurality plus voting policy. Pursuant to the policy, any nominee for election as a director in an uncontested election who receives a greater number of votes "Withheld" from his or her election than votes "For" his or her election will promptly tender his or her resignation as a director to the Chairman of the Board following certification of the election results. Broker non-votes will not be deemed to be votes "For" or "Withheld" from a director's election for purposes of the policy. The Governance Committee (without the participation of the affected director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take the appropriate action on each tendered resignation, taking into account the Governance Committee's recommendation. The Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons why the Committee believes shareholders "Withheld" votes for election from such director and any other circumstances surrounding the "Withheld" votes, any alternatives for curing the underlying cause of the "Withheld" votes, the qualifications of the tendering director, his or her past and expected future contributions to us and the Board, and the overall composition of the Board, including whether accepting the resignation would cause us to fail to meet any applicable SEC or NYSE requirements. The Board will publicly disclose by filing with the SEC on Form 8-K its decision and, if applicable, its rationale within 90 days after receipt of the tendered resignation.

Certain Relationships and Related Party Transactions. We recognize related party transactions can present potential or actual conflicts of interest and create the appearance that decisions are based on considerations other than the best interests of us and our shareholders. Accordingly, as a general matter, it is our preference to avoid related party transactions. Nevertheless, we recognize that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of us and our shareholders, including but not limited to situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when we provide products or services to related parties on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, our Board of Directors has adopted a policy for the review of related party transactions. This policy requires directors and officers to promptly report to our Vice President – Governance all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our Vice President – Governance presents to our Governance Committee those transactions that may require disclosure pursuant to Item 404 of Regulation S-K (typically, those transactions that exceed \$120,000). Our Governance Committee reviews the material facts presented and either approves or disapproves entry into the transaction. In reviewing the transaction, the Governance Committee considers the following factors, among other factors it deems appropriate: (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; (ii) the extent of the related party's interest in the transaction; and (iii) the impact on a director's independence in the event the related party is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer.

Section 16(a) Beneficial Ownership Reporting Compliance. Based solely upon a review of our records and copies of reports on Form 3, 4 and 5 furnished to us, we believe that during and with respect to 2014, all persons subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, filed the required reports on a timely basis.

MEETINGS AND COMMITTEES OF THE BOARD

The Board of Directors

Our directors review and approve our strategic plan and oversee our management. Our Board of Directors held four in-person meetings and two telephonic meetings during 2014. Each regularly scheduled meeting of the Board includes an executive session of only independent directors. We encourage our directors to attend the annual shareholders' meeting. During 2014, every director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served and all directors attended the 2014 annual meeting of shareholders.

Committees of the Board

Our Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Compensation Committee and the Governance Committee. In accordance with the NYSE listing standards and our Corporate Governance Guidelines, the Audit, Compensation and Governance Committees are comprised solely of independent directors. Each committee operates under a charter, which is available on our website at www.blackhillscorp.com/investor-relations/corporate-governance and is also available in print to any shareholder who requests it. In addition, our Board creates special committees from time to time for specific purposes.

Members of the Committees are designated by our Board upon recommendation of the Governance Committee. The table below shows current membership for each of the Board committees.

<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Governance Committee</u>
Michael H. Madison	Jack W. Eugster*	Jack W. Eugster
Steven R. Mills	Linda K. Massman	Stephen D. Newlin*
Gary L. Pechota	Stephen D. Newlin	Gary L. Pechota
Warren L. Robinson*	Rebecca B. Roberts	Rebecca B. Roberts
John B. Vering	Thomas J. Zeller	Thomas J. Zeller

* Committee Chairperson

Audit Committee. The Audit Committee held three in-person meetings and four telephonic meetings in 2014. The Audit Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assist the Board in fulfilling its oversight responsibility to our shareholders relating to the quality and integrity of our accounting, auditing and financial reporting practices;
- oversee the integrity of our financial statements, financial reporting process, systems of internal controls and disclosure controls regarding finance, accounting and legal compliance;
- review areas of potential significant financial risk to us;
- review consolidated financial statements and disclosures;
- appoint an independent registered public accounting firm for ratification by our shareholders;
- monitor the independence and performance of our independent registered public accountants and internal auditing department;
- pre-approve all audit and non-audit services provided by our independent registered public accountants;
- review the scope and results of the annual audit, including reports and recommendations of our independent registered public accountants;
- review the internal audit plan, results of internal audit work and our process for monitoring compliance with our Code of Conduct and other policies and practices established to ensure compliance with legal and regulatory requirements; and
- periodically meet, in private sessions, with our internal audit group, Chief Financial Officer, Chief Compliance Officer, other management, and our independent registered public accounting firm.

In accordance with the rules of the NYSE, all of the members of the Audit Committee are financially literate. In addition, the Board determined that all of the members of the Audit Committee, Messrs. Madison, Mills, Pechota, Robinson and Vering, have the requisite attributes of an “audit committee financial expert” as provided in regulations promulgated by the SEC, and that such attributes were acquired through relevant education and/or experience.

Compensation Committee. The Compensation Committee held three in-person meetings and one telephonic meeting in 2014. All members of the Compensation Committee are independent directors as defined under NYSE listing standards and SEC rules. The Compensation Committee’s responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- discharge the Board of Directors’ responsibilities related to executive and director compensation philosophy, policies and programs;
- perform functions required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation;
- consider and recommend for approval by the Board all executive compensation programs including executive benefit programs and stock ownership plans; and
- promote an executive compensation program that supports the overall objective of enhancing shareholder value.

The Compensation Committee has authority under its charter to retain and terminate compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee has sole authority to approve related fees and retention terms and may delegate any of its responsibilities to subcommittees as the Committee may deem appropriate. In addition, pursuant to SEC rules and NYSE listing standards regarding the independence of compensation committee advisors, the Committee has the responsibility to consider the independence of any compensation advisor before engaging the advisor.

The Committee engaged Towers Watson, an independent consulting firm, to conduct an annual review of our 2014 total compensation program for executive officers and directors. The Committee reviewed the independence of Towers Watson and the individual representative of Towers Watson who serves as a consultant to the Committee, in accordance with the SEC and NYSE requirements and the specific factors that the requirements cite. The Compensation Committee concluded that Towers Watson is independent and Towers Watson’s performance of services raises no conflict of interest. The Committee’s conclusion was based in part on a report that Towers Watson provided to the Committee intended to reveal any potential conflicts of interest and a schedule provided by management of the type and amount of non-executive compensation services provided by Towers Watson to the Company. During 2014, management also purchased other services from Towers Watson. The cost of these services was less than \$15,000.

The Committee annually evaluates the CEO’s performance against Board established goals and objectives, with input from the other independent directors. Based upon the Committee’s evaluation and recommendation, the independent directors of the Board set the CEO’s annual compensation, including salary, bonus, incentive and equity compensation.

The CEO annually reviews the performance of each of our executive officers and presents a summary of his evaluations to the Committee. Based upon these performance reviews, market analysis conducted by the compensation consultant and discussions with our Sr. Vice President, Chief Human Resources Officer, the CEO recommends the compensation of the executive officers to the Committee. The Committee may exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process.

More information describing the Compensation Committee’s processes and procedures for considering and determining executive compensation, including the role of our CEO and consultants in determining or recommending the amount or form of executive compensation, is included in the Compensation Discussion and Analysis.

In setting non-employee director compensation, the Compensation Committee recommends the form and amount of compensation to the Board of Directors, which makes the final determination. In considering and recommending the compensation of non-employee directors, the Compensation Committee considers such factors as it deems appropriate, including historical compensation information, level of compensation necessary to attract and retain non-employee directors meeting our desired qualifications and market data. In the review of director compensation for 2014, the Compensation Committee retained Towers Watson to provide market information on non-employee director compensation, including compensation structure, annual board and committee retainers, committee chairperson fees and stock-based compensation.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee is comprised entirely of independent directors. In addition, none of our executive officers serve as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board or on our Compensation Committee.

Governance Committee. The Governance Committee held four in-person meetings and one telephonic meeting in 2014. The Governance Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assess the size of the Board and membership needs and qualifications for Board membership;
- identify and recommend prospective directors to the Board to fill vacancies;
- review and evaluate director nominations submitted by shareholders, including reviewing the qualifications and independence of shareholder nominees;
- consider and recommend existing Board members to be renominated at our annual meeting of shareholders;
- consider the resignation of an incumbent director who makes a principal occupation change (including retirement) or who receives a greater number of votes "Withheld" than votes "For" in an uncontested election of directors and recommend to the Board whether to accept or reject the resignation;
- establish and review guidelines for corporate governance;
- recommend to the Board for approval committee membership and the chairpersons of the committees;
- recommend to the Board for approval an independent director to serve as a Presiding Director;
- review the independence of each director and director nominee;
- administer an annual evaluation of the performance of the Board and facilitate an annual assessment of each committee; and
- ensure that the Board oversees the evaluation and succession planning of management.

DIRECTOR COMPENSATION

Director Fees

In 2014, our non-employee director compensation was as follows:

- Board cash retainer of \$60,000;
- common stock equivalents equal to \$75,000 per year;
- dividend equivalents on the common stock equivalents equal to the same dividend rate our shareholders receive;
- committee member cash retainers of \$10,000 for Audit Committee members and \$7,500 for Compensation and Governance Committee members;
- committee chair cash retainers of \$12,500 for Audit Committee Chair, \$10,000 for Compensation Committee Chair and \$7,500 for Governance Committee Chair; and
- Presiding Director cash retainer of \$18,500.

Effective January 1, 2015, our non-employee director compensation is as follows:

- Board cash retainer of \$65,000;
- common stock equivalents equal to \$80,000 per year;
- dividend equivalents on the common stock equivalents equal to the same dividend rate our shareholders receive;
- committee member cash retainers of \$10,000 for Audit Committee members and \$7,500 for Compensation and Governance Committee members;
- committee chair cash retainers of \$12,500 for Audit Committee Chair, \$10,000 for Compensation Committee Chair and \$7,500 for Governance Committee Chair; and
- Presiding Director cash retainer of \$20,000.

Tab B4

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

Registrant's telephone number, including area code
(605) 721-1700

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock of \$1.00 par value	New York Stock Exchange

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the aggregate market value of the voting stock held by non-affiliates of the Registrant.

At June 30, 2014 \$2,696,775,649

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at January 31, 2015</u>
Common stock, \$1.00 par value	44,676,072 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2015 Annual Meeting of Stockholders to be held on April 28, 2015, are incorporated by reference in Part III of this Form 10-K.

(5) LONG-TERM DEBT

Long-term debt outstanding was as follows (dollars in thousands) as of:

	Due Date	Interest Rate at		
		December 31, 2014	December 31, 2014	December 31, 2013
<u>Corporate</u>				
Senior unsecured notes due 2023	November 30, 2023	4.25%	\$ 525,000	\$ 525,000
Unamortized discount on Senior unsecured note due 2023 ^(a)			(2,164)	—
Senior unsecured notes due 2020	July 15, 2020	5.88%	200,000	200,000
Corporate term loan due 2015 ^(b)	June 19, 2015	1.31%	275,000	275,000
Total Corporate Debt			<u>997,836</u>	<u>1,000,000</u>
<u>Electric Utilities</u>				
First Mortgage Bonds due 2044	October 20, 2044	4.43%	85,000	—
First Mortgage Bonds due 2044	October 20, 2044	4.53%	75,000	—
First Mortgage Bonds due 2032	August 15, 2032	7.23%	75,000	75,000
First Mortgage Bonds due 2039	November 1, 2039	6.13%	180,000	180,000
Unamortized discount on First Mortgage Bonds due 2039			(102)	(107)
Pollution control revenue bonds due 2024	October 1, 2024	5.35%	—	12,200
First Mortgage Bonds due 2037	November 20, 2037	6.67%	110,000	110,000
Industrial development revenue bonds due 2021, variable rate ^(c)	September 1, 2021	0.09%	7,000	7,000
Industrial development revenue bonds due 2027, variable rate ^(c)	March 1, 2027	0.09%	10,000	10,000
Series 94A Debt, variable rate ^(c)	June 1, 2024	0.75%	2,855	2,855
Total Electric Utilities			<u>544,753</u>	<u>396,948</u>
Total long-term debt			1,542,589	1,396,948
Less current maturities			275,000	—
Long-term debt, net of current maturities			<u>\$ 1,267,589</u>	<u>\$ 1,396,948</u>

(a) Discount on note initially reflected in deferred financing costs at December 31, 2013.

(b) Variable interest rate, based on LIBOR plus a spread.

(c) Variable interest rate.

Scheduled maturities of long-term debt, excluding amortization of premiums or discounts, for future years are (in thousands):

2015	\$	275,000
2016	\$	—
2017	\$	—
2018	\$	—
2019	\$	—
Thereafter	\$	1,269,855

Our debt securities contain certain restrictive financial covenants, all of which the Company and its subsidiaries were in compliance with at December 31, 2014.

Substantially all of the tangible utility property of Black Hills Power and Cheyenne Light is subject to the lien of indentures securing their first mortgage bonds. First mortgage bonds of Black Hills Power and Cheyenne Light may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures. The first mortgage bonds issued by Black Hills Power and Cheyenne Light are callable, but are subject to make-whole provisions which would eliminate any economic benefit for us to call the bonds.

Debt Transactions

On October 1, 2014, Black Hills Power and Cheyenne Light sold \$160 million of first mortgage bonds in a private placement to provide permanent financing for Cheyenne Prairie. Black Hills Power issued \$85 million of 4.43% coupon first mortgage bonds due October 20, 2044 and Cheyenne Light issued \$75 million of 4.53% coupon first mortgage bonds due October 20, 2044. Proceeds from Black Hills Power's bond sale also funded the early redemption of its 5.35% \$12 million pollution control revenue bonds, originally due October 1, 2024.

On November 19, 2013, we entered into a \$525 million, 4.25% senior unsecured note expiring on November 30, 2023. The proceeds from this new debt were used to:

- Redeem our \$250 million senior unsecured 9.0% notes originally due on May 15, 2014. This repayment occurred on December 19, 2013, for approximately \$261 million which included a make-whole provision of approximately \$8.5 million and accrued interest which are included in Interest expense on the accompanying Consolidated Statements of Income;
- Repay our variable interest rate Black Hills Wyoming project financing with a remaining balance of approximately \$87 million originally due on December 9, 2016, as well as the interest rate swaps designated to this project financing of \$8.5 million which is included in Interest expense on the accompanying Consolidated Statements of Income;
- Settle the \$250 million notional de-designated interest rate swaps for approximately \$64 million;
- Pay down approximately \$55 million of the Revolving Credit Facility; and
- Remainder was used for general corporate purposes.

On June 21, 2013, we entered into a new long-term Corporate Term Loan for \$275 million expiring on June 19, 2015. The proceeds from this new term loan were used to repay the \$150 million corporate term loan due on June 24, 2013, the \$100 million corporate term loan due on September 30, 2013 and approximately \$25 million in short-term borrowing under our Revolving Credit Facility. The covenants of the new term loan are substantially the same as the Revolving Credit Facility. At December 31, 2014, the cost of borrowing under this term loan was 1.3125% (LIBOR plus a margin of 1.125%).

Amortization Expense

Our deferred financing costs and associated amortization expense included in Interest expense on the accompanying Consolidated Statements of Income were as follows (in thousands):

	Deferred Financing Costs		Amortization Expense for the		
	Remaining in Other Assets, Non-current on Balance Sheets at		years ended December 31,		
	December 31, 2014		2014	2013	2012
Senior unsecured notes due 2023	\$ 3,908	\$ 653	\$ 86	\$ —	\$ —
Senior unsecured notes due 2014	\$ —	\$ —	\$ 635	\$ 462	\$ —
Senior unsecured notes due 2020	\$ 926	\$ 167	\$ 167	\$ 167	\$ 167
First mortgage bonds due 2044 (Black Hills Power) ^(a)	\$ 711	\$ 6	\$ —	\$ —	\$ —
First mortgage bonds due 2044 (Cheyenne Light) ^(a)	\$ 654	\$ 6	\$ —	\$ —	\$ —
First mortgage bonds due 2032	\$ 584	\$ 33	\$ 33	\$ 33	\$ 33
First mortgage bonds due 2039	\$ 1,885	\$ 76	\$ 76	\$ 76	\$ 76
First mortgage bonds due 2037	\$ 705	\$ 31	\$ 31	\$ 31	\$ 31
Black Hills Wyoming project financing due 2016 ^(b)	\$ —	\$ —	\$ 3,177	\$ 1,037	\$ —
Other	\$ 483	\$ 53	\$ 57	\$ 57	\$ 57

(a) Deferred financing costs on Cheyenne Prairie first mortgage bonds executed on October 1, 2014.

(b) This project financing was repaid in 2013 and the deferred financing costs were written off.

Dividend Restrictions

Our credit facility and other debt obligations contain restrictions on the payment of cash dividends upon a default or event of default. As of December 31, 2014, we were in compliance with these covenants.

Due to our holding company structure, substantially all of our operating cash flows are provided by dividends paid or distributions made by our subsidiaries. The cash to pay dividends to our shareholders is derived from these cash flows. As a result, certain statutory limitations or regulatory or financing agreements could affect the levels of distributions allowed to be made by our subsidiaries. The following restrictions on distributions from our subsidiaries existed at December 31, 2014:

- Our utilities are generally limited to the amount of dividends allowed to be paid to our utility holding company under the Federal Power Act and settlement agreements with state regulatory jurisdictions. As of December 31, 2014, the restricted net assets at our Utilities Group were approximately \$315 million.

(6) NOTES PAYABLE

Our Revolving Credit Facility and debt securities contain certain restrictive financial covenants. As of December 31, 2014, we were in compliance with all of these financial covenants.

We had the following short-term debt outstanding at the Consolidated Balance Sheets date (in thousands):

	Balance Outstanding at	
	December 31, 2014	December 31, 2013
Revolving Credit Facility	\$ 75,000	\$ 82,500

Revolving Credit Facility

On May 29, 2014, we amended our \$500 million corporate Revolving Credit Facility agreement to extend the term through May 29, 2019. This facility is substantially similar to the former agreement, which includes an accordion feature that allows us, with the consent of the administrative agent and issuing agents, to increase the capacity of the facility to \$750 million. Borrowings continue to be available under a base rate or various Eurodollar rate options. The interest costs associated with the letters of credit or borrowings and the commitment fee under the Revolving Credit Facility are determined based upon our most favorable Corporate credit rating from S&P and Moody's for our unsecured debt. Based on our credit ratings, the margins for base rate borrowings, Eurodollar borrowings and letters of credit were 0.125%, 1.125% and 1.125%, respectively, from May 29, 2014 through December 31, 2014; a reduction of 0.25% for each method of borrowing as compared to the previous arrangement. Borrowings under the facility are primarily Eurodollar based. A commitment fee is charged on the unused amount of the Revolving Credit Facility and was 0.175% based on our credit rating, a reduction of 0.025% compared to the prior arrangement.

As of December 31, 2014 and 2013, we had outstanding letters of credit totaling approximately \$35 million and approximately \$22 million, respectively.

Deferred financing costs on the facility of \$3.8 million are being amortized over the estimated useful life of the Revolving Credit Facility and included in Interest expense on the accompanying Consolidated Statements of Income. Upon entering into the Revolving Credit Facility in 2012, \$1.5 million of deferred financing costs relating to the previous credit facility was written off through Interest expense. The deferred financing costs on the new facility are being amortized as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheets as of December 31, 2014	Amortization Expense for the years ended December 31,		
		2014	2013	2012
Revolving Credit Facility	\$ 1,779	\$ 616	\$ 752	\$ 2,187

Debt Covenants

Our Revolving Credit Facility and our new Term Loan require compliance with the following financial covenant at the end of each quarter:

	At December 31, 2014	Covenant Requirement
Recourse leverage ratio	55%	Less than 65%

(7) ASSET RETIREMENT OBLIGATIONS

We have identified legal retirement obligations related to plugging and abandonment of natural gas and oil wells in the Oil and Gas segment, reclamation of coal mining sites in the Coal Mining segment and removal of fuel tanks, asbestos, transformers containing polychlorinated biphenyls, an evaporation pond and wind turbines at the regulated Electric Utilities segment and asbestos at our regulated utilities segments. We periodically review and update estimated costs related to these asset retirement obligations. The actual cost may vary from estimates because of regulatory requirements, changes in technology and increased costs of labor, materials and equipment.

The following tables present the details of ARO which are included on the accompanying Consolidated Balance Sheets in Other deferred credits and other liabilities (in thousands):

	December 31, 2013	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates ^{(a)(b)}	December 31, 2014
Electric Utilities	\$ 6,922	\$ —	\$ (85)	\$ 175	\$ —	\$ 7,012
Gas Utilities	274	—	—	17	—	291
Coal Mining	20,627	345	—	951	(2,785)	19,138
Oil and Gas	24,028	68	(932)	1,043	(3,262)	20,945
Total	<u>\$ 51,851</u>	<u>\$ 413</u>	<u>\$ (1,017)</u>	<u>\$ 2,186</u>	<u>\$ (6,047)</u>	<u>\$ 47,386</u>

	December 31, 2012	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates	December 31, 2013
Electric Utilities	\$ 6,981	\$ —	\$ —	\$ 168	\$ (227)	\$ 6,922
Gas Utilities	259	—	—	15	—	274
Coal Mining	20,286	3	(714)	1,052	—	20,627
Oil and Gas	23,022	143	(1,903)	1,450	1,316	24,028
Total	<u>\$ 50,548</u>	<u>\$ 146</u>	<u>\$ (2,617)</u>	<u>\$ 2,685</u>	<u>\$ 1,089</u>	<u>\$ 51,851</u>

(a) The Coal Mining Revision to Prior Estimates reflects the change in backfill yards and disturbed acreage used in calculating the estimated liability.

(b) The Oil and Gas Revision to Prior Estimates was due to a change in useful well lives used in calculating the estimated liability.

We also have legally required AROs related to certain assets within our electric and gas utility transmission and distribution systems. These retirement obligations are pursuant to an easement or franchise agreement and are only required if we discontinue our utility service under such easement or franchise agreement. Accordingly, it is not possible to estimate a time period when these obligations could be settled and therefore, a value for the cost of these obligations cannot be measured at this time.

Tab B5

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

Registrant's telephone number, including area code
(605) 721-1700

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock of \$1.00 par value	New York Stock Exchange

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the aggregate market value of the voting stock held by non-affiliates of the Registrant.

At June 30, 2014 \$2,696,775,649

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at January 31, 2015</u>
Common stock, \$1.00 par value	44,676,072 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2015 Annual Meeting of Stockholders to be held on April 28, 2015, are incorporated by reference in Part III of this Form 10-K.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

Year ended	December 31, 2014	December 31, 2013	December 31, 2012
	(in thousands, except per share amounts)		
Revenue:			
Utilities	\$ 1,300,969	\$ 1,191,133	\$ 1,064,813
Non-regulated energy	92,601	84,719	109,071
Total revenue	1,393,570	1,275,852	1,173,884
Operating expenses:			
Utilities -			
Fuel, purchased power and cost of natural gas sold	581,782	492,147	407,066
Operations and maintenance	270,954	261,919	242,367
Non-regulated energy operations and maintenance	88,141	83,762	85,830
Gain on sale of operating assets	—	—	(29,129)
Depreciation, depletion and amortization	148,083	141,217	154,632
Impairment of long-lived assets	—	—	26,868
Taxes - property, production and severance	43,580	40,012	40,487
Other operating expenses	500	1,243	2,052
Total operating expenses	1,133,040	1,020,300	930,173
Operating income	260,530	255,552	243,711
Other income (expense):			
Interest charges -			
Interest expense incurred (including amortization of debt issuance costs, premiums and discounts and realized settlements on interest rate swaps)	(73,017)	(113,979)	(117,754)
Allowance for funds used during construction - borrowed	1,075	1,130	3,462
Capitalized interest	982	1,061	682
Unrealized gain (loss) on interest rate swaps, net	—	30,169	1,882
Interest income	1,925	1,723	1,957
Allowance for funds used during construction - equity	994	607	540
Other expense	(377)	(694)	(71)
Other income	2,065	1,971	2,486
Total other income (expense)	(66,353)	(78,012)	(106,816)
Income (loss) from continuing operations before earnings (loss) of unconsolidated subsidiaries and income taxes	194,177	177,540	136,895
Equity in earnings (loss) of unconsolidated subsidiaries	(1)	(86)	10
Income tax benefit (expense)	(65,395)	(61,608)	(48,400)
Income (loss) from continuing operations	128,781	115,846	88,505
Income (loss) from discontinued operations, net of tax	—	(884)	(6,977)
Net income (loss) available for common stock	\$ 128,781	\$ 114,962	\$ 81,528
Earnings (loss) per share of common stock:			
Earnings (loss) per share, Basic -			
Income (loss) from continuing operations, per share	\$ 2.90	\$ 2.62	\$ 2.02
Income (loss) from discontinued operations, per share	—	(0.02)	(0.16)
Total income (loss) per share, Basic	\$ 2.90	\$ 2.60	\$ 1.86
Earnings (loss) per share, Diluted -			
Income (loss) from continuing operations, per share	\$ 2.89	\$ 2.61	\$ 2.01
Income (loss) from discontinued operations, per share	—	(0.02)	(0.16)
Total income (loss) per share, Diluted	\$ 2.89	\$ 2.59	\$ 1.85
Weighted average common shares outstanding:			
Basic	44,394	44,163	43,820
Diluted	44,598	44,419	44,073

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended (in thousands)	December 31, 2014	December 31, 2013	December 31, 2012
Net income (loss) available for common stock	\$ 128,781	\$ 114,962	\$ 81,528
Other comprehensive income (loss), net of tax:			
Benefit plan liability adjustments - net gain (loss) (net of tax of \$5,004, \$(3,813) and \$296, respectively)	(10,590)	8,237	(542)
Benefit plan liability adjustments - prior service (costs) (net of tax of \$(17), \$185 and \$86, respectively)	237	(406)	(157)
Reclassification adjustment of benefit plan liability - net gain (loss) (net of tax of \$(348), \$(971) and \$0, respectively)	646	1,820	—
Reclassification adjustment of benefit plan liability - prior service cost (net of tax of \$76, \$88 and \$0, respectively)	(141)	(165)	—
Fair value adjustment on derivatives designated as cash flow hedges (net of tax of \$(5,239), \$(2,445) and \$887, respectively)	8,906	4,534	(1,268)
Reclassification adjustment of cash flow hedges settled and included in net income (loss) (net of tax of \$(2,344), \$(2,016) and \$534, respectively)	3,320	4,046	(643)
Other comprehensive income (loss), net of tax	2,378	18,066	(2,610)
Comprehensive income (loss)	\$ 131,159	\$ 133,028	\$ 78,918

See Note 15 for additional disclosures related to Comprehensive Income.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS

	As of	
	December 31, 2014	December 31, 2013
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,218	\$ 7,841
Restricted cash and equivalents	2,056	2
Accounts receivable, net	189,992	177,573
Materials, supplies and fuel	91,191	88,478
Derivative assets, current	—	717
Income tax receivable, net	2,053	1,460
Deferred income tax assets, net, current	48,288	18,889
Regulatory assets, current	74,396	24,451
Other current assets	24,842	25,877
Total current assets	454,036	345,288
Investments	17,294	16,697
Property, plant and equipment	4,563,400	4,259,445
Less accumulated depreciation and depletion	(1,324,025)	(1,269,148)
Total property, plant and equipment, net	3,239,375	2,990,297
Other assets:		
Goodwill	353,396	353,396
Intangible assets, net	3,176	3,397
Derivative assets, non-current	—	—
Regulatory assets, non-current	183,443	138,197
Other assets, non-current	29,086	27,906
Total other assets, non-current	569,101	522,896
TOTAL ASSETS	\$ 4,279,806	\$ 3,875,178

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Continued)

As of

December 31, 2014 December 31, 2013

(in thousands, except share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 124,139	\$ 130,416
Accrued liabilities	170,115	151,277
Derivative liabilities, current	3,340	3,474
Regulatory liabilities, current	3,687	10,727
Notes payable	75,000	82,500
Current maturities of long-term debt	275,000	—
Total current liabilities	651,281	378,394

Long-term debt, net of current maturities

1,267,589 1,396,948

Deferred credits and other liabilities:

Deferred income tax liabilities, net, non-current	523,716	432,287
Derivative liabilities, non-current	2,680	5,614
Regulatory liabilities, non-current	145,144	109,429
Benefit plan liabilities	158,966	111,479
Other deferred credits and other liabilities	154,406	133,279
Total deferred credits and other liabilities	984,912	792,088

Commitments and contingencies (See Notes 5, 6, 7, 8, 13, 17, 18 and 19)

Stockholders' equity:

Common stock \$1 par value; 100,000,000 shares authorized; issued: 44,714,072 and 44,550,239 shares, respectively	44,714	44,550
Additional paid-in capital	748,840	742,344
Retained earnings	599,389	540,244
Treasury stock at cost - 42,226 and 50,877 shares, respectively	(1,875)	(1,968)
Accumulated other comprehensive income (loss)	(15,044)	(17,422)
Total stockholders' equity	1,376,024	1,307,748

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 4,279,806 \$ 3,875,178

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

FORM 10K

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended	December 31, 2014	December 31, 2013	December 31, 2012
	(in thousands)		
Operating activities:			
Net income available for common stock	\$ 128,781	\$ 114,962	\$ 81,528
(Income) loss from discontinued operations, net of tax	—	884	6,977
Income (loss) from continuing operations	<u>128,781</u>	<u>115,846</u>	<u>88,505</u>
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Depreciation, depletion and amortization	148,083	141,217	154,632
Deferred financing cost amortization	2,127	6,763	5,555
Impairment of long-lived assets	—	—	26,868
Gain on sale of operating assets	—	—	(29,129)
Stock compensation	9,329	12,595	8,271
Unrealized (gain) loss on interest rate swaps, net	—	(30,169)	(1,882)
Deferred income taxes	69,002	63,784	39,716
Employee benefit plans	14,814	22,194	20,973
Other adjustments, net	14,415	9,826	4,929
Change in certain operating assets and liabilities:			
Materials, supplies and fuel	(4,563)	(5,770)	6,343
Accounts receivable, unbilled revenues and other current assets	(65,091)	(13,921)	13,739
Accounts payable and other current liabilities	16,027	15,336	(10,713)
Contributions to defined benefit pension plans	(10,200)	(12,500)	(25,350)
Other operating activities, net	733	312	(6,670)
Net cash provided by operating activities of continuing operations	<u>323,457</u>	<u>325,513</u>	<u>295,787</u>
Net cash provided by (used in) operating activities of discontinued operations	—	(884)	21,184
Net cash provided by operating activities	<u><u>323,457</u></u>	<u><u>324,629</u></u>	<u><u>316,971</u></u>
Investing activities:			
Property, plant and equipment additions	(398,494)	(354,749)	(349,129)
Proceeds from sale of assets	—	—	253,791
Other investing activities	(2,653)	5,471	(180)
Net cash provided by (used in) investing activities of continuing operations	<u>(401,147)</u>	<u>(349,278)</u>	<u>(95,518)</u>
Proceeds from sale of business operations	—	—	107,511
Net cash provided by (used in) investing activities of discontinued operations	—	—	(824)
Net cash provided by (used in) investing activities	<u><u>(401,147)</u></u>	<u><u>(349,278)</u></u>	<u><u>11,169</u></u>
Financing activities:			
Dividends paid on common stock	(69,636)	(67,587)	(65,262)
Common stock issued	3,251	4,354	4,726
Short-term borrowings - issuances	396,250	337,650	203,753
Short-term borrowings - repayments	(403,750)	(532,150)	(271,753)
Long-term debt - issuance	160,000	800,000	—
Long-term debt - repayments	(12,200)	(445,906)	(240,077)
De-designated interest rate swap settlement	—	(63,939)	—
Other financing activities	17,152	(15,394)	(2,833)
Net cash provided by (used in) financing activities of continuing operations	<u>91,067</u>	<u>17,028</u>	<u>(371,446)</u>
Net cash provided by (used in) financing activities of discontinued operations	—	—	—
Net cash provided by (used in) financing activities	<u><u>91,067</u></u>	<u><u>17,028</u></u>	<u><u>(371,446)</u></u>
Net change in cash and cash equivalents	13,377	(7,621)	(43,306)
Cash and cash equivalents beginning of year *	7,841	15,462	58,768
Cash and cash equivalents end of year	<u><u>\$ 21,218</u></u>	<u><u>\$ 7,841</u></u>	<u><u>\$ 15,462</u></u>

* Cash and cash equivalents include cash of discontinued operations of \$37 million at December 31, 2011.

See Note 16 for supplemental disclosure of cash flow information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)

Business Unit: BH KANSAS GAS UTILITY CO LLC

HTD December, 2014

Run For: Scenario, All Resource Codes, All Allocation Types
Data from the PSGLFERC Esbase Cube

Account Description	Y2014	Y2013	Y2013	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	I-T-D(December)	
ASSETS:				
UTILITY PLANT:				
101000 PLANT IN SERVICE	151,105,938	133,351,989	133,351,989	17,753,949
101001 PLANT IN SERVICE INTANGIBLES	3,205,293	3,205,293	3,205,293	0
101304 PLANT IN SERVICE ARO	4,062	4,062	4,062	0
101340 NON UTILITY PLANT	(568,937)	0	0	(568,937)
101999 GAAP TO FERC PLANT	74,237,213	74,870,801	74,870,801	(633,587)
106000 COMPLETE NOT CLASSIFIED IN CPR	4,533,311	8,084,835	8,084,835	(3,551,525)
114000 PLANT ACQUISITION ADJUSTMENTS	5,234,286	5,234,286	5,234,286	0
114003 PLANT ACQUISITION ADJ - OTHER	(124,688)	(124,688)	(124,688)	0
114005 PLANT ACQ ADJ - BHP	0	0	0	0
114999 GAAP TO FERC ACQ ADJ	(472,605)	(415,128)	(415,128)	(57,477)
118990 BHUHC UTILITY PLANT ALLOC	13,201,138	13,811,175	13,811,175	(610,037)
118999 COMMON UTILITY PLANT ALLOC	3,144,677	3,026,108	3,026,108	118,569
UTILITY PLANT	253,499,689	241,048,734	241,048,734	12,450,955
107000 CONSTRUCTION WORK IN-PROGRESS	1,180,311	2,901,226	2,901,226	(1,720,916)
CWIP Construction Work In Progress	1,180,311	2,901,226	2,901,226	(1,720,916)
TOTAL UTILITY PLANT	254,680,000	243,949,961	243,949,961	10,730,039
108000 PLT IN SERV-ACCUM DEPREC-ORIG	23,848,860	26,440,156	26,440,156	(2,591,296)
108001 RETIREMENT WORK IN PROGRESS	104,104	22,403	22,403	81,701
108002 PLT IN SERV-ACCUM DEPR-REM COS	(1,365,287)	(623,218)	(623,218)	(742,069)
108003 PLT IN SERV-ACCUM DEPREC-SALV	(851,940)	(851,940)	(851,940)	0
108004 ACCUM DEPR/RET/REM/SALV	(30,358,548)	(30,358,548)	(30,358,548)	0
108005 ACCUM DEPR/RET/REM/SALVT&WE	(825,152)	(825,152)	(825,152)	0
108006 ACCUM AMORT - INTANGIBLES	(1,763,008)	(1,649,800)	(1,649,800)	(113,208)
108304 ACCUMULATED DEPR-LEGAL ARO	(2,421)	(2,334)	(2,334)	(87)
108340 PLT IN SERV_ACC AMORT NONUTILITY	137,125	0	0	137,125
108999 GAAP TO FERC ACCUM DEPR	(73,391,213)	(74,024,801)	(74,024,801)	633,587
111000 PLT IN SERV-ACC AMORT -REGUTIL	(45,175)	(45,175)	(45,175)	0
119990 BHUHC ACCUM DEPR-ALLOC	(6,940,261)	(8,122,905)	(8,122,905)	1,182,644
119998 UHC ACC DEPR CUR ALLOC	(1,362,401)	(1,335,932)	(1,335,932)	(26,469)
119999 COMMON UTIL-ACC DEPR-ALLOC	(1,843,222)	(1,739,065)	(1,739,065)	(104,157)
ACCUM DEPRECIATION	(94,658,540)	(93,116,312)	(93,116,312)	(1,542,229)
NET UTILITY PLANT	160,021,459	150,833,649	150,833,649	9,187,810
121990 BHUHC NON UTILITY PLANT ALLOC	532,832	548,865	548,865	(16,034)
121999 NON UTILITY PLANT ALLOC	155,089	149,241	149,241	5,848
121000 NONUTILITY PROPERTY	568,937	348,870	348,870	220,067
NON UTILITY PROPERTY	1,256,858	1,046,976	1,046,976	209,881
122000 NON-UTIL PLT-ACCUM DEPR-ORIG	(666,987)	(524,530)	(524,530)	(142,457)
122200 PLT IN SERV-ACCM AMORT-NONUTIL	(1,273)	(1,273)	(1,273)	0
122990 BHUHC ACCUM DEPR-NON UTIL PLT	(420,878)	(435,099)	(435,099)	14,221
122999 NON UTIL-ACCDEPR-ALLOC	(90,904)	(85,767)	(85,767)	(5,137)
ACCUM PROV DEPREC ACCUM PROV FOR DEPRECIATION	(1,180,041)	(1,046,668)	(1,046,668)	(133,373)
TTL OTH PROPERTY & INVESTMENT	76,817	308	308	76,508
131232 WELLS FARGO OTHER MANUAL	14,277	14,420	14,420	(143)
131221 WELLS FARGO PMT SVCS	22,706	14,790	14,790	7,916
131185 FIRST AM BANK WEBSTER CTY	649	468	468	181
131154 WF BHE RM	73	0	0	73
131152 WELLS FARGO WFED LOCK BOX	23,509	23,235	23,235	273

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)

Business Unit: BH KANSAS GAS UTILITY CO LLC

HTD December, 2014

Run For: Scenario, All Resource Codes, All Allocation Types
Data from the PSGLFERC Essbase Cube

Account Description	Y2014	Y2013	Y2013	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	I-T-D(December)	
131427 FIRSTIER BANK OF WYOMING	451	451	451	0
131430 FIRST NATIONAL BANK NWL	144	0	0	144
CASH ACCOUNTS	61,808	53,364	53,364	8,444
142006 CUSTOMER A/R INSTALL	230,995	249,229	249,229	(18,235)
142003 CUSTOMER A/R FINANCE PROGRAM	8,519	13,376	13,376	(4,857)
142002 CUSTOMER A/R MERC	56,939	61,575	61,575	(4,636)
142001 CUSTOMER A/R OFF SYSTEM	414,000	364,000	364,000	50,000
142000 CUSTOMER ACCTS RECEIVABLE CIS	8,806,724	9,039,672	9,039,672	(232,948)
CUST ACCT RECEIVABLE CUSTOMER ACCOUNTS RECEIVABLE	9,517,178	9,727,852	9,727,852	(210,675)
143999 A/R ACCRUED OTHER	377,243	0	0	377,243
143038 A/R MEDICARE SUBSIDY	19,733	59,454	59,454	(39,721)
143028 A/R TO BE COLLECTED FOR OTHERS	1,101	1,101	1,101	0
143012 A/R OTHER EMPLOYEE LOANS	7,546	4,971	4,971	2,576
143008 A/R DAMAGE CLAIMS	33,529	52,176	52,176	(18,647)
143003 A/R CONTRIB IN AID OF CONSTRUC	0	17,616	17,616	(17,616)
143000 A/R MISCELLANEOUS	0	19,309	19,309	(19,309)
OTHER ACCTS REC VBL OTHER ACCOUNTS RECEIVABLE	439,152	154,627	154,627	284,526
144000 ACCUM PROV FOR UNCOLL ACCTS	(103,207)	(53,453)	(53,453)	(49,754)
ACCUM PROV-UNCOLL ACCUM PROV FOR UNCOLLECTIBLE	(103,207)	(53,453)	(53,453)	(49,754)
145153 I/C INTEREST REC AFFILIATE	238,211	0	0	238,211
NOTES REC INTER CO NOTES RECEIVABLE INTER COMPANY	238,211	0	0	238,211
146000 I/C ACCOUNTS RECEIVABLE	97,256	79,029	79,029	18,227
ACCTS REC INTER CO ACCTS RECEIVABLE INTER COMPANY	97,256	79,029	79,029	18,227
154000 MATERIALS AND SUPPLIES GENERAL	435,951	439,498	439,498	(3,547)
154003 INVENTORY MANUAL	51,289	(9,833)	(9,833)	61,123
154007 INVENTORY-TRANSFERS IN TRANSIT	0	0	0	0
PLANT MATERIAL & OP PLANT MATERIALS & OP SUPPLIES	487,240	429,664	429,664	57,576
163000 STORES EXPENSE UNDISTRIBUTED-	107,630	197,059	197,059	(89,429)
STORES EXP UNDIST STORES EXPENSE UNDISTRIBUTED	107,630	197,059	197,059	(89,429)
164118 STORED UNDERGROUND-CENTERPOINT	1,086,323	939,397	939,397	146,926
164107 GAS STORED UNDERGROUND WNG	2,460,383	1,902,457	1,902,457	557,926
164106 GAS STORED UNDERGROUND PEPL	1,051,255	0	0	1,051,255
164104 GAS STORED UNDERGROUNDKNE	240,969	231,685	231,685	9,285
164102 GAS STORED UNDERGROUND NNG	1,605,768	1,469,791	1,469,791	135,977
164100 GAS STORED UNDERGROUND-	(1,094,457)	(1,296,192)	(1,296,192)	201,735
GAS STORED UG CRNT GAS STORED UNDERGROUND CRNT	5,350,241	3,247,138	3,247,138	2,103,103
165002 PREPAID INSURANCE	35,953	31,053	31,053	4,900
165007 PREPAID FEDERAL TAXES	297,668	308,142	308,142	(10,474)
165180 PREPAID STATE TAXES	15,690	16,470	16,470	(780)
PREPAYMENTS	349,310	355,664	355,664	(6,354)
173000 ACCRUED UNBILLED REVENUES	9,213,173	8,492,331	8,492,331	720,842
ACCD UTILITY REVENUE ACCRUED UTILITY REVENUES	9,213,173	8,492,331	8,492,331	720,842
174006 EXCHANGE GAS RECEIVABLE CIG	10,215	0	0	10,215
174005 EXCHANGE GAS RECEIVABLE PEPL	52,560	0	0	52,560
174007 EXCHANGE GAS RECEIVABLE WMS	7,266	0	0	7,266
MISC CRNT ACCD ASSTS MISC CURRENT & ACCURED ASSETS	70,041	0	0	70,041
TTL CURRENT & ACCRUED ASSETS	25,828,033	22,683,276	22,683,276	3,144,757
182300 REG ASSET OTHER	1,764,902	2,685,773	2,685,773	(920,870)
182301 REG ASSET ENVIROMEN ST	72	829	829	(757)
182305 REG ASSET ARO	19,904	18,571	18,571	1,333
182309 REG ASSET FAS 106 PRIOR SVC	8,475	167,236	167,236	(158,761)
182310 REG ASSET PENSION PRIOR SVC	907,140	1,123,601	1,123,601	(216,461)

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)

Business Unit: BH KANSAS GAS UTILITY CO LLC

HTD December, 2014

Run For: Scenario, All Resource Codes, All Allocation Types
Data from the PSGLFERC Esbase Cube

Account Description	Y2014	Y2013	Y2013	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	I-T-D(December)	
182313 REGULATORY ASSSET - COMP ABS	0	0	0	0
182315 REG ASSET RETIREE HC	840,584	614,778	614,778	225,806
182316 REG ASSET PENSION	5,326,067	3,348,942	3,348,942	1,977,125
OTHER REG ASSETS OTHER REGULATORY ASSETS	8,867,144	7,959,729	7,959,729	907,414
184003 FIELD ENGINEERING CLEARING	214,255	247,520	247,520	(33,265)
184000 FLEET/TRANSPORTATION CLEARING	48,979	74,162	74,162	(25,183)
CLEARING ACCOUNTS	263,234	321,682	321,682	(58,448)
186001 MISC DEFERRED DEBITS-IN PROCES	121,192	112,588	112,588	8,603
186002 DEFERRED RATE CASE EXPENSES	524,904	74,118	74,118	450,786
186023 METER SHOP CAPEX STATE ALLOC	815,364	916,622	916,622	(101,258)
186998 DEFERRED ASSETS - OTHER	6,221	7,745	7,745	(1,524)
MISC DEFERRED DEBITS	1,467,681	1,111,073	1,111,073	356,607
190520 DEFERRED TAX ASSET LT	1,910,650	462,096	462,096	1,448,554
190299 DEF TAX ASSET STATE INC TAX ST	50,462	21,978	21,978	28,484
190190 DEF TAX AMORTIZATION OF CIAC	0	(413)	(413)	413
190175 DEFERRED TAX ASSET ST	602,046	272,031	272,031	330,015
190599 DEF TAX ASSET STATE INC TAX LT	201,404	398,119	398,119	(196,715)
ACCUM DEF INC TAXES ACCUM DEFERRED INCOME TAXES	2,764,562	1,153,811	1,153,811	1,610,751
191100 UNREC PGA ACT-GEN SYSTEM REAL	0	6,022,751	6,022,751	(6,022,751)
191300 UNREC PGA CST UNBILLED	(6,661,525)	(5,749,986)	(5,749,986)	(911,539)
191541 UNREC PGA CST PND KS	10,286,810	(1,950,444)	(1,950,444)	12,237,253
191549 UNREC PGA CAPACITY RELEASE	(313,842)	(218,241)	(218,241)	(95,601)
191560 UNREC PGA CAP REL-SH SHAREDREV	156,921	109,121	109,121	47,800
191600 UNREC PGA CST EST-GEN SYS	(1,284,175)	1,786,799	1,786,799	(3,070,973)
UNREC PURCH GAS UNRECOVERED PURCHASED GAS	2,184,189	0	0	2,184,189
DEFERRED DEBITS	15,546,810	10,546,296	10,546,296	5,000,513
TOTAL ASSETS AND OTHER DEBITS:	201,473,118	184,063,530	184,063,530	17,409,589
LIABILITIES AND SHAREHOLDERS EQUITY:				
PROPRIETARY CAPITAL:				
211001 ADDL PAID IN CAPITAL	55,514,021	55,514,021	55,514,021	0
OTH PAID IN CAPITAL OTHER PAID IN CAPITAL	55,514,021	55,514,021	55,514,021	0
216000 RETAINED EARNINGS GENERAL	2,193,090	(1,349,686)	(1,349,686)	3,542,777
216999 GAAP TO FERC RETAINED EARNINGS	123,774	538,902	538,902	(415,128)
RETAINED EARNINGS	2,316,864	(810,784)	(810,784)	3,127,649
TOTAL PROPRIETARY CAPITAL	57,830,885	54,703,237	54,703,237	3,127,649
LONG-TERM DEBT:				
OTHER NON-CURRENT LIABILITIES:				
228204 RESERVE MEDICAL	88,316	88,316	88,316	0
228202 RESERVE WORKERS' COMPENSATION	775,558	554,834	554,834	220,724
228200 RESERVE GENERAL LIABILITY	120,250	120,250	120,250	0
ACCUM PROV INJRY DAM ACCUM PROV INJURIES & DAMAGES	984,125	763,400	763,400	220,724
230304 ACCUM RESV OBLIGATION ARO	21,545	20,299	20,299	1,246
ASSET RETIRE OBLIG ASSET RETIREMENT OBLIGATIONS	21,545	20,299	20,299	1,246
TTL OTR NONCRNT LIAB TTL OTHER NONCRNT LIABILITIES	1,005,670	783,700	783,700	221,970
CURRENT AND ACCRUED LIABILITIES:				
232000 AP PEOPLESFT SUBLEDGER	534,329	590,017	590,017	(55,689)
232001 A/P INVENTORY ACCRUAL	8,834	0	0	8,834

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)

Business Unit: BH KANSAS GAS UTILITY CO LLC

HTD December, 2014

Run For: Scenario, All Resource Codes, All Allocation Types
Data from the PSGLFERC Esbase Cube

Account Description	Y2014	Y2013	Y2013	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	I-T-D(December)	
232005 A/P PO ACCRUAL	16	20,941	20,941	(20,925)
232006 A/P GAS PURCHASES ESTIMATED	6,653,661	7,965,812	7,965,812	(1,312,151)
232009 A/P MANUAL	1,435,598	146,803	146,803	1,288,794
232014 A/P WH FLEX 125 DEPENDENT	1,130	0	0	1,130
232016 A/P WH HEALTH INSURANCE	11,425	0	0	11,425
232017 A/P WH PAC	118	0	0	118
232021 A/P WH EMPL DONATIONS	885	0	0	885
232022 A/P WH GARNISHMENTS	3,500	0	0	3,500
232023 A/P WH LIFE INSURANCE	3,527	0	0	3,527
232024 A/P EMPLOYEE WH OTHER	0	85	85	(85)
232026 A/P CUSTOMER CARE	15,944	0	0	15,944
ACCTS PAYABLE ACCOUNTS PAYABLE	8,668,964	8,723,658	8,723,658	(54,695)
233000 I/C NOTES PAYABLE TO UMP	17,063,790	6,469,535	6,469,535	10,594,255
233053 I/C NOTES PAYABLE AFFILIATE	60,000,000	60,000,000	60,000,000	0
233100 I/C INTEREST PAYABLE TO UMP	18,408	7,918	7,918	10,490
233153 I/C INTEREST PAYABLE AFFILIATE	0	395,237	395,237	(395,237)
NOTE PAY INTER CO NOTES PAYABLE INTER COMPANY	77,082,198	66,872,690	66,872,690	10,209,508
234222 CIS+ ACCOUNT BALANCE TRANSFERS	252	77	77	175
234000 I/C ACCOUNTS PAYABLE	14,299,577	12,613,676	12,613,676	1,685,901
ACCT PAY INTER CO ACCOUNTS PAYABLE INTER COMPANY	14,299,829	12,613,753	12,613,753	1,686,076
235000 CUSTOMER DEPOSITS-	1,424,635	1,552,797	1,552,797	(128,162)
CUSTOMER DEPOSITS	1,424,635	1,552,797	1,552,797	(128,162)
236000 ACCRUED INCOME TAXES FEDERAL	0	0	0	0
236001 ACCRUED INCOME TAXES STATE	0	0	0	0
236003 ACCRUED TAXES SALES/USE	19,004	3,587	3,587	15,417
236004 ACCRUED PROPERTY TAXES	2,304,146	2,703,034	2,703,034	(398,888)
236005 ACCRUED FRANCHISE TAX	17	0	0	17
236010 ACCRUED FICA TAX EMPLOYER	79,830	65,739	65,739	14,091
236011 ACCRUED FUTA TAX	742	0	0	742
236012 ACCRUED SUTA TAX	173	0	0	173
236998 ACCRUED UTILITY COMM TAXES	140,164	240,000	240,000	(99,836)
TAXES ACCRUED	2,544,075	3,012,360	3,012,360	(468,285)
241006 STATE WITHHOLDING TAXES PAYABL	9,736	0	0	9,736
241004 STATE SALES AND USE TAX	293,076	280,302	280,302	12,774
241002 TAX COLLECTION PAY CITY FRANCH	701,332	722,738	722,738	(21,406)
241001 FEDERAL WITHHOLDING TAXES PAYB	34,327	0	0	34,327
241000 FICA WITHHOLDING TAXES PAYABLE	20,329	0	0	20,329
TAX COLLECTED PAY TAX COLLECTIONS PAYABLE	1,058,800	1,003,040	1,003,040	55,760
242003 ACCRUED BENEFITS COMP ABSENCES	223,321	197,331	197,331	25,990
242013 ACCRUED BENEFITS 401K	49,227	13,820	13,820	35,407
242014 ACCRUED BONUS OTHER	22,800	0	0	22,800
242019 ACCRUED ENERGY AID ASSISTANCE	47,024	20,603	20,603	26,421
242028 ACCRD UNCL CHECKS/ESCHEATS	315	272	272	43
242041 ACCRUED INCENTIVE	759,407	663,180	663,180	96,227
242045 ACCRUED PAYROLL	174,029	230,328	230,328	(56,299)
242046 ACCRUED EE REIMBURSED EXP	7,081	10,019	10,019	(2,938)
242999 ACCRUED OTHER	2,267,207	1,187,174	1,187,174	1,080,033
MISC CRNT ACCD LIAB MISC CURRENT & ACCRUED LIAB	3,550,411	2,322,727	2,322,727	1,227,684
TOTAL CURRENT & ACCRUED LIAB	108,628,911	96,101,025	96,101,025	12,527,887
DEFERRED CREDITS:				
252000 CUSTOMER ADVANCES FOR CONST	197,889	541,465	541,465	(343,577)
CUST ADV FOR CONSTR CUSTOMER ADVANCE CONSTRUCTION	197,889	541,465	541,465	(343,577)
253011 ACCRUED GROUP INS RETIREE LT	167,616	130,713	130,713	36,903

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)
Business Unit: BH KANSAS GAS UTILITY CO LLC
HTD December, 2014

Run For: Scenario, All Resource Codes, All Allocation Types
 Data from the PSGLFERC Essbase Cube

Account Description	Y2014	Y2013	Y2013	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	I-T-D(December)	
253025 OTHER LT LIAB	70,000	0	0	70,000
253105 ACCRUED PENSION	5,680,785	3,690,368	3,690,368	1,990,417
253134 STATE FIN48 LIABILITY	0	(2)	(2)	2
253520 FIN 48 LIABILITY	3,216	3,120	3,120	96
253700 OTH DEF CR ENERGY ASST PRGM	68,648	108,688	108,688	(40,040)
OTH DEFERRED CREDITS OTHER DEFERRED CREDITS	5,990,265	3,932,887	3,932,887	2,057,378
254020 REG LIAB PGA CR BAL RECLASS	0	6,022,751	6,022,751	(6,022,751)
254004 REG LIAB ACL PIPE REPL RIDR KS	1	230	230	(230)
254001 REG LIAB EMISSIONS	0	0	0	0
254000 REG LIAB OTHER LT	0	0	0	0
254100 REG LIAB LT RETIREE HC INC TAX	566,472	357,780	357,780	208,692
254200 REG LIABILITY LT PENSION INC TAX	3,108,260	1,948,969	1,948,969	1,159,292
OTH REGULATORY LIAB OTHER REGULATORY LIABILITIES	3,674,733	8,329,730	8,329,730	(4,654,997)
282100 DEF TAX PROPERTY LT	22,843,712	17,599,029	17,599,029	5,244,683
282599 DEF TAX LIAB STATE PROP LT	1,914,699	1,421,882	1,421,882	492,817
ACCUM DEF INC TAX PR ACCUM DEF INCOME TAXES PROPTY	24,758,411	19,020,911	19,020,911	5,737,500
283440 DEFERRED TAX LIAB LT	(6,559,636)	(5,941,658)	(5,941,658)	(617,978)
283134 DEF TAX LIAB STATE INC TAX ST	(5,732)	39,354	39,354	(45,086)
283005 DEFERRED TAX LIAB ST	(68,383)	487,100	487,100	(555,483)
283534 DEF TAX LIAB STATE INC TAX LT	(547,104)	(479,986)	(479,986)	(67,118)
283998 GAAP TO FERC-DEF TAX LT LIAB	290,178	290,178	290,178	0
283999 GAAP TO FERC-DEFTX LIAB-STATE	16,920	16,920	16,920	0
ACCUM DEF INC TAX OT ACCUM DEF INCOME TAX OTHER	(6,873,756)	(5,588,092)	(5,588,092)	(1,285,664)
TOTAL DEFERRED CREDITS	27,747,542	26,236,902	26,236,902	1,510,640
UNDIST YTD NET INCOME	6,260,112	6,238,667	6,238,667	21,446
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY:	201,473,121	184,063,529	184,063,529	17,409,591
Balance Sheet Tie Out (Assets=Liabilities)	(2)	0	0	(2)

Report: Bal Sheet - Detail w Totals YTD & LYD FERC Page: 1 of 1
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Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2014 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date 2014	Year-To-Date 2013	Year-To-Date Variance
480000 RESIDENTIAL GAS SALES	73,695,760	67,695,550	6,000,210
480001 RESIDENTIAL UNBILLED GAS	432,387	(194,254)	626,641
481000 COMMERCIAL FIRM GAS REVENUE	23,798,764	20,435,063	3,363,701
481001 COMMERCIAL FIRM UNBIL GAS REV	281,066	92,309	188,757
481010 COMMERCIAL INTERR GAS REVENUE	884,587	912,711	(28,123)
481100 INDUSTRIAL FIRM GAS REVENUE	549,704	375,469	174,235
481101 INDUSTRIAL FIRM UNBIL GAS REV	(8,672)	(24,079)	15,407
481110 INDUSTRIAL INTERR GAS REVENUE	16,422,152	15,401,902	1,020,249
482000 OTH PUB AUTH GAS REV	1,340	0	1,340
483001 SALES FOR RESALE UNBIL GAS RE	12,729	(2,356)	15,085
483000 SALES FOR RESALE GAS	934,964	670,437	264,527
487000 FORFEITED DISC/LATE PMT GAS	487,274	444,424	42,850
488000 MISC SERVICE REV GAS	844,616	772,974	71,642
489301 COMM FIRM TRANSPORT REV-DISTRB	2,854,001	2,082,830	771,172
489302 IND FIRM TRANSPORT REV-DISTRB	1,044,664	1,002,441	42,223
489303 COMM INTER TRANSPRT REV-DISTRB	297,030	268,306	28,724
489304 IND INTER TRANSPRT REV-DISTRB	3,200,474	3,119,005	81,468
489305 UNBILLED TRANSPORT REV-DISTRB	51,624	0	51,624
495000 Other Revenue And Royalties	556,709	441,103	115,606
TOTAL OPERATING REVENUE	126,341,172	113,493,835	12,847,338
850000 TRANS OPS SUPERV & ENG	98,227	71,276	26,951
851000 TRANS SYS CONTR & LOAD DISPATC	0	656	(656)
856000 TRANS MAINS EXPENSE	127,755	62,491	65,264
857000 TRANS MEAS & REGUL STATION EXP	29,166	47,045	(17,880)
586000 DIST OPS METER EXPENSES	39	0	39
870000 DIST OPS SUPERVISION AND ENGIN	851,956	782,787	69,169
874002 ROUTINE LEAK SURV MAINS & SVCS	570,873	528,854	42,020
874001 PERF DISTRIB MAIN LOCATES-GAS	592,306	690,711	(98,404)
874000 OPER/INSPECT UG DIST MAINS-GAS	993,980	916,544	77,436
875001 OPERATE/INSPECT FARM TAPS(O&M)	45,516	61,231	(15,715)
877000 DIST MEAS & REG STAT - CITY GA	10,605	7,275	3,330
876000 DIST MEAS & REG STAT - INDUS	174,562	134,066	40,496
875000 DIST MEAS & REG STAT - GENERAL	47,766	60,310	(12,544)
878001 PERF CONNECTS/DISCON/RECON-GAS	1,158,416	1,112,218	46,198
878000 OPER/INSP MTRS COLLECT DATAGAS	356,022	317,490	38,532
871000 DIST LOAD DISPATCHING	0	50	(50)
879000 DIST CUSTOMER INSTALLATIONS	572,737	570,237	2,500
881000 DIST OPER RENTS	714	30	684
880001 CO USED GAS O&M OFFSET	26,971	22,330	4,641
880000 DIST OPS OTHER EXPENSE	2,870,890	2,578,795	292,095

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2014 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date 2014	Year-To-Date 2013	Year-To-Date Variance
872000 DIST COMPR STAT LABR & EXP	1,040	0	1,040
804000 NATURAL GAS CITY GATE PURCHASE	84,679,100	63,884,127	20,794,973
805000 OTHER GAS PURCHASES	(585)	1,338	(1,923)
805001 COST OF UNBILLED REVENUE	911,539	(263,190)	1,174,729
805100 PURCHASED GAS COST ADJUSTMENTS	(10,163,876)	965,719	(11,129,596)
805200 FINANCIAL GAS COST ADJ	346,256	(701,345)	1,047,601
808100 GAS WITHDRAWN FROM STORAGE DR	6,086,509	5,239,829	846,680
808200 GAS DELIVERED TO STORAGE CR	(8,189,612)	(5,575,694)	(2,613,918)
812000 GAS USED FOR OTHER UTILITY OPS	(26,414)	(22,192)	(4,222)
813000 OTHER GAS SUPPLY EXPENSES	0	690	(690)
814000 UG STORAGE OPS SUPERV & ENG	0	2,645	(2,645)
TOTAL ELECTRIC/GAS OPERATING EXPENSE	82,172,459	71,496,324	10,676,135
901000 CUST ACCTS SUPERVISION	363,978	283,823	80,155
902002 OTHER METER READING EXPENSES	11,266	5,559	5,707
902001 RE-READ METERS	21,492	61,517	(40,025)
902000 READ METERS	293,479	551,019	(257,540)
903002 PROC/COLLECT DELINQUENT ACCTS	248,114	213,625	34,489
903001 PROCESS CUSTOMER REMITTANCES	96,474	84,109	12,365
903000 CUST ACCTS RECORDS & COLLECTIO	2,581,748	2,013,913	567,835
904000 UNCOLLECTIBLE ACCOUNTS	506,880	461,771	45,109
905000 MISC CUSTOMER ACCOUNTS	144,161	164,865	(20,704)
907000 CUSTOMER SERVICE SUPERVISION	103,737	323,761	(220,024)
908000 CUSTOMER ASSISTANCE EXP	135,165	372,021	(236,856)
909000 INFORMATIONAL & INSTRUCT ADS	31,520	41,855	(10,335)
910000 MISC CUST SERVICE & INFO	30,888	36,987	(6,099)
912000 SALES DEMONSTRATING & SELLING	290,362	169,559	120,803
916000 MISCELLANOUS SALES EXPENSES	13,274	21,259	(7,985)
911000 SALES SUPERVERION	200,913	213,357	(12,444)
913000 SALES ADVERTISING EXPENSES	17,655	7,572	10,083
920000 ADMIN AND GENERAL SALARIES	11,966,314	11,111,458	854,856
920999 LABOR OVERHEAD OFFSET	(4,282,121)	(3,693,525)	(588,596)
921000 OFFICE SUPPLIES & EXPENSE	1,773,846	1,648,707	125,139
922000 ADMIN EXP TRANS CREDIT	(446,449)	(362,816)	(83,633)
923000 OUTSIDE SERVICES	1,207,191	938,881	268,310
924000 PROPERTY INSURANCE	1,704	5,601	(3,897)
925000 INJURIES AND DAMAGES	1,906,231	437,275	1,468,956
926000 EMPLOYEE PENSIONS & BENEFITS	4,949,023	5,044,417	(95,394)
926999 BENEFIT OVERHEAD OFFSET	(4,813,456)	(4,953,820)	140,364
928000 REGULATORY COMMISSION EXP	92,595	(1,170)	93,765
930100 GENERAL ADVERTISING	141,470	92,350	49,119

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2014 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date 2014	Year-To-Date 2013	Year-To-Date Variance
930200 MISCELLANEOUS GENERAL EXP	302,643	350,233	(47,590)
930299 GAAP TO FERC BANK FEES	157,401	441,387	(283,986)
931000 A & G RENTS	187,731	176,381	11,350
931001 I/C RENT EXPENSE	47,555	45,356	2,199
	18,282,784	16,307,286	1,975,497
TOTAL OPERATING EXPENSE	100,455,243	87,803,611	12,651,632
861000 TRANS MAINT SUPERV & ENGIN	45,061	16,239	28,823
863000 TRANS MAINT OF MAINS	178,784	239,322	(60,537)
865000 TRANS MNT MEAS & REG STAT EQU	33,185	37,519	(4,333)
867000 TRANS MAINT OF OTHER EQUIP	600	24,788	(24,188)
888000 DIST MAINT COMPR STATION EQUIP	25,821	75,296	(49,475)
885000 DIST MAINT SUPER & ENG	182,970	150,832	32,138
889001 MAINTAIN FARM TAPS (O&M)	9,201	5,856	3,346
891000 DS MNT MS & REG STAT EQ-CITY G	168,909	189,981	(21,072)
890000 DS MNT MEAS & REG STAT EQ-IND	20,345	19,645	701
889000 DS MNT MEAS & REG STAT EQ-GEN	229,976	195,295	34,682
894000 DIST MAINT OF OTHER EQUIP	6,112	17,474	(11,362)
892000 DIST MAINT OF SERVICES	149,910	127,103	22,808
887001 PERFMANT_3RDPRTYDMG-UGDISTGAS	17,260	(24,133)	41,393
887000 PERF UG DISTRIB LINE MAINT-GAS	672,711	467,697	205,014
886000 DIST MAINT STRUCT & IMPROVE	12,860	17,684	(4,824)
893000 DIST MAINT METERS & HSE REGS	225,725	178,152	47,573
TOTAL MAINTENANCE EXPENSES	1,979,433	1,738,748	240,685
935000 MAINTENANCE GENERAL PLANT	543,725	566,584	(22,859)
TOTAL A&G MAINTENANCE EXPENSES	543,725	566,584	(22,859)
TOTAL MAINTENANCE EXPENSE	2,523,157	2,305,332	217,826
403000 DEPRECIATION	5,397,888	5,291,505	106,383
DEPREC EXPENSE DEPRECIATION EXPENSE	5,397,888	5,291,505	106,383
405000 AMORTIZATION EXPENSE	113,208	113,835	(627)
AMORT & DEPL UTILITY AMORT & DEPL OF UTILITY PLANT	113,208	113,835	(627)
408100 Taxes Oth-Than Income Taxes	1,188,767	905,072	283,695
408130 TOTI-PROPERTY TAXES	5,651,934	4,605,798	1,046,136
408199 TAXES OTI CAPITAL OFFSET	(1,173,862)	(1,030,998)	(142,864)
TAXES OTHER THAN INC TAXES OTHER THAN INCOME	5,666,839	4,479,872	1,186,967
409100 CURRENT FED INC TAX	(529,700)	702,985	(1,232,685)
INC TAXES FEDERAL INCOME TAXES FEDERAL	(529,700)	702,985	(1,232,685)
409101 CURRENT STATE INC TAX	(42,817)	(79,233)	36,416

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2014 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date 2014	Year-To-Date 2013	Year-To-Date Variance
INC TAXES OTHER INCOME TAXES OTHER	(42,817)	(79,233)	36,416
410101 DEFERRED CURRENT STATE INC TAX	1,440,909	1,039,607	401,303
410100 DEFERRED CURRENT FED INC TAX	11,031,676	11,742,080	(710,404)
PROV DEF INC TAX PROVISION FOR DEF INCOME TAX	12,472,585	12,781,686	(309,101)
411101 DEF INC TAX ST CR OPERATING	(780,316)	(618,309)	(162,007)
411100 DEF INC TAX FED CR OPERATING	(7,482,788)	(9,303,710)	1,820,922
LESS PROV DEF INC TX LESS PROV DEF INCOME TAX CRED	(8,263,104)	(9,922,019)	1,658,916
	14,814,900	13,368,631	1,446,268
TOTAL UTILITY OPERATING EXPENS	117,793,299	103,477,573	14,315,726
	8,547,873	10,016,261	(1,468,388)
NET UTILITY OPERATING INCOME			
413000 EXP OF PROPERTY LEASED TO OTHE	334	0	334
LESS EXP PROP LEASED LESS EXPENSE PROPERTY LEASED	334	0	334
415000 MERCHANDISE REVENUES	863,346	1,255,995	(392,650)
REV MERCH JOBBING REVENUE MERCH JOBBING CONTRACT	863,346	1,255,995	(392,650)
416000 EXP MERCH JOBBING & CONTRACT	339,616	596,407	(256,790)
LESS COST & EXP MERC LESS COST & EXPENSE MERCH JOB	339,616	596,407	(256,790)
417057 OTHER REVENUE AND ROYALTIES NR	729,275	588,479	140,796
417000 NONUTILITY REVENUES	4,403,008	4,150,954	252,054
REV NON UTILITY OPS REVENUE NON UTILITY OPERATIONS	5,132,283	4,739,433	392,850
417180 NONUTILITY DEPRECIATION EXP	32,879	38,276	(5,397)
417170 NONUTILITY MAINTENANCE EXPENSE	681	199	482
417165 EXP FOR UNCOLLECT ACCT NONREG	31,753	11,093	20,661
417162 ADMIN AND GEN-EMPL BENEFITS	179,421	178,699	721
417161 NONUTILITY ADMIN & GENERAL	(46,744)	(30,451)	(16,293)
417160 NONUTILITY SELLING EXPENSE	309,595	252,877	56,718
417158 NONUTILITY OPS EXPENSE OTHER	88,015	64,610	23,404
417101 NONUTILITY EXP - OTHER O&M	633,841	458,287	175,554
417100 NONUTILITY EXPENSES - COS	2,554,825	2,299,981	254,843
LESS EXP NON UTILITY LESS EXPENSE NON UTILITY OPS	3,784,266	3,273,571	510,695
418000 NONOPERATING RENTAL INCOME	58,500	36,000	22,500
NON OP RENTAL INCOME NON OPERATING RENTAL INCOME	58,500	36,000	22,500
419000 INTEREST INCOME - 3RD PARTY	2,364	5,158	(2,794)
419050 I/C INTEREST INCOME FROM UMP	43,594	120,658	(77,064)
419052 I/C INT INC ALLOC FROM BHSC	3,380	2,183	1,197
INT & DIVIDEND INC INTEREST & DIVIDEND INCOME	49,338	127,999	(78,661)
421000 Misc Nonoperating Income	28,962	24,895	4,067
MISC NON OP INCOME MISC NON OPERATING INCOME	28,962	24,895	4,067

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2014 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2014	2013	Variance
421198 O&M GAIN ON SALE OF ASSET OP	57,477	419,365	(361,888)
421999 GAAP TO FERC GN ON ASSET SALE	(57,477)	(415,128)	357,651

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2014 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date 2014	Year-To-Date 2013	Year-To-Date Variance
GAIN DISPO PROPERTY GAIN ON DISPOSITION PROPERTY	0	4,237	(4,237)
TOTAL OTHER INCOME	2,008,212	2,318,582	(310,369)
426100 MISC NONOPER DONATIONS	176,206	132,662	43,544
DONATIONS	176,206	132,662	43,544
426300 MISC NONOPER PENALTIES	0	2	(2)
PENALTIES	0	2	(2)
426400 MISC NONOPER CIVIC & POLITICAL	36,640	40,226	(3,586)
EXP CIVIC POLITICAL EXP CIVIC POLITICAL & RELATED	36,640	40,226	(3,586)
426500 MISC NONOPER OTHER	30,654	33,729	(3,075)
OTHER DEDUCTIONS	30,654	33,729	(3,075)
TTL OTH INC DEDUCT TOTAL OTHER INCOME DEDUCTIONS	243,501	206,620	36,881
409200 CURR INC TAX FED NONOPERATING	529,701	622,513	(92,813)
INC TAX FED OTHER FED INC TAX OTHER INC DED	529,701	622,513	(92,813)
409201 CURR INC TAX ST NONOPERATING	43,597	56,044	(12,448)
INC TAX STATE OTHER STATE INC TAX OTHER INC & DED	43,597	56,044	(12,448)
TAXES OTH INC & DED TAXES OTHER INCOME & DEDUCTION	573,297	678,558	(105,260)
NET OTH INC & DED NET OTHER INCOME & DEDUCTIONS	1,191,414	1,433,404	(241,990)
	1,191,414	1,433,404	(241,990)
430000 I/C INTEREST EXPENSE TO UMP	269,040	337,760	(68,720)
430002 I/C INT EXP ALLOC FROM BHSC	140	1,507	(1,367)
430005 I/C INTEREST EXPENSE AFFILIATE	3,378,488	5,406,835	(2,028,347)
430999 GAAP TO FERC - BANK FEES	(157,401)	(441,387)	283,986
INT DEBT ASSOC COMP INTEREST ON DEBT ASSOC COMPANY	3,490,267	5,304,715	(1,814,448)
431000 INTEREST EXPENSE - 3RD PARTY	1,771	3,052	(1,281)
431001 INTEREST ON CUSTOMER DEPOSITS	1,897	2,839	(942)
431002 CURR INC TAX - UTP INTEREST EXP	96	93	3
OTH INTEREST EXPENSE OTHER INTEREST EXPENSE	3,764	5,984	(2,220)
432000 AFUDC DEBT	(14,856)	(99,700)	84,844
LESS AFUDC BORROWED	(14,856)	(99,700)	84,844
NET INTEREST CHRGS NET INTEREST CHARGES	3,479,175	5,210,999	(1,731,824)
NET INTEREST CHARGES	3,479,175	5,210,999	(1,731,824)
NI BEFORE EXTRAORDINARY ITEMS	6,260,112	6,238,667	21,446
EXTRAORDINARY ITEMS	0	0	0
TOTAL NET INCOME	6,260,112	6,238,667	21,446

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
Business Unit: BH KANSAS GAS UTILITY CO LLC
December, 2014 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

Year-To-Date	Year-To-Date	Year-To-Date
2014	2013	Variance

Tab B6

Kansas Ring Fencing Compliance
Financial Ratios
Total Debt to Total Capitalization

Black Hills Corporation
(in thousands)

Attachment

06-GIMX-181-GIV

	<u>2014</u>
<i>Numerator</i>	
Notes payable	75,000
+ Commercial paper	-
+ Current maturities	-
+ Current capitalized lease obligations	-
+ Long term debt	1,267,589
+ Capitalized lease obligations	-
+ Total OBS Debt	63,900
	<hr/>
	1,406,489
 <i>Denominator</i>	
Notes payable	75,000
+ Commercial paper	-
+ Current maturities	-
+ Current capitalized lease obligations	-
+ Long Term debt	1,267,589
+ Capitalized lease obligations	-
+ Common equity	1,376,024
+ Total OBS Debt	63,900
	<hr/>
	2,782,513
	50.55%

Source: 2014 Black Hills Corporation Form 10-K

Kansas Ring Fencing Compliance
Financial Ratios
Funds From Operations Interest Coverage

Black Hills Corporation
(in thousands)

Attachment

06-GIMX-181-GIV

	2014
<i>Numerator</i>	
Net income from continuing operations	128,781
+ Depreciation, depletion & amortization	148,083
+ Deferred income taxes (net)	69,208
+ Investment tax credit amortization	(206)
- AFUDC - debt	1,075
- AFUDC - equity	994
+ (Income) loss from equity investments	1
+ (Gain) loss on property	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	343,798
+ Cash interest paid (net of interest capitalized)	69,239
+ AFUDC - debt	1,075
- Interest expense adjustment	-
+ Interest on OBS debt	-
	414,112
 <i>Denominator</i>	
Interest expense (net)	72,035
- Interest expense adjustment	-
+ AFDC - debt	1,075
+ Interest on OBS debt	-
	73,110
	5.6642

Source: 2014 Black Hills Corporation Form 10-K

Kansas Ring Fencing Compliance
Financial Ratios
Funds From Operations as a % of Total Debt

Black Hills Corporation
(in thousands)

Attachment

06-GIMX-181-GIV

	2014
<i>Numerator</i>	
Net income from continuing operations	128,781
+ Depreciation, depletion & amortization	148,083
+ Deferred income taxes (net)	69,208
+ Investment tax credit amortization	(206)
- AFUDC - debt	1,075
- AFUDC - equity	994
+ (Income) loss from equity investments	1
+ (Gain) loss on property (see note below)	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	343,798
+ Depreciation adjustment for Operating Leases	-
	343,798
<i>Denominator</i>	
Notes payable	75,000
+ Commercial paper	-
+ Current maturities	-
+ Current capitalized lease obligation	-
+ Long term debt	1,267,589
+ Capitalized lease obligations	-
+ Total OBS Debt	63,900
	1,406,489
	24.44%

Source: 2014 Black Hills Corporation Form 10-K

Tab C3

BLACK HILLS CORPORATION
LIST OF CREDIT RATING AGENCIES AND EQUITY ANALYST REPORTS RECEIVED
(May 8, 2014 to May 22, 2015)

Agency/Analyst	Date
Credit Suisse / Dan Eggers	5/7/2015
Credit Suisse / Dan Eggers	5/7/2015
BMO Capital / Michael Worms	5/6/2015
Gabelli / Tim Winter	5/6/2015
RBC / Shelby Tucker	5/6/2015
RBC / Shelby Tucker	5/4/2015
RBC / Shelby Tucker	3/31/2015
BMO Capital / Michael Worms	2/4/2015
Credit Suisse / Dan Eggers	2/4/2015
Gabelli / Tim Winter	2/4/2015
JP Morgan / Chris Turnure	2/3/2015
RBC / Shelby Tucker	2/2/2015
Moody's	2/1/2015
RBC / Shelby Tucker	1/30/2015
KeyBanc / Matt Tucker	12/11/2014
Sidoti / David Arcaro	11/20/2014
Credit Suisse / Dan Eggers	11/17/2014
Credit Suisse / Dan Eggers	11/5/2014
Gabelli / Tim Winter	11/5/2014
RBC / Shelby Tucker	11/5/2014
BMO Capital / Michael Worms	11/4/2014
JP Morgan / Chris Turnure	11/4/2014
Sidoti / David Arcaro	11/4/2014
RBC / Shelby Tucker	11/3/2014
Sidoti / David Arcaro	10/31/2014
BMO Capital / Michael Worms	10/9/2014
Gabelli / Tim Winter	10/9/2014
KeyBanc / Matt Tucker	10/9/2014
RBC / Shelby Tucker	10/9/2014
Sidoti / David Arcaro	10/9/2014
Credit Suisse / Dan Eggers	10/6/2014
Moody's	10/1/2014
Sidoti / David Arcaro	9/24/2014
KeyBanc / Matt Tucker	9/22/2014
Gabelli / Tim Winter	8/7/2014
JP Morgan / Chris Turnure	8/7/2014
RBC / Shelby Tucker	8/7/2014
Credit Suisse / Dan Eggers	8/6/2014
Sidoti / David Arcaro	8/6/2014
RBC / Shelby Tucker	8/5/2014
Sidoti / David Arcaro	7/30/2014
Credit Suisse / Dan Eggers	7/25/2014
Gabelli / Tim Winter	7/9/2014
JP Morgan / Chris Turnure	7/9/2014
Sidoti / David Arcaro	6/26/2014
Fitch	6/13/2014
RBC / Shelby Tucker	6/4/2014
RBC / Shelby Tucker	6/3/2014