

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

**In the Matter of the Application of Black  
Hills/Kansas Gas Utility Company, LLC,  
d/b/a Black Hills Energy, for Approval of  
the Commission to Make Certain Changes  
in its Rates for Natural Gas Service** )  
)  
)  
)  
)

**Docket No. 21-BHCG- -RTS**

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**DIRECT TESTIMONY OF RACHEL R. SCHULDT**

**ON BEHALF OF**

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

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**TABLE OF CONTENTS**

- I. INTRODUCTION ..... 2**
- II. STATEMENT OF QUALIFICATIONS ..... 2**
- III. PURPOSE OF TESTIMONY..... 4**
  - A. Revenue Requirement Study .....4**
  - B. Rate Application Requirements .....4**
  - C. Adjustments .....5**
  - D. Working Capital .....5**
  - E. Depreciation Studies .....5**
  - F. Cost Allocation Manual.....6**
- IV. THE REVENUE REQUIREMENT STUDY ..... 6**
- V. COMMISSION RATE APPLICATION SECTION SUPPORT ..... 10**
  - A. RATE APPLICATION SECTION 3 .....11**
    - 1. Rate Base Components.....12**
      - a. Property, Plant, and Equipment .....12**
      - b. Working Capital .....12**
      - c. Rate Base Adjustments.....14**
        - (1). Adjustment RB-1 .....14**
        - (2). Adjustment RB-2 .....16**
        - (3). Adjustment RB-3 .....17**
        - (4). Adjustment RB-4 .....17**
        - (5). Adjustment RB-5 .....18**
        - (6). Adjustment RB-6 .....18**
  - B. RATE APPLICATION SECTION 4 .....21**

<b>C.</b>	<b>RATE APPLICATION SECTION 5 .....</b>	<b>21</b>
<b>D.</b>	<b>RATE APPLICATION SECTION 6 .....</b>	<b>21</b>
<b>E.</b>	<b>RATE APPLICATION SECTION 7 .....</b>	<b>23</b>
<b>F.</b>	<b>RATE APPLICATION SECTION 8 .....</b>	<b>24</b>
<b>G.</b>	<b>RATE APPLICATION SECTION 9 .....</b>	<b>25</b>
	<b>1. REVENUES &amp; REVENUE ADJUSTMENTS.....</b>	<b>27</b>
	<b>2. O&amp;M EXPENSES AND O&amp;M ADJUSTMENTS.....</b>	<b>32</b>
<b>H.</b>	<b>RATE APPLICATION SECTION 10 .....</b>	<b>51</b>
	<b>1. DEPRECIATION AND AMORTIZATION ADJUSTMENT .....</b>	<b>52</b>
<b>I.</b>	<b>RATE APPLICATION SECTION 11 .....</b>	<b>54</b>
	<b>1. TOTI ADJUSTMENTS.....</b>	<b>54</b>
	<b>2. INCOME TAX ADJUSTMENTS .....</b>	<b>56</b>
<b>J.</b>	<b>RATE APPLICATION SECTION 12 .....</b>	<b>58</b>
<b>VI.</b>	<b>THE COST ALLOCATION MANUAL.....</b>	<b>59</b>
<b>VII.</b>	<b>CONCLUSION .....</b>	<b>63</b>

## EXHIBITS

KSG Direct Exhibit RRS-1	Education, Employment History and Professional Experience
KSG Direct Exhibit RRS-2	Revenue Requirement Study
KSG Direct Exhibit RRS-3	Common Plant Depreciation Study for BHSC
KSG Direct Exhibit RRS-4	Black Hills Service Company Cost Allocation Manual (Amended December 20, 2019)
KSG Direct Exhibit RRS-5	Black Hills Service Company Cost Allocation Manual (Amended December 20, 2020)



1 **I. INTRODUCTION**

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

3 A. My name is Rachel R. Schuldt, and my business address is 7001 Mount Rushmore Road,  
4 P.O. Box 1400, Rapid City, SD 57702.

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

6 A. I am employed by Black Hills Service Company, LLC. (“BHSC”). BHSC is a wholly-owned  
7 subsidiary of Black Hills Corporation (“BHC”). As a Principal Regulatory & Finance  
8 Analyst on the Revenue Requirements team, I prepare revenue requirement studies and  
9 reports for regulated utility subsidiaries of BHC.

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

11 A. I am testifying on behalf of Black Hills/Kansas Gas Utility Company, LLC (“Black Hills”  
12 or “Company”). Black Hills is a wholly owned subsidiary of Black Hills Utility Holdings,  
13 Inc. (“BHUH”). BHUH is a wholly owned subsidiary of BHC.

14 **II. STATEMENT OF QUALIFICATIONS**

15 **Q. WILL YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**  
16 **BUSINESS EXPERIENCE?**

17 A. My education, employment history, and professional experience are provided on KSG Direct  
18 Exhibit RRS-1.

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

20 A. I am responsible for the revenue requirement calculation for Black Hills for this filing, as  
21 well as revenue requirement calculations for other assigned regulated utility subsidiaries of  
22 BHC.

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

2 A. No. However, I have participated in the preparation of rate applications, testimony,  
3 testimony exhibits, data responses, and other regulatory filings for various subsidiaries of  
4 BHC as a member of the Revenue Requirements team.

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

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

KSG Direct Exhibit RRS-1	Education, Employment History, and Professional Experience
KSG Direct Exhibit RRS-2	Revenue Requirement Study
KSG Direct Exhibit RRS-3	Common Plant Depreciation Study for BHSC
KSG Direct Exhibit RRS-4	Black Hills Service Company Cost Allocation Manual (Amended December 20, 2019)
KSG Direct Exhibit RRS-5	Black Hills Service Company Cost Allocation Manual (Amended December 20, 2020)

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

9 A. KSG Direct Exhibits RRS-1 and RRS-2 have been prepared by me or under my supervision.  
10 KSG Direct Exhibit RRS-3 (Common Plant Depreciation Study for BHSC) was prepared by  
11 Black Hills witness, Mr. John J. Spanos, President of Gannett Fleming Valuation and Rate  
12 Consultants, LLC, a third-party expert engaged to prepare the study and an expert witness  
13 in this proceeding.

14 KSG Direct Exhibits RRS-4 and RRS-5, the Black Hills Service Company Cost  
15 Allocation Manual (“CAM”), are the product of a multifunctional committee of Subject  
16 Matter Experts from BHC subsidiaries. While I was not part of the committee that reviews  
17 and updates the CAM, I am familiar with the contents of the CAM.

18

1 For clarity, KSG Direct Exhibits RRS-4 and RRS-5 are a document that is updated  
2 annually; KSG Direct Exhibit RRS-4 is the CAM that was updated immediately prior to the  
3 start of the Test Year for this rate application, and KSG Direct Exhibit RRS-5 is the CAM  
4 that was updated at the end of the Test Year. There were no major changes in the CAM  
5 during that update, so these two exhibits look very similar.

### 6 III. PURPOSE OF TESTIMONY

#### 7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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

#### 9 A. Revenue Requirement Study

10 My testimony presents the results of the Revenue Requirement Study prepared for Black  
11 Hills. The Revenue Requirement Study supports the required increase in base rate revenues  
12 that Black Hills proposes in its Rate Application. The Revenue Requirement Study also  
13 establishes the cost basis for the structure and design of proposed base rates.

#### 14 B. Rate Application Requirements

15 My testimony supports Black Hills' Rate Application in this proceeding. Specifically, I am  
16 sponsoring the following Rate Application Sections for Black Hills:

- 17 • Section 3 – Summary of rate base, operating income, and rate of return;
- 18 • Section 4 – Plant investments;
- 19 • Section 5 – Accumulated provision for depreciation and amortization;
- 20 • Section 6 – Working capital;
- 21 • Section 7 – Capitalization;
- 22 • Section 8 – Financial and operating data;

- 1 • Section 9 – Test year and pro forma income statements;
- 2 • Section 10 – Depreciation and amortization;
- 3 • Section 11 – Taxes; and
- 4 • Section 12 – Allocation Ratios

5 After an initial discussion and explanation of Black Hills’ Revenue Requirement  
6 Study provided in KSG Direct Exhibit RRS-2, the structure of my testimony follows the  
7 Commission’s Rate Application filing requirement for each of the Commission’s Rate  
8 Application Sections identified above. In addition, my testimony will cover the additional  
9 items identified below.

10 **C. Adjustments**

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

15 **D. Working Capital**

16 I support the calculation of the Working Capital adjustment included in the Revenue  
17 Requirement Study.

18 **E. Depreciation Studies**

19 My testimony adopts the depreciation study provided with this testimony as KSG  
20 Direct Exhibit RRS-3 (Common Plant Depreciation Study for BHSC), which was prepared  
21 by Gannett Fleming Valuation and Rate Consultants, LLC. The depreciation rates  
22 recommended in this study have been incorporated into the depreciation calculations in the

1 Revenue Requirement Study, along with the depreciation rates recommended in KSG Direct  
2 Exhibit JJS-2 (Gas Plant Depreciation Study for Black Hills). Company witness, Mr. John  
3 Spanos is sponsoring Exhibit JJS-2 in his testimony.

4 **F. Cost Allocation Manual**

5 My testimony supports the costs allocated by BHSC to Black Hills under the CAM.  
6 The current BHSC CAM is provided with this testimony as KSG Direct Exhibit RRS-5.

7 **IV. THE REVENUE REQUIREMENT STUDY**

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

10 A. The Revenue Requirement Study is KSG Direct Exhibit RRS-2. Testimony references to the  
11 “Revenue Requirement Study” or “KSG Direct Exhibit RRS-2” reference the same  
12 document.

13 Many elements of the Revenue Requirement Study are presented in Sections 3  
14 through 11 of Black Hills’ Rate Application. In compliance with the Commission’s Rules  
15 and Regulations, various statements or schedules from the Revenue Requirement Study by  
16 Black Hills are duplicated or otherwise referenced in the Rate Application Sections to  
17 provide the information required by the Commission’s General Rate Filing Rules and  
18 Regulations.<sup>1</sup> My testimony references either the Commission Rate Application sections or  
19 KSG Direct Exhibit RRS-2 or both, as appropriate, in support of Black Hills’ Rate  
20 Application.

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

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

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

13 **Revenue Requirement = Expenses + Return on Rate Base**

14 Expenses refer to all expenses incurred by Black Hills in its regulated utility business  
15 and include operating expense, maintenance expense, depreciation and amortization,  
16 property tax, sales tax, payroll tax, federal income tax, and state income tax, as applicable.  
17 The return on rate base is calculated using the Weighted Average Cost of Capital ("WACC"),  
18 the components of which are long-term debt and equity weighted by ratio and cost. The  
19 WACC is then multiplied by the calculated rate base to yield the total amount of earnings.  
20 As the name implies, the Revenue Requirement Study indicates the overall level of revenues  
21 necessary for Black Hills to earn its authorized return, which is then used in setting base  
22 rates for service.

23

1 **Q. HOW WAS THE REVENUE REQUIREMENT STUDY DEVELOPED FOR THIS**  
2 **RATE APPLICATION?**

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

9 The Revenue Requirement Study starts with Black Hills’ per book, or unadjusted,  
10 financial statements for the 12 months ending December 31, 2020 (“Test Year”), as reflected  
11 in Statements A and B of the Revenue Requirement Study, prepared in accordance with the  
12 Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts.

13 The study adjusts the Test Year data to include pro forma adjustments to calculate  
14 the proposed revenue requirement for the Test Year, As Adjusted in this proceeding.

15 Table RRS-1 below shows each statement presented within KSG Direct Exhibit  
16 RRS-2:

<b>Table RRS-1</b>	
<b>Revenue Requirement Study Statements</b>	
Statement A	Balance Sheet
Statement B	Income Statement
Statement D	Plant in Service
Statement E	Accumulated Provision for Depreciation
Statement F	Working Capital
Statement G	Cost of Capital
Statement H	Operating and Maintenance Expenses
Statement I	Operating Revenue
Statement J	Depreciation Expense
Statement K	Computation of Federal Income Tax
Statement L	Taxes Other Than Income
Statement M	Overall Revenue Requirement
Statement N	Detailed Calculation of the Revenue Deficiency

1

2 **Q. WOULD YOU PLEASE EXPLAIN HOW THE STATEMENTS AND SCHEDULES**  
3 **INCLUDED IN THE REVENUE REQUIREMENT STUDY SUPPORT THE**  
4 **PROPOSED REVENUE REQUIREMENT?**

5 A. Statements A through L within the Revenue Requirement Study support the revenue  
6 requirement summary in Statement M. Statement N of the Revenue Requirement Study  
7 calculates the revenue deficiency based upon inputs from the previous statements.

8 The schedules within the Revenue Requirement Study provide detailed information  
9 and are used to support the statements throughout the Revenue Requirement Study. For  
10 example, Statement H of the Revenue Requirement Study summarizes a list of adjustments  
11 to the revenue requirement. Each adjustment is referenced by a corresponding schedule and  
12 explained separately in my direct testimony.

13 Other Revenue Requirement Study schedules, such as Schedule D-1, present detailed  
14 information necessary for use in the Class Cost of Service Study (“CCOSS”) sponsored by



1 Company witness, Mr. Douglas N. Hyatt.

2 Revenue Requirement Study Statement N summarizes the detailed schedules to  
3 present the detail used to calculate the CCOSS presented in Mr. Hyatt's direct testimony.<sup>2</sup>

4 The comparison of the Revenue Requirement Study and CCOSS determine the  
5 revenue deficiency at issue in this proceeding. The results of the revenue deficiency are  
6 summarized on Statement M.

7 **V. COMMISSION RATE APPLICATION SECTION SUPPORT**

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

11 A. Company witness Mr. Thomas D. Stevens supports all of the Commission's Rate  
12 Application filing requirements. As noted above, my testimony focuses on Sections 3-11 of  
13 those requirements. The Revenue Requirement Study provided in KSG Direct Exhibit RRS-  
14 2 provides additional detail for the revenue requirement of Black Hills when compared to  
15 the Commission's requirements.

16 The table set forth below links the Statements and Schedules included in the Revenue  
17 Requirement Study to Sections 3-11 of the Commission Rate Application filing  
18 requirements.

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<sup>2</sup> See Testimony of Mr. Hyatt, KSG Direct Exhibit DNH-13, Class Cost of Service Study

<b>Table RRS-2</b>		
<b>Filing Requirements to Revenue Requirement Study Cross Reference</b>		
<b>Filing Requirement Section</b>	<b>Topic</b>	<b>Revenue Requirement Study Section</b>
Section 3	Summary of Rate Base, Operating Income, and Rate of Return	Statement M
Section 4	Plant Investments	Statement D
Section 5	Accumulated Provision for Depreciation and Amortization	Statement E
Section 6	Working Capital	Statement F
Section 7	Capital and Cost of Money	Statement G
Section 8	Balance Sheet	Statement A
Section 8	Historical Income Statements	Statement B
Section 8	Retained Earnings Statement	omitted
Section 8	Operating Revenue	Statement I
Section 8	Operating Expenses	Statement H
Section 8	Annual Payrolls	omitted
Section 9	Test Year and Pro Forma Income Statements	Statement M
Section 10	Depreciation and Amortization	Statement J
Section 11	Income Taxes	Statement K
Section 11	Taxes Other Than Income	Statement L

1

2

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

3

4

**A.** As noted above, my testimony supports Sections 3-12 of the Commission’s Rate Application filing requirements. I will address each of those sections below.

5

6

**A. RATE APPLICATION SECTION 3**

7

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

8

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

9

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

10

1 A. Rate base is the value of invested capital, including all items used to provide utility service.  
2 Rate base represents the investor financed plant facilities and other investments required in  
3 providing utility service to customers. A regulated utility is allowed and should have a  
4 reasonable opportunity to earn a fair rate of return on rate base. As summarized on Section  
5 3, Schedule 2<sup>3</sup> of the Rate Application, rate base includes Plant in Service, Accumulated  
6 Depreciation, Working Capital, and Other Rate Base Items which include Accumulated  
7 Deferred Income Taxes (“ADIT”), Customer Advances, Regulatory Assets, and Regulatory  
8 Liabilities.

9 **1. Rate Base Components**

10 **Q. PLEASE EXPLAIN GENERALLY HOW RATE BASE IS CALCULATED IN A**  
11 **REVENUE REQUIREMENT STUDY.**

12 A. Rate base represents the net investment by a utility necessary to operate the business and  
13 serve customers. Rate base is made up of two general components:

14 **a. Property, Plant, and Equipment**

15 The primary component of rate base are the costs related to property, plant, and  
16 equipment, which includes the initial investment such as Gross Plant in Service, but also any  
17 related offset that the utility has received. Offsets to the rate base cost component include  
18 Accumulated Depreciation, ADIT, and Contributions in Aid of Construction.

19 **b. Working Capital**

20 The other component used in calculating rate base is the investment necessary for a  
21 company to pay its bills and meet financial obligations necessary to operate the business.

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<sup>3</sup> See also, Statement M of the KSG Direct Exhibit RRS-2, Revenue Requirement Study

1 This component is referred to as Working Capital.

2 The total investment is determined by summing the items listed above. Goodwill or  
3 acquisition adjustments are generally not included in rate base unless otherwise approved by  
4 the Commission. Black Hills did not include acquisition premium in the Revenue  
5 Requirement.

6 **Q. WHAT ITEMS ARE INCLUDED IN OTHER RATE BASE ITEMS?**

7 A. Page 1 of Section 3, Schedule 2 summarizes each rate base item that is included in the  
8 Revenue Requirement Study.<sup>4</sup> This includes Deferred Income Tax Assets, Regulatory  
9 Liabilities for Federal and State Income Tax Excess Deferred Income Taxes, Deferred  
10 Income Tax Liabilities (categorized as Property and Other), Other Utility Plant Deferred  
11 Income Tax (the Accumulated Deferred Income Taxes & Excess Deferred Income Taxes  
12 associated with Allocated plant from BHSC), Customer Deposits, and Customer Advances.  
13 Company witness, Mr. Kenneth L. Crouch explains the derivation of the tax-related items in  
14 his direct testimony.

15 **Q. WHAT METHOD OF CALCULATING RATE BASE IS BLACK HILLS**  
16 **PROPOSING FOR THE REVENUE REQUIREMENT STUDY PRESENTED IN**  
17 **THIS RATE APPLICATION?**

18 A. Black Hills uses a Test Year ending on December 31, 2020 and then adjusted the year-end  
19 rate base as permitted under the Kansas law as the basis of its rate base calculation. The Test  
20 Year is used as the anchor of the data and uses known and measurable adjustments to  
21 calculate the rate base included in the As Adjusted Year. Allocated plant recorded in FERC  
22 Accounts 118 and 119 are included as rate base within the General Plant category.

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<sup>4</sup> Refer to KSG Direct Exhibit RRS-2, Schedule M-1 for additional details.

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

2 A. Section 3 of the Rate Application shows the computation of rate base for Black Hills and the  
3 adjusted rate of return during the Test Year ended December 31, 2020. Rate Application  
4 Schedule 1 is a summary which presents the various components of rate base and the  
5 adjusted rate of return for Black Hills. Line 17 of Rate Application Schedule 1 shows the  
6 rate base as of December 31, 2020 As Adjusted is \$230,337,778. Line 21 of Schedule 1  
7 shows the rate of return from present rates and rate base is 3.55%. The proposed revenue  
8 increase necessary to yield the requested 7.05% rate of return is \$10,199,943 as shown on  
9 Schedule 1, Line 26.

10 c. **Rate Base Adjustments**

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

13 A. This schedule is a summary of the per-books Test Year rate base, related adjustments, and  
14 the resulting Test Year rate base after these adjustments. The Adjusted Test Year rate base  
15 is \$230,337,778. There are six adjustments to Test Year rate base: capital additions (RB-1),  
16 capital retirements (RB-2), the adjustment for updated CAM factors (RB-3), the adjustment  
17 for depreciation (RB-4), the working capital adjustment (RB-5), and other rate base  
18 adjustments (RB-6).

19 **(1). Adjustment RB-1**

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

21 A. This adjustment to rate base is for the capital projects that will be completed and placed in  
22 service as used and useful utility assets by June 30, 2021. The support for including capital

1 additions for the first six months of 2021 is discussed in the direct testimony of Company  
2 witness, Mr. Jerry A. Watkins. It includes additions to gross plant of \$20,932,095 and related  
3 accumulated depreciation on those assets at the rates proposed in KSG Direct Exhibit JJS-2,  
4 which totals \$132,312 calculated off half of a half-year convention.<sup>5</sup> As discussed below,  
5 Black Hills will update the capital additions and retirements through the later of June 30,  
6 2021 or by the completion of Staff's audit in this proceeding to reflect the status of the  
7 projects at that time.

8 **Q. WERE ANY ASSUMPTIONS MADE IN THE INCLUSION OF THE CAPITAL**  
9 **ADDITIONS TO THE DETAILED PLANT ACCOUNTS IN KSG DIRECT EXHIBIT**  
10 **RRS-2, SCHEDULE D-2?**

11 A. Yes, Black Hills considered each project and determined that for the projects with the highest  
12 cost it could estimate which plant FERC account the total project dollars would be allocated  
13 based on the specifics of that project. The remaining projects would rely on a historical  
14 review of similar types of projects. For instance, blanket work orders which are set up on an  
15 annual basis for routine projects less than \$5,000 used the same ratio experienced in 2020  
16 for similar blanket work orders. The ratio was calculated as the amount of dollars that were  
17 recorded in the plant account as compared to the total projects.

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

20 A. Yes, the dollars in the plant accounts are reasonable. While the actual dollars recorded for  
21 these projects may differ somewhat from the projected cost, the methods described above

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<sup>5</sup> Detailed calculations of additions by FERC account are shown on KSG Direct Exhibit RRS-2, Schedule D-2 and the related depreciation calculations are shown on Schedule M-2.

1 provide a reasonable representation of the plant that will be placed in service.

2 **Q. WHAT IS THE BASIS FOR INCLUDING PLANT IN RATE BASE THAT WILL BE**  
3 **COMPLETED SUBSEQUENT TO THE TEST PERIOD?**

4 A. Black Hills included additional capital spending related to specific capital projects that will  
5 be completed and placed into service by June 30, 2021. K.S.A. 66-128 (b) (2) (A) permits  
6 projects completed within one year from the end of the test period to be included in rate base.  
7 The projects included in this adjustment will be completed, in service, and booked to the  
8 proper accounts prior to June 30, 2021 and can be audited and confirmed as completed by  
9 Commission Staff and the Citizens' Utility Ratepayer Board ("CURB") during this rate  
10 proceeding. Black Hills intends to update this list of completed capital additions prior to the  
11 end of the Staff's audit so they can be included in rate base under K.S.A. 66-128.

12 **(2). Adjustment RB-2**

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

14 A. This adjustment is for the retirements due to capital projects that will be completed by June  
15 30, 2021. It reduces gross plant by \$1,935,841 and the related accumulated depreciation of  
16 \$1,861,524.<sup>6</sup>

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<sup>6</sup> Detailed calculations of retirements by FERC account are shown on KSG Direct Exhibit RRS-2, Schedule D-3, and the related accumulated depreciation for depreciable assets is included in the adjustment.

1 **Q. WILL THE PLANT SCHEDULES DISCUSSED ABOVE THAT WILL UPDATE**  
2 **ADDITIONS FROM ESTIMATED TO ACTUAL AMOUNTS INCLUDE AN**  
3 **UPDATE TO RETIREMENTS?**

4 A. Yes, both additions and the related retirements will be updated from estimated to actual  
5 amounts after the June 30, 2021 books are closed.

6 **(3). Adjustment RB-3**

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

8 A. This rate base adjustment accounts for CAM allocation percentage annual updates, which  
9 reflects the changes in the inputs to BHSC CAM allocation factors. The CAM is designed  
10 to allocate costs based on the relative size of the company to which it is allocating costs.  
11 This adjustment is based on the allocation factors in effect as of January 1, 2021 and  
12 increases the allocated plant by \$511,244 and the allocated accumulated depreciation by  
13 \$25,267. The CAM is KSG Direct Exhibit RRS-5.

14 **(4). Adjustment RB-4**

15 **Q. WOULD YOU PLEASE DESCRIBE ADJUSTMENT RB-4?**

16 A. This adjustment to rate base rolls forward the accumulated depreciation associated with the  
17 plant in service as of December 31, 2020 to reflect the balance under existing depreciation  
18 rates as of June 30, 2021 to align with the updates to rate base reflected in adjustments RB-  
19 1 and RB-2. The increase to accumulated depreciation is \$5,338,434.<sup>7</sup> An associated  
20 adjustment of \$180,891 included in RB-6 moves the Accumulated Deferred Income Tax

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<sup>7</sup> Detailed calculations of depreciation by FERC account are shown on KSG Direct Exhibit RRS-2, Schedule E-1.



1 (“ADIT”) to the projected June 30, 2021 balance and is included within the adjustments on  
2 lines 12 and 16 of Section 3, Schedule 2.<sup>8</sup>

3 **(5). Adjustment RB-5**

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

5 A. This adjustment reflects the impact of the working capital calculation shown in Section 6  
6 and is described later in my testimony.

7 **(6). Adjustment RB-6**

8 **Q. WOULD YOU PLEASE DESCRIBE ADJUSTMENT RB-6?**

9 A. This adjustment reflects the changes in Other Rate Base items not already discussed in RB-  
10 4. The adjustment removes Deferred Income Tax Assets and Regulatory Liabilities for the  
11 Federal Tax Cuts and Jobs Act (“TCJA”) EDIT and Kansas House Bill No. 2585 (“HB  
12 2585”) EDIT to include those balances in the Tax Adjustment Rider (“TA Rider”) discussed  
13 in the direct testimony of Mr. Crouch and Mr. Stevens.<sup>9</sup>

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

16 A. The amounts shown for Total Gas Plant on Section 3, Schedule 2, Line 1 represent the  
17 amounts directly booked to Black Hills as of December 31, 2020 and the amount allocated  
18 from BHSC to Black Hills as of December 31, 2020.

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<sup>8</sup> The ADIT adjustment is shown on KSG Direct Exhibit RRS-2, Schedule M-3, and included in the Adjustments on Schedule M-1. The Black Hills portion links into Section 3, Schedule 2 line 12 while the BHSC allocated portion links into Section 3, Schedule 2 line 16.

<sup>9</sup> Detail supporting the adjustment is shown in KSG Direct Exhibit RRS-2, Schedule M-1.

1 **Q. IS CONSTRUCTION WORK IN PROGRESS (“CWIP”) INCLUDED IN THE**  
2 **TOTAL PLANT BALANCE AS OF DECEMBER 31, 2020?**

3 A. No. Black Hills has followed past practices and excluded CWIP from the rate base  
4 calculation. However, Black Hills is proposing recovery of CWIP that is completed and  
5 placed in service by the later of June 30, 2021 or prior to completion of Staff’s audit as  
6 discussed above in adjustments RB-1 and RB-2.

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

9 A. Black Hills has prepared a thirteen-month average of Materials and Supplies balances for  
10 use in its rate base calculation.<sup>10</sup>

11 **Q. WHAT DOES GAS STORAGE REPRESENT SHOWN ON SECTION 3,**  
12 **SCHEDULE 2, PAGE 1?**

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

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

17 A. Prepayments include advance payments for insurance and leases for land, office, and shop  
18 space.

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

21 A. Black Hills has included cash working capital of zero in this Rate Application. The only

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<sup>10</sup> Thirteen months of balances for working capital items are included on KSG Direct Exhibit RRS-2, Schedule F-1, with the adjustment summarized in Section 6 as discussed later in my testimony.

1 adjustment for working capital included in the calculation of rate base is the adjustment to  
2 thirteen-month averages for materials and supplies, gas storage, and prepayments shown  
3 above and discussed later in Section 6.

4 **Q. WOULD YOU PLEASE EXPLAIN RATE APPLICATION SECTION 3, SCHEDULE**  
5 **2, PAGES 2-42?**

6 A. Page 2 shows the Black Hills Test Year income statement for the Test Year ended December  
7 31, 2020. Page 3 reflects the total of all pro forma adjustments. Page 4 shows the income  
8 statement resulting from combining all the pro forma adjustments with the historical Test  
9 Year income statement. A calculation of each adjustment is provided in Section 3, Schedule  
10 2, Pages 5 through 42. The adjustments are discussed in my testimony and summarized in  
11 Section 9, Schedule 2. Table RRS-3 below cross references the adjustments to their locations  
12 within KSG Direct Exhibit RRS-2, the Revenue Requirement Study.

<b>Table RRS-3</b>			
<b>Section 3, Schedule 2, Page 3 Cross Reference</b>			
<b>Adjustment #</b>	<b>Adjustment Type</b>	<b>Section 3, Schedule 2 Pages</b>	<b>Revenue Requirement Study Section</b>
IS-1 to IS-13	Revenues	Pages 5-17	Stmt I
IS-14 to IS-33	O&M Expenses	Pages 18-37	Stmt H
IS-34	Depreciation	Page 38	Stmt J
IS-35 to IS-36	TOTI	Pages 39-40	Stmt L
IS-37 to IS-38	Income Taxes	Pages 41-42	Stmt K

13  
14 **Q. WOULD YOU PLEASE DESCRIBE SECTION 3, SCHEDULE 3?**

15 A. This schedule shows the computation of the Black Hills revenue deficiency based on the  
16 requested rate of return. The Revenue Deficiency is \$10,199,943.

1           **B.     RATE APPLICATION SECTION 4**

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

3   A.     This section shows the plant investment for Black Hills. Schedule 1 summarizes Gas Plant  
4           in Service by functional classification, with an adjusted investment balance of \$371,393,987.  
5           Schedule 2 details the gas plant in service by primary account as of the end of the Test Year  
6           (December 31, 2020) on both an unadjusted and adjusted basis, as well as the year ending  
7           balances for the three calendar years preceding the Test Year.<sup>11</sup>

8           **C.     RATE APPLICATION SECTION 5**

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

10 A.     This section presents accumulated depreciation and amortization for Black Hills. Schedule  
11           1 shows the accumulated depreciation and amortization by functional class and the  
12           corresponding adjustments as of the dates shown in Section 4 relating to Plant Investment.<sup>12</sup>

13           **D.     RATE APPLICATION SECTION 6**

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

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

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<sup>11</sup> The D series in KSG Direct Exhibit RRS-2 shows plant calculations in further detail. Schedule D-2 lists plant additions and Schedule D-3 lists plant retirements. These schedules are pulled into the detailed Schedule D-1 and summarized by functional classification on Statement D.

<sup>12</sup> The E series in KSG Direct Exhibit RRS-2 shows accumulated depreciation and amortization calculations in further detail, calculating depreciation by FERC account on Schedule E-1 and showing the breakout of the total adjustments by functional class on Statement E.

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

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

5 **Q. WHAT ADJUSTMENTS WERE MADE TO THE COMPONENTS OF WORKING**  
6 **CAPITAL?**

7 A. Black Hills has included cash working capital at a zero balance in this Rate Application.  
8 Materials and Supplies, Gas Stored Underground, and Prepaid Expenses were adjusted to  
9 reflect the thirteen-month average balances for the Test Year. This practice represents the  
10 ongoing level of investment necessary to serve customers throughout the year and avoids  
11 peaks and valleys in the investment based on timing. This differs from Property, Plant, and  
12 Equipment investment because these investments are expected to be used or consumed in  
13 less than a year while Property, Plant, and Equipment are expected to have a useful life of  
14 multiple years.

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

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

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

21 A. As shown on Section 6, schedule 1 and adjustment RB-5 on Section 3, schedule 2, page 1, a  
22 downward adjustment of \$188,822 was made to adjust Materials and Supplies, Gas Stored  
23 Underground, and Prepayments to the thirteen-month average. A total of \$4,550,838 is

1 included in rate base for these working capital items.<sup>13</sup>

2 **E. RATE APPLICATION SECTION 7**

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

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

5 **Q. WHAT IS THE PROPOSED CAPITAL STRUCTURE AND RATE OF RETURN**  
6 **INCLUDED IN THE COST OF SERVICE CALCULATION?**

7 A. The proposed capital structure included in the cost of service calculation is the actual capital  
8 structure as of December 31, 2020, consisting of 50.34% equity and 49.66% debt. Based on  
9 the proposed return on equity of 10.15%, as supported by the direct testimony of Company  
10 witness, Mr. Adrian M. McKenzie, and the cost of long-term debt of 3.91%, as sponsored  
11 by Company witness, Ms. Christianne M. Curran, the requested Weighted Average Cost of  
12 Capital ("WACC") is 7.05%.<sup>14</sup> This is shown in Table RRS-4 below:

13

<b>Table RRS-4</b>				
<b>WACC</b>				
<b>Description</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Cost</b>	<b>Weighted Cost</b>
<b>Long-Term Debt</b>	<b>\$ 108,000,000</b>	<b>49.66%</b>	<b>3.91%</b>	<b>1.94%</b>
<b>Common Equity</b>	<b>\$ 109,469,149</b>	<b>50.34%</b>	<b>10.15%</b>	<b>5.11%</b>
	<b>\$ 217,469,149</b>	<b>100.00%</b>		<b>7.05%</b>

<sup>13</sup> Schedule F-1 in KSG Direct Exhibit RRS-2 shows the thirteen months of balances from December 2019 to December 2020 for materials and supplies, gas stored underground, and prepaid expenses.

<sup>14</sup> See also Section 7, Schedules 1 and Schedule 2, page 2.

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

3 A. This section of the Rate Application presents the capital structure and requested rate of return  
4 for Black Hills for the twelve months ending December 31, 2020 and December 31, 2019.  
5 Schedule 1, Page 1 shows the requested rate of return on total capital for the Test Year as  
6 7.05%. Schedule 2, page 1 shows the interest expense on long-term debt for the Test Year  
7 and three preceding calendar years. Schedule 2, page 2 shows a summary of BHC's long-  
8 term debt during the Test Year and the cost of each series of notes and the calculation of the  
9 weighted average cost of long-term debt. It also shows the amount of debt allocated to Black  
10 Hills as of December 31, 2020 and the annual interest expense thereon.<sup>15</sup> Ms. Curran  
11 discusses debt and capitalization in her direct testimony. Schedule 3 shows the interest  
12 coverage calculation for Black Hills.

13 **Q. WOULD YOU PLEASE DESCRIBE RATE APPLICATION SECTION 7,**  
14 **SCHEDULE 4?**

15 A. Schedule 4 summarizes the capital structure for BHC at the Test Year end December 31,  
16 2020 and the preceding year end December 31, 2019.

17 **F. RATE APPLICATION SECTION 8**

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

19 A. Section 8 requires financial and operating data.

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

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<sup>15</sup> Schedule G-1 in KSG Direct Exhibit RRS-2 shows additional detail for the Test Year and three preceding calendar years.

1 A. Rate Application Section 8, Schedule 1 is a balance sheet by primary account for Black Hills.  
2 The balance sheet includes the Test Year end balances as of December 31, 2020, along with  
3 year end balances for the three preceding calendar years.<sup>16</sup>

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

5 A. The schedules in Section 8 provide account detail corresponding to the balance sheet and  
6 income statement data previously presented. Schedule 2 is an income statement by primary  
7 account for Black Hills and a statement of retained earnings, both for the twelve-month Test  
8 Year ending December 31, 2020 and the three preceding calendar years.

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

10 A. Schedule 3 shows operating revenues and expenses by primary account for Black Hills, for  
11 the Test Year ending December 31, 2020 and the three preceding calendar years.

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

13 A. Schedule 5 shows the annual payroll expense by primary account for the Test Year ending  
14 December 31, 2020 and the three preceding calendar years.

15 **G. RATE APPLICATION SECTION 9**

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

17 A. Section 9 requires Test Year Pro Forma Income Statements.

18 **Q. WOULD YOU PLEASE BRIEFLY SUMMARIZE RATE APPLICATION SECTION**  
19 **9, SCHEDULE 1?**

20 A. Rate Application Section 9, Schedule 1 presents the income statement and all pro forma  
21 adjustments to the Test Year. Column 1 of Schedule 1 provides the per-book income

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<sup>16</sup> Statement A in KSG Direct Exhibit RRS-2 shows additional detail for the balance sheet as of the end of the Test Year and the three preceding calendar years.



1 statement, Column 2 is the sum of the pro forma adjustments, and Column 3 is the income  
2 statement after all adjustments. The net effect of all pro forma adjustments is to reduce utility  
3 operating income by (\$4,909,004).

4 **Q. WOULD YOU PLEASE EXPLAIN RATE APPLICATION SECTION 9, SCHEDULE**  
5 **2?**

6 A. Schedule 2 is an explanation of all pro forma adjustments that affect the income statement.

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

8 A. The adjustments were made to the Test Year to eliminate or normalize non-recurring events  
9 in the Test Year that were caused by weather variations or other unusual circumstances.  
10 Adjustments also reflect known and measurable changes that have occurred, or will occur,  
11 within a short time period subsequent to the end of the Test Year. When all adjustments are  
12 considered, the data for the as adjusted Test Year will reflect the performance of Black Hills  
13 under “normal” operating circumstances.

14 **Q. WHICH BLACK HILLS WITNESSES PROVIDE SUPPORT FOR THESE**  
15 **ADJUSTMENTS?**

16 A. Most of the adjustments are supported by my testimony. Other Company witnesses  
17 supporting adjustments include:

- 18 • Mr. Hyatt – revenue adjustments for state tax synchronization (IS-9), billing  
19 determinant synchronization (IS-10), and the weather normalization adjustment (IS-13)
- 20 • Ms. Curran – O&M expense adjustments for retiree healthcare expense and pension  
21 expense (IS-19) and the amortization of pension and retiree healthcare liabilities (IS-20)
- 22 • Mr. Watkins – O&M expense adjustment for the Data Improvement Integrity  
23 Program (IS-28)

1 • Mr. Spanos, company consultant, is filing testimony addressing the determination of  
2 new depreciation rates for the direct operations of Black Hills which are used in the  
3 calculation of the depreciation and amortization expense adjustment (IS-34)

4 • Mr. Crouch – income tax adjustments for the amortization of protected plant EDIT  
5 – ARAM (IS-37) and recovery of the NOL carryforward – Kansas Form K-120 (IS-38)

6 **1. REVENUES & REVENUE ADJUSTMENTS**

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

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

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

15 A. Statement I of KSG Direct Exhibit RRS-2 summarizes the per book revenues and the pro  
16 forma adjustments to provide the amounts used to calculate the revenue deficiency presented  
17 on Section 3, Schedule 3.<sup>17</sup> Black Hills incorporated the adjusted Revenues for the Pro  
18 Forma Year as calculated and explained by Mr. Hyatt in his direct testimony.

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<sup>17</sup> Statement N of KSG Direct Exhibit RRS-2 shows the detailed calculation of the revenue deficiency.

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

3 A. Unbilled revenues represent revenue that is recorded during the Test Year that are associated  
4 with activity outside the Test Year. For this reason, unbilled revenues totaling \$1,357,052  
5 are eliminated from the total of the revenues. The Provision for Rate Refunds (Statement I,  
6 line 20) is associated with the refund of revenues associated with the reduction of income  
7 tax expense from the Tax Cuts and Jobs Act. Black Hills removes the \$1,713,871 Provision  
8 for Rate Refunds in order to align the revenues with tariff rates. The adjustment is found on  
9 Statement I, column (e). These adjustments, which result in an increase of \$356,819 to  
10 revenues, are shown on IS-1.

11 **Q. WHAT IS ADJUSTMENT IS-2, THE WNA REVENUE RIDER?**

12 A. Revenues from the Weather Normalization Adjustment (WNA) are removed from the Test  
13 Year because they are not recovered in base rates. The resulting revenue reduction of  
14 (\$1,808,448) is presented on IS-2.<sup>18</sup>

15 **Q. WHAT IS ADJUSTMENT IS-3, GSRS REVENUES?**

16 A. Revenues from the Gas System Reliability Surcharge (“GSRS”) collected during 2020  
17 which are included in the revenue accounts are removed because they are not recovered in  
18 base rates. The resulting revenue reduction of (\$4,465,740) is presented on IS-3.<sup>19</sup>

19 **Q. WHAT IS ADJUSTMENT IS-4, GSRS OVERCOLLECTION?**

20 A. Excess revenues from the GSRS collected during 2020 which have been set aside to refund  
21 to customers are removed because they are not recovered in base rates. The resulting revenue

---

<sup>18</sup> Statement I, column (f) of the revenue requirement study shows the adjustment by FERC account.

<sup>19</sup> Statement I, column (g) of the revenue requirement study shows this adjustment by FERC account.

1 increase of \$423,953 is presented on IS-4.<sup>20</sup>

2 **Q. WHAT IS ADJUSTMENT IS-5, AVTS REVENUES?**

3 A. Revenues from the Ad Valorem Tax Surcharge (“AVTS”) included in the revenue accounts  
4 are removed because they are not recovered in base rates. This increases revenues by  
5 \$559,594, as shown on IS-5.<sup>21</sup>

6 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-6, BALANCING SERVICES  
7 ADJUSTMENT?**

8 A. This adjustment removes the Test Year balance of \$547,052 from FERC account 495 to  
9 eliminate the impact of balancing services. Black Hills is proposing to remove balancing  
10 service revenue from its cost of service in setting new base rates and alternatively credit the  
11 actual amount of balancing services revenue through the Purchased Gas Adjustment  
12 (“PGA”). Crediting the PGA will ensure that the Company’s sales customers receive the  
13 benefit of any balancing services revenues. Company witness Mr. Robert W. Daniel  
14 provides support for this proposal.

15 **Q. WHAT IS ADJUSTMENT IS-7, THE FORFEITED DISCOUNTS ADJUSTMENT?**

16 A. This adjustment calculates the average forfeited discount rate using a 3-year average (2017-  
17 2019) to increase the amount of discounts forfeited in the Test Year. This adjustment is  
18 necessary to normalize Test Year activity that was impacted by Covid-19. In compliance  
19 with the Commission’s Order within Docket No. 20-GIMX-393-MIS, Black Hills waived  
20 late payment fees beginning in March 2020 and continuing through the end of the Test Year.  
21 The three-year average rate is multiplied by the sum of adjusted sales and PGA revenues for

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<sup>20</sup> Statement I, column (h) of the revenue requirement study shows this adjustment by FERC account.

<sup>21</sup> Statement I, column (i) of the revenue requirement study details the adjustment by FERC accounts.

1 a calculated forfeited discount revenue total of \$362,722 and compared to the amount  
2 recorded in the Test Year of \$92,360. This results in an increase of \$270,361, which is  
3 reflected on adjustment IS-7.<sup>22</sup>

4 **Q. WHY WAS A THREE-YEAR AVERAGE USED IN THIS CALCULATION?**

5 A. Forfeited discounts and billed revenues fluctuate over time due to changes in usage, weather,  
6 and other factors. The three years from 2017-2019 were considered a reasonable basis to  
7 calculate the factor to apply to revenue to determine a reasonable amount of forfeited  
8 discounts that would have been recorded in the Test Year if the Covid-19 pandemic had not  
9 occurred and the utility had continued to record these transactions in the pre-pandemic  
10 normal course of business.

11 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-8, MISCELLANEOUS**  
12 **REVENUES ADJUSTMENT?**

13 A. Similar to IS-7, the Covid-19 pandemic resulted in changes to normal business practices  
14 with the moratorium on service disconnections.<sup>23</sup> During the Test Year, revenues for  
15 seasonal connections, disconnections, and reconnections were lower than they would have  
16 been absent the pandemic. The amount recorded in the Test Year was compared to the 3-  
17 year average (2017-2019) to determine a reasonable amount of miscellaneous revenues that  
18 would have been recorded in the Test Year if the pandemic had not occurred. This  
19 adjustment results in an increase of \$90,175 as shown on adjustment IS-8.<sup>24</sup>

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<sup>22</sup> Schedule I-1 of the revenue requirement study shows the detailed calculation of this adjustment.

<sup>23</sup> See Emergency Order Suspending Disconnects, Docket No. 20-GIMX-303-MIS (Mar. 16, 2020)

<sup>24</sup> Schedule I-2 of KSG Direct Exhibit RRS-2 shows the calculation of the adjustment.

1 **Q. WILL YOU EXPLAIN ADJUSTMENT IS-9, STATE TAX SYNCHRONIZATION?**

2 A. The explanation for this adjustment is discussed in the testimony of Mr. Hyatt. Adjustment  
3 IS-9 results in a revenue decrease of \$564,120.

4 **Q. WHAT IS THE BILLING DETERMINANT SYNCHRONIZATION ADJUSTMENT,**  
5 **ADJUSTMENT IS-10?**

6 A. This adjustment is required to synchronize the revenues calculated using the Test Year  
7 billing determinants and the revenues calculated from the accounting system. The  
8 differences between the billing determinants and the accounting system total \$161,850  
9 summing higher than the billing determinants. Therefore, Black Hills made an adjustment  
10 to decrease revenues \$161,850. This adjustment aligns the revenues to the billing  
11 determinants presented by Mr. Hyatt and discussed in his testimony.

12 **Q. WHAT IS ADJUSTMENT IS-11, GAS COST ADJUSTMENT?**

13 A. This adjustment removes the revenues collected under the PGA, which corresponds to the  
14 removal of PGA gas cost adjustment IS-17 discussed later. Neither the revenues nor the gas  
15 cost expenses of the PGA are recovered in base rates, so both are removed in the calculation  
16 of the revenue requirement to maintain symmetry between the income and expenses in the  
17 revenue requirement study. This adjustment reduces revenues by \$38,116,777.

18 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-12, MISCELLANEOUS**  
19 **ADJUSTMENT?**

20 A. This adjustment captures miscellaneous reconciling items to align the revenues in the  
21 revenue requirement study to the revenue in Mr. Hyatt's class cost of service study. The  
22 adjustment is primarily for gas taxes, and results in a decrease to revenues of \$3,531.

1 **Q. ARE YOU SPONSORING ADJUSTMENT IS-13, THE WEATHER**  
2 **NORMALIZATION ADJUSTMENT?**

3 A. Mr. Hyatt sponsors adjustment IS-13. The \$430,453 increase in revenues he discusses is  
4 included in the revenue requirement calculation.

5 **2. O&M EXPENSES AND O&M ADJUSTMENTS**

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

9 A. Rate Application Section 8, Schedule 2 shows figures from Statement B of KSG Direct  
10 Exhibit RRS-2 (the Revenue Requirement Study), which shows the income statement as of  
11 December 31, 2020.

12 Rate Application Section 9, Schedule 3 shows figures from Statement H of KSG  
13 Direct Exhibit RRS-2, which details the per book O&M expenses provided on KSG Direct  
14 Exhibit RRS-2, Statement B by FERC account and provides a summary of the adjustments  
15 and adjusted totals. Those totals are used to show the amounts used to calculate the revenue  
16 requirement on Schedules 1 and 3 of Rate Application Section 3 (Statement M of the revenue  
17 requirement study).

18 Rate Application Section 10, Schedule 1 summarizes depreciation and amortization  
19 expenses. These expenses are detailed on KSG Direct Exhibit RRS-2, Statement J which  
20 shows the pro forma adjustments along with the adjusted totals used to calculate revenue  
21 requirements in Section 3 (Statement M of the revenue requirement study).

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

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

11 As previously discussed and cross referenced in Table RRS-3, adjustments  
12 throughout the Revenue Requirement Study on KSG Direct Exhibit RRS-2 are presented in  
13 Adjustments IS-1 through IS-38 on Section 3, Schedule 2.

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

16 **A.** See Table RRS-5 below for a listing of the O&M adjustments:



<b>Table RRS-5</b>		
<b>Section 9, O&amp;M Adjustments</b>		
<b>Adjustment #</b>	<b>Description</b>	<b>Revenue Requirement Study Schedule</b>
IS-14	Rent Adjustment	Sched H-1
IS-15	Removal of Advertising Expense	Sched H-2
IS-16	Dues Expense Adjustment	Sched H-3
IS-17	Removal of Gas Costs Adjustment	Sched H-4
IS-18	Wages & Salaries Adjustment for Annualization of Direct Employees	Sched H-5
IS-19	Employee Benefits Adjustment	Sched H-6
IS-20	Amortization of Pension & Retiree Healthcare Liability Adjustment	Sched H-7
IS-21	Intercompany Charges from Black Hills Service Company	Sched H-8
IS-22	Bad Debt Adjustment	Sched H-9
IS-23	Rate Case Amortization	Sched H-10
IS-24	Workers' Compensation Expense Adjustment	Sched H-11
IS-25	Insurance Premium Expense Adjustment	Sched H-12
IS-26	Relocation Expense Adjustment	Sched H-13
IS-27	Severance Expense Adjustment	Sched H-14
IS-28	Data Improvement Integrity Program Adjustment	Sched H-15
IS-29	Travel Expense Adjustment	Sched H-16
IS-30	COVID-19 Cost Adjustment	Sched H-17
IS-31	Alternative Forms of Payment Adjustment	Sched H-18
IS-32	Research and Development Adjustment	Sched H-19
IS-33	Fleet Depreciation Adjustment	Sched H-20

1  
2 The schedules for the adjustments listed above can be found in KSG Direct Exhibit  
3 RRS-2.

4 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-14, RENT ADJUSTMENT?**

5 A. This adjustment eliminates nonrecurring rent expenses from the Test Year for facilities that  
6 are no longer being used in Goodland, Sublette, and Elkhart. These costs are not expected to  
7 occur going forward and have been removed from the Test Year to reflect the appropriate  
8 level of on-going expenses. The total pro forma adjustment is a reduction to expense of  
9 \$22,700.

1 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-15, ADVERTISING**  
2 **EXPENSE ADJUSTMENT?**

3 A. Adjustments IS-15 and IS-16 remove certain expenses for advertising, dues, charitable  
4 contributions, and sponsorships not allowed for recovery in prior Kansas rate proceedings.  
5 It is important to note that disallowed expenses of this nature are typically recorded “below  
6 the line” and are thus already excluded from the calculation of the revenue requirement.  
7 Both adjustments address only expenses recorded “above the line” in O&M FERC expense  
8 accounts.

9 Advertising expenses of \$657,402 were recorded in the Test Year. Black Hills is  
10 seeking recovery of only those expenses which related to human resources hiring, regulatory  
11 notices, and safety.<sup>25</sup> Safety advertising is a public service and is directed at promoting  
12 public awareness and preventing damage to the system. Advertising associated with hiring  
13 is a necessary business expense to obtain applicants for any open positions, and advertising  
14 related to regulatory notices are necessary expenses to meet Commission requirements.  
15 Black Hills is requesting \$147,938 of advertising costs specifically for these allowable  
16 categories of advertising. The resulting adjustment is a decrease of \$509,464.<sup>26</sup>

17 **Q. WHAT IS THE PURPOSE OF ADJUSTMENT IS-16, DUES EXPENSE**  
18 **ADJUSTMENT?**

19 A. Adjustment IS-16 is the result of analysis of dues, subscriptions, and memberships. Test year  
20 expenses in O&M totaled \$128,151. Expenses related to advertising, sponsorships, and

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<sup>25</sup> Throughout the revenue requirement study, Black Hills identified impacts of Covid-19 on the financials and normalized these impacts. Safety advertising expenses related to Covid-19 are removed from the revenue requirement calculation.

<sup>26</sup> Detail by FERC account is presented on Schedule H-2 of the revenue requirement study.

1 donations of \$9,336 were removed, leaving the Test Year per-book amount of \$118,815 that  
2 represents necessary business expenses that were coded “above the line”. Although these are  
3 necessary business expenses, Black Hills has reduced the amount by 50% reflecting the  
4 reduction typically made by KCC Staff. The result is a reduction to O&M of \$68,744.<sup>27</sup>

5 **Q. IS BLACK HILLS REQUESTING RECOVERY OF CHARITABLE**  
6 **CONTRIBUTIONS OR LOBBYING EXPENSES?**

7 A. No. Charitable contributions are recorded “below the line” or in Non-Utility Operating  
8 Income and Expense and excluded from the O&M expenses or any component of the  
9 revenue requirement study. Similarly, lobbying costs have been removed from the study.  
10 During the analyses of advertising, dues, and memberships, any costs identified as  
11 sponsorships, contributions, and political or lobbying expenses were specifically excluded.

12 **Q. WOULD YOU EXPLAIN ADJUSTMENT IS-17, REMOVAL OF GAS COSTS?**

13 A. Gas costs are currently recovered through the PGA. Black Hills proposes continued recovery  
14 of the gas costs recorded in accounts 804 through 813 through the PGA. The related revenues  
15 have also been removed from the revenue requirement calculation in adjustment IS-11.  
16 This adjustment is an expense reduction of \$38,992,210.<sup>28</sup>

17 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-18?**

18 A. Adjustment IS-18 is to annualize the wages, salaries, and benefits for the direct employees  
19 of Black Hills. The adjustment has calculated the ongoing annual expenses of each of the  
20 132 direct employees of Black Hills. The results of that calculation are used to set the basis  
21 of the labor costs reflected in the Test Year, As Adjusted.

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<sup>27</sup> Schedule H-3 of KSG Direct Exhibit RRS-2 shows the detail of this calculation and the applicable FERC accounts.

<sup>28</sup> Detail by FERC account is shown on Schedule H-4 of the revenue requirement study.

1 **Q. HOW DID BLACK HILLS CALCULATE THE ONGOING ANNUAL EXPENSES**  
2 **OF THE 132 DIRECT EMPLOYEES?**

3 A. Black Hills obtained the gross pay, merit increase, overtime, stand-by pay, call out pay,  
4 incentive pay, 401(k) contributions, retirement contributions, and insurance costs for health,  
5 life, dental, and AD&D insurance from the Human Resources department to determine the  
6 ongoing annual pay and benefits received by each employee. Black Hills pulled detail from  
7 the general ledger to determine where these costs were recorded in the Test Year, since some  
8 of these costs are recorded to the balance sheet as a component of capital based on the time  
9 coding of the employees. Black Hills determined the ratio of costs that are included in the  
10 Operations and Maintenance (“O&M”) expense accounts is 48.28% of the total direct labor  
11 costs.

12 **Q. WOULD YOU PLEASE DEFINE OVERTIME, STAND-BY, AND CALL OUT PAY?**

13 A. Overtime, Stand-by, and Call Out pay are paid to hourly employees at a premium of 1.5 or  
14 2 times the hourly rate and paid above the normal 40-hour work week. Employees receive  
15 1.5 times their standard hourly rate if they work Overtime (above 40 hours in a week) or are  
16 Called Out to work during their Stand-by hours. Stand-by hours are paid at the employees’  
17 hourly rate over and above their normal work week of 40 hours.

18 **Q. WHAT ADJUSTMENTS WERE MADE TO OVERTIME, STAND-BY, AND CALL**  
19 **OUT PAY?**

20 A. These types of pay were not adjusted. The costs in the Test Year are considered to be the  
21 amount of overtime, stand-by, and call out pay going forward on an annual basis.

1 **Q. IF BLACK HILLS ANTICIPATES THE SAME NUMBER OF OVERTIME, STAND-**  
2 **BY, AND CALL OUT PAY HOURS, DOESN'T THIS RESULT IN UNDER**  
3 **RECOVERY OF EXPENSES?**

4 A. Yes, since wages increase slightly over time. However, Black Hills considers the amount of  
5 overtime, stand-by, and call out pay in the Test Year to be a reasonable proxy for the actual  
6 pay going forward and has taken a conservative approach to this expense.

7 **Q. DOES BLACK HILLS EXPECT OVERTIME, STAND-BY, AND CALL OUT PAY**  
8 **HOURS TO FLUCTUATE MATERIALLY BETWEEN THE TEST YEAR AND**  
9 **GOING FORWARD?**

10 A. No. Black Hills considers the amount of overtime, stand-by, and call out hours incurred in  
11 the Test Year will be comparable going forward.

12 **Q. WHAT ASSUMPTIONS WERE MADE REGARDING THAT PORTION OF THE**  
13 **DIRECT EMPLOYEES' SALARIES THAT ARE BASED UPON PERFORMANCE?**

14 A. Black Hills assumed the performance incentive pay for direct employees would be at the  
15 actual level realized in the Test Year, which was 109.73% of target.

16 **Q. IS THE USE OF THE TEST YEAR PERFORMANCE INCENTIVE PERCENTAGE**  
17 **REASONABLE FOR SETTING RATES IN THIS APPLICATION?**

18 A. Yes. Performance incentive pay is based upon performance targets that pay out as a  
19 percentage of the incentive calculation from 0% to 150% of the target.<sup>29</sup> In the last four  
20 years the performance target for Black Hills was paid out as follows: 2020 was 109.73%;  
21 2019 was 114.48%, 2018 was 124.41%, 2017 was 94.75%; and 2016 was 112.01%. While

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<sup>29</sup> The direct testimony of Company witness, Ms. Kristi L. Johnson further supports the employee compensation and benefits for both Black Hills and BHSC included in the Revenue Requirement Study.

1 the results of the performance targets do vary from year to year Black Hills proposes the  
2 ongoing expectation of 109.73% of target is reasonable. Black Hills is consistently paying  
3 out more than the target amount, and the actual performance incentive earned in the Test  
4 Year was below the 3-year and 5-year averages.

5 **Q. WHAT IS THE RESULT OF THE CALCULATION OF ADJUSTMENT IS-18?**

6 A. The calculation shows that there will be \$7,217,612 of labor expenses recorded to O&M  
7 Expense accounts on an on-going basis. This is compared to the dollar amount recorded in  
8 the Test Year for labor expenses of \$6,617,460. The resulting adjustment of \$600,151 is to  
9 bridge the Test Year labor expenses to the O&M labor expenses for the Test Year, As  
10 Adjusted.<sup>30</sup>

11 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-19, EMPLOYEE BENEFITS  
12 ADJUSTMENT?**

13 A. As discussed in the direct testimony of Ms. Curran, Black Hills recorded the allowed  
14 amounts set in the previous rate proceeding for the Pension and OPEB trackers in the Test  
15 Year. This adjustment removes \$953,226 of expenses by adjusting the allowed amount to  
16 the actual amounts incurred in the Test Year.<sup>31</sup>

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<sup>30</sup> Detail of the adjustment by FERC account is presented on KSG Direct Exhibit RRS-2, Schedule H-5. Additional detail is included in the confidential workpaper provided with the filing.

<sup>31</sup> KSG Direct Exhibit RRS-2, Schedule H-6 shows the detail of this adjustment.

1 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-20, AMORTIZATION OF**  
2 **PENSION AND RETIREE HEALTHCARE LIABILITY?**

3 A. As discussed in the direct testimony of Ms. Curran, the annual allowed amounts set in the  
4 previous rate proceeding for the Pension Plan Tracker and the Retiree Healthcare Plan  
5 Tracker have exceeded the costs that Black Hills has experienced. Black Hills proposes  
6 returning the liabilities accrued for both trackers, including projected activity through June  
7 30, 2021, over 5 years which results in a decrease to O&M expenses of \$1,140,054.<sup>32</sup>

8 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-21, INTERCOMPANY**  
9 **CHARGES FROM BLACK HILLS SERVICE COMPANY ADJUSTMENT?**

10 A. This adjustment is for centralized shared service charges from BHSC. As BHC continues to  
11 focus on the long-term ownership and provision of utility service, there are necessary  
12 changes in activities to be made, to continue to provide customers with safe and reliable  
13 service and to comply with regulatory and operational initiatives. During the Test Year,  
14 shared service costs are not reflective of the normal ongoing operating expenses chargeable  
15 to Black Hills. Changes in the normalized annual costs charged to Black Hills have occurred  
16 or are expected to occur in the pro forma period. This adjustment results in an increase to  
17 O&M expenses of \$1,171,191.

18 **Q. ARE CHARGES FROM A CENTRALIZED SHARED SERVICE COMPANY A**  
19 **NEW CONCEPT SINCE BLACK HILLS LAST FILED A RATE APPLICATION?**

20 A. No. Black Hills has historically received charges for centralized shared services. It is more  
21 economical for some necessary business functions to be provided centrally than for each

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<sup>32</sup> KSG Direct Exhibit RRS-2, Schedule H-7 in the revenue requirement study shows additional detail for this adjustment.

1 utility of BHC to have stand-alone functions. However, at the time of the last rate proceeding  
2 filing, Black Hills received allocated costs from both BHUH and BHSC. Effective January  
3 1, 2019, BHC transitioned all centralized service functions from BHUH to BHSC so a single  
4 shared service company remains. BHSC charges its shared services, at cost, to subsidiaries  
5 under the terms of the BHSC CAM, included as KSG Direct Exhibit RRS-4 and KSG Direct  
6 Exhibit RRS-5 and discussed later in my testimony.

7 **Q. GENERALLY, WHAT ARE THE DRIVERS OF THE INCREASED OPERATING**  
8 **COSTS IN ADJUSTMENT IS-21?**

9 A. Black Hills has and continues to make investments in its system which impacts the inputs to  
10 the factors described in the CAM which allocate costs to BHC's affiliates, including Black  
11 Hills. In addition, the impact of the Covid-19 pandemic during the Test Year is adjusted for  
12 nonrecurring and unusual activity. Finally, labor costs continue to rise through both annual  
13 compensation merit increases as well as increased staffing to enhance systems, expand gas  
14 engineering and enhance safety and compliance and to comply with evolving federal and  
15 state regulatory and reporting requirements. Adjustments to the Test Year historical  
16 expenses are necessary to reflect the costs of these important and necessary programs.

17 **Q. COULD YOU DISCUSS THE THREE GENERAL DRIVERS OF THE COST**  
18 **INCREASE IN GREATER DETAIL?**

19 A. Yes. Schedule H-8 in KSG Direct Exhibit RRS-2 shows the detail supporting this  
20 adjustment. Column (b) of Schedule H-8 reflects the change to Test Year expenses with the  
21 application of the new allocation factors from the CAM effective January 1, 2021, which  
22 results in a net increase of \$153,677. Column (c) of Schedule H-8 accounts for the change  
23 in the Admin & General transfer credit. BHC follows a common practice among utilities to



1 load administrative and general costs to capital projects based upon a percentage of effort in  
2 managing the capital projects. This is often referred to as a transfer credit, as it reduces or  
3 transfers costs from the income statement or cost service to the balance sheet. A calculated  
4 rate is applied to costs resulting from identified Administrative and General departments that  
5 typically do not code directly to capital projects. BHC applies a three-year historical average  
6 of hours reported to capital projects versus operating and maintenance costs. The transfer  
7 credit rate increased from 20% used in the Test Year to 21% used in 2021. As a result of the  
8 increased transfer credit rate, a decrease of \$79,853 was included in the revenue requirement.

9 Schedule H-8, Columns (d) and (e) reflect adjustments due to Covid-19. Column (d)  
10 eliminates the Black Hills portion of abnormal expenses incurred by BHSC, using the  
11 updated allocation factors, which reduces Test Year expenses by \$87,588, and column (e)  
12 normalizes travel expenses to 2019 levels in acknowledgement that the Test Year expense  
13 was significantly decreased due to the pandemic and the level of expenses recorded in 2019  
14 reflects a normal level of costs that will be realized going forward following the pandemic.  
15 The travel expense adjustment increases expenses by \$310,422.<sup>33</sup>

16 Finally, Schedule H-8, column (f) shows the wage and salary adjustment for  
17 annualization of BHSC employees. This adjustment reflects known and measurable changes  
18 which annualize the costs of new positions hired during 2020 where the Test Year does not  
19 capture a full year of labor costs. In addition, employees in the Strategic Initiatives, Customer  
20 Service Call Center, and Safety departments were realigned within the organization as those  
21 departments moved from Black Hills direct departments to BHSC departments where

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<sup>33</sup> KSG Direct Exhibit RRS-2 also includes a travel adjustment for Black Hills direct on Schedule H-16 which is discussed later in Adjustment IS-29. Maintaining consistency, both adjustments adjust Test Year travel expense to 2019 levels in order to normalize the impacts of Covid-19 on these expenses.

1 employee costs are allocated to Black Hills. The portion of the labor adjustment due to these  
2 changes is \$277,137. Schedule H-8, Column (f) also includes the increase for the known and  
3 measurable change in the Black Hills share of BHSC costs for annual merit adjustments and  
4 in-grade promotions that occurred in March 2021, which is \$286,414. Finally, the labor  
5 adjustment includes the O&M costs for the additional headcount that exclusively support  
6 Black Hills operations, as discussed in the testimony of Mr. Watkins. The increase in O&M  
7 expense for these positions is \$310,982. The total O&M increase for BHSC labor is  
8 \$874,533.

9 **Q. YOU MENTIONED NEW ALLOCATION FACTORS FROM THE CAM IN THE**  
10 **BEGINNING OF YOUR PREVIOUS ANSWER. WOULD YOU ELABORATE ON**  
11 **THOSE ALLOCATION FACTORS?**

12 A. The 2020 Test Year costs indirectly allocated to Black Hills were based on the allocation  
13 factors as of September 30, 2019. BHC performs an annual review and update of allocation  
14 factors as of September 30 in the fourth quarter of each year to go into effect as of January  
15 1 of the following year. Based on BHC's practice of updating the allocation factors, new  
16 factors and resulting allocation percentages were calculated as of September 30, 2020 to be  
17 used beginning January 1, 2021, the beginning of the Test Year, As Adjusted. The updated  
18 allocation rates were applied to the Test Year 2020 total pool of indirect costs which resulted  
19 in an estimated increase of costs to Black Hills. This application was completed so that the  
20 CAM calculations applied on the date new rates for Black Hills effectively match the shared  
21 service expenses in the underlying revenue requirements. The net effect of the changes  
22 increased the shared service costs chargeable to Black Hills by \$153,677.

1 **Q. WOULD YOU PLEASE EXPLAIN THE ADJUSTMENT FOR BAD DEBT**  
2 **EXPENSE SHOWN ON ADJUSTMENT IS-22?**

3 A. Black Hills calculated an average effective uncollectible rate of 0.6512%, which was  
4 accomplished by averaging the 3-year net write-offs from 2017-2019 and divided by average  
5 billed revenue over the same time period. Calendar year 2020 was excluded from this  
6 average due to the abnormal impacts on net write-offs in 2020 resulting from Covid-19 and  
7 the temporary disconnection moratorium. To determine the adjustment, the average effective  
8 uncollectible rate was multiplied by the adjusted revenue requirement shown on Statement  
9 M, line 4, column (e) plus the gas cost revenues from Statement I, line 9, column (o). The  
10 result is a calculated expense of \$654,912 for the Test Year as adjusted, compared to the  
11 Test Year expense of \$831,547. The resulting decrease of \$176,635 is shown on adjustment  
12 IS-22.

13 **Q. HOW IS BLACK HILLS PROPOSING TO RECOVER THE EXPENSES**  
14 **ASSOCIATED WITH THIS RATE APPLICATION?**

15 A. As reflected on KSG Direct Exhibit RRS-2, Adjustment IS-23, Black Hills has included  
16 \$750,000 in Rate Application expense in this filing and proposes to amortize this amount  
17 over 3 years, resulting in an adjustment of \$250,000 annually. Prior Commission rate  
18 orders, including a precedential order on rate case expenses, allow recovery of rate case  
19 expenses over a 3-year period. Black Hills included expenses for the costs of a depreciation  
20 study, expert technical witnesses and consultants, outside legal counsel, the costs of the  
21 Commission and its Staff, the costs of CURB, and other expenses associated with the rate  
22 application such as publication of notices and travel expenses. These costs will be trued up  
23 at the end of the proceeding to reflect the actual rate case costs.

1 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-24, WORKERS'**  
2 **COMPENSATION EXPENSE ADJUSTMENT?**

3 A. This adjustment reverses a one-time out of period entry for \$161,090 for the 2019 annual  
4 true up to the Workers' Compensation actuarial study that was booked during the Test Year.  
5 The workers' compensation accrual has also been increased by \$25,587 to reflect the change  
6 in the monthly accrual entry that records the accrual for expected losses. The total adjustment  
7 is an increase to O&M expense of \$135,503.<sup>34</sup>

8 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-25, INSURANCE PREMIUM**  
9 **EXPENSE ADJUSTMENT?**

10 A. The utility industry is experiencing significant increases to insurance premiums, with  
11 decreased opportunities to negotiate lower rates with underwriters and carriers. The majority  
12 of BHC's insurance policies renew on July 1, 2021. Black Hills expects insurance premium  
13 expenses to increase for various types of insurance.<sup>35</sup> Black Hills analyzed these insurance  
14 expenses recorded in the Test Year and calculated this adjustment using the CAM factors in  
15 effect as of January 1, 2021 and the anticipated premium costs. These costs will be trued up  
16 when rebuttal testimony is filed. The adjustment is an increase in O&M expense of \$99,113.

17 **Q. HOW DID BLACK HILLS CALCULATE AN INCREASE ON ALL INSURANCE**  
18 **EXPENSE?**

19 A. Black Hills used a conservative approach and only adjusted the expenses it has been notified  
20 will be increasing significantly. Other lines of insurance, that are subject to a price lock or

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<sup>34</sup> Additional detail is shown on KSG Direct Exhibit RRS-2, Schedule H-11.

<sup>35</sup> The types of insurance impacted include Excess, Punitive Damages, Cyber, Fiduciary/Crime, D&O, and Property insurance.

1 renew later, were not adjusted.

2 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-26, RELOCATION**  
3 **EXPENSE ADJUSTMENT?**

4 A. Specialized skills and expertise are required for many of the positions at Black Hills and  
5 BHSC, and qualified candidates are often located somewhere other than the position  
6 location. To fill positions with qualified candidates, relocation expense is incurred when  
7 some positions are hired. Relocation expense for Black Hills includes expenses both for  
8 direct employees, and a portion of relocation expenses for BHSC employees as allocated  
9 under CAM methodology. This adjustment compares the Test Year relocation expense to  
10 the 3-year average for 2018 to 2020 and normalizes the Test Year expense to the average.  
11 The result is an increase of \$107,267 to O&M expenses.

12 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-27, SEVERANCE EXPENSE**  
13 **ADJUSTMENT?**

14 A. Severance expense is a normal cost of business which may apply when a position is  
15 eliminated due to changes in work resulting from operational efficiency gains, technology  
16 gains, or other improvements to business operations. The elimination of a position can  
17 reduce the overall operating expenses over time, resulting in lower rates for customers. This  
18 adjustment compares the Test Year severance expense to the 3-year average for 2018 to 2020  
19 and normalizes the Test Year expense to the average. The result is an increase of \$59,212 to  
20 O&M expenses.

1 **Q. WOULD YOU EXPLAIN ADJUSTMENT IS-28, THE DATA IMPROVEMENT**  
2 **INTEGRITY PROGRAM ADJUSTMENT?**

3 A. This adjustment increases Test Year O&M expenses by \$231,848 to reflect the \$400,000  
4 annual minimum cost of the Data Improvement Integrity Program (“DIIP”). The DIIP  
5 constitutes investment in improving infrastructure system data for system safety as discussed  
6 in greater detail in the testimony of Mr. Watkins.

7 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-29, TRAVEL EXPENSE**  
8 **ADJUSTMENT?**

9 A. This adjustment normalizes direct Black Hills travel expenses to 2019 levels in  
10 acknowledgement that the Test Year expense was significantly decreased due to the  
11 pandemic and the level of expenses recorded in 2019 reflects a normal level of costs that  
12 will be realized going forward following the pandemic. The travel expense adjustment  
13 increases expenses by \$173,040. As discussed earlier, Adjustment IS-21 is a parallel  
14 adjustment for BHSC travel expenses – consistent methodology was applied to calculate  
15 both adjustments. Detail reflecting the FERC accounts impacted by Adjustment IS-29 is  
16 presented on KSG Direct Exhibit RRS-2, Schedule H-16.

17 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-30, COVID-19 COST**  
18 **ADJUSTMENT?**

19 A. This adjustment captures both the elimination of certain nonrecurring additional expenses  
20 incurred during the Test Year in response to the Covid-19 pandemic, as well as normalizes  
21 certain expenses that were reduced below normal operating levels during the Test Year due  
22 to the pandemic, and is shown in greater detail on KSG Direct Exhibit RRS-2, Schedule H-  
23 17. Black Hills incurred additional expenses for materials, safety and protective supplies,

1 building maintenance, office supplies, and legal fees (shown in detail by FERC account in  
2 columns (a) through (c) on KSG Direct Exhibit RRS-2, Schedule H-17) totaling \$33,486  
3 which are removed as nonrecurring, unusual items. Black Hills also experienced  
4 nonrecurring savings totaling \$121,556 in conferences and trainings, office supplies, and  
5 collection fees (columns (d) through (f) of Schedule H-17), which are added back to  
6 expenses to reflect a normal Test Year. The result of these adjustments is a net increase of  
7 \$88,070 to O&M expenses as shown on IS-30. As explained earlier in my testimony, other  
8 expense and revenue adjustments in the Company's Rate Application also account for  
9 certain impacts associated with Covid-19.

10 **Q. WHAT IS ADJUSTMENT IS-31, ALTERNATIVE FORMS OF PAYMENT**  
11 **ADJUSTMENT?**

12 A. This adjustment allows customers the convenience of paying their bill with a credit card  
13 without the customer incurring separate fees. Black Hills proposes to include the processing  
14 costs associated with card transactions in the revenue requirement to enhance the customer  
15 experience. Customers increasingly want the convenience of this payment method, without  
16 a separate service fee, and the fees associated with card processing are reduced per  
17 transaction when they are paid by the utility rather than by individual customers paying bills.  
18 The adjustment calculated is based on the actual number of card transactions in the Test Year  
19 increased by 25% to reflect actual card usage in other BHC utility jurisdictions that have  
20 included card transaction processing costs in base rates. The resulting adjustment of  
21 \$231,768 is shown on Adjustment IS-31.

1 **Q. WOULD YOU PLEASE DISCUSS ADJUSTMENT IS-32, RESEARCH &**  
2 **DEVELOPMENT ADJUSTMENT?**

3 A. The research and development adjustment relates to a fee Black Hills proposes to pay to the  
4 Operations Technology Development ("OTD") organization, which then funds the Gas  
5 Technology Institute ("GTI"). OTD is a member-controlled partnership of natural gas  
6 distribution companies formed to develop, test, and implement new technologies. The  
7 objective of OTD is to address a wide range of technology issues related to gas operations  
8 and its infrastructure. By working collaboratively, participating companies leverage funds,  
9 so that no single company is responsible for carrying the entire financial burden. In addition,  
10 participants benefit from input from numerous sources, address common regulatory issues,  
11 and serve to demonstrate the broad industry support needed to gain the interest of potential  
12 product manufacturers. GTI is a research, development, and training organization addressing  
13 energy and environmental challenges. The adjustment for the membership cost is \$0.50 per  
14 customer multiplied by the average number of customers in the Test Year as determined by  
15 the average number of monthly bills from the billing determinants. The *pro forma*  
16 adjustment of \$58,184 is shown on Adjustment IS-32 (calculated on KSG Direct Exhibit  
17 RRS-2, Schedule H-19, Line 1).

18 **Q. WOULD YOU DESCRIBE ADJUSTMENT IS-33, FLEET DEPRECIATION**  
19 **ADJUSTMENT?**

20 A. Depreciation expense associated with fleet investment is recorded into a clearing account  
21 and included in the fleet loading process, which allocates fleet costs based upon the actual  
22 use of the vehicles. An adjustment to the depreciation expense was made to annualize the  
23 expense. The adjustment is made with the recognition that only a portion of the actual



1 expense is recorded to O&M Expenses, and that the remaining depreciation expense is coded  
2 to either capital projects or to non-utility expenses based on the use of the vehicle. The  
3 adjustment is then allocated to accounts in the same ratio as the fleet loadings. This method  
4 reflects the adjusted Test Year annualized depreciation expense as though it had been  
5 recorded through the fleet loadings process. Therefore, fleet depreciation is not included on  
6 Adjustment IS-34 (KSG Direct Exhibit RRS-2, Statement J) as part of the depreciation  
7 adjustment.<sup>36</sup> The O&M adjustment for depreciation of fleet in O&M results in a reduction  
8 of O&M expenses of \$141,101 as reflected on Adjustment IS-33.<sup>37</sup>

9 **Q. DID THE COMPANY USE THE NEW DEPRECIATION RATES PRESENTED IN**  
10 **KSG DIRECT EXHIBITS JJS-2 AND RRS-3 TO CALCULATE THE FLEET**  
11 **DEPRECIATION EXPENSE?**

12 A. Yes.

13 **Q. CAN YOU EXPLAIN THE RESULTS OF THE ADJUSTMENT FOR FLEET**  
14 **DEPRECIATION EXPENSE SHOWN IN ADJUSTMENT IS-33 FURTHER?**

15 A. Black Hills calculates a total reduction in fleet depreciation expense of \$281,733 and uses  
16 the Test Year fleet loadings to determine that 49.92% of fleet loadings were recorded to  
17 capital or non-utility activities. Black Hills makes the adjustment to reduce fleet loading  
18 O&M expense due to the change in depreciation rates of \$141,101 [ $\$281,733 \times (1-49.92\%)$ ].  
19 This amount is then prorated to the individual O&M Accounts in the same ratio as the Fleet  
20 loadings were recorded during the Test Year.

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<sup>36</sup> Adjustment IS-34, the Depreciation and Amortization Expense Adjustment, is discussed in Rate Application Section 10.

<sup>37</sup> Refer to KSG Direct Exhibit RRS-2, Schedule H-20 for detail of the calculation and resulting impact by FERC account.

1           **H.    RATE APPLICATION SECTION 10**

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

3           A.    Rate Application Section 10 shows the per-book annual depreciation and amortization  
4           expenses by functional class for the Test Year. KSG Direct Exhibit RRS-2, Statement J is  
5           the calculation of depreciation expense in the Test Year, As Adjusted utilizing the new  
6           depreciation rates proposed by Mr. Spanos in KSG Direct Exhibit JJS-2, the depreciation  
7           study for Black Hills. Detailed calculations by FERC account are shown on KSG Direct  
8           Exhibit RRS-2, Schedule J-1. Additionally, BHSC has implemented a new depreciation  
9           study as of March 1, 2020. BHSC's depreciation study was approved in three other states  
10          and is presented as KSG Direct Exhibit RRS-3 and is used as the basis for depreciation  
11          expense for allocated plant.

12          **Q.    IS THE COMPANY ADOPTING ANY CHANGES IN ITS DEPRECIATION**  
13          **ACCOUNTING IN THIS PROCEEDING?**

14          A.    Yes. Both Black Hills and BHSC are proposing to adopt the use of Accounting Release  
15          Number 15 ("AR 15"), which is a vintage year accounting method approved by the FERC,  
16          *Vintage Year Accounting for General Plant Accounts*, dated January 1, 1997 discussed in  
17          the testimony of Mr. Spanos as amortization accounting.

18          **Q.    WOULD YOU SUMMARIZE VINTAGE YEAR ACCOUNTING UNDER AR 15?**

19          A.    Vintage year accounting for group depreciation allows a company to simplify its  
20          depreciation method for high volume, low cost assets. This method does not require a  
21          company to track these types of assets individually, but rather allows for the assets to be  
22          systematically retired after their depreciable life. These assets are limited to assets commonly  
23          referred to as General Plant excluding buildings, transportation equipment, and land.

1 **Q. ARE ANY ACTIONS NECESSARY TO IMPLEMENT AR 15?**

2 A. Yes. Gannett Fleming recommends aligning the accumulated depreciation reserve balances  
3 with an appropriate starting point to implement AR 15. This realignment will reflect the  
4 appropriate Accumulated Depreciation balances going forward for depreciation groups that  
5 were calculated in the study and allows a clean implementation of AR 15. This realignment  
6 creates a debit balance, of unrecovered reserve, to be amortized separately from the  
7 depreciation study. Black Hills proposes to amortize Black Hills' unrecovered reserve  
8 balance over 5 years. This amortization amount of (\$5,105) is shown on KSG Direct Exhibit  
9 RRS-2, Statement J, line 14. BHSC proposes to amortize its unrecovered reserve balance  
10 over 10 years. The allocated portion of this amortization expense is \$279,488 annually and  
11 is shown on KSG Direct Exhibit RRS-2, Statement J, line 19.

12 **1. DEPRECIATION AND AMORTIZATION ADJUSTMENT**

13 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-34, DEPRECIATION AND**  
14 **AMORTIZATION EXPENSE ADJUSTMENT?**

15 A. Adjustment IS-34 is the result of the depreciation and amortization calculation summarized  
16 on KSG Direct Exhibit RRS-2, Statement J. The resulting increase in depreciation and  
17 amortization expense of \$1,401,253 is shown on Adjustment IS-34.

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

20 A. Depreciation and amortization expense for assets directly owned by Black Hills was  
21 calculated by multiplying the adjusted plant balances as shown on KSG Direct Exhibit RRS-  
22 2, Schedule D-1, less any non-depreciable items, by each account's depreciation rate as

1 presented in KSG Direct Exhibit JJS-2 (Gas Plant Depreciation Study for Black Hills). This  
2 study provides the on-going annual depreciation and amortization expense for the Test Year,  
3 As Adjusted based on the plant in service at June 30, 2021.

4 Depreciation and amortization expense for assets owned by BHSC was calculated by  
5 multiplying the allocated portion of each allocation basis by the corresponding composite  
6 rate of each method of allocation.

7 **Q. WHY WAS THE COMPOSITE RATE CALCULATED FOR THE BHSC ASSETS**  
8 **CALCULATED INSTEAD OF USING THE DEPRECIATION RATES FROM THE**  
9 **BHSC DEPRECIATION STUDY (KSG DIRECT EXHIBIT RRS-3)?**

10 A. The composite rate was calculated in order to accurately determine the depreciation expense  
11 that would be allocated to Black Hills. For instance, computer software account 391.04 is  
12 allocated to Black Hills by multiple allocation factors. Software used to track locations of  
13 pipe would be used by all gas utilities and would use a blended ratio to allocate those assets  
14 to Black Hills. Additionally, software used to produce customer bills for both electric and  
15 gas customers would be allocated based upon the customer count of all regulated utilities.  
16 Therefore, in order to calculate the appropriate amount of depreciation expense, Black Hills  
17 used the detail of the Test Year ending balance and depreciation expense as the basis of its  
18 composite rate for BHSC assets.

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

20 A. Black Hills applied the depreciation rates from the Common Plant Depreciation Study for  
21 BHSC to the detail of the plant FERC accounts that make up each of the allocation  
22 methods.<sup>38</sup> The total depreciation expense calculated for each category and compared to the

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<sup>38</sup> See KSG Direct Exhibit RRS-3 (Common Plant Depreciation Study for BHSC).

1 total plant used to determine the depreciation expense. The percentage of depreciation  
2 expense to the gross plant used to calculate the depreciation expense is the percentage used  
3 as the composite rate for each allocation method.

4 **I. RATE APPLICATION SECTION 11**

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

6 A. Section 11 shows the impact of all adjustments on income taxes. Schedules 2 and 3 show  
7 the computation of taxable income before and after all pro forma adjustments. Schedule 4  
8 shows the computation of income taxes before and after all pro forma adjustments.  
9 Schedule 5 shows deferred taxes relating to investment tax credits, and schedule 6 shows the  
10 deferred income tax balances arising from accelerated depreciation.<sup>39</sup>

11 **1. TOTI ADJUSTMENTS**

12 **Q. WHAT IS “TOTI”, AND ARE THE TEST YEAR AMOUNTS FOR THESE**  
13 **EXPENSES REPRESENTATIVE OF THE TEST YEAR, AS ADJUSTED?**

14 A. “TOTI” refers to Taxes Other Than Income, which are amounts paid to Federal, State, and  
15 local governments for revenues not associated with income. TOTI includes Federal  
16 Insurance Contributions Act (“FICA”) taxes, federal and state unemployment, property  
17 taxes, other payroll taxes, and sales/use taxes. The Test Year expenses for TOTI are  
18 representative, except FICA taxes and property taxes do not reflect expenses in the Test  
19 Year, As Adjusted.

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<sup>39</sup> Additional detail related to income taxes is shown in the revenue requirement study, KSG Direct Exhibit RRS-2, Statement K.

1 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-35, FICA TAX EXPENSE**  
2 **ADJUSTMENT?**

3 A. Adjustment IS-35 is the first of two adjustments related to TOTI, and addresses FICA tax.  
4 FICA tax is based on wages that an employee is paid. Since Black Hills has adjusted wages  
5 on IS-18 (KSG Direct Exhibit RRS-2, Schedule H-5: Wage and Salaries Adjustment for  
6 Annualization of Direct Employees) and IS-21 (KSG Direct Exhibit RRS-2, Schedule H-8:  
7 which includes Wage and Salaries Adjustment Annualization of BHSC Employees), the  
8 FICA tax is disconnected from wages that will be paid. The adjustment is calculated by  
9 multiplying the adjustment amount of taxable wages in O&M by applicable FICA rates,  
10 calculated separately for Black Hills and BHSC labor costs.<sup>40</sup>

11 The calculation of the adjustment for FICA tax is shown on KSG Direct Exhibit  
12 RRS-2, Schedule L-1, lines 1-11. The adjustment for Black Hills employees is \$34,315  
13 [\$460,263 x 7.46%] and the adjustment for BHSC employees is \$46,693 [\$726,825 x  
14 6.42%], totaling the \$81,008 presented on Adjustment IS-35. This adjustment results in  
15 FICA tax expense aligning with the increased O&M wages requested.

16 **Q. WOULD YOU PLEASE EXPLAIN ADJUSTMENT IS-36, THE PROPERTY TAX**  
17 **EXPENSE ADJUSTMENT?**

18 A. Adjustment IS-36 is the other adjustment to TOTI, related to property taxes. This addresses  
19 the expense true-up needed to establish the level of Ad Valorem Tax expenses in base rates.  
20 Revenue adjustment IS-5 removes the AVTS revenues, allowing this new level of expense

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<sup>40</sup> For calculation of this adjustment, “taxable wages” includes base pay, incentive pay, and overtime, stand-by pay, and call out pay. It excludes non-taxable benefits. “Applicable FICA rates” were determined by dividing the Test Year FICA tax expense by taxable wages. Rates for both Black Hills and BHSC are less than the statutory maximum 7.65% due to wages in excess of the maximum amounts subject to FICA tax per individual employee and certain employee benefits that are not subject to FICA tax.

1 to serve as the new base for rates established from this proceeding, as well as for future Ad  
2 Valorem Tax surcharges.

3 **Q. HOW WAS THE NEW LEVEL OF PROPERTY TAX EXPENSE DETERMINED?**

4 A. Adjustment IS-36 is the true-up of property tax expense based on the most recent actual  
5 assessments (\$5,293,400) versus the property tax expense during the Test Year (\$4,972,358).  
6 The tax notices were \$321,042 higher than the Test Year expense, which is the amount of  
7 the adjustment.

8 **2. INCOME TAX ADJUSTMENTS**

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

10 A. Adjustment IS-37 and Adjustment IS-38 relate to income taxes. Adjustment IS-37 reduces  
11 taxes by \$220,154 for Amortization of Protected Plant Excess Deferred Income Taxes under  
12 the Average Rate Assumption Method, and Adjustment IS-38 increases taxes by \$53,768  
13 for Recovery of NOL Carryforward Related to Kansas corporate income tax return form K-  
14 120. Mr. Crouch discusses these topics in greater detail; they are presented as separate  
15 adjustment schedules in the revenue requirement calculation because the mathematical  
16 reflection of taxes included on the earlier adjustment schedules does not reflect these items.<sup>41</sup>

17 **Q. HAS BLACK HILLS REFLECTED ALL OF THE IMPACTS OF THE TAX CUTS  
18 AND JOBS ACT (“TCJA”) IN ITS REVENUE REQUIREMENT STUDY?<sup>42</sup>**

19 A. Yes. The Revenue Requirement Study reflects the impacts of the TCJA on several elements  
20 of cost, as follows:

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<sup>41</sup> A complete view of Test Year income taxes and the adjustments is shown on Statement K of KSG Direct Exhibit RRS-2, the revenue requirement study.

<sup>42</sup> See Docket No. 18-GIMX-248-GIV (“TCJA Docket”)

- 1 • Federal income tax rate of 21% was used to determine income tax expense and ADIT;
- 2 • ADIT associated with all pro forma plant additions did not use bonus depreciation;
- 3 • Protected Plant Excess Deferred Income Tax (“EDIT”) balances are included as a
- 4 reduction to rate base;
- 5 • Non-Protected non-plant EDIT net of non-plant Deficient Deferred Income Tax
- 6 (“DDIT”) balances are to be refunded via the tax adjustment rider (“TA rider”)
- 7 mechanism proposed in this proceeding and further described in the direct testimony of
- 8 Mr. Stevens; and
- 9 • The annual Average Rate Assumption Method (“ARAM”) amortization was included as
- 10 a component reducing federal income tax expense.

11 **Q. HAS BLACK HILLS REFLECTED ALL OF THE IMPACTS OF THE KANSAS HB**  
12 **2585 PUBLIC UTILITY STATE INCOME TAX EXEMPTION IN ITS REVENUE**  
13 **REQUIREMENT STUDY?<sup>43</sup>**

14 A. Yes. The Revenue Requirement Study reflects the impacts of the HB 2585 on several  
15 elements of cost, as follows:

- 16 • State income tax rate of 0% was used to determine state income tax expense and state
- 17 ADIT;
- 18 • The associated Excess Deferred Income Tax (“EDIT”) balance is to be returned to
- 19 customers via the TA Rider; and

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<sup>43</sup> See Docket No. 21-BHCG-099-RTS



- Recovery over a twenty-year amortization period of a Kansas state net operating loss carryforward negatively affected by HB 2585 was included as an offsetting component increasing tax expense.

**Q. WOULD YOU PLEASE DESCRIBE THE EDIT THAT IS INCLUDED IN THE REVENUE REQUIREMENT?**

A. Mr. Crouch classifies net TCJA EDIT in three categories: Protected Plant EDIT, Protected NOL DDIT, and Non-Protected non-plant EDIT. The Protected Plant EDIT of \$11.98 million is found on Section 3, Schedule 1, Line 13. This amount is a component reducing the calculation of total rate base. The remaining categories of TCJA net EDIT totaling \$3.93 million before tax on tax gross up are removed from the Revenue Requirement Study and will be returned to customers outside of base rates as a bill credit via the TA Rider. This figure is reported on KSG Direct Exhibit RRS-2, Schedule M-1 lines 30-33.

Additionally, Mr. Crouch describes EDIT created by Kansas HB 2585 totaling \$3.7 million before the tax on tax gross up is removed. The EDIT created by Kansas HB 2585 is considered non-protected and will be returned to customers outside of base rates as a bill credit via the TA Rider. This figure is reported on KSG Direct Exhibit RRS-2, Schedule M-1 line 37. Mr. Crouch further discusses the origin and types of EDIT in his direct testimony. Mr. Stevens discusses the TA Rider proposal.

**J. RATE APPLICATION SECTION 12**

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

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



1 **Q. WHAT IS THE DIFFERENCE BETWEEN ASSIGNED, DISTRIBUTED, AND**  
2 **ALLOCATED COSTS?**

3 A. Direct costs are either assigned or distributed, while indirect costs are allocated. Direct costs  
4 are those corporate costs that are specifically associated with a particular service or product  
5 within an identified subsidiary or group of identified subsidiaries and result in direct charges  
6 to the service or product within that specific subsidiary or group of subsidiaries. Indirect  
7 costs are those corporate costs that cannot be identified with a particular service or product  
8 within an identified subsidiary. This means the costs indirectly support all subsidiaries or  
9 directly support the operation of BHSC. All services billed to BHC subsidiaries are either  
10 directly assigned, directly distributed, or where direct assignment/distribution is not  
11 practical, allocated as indirect costs under allocation methodologies based on cost causation  
12 principles as memorialized in the CAM.

13 **Q. HOW ARE DIRECT COSTS CHARGED TO BLACK HILLS?**

14 A. The costs of services that can be directly assigned or distributed to a service or product within  
15 a subsidiary are billed directly to the service or product within that benefiting subsidiary.  
16 An example of a directly assigned charge to Black Hills is a trainer from the Gas Engineering  
17 Department provides safety and operating procedure training to the employees of Black  
18 Hills. The employee related expenses associated with the training are specifically associated  
19 with Black Hills. Therefore, this would be a directly assigned cost.

20 An additional type of direct cost is a cost that is distributed directly to a BHC entity.  
21 A directly distributed cost is a cost that benefits a product or service of multiple BHC  
22 subsidiaries and can be distributed based upon a primary cost driver. By reflecting the  
23 operational characteristics of a service, the directly distributed cost methodology transfers

1 costs to the BHC subsidiaries in an impartial manner. The directly distributed cost  
2 methodology reflects how each BHC subsidiary caused the costs of a product or service to  
3 be incurred in a stable, predictable, and consistent method. An example of a directly  
4 distributed cost is the cost of centralized employee benefit administration by members of the  
5 Human Resources Department. The costs are distributed under the CAM to the multiple  
6 product lines and services within the BHC subsidiaries that benefit from the service based  
7 on the cost driver of employee count.

8 **Q. HOW ARE INDIRECT COSTS CHARGED TO BLACK HILLS?**

9 A. Indirect costs that are not associated with a product or service within an identified subsidiary,  
10 or that are attributable to more than one product or service within multiple subsidiaries, are  
11 indirectly allocated as mandated by the CAM. Such indirect costs are allocated using one of  
12 several pre-defined allocation ratios. Where applicable, each BHSC department has been  
13 assigned an allocation ratio for its indirect costs based on the primary cost driver of the  
14 department. All indirect costs of that department are then allocated using the department's  
15 assigned allocation ratio set forth in the CAM. An example of an indirectly allocated cost is  
16 the Corporate Accounting department's monthly closing of the consolidated BHC financial  
17 statements. Since the Corporate Accounting department is supporting all the subsidiaries of  
18 the enterprise, it is impractical to directly charge. Thus, the charge would be considered an  
19 indirect cost. The monthly financial close activity is in support of all products and services  
20 within BHC subsidiaries, thus, the driver for the indirect costs is the relative managerial  
21 attention invested in a given subsidiary as measured by the plant, margin, and payroll (the  
22 “blended ratio”) of the subsidiary. The indirect costs for the consolidated monthly financial  
23 close activity are allocated to Black Hills using a pre-defined allocation based on the blended

1 ratio<sup>46</sup>.

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

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

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

14 A. The CAM is reviewed and updated annually. The last update to the CAM was completed  
15 December 20, 2020. The update included some minor changes in department names,  
16 grammatical errors, and other updates. As mentioned earlier, the BHSC CAM experienced  
17 a significant change on December 31, 2018 to recognize the transfer of shared service  
18 functions from BHUH to BHSC. With this amendment, allocations from BHUH were  
19 eliminated. The amendment terminated the BHUH CAM because BHUH no longer performs  
20 shared service functions.

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<sup>46</sup> See Appendix 1 included within the CAM (KSG Direct Exhibit RRS-4 and KSG Direct Exhibit RRS-5) for a listing of all allocation ratios, including the blended ratio.

1 **Q. DID BHUH ALLOCATE COSTS DURING THE TEST YEAR TO BLACK HILLS?**

2 A. No. As discussed earlier, BHSC has been the single shared service company since January  
3 1, 2019. Black Hills began receiving allocated costs through one CAM on that date.

4 **VII. CONCLUSION**

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

6 A. Yes.

**AFFIDAVIT OF RACHEL R. SCHULDT**

State of South Dakota

) ss

County of Pennington

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

Rachel R. Schuldt  
Rachel R. Schuldt

Subscribed and sworn to before me,  
A Notary Public, in and for said County  
and State, this 29 day of April.

Kelsey L. Sakos  
Notary Public

My Commission expires: May 16, 2023



**Education, Employment History  
and Professional Experience**

I graduated *summa cum laude* from The University of South Dakota with a Bachelor of Business Administration degree in Accounting (2006) and a Master of Professional Accountancy (2006).

I began my career in Accounting as an Audit Intern at McGladrey & Pullen, LLP in 2005, becoming an Audit Associate at McGladrey & Pullen, LLP from 2006 to 2007. In 2007, I obtained a Certified Public Accountant (CPA) license in the state of South Dakota and have actively maintained the license since then. From 2007 to 2009, I was an In-Charge Auditor at Ketel Thorstenson, LLP, where I also did valuation work and obtained a Certified Valuation Analyst (CVA) license (inactive).

From 2009 to 2014, I held positions with increasing responsibility for accounting, payables and receivables, human resources, and management as Finance Manager at The Lodge at Deadwood (2009), Chief Financial Officer at Cor-Bon/Glaser (2009-2012) and Controller at Coca-Cola Bottling Company High Country (2012-2014).

I joined Black Hills Corporation in 2014 as Treasury Finance Manager I, promoted to Treasury Finance Manager II in 2016. My responsibilities included, but were not limited to, daily cash management, liquidity, cash forecasting, the money pools, borrowings under the revolving credit facility, variable rate debt, treasury planning and integration for acquisitions, credit, and project management and software implementations. I joined the Regulatory and Finance team in 2019 as Principal Analyst for Revenue Requirements, primarily preparing and supporting revenue requirement studies and reports for the regulated utility subsidiaries of Black Hills Corporation (“BHC”).



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**KSG Direct Exhibit RRS-2**  
**Revenue Requirement Study**  
**Table of Contents**

Statement A	Balance Sheet
Statement B	Income Statement
Statement D	Plant in Service
Statement E	Accumulated Provision for Depreciation
Statement F	Working Capital
Statement G	Cost of Capital
Statement H	Operating and Maintenance Expenses
Statement I	Operating Revenue
Statement J	Depreciation Expense
Statement K	Computation of Federal Income Tax
Statement L	Taxes Other Than Income
Statement M	Overall Revenue Requirement
Statement N	Calculation of the Revenue Deficiency

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**ASSETS AND OTHER DEBITS**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020**

**KSG Direct Exhibit RRS-2**  
**Statement A**  
**Page 1 of 2**

Line No.	Description	FERC Account	12/31/2017	12/31/2018	12/31/2019	12/31/2020
1	Utility Plant					
2	Gas Plant in Service	101	\$ 258,997,934	\$ 265,184,997	\$ 282,790,888	\$ 299,107,677
3	Gas Leased Assets	101	-	-	359,011	367,749
4	Completed Construction Not Classified	106	5,640,023	20,807,508	22,669,644	40,497,937
5	Construction Work in Progress	107	2,661,477	653,174	2,652,555	10,902,595
6	Gas Plant Acquisition Adjustment	114	4,317,034	4,317,034	4,317,034	4,317,034
7	Gas Stored Underground	117	-	-	-	-
8	Other-Utility Property	118	15,045,417	15,547,326	17,599,254	12,280,874
9						
10	Gross Utility Plant		\$ 286,661,885	\$ 306,510,038	\$ 330,388,387	\$ 367,473,867
11	Accum. Prov. For Depreciation	108	(94,611,571)	(98,419,892)	(100,342,609)	(103,564,012)
12	Accum. Prov. For Depreciation - RWIP	108	44,506	61,858	83,979	158,180
13	Accum. Prov. For Gas Leased Assets	108	-	-	(244,841)	(280,288)
14	Accum. Prov. For Amortization	111	(46,244)	(19,387)	(19,062)	(17,639)
15	Accum. Prov. For Amort. Of Acq Adj	115	-	-	-	-
16	Res for Depr Other Utility Property	119	(7,554,653)	(7,336,468)	(8,008,253)	(1,100,263)
17	Total Utility Plant		\$ 184,493,924	\$ 200,796,150	\$ 221,857,601	\$ 262,669,845
18						
19	Non-Utility Property	101; 108; 121-122	\$ 251,897	\$ 331,494	\$ 361,472	\$ 388,014
20						
21						
22	Current and Accrued Assets					
23	Cash	131	\$ -	\$ 441	\$ -	\$ -
24	Working Funds	135	-	-	-	-
25	Notes & Accts Receivable - Net	141-145; 173	15,021,035	17,023,807	14,839,386	26,208,876
26	Accts Rec Assoc Company	146	1,987,808	3,150,122	1,755,414	871,956
27	Fuel Stocks	151, 152	-	-	-	-
28	Material and Supplies	154-163	1,120,231	1,839,866	2,021,165	2,372,732
29	Gas Stored Underground	164	3,474,721	2,936,366	2,452,065	2,317,861
30	Prepayments	165	339,360	46,342	49,787	398,090
31	Other Current Assets	174, 176	21,108	131,902	79,931	89,736
32	Derv Instrument Assets	175	-	-	-	-
33	Total Current & Accrued Assets		\$ 21,964,261	\$ 25,128,846	\$ 21,197,748	\$ 32,259,251
34						
35	Deferred Debits					
36	Unamortized Debt Expense	181	\$ -	\$ -	\$ -	\$ -
37	Other Regulatory Assets	182	8,157,602	7,212,461	7,753,800	10,552,202
38	Preliminary Survey	183	226,221	-	-	2,475
39	Miscellaneous Debits	184-187	308,719	213,904	310,588	607,188
40	Deferred Income Tax	190	3,390,403	5,904,942	6,743,012	6,969,089
41	Unrecovered PGA	191	(0)	102,075	(3,822)	0
42	Total Deferred Debits		\$ 12,082,944	\$ 13,433,381	\$ 14,803,578	\$ 18,130,955
43						
44	Total Assets and Other Debits		\$ 218,793,027	\$ 239,689,871	\$ 258,220,399	\$ 313,448,065

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**LIABILITIES AND OTHER CREDITS**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020**

**KSG Direct Exhibit RRS-2**  
**Statement A**  
**Page 2 of 2**

<b>Line No.</b>	<b>Description</b>	<b>FERC Acct</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>	<b>12/31/2020</b>
1	Proprietary Capital					
2	Miscellaneous Paid in Capital	211	\$ 55,514,021	\$ 61,514,021	\$ 61,514,021	\$ 80,514,021
3	Unapprop. Retained Earnings	216	7,397,686	11,383,793	17,850,316	28,955,128
4	Accum. Other Comprehensive Income	219	-	-	-	-
5	Total Proprietary Capital		\$ 62,911,707	\$ 72,897,814	\$ 79,364,337	\$ 109,469,149
6						
7	Long Term Debt					
8	Intercompany Notes Payable	223	\$ -	\$ -	\$ -	\$ -
9	Unamort Discount on LTD	226	\$ -	\$ -	\$ -	\$ -
10	Operating Lease Obligation	227	\$ -	\$ -	\$ 88,680	\$ 72,957
11						
12	Other Non-Current Liabilities	228-230	\$ 4,373,286	\$ 3,765,104	\$ 4,065,722	\$ 3,942,360
13						
14	Current & Accrued Liability					
15	Accounts Payable	232	\$ 8,783,233	\$ 10,914,639	\$ 6,171,581	\$ 12,035,702
16	Notes Pay. Assoc Company	233	85,831,091	81,675,147	98,665,598	108,351,967
17	Acc Pay. Assoc Company	234	13,907,374	16,494,457	16,708,029	18,339,818
18	Customer Deposits	235	1,385,757	1,425,901	1,482,842	1,433,558
19	Taxes Accrued	236	2,294,105	2,224,494	2,361,637	2,803,903
20	Interest Accrued	237	0	-	-	12,016
21	Tax Collections Payable	241	838,948	972,604	859,244	954,609
22	Misc Current & Accrued Liab	242	2,725,176	4,362,821	4,134,688	4,187,548
23	Operating Lease Obligation - ST	243	-	-	26,501	15,998
24	Deriv Instrument Liab	244	-	-	-	-
25	Total Current & Accrued Liability		\$ 115,765,684	\$ 118,070,063	\$ 130,410,119	\$ 148,135,119
26						
27	Deferred Credits					
28	Customer Advance for Construction	252	\$ 291,030	\$ 193,398	\$ 212,009	\$ 114,892
29	Other Deferred Credits	253	379,439	621,054	387,246	627,287
30	Other Regulatory Liabilities	254	19,533,081	24,990,802	21,862,734	29,133,189
31	Acc Def ITC	255	-	-	-	-
32	Acc Def Inc Taxes - Property	282	21,911,754	24,353,306	28,947,860	27,414,567
33	Acc Def Inc Taxes - Other	283	(6,372,955)	(5,201,671)	(7,118,307)	(5,461,454)
34	Total Deferred Credits		\$ 35,742,349	\$ 44,956,889	\$ 44,291,541	\$ 51,828,481
35						
36						
37	Total Liabilities & Other Credits		\$ 218,793,027	\$ 239,689,871	\$ 258,220,399	\$ 313,448,065

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**STATEMENT OF INCOME**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020**

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

<b>Line No.</b>	<b>Description</b>	<b>Reference</b>	<b>Year Ended 12/31/2017</b>	<b>Year Ended 12/31/2018</b>	<b>Year Ended 12/31/2019</b>	<b>Year Ended 12/31/2020</b>
1	Gas Sales	480-482	\$ 91,062,562	\$ 97,442,376	\$ 91,194,979	\$ 87,442,937
2	Other Revenue	483-496	7,811,440	7,498,527	8,242,189	8,353,960
3	Sub-Total		\$ 98,874,002	\$ 104,940,903	\$ 99,437,168	\$ 95,796,897
4						
5						
6	Production & Gathering	750-770	\$ -	\$ -	\$ -	\$ -
7	Other Gas Supply	800-813	48,426,573	53,491,943	44,928,930	38,992,210
8	Underground Storage	814-836	0	-	-	-
9	Other Storage Expense	840-844	-	-	-	-
10	Transmission Expense	850-867	568,089	524,116	478,957	530,119
11	Distribution Expense	870-894	9,624,759	9,971,017	8,106,509	8,685,722
12	Customer Accounts Expense	901-905	4,126,943	3,994,511	3,130,979	3,476,445
13	Customer Service & Informational Exp.	907-910	197,284	243,667	247,347	226,131
14	Sales Expenses	911-916	128,580	285,737	292,920	261,052
15	Administrative & General Expense	920-932	10,688,651	10,856,092	14,156,279	13,681,557
16	Total O&M		\$ 73,760,880	\$ 79,367,082	\$ 71,341,922	\$ 65,853,235
17						
18	Depreciation & Amortization	403-406	\$ 6,595,841	\$ 6,893,051	\$ 7,663,623	\$ 8,617,795
19	Taxes Other than Income	408.1	3,854,187	3,577,463	5,306,312	5,947,476
20	Sub-Total		\$ 10,450,028	\$ 10,470,513	\$ 12,969,936	\$ 14,565,271
21						
22	Net Operating Income	Ln.3 - Ln.16 - Ln.20	\$ 14,663,094	\$ 15,103,309	\$ 15,125,310	\$ 15,378,391
23						
24	Non-Utility Operating Income (& Expense)	403, 408.2, 409.2, 415-426	\$ 1,450,250	\$ 1,986,895	\$ 1,777,909	\$ 2,697,553
25	Interest (Expense)	427-431	(3,426,022)	(3,848,545)	(4,259,934)	(4,765,085)
26	AFUDC - Debt & Equity	432	65,265	60,858	92,750	215,457
27	Non-Operating (Expense)	Ln. 24 + Ln. 25 + Ln. 26	\$ (1,910,506)	\$ (1,800,791)	\$ (2,389,275)	\$ (1,852,076)
28						
29	Income/(Loss) Before Tax	Ln.22 + Ln.27	\$ 12,752,588	\$ 13,302,517	\$ 12,736,035	\$ 13,526,315
30						
31	(State & Federal Income Taxes)/Benefit	409.1, 410-411	\$ (6,777,800)	\$ (3,816,411)	\$ (1,670,535)	\$ (2,545,655)
32						
33	Net Utility Income/(Loss)	Ln.29 + Ln.31	\$ 5,974,788	\$ 9,486,107	\$ 11,065,501	\$ 10,980,660

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PLANT IN SERVICE SUMMARY  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	Description	Reference	(a)	(b)	(c)	(d)
			Plant in Service 12/31/2019	Plant in Service 12/31/2020	(Note 1) D-1 Subsequent & Expected Pro Forma Additions & Adjustments	(b) + (c) Adjusted Plant in Service
1	Intangible	Sched D-1 Ln.7	\$ 3,508,760	\$ 3,508,760	\$ -	\$ 3,508,760
2						
3	Production and Gathering Plant	Sched D-1 Ln.11	18,719	18,719	-	18,719
4						
5	Storage Plant	(Note 2)	-	-	-	-
6						
7	Base Gas Storage	(Note 2)	-	-	-	-
8						
9	Transmission	Sched D-1 Ln.23	42,329,674	45,853,421	4,679,841	50,533,262
10						
11	Distribution	Sched D-1 Ln.40	238,783,586	265,317,942	11,195,221	276,513,163
12						
13	General	Sched D-1 Ln.61	20,819,793	24,906,773	3,121,192	28,027,965
14						
15	Other Utility	Sched D-1 Ln.65	17,599,254	12,280,874	511,244	12,792,118
16						
17	Plant in Service	Sum (Ln1:Ln15)	<u>\$ 323,059,786</u>	<u>\$ 351,886,489</u>	<u>\$ 19,507,498</u>	<u>\$ 371,393,987</u>
18						
19	Total Plant in Service	Ln 17	<u><u>\$ 323,059,786</u></u>	<u><u>\$ 351,886,489</u></u>	<u><u>\$ 19,507,498</u></u>	<u><u>\$ 371,393,987</u></u>
20						

21 (Note 1) Subsequent additions references Schedule D-1, which includes property additions and adjustments for the Pro Forma Period.

22 (Note 2) There was no plant in service in this category in the Test Year, and no subsequent additions anticipated in the Test Year, As Adjusted.

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PLANT IN SERVICE ADJUSTMENTS DETAIL  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Schedule D-1

Line No.	FERC Acct	Description	(a) Plant in Service 12/31/2017	(b) Plant in Service 12/31/2018	(c) Plant in Service 12/31/2019	(d) Plant in Service 12/31/2020	(e) (Note 2) Existing Plant CAM Adjustment	(f) (Sched. D-2) Pro Forma Plant Additions	(g) (Sched. D-3) Pro Forma Plant Retirements	(h) Adjusted Balance 12/31/2021
<b>INTANGIBLE PLANT</b>										
1		Intangibles Organization	\$ 186,932	\$ 186,932	\$ 186,932	\$ 186,932	\$ -	\$ -	\$ -	\$ 186,932
3	302.00	Intangibles Franchises & Consents	74,990	74,990	74,990	74,990	-	-	-	74,990
4	303.00	Intangibles Miscellaneous	1,335,506	1,335,506	1,335,506	1,335,506	-	-	-	1,335,506
5	303.01	Intangibles Miscellaneous - Easements	1,730,332	1,730,332	1,730,332	1,730,332	-	-	-	1,730,332
6	303.02	Intangibles Miscellaneous - Trademarks	181,000	181,000	181,000	181,000	-	-	-	181,000
7		Total Intangible Plant	\$ 3,508,760	\$ 3,508,760	\$ 3,508,760	\$ 3,508,760	\$ -	\$ -	\$ -	\$ 3,508,760
<b>NATURAL GAS PRODUCTION &amp; GATHERING PLANT</b>										
10	336.01	Purification Equipment	\$ 18,719	\$ 18,719	\$ 18,719	\$ 18,719	\$ -	\$ -	\$ -	\$ 18,719
11		Total Natural Gas Production & Gathering Plant	\$ 18,719	\$ 18,719	\$ 18,719	\$ 18,719	\$ -	\$ -	\$ -	\$ 18,719
<b>TRANSMISSION PLANT</b>										
14	365.01	Land	\$ 10,131	\$ 10,131	\$ 10,131	\$ 9,431	\$ -	\$ -	\$ -	\$ 9,431
15	365.02	Land Rights/Right-of-Way (Non-Depreciable)	594,358	594,358	594,358	594,368	-	371,849	-	966,217
16	365.71	Land/Farm Tap	644	644	644	644	-	-	-	644
17	365.72	Land Rights/Farm Tap (Non-Depreciable)	2,100	2,100	2,100	2,100	-	-	-	2,100
18	366.01	Structures and Improvements	120,118	120,118	131,402	131,402	-	82,750	-	214,152
19	367.00	Transmission Plant - Mains	34,575,059	37,558,274	37,572,099	41,002,208	-	4,158,887	(357,146)	44,803,950
20	368.04	Compressor Station Equipment	2,475	2,475	2,475	2,475	-	-	-	2,475
21	369.03	Measuring & Regulating Station Equipment	3,738,178	3,765,882	3,908,121	4,002,449	-	423,500	-	4,425,949
22	371.01	Transmission Plant - Other Equipment	108,344	108,344	108,344	108,344	-	-	-	108,344
23		Total Transmission Plant	\$ 39,151,407	\$ 42,162,327	\$ 42,329,674	\$ 45,853,421	\$ -	\$ 5,036,987	\$ (357,146)	\$ 50,533,262
<b>DISTRIBUTION PLANT</b>										
26	374.01	Land	\$ 192,279	\$ 192,279	\$ 192,279	\$ 186,909	\$ -	\$ -	\$ -	\$ 186,909
27	374.02	Land Rights/Right of Way (Non-Depreciable)	168,412	168,412	168,412	183,574	-	21,895	-	205,469
28	375.01	Structures and Improvements	898,502	898,713	945,514	937,596	-	93,252	-	1,030,848
29	376.00	Distribution Plant - Mains	92,432,266	103,919,035	111,349,379	123,324,102	-	5,398,372	(170,763)	128,551,711
30	377.00	Compressor Station Equipment	222,104	222,104	175,304	175,304	-	-	-	175,304
31	378.00	Measuring & Regulating Station Equipment - General	5,184,329	5,286,247	5,396,059	6,068,652	-	1,272,158	-	7,340,810
32	379.00	Measuring & Regulating Station Equipment - City Gate	61,111	61,111	61,111	61,111	-	143,565	-	204,676
33	380.00	Distribution Plant - Services	56,417,773	60,496,682	64,341,821	73,785,831	-	2,708,646	(133,527)	76,360,950
34	381.00	Meters	10,142,338	10,505,794	10,732,645	10,822,114	-	445,475	-	11,267,589
35	381.01	Meters - ERT & AMI	9,086,389	9,397,122	9,671,690	9,723,356	-	-	-	9,723,356
36	382.01	Meter Installations	1,792,489	1,608,376	1,638,797	1,670,741	-	157,807	-	1,828,548
37	383.01	House Regulators	19,595,255	21,500,135	27,858,130	32,053,464	-	1,176,188	(60,456)	33,169,196
38	385.01	Industrial Measuring & Regulating Station Equipment	6,083,111	6,056,565	6,143,083	6,215,827	-	142,609	-	6,358,436
39	387.00	Other Equipment	137,755	141,180	109,363	109,363	-	-	-	109,363
40		Total Distribution Plant	\$ 202,414,112	\$ 220,453,753	\$ 238,783,586	\$ 265,317,942	\$ -	\$ 11,559,967	\$ (364,746)	\$ 276,513,163
<b>GENERAL PLANT</b>										
43	389.01	Land	\$ 575,720	\$ 575,720	\$ 709,791	\$ 904,183	\$ -	\$ -	\$ (74,316)	\$ 829,867
44	390.01	Structures and Improvements	7,421,234	7,401,224	8,077,891	9,604,400	-	2,491,908	(880,541)	11,215,767
45	390.51	Leasehold Improvements	56,361	28,231	27,906	26,483	-	-	-	26,483
46	391.01	Office Furniture & Equipment	327,829	361,147	362,994	356,672	-	3,889	-	360,561
47	391.03	Computer Hardware	431,563	284,719	283,132	929,925	-	-	-	929,925
48	391.04	Software	7,387	65,238	70,783	-	-	-	-	-
49	391.07	Ipad Hardware	146,221	-	222,803	222,824	-	-	-	222,824
50	392.01	Transportation Equipment	50,025	50,025	50,025	50,025	-	-	-	50,025
51	392.03	Light Trucks	5,289,232	5,957,896	5,599,027	7,015,685	-	1,385,714	(240,613)	8,160,786
52	392.04	Medium Trucks	62,551	62,551	62,551	62,551	-	-	-	62,551
53	392.05	Heavy Trucks	445,853	427,251	427,251	427,251	-	-	-	427,251
54	392.06	Trailers	184,156	162,085	218,048	167,615	-	-	(1,897)	165,718
55	393.00	Stores Equipment	26,669	26,669	23,204	29,525	-	-	-	29,525
56	394.00	Tools, Shop, and Garage Equipment	2,029,301	1,957,696	2,300,570	2,487,845	-	442,000	-	2,929,845
57	395.00	Laboratory Equipment	127,710	146,817	38,587	11,714	-	-	-	11,714
58	396.00	Power Operated Equipment	1,080,879	1,060,333	1,060,333	1,065,958	-	-	(16,581)	1,049,376
59	397.00	Communication Equipment	1,278,562	1,277,637	1,267,681	1,526,897	-	-	-	1,526,897
60	398.00	Miscellaneous Equipment	3,708	3,708	17,218	17,218	-	11,630	-	28,848
61		Total General Plant	\$ 19,544,960	\$ 19,848,946	\$ 20,819,793	\$ 24,906,773	\$ -	\$ 4,335,141	\$ (1,213,949)	\$ 28,027,965
63	118	Other Utility Plant (Corporate Shared Assets - Note 1a)	\$ 6,267,464	\$ 6,936,435	\$ 7,002,372	\$ 2,857,045	\$ 108,886	\$ -	\$ -	\$ 2,965,931
64	118	Other Utility Plant (Corporate Shared Assets - Note 1b)	8,777,953	8,610,891	10,596,882	9,423,829	402,358	-	-	9,826,187
65		Total Other Utility Plant	\$ 15,045,417	\$ 15,547,326	\$ 17,599,254	\$ 12,280,874	\$ 511,244	\$ -	\$ -	\$ 12,792,118
66										
67		Total Gas Plant In Service	\$ 279,683,375	\$ 301,539,831	\$ 323,059,786	\$ 351,886,489	\$ 511,244	\$ 20,932,095	\$ (1,935,841)	\$ 371,393,987

69 (Note 1a) Figure represents the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per CAM.  
 70 (Note 1b) Figure represents all assets except the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per CAM.  
 71 (Note 2) Adjustment to include BHSC plant assets that will be allocated to Black Hills/Kansas Gas Utility Company, LLC. As discussed in the Direct Testimony of Rachel Schuldt.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**PLANNED PLANT ADDITIONS FROM JANUARY 1, 2021 TO JUNE 30, 2021**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Project Description</b>	<b>Amount</b>
1		<b>TRANSMISSION PLANT</b>	
2	365.01	Land	\$ -
3	365.02	Land Rights/Right-of-Way (Non-Depreciable)	371,849
4	365.71	Land/Farm Tap	-
5	365.72	Land Rights/Farm Tap (Non-Depreciable)	-
6	366.01	Structures and Improvements	82,750
7	367.00	Transmission Plant - Mains	4,158,887
8	368.04	Compressor Station Equipment	-
9	369.03	Measuring & Regulating Station Equipment	423,500
10	371.01	Transmission Plant - Other Equipment	-
11		Total Transmission Plant	\$ 5,036,987
12			
13		<b>DISTRIBUTION PLANT</b>	
14	374.01	Land	\$ -
15	374.02	Land Rights/Right of Way (Non-Depreciable)	21,895
16	375.01	Structures and Improvements	93,252
17	376.00	Distribution Plant - Mains	5,398,372
18	377.00	Compressor Station Equipment	-
19	378.00	Measuring & Regulating Station Equipment - General	1,272,158
20	379.00	Measuring & Regulating Station Equipment - City Gate	143,565
21	380.00	Distribution Plant - Services	2,708,646
22	381.00	Meters	445,475
23	381.01	Meters - ERT & AMI	-
24	382.01	Meter Installations	157,807
25	383.01	House Regulators	1,176,188
26	385.01	Industrial Measuring & Regulating Station Equipment	142,609
27	387.00	Other Equipment	-
28		Total Distribution Plant	\$ 11,559,967
29			
30		<b>GENERAL PLANT</b>	
31	389.01	Land	\$ -
32	390.01	Structures and Improvements	2,491,908
33	390.51	Leasehold Improvements	-
34	391.01	Office Furniture & Equipment	3,889
35	391.03	Computer Hardware	-
36	391.04	Software	-
37	391.07	Ipad Hardware	-
38	392.01	Transportation Equipment	-
39	392.03	Light Trucks	1,385,714
40	392.04	Medium Trucks	-
41	392.05	Heavy Trucks	-
42	392.06	Trailers	-
43	393.00	Stores Equipment	-
44	394.00	Tools, Shop, and Garage Equipment	442,000
45	395.00	Laboratory Equipment	-
46	396.00	Power Operated Equipment	-
47	397.00	Communication Equipment	-
48	398.00	Miscellaneous Equipment	11,630
49		Total General Plant	\$ 4,335,141
50			
51	118	Other Utility Plant (Corporate Shared Assets - Note 1a)	\$ -
52	118	Other Utility Plant (Corporate Shared Assets - Note 1b)	-
53		Total Other Utility Plant	\$ -
54			
55		Total Gas Plant In Service	\$ 20,932,095

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

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

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**PLANNED PLANT RETIREMENTS FROM JANUARY 1, 2021 TO JUNE 30, 2021**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

**KSG Direct Exhibit RRS-2**  
**Schedule D-3**

<b>Line No.</b>	<b>FERC Acct</b>	<b>Project Description</b>	<b>Amount</b>
1		<b>TRANSMISSION PLANT</b>	
2	365.01	Land	\$ -
3	365.02	Land Rights/Right-of-Way (Non-Depreciable)	-
4	365.71	Land/Farm Tap	-
5	365.72	Land Rights/Farm Tap (Non-Depreciable)	-
6	366.01	Structures and Improvements	-
7	367.00	Transmission Plant - Mains	(357,146)
8	368.04	Compressor Station Equipment	-
9	369.03	Measuring & Regulating Station Equipment	-
10	371.01	Transmission Plant - Other Equipment	-
11		Total Transmission Plant	\$ (357,146)
12			
13		<b>DISTRIBUTION PLANT</b>	
14	374.01	Land	\$ -
15	374.02	Land Rights/Right of Way (Non-Depreciable)	-
16	375.01	Structures and Improvements	-
17	376.00	Distribution Plant - Mains	(170,763)
18	377.00	Compressor Station Equipment	-
19	378.00	Measuring & Regulating Station Equipment - General	-
20	379.00	Measuring & Regulating Station Equipment - City Gate	-
21	380.00	Distribution Plant - Services	(133,527)
22	381.00	Meters	-
23	381.01	Meters - ERT & AMI	-
24	382.01	Meter Installations	-
25	383.01	House Regulators	(60,456)
26	385.01	Industrial Measuring & Regulating Station Equipment	-
27	387.00	Other Equipment	-
28		Total Distribution Plant	\$ (364,746)
29			
30		<b>GENERAL PLANT</b>	
31	389.01	Land	\$ (74,316)
32	390.01	Structures and Improvements	(880,541)
33	390.51	Leasehold Improvements	-
34	391.01	Office Furniture & Equipment	-
35	391.03	Computer Hardware	-
36	391.04	Software	-
37	391.07	Ipad Hardware	-
38	392.01	Transportation Equipment	-
39	392.03	Light Trucks	(240,613)
40	392.04	Medium Trucks	-
41	392.05	Heavy Trucks	-
42	392.06	Trailers	(1,897)
43	393.00	Stores Equipment	-
44	394.00	Tools, Shop, and Garage Equipment	-
45	395.00	Laboratory Equipment	-
46	396.00	Power Operated Equipment	(16,581)
47	397.00	Communication Equipment	-
48	398.00	Miscellaneous Equipment	-
49		Total General Plant	\$ (1,213,949)
50			
51	118	Other Utility Plant (Corporate Shared Assets - Note 1a)	\$ -
52	118	Other Utility Plant (Corporate Shared Assets - Note 1b)	-
53		Total Other Utility Plant	\$ -
54			
55		Total Gas Plant In Service	\$ (1,935,840)
56			
57		(Note 1a) Figure represents the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets	
58		allocated per CAM.	
59		(Note 1b) Figure represents all assets except the CIS+ customer billing system portion of Other Utility Plant, Corporate	
60		Shared Assets allocated per CAM.	



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 ADJUSTED ACCUMULATED PROVISION FOR DEPRECIATION  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

**KSG Direct Exhibit RRS-2  
 Statement E**

Line No.	Description	(a) 12/31/2017 Per Book Accumulated Depreciation	(b) 12/31/2018 Per Book Accumulated Depreciation	(c) 12/31/2019 Per Book Accumulated Depreciation	(d) 12/31/2020 Per Book Accumulated Depreciation	(e) Existing Plant CAM Accumulated Depreciation	(f) (Note 2) Accumulated Depreciation Plant Addition Adjustments (M-2)	(g) (Note 3) Accumulated Depreciation Retirements (D-3)	(h) (Note 4) Accumulated Depreciation Roll Forward	(i) 12/31/2020 As Adjusted Accumulated Depreciation
1	Intangible	\$ 2,075,913	\$ 2,177,588	\$ 2,279,069	\$ 2,380,221	\$ -	\$ -	\$ -	\$ 102,664	\$ 2,482,885
2										
3	Production and Gathering Plant	10,902	11,526	12,150	12,774	-	-	-	312	13,086
4										
5	Storage Plant	-	-	-	-	-	-	-	-	-
6										
7	Transmission	11,400,406	11,326,605	11,340,189	11,863,636	-	18,358	(357,146)	294,611	11,819,459
8										
9	Distribution	76,186,477	79,505,706	80,762,288	82,723,566	-	67,819	(364,746)	3,056,439	85,483,078
10										
11	General	4,984,116	5,417,852	5,967,974	6,601,454	-	46,135	(1,139,632)	1,078,708	6,586,665
12										
13	Other Utility Plant (Corporate Shared Assets - Note 1a)	4,496,565	4,549,686	4,882,626	980,604	37,372	-	-	242,414	1,260,390
14	Other Utility Plant (Corporate Shared Assets - Note 1b)	3,058,088	2,786,783	3,125,627	119,659	(12,105)	-	-	563,286	670,840
15										
16	Total Adjusted Accumulated Depreciation	<u>\$ 102,212,467</u>	<u>\$ 105,775,746</u>	<u>\$ 108,369,923</u>	<u>\$ 104,681,914</u>	<u>\$ 25,267</u>	<u>\$ 132,312</u>	<u>\$ (1,861,524)</u>	<u>\$ 5,338,434</u>	<u>\$ 108,316,402</u>

17  
 18 (Note 1a) Figure represents the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per CAM.

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

20 (Note 2) Includes depreciation expenses for subsequent additions and adjustments for the pro forma period based on depreciation rates provided on Statement J. This amount is then divided by four to reflect the Test Year As Adjusted through June 30.

21 (Note 3) Adjustment to remove the accumulated depreciation associated to the assets removed on Schedule D-3.

22 (Note 4) Roll forward of the 12/31/2020 balances to reflect the balances as of June 30, 2021.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**ACCUMULATED PROVISION FOR DEPRECIATION ROLL FORWARD TO JUNE 30, 2021**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	FERC Acct	Description	(a)	(b)	(c)
			Plant in Service 12/31/2020	2021 Depreciation Existing Rates	2021 Adjustment to Accumulated Depr 6/30/2021
1		<b>INTANGIBLE PLANT</b>			
2	301.00	Intangibles Organization	\$ 186,932	\$ -	\$ -
3	302.00	Intangibles Franchises & Consents	74,990	1,500	1,500
4	303.00	Intangibles Miscellaneous	1,335,506	57,906	57,906
5	303.01	Intangibles Miscellaneous - Easements	1,730,332	43,258	43,258
6	303.02	Intangibles Miscellaneous - Trademarks	181,000	-	-
7		Total Intangible Plant	\$ 3,508,760	\$ 102,664	\$ 102,664
8					
9		<b>NATURAL GAS PRODUCTION &amp; GATHERING PLANT</b>			
10	336.01	Purification Equipment	\$ 18,719	\$ 312	\$ 312
11		Total Natural Gas Production & Gathering Plant	\$ 18,719	\$ 312	\$ 312
12					
13		<b>TRANSMISSION PLANT</b>			
14	365.01	Land	\$ 9,431	\$ -	\$ -
15	365.02	Land Rights/Right-of-Way (Non-Depreciable)	594,368	-	-
16	365.71	Land/Farm Tap	644	-	-
17	365.72	Land Rights/Farm Tap (Non-Depreciable)	2,100	-	-
18	366.01	Structures and Improvements	131,402	1,281	1,281
19	367.00	Transmission Plant - Mains	41,002,208	227,596	227,596
20	368.04	Compressor Station Equipment	2,475	66	66
21	369.03	Measuring & Regulating Station Equipment	4,002,449	61,638	61,638
22	371.01	Transmission Plant - Other Equipment	108,344	4,030	4,030
23		Total Transmission Plant	\$ 45,853,421	\$ 294,611	\$ 294,611
24					
25		<b>DISTRIBUTION PLANT</b>			
26	374.01	Land	\$ 186,909	\$ -	\$ -
27	374.02	Land Rights/Right of Way (Non-Depreciable)	183,574	-	-
28	375.01	Structures and Improvements	937,596	31,034	31,034
29	376.00	Distribution Plant - Mains	123,324,102	1,135,977	1,135,977
30	377.00	Compressor Station Equipment	175,304	2,630	2,630
31	378.00	Measuring & Regulating Station Equipment - General	6,068,652	78,286	78,286
32	379.00	Measuring & Regulating Station Equipment - City Gate	61,111	1,091	1,091
33	380.00	Distribution Plant - Services	73,785,831	841,159	841,159
34	381.00	Meters	10,822,114	165,037	165,037
35	381.01	Meters - ERT & AMI	9,723,356	320,582	320,582
36	382.01	Meter Installations	1,670,741	6,015	6,015
37	383.01	House Regulators	32,053,464	431,119	431,119
38	385.01	Industrial Measuring & Regulating Station Equipment	6,215,827	42,578	42,578
39	387.00	Other Equipment	109,363	930	930
40		Total Distribution Plant	\$ 265,317,942	\$ 3,056,439	\$ 3,056,439
41					
42		<b>GENERAL PLANT</b>			
43	389.01	Land	\$ 904,183	\$ -	\$ -
44	390.01	Structures and Improvements	9,604,400	120,535	120,535
45	390.51	Leasehold Improvements	26,483	452	452
46	391.01	Office Furniture & Equipment	356,672	27,339	27,339
47	391.03	Computer Hardware	929,925	77,509	77,509
48	391.04	Software	-	-	-
49	391.07	Ipad Hardware	222,824	37,137	37,137
50	392.01	Transportation Equipment	50,025	3,842	3,842
51	392.03	Light Trucks	7,015,685	662,982	662,982
52	392.04	Medium Trucks	62,551	5,539	5,539
53	392.05	Heavy Trucks	427,251	26,340	26,340
54	392.06	Trailers	167,615	6,084	6,084
55	393.00	Stores Equipment	29,525	391	391
56	394.00	Tools, Shop, and Garage Equipment	2,487,845	29,232	29,232
57	395.00	Laboratory Equipment	11,714	91	91
58	396.00	Power Operated Equipment	1,065,958	18,916	18,916
59	397.00	Communication Equipment	1,526,897	61,839	61,839
60	398.00	Miscellaneous Equipment	17,218	479	479
61		Total General Plant	\$ 24,906,773	\$ 1,078,708	\$ 1,078,708
62					
63	118	Other Utility Plant (Corporate Shared Assets - Note 1a)	2,857,045	242,414	242,414
64	118	Other Utility Plant (Corporate Shared Assets - Note 1b)	9,423,829	563,286	563,286
65		Total Other Utility Plant	\$ 12,280,874	\$ 805,700	\$ 805,700
66					
67		Total Gas Plant In Service	\$ 351,886,489	\$ 5,338,434	\$ 5,338,434

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

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

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**WORKING CAPITAL**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>Description</b>	<b>Reference</b>	<b>(a) Per Books</b>	<b>(b) Pro Forma Adjustment (Note 1)</b>	<b>(c) (a) + (b) Adjusted</b>
1	Materials and Supplies	Sched F-1 Ln.13 (a)	\$ 2,372,733	\$ 300,879	\$ 2,673,612
2					
3	Gas Stored Underground	Sched F-1 Ln.13 (b)	2,317,861	(530,733)	1,787,128
4					
5	Prepaid Expenses	Sched F-1 Ln.13 (c)	49,066	41,032	90,098
6					
7	Total Working Capital	Sum Ln.1 - Ln.5	<u>\$ 4,739,660</u>	<u>\$ (188,822)</u>	<u>\$ 4,550,838</u>

8  
9 (Note 1) The adjustment is based on a thirteen month average. See Schedule F-1 for details.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**COMPONENTS OF WORKING CAPITAL**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>Year</b>	<b>Month</b>	<b>(a) Materials and Supplies (a/c 154, 163)</b>	<b>(b) Gas Stored Underground (a/c 164)</b>	<b>(c) Prepaid Expenses (a/c 165)</b>
1	2019	December	\$ 2,021,165	\$ 2,452,065	\$ 35,121
2	2020	January	2,325,989	1,654,755	31,437
3		February	2,480,680	961,664	26,254
4		March	2,626,875	341,357	157,071
5		April	2,718,561	453,071	136,637
6		May	2,799,996	864,160	115,454
7		June	2,983,780	1,283,550	149,317
8		July	3,294,644	1,736,569	134,452
9		August	3,215,103	2,203,937	114,178
10		September	2,788,349	2,844,497	87,161
11		October	2,851,920	3,255,839	77,651
12		November	2,277,159	2,863,345	57,471
13	2020	December	2,372,733	2,317,861	49,066
14					
15	13-Month Average		<u>\$ 2,673,612</u>	<u>\$ 1,787,128</u>	<u>\$ 90,098</u>
16					
17	Pro Forma Adjustment		<u>\$ 300,879</u>	<u>\$ (530,733)</u>	<u>41,032</u>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**COST OF CAPITAL**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>Description</b>	<b>(a) Amount</b>	<b>(b) Percent of Total</b>	<b>(c) Cost</b>	<b>(d) (b) x (c) Weighted Cost</b>
1	<b>Per Book as of December 31, 2017:</b>				
2	Long-Term Debt	\$ 65,000,000	50.82%	4.40%	2.24%
3	Preferred Stock	-	0.00%	0.00%	0.00%
4	Common Equity (Note 1)	62,911,707	49.18%	10.15%	4.99%
5	Rate of Return	\$ 127,911,707	100.00%		7.23%
6					
7					
8	<b>Per Book as of December 31, 2018:</b>				
9	Long-Term Debt	\$ 75,000,000	50.71%	4.40%	2.23%
10	Preferred Stock	-	0.00%	0.00%	0.00%
11	Common Equity (Note 1)	72,897,814	49.29%	10.15%	5.00%
12	Rate of Return	\$ 147,897,814	100.00%		7.23%
13					
14					
15	<b>Per Book as of December 31, 2019:</b>				
16	Long-Term Debt	\$ 82,000,000	50.82%	4.33%	2.20%
17	Preferred Stock	-	0.00%	0.00%	0.00%
18	Common Equity (Note 1)	79,364,337	49.18%	10.15%	4.99%
19	Rate of Return	\$ 161,364,337	100.00%		7.19%
20					
21					
22	<b>For the Test Year Ending December 31, 2020</b>				
23	Long-Term Debt	Sched. G-1 Ln 64 \$ 108,000,000	49.66%	3.91%	1.94%
24	Preferred Stock	-	0.00%	0.00%	0.00%
25	Common Equity (Note 1)	109,469,149	50.34%	10.15%	5.11%
26	Rate of Return	\$ 217,469,149	100.00%		7.05%
27					
28	(Note 1) Prior year return on equity percentage is adjusted to reflect the rate proposed in this proceeding.				

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

KSG Direct Exhibit RRS-2  
 Schedule G-1

Line No.	<b>FOR THE YEAR ENDED DECEMBER 31, 2017</b>												
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
					= (f) ÷ (d)						= (h)+ (i)+(j)		= (k) x (l)
										(Gain)/Loss on			
	Title	Issue	Maturity	Amount Issued	Price Per Unit	Net Proceeds Amount	Coupon/Interest Rate	Yield to Maturity	Financing Costs	Reacquired Debt	Cost of Money	Principal Outstanding	Annual Cost
4													
5													
6	BHC \$525M Notes Due 2023	11/19/2013	11/30/2023	75,000,000	0.9953	74,647,500	4.25%	4.31%	0.09%	0.00%	4.40%	65,000,000	2,860,000
7													
8													
9	Long-Term Debt											65,000,000	2,860,000
10													
11	Average Cost of Debt												4.40%
12													
13													
14	<b>FOR THE YEAR ENDED DECEMBER 31, 2018</b>												
15	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
16					= (f) ÷ (d)						= (h)+ (i)+(j)		= (k) x (l)
										(Gain)/Loss on			
	Title	Issue	Maturity	Amount Issued	Price Per Unit	Net Proceeds Amount	Coupon/Interest Rate	Yield to Maturity	Financing Costs	Reacquired Debt	Cost of Money	Principal Outstanding	Annual Cost
17													
18													
19	BHC \$525M Notes Due 2023	11/19/2013	11/30/2023	75,000,000	0.9953	74,647,500	4.25%	4.31%	0.09%	0.00%	4.40%	75,000,000	3,300,000
20													
21													
22	Long-Term Debt											75,000,000	3,300,000
23													
24	Average Cost of Debt												4.40%
25													
26													
27													

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

KSG Direct Exhibit RRS-2  
 Schedule G-1

Line No.	FOR THE YEAR ENDED DECEMBER 31, 2019												
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
					= (f) ÷ (d)						= (h)+ (i)+(j)		= (k) x (l)
										(Gain)/Loss on			
	Title	Issue	Maturity	Amount Issued	Price Per Unit	Net Proceeds Amount	Coupon/Interest Rate	Yield to Maturity	Financing Costs	Reacquired Debt	Cost of Money	Principal Outstanding	Annual Cost
28	<b>FOR THE YEAR ENDED DECEMBER 31, 2019</b>												
29	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
30					= (f) ÷ (d)						= (h)+ (i)+(j)		= (k) x (l)
31										(Gain)/Loss on			
32										Reacquired Debt	Cost of Money	Principal Outstanding	Annual Cost
33	BHC \$525M Notes Due 2023	11/19/2013	11/30/2023	75,000,000	0.9953	74,647,500	4.25%	4.31%	0.09%	0.00%	4.40%	75,000,000	3,300,000
34	BHC \$400M Notes Due 2029	10/3/2019	10/15/2029	3,500,000	0.9966	3,487,960	3.05%	3.09%	0.09%	0.00%	3.18%	3,500,000	111,300
35	BHC \$300M Notes Due 2049	10/3/2019	10/15/2049	3,500,000	0.9981	3,493,175	3.88%	3.89%	0.04%	0.06%	3.98%	3,500,000	139,300
36													
37													
38	Long-Term Debt											82,000,000	3,550,600
39													
40	Average Cost of Debt												4.33%
41													
42													
43													
44													
45	<b>FOR THE TEST YEAR ENDED DECEMBER 31, 2020</b>												
46	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
47					= (f) ÷ (d)						= (h)+ (i)+(j)		= (k) x (l)
48										(Gain)/Loss on			
49										Reacquired Debt	Cost of Money	Principal Outstanding	Annual Cost
50	BHC \$525M Notes Due 2023	11/19/2013	11/30/2023	525,000,000	0.9953	522,532,500	4.25%	4.31%	0.09%	0.00%	4.40%	525,000,000	23,100,000
51	BHC \$300M Notes Due 2026	1/13/2016	1/15/2026	300,000,000	0.9970	299,091,000	3.95%	3.99%	0.10%	0.00%	4.08%	300,000,000	12,240,000
52	BHC \$300M Notes Due 2046	8/19/2016	9/15/2046	300,000,000	0.9946	298,365,000	4.20%	4.23%	0.04%	0.10%	4.37%	300,000,000	13,110,000
53	BHC \$400M Notes Due 2027	8/19/2016	1/15/2027	400,000,000	0.9995	399,796,000	3.15%	3.16%	0.79%	0.20%	4.15%	400,000,000	16,600,000
54	BHC \$400M Notes Dues 2033	8/17/2018	5/1/2033	400,000,000	0.9954	398,172,000	4.35%	4.39%	0.08%	0.04%	4.51%	400,000,000	18,040,000
55	BHC \$400M Notes Due 2029	10/3/2019	10/15/2029	400,000,000	0.9966	398,624,000	3.05%	3.09%	0.09%	0.00%	3.18%	400,000,000	12,720,000
56	BHC \$300M Notes Due 2049	10/3/2019	10/15/2049	300,000,000	0.9981	299,415,000	3.88%	3.89%	0.04%	0.06%	3.98%	300,000,000	11,940,000
57	BHC \$400M Notes Due 2030	6/17/2020	6/15/2030	400,000,000	0.9966	398,632,000	2.50%	2.54%	0.09%	0.00%	2.63%	400,000,000	10,520,000
58													
59													
60	Long-Term Debt at BHC											3,025,000,000	118,270,000
61													
62	Weighted Average Cost of BHC Debt												3.91%
63													
64	Debt Allocated to Black Hills Kansas Gas											\$ 108,000,000	\$ 4,222,800

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement H

Line No.	FERC Acct	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
			Year Ending 12/31/2017	Year Ending 12/31/2018	Year Ending 12/31/2019	2020 Test Year Adjusted	Sched H-1	Sched H-2	Sched H-3	Sched H-4	Sched H-5	Sched H-6	Sched H-7	Sched H-8	Sched H-9
1															
2		<b>Production and Gathering</b>													
3		<b>Operation</b>													
4	750	Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	752	Gas Wells Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
6	753	Field Line Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
7	754	Field Compressor Station Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
8	755	Field Compressor Station Fuel and Power	-	-	-	-	-	-	-	-	-	-	-	-	-
9	756	Field Measuring & Regulating Station Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
10	757	Purification Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
11	758	Gas Well Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-
12	759	Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
13	760	Rents	-	-	-	-	-	-	-	-	-	-	-	-	-
14		<b>Total Production Operation Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15															
16		<b>Maintenance</b>													
17	761	Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	762	Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
19	763	Maintenance of Producing Gas Wells	-	-	-	-	-	-	-	-	-	-	-	-	-
20	764	Maintenance of Field Lines	-	-	-	-	-	-	-	-	-	-	-	-	-
21	765	Maintenance of Field Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
22	766	Maintenance of Field Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
23	767	Maintenance of Purification Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
24		<b>Total Production Maintenance Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25															
26															
27		<b>Other Gas Supply Expense</b>													
28		<b>Operation</b>													
29	804	Natural Gas City Gate Purchase	\$ 48,630,919	\$ 52,002,120	\$ 44,548,650	\$ 40,911,330	\$ -	\$ -	\$ -	\$ (40,911,330)	\$ -	\$ -	\$ -	\$ -	\$ -
30	805	Other Gas Purchases	(954,005)	377,536	(809,556)	938,867	-	-	-	(938,867)	-	-	-	-	-
31	805.1	Purchased Gas Cost Adjustments	1,532,528	560,748	1,145,844	(2,325,757)	-	-	-	2,325,757	-	-	-	-	-
32	805.2	Financial Gas Cost Adj	(508,858)	26,582	(427,736)	(655,808)	-	-	-	655,808	-	-	-	-	-
33	806	Exchange Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
34	808	Gas Storage-Gas Ops	-	-	-	-	-	-	-	-	-	-	-	-	-
35	808.1	Withdrawals from Storage	4,668,450	5,004,900	3,682,972	3,979,107	-	-	-	(3,979,107)	-	-	-	-	-
36	808.2	Gas Delivered to Storage	(4,928,588)	(4,466,545)	(3,198,671)	(3,844,903)	-	-	-	3,844,903	-	-	-	-	-
37	812	Gas Used for Other Utility Operation	(12,526)	(13,399)	(12,572)	(10,625)	-	-	-	10,625	-	-	-	-	-
38	813	Other Gas Supply Expense	(1,348)	-	-	-	-	-	-	-	-	-	-	-	-
39		<b>Total Other Gas Supply Expense</b>	\$ 48,426,573	\$ 53,491,943	\$ 44,928,930	\$ 38,992,210	\$ -	\$ -	\$ -	\$ (38,992,210)	\$ -	\$ -	\$ -	\$ -	\$ -
40															
41		<b>Underground Storage Expense</b>													
42		<b>Operation</b>													
43	814	Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44	816	Wells Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
45	817	Lines Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
46	818	Compressor Station Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
47	819	Compressor Station Fuel and Power	-	-	-	-	-	-	-	-	-	-	-	-	-
48	820	Storage - Measuring & Regulating Station Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
49	821	Purification Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
50	824	Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
51	826	Rents	-	-	-	-	-	-	-	-	-	-	-	-	-
52		<b>Total Operation Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53															
54		<b>Maintenance</b>													
55	830	Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
56	832	Maintenance of Reservoirs & Wells	-	-	-	-	-	-	-	-	-	-	-	-	-
57	833	Maintenance of Lines	-	-	-	-	-	-	-	-	-	-	-	-	-
58	834	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
59	835	Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
60	836	Maintenance of Purification Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
61		<b>Total Maintenance Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62															
63		<b>Total Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement H

Line No.	FERC Acct	Description	(a) Year Ending 12/31/2017	(b) Year Ending 12/31/2018	(c) Year Ending 12/31/2019	(d) 2020 Test Year Adjusted	(e) Sched H-1	(f) Sched H-2	(g) Sched H-3	(h) Sched H-4	(i) Sched H-5	(j) Sched H-6	(k) Sched H-7	(l) Sched H-8	(m) Sched H-9
64															
65		<b>Transmission Expense</b>													
66		<b>Operation</b>													
67	850	Operation Supervision & Engineering	\$ 119,579	\$ 87,778	\$ 132,250	\$ 111,300	\$ -	\$ -	\$ (49)	\$ -	\$ 258	\$ -	\$ -	\$ 1,629	\$ -
68	851	System Control & Load Dispatching	-	252	628	261	-	-	-	-	-	-	-	(13)	-
69	852	Communication System Expenses	15	-	454	247	-	-	-	-	-	-	-	4	-
70	853	Compressor Labor & Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
71	856	Mains Expense	72,734	59,856	61,931	103,147	-	-	-	-	2,804	-	-	-	-
72	857	Measuring & Regulating Station Expense	20,431	9,516	8,332	7,688	-	-	-	-	-	-	-	1	-
73	859	Other Expenses	114,531	155,843	153,564	160,106	-	-	-	-	114	-	-	(2,777)	-
74	860	Rents	(479)	24	33,072	21,857	-	-	-	-	-	-	-	-	-
75		<b>Total Operation</b>	\$ 326,810	\$ 313,269	\$ 390,232	\$ 404,604	\$ -	\$ -	\$ (49)	\$ -	\$ 3,177	\$ -	\$ -	\$ (1,156)	\$ -
76															
77		<b>Maintenance</b>													
78	861	Maintenance Supervision & Engineering	\$ 83,503	\$ 47,475	\$ 22,259	\$ 15,987	\$ -	\$ -	\$ (27)	\$ -	\$ 1,303	\$ -	\$ -	\$ 470	\$ -
79	862	Maintenance of Structures & Improvements	-	-	913	-	-	-	-	-	-	-	-	-	-
80	863	Maintenance of Mains	121,648	137,922	52,270	98,981	-	-	-	-	1,484	-	-	50	-
81	864	Maintenance of Compressor Station Equipment	-	-	-	128	-	-	-	-	10	-	-	-	-
82	865	Maintenance of Measuring & Regulating Station Equipment	33,513	19,105	10,213	5,581	-	-	-	-	-	-	-	-	-
83	866	Maintenance of Communication Equipment	-	-	1	-	-	-	-	-	-	-	-	-	-
84	867	Maintenance of Other Equipment	2,614	6,345	3,069	4,838	-	-	-	-	11	-	-	-	-
85		<b>Total Maintenance</b>	\$ 241,279	\$ 210,847	\$ 88,725	\$ 125,515	\$ -	\$ -	\$ (27)	\$ -	\$ 2,809	\$ -	\$ -	\$ 520	\$ -
86															
87		<b>Total Transmission Expense</b>	\$ 568,089	\$ 524,116	\$ 478,957	\$ 530,119	\$ -	\$ -	\$ (76)	\$ -	\$ 5,985	\$ -	\$ -	\$ (636)	\$ -
88															
89		<b>Distribution Expense</b>													
90		<b>Operation</b>													
91	870	Dist. Operating and Supervision Engineering	\$ 994,167	\$ 1,007,782	\$ 865,687	\$ 1,235,397	\$ -	\$ (2,009)	\$ (1,030)	\$ -	\$ 32,657	\$ -	\$ -	\$ 223,691	\$ -
92	871	Dist. Load Dispatching	11	125	12,653	4	-	-	-	-	-	-	-	0	-
93	872	Compressor Station Labor & Expense	1,340	-	-	-	-	-	-	-	-	-	-	-	-
94	873	Distr Fuel/Power Compr Station	353	-	-	-	-	-	-	-	-	-	-	-	-
95	874	Oper./Inspect Underground Dist. Mains - Gas	2,176,859	2,164,738	1,821,551	2,378,184	-	-	-	-	95,813	-	-	39	-
96	875	Dist. Measuring & Regulating Station Expense - General	224,407	320,919	238,934	335,370	-	-	-	-	24,433	-	-	2	-
97	876	Dist. Measuring & Regulating Station Expense - Industrial	103,288	29,394	27,531	19,880	-	-	-	-	1,347	-	-	-	-
98	877	Measuring & Regulating Station Expense - City Gate Check Station	46,580	96,495	71,393	113,558	-	-	-	-	8,954	-	-	-	-
99	878	Oper./Inspect Meters & Collect Data - Gas	1,115,466	758,486	565,493	579,630	-	-	-	-	40,160	-	-	40	-
100	879	Dist. Customer Installation Expense	476,988	424,203	400,752	450,489	-	-	-	-	35,533	-	-	-	-
101	880	Dist. Ops. Other Expenses	2,897,453	3,377,093	2,652,155	1,536,435	-	-	(8)	-	83,277	-	-	1,023	-
102	881	Dist. Oper. Rents	7,157	3,766	2,054	5,847	-	-	-	-	-	-	-	-	-
103		<b>Total Operation</b>	\$ 8,044,069	\$ 8,182,999	\$ 6,658,203	\$ 6,654,793	\$ -	\$ (2,009)	\$ (1,038)	\$ -	\$ 322,173	\$ -	\$ -	\$ 224,795	\$ -
104															
105		<b>Maintenance</b>													
106	885	Dist. Maint. Supervision & Engineering	\$ 206,589	\$ 150,663	\$ 48,876	\$ 48,258	\$ -	\$ -	\$ -	\$ -	\$ 3,614	\$ -	\$ -	\$ -	\$ -
107	886	Maintenance of Structures & Improvements	5,977	2,997	18	3,415	-	-	-	-	11	-	-	-	-
108	887	Perf. Underground Distribution Line Maintenance - Gas	518,891	421,564	306,711	484,734	-	-	-	-	17,236	-	-	(13)	-
109	888	Dist. Maint. of Compressor Station Equipment	3,399	3,062	16,512	55,165	-	-	-	-	4,025	-	-	(39)	-
110	889	Maintenance of Measuring & Regulating Station Expense - General	164,813	139,417	111,098	214,267	-	-	-	-	5,185	-	-	-	-
111	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	35,012	47,599	23,715	27,211	-	-	-	-	1,854	-	-	-	-
112	891	Maintenance of Measuring & Regulating Station - City Gate Check Stn.	212,335	121,902	188,556	163,459	-	-	-	-	8,136	-	-	-	-
113	892	Dist. Maint. of Services	121,045	165,152	180,756	204,685	-	-	-	-	12,697	-	-	-	-
114	893	Dist. Maint. of Meters & House Regulators	306,721	726,975	557,981	806,085	-	-	(35)	-	57,270	-	-	4,356	-
115	894	Dist. Maint. of Other Equipment	5,908	8,687	14,084	23,649	-	-	-	-	1,871	-	-	-	-
116		<b>Total Maintenance</b>	\$ 1,580,690	\$ 1,788,018	\$ 1,448,306	\$ 2,030,929	\$ -	\$ -	\$ (35)	\$ -	\$ 111,897	\$ -	\$ -	\$ 4,303	\$ -
117															
118		<b>Total Distribution Expense</b>	\$ 9,624,759	\$ 9,971,017	\$ 8,106,509	\$ 8,685,722	\$ -	\$ (2,009)	\$ (1,073)	\$ -	\$ 434,070	\$ -	\$ -	\$ 229,099	\$ -
119															
120		<b>Customer Account Expenses</b>													
121		<b>Operation</b>													
122	901	Customer Accounts Supervision	\$ 394,982	\$ 280,242	\$ 183,273	\$ 184,116	\$ -	\$ (5)	\$ -	\$ -	\$ 7,052	\$ -	\$ -	\$ 4,714	\$ -
123	902	Meter Reading Expense	351,336	370,645	298,803	345,969	-	-	-	-	23,209	-	-	67	-
124	903	Customer Record & Collection Expense	2,630,838	2,762,605	2,171,262	2,037,470	-	(8,096)	-	-	16,619	-	-	49,498	-
125	904	Uncollectible Accounts	619,709	496,281	379,693	831,547	-	-	-	-	-	-	-	-	(176,635)
126	905	Miscellaneous Customer Accounts Expense	130,077	84,737	97,949	77,342	-	-	-	-	1,106	-	-	2,711	-
127		<b>Total Customer Account Expense</b>	\$ 4,126,943	\$ 3,994,511	\$ 3,130,979	\$ 3,476,445	\$ -	\$ (8,101)	\$ -	\$ -	\$ 47,987	\$ -	\$ -	\$ 56,990	\$ (176,635)

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement H

Line No.	FERC Acct	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
			Year Ending 12/31/2017	Year Ending 12/31/2018	Year Ending 12/31/2019	2020 Test Year Adjusted	Sched H-1	Sched H-2	Sched H-3	Sched H-4	Sched H-5	Sched H-6	Sched H-7	Sched H-8	Sched H-9
129		<b>Customer Service and Information Expenses</b>													
130		<b>Operation</b>													
131	907	Supervision	\$ 60,178	\$ 39,220	\$ 39,684	\$ 41,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,279	\$ -
132	908	Customer Assistance Expense	83,368	171,035	156,848	167,081	-	(35)	-	-	-	-	-	9,416	-
133	909	Informational/Instructional Advertising Expense	10,784	12,711	36,403	13,774	-	2,529	-	-	-	-	-	5	-
134	910	Miscellaneous Cust Serv & Inform Expense	42,955	20,701	14,413	3,738	-	-	-	-	274	-	-	37	-
135		<b>Total Customer Srvc &amp; Inform Exp.</b>	\$ 197,284	\$ 243,667	\$ 247,347	\$ 226,131	\$ -	\$ 2,495	\$ -	\$ -	\$ 274	\$ -	\$ -	\$ 11,737	\$ -
136															
137		<b>Sales Expenses</b>													
138		<b>Operation</b>													
139	911	Supervision	\$ 17,179	\$ 20,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
140	912	Demonstrating and Selling Expense	41,105	137,752	178,758	123,525	-	(7,997)	(301)	-	-	-	-	5,618	-
141	913	Advertising Expenses	68,930	127,630	114,036	137,527	-	(117,663)	-	-	-	-	-	134	-
142	916	Miscellaneous Sales Expense	1,366	268	125	-	-	-	-	-	-	-	-	-	-
143		<b>Total Sales Expense</b>	\$ 128,580	\$ 285,737	\$ 292,920	\$ 261,052	\$ -	\$ (125,660)	\$ (301)	\$ -	\$ -	\$ -	\$ -	\$ 5,752	\$ -
144															
145		<b>Administrative &amp; General Expense</b>													
146		<b>Operation</b>													
147	920	Administrative & General Salaries	\$ 6,222,058	\$ 6,988,230	\$ 5,294,199	\$ 5,763,486	\$ -	\$ -	\$ -	\$ -	\$ 46,519	\$ -	\$ -	\$ 611,829	\$ -
148	921	Office Supplies & Expense	1,763,544	1,730,163	1,926,250	1,617,561	-	(611)	(43,948)	-	-	-	-	194,292	-
149	922	Administrative Expense Transferred-Cr	(1,054,326)	(1,270,128)	(1,116,006)	(1,171,504)	-	-	-	-	-	-	-	(54,782)	-
150	923	Outside Services Employed	1,049,140	1,199,645	1,210,478	1,044,723	-	-	-	-	-	-	-	11,618	-
151	924	Property Insurance	3,967	3,990	6,047	6,975	-	-	-	-	-	-	-	(85)	-
152	925	Injuries and Damages	639,181	116,730	462,981	332,898	-	-	-	-	-	-	-	9,229	-
153	926	Employee Pensions and Benefits	432,679	128,596	4,105,997	3,383,158	-	-	-	-	58,561	(953,226)	(1,140,054)	71,379	-
154	927	Franchise Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-
155	928	Regulatory Commission Expense	361,327	157,241	126,627	172,497	-	-	-	-	-	-	-	-	-
156	929	Duplicate Charges - Credit	-	0	(132)	4	-	-	-	-	-	-	-	0	-
157	930.1	General Advertising Expense	41,375	60,675	164,155	483,021	-	(375,467)	-	-	-	-	-	2,246	-
158	930.2	Miscellaneous General Expense	363,762	400,765	407,226	215,019	-	(112)	(23,199)	-	-	-	-	4,330	-
159	931	Rents	296,721	706,536	787,752	821,999	(22,700)	-	-	-	-	-	-	1,770	-
160		<b>Total Operation</b>	\$ 10,119,429	\$ 10,222,442	\$ 13,375,574	\$ 12,669,837	\$ (22,700)	\$ (376,189)	\$ (67,147)	\$ -	\$ 105,080	\$ (953,226)	\$ (1,140,054)	\$ 851,827	\$ -
161															
162		<b>Maintenance</b>													
163	932	Maintenance of General Plant	\$ 569,222	\$ 633,650	\$ 780,705	\$ 1,011,720	\$ -	\$ -	\$ (147)	\$ -	\$ 6,754	\$ -	\$ -	\$ 16,424	\$ -
164		<b>Total Administrative &amp; General Exp</b>	\$ 10,688,651	\$ 10,856,092	\$ 14,156,279	\$ 13,681,557	\$ (22,700)	\$ (376,189)	\$ (67,294)	\$ -	\$ 111,835	\$ (953,226)	\$ (1,140,054)	\$ 868,251	\$ -
165															
166		<b>Total Operating &amp; Maintenance Exp</b>	\$ 73,760,879	\$ 79,367,082	\$ 71,341,922	\$ 65,853,235	\$ (22,700)	\$ (509,464)	\$ (68,744)	\$ (38,992,210)	\$ 600,151	\$ (953,226)	\$ (1,140,054)	\$ 1,171,191	\$ (176,635)

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement H

Line No.	FERC Acct	Description	(n) Sched H-10	(o) Sched H-11	(p) Sched H-12	(q) Sched H-13	(r) Sched H-14	(s) Sched H-15	(t) Sched H-16	(u) Sched H-17	(v) Sched H-18	(w) Sched H-19	(x) Sched H-20	(y) Total Adjustments	(z) Adjusted Total
1															
2		<b>Production and Gathering</b>													
3		<b>Operation</b>													
4	750	Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	752	Gas Wells Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
6	753	Field Line Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
7	754	Field Compressor Station Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
8	755	Field Compressor Station Fuel and Power	-	-	-	-	-	-	-	-	-	-	-	-	-
9	756	Field Measuring & Regulating Station Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
10	757	Purification Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
11	758	Gas Well Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-
12	759	Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
13	760	Rents	-	-	-	-	-	-	-	-	-	-	-	-	-
14		<b>Total Production Operation Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15															
16		<b>Maintenance</b>													
17	761	Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	762	Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
19	763	Maintenance of Producing Gas Wells	-	-	-	-	-	-	-	-	-	-	-	-	-
20	764	Maintenance of Field Lines	-	-	-	-	-	-	-	-	-	-	-	-	-
21	765	Maintenance of Field Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
22	766	Maintenance of Field Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
23	767	Maintenance of Purification Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
24		<b>Total Production Maintenance Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25															
26															
27		<b>Other Gas Supply Expense</b>													
28		<b>Operation</b>													
29	804	Natural Gas City Gate Purchase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (40,911,330)	\$ -
30	805	Other Gas Purchases	-	-	-	-	-	-	-	-	-	-	-	(938,867)	-
31	805.1	Purchased Gas Cost Adjustments	-	-	-	-	-	-	-	-	-	-	-	2,325,757	-
32	805.2	Financial Gas Cost Adj	-	-	-	-	-	-	-	-	-	-	-	655,808	-
33	806	Exchange Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
34	808	Gas Storage-Gas Ops	-	-	-	-	-	-	-	-	-	-	-	-	-
35	808.1	Withdrawals from Storage	-	-	-	-	-	-	-	-	-	-	-	(3,979,107)	-
36	808.2	Gas Delivered to Storage	-	-	-	-	-	-	-	-	-	-	-	3,844,903	-
37	812	Gas Used for Other Utility Operation	-	-	-	-	-	-	-	-	-	-	-	10,625	-
38	813	Other Gas Supply Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
39		<b>Total Other Gas Supply Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (38,992,210)	\$ -
40															
41		<b>Underground Storage Expense</b>													
42		<b>Operation</b>													
43	814	Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44	816	Wells Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
45	817	Lines Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
46	818	Compressor Station Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
47	819	Compressor Station Fuel and Power	-	-	-	-	-	-	-	-	-	-	-	-	-
48	820	Storage - Measuring & Regulating Station Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
49	821	Purification Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
50	824	Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
51	826	Rents	-	-	-	-	-	-	-	-	-	-	-	-	-
52		<b>Total Operation Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53															
54		<b>Maintenance</b>													
55	830	Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
56	832	Maintenance of Reservoirs & Wells	-	-	-	-	-	-	-	-	-	-	-	-	-
57	833	Maintenance of Lines	-	-	-	-	-	-	-	-	-	-	-	-	-
58	834	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
59	835	Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
60	836	Maintenance of Purification Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
61		<b>Total Maintenance Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
62															
63		<b>Total Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement H

Line No.	FERC Acct	Description	(m) Sched H-10	(o) Sched H-11	(p) Sched H-12	(q) Sched H-13	(r) Sched H-14	(s) Sched H-15	(t) Sched H-16	(u) Sched H-17	(v) Sched H-18	(w) Sched H-19	(x) Sched H-20	(y) Total Adjustments	(z) Adjusted Total
64															
65		<b>Transmission Expense</b>													
66		<b>Operation</b>													
67	850	Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,948	\$ -	\$ -	\$ (45)	\$ 3,740	\$ 115,040
68	851	System Control & Load Dispatching	-	-	-	-	-	-	-	-	-	-	-	(13)	248
69	852	Communication System Expenses	-	-	-	-	-	-	-	(4)	-	-	-	(1)	246
70	853	Compressor Labor & Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
71	856	Mains Expense	-	-	-	-	-	-	(23)	-	-	-	(819)	1,963	105,110
72	857	Measuring & Regulating Station Expense	-	-	-	-	-	-	7	(561)	-	-	-	(553)	7,135
73	859	Other Expenses	-	-	-	-	-	-	-	-	-	-	(66)	(2,729)	157,377
74	860	Rents	-	-	-	-	-	-	-	-	-	-	-	-	21,857
75		<b>Total Operation</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16)	\$ 1,383	\$ -	\$ -	\$ (930)	\$ 2,408	\$ 407,012
76															
77		<b>Maintenance</b>													
78	861	Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ (245)	\$ 1,502	\$ 17,489
79	862	Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
80	863	Maintenance of Mains	-	-	-	-	-	-	380	(2,759)	-	-	(476)	(1,320)	97,661
81	864	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-	(3)	7	135
82	865	Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	217	(55)	-	-	-	162	5,743
83	866	Maintenance of Communication Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
84	867	Maintenance of Other Equipment	-	-	-	-	-	-	-	-	-	-	(3)	9	4,846
85		<b>Total Maintenance</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597	\$ (2,813)	\$ -	\$ -	\$ (726)	\$ 360	\$ 125,874
86															
87		<b>Total Transmission Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 581	\$ (1,430)	\$ -	\$ -	\$ (1,657)	\$ 2,768	\$ 532,886
88															
89		<b>Distribution Expense</b>													
90		<b>Operation</b>													
91	870	Dist. Operating and Supervision Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,848	\$ 5,440	\$ (19,464)	\$ -	\$ -	\$ (7,336)	\$ 463,797	\$ 1,699,194
92	871	Dist. Load Dispatching	-	-	-	-	-	-	-	-	-	-	-	0	5
93	872	Compressor Station Labor & Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
94	873	Distr Fuel/Power Compr Station	-	-	-	-	-	-	-	-	-	-	-	-	-
95	874	Oper./Inspect Underground Dist. Mains - Gas	-	-	-	-	-	-	1,449	(1,888)	-	-	(22,266)	73,147	2,451,332
96	875	Dist. Measuring & Regulating Station Expense - General	-	-	-	-	-	-	(691)	(622)	-	-	(7,216)	15,906	351,276
97	876	Dist. Measuring & Regulating Station Expense - Industrial	-	-	-	-	-	-	340	2,827	-	-	(356)	4,158	24,038
98	877	Measuring & Regulating Station Expense - City Gate Check Station	-	-	-	-	-	-	(428)	-	-	-	(2,340)	6,186	119,743
99	878	Oper./Inspect Meters & Collect Data - Gas	-	-	-	-	-	-	86	1,853	-	-	(11,633)	30,507	610,137
100	879	Dist. Customer Installation Expense	-	-	-	-	-	-	39	532	-	-	(9,107)	26,997	477,486
101	880	Dist. Ops. Other Expenses	-	-	-	-	-	-	44,062	41,177	-	-	(28,281)	141,251	1,677,686
102	881	Dist. Oper. Rents	-	-	-	-	-	-	-	-	-	-	-	-	5,847
103		<b>Total Operation</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,848	\$ 50,298	\$ 24,415	\$ -	\$ -	\$ (88,534)	\$ 761,949	\$ 7,416,743
104															
105		<b>Maintenance</b>													
106	885	Dist. Maint. Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4)	\$ -	\$ -	\$ -	\$ (738)	\$ 2,872	\$ 51,130
107	886	Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-	-	-	(4)	7	3,423
108	887	Perf. Underground Distribution Line Maintenance - Gas	-	-	-	-	-	-	683	(545)	-	-	(4,941)	12,419	497,153
109	888	Dist. Maint. of Compressor Station Equipment	-	-	-	-	-	-	16	797	-	-	(1,623)	3,175	58,340
110	889	Maintenance of Measuring & Regulating Station Expense -General	-	-	-	-	-	-	2,417	(7,243)	-	-	(1,328)	(969)	213,297
111	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	-	-	-	-	-	-	30	426	-	-	(519)	1,791	29,002
112	891	Maintenance of Measuring & Regulating Station - City Gate Check Stn.	-	-	-	-	-	-	(53)	(2,365)	-	-	(2,463)	3,255	166,714
113	892	Dist. Maint. of Services	-	-	-	-	-	-	-	3,717	-	-	(3,938)	12,475	217,161
114	893	Dist. Maint. of Meters & House Regulators	-	-	-	-	-	-	-	1,786	-	-	(17,202)	46,174	852,259
115	894	Dist. Maint. of Other Equipment	-	-	-	-	-	-	-	-	-	-	(511)	1,359	25,009
116		<b>Total Maintenance</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,089	\$ (3,428)	\$ -	\$ -	\$ (33,266)	\$ 82,559	\$ 2,113,488
117															
118		<b>Total Distribution Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,848	\$ 53,386	\$ 20,987	\$ -	\$ -	\$ (121,800)	\$ 844,509	\$ 9,530,230
119															
120		<b>Customer Account Expenses</b>													
121		<b>Operation</b>													
122	901	Customer Accounts Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71	\$ (1,492)	\$ -	\$ -	\$ (1,824)	\$ 8,516	\$ 192,632
123	902	Meter Reading Expense	-	-	-	-	-	-	(11)	(297)	-	-	(7,474)	15,494	361,463
124	903	Customer Record & Collection Expense	-	-	-	-	1,181	-	-	64,548	231,768	-	(5,870)	349,648	2,387,118
125	904	Uncollectible Accounts	-	-	-	-	-	-	-	-	-	-	-	(176,635)	654,912
126	905	Miscellaneous Customer Accounts Expense	-	-	-	-	-	-	3,966	933	-	-	(492)	8,226	85,568
127		<b>Total Customer Account Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ 1,181	\$ -	\$ 4,026	\$ 63,693	\$ 231,768	\$ -	\$ (15,660)	\$ 205,249	\$ 3,681,694
128															

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement H

Line No.	FERC Acct	Description	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)	(z)
			Sched H-10	Sched H-11	Sched H-12	Sched H-13	Sched H-14	Sched H-15	Sched H-16	Sched H-17	Sched H-18	Sched H-19	Sched H-20	Total Adjustments	Adjusted Total
129		<b>Customer Service and Information Expenses</b>													
130		<b>Operation</b>													
131	907	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330	\$ -	\$ -	\$ -	\$ 2,609	\$ 44,146
132	908	Customer Assistance Expense	-	-	-	-	-	-	40	14	-	-	-	9,436	176,517
133	909	Informational/Instructional Advertising Expense	-	-	-	-	-	-	-	-	-	-	-	2,534	16,308
134	910	Miscellaneous Cust Serv & Inform Expense	-	-	-	-	-	-	-	2	-	-	(106)	207	3,945
135		<b>Total Customer Srvc &amp; Inform Exp.</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ 346	\$ -	\$ -	\$ (106)	\$ 14,785	\$ 240,916
136															
137		<b>Sales Expenses</b>													
138		<b>Operation</b>													
139	911	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
140	912	Demonstrating and Selling Expense	-	-	-	-	-	-	561	437	-	-	-	(1,682)	121,843
141	913	Advertising Expenses	-	-	-	-	-	-	-	-	-	-	-	(117,529)	19,998
142	916	Miscellaneous Sales Expense	-	-	-	-	-	-	-	39	-	-	-	39	39
143		<b>Total Sales Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 561	\$ 476	\$ -	\$ -	\$ -	\$ (119,172)	\$ 141,880
144															
145		<b>Administrative &amp; General Expense</b>													
146		<b>Operation</b>													
147	920	Administrative & General Salaries	\$ -	\$ -	\$ -	\$ -	\$ 58,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (63)	\$ 716,317	\$ 6,479,803
148	921	Office Supplies & Expense	-	-	-	-	-	-	102,701	19,572	-	-	81	272,087	1,889,648
149	922	Administrative Expense Transferred-Cr	-	-	-	-	-	-	-	-	-	-	-	(54,782)	(1,226,286)
150	923	Outside Services Employed	-	-	-	84,901	-	-	-	(4,685)	-	-	-	91,833	1,136,556
151	924	Property Insurance	-	-	-	-	-	-	-	-	-	-	-	(85)	6,890
152	925	Injuries and Damages	-	135,503	99,113	-	-	-	-	-	-	-	-	243,845	576,743
153	926	Employee Pensions and Benefits	-	-	-	22,366	-	-	-	-	-	-	-	(1,940,974)	1,442,184
154	927	Franchise Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-
155	928	Regulatory Commission Expense	250,000	-	-	-	-	-	-	-	-	-	-	250,000	422,497
156	929	Duplicate Charges - Credit	-	-	-	-	-	-	-	-	-	-	-	0	4
157	930.1	General Advertising Expense	-	-	-	-	-	-	-	-	-	-	-	(373,220)	109,801
158	930.2	Miscellaneous General Expense	-	-	-	-	-	-	11,744	2,376	-	58,184	-	53,324	268,342
159	931	Rents	-	-	-	-	-	-	-	-	-	-	-	(20,930)	801,070
160		<b>Total Operation</b>	\$ 250,000	\$ 135,503	\$ 99,113	\$ 107,267	\$ 58,032	\$ -	\$ 114,445	\$ 17,262	\$ -	\$ 58,184	\$ 18	\$ (762,585)	\$ 11,907,252
161															
162		<b>Maintenance</b>													
163	932	Maintenance of General Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,263)	\$ -	\$ -	\$ (1,896)	\$ 7,872	\$ 1,019,592
164		<b>Total Administrative &amp; General Exp</b>	\$ 250,000	\$ 135,503	\$ 99,113	\$ 107,267	\$ 58,032	\$ -	\$ 114,445	\$ 3,999	\$ -	\$ 58,184	\$ (1,878)	\$ (754,713)	\$ 12,926,844
165															
166		<b>Total Operating &amp; Maintenance Exp</b>	\$ 250,000	\$ 135,503	\$ 99,113	\$ 107,267	\$ 59,212	\$ 231,848	\$ 173,040	\$ 88,070	\$ 231,768	\$ 58,184	\$ (141,101)	\$ (38,798,785)	\$ 27,054,450

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
OUT OF PERIOD/ATYPICAL ACCOUNTING ADJUSTMENTS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Account Description</b>	<b>(a) (Note 1) Test Year Vacate Rented Properties</b>	<b>(b) -(a) Pro Forma Adjustment</b>
1	931	Rents	\$ 22,700	\$ (22,700)
2				
3		Total	\$ 22,700	\$ (22,700)
4				
5		(Note 1) This schedule reflects expenses charged to Operations & Maintenance for property rents for facilities that are		
6		no longer being used, which are removed to reflect a normal test year.		

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
REMOVAL OF ADVERTISING EXPENSE  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Account Description</b>	<b>(a) Per Book Advertising Expense</b>	<b>(b) (Note 1, Note 3) Test Year Advertising Expense Removed</b>	<b>(c) (Note 2) Test Year Advertising Expense Added</b>	<b>(d) (b) + (c) Total Advertising Expense Adjustment</b>
1	870	Dist. Operating and Supervision Engineering	\$ 2,009	\$ (2,009)	\$ -	\$ (2,009)
2						
3	901	Cust Accounts Supervision	5	(5)	-	(5)
4						
5	903	Cust Accounts Records & Collection	12,516	(8,096)	-	(8,096)
6						
7	908	Customer Assistance Expense	35	(35)	-	(35)
8						
9	909	Informational & Instructional Advertising	13,571	(1,723)	4,253	2,529
10						
11	912	Demonstrating & Selling Expense	7,997	(7,997)	-	(7,997)
12						
13	913	Advertising Expense	137,527	(117,663)	-	(117,663)
14						
15	921	Office Supplies & Expense	611	(611)	-	(611)
16						
17	930.1	General Advertising	483,021	(375,467)	-	(375,467)
18						
19	930.2	Misc. General Expense	112	(112)	-	(112)
20						
21		<b>Total</b>	<b>\$ 657,402</b>	<b>\$ (513,716)</b>	<b>\$ 4,253</b>	<b>\$ (509,464)</b>
22						

23 (Note 1) Test Year Advertising Expense of \$143,686 is included as it is related to Human Resource Hiring, Regulatory Notices, or Safety.  
24 During the Test Year, the Company spent an additional \$11,457 in Safety-related expenses related to COVID-19 for which it is  
25 not seeking recovery.  
26 (Note 2) The Company requests recovery of \$4,253 of Safety advertising for the Accelerated Pipe Replacement (APR) program incurred  
27 during the Test Year, which was recorded in the Pro Forma period.  
28 (Note 3) The removal of expenses not appropriate for recovery is discussed in the direct testimony of Ms. Schuldt.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
DUES EXPENSE ADJUSTMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	FERC Acct	Account Description	(a) Test Year Per Book Total	(b) (Note 1) Test Year Expense Removed	(c) (a) + (b) Test Year Per Book Total, As Adjusted	(d) (Note 2) Adjustment Percentage	(e) (c) * (-d) Test Year Expenses Removed by Adjustment Percentage	(f) (b) + (e) (Note 3) Total Expense Adjustment
1	850	Operation Supervision & Engineering	\$ 97	\$ -	\$ 97	50%	\$ (49)	\$ (49)
2								
3	861	Maintenance Supervision & Engineering	55	-	55	50%	(27)	(27)
4								
5	870	Dist. Operating and Supervision Engineering	2,055	(5)	2,050	50%	(1,025)	(1,030)
6								
7	880	Dist. Ops. Other Expenses	15	-	15	50%	(8)	(8)
8								
9	893	Dist. Maint. of Meters & House Regulators	70	-	70	50%	(35)	(35)
10								
11	912	Demonstrating and Selling Expense	602	-	602	50%	(301)	(301)
12								
13	921	Office Supplies & Expense	82,491	(5,406)	77,085	50%	(38,542)	(43,948)
14								
15	930.2	Miscellaneous General Expense	42,472	(3,925)	38,547	50%	(19,274)	(23,199)
16								
17	932	Maintenance of General Plant	294	-	294	50%	(147)	(147)
18								
19		Total	<u>\$ 128,151</u>	<u>\$ (9,336)</u>	<u>\$ 118,815</u>		<u>\$ (59,408)</u>	<u>\$ (68,744)</u>
20								

- 21 (Note 1) Expenses related to advertising, sponsorships, and donations are removed.  
22 (Note 2) The Company has reduced Test Year expenses for dues, subscriptions, and memberships by 50%, recognizing that this reduction is typically made by the KCC Staff.  
23 (Note 3) The removal of expenses not appropriate for recovery is discussed in the direct testimony of Ms. Schuldt.



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
REMOVAL OF GAS COSTS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Description</b>	<b>Reference</b>	<b>Accounts Recovered Through the PGA</b>
1	804	Natural Gas City Gate Purchase	Stmt H Ln. 29 (d)	\$ 40,911,330
2				
3	805	Other Gas Purchases	Stmt H Ln. 30 (d)	938,867
4				
5	805.1	Purchased Gas Cost Adjustments	Stmt H Ln. 31 (d)	(2,325,757)
6				
7	805.2	Financial Gas Cost Adjustments	Stmt H Ln. 32 (d)	(655,808)
8				
9	806	Exchange Gas	Stmt H Ln. 33 (d)	-
10				
11	808.1	Withdrawals from Storage	Stmt H Ln. 35 (d)	3,979,107
12				
13	808.2	Gas Delivered to Storage	Stmt H Ln. 36 (d)	(3,844,903)
14				
15	812	Gas Used for Other Utility Operation	Stmt H Ln. 37 (d)	(10,625)
16				
17	813	Other Gas Supply Expense	Stmt H Ln. 38 (d)	-
18				
19		Total Gas Costs	Sum Ln.1 - Ln.17	<u>\$ 38,992,210</u>

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
WAGES AND SALARIES ADJUSTMENT FOR ANNUALIZATION OF DIRECT EMPLOYEES  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
Schedule H-5

Line No.	FERC Acct	Description	(a) Test Year Per Book Total	(b) (Note 1) Annualized Payroll	(c) (b) - (a) Payroll & Benefit Annualization Adjustment
1		<b>Production and Gathering</b>			
2		<b>Operation</b>			
3	754	Field Compressor Station Expense	\$ -	\$ -	\$ -
4	756	Field Measuring & Regulating Station Expense	-	-	-
5		<b>Total Operation</b>	\$ -	\$ -	\$ -
6					
7		<b>Maintenance</b>			
8	766	Maintenance of Field Measuring & Regulating Station Equipment	\$ -	\$ -	\$ -
9	767	Maintenance of Purification Equipment	-	-	-
10		<b>Total Maintenance</b>	\$ -	\$ -	\$ -
11					
12		<b>Underground Storage Expense</b>			
13		<b>Operation</b>			
14	816	Wells Expense	\$ -	\$ -	\$ -
15	817	Lines Expense	-	-	-
16	818	Compressor Station Expense	-	-	-
17	820	Storage - Measuring & Regulating Station Expense	-	-	-
18	821	Purification Expense	-	-	-
19		<b>Total Operation</b>	\$ -	\$ -	\$ -
20					
21		<b>Maintenance</b>			
22	830	Maintenance Supervision & Engineering	\$ -	\$ -	\$ -
23	832	Maintenance of Reservoirs & Wells	-	-	-
24	833	Maintenance of Lines	-	-	-
25	834	Maintenance of Compressor Station Equipment	-	-	-
26	835	Maintenance of Measuring & Regulating Station Equipment	-	-	-
27	836	Maintenance of Purification Equipment	-	-	-
28		<b>Total Maintenance</b>	\$ -	\$ -	\$ -
29					
30		<b>Transmission Expense</b>			
31		<b>Operation</b>			
32	850	Operation Supervision & Engineering	\$ 2,844	\$ 3,102	\$ 258
33	851	System Control & Load Dispatching	-	-	-
34	852	Communication System Expense	-	-	-
35	853	Compressor Labor & Expense	-	-	-
36	856	Mains Expense	30,921	33,725	2,804
37	857	Measuring & Regulating Station Expense	-	-	-
38	859	Other Expenses	1,261	1,375	114
39	860	Rents	-	-	-
40		<b>Total Operation</b>	\$ 35,026	\$ 38,203	\$ 3,177
41					
42		<b>Maintenance</b>			
43	861	Maintenance Supervision & Engineering	\$ 14,367	\$ 15,670	\$ 1,303
44	862	Maintenance of Structures & Improvements	-	-	-
45	863	Maintenance of Mains	16,369	17,853	1,484
46	864	Maintenance of Compressor Station Equipment	112	122	10
47	865	Maintenance of Measuring & Regulating Station Equipment	-	-	-
48	866	Maintenance of Communication Equipment	-	-	-
49	867	Maintenance of Other Equipment	123	134	11
50		<b>Total Maintenance</b>	\$ 30,970	\$ 33,779	\$ 2,809
51					
52		<b>Total Transmission Expense</b>	\$ 65,997	\$ 71,982	\$ 5,985
53					
54		<b>Distribution Expense</b>			
55		<b>Operation</b>			
56	870	Dist. Operating and Supervision Engineering	\$ 360,081	\$ 392,738	\$ 32,657
57	871	Dist. Load Dispatching	-	-	-
58	872	Compressor Station Labor & Expense	-	-	-
59	874	Dist. Mains & Services Expense	1,056,460	1,152,272	95,813
60	875	Dist. Measuring & Regulating Station Expense - General	269,406	293,839	24,433
61	876	Dist. Measuring & Regulating Station Expense - Industrial	14,856	16,203	1,347
62	877	Measuring & Regulating Station Expense - City Gate Check Station	98,726	107,680	8,954
63	878	Dist. Meter & House Regulator Expense	442,820	482,981	40,160
64	879	Dist. Customer Installation Expense	391,794	427,327	35,533
65	880	Dist. Other Expenses	918,243	1,001,520	83,277
66	881	Dist. Rents	-	-	-
67		<b>Total Operation</b>	\$ 3,552,385	\$ 3,874,559	\$ 322,173

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
WAGES AND SALARIES ADJUSTMENT FOR ANNUALIZATION OF DIRECT EMPLOYEES  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
Schedule H-5

Line No.	FERC Acct	Description	(a) Test Year Per Book Total	(b) (Note 1) Annualized Payroll	(c) (b) - (a) Payroll & Benefit Annualization Adjustment
68					
69		<b>Maintenance</b>			
70	885	Dist. Maint Supervision & Engineering	\$ 39,845	\$ 43,459	\$ 3,614
71	886	Maintenance of Structures & Improvements	121	132	11
72	887	Dist. Maint. of Mains	190,047	207,283	17,236
73	888	Dist. Maint. of Compressor Station Equipment	44,376	48,400	4,025
74	889	Maintenance of Measuring & Regulating Station Expense -General	57,167	62,352	5,185
75	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	20,448	22,303	1,854
76	891	Maintenance of Measuring & Regulating Station Expense - City Gate Check Station	89,709	97,845	8,136
77	892	Dist. Maint. of Services	139,997	152,694	12,697
78	893	Dist. Maint. of Meters & House Regulators	631,475	688,744	57,270
79	894	Dist. Maint. of Other Equipment	20,625	22,496	1,871
80		<b>Total Maintenance</b>	\$ 1,233,810	\$ 1,345,707	\$ 111,897
81					
82		<b>Total Distribution Expense</b>	\$ 4,786,196	\$ 5,220,266	\$ 434,070
83					
84		<b>Customer Account Expenses</b>			
85		<b>Operation</b>			
86	901	Supervision	\$ 77,761	\$ 84,814	\$ 7,052
87	902	Meter Reading Expenses	255,915	279,124	23,209
88	903	Customer Record & Collection Expenses	183,245	199,864	16,619
89	904	Uncollectible Accounts	-	-	-
90	905	Misc Customer Accounts Expenses	12,200	13,306	1,106
91		<b>Total Customer Account Expense</b>	\$ 529,121	\$ 577,108	\$ 47,987
92					
93		<b>Customer Service and Information Expenses</b>			
94		<b>Operation</b>			
95	907	Supervision	\$ -	\$ -	\$ -
96	908	Customer Assistance Expenses	-	-	-
97	909	Informational/Instructional Advertising Exp.	-	-	-
98	910	Miscellaneous Cust Serv & Inform Exp.	3,023	3,298	274
99		<b>Total Customer Srvc &amp; Inform Exp.</b>	\$ 3,023	\$ 3,298	\$ 274
100					
101		<b>Sales Expenses</b>			
102		<b>Operation</b>			
103	911	Supervision	\$ -	\$ -	\$ -
104	912	Demonstrating and Selling Expenses	-	-	-
105	913	Advertising Expenses	-	-	-
106	916	Misc Sales Expenses	-	-	-
107		<b>Total Sales Expense</b>	\$ -	\$ -	\$ -
108					
109		<b>Administrative &amp; General Expense</b>			
110		<b>Operation</b>			
111	920	Administrative & General Salaries	\$ 512,934	\$ 559,453	\$ 46,519
112	921	Office Supplies & Expenses	-	-	-
113	922	Administrative Expenses Transferred-Cr	-	-	-
114	923	Outside Services Employed	-	-	-
115	924	Property Insurance	-	-	-
116	925	Injuries and Damages	-	-	-
117	926	Employee Pensions and Benefits	645,715	704,276	58,561
118	927	Franchise Requirements	-	-	-
119	928	Regulatory Commission Expenses	-	-	-
120	930.1	General Advertising Expense	-	-	-
121	930.2	Miscellaneous General Expenses	-	-	-
122	931	Rents	-	-	-
123		<b>Total Operation</b>	\$ 1,158,649	\$ 1,263,730	\$ 105,080
124					
125		<b>Maintenance</b>			
126	932	Maintenance of General Plant	\$ 74,475	\$ 81,229	\$ 6,754
127		<b>Total Administrative &amp; General Exp</b>	\$ 1,233,124	\$ 1,344,959	\$ 111,835
128					
129			\$ 6,617,460	\$ 7,217,612	\$ 600,151
130					

131 (Note 1) The Company calculated its annual pro forma period costs (including benefits, incentives and base pay) for each of the 132 direct employees.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
EMPLOYEE BENEFITS ADJUSTMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>Acct</b>	<b>Description</b>	<b>(a) Test Year Per Books</b>	<b>(b) Test Year As Adjusted</b>	<b>(c) (b) - (a) Adjustment (Note 1)</b>
1		<b>Benefits Plan:</b>			
2	926	Retiree Healthcare Net Periodic Expense and Administrative Costs	\$ 276,855	\$ 178,426	\$ (98,429)
3					
4		<b>Pension:</b>			
5	926	Pension Plan Net Periodic Expense and Administrative Costs	\$ 1,206,319	\$ 351,522	\$ (854,797)
6					
7		Total Benefits Adjustment	<u>\$ 1,483,174</u>	<u>\$ 529,948</u>	<u>\$ (953,226)</u>

8  
9 (Note 1) Adjustment amounts are the difference between the Test Year per books expenses for Pension and OPEB and the recommended expense  
10 going forward as discussed in the Direct Testimony of Ms. Christianne Curran.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**AMORTIZATION OF PENSION AND RETIREE HEALTHCARE LIABILITY**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Description</b>	<b>FERC Description</b>	<b>Reference</b>	<b>Amount</b>
1	#926	Retiree Healthcare Plan Tracker Liability Balance		(Note 1)	\$ (564,741)
2					
3		Amortization Period		5 Years	<u>5</u>
4					
5	926	Annual Amortization Amount	Employee Pensions and Benefits	Ln.1 ÷ Ln.3	<u>\$ (112,948)</u>
6					
7	#926	Pension Plan Tracker Liability Balance		(Note 1)	\$ (5,135,530)
8					
9		Amortization Period		5 Years	<u>5</u>
10					
11	926	Annual Amortization Amount	Employee Pensions and Benefits	Ln.7 ÷ Ln.9	<u>\$ (1,027,106)</u>
12					
13	#926	Total Annual Amortization Amount	Employee Pensions and Benefits	Ln.5 + Ln.11	<u>\$ (1,140,054)</u>
14					
15					

(Note 1) Please see the testimony of Ms. Christianne Curran for an explanation of the regulatory liability related to the pension and retiree healthcare trackers.  
The total liability is an estimate of activity between January 1, 2021 and June 30, 2021 added to the actual liability balances at December 31, 2020.

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 INTERCOMPANY CHARGES FROM BLACK HILLS SERVICE COMPANY  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Schedule H-8

Line No.	FERC Acct	Account Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
			(Note 2) Test Year	Annual Update Cost Allocation Rates	Adjustment for Admin & General Transfer Credit	(Note 4) Adjustment for COVID Charges	Adjustment for Travel Expenses	Wages & Salaries Adjustment for Annualization of BHSC Employees	Test Year As Adjusted	Increase/ (Decrease)
1	850	Operation Supervision & Engineering	\$ 108,187	\$ (6,572)	\$ -	\$ -	\$ 6,227	\$ 1,974	\$ 109,816	\$ 1,629
2	851	System Control & Load Dispatching	261	(27)	-	-	-	15	248	(13)
3	852	Communication System Expenses	247	(26)	-	-	30	-	250	4
4	856	Mains Expense	-	-	-	-	-	-	-	-
5	857	Measuring & Regulating Station Expense	-	-	-	-	1	-	1	1
6	859	Other Expenses	156,933	(2,901)	-	-	69	56	154,156	(2,777)
7	860	Rents	-	-	-	-	-	-	-	-
8	861	Maintenance Supervision & Engineering	170	(18)	-	-	488	-	640	470
9	863	Maintenance of Mains	-	-	-	-	50	-	50	50
10	864	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-
11	865	Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-
12	867	Maintenance of Other Equipment	-	-	-	-	-	-	-	-
13	870	Dist. Operating and Supervision Engineering	823,297	2,530	-	(859)	28,726	193,293	1,046,988	223,691
14	871	Dist. Load Dispatching	4	0	-	-	-	0	5	0
15	874	Oper./Inspect Underground Dist. Mains - Gas	269	2	-	-	37	1	309	39
16	875	Dist. Measuring & Regulating Station Expense - General	120	1	-	-	-	1	122	2
17	876	Dist. Measuring & Regulating Station Expense - Industrial	-	-	-	-	-	-	-	-
18	877	Measuring & Regulating Station Expense - City Gate Check Station	-	-	-	-	-	-	-	-
19	878	Oper./Inspect Meters & Collect Data - Gas	911	6	-	-	9	25	951	40
20	879	Dist. Customer Installation Expense	-	-	-	-	-	-	-	-
21	880	Dist. Ops. Other Expenses	24,498	100	-	-	851	72	25,522	1,023
22	881	Dist. Oper. Rents	1,122	-	-	-	-	-	1,122	-
23	885	Dist. Maint. Supervision & Engineering	-	-	-	-	-	-	-	-
24	886	Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-
25	887	Perf. Underground Distribution Line Maintenance - Gas	86	1	-	-	(14)	-	73	(13)
26	888	Dist. Maint. of Compressor Station Equipment	55	(0)	-	-	(39)	0	15	(39)
27	889	Maintenance of Measuring & Regulating Station Expense -General	-	-	-	-	-	-	-	-
28	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	-	-	-	-	-	-	-	-
29	891	Maintenance of Measuring & Regulating Station - City Gate Check Stn.	-	-	-	-	-	-	-	-
30	892	Dist. Maint. of Services	-	-	-	-	-	-	-	-
31	893	Dist. Maint. of Meters & House Regulators	67,190	(433)	-	(1)	3,748	1,043	71,546	4,356
32	894	Dist. Maint. of Other Equipment	-	-	-	-	-	-	-	-
33	901	Customer Accounts Supervision	91,723	(399)	-	(743)	3,137	2,718	96,437	4,714
34	902	Meter Reading Expense	21,662	(124)	-	-	(49)	239	21,729	67
35	903	Customer Record & Collection Expense	1,798,912	(5,225)	-	(6,432)	15,066	46,089	1,848,410	49,498
36	905	Miscellaneous Customer Accounts Expense	53,857	(142)	-	-	1,153	1,700	56,568	2,711
37	907	Supervision	41,537	(184)	-	-	1,066	1,397	43,816	2,279
38	908	Customer Assistance Expense	167,081	(37)	-	-	4,373	5,080	176,498	9,416
39	909	Informational/Instructional Advertising Expense	203	(1)	-	-	-	5	207	5
40	910	Miscellaneous Cust Serv & Inform Expense	40	(0)	-	-	37	-	77	37
41	912	Demonstrating and Selling Expense	121,787	30	-	-	2,802	2,786	127,404	5,618
42	913	Advertising Expenses	28,801	51	-	-	83	-	28,935	134
43	920	Administrative & General Salaries	5,052,558	77,516	-	(21,821)	-	556,135	5,664,387	611,829
44	921	Office Supplies & Expense	1,148,825	1,273	-	(46,197)	239,216	-	1,343,118	194,292
45	922	Administrative Expense Transferred-Cr	(1,095,639)	-	(54,782)	-	-	-	(1,150,421)	(54,782)
46	923	Outside Services Employed	1,018,380	23,152	-	(11,534)	-	-	1,029,998	11,618
47	924	Property Insurance	6,975	2	(87)	-	-	-	6,890	(85)

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 INTERCOMPANY CHARGES FROM BLACK HILLS SERVICE COMPANY  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Schedule H-8

Line No.	FERC Acct	Account Description	(a) (Note 2) Test Year	(b) Annual Update Cost Allocation Rates	(c) (Note 3) Adjustment for Admin & General Transfer Credit	(d) (Note 4) Adjustment for COVID Charges	(e) Adjustment for Travel Expenses	(f) Wages & Salaries Adjustment for Annualization of BHSC Employees	(g) Test Year As Adjusted	(h) Increase/ (Decrease)
48	925	Injuries and Damages	374,591	14,046	(4,817)	-	-	-	383,820	9,229
49	926	Employee Pensions and Benefits	1,586,003	19,826	(10,194)	-	-	61,746	1,657,382	71,379
50	928	Regulatory Commission Expense	172,226	-	-	-	-	-	172,226	-
51	929	Duplicate Charges - Credit	4	0	-	-	-	-	4	0
52	930.1	General Advertising Expense	(Note 1) 477,146	2,246	-	-	-	-	479,392	2,246
53	930.2	Miscellaneous General Expense	32,267	851	-	-	3,356	124	36,598	4,330
54	931	Rents	797,823	11,743	(9,973)	-	-	-	799,593	1,770
55	932	Maintenance of General Plant	690,887	16,391	-	-	-	34	707,312	16,424
56										
57		Total Costs	<u>\$ 13,771,001</u>	<u>\$ 153,677</u>	<u>\$ (79,853)</u>	<u>\$ (87,588)</u>	<u>\$ 310,422</u>	<u>\$ 874,533</u>	<u>\$ 14,942,192</u>	<u>\$ 1,171,191</u>

- 58
- 59 (Note 1) Removed pro forma adjusted balances in accounts 930.1 and 913 related to advertising.
- 60 (Note 2) These expenses are a combination of Assigned, Distributed and indirect allocated charges to Black Hills/Kansas Gas Utility Company, LLC from Black Hills Service Company without any additional fees. All costs are charged to Black Hills/Kansas Gas Utility Company, LLC as the costs are incurred by Black Hills Service Company. The allocation methods for indirect charges are described in the Cost Allocation Manual.
- 61
- 62 (Note 3) This adjustment reflects the change in rate from 20% in 2020 to 21% in 2021, for the portion of costs moved from O&M to capital.
- 63 (Note 4) This adjustment includes the change in allocation factors from 2020 to 2021. This adjustment removes abnormal expenses incurred in response to COVID.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**BAD DEBT ADJUSTMENT**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>Description</b>	<b>Reference</b>	<b>Amount</b>
1	Calendar Year 2017 Net Write-Offs		\$ 743,821
2	Calendar Year 2018 Net Write-Offs		547,393
3	Calendar Year 2019 Net Write-Offs		671,679
4	Total Net Write-Offs	Ln. 1 + Ln. 2 + Ln. 3	<u>\$ 1,962,893</u>
5			
6	Average Net Write Offs	Ln. 4 / 3	\$ 654,298
7			
8	Billed Revenue - Calendar Year 2017	(Note 1)	\$ 97,290,101
9	Billed Revenue - Calendar Year 2018	(Note 1)	104,344,480
10	Billed Revenue - Calendar Year 2019	(Note 1)	<u>99,814,685</u>
11			
12	Average Billed Revenue (2017 - 2019)	(Ln. 8 + Ln. 9 + Ln. 10) / 3	\$ 100,483,089
13			
14	Average Effective Uncollectible Rate (3 year average)	Ln. 6 / Ln. 12	0.6512%
15			
16	Adjusted Revenue	Stmt M Ln. 4 (e) - Stmt I Ln. 9 (o)	\$ 100,577,456
17			
18	Net Write Off Calculated	Ln. 14 * Ln. 16	\$ 654,912
19			
20	FERC 904	Stmt H Ln. 125 (d)	<u>\$ 831,547</u>
21			
22	Total Adjustment		<u><u>\$ (176,635)</u></u>
23			
24	(Note 1) Billed revenues are total annual revenues less unbilled revenues, WNA revenues, and non-regulated revenues.		



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 RATE CASE AMORTIZATION  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Description</b>	<b>FERC Description</b>	<b>Reference</b>	<b>Amount</b>
1		Estimated Rate Case Expenses		(Note 1)	\$ 750,000
2					
3		Amortization Period		3 Years	<u>3</u>
4					
5	928	Annual Amortization Amount	Regulatory Commission Expense	Ln.1 ÷ Ln.3	<u>\$ 250,000</u>
6					
7		(Note 1) The Company estimates costs for the current Rate Application at \$750,000.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
WORKERS' COMPENSATION EXPENSE ADJUSTMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

(Note 2)

<b>Line No.</b>	<b>FERC Acct</b>	<b>Description</b>		<b>Test Year Expense</b>	<b>Kansas Gas</b>	<b>Service Company</b>
1	#925	Injuries and Damages	(Note 1)	\$ 332,898	\$ (41,693)	\$ 374,591
2						
3		Out of Period Adjustment	(Note 3)	(161,090)	(172,211)	11,121
4		2020 Workers' Comp Accrual	(Note 4)	(74,550)	(65,148)	(9,402)
5		2021 Workers' Comp Accrual	(Note 4)	100,137	89,448	10,689
6		Adjusted Amount		(135,503)	(147,911)	12,408
7						
8	#925	As Adjusted		468,401	106,218	362,183
9						
10	925	Total Expense Adjustment		\$ 135,503	\$ 147,911	\$ (12,408)

13 (Note 1) FERC Account 925 includes multiple types of insurance-related costs. This adjustment relates to the Workers'  
14 Compensation costs included in the account.  
15 (Note 2) Service Company amounts reflect only the percentage allocated to Kansas Gas Utility Company, LLC.  
16 (Note 3) Out of Period adjustment is the 2019 annual true up to the actuarial study. This entry was booked during the Test Year.  
17 (Note 4) The Workers' Compensation accrual changes annually. The adjustment removes the accruals recorded in the Test Year  
18 and replaces with the annual accrual for the pro forma period

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
INSURANCE PREMIUM EXPENSE ADJUSTMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Account Description</b>	<b>(a) Test Year Ending 12/31/2020</b>	<b>(b) Test Year Ending 12/31/2020 As Adjusted</b>	<b>(c) (b) - (a)  (Note 1) Adjustment</b>
1	925	Injuries and Damages	\$ 442,331	\$ 541,443	\$ 99,113
2					
3		Total	\$ 442,331	\$ 541,443	\$ 99,113
4					

5 (Note 1) As discussed in the testimony of Ms. Schuldt, utilities are experiencing significant increases in insurance premiums.  
6 This adjustment reflects these increased O&M expenses for the select types of insurance identified as increasing. Not  
7 included in the adjustment are costs for insurance premiums of product lines which we have not been notified of increasing.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
RELOCATION EXPENSE ADJUSTMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	FERC Acct	Account Description	(a)	(b)	(c)
			Test Year Ending 12/31/2020	3 Year Average 2018-2020	(b) - (a)  (Note 1) Adjustment
1	923	Outside Services Employed	\$ 79,422	\$ 164,323	\$ 84,901
2	926	Employee Pensions and Benefits	21,172	43,538	22,366
3					
4		Total	<u>\$ 100,595</u>	<u>\$ 207,861</u>	<u>\$ 107,267</u>
5					

6 (Note 1) The adjustment amount adjusts the Test Year expense to the three-year average to reflect a normal test year.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
SEVERANCE EXPENSE ADJUSTMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	FERC Acct	Account Description	(a)	(b)	(c)
			Test Year Ending 12/31/2020	3 Year Average 2018-2020	(b) - (a)  (Note 1)  Adjustment
1	903	Customer Record & Collection Expense	\$ -	\$ 1,181	\$ 1,181
2	920	Administrative & General Salaries	(1,761)	56,271	58,032
3					
4		Total	\$ (1,761)	\$ 57,451	\$ 59,212
5					

6 (Note 1) The adjustment amount adjusts the Test Year expense to the three-year average to reflect a normal test year.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
DATA IMPROVEMENT INTEGRITY PROGRAM ADJUSTMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Account Description</b>	<b>(a) Test Year Expense</b>	<b>(b) (Note 1) Minimum Annual Program Expense</b>	<b>(c) (b) - (a) Total Expense Adjustment</b>
1	870	Dist. Operating and Supervision Engineering	\$ 168,152	\$ 400,000	\$ 231,848
2					
3		Total	<u>\$ 168,152</u>	<u>\$ 400,000</u>	<u>\$ 231,848</u>
4					
5		(Note 1) Data Improvement Integrity Program (DIIP) costs will be a minimum of \$400,000 annually for 2021-2028,			
6		as discussed in the testimony of Mr. Watkins.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**TRAVEL EXPENSE ADJUSTMENT**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Account Description</b>	<b>Year Ending 12/31/2019</b>	<b>Test Year Ending 12/31/2020</b>	<b>(Note 1) Pro Forma Adjusted</b>
1	850	Operation Supervision & Engineering	\$ -	\$ -	\$ -
2	856	Mains Expense	-	23	(23)
3	857	Measuring & Regulating Station Expense	11	4	7
4	861	Maintenance Supervision & Engineering	-	-	-
5	863	Maintenance of Mains	380	-	380
6	865	Maintenance of Measuring & Regulating Station Equipment	217	-	217
7	870	Dist. Operating and Supervision Engineering	6,040	599	5,440
8	873	Distr Fuel/Power Compr Station	-	-	-
9	874	Oper./Inspect Underground Dist. Mains - Gas	2,532	1,084	1,449
10	875	Dist. Measuring & Regulating Station Expense - General	237	928	(691)
11	876	Dist. Measuring & Regulating Station Expense - Industrial	448	109	340
12	877	Measuring & Regulating Station Expense - City Gate Check Station	-	428	(428)
13	878	Oper./Inspect Meters & Collect Data - Gas	108	21	86
14	879	Dist. Customer Installation Expense	91	52	39
15	880	Dist. Ops. Other Expenses	65,457	21,395	44,062
16	885	Dist. Maint. Supervision & Engineering	-	4	(4)
17	886	Maintenance of Structures & Improvements	-	-	-
18	887	Perf. Underground Distribution Line Maintenance - Gas	1,154	471	683
19	888	Dist. Maint. of Compressor Station Equipment	46	30	16
20	889	Maintenance of Measuring & Regulating Station Expense -General	4,459	2,041	2,417
21	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	30	-	30
22	891	Maintenance of Measuring & Regulating Station - City Gate Check S	-	53	(53)
23	892	Dist. Maint. of Services	-	-	-
24	893	Dist. Maint. of Meters & House Regulators	-	-	-
25	901	Customer Accounts Supervision	71	-	71
26	902	Meter Reading Expense	147	157	(11)
27	905	Miscellaneous Customer Accounts Expense	5,060	1,094	3,966
28	907	Supervision	-	-	-
29	908	Customer Assistance Expense	40	-	40
30	912	Demonstrating and Selling Expense	885	324	561
31	921	Office Supplies & Expense	181,139	78,438	102,701
32	930.2	Miscellaneous General Expense	14,611	2,867	11,744
33	932	Maintenance of General Plant	-	-	-
34					
35		Total Costs	<u>\$ 283,162</u>	<u>\$ 110,122</u>	<u>\$ 173,040</u>
36					
37					
38					

(Note 1) This schedule reflects the adjustment of direct Travel Expenses in the Test Year to the 2019 level.

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 COVID-19 COST ADJUSTMENT  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Schedule H-17

Line No.	FERC Acct	Account Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	- (a) - (b) - (c) + (d) + (e) + (f)
			Test Year Materials, Safety and Protective Supplies, Bldg Maintenance Expenses	Test Year Office Supplies Expenses	Test Year Legal Fees Expenses	Test Year Conferences & Training Savings	Test Year Office Supplies Savings	Test Year Collection Fees Savings	Pro Forma Adjustment
1	850	Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ 1,785	\$ 163	\$ -	\$ 1,948
2	852	Communication System Expenses	-	-	-	-	(4)	-	(4)
3	856	Mains Expense	-	-	-	-	-	-	-
4	857	Measuring & Regulating Station Expense	-	-	-	-	(561)	-	(561)
5	861	Maintenance Supervision & Engineering	-	-	-	-	1	-	1
6	863	Maintenance of Mains	-	-	-	-	(2,759)	-	(2,759)
7	865	Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	(55)	-	(55)
8	870	Dist. Operating and Supervision Engineering	-	-	-	738	(20,202)	-	(19,464)
9	873	Distr Fuel/Power Compr Station	-	-	-	-	-	-	-
10	874	Oper./Inspect Underground Dist. Mains - Gas	-	-	-	-	(1,888)	-	(1,888)
11	875	Dist. Measuring & Regulating Station Expense - General	-	-	-	-	(622)	-	(622)
12	876	Dist. Measuring & Regulating Station Expense - Industrial	-	-	-	-	2,827	-	2,827
13	877	Measuring & Regulating Station Expense - City Gate Check Station	-	-	-	-	-	-	-
14	878	Oper./Inspect Meters & Collect Data - Gas	-	-	-	(44)	1,897	-	1,853
15	879	Dist. Customer Installation Expense	-	-	-	-	532	-	532
16	880	Dist. Ops. Other Expenses	7,314	3,500	-	2,030	49,961	-	41,177
17	885	Dist. Maint. Supervision & Engineering	-	-	-	-	-	-	-
18	886	Maintenance of Structures & Improvements	-	-	-	-	-	-	-
19	887	Perf. Underground Distribution Line Maintenance - Gas	-	-	-	-	(545)	-	(545)
20	888	Dist. Maint. of Compressor Station Equipment	-	-	-	-	797	-	797
21	889	Maintenance of Measuring & Regulating Station Expense -General	43	-	-	-	(7,201)	-	(7,243)
22	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	-	-	-	-	426	-	426
23	891	Maintenance of Measuring & Regulating Station - City Gate Check S	-	-	-	79	(2,444)	-	(2,365)
24	892	Dist. Maint. of Services	-	-	-	-	3,717	-	3,717
25	893	Dist. Maint. of Meters & House Regulators	-	-	-	(77)	1,863	-	1,786
26	901	Customer Accounts Supervision	-	-	-	(260)	(1,232)	-	(1,492)
27	902	Meter Reading Expense	-	-	-	-	(297)	-	(297)
28	903	Customer Record & Collection Expense	-	-	-	431	42,568	21,549	64,548
29	905	Miscellaneous Customer Accounts Expense	488	31	-	16	1,436	-	933
30	907	Supervision	-	-	-	85	245	-	330
31	908	Customer Assistance Expense	-	-	-	(18)	32	-	14
32	910	Miscellaneous Cust Serv & Inform Expense	-	-	-	-	2	-	2
33	912	Demonstrating and Selling Expense	-	-	-	100	337	-	437
34	916	Miscellaneous Sales Expense	-	-	-	-	39	-	39
35	921	Office Supplies & Expense	3,302	5,421	-	181	28,115	-	19,572
36	923	Outside Services Employed	-	-	4,685	-	-	-	(4,685)
37	930.2	Miscellaneous General Expense	-	-	-	2,106	269	-	2,376
38	932	Maintenance of General Plant	8,702	-	-	(27)	(4,534)	-	(13,263)
39									
40		Total Costs	\$ 19,849	\$ 8,952	\$ 4,685	\$ 7,126	\$ 92,881	\$ 21,549	\$ 88,070
41									
42									
43									
44									

(Note 1) Expenses incurred in the Test Year due to Covid-19, removed to reflect a normal Test Year.

Page 40 of 68 Cost savings in the Test Year due to Covid-19, adjusted to the 2019 level to reflect a normal Test Year.



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 ALTERNATIVE FORMS OF PAYMENT ADJUSTMENT  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Description</b>	<b>(a) Per Book</b>	<b>(b) Pro Forma Adjusted</b>	<b>(Note 1) (c) (b) - (a) Pro Forma Adjusted</b>
1	903	Customer Record & Collection Expenses	\$ -	\$ 231,768	<u>\$ 231,768</u>
2					
3		(Note 1) The alternative forms of payment adjustment extends the convenience of customers paying their bills by credit card to all customers.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 RESEARCH AND DEVELOPMENT ADJUSTMENT  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>FERC Acct</b>	<b>Description</b>	<b>(a)</b>	<b>(b)</b>	<b>(Note 1) (c)</b>
			<b>Amount Per Customer</b>	<b>Average Number of Customers</b>	<b>Pro Forma Adjustment</b>
1	930.2	Miscellaneous General Expense	\$ 0.50	116,368	<u>\$ 58,184</u>
2					
3		(Note 1) Operations Technology Development (OTD) membership dues are based upon the number of customers, as discussed in the Direct Testimony of Ms. Schuldt.			

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**FLEET DEPRECIATION ADJUSTMENT**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	FERC Acct	Account Description	Test Year	(Note 1)
			Vehicle Loadings	Pro Forma Adjusted
1	754	Field Compressor Station Expense	\$ -	\$ -
2	756	Field Measuring & Regulating Station Expense	-	-
3	764	Maintenance of Field Lines	-	-
4	766	Maintenance of Field Measuring & Regulating Station Equipment	-	-
5	767	Maintenance of Purification Equipment	-	-
6	814	Operation Supervision & Engineering	-	-
7	816	Wells Expense	-	-
8	817	Lines Expense	-	-
9	818	Compressor Station Expense	-	-
10	820	Storage - Measuring & Regulating Station Expense	-	-
11	821	Purification Expense	-	-
12	830	Maintenance Supervision & Engineering	-	-
13	832	Maintenance of Reservoirs & Wells	-	-
14	833	Maintenance of Lines	-	-
15	834	Maintenance of Compressor Station Equipment	-	-
16	835	Maintenance of Measuring & Regulating Station Equipment	-	-
17	836	Maintenance of Purification Equipment	-	-
18	850	Operation Supervision & Engineering	268	(45)
19	851	System Control & Load Dispatching	-	-
20	852	Communication System Expenses	-	-
21	853	Compressor Labor & Expense	-	-
22	856	Mains Expense	4,846	(819)
23	857	Measuring & Regulating Station Expense	-	-
24	859	Other Expenses	391	(66)
25	860	Rents	-	-
26	861	Maintenance Supervision & Engineering	1,450	(245)
27	862	Maintenance of Structures & Improvements	-	-
28	863	Maintenance of Mains	2,816	(476)
29	864	Maintenance of Compressor Station Equipment	16	(3)
30	865	Maintenance of Measuring & Regulating Station Equipment	-	-
31	866	Maintenance of Communication Equipment	-	-
32	867	Maintenance of Other Equipment	15	(3)
33	870	Dist. Operating and Supervision Engineering	43,397	(7,336)
34	871	Dist. Load Dispatching	-	-
35	874	Oper./Inspect Underground Dist. Mains - Gas	131,714	(22,266)
36	875	Dist. Measuring & Regulating Station Expense - General	42,685	(7,216)
37	876	Dist. Measuring & Regulating Station Expense - Industrial	2,104	(356)
38	877	Measuring & Regulating Station Expense - City Gate Check Station	13,844	(2,340)
39	878	Oper./Inspect Meters & Collect Data - Gas	68,813	(11,633)
40	879	Dist. Customer Installation Expense	53,874	(9,107)
41	880	Dist. Ops. Other Expenses	167,296	(28,281)
42	885	Dist. Maint. Supervision & Engineering	4,363	(738)
43	886	Maintenance of Structures & Improvements	21	(4)
44	887	Perf. Underground Distribution Line Maintenance - Gas	29,228	(4,941)
45	888	Dist. Maint. of Compressor Station Equipment	9,602	(1,623)
46	889	Maintenance of Measuring & Regulating Station Expense -General	7,857	(1,328)
47	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	3,070	(519)
48	891	Maintenance of Measuring & Regulating Station - City Gate Check Stn.	14,569	(2,463)
49	892	Dist. Maint. of Services	23,297	(3,938)
50	893	Dist. Maint. of Meters & House Regulators	101,758	(17,202)
51	894	Dist. Maint. of Other Equipment	3,024	(511)
52	901	Customer Accounts Supervision	10,789	(1,824)
53	902	Meter Reading Expense	44,216	(7,474)
54	903	Customer Record & Collection Expense	34,724	(5,870)
55	905	Miscellaneous Customer Accounts Expense	2,908	(492)
56	907	Supervision	-	-
57	908	Customer Assistance Expense	-	-
58	910	Miscellaneous Cust Serv & Inform Expense	630	(106)
59	911	Supervision	-	-
60	912	Demonstrating and Selling Expense	-	-
61	920	Administrative & General Salaries	372	(63)
62	921	Office Supplies & Expense	(479)	81
63	930.2	Miscellaneous General Expense	-	-
64	932	Maintenance of General Plant	11,216	(1,896)
65				
66		Total Costs	<u>\$ 834,693</u>	<u>\$ (141,101)</u>
67				
68				
69		Fleet Depreciation Expense adjustment from Statement J (Line 24)		\$ (281,733)
70		Below The Line Vehicle loading Capitalization rate		49.92%
71		Capitalized amount (Line 69 x Line 70)		\$ (140,632)
72		O&M amount (Line 69 - Line 71)		\$ (141,101)
73				
74				

(Note 1) This schedule reflects the calculation on Statement J for the portion of depreciation expense charged to Operation & Maintenance.

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
**OPERATING REVENUE**  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

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

Line No.	Operating Revenue	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		12/31/2017	12/31/2018	12/31/2019	12/31/2020	Exclude Unbilled/Other Revenues	(Note 1) Exclude WNA Revenue Rider	(Note 2) Exclude GSRS Revenues	(Note 3) Exclude GSRS Overcollection
1	Operating Revenue								
2	Sales of Gas								
3	480 Residential Sales	\$ 62,493,498	\$ 65,935,507	\$ 63,183,345	\$ 58,948,786	\$ -	\$ (1,485,629)	\$ (2,468,250)	\$ 23,742
4	480 Residential Sales - Unbilled	(717,196)	325,952	(374,895)	839,010	(839,010)	-	-	-
5	481 Commercial and Industrial Sales	30,072,453	30,956,242	28,461,718	27,314,832	-	(322,819)	(1,352,459)	201,163
6	481 Commercial and Industrial Sales - Unbilled	(786,193)	224,674	(75,191)	340,310	(340,310)	-	-	-
7	489 Revenue from Transport of Gas of Oth	6,391,877	7,491,223	8,181,764	8,605,628	-	-	(645,032)	199,048
8	489 Revenue from Transport of Gas of Oth - Unbilled	101,000	33,000	(20,000)	177,733	(177,733)	-	-	-
9	Total Sales of Gas	\$ 97,555,439	\$ 104,966,599	\$ 99,356,742	\$ 96,226,298	\$ (1,357,052)	\$ (1,808,448)	\$ (4,465,740)	\$ 423,953
10									
11	Other Operating Revenues								
12	483 Sales for Resale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	487 Forfeited Discounts	368,791	392,190	344,428	92,360	-	-	-	-
14	488 Miscellaneous Service Revenues	759,874	727,109	718,716	645,058	-	-	-	-
15	492 Incidental Gas and Oil Sales	-	-	-	-	-	-	-	-
16	493 Rent From Gas Property	-	-	-	-	-	-	-	-
17	495 Other Gas Revenues	189,898	610,487	704,848	547,052	-	-	-	-
18	Total Other Operating Revenue	\$ 1,318,563	\$ 1,729,786	\$ 1,767,992	\$ 1,284,470	\$ -	\$ -	\$ -	\$ -
19									
20	496 Provision for Rate Refund	\$ -	\$ (1,755,481)	\$ (1,687,567)	\$ (1,713,871)	\$ 1,713,871	\$ -	\$ -	\$ -
21									
22	Total Operating Revenue	\$ 98,874,002	\$ 104,940,903	\$ 99,437,168	\$ 95,796,897	\$ 356,819	\$ (1,808,448)	\$ (4,465,740)	\$ 423,953

(Note 1) Revenues from the Weather Normalization Adjustment are removed because they are not recovered in base rates.

(Note 2) Revenues from the GSRS collected during 2020 included in the revenue accounts are removed because they are not recovered in base rates.

(Note 3) Revenues from the GSRS overcollected during 2020 which have been set aside to refund to customers are removed because they are not recovered in base rates.

30

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OPERATING REVENUE  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement I

Line No.		(i) (Note 4) Exclude AVTS Revenues	(j) (Note 5) Balancing Services Adjustment	(k) Forfeited Discounts Adj. (Sched I-1)	(l) Miscellaneous Revenues Adj. (Sched I-2)	(m) State Tax Synchronization Adj. (Sched I-3 Col F)	(n) Billing Determinant Synchronization Adj. (Sched I-3 Col D)	(o) (Note 6) Remove Gas Cost Adjustment	(p) (Note 7) Miscellaneous Adjustment	(q) Weather Normalization Adj. (Sched I-3 Col H)	(r) Sum (d - q) Pro Forma Adjusted Total
1	Operating Revenue										
2	Sales of Gas										
3	480 Residential Sales	\$ 229,737	\$ -	\$ -	\$ -	\$ (383,708)	\$ 163,536	\$ (22,761,090)	\$ 3,038	\$ 310,431	\$ 32,580,592
4	480 Residential Sales - Unbilled	-	-	-	-	-	-	-	-	-	-
5	481 Commercial and Industrial Sales	115,718	-	-	-	(129,023)	(197,015)	(15,302,368)	796	120,022	10,448,848
6	481 Commercial and Industrial Sales - Unbilled	-	-	-	-	-	-	-	-	-	-
7	489 Revenue from Transport of Gas of Oth	214,139	-	-	-	(51,389)	(128,371)	(53,319)	(7,365)	-	8,133,339
8	489 Revenue from Transport of Gas of Oth - Unbilled	-	-	-	-	-	-	-	-	-	-
9	Total Sales of Gas	\$ 559,594	\$ -	\$ -	\$ -	\$ (564,120)	\$ (161,850)	\$ (38,116,777)	\$ (3,531)	\$ 430,453	\$ 51,162,779
10											
11	Other Operating Revenues										
12	483 Sales for Resale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	487 Forfeited Discounts	-	-	270,361	-	-	-	-	-	-	362,722
14	488 Miscellaneous Service Revenues	-	-	-	90,175	-	-	-	-	-	735,233
15	492 Incidental Gas and Oil Sales	-	-	-	-	-	-	-	-	-	-
16	493 Rent From Gas Property	-	-	-	-	-	-	-	-	-	-
17	495 Other Gas Revenues	-	(547,052)	-	-	-	-	-	-	-	-
18	Total Other Operating Revenue	\$ -	\$ (547,052)	\$ 270,361	\$ 90,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,097,955
19											
20	496 Provision for Rate Refund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21											
22	Total Operating Revenue	\$ 559,594	\$ (547,052)	\$ 270,361	\$ 90,175	\$ (564,120)	\$ (161,850)	\$ (38,116,777)	\$ (3,531)	\$ 430,453	\$ 52,260,734

(Note 4) Revenues from the AVTS included in the revenue accounts are removed because they are not recovered in base rates.

(Note 5) The Company proposes to remove balancing revenues from the base rates revenue requirement calculation, including this credit to customers in the cost of gas rider as discussed in the testimony of Ms. Schuldt.

(Note 6) Removal of PGA gas revenues, which correspond to the PGA gas costs removed on Schedule H-4, as they are not recovered in base rates.

(Note 7) Miscellaneous reconciling items are primarily gas taxes. This adjustment aligns revenues in the revenue requirement study to the revenues in the class cost of service study sponsored by Mr. Hyatt.

30

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**FORFEITED DISCOUNTS ADJUSTMENT**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>Description</b>	<b>Reference</b>	<b>Amount</b>
1	2017 Forfeited Discounts	Stmt I Ln. 13 (a)	\$ 368,791
2	2018 Forfeited Discounts	Stmt I Ln. 13 (b)	392,190
3	2019 Forfeited Discounts	Stmt I Ln. 13 (c)	344,428
4			<u>\$ 1,105,409</u>
5			
6	Average Forfeited Discounts	Ln. 4 / 3	\$ 368,470
7			
8	Billed Revenue - Calendar Year 2017	Stmt I Ln. 3(a) + Ln 5(a) + Ln.7(a)	\$ 98,957,828
9	Billed Revenue - Calendar Year 2018	Stmt I Ln. 3(b) + Ln 5(b) + Ln.7(b)	104,382,972
10	Billed Revenue - Calendar Year 2019	Stmt I Ln. 3(c) + Ln 5(c) + Ln.7(c)	<u>99,826,827</u>
11			
12	Average Billed Revenue (2017 - 2019)		\$ 101,055,876
13			
14	Average Forfeited Discount Rate (3 year average)	Ln.6 / Ln.12	0.3646%
15			
16	Adjusted Revenue	Stmt M Ln. 2 (e) - Stmt I Ln. 9 (o)	\$ 99,479,501
17			
18	Forfeited Discounts Calculated	Ln. 14 * Ln. 16	\$ 362,722
19			
20	FERC 487	Stmt I Ln. 13 (d)	<u>\$ 92,360</u>
21			
22	Total Adjustment	Ln. 18 - Ln. 20	<u><u>\$ 270,361</u></u>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**MISCELLANEOUS REVENUES ADJUSTMENT**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

<b>Line No.</b>	<b>Description</b>	<b>Reference</b>	<b>Amount</b>
1	2017 Miscellaneous Revenues	Stmt I Ln. 14 (a)	\$ 759,874
2	2018 Miscellaneous Revenues	Stmt I Ln. 14 (b)	727,109
3	2019 Miscellaneous Revenues	Stmt I Ln. 14 (c)	718,716
4			<u>\$ 2,205,699</u>
5			
6	Average Miscellaneous Revenues	Ln.4 / 3	\$ 735,233
7			
8	FERC 488	Stmt I Ln. 14 (d)	<u>\$ 645,058</u>
9			
10	Total Adjustment	Ln. 6 - Ln. 8	<u><u>\$ 90,175</u></u>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
REVENUE SYNCHRONIZATION ADJUSTMENTS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

			A	B	C	D	E	F	G	H	I
						D = E - C		F = G - E			I = G + H
Line No.	Account	Description	Billed Base Rate Revenue	Synchronization Adjustment		Calculated Base Rate Revenue 2020	Reduction due to Removal of State Tax	Calculated Base Rate Revenue 2021 Rates w/o State Tax	Weather Normalization Adjustment	Statement I Revenue	
				Calculated (-) Billed							
1	480	Residential	\$32,490,334		\$163,536	\$32,653,870	(\$383,708)	\$32,270,162	\$310,431	\$32,580,593	
2	481	Commercial/Industrial	\$10,654,864		(\$197,015)	\$10,457,850	(\$129,023)	\$10,328,827	\$120,022	\$10,448,849	
		Total	\$43,145,199		(\$33,479)	\$43,111,720	(\$512,731)	\$42,598,989	\$430,453	\$43,029,442	
3	489	Transport	\$8,313,098		(\$128,371)	\$8,184,727	(\$51,389)	\$8,133,339		\$8,133,339	
		Total	\$51,458,297		(\$161,850)	\$51,296,447	(\$564,120)	\$50,732,327	\$430,453	\$51,162,780	

This schedule provided by Mr. Douglas Hyatt - refer to his testimony for further detail.



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
DEPRECIATION AND AMORTIZATION EXPENSE  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	Description	Reference	(a) Pro Forma Year Depreciation Expense	(b) Depreciation/ Amortization Expense Test Year	(c) (a) - (b) Depreciation/ Amortization Adjustment
1	Depreciation				
2					
3	Intangible	Sched. J-1 Ln. 7 (e)	\$ 112,355	\$ 101,152	\$ 11,203
4					
5	Production and Gathering Plant	Sched. J-1 Ln. 11 (e)	517	624	(107)
6					
7	Storage Plant	(Note 2)	-	-	-
8					
9	Transmission	Sched. J-1 Ln. 23 (e)	790,428	570,171	220,257
10					
11	Distribution	Sched. J-1 Ln. 40 (e)	6,986,362	5,764,932	1,221,430
12					
13	General (less Vehicles)	Sched. J-1 Ln. 61 (e) - Ln.24 (a)	749,015	616,508	132,507
14	Amortization of Unrecovered Reserve	KSG Direct Ex. JJS-2 Black Hills/Kansas Gas Utility Company, LLC Depreciation Study - (\$25,526 / 5 yrs)	(5,105)	-	(5,105)
15					
16	Other Utility Plant-BHSC (less Vehicles)				
17	Other Utility Plant (Corp. Shared Assets - Note 1a)	Sched. J-1 Ln. 64 (e)	120,417	453,387	(332,970)
18	Other Utility Plant (Corp. Shared Assets - Note 1b)	Sched. J-1 Ln. 65 (e) + Sched. J-1 Ln. 71 (e)	985,571	884,094	101,477
19	Amortization of Unrecovered Reserve	KSG Direct Ex. RRS-3 Black Hills Service Company Depreciation Study - ((Note 3) / 10 yrs)	279,488	226,927	52,561
20	Total Other Utility Plant		<u>\$ 1,385,476</u>	<u>\$ 1,564,408</u>	<u>\$ (178,932)</u>
21					
22	Total Depreciation & Amortization Expense less Vehicles (Note 4)		<u>\$ 10,019,048</u>	<u>\$ 8,617,795</u>	<u>\$ 1,401,253</u>
23					
24	Depreciation charged to O&M Accounts (Vehicles)	Sched J-1 Ln. 50 to 54 (e) + Sched J-1 Ln. 58 (e)	\$ 659,042	\$ 940,775	\$ (281,733)
25					
26	Total Depreciation and Amortization Expense	Ln. 22 + Ln. 24	<u><u>\$ 10,678,090</u></u>	<u><u>\$ 9,558,569</u></u>	<u><u>\$ 1,119,520</u></u>
27					
28					

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

(Note 1b) Figure represents all assets except the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per CAM. The Unrecovered Reserve component of this amount is shown on Line 19.

(Note 2) There was no plant in service in this category in the test year, and no subsequent additions anticipated in the pro forma year.

(Note 3) The Black Hills Service Company Depreciation Study implemented in March 2020 includes an unrecovered reserve of \$38,132,075 amortized over 10 years. As of the end of the Test Year, the portion allocated to Kansas Gas is approximately \$2.6M. Monthly amortization expense is calculated from allocation factors from the CAM. The adjustment reflects a full 12 months of amortization, using the 2021 allocation factors, for regulated operations.

(Note 4) The Adjusted Depreciation Expense and Per Books amount includes the removal of fleet capitalization which is charged through the vehicle loadings process.

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
GAS PLANT IN SERVICE  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	FERC Acct	Description	(a) Adjusted Plant in Service (Sched D-1)	(b) Remove: Non-Depreciable Items	(c) (a) + (b) Depreciable Plant	(d) (Note 2) Plant Account Depreciation Rate	(e) (c) * (d) (Note 3) Adjusted Depreciation Expense
1		<b>INTANGIBLE PLANT</b>					
2	301.00	Intangibles Organization	\$ 186,932	\$ (186,932)	\$ -		\$ -
3	302.00	Intangibles Franchises & Consents	74,990	-	74,990	0.48%	360
4	303.00	Intangibles Miscellaneous	1,335,506	-	1,335,506	1.83%	24,440
5	303.01	Intangibles Miscellaneous - Easements	1,730,332	-	1,730,332	5.06%	87,555
6	303.02	Intangibles Miscellaneous - Trademarks	181,000	(181,000)	-		-
7		Total Intangible Plant	\$ 3,508,760	\$ (367,932)	\$ 3,140,828		\$ 112,355
8							
8		<b>NATURAL GAS PRODUCTION &amp; GATHERING PLANT</b>					
9	336.01	Purification Equipment	\$ 18,719	\$ -	\$ 18,719	2.76%	\$ 517
10		Total Natural Gas Production & Gathering Plant	\$ 18,719	\$ -	\$ 18,719		\$ 517
11							
12		<b>TRANSMISSION PLANT</b>					
13	365.01	Land	\$ 9,431	\$ (9,431)	\$ -		\$ -
14	365.02	Land Rights/Right-of-Way (Non-Depreciable)	966,217	(966,217)	-		-
15	365.71	Land/Farm Tap	644	(644)	-		-
16	365.72	Land Rights/Farm Tap (Non-Depreciable)	2,100	(2,100)	-		-
17	366.01	Structures and Improvements	214,152	-	214,152	0.98%	2,099
18	367.00	Transmission Plant - Mains	44,803,950	-	44,803,950	1.46%	654,138
19	368.04	Compressor Station Equipment	2,475	-	2,475	7.27%	180
20	369.03	Measuring & Regulating Station Equipment	4,425,949	-	4,425,949	2.81%	124,369
21	371.01	Transmission Plant - Other Equipment	108,344	-	108,344	8.90%	9,643
22		Total Transmission Plant	\$ 50,533,262	\$ (978,392)	\$ 49,554,870		\$ 790,428
23							
24		<b>DISTRIBUTION PLANT</b>					
25	374.01	Land	\$ 186,909	\$ (186,909)	\$ -		\$ -
26	374.02	Land Rights/Right of Way (Non-Depreciable)	205,469	(205,469)	-		-
27	375.01	Structures and Improvements	1,030,848	-	1,030,848	2.45%	25,256
28	376.00	Distribution Plant - Mains	128,551,711	-	128,551,711	1.66%	2,133,958
29	377.00	Compressor Station Equipment	175,304	-	175,304	4.86%	8,520
30	378.00	Measuring & Regulating Station Equipment - General	7,340,810	-	7,340,810	2.33%	171,041
31	379.00	Measuring & Regulating Station Equipment - City Gate	204,676	-	204,676	4.74%	9,702
32	380.00	Distribution Plant - Services	76,360,950	-	76,360,950	2.24%	1,710,485
33	381.00	Meters	11,267,589	-	11,267,589	9.23%	1,039,998
34	381.01	Meters - ERT & AMI	9,723,356	-	9,723,356	7.10%	690,358
35	382.01	Meter Installations	1,828,548	-	1,828,548	0.90%	16,457
36	383.01	House Regulators	33,169,196	-	33,169,196	3.08%	1,021,611
37	385.01	Industrial Measuring & Regulating Station Equipment	6,358,436	-	6,358,436	2.45%	155,782
38	387.00	Other Equipment	109,363	-	109,363	2.92%	3,193
39		Total Distribution Plant	\$ 276,513,163	\$ (392,378)	\$ 276,120,785		\$ 6,986,362
40							
41		<b>GENERAL PLANT</b>					
42	389.01	Land	\$ 829,867	\$ (829,867)	\$ -		\$ -
43	390.01	Structures and Improvements	11,215,767	-	11,215,767	2.71%	303,947

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
GAS PLANT IN SERVICE  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
Schedule J-1

Line No.	FERC Acct	Description	(a) Adjusted Plant in Service (Sched D-1)	(b) Remove: Non-Depreciable Items	(c) (a) + (b) Depreciable Plant	(d) (Note 2) Plant Account Depreciation Rate	(e) (c) * (d) (Note 3) Adjusted Depreciation Expense
44	390.51	Leasehold Improvements	26,483	-	26,483	0.00%	-
45	391.01	Office Furniture & Equipment	360,561	-	360,561	4.98%	17,956
46	391.03	Computer Hardware	929,925	-	929,925	17.64%	164,039
47	391.04	Software	-	-	-		-
48	391.07	Ipad Hardware	222,824	-	222,824	20.00%	44,565
49	392.01	Transportation Equipment	50,025	-	50,025	8.53%	4,267
50	392.03	Light Trucks	8,160,786	-	8,160,786	7.13%	581,864
51	392.04	Medium Trucks	62,551	-	62,551	11.60%	7,256
52	392.05	Heavy Trucks	427,251	-	427,251	1.12%	4,785
53	392.06	Trailers	165,718	-	165,718	1.46%	2,419
54	393.00	Stores Equipment	29,525	-	29,525	4.00%	1,181
55	394.00	Tools, Shop, and Garage Equipment	2,929,845	-	2,929,845	3.90%	114,264
56	395.00	Laboratory Equipment	11,714	-	11,714	4.41%	517
57	396.00	Power Operated Equipment	1,049,376	-	1,049,376	5.57%	58,450
58	397.00	Communication Equipment	1,526,897	-	1,526,897	6.59%	100,622
59	398.00	Miscellaneous Equipment	28,848	-	28,848	6.67%	1,924
60		Total General Plant	\$ 28,027,965	\$ (829,867)	\$ 27,198,098		\$ 1,408,057
61							
62		<b>OTHER UTILITY PLANT (less Vehicles)</b>				<b>(Note 4)</b>	
63	118	Other Utility Plant (Corporate Shared Assets - Note 1a)	\$ 2,965,931	\$ -	\$ 2,965,931	4.06%	\$ 120,417
64	118	Other Utility Plant (Corporate Shared Assets - Note 1b)	9,297,846	-	9,297,846	10.07%	936,431
65		Total Other Utility Plant (less Vehicles)	\$ 12,263,777	\$ -	\$ 12,263,777		\$ 1,056,848
66							
67		<b>OTHER UTILITY PLANT (Vehicles)</b>				<b>(Note 4)</b>	
68	118	Other Utility Plant (Corporate Shared Assets - Note 1a)	\$ -	\$ -	\$ -	9.30%	\$ -
69	118	Other Utility Plant (Corporate Shared Assets - Note 1b)	528,341	-	528,341		49,140
70		Total Other Utility Plant (Vehicles)	\$ 528,341	\$ -	\$ 528,341		\$ 49,140
71							
72		Total Gas Plant In Service	\$ 371,393,987	\$ (2,568,569)	\$ 368,825,418		\$ 10,403,707

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

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

76 (Note 2) Depreciation rates as recommended in the depreciation study by Gannett Fleming presented in KSG Direct Exhibit JJS-2.

77 (Note 3) Annual depreciation expense related to pro forma capital additions and adjustments.

78 (Note 4) Depreciation rates for Corp. Shared Assets are weighted average calculations using rates from Gannett Fleming's Common Plant Depreciation Study, KSG Direct Ex. RRS-3.

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 COMPUTATION OF FEDERAL INCOME TAX  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement K

Line No.	Account	Description	Reference	(a) Total Company Per Books	(b) Adjustment to Per Books	(c) (a) + (b) Adjusted
1	Operating Income Before Federal Income Taxes		Stmt. M Ln. 12	\$ 15,354,707	\$ (6,540,681)	\$ 8,814,026
2	Interest Expense			(4,050,077)	(418,476)	(4,468,553)
3	Pre-tax net operating income			\$ 11,304,630	\$ (6,959,157)	\$ 4,345,473
4	Tax Adjustments - Permanent Differences					
5	Fines & Penalties			\$ 4,183	\$ (4,183)	\$ -
6	Meals			56,660	-	56,660
7	Club Dues			17,529	(17,529)	-
8	Lobbying			5,767	(5,767)	-
9	Entertainment			5,341	(5,341)	-
10	PEP Life - Cash Surrender Value			(14,413)	14,413	-
11	Total Permanent Differences			\$ 75,068	\$ (18,408)	\$ 56,660
12						
13	Tax Adjustments - Temporary Differences					
14	190300 DTA LT - VACATION:			\$ 5,118	\$ -	\$ 5,118
15	190300 DTA LT - BAD DEBT RESERVE:			3,656,829	(176,635)	3,480,194
16	190300 DTA LT - EMPLOYEE GROUP INSURANCE:			(12,002)	-	(12,002)
17	190300 DTA LT - AIP BONUS:			119,849	-	119,849
18	190300 DTA LT - WORKMANS COMP:			(124,181)	-	(124,181)
19	190300 DTA LT - OTHER:			(11,128)	-	(11,128)
20	190300 DTA LT-RETIREE HEALTHCARE:			-	(98,429)	(98,429)
21	190300 DTA LT - PERFORMANCE PLAN:			(16,881)	-	(16,881)
22	190300 DTA LT-LINE EXTENSION DEP GAS:			(97,117)	-	(97,117)
23	190300 DTL LT-PENSION FAS 87:			(369,726)	(854,797)	(1,224,523)
24	190300 DTA LT-INS RESERVE LIAB:			-	-	-
25	190300 DTA LT - PUC FEES:			3,018	-	3,018
26	190301 DTA LT - BONUS:			143,572	(143,572)	-
27	190301 DTA LT - STIP BONUS:			8,178	(8,178)	-
28	190301 DTA LT-OTHER:			-	-	-
29	190301 DTA LT-FAS 143 (ARO):			-	-	-
30	190301 DTA LT-LT ENVIRONMENT CLEANUP LIAB:			-	-	-
31	190301 DTA LT - RETIREE HEALTHCARE TRACKER:			98,429	(98,429)	-
32	190301 DTA LT - OPERATING LEASE:			(26,227)	26,227	-
33	190301 DTA LT - RATE REFUND:			-	-	-
34	190301 DTA LT-REG ENERGY EFF:			-	-	-
35	282300 DEF TAX PROPERTY LT-ACCELERATED DEP:			(9,434,174)	(4,957,671)	(14,391,845)
36	282301 DEF TAX PROPERTY LT-ACCELERATED DEP:			-	-	-
37	282301 DTL LT - REG ASSET NONSERVICE :			-	-	-
38	282301 DT LIABILITY FED NON-RATE BASE:			(423,023)	423,023	-
39	282998 DTL LT - SVC CO DEF TAX LIAB PROP :			159,378	-	159,378
40	283300 DTL LT-REG RETIREE HEALTHCARE ASSET:			-	-	-
41	283300 DTL LT - PREPAID EXPENSES:			(13,945)	-	(13,945)
42	283300 DTL LT-OTHER REGULATORY LIABILITIES:			-	-	-
43	283300 DTL LT-RETIREE HEALTHCARE:			(20,207)	-	(20,207)
44	283300 DTL LT-LT RATE CASE ASSET:			(6,480)	-	(6,480)
45	283300 DTL LT-REG PSC PENSION ASSET:			-	-	-
46	283300 DTL LT-LT REG OTHER ASSET:			(2,510,002)	-	(2,510,002)
47	283301 DTL LT-LT ENVIRONMENT CLEANUP ASSET:			-	-	-
48	283301 DTL LT - PENSION TRACKER:			916,208	(916,208)	-
49	283301 DTL LT-GAIN DEFERRAL:			2,182,329	(2,182,329)	-
50	283301 DTL LT-OPERATING LEASE:			26,708	(26,708)	-
51	283301 DTL LT - SEVERANCE:			-	-	-
52	283301 DTL LT - PGA ASSET:			(3,822)	3,822	-
53	283301 DTL LT-REG AAO ASSET:			-	-	-
54	283301 DTA LT - GOODWILL AMORT:			514,531	(514,531)	-
55	283301 DTL LT-REG ASSET ARO LIABILITY:			-	-	-
56	Total Temporary Differences			\$ (5,234,770)	\$ (9,524,415)	\$ (14,759,185)
57						
58	Taxable Income (NOL)			\$ 6,144,928	\$ (16,501,980)	\$ (10,357,052)
59	Net Operating Loss					
60	Taxable Income			\$ 6,144,928	\$ (16,501,980)	\$ (10,357,052)
61						
62	<b>Provision for Federal Income Tax:</b>					
63	Net Taxable Income			6,144,928	-	(10,357,052)
64	Deduct Kansas Income Tax @ 100.0%	0.00%		-	-	-
65	Federal Taxable Income			6,144,928	-	(10,357,052)
66						
67	<b>Total Federal Tax</b>	21.00%		<u>1,290,435</u>		<u>(2,174,981)</u>
68						
69	<b>Summary of Provision for Income Tax:</b>					
70	Federal Income Tax			\$ 1,290,435	\$ (3,465,416)	\$ (2,174,981)
71	Kansas Income Tax			\$ -	\$ -	\$ -
72	<b>Total Provision for Income Tax</b>			\$ 1,290,435	\$ (3,465,416)	\$ (2,174,981)
73						
74	<b>Deferred Income Taxes:</b>					
75	Deferred Income Tax Expense			1,099,302	2,000,127	3,099,429
76	<b>Total Deferred Income Tax Expense</b>			\$ 1,099,302	\$ 2,000,127	\$ 3,099,429
77	Deferred Federal Income Tax			1,099,302	2,000,127	3,099,429
78	Deferred Kansas Income Tax			-	-	-
79	Research and Development Tax Credits			(124,892)	-	(124,892)
80	Amortization Protected Plant EDIT - ARAM			-	(220,154)	(220,154)
81	Recovery of NOL Carryforward - Kansas Form K-120			-	53,768	53,768
82	<b>Total Income Tax</b>			<u>\$ 2,264,844</u>	<u>\$ (1,631,675)</u>	<u>\$ 633,169</u>
83						
84	<b>Interest Expense Sync with Rate Base:</b>					
85	Total Rate Base		Stmt M Ln.26	\$ 208,766,837		\$ 230,337,779
86	x Weighted Cost of Debt		Stmt G Ln.23	1.94%		1.94%
87	Interest Expense			\$ 4,050,077		\$ 4,468,553
88						
89	Adjusted Interest Expense			\$ 4,050,077		\$ 4,468,553

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**TAXES OTHER THAN FEDERAL INCOME TAX**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	Description	(a) Reference	(b) Amount
1	FICA Tax		
2	Per Books		\$ 922,139
3	Out of Period adjustments		-
4	Pro Forma Adjustment	Sched L-1 Ln. 11	81,008
5	Adjusted Total		<u>\$ 1,003,147</u>
6			
7	Federal Unemployment Tax		
8	Per Books		\$ 9,225
9	Out of Period adjustments		-
10	Pro Forma Adjustment		-
11	Adjusted Total		<u>\$ 9,225</u>
12			
13	State Unemployment Tax		
14	Per Books		\$ 11,098
15	Out of Period adjustments		-
16	Pro Forma Adjustment		-
17	Adjusted Total		<u>\$ 11,098</u>
18			
19	State Sales & Use Tax		
20	Per Books		\$ 109,214
21	Out of Period adjustments		-
22	Pro Forma Adjustment		-
23	Adjusted Total		<u>\$ 109,214</u>
24			
25	Property Taxes		
26	Per Books		\$ 4,972,358
27	Out of Period adjustments		-
28	Pro Forma Adjustment	Sched L-1 Ln. 16	321,042
29	Adjusted Total		<u>\$ 5,293,400</u>
30			
31	Miscellaneous Other Taxes & Customer Deposit Interest Expense		
32	Per Books		\$ 27,012
33	Out of Period adjustments		-
34	Pro Forma Adjustment		-
35	Adjusted Total		<u>\$ 27,012</u>
36			
37	TOTIT - Payroll Loading & Other		
38	Per Books		\$ (79,886)
39	Out of Period adjustments		-
40	Pro Forma Adjustment		-
41	Adjusted Total		<u>\$ (79,886)</u>
42			
43	Total Taxes Other Than Income		
44	Per Books		\$ 5,971,160
45	Out of Period adjustments		-
46	Pro Forma Adjustment		402,050
47	Adjusted Total		<u><u>\$ 6,373,210</u></u>

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**TAXES OTHER THAN FEDERAL INCOME TAX**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

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

Line No.	Description	Reference	(a) Amount
1	<u>FICA Tax Adjustment - Kansas Direct Labor Adjustment</u>		
2	Net O&M Payroll Changes	(Note 2)	\$ 460,263
3	FICA Tax Rate	(Note 1)	7.46%
4	Adjustment to FICA Tax	Ln. 2 x Ln. 3	<u>\$ 34,315</u>
5			
6	<u>FICA Tax Adjustment - Service Company Labor Adjustment</u>		
7	Net O&M Payroll Changes	(Note 2)	\$ 726,825
8	FICA Tax Rate	(Note 1)	6.42%
9	Adjustment to FICA Tax	Ln. 7 x Ln. 8	<u>\$ 46,693</u>
10			
11	<b>Total FICA Tax Adjustment</b>	Ln. 4 + Ln. 9	\$ 81,008
12			
13	<u>Ad Valorem Tax Adjustment</u>		
14	Kansas Actual Test Year Ad Valorem Taxes	(Note 3)	\$ 5,293,400
15	Ad Valorem Taxes Per General Ledger	Stmnt L Ln.26	<u>(4,972,358)</u>
16	Adjustment to Ad Valorem Taxes		\$ 321,042
17			
18	(Note 1) FICA Tax Rate is calculated based on test year FICA taxes as a percentage of compensation, which includes base pay, incentive pay, overtime, stand-by pay, and call out pay.		
19			
20	(Note 2) Amount excludes the benefits portion of labor cost that are not subject to payroll taxes. The related labor adjustments are shown on Schedule H-5 (Kansas Gas direct) and Schedule H-8 (Service Company).		
21			
22	(Note 3) Actual expenses are the sum of 2020 Kansas Gas tax notices.		

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
OVERALL REVENUE REQUIREMENT  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
Statement M

Line No.	Description	Reference	(a) Test Year Per Books	(b) Pro Forma Adjustments	(c) (a) + (b) Adjusted Total	(d) Additional Revenue Required	(e) (c) + (d) Adjusted Rate of Return
1	<b>Operating Revenue</b>						
2	Total Sales	Stmt I Ln.9 + Stmt I Ln.20	\$ 94,512,427	\$ (43,349,648)	\$ 51,162,779	\$ 10,199,945	\$ 61,362,724
3	Other Operating Revenue	Stmt I Ln.18	1,284,470	(186,515)	1,097,955	-	1,097,955
4	Total Operating Revenue		<u>\$ 95,796,897</u>	<u>\$ (43,536,163)</u>	<u>\$ 52,260,734</u>	<u>\$ 10,199,945</u>	<u>\$ 62,460,679</u>
5							
6	<b>Operating Expenses</b>						
7	Operation and Maintenance	Stmt H Ln.166	\$ 65,853,235	\$ (38,798,785)	\$ 27,054,450	\$ -	\$ 27,054,450
8	Depreciation	Stmt J Ln.22(b)	8,617,795	1,401,253	10,019,048	-	10,019,048
9	Taxes Other Than Income Tax	Stmt L Ln.44	5,971,160	402,050	6,373,210	-	6,373,210
10	Total Operating Expenses		<u>\$ 80,442,190</u>	<u>\$ (36,995,482)</u>	<u>\$ 43,446,708</u>	<u>\$ -</u>	<u>\$ 43,446,708</u>
11							
12	<b>Operating Income Before Tax</b>	Ln.4 - Ln.10	\$ 15,354,707	\$ (6,540,681)	\$ 8,814,026	\$ 10,199,945	\$ 19,013,971
13							
14	Income Tax Expense	Stmt K Ln.82	2,264,844	(1,631,675)	633,169	2,141,988	2,775,157
15							
16	<b>Return (Operating Income)</b>	Ln.12 - Ln.14	<u>\$ 13,089,863</u>		<u>\$ 8,180,857</u>		<u>\$ 16,238,814</u>
17							
18	<b>Rate of Return</b>	Ln.16 ÷ Ln.26	<u>6.27%</u>		<u>3.55%</u>		<u>7.05%</u>
19							
20	<b>Rate Base</b>						
21	Plant in Service	Stmt D, Ln.19	\$ 351,886,489	\$ 19,507,498	\$ 371,393,987	\$ -	\$ 371,393,987
22	Accumulated Depreciation	Stmt E, Ln.16	(104,681,914)	(3,634,488)	(108,316,402)	-	(108,316,402)
23	Working Capital	Stmt F Ln.7	4,739,660	(188,822)	4,550,838	-	4,550,838
24	Other Rate Base Items	Sched M-1 Ln.57	(43,177,398)	5,886,753	(37,290,644)	-	(37,290,644)
25							
26	<b>Total Rate Base</b>		<u>\$ 208,766,837</u>	<u>\$ 21,570,941</u>	<u>\$ 230,337,779</u>	<u>\$ -</u>	<u>\$ 230,337,779</u>

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
OTHER RATE BASE ITEMS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
Schedule M-1

Line No.	Account	Description	(a)	(b)	(c)
			December 31, 2020 Ending Balance	Pro Forma Adjustment	Other Rate Base Adjusted Reductions
1		<b>Deferred Income Tax Assets</b>			
2	190300	DTA LT - VACATION:	\$ 47,622	\$ -	\$ 47,622
3	190300	DTA LT - BAD DEBT RESERVE:	1,298,290	(37,093)	1,261,196
4	190300	DTA LT - EMPLOYEE GROUP INSURANCE:	6,283	-	6,283
5	190300	DTA LT - AIP BONUS:	62,501	-	62,501
6	190300	DTA LT - WORKMANS COMP:	(20,075)	-	(20,075)
7	190300	DTA LT-OTHER:	(188)	-	(188)
8	190300	DTA LT-RETIREE HEALTHCARE:	4,144	-	4,144
9	190300	DTA LT-TAX ON TAX FED GROSS UP - TCJA	3,400,922	(883,134)	2,517,788
10	190300	DTA LT-TAX ON TAX FED GROSS UP - KS HB2585	784,086	(784,086)	-
11	190300	DTA LT-PERFORMANCE PLAN:	18	-	18
12	190300	DTA LT-LINE EXTENSION DEP GAS:	62,769	-	62,769
13	190300	DTA LT-PENSION FAS 87:	(530,631)	-	(530,631)
14	190300	DTA LT-PENSION FAS 158 LIAB:	1,390,824	(179,507)	1,211,316
15	190300	DTA LT-RET HLTH FAS158 LIAB:	377,191	(20,670)	356,521
16	190300	DTA LT-NOL CARRYFORWARD:	-	32,992	32,992
17	190300	DTA LT-INS RESERVE LIAB:	21,616	-	21,616
18	190300	DTA LT - ALT FUEL VEHICLE CREDIT:	50,000	-	50,000
19	190300	DTA LT - R&D CREDIT:	393,017	-	393,017
20	190300	DTA LT - PUC FEES:	86,090	-	86,090
21	190998	DTA LT - SVC CO FAS 109 OTHER:	186,377	-	186,377
22		<b>Total Deferred Income Tax Assets</b>	<b>\$ 7,620,855</b>	<b>\$ (1,871,498)</b>	<b>\$ 5,749,357</b>
23					
24		<b>Accumulated Deferred Income Taxes - Property</b>			
25	282300	DEF TAX PROPERTY LT-ACCELERATED DEP:	\$ (26,195,528)	\$ (134,614)	\$ (26,330,141)
26		<b>Total Accumulated Deferred Income Taxes - Property</b>	<b>\$ (26,195,528)</b>	<b>\$ (134,614)</b>	<b>\$ (26,330,141)</b>
27					
28		<b>Regulatory Liabilities for Federal TCJA EDIT</b>			
29	254015	PROTECTED PROPERTY RB	\$ (12,268,144)	\$ 278,676	\$ (11,989,467)
30	254015	NON-PROTECTED PROPERTY RB_PT	(3,636,109)	3,636,109	-
31	254015	PROTECTED NOL RB	184,834	(184,834)	-
32	254015	NON-PROTECTED NP RB	540,107	(540,107)	-
33	254015	NON-REFUNDED ARAM	(1,015,555)	1,015,555	-
34		<b>Total Regulatory Liabilities for Federal TCJA EDIT</b>	<b>\$ (16,194,866)</b>	<b>\$ 4,205,399</b>	<b>\$ (11,989,467)</b>
35					
36		<b>Regulatory Liabilities for Kansas EDIT</b>			
37	254015	REG LIAB EXCESS DEF STATE - HB2585	\$ (3,733,744)	\$ 3,733,744	\$ -
38		<b>Total Regulatory Liabilities for Kansas EDIT</b>	<b>\$ (3,733,744)</b>	<b>\$ 3,733,744</b>	<b>\$ -</b>
39					
40		<b>Accumulated Deferred Income Taxes - Other</b>			
41	283300	DTL LT - PREPAID EXPENSES:	\$ (10,304)	\$ -	\$ (10,304)
42	283300	DTL LT-OTHER REGULATORY LIABILITIES:	(105)	-	(105)
43	283300	DTL LT-RETIREE HEALTHCARE:	(164,635)	-	(164,635)
44	283300	DTL LT-LT RATE CASE ASSET:	(1,361)	-	(1,361)
45	283300	DTL LT-REG PSC PENSION ASSET:	0	-	0
46	283300	DTL LT-LT REG OTHER ASSET:	(513,659)	-	(513,659)
47		<b>Total Accumulated Deferred Income Taxes - Other</b>	<b>\$ (690,064)</b>	<b>\$ -</b>	<b>\$ (690,064)</b>
48					
49		<b>Allocated Black Hills Service Company ADIT &amp; EDIT</b>			
50	282998	BHSC ALLOC DEF TAX PROPERTY-LT ACCELERATED DEP	\$ (1,639,318)	(46,277)	\$ (1,685,595)
51	254998	BHSC ALLOC REG LIAB EDIT	(796,283)	-	(796,283)
52		<b>Total Allocated Black Hills Service Company ADIT &amp; EDIT</b>	<b>\$ (2,435,601)</b>	<b>\$ (46,277)</b>	<b>\$ (2,481,878)</b>
53					
54	235000	CUSTOMER DEPOSITS	(1,433,558)	-	(1,433,558)
55	52000/25200	CUSTOMER ADVANCES	(114,892)	-	(114,892)
56					
57		<b>Total Other Rate Base Items</b>	<b>\$ (43,177,398)</b>	<b>\$ 5,886,753</b>	<b>\$ (37,290,644)</b>



BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OTHER RATE BASE ITEMS - PRO FORMA CAPITAL ADDITIONS  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Schedule M-2

Line No.	Schedule Reference	(a) Plant in Service	(b) 1 Year Depreciation Rate (Note 2)	(c) (a) * (b) Book Depreciation Expense	(d) (c) / 4 Accumulated Depreciation Adjustment	(e) MACRS HY Convent	(f) Tax Depreciation Rate	(g) (a) * (f) Tax Depreciation	(h) (c) - (g) Difference	(i) Tax Rate	(j) (h) * (i) Ending Deferred Tax	(k) Deferred Tax Adjustment
1	<u>Schedule D-2 Plant Additions Non-Repair Items</u>											
2												
3	365.01	\$ -	0.00%	\$ -	\$ -	None	0.00%	\$ -	\$ -	21.00%	\$ -	\$ -
4	365.02	292,586	0.00%	-	-	None	0.00%	-	-	21.00%	-	-
5	365.71	-	0.00%	-	-	None	0.00%	-	-	21.00%	-	-
6	365.72	-	0.00%	-	-	None	0.00%	-	-	21.00%	-	-
7	366.01	65,111	0.98%	638	160	20 Yr HYC	3.75%	2,442	(1,804)	21.00%	(379)	(379)
8	367.00	3,272,385	1.46%	47,777	11,944	20 Yr HYC	3.75%	122,714	(74,938)	21.00%	(15,737)	(15,737)
9	368.04	-	7.27%	-	-	20 Yr HYC	3.75%	-	-	21.00%	-	-
10	369.03	333,227	2.81%	9,364	2,341	20 Yr HYC	3.75%	12,496	(3,132)	21.00%	(658)	(658)
11	371.01	-	8.90%	-	-	20 Yr HYC	3.75%	-	-	21.00%	-	-
12	374.01	-	0.00%	-	-	None	0.00%	-	-	21.00%	-	-
13	374.02	21,895	0.00%	-	-	None	0.00%	-	-	21.00%	-	-
14	375.01	75,208	2.45%	1,843	461	20 Yr HYC	3.75%	2,820	(978)	21.00%	(205)	(205)
15	376.00	4,305,685	1.66%	71,474	17,869	20 Yr HYC	3.75%	161,463	(89,989)	21.00%	(18,898)	(18,898)
16	377.00	-	4.86%	-	-	20 Yr HYC	3.75%	-	-	21.00%	-	-
17	378.00	1,001,839	2.33%	23,343	5,836	20 Yr HYC	3.75%	37,569	(14,226)	21.00%	(2,987)	(2,987)
18	379.00	113,943	4.74%	5,401	1,350	20 Yr HYC	3.75%	4,273	1,128	21.00%	237	237
19	380.00	2,198,740	2.24%	49,252	12,313	20 Yr HYC	3.75%	82,453	(33,201)	21.00%	(6,972)	(6,972)
20	381.00	354,568	9.23%	32,727	8,182	20 Yr HYC	3.75%	13,296	19,430	21.00%	4,080	4,080
21	381.01	-	7.10%	-	-	20 Yr HYC	3.75%	-	-	21.00%	-	-
22	382.01	126,301	0.90%	1,137	284	20 Yr HYC	3.75%	4,736	(3,600)	21.00%	(756)	(756)
23	383.01	925,473	3.08%	28,505	7,126	20 Yr HYC	3.75%	34,705	(6,201)	21.00%	(1,302)	(1,302)
24	385.01	112,211	2.45%	2,749	687	20 Yr HYC	3.75%	4,208	(1,459)	21.00%	(306)	(306)
25	387.00	-	2.92%	-	-	20 Yr HYC	3.75%	-	-	21.00%	-	-
26	389.01	-	0.00%	-	-	None	0.00%	-	-	21.00%	-	-
27	390.01	2,491,908	2.71%	67,531	16,883	39 Year	1.39%	34,638	32,893	21.00%	6,908	6,908
28	390.51	-	0.00%	-	-	39 Year	1.39%	-	-	21.00%	-	-
29	391.01	3,889	4.98%	194	48	7 Yr HYC	14.29%	556	(362)	21.00%	(76)	(76)
30	391.03	-	17.64%	-	-	5 Yr HYC	20.00%	-	-	21.00%	-	-
31	391.04	-	0.00%	-	-	3 Yr SL	16.67%	-	-	21.00%	-	-
32	391.07	-	20.00%	-	-	7 Yr HYC	14.29%	-	-	21.00%	-	-
33	392.01	-	8.53%	-	-	7 Yr HYC	14.29%	-	-	21.00%	-	-
34	392.03	1,385,714	7.13%	98,801	24,700	5 Yr HYC	20.00%	277,143	(178,341)	21.00%	(37,452)	(37,452)
35	392.04	-	11.60%	-	-	5 Yr HYC	20.00%	-	-	21.00%	-	-
36	392.05	-	1.12%	-	-	5 Yr HYC	20.00%	-	-	21.00%	-	-
37	392.06	-	1.46%	-	-	5 Yr HYC	20.00%	-	-	21.00%	-	-
38	393.00	-	4.00%	-	-	7 Yr HYC	14.29%	-	-	21.00%	-	-
39	394.00	442,000	3.90%	17,238	4,310	7 Yr HYC	14.29%	63,143	(45,905)	21.00%	(9,640)	(9,640)
40	395.00	-	4.41%	-	-	7 Yr HYC	14.29%	-	-	21.00%	-	-
41	396.00	-	5.57%	-	-	7 Yr HYC	14.29%	-	-	21.00%	-	-
42	397.00	-	6.59%	-	-	7 Yr HYC	14.29%	-	-	21.00%	-	-
43	398.00	11,630	6.67%	776	194	7 Yr HYC	14.29%	1,661	(886)	21.00%	(186)	(186)
44	<b>Total Direct Plant Addition Non-Repair Items</b>	<b>\$ 17,534,314</b>		<b>\$ 458,748</b>	<b>\$ 114,687</b>			<b>\$ 860,316</b>	<b>\$ (401,568)</b>		<b>\$ (84,329)</b>	<b>\$ (84,329)</b>

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 OTHER RATE BASE ITEMS - PRO FORMA CAPITAL ADDITIONS  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Schedule M-2

Line No.	Schedule Reference	(a) Plant in Service	(b) 1 Year Depreciation Rate (Note 2)	(c) (a) * (b) Book Depreciation Expense	(d) (c) / 4 Accumulated Depreciation Adjustment	(e) MACRS HY Convent	(f) Tax Depreciation Rate	(g) (a) * (f) Tax Depreciation	(h) (c) - (g) Difference	(i) Tax Rate	(j) (h) * (i) Ending Deferred Tax	(k) Deferred Tax Adjustment
45												
46	<u>Plant Additions Repair Items</u>											
47												
48	365.01	\$ -	0.00%	\$ -	\$ -	Repair	100.00%	\$ -	\$ -	21.00%	\$ -	\$ -
49	365.02	79,263	0.00%	-	-	Repair	100.00%	79,263	(79,263)	21.00%	(16,645)	(16,645)
50	365.71	-	0.00%	-	-	Repair	100.00%	-	-	21.00%	-	-
51	365.72	-	0.00%	-	-	Repair	100.00%	-	-	21.00%	-	-
52	366.01	17,639	0.98%	173	43	Repair	100.00%	17,639	(17,466)	21.00%	(3,668)	(3,668)
53	367.00	886,502	1.46%	12,943	3,236	Repair	100.00%	886,502	(873,559)	21.00%	(183,447)	(183,447)
54	368.04	-	7.27%	-	-	Repair	100.00%	-	-	21.00%	-	-
55	369.03	90,273	2.81%	2,537	634	Repair	100.00%	90,273	(87,736)	21.00%	(18,425)	(18,425)
56	371.01	-	8.90%	-	-	Repair	100.00%	-	-	21.00%	-	-
57	374.01	-	0.00%	-	-	Repair	100.00%	-	-	21.00%	-	-
58	374.02	-	0.00%	-	-	Repair	100.00%	-	-	21.00%	-	-
59	375.01	18,044	2.45%	442	111	Repair	100.00%	18,044	(17,602)	21.00%	(3,696)	(3,696)
60	376.00	1,092,687	1.66%	18,139	4,535	Repair	100.00%	1,092,687	(1,074,549)	21.00%	(225,655)	(225,655)
61	377.00	-	4.86%	-	-	Repair	100.00%	-	-	21.00%	-	-
62	378.00	270,319	2.33%	6,298	1,575	Repair	100.00%	270,319	(264,020)	21.00%	(55,444)	(55,444)
63	379.00	29,622	4.74%	1,404	351	Repair	100.00%	29,622	(28,218)	21.00%	(5,926)	(5,926)
64	380.00	509,906	2.24%	11,422	2,855	Repair	100.00%	509,906	(498,484)	21.00%	(104,682)	(104,682)
65	381.00	90,907	9.23%	8,391	2,098	Repair	100.00%	90,907	(82,516)	21.00%	(17,328)	(17,328)
66	381.01	-	7.10%	-	-	Repair	100.00%	-	-	21.00%	-	-
67	382.01	31,506	0.90%	284	71	Repair	100.00%	31,506	(31,223)	21.00%	(6,557)	(6,557)
68	383.01	250,715	3.08%	7,722	1,931	Repair	100.00%	250,715	(242,993)	21.00%	(51,028)	(51,028)
69	385.01	30,398	2.45%	745	186	Repair	100.00%	30,398	(29,654)	21.00%	(6,227)	(6,227)
70	387.00	-	2.92%	-	-	Repair	100.00%	-	-	21.00%	-	-
71	<b>Total Direct Plant Addition Repair Items</b>	<b>\$ 3,397,781</b>		<b>\$ 70,499</b>	<b>\$ 17,625</b>			<b>\$ 3,397,781</b>	<b>\$ (3,327,283)</b>		<b>\$ (698,729)</b>	<b>\$ (698,729)</b>
72												
73	<b>Total Direct Pro Forma Plant Additions</b>	<b>\$ 20,932,095</b>		<b>\$ 529,246</b>	<b>\$ 132,312</b>			<b>\$ 4,258,097</b>	<b>\$ (3,728,851)</b>		<b>\$ (783,059)</b>	<b>\$ (783,059)</b>
74												
75	<b>Other Utility Shared Service Plant Adjustment (118/119)</b>											
76	Other Utility Plant (Corporate Shared Assets - Note 1a)	\$ -	4.06%	\$ -	\$ -	Various	Various	\$ -	\$ -	21.00%	\$ -	\$ -
77	Other Utility Plant (Corporate Shared Assets - Note 1b)	-	10.07%	-	-	Various	Various	-	-	21.00%	-	-
78		\$ -		\$ -	\$ -			\$ -	\$ -		\$ -	\$ -
79												
80	<b>Grand Total Pro Forma Plant</b>	<b>\$ 20,932,095</b>		<b>\$ 529,246</b>	<b>\$ 132,312</b>			<b>\$ 4,258,097</b>			<b>\$ (783,059)</b>	
81												
82	Retiree Medical Adjustment to expense								(98,429)	21.00%		(20,670)
83	Pension								(854,797)	21.00%		(179,507)
84	Bad Debt Adjustment								(176,635)	21.00%		(37,093)
85												
86	(Note 1a) Figure represents the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per CAM.											
87	(Note 1b) Figure represents all assets except the CIS+ customer billing system portion of Other Utility Plant, Corporate Shared Assets allocated per CAM.											
88	(Note 2) Composite depreciation rates as recommended in the depreciation study by Gannett Fleming, as found on Schedule J-1.											

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**OTHER RATE BASE ITEMS - ADJUSTMENTS**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

**KSG Direct Exhibit RRS-2**  
**Schedule M-3**

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(g)
					(a) * (b)				(d) - (g)			(h) * (i)
<b>Line No.</b>	<b>Schedule Reference</b>	<b>2020 Gross Plant Ending Balance</b>	<b>1 Year Depreciation Rate</b>	<b>Book Depreciation Expense Period</b>	<b>Book Depreciation Expense</b>	<b>MACRS HY Convent</b>	<b>Tax Depreciation Rate</b>	<b>Tax Depreciation Expense</b>	<b>Difference</b>	<b>Tax Rate</b>	<b>Ending Deferred Tax</b>	<b>ADIT Adjustment</b>
1	Direct Roll Forward to 6/30/21 (Note 1)	\$ 339,605,615	Various	Jan. - June 2021	\$ 4,532,734	Various	Various	\$ 5,541,185	\$ (1,008,451)	21.00%	PowerTax	\$ (211,775)
2												
3	Shared Service Roll Forward to 6/30/21 (Note 2)	\$ 12,280,874	Various	Jan. - June 2021	\$ 805,700	Various	Various	\$ 1,026,069	\$ (220,369)	21.00%	PowerTax	\$ (46,277)
4												
5	Retirements by 6/30/2021 (Note 3)											\$ 77,161
6												
7	<b>Grand Total Adjustment</b>											<b>\$ (180,891)</b>
8												
9	(Note 1) Provides the direct accumulated deferred income tax adjustment for Sched. M-1, associated with the roll forward of the direct accumulated reserve balance (Stmt E) as of 12/31/2020 to 6/30/2021 reflecting the full rate base impact.											
10	(Note 2) Provides the shared service ADIT adjustment for Sched. M-1, associated with the roll forward of shared service accumulated reserve balance (Stmt E) as of 12/31/2020 to 6/30/2021 reflecting the full rate base impact.											
11	(Note 3) ADIT for retired assets is determined using a rollforward of PowerTax reports from 12/31/2020 to 6/30/2021.											

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

**KSG Direct Exhibit RRS-2  
Statement N**

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
1		<b>Plant in Service</b>				
2	301	Intangibles Organization	Sched D-1	\$ 186,932	Sched D-1	\$ 186,932
3	302	Intangibles Franchises & Consents	Sched D-1	74,990	Sched D-1	74,990
4	303	Intangibles Miscellaneous	Sched D-1	1,335,506	Sched D-1	1,335,506
5	303.01	Intangibles Miscellaneous - Easements	Sched D-1	1,730,332	Sched D-1	1,730,332
6	303.02	Intangibles Miscellaneous - Trademarks	Sched D-1	181,000	Sched D-1	181,000
7		<b>Total Intangible Plant</b>	Stmt D	\$ 3,508,760	Stmt D	\$ 3,508,760
8						
9	336.01	Purification Equipment	Sched D-1	\$ 18,719	Sched D-1	\$ 18,719
10		<b>Total Natural Gas Production &amp; Gathering Plant</b>	Stmt D	\$ 18,719	Stmt D	\$ 18,719
11						
12	365.01	Land	Sched D-1	\$ 9,431	Sched D-1	\$ 9,431
13	365.02	Land Rights/Right-of-Way (Non-Depreciable)	Sched D-1	594,368	Sched D-1	966,217
14	365.71	Land/Farm Tap	Sched D-1	644	Sched D-1	644
15	365.72	Land Rights/Farm Tap (Non-Depreciable)	Sched D-1	2,100	Sched D-1	2,100
16	366.01	Structures and Improvements	Sched D-1	131,402	Sched D-1	214,152
17	367	Transmission Plant - Mains	Sched D-1	41,002,208	Sched D-1	44,803,950
18	368.04	Compressor Station Equipment	Sched D-1	2,475	Sched D-1	2,475
19	369.03	Measuring & Regulating Station Equipment	Sched D-1	4,002,449	Sched D-1	4,425,949
20	371.01	Transmission Plant - Other Equipment	Sched D-1	108,344	Sched D-1	108,344
21		<b>Total Transmission Plant</b>	Stmt D	\$ 45,853,421	Stmt D	\$ 50,533,262
22						
23	374.01	Land	Sched D-1	186,909	Sched D-1	186,909
24	374.02	Land Rights/Right of Way (Non-Depreciable)	Sched D-1	183,574	Sched D-1	205,469
25	375.01	Structures and Improvements	Sched D-1	937,596	Sched D-1	1,030,848
26	376.00	Distribution Plant - Mains	Sched D-1	123,324,102	Sched D-1	128,551,711
27	377	Compressor Station Equipment	Sched D-1	175,304	Sched D-1	175,304
28	378	Measuring & Regulating Station Equipment - General	Sched D-1	6,068,652	Sched D-1	7,340,810
29	379	Measuring & Regulating Station Equipment - City Gate	Sched D-1	61,111	Sched D-1	204,676
30	380	Distribution Plant - Services	Sched D-1	73,785,831	Sched D-1	76,360,950
31	381	Meters	Sched D-1	10,822,114	Sched D-1	11,267,589
32	381.01	Meters - ERT & AMI	Sched D-1	9,723,356	Sched D-1	9,723,356
33	382.01	Meter Installations	Sched D-1	1,670,741	Sched D-1	1,828,548
34	383.01	House Regulators	Sched D-1	32,053,464	Sched D-1	33,169,196
35	385.01	Industrial Measuring & Regulating Station Equipment	Sched D-1	6,215,827	Sched D-1	6,358,436
36	387	Other Equipment	Sched D-1	109,363	Sched D-1	109,363
37		<b>Total Distribution Plant</b>	Stmt D	\$ 265,317,942	Stmt D	\$ 276,513,163

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**  
**PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS**  
**FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

**KSG Direct Exhibit RRS-2**  
**Statement N**

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
38						
39	389.01	Land	Sched D-1	904,183	Sched D-1	829,867
40	390.01	Structures and Improvements	Sched D-1	9,604,400	Sched D-1	11,215,767
41	390.51	Leasehold Improvements	Sched D-1	26,483	Sched D-1	26,483
42	391.01	Office Furniture & Equipment	Sched D-1	356,672	Sched D-1	360,561
43	391.03	Computer Hardware	Sched D-1	929,925	Sched D-1	929,925
44	391.04	Software	Sched D-1	-	Sched D-1	-
45	391.07	Ipad Hardware	Sched D-1	222,824	Sched D-1	222,824
46	392.01	Transportation Equipment	Sched D-1	50,025	Sched D-1	50,025
47	392.03	Light Trucks	Sched D-1	7,015,685	Sched D-1	8,160,786
48	392.04	Medium Trucks	Sched D-1	62,551	Sched D-1	62,551
49	392.05	Heavy Trucks	Sched D-1	427,251	Sched D-1	427,251
50	392.06	Trailers	Sched D-1	167,615	Sched D-1	165,718
51	393	Stores Equipment	Sched D-1	29,525	Sched D-1	29,525
52	394	Tools, Shop, and Garage Equipment	Sched D-1	2,487,845	Sched D-1	2,929,845
53	395	Laboratory Equipment	Sched D-1	11,714	Sched D-1	11,714
54	396	Power Operated Equipment	Sched D-1	1,065,958	Sched D-1	1,049,376
55	397	Communication Equipment	Sched D-1	1,526,897	Sched D-1	1,526,897
56	398	Miscellaneous Equipment	Sched D-1	17,218	Sched D-1	28,848
57		<b>Total General Plant</b>	Stmt D	\$ 24,906,773	Stmt D	\$ 28,027,965
58						
59	118	Other Utility Plant (Corp. Shared Assets - CIS+ Customer Billing System)	Sched D-1	\$ 2,857,045	Sched D-1	\$ 2,965,931
60	118	Other Utility Plant (Corp. Shared Assets - Assets Other than CIS+)	Sched D-1	\$ 9,423,829	Sched D-1	\$ 9,826,187
61		<b>Other Utility Plant</b>	Stmt D	\$ 12,280,874	Stmt D	\$ 12,792,118
62						
63		<b>TOTAL PLANT IN SERVICE</b>		<b>\$ 351,886,489</b>		<b>\$ 371,393,987</b>
64						
65		<b>Accumulated Depreciation</b>				
66		Intangible	Stmt E	\$ (2,380,221)	Stmt E	\$ (2,482,885)
67		Production and Gathering Plant	Stmt E	(12,774)	Stmt E	(13,086)
68		Storage Plant	Stmt E	-	Stmt E	-
69		Transmission	Stmt E	(11,863,636)	Stmt E	(11,819,459)
70		Distribution	Stmt E	(82,723,566)	Stmt E	(85,483,078)
71		General	Stmt E	(6,601,454)	Stmt E	(6,586,665)
72		Other Utility Plant (Corp. Shared Assets - CIS+ Customer Billing System)	Stmt E	(980,604)	Stmt E	(1,260,390)
73		Other Utility Plant (Corp. Shared Assets - Assets Other than CIS+)	Stmt E	(119,659)	Stmt E	(670,840)
74		<b>Total Accumulated Depreciation</b>	Stmt E	\$ (104,681,914)	Stmt E	\$ (108,316,402)
75						
76		<b>Net Plant</b>		<b>\$ 247,204,575</b>		<b>\$ 263,077,584</b>

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement N

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
77						
78		<b>Working Capital</b>				
79		Materials and Supplies	Stmt F	2,372,733	Stmt F	2,673,612
80		Gas Stored Underground	Stmt F	2,317,861	Stmt F	1,787,128
81		Prepaid Expenses	Stmt F	49,066	Stmt F	90,098
82		<b>Total Working Capital</b>	Stmt F	<b>\$ 4,739,660</b>	Stmt F	<b>\$ 4,550,838</b>
83						
84		<b>Other Rate Base Items</b>				
85		Customer Deposits	Sched M-1	\$ (1,433,558)	Sched M-1	\$ (1,433,558)
86		Customer Advances	Sched M-1	(114,892)	Sched M-1	(114,892)
87		Accumulated Deferred Income Taxes	Sched M-1	(21,886,714)	Sched M-1	(23,939,104)
88		Excess/Deficient Deferred Income Taxes	Sched M-1	(19,742,233)	Sched M-1	(11,803,090)
89		<b>Total Other Rate Base Items</b>	Sched M-1	<b>\$ (43,177,398)</b>	Sched M-1	<b>\$ (37,290,644)</b>
90						
91		<b>Total Rate Base</b>		<b>\$ 208,766,837</b>		<b>\$ 230,337,778</b>
92						
93		<b>Operation and Maintenance Expense</b>				
94						
95		<b>Production and Gathering</b>				
96		<b>Operation</b>				
97	750	Operation Supervision & Engineering	Stmt H	\$ -	Stmt H	\$ -
98	752	Gas Wells Expense	Stmt H	-	Stmt H	-
99	753	Field Line Expense	Stmt H	-	Stmt H	-
100	754	Field Compressor Station Expense	Stmt H	-	Stmt H	-
101	755	Field Compressor Station Fuel and Power	Stmt H	-	Stmt H	-
102	756	Field Measuring & Regulating Station Expense	Stmt H	-	Stmt H	-
103	757	Purification Expense	Stmt H	-	Stmt H	-
104	758	Gas Well Royalties	Stmt H	-	Stmt H	-
105	759	Other Expenses	Stmt H	-	Stmt H	-
106	760	Rents	Stmt H	-	Stmt H	-
107		<b>Total Production Operation Expenses</b>	Stmt H	<b>\$ -</b>	Stmt H	<b>\$ -</b>
108						
109		<b>Maintenance</b>				
110	761	Maintenance Supervision & Engineering	Stmt H	\$ -	Stmt H	\$ -
111	762	Maintenance of Structures & Improvements	Stmt H	-	Stmt H	-
112	763	Maintenance of Producing Gas Wells	Stmt H	-	Stmt H	-
113	764	Maintenance of Field Lines	Stmt H	-	Stmt H	-
114	765	Maintenance of Field Compressor Station Equipment	Stmt H	-	Stmt H	-
115	766	Maintenance of Field Measuring & Regulating Station Equipment	Stmt H	-	Stmt H	-
116	767	Maintenance of Purification Equipment	Stmt H	-	Stmt H	-
117		<b>Total Production Maintenance Expenses</b>	Stmt H	<b>\$ -</b>	Stmt H	<b>\$ -</b>

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement N

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
118						
119		<b>Other Gas Supply Expense</b>				
120		<i>Operation</i>				
121	804	Natural Gas City Gate Purchase	Stmt H	\$ 40,911,330	Stmt H	\$ -
122	805	Other Gas Purchases	Stmt H	938,867	Stmt H	-
123	805.1	Purchased Gas Cost Adjustments	Stmt H	(2,325,757)	Stmt H	-
124	805.2	Financial Gas Cost Adj	Stmt H	(655,808)	Stmt H	-
125	806	Exchange Gas	Stmt H	-	Stmt H	-
126	808	Gas Storage-Gas Ops	Stmt H	-	Stmt H	-
127	808.1	Withdrawals from Storage	Stmt H	3,979,107	Stmt H	-
128	808.2	Gas Delivered to Storage	Stmt H	(3,844,903)	Stmt H	-
129	812	Gas Used for Other Utility Operation	Stmt H	(10,625)	Stmt H	-
130	813	Other Gas Supply Expense	Stmt H	-	Stmt H	-
131		<b>Total Other Gas Supply Expense</b>	Stmt H	<b>\$ 38,992,210</b>	Stmt H	<b>\$ -</b>
132						
133		<b>Underground Storage Expense</b>				
134		<i>Operation</i>				
135	814	Operation Supervision & Engineering	Stmt H	\$ -	Stmt H	\$ -
136	816	Wells Expense	Stmt H	-	Stmt H	-
137	817	Lines Expense	Stmt H	-	Stmt H	-
138	818	Compressor Station Expense	Stmt H	-	Stmt H	-
139	819	Compressor Station Fuel and Power	Stmt H	-	Stmt H	-
140	820	Storage - Measuring & Regulating Station Expense	Stmt H	-	Stmt H	-
141	821	Purification Expense	Stmt H	-	Stmt H	-
142	824	Other Expenses	Stmt H	-	Stmt H	-
143	826	Rents	Stmt H	-	Stmt H	-
144		<b>Total Operation Underground Storage Expense</b>	Stmt H	<b>\$ -</b>	Stmt H	<b>\$ -</b>
145						
146		<b>Maintenance</b>				
147	830	Maintenance Supervision & Engineering	Stmt H	\$ -	Stmt H	\$ -
148	832	Maintenance of Reservoirs & Wells	Stmt H	-	Stmt H	-
149	833	Maintenance of Lines	Stmt H	-	Stmt H	-
150	834	Maintenance of Compressor Station Equipment	Stmt H	-	Stmt H	-
151	835	Maintenance of Measuring & Regulating Station Equipment	Stmt H	-	Stmt H	-
152	836	Maintenance of Purification Equipment	Stmt H	-	Stmt H	-
153		<b>Total Maintenance Underground Storage Expense</b>	Stmt H	<b>\$ -</b>	Stmt H	<b>\$ -</b>
154						
155		<b>Total Underground Storage Expense</b>		<b>\$ -</b>		<b>\$ -</b>

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement N

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
156						
157		<b>Transmission Expenses</b>				
158		<i>Operation</i>				
159	850	Operation Supervision & Engineering	Stmt H	\$ 111,300	Stmt H	\$ 115,040
160	851	System Control & Load Dispatching	Stmt H	261	Stmt H	248
161	852	Communication System Expenses	Stmt H	247	Stmt H	246
162	853	Compressor Labor & Expense	Stmt H	-	Stmt H	-
163	856	Mains Expense	Stmt H	103,147	Stmt H	105,110
164	857	Measuring & Regulating Station Expense	Stmt H	7,688	Stmt H	7,135
165	859	Other Expenses	Stmt H	160,106	Stmt H	157,377
166	860	Rents	Stmt H	21,857	Stmt H	21,857
167		<b>Total Transmission Operation</b>	Stmt H	\$ 404,604	Stmt H	\$ 407,012
168						
169		<i>Maintenance</i>				
170	861	Maintenance Supervision & Engineering	Stmt H	\$ 15,987	Stmt H	\$ 17,489
171	862	Maintenance of Structures & Improvements	Stmt H	-	Stmt H	-
172	863	Maintenance of Mains	Stmt H	98,981	Stmt H	97,661
173	864	Maintenance of Compressor Station Equipment	Stmt H	128	Stmt H	135
174	865	Maintenance of Measuring & Regulating Station Equipment	Stmt H	5,581	Stmt H	5,743
175	866	Maintenance of Communication Equipment	Stmt H	-	Stmt H	-
176	867	Maintenance of Other Equipment	Stmt H	4,838	Stmt H	4,846
177		<b>Total Transmission Maintenance</b>	Stmt H	\$ 125,515	Stmt H	\$ 125,874
178						
179		<b>Total Transmission Expenses</b>		\$ 530,119		\$ 532,886
180						
181		<b>Distribution Expense</b>				
182		<i>Operation</i>				
183	870	Dist. Operating and Supervision Engineering	Stmt H	\$ 1,235,397	Stmt H	\$ 1,699,194
184	871	Dist. Load Dispatching	Stmt H	4	Stmt H	5
185	872	Compressor Station Labor & Expense	Stmt H	-	Stmt H	-
186	873	Distr Fuel/Power Compr Station	Stmt H	-	Stmt H	-
187	874	Oper./Inspect Underground Dist. Mains - Gas	Stmt H	2,378,184	Stmt H	2,451,332
188	875	Dist. Measuring & Regulating Station Expense - General	Stmt H	335,370	Stmt H	351,276
189	876	Dist. Measuring & Regulating Station Expense - Industrial	Stmt H	19,880	Stmt H	24,038
190	877	Measuring & Regulating Station Expense - City Gate Check Station	Stmt H	113,558	Stmt H	119,743
191	878	Oper./Inspect Meters & Collect Data - Gas	Stmt H	579,630	Stmt H	610,137
192	879	Dist. Customer Installation Expense	Stmt H	450,489	Stmt H	477,486
193	880	Dist. Ops. Other Expenses	Stmt H	1,536,435	Stmt H	1,677,686
194	881	Dist. Oper. Rents	Stmt H	5,847	Stmt H	5,847
195		<b>Total Distribution Operation</b>	Stmt H	\$ 6,654,793	Stmt H	\$ 7,416,743



BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement N

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
196						
197		<b>Maintenance</b>				
198	885	Dist. Maint. Supervision & Engineering	Stmt H	\$ 48,258	Stmt H	\$ 51,130
199	886	Maintenance of Structures & Improvements	Stmt H	3,415	Stmt H	3,423
200	887	Perf. Underground Distribution Line Maintenance - Gas	Stmt H	484,734	Stmt H	497,153
201	888	Dist. Maint. of Compressor Station Equipment	Stmt H	55,165	Stmt H	58,340
202	889	Maintenance of Measuring & Regulating Station Expense -General	Stmt H	214,267	Stmt H	213,297
203	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	Stmt H	27,211	Stmt H	29,002
204	891	Maintenance of Measuring & Regulating Station - City Gate Check Stn.	Stmt H	163,459	Stmt H	166,714
205	892	Dist. Maint. of Services	Stmt H	204,685	Stmt H	217,161
206	893	Dist. Maint. of Meters & House Regulators	Stmt H	806,085	Stmt H	852,259
207	894	Dist. Maint. of Other Equipment	Stmt H	23,649	Stmt H	25,009
208		<b>Total Distribution Maintenance</b>	Stmt H	\$ 2,030,929	Stmt H	\$ 2,113,488
209						
210		<b>Total Distribution Expenses</b>		\$ 8,685,722		\$ 9,530,230
211						
212		<b>Customer Accounting Expense</b>				
213		<b>Operation</b>				
214	901	Customer Accounts Supervision	Stmt H	\$ 184,116	Stmt H	\$ 192,632
215	902	Meter Reading Expense	Stmt H	345,969	Stmt H	361,463
216	903	Customer Record & Collection Expense	Stmt H	2,037,470	Stmt H	2,387,118
217	904	Uncollectible Accounts	Stmt H	831,547	Stmt H	654,912
218	905	Miscellaneous Customer Accounts Expense	Stmt H	77,342	Stmt H	85,568
219		<b>Total Customer Accounting Expense</b>	Stmt H	\$ 3,476,445	Stmt H	\$ 3,681,694
220						
221		<b>Customer Service &amp; Information</b>				
222		<b>Operation</b>				
223	907	Supervision	Stmt H	\$ 41,537	Stmt H	\$ 44,146
224	908	Customer Assistance Expense	Stmt H	167,081	Stmt H	176,517
225	909	Informational/Instructional Advertising Expense	Stmt H	13,774	Stmt H	16,308
226	910	Miscellaneous Cust Serv & Inform Expense	Stmt H	3,738	Stmt H	3,945
227		<b>Total Customer Service and Information</b>	Stmt H	\$ 226,131	Stmt H	\$ 240,916
228						
229		<b>Total Customer Expense</b>		\$ 3,702,576		\$ 3,922,609
230						
231		<b>Sales Expense</b>				
232		<b>Operation</b>				
233	911	Supervision	Stmt H	\$ -	Stmt H	\$ -
234	912	Demonstrating and Selling Expense	Stmt H	123,525	Stmt H	121,843
235	913	Advertising Expenses	Stmt H	137,527	Stmt H	19,998
236	916	Miscellaneous Sales Expense	Stmt H	-	Stmt H	39
237		<b>Total Sales Expense</b>	Stmt H	\$ 261,052	Stmt H	\$ 141,880

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

**KSG Direct Exhibit RRS-2  
Statement N**

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
238						
239		<b>Administrative and General Expenses</b>				
240		<b>Operation</b>				
241	920	Administrative & General Salaries	Stmt H	\$ 5,763,486	Stmt H	\$ 6,479,803
242	921	Office Supplies & Expense	Stmt H	1,617,561	Stmt H	1,889,648
243	922	Administrative Expense Transferred-Cr	Stmt H	(1,171,504)	Stmt H	(1,226,286)
244	923	Outside Services Employed	Stmt H	1,044,723	Stmt H	1,136,556
245	924	Property Insurance	Stmt H	6,975	Stmt H	6,890
246	925	Injuries and Damages	Stmt H	332,898	Stmt H	576,743
247	926	Employee Pensions and Benefits	Stmt H	3,383,158	Stmt H	1,442,184
248	927	Franchise Requirements	Stmt H	-	Stmt H	-
249	928	Regulatory Commission Expense	Stmt H	172,497	Stmt H	422,497
250	929	Duplicate Charges - Credit	Stmt H	4	Stmt H	4
251	930.1	General Advertising Expense	Stmt H	483,021	Stmt H	109,801
252	930.2	Miscellaneous General Expense	Stmt H	215,019	Stmt H	268,342
253	931	Rents	Stmt H	821,999	Stmt H	801,070
254		<b>Total Admin &amp; General Operations</b>	Stmt H	\$ 12,669,837	Stmt H	\$ 11,907,252
255						
256		<b>Maintenance</b>				
257	932	Maintenance of General Plant	Stmt H	\$ 1,011,720	Stmt H	\$ 1,019,592
258		<b>Total Admin &amp; General Maintenance</b>	Stmt H	\$ 1,011,720	Stmt H	\$ 1,019,592
259						
260		<b>Total Administrative &amp; General Expenses</b>		\$ 13,681,557		\$ 12,926,844
261						
262		<b>Total Operating &amp; Maintenance Expenses</b>		\$ 65,853,235		\$ 27,054,450
263						
264		<b>Depreciation Expense</b>				
265		Intangible	Stmt J	\$ 101,152	Stmt J	\$ 112,355
266		Production and Gathering Plant	Stmt J	624	Stmt J	517
267		Storage Plant	Stmt J	-	Stmt J	-
268		Transmission	Stmt J	570,171	Stmt J	790,428
269		Distribution	Stmt J	5,764,932	Stmt J	6,986,362
270		General	Stmt J	616,508	Stmt J	743,910
271		Other Utility Plant (Corp. Shared Assets - CIS+ Customer Billing System)	Stmt J	453,387	Stmt J	120,417
272		Other Utility Plant (Corp. Shared Assets - Assets Other than CIS+)	Stmt J	1,111,021	Stmt J	1,265,059
273		<b>Total Depreciation Expense</b>		\$ 8,617,795		\$ 10,019,048
274						
275		<b>Taxes Other Than Income</b>				
276		Property Taxes	Stmt L	\$ 4,972,358	Stmt L	\$ 5,293,400
277		Payroll Taxes	Stmt L	922,139	Stmt L	1,003,147
278		Unemployment - Federal	Stmt L	9,225	Stmt L	9,225
279		Unemployment - State	Stmt L	11,098	Stmt L	11,098
280		Miscellaneous	Stmt L	56,339	Stmt L	56,339
281		<b>Total Taxes Other Than Income</b>		\$ 5,971,160		\$ 6,373,210

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED

KSG Direct Exhibit RRS-2  
 Statement N

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
282						
283		<b>Total Oper. Exp. Before Inc. Tax</b>		\$ 80,442,190		\$ 43,446,708
284						
285		<b>Other Operating Revenue</b>				
286		Sales for Resale	Stmt I	\$ -	Stmt I	\$ -
287		Forfeited Discounts	Stmt I	92,360	Stmt I	362,722
288		Miscellaneous Service Revenues	Stmt I	645,058	Stmt I	735,233
289		Incidental Gas and Oil Sales	Stmt I	-	Stmt I	-
290		Rent From Gas Property	Stmt I	-	Stmt I	-
291		Other Gas Revenues	Stmt I	547,052	Stmt I	-
292		<b>Total Other Operating Revenue</b>	Stmt I	\$ 1,284,470	Stmt I	\$ 1,097,955
293						
294		<b>Revenue Under Existing Rates</b>				
295		Sales of Gas	Stmt I	\$ 94,512,427	Stmt I	\$ 51,162,779
296						
297		<b>Total Revenue Under Existing Rates</b>	Stmt I	\$ 94,512,427	Stmt I	\$ 51,162,779
298						
299		Oper. Expense Before Income Tax		\$ 80,442,190		\$ 43,446,708
300						
301		<b>Oper. Income Before Income Tax</b>		\$ 15,354,707		\$ 8,814,027
302						
303		<b>Federal Income Tax Calculation</b>				
304		Oper. Income Before Income Tax		\$ 15,354,707		\$ 8,814,027
305		Federal and State Income Tax	Stmt K	\$ 2,264,844		\$ 633,169
306		Total Federal Income Tax		\$ 2,264,844		\$ 633,169
307						
308		Total Operating Expense		\$ 82,707,034		\$ 44,079,877
309						
310		Return to equity pretax		\$ 13,089,863		\$ 8,180,857
311		Rate Base		\$ 208,766,837		\$ 230,337,778
312		Rate of Return, Existing Rates		6.27%		3.55%
313						
314		<b>Return Under Current Rates</b>				
315						
316		Revenue from Gas Sales		\$ 94,512,427		\$ 51,162,779
317		Other Operating Revenue		\$ 1,284,470		\$ 1,097,955
318						
319		<b>Total Operating Revenue</b>		\$ 95,796,897		\$ 52,260,734
320						
321		Operation and Maintenance Expense		\$ 65,853,235		\$ 27,054,450
322		Depreciation and Amortization Expense		8,617,795		10,019,048
323		Taxes Other than Income Tax		5,971,160		6,373,210
324		Federal Income Tax - Existing Rates		2,264,844		633,169

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
 PER BOOKS AND PRO FORMA ADJUSTED REVENUE REQUIREMENT ANALYSIS  
 FOR THE TEST YEAR ENDED DECEMBER 31, 2020 AS ADJUSTED**

**KSG Direct Exhibit RRS-2  
 Statement N**

Line No.	FERC Acct	Description	Reference	Total Company		
				(a) Test Year	(b) Reference	(c) Adjusted
325						
326		Total Operating Expense		\$ 82,707,034		\$ 44,079,877
327						
328		Return		\$ 13,089,863		\$ 8,180,857
329		Rate Base		208,766,837		230,337,778
330		Rate of Return, Current Rates		6.27%		3.55%
331						
332		<b>Overall Revenue Requirement and Revenue Deficiency</b>				
333						
334		Rate Base				\$ 230,337,778
335		Rate of Return			Stmt G	7.05%
336		Return				\$ 16,238,813
337		Operation and Maintenance Expenses				27,054,450
338		Depreciation and Amortization Expense				10,019,048
339		Taxes Other than Income Tax				6,373,210
340		Federal Income Tax - Existing Rates				633,169
341						
342		Total Pre-tax Revenue Requirement				\$ 60,318,690
343		Less: Other Operating Revenue				1,097,955
344						
345		Net Pre-tax Revenue Requirement				\$ 59,220,735
346						
347		Revenue Under Existing Rates				\$ 51,162,779
348		<b>Revenue Deficiency</b>				
349		Amount before tax adjustment				\$ (8,057,956)
350		Tax Adjusted Amount Needed (line 346 x line 349)				<b>(10,199,944)</b>
351						
352		Tax Multiplier (1/(1-.21))				1.26582



## 2018 DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION  
ACCRUALS RELATED TO UTILITY PLANT  
AS OF OCTOBER 31, 2018

*Prepared by:*



*Excellence Delivered **As Promised***

**BLACK HILLS SERVICE COMPANY**  
Rapid City, South Dakota

**2018 DEPRECIATION STUDY**

**CALCULATED ANNUAL DEPRECIATION  
ACCRUALS RELATED TO UTILITY PLANT  
AS OF OCTOBER 31, 2018**

**GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC**  
Harrisburg, Pennsylvania



*Excellence Delivered **As Promised***

February 4, 2019

Black Hills Service Company  
7001 Mr. Rushmore Road  
Rapid City, SD 57702

Attention Mr. Frederic C. Stoffel  
Director, Regulatory

Ladies and Gentlemen:

Pursuant to your request, we have conducted a depreciation study related to the utility plant of Black Hills Service Company as of October 31, 2018. The attached report presents a description of the methods used in the estimation of depreciation, the summary of annual depreciation accrual rates, the statistical support for the life and net salvage estimates and the detailed tabulations of annual depreciation.

Respectfully submitted,

GANNETT FLEMING VALUATION  
AND RATE CONSULTANTS, LLC.

A handwritten signature in blue ink that reads "John J. Spanos".

JOHN J. SPANOS  
President

JJS:mle

064663.000

Gannett Fleming Valuation and Rate Consultants, LLC

P.O. Box 67100 • Harrisburg, PA 17106-7100 | 207 Senate Avenue • Camp Hill, PA 17011  
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## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	iii
 <b>PART I. INTRODUCTION .....</b>	 I-1
Scope .....	I-2
Plan of Report .....	I-2
Basis of the Study .....	I-3
Depreciation .....	I-3
Service Life and Net Salvage Estimates.....	I-4
 <b>PART II. ESTIMATION OF SURVIVOR CURVES .....</b>	 II-1
Survivor Curves.....	II-2
Iowa Type Curves.....	II-3
Retirement Rate Method of Analysis .....	II-9
Schedules of Annual Transactions in Plant Records .....	II-10
Schedule of Plant Exposed to Retirement .....	II-13
Original Life Table .....	II-15
Smoothing the Original Survivor Curve .....	II-17
 <b>PART III. SERVICE LIFE CONSIDERATIONS .....</b>	 III-1
Service Life Analysis .....	III-2
 <b>PART IV. NET SALVAGE CONSIDERATIONS .....</b>	 IV-1
Salvage Analysis.....	IV-2
Net Salvage Considerations .....	IV-2
 <b>PART V. CALCULATION OF ANNUAL AND ACCRUED DEPRECIATION .....</b>	 V-1
Group Depreciation Procedures.....	V-2
Single Unit of Property.....	V-2
Remaining Life Annual Accruals.....	V-3
Average Service Life Procedure .....	V-3
Calculation of Annual and Accrued Amortization .....	V-4
 <b>PART VI. RESULTS OF STUDY .....</b>	 VI-1
Qualification of Results.....	VI-2
Description of Statistical Support .....	VI-2
Description of Detailed Tabulations.....	VI-3



**TABLE OF CONTENTS, cont.**

Table 1. Summary of Estimated Survivor Curves, Net Salvage Percent, Original Cost, Book Depreciation Reserve and Calculated Annual Depreciation Rates to Utility Plant as of October 31, 2018 ..... VI-5

**PART VII. SERVICE LIFE STATISTICS** ..... VII-1

    Electric Plant..... VII-2

    Gas Plant..... VII-7

    Common Plant..... VII-22

    Electric, Gas and Common Plant..... VII-24

**PART VIII. NET SALVAGE STATISTICS** ..... VIII-1

    Gas Plant..... VIII-2

    Common Plant..... VIII-11

**PART IX. DETAILED DEPRECIATION CALCULATIONS** ..... IX-1

    Electric Plant..... IX-2

    Gas Plant..... IX-14

    Common Plant..... IX-30

**BLACK HILLS SERVICE COMPANY**  
**DEPRECIATION STUDY**

**EXECUTIVE SUMMARY**

Pursuant to Black Hills Service Company (“BHSC” or “Company”) request, Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett Fleming”) conducted a depreciation study related to the utility plant of BHSC as of October 31, 2018. The purpose of this study was to determine the annual depreciation accrual rates and amounts for book and ratemaking purposes of the consolidated companies.

The depreciation rates are based on the straight line method using the average service life (“ASL”) procedure and were applied on a remaining life basis. The calculations were based on attained ages and estimated average service life and forecasted net salvage characteristics for each depreciable group of assets.

BHSC's accounting policy has not changed since the last study and depreciation rates were most recently established. However, there have been changes to the plant in service due to system improvements, as well as the consolidation of the service company and utility holdings assets. The consolidation has produced some changes in the life and salvage estimates which creates new depreciation rates as compared to what currently are utilized for the individual entities.

Gannett Fleming recommends the calculated annual depreciation accrual rates set forth herein apply specifically to utility plant in service as of October 31, 2018 as summarized by Table 1 of the study. Supporting analysis and calculations are provided within the study.

The study results set forth an annual depreciation expense of \$21.7 million when applied to depreciable plant balances as of October 31, 2018. The results are summarized at the functional level as follows:

**SUMMARY OF ORIGINAL COST, ACCRUAL RATES AND AMOUNTS**

FUNCTION	ORIGINAL COST	PROPOSED RATE	ANNUAL ACCRUAL
ELECTRIC PLANT			
DISTRIBUTION	\$ 2,838,926.62	5.55	\$ 157,682
GENERAL	<u>16,928,411.69</u>	12.06	<u>2,041,599</u>
<b>TOTAL ELECTRIC PLANT</b>	<b>\$19,767,338.31</b>	<b>11.13</b>	<b>\$2,199,281</b>
GAS PLANT			
DISTRIBUTION	\$ 7,705,095.06	5.66	\$ 436,087
GENERAL	<u>7,712,696.29</u>	8.89	<u>685,599</u>
<b>TOTAL GAS PLANT</b>	<b>\$15,417,791.35</b>	<b>7.28</b>	<b>\$1,121,686</b>
COMMON PLANT	<b>\$183,654,382.02</b>	<b>7.94</b>	<b>\$14,574,450</b>
UNRECOVERED RESERVE			
ELECTRIC PLANT	-		\$ 272,138
GAS PLANT	-		423,409
COMMON PLANT	<u>-</u>		<u>3,117,661</u>
<b>TOTAL UNRECOVERED RESERVE</b>			<b>\$3,813,208</b>
<b>TOTAL</b>	<b><u>\$218,839,511.68</u></b>	<b>9.92</b>	<b><u>\$21,708,625</u></b>

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**PART I. INTRODUCTION**

**BLACK HILLS SERVICE COMPANY****DEPRECIATION STUDY****PART I. INTRODUCTION****SCOPE**

This report sets forth the results of the depreciation study for Black Hills Service Company (“Company”), to determine the annual depreciation accrual rates and amounts for book purposes applicable to the original cost of utility plant as of October 31, 2018. The rates and amounts are based on the straight line remaining life method of depreciation. This report also describes the concepts, methods and judgments which underlie the recommended annual depreciation accrual rates related to utility plant in service as of October 31, 2018.

The service life and net salvage estimates resulting from the study were based on informed judgment which incorporated analyses of historical plant retirement data as recorded through October 2018, a review of Company practice and outlook as they relate to plant operation and retirement, and consideration of current practice in the gas and electric industries, including knowledge of service lives and net salvage estimates used for other gas and electric companies.

**PLAN OF REPORT**

Part I, Introduction, contains statements with respect to the plan of the report, and the basis of the study. Part II, Estimation of Survivor Curves, presents descriptions of the considerations and methods used in the service life study. Part III, Service Life Considerations, presents the results of the average service life analysis. Part IV, Net Salvage Considerations, presents the results of the net salvage study. Part V, Calculation of Annual and Accrued Depreciation, describes the procedures used in the calculation of group depreciation. Part VI, Results of Study, presents summaries by depreciable group

of annual depreciation accrual rates and amounts, as well as composite remaining lives. Part VII, Service Life Statistics presents the statistical analysis of service life estimates, Part VIII, Net Salvage Statistics sets forth the statistical indications of net salvage percents, and Part IX, Detailed Depreciation Calculations presents the detailed tabulations of annual depreciation.

## **BASIS OF THE STUDY**

### **Depreciation**

Depreciation, in public utility regulation, is the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among causes to be given consideration are wear and tear, deterioration, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and the requirements of public authorities.

Depreciation, as used in accounting, is a method of distributing fixed capital costs, less net salvage, over a period of time by allocating annual amounts to expense. Each annual amount of such depreciation expense is part of that year's total cost of providing gas and electric utility service. Normally, the period of time over which the fixed capital cost is allocated to the cost of service is equal to the period of time over which an item renders service, that is, the item's service life. The most prevalent method of allocation is to distribute an equal amount of cost to each year of service life. This method is known as the straight-line method of depreciation.

For most accounts, the annual depreciation was calculated by the straight line method using the average service life procedure and the remaining life basis. For certain General Plant accounts, the annual depreciation is based on amortization accounting.

Both types of calculations were based on original cost, attained ages, and estimates of service lives and net salvage.

The straight line method, average service life procedure is a commonly used depreciation calculation procedure that has been widely accepted in jurisdictions throughout North America. Gannett Fleming recommends its continued use. Amortization accounting is used for certain General Plant accounts because of the disproportionate plant accounting effort required when compared to the minimal original cost of the large number of items in these accounts. An explanation of the calculation of annual and accrued amortization is presented beginning on page V-4 of the report.

### **Service Life and Net Salvage Estimates**

The service life and net salvage estimates used in the depreciation and amortization calculations were based on informed judgment which incorporated a review of management's plans, policies and outlook, a general knowledge of the gas and electric utility industries, and comparisons of the service life and net salvage estimates from our studies of other gas and electric utilities. The use of survivor curves to reflect the expected dispersion of retirement provides a consistent method of estimating depreciation for gas and electric plant. Iowa type survivor curves were used to depict the estimated survivor curves for the plant accounts not subject to amortization accounting.

The procedure for estimating service lives consisted of compiling historical data for the plant accounts or depreciable groups, analyzing this history through the use of widely accepted techniques, and forecasting the survivor characteristics for each depreciable group on the basis of interpretations of the historical data analyses and the probable future. The combination of the historical experience and the estimated future yielded estimated survivor curves from which the average service lives were derived.

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**PART II. ESTIMATION OF  
SURVIVOR CURVES**



## PART II. ESTIMATION OF SURVIVOR CURVES

The calculation of annual depreciation based on the straight line method requires the estimation of survivor curves and the selection of group depreciation procedures. The estimation of survivor curves is discussed below and the development of net salvage is discussed in later sections of this report.

### SURVIVOR CURVES

The use of an average service life for a property group implies that the various units in the group have different lives. Thus, the average life may be obtained by determining the separate lives of each of the units, or by constructing a survivor curve by plotting the number of units which survive at successive ages.

The survivor curve graphically depicts the amount of property existing at each age throughout the life of an original group. From the survivor curve, the average life of the group, the remaining life expectancy, the probable life, and the frequency curve can be calculated. In Figure 1, a typical smooth survivor curve and the derived curves are illustrated. The average life is obtained by calculating the area under the survivor curve, from age zero to the maximum age, and dividing this area by the ordinate at age zero. The remaining life expectancy at any age can be calculated by obtaining the area under the curve, from the observation age to the maximum age, and dividing this area by the percent surviving at the observation age. For example, in Figure 1, the remaining life at age 30 is equal to the crosshatched area under the survivor curve divided by 29.5 percent surviving at age 30. The probable life at any age is developed by adding the age and remaining life. If the probable life of the property is calculated for each year of age, the probable life curve shown in the chart can be developed. The frequency curve presents the number of units retired in each age interval. It is derived by obtaining the differences between the amount of property surviving at the beginning and at the end of each interval.

This study has incorporated the use of Iowa curves developed from a retirement rate analysis of historical retirement history. A discussion of the concepts of survivor curves and of the development of survivor curves using the retirement rate method is presented below.

### **Iowa Type Curves**

The range of survivor characteristics usually experienced by utility and industrial properties is encompassed by a system of generalized survivor curves known as the Iowa type curves. There are four families in the Iowa system, labeled in accordance with the location of the modes of the retirements in relationship to the average life and the relative height of the modes. The left moded curves, presented in Figure 2, are those in which the greatest frequency of retirement occurs to the left of, or prior to, average service life. The symmetrical moded curves, presented in Figure 3, are those in which the greatest frequency of retirement occurs at average service life. The right moded curves, presented in Figure 4, are those in which the greatest frequency occurs to the right of, or after, average service life. The origin moded curves, presented in Figure 5, are those in which the greatest frequency of retirement occurs at the origin, or immediately after age zero. The letter designation of each family of curves (L, S, R or O) represents the location of the mode of the associated frequency curve with respect to the average service life. The numbers represent the relative heights of the modes of the frequency curves within each family.

The Iowa curves were developed at the Iowa State College Engineering Experiment Station through an extensive process of observation and classification of the ages at which industrial property had been retired. A report of the study which resulted in the classification of property survivor characteristics into 18 type curves, which constitute three of the four families, was published in 1935 in the form of the Experiment Station's Bulletin 125.

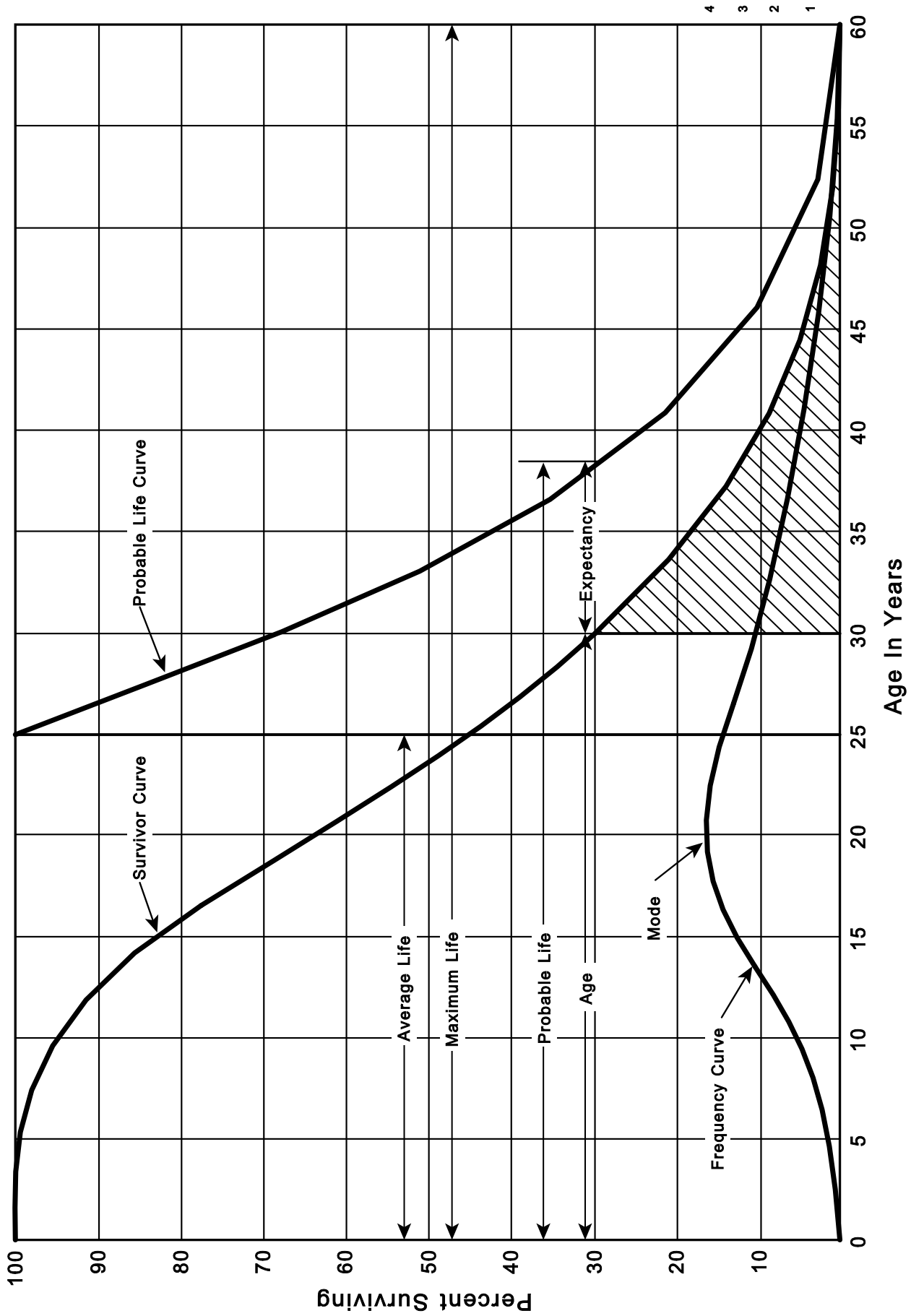


Figure 1. A Typical Survivor Curve and Derived Curves

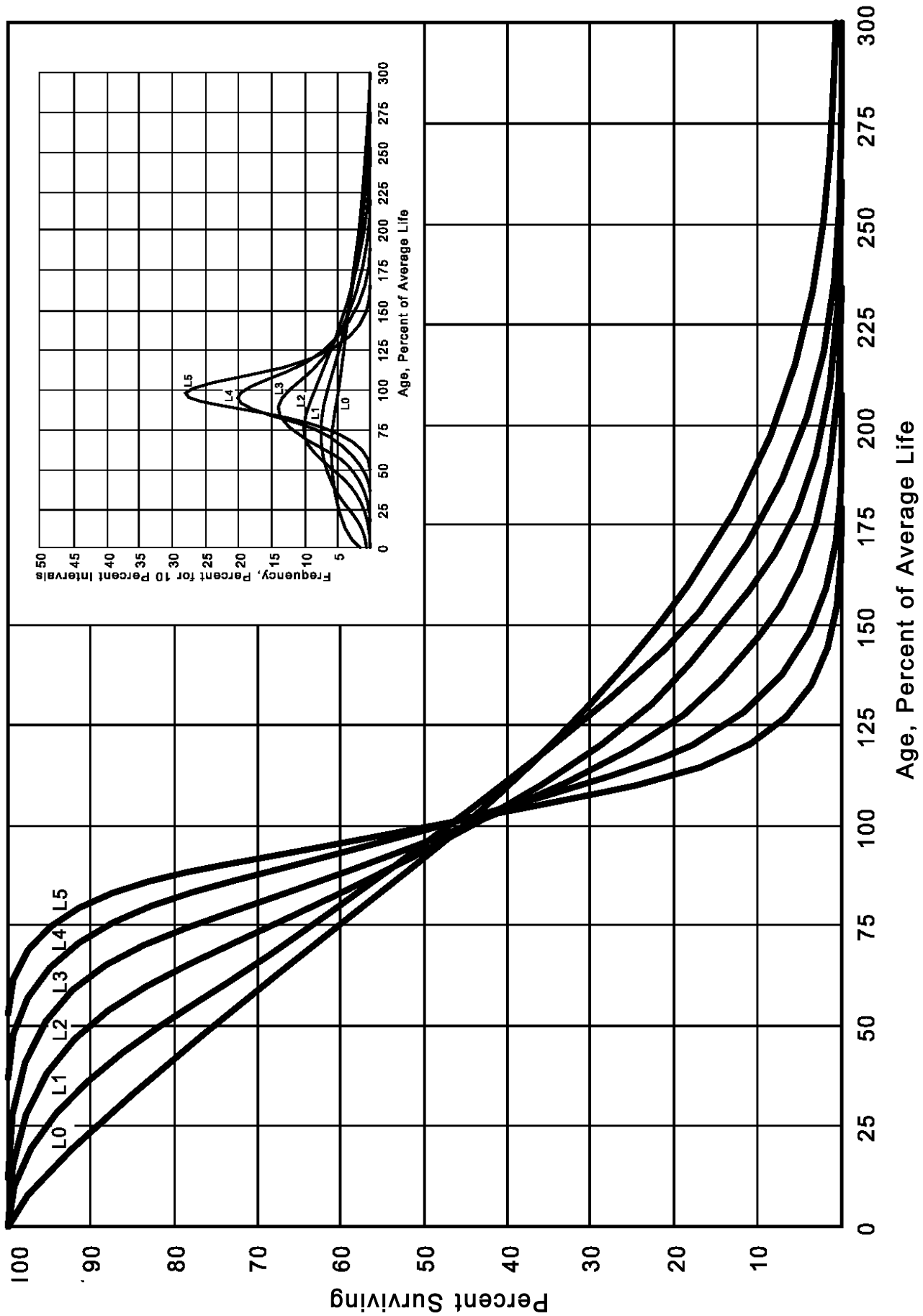


Figure 2. Left Modal or "L" Iowa Type Survivor Curves

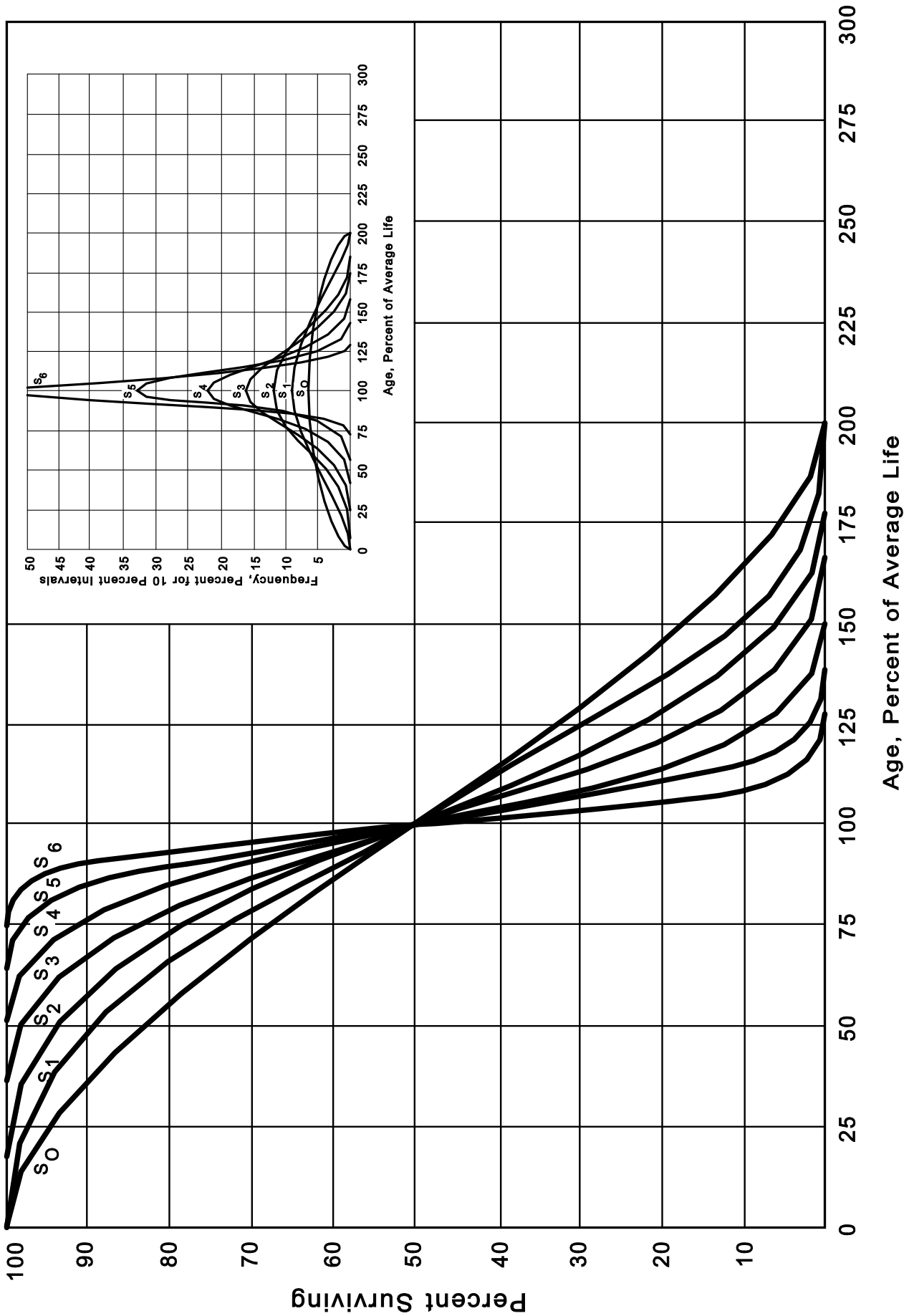


Figure 3. Symmetrical or "S" Iowa Type Survivor Curves

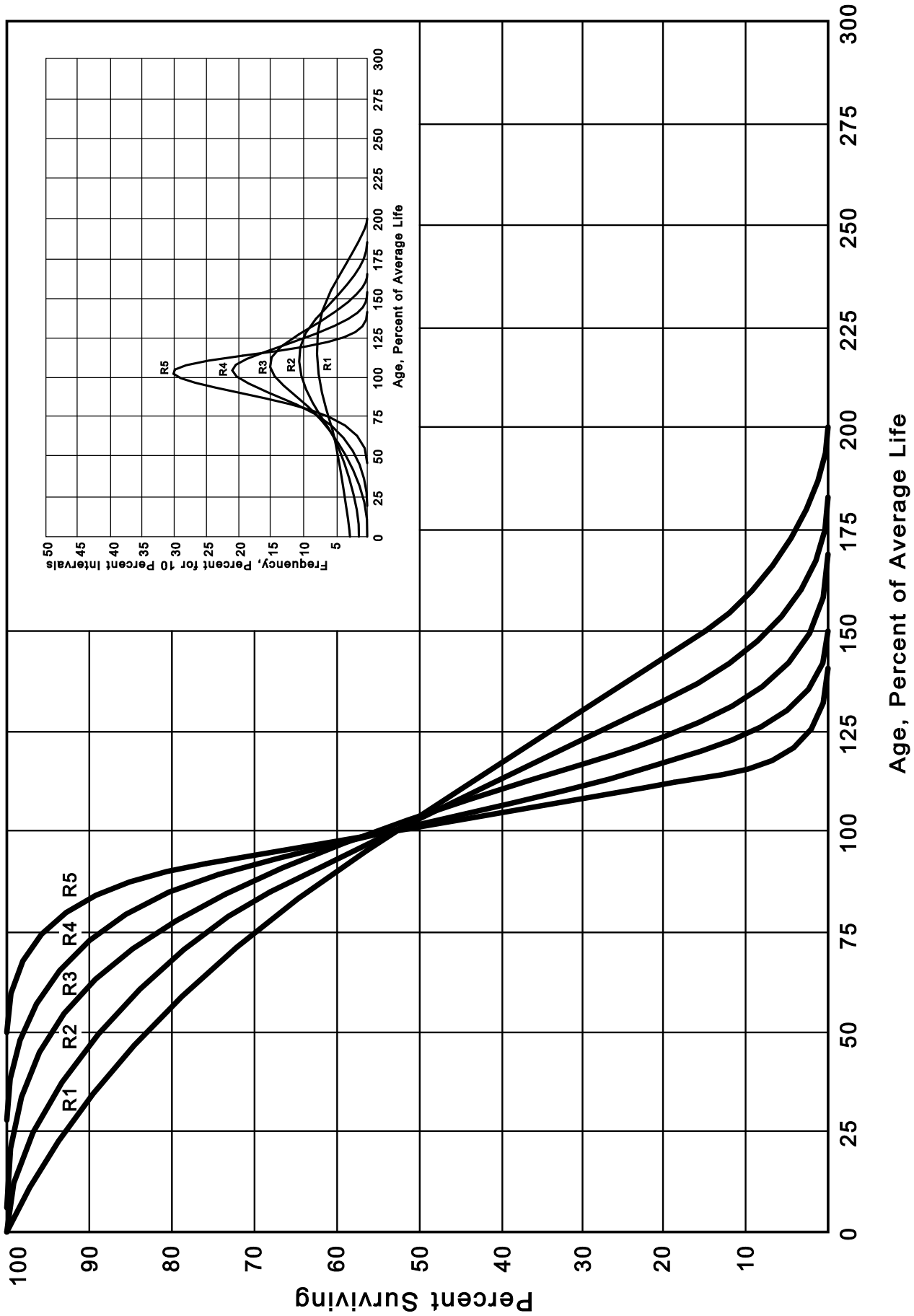


Figure 4. Right Modal or "R" Iowa Type Survivor Curves

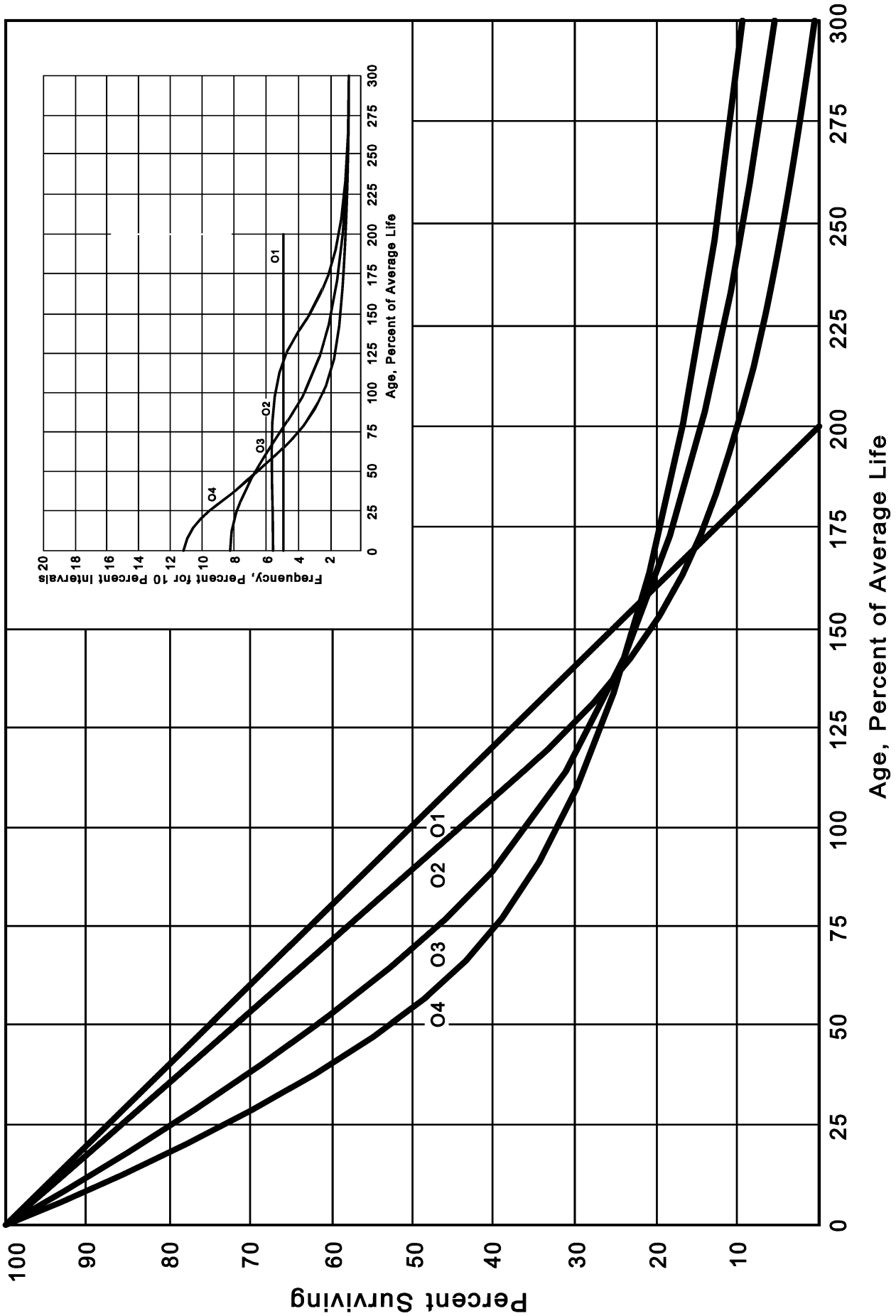


Figure 5. Origin Modal or "O" Iowa Type Survivor Curves

These curve types have also been presented in subsequent Experiment Station bulletins and in the text, "Engineering Valuation and Depreciation."<sup>1</sup> In 1957, Frank V. B. Couch, Jr., an Iowa State College graduate student submitted a thesis presenting his development of the fourth family consisting of the four O type survivor curves.

### **Retirement Rate Method of Analysis**

The retirement rate method is an actuarial method of deriving survivor curves using the average rates at which property of each age group is retired. The method relates to property groups for which aged accounting experience is available and is the method used to develop the original stub survivor curves in this study. The method (also known as the annual rate method) is illustrated through the use of an example in the following text, and is also explained in several publications, including "Statistical Analyses of Industrial Property Retirements,"<sup>2</sup> "Engineering Valuation and Depreciation,"<sup>3</sup> and "Depreciation Systems."<sup>4</sup>

The average rate of retirement used in the calculation of the percent surviving for the survivor curve (life table) requires two sets of data: first, the property retired during a period of observation, identified by the property's age at retirement; and second, the property exposed to retirement at the beginning of the age intervals during the same period. The period of observation is referred to as the experience band, and the band of years which represent the installation dates of the property exposed to retirement during the experience band is referred to as the placement band. An example of the calculations used in the development of a life table follows. The example includes schedules of annual aged property transactions, a schedule of plant exposed to retirement, a life table and illustrations of smoothing the stub survivor curve.

<sup>1</sup>Marston, Anson, Robley Winfrey and Jean C. Hempstead. Engineering Valuation and Depreciation, 2nd Edition. New York, McGraw-Hill Book Company. 1953.

<sup>2</sup>Winfrey, Robley, Statistical Analyses of Industrial Property Retirements. Iowa State College. Engineering Experiment Station, Bulletin 125. 1935.

<sup>3</sup>Marston, Anson, Robley Winfrey, and Jean C. Hempstead, Supra Note 1.

<sup>4</sup>Wolf, Frank K. and W. Chester Fitch. Depreciation Systems. Iowa State University Press. 1994.



### **Schedules of Annual Transactions in Plant Records**

The property group used to illustrate the retirement rate method is observed for the experience band 2009-2018 during which there were placements during the years 2004-2018. In order to illustrate the summation of the aged data by age interval, the data were compiled in the manner presented in Schedules 1 and 2 on pages II-11 and II-12. In Schedule 1, the year of installation (year placed) and the year of retirement are shown. The age interval during which a retirement occurred is determined from this information. In the example which follows, \$10,000 of the dollars invested in 2004 were retired in 2009. The \$10,000 retirement occurred during the age interval between 4½ and 5½ years on the basis that approximately one-half of the amount of property was installed prior to and subsequent to July 1 of each year. That is, on the average, property installed during a year is placed in service at the midpoint of the year for the purpose of the analysis. All retirements also are stated as occurring at the midpoint of a one-year age interval of time, except the first age interval which encompasses only one-half year.

The total retirements occurring in each age interval in a band are determined by summing the amounts for each transaction year-installation year combination for that age interval. For example, the total of \$143,000 retired for age interval 4½-5½ is the sum of the retirements entered on Schedule 1 immediately above the stair step line drawn on the table beginning with the 2009 retirements of 2004 installations and ending with the 2018 retirements of the 2013 installations. Thus, the total amount of 143 for age interval 4½-5½ equals the sum of:

$$10 + 12 + 13 + 11 + 13 + 13 + 15 + 17 + 19 + 20.$$

SCHEDULE 1. RETIREMENTS FOR EACH YEAR 2009-2018  
SUMMARIZED BY AGE INTERVAL

Experience Band 2009-2018

Placement Band 2004-2018

Year	Retirements, Thousands of Dollars										Total During		Age Interval
	During Year										Age Interval	Interval	
Placed	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	(12)	(13)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
2004	10	11	12	13	14	16	23	24	25	26	26	13½-14½	
2005	11	12	13	15	16	18	20	21	22	19	44	12½-13½	
2006	11	12	13	14	16	17	19	21	22	18	64	11½-12½	
2007	8	9	10	11	11	13	14	15	16	17	83	10½-11½	
2008	9	10	11	12	13	14	16	17	19	20	93	9½-10½	
2009	4	9	10	11	12	13	14	15	16	20	105	8½-9½	
2010		5	11	12	13	14	15	16	18	20	113	7½-8½	
2011			6	12	13	15	16	17	19	19	124	6½-7½	
2012				6	13	15	16	17	19	19	131	5½-6½	
2013					13	15	16	17	19	20	143	4½-5½	
2014					7	14	18	20	22	23	146	3½-4½	
2015						8	9	20	22	25	150	2½-3½	
2016							11	11	23	25	151	1½-2½	
2017									11	24	153	½-1½	
2018										13	80	0-½	
<b>Total</b>	<b>53</b>	<b>68</b>	<b>86</b>	<b>106</b>	<b>128</b>	<b>157</b>	<b>196</b>	<b>231</b>	<b>273</b>	<b>308</b>	<b>1,606</b>		

SCHEDULE 2. OTHER TRANSACTIONS FOR EACH YEAR 2009-2018  
SUMMARIZED BY AGE INTERVAL

Experience Band 2009-2018 Placement Band 2004-2018

Year Placed (1)	During Year										Total During Age Interval (12)	Age Interval (13)	
	2009 (2)	2010 (3)	2011 (4)	2012 (5)	2013 (6)	2014 (7)	2015 (8)	2016 (9)	2017 (10)	2018 (11)			
2004	-	-	-	-	-	-	60 <sup>a</sup>	-	-	-	-	-	13½-14½
2005	-	-	-	-	-	-	-	-	-	-	-	-	12½-13½
2006	-	-	-	-	-	-	-	-	-	-	-	-	11½-12½
2007	-	-	-	-	-	-	-	(5) <sup>b</sup>	-	-	60	-	10½-11½
2008	-	-	-	-	-	-	-	6 <sup>a</sup>	-	-	-	-	9½-10½
2009	-	-	-	-	-	-	-	-	-	-	(5)	-	8½-9½
2010	-	-	-	-	-	-	-	-	-	-	6	-	7½-8½
2011	-	-	-	-	-	-	-	-	-	-	-	-	6½-7½
2012	-	-	-	-	-	-	-	(12) <sup>b</sup>	-	-	-	-	5½-6½
2013	-	-	-	-	-	-	-	-	22 <sup>a</sup>	-	-	-	4½-5½
2014	-	-	-	-	-	-	-	(19) <sup>b</sup>	-	-	10	-	3½-4½
2015	-	-	-	-	-	-	-	-	-	-	-	-	2½-3½
2016	-	-	-	-	-	-	-	-	-	(102) <sup>c</sup>	(121)	-	1½-2½
2017	-	-	-	-	-	-	-	-	-	-	-	-	½-1½
2018	-	-	-	-	-	-	-	-	-	-	-	-	0-½
<b>Total</b>	-	-	-	-	-	-	60	(30)	22	(102)	(50)	-	

<sup>a</sup> Transfer Affecting Exposures at Beginning of Year

<sup>b</sup> Transfer Affecting Exposures at End of Year

<sup>c</sup> Sale with Continued Use

Parentheses Denote Credit Amount.

In Schedule 2, other transactions which affect the group are recorded in a similar manner. The entries illustrated include transfers and sales. The entries which are credits to the plant account are shown in parentheses. The items recorded on this schedule are not totaled with the retirements but are used in developing the exposures at the beginning of each age interval.

### **Schedule of Plant Exposed to Retirement**

The development of the amount of plant exposed to retirement at the beginning of each age interval is illustrated in Schedule 3 on page II-14. The surviving plant at the beginning of each year from 2009 through 2018 is recorded by year in the portion of the table headed "Annual Survivors at the Beginning of the Year." The last amount entered in each column is the amount of new plant added to the group during the year. The amounts entered in Schedule 3 for each successive year following the beginning balance or addition are obtained by adding or subtracting the net entries shown on Schedules 1 and 2. For the purpose of determining the plant exposed to retirement, transfers-in are considered as being exposed to retirement in this group at the beginning of the year in which they occurred, and the sales and transfers-out are considered to be removed from the plant exposed to retirement at the beginning of the following year. Thus, the amounts of plant shown at the beginning of each year are the amounts of plant from each placement year considered to be exposed to retirement at the beginning of each successive transaction year. For example, the exposures for the installation year 2014 are calculated in the following manner:

Exposures at age 0	= amount of addition	= \$750,000
Exposures at age ½	= \$750,000 - \$ 8,000	= \$742,000
Exposures at age 1½	= \$742,000 - \$18,000	= \$724,000
Exposures at age 2½	= \$724,000 - \$20,000 - \$19,000	= \$685,000
Exposures at age 3½	= \$685,000 - \$22,000	= \$663,000

For the entire experience band 2009-2018, the total exposures at the beginning of an age interval are obtained by summing diagonally in a manner similar to the summing

SCHEDULE 3. PLANT EXPOSED TO RETIREMENT  
 JANUARY 1 OF EACH YEAR 2009-2018  
 SUMMARIZED BY AGE INTERVAL

Year Placed	Experience Band 2009-2018										Placement Band 2004-2018		
	Exposures, Thousands of Dollars										Total at		
	Annual Survivors at the Beginning of the Year										Beginning of		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Age Interval	Age Interval	Age Interval
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
2004	255	245	234	222	209	195	239	216	192	167	167	167	13½-14½
2005	279	268	256	243	228	212	194	174	153	131	323	323	12½-13½
2006	307	296	284	271	257	241	224	205	184	162	531	531	11½-12½
2007	338	330	321	311	300	289	276	262	242	226	823	823	10½-11½
2008	376	367	357	346	334	321	307	297	280	261	1,097	1,097	9½-10½
2009	420 <sup>a</sup>	416	407	397	386	374	361	347	332	316	1,503	1,503	8½-9½
2010		460 <sup>a</sup>	455	444	432	419	405	390	374	356	1,952	1,952	7½-8½
2011			510 <sup>a</sup>	504	492	479	464	448	431	412	2,463	2,463	6½-7½
2012				580 <sup>a</sup>	574	561	546	530	501	482	3,057	3,057	5½-6½
2013					660 <sup>a</sup>	653	639	623	628	609	3,789	3,789	4½-5½
2014						750 <sup>a</sup>	742	724	685	663	4,332	4,332	3½-4½
2015							850 <sup>a</sup>	841	821	799	4,955	4,955	2½-3½
2016								960 <sup>a</sup>	949	926	5,719	5,719	1½-2½
2017									1,080 <sup>a</sup>	1,069	6,579	6,579	½-1½
2018										1,220 <sup>a</sup>	7,490	7,490	0-½
<b>Total</b>	<b>1,975</b>	<b>2,382</b>	<b>2,824</b>	<b>3,318</b>	<b>3,872</b>	<b>4,494</b>	<b>5,247</b>	<b>6,017</b>	<b>6,852</b>	<b>7,799</b>	<b>44,780</b>	<b>44,780</b>	

<sup>a</sup>Additions during the year

of the retirements during an age interval (Schedule 1). For example, the figure of 3,789, shown as the total exposures at the beginning of age interval 4½-5½, is obtained by summing:

$$255 + 268 + 284 + 311 + 334 + 374 + 405 + 448 + 501 + 609.$$

### **Original Life Table**

The original life table, illustrated in Schedule 4 on page II-16, is developed from the totals shown on the schedules of retirements and exposures, Schedules 1 and 3, respectively. The exposures at the beginning of the age interval are obtained from the corresponding age interval of the exposure schedule, and the retirements during the age interval are obtained from the corresponding age interval of the retirement schedule. The retirement ratio is the result of dividing the retirements during the age interval by the exposures at the beginning of the age interval. The percent surviving at the beginning of each age interval is derived from survivor ratios, each of which equals one minus the retirement ratio. The percent surviving is developed by starting with 100% at age zero and successively multiplying the percent surviving at the beginning of each interval by the survivor ratio, i.e., one minus the retirement ratio for that age interval. The calculations necessary to determine the percent surviving at age 5½ are as follows:

Percent surviving at age 4½	=	88.15	
Exposures at age 4½	=	3,789,000	
Retirements from age 4½ to 5½	=	143,000	
Retirement Ratio	=	$143,000 \div 3,789,000$	= 0.0377
Survivor Ratio	=	$1.000 - 0.0377$	= 0.9623
Percent surviving at age 5½	=	$(88.15) \times (0.9623)$	= 84.83

The totals of the exposures and retirements (columns 2 and 3) are shown for the purpose of checking with the respective totals in Schedules 1 and 3. The ratio of the total retirements to the total exposures, other than for each age interval, is meaningless. The original survivor curve is plotted from the original life table (column 6, Schedule 4). When the curve terminates at a percent surviving greater than zero, it is called a stub survivor curve. Survivor curves developed from retirement rate studies generally are stub curves.

SCHEDULE 4. ORIGINAL LIFE TABLE  
CALCULATED BY THE RETIREMENT RATE METHOD

Experience Band 2009-2018

Placement Band 2004-2018

(Exposure and Retirement Amounts are in Thousands of Dollars)

Age at Beginning of Interval	Exposures at Beginning of Age Interval	Retirements During Age Interval	Retirement Ratio	Survivor Ratio	Percent Surviving at Beginning of Age Interval
(1)	(2)	(3)	(4)	(5)	(6)
0.0	7,490	80	0.0107	0.9893	100.00
0.5	6,579	153	0.0233	0.9767	98.93
1.5	5,719	151	0.0264	0.9736	96.62
2.5	4,955	150	0.0303	0.9697	94.07
3.5	4,332	146	0.0337	0.9663	91.22
4.5	3,789	143	0.0377	0.9623	88.15
5.5	3,057	131	0.0429	0.9571	84.83
6.5	2,463	124	0.0503	0.9497	81.19
7.5	1,952	113	0.0579	0.9421	77.11
8.5	1,503	105	0.0699	0.9301	72.65
9.5	1,097	93	0.0848	0.9152	67.57
10.5	823	83	0.1009	0.8991	61.84
11.5	531	64	0.1205	0.8795	55.60
12.5	323	44	0.1362	0.8638	48.90
13.5	167	26	0.1557	0.8443	42.24
14.5					35.66
Total	<u>44,780</u>	<u>1,606</u>			

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Column 2 from Schedule 3, Column 12, Plant Exposed to Retirement.

Column 3 from Schedule 1, Column 12, Retirements for Each Year.

Column 4 = Column 3 Divided by Column 2.

Column 5 = 1.0000 Minus Column 4.

Column 6 = Column 5 Multiplied by Column 6 as of the Preceding Age Interval.

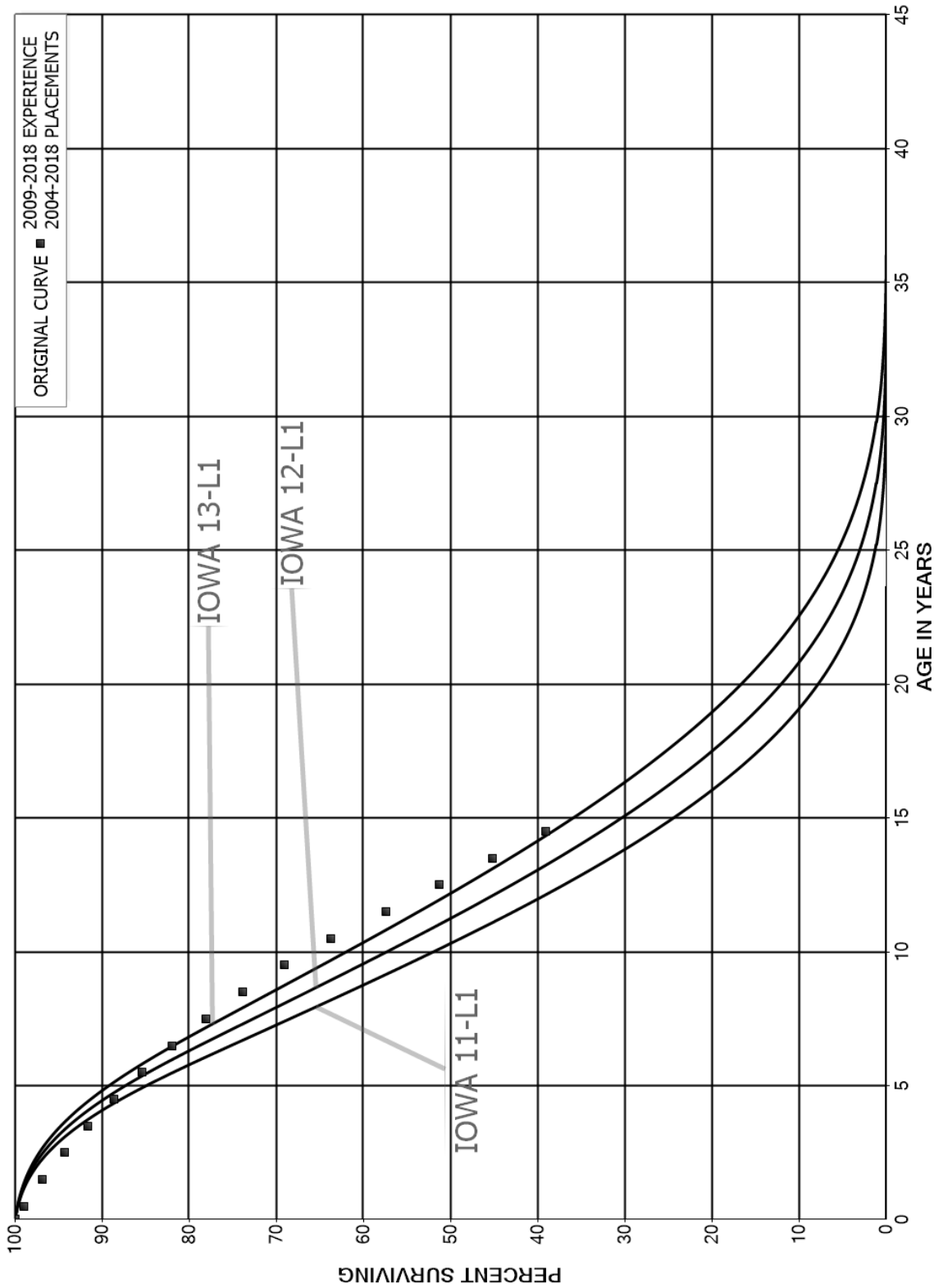
### **Smoothing the Original Survivor Curve**

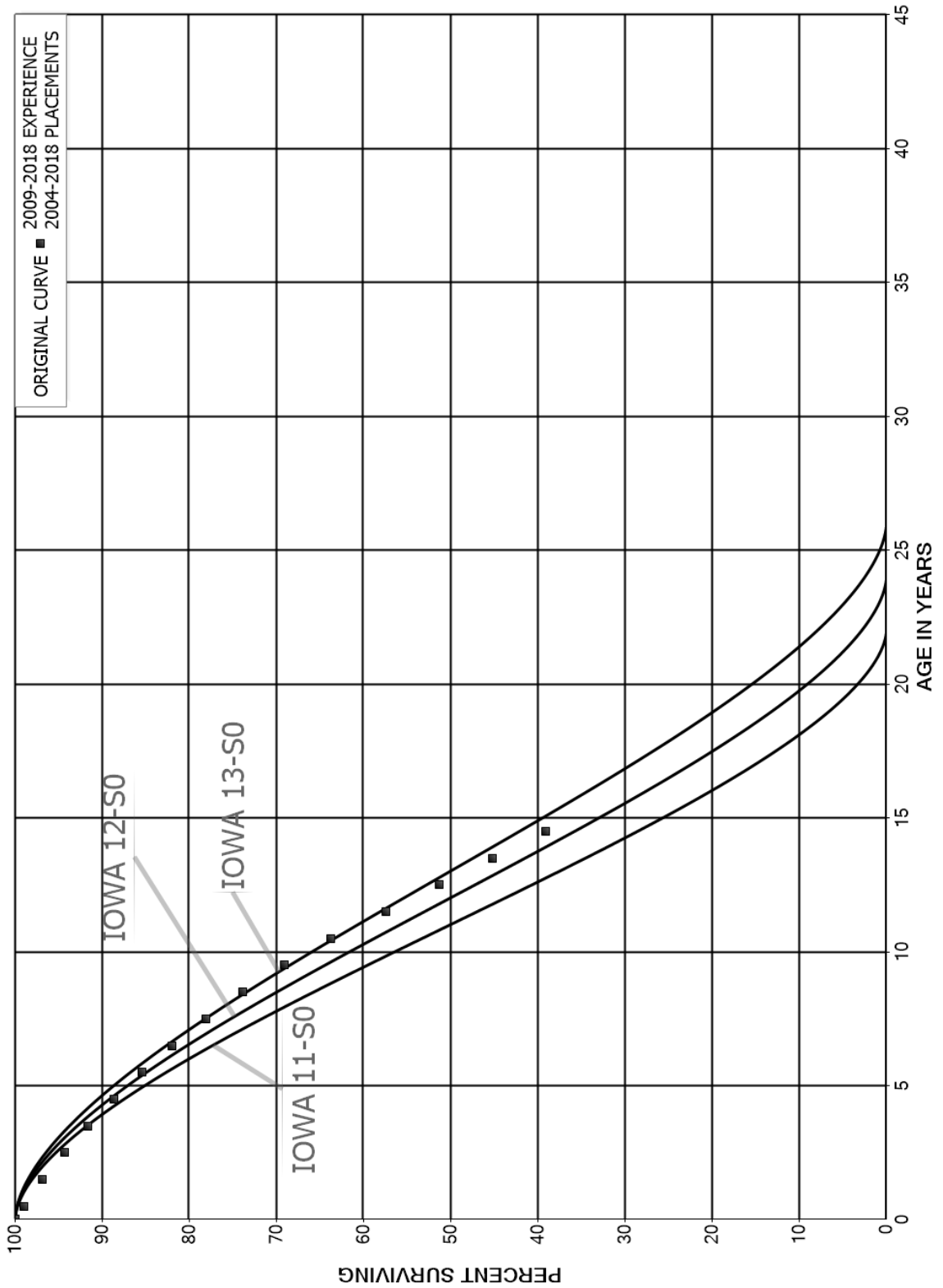
The smoothing of the original survivor curve eliminates any irregularities and serves as the basis for the preliminary extrapolation to zero percent surviving of the original stub curve. Even if the original survivor curve is complete from 100% to zero percent, it is desirable to eliminate any irregularities, as there is still an extrapolation for the vintages which have not yet lived to the age at which the curve reaches zero percent. In this study, the smoothing of the original curve with established type curves was used to eliminate irregularities in the original curve.

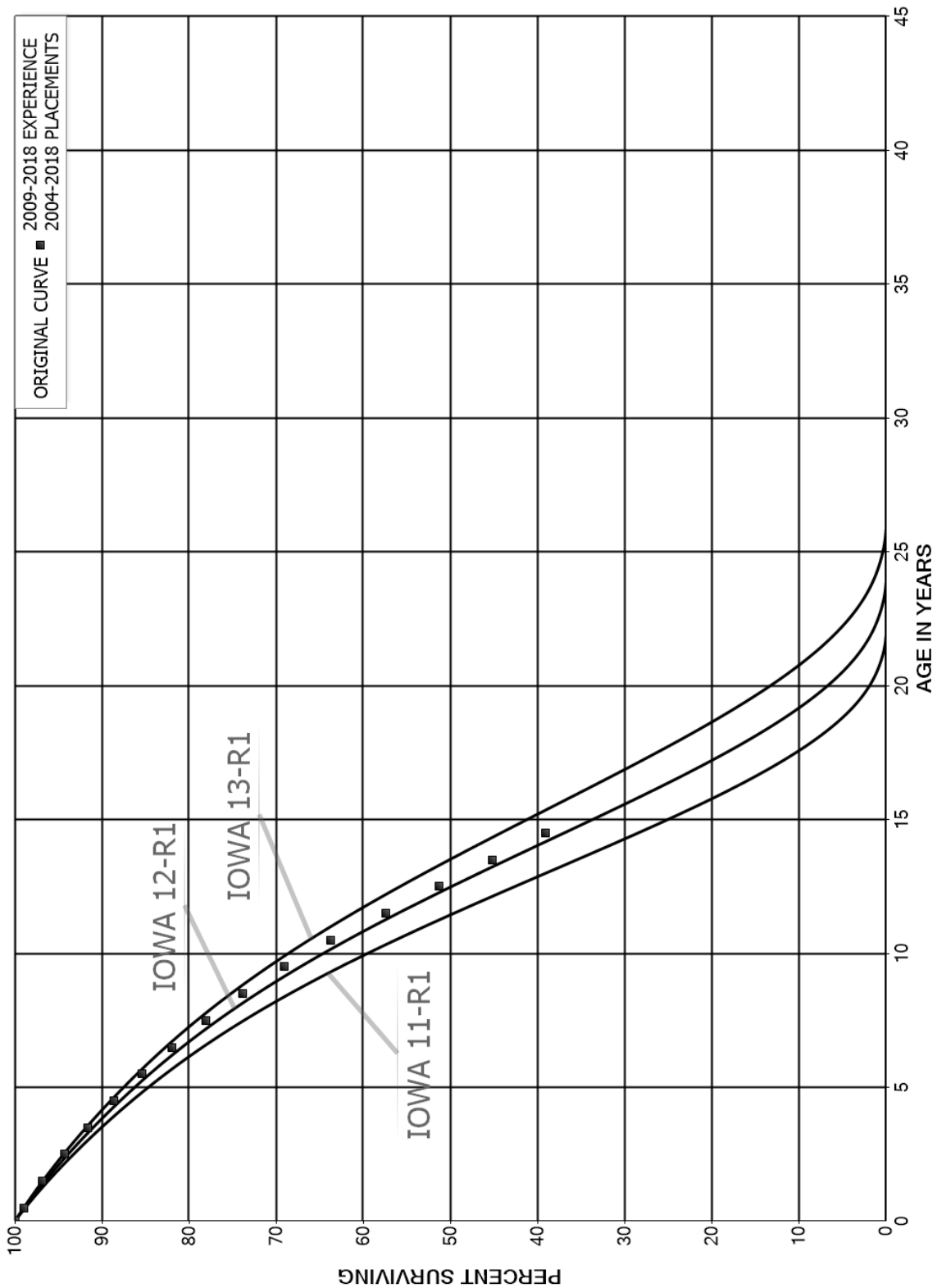
The Iowa type curves are used in this study to smooth those original stub curves which are expressed as percents surviving at ages in years. Each original survivor curve was compared to the Iowa curves using visual and mathematical matching in order to determine the better fitting smooth curves. In Figures 6, 7, and 8, the original curve developed in Schedule 4 is compared with the L, S, and R Iowa type curves which most nearly fit the original survivor curve. In Figure 6, the L1 curve with an average life between 12 and 13 years appears to be the best fit. In Figure 7, the S0 type curve with a 12-year average life appears to be the best fit and appears to be better than the L1 fitting. In Figure 8, the R1 type curve with a 12-year average life appears to be the best fit and appears to be better than either the L1 or the S0.

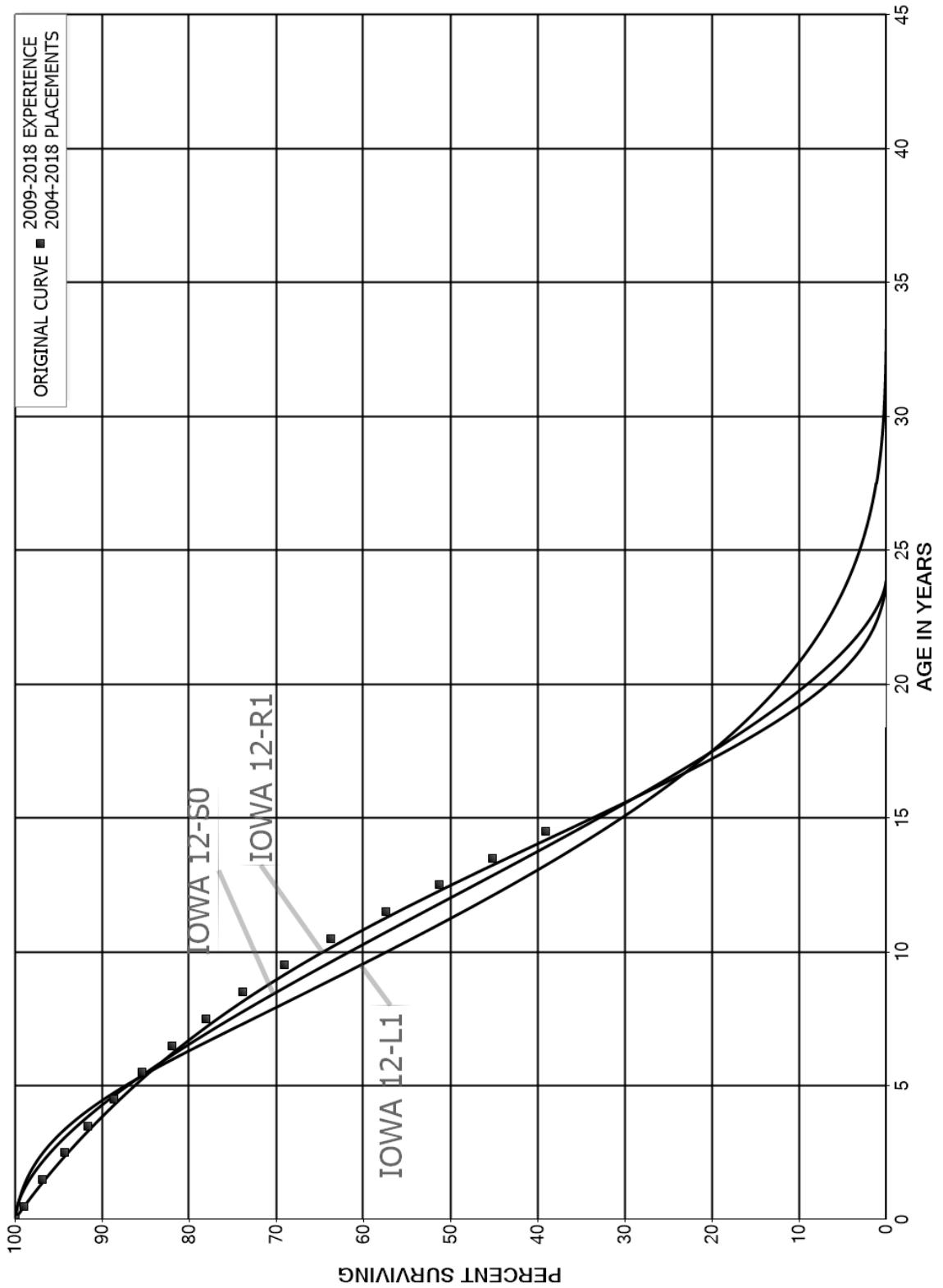
In Figure 9, the three fittings, 12-L1, 12-S0 and 12-R1 are drawn for comparison purposes. It is probable that the 12-R1 Iowa curve would be selected as the most representative of the plotted survivor characteristics of the group.











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**PART III. SERVICE LIFE CONSIDERATIONS**

## PART III. SERVICE LIFE CONSIDERATIONS

### SERVICE LIFE ANALYSIS

The service life estimates were based on informed judgment which considered a number of factors. The primary factors were the statistical analyses of data; current Company policies and outlook as determined during conversations with management; and the survivor curve estimates from previous studies of this company and other gas and electric companies.

For many of the plant accounts and subaccounts for which survivor curves were estimated, the statistical analyses using the retirement rate method resulted in good to excellent indications of the survivor patterns experienced. Generally, the information external to the statistics led to no significant departure from the indicated survivor curves for the accounts listed below. The statistical support for the service life estimates is presented in the section beginning on page VII-2.

#### DISTRIBUTION PLANT

378.00	Measuring and Regulating Station Equipment
381.00	Meters
381.01	Meters – ERTs
385.01	Industrial Measuring and Regulating Station Equipment
385.02	Industrial Measuring and Regulating Station Equipment – Industrial Meters
387.00	Other Equipment

#### GENERAL PLANT

390.01	Structures and Improvements – Owned
392.02	Transportation Equipment – Cars
392.03	Transportation Equipment – Light Trucks
392.04	Transportation Equipment – Medium Trucks
392.06	Transportation Equipment – Trailers

The estimated survivor curves for most of the mass property accounts are based on statistical analyses of plant accounting data and the range of lives and type curves used for other companies in the utility industry. The combined Account 390.01, Structures and Improvements – Owned, is one of the largest asset classification and is used to illustrate the manner in which the study was conducted for the groups using the retirement rate method. Aged retirement and other plant accounting data were compiled for the years 1986 through 2018. These data were coded in the course of the Company's normal recordkeeping according to plant account or subaccount, type of transaction, year in which the transaction took place, and year in which the utility plant was placed in service. The data were analyzed by the retirement rate method of life analysis. The survivor curve chart for the account is presented on page VII-25 and the life table for the experience band plotted on the chart follows it.

Typical service lives for the structures of this type for other utility companies range from 35 to 55 years. The Iowa 50-R2.5 survivor curve is estimated to represent the future, inasmuch as it is a reasonable interpretation of the significant portion of the stub survivor curve, reflects the outlook of management and is within the typical range of lives for this account.

The estimate for the combined Account 392.03, Transportation Equipment – Light Trucks, is based on the 2003-2018 experience band. The 9-L3 survivor curve is supported by the statistical analyses on page VII-30. The 9-year average service life is within the range of 7-12 years for other utility companies.

Another large account is gas Account 381, Meters. The estimate of survivor characteristics is based on the 1986-2018 experience band. As the survivor curve chart illustrates, the experience band represents life characteristics supported by the 31-R2

survivor curve. The 31-year average life is within the typical range of lives used by others in the industry.

Similar studies were performed for the remaining plant accounts. Each of the judgments represented a consideration of statistical analyses of aged plant activity, management's outlook for the future, and the typical range of lives used by other gas and electric companies.

The selected amortization periods for other General Plant accounts are described in the section "Calculated Annual and Accrued Amortization."



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**PART IV. NET SALVAGE CONSIDERATIONS**

## PART IV. NET SALVAGE CONSIDERATIONS

### SALVAGE ANALYSIS

The estimates of net salvage by account were based in part on historical data compiled for the years 2005 and 2018. Cost of removal and salvage were expressed as percents of the original cost of plant retired, both on annual and three-year moving average bases. The most recent five-year average also was calculated for consideration. The net salvage estimates by account are expressed as a percent of the original cost of plant retired.

### Net Salvage Considerations

The estimates of future net salvage are expressed as percentages of surviving plant in service, i.e., all future retirements. In cases in which removal costs are expected to exceed salvage receipts, a negative net salvage percentage is estimated. The net salvage estimates were based on judgment which incorporated analyses of historical cost of removal and salvage data, expectations with respect to future removal requirements and markets for retired equipment and materials.

The analyses of historical cost of removal and salvage data are presented in the section titled "Net Salvage Statistics" for the plant accounts for which the net salvage estimate relied partially on those analyses.

Statistical analyses of historical data for the period 2005 through 2018 was a major factor in determining net salvage estimates along with judgment and estimates of other gas and electric companies as the primary basis for each estimate.

The net salvage results for Account 381.00, Meters, will be used to illustrate the methods for estimating net salvage. The net salvage estimate for Account 381.00, Meters, is positive 2 percent and is based on the historical analysis of salvage percents

as shown in the tabulation on page VIII-4 and the typical range of net salvage estimates used by other gas utilities for meters. The historical indication for the period 2005 through 2018 is positive 2 percent. The range of estimates for other utility companies is positive 5 to negative 20 percent. Based on the statistical analysis and the range of estimates used by others, positive 2 percent net salvage is estimated for meters.

The net salvage estimates for the remaining accounts were estimated using the above-described process of historical indications, judgment and reviewing the typical range of estimates used by other gas and electric companies. The results of the net salvage for each plant account are presented in account sequence beginning in the section titled "Net Salvage Statistics", page VIII-2.

Generally, the net salvage estimates for remaining general plant accounts were zero percent, consistent with amortization accounting.

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**PART V. CALCULATION OF ANNUAL AND  
ACCRUED DEPRECIATION**

## PART V. CALCULATION OF ANNUAL AND ACCRUED DEPRECIATION

### GROUP DEPRECIATION PROCEDURES

A group procedure for depreciation is appropriate when considering more than a single item of property. Normally the items within a group do not have identical service lives but have lives that are dispersed over a range of time. There are two primary group procedures, namely, average service life and equal life group. In the average service life procedure, the rate of annual depreciation is based on the average life or average remaining life of the group, and this rate is applied to the surviving balances of the group's cost. A characteristic of this procedure is that the cost of plant retired prior to average life is not fully recouped at the time of retirement, whereas the cost of plant retired subsequent to average life is more than fully recouped. Over the entire life cycle, the portion of cost not recouped prior to average life is balanced by the cost recouped subsequent to average life.

#### Single Unit of Property

The calculation of straight line depreciation for a single unit of property is straightforward. For example, if a \$1,000 unit of property attains an age of four years and has a life expectancy of six years, the annual accrual over the total life is:

$$\frac{\$1,000}{(4 + 6)} = \$100 \text{ per year.}$$

The accrued depreciation is:

$$\$1,000 \left( 1 - \frac{6}{10} \right) = \$400.$$

### **Remaining Life Annual Accruals**

For the purpose of calculating remaining life accruals as of October 31, 2018, the depreciation reserve for each plant account is allocated among vintages in proportion to the calculated accrued depreciation for the account. Explanations of remaining life accruals and calculated accrued depreciation follow. The detailed calculations as of October 31, 2018, are set forth in the Results of Study section of the report.

### **Average Service Life Procedure**

In the average service life procedure, the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the average remaining life of the vintage. The average remaining life is a directly weighted average derived from the estimated future survivor curve in accordance with the average service life procedure.

The calculated accrued depreciation for each depreciable property group represents that portion of the depreciable cost of the group which would not be allocated to expense through future depreciation accruals if current forecasts of life characteristics are used as the basis for such accruals. The accrued depreciation calculation consists of applying an appropriate ratio to the surviving original cost of each vintage of each account based upon the attained age and service life. The straight line accrued depreciation ratios are calculated as follows for the average service life procedure:

$$\text{Ratio} = 1 - \frac{\text{Average Remaining Life}}{\text{Average Service Life}}$$

## CALCULATION OF ANNUAL AND ACCRUED AMORTIZATION

Amortization is the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized. Normally, the distribution of the amount is in equal amounts to each year of the amortization period.

The calculation of annual and accrued amortization requires the selection of an amortization period. The amortization periods used in this report were based on judgment which incorporated a consideration of the period during which the assets will render most of their service, the amortization period and service lives used by other utilities, and the service life estimates previously used for the asset under depreciation accounting.

Amortization accounting is proposed for a number of accounts that represent numerous units of property, but a very small portion of depreciable utility plant in service.

The accounts and their amortization periods are as follows:

	<u>Account</u>	Amortization Period, <u>Years</u>
Electric Plant		
391,	Office Furniture and Equipment	
	Furniture and Equipment	20
	Hardware	5
	Software	7
	IPad Hardware	5
395,	Laboratory Equipment	20
397,	Communication Equipment	15
397.1,	Communication Equipment - Towers	25

	<u>Account</u>	Amortization Period, <u>Years</u>
Gas Plant		
391,	Office Furniture and Equipment	
	Furniture	20
	Hardware	5
	Software	7
394,	Tools, Shop and Garage Equipment	25
395,	Laboratory Equipment	20
397,	Communication Equipment	15
Common Plant		
391,	Office Furniture and Equipment	
	Furniture and Equipment	20
	Hardware	5
	Software	7
	IPad Hardware	5
	Platform Systems	10
	Other Software	10
394,	Tools, Shop and Garage Equipment	25
397,	Communication Equipment	15
398,	Miscellaneous Equipment	20

For the purpose of calculating annual amortization amounts as of October 31, 2018, the book depreciation reserve for each plant account or subaccount is assigned or allocated to vintages. The book reserve assigned to vintages with an age greater than the amortization period is equal to the vintage's original cost. The remaining book reserve is allocated among vintages with an age less than the amortization period in proportion to the calculated accrued amortization. The calculated accrued amortization is equal to the original cost multiplied by the ratio of the vintage's age to its amortization period. The annual amortization amount is determined by dividing the future amortizations (original cost less allocated book reserve) by the remaining period of amortization for the vintage.



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**PART VI. RESULTS OF STUDY**

## PART VI. RESULTS OF STUDY

### QUALIFICATION OF RESULTS

The calculated annual and accrued depreciation are the principal results of the study. Continued surveillance and periodic revisions are normally required to maintain continued use of appropriate annual depreciation accrual rates. An assumption that accrual rates can remain unchanged over a long period of time implies a disregard for the inherent variability in service lives and salvage and for the change of the composition of property in service. The annual accrual rates were calculated in accordance with the straight line remaining life method of depreciation, using the average service life procedure based on estimates which reflect considerations of current historical evidence and expected future conditions.

The annual depreciation accrual rates are applicable specifically to the gas and electric plant in service as of October 31, 2018. For most plant accounts, the application of such rates to future balances that reflect additions subsequent to October 31, 2018, is reasonable for a period of three to five years.

### DESCRIPTION OF STATISTICAL SUPPORT

The service life estimates were based on judgment that incorporated statistical analysis of retirement data, discussions with management and consideration of estimates made for other gas and electric utilities. The results of the statistical analysis of service life are presented in the section beginning on page VII-2, within the supporting documents of this report.

For each depreciable group analyzed by the retirement rate method, a chart depicting the original and estimated survivor curves followed by a tabular presentation of

the original life table(s) plotted on the chart. The survivor curves estimated for the depreciable groups are shown as dark smooth curves on the charts. Each smooth survivor curve is denoted by a numeral followed by the curve type designation. The numeral used is the average life derived from the entire curve from 100 percent to zero percent surviving. The titles of the chart indicate the group, the symbol used to plot the points of the original life table, and the experience and placement bands of the life tables which were plotted. The experience band indicates the range of years for which retirements were used to develop the stub survivor curve. The placements indicate, for the related experience band, the range of years of installations which appear in the experience.

The analyses of salvage data are presented in the section titled, "Net Salvage Statistics". The tabulations present annual cost of removal and salvage data, three-year moving averages and the most recent five-year average. Data are shown in dollars and as percentages of original costs retired.

## **DESCRIPTION OF DETAILED TABULATIONS**

A summary of the results of the study, as applied to the original cost of electric, gas and common plant at October 31, 2018, is presented on pages VI-5 through VI-8 of this report. The schedule sets forth the original cost, the book depreciation reserve, future accruals, the calculated annual depreciation rate and amount, and the composite remaining life related to electric, gas and common plant.

The tables of the calculated annual depreciation applicable to depreciable assets as of October 31, 2018 are presented in account sequence starting on page IX-2 of the supporting documents. The tables indicate the estimated survivor curve and net salvage

percent for the account and set forth, for each installation year, the original cost, the calculated accrued depreciation, the allocated book reserve, future accruals, the remaining life, and the calculated annual accrual amount.

BLACK HILLS SERVICE COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENT, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF OCTOBER 31, 2018

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	CALCULATED ANNUAL ACCRAU RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(6)/(7)
<b>ELECTRIC PLANT</b>									
		<b>DISTRIBUTION PLANT</b>							
370.01	METERS	25-R2.5	0	170,254.51	12,290	157,965	6,995	4.11	22.6
370.04	METERS - AMI	15-S2.5	0	2,668,672.11	664,841	2,003,831	150,687	5.65	13.3
	<b>TOTAL DISTRIBUTION PLANT</b>			<b>2,838,926.62</b>	<b>677,131</b>	<b>2,161,796</b>	<b>157,682</b>	<b>5.55</b>	
		<b>GENERAL PLANT</b>							
390.01	STRUCTURES AND IMPROVEMENTS - OWNED	50-R2.5	0	351,570.87	36,167	315,404	7,007	1.99	45.0
391.01	OFFICE FURNITURE AND EQUIPMENT - FURNITURE AND EQUIPMENT	20-SQ	0	34,267.54	10,725	23,543	1,713	5.00	13.7
391.03	OFFICE FURNITURE AND EQUIPMENT - HARDWARE FULLY ACCRUED AMORTIZED	5-SQ	0	49,687.50 1,799,613.38	49,688 868,540	0 931,073	0 359,932	- 20.00	- 2.6
	<b>TOTAL ACCOUNT 391.03</b>			<b>1,849,300.88</b>	<b>918,228</b>	<b>931,073</b>	<b>359,932</b>	<b>19.46</b>	
391.04	OFFICE FURNITURE AND EQUIPMENT - SOFTWARE FULLY ACCRUED AMORTIZED	7-SQ	0	2,720,064.41 11,413,950.38	2,720,064 6,975,530	0 4,438,420	0 1,631,608	- 14.29	- 2.7
	<b>TOTAL ACCOUNT 391.04</b>			<b>14,134,004.79</b>	<b>9,695,584</b>	<b>4,438,420</b>	<b>1,631,608</b>	<b>11.54</b>	
391.07	OFFICE FURNITURE AND EQUIPMENT - IPAD HARDWARE	5-SQ	0	10,790.04	905	9,885	2,158	20.00	4.6
	<b>TOTAL ACCOUNT 391</b>			<b>16,028,363.25</b>	<b>10,625,442</b>	<b>5,402,921</b>	<b>1,995,411</b>	<b>12.45</b>	
392.03	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	9-L3	20	320,383.96	85,995	170,312	27,690	8.64	6.2
395.00	LABORATORY EQUIPMENT	20-SQ	0	43,123.50	6,410	36,714	2,157	5.00	17.0
397.00	COMMUNICATION EQUIPMENT	15-SQ	0	72,585.43	16,115	56,470	4,839	6.67	11.7
397.10	COMMUNICATION EQUIPMENT - TOWERS	25-SQ	0	112,384.68	29,015	83,370	4,495	4.00	18.5
	<b>TOTAL GENERAL PLANT</b>			<b>16,928,411.69</b>	<b>10,795,144</b>	<b>6,065,191</b>	<b>2,041,599</b>	<b>12.06</b>	
	<b>TOTAL ELECTRIC PLANT</b>			<b>19,767,338.31</b>	<b>11,476,275</b>	<b>8,226,987</b>	<b>2,199,281</b>	<b>11.13</b>	
	<b>GAS PLANT</b>								
		<b>DISTRIBUTION PLANT</b>							
378.00	MEASURING AND REGULATING STATION EQUIPMENT	10-L0.5	(5)	130,774.05	7,980	129,333	15,550	11.89	8.3
381.00	METERS	31-R2	2	2,905,238.94	(310,940)	3,158,074	136,384	4.69	23.2
381.01	METERS - ERTs	12-R1.5	0	2,199,410.90	74,958	2,124,453	187,230	8.51	11.3
385.01	INDUSTRIAL MEASURING AND REGULATING STATION EQUIPMENT	30-R1.5	(5)	2,378,105.48	223,981	2,273,030	93,643	3.94	24.3
385.02	INDUSTRIAL MEASURING AND REGULATING STATION EQUIPMENT - INDUSTRIAL METERS	20-S0.5	0	52,440.31	17,151	35,289	1,794	3.42	19.7
387.00	OTHER EQUIPMENT	12-R3	0	39,125.38	25,353	13,772	1,486	3.80	9.3
	<b>TOTAL DISTRIBUTION PLANT</b>			<b>7,705,095.06</b>	<b>36,483</b>	<b>7,733,951</b>	<b>436,087</b>	<b>5.66</b>	

BLACK HILLS SERVICE COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENT, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF OCTOBER 31, 2018

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	ANNUAL ACCRAU RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(6)/(7)
<b>GENERAL PLANT</b>								
390.01	STRUCTURES AND IMPROVEMENTS - OWNED	50-R2.5	1,755,599.70	1,403,015	352,585	10,251	0.58	34.4
391.01	OFFICE FURNITURE AND EQUIPMENT - FURNITURE AND EQUIPMENT FULLY ACCRUED AMORTIZED	20-SQ	4,674.85 23,639.57	4,675 12,075	0 11,565	0 1,181	- 5.00	- 9.8
	TOTAL ACCOUNT 391.01		28,314.42	16,750	11,565	1,181	4.17	
391.03	OFFICE FURNITURE AND EQUIPMENT - HARDWARE FULLY ACCRUED AMORTIZED	5-SQ	5,751.83 1,096,194.97	5,752 634,425	0 461,770	0 219,186	- 20.00	- 2.1
	TOTAL ACCOUNT 391.03		1,101,946.80	640,177	461,770	219,186	19.89	
391.04	OFFICE FURNITURE AND EQUIPMENT - SOFTWARE FULLY ACCRUED AMORTIZED	7-SQ	566,261.94 2,413,404.55	566,262 1,563,510	0 849,895	0 344,991	- 14.29	- 2.5
	TOTAL ACCOUNT 391.04		2,999,666.49	2,149,772	849,895	344,991	11.50	
	TOTAL ACCOUNT 391		4,129,927.71	2,806,699	1,323,230	565,358	13.69	
392.03	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	9-L3	620,928.32	108,121	388,622	58,206	9.37	6.7
392.06	TRANSPORTATION EQUIPMENT - TRAILERS	20-S2	47,167.33	22,266	20,185	1,933	4.10	10.4
	TOTAL ACCOUNT 392		668,095.65	130,387	408,807	60,139	9.00	
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	877,701.29	333,520	544,181	35,065	4.00	15.5
395.00	LABORATORY EQUIPMENT	20-SQ	238,234.17	70,085	168,149	11,910	5.00	14.1
397.00	COMMUNICATION EQUIPMENT	15-SQ	43,137.77	19,820	23,318	2,876	6.67	8.1
	<b>TOTAL GENERAL PLANT</b>		<b>7,712,696.29</b>	<b>4,763,526</b>	<b>2,820,270</b>	<b>685,599</b>	<b>8.89</b>	
	<b>TOTAL GAS PLANT</b>		<b>15,417,791.35</b>	<b>4,802,009</b>	<b>10,554,221</b>	<b>1,121,686</b>	<b>7.28</b>	
<b>COMMON PLANT</b>								
390.01	STRUCTURES AND IMPROVEMENTS - OWNED	50-R2.5	5,861,918.72	752,838	5,109,081	118,338	2.02	43.2
390.51	STRUCTURES AND IMPROVEMENTS - LEASED	20-S3	579,623.29	213,812	365,811	26,580	4.59	13.8
	TOTAL ACCOUNT 390		6,441,542.01	966,650	5,474,892	144,918	2.25	
391.01	OFFICE FURNITURE AND EQUIPMENT - FURNITURE AND EQUIPMENT FULLY ACCRUED AMORTIZED	20-SQ	6,583,874.80	3,403,625	3,180,250	329,154	5.00	9.7
391.03	OFFICE FURNITURE AND EQUIPMENT - HARDWARE FULLY ACCRUED AMORTIZED	5-SQ	257,652.75 23,124,733.99	257,653 13,669,630	0 9,455,104	0 4,624,800	- 20.00	- 2.0
	TOTAL ACCOUNT 391.03		23,382,386.74	13,927,283	9,455,104	4,624,800	19.78	

BLACK HILLS SERVICE COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENT, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF OCTOBER 31, 2018

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	ANNUAL ACCRAU RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(6)/(7)
391.04	OFFICE FURNITURE AND EQUIPMENT - SOFTWARE FULLY ACCRUED AMORTIZED	0	3,712,528.21 143,074.94	3,712,528 106,605	0 36,470	0 20,444	- 14.29	- 1.8
	TOTAL ACCOUNT 391.04		3,855,603.15	3,819,133	36,470	20,444	0.53	
391.07	OFFICE FURNITURE AND EQUIPMENT - IPAD HARDWARE	0	18,447.49	4,905	13,542	3,690	20.00	3.7
391.13	OFFICE FURNITURE AND EQUIPMENT - PLATFORM SYSTEMS FULLY ACCRUED AMORTIZED	0	47,463,579.95 32,506,271.70	47,463,580 8,652,655	0 23,853,617	0 3,250,628	- 10.00	- 7.3
	TOTAL ACCOUNT 391.13		79,969,851.65	56,116,235	23,853,617	3,250,628	4.06	
391.18	OFFICE FURNITURE AND EQUIPMENT - OTHER SOFTWARE FULLY ACCRUED AMORTIZED	0	168,318.74 21,909,609.34	168,319 9,843,010	0 12,066,599	0 2,191,590	- 10.00	- 5.5
	TOTAL ACCOUNT 391.18		22,077,928.08	10,011,329	12,066,599	2,191,590	9.93	
391.23	OFFICE FURNITURE AND EQUIPMENT - PLATFORM SYSTEMS	0	19,422,764.92	11,983,320	7,439,445	1,942,461	10.00	3.8
391.28	OFFICE FURNITURE AND EQUIPMENT - OTHER SOFTWARE FULLY ACCRUED AMORTIZED	0	963,168.70 16,335,530.27	963,169 6,243,575	0 10,091,955	0 1,634,059	- 10.00	- 6.2
	TOTAL ACCOUNT 391.28		17,298,698.97	7,206,744	10,091,955	1,634,059	9.45	
	TOTAL ACCOUNT 391		172,609,555.80	106,472,574	66,136,982	13,996,826	8.11	
392.02	TRANSPORTATION EQUIPMENT - CARS	5	16,016.60	9,909	5,307	3,424	21.38	1.5
392.03	TRANSPORTATION EQUIPMENT - LIGHT TRUCKS	20	2,868,229.34	553,991	1,740,592	266,732	9.30	6.5
392.04	TRANSPORTATION EQUIPMENT - MEDIUM TRUCKS	20	1,165,497.06	555,502	376,896	127,976	10.98	2.9
	TOTAL ACCOUNT 392		4,049,743.00	1,119,402	2,122,795	398,132	9.83	
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	0	67,088.99	15,485	51,604	2,683	4.00	19.2
397.00	COMMUNICATION EQUIPMENT	0	454,128.04	102,590	351,538	30,275	6.67	11.6
398.00	MISCELLANEOUS EQUIPMENT	0	32,324.18	8,070	24,254	1,616	5.00	15.0
	TOTAL COMMON PLANT		183,564,382.02	108,684,771	74,162,065	14,574,450	7.94	
	RESERVE ADJUSTMENT FOR AMORTIZATION							
	ELECTRIC PLANT							
391.01	OFFICE FURNITURE AND EQUIPMENT - FURNITURE AND EQUIPMENT			247		(25)	*	*
391.03	OFFICE FURNITURE AND EQUIPMENT - HARDWARE			(764,749)		76,475	*	*
391.04	OFFICE FURNITURE AND EQUIPMENT - SOFTWARE			(1,813,388)		181,339	*	*
391.07	OFFICE FURNITURE AND EQUIPMENT - IPAD HARDWARE			444		(44)	*	*
395.00	LABORATORY EQUIPMENT			279		(28)	*	*
397.00	COMMUNICATION EQUIPMENT			6,977		(698)	*	*
397.10	COMMUNICATION EQUIPMENT - TOWERS			(151,187)		15,119	*	*
	TOTAL ELECTRIC PLANT			(2,721,377)		272,138		

BLACK HILLS SERVICE COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENT, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF OCTOBER 31, 2018

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	ANNUAL ACCRAU RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(6)/(7)
<b>GAS PLANT</b>								
391.01	OFFICE FURNITURE AND EQUIPMENT - FURNITURE AND EQUIPMENT			40,157		(4,016) *		
391.03	OFFICE FURNITURE AND EQUIPMENT - HARDWARE			(626,791)		62,679 *		
391.04	OFFICE FURNITURE AND EQUIPMENT - SOFTWARE			(2,301,030)		250,103 *		
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT			(976,171)		97,617 *		
395.00	LABORATORY EQUIPMENT			(142,244)		14,224 *		
397.00	COMMUNICATION EQUIPMENT			(28,006)		2,801 *		
	<b>TOTAL GAS PLANT</b>			<b>(4,234,085)</b>		<b>423,409</b>		
<b>COMMON PLANT</b>								
391.01	OFFICE FURNITURE AND EQUIPMENT			(163,525)		16,353 *		
391.03	OFFICE FURNITURE AND EQUIPMENT - HARDWARE			(18,285,991)		1,828,599 *		
391.04	OFFICE FURNITURE AND EQUIPMENT - SOFTWARE			1,141,382		(114,138) *		
391.05	OFFICE FURNITURE AND EQUIPMENT - COMPUTER HARDWARE/COMMUNICATION EQUIPMENT			(1,881,835)		188,184 *		
391.06	OFFICE FURNITURE AND EQUIPMENT - CUSTOMER ACCOUNT SYSTEM			(7,276,577)		727,858 *		
391.07	OFFICE FURNITURE AND EQUIPMENT - IPAD HARDWARE			(971,237)		97,124 *		
391.13	OFFICE FURNITURE AND EQUIPMENT - PLATFORM SYSTEMS			(5,063,954)		506,395 *		
391.18	OFFICE FURNITURE AND EQUIPMENT - OTHER SOFTWARE			(2,084,048)		208,405 *		
391.23	OFFICE FURNITURE AND EQUIPMENT - PLATFORM SYSTEMS			2,486,040		(248,604) *		
391.28	OFFICE FURNITURE AND EQUIPMENT - OTHER SOFTWARE			951,679		(95,168) *		
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT			2,145		(215) *		
397.00	COMMUNICATION EQUIPMENT			(36,520)		3,652 *		
398.00	MISCELLANEOUS EQUIPMENT			7,828		(783) *		
	<b>TOTAL COMMON PLANT</b>			<b>(31,176,613)</b>		<b>3,117,661</b>		
	<b>TOTAL RESERVE ADJUSTMENT FOR AMORTIZATION</b>			<b>(38,132,075)</b>		<b>3,813,208</b>		
	<b>TOTAL DEPRECIABLE PLANT</b>		<b>218,839,511.68</b>	<b>86,830,980</b>	<b>92,943,273</b>	<b>21,708,625</b>	<b>9.92</b>	
<b>NONDEPRECIABLE PLANT</b>								
<b>GAS PLANT</b>								
374.01	LAND		76,939.63					
	<b>TOTAL GAS PLANT</b>		<b>76,939.63</b>					
<b>COMMON PLANT</b>								
389.01	LAND		646,323.58					
	<b>TOTAL COMMON PLANT</b>		<b>646,323.58</b>					
	<b>TOTAL NONDEPRECIABLE PLANT</b>		<b>646,323.58</b>					
	<b>TOTAL UTILITY PLANT</b>		<b>219,562,774.89</b>	<b>86,830,980</b>	<b>92,943,273</b>	<b>21,708,625</b>		

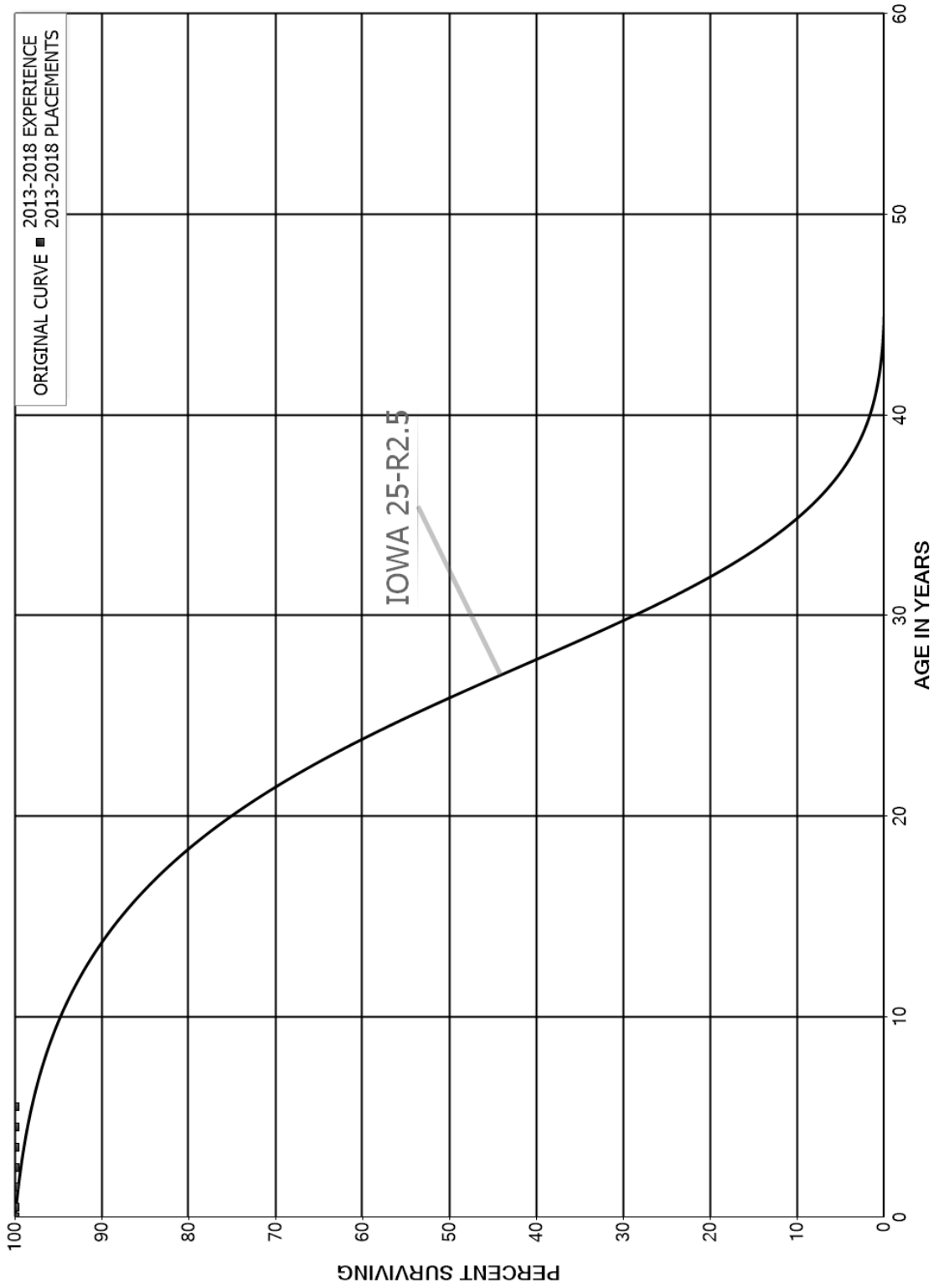
\* 10-year Amortization of Unrecovered Reserve related to Amortization Accounting.



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**PART VII. SERVICE LIFE STATISTICS**

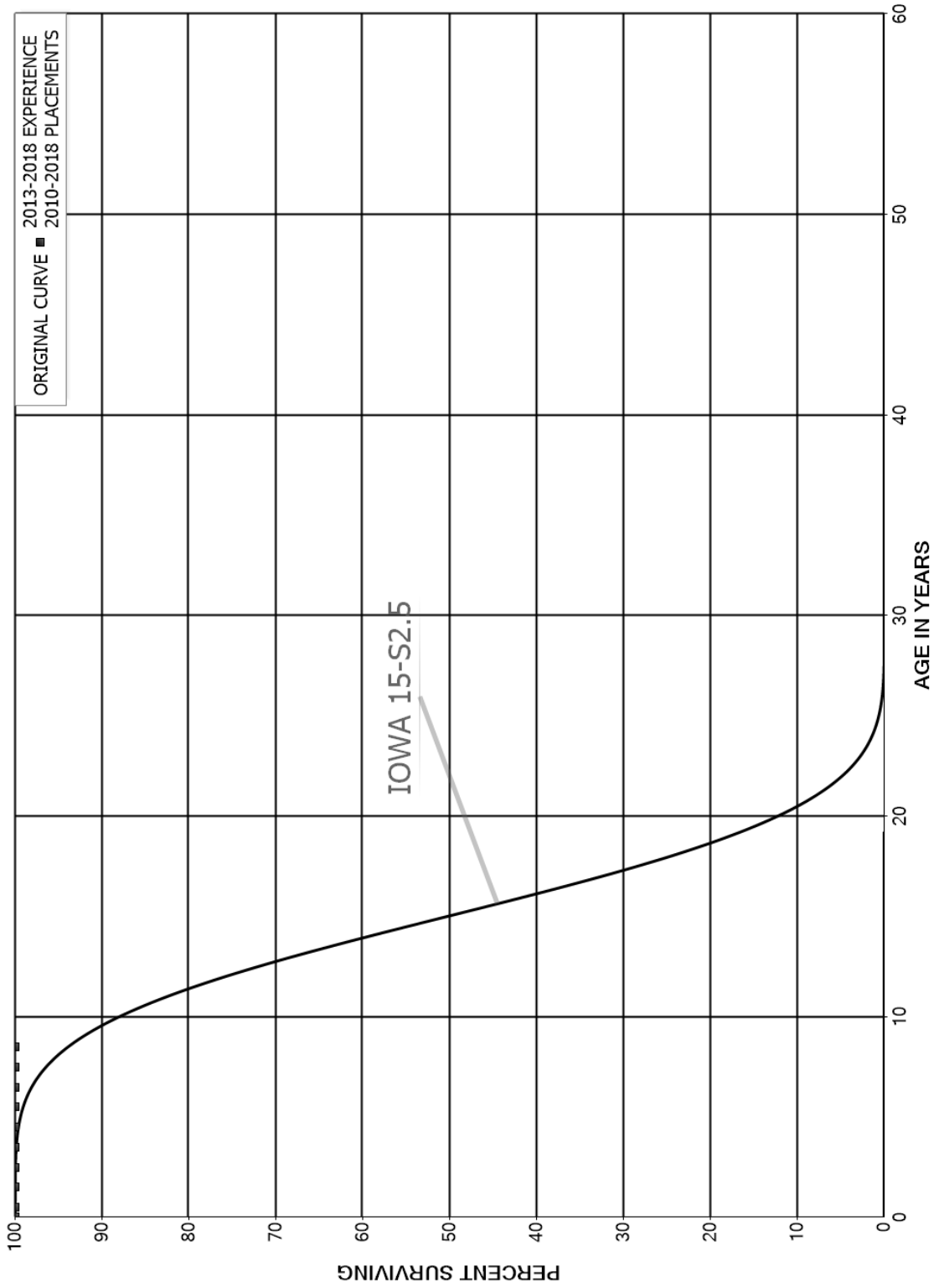
**ELECTRIC PLANT**



PLACEMENT BAND 2013-2018

EXPERIENCE BAND 2013-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	4,641,209		0.0000	1.0000	100.00
0.5	425,507		0.0000	1.0000	100.00
1.5	266,746		0.0000	1.0000	100.00
2.5	98,314		0.0000	1.0000	100.00
3.5	88,133		0.0000	1.0000	100.00
4.5	43,345		0.0000	1.0000	100.00
5.5					100.00

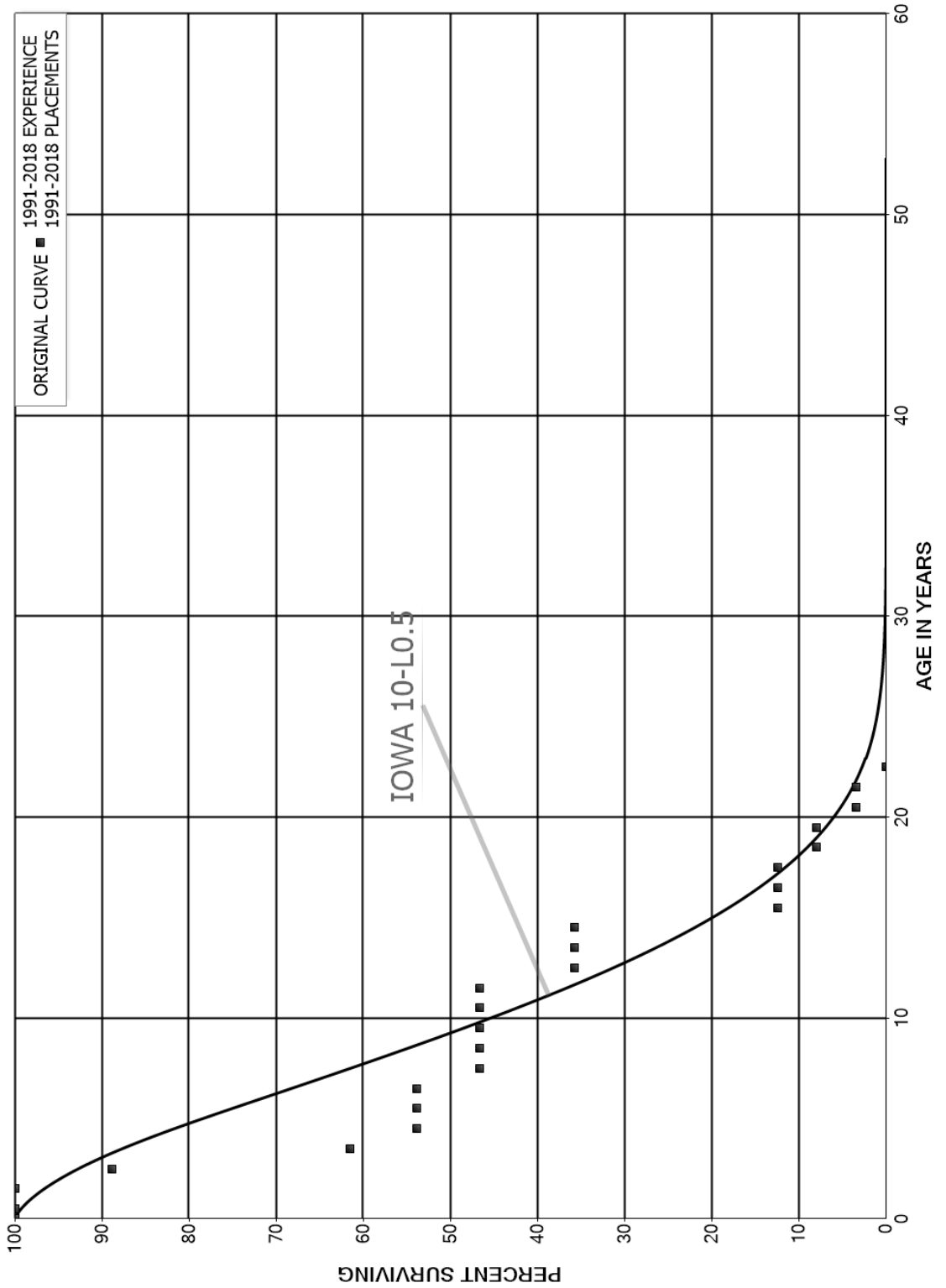


PLACEMENT BAND 2010-2018

EXPERIENCE BAND 2013-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	7,235,965		0.0000	1.0000	100.00
0.5	4,301,081		0.0000	1.0000	100.00
1.5	1,200,066		0.0000	1.0000	100.00
2.5	748,096		0.0000	1.0000	100.00
3.5	546,715		0.0000	1.0000	100.00
4.5	364,944		0.0000	1.0000	100.00
5.5	8,944		0.0000	1.0000	100.00
6.5	25,303		0.0000	1.0000	100.00
7.5	25,303		0.0000	1.0000	100.00
8.5					100.00

**GAS PLANT**

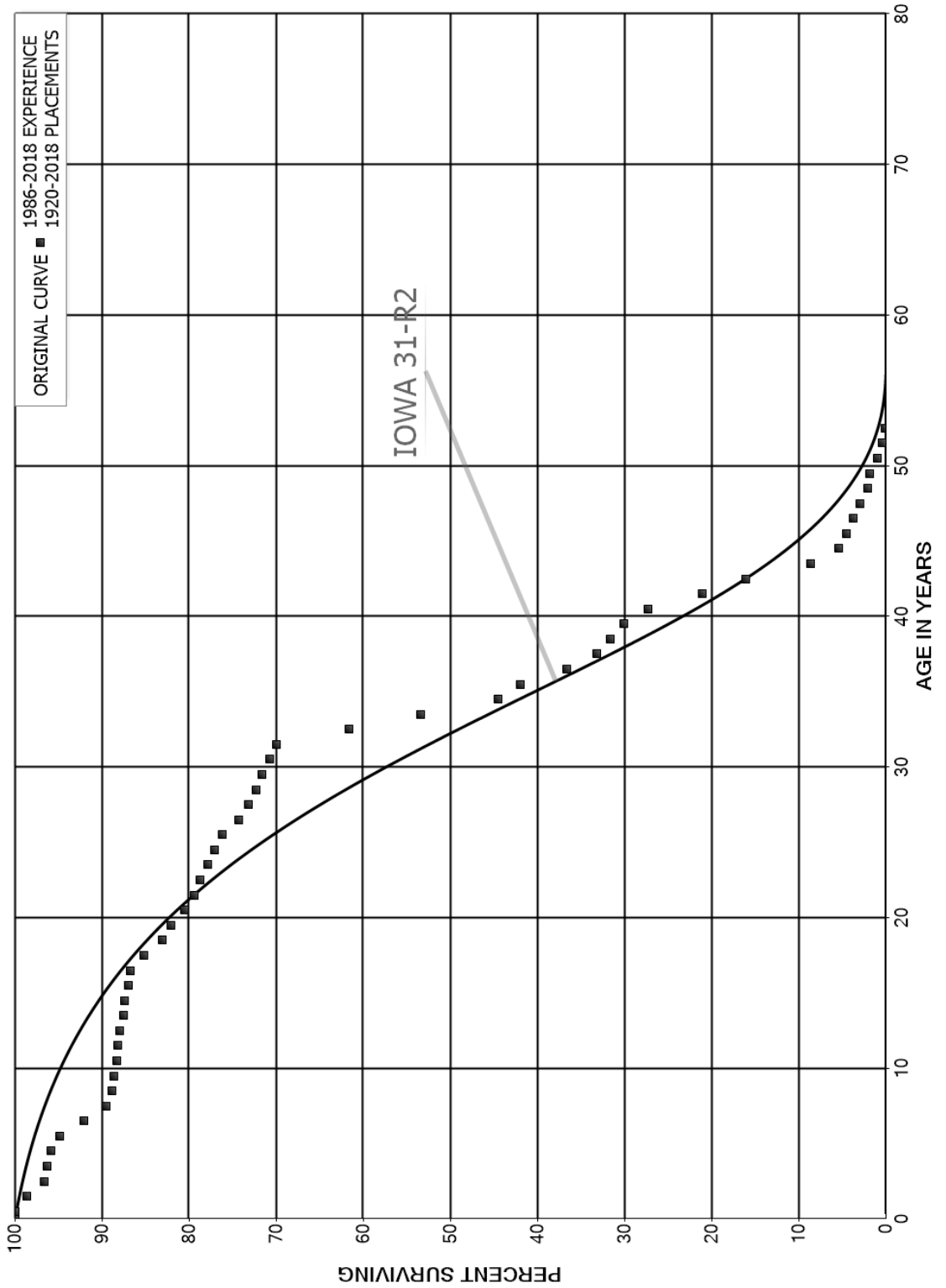




PLACEMENT BAND 1991-2018

EXPERIENCE BAND 1991-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	241,104		0.0000	1.0000	100.00
0.5	218,264		0.0000	1.0000	100.00
1.5	163,083	18,137	0.1112	0.8888	100.00
2.5	127,132	39,197	0.3083	0.6917	88.88
3.5	87,935	10,974	0.1248	0.8752	61.48
4.5	72,759		0.0000	1.0000	53.80
5.5	60,187		0.0000	1.0000	53.80
6.5	45,754	6,085	0.1330	0.8670	53.80
7.5	39,670		0.0000	1.0000	46.65
8.5	40,763		0.0000	1.0000	46.65
9.5	40,763		0.0000	1.0000	46.65
10.5	43,984		0.0000	1.0000	46.65
11.5	43,984	10,264	0.2333	0.7667	46.65
12.5	33,720		0.0000	1.0000	35.76
13.5	33,720		0.0000	1.0000	35.76
14.5	33,720	21,983	0.6519	0.3481	35.76
15.5	11,737		0.0000	1.0000	12.45
16.5	11,737		0.0000	1.0000	12.45
17.5	11,737	4,202	0.3580	0.6420	12.45
18.5	7,535		0.0000	1.0000	7.99
19.5	7,535	4,314	0.5725	0.4275	7.99
20.5	3,221		0.0000	1.0000	3.42
21.5	3,221	3,221	1.0000		3.42
22.5					



PLACEMENT BAND 1920-2018

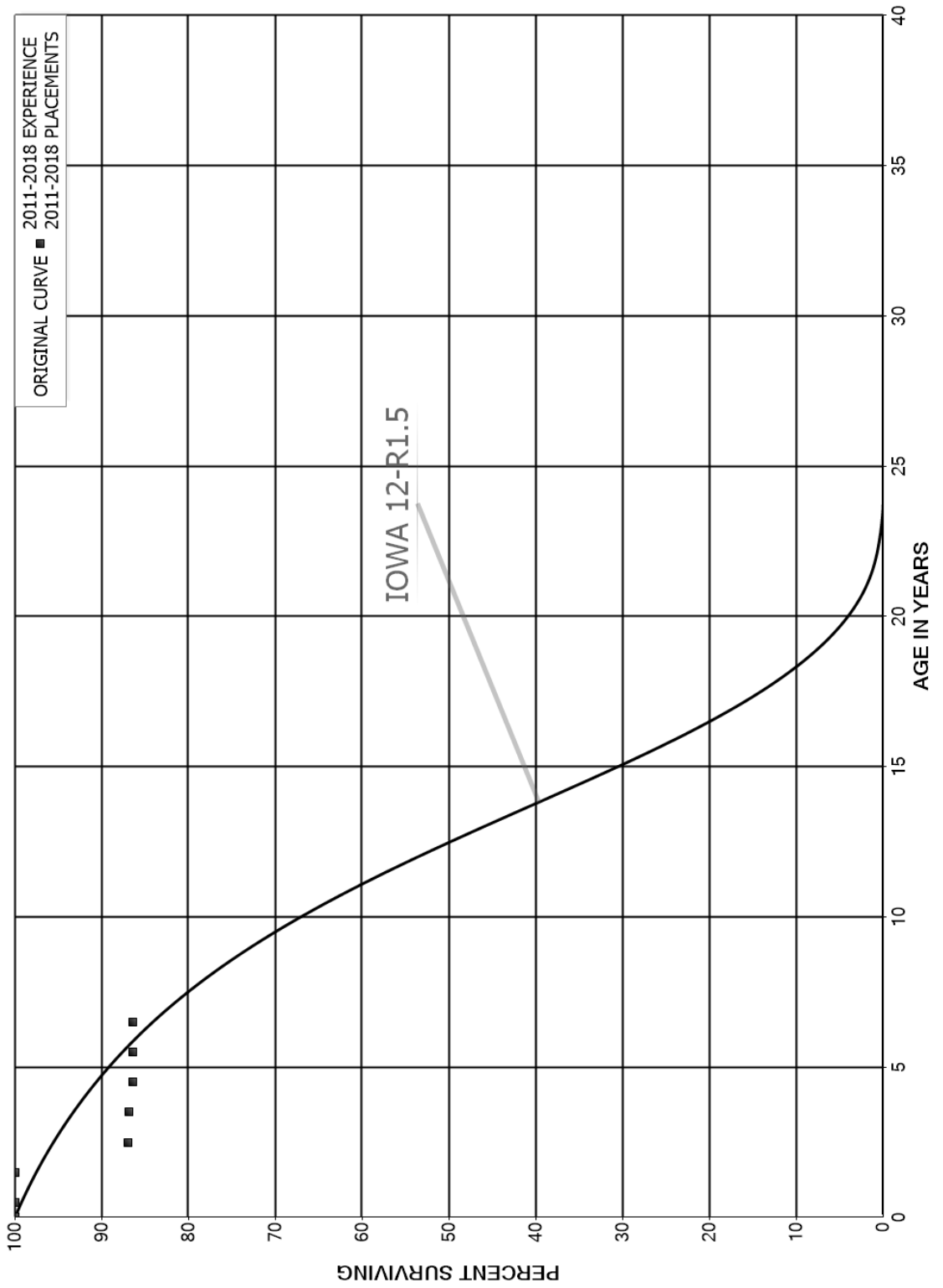
EXPERIENCE BAND 1986-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	66,174,624	49,011	0.0007	0.9993	100.00
0.5	57,826,973	771,881	0.0133	0.9867	99.93
1.5	47,630,760	947,702	0.0199	0.9801	98.59
2.5	42,776,500	161,078	0.0038	0.9962	96.63
3.5	40,053,866	170,093	0.0042	0.9958	96.27
4.5	38,812,483	422,569	0.0109	0.9891	95.86
5.5	36,607,458	1,068,216	0.0292	0.9708	94.81
6.5	33,718,913	916,424	0.0272	0.9728	92.05
7.5	32,669,533	276,949	0.0085	0.9915	89.55
8.5	31,803,271	53,440	0.0017	0.9983	88.79
9.5	30,935,627	128,569	0.0042	0.9958	88.64
10.5	30,231,982	36,121	0.0012	0.9988	88.27
11.5	29,386,343	66,817	0.0023	0.9977	88.16
12.5	29,233,648	147,253	0.0050	0.9950	87.96
13.5	28,632,525	32,561	0.0011	0.9989	87.52
14.5	27,967,764	137,479	0.0049	0.9951	87.42
15.5	28,080,179	84,839	0.0030	0.9970	86.99
16.5	27,515,641	482,413	0.0175	0.9825	86.73
17.5	28,062,747	693,145	0.0247	0.9753	85.21
18.5	26,774,038	348,587	0.0130	0.9870	83.10
19.5	25,801,378	476,177	0.0185	0.9815	82.02
20.5	24,868,368	331,737	0.0133	0.9867	80.51
21.5	23,911,610	209,000	0.0087	0.9913	79.43
22.5	23,015,993	264,815	0.0115	0.9885	78.74
23.5	22,473,505	231,720	0.0103	0.9897	77.83
24.5	22,729,712	261,724	0.0115	0.9885	77.03
25.5	21,818,090	534,317	0.0245	0.9755	76.14
26.5	20,586,297	319,108	0.0155	0.9845	74.28
27.5	19,382,903	214,878	0.0111	0.9889	73.13
28.5	18,493,809	169,150	0.0091	0.9909	72.32
29.5	18,095,738	228,718	0.0126	0.9874	71.66
30.5	17,499,867	183,348	0.0105	0.9895	70.75
31.5	17,144,840	2,061,977	0.1203	0.8797	70.01
32.5	13,757,352	1,842,234	0.1339	0.8661	61.59
33.5	10,943,558	1,811,151	0.1655	0.8345	53.34
34.5	7,892,973	462,919	0.0586	0.9414	44.51
35.5	7,356,778	931,187	0.1266	0.8734	41.90
36.5	6,378,091	592,412	0.0929	0.9071	36.60
37.5	5,774,017	276,560	0.0479	0.9521	33.20
38.5	5,223,751	247,167	0.0473	0.9527	31.61

PLACEMENT BAND 1920-2018

EXPERIENCE BAND 1986-2018

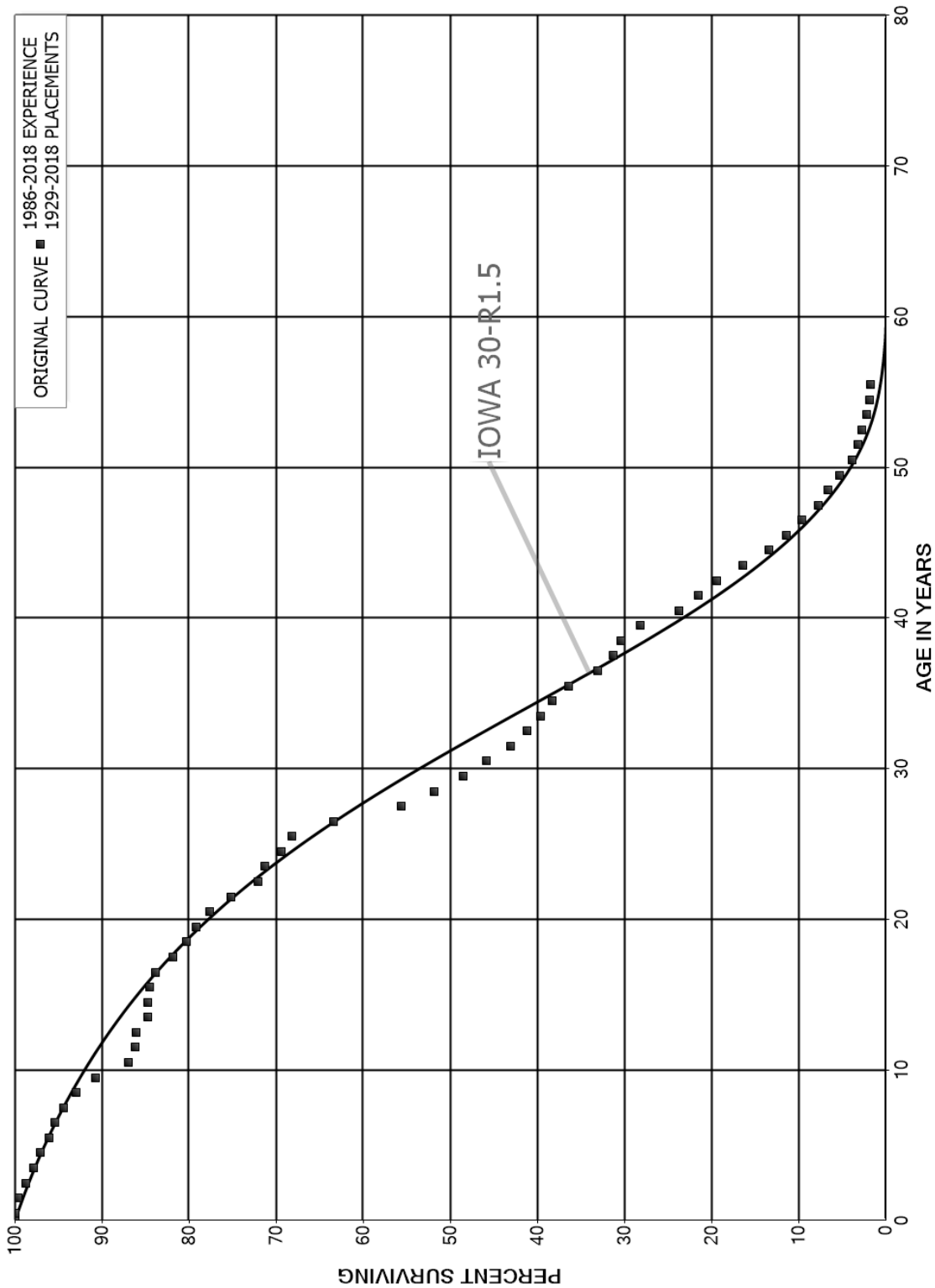
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	4,653,204	439,599	0.0945	0.9055	30.11
40.5	3,979,825	898,873	0.2259	0.7741	27.27
41.5	3,121,291	738,161	0.2365	0.7635	21.11
42.5	2,454,105	1,148,811	0.4681	0.5319	16.12
43.5	1,355,317	496,308	0.3662	0.6338	8.57
44.5	888,725	152,921	0.1721	0.8279	5.43
45.5	768,463	137,945	0.1795	0.8205	4.50
46.5	631,424	121,568	0.1925	0.8075	3.69
47.5	510,510	161,988	0.3173	0.6827	2.98
48.5	350,240	36,253	0.1035	0.8965	2.03
49.5	313,631	156,527	0.4991	0.5009	1.82
50.5	156,867	90,468	0.5767	0.4233	0.91
51.5	63,670	60,589	0.9516	0.0484	0.39
52.5	3,032	90	0.0297	0.9703	0.02
53.5	2,379	101	0.0426	0.9574	0.02
54.5	13,908		0.0000	1.0000	0.02
55.5	13,908		0.0000	1.0000	0.02
56.5	13,908	51	0.0036	0.9964	0.02
57.5	13,858		0.0000	1.0000	0.02
58.5	13,646	13,646	1.0000		0.02
59.5					
60.5					
61.5					
62.5	140		0.0000		
63.5	140		0.0000		
64.5	140		0.0000		
65.5	140		0.0000		
66.5	140		0.0000		
67.5	140	140	1.0000		
68.5					
69.5					
70.5					
71.5					
72.5					
73.5					
74.5	58,336		0.0000		
75.5	58,336		0.0000		
76.5	58,336		0.0000		
77.5	58,336		0.0000		
78.5	58,336	58,336	1.0000		
79.5					



PLACEMENT BAND 2011-2018

EXPERIENCE BAND 2011-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	11,301,357	101	0.0000	1.0000	100.00
0.5	9,547,738	4,735	0.0005	0.9995	100.00
1.5	2,807,144	366,681	0.1306	0.8694	99.95
2.5	1,379,814	1,092	0.0008	0.9992	86.89
3.5	598,664	2,880	0.0048	0.9952	86.82
4.5	391,047		0.0000	1.0000	86.41
5.5	241,180		0.0000	1.0000	86.41
6.5					86.41



## PLACEMENT BAND 1929-2018

## EXPERIENCE BAND 1986-2018

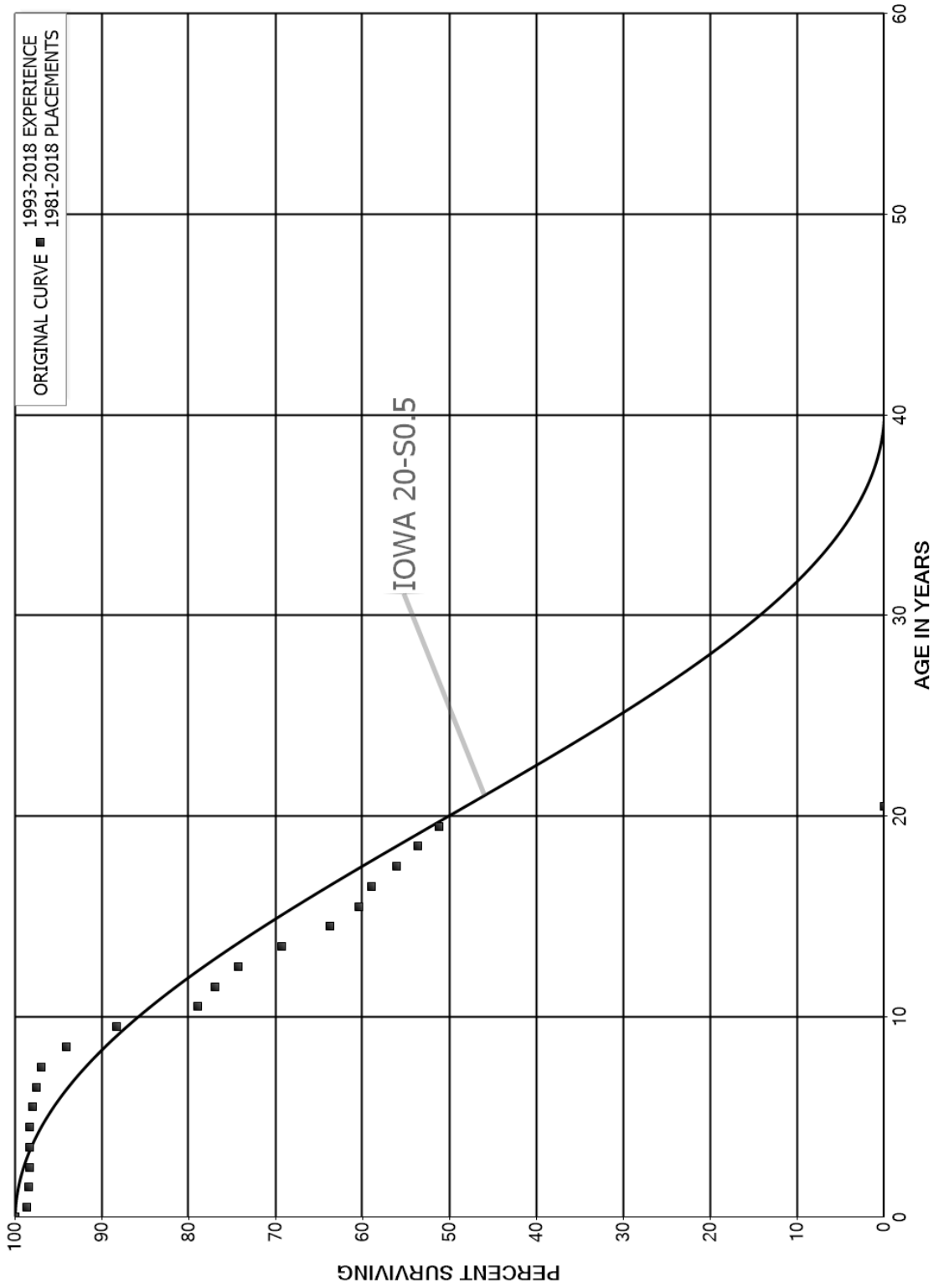
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	18,127,265	6,637	0.0004	0.9996	100.00
0.5	15,829,749	61,004	0.0039	0.9961	99.96
1.5	13,238,694	115,308	0.0087	0.9913	99.58
2.5	11,272,639	97,690	0.0087	0.9913	98.71
3.5	11,008,168	89,414	0.0081	0.9919	97.86
4.5	11,103,952	113,497	0.0102	0.9898	97.06
5.5	10,587,097	75,534	0.0071	0.9929	96.07
6.5	10,267,778	109,972	0.0107	0.9893	95.38
7.5	9,899,831	149,876	0.0151	0.9849	94.36
8.5	9,450,069	227,083	0.0240	0.9760	92.93
9.5	8,879,951	363,952	0.0410	0.9590	90.70
10.5	8,707,103	81,731	0.0094	0.9906	86.98
11.5	8,561,142	5,914	0.0007	0.9993	86.17
12.5	8,450,377	130,334	0.0154	0.9846	86.11
13.5	8,227,496	1,516	0.0002	0.9998	84.78
14.5	7,930,042	21,541	0.0027	0.9973	84.76
15.5	7,764,342	62,943	0.0081	0.9919	84.53
16.5	7,558,758	179,922	0.0238	0.9762	83.85
17.5	7,337,386	138,265	0.0188	0.9812	81.85
18.5	7,198,992	97,095	0.0135	0.9865	80.31
19.5	7,127,181	149,571	0.0210	0.9790	79.23
20.5	6,812,829	210,981	0.0310	0.9690	77.56
21.5	6,373,700	262,963	0.0413	0.9587	75.16
22.5	5,876,338	64,433	0.0110	0.9890	72.06
23.5	5,796,204	153,318	0.0265	0.9735	71.27
24.5	5,343,907	97,257	0.0182	0.9818	69.38
25.5	4,955,340	343,262	0.0693	0.9307	68.12
26.5	4,455,323	548,253	0.1231	0.8769	63.40
27.5	3,690,605	251,548	0.0682	0.9318	55.60
28.5	3,401,589	215,448	0.0633	0.9367	51.81
29.5	3,122,440	172,315	0.0552	0.9448	48.53
30.5	2,925,055	174,336	0.0596	0.9404	45.85
31.5	2,644,505	116,908	0.0442	0.9558	43.12
32.5	2,298,810	89,010	0.0387	0.9613	41.21
33.5	2,067,603	70,504	0.0341	0.9659	39.62
34.5	1,910,395	95,057	0.0498	0.9502	38.27
35.5	1,738,867	156,912	0.0902	0.9098	36.36
36.5	1,538,630	81,880	0.0532	0.9468	33.08
37.5	1,439,481	44,016	0.0306	0.9694	31.32
38.5	1,237,483	87,489	0.0707	0.9293	30.36



PLACEMENT BAND 1929-2018

EXPERIENCE BAND 1986-2018

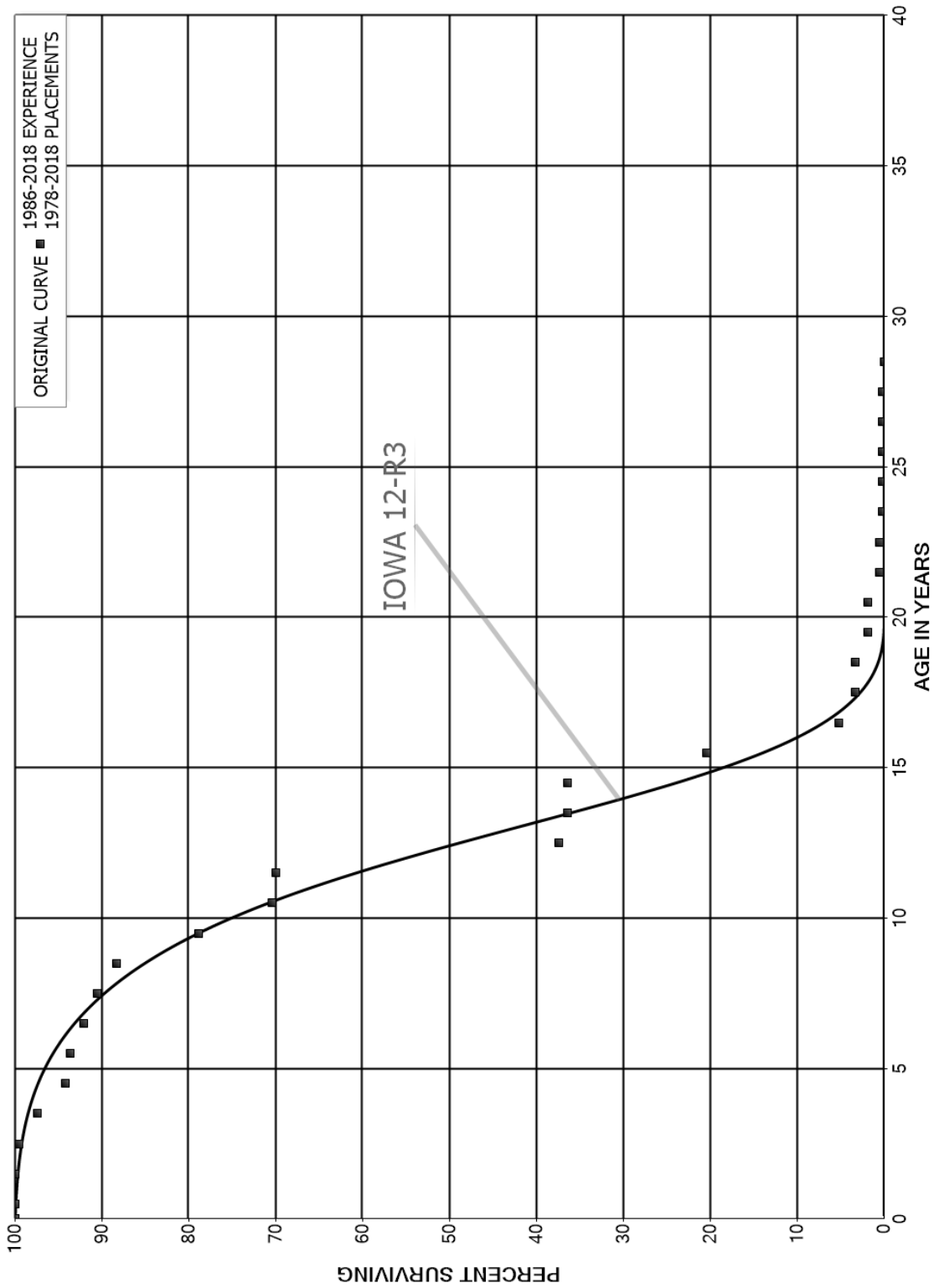
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	1,081,729	171,624	0.1587	0.8413	28.22
40.5	896,189	82,915	0.0925	0.9075	23.74
41.5	808,793	82,514	0.1020	0.8980	21.54
42.5	716,345	110,831	0.1547	0.8453	19.35
43.5	595,326	106,259	0.1785	0.8215	16.35
44.5	487,781	74,049	0.1518	0.8482	13.43
45.5	406,379	61,601	0.1516	0.8484	11.39
46.5	349,047	69,983	0.2005	0.7995	9.67
47.5	258,397	39,005	0.1510	0.8490	7.73
48.5	205,510	41,088	0.1999	0.8001	6.56
49.5	163,554	43,244	0.2644	0.7356	5.25
50.5	116,965	20,345	0.1739	0.8261	3.86
51.5	96,279	13,609	0.1413	0.8587	3.19
52.5	78,159	14,890	0.1905	0.8095	2.74
53.5	59,293	10,539	0.1777	0.8223	2.22
54.5	40,651	3,280	0.0807	0.9193	1.82
55.5	34,522	8,160	0.2364	0.7636	1.68
56.5	25,830	6,213	0.2405	0.7595	1.28
57.5	18,046	2,927	0.1622	0.8378	0.97
58.5	15,332	4,332	0.2826	0.7174	0.81
59.5	9,664	287	0.0297	0.9703	0.58
60.5	9,377	1,086	0.1158	0.8842	0.57
61.5	8,291	739	0.0892	0.9108	0.50
62.5	7,027	137	0.0195	0.9805	0.46
63.5	6,890	1,190	0.1728	0.8272	0.45
64.5	4,879	529	0.1085	0.8915	0.37
65.5	4,350	1,696	0.3898	0.6102	0.33
66.5	2,655	853	0.3214	0.6786	0.20
67.5	1,801	458	0.2540	0.7460	0.14
68.5	1,344	1,272	0.9469	0.0531	0.10
69.5	71	71	1.0000		0.01
70.5					



PLACEMENT BAND 1981-2018

EXPERIENCE BAND 1993-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	4,531,185	64,824	0.0143	0.9857	100.00
0.5	4,064,893	8,521	0.0021	0.9979	98.57
1.5	3,995,903	2,396	0.0006	0.9994	98.36
2.5	3,870,471	1,888	0.0005	0.9995	98.30
3.5	3,860,816		0.0000	1.0000	98.26
4.5	3,707,002	11,994	0.0032	0.9968	98.26
5.5	3,559,969	16,308	0.0046	0.9954	97.94
6.5	2,718,751	13,907	0.0051	0.9949	97.49
7.5	2,704,843	81,794	0.0302	0.9698	96.99
8.5	2,567,944	158,502	0.0617	0.9383	94.06
9.5	2,196,225	230,291	0.1049	0.8951	88.25
10.5	1,732,786	44,937	0.0259	0.9741	79.00
11.5	1,355,621	47,228	0.0348	0.9652	76.95
12.5	1,229,511	81,777	0.0665	0.9335	74.27
13.5	1,000,899	80,356	0.0803	0.9197	69.33
14.5	920,543	48,056	0.0522	0.9478	63.76
15.5	871,086	21,051	0.0242	0.9758	60.43
16.5	493,709	24,803	0.0502	0.9498	58.97
17.5	229,477	9,736	0.0424	0.9576	56.01
18.5	25,970	1,175	0.0453	0.9547	53.63
19.5	5,198	5,198	1.0000		51.21
20.5					

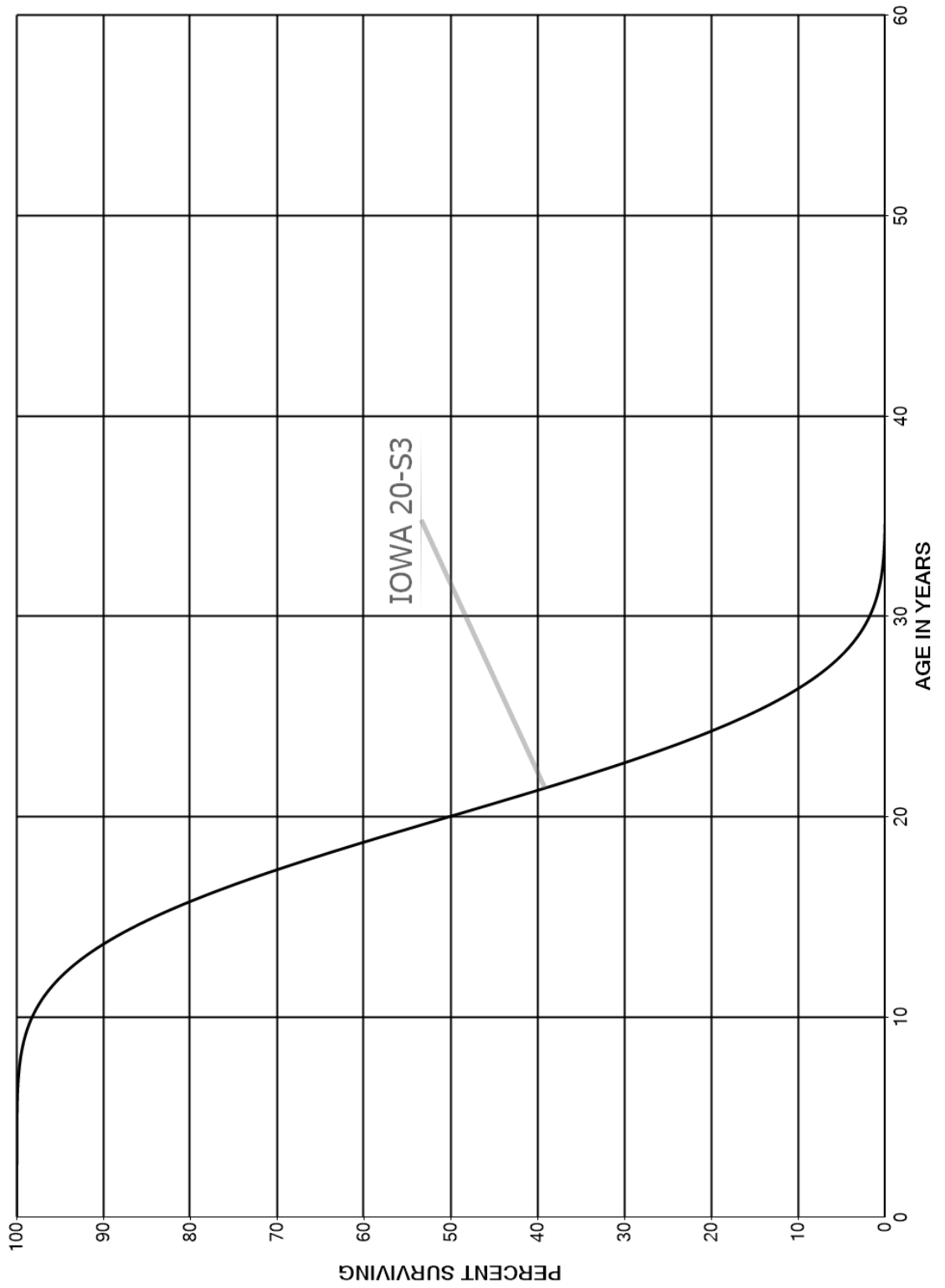


PLACEMENT BAND 1978-2018

EXPERIENCE BAND 1986-2018

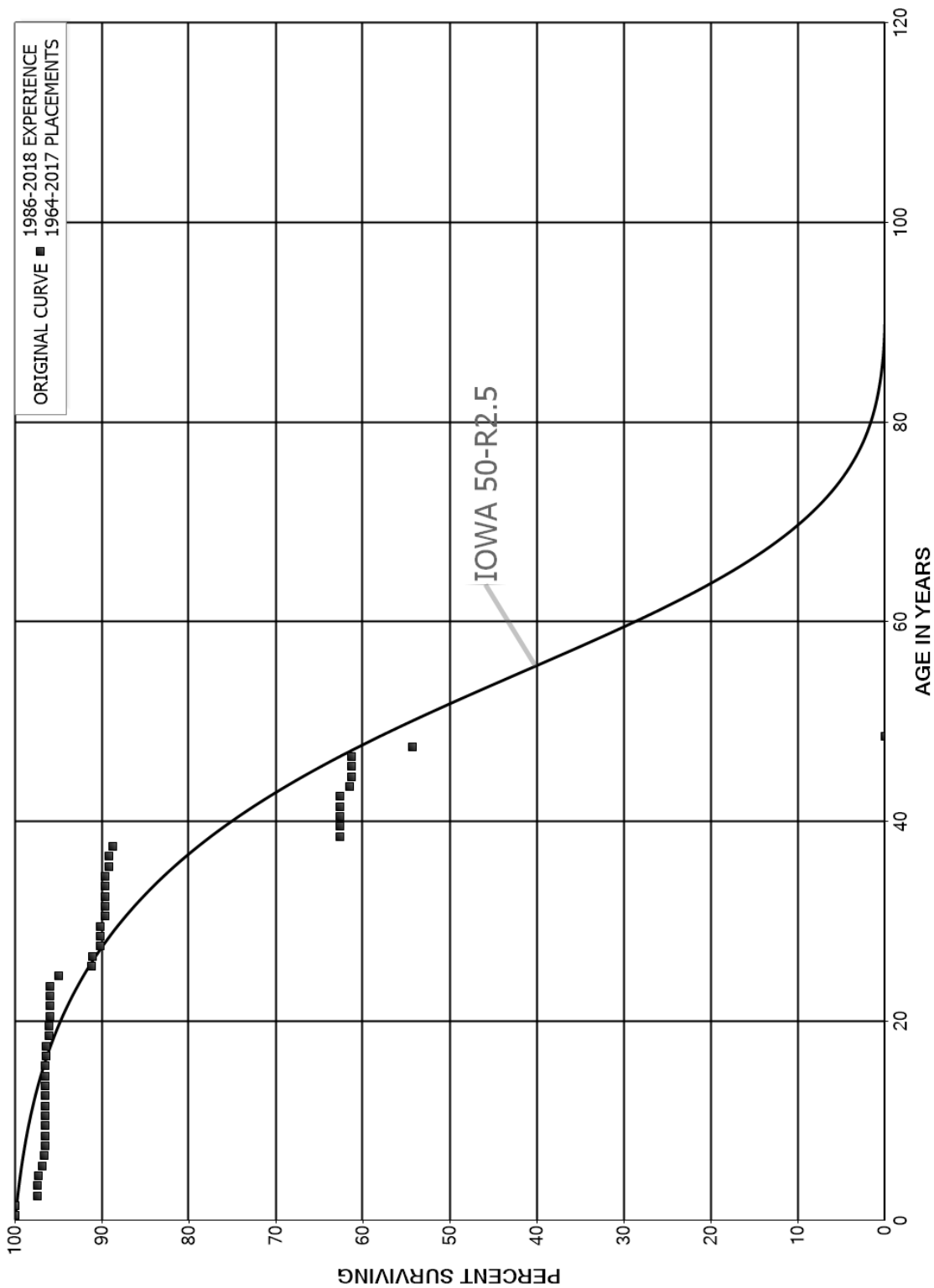
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	244,282		0.0000	1.0000	100.00
0.5	258,209		0.0000	1.0000	100.00
1.5	102,315	519	0.0051	0.9949	100.00
2.5	89,079	1,856	0.0208	0.9792	99.49
3.5	87,093	2,908	0.0334	0.9666	97.42
4.5	73,212	454	0.0062	0.9938	94.17
5.5	75,625	1,237	0.0164	0.9836	93.58
6.5	75,219	1,229	0.0163	0.9837	92.05
7.5	75,149	1,842	0.0245	0.9755	90.55
8.5	66,442	7,162	0.1078	0.8922	88.33
9.5	66,442	7,048	0.1061	0.8939	78.81
10.5	61,336	421	0.0069	0.9931	70.45
11.5	61,336	28,595	0.4662	0.5338	69.96
12.5	38,145	1,001	0.0262	0.9738	37.35
13.5	27,539		0.0000	1.0000	36.37
14.5	24,117	10,606	0.4398	0.5602	36.37
15.5	36,453	27,135	0.7444	0.2556	20.37
16.5	39,876	15,124	0.3793	0.6207	5.21
17.5	27,539		0.0000	1.0000	3.23
18.5	27,539	11,689	0.4245	0.5755	3.23
19.5	13,437		0.0000	1.0000	1.86
20.5	9,220	6,630	0.7192	0.2808	1.86
21.5	9,220		0.0000	1.0000	0.52
22.5	9,220	5,797	0.6288	0.3712	0.52
23.5	3,423		0.0000	1.0000	0.19
24.5	3,423		0.0000	1.0000	0.19
25.5	3,423		0.0000	1.0000	0.19
26.5	3,423		0.0000	1.0000	0.19
27.5	3,423	3,423	1.0000		0.19
28.5					

**COMMON PLANT**



**ELECTRIC, GAS AND COMMON PLANT**





PLACEMENT BAND 1964-2017

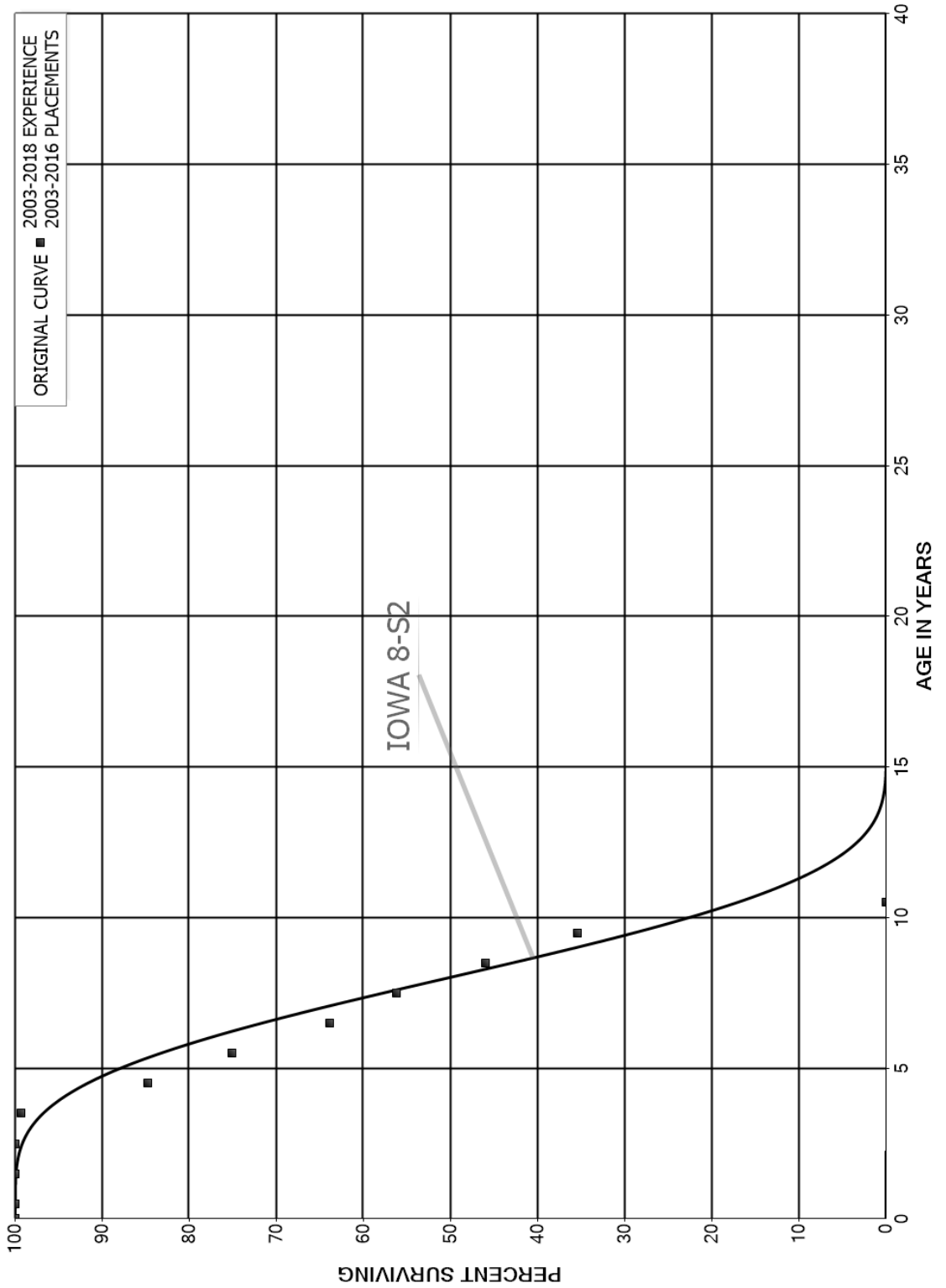
EXPERIENCE BAND 1986-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	11,244,400		0.0000	1.0000	100.00
0.5	11,244,400		0.0000	1.0000	100.00
1.5	11,343,658	301,249	0.0266	0.9734	100.00
2.5	10,430,346		0.0000	1.0000	97.34
3.5	11,477,779	7,736	0.0007	0.9993	97.34
4.5	11,422,883	50,325	0.0044	0.9956	97.28
5.5	10,827,579	21,291	0.0020	0.9980	96.85
6.5	10,739,492	17,634	0.0016	0.9984	96.66
7.5	4,762,631	17	0.0000	1.0000	96.50
8.5	4,291,799		0.0000	1.0000	96.50
9.5	1,622,677		0.0000	1.0000	96.50
10.5	1,620,364		0.0000	1.0000	96.50
11.5	1,446,770		0.0000	1.0000	96.50
12.5	1,456,171		0.0000	1.0000	96.50
13.5	1,310,571		0.0000	1.0000	96.50
14.5	1,312,006		0.0000	1.0000	96.50
15.5	1,542,498	1,175	0.0008	0.9992	96.50
16.5	1,528,371		0.0000	1.0000	96.43
17.5	438,311	1,804	0.0041	0.9959	96.43
18.5	449,606		0.0000	1.0000	96.03
19.5	1,564,206	489	0.0003	0.9997	96.03
20.5	1,599,799	732	0.0005	0.9995	96.00
21.5	1,584,690		0.0000	1.0000	95.96
22.5	1,580,645	470	0.0003	0.9997	95.96
23.5	1,582,282	15,785	0.0100	0.9900	95.93
24.5	1,549,581	62,463	0.0403	0.9597	94.97
25.5	1,478,197	1,435	0.0010	0.9990	91.14
26.5	1,483,466	13,918	0.0094	0.9906	91.05
27.5	1,469,530		0.0000	1.0000	90.20
28.5	1,461,102		0.0000	1.0000	90.20
29.5	1,461,102	10,101	0.0069	0.9931	90.20
30.5	1,416,103		0.0000	1.0000	89.58
31.5	1,416,103		0.0000	1.0000	89.58
32.5	1,184,219		0.0000	1.0000	89.58
33.5	1,179,659		0.0000	1.0000	89.58
34.5	1,129,449	4,874	0.0043	0.9957	89.58
35.5	1,125,809	108	0.0001	0.9999	89.19
36.5	57,597	329	0.0057	0.9943	89.18
37.5	57,597	16,916	0.2937	0.7063	88.67
38.5	40,681		0.0000	1.0000	62.63

PLACEMENT BAND 1964-2017

EXPERIENCE BAND 1986-2018

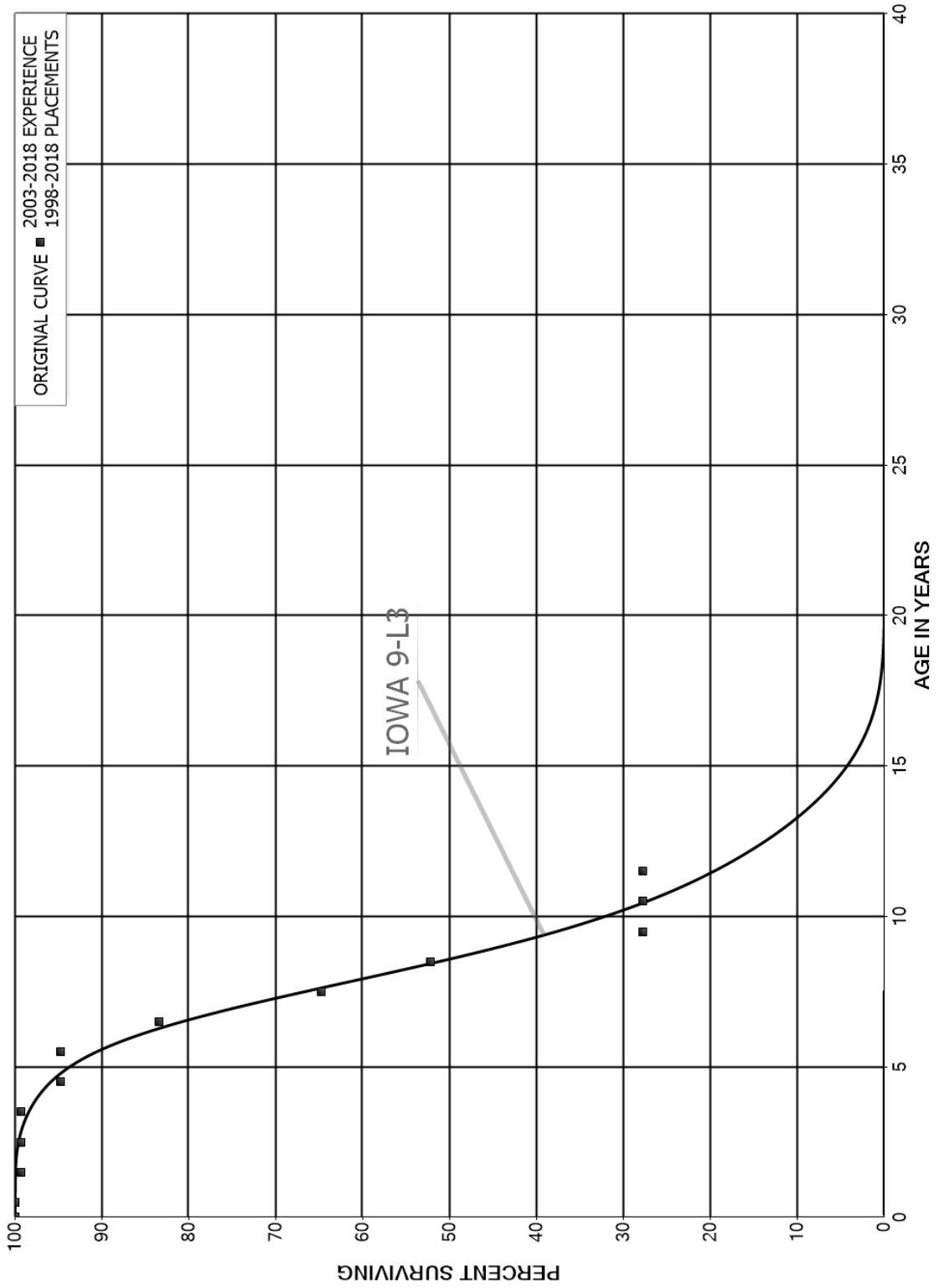
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	40,681		0.0000	1.0000	62.63
40.5	40,681		0.0000	1.0000	62.63
41.5	40,681		0.0000	1.0000	62.63
42.5	40,681	743	0.0183	0.9817	62.63
43.5	39,939	146	0.0037	0.9963	61.49
44.5	39,792		0.0000	1.0000	61.26
45.5	39,792		0.0000	1.0000	61.26
46.5	39,792	4,560	0.1146	0.8854	61.26
47.5	35,232	35,232	1.0000		54.24
48.5					



PLACEMENT BAND 2003-2016

EXPERIENCE BAND 2003-2018

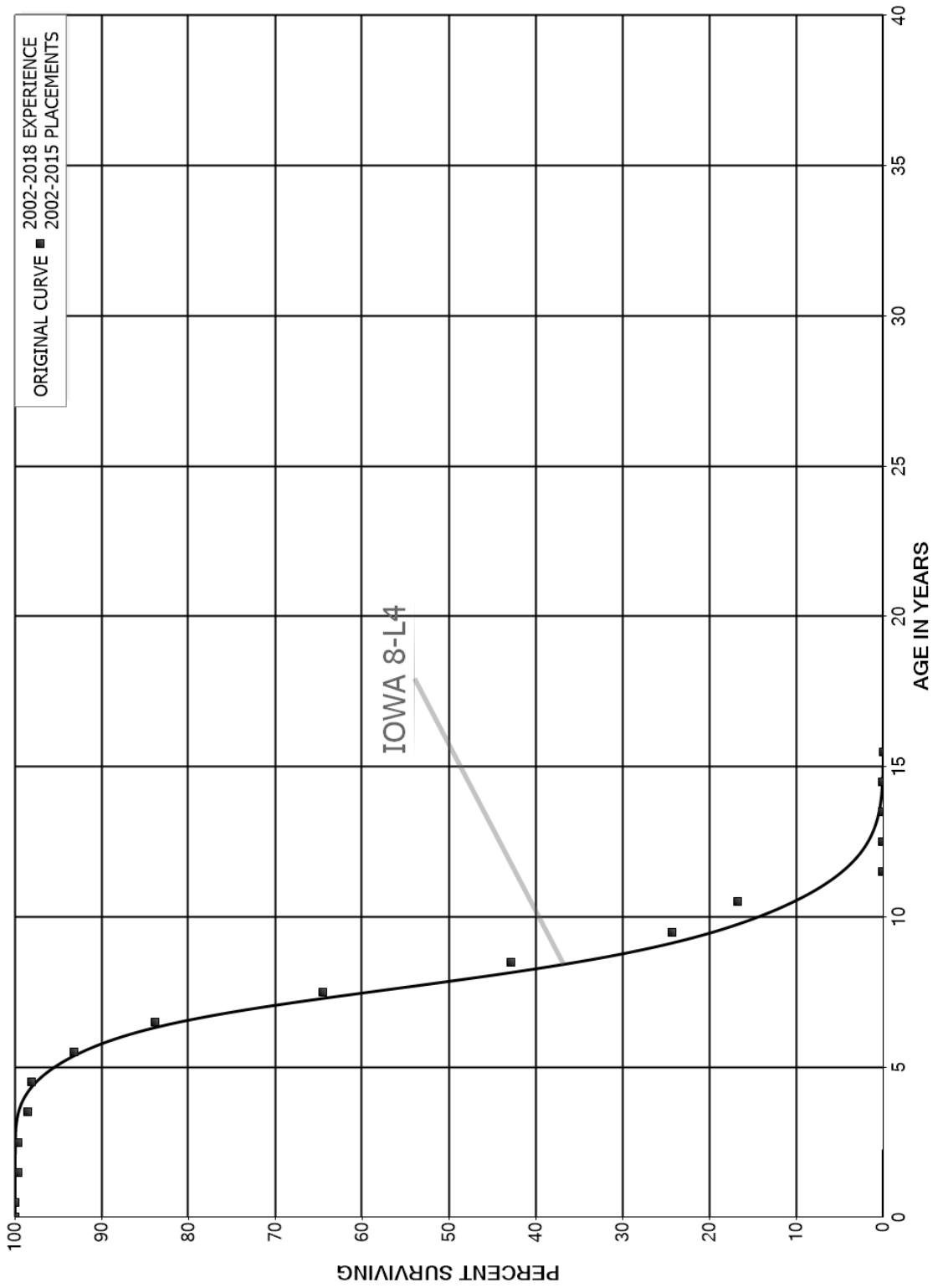
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	246,593		0.0000	1.0000	100.00
0.5	329,339		0.0000	1.0000	100.00
1.5	325,490		0.0000	1.0000	100.00
2.5	356,927	2,450	0.0069	0.9931	100.00
3.5	426,813	62,738	0.1470	0.8530	99.31
4.5	409,973	46,504	0.1134	0.8866	84.72
5.5	412,599	61,785	0.1497	0.8503	75.11
6.5	141,911	17,109	0.1206	0.8794	63.86
7.5	105,019	18,995	0.1809	0.8191	56.16
8.5	86,024	19,825	0.2305	0.7695	46.00
9.5	51,013	51,013	1.0000		35.40
10.5					



PLACEMENT BAND 1998-2018

EXPERIENCE BAND 2003-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	3,937,369		0.0000	1.0000	100.00
0.5	3,445,357	25,188	0.0073	0.9927	100.00
1.5	2,734,615		0.0000	1.0000	99.27
2.5	1,827,988		0.0000	1.0000	99.27
3.5	976,674	44,884	0.0460	0.9540	99.27
4.5	816,101		0.0000	1.0000	94.71
5.5	589,131	70,507	0.1197	0.8803	94.71
6.5	280,022	62,739	0.2241	0.7759	83.37
7.5	152,146	29,449	0.1936	0.8064	64.69
8.5	196,211	91,970	0.4687	0.5313	52.17
9.5	41,262		0.0000	1.0000	27.72
10.5	41,262		0.0000	1.0000	27.72
11.5					27.72
12.5					
13.5	22,243	22,243	1.0000		
14.5					

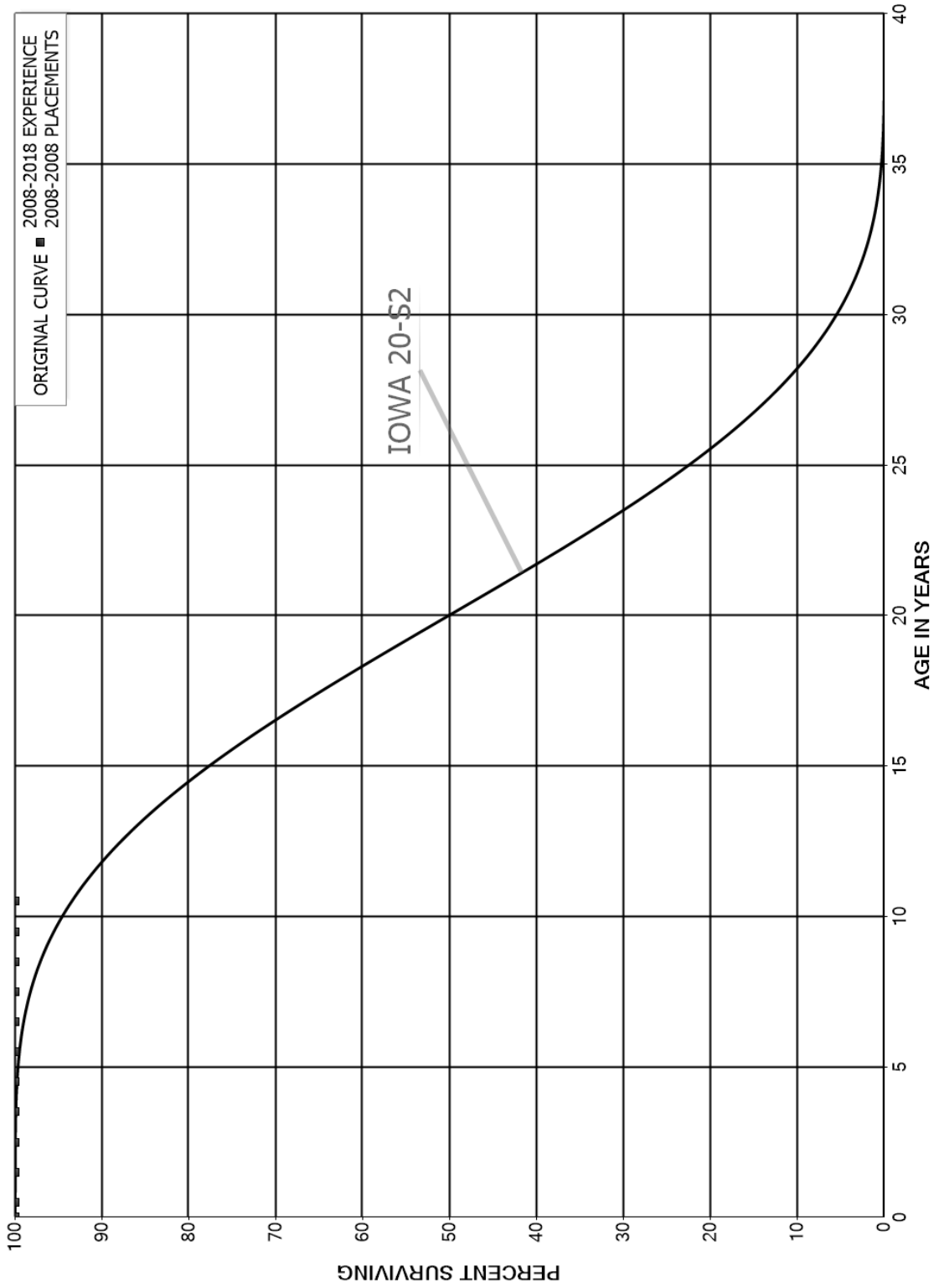




PLACEMENT BAND 2002-2015

EXPERIENCE BAND 2002-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	1,968,285		0.0000	1.0000	100.00
0.5	1,968,285	8,147	0.0041	0.9959	100.00
1.5	2,007,580		0.0000	1.0000	99.59
2.5	2,007,580	21,319	0.0106	0.9894	99.59
3.5	2,051,542	10,761	0.0052	0.9948	98.53
4.5	1,549,824	76,497	0.0494	0.9506	98.01
5.5	1,169,973	117,298	0.1003	0.8997	93.17
6.5	1,063,743	245,342	0.2306	0.7694	83.83
7.5	605,081	203,228	0.3359	0.6641	64.50
8.5	417,097	181,041	0.4340	0.5660	42.83
9.5	235,226	72,937	0.3101	0.6899	24.24
10.5	88,641	88,097	0.9939	0.0061	16.73
11.5	41,806	15,514	0.3711	0.6289	0.10
12.5	12,777		0.0000	1.0000	0.06
13.5	12,777		0.0000	1.0000	0.06
14.5	12,777	12,777	1.0000		0.06
15.5					



PLACEMENT BAND 2008-2008

EXPERIENCE BAND 2008-2018

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	42,990		0.0000	1.0000	100.00
0.5	42,990		0.0000	1.0000	100.00
1.5	42,990		0.0000	1.0000	100.00
2.5	42,990		0.0000	1.0000	100.00
3.5	47,167		0.0000	1.0000	100.00
4.5	47,167		0.0000	1.0000	100.00
5.5	47,167		0.0000	1.0000	100.00
6.5	47,167		0.0000	1.0000	100.00
7.5	47,167		0.0000	1.0000	100.00
8.5	47,167		0.0000	1.0000	100.00
9.5	47,167		0.0000	1.0000	100.00
10.5					100.00

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**PART VIII. NET SALVAGE STATISTICS**

**GAS PLANT**

2013	118,376	0	0	0
2014				
2015				
2016				
2017				
2018				
TOTAL	118,376	0	0	0

THREE-YEAR MOVING AVERAGES

13-15	39,459	0	0	0
14-16				
15-17				
16-18				

FIVE-YEAR AVERAGE

14-18

2005	1,162,308	30,568	3		0	30,568-	3-
2006	1,735,263	40,683	2		0	40,683-	2-
2007	1,338,077	25,333	2	21,627	2	3,706-	0
2008	1,577,062	50,262	3	550	0	49,712-	3-
2009	1,404,297	21,967	2		0	21,967-	2-
2010	1,470,046	365	0		0	365-	0
2011	2,003,753	47,373	2	21,446	1	25,927-	1-
2012	2,029,962	2,786	0	66,940	3	64,154	3
2013	1,679,470		0	63,171	4	63,171	4
2014	4,003,458		0	105,238	3	105,238	3
2015	16,922		0	58,731	347	58,731	347
2016	18,795		0	32,301	172	32,301	172
2017							
2018	224,294	366	0	175,943	78	175,577	78
TOTAL	18,663,707	219,703	1	545,948	3	326,244	2

THREE-YEAR MOVING AVERAGES

05-07	1,411,883	32,195	2	7,209	1	24,986-	2-
06-08	1,550,134	38,759	3	7,392	0	31,367-	2-
07-09	1,439,812	32,521	2	7,392	1	25,128-	2-
08-10	1,483,802	24,198	2	183	0	24,014-	2-
09-11	1,626,032	23,235	1	7,149	0	16,086-	1-
10-12	1,834,587	16,841	1	29,462	2	12,621	1
11-13	1,904,395	16,720	1	50,519	3	33,799	2
12-14	2,570,964	929	0	78,450	3	77,521	3
13-15	1,899,950		0	75,713	4	75,713	4
14-16	1,346,392		0	65,424	5	65,424	5
15-17	11,906		0	30,344	255	30,344	255
16-18	81,030	122	0	69,415	86	69,293	86

FIVE-YEAR AVERAGE

14-18	852,694	73	0	74,443	9	74,369	9
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2013	431,722	466	0	0	466-	0
2014	1,203	20,783		3,277	272	17,506-
2015	4,580	27,706	605	1,956	43	25,749- 562-
2016	2,829		0	3,544	125	3,544 125
2017						
2018	569	68,080		16,026-		84,106-
TOTAL	440,904	117,035	27	7,249-	2-	124,284- 28-

THREE-YEAR MOVING AVERAGES

13-15	145,835	16,318	11	1,744	1	14,574- 10-
14-16	2,871	16,163	563	2,926	102	13,237- 461-
15-17	2,470	9,235	374	1,833	74	7,402- 300-
16-18	1,133	22,693		4,161-	367-	26,854-

FIVE-YEAR AVERAGE

14-18	1,836	23,314		1,450-	79-	24,764-
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2005	370,842		0		0		0
2006	383,009	2,089	1		0	2,089-	1-
2007	295,783	2,834	1	2,138	1	697-	0
2008	1,530,815	604	0		0	604-	0
2009	388,324	42-	0		0	42	0
2010	510,219	467	0		0	467-	0
2011	150,232	479	0	207	0	272-	0
2012	549,895	14	0	2,318	0	2,304	0
2013	583,796		0	23,325	4	23,325	4
2014	242,724		0		0		0
2015	28,048		0	273	1	273	1
2016	2,133		0		0		0
2017							
2018	74		0		0		0
TOTAL	5,035,895	6,445	0	28,260	1	21,816	0

THREE-YEAR MOVING AVERAGES

05-07	349,878	1,641	0	713	0	929-	0
06-08	736,536	1,843	0	713	0	1,130-	0
07-09	738,307	1,132	0	713	0	419-	0
08-10	809,786	343	0		0	343-	0
09-11	349,592	301	0	69	0	232-	0
10-12	403,449	320	0	841	0	522	0
11-13	427,974	164	0	8,616	2	8,452	2
12-14	458,805	5	0	8,548	2	8,543	2
13-15	284,856		0	7,866	3	7,866	3
14-16	90,969		0	91	0	91	0
15-17	10,061		0	91	1	91	1
16-18	736		0		0		0

FIVE-YEAR AVERAGE

14-18	54,596		0	55	0	55	0
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2008	8,236		0		0		0
2009	379,542	90-	0		0	90	0
2010	296,120		0		0		0
2011	70,464		0		0		0
2012	120,810		0	67	0	67	0
2013	13,431		0	2,212	16	2,212	16
2014							
2015							
2016							
2017							
2018							
TOTAL	888,604	90-	0	2,279	0	2,368	0

THREE-YEAR MOVING AVERAGES

08-10	227,966	30-	0		0	30	0
09-11	248,709	30-	0		0	30	0
10-12	162,465		0	22	0	22	0
11-13	68,235		0	760	1	760	1
12-14	44,747		0	760	2	760	2
13-15	4,477		0	737	16	737	16
14-16							
15-17							
16-18							

FIVE-YEAR AVERAGE

14-18

2013	81,624	1,802	2	4,903	6	3,101	4
2014							
2015							
2016							
2017							
2018							
TOTAL	81,624	1,802	2	4,903	6	3,101	4

THREE-YEAR MOVING AVERAGES

13-15	27,208	601	2	1,634	6	1,034	4
14-16							
15-17							
16-18							

FIVE-YEAR AVERAGE

14-18							
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2006	1,804	0	0	0	0
2007	13,246	0	0	0	0
2008	743	0	0	0	0
2009					
2010					
2011					
2012					
2013	177,066	0	100	0	100
2014	470	0	0	0	0
2015	19,791	0	0	0	0
2016					
2017	87,441	0	0	0	0
2018	3,141	0	0	0	0
TOTAL	303,702	0	100	0	100

THREE-YEAR MOVING AVERAGES

06-08	5,264	0	0	0	0
07-09	4,663	0	0	0	0
08-10	248	0	0	0	0
09-11					
10-12					
11-13	59,022	0	33	0	33
12-14	59,179	0	33	0	33
13-15	65,776	0	33	0	33
14-16	6,754	0	0	0	0
15-17	35,744	0	0	0	0
16-18	30,194	0	0	0	0

FIVE-YEAR AVERAGE

14-18	22,169	0	0	0	0
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2015	36,229	0	2,233	6	2,233	6
2016						
2017						
2018						
TOTAL	36,229	0	2,233	6	2,233	6

THREE-YEAR MOVING AVERAGES

15-17	12,076	0	744	6	744	6
16-18						

**COMMON PLANT**

2013		1,000-				1,000	
2014	10,000	5,000	50		0	5,000-	50-
2015	1,500	1,000	67		0	1,000-	67-
2016							
2017	252,630		0		0		0
2018	3,342,591	188,209	6	2,663,478	80	2,475,269	74
TOTAL	3,606,722	193,209	5	2,663,478	74	2,470,269	68

THREE-YEAR MOVING AVERAGES

13-15	3,833	1,667	43		0	1,667-	43-
14-16	3,833	2,000	52		0	2,000-	52-
15-17	84,710	333	0		0	333-	0
16-18	1,198,407	62,736	5	887,826	74	825,090	69

FIVE-YEAR AVERAGE

14-18	721,344	38,842	5	532,696	74	493,854	68
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2012	11,575	0	1,845	16	1,845	16
2013	52,561	0	1,833	3	1,833	3
2014	62,738	0	1,855	3	1,855	3
2015	25,911	0	3,060	12	3,060	12
2016	58,624	0	3,595	6	3,595	6
2017	18,995	0	2,960	16	2,960	16
2018						
TOTAL	230,405	0	15,148	7	15,148	7

THREE-YEAR MOVING AVERAGES

12-14	42,292	0	1,844	4	1,844	4
13-15	47,070	0	2,249	5	2,249	5
14-16	49,091	0	2,837	6	2,837	6
15-17	34,510	0	3,205	9	3,205	9
16-18	25,873	0	2,185	8	2,185	8

FIVE-YEAR AVERAGE

14-18	33,254	0	2,294	7	2,294	7
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2012	36,243	0	2,973	8	2,973	8
2013	13,600	0	1,795	13	1,795	13
2014						
2015	34,278	0	6,818	20	6,818	20
2016	29,449	0	2,900	10	2,900	10
2017	104,469	0	19,219	18	19,219	18
2018	67,523	0	26,003	39	26,003	39
TOTAL	285,562	0	59,708	21	59,708	21

THREE-YEAR MOVING AVERAGES

12-14	16,614	0	1,589	10	1,589	10
13-15	15,959	0	2,871	18	2,871	18
14-16	21,242	0	3,239	15	3,239	15
15-17	56,065	0	9,646	17	9,646	17
16-18	67,147	0	16,041	24	16,041	24

FIVE-YEAR AVERAGE

14-18	47,144	0	10,988	23	10,988	23
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2011	33,388	0	4,464	13	4,464	13
2012	82,003	0	56,261	69	56,261	69
2013	36,876	0	12,977	35	12,977	35
2014	240,998	0	20,428	8	20,428	8
2015	133,466	0	41,771	31	41,771	31
2016	130,446	0	34,312	26	34,312	26
2017	261,450	0	42,265	16	42,265	16
2018	123,569	0	27,529	22	27,529	22
TOTAL	1,042,197	0	240,007	23	240,007	23

THREE-YEAR MOVING AVERAGES

11-13	50,756	0	24,567	48	24,567	48
12-14	119,959	0	29,889	25	29,889	25
13-15	137,113	0	25,059	18	25,059	18
14-16	168,303	0	32,170	19	32,170	19
15-17	175,121	0	39,449	23	39,449	23
16-18	171,822	0	34,702	20	34,702	20

FIVE-YEAR AVERAGE

14-18	177,986	0	33,261	19	33,261	19
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**PART IX. DETAILED DEPRECIATION  
CALCULATIONS**

**ELECTRIC PLANT**

SURVIVOR CURVE.. IOWA 25-R2.5  
 NET SALVAGE PERCENT.. 0

2013	19,891.29	3,915	2,943	16,948	20.08	844
2014	7,049.75	1,134	852	6,198	20.98	295
2015	9,657.47	1,201	903	8,754	21.89	400
2016	111,318.85	9,752	7,330	103,989	22.81	4,559
2018	22,337.15	348	262	22,075	24.61	897
	170,254.51	16,350	12,290	157,965		6,995

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 22.6 4.11

SURVIVOR CURVE.. IOWA 15-S2.5  
 NET SALVAGE PERCENT.. 0

2010	25,303.17	13,225	24,432	871	7.16	122
2013	368,356.66	128,925	238,182	130,175	9.75	13,351
2014	84,598.89	24,252	44,804	39,795	10.70	3,719
2015	163,161.54	36,113	66,717	96,445	11.68	8,257
2016	306,041.70	47,537	87,822	218,220	12.67	17,223
2017	1,015,737.01	90,065	166,391	849,346	13.67	62,132
2018	705,473.14	19,753	36,493	668,980	14.58	45,883
	2,668,672.11	359,870	664,841	2,003,831		150,687

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 13.3 5.65

SURVIVOR CURVE.. IOWA 50-R2.5  
 NET SALVAGE PERCENT.. 0

2013	351,570.87	35,087	36,167	315,404	45.01	7,007
	351,570.87	35,087	36,167	315,404		7,007

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 45.0 1.99

SURVIVOR CURVE.. 20-SQUARE  
 NET SALVAGE PERCENT.. 0

2012	31,800.16	10,065	10,067	21,733	13.67	1,590
2013	2,467.38	658	658	1,809	14.67	123
	34,267.54	10,723	10,725	23,543		1,713

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 13.7 5.00



FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

2012	49,687.50	49,688	49,688
	49,687.50	49,688	49,688

AMORTIZED  
SURVIVOR CURVE.. 5-SQUARE  
NET SALVAGE PERCENT.. 0

2013	277,198.23	277,198	277,198			
2014	578,181.10	500,705	420,137	158,044	0.67	158,044
2015	103,086.98	68,656	57,609	45,478	1.67	27,232
2016	123,536.42	57,568	48,305	75,232	2.67	28,177
2017	96,332.74	25,625	21,502	74,831	3.67	20,390
2018	621,277.91	52,187	43,790	577,488	4.58	126,089
	1,799,613.38	981,939	868,540	931,073		359,932
	1,849,300.88	1,031,627	918,228	931,073		359,932

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 2.6 19.46

FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

2006	126,582.97	126,583	126,583
2008	84,083.47	84,083	84,083
2009	5,500.00	5,500	5,500
2010	2,503,887.97	2,503,888	2,503,888
	2,720,054.41	2,720,054	2,720,054

AMORTIZED  
SURVIVOR CURVE.. 7-SQUARE  
NET SALVAGE PERCENT.. 0

2011	286,164.54	286,165	286,165			
2012	5,731,500.24	5,182,938	4,900,181	831,320	0.67	831,320
2013	235,368.33	179,217	169,440	65,929	1.67	39,478
2014	505,160.79	312,477	295,430	209,731	2.67	78,551
2015	777,131.75	369,689	349,520	427,611	3.67	116,515
2016	2,599,643.12	865,317	818,109	1,781,534	4.67	381,485
2017	684,521.36	130,059	122,964	561,558	5.67	99,040
2018	594,460.25	35,668	33,722	560,738	6.58	85,219
	11,413,950.38	7,361,530	6,975,530	4,438,420		1,631,608
	14,134,004.79	10,081,584	9,695,584	4,438,420		1,631,608

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 2.7 11.54

SURVIVOR CURVE.. 5-SQUARE  
 NET SALVAGE PERCENT.. 0

2018	10,790.04	906	905	9,885	4.58	2,158
	10,790.04	906	905	9,885		2,158

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 4.6 20.00

SURVIVOR CURVE.. IOWA 9-L3  
 NET SALVAGE PERCENT.. +20

2009	17,985.84	10,152	10,622	3,767	2.65	1,422
2013	46,830.85	20,397	21,341	16,124	4.10	3,933
2015	84,965.27	24,545	25,681	42,291	5.75	7,355
2016	125,526.58	25,775	26,968	73,453	6.69	10,980
2018	45,075.42	1,322	1,383	34,677	8.67	4,000
	320,383.96	82,191	85,995	170,312		27,690

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 6.2 8.64

SURVIVOR CURVE.. 20-SQUARE  
 NET SALVAGE PERCENT.. 0

2015	27,774.25	4,624	4,623	23,151	16.67	1,389
2016	15,349.25	1,788	1,787	13,562	17.67	768
	43,123.50	6,412	6,410	36,714		2,157

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 17.0 5.00

SURVIVOR CURVE.. 15-SQUARE  
 NET SALVAGE PERCENT.. 0

2015	72,585.43	16,114	16,115	56,470	11.67	4,839
	72,585.43	16,114	16,115	56,470		4,839

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 11.7 6.67

SURVIVOR CURVE.. 25-SQUARE  
 NET SALVAGE PERCENT.. 0

2010	45,194.16	15,059	15,058	30,136	16.67	1,808
2012	4,168.62	1,055	1,055	3,114	18.67	167
2013	49,658.62	10,587	10,587	39,072	19.67	1,986
2014	13,363.28	2,315	2,315	11,048	20.67	534
	112,384.68	29,016	29,015	83,370		4,495

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 18.5 4.00

**GAS PLANT**



SURVIVOR CURVE.. IOWA 10-L0.5  
 NET SALVAGE PERCENT.. -5

2012	18,634.80	6,985	2,584	16,983	6.43	2,641
2013	12,571.60	4,224	1,563	11,637	6.80	1,711
2016	17,814.70	3,217	1,190	17,515	8.28	2,115
2017	55,180.34	6,142	2,272	55,667	8.94	6,227
2018	26,572.61	1,004	371	27,530	9.64	2,856
	130,774.05	21,572	7,980	129,333		15,550

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 8.3 11.89

SURVIVOR CURVE.. IOWA 31-R2  
 NET SALVAGE PERCENT.. +2

1979	38,393.92	31,266	62,582-	100,208	5.24	19,124
1980	3,975.56	3,195	6,395-	10,291	5.58	1,844
1981	4,443.79	3,522	7,050-	11,405	5.93	1,923
1982	248.60	194	388-	632	6.30	100
1983	570.92	439	879-	1,439	6.69	215
1984	3,479.00	2,629	5,262-	8,671	7.10	1,221
1985	1,069.52	794	1,589-	2,637	7.52	351
1986	6,071.33	4,422	8,851-	14,801	7.96	1,859
1987	2,038.06	1,455	2,912-	4,909	8.42	583
1988	5,757.17	4,022	8,050-	13,692	8.90	1,538
1989	3,455.32	2,359	4,722-	8,108	9.40	863
1990	4,174.84	2,783	5,570-	9,661	9.91	975
1991	6,948.42	4,514	9,035-	15,844	10.45	1,516
1992	4,946.84	3,128	6,261-	11,109	11.00	1,010
1993	3,646.02	2,238	4,480-	8,053	11.58	695
1994	3,416.98	2,034	4,071-	7,420	12.17	610
1996	2,773.90	1,542	3,086-	5,804	13.41	433
1997	62,092.62	33,271	66,596-	127,447	14.05	9,071
1998	3,002.12	1,546	3,094-	6,036	14.71	410
1999	801.33	395	791-	1,576	15.39	102
2000	51.44	24	48-	98	16.08	6
2001	586.28	263	526-	1,101	16.79	66
2002	1,804.40	769	1,539-	3,307	17.51	189
2003	104.38	42	84-	186	18.24	10
2004	2,074.41	788	1,577-	3,610	18.99	190
2005	2,005.46	713	1,427-	3,392	19.76	172
2006	2,105.90	697	1,395-	3,459	20.53	168
2008	520.20	146	292-	802	22.12	36
2013	29,526.34	4,397	8,801-	37,737	26.29	1,435
2016	29,097.11	1,922	3,847-	32,362	28.91	1,119
2017	507,954.32	19,270	38,572-	536,367	29.80	17,999
2018	2,168,102.44	20,567	41,168-	2,165,908	30.70	70,551
	2,905,238.94	155,346	310,940-	3,158,074		136,384

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 23.2 4.69

SURVIVOR CURVE.. IOWA 12-R1.5  
 NET SALVAGE PERCENT.. 0

2017	1,025,684.05	92,312	58,284	967,400	10.92	88,590
2018	1,173,726.85	26,409	16,674	1,157,053	11.73	98,640
	2,199,410.90	118,721	74,958	2,124,453		187,230

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 11.3 8.51

SURVIVOR CURVE.. IOWA 30-R1.5  
 NET SALVAGE PERCENT.. -5

1954	820.16	861	861			
1956	788.44	828	828			
1963	2,043.47	2,028	1,096	1,050	1.65	636
1964	977.20	960	519	507	1.94	261
1973	599.21	542	293	336	4.16	81
1975	985.28	871	471	564	4.74	119
1980	1,729.33	1,434	775	1,041	6.31	165
1982	73.75	59	32	45	7.01	6
1986	2,255.19	1,689	912	1,456	8.60	169
1989	1,347.03	945	510	904	9.96	91
1990	4,739.61	3,243	1,752	3,225	10.45	309
1991	8,279.20	5,517	2,980	5,713	10.96	521
1992	6,244.01	4,047	2,186	4,370	11.48	381
1993	2,999.67	1,888	1,020	2,130	12.02	177
1994	1,808.84	1,103	596	1,303	12.58	104
1995	3,118.14	1,838	993	2,281	13.16	173
1996	4,705.75	2,676	1,446	3,495	13.75	254
1997	1,969.45	1,078	582	1,486	14.36	103
2002	209,753.55	91,032	49,176	171,065	17.60	9,720
2003	3,520.08	1,443	780	2,916	18.29	159
2004	122,403.75	47,168	25,480	103,044	18.99	5,426
2005	43,979.03	15,854	8,564	37,614	19.70	1,909
2006	73,791.12	24,742	13,366	64,115	20.42	3,140
2007	170,113.07	52,693	28,465	150,154	21.15	7,099
2008	70,183.44	19,921	10,761	62,932	21.89	2,875
2009	82,929.73	21,362	11,540	75,536	22.64	3,336
2010	153,183.04	35,438	19,144	141,698	23.39	6,058
2011	115,502.52	23,609	12,753	108,525	24.16	4,492
2012	93,948.55	16,671	9,006	89,640	24.93	3,596
2013	55,707.06	8,364	4,518	53,974	25.71	2,099
2015	7,057.74	669	361	7,050	27.29	258
2016	52,320.14	3,479	1,879	53,057	28.10	1,888
2017	240,211.44	9,163	4,950	247,272	28.91	8,553
2018	838,017.49	9,969	5,386	874,532	29.66	29,485
	2,378,105.48	413,184	223,981	2,273,030		93,643

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 24.3 3.94

SURVIVOR CURVE.. IOWA 20-S0.5  
 NET SALVAGE PERCENT.. 0

2018	52,440.31	865	17,151	35,289	19.67	1,794
	52,440.31	865	17,151	35,289		1,794

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 19.7 3.42

SURVIVOR CURVE.. IOWA 12-R3  
 NET SALVAGE PERCENT.. 0

2014	13,881.53	4,754	11,754	2,128	7.89	270
2015	13,377.67	3,567	8,820	4,558	8.80	518
2016	9,989.70	1,881	4,650	5,340	9.74	548
2018	1,876.48	52	129	1,747	11.67	150
	39,125.38	10,254	25,353	13,772		1,486

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 9.3 3.80

SURVIVOR CURVE.. IOWA 50-R2.5  
 NET SALVAGE PERCENT.. 0

1982	1,104,186.68	668,254	1,059,655	44,532	19.74	2,256
1983	2,996.98	1,773	2,811	186	20.42	9
1984	14,127.12	8,165	12,947	1,180	21.10	56
1986	232,030.43	127,570	202,289	29,741	22.51	1,321
1988	34,751.95	18,099	28,700	6,052	23.96	253
1990	8,428.04	4,138	6,562	1,866	25.45	73
1991	17.05	8	13	4	26.21	
1992	11,542.50	5,312	8,423	3,120	26.99	116
1993	8,920.00	3,966	6,289	2,631	27.77	95
1995	2,767.58	1,143	1,812	956	29.35	33
1996	4,045.00	1,605	2,545	1,500	30.16	50
1997	9,832.45	3,740	5,931	3,901	30.98	126
1999	3,979.16	1,382	2,191	1,788	32.63	55
2006	4,950.27	1,122	1,779	3,171	38.67	82
2007	68,366.22	14,275	22,636	45,730	39.56	1,156
2008	3,426.47	654	1,037	2,389	40.45	59
2009	6,384.00	1,104	1,751	4,633	41.35	112
2011	74,337.32	10,154	16,101	58,236	43.17	1,349
2012	40,917.11	4,836	7,669	33,248	44.09	754
2013	42,214.91	4,213	6,681	35,534	45.01	789
2014	11,913.69	967	1,533	10,381	45.94	226
2015	17,582.65	1,101	1,746	15,837	46.87	338
2017	47,882.12	1,207	1,914	45,968	48.74	943
	1,755,599.70	884,788	1,403,015	352,585		10,251

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 34.4 0.58

FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

1981	4,674.85	4,675	4,675
	4,674.85	4,675	4,675

AMORTIZED  
SURVIVOR CURVE.. 20-SQUARE  
NET SALVAGE PERCENT.. 0

1998	746.74	747	747			
2004	2,149.64	1,540	1,500	649	5.67	114
2007	17,716.83	10,037	9,779	7,938	8.67	916
2018	3,026.36	50	49	2,978	19.67	151
	23,639.57	12,374	12,075	11,565		1,181
	28,314.42	17,049	16,750	11,565		1,181

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 9.8 4.17



FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

2012	5,751.83	5,752	5,752
	5,751.83	5,752	5,752

AMORTIZED  
SURVIVOR CURVE.. 5-SQUARE  
NET SALVAGE PERCENT.. 0

2014	70,351.25	60,924	60,165	10,186	0.67	10,186
2015	619,724.41	412,736	407,595	212,129	1.67	127,023
2016	303,696.74	141,523	139,760	163,937	2.67	61,400
2017	102,422.57	27,244	26,905	75,518	3.67	20,577
	1,096,194.97	642,427	634,425	461,770		219,186
	1,101,946.80	648,179	640,177	461,770		219,186

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 2.1 19.89

FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

2002	144,657.97	144,658	144,658
2004	212,896.28	212,896	212,896
2005	133,714.95	133,715	133,715
2006	87,992.74	87,993	87,993
2008	7,000.00	7,000	7,000
	586,261.94	586,262	586,262

AMORTIZED  
SURVIVOR CURVE.. 7-SQUARE  
NET SALVAGE PERCENT.. 0

2012	106,794.22	96,573	95,868	10,926	0.67	10,926
2013	422,457.96	321,672	319,323	103,135	1.67	61,757
2014	1,823,156.74	1,127,750	1,119,515	703,642	2.67	263,536
2015	60,995.63	29,016	28,804	32,192	3.67	8,772
	2,413,404.55	1,575,011	1,563,510	849,895		344,991
	2,999,666.49	2,161,273	2,149,772	849,895		344,991

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 2.5 11.50

SURVIVOR CURVE.. IOWA 9-L3  
 NET SALVAGE PERCENT.. +20

2011	25,316.91	13,322	11,531	8,723	3.08	2,832
2014	46,517.75	17,077	14,781	22,433	4.87	4,606
2015	149,301.20	43,131	37,334	82,107	5.75	14,279
2016	107,167.19	22,005	19,047	66,687	6.69	9,968
2017	228,109.35	26,968	23,343	159,144	7.67	20,749
2018	64,515.92	2,409	2,085	49,528	8.58	5,772
	620,928.32	124,912	108,121	388,622		58,206

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 6.7 9.37

SURVIVOR CURVE.. IOWA 20-S2  
 NET SALVAGE PERCENT.. +10

2008	47,167.33	20,291	22,266	20,185	10.44	1,933
	47,167.33	20,291	22,266	20,185		1,933

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 10.4 4.10

SURVIVOR CURVE.. 25-SQUARE  
 NET SALVAGE PERCENT.. 0

1994	21,602.34	21,023	20,945	657	0.67	657
1995	14,996.68	13,995	13,943	1,054	1.67	631
1996	18,381.90	16,419	16,358	2,024	2.67	758
1997	44,610.01	38,061	37,920	6,690	3.67	1,823
1998	12,408.51	10,091	10,054	2,355	4.67	504
2000	13,150.28	9,642	9,606	3,544	6.67	531
2001	30,254.00	20,972	20,894	9,360	7.67	1,220
2006	42,448.19	20,935	20,857	21,591	12.67	1,704
2008	190,126.55	78,560	78,269	111,858	14.67	7,625
2009	34,573.64	12,903	12,855	21,719	15.67	1,386
2010	114,641.84	38,199	38,058	76,584	16.67	4,594
2011	99,995.98	29,319	29,210	70,786	17.67	4,006
2012	25,762.04	6,523	6,499	19,263	18.67	1,032
2014	61,365.17	10,628	10,589	50,776	20.67	2,457
2016	43,786.37	4,081	4,066	39,720	22.67	1,752
2017	43,108.15	2,293	2,284	40,824	23.67	1,725
2018	66,489.64	1,117	1,113	65,377	24.58	2,660
	877,701.29	334,761	333,520	544,181		35,065

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 15.5 4.00

SURVIVOR CURVE.. 20-SQUARE  
NET SALVAGE PERCENT.. 0

2005	21,531.26	14,351	14,351	7,180	6.67	1,076
2006	41,664.10	25,686	25,686	15,978	7.67	2,083
2007	16,347.12	9,261	9,261	7,086	8.67	817
2009	742.18	346	346	396	10.67	37
2010	1,248.14	520	520	728	11.67	62
2012	56,274.36	17,811	17,812	38,462	13.67	2,814
2018	100,427.01	2,109	2,109	98,318	19.58	5,021
	238,234.17	70,084	70,085	168,149		11,910

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 14.1 5.00

SURVIVOR CURVE.. 15-SQUARE  
 NET SALVAGE PERCENT.. 0

2007	9,854.34	7,443	7,442	2,412	3.67	657
2010	2,182.47	1,212	1,212	970	6.67	145
2011	14,976.66	7,319	7,318	7,659	7.67	999
2014	13,097.94	3,781	3,781	9,317	10.67	873
2018	3,026.36	67	67	2,959	14.67	202
	43,137.77	19,822	19,820	23,318		2,876

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 8.1 6.67

**COMMON PLANT**



SURVIVOR CURVE.. IOWA 50-R2.5  
 NET SALVAGE PERCENT.. 0

2009	30,769.92	5,323	5,007	25,763	41.35	623
2010	11,076.25	1,715	1,613	9,463	42.26	224
2011	5,754,336.65	786,042	739,427	5,014,910	43.17	116,167
2012	35,775.20	4,229	3,978	31,797	44.09	721
2013	29,960.70	2,990	2,813	27,148	45.01	603
	5,861,918.72	800,299	752,838	5,109,081		118,338

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 43.2 2.02

SURVIVOR CURVE.. IOWA 20-S3  
 NET SALVAGE PERCENT.. 0

1998	7,106.72	5,746	6,328	779	3.83	203
2005	197,839.96	123,452	135,963	61,877	7.52	8,228
2007	65,212.86	35,671	39,286	25,927	9.06	2,862
2011	29,112.60	10,626	11,703	17,410	12.70	1,371
2017	280,351.15	18,643	20,532	259,819	18.67	13,916
	579,623.29	194,138	213,812	365,811		26,580

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 13.8 4.59

SURVIVOR CURVE.. 20-SQUARE  
 NET SALVAGE PERCENT.. 0

1999	487,028.25	470,713	466,872	20,156	0.67	20,156
2000	45,872.91	42,043	41,700	4,173	1.67	2,499
2001	667,931.26	578,762	574,039	93,892	2.67	35,166
2002	319,167.11	260,600	258,474	60,693	3.67	16,538
2003	28,309.77	21,699	21,522	6,788	4.67	1,454
2004	6,960.35	4,987	4,946	2,014	5.67	355
2005	91,315.73	60,862	60,365	30,951	6.67	4,640
2006	11,333.60	6,987	6,930	4,404	7.67	574
2007	214,872.03	121,725	120,732	94,140	8.67	10,858
2008	845,328.55	436,612	433,049	412,280	9.67	42,635
2009	1,449,600.17	676,238	670,720	778,880	10.67	72,997
2010	829,209.81	345,366	342,548	486,662	11.67	41,702
2011	352,220.99	129,089	128,036	224,185	12.67	17,694
2012	279,501.28	88,462	87,740	191,761	13.67	14,028
2013	237,400.19	63,267	62,751	174,649	14.67	11,905
2014	119,207.55	25,808	25,597	93,611	15.67	5,974
2015	573,365.39	95,465	94,686	478,679	16.67	28,715
2016	25,249.86	2,942	2,918	22,332	17.67	1,264
	6,583,874.80	3,431,627	3,403,625	3,180,250		329,154

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 9.7 5.00

FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

2006	8,740.51	8,741	8,741
2009	15,818.86	15,819	15,819
2010	28,476.82	28,477	28,477
2012	204,616.56	204,617	204,617
	257,652.75	257,654	257,653

AMORTIZED  
SURVIVOR CURVE.. 5-SQUARE  
NET SALVAGE PERCENT.. 0

2013	2,397,670.58	2,397,671	2,397,671			
2014	5,033,641.04	4,359,133	3,934,195	1,099,446	0.67	1,099,446
2015	6,629,937.12	4,415,538	3,985,101	2,644,836	1.67	1,583,734
2016	6,525,963.41	3,041,099	2,744,646	3,781,318	2.67	1,416,224
2017	2,531,070.90	673,265	607,634	1,923,437	3.67	524,097
2018	6,450.94	426	384	6,066	4.67	1,299
	23,124,733.99	14,887,132	13,669,630	9,455,104		4,624,800
	23,382,386.74	15,144,786	13,927,283	9,455,104		4,624,800

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 2.0 19.78

FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

2000	3,275,849.35	3,275,849	3,275,849
2004	93,353.21	93,353	93,353
2006	5,496.11	5,496	5,496
2007	11,109.97	11,110	11,110
2008	292,757.62	292,758	292,758
2009	3,697.55	3,698	3,698
2010	30,264.40	30,264	30,264
	3,712,528.21	3,712,528	3,712,528

AMORTIZED  
SURVIVOR CURVE.. 7-SQUARE  
NET SALVAGE PERCENT.. 0

2011	108,233.09	108,233	108,233			
2012	14,573.32	13,179	1,058-	15,631	0.67	15,631
2015	11,400.06	5,423	435-	11,835	3.67	3,225
2017	8,868.47	1,685	135-	9,004	5.67	1,588
	143,074.94	128,520	106,605	36,470		20,444
	3,855,603.15	3,841,048	3,819,133	36,470		20,444

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 1.8 0.53

SURVIVOR CURVE.. 5-SQUARE  
 NET SALVAGE PERCENT.. 0

2017	18,447.49	4,907	4,905	13,542	3.67	3,690
	18,447.49	4,907	4,905	13,542		3,690

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 3.7 20.00

FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

1998	47,463,579.95	47,463,580	47,463,580
	47,463,579.95	47,463,580	47,463,580

AMORTIZED  
SURVIVOR CURVE.. 10-SQUARE  
NET SALVAGE PERCENT.. 0

2014	3,934,825.34	1,703,779	1,703,779	2,231,046	5.67	393,483
2015	14,298,029.50	4,761,244	4,761,245	9,536,785	6.67	1,429,803
2016	3,165,958.72	737,668	737,668	2,428,291	7.67	316,596
2017	10,807,140.27	1,437,350	1,437,350	9,369,790	8.67	1,080,714
2018	300,317.87	12,613	12,613	287,705	9.58	30,032

	32,506,271.70	8,652,654	8,652,655	23,853,617		3,250,628
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	79,969,851.65	56,116,234	56,116,235	23,853,617		3,250,628
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COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 7.3 4.06

FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

2006	88,793.20	88,793	88,793
2007	79,525.54	79,526	79,526
	168,318.74	168,319	168,319

AMORTIZED  
SURVIVOR CURVE.. 10-SQUARE  
NET SALVAGE PERCENT.. 0

2008	5,010,017.69	5,010,018	5,010,018			
2009	900,778.13	840,426	628,466	272,312	0.67	272,312
2010	868,137.12	723,158	540,774	327,363	1.67	196,026
2011	381,427.33	279,586	209,073	172,354	2.67	64,552
2012	271,078.33	171,593	128,316	142,762	3.67	38,900
2013	971,798.15	517,968	387,334	584,464	4.67	125,153
2014	178,763.49	77,405	57,883	120,880	5.67	21,319
2015	8,694,055.21	2,895,120	2,164,956	6,529,099	6.67	978,875
2016	3,706,235.74	863,553	645,761	3,060,475	7.67	399,019
2017	606,980.72	80,728	60,368	546,613	8.67	63,046
2018	320,337.43	13,454	10,061	310,277	9.58	32,388
	21,909,609.34	11,473,009	9,843,010	12,066,599		2,191,590
	22,077,928.08	11,641,328	10,011,329	12,066,599		2,191,590

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 5.5 9.93



SURVIVOR CURVE.. 10-SQUARE  
 NET SALVAGE PERCENT.. 0

2008	3,422,954.04	3,422,954	3,422,954			
2009	2,027,010.82	1,891,201	1,747,300	279,711	0.67	279,711
2010	6,366,773.49	5,303,522	4,899,977	1,466,796	1.67	878,321
2014	2,164,610.55	937,276	865,959	1,298,652	5.67	229,039
2015	477,931.34	159,151	147,041	330,890	6.67	49,609
2016	3,339,455.73	778,093	718,888	2,620,568	7.67	341,665
2017	1,405,653.88	186,952	172,727	1,232,927	8.67	142,206
2018	218,375.07	9,172	8,474	209,901	9.58	21,910
	19,422,764.92	12,688,321	11,983,320	7,439,445		1,942,461

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 3.8 10.00

FULLY ACCRUED  
NET SALVAGE PERCENT.. 0

2007	963,168.70	963,169	963,169
	963,168.70	963,169	963,169

AMORTIZED  
SURVIVOR CURVE.. 10-SQUARE  
NET SALVAGE PERCENT.. 0

2008	841,802.21	841,802	841,802			
2009	153,127.92	142,868	133,640	19,488	0.67	19,488
2010	8,612.50	7,174	6,711	1,902	1.67	1,139
2011	677,984.57	496,963	464,864	213,121	2.67	79,821
2012	3,047,692.78	1,929,190	1,804,581	1,243,111	3.67	338,722
2013	1,994,153.74	1,062,884	994,231	999,923	4.67	214,116
2014	765,074.62	331,277	309,879	455,195	5.67	80,281
2015	2,074,258.69	690,728	646,113	1,428,146	6.67	214,115
2016	3,763,202.44	876,826	820,191	2,943,012	7.67	383,704
2017	1,213,821.36	161,438	151,011	1,062,811	8.67	122,585
2018	1,795,799.44	75,424	70,552	1,725,247	9.58	180,088
	16,335,530.27	6,616,574	6,243,575	10,091,955		1,634,059
	17,298,698.97	7,579,743	7,206,744	10,091,955		1,634,059

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 6.2 9.45

SURVIVOR CURVE.. IOWA 8-S2  
 NET SALVAGE PERCENT.. +5

2009	16,016.60	12,268	9,909	5,307	1.55	3,424
	16,016.60	12,268	9,909	5,307		3,424

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 1.5 21.38

SURVIVOR CURVE.. IOWA 9-L3  
 NET SALVAGE PERCENT.. +20

2009	44,993.06	25,396	22,931	13,063	2.65	4,929
2011	90,150.50	47,439	42,834	29,286	3.08	9,508
2012	90,643.72	44,395	40,086	32,429	3.49	9,292
2013	123,351.47	53,726	48,511	50,170	4.10	12,237
2014	140,833.43	51,702	46,684	65,983	4.87	13,549
2015	493,622.19	142,602	128,760	266,138	5.75	46,285
2016	752,525.82	154,521	139,523	462,498	6.69	69,133
2017	681,205.26	80,535	72,718	472,246	7.67	61,571
2018	450,903.89	13,228	11,944	348,779	8.67	40,228
	2,868,229.34	613,544	553,991	1,740,592		266,732

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 6.5 9.30

SURVIVOR CURVE.. IOWA 8-L4  
 NET SALVAGE PERCENT.. +20

2008	37,422.05	25,597	24,334	5,604	1.16	4,831
2011	141,471.89	88,703	84,326	28,852	1.73	16,677
2012	196,525.81	114,181	108,547	48,674	2.19	22,226
2013	317,840.84	161,781	153,798	100,475	2.91	34,527
2014	400,969.82	170,412	162,003	158,773	3.75	42,339
2015	71,266.65	23,661	22,494	34,519	4.68	7,376
	1,165,497.06	584,335	555,502	376,896		127,976

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 2.9 10.98

SURVIVOR CURVE.. 25-SQUARE  
 NET SALVAGE PERCENT.. 0

2012	29,553.46	7,483	7,483	22,070	18.67	1,182
2013	37,535.53	8,003	8,002	29,534	19.67	1,501
	67,088.99	15,486	15,485	51,604		2,683

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 19.2 4.00

SURVIVOR CURVE.. 15-SQUARE  
 NET SALVAGE PERCENT.. 0

2010	27,122.74	15,062	15,062	12,061	6.67	1,808
2015	317,990.18	70,594	70,595	247,395	11.67	21,199
2016	109,015.12	16,933	16,933	92,082	12.67	7,268
	454,128.04	102,589	102,590	351,538		30,275

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 11.6 6.67

SURVIVOR CURVE.. 20-SQUARE  
 NET SALVAGE PERCENT.. 0

2006	2,675.13	1,649	1,649	1,026	7.67	134
2014	29,649.05	6,419	6,421	23,228	15.67	1,482
	32,324.18	8,068	8,070	24,254		1,616

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 15.0 5.00



# Black Hills Service Company

## Cost Allocation Manual

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Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: December 1, 2013

Amended: December 1, 2014

Amended: December 1, 2015

Amended: December 1, 2016

Amended: December 1, 2017

Amended: November 7, 2018

Amended: December 20, 2018

Amended: December 20, 2019

# Black Hills Service Company Cost Allocation Manual

## Table of Contents

Introduction.....	3
Service Company Organization .....	3
Direct Costs versus Indirect Costs .....	4
Transaction Coding.....	6
General Ledger Business Unit (GLBU).....	6
Operating Unit (OpUnit).....	6
Department (Dept) .....	6
Account (Acct).....	7
Resource:.....	7
Product .....	7
Work Order: .....	7
Timekeeping.....	8
Loadings.....	8
Allocation Ratios.....	8
Changing Allocation Ratios .....	9
Subsidiary Payment for Direct and Indirect Charges .....	10
Allocating Fixed Assets .....	10
Allocating Capitalized Inventory .....	10
Allocating FERC Functional Accounts .....	10
Appendix 1 – Allocation Ratios .....	12
Appendix 2 – Service Company Departments.....	13
Appendix 3 – FERC Functional Accounts .....	18

## Introduction

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

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

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

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

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

## Service Company Organization

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

### Direct Costs versus Indirect Costs

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

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

Methods of Direct Charges include:

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

Here are some examples:

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

Methods of Direct Cost Distributed:

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

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

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

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

Methods of Indirect Charges:

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

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

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

Always considered direct costs:

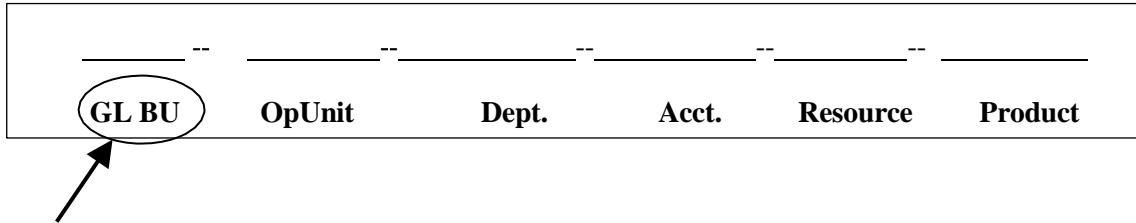
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

Always considered indirect costs:

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

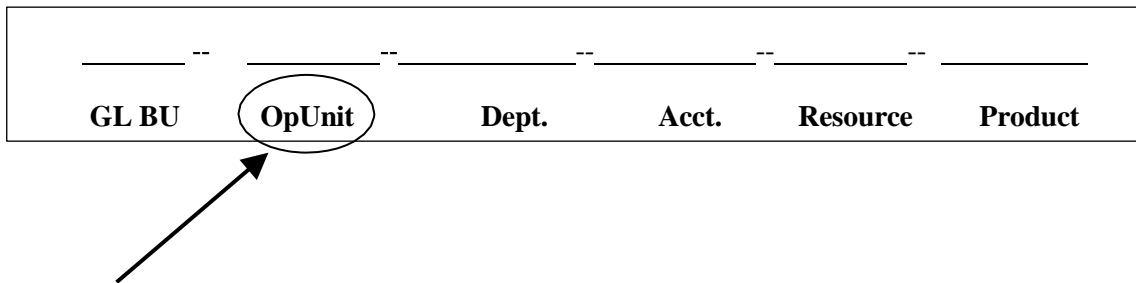
**Transaction Coding**

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



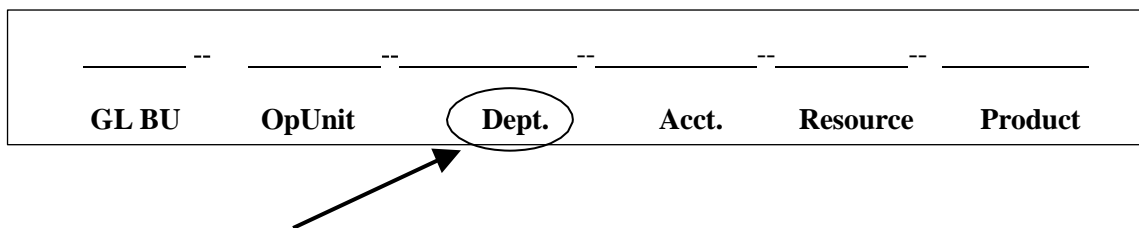
**General Ledger Business Unit (GLBU):**

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



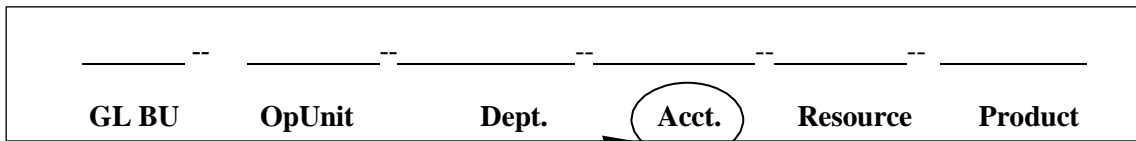
**Operating Unit (OpUnit):**

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



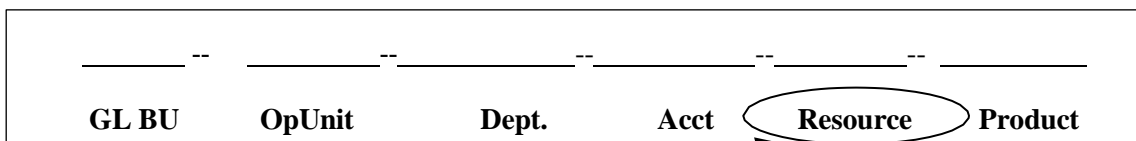
**Department (Dept):**

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



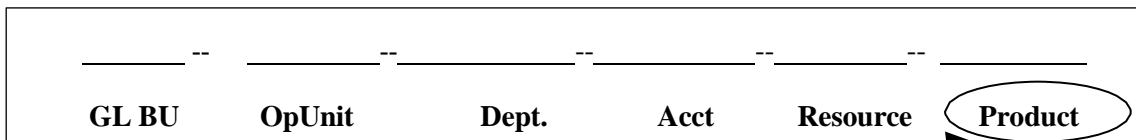
**Account (Acct)**

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



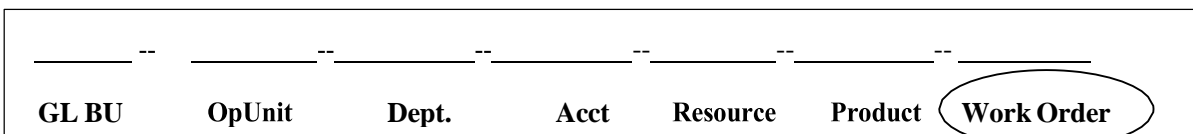
**Resource:**

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



**Product:**

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



**Work Order:**

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

## Timekeeping

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

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

## Loadings

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

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

General labor loadings:

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

Supplemental loadings:

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

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

## Allocation Ratios

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



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

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

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

### **Changing Allocation Ratios**

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

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

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

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

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

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

It is the policy of the Service Company to 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 ensure that all subsidiary companies make payment in a timely manner.

### **Allocating Fixed Assets**

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

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

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

### **Allocating Capitalized Inventory**

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

### **Allocating FERC Functional Accounts**

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

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

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

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

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

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

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

SC All-Blended (No BHES)

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

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

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

Regulated Utilities  
Regulated Electric  
Regulated Natural Gas  
Regulated Natural Gas (No BHEA)

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

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

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

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

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

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

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

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

- All Customers
- Regulated Electric Customers
- Regulated Natural Gas Customers
- Regulated Natural Gas Customers (No NEGD)
- Products and Services Customers (Non-Regulated)

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

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4700	SC-ACCOUNTING SYSTEMS	SC All-Blended	Maintains the corporate-wide accounting systems of Black Hills Corporation, most notably the general ledger and financial statement preparation systems.		Yes	Yes	Yes	Yes	Yes	Yes
4704	SC-TAX	SC All-Blended	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.		Yes	Yes	Yes	Yes	Yes	Yes
4705	SC-CREDIT AND RISK	SC All-Blended	Provides risk management, risk evaluation, and risk analysis services. Provides support to the Executive Risk Committee. Evaluates contract risks		Yes	Yes	Yes	Yes	Yes	Yes
4706	SC-LEGAL - CORPORATE	SC All-Blended	Provides legal counsel and services related to general business operations, including labor and employment law, finance, litigation, contracts, utility rates and regulation, financial reporting, Securities and Exchange Commission, Federal Energy Regulatory Commission and other state and federal compliance, environmental matters, real estate and other legal matters. Oversees the hiring and administration of external counsel. Provides legal support to various corporate development projects. Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans.		Yes	Yes	Yes	Yes	Yes	Yes
4709	SC-ENVIRONMENTAL SERVICES	Asset Cost	Establishes policies and procedures for compliance with environmental laws and regulations. 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.		Yes	Yes	Yes	Yes	Yes	Yes
4710	SC-EXECUTIVE MGMT	SC All-Blended	Provides overall oversight of Black Hills Corporation and its subsidiaries. Provides the Board of Directors information for decision making purposes.		Yes	Yes	Yes	Yes	Yes	Yes
4711	SC-SAFETY	Employee Ratio	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.		Yes	Yes	Yes	Yes	Yes	Yes
4712	SC-TREASURY	SC All-Blended	Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and investing activities. Monitors capital markets to support financial planning for all subsidiaries. Oversees the administration of corporate pension and 401(k) plans.		Yes	Yes	Yes	Yes	Yes	Yes
4715	SC-CORPORATE ACCOUNTING	SC All-Blended	Provides management and administrative support for accounting functions of the Company's regulated and non-regulated businesses including external audit coordination. Responsible for closing the general ledger for the Company's regulated and non-regulated businesses. Oversees the corporate consolidation of subsidiary financial statements. Prepares monthly internal financial reports for management. Prepares quarterly and annual financial reports to the Securities and Exchange Commission, financial statements to banks and quarterly and annual financial statements filed with FERC. Researches emerging accounting issues and assists with the compliance of new accounting rules and regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4718	SC-HUMAN RESOURCES CORP	Employee Ratio	Provides general Human Resources support services to the subsidiaries for all facets of Human Resources, primarily talent management, recruiting, employment staffing and regulatory proceedings.		Yes	Yes	Yes	Yes	Yes	
4720	SC-HUMAN RESOURCES	Employee Ratio	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. 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.		Yes	Yes	Yes	Yes	Yes	
4721	SC-HR TOTAL REWARDS	Employee Ratio	Administers policies related to compensation and benefits. Oversees the self-insured medical benefits plans and other pooled benefits and provides support to the third party administrators of the plans		Yes	Yes	Yes	Yes	Yes	
4722	SC-HR TALENT MANAGEMENT	Employee Ratio	Provides for employee and leadership development, succession planning, performance management, goal alignment, employee engagement, strategic workforce planning, talent assessment and general HR support for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	
4725	SC-INTERNAL AUDIT	SC All-Blended	Reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Oversees the Sarbanes Oxley compliance efforts.		Yes	Yes	Yes	Yes	Yes	Yes

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4726	SC-IN-HOUSE CORPORATE SOLUTIONS (Communications)	SC All-Blended	Develops strategies and implements programs for effective communication with internal and external stakeholders. Develops and manages measured, and coordinated advertising. Designs and develops communication strategies and materials for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4728	SC-POWER DELIVERY MGMT	Power Generation Capacity	Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets.		Yes					Yes
4729	SC-PROPERTY ACCOUNTING	Asset Cost	Maintains 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. .		Yes	Yes	Yes	Yes	Yes	Yes
4730	SC-RECORDS MGMT	SC All-Blended	Administers and maintains the records retention policies and procedures of the corporation. Manages and maintains the content management software.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN MGMT	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials.		Yes	Yes	Yes		Yes	Yes
4732	SC-SUPPLY CHAIN	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders.		Yes	Yes	Yes		Yes	Yes
4734	SC-FLEET SERV	SC All-Blended	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.		Yes	Yes	Yes	Yes	Yes	Yes
4736	SC-REAL ESTATE & FACILITIES	SC All-Blended	Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances corporate objectives by initiating, influencing, monitoring, and researching government legislation and policies. Acts as a liaison with legislators and other governmental officials. Maintains relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT ADMINISTRATION	SC All-Blended	Provides guidance, governance, and strategic planning to the overall information technology operations.		Yes	Yes	Yes	Yes	Yes	Yes
4743	SC-IT BUS APPS FIN & HR SYSTEMS	SC All-Blended	Manages, maintains, and enhances the finance, human resource, web-based service and enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4744	SC-IT BUS APPS CUSTOMER SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise wide business applications.		Yes	Yes				
4745	SC-IT BUS APPS-WEB	SC All-Blended	Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes	Yes	Yes	Yes	Yes
4746	SC-IT BUS APPS-Utility Systems	SC All-Blended	Manages, maintains, and enhances the electric and natural gas utility enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4747	SC-IT INFRASTRUCTURE & Ops	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture and corporate databases. Supports the data and voice communication needs for the company and provides telecommunication expense management services as well as technology support services and field service support for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4749	SC-IT BUS APPS-ADDS-INTEG	SC All-Blended	Manages, maintains, and enhances the analytics and integration enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-IT SECURITY-COMPLIANCE-RISK	SC All-Blended	Responsible for internal and external audit compliance, disaster recovery, change management and legal compliance related to technology		Yes	Yes	Yes	Yes	Yes	Yes
4754	SC-GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHCOE and BHCIPP for the Pueblo Airport Generation Station		Yes					Yes
4755	SC-IT BUS APPS-PMO-ECM-GOV	SC All-Blended	Manages, maintains, and enhances the governance, project management, IT asset/service management, and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4756	SC-NORTHERN GAS GENERATION	Nameplate Generation Capacity	Operates and manages the generation for. BHSDE and BHWYE for the Cheyenne Prairie Generation Station		Yes					Yes

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4796	SC-BENEFIT LOADINGS	SC All-Blended	Records overhead benefit costs loaded to labor costs dependent on assigned allocation ratio		Yes	Yes	Yes	Yes	Yes	Yes
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/ Distribution	Allocates property assets (transmission)	Yes	Yes					
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes				
4793	SC – ASSET BLENDED	Blended Regulated Natural Gas (No BHEA)	Allocates property assets (service company)		Yes	Yes	Yes	Yes	Yes	Yes
4794	SC-BENEFIT POOLED	Employee Ratio	Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4795	SC-ACCOUNTING ACCRUAL ENTRIES	SC All-Blended	Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department		Yes	Yes	Yes	Yes	Yes	Yes
4803	SC- PIPELINE AND SYSTEM INTEGRITY	Regulated Natural Gas Blended	Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety.	Yes		Yes	Yes			
4804	SC-COMPLIANCE GAS	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4805	SC-ASSET PLANNING & DATA MANA	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY AND COMPLIANCE GAS	Regulated Natural Gas Blended	Responsible for implementing and reporting DOT regulatory requirements, maintaining standards, and supporting GIS Smallworld mapping.	Yes		Yes	Yes			
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/ Distribution	Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages.	Yes	Yes					
4811	SC-OPERATIONAL SERVICES	Regulated Electric Transmission/ Distribution	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.	Yes	Yes					
4812	SC-TRANSMISSION ENGINEERING SERVICES (TES)	Regulated Electric Transmission/ Distribution	For all three electric utilities, transmission Services directs the 24/7 Reliability Centers in Rapid City and Pueblo, Transmission Planning, NERC Compliance, FERC Compliance, Vegetation Management, and Transmission Tariff Administration.	Yes	Yes					
4813	SC-TRANSMISSION & DISTRIBUTION ENGINEERING	Regulated Electric Transmission/ Distribution	For all three electric utilities, T&D Engineering provides engineering support of electric transmission and distribution facilities including planning, monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/ Distribution	For all three electric utilities, designs, coordinates, and oversees the electric substation infrastructure for all Black Hills Energy electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same. Will include work with Transmission and Distribution assets.	Yes	Yes					
4815	SC-ENGINEERING RESOURCES	Regulated Electric Transmission/ Distribution	For all three electric utilities, working with other departments coordinates talent development of engineers responsible for all Black Hills Energy electric utilities. Includes identifying project assignments in other groups, training opportunities, and rotational positions.	Yes	Yes					
4816	SC-GENERATION DISPATCH POWER MARKETING	GDPM	Manages the three electric utilities and others generation units dispatch and energy management services to generating resources on a system wide, least-cost basis.		Yes					Yes
4818	SC-MAINTENANCE	Regulated Electric Transmission/ Distribution	For all three electric utilities, Maintenance Services supports the maintenance of the substation and lines within the Electric Utilities.	Yes	Yes					



## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/ Distribution	For all three electric utilities, Vegetation Management supports the vegetation management programs across all Electric Utilities.	Yes	Yes					
4820	SC- ELECTRIC ASSET MANAGEMENT	Regulated Electric Blended	Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T and D asset management, metering, substation maintenance, GIS/drafting and outage management systems.	Yes	Yes					
4821	SC-PWR SUPPLY AND RENEWABLES	Regulated Electric Blended	Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies.	Yes	Yes					
4822	SC-REGULATORY AND FINANCE	SC All-Blended	Provides regulatory financial support for all electric and gas utility regulatory filings including: rates cases, class cost of service, rate design, reporting, adjustment clauses, riders, trackers and other regulatory issues. Additionally, provides financial management to the Company's regulated and non-regulated businesses. Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide- budget and forecast. Guides the preparation of strategic plans.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4823	SC-RELAY & CONTROLS	Regulated Electric Transmission/ Distribution	For all three electric utilities, supports the maintenance of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS MEASUREMENT SERV	Regulated Natural Gas Customers	Manages and provides gas measurement support to field operations located in gas service states.	Yes		Yes				
4825	SC-ASSET PROGRAMS	All Customers	Researches, builds and implements utility software solutions for the benefit of electric and gas operations. This department supports Smallworld GIS, Click, STORMS work management, PowerOn outage management, Korterra line locates, and GTViewer mobile maps.	Yes	Yes	Yes				
4826	SC-ELECTRIC METER SERVICES	Regulated Electric Customers	Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric entities.	Yes	Yes					
4827	SC-TRANSMISSION & DISTRIBUTION PLANNING	Regulated Electric Transmission/ Distribution	Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups.	Yes	Yes					
4828	SC-NERC COMPLIANCE	Regulated Electric Transmission/ Distribution	Develops, coordinates and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System.	Yes	Yes					
4829	SC-FERC TARRIFF AND COMPLIANCE	Regulated Electric Transmission/ Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system).	Yes	Yes					
4831	SC-CUSTOMER SERV CALL CENTERS	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers	Yes	Yes	Yes				
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	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.	Yes	Yes	Yes				
4840	SC-COMMUNITY AFFAIRS	All Customers	Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for community growth	Yes	Yes	Yes				
4845	SC-SERVICE GUARD MARKETING	Products and Services Customers (Non-Regulated)	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.	Yes		Yes				



## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4871	SC GAS ASSET OPTIMIZATION	Regulated Natural Gas Customers (No NEGD)	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.	Yes		Yes				
4872	SC-EXEC MGMT-UTILITIES	Regulated Utilities-Blended	Provides guidance, direction and management to overall utility operations and support services.	Yes	Yes	Yes	Yes	Yes		
4873	SC-ENERGY EFFICIENCY/DSM	All Customers	Supports the energy efficiency programs across the utilities.	Yes	Yes	Yes				
4874	SC-TECHNICAL TRAINING SAFETY	All Customers	Provides technical training support for gas and electric utilities.	Yes	Yes	Yes				
4875	SC-HR ROTATION PROGRAM	Regulated Utilities-Blended	Provides a rotation program to develop staff for critical need areas within the utility operating companies of Black Hills Corporation	Yes	Yes	Yes	Yes			
4876	SC- UTILITY PROCESS & SYSTEM TRAINING	Regulated Utilities-Blended	Provide training and support for utility employees on current and future business process standardization efforts.	Yes	Yes	Yes	Yes			
4877	SC-FIELD SUPPORT SERVICES	Regulated Utilities-Blended	Responsible for managing the design, development, configuration, access, integration, testing and security of the ClickSoftware suite in order to provide a high quality, value-added solution to business managers and end users.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	SC All- Blended	Manages the company's right of way activities.	Yes	Yes	Yes	Yes			
4880	SC-GROWTH STRATEGY & INNOVATION	Regulated Utilities-Blended	Provides the enterprise with analytics, continuous improvement management and business and planning services through collaboration, education and partnership. Research enterprise strategies through data and analytics projects that assist the enterprise in growth solutions.	Yes	Yes	Yes				
All Other	All Other	SC All-Blended	Departments at Black Hills Corporation and subsidiaries that are not specifically listed in the Cost Allocation Manual or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.		Yes	Yes	Yes	Yes	Yes	Yes
Centralized Utility Departments are primarily for the service of the Utility business units										

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

Account Range	Type of Accounts	50501	50502	50507	50504	50505	50506	50508	50509	50510	50511	50512	50513	50514	50515	50516	50520	50521	50522
		BHP	CLFP-E	COE	KSG	IAG	NEG	COG	NWWY	Shoshone	BHEA	GDCO	GDNE	GDWY	RMNG	BHES	GCO	GWY	GNE
440 - 449	Electric Sales Revenues	X	X	X															
450- 455	Misc Electric Revenues	X	X	X															
456 - 457	Electric Transmission Revenues	X	X	X															
480 - 486	Gas Sales Revenues				X	X	X	X	X		X	X		X		X	X	X	X
487 - 488	Misc Gas Revenues				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
489	Gas Transmission Revenues				X	X	X	X	X	X	X	X	X	X	X		X	X	X
490 - 496	Other Gas Revenues				X	X	X	X	X	X	X	X	X	X	X		X	X	X
500 - 515	Steam Power Generation	X	X																
517 - 532	Nuclear Power Generation																		
535 - 545	Hydraulic Power Generation																		
546 - 554	Other Power Generation	X	X	X															
555 - 557	Power Supply Expenses	X	X	X															
560 - 574	Electric Transmission Expenses	X	X	X															
575 - 576	Electric Regional Market Expenses	X	X	X															
580 - 598	Electric Distribution Expenses	X	X	X															
700 - 708	Manufactured Gas Steam Production																		
710 - 742	Manufactured Gas Production																		
750 - 769	Gas Production & Gathering										X				X				
770 - 791	Products Extraction														X				
795 - 798	Gas Exploration & Development																		
800 - 813	Gas Supply Expenses				X	X	X	X	X		X	X		X	X	X	X	X	X
814 - 837	Gas Storage Expenses										X			X	X				
840 - 843	Other Storage Expenses																		
844 - 847	LNG Terminaling Expenses																		
850 -869	Gas Transmission Expenses				X	X	X	X	X	X	X	X		X	X		X	X	X
870 - 894	Gas Distribution Expenses				X	X	X	X	X		X	X	X	X			X	X	X
901 - 905	Customer Accounts Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
907 - 910	Customer Service and Information Expenses	X	X	X	X	X	X	X	X		X	X	X	X		X	X	X	X
911 - 916	Sales Expenses	X	X	X	X	X	X	X	X		X	X	X	X		X	X	X	X
920 – 931	Administrative and General Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
932	Maintenance of general plant (gas)				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
935	Maintenance of general plant (electric)	X	X	X															

# Black Hills Service Company

## Cost Allocation Manual

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Amended: December 1, 2015

Amended: December 1, 2016

Amended: December 1, 2017

Amended: November 7, 2018

Amended: December 20, 2018

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Amended: December 20, 2020

# Black Hills Service Company Cost Allocation Manual

## Table of Contents

Introduction.....	3
Service Company Organization .....	3
Direct Costs versus Indirect Costs .....	4
Transaction Coding.....	6
General Ledger Business Unit (GLBU).....	6
Operating Unit (OpUnit).....	6
Department (Dept) .....	6
Account (Acct).....	7
Resource:.....	7
Product .....	7
Work Order: .....	7
Timekeeping.....	8
Loadings.....	8
Allocation Ratios.....	8
Changing Allocation Ratios .....	9
Subsidiary Payment for Direct and Indirect Charges .....	10
Allocating Fixed Assets .....	10
Allocating Capitalized Inventory .....	10
Allocating FERC Functional Accounts .....	10
Appendix 1 – Allocation Ratios .....	12
Appendix 2 – Service Company Departments.....	13
Appendix 3 – FERC Functional Accounts .....	18

## **Introduction**

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

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

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

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

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

## **Service Company Organization**

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

### Direct Costs versus Indirect Costs

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

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

Methods of Direct Charges include:

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

Here are some examples:

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

Methods of Direct Cost Distributed:

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

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

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

## KSG Direct Exhibit RRS-5

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

### Methods of Indirect Charges:

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

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

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

#### Always considered direct costs:

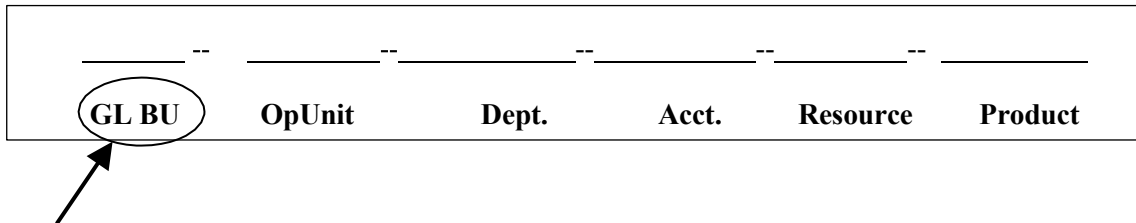
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

#### Always considered indirect costs:

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

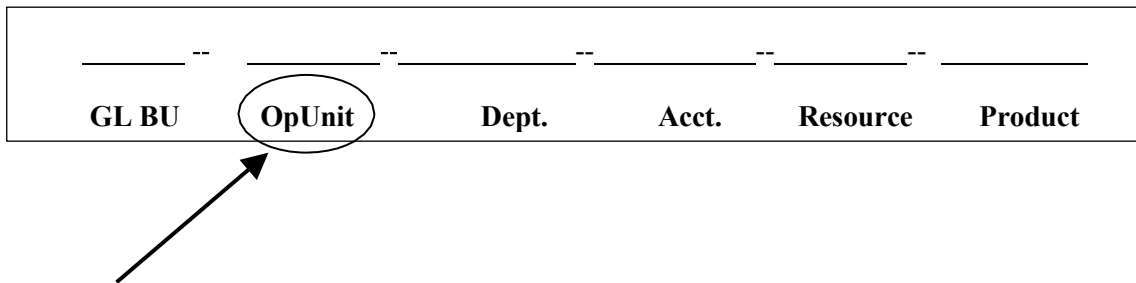
**Transaction Coding**

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



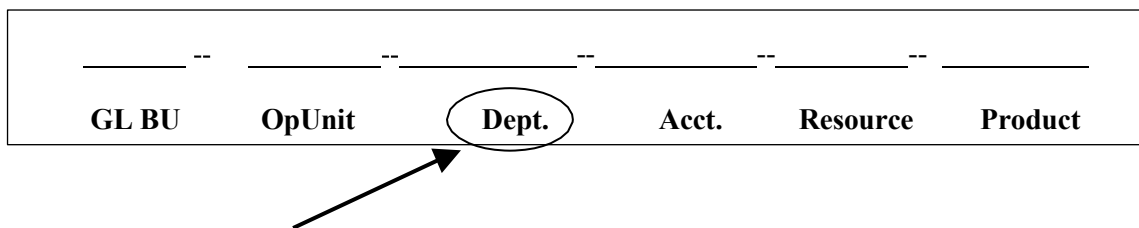
**General Ledger Business Unit (GLBU):**

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



**Operating Unit (OpUnit):**

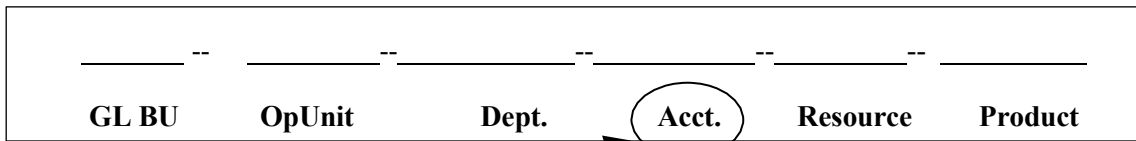
- Six (6) character numeric field.
- The OpUnit field is used to identify the code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- The Op Unit field will be populated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



**Department (Dept):**

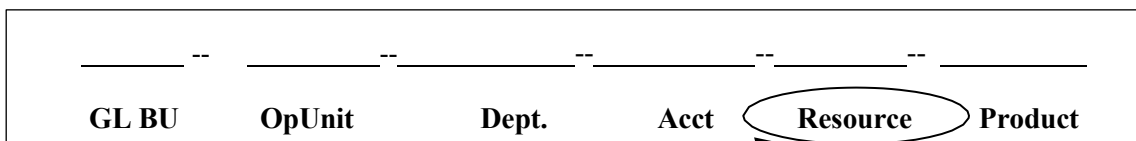
- Four (4) character numeric field.
- The Department field is used to identify where the cost(s) originated.
- The Department field is required on all income statement and capital transactions.
- Every Department is assigned to a GLBU.





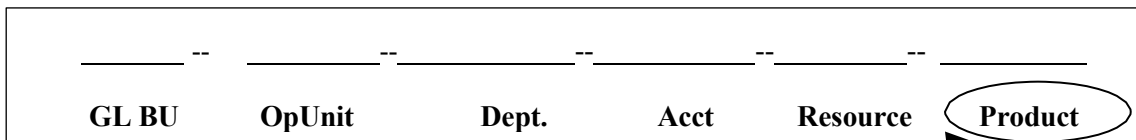
**Account (Acct)**

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



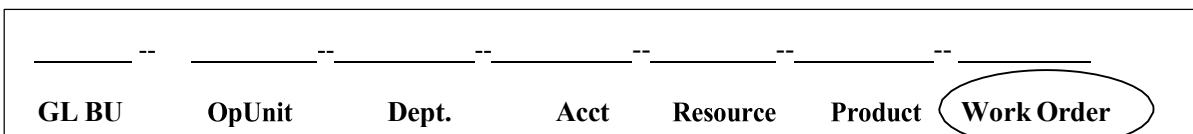
**Resource:**

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



**Product:**

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



**Work Order:**

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

## **Timekeeping**

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

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

## **Loadings**

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

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

General labor loadings:

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

Supplemental loadings:

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

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

## **Allocation Ratios**

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

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

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

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

### **Changing Allocation Ratios**

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

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

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

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

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

## Subsidiary Payment for Direct and Indirect Charges

It is the policy of the Service Company to 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 ensure that all subsidiary companies make payment in a timely manner.

### Allocating Fixed Assets

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

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

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

### Allocating Capitalized Inventory

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

### Allocating FERC Functional Accounts

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

### Appendix 1 – Allocation Ratios

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

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

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

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

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

- SC All-Blended (No BHES)
- SC All-Blended (No BHEA)

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

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

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

- Regulated Utilities
- Regulated Electric
- Regulated Natural Gas
- Regulated Natural Gas (No BHEA)

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

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

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

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

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

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

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

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

- All Customers
- Regulated Electric Customers
- Regulated Natural Gas Customers
- Regulated Natural Gas Customers (No NEGD)
- Products and Services Customers (Non-Regulated)

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

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4700	SC-ACCOUNTING SYSTEMS	SC All-Blended	Maintains the corporate-wide accounting systems of Black Hills Corporation, most notably the general ledger and financial statement preparation systems.		Yes	Yes	Yes	Yes	Yes	Yes
4704	SC-TAX	SC All-Blended	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.		Yes	Yes	Yes	Yes	Yes	Yes
4705	SC-CREDIT AND RISK	SC All-Blended	Provides risk management, risk evaluation, and risk analysis services. Provides support to the Executive Risk Committee. Evaluates contract risks		Yes	Yes	Yes	Yes	Yes	Yes
4706	SC-LEGAL - CORPORATE	SC All-Blended	Provides legal counsel and services related to general business operations, including labor and employment law, finance, litigation, contracts, utility rates and regulation, financial reporting, Securities and Exchange Commission, Federal Energy Regulatory Commission and other state and federal compliance, environmental matters, real estate and other legal matters. Oversees the hiring and administration of external counsel. Provides legal support to various corporate development projects. Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans.		Yes	Yes	Yes	Yes	Yes	Yes
4709	SC-ENVIRONMENTAL SERVICES	Asset Cost	Establishes policies and procedures for compliance with environmental laws and regulations. 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.		Yes	Yes	Yes	Yes	Yes	Yes
4710	SC-EXECUTIVE MGMT	SC All-Blended	Provides overall oversight of Black Hills Corporation and its subsidiaries. Provides the Board of Directors information for decision making purposes.		Yes	Yes	Yes	Yes	Yes	Yes
4711	SC-SAFETY	Employee Ratio	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.		Yes	Yes	Yes	Yes	Yes	Yes
4712	SC-TREASURY	SC All-Blended	Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and investing activities. Monitors capital markets to support financial planning for all subsidiaries. Oversees the administration of corporate pension and 401(k) plans.		Yes	Yes	Yes	Yes	Yes	Yes
4715	SC-CORPORATE ACCOUNTING	SC All-Blended	Provides management and administrative support for accounting functions of the Company's regulated and non-regulated businesses including external audit coordination. Responsible for closing the general ledger for the Company's regulated and non-regulated businesses. Oversees the corporate consolidation of subsidiary financial statements. Prepares monthly internal financial reports for management. Prepares quarterly and annual financial reports to the Securities and Exchange Commission, financial statements to banks and quarterly and annual financial statements filed with FERC. Researches emerging accounting issues and assists with the compliance of new accounting rules and regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4718	SC-HUMAN RESOURCES CORP	Employee Ratio	Provides general Human Resources support services to the subsidiaries for all facets of Human Resources, primarily talent management, recruiting, employment staffing and regulatory proceedings.		Yes	Yes	Yes	Yes	Yes	
4720	SC-HUMAN RESOURCES	Employee Ratio	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. 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.		Yes	Yes	Yes	Yes	Yes	
4721	SC-HR TOTAL REWARDS	Employee Ratio	Administers policies related to compensation and benefits. Oversees the self-insured medical benefits plans and other pooled benefits and provides support to the third party administrators of the plans		Yes	Yes	Yes	Yes	Yes	
4722	SC-HR TALENT MANAGEMENT	Employee Ratio	Provides for employee and leadership development, succession planning, performance management, goal alignment, employee engagement, strategic workforce planning, talent assessment and general HR support for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	
4723	SC - CORPORATE PLANNING	SC All Blended	Corporate Planning integrates all processes and engages all stakeholders in the development of corporate strategy and alignment of strategic initiatives.		Yes	Yes	Yes	Yes	Yes	Yes
4724	SC - DATA & ANALYTICS	SC All-Blended	Provides the enterprise with analytical consulting and solution services through collaboration, education, and partnership to assist the enterprise in meeting strategic goals and data-driven decision making.		Yes	Yes	Yes	Yes	Yes	Yes
4725	SC-INTERNAL AUDIT	SC All-Blended	Reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Oversees the Sarbanes Oxley compliance efforts.		Yes	Yes	Yes	Yes	Yes	Yes

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4726	SC-CORPORATE COMMUNICATIONS	SC All-Blended	Develops strategies and implements programs for effective communication with internal and external stakeholders. Develops and manages measured, and coordinated advertising. Designs and develops communication strategies and materials for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4728	SC-POWER DELIVERY MGMT	Power Generation Capacity	Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets.		Yes					Yes
4729	SC-PROPERTY ACCOUNTING	Asset Cost	Maintains 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. .		Yes	Yes	Yes	Yes	Yes	Yes
4730	SC-LEGAL – COMPLIANCE (RECORDS MGMT)	SC All-Blended	Administers and maintains the records retention policies and procedures of the corporation. Manages and maintains the content management software.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN MGMT	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials.		Yes	Yes	Yes		Yes	Yes
4732	SC-SUPPLY CHAIN	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders.		Yes	Yes	Yes		Yes	Yes
4734	SC-FLEET SERV	SC All-Blended	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.		Yes	Yes	Yes	Yes	Yes	Yes
4736	SC-REAL ESTATE & FACILITIES	SC All-Blended	Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances corporate objectives by initiating, influencing, monitoring, and researching government legislation and policies. Acts as a liaison with legislators and other governmental officials. Maintains relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT ADMINISTRATION	SC All-Blended	Provides guidance, governance, and strategic planning to the overall information technology operations.		Yes	Yes	Yes	Yes	Yes	Yes
4743	SC-IT BUS APPS FIN & HR SYSTEMS	SC All-Blended	Manages, maintains, and enhances the finance, human resource, web-based service and enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4744	SC-IT BUS APPS CUSTOMER SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise wide business applications.		Yes	Yes				
4745	SC-IT BUS APPS-WEB	SC All-Blended	Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes	Yes	Yes	Yes	Yes
4746	SC-IT BUS APPS-Utility Systems	SC All-Blended	Manages, maintains, and enhances the electric and natural gas utility enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4747	SC-IT INFRASTRUCTURE & Ops	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture and corporate databases. Supports the data and voice communication needs for the company and provides telecommunication expense management services as well as technology support services and field service support for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4749	SC-IT BUS APPS-ADDS-INTEG	SC All-Blended	Manages, maintains, and enhances the analytics and integration enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-IT SECURITY-COMPLIANCE-RISK	SC All-Blended	Responsible for internal and external audit compliance, disaster recovery, change management and legal compliance related to technology		Yes	Yes	Yes	Yes	Yes	Yes
4754	SC-GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHCOE and BHCIPP for the Pueblo Airport Generation Station		Yes					Yes
4755	SC-IT BUS APPS-PMO-ECM-GOV	SC All-Blended	Manages, maintains, and enhances the governance, project management, IT asset/service management, and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4756	SC-NORTHERN GAS GENERATION	Nameplate Generation Capacity	Operates and manages the generation for BHSDE and BHWYE for the Cheyenne Prairie Generation Station and Corriedale		Yes					Yes



## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4796	SC-BENEFIT LOADINGS	SC All-Blended	Records overhead benefit costs loaded to labor costs dependent on assigned allocation ratio		Yes	Yes	Yes	Yes	Yes	Yes
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/ Distribution	Allocates property assets (transmission)	Yes	Yes					
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes				
4793	SC – ASSET BLENDED	Blended Regulated Natural Gas (No BHEA)	Allocates property assets (service company)		Yes	Yes	Yes	Yes	Yes	Yes
4794	SC-BENEFIT POOLED	Employee Ratio	Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4795	SC-ACCOUNTING ACCRUAL ENTRIES	SC All-Blended	Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department		Yes	Yes	Yes	Yes	Yes	Yes
4803	SC- PIPELINE AND SYSTEM INTEGRITY	Regulated Natural Gas Blended	Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety.	Yes		Yes	Yes			
4804	SC-COMPLIANCE GAS	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4805	SC-ASSET PLANNING & DATA MANA	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY AND COMPLIANCE GAS	Regulated Natural Gas Blended	Responsible for implementing and reporting DOT regulatory requirements, maintaining standards, and supporting GIS Smallworld mapping.	Yes		Yes	Yes			
4807	SC – NGU GIS	Regulated Natural Gas Customers	Responsible for implementing and supporting GIS mapping.	Yes		Yes				
4808	SC – EU GIS	Regulated Electric Customers	Responsible for implementing and supporting GIS mapping.	Yes	Yes					
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/ Distribution	Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages.	Yes	Yes					
4811	SC-OPERATIONAL SERVICES	Regulated Electric Transmission/ Distribution	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.	Yes	Yes					
4812	SC-TRANSMISSION ENGINEERING SERVICES (TES)	Regulated Electric Transmission/ Distribution	For all three electric utilities, transmission Services directs the 24/7 Reliability Centers in Rapid City and Pueblo, Transmission Planning, NERC Compliance, FERC Compliance, Vegetation Management, and Transmission Tariff Administration.	Yes	Yes					
4813	SC-TRANSMISSION & DISTRIBUTION ENGINEERING	Regulated Electric Transmission/ Distribution	For all three electric utilities, T&D Engineering provides engineering support of electric transmission and distribution facilities including planning, monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/ Distribution	For all three electric utilities, designs, coordinates, and oversees the electric substation infrastructure for all Black Hills Energy electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same. Will include work with Transmission and Distribution assets.	Yes	Yes					
4815	SC-ENGINEERING RESOURCES	Regulated Electric Transmission/ Distribution	For all three electric utilities, working with other departments coordinates talent development of engineers responsible for all Black Hills Energy electric utilities. Includes identifying project assignments in other groups, training opportunities, and rotational positions.	Yes	Yes					
4816	SC-GENERATION DISPATCH POWER MARKETING	GDPM	Manages the three electric utilities and others generation units dispatch and energy management services to generating resources on a system wide, least-cost basis.		Yes					Yes

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4818	SC-MAINTENANCE	Regulated Electric Transmission/Distribution	For all three electric utilities, Maintenance Services supports the maintenance of the substation and lines within the Electric Utilities.	Yes	Yes					
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/Distribution	For all three electric utilities, Vegetation Management supports the vegetation management and wildfire mitigation programs across all Electric Utilities.	Yes	Yes					
4820	SC- ELECTRIC ASSET MANAGEMENT	Regulated Electric Blended	Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T and D asset management, metering, substation maintenance, GIS/drafting and outage management systems.	Yes	Yes					
4821	SC-PWR SUPPLY AND RENEWABLES	Regulated Electric Blended	Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies.	Yes	Yes					
4822	SC-REGULATORY AND FINANCE	SC All-Blended	Provides regulatory financial support for all electric and gas utility regulatory filings including: rates cases, class cost of service, rate design, reporting, adjustment clauses, riders, trackers and other regulatory issues. Additionally, provides financial management to the Company's regulated and non-regulated businesses. Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide- budget and forecast. Guides the preparation of strategic plans.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4823	SC-RELAY & CONTROLS	Regulated Electric Transmission/Distribution	For all three electric utilities, supports the maintenance of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS MEASUREMENT SERV	Regulated Natural Gas Customers	Manages and provides gas measurement support to field operations located in gas service states.	Yes		Yes				
4825	SC-ASSET PROGRAMS	All Customers	This department provides management and oversight over the vegetation management and outage management services provided to the electric utilities.	Yes	Yes	Yes				
4826	SC-ELECTRIC METER SERVICES	All Customers	Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric entities. And provides support for the MDMS system for Gas and Electric.	Yes	Yes	Yes				
4827	SC-TRANSMISSION & DISTRIBUTION PLANNING	Regulated Electric Transmission/Distribution	Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups.	Yes	Yes					
4828	SC-NERC COMPLIANCE	Regulated Electric Transmission/Distribution	Develops, coordinates and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System.	Yes	Yes					
4829	SC-FERC TARRIFF AND COMPLIANCE	Regulated Electric Transmission/Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system).	Yes	Yes					
4830	SC - EU OMS SERVICES	Regulated Electric Customers	Researches, builds and implements utility software solutions for the benefit of electric operations. This department supports, STORMS work management, PowerOn outage management,	Yes	Yes					
4831	SC-CUSTOMER SERV CALL CENTERS	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers	Yes	Yes	Yes				
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	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.	Yes	Yes	Yes				
4840	SC-COMMUNITY AFFAIRS	All Customers	Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for community growth	Yes	Yes	Yes				

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4845	SC-SERVICE GUARD MARKETING	Products and Services Customers (Non-Regulated)	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.	Yes		Yes				
4871	SC GAS ASSET OPTIMIZATION	All Customers	Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services.	Yes	Yes	Yes				
4872	SC-EXEC MGMT-UTILITIES	Regulated Utilities-Blended	Provides guidance, direction and management to overall utility operations and support services.	Yes	Yes	Yes	Yes	Yes		
4873	SC-ENERGY EFFICIENCY/DSM	All Customers	Supports the energy efficiency programs across the utilities.	Yes	Yes	Yes				
4874	SC-TECHNICAL TRAINING SAFETY	All Customers	Provides technical training support for gas and electric utilities.	Yes	Yes	Yes				
4875	SC-HR ROTATION PROGRAM	Regulated Utilities-Blended	Provides a rotation program to develop staff for critical need areas within the utility operating companies of Black Hills Corporation	Yes	Yes	Yes	Yes			
4876	SC- STRATEGIC INITATIVES	Regulated Utilities-Blended	Provide training and support for utility employees on current and future business process standardization efforts. As well as providing support in the alignment of strategic initiatives for the enterprise.	Yes	Yes	Yes	Yes			
4877	SC-UTILITY TECHNOLOGY SYSTEMS	Regulated Utilities-Blended	Responsible for managing the design, development, configuration, access, integration, testing and security of the ClickSoftware suite in order to provide a high quality, value-added solution to business managers and end users.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	SC All- Blended	Manages the company's right of way activities.	Yes	Yes	Yes	Yes			
4880	SC-BUSINESS DEVELOPMENT	Regulated Utilities-Blended	Provides the enterprise management and business and planning services through collaboration, education and partnership	Yes	Yes	Yes				
4881	SC-ENERGY INNOVATION	Regulated Utilities-Blended	Provides the enterprise with energy innovation strategies to assist the enterprise in growth solutions.	Yes	Yes	Yes				
All Other	All Other	SC All-Blended	Departments at Black Hills Corporation and subsidiaries that are not specifically listed in the Cost Allocation Manual or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.		Yes	Yes	Yes	Yes	Yes	Yes
Centralized Utility Departments are primarily for the service of the Utility business units										

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

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