

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

MAY 31 2011

by  
State Corporation Commission  
of Kansas

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

Docket No. 11-BHCG- 800-CPL

**COMPLIANCE FILING OF  
BLACK HILLS ENERGY**

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

1. Black Hills' Cost Allocation Manual ("CAM") and Service Agreement with Black Hills Service Company, LLC ("BHSC"). Black Hills' CAM and Service Agreement with Black Hills Utility Holdings, Inc. ("BHUH"), attached hereto and incorporated herein (requirement A1);

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

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

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

5. Organizational chart of personnel that includes list of directors, corporate officers, and other key personnel shared by any jurisdictional public utility and any non-utility associate company or holding company, along with a description of each person's duties and responsibilities to each entity, including:

- (a) Board list and description;
- (b) Kansas Officer list and responsibilities; and

(c) Other key personnel - None (officer list sufficiently identifies key personnel), attached hereto and incorporated herein (requirement B3);

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

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

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

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

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

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

(1) This information is not maintained;

(2) This information is not maintained; and

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

9. List of analysts that have recently provided either research updates on BHC or made comments regarding latest earnings:

D.A. Davidson - January 31, 2011, April 13, 2011, and May 11, 2011;

East Shore Partners - April 1, 2011, May 11, 2011;

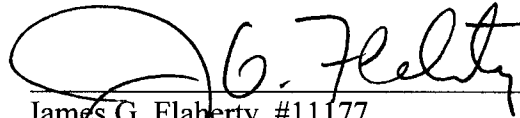
Gabelli - May 12, 2011;

J P Morgan - first quarter earnings;

BMO Capital Markets - first quarter earnings

Credit Suisse - first quarter earnings

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

A handwritten signature in black ink, appearing to read "J. G. Flaherty", is written over a horizontal line.

James G. Flaherty, #11177

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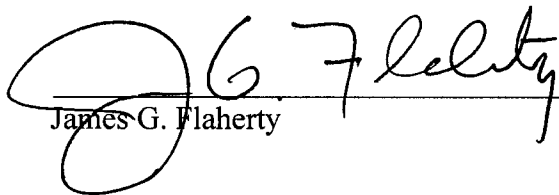
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Attorneys for Black Hills Energy

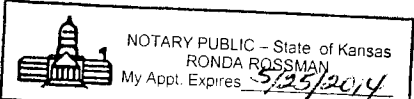
**VERIFICATION**


STATE OF KANSAS            )  
  )ss:  
COUNTY OF FRANKLIN    )

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

  
\_\_\_\_\_  
James G. Flaherty

SUBSCRIBED AND SWORN to before me this 31<sup>st</sup> day of May, 2011.

  
Appointment/Commission Expires:

  
\_\_\_\_\_  
Notary Public

# Black Hills Service Company

## Cost Allocation Manual

Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

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## **Introduction**

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

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

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

The Service Company is a wholly owned subsidiary of Black Hills Corporation (the Holding Company), and is a separate legal entity. The majority of operations and all employees were transferred out of the Holding Company on the effective date of implementation. The only transactions that remain at the Holding Company are transactions pertaining to long-term debt and related deferred finance costs, corporate credit facility and related deferred finance costs, and the administration of money pool transactions for both the utility money pool and the non-utility money pool. In addition, as will be discussed in greater detail later, certain corporate costs are allocated directly to the Holding Company. The most notable of these types of costs are corporate development project costs.

## **Service Company Organization**

The Service Company is organized into operating departments based upon the services that those departments provide to Black Hills Corporation subsidiaries. A list of each department, as well as a brief description of the services they provide, is attached as Appendix 1.

## **Direct Costs versus Indirect Costs**

A key issue in distributing Service Company costs is distinguishing between direct costs and indirect costs. The account coding will change depending on whether the cost is a direct or indirect cost. Below is a summary of each of these types of costs and examples of these costs.

**Direct costs** are those costs that are specifically associated with an identified subsidiary or group of identified subsidiaries. This means that it is known exactly to which subsidiary or group of subsidiaries these costs relate. Here are some examples:

- A Payroll Processor is processing the payroll for Enserco. The labor costs incurred in processing payroll are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.
- An Internal Auditor travels to Denver to complete audits for Enserco and Black Hills Exploration and Production. The time associated with completing the audits would be charged to each company based on the time worked for each specific company project. The travel expenses could either be coded to each company based on time worked or coded using a combination of spreading those charges equally and charging costs specifically to one of the companies each day worked. For example, one meal to Enserco, the next meal to BHEP, etc.
- The Human Resources department incurs costs to bring an employment candidate on-site to Gillette for an interview with Wyodak. These travel costs incurred in bringing the employee in for the interview are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.
- A Help Desk technician orders a replacement computer monitor for an employee at Black Hills Power. This hardware cost incurred is specifically associated with an identified subsidiary. Therefore, this would be a direct cost.

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

- A Payroll Processor attends training on year-end payroll updates. The labor costs incurred in attending this training are not specifically associated with an identified subsidiary. Therefore, this would be an indirect cost.
- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.
- An Environmental representative wishes to take Paid-Time-Off (PTO). This charge can not be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost.



- A Help Desk technician orders a replacement computer monitor for an employee of the Service Company. This hardware cost incurred is specifically associated with the Service Company. Therefore, this would be an indirect cost.

It is important to consider two things when determining if a cost is a direct cost or an indirect cost: (1) Can the costs that are coded to a specific company or group of companies be substantiated; and (2) Can it be substantiated that a utility-based entity is not subsidizing the operations of non-utility based company with the time and expenses that have been charged to them. As can be seen from above, 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 direct or indirect costs, no matter the circumstances. Below is a list of significant Service Company expenses that follow these rules:

Always considered direct costs:

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

Always considered indirect costs:

- PTO and Holiday labor (they are included as a component of overhead)
- Corporate-wide bonuses and other similar methods of compensation that are included as a component of overhead
- Payroll taxes and 401(k) match expenses (they are included as components of overhead)
- Short or long-term disability expenses
- Board of Directors' fees and expenses
- General Office rent
- Depreciation
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

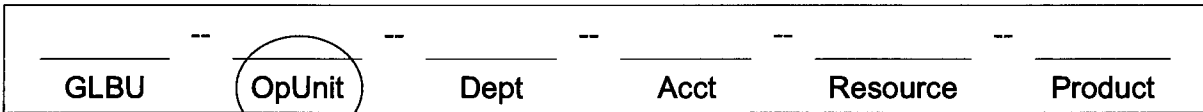
## **Transaction Coding**

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.



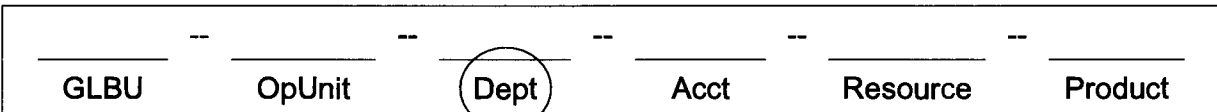
**General Ledger Business Unit (GLBU):**

- Five (5) character numeric field.
- The GLBU is used to identify the company that will be receiving the charges.
- The GLBU is required on all accounting transactions.
- The GLBU is auto-populated by default when the OpUnit is entered.



**Operating Unit (OpUnit):**

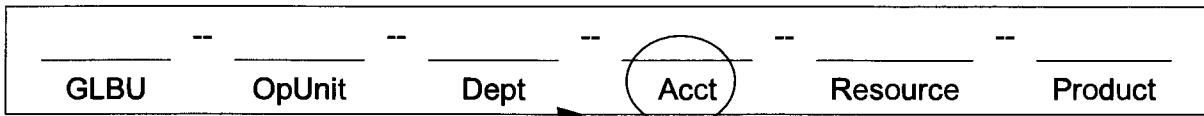
- Six (6) character numeric field.
- The OpUnit field is used to identify the account code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- If the cost is an indirect cost, the OpUnit field will be populated using the general Service Company OpUnit 701600. Indirect costs also include costs directly related to the Service Company.



**Department (Dept):**

- Four (4) character numeric field.
- The Dept field is used to identify where the cost(s) originated.

- The Dept field is required on all income statement and capital transactions.
- Every Dept is assigned to a GLBU.



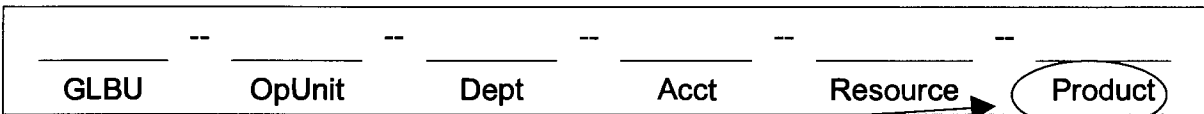
#### Account (Acct)

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



#### Resource (PS Resc):

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



#### Product (Prod):

- Three (3) character numeric field.
- A Product code is used to identify business lines.

## **Timekeeping**

All Service Company employees are required to complete a timesheet for each two week pay period. Timesheets of all 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 employees' payroll 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 upon budgeted benefit expenses and budgeted labor and are reviewed monthly and updated as needed. These rates are loaded into the accounting system. Below is a list of components of the loading rates:

General loadings:

- Compensated Absences: including PTO, Holiday, Jury duty, Funeral pay, United Way day and Annual Physical appointment.
- Payroll Taxes: including FICA, FUTA SUTA and city taxes
- Employee Benefits: including health and medical, 401K match and fees, Pension, Retiree healthcare and associated fees and Pension audit fees
- Incentives: including Non-officer bonus plans, Restricted Stock and Stock Option expense

Supplemental loadings:

- Officer bonus plans
- Long-term disability
- Officer pension benefits

At the end of each month, loadings calculated on payroll using the loading rates must be true-ed up against actual employee benefit costs. The purpose for this true-up is due to the fact that the Service Company's income statement must net to zero, meaning there can be no net income or net loss remaining at the Service Company. Loadings calculated on payroll are based on an estimated rate and budgeted benefits, so differences between actual benefits will be inherent to this process. The main reasons for the difference is the employee benefit costs differ from the budget payroll differs from budget or timing. After the difference is calculated and reviewed for reasonableness, it is recorded to a separate department, and indirectly allocated to Black Hills Corporation subsidiaries.

## **Allocation Factors**

As previously stated, Service Company costs are either directly charged to a subsidiary, or indirectly allocated when the cost is not associated with a specific subsidiary. Indirect costs are allocated using one of several pre-defined allocation factors. Each department has been assigned one of these allocation factors. All indirect costs of that department are then allocated using that factor. When determining which allocation factor should be assigned to each cost center, a factor was 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 cost centers, a specific cost driver may not be clearly identifiable or the driver may not be cost efficient to compute on a continuing basis. In these instances, a three-pronged general allocation factor is used, which is referred to as the Blended Ratio. This ratio equally weights three different general ratios: Gross Margin, Asset Cost (limited to PP&E), and Payroll Dollars. These factors were chosen to be included in the Blended Ratio because they best allocate costs based on the diverse nature of BHC operations.

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

One additional item to note is that health care costs are allocated differently due to the self-insurance pool. Black Hills Corporation has chosen to pool all health care costs and spread the risk amongst all subsidiaries equally. All medical costs of BHC are paid by the Service Company and allocated to subsidiaries based on employee counts.

Appendix 2 includes a list of all allocation factors, including a brief description of the factor, the basis for the calculation of the factor, and the departments to which that factor has been assigned. Any asset factors and employee count factors are calculated as of period-end dates, while revenue and expense factors are calculated for twelve months ended as of period-end dates.

## **Changing Allocation Factors**

Allocation factors are set at the first of the year, based upon financial information from the prior year ending December 31<sup>st</sup>. Assets, utility assets, employee counts, and power generation capacity are based on values as of the previous period ending

December 31<sup>st</sup>. Gross margin, utility gross margin, payroll dollars, and utility payroll dollars are based on values for the 12 months ended December 31<sup>st</sup>.

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

When these events occur, indirect allocation factors will be adjusted. When adjusting allocation factors, it is the policy of the Service Company to not recalculate all allocation factors. Rather, allocation factors will be adjusted with pro forma adjustments. 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, and will apply to all transactions for the month.

Any changes to indirect allocation factors are initiated by one member of the allocations staff and reviewed by the Financial Manager of the Service Company. Allocation factors loaded into the system are reviewed by someone other than who input the factors into the system.

### **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. Payment requests will be provided directly to the accounts payable departments of the subsidiary companies. The Service Company will monitor payments received during the month to insure that all subsidiary companies make payment in a timely manner.

### **Allocating Fixed Assets**

The Service Company maintains certain fixed assets that are used by and benefit multiple Black Hills Corporation subsidiaries. These fixed assets primarily consist of computer hardware and software that form the corporate-wide information technology network. Because these fixed assets support multiple Black Hills Corporation subsidiaries, they are allocated to the appropriate subsidiaries monthly as part of the

month-end close process, along with the allocation of these assets' accumulated depreciation.

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 factor used for fixed assets and accumulated depreciation is the Blended Ratio, except as otherwise noted. Depreciation expense is allocated using the same ratio as the asset.

## APPENDIX 1

### BHSC DEPARTMENTS

*Accounting Systems (4700)* – Maintains the corporate wide accounting systems of Black Hills Corporation, most notably the general ledger and financial statement preparation systems. (Blended Ratio)

*Accounts Payable (4701)* – Processes payments to vendors and prepares 1099s and applicable documentation for the majority of Black Hills Corporation subsidiaries. (Blended Ratio)

*Corporate Development (4702)* – Facilitates the development of the corporate strategy, prepares strategic plans, and evaluates potential business opportunities. (HoldCo Blended Ratio)

*Corporate Governance and Shareholder Services (4703)* – Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Oversees the administrative duties to the Board of Directors. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans. (HoldCo Blended Ratio)

*Tax (4704)* – Prepares quarterly and annual tax provisions of all Black Hills Corporation subsidiaries. Maintains and reconciles all current and deferred income tax general ledger accounts. Prepares tax filings and ensures compliance with applicable laws and regulations. Oversees various tax planning projects. (Blended Ratio)

*Credit and Risk (4705)* – Provides risk management, risk evaluation, and risk analysis services. Provides support to the Executive Risk Committee. Evaluates contract risks. (Blended Ratio)

*Legal - Corporate (4706)* – Provides legal services related to labor and employment law, litigation, contracts, rates and regulation, Securities and Exchange Commission compliance, environmental matters, real estate and other legal matters. Oversees the hiring and administration of external counsel. Provides legal support to various corporate development projects. (Blended Ratio)

*Environmental Services (4709)* – 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. (Asset Ratio)



*Executive Management (4710)* – Provides overall oversight of Black Hills Corporation subsidiaries. Provides the Board of Directors information for decision making purposes. (HoldCo Blended Ratio)

*Safety (4711)* – Develops and implements safety planning activities and provides employee safety education. Administers the corporate safety program. Assists with compliance with DOT, OSHA, and MSHA regulations. (Employee Ratio)

*Finance and Treasury (4712)* – Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, cash management, debt compliance, investing activities and monitoring the capital markets. Oversees the administration of corporate pension and 401(k) plans. (HoldCo Blended Ratio)

*Financial Reporting (4713)* – 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. Researches emerging accounting issues and assists with the compliance of new accounting rules and regulations. (HoldCo Blended Ratio)

*Budget and Forecasting (4714)* - Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide budget and forecast. Guides the preparation of strategic plans. (Blended Ratio)

*General Accounting (4715)* – Provides maintenance of accounting and financial reporting, researches emerging accounting issues, and assists in the compliance of all accounting rules and regulations. (Blended Ratio)

*Accounting- Central Services (4716)* – Maintains the accounting records for Black Hills Service Company and Black Hills Corporation. Provides oversight of Accounts Payable, Payroll, and Property Accounting departments. (Blended Ratio)

*Accounting-Generation Services (4717)* – Provides general ledger accounting to non-regulated generation facilities and accounting support to all generation facilities. (Generation Capacity Ratio)

*Human Resources Corporate (4718)* – Establishes and administers policies related to employment, compensation and benefits. Provides general HR support services. (Employee Ratio)

*Human Resources Regulated (4720)* – Administers policies related to employment, compensation and benefits for the regulated subsidiaries. Provides general HR support services to the regulated subsidiaries. (Employee Ratio)

*Compensation and Benefits (4721)* – Administers policies related to compensation and benefits. Oversees the self-insured medical benefits plans and provides support to the third party administrators of the plans. (Employee Ratio)

*Organization Development and Training (4722)* – Provides technical and professional development training. Provides general HR support services. (Employee Ratio)

*Insurance (4724)* – Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. (Blended Ratio)

*Internal Audit (4725)* – Reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Oversees the Sarbanes Oxley compliance efforts. (Blended Ratio)

*Company Communications (4726)* – Provides oversight to the corporate communications processes. Provides communications to investors and the financial community. Provides advertising and branding development for the companies within Black Hills Corporation. Responsible for media relations. Manages and tracks all contributions made on behalf of Black Hills and its subsidiaries, as well as Black Hills Corporation Foundation. Assists in the preparation of the annual report. (Blended Ratio)

*Payroll (4727)* – Processes payroll for all Black Hills Corporation subsidiaries including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports. (Employee Ratio)

*Power Delivery Management (4728)* – Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets. (Generation Capacity Ratio)

*Property Accounting (4729)* – Maintains the accounting records for property, plant and equipment for the majority of subsidiaries of the corporation. Assists in the compliance with regulatory accounting requirements as it relates to property. Prepares various operating and financial reporting for management. (Asset Ratio)

*Records Management (4730)* – Administers and maintains the records retention policies and procedures of the corporation. Manages and maintains the content management software. (Blended Ratio)

*Supply Chain Management (4731)* – Develops strategies and provides general oversight to Facilities, Contract Management, Strategic Sourcing, Fleet Services, Materials Management and Supplier Diversity departments. (Blended Ratio)

*Contracts Management (4732)* – Manages contracts, including drafting, negotiating and reviewing and interpreting contracts. (Blended Ratio)

*Strategic Sourcing (4733)* – Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. (Blended Ratio)

*Fleet Services (4734)* – Manages fleet expense cards, fleet contracts, vehicle purchasing, replacement and disposal and licensing and registration. Manages vehicle maintenance schedules. (Blended Ratio)

*Supplier Diversity (4735)* – Develops new sources of supply for all types of products and services and promotes the inclusion of diverse suppliers into the supply chain bidding process. (Blended Ratio)

*Facilities Management (4736)* – Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning. (Blended Ratio)

*Utility Communications (4737)* – Manage and create internal and external communications for the utility companies. Provides advertising and branding development for the utility companies within Black Hills Corporation. (Utility Blended Ratio)

*Creative Services (4738)* – Provides graphical support to internal and external communications, advertising and branding for the companies within Black Hills Corporation. Maintains logo standards. (Blended Ratio)

*Federal Governmental Affairs (4739)* – Monitors, reviews, and researches government legislation and acts as a liaison with legislators. Manages the company's lobbying strategy. (Blended Ratio)

*Regulatory Management (4740)* - Manages all aspects of regulatory requirements and relationships. (Blended Ratio)

*State Governmental Affairs (4741)* – Monitors, reviews, and researches government legislation and acts as a liaison with legislators. Maintains relationships with local and state governmental bodies. (Blended Ratio)

*Information Technology Administration (4742)* – Provides guidance, governance, and strategic planning to the overall information technology operations. Provides liaison services between information technology departments and their business partners. (Blended Ratio)

*Information Technology Business Applications Financial and HR Systems (4743)* – Manages, maintains, and enhances the financial and human resource related business applications of the company. (Blended Ratio)

*Information Technology Business Applications (4744)* – Manages, maintains, and enhances business applications within the utility companies. (Utility Blended Ratio)

*Information Technology Business Applications Web Service Support (4745)* – Manages, maintains, and enhances the web-based service business applications of the company. (Blended Ratio)

*Information Technology Business Applications Wholesale and Enterprise Systems (4746)* – Manages, maintains, and enhances the wholesale and enterprise-wide business applications of the company. (Blended Ratio)

*Information Technology Infrastructure Services (4747)* – Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture, and corporate databases. (Blended Ratio)

*Information Technology Communications (4748)* – Manages and supports the data and voice communication needs for the company. Provides telecommunication expense management services. (Blended Ratio)

*Information Technology User Services (4749)* – Provides technology support services for the company, including field services, the help desk, and technology integration. (Blended Ratio)

*Corporate Security (4750)* – Manages and supports the systems that provide both information and physical security services for the company. (Blended Ratio)

*Information Technology Compliance (4751)* – Responsible for internal and external audit compliance, disaster recovery, change management and legal compliance related to technology. (Blended Ratio)

*Materials Management (4752)* – Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. (Blended Ratio)

*Process Improvement (4753)* - Helps identify solutions to improve work processes, maximize business performance and add value for customers and stakeholders. (Blended Ratio)

*Generation Plant Operations (4754)* – Operates and manages the new generation for BHCOE and BHCIPP. (Nameplate Generation Ratio)

*Asset Blended (4793)* – Records depreciation for the Service Company assets. (Blended Ratio)

*Benefits Pooled (4794)* – Records those benefit costs, primarily related to health and welfare, for all companies to be pooled and allocated to subsidiaries. (Employee Ratio)

*Accounting Accruals (4795)* – Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department. (Blended Ratio)

*Benefits Loading (4796)* - Records overhead benefit costs loaded to labor costs (Blended Ratio)

## **APPENDIX 2**

### **ALLOCATION FACTORS**

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

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

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

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

*Payroll Dollars Ratio* – Based on the total payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000.

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

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

Departments that utilize this ratio include Accounting Systems, Accounts Payable, Tax, Credit and Risk, General Accounting, Insurance, Internal Audit, Legal, Company Communications, Records Management, Supply Chain Management, Contract

Management, Strategic Sourcing, Fleet Services, Supplier Diversity, Facilities, Creative Services, Federal Governmental Affairs, Regulatory Management, State Governmental Affairs, Information Technology Administration, Information Technology Business Applications Wholesale and Enterprise, Information Technology Business Applications Web Service Support, Information Technology Business Applications Financial and HR Systems, Information Technology Infrastructure Services, Information Technology Communications, Information Technology User Services, Corporate Security, Information Technology Compliance, Materials Management, Process Improvement, Central Services, Budgeting & Forecasting, Assets Blended, Accounting Accruals, Benefits, Retiree and BHSC portion of the Rapid City Plant Street Facility and Bellevue Data Center Facility.

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

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

In addition, a portion of directors and officer's insurance expense incurred through the Insurance cost center will be direct charged to the BHC Holding Company.

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

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

*Power Generation Capacity Ratio* – Based on the total power generation capacity at the end of the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Power generation includes capacity in service and capacity under construction.

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

*Utility Asset Cost Ratio* – Based on the total cost of utility assets as of December 31 for the prior year, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility assets are limited to property, plant, and equipment, and include construction or work in process. Assets are also reported at their FERC value, meaning that assets for the utility

subsidiaries will not include any eliminations that are done to bring their FERC financial statements into compliance with GAAP. FERC requires that acquired fixed assets be recorded at their gross value with accumulated depreciation, while GAAP requires that acquired fixed assets be recorded at their net value. An elimination journal entry is used to eliminate the gross-up for preparation of GAAP financial statements, but this elimination journal entry is not factored into the calculation of the Utility Asset Cost Ratio.

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

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

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

*Utility Payroll Dollars Ratio* – Based on the total utility payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000.

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

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

The Utility Communications and IT Business Applications departments utilize this ratio.

*Nameplate Generation Capacity Ratio* – Based on the total Colorado Airport Project power generation capacity at the end of the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Nameplate generation includes capacity in service and capacity under construction at the Colorado Airport Project.

The Generation Plant Operations department utilizes this ratio.

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

The Rapid City Plant Street Facility operating unit utilizes this ratio.





**SERVICE AGREEMENT  
(Utility)**

This Service Agreement (the “**Agreement**”) is made effective the 1<sup>st</sup> day of August, 2009 (Effective Date), by and between Black Hills/Kansas Gas Utility Company, LLC (“**Client**”) and Black Hills Service Company, LLC (“**Service Company**”).

**WITNESSETH**

WHEREAS, Service Company was formed on December 30, 2004, and became operational on January 1, 2006.

WHEREAS, Service Company operates as a centralized service company under the Energy Policy Act of 2005 (the “**Act**”) and the Public Utility Holding Company Act of 2005 (“**PUHCA 2005**”), pursuant to Order Nos. 667 and 667-A of the Federal Energy Regulatory Commission (“**FERC**”).

WHEREAS, Service Company is a subsidiary of Black Hills Corporation (“**Black Hills**”) and Client is an affiliate of Service Company.

WHEREAS, Service Company and Client have entered into this Agreement whereby Service Company agrees to provide and Client agrees to accept and pay for various services as provided herein at cost, and pursuant to Black Hills Service Company Cost Allocation Manual, with cost determined in accordance with applicable rules and regulations under the Act, which require Service Company to fairly and equitably allocate costs among all associate companies to which it renders services, including Client.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Agreement covenant and agree as follows:

**ARTICLE 1  
SERVICES**

Section 1.1 Service Company shall furnish to Client, as requested by Client, upon the terms and conditions hereinafter set forth, such of the services described in the Black Hills Service Company Cost Allocation Manual (“**CAM**”), at such times, for such periods and in such manner as Client may from time to time request and that Service Company concludes it is able to perform. Service Company shall also provide Client with such special services, in addition to those services described in the CAM, as may be requested by Client and that Service Company concludes it is able to perform. Service Company shall use its best efforts to maintain a staff trained and experienced in the design, construction, operation, maintenance, and management of public utility properties, and shall keep itself and its personnel available to provide services to Client so long as it is authorized to do so by the appropriate federal and state regulatory agencies. In supplying such services, Service Company may arrange, where it deems appropriate, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services.

Section 1.2 Client shall take from Service Company such of the services described in Section 1.1, and such additional general or special services, whether or not now contemplated as are requested from time to time by Client and that Service Company concludes it is able to perform.

Section 1.3 The services described herein or contemplated to be performed hereunder shall be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. Client shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) any such amendment or alteration that results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by Service Company, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by Service Company as a direct result of such amendment, alteration or rescission of the activity, project program or work order, and (iii) no amendment, alteration or rescission of any activity, project, program or work order shall release Client from liability for all costs already incurred by or contracted for by Service Company pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

## **ARTICLE 2 COMPENSATION**

Section 2.1 As compensation for the services to be rendered hereunder, Client shall pay to Service Company all costs which reasonably can be identified and related to particular services performed by Service Company for or on Client's behalf. The methods for assigning or allocating Service Company costs to Client, as well as to other associate companies, are set forth in the CAM.

Section 2.2 The methods of assignment, distribution or allocation of costs described in the CAM shall be subject to review annually, or more frequently if appropriate. Such methods of assignment, distribution or allocation of costs may be modified or changed by Service Company.

Section 2.3 Service Company shall render a monthly statement to Client that shall reflect the billing information necessary to identify the costs charged for that month. By the twentieth (20th) day of each month, Client shall remit to Service Company all charges billed to it.

Section 2.4 It is the intent of this Agreement that the payment for services rendered by Service Company to Client under this Agreement shall cover all the costs of Service Company doing business (less the costs of services provided to affiliated companies not a party to this Agreement and to other non-affiliated companies, and credits for any miscellaneous items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed in rendering the services hereunder, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and compensation for use of capital as permitted under the Act.

**ARTICLE 3  
TERM**

Section 3.1 This Agreement shall become effective on the Effective Date and shall continue in force until terminated by Service Company or Client, upon not less than one year's prior written notice to the other party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with the Act or with any rule, regulation or order of the FERC adopted before or after the date of this Agreement.

**ARTICLE 4  
LIMITATION OF LIABILITY AND INDEMNIFICATION**

Section 4.1 In performing the services hereunder, Service Company will exercise due care to assure that the services are performed in an appropriate manner, meet the standards and specifications set forth in any applicable request for service and comply with the applicable standards of law and regulation. However, failure to meet these obligations shall in no event subject Service Company to any claims by or liabilities to Client other than to reperform the services and be reimbursed at cost for such reperformance. Service Company makes no other warranty with respect to its performance of the services, and Client agrees to accept such services without further warranty of any nature.

Section 4.2 To the fullest extent allowed by law, Client shall and does hereby indemnify and agree to save harmless and defend Service Company, its agents and employees from liabilities, taxes, losses, obligations, claims, damages, penalties, causes of action, suits, costs and expenses or judgments of any nature, on account of, or resulting from the performance and prosecution of any services performed on behalf of Client pursuant to this Agreement, whether or not the same results or allegedly results from the claimed or actual negligence or breach of warranty of, or willful misconduct by, Service Company or any of its employees, agents, clients, or contractors or its or their subcontractors or any combination thereof.

**ARTICLE 5  
MISCELLANEOUS**

Section 5.1 All accounts and records of Service Company shall be kept in accordance with the Uniform System of Accounts for Centralized Service Companies promulgated by the FERC.

Section 5.2 New direct or indirect non-utility subsidiaries of Black Hills, which may come into existence after the Effective Date of this Agreement, may become additional clients of Service Company and subject to a service agreement with Service Company, or an existing client may wish to obtain additional services from Service Company. Likewise, an existing direct or indirect subsidiary of Black Hills may cease to be a client or cease to take individual services from Service Company. In either event, the parties hereto shall make such changes in the scope and character of the services to be rendered and in the method of assigning,

distributing or allocating costs of such services as specified in the CAM, as may become necessary to achieve a fair and equitable assignment, distribution, or allocation of Service Company costs among all associate companies.

Section 5.3 In the event Client changes the scope of services that it takes from Service Company (as provided in Section 1.2 and subject to Section 1.3) or terminates this Agreement (pursuant to Section 3.1), the Service Company may bill such Client a charge that reflects a proportionate share of any significant residual fixed costs (i.e. incurred costs or commitments to incur costs) that were incurred or committed to incur in contemplation of providing such Client service prior to the notice of termination. Examples of fixed costs include, but are not limited to, costs to upgrade computer hardware and software systems to meet Client's specifications.

Section 5.4 Service Company shall permit Client access to its accounts and records, including the basis and computation of allocations; provided that the scope of access and inspection is limited to accounts and records that are related to Service Company's transactions with Client.


Section 5.5 It is the intent of the parties hereto that the determination of the costs as used in this Agreement shall be consistent with, and in compliance with, the rules and regulations of the FERC, as they are now read or hereafter may be modified by the FERC.

Section 5.6 This Agreement and the rights hereunder may not be assigned without the mutual written consent of all parties hereto.

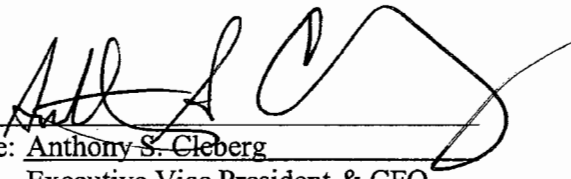
\* \* \* \* \*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

**BLACK HILLS SERVICE COMPANY, LLC**

By:   
Name: Steven J. Helmers  
Title: Sr. Vice President & General Counsel

**BLACK HILLS/KANSAS GAS UTILITY  
COMPANY, LLC**

By:   
Name: Anthony S. Cleberg  
Title: Executive Vice President & CFO



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Black Hills Utility Holdings, Inc.

Cost Allocation Manual

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Effective Date: July 14, 2008

Amended: August 1, 2009

**Black Hills Utility Holdings, Inc. Cost Allocation Manual**  
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## Introduction

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

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

## BHUH Organization

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

## Direct Costs versus Indirect Costs

A key issue in distributing BHUH costs is distinguishing between direct costs and indirect costs. The account coding will change depending on whether the cost is a direct or indirect cost. Below is a summary of each of these types of costs and examples of these costs.

**Direct costs** are those costs that are specifically associated with an identified operating company or group of identified operating companies. This means that it is known exactly to which operating company or group of operating companies these costs relate. Here are some examples:

- Advertising is prepared for a new energy efficiency campaign in the state of Nebraska. The advertising costs incurred are specifically associated with an identified operating company. Therefore, this would be a direct cost.
- The Vice President of Gas Utilities attends a meeting on the proposed budget for the state of Iowa. The labor costs incurred in attending this meeting are specifically associated with an identified operating company. Therefore, this would be a direct cost.
- An IT Field Services Technician travels to various Black Hills Kansas Gas field offices to install new hardware. These travel costs are specifically associated with an identified operating company. Therefore, this would be a direct cost.

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

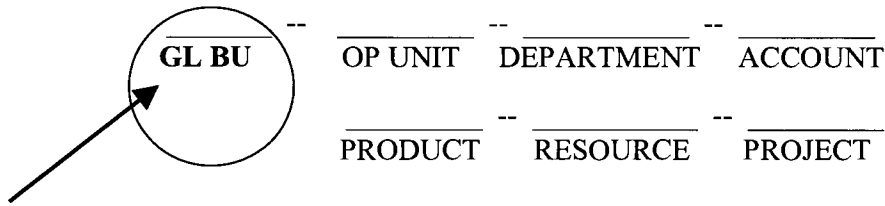
- Advertising is prepared for all customers to inform them of changes to electronic payment processes. These advertising costs incurred apply to all operating companies. Therefore, this would be an indirect cost.
- The Vice President of Gas Utilities attends a meeting to present the consolidated budget for all gas utilities to the Board of Directors. The labor costs incurred in attending this meeting are not specifically associated with an identified operating company. Therefore, this would be an indirect cost.
- An IT Field Services Technician travels to Lincoln to install new hardware for the customer service center. These travel costs are specifically associated with BHUH. Therefore, this would be an indirect cost.

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

### **Transaction Coding**

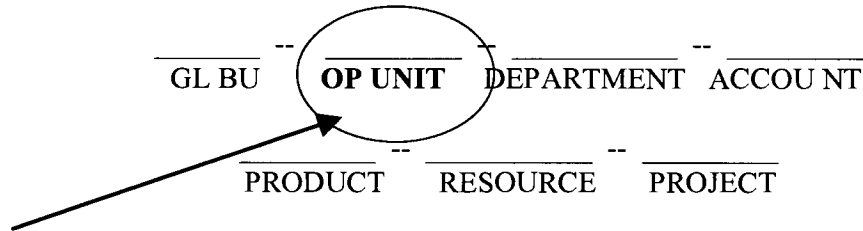
BHUH utilizes the PeopleSoft software system. PeopleSoft provides a variety of fields to create account coding logic, or code block. The account coding string consists of seven fields. It is important to understand the intended purpose of each field within the account coding string. In addition, the system also handles the distribution of both direct and indirect costs to the operating companies.

All transactions will use the account coding string listed below. The coding is comprised of seven separate fields, each representing an important characteristic of the underlying transaction.



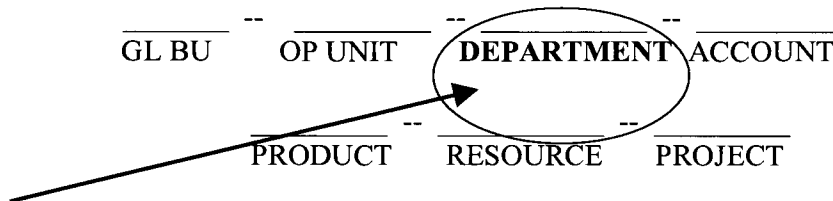
**General Ledger Business Unit (“GL BU”):**

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



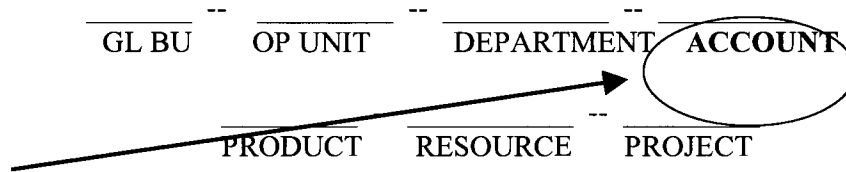
**Operating Unit (“Op Unit”):**

- Six (6) character numeric field.
- The operating unit allows for the grouping of multiple departments.
- The operating unit will default based on the department, as described below.
- The operating unit field is used to create direct charges to GL BUs by overriding the default operating unit for that department.



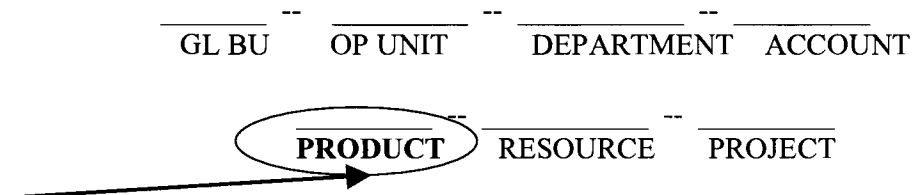
**Department:**

- Four (4) character numeric field
- The department represents a functional group or cost center
- The department will default the operating unit
- Each employee has been assigned to a department



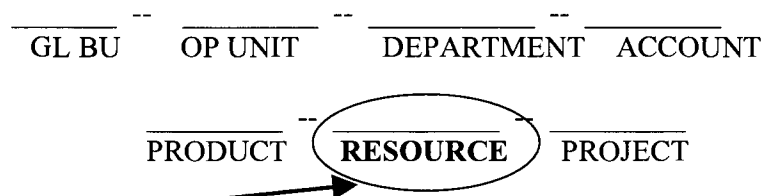
**Account:**

- Six (6) character numeric field
- Based on the FERC Chart of Accounts



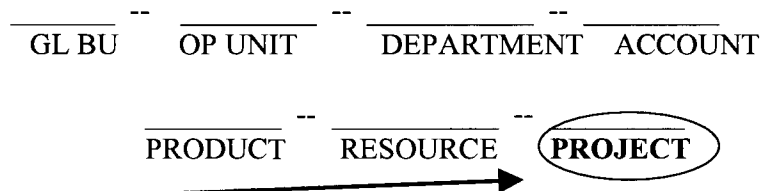
**Product:**

- Three (3) character numeric field
- Identifies the product line
- Examples of product line include electric, gas, non-regulated



**Resource:**

- Four (4) character numeric field
- Represents the type of cost
- Examples include labor, meals, office supplies, etc.



**Project:**

- Eight (8) character numeric field
- Represents the collection of costs to allow the monitoring of a job or group of tasks
- Generally used for capital projects

### Timekeeping

All BHUH employees are required to complete a timesheet for each two week pay period, whether they are an employee paid hourly or an employee paid a salary. Timesheets are due by 10:00 a.m. on Monday following the end of the pay period every other Friday. Employee timesheets are not required to be approved by supervisors, but it is strongly encouraged.

Timesheets are completed in PeopleSoft. Employees must complete the coding string, as previously discussed, for each time record. The timesheet will default the employee's department, which will in turn default the operating unit and general ledger business unit. The employee will need to enter an account and product. Employees also must enter a time reporting code, which designates the time in such classifications as regular time, overtime, holiday time, or paid time off. The resource code will default based on the time reporting code used. If an employee is working on a capital project and enters a project code, all other account fields will default. If an employee enters a time reporting code for paid time off, all other account fields will also default. For an employee to direct charge time to another company, the operating unit that defaulted must be overridden with an operating unit that belongs to the GL BU that is being charged.

Employees are encouraged to enter their time in one half hour increments, although they may use smaller increments if they so choose. Employees are also encouraged to keep their timesheets updated on a regular basis, so that they don't have to enter two weeks worth of time on the last day of the pay period. It is best if they enter their time on a daily basis, when feasible.

### Allocation Factors

As previously stated, BHUH costs are either directly charged to an operating company, or indirectly allocated when the cost is not associated with a specific operating company. Indirect costs are allocated out using one of several pre-defined allocation factors. Each department has been assigned one of these allocation factors. All indirect costs of that department are then allocated using that factor. When determining which allocation factor should be assigned to each department, a factor was selected based on the specific cost driver of that department. For instance, the expenses incurred by the Customer Service - Rapid City department are primarily related to the support of all utility customers. In this example, the cost driver for the Customer

Service - Rapid City department indirect costs is customers. Therefore, the indirect costs will be allocated based upon the Customer Count Factor.

For certain cost centers, a specific cost driver may not be clearly identifiable or the driver may not be cost efficient to compute on a continuing basis. In these instances, a three-pronged general allocation factor is used. This factor equally weights three different general factors: Gross Margin, Net Plant, and Payroll Dollars. These factors were chosen to be included in the General Allocator Factor because they best allocate costs based on the diverse nature of BHUH operations.

A list of all allocation factors, including a brief description of the factor, the basis for the calculation of the factor, and the department to which that factor has been assigned, is attached hereto as Appendix 2.

### **Changing Allocation Factors**

Allocation factors are set at the first of the year, based upon financial information from the prior year ending December 31<sup>st</sup>. The factors for Net Plant, Employee Count, and Customer Count are based on values as of the previous period ending December 31<sup>st</sup>. The factors for Gross Margin, Payroll Dollars, and Net Energy Sales are based on values for the 12 months ended December 31<sup>st</sup>.

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

When these events occur, indirect allocation factors will be adjusted. When adjusting allocation factors, it is the policy of BHUH to not recalculate all allocation factors. Rather, allocation factors will be adjusted with pro forma changes. 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 factors will change because the base against which the factors are calculated will change. Operating companies would normally see decreased factor values with acquisitions, and increased factor values with divestitures. Changes will be effective as of the beginning of the month, and will apply to all transactions for the month

Any changes to indirect allocation factors are initiated by one member of the allocations staff and reviewed by another member of the allocations staff. All changes are documented in memo format, with the supporting documentation maintained. Allocation factors loaded into the system are reviewed by someone other than who input the factors into the system.

## **Allocating Fixed Assets**

BHUH maintains certain fixed assets that are used by and benefit all operating companies. These fixed assets primarily consist of computer hardware and software and shared office facilities. Because these fixed assets support all operating companies, they are allocated monthly as part of the month-end close process, along with the allocation of these assets' accumulated depreciation and the related deferred tax. Construction or Work in Process balances are not allocated.

After all fixed asset and depreciation journal entries and reconciliations for month-end are completed, a journal entry is prepared to allocate the fixed assets, accumulated depreciation, and deferred tax. This journal entry debits fixed assets and deferred tax and credits accumulated depreciation on the general ledger of each operating company, and credits fixed assets and deferred tax and debits accumulated depreciation at BHUH. This journal entry is set to auto-reverse so that balances will be restored to BHUH as of the first of the following month. This allows fixed asset additions, dispositions, depreciation, and deferred tax to be managed at BHUH, with only ending balances allocated to the operating companies.

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

## **Allocating Inventory**

As noted above, the gas metershop is a BHUH department. This department serves gas utility operating companies. As gas meters are purchased, they are recorded as inventory by BHUH. When gas meters are placed into service, they are issued out of inventory to the specific operating company that will install the meter and they become a fixed asset for that operating company. At month-end, a manual journal entry is prepared to allocate the inventory balance of BHUH. The Customer Count Factor is used for this allocation.

## Appendix 1

### BHUH Departments

#### ***Gas Supply Services Administration (2301)***

Description: Provides for the development and execution of the gas supply portfolio plans for all gas distribution and gas supply needs for power plants. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

#### ***Gas Supply Services Cost Management (2309)***

Description: Validates and pays all gas supply and transportation-related invoices. Insures proper allocation of these costs to the various operating companies.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

#### ***Gas Supply Services Planning and Forecasting (2318)***

Description: Provides for the development and execution of the gas supply portfolio plans for all gas distribution and gas supply needs for power plants. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

#### ***Gas Supply Services Operations (2319)***

Description: Provides for the development and execution of the gas supply portfolio plans for all gas distribution and gas supply needs for power plants. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

#### ***Corporate Services - Omaha (4015)***

Description: Provides corporate services to the Omaha facilities, including utilities, maintenance and lease expense.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.



***Security Services - Omaha (4026)***

Description: Provides for security services for the Omaha facilities.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Environmental (4090)***

Description: Establishes policies and procedures for compliance with environmental laws and regulations. Researches emerging environmental issues and monitors compliance with environmental requirements. Oversees environmental clean-up projects.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***BHUH Benefits (4402)***

Description: Utilized for charging out benefits, including medical costs, to the operating companies.

Method of Allocation: Indirect costs of this department are allocated using the Budgeted Labor Factor.

***BHUH Accounting Accruals (4474)***

Description: Created to facilitate the accrual of certain charges not related to specific departments or not significant enough to allocate to each department.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Network Gas Standards and Safety Training (5254)***

Description: Establishes and monitors network-wide gas standards and coordinate mapping activities for all gas service states.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Net Ops Work Management (5305)***

Description: Researches, builds and implements work management solutions for the benefit of electric and gas network operations. This department also supports STORMS, FAME and network requests.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Meter shop General (5490)***

Description: Manages and provides gas measurement support to field operations located in gas service states.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Utility Accounting (5670)***

Description: Assists in the compliance with regulatory accounting requirements. Assists in the preparation of budgets for the operating companies. Prepares various operating and financial reporting for utility management. Assists with the regulatory strategy for the operating companies.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Safety (5672)***

Description: Develops and implements safety planning activities and provides employee safety education. Assists with the administration of the corporate safety program. Assists with compliance with DOT, OSHA, and MSHA regulations.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Customer Service Executive Management (5674)***

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

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***IT Business Applications (5678)***

Description: Manages, maintains, and supports the primary business applications of the regulated utilities, primarily CIS+.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***IT Infrastructure Services (5680)***

Description: Manages, maintains, and supports data center operations, infrastructure servers, storage, system software, enterprise architecture, and corporate databases of the regulated utilities.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Electric Executive Management (5682)***

Description: Provides guidance, direction and management to overall electric utility activities.

Method of Allocation: Indirect costs of this department are allocated using the Net Energy Sales Factor.

***Gas Utility Services (5688)***

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

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Gas Executive Management (5690)***

Description: Provides guidance, direction and management to overall gas utility activities.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Customer Service Center - Lincoln (5701)***

Description: Answers and resolves customer inquiries for both regulated and non-regulated customers.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Customer Account Services - Omaha (5702)***

Description: Assists customers with billing, payment and collection issues.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Customer Service Support - Rapid City (5703)***

Description: Provides support to customer services areas through training, revenue assurance analysis, quality analysis, business analysis and customer and community communication.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Customer Account Services – Rapid City (5704)***

Description: Assists customers with billing, payment and collection issues.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Customer Service – Rapid City (5705)***

Description: Answers and resolves customer inquiries for both regulated and non-regulated customers.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Billing - Omaha (5706)***

Description: Manages and maintains regulated and non-regulated sales and billing of gas to large volume customers.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Accounts Receivable Management (5708)***

Description: Prepares monthly metrics reporting, performs compliance testing and performs other general business analysis tasks for the Customer Service groups.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Customer Communication - Stakeholder Outreach (5711)***

Description: Prepares and distributes customer communication for regulated and non-regulated activities for all states. These communications include customer notifications, advertising and promotional information.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Bill Processing (5712)***

Description: Prepares, assembles, inserts and distributes customer mailings for both regulated and non-regulated customers.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Field Resource Center - Lincoln (5715)***

Description: Schedules and dispatches premise service activities to both regulated and non-regulated customers.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Field Resource Center - Rapid City (5717)***

Description: Schedules and dispatches premise service activities to both regulated and non-regulated customers.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Service Guard Materials Management (5718)***

Description: Manages and maintains requirements for non-regulated appliance service activities.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Communications (5721)***

Description: Provides advertising and branding development for the companies within Colorado, Iowa, Kansas and Nebraska. Responsible for media relations. Works in conjunction with the corporate Communication group.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Supply Chain (5724)***

Description: Provides purchasing and strategic sourcing services. Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Provides fleet management services. Provides oversight of the materials management functions for the utility operating companies.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Service Guard Central Marketing (6005)***

Description: Provides and manages product development for consumer marketing with the primary focus on appliance options business for non-regulated customers.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Customer Services Training (6016)***

Description: Oversees training in all customer service centers.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Process Improvement (6134)***

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

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***PS Engineering/Generation Services (6162)***

Description: Provides power supply engineering and generation services to Black Hills Colorado Electric.

Method of Allocation: Indirect costs of this department are allocated using the Net Energy Sales Factor.

***Headquarters - KS/CO Gas (6183)***

Description: Manages the gas transmission and distribution activities for the states of Kansas and Colorado.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Customer Relations – KS/CO Gas (6184)***

Description: Works directly with customers in the areas of builder relations, economic development and customer relations.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***KS/CO Gas Business Operations (6198)***

Description: Assists with the management of the gas transmission and distribution activities for the states of Kansas and Colorado.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***NE Lincoln Ops Facility and CSC (6313)***

Description: Provides corporate services to the Lincoln Call Center, including utilities, maintenance and lease expense.

Method of Allocation: Indirect costs of this department are allocated using the Customer Weighted Square Footage Factor.

***Human Resources Networks (6327)***

Description: Responsible for providing human resources functions, which include compensation, benefits administration, sourcing (recruitment), and employee relations.

Method of Allocation: Indirect costs of this department are allocated using the Employee Count Factor.

***HR Central Safety (6328)***

Description: Assists with the administration of the corporate safety program.

Method of Allocation: Indirect costs of this department are allocated using the Employee Count Factor.

***Appliance Technical Training (6331)***

Description: Designs and implements safety programs and incentives, incident investigation, hazard identification and problem solving, and appliance repair technical skill training.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***IT Business Services (6348)***

Description: General administration associated with the development of information technology solutions supporting all utility operating companies.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***IT Field Support (6357)***

Description: Assists with the implementation of information technology solutions through on-site and remote field support.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***IT Customer Service Applications (6360)***

Description: Responsible for maintaining volume forecasting, marketing and billing production applications, including charges for operations management, systems maintenance, and systems support.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.

***Regulatory Administration (6370)***

Description: Assists with the regulatory, legislative and environmental services provided to the gas operating companies.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Regulatory Services - Gas (6372)***

Description: Supports and manages all gas regulatory filings, rate cases, and regulatory issues.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Regulatory Legislative Services - KS/CO (6377)***

Description: Monitors and communicates legislative activities affecting utility and business operations in Kansas and Colorado.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***Regulatory Accounting Services – Gas (6384)***

Description: Prepares and manages all gas regulatory filings and commission requests for all gas operating companies. Manage non-regulated review and reporting. Files Cost Allocation Manuals as required. Performs PGA analysis and filings for all gas entities.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

***IT Networks Telecom (6397)***

Description: Provides IT telecommunication support to customer call center networks.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.



***Black Hills Service Company Charges (9401)***

Description: Created to facilitate the allocation of certain corporate charges, not related to specific departments, to the appropriate operating companies.

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor.

## Appendix 2

### Allocation Factors

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

*Net Plant Factor* – Based on the total net plant, defined as gross plant less accumulated depreciation, as of December 31 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. Net plant is limited to property, plant, and equipment, and includes construction or work in process.

No departments utilize this factor, but it is a component in the General Allocator Factor.

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

No departments utilize this factor, but it is a component in the General Allocator Factor.

*Payroll Dollar Factor* – Based on the payroll dollars for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

No departments utilize this factor, but it is a component in the General Allocator Factor.

*General Allocator Factor* – A composite factor comprised of an average of the Net Plant Factor, the Payroll Dollar Factor, and the Gross Margin Factor. These factors are equally weighted.

Departments that utilize this factor include:

- Utility Accounting
- Black Hills Service Company Charges
- Corporate Services - Omaha
- Security Services - Omaha
- Environmental
- Safety
- Process Improvement
- Regulatory Administration
- Headquarters – KS/CO Gas
- KS/CO Gas Business Operations
- IT Infrastructure Services

- Supply Chain
- Gas Utility Services
- Gas Executive Management
- Regulatory Services - Gas
- Regulatory Accounting Services - Gas
- Service Guard Materials Management
- Appliance Technical Training
- Regulatory Legislative Services - KS/CO
- IT Business Services
- IT Field Support.
- BHUH Accounting Accruals

*Employee Count Factor* – Based on the number of employees at the end of the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

Departments that utilize this factor include:

- Human Resources Networks
- HR Central Safety

*Customer Weighted Square Footage Factor* – Based on the customer weighted square footage at the end of the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

Departments that utilize this factor include:

- NE Lincoln Ops Facility and CSC

*Customer Count Factor* – Based on the number of customers at the end of the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

Departments that utilize this factor include:

- Gas Supply Services Administration
- Gas Supply Services Cost Management
- Gas Supply Services Planning and Forecasting
- Gas Supply Services Operations
- Network Gas Standards and Safety Training
- Service Guard Central Marketing
- Billing - Omaha
- Metershop General
- Communications
- Customer Service Support – Rapid City
- Customer Account Services – Rapid City
- Customer Service - Rapid City

- Customer Service Center – Lincoln
- Customer Account Services – Omaha
- Accounts Receivable Management
- Bill Processing
- Customer Services Training
- Customer Service Executive Management
- IT Business Applications
- IT Customer Service Applications
- IT Networks Telecom
- Customer Communication – Stakeholder Outreach
- Field Resource Center - Lincoln
- Net Ops Work Management
- Customer Relations – KS/CO Gas
- Field Resource Center - Rapid City

*Net Energy Sales Factor* – Based on the net energy sales for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

Departments that utilize this factor include:

- PS Engineering/Generation Services
- Electric Executive Management

*Budgeted Labor Factor* – Based on the budgeted labor for the current period budget, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

Departments that utilize this factor include:

- BHUH Benefits



**SERVICE AGREEMENT**  
**(Utility)**

This Service Agreement (the “**Agreement**”) is made effective the 1<sup>st</sup> day of August, 2009 (Effective Date), by and between Black Hills/Kansas Gas Utility Company, LLC (“**Client**”) and Black Hills Utility Holdings, Inc. (“**BHUH**”).

**WITNESSETH**

WHEREAS, BHUH was formed on June 9, 2008 and became operational on July 14, 2008.

WHEREAS, BHUH operates as a centralized service company under the Energy Policy Act of 2005 (the “Act”) and the Public Utility Holding Company Act of 2005 (“PUHCA 2005”), pursuant to Order Nos. 667 and 667-A of the Federal Energy Regulatory Commission (“FERC”).

WHEREAS, BHUH is a subsidiary of Black Hills Corporation (“Black Hills”) and Client is a utility operating company and a subsidiary of BHUH.

WHEREAS, BHUH and Client have entered into this Agreement whereby BHUH agrees to provide and Client agrees to accept and pay for various services as provided herein at cost, and pursuant to Black Hills Utility Holdings, Inc. Cost Allocation Manual, with cost determined in accordance with applicable rules and regulations under the Act, which require BHUH to fairly and equitably allocate costs among all associate companies to which it renders services, including Client.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Agreement covenant and agree as follows:

**ARTICLE 1**  
**SERVICES**

Section 1.1 BHUH shall furnish to Client, as requested by Client, upon the terms and conditions hereinafter set forth, such of the services described in the Black Hills Utility Holdings, Inc. Cost Allocation Manual (“CAM”), at such times, for such periods and in such manner as Client may from time to time request and that BHUH concludes it is able to perform. BHUH shall also provide Client with such special services, in addition to those services described in the CAM, as may be requested by Client and that BHUH concludes it is able to perform. BHUH shall use its best efforts to maintain a staff trained and experienced in the design, construction, operation, maintenance, and management of public utility properties, and shall keep itself and its personnel available to provide services to Client so long as it is authorized to do so by the appropriate federal and state regulatory agencies. In supplying such services, BHUH may arrange, where it deems appropriate, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services.

Section 1.2 Client shall take from BHUH such of the services described in Section 1.1 and such additional general or special services, whether or not now contemplated as are requested from time to time by Client and that BHUH concludes it is able to perform.

Section 1.3 The services described herein or contemplated to be performed hereunder shall be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. Client shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) any such amendment or alteration that results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by BHUH, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by BHUH as a direct result of such amendment, alteration or rescission of the activity, project program or work order, and (iii) no amendment, alteration or rescission of any activity, project, program or work order shall release Client from liability for all costs already incurred by or contracted for by BHUH pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

## **ARTICLE 2 COMPENSATION**

Section 2.1 As compensation for the services to be rendered hereunder, Client shall pay to BHUH all costs which reasonably can be identified and related to particular services performed by BHUH for or on Client's behalf. The methods for assigning or allocating BHUH costs to Client, as well as to other associate companies, are set forth in the CAM.

Section 2.2 The methods of assignment, distribution or allocation of costs described in the CAM shall be subject to review annually, or more frequently if appropriate. Such methods of assignment, distribution or allocation of costs may be modified or changed by BHUH.

Section 2.3 BHUH shall render a monthly statement to Client that shall reflect the billing information necessary to identify the costs charged for that month. By the twentieth (20th) day of each month, Client shall remit to BHUH all charges billed to it.

Section 2.4 It is the intent of this Agreement that the payment for services rendered by BHUH to Client under this Agreement shall cover all the costs of BHUH doing business (less the costs of services provided to affiliated companies not a party to this Agreement and to other non-affiliated companies, and credits for any miscellaneous items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed in rendering the services hereunder, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and compensation for use of capital as permitted under the Act.

## **ARTICLE 3 TERM**

Section 3.1 This Agreement shall become effective on the Effective Date and shall continue in force until terminated by BHUH or Client, upon not less than one year's prior written notice to the other party. This Agreement shall also be subject to termination or modification at

any time, without notice, if and to the extent performance under this Agreement may conflict with the Act or with any rule, regulation or order of the FERC adopted before or after the date of this Agreement.

#### **ARTICLE 4 LIMITATION OF LIABILITY AND INDEMNIFICATION**

Section 4.1 In performing the services hereunder, BHUH will exercise due care to assure that the services are performed in an appropriate manner, meet the standards and specifications set forth in any applicable request for service and comply with the applicable standards of law and regulation. However, failure to meet these obligations shall in no event subject BHUH to any claims by or liabilities to Client other than to reperform the services and be reimbursed at cost for such reperformance. BHUH makes no other warranty with respect to its performance of the services, and Client agrees to accept such services without further warranty of any nature.

Section 4.2 To the fullest extent allowed by law, Client shall and does hereby indemnify and agree to save harmless and defend BHUH, its agents and employees from liabilities, taxes, losses, obligations, claims, damages, penalties, causes of action, suits, costs and expenses or judgments of any nature, on account of, or resulting from the performance and prosecution of any services performed on behalf of Client pursuant to this Agreement, whether or not the same results or allegedly results from the claimed or actual negligence or breach of warranty of, or willful misconduct by, BHUH or any of its employees, agents, clients, or contractors or its or their subcontractors or any combination thereof.

#### **ARTICLE 5 MISCELLANEOUS**

Section 5.1 All accounts and records of BHUH shall be kept in accordance with the Uniform System of Accounts for Centralized Service Companies promulgated by the FERC.

Section 5.2 New direct or indirect non-utility subsidiaries of Black Hills, which may come into existence after the Effective Date of this Agreement, may become additional clients of BHUH and subject to a service agreement with BHUH, or an existing client may wish to obtain additional services from BHUH. Likewise, an existing direct or indirect subsidiary of Black Hills may cease to be a client or cease to take individual services from BHUH. In either event, the parties hereto shall make such changes in the scope and character of the services to be rendered and in the method of assigning, distributing or allocating costs of such services as specified in the CAM, as may become necessary to achieve a fair and equitable assignment, distribution, or allocation of BHUH costs among all associate companies.

Section 5.3 In the event Client changes the scope of services that it takes from BHUH (as provided in Section 1.2 and subject to Section 1.3) or terminates this Agreement (pursuant to Section 3.1), BHUH may bill such Client a charge that reflects a proportionate share of any significant residual fixed costs (i.e. incurred costs or commitments to incur costs) that were incurred or committed to incur in contemplation of providing such Client service prior to the



notice of termination. Examples of fixed costs include, but are not limited to, costs to upgrade computer hardware and software systems to meet Client's specifications.

Section 5.4 BHUH shall permit Client access to its accounts and records, including the basis and computation of allocations; provided that the scope of access and inspection is limited to accounts and records that are related to BHUH's transactions with Client.


Section 5.5 It is the intent of the parties hereto that the determination of the costs as used in this Agreement shall be consistent with, and in compliance with, the rules and regulations of the FERC, as they are now read or hereafter may be modified by the FERC.

Section 5.6 This Agreement and the rights hereunder may not be assigned without the mutual written consent of all parties hereto.

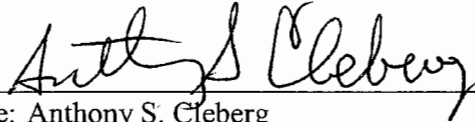
\* \* \* \* \*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

**BLACK HILLS UTILITY HOLDINGS, INC.**

By:   
Name: Steven J. Helmers  
Title: Sr. Vice President & General Counsel

**BLACK HILLS/KANSAS GAS UTILITY  
COMPANY, LLC**

By:   
Name: Anthony S. Cleberg  
Title: Executive Vice President & CFO

THIS FILING IS

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

Form 60 Approved  
OMB No. 1902-0215  
Expires 01/31/2013




# FERC FINANCIAL REPORT

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

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

<b>Exact Legal Name of Respondent (Company)</b> Black Hills Service Company, LLC	<b>Year of Report</b> Dec 31, <u>2010</u>
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**FERC FORM NO. 60  
ANNUAL REPORT FOR SERVICE COMPANIES**

IDENTIFICATION		
01 Exact Legal Name of Respondent Black Hills Service Company, LLC		02 Year of Report Dec 31, <u>2010</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 Ninth Street, Rapid City, SD 57701		06 Name of Contact Person Jeffrey B. Berzina
07 Title of Contact Person Vice President and Corporate Controller		08 Address of Contact Person 625 Ninth Street, Rapid City, SD 57701
09 Telephone Number of Contact Person (605) 721-2511		10 E-mail Address of Contact Person
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation / /		14 If Not Incorporated, Date of Organization 12/30/2004
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
CORPORATE OFFICER CERTIFICATION		
The undersigned officer certifies that:  I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.		
17 Name of Signing Officer Jeffrey B. Berzina		19 Signature of Signing Officer  Jeffrey B. Berzina
18 Title of Signing Officer Vice President and Corporate Controller		
20 Date Signed (Month, Day, Year) <u>5/2/11</u>		

Name of Respondent Black Hills Service Company, LLC		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
<b>List of Schedules and Accounts</b>				
1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.				
Line No.	Description (a)	Page Reference (b)	Remarks (c)	
1	Schedule I - Comparative Balance Sheet	101-102		
2	Schedule II - Service Company Property	103		
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104		
4	Schedule IV - Investments	105		
5	Schedule V - Accounts Receivable from Associate Companies	106		
6	Schedule VI - Fuel Stock Expenses Undistributed	107	None	
7	Schedule VII - Stores Expense Undistributed	108	None	
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	None	
9	Schedule IX - Miscellaneous Deferred Debits	110		
10	Schedule X - Research, Development, or Demonstration Expenditures	111	None	
11	Schedule XI - Proprietary Capital	201		
12	Schedule XII - Long-Term Debt	202	None	
13	Schedule XIII - Current and Accrued Liabilities	203		
14	Schedule XIV - Notes to Financial Statements	204		
15	Schedule XV - Comparative Income Statement	301-302		
16	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	303-306		
17	Schedule XVII - Analysis of Billing - Associate Companies (Account 457)	307		
18	Schedule XVIII - Analysis of Billing - Non-Associate Companies (Account 458)	308	None	
21	Schedule XIX - Miscellaneous General Expenses - Account 930.2	307		
23	Schedule XX - Organization Chart	401		
24	Schedule XXI - Methods of Allocation	402		

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule I - Comparative Balance Sheet**

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		<b>Service Company Property</b>			
2	101	Service Company Property	103	0	
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103	222,313	2,082,855
6		Total Property (Total Of Lines 2-5)		222,313	2,082,855
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	0	
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		222,313	2,082,855
10		<b>Investments</b>			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105	4,252,934	3,801,285
14		Total Investments (Total of Lines 11-13)		4,252,934	3,801,285
15		<b>Current And Accrued Assets</b>			
16	131	Cash			600
17	134	Other Special Deposits			
18	135	Working Funds		600	
19	136	Temporary Cash Investments			
20	141	Notes Receivable		309,902	778
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		117,972	1,008,978
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	34,358,251	31,426,476
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		163,723	88,430
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		5,269,243	5,261,712
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets - Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		40,219,691	37,786,974
36		<b>Deferred Debits</b>			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets			
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts		128	
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		10,094	
43	188	Research, Development, or Demonstration Expenditures	110		67,549
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes			
46		Total Deferred Debits (Total of Lines 37-45)		10,222	67,549
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		44,705,160	43,738,663

**Schedule I - Comparative Balance Sheet (continued)**

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		<b>Proprietary Capital</b>			
49	201	Common Stock Issued	201		
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	100,000	100,000
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	( 778,368)	( 778,368)
54	219	Accumulated Other Comprehensive Income	201	( 8,042,695)	( 6,607,796)
55		Total Proprietary Capital (Total of Lines 49-54)		( 8,721,063)	( 7,286,164)
56		<b>Long-Term Debt</b>			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			7,620
64	228.2	Accumulated Provision for Injuries and Damages		330,641	
65	228.3	Accumulated Provision For Pensions and Benefits			616,357
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		330,641	623,977
68		<b>Current and Accrued Liabilities</b>			
69	231	Notes Payable			
70	232	Accounts Payable		3,727,805	5,474,112
71	233	Notes Payable to Associate Companies	203	9,699	539,573
72	234	Accounts Payable to Associate Companies	203	1,257,245	1,414,390
73	236	Taxes Accrued		287,889	90,861
74	237	Interest Accrued			
75	241	Tax Collections Payable		36,394	44,694
76	242	Miscellaneous Current and Accrued Liabilities	203	12,718,044	7,600,382
77	243	Obligations Under Capital Leases – Current		9,493	21,679
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		18,046,569	15,185,691
81		<b>Deferred Credits</b>			
82	253	Other Deferred Credits		35,049,013	35,215,159
83	254	Other Regulatory Liabilities			
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property			
87	283	Accumulated deferred income taxes-Other			
88		Total Deferred Credits (Total of Lines 82-87)		35,049,013	35,215,159
89		<b>TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)</b>		44,705,160	43,738,663

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
FOOTNOTE DATA			

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

Includes allocation of Service Company property which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 (line 24) on the balance sheet.

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

Includes allocation of Service Company property which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 (line 24) on the balance sheet.

**Schedule Page: 101 Line No.: 18 Column: d**

Prior year balance in account 131. Did a reclass to 135, a more appropriate account for petty cash.

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

Service Company property (line 2) and accumulated provision for depreciation (line 7) is allocated monthly to the subsidiaries. Balance of these accounts is included in account 146 along with other intercompany receivables.

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

(\$778,347.00) is a cumulative effect of an accounting adjustment. Prior year balance is the same adjustment.

**Schedule Page: 101 Line No.: 71 Column: d**

\$9,699.00 Intercompany Interest Payable



Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule II - Service Company Property**

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

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	16,340,307			( 16,340,307)	
3	306	Leasehold Improvements					
4	389	Land and Land Rights	291,371			( 291,371)	
5	390	Structures and Improvements	2,788,064	516,070		( 3,304,134)	
6	391	Office Furniture and Equipment	2,072,674	10,898,507	1,776,318	( 11,194,863)	
7	392	Transportation Equipment	1,151,152	45,394		( 1,196,546)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment	15,321,616			( 15,321,616)	
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		<b>Total Service Company Property (Total of Lines 1-15)</b>	<b>37,965,184</b>	<b>11,459,971</b>	<b>1,776,318</b>	<b>( 47,648,837)</b>	
17	107	<b>Construction Work in Progress:</b>	<b>2,082,855</b>				<b>2,082,855</b>
18		Software/Hardware implementation in progress				( 1,860,542)	( 1,860,542)
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		<b>Total Account 107 (Total of Lines 14-30)</b>	<b>2,082,855</b>			<b>( 1,860,542)</b>	<b>222,313</b>
32		<b>Total (Lines 16 and Line 31)</b>	<b>40,048,039</b>	<b>11,459,971</b>		<b>( 49,509,379)</b>	<b>222,313</b>

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
FOOTNOTE DATA			

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

The true property beginning balance is zero. The beginning balance activity in column C is the reversal of the entry to allocate all property at 12/31/09, shown in this manner to allow presentation of activity during the year

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

Includes allocation of Service Company property which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 (line 24) on the balance sheet.

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property**

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

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	9,528,363			( 9,528,363)	
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	7,745	106,394		( 114,139)	
6	391	Office Furniture and Equipment	728,934	7,020,270		( 7,749,204)	
7	392	Transportation Equipment	724,967	158,657		( 883,624)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment	8,478,999			( 8,478,999)	
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		<b>Total</b>	<b>19,469,008</b>	<b>7,285,321</b>		<b>( 26,754,329)</b>	

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
FOOTNOTE DATA			

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

The true property beginning balance is zero. The beginning balance activity in column C is the reversal of the entry to allocate all property at 12/31/09, shown in this manner to allow presentation of activity during the year

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

Includes allocation of Accumulated Provision for Depreciation which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 (line 24) on the balance sheet.



Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2010
FOOTNOTE DATA			

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

PEP Insurance Cash Surrender Values

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

PEP Insurance Cash Surrender Values

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule V – Accounts Receivable from Associate Companies**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	<b>Accounts Receivable From Associate Companies</b>		
2		<b>Associate Company:</b>		
3		Wyodak Resources Development Corp	489,863	1,863,572
4		Black Hills Exploration and Production, Inc.	906,319	
5		Black Hills Wyoming	638,731	573,865
6		Enserco Energy Inc	683,917	1,437,958
7		Enserco Midstream, LLC		5,449
8		Black Hills Non-Regulated Holdings, LLC	4,195,745	3,474,956
9		Black Hills Corporation	643,548	1,129,834
10		Black Hills Gas Resources, Inc.	249,428	
11		Cheyenne Light, Fuel and Power Company	2,458,932	2,683,913
12		Black Hills Power, Inc	6,075,501	7,363,201
13		EIF Investors, Inc	961	531
14		Black Hills Idaho Operations, LLC	44,677	87,285
15		Black Hills Midstream, LLC	41,854	
16		Black Hills Plateau Production, LLC	99,199	
17		Black Hills Utility Holdings, Inc.	1,898,952	2,683,961
18		Black Hills Nebraska Gas Utility Company, LLC	3,156,222	3,280,557
19		Black Hills Kansas Gas Utility Company, LLC	2,048,897	2,020,263
20		Black Hills Iowa Gas Utility Company, LLC	2,600,576	2,768,286
21		Black Hills Colorado Gas Utility Company, LLC	1,097,138	1,110,715
22		Black Hills Colorado Electric Utility Company, LLC	3,990,969	3,667,072
23		Black Hills Electric Generation, LLC	25,799	21,198
24		Black Hills Colorado IPP, LLC	76,775	182,021
25		Generation Development Co, LLC	2,473	3,614
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	<b>Total</b>		<b>31,426,476</b>	<b>34,358,251</b>

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
FOOTNOTE DATA			

**Schedule Page: 106 Line No.: 40 Column: d**

Includes allocation of Service Company property and accumulated provision for Depreciation which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 on the balance sheet along with other intercompany receivables.



Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule VI – Fuel Stock Expenses Undistributed**

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
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18					
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26					
27					
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31					
32					
33					
34					
35					
36					
37					
38					
39					
40	Total				

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule VII - Stores Expense Undistributed**

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
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29					
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31					
32					
33					
34					
35					
36					
37					
38					
39					
40	<b>Total</b>				

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule VIII - Miscellaneous Current and Accrued Assets**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
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31				
32				
33				
34				
35				
36				
37				
38				
39				
40	Total			

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule IX - Miscellaneous Deferred Debits**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		Misc Deferred Debit		10,094
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
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25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	Total			10,094

Form 60 is used by the Federal Energy Regulatory Commission (FERC) to collect information on the financial condition of electric utilities. The form is required to be filed by all electric utilities that are subject to FERC's jurisdiction. The form is used to determine the utility's ability to pay its debts and to protect the interests of the public. The form is also used to determine the utility's compliance with FERC's regulations. The form is filed with FERC and is available to the public.

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule X - Research, Development, or Demonstration Expenditures**

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

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
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35			
36			
37			
38			
39			
40	<b>Total</b>		

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2010</u>
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**Schedule XI - Proprietary Capital**

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

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	
2			Par or Stated Value per Share	
3			Outstanding Number of Shares	
4			Close of Period Amount	
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		100,000
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		( 8,042,695)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	( 778,368)
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	( 778,368)

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XII – Long Term Debt**

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XIII – Current and Accrued Liabilities**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies	539,573	9,699
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24	234	Accounts Payable to Associate Companies		
25		Black Hills Corporation	1,378,754	447,692
26		Black Hills Non-Regulated Holdings, LLC		27,052
27		Black Hills Power, Inc	13,083	670,152
28		Black Hills Utility Holdings, Inc	22,553	57,583
29		Wyodak Resources Development Corp		16,242
30		Black Hills Wyoming		231
31		Enserco Energy Inc		5,172
32		Enserco Midstream, LLC		47
33		Black Hills Idaho Operations, LLC		30,011
34		EIF Investors, Inc		5
35		Black Hills Electric Generation, LLC		273
36		Black Hills Colorado IPP, LLC		1,473
37		Generation Development Co, LLC		41
38		Cheyenne Light, Fuel and Power Company		1,271
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities		
42		Accrued audit fees	736,020	366,532
43		Accrued LT Performance Plan		954,529
44		Accrued vacation pay	1,279,519	1,184,965
45		Accrued payroll	1,548,458	1,751,505
46		Accrued bonuses	3,553,726	7,333,165
47		Accrued Miscellaneous		150,417
48		Accrued PEP Short term		619,515
49		Accrued workers comp/medical costs unbilled/accrued retiree hc/accrued tax fees	482,659	357,416





Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2010
FOOTNOTE DATA			

**Schedule Page: 203 Line No.: 28 Column: d**

Black Hills Utility Holdings, Inc = \$33,862  
 Black Hills Kansas Gas Utility Company, LLC = \$3,618  
 Black Hills Iowa Gas Utility Company, LLC=\$5,275  
 Black Hills Nebraska Gas Utility Company, LLC = \$6,193  
 Black Hills Colorado Electric Utility Company, LLC = \$7,446  
 Black Hills Colorado Gas Utility Company, LLC = \$1,189  
 Total = \$57,583

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2010
<b>Schedule XIV- Notes to Financial Statements</b>			

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

## Note 1 – Summary of Significant Accounting Policies

### Organization

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

### Nature of Operations

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

### Basis of Presentation

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

### Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of three months or less.

### Property and Depreciation

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

### Legal Costs

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

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litigation are expensed as incurred.

### Income Taxes

The Company and its subsidiaries file consolidated federal income tax returns. Income taxes for consolidated subsidiaries are allocated to the subsidiaries based on separate company computations of taxable income or loss.

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

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

### Note 2 – Related Party Transactions

BHSC has entered into service agreements with BHC and its subsidiaries to provide services at cost. At December 31, 2010, BHSC's associates include:

- Black Hills Corporation
- Black Hills Non-Regulated Holdings, LLC.
- Black Hills Exploration and Production, Inc.
- Black Hills Gas Resources, Inc.
- Black Hills Electric Generation, Inc.
- Black Hills Idaho Operations, LLC
- Black Hills Midstream, LLC
- Black Hills Plateau Production, LLC
- Black Hills Power, Inc.
- Black Hills Wyoming, Inc.
- Cheyenne Light, Fuel and Power Company
- EIF Investors, Inc.
- Enserco Energy Inc.
- Enserco Midstream, LLC
- Wyodak Resources Development Corp.
- Black Hills Utility Holdings, Inc.
- Black Hills Iowa Gas Utility Company, LLC
- Black Hills Kansas Gas Utility Company, LLC
- Black Hills Nebraska Gas Utility Company, LLC
- Black Hills Colorado Gas Utility Company, LLC

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- Black Hills Colorado Electric Utility Company, LLC
- Black Hills Colorado IPP, LLC
- Generation Development Co, LLC

At December 31, 2010 and 2009, associate company receivables were \$34,358,251 and \$31,426,476 respectively, and associate company payables were \$1,257,245 and \$1,414,390 respectively.

BHSC has an agreement with Black Hills Power, Inc. (BHP), whereby BHP provides BHSC with certain facility services to be used for internal administrative and general purposes. The services include use of office space and office equipment. Charges for these services were \$589,866 in 2010 and \$586,932 in 2009.

The Utility Money Pool and the Non-Utility Money Pool exist to permit affiliates to borrow excess cash from other affiliate companies. BHC serves as the administrator for these money pools. BHSC is a participant in the Non-Utility Money Pool. At December 31, 2010, BHSC had a note receivable from the Non-Utility Money Pool of \$309,902 and interest payable of \$9,699. At December 31, 2009, BHSC had a note payable to the Non-Utility Money Pool for \$538,722 as well as interest payable of \$851 totaling \$539,573 and interest receivable of \$778.

### Note 3 – Equity Compensation

BHC provides various short-term and long-term incentive plans to officers and other employees of its affiliates. These plans permit the granting of stock, restricted stock, restricted stock units, stock options, and performance shares. Under these plans, BHSC recognized compensation expense of \$3,336,487 and \$3,395,232 respectively for 2010 and 2009.

### Note 4 – Pension Plans and Other Employee Benefits

#### Defined Benefit Pension Plan

The Black Hills Corporation Pension Plan covers eligible employees of Black Hills Service Company, Black Hills Power, WRDC and BHEP. Effective January 1, 2010, this Plan (with the exception of bargaining unit participants) froze all new non-bargaining unit employees from participation in the Plan and froze the benefits of current nonbargaining participants except for the following group: those non-bargaining unit participants who are both 1) age 45 or older as of December 31, 2009 and have 10 years or more of credited service as of January 1, 2010; and 2) elect to continue to accrue additional benefits under the pension plan and consequently forego the additional age- and points based employer contribution under the Company's 401(k) retirement savings plan. The assets and obligations for the Black Hills Corporation Plan were revalued July 31, 2009 in conjunction with the freeze of the plan and we recognized a pre-tax curtailment expense of approximately \$0.3 million in the third quarter of 2009. In September 2010, the bargaining unit participants in the BHC Pension Plan voted to freeze all new bargaining unit employees from participation in the Plan and to freeze the benefits of current bargaining unit participants except for the following group: those bargaining unit participants who are both 1) age 45 or older as of December 31, 2010 and have 10 years or more of credited service as of January 1, 2011; and 2) elect to continue to accrue additional benefits under the pension plan and consequently fore-go the additional age and points based employer contribution under the Company's 401(k) retirement savings plan. This change to the BHC Pension Plan is effective January 1, 2011. BHC Plan benefits are based on years of

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service and compensation levels during the highest five consecutive years of the last ten years of service.

The Pension Plan's expected long-term rate of return on assets assumption is based upon the weighted average expected long-term rate of return for each individual asset class. The asset class weighting is determined using the target allocation for each asset class in the Pension Plan portfolio. The expected long-term rate of return for each asset class is determined primarily from long-term historical returns for the asset class. It is anticipated that long-term future returns will not achieve historical results.

The expected long-term rate of return for equity investments was 9.25% and 9.50% for the 2010 and 2009 plan years. For determining the expected long-term rate of return for equity assets, we reviewed annual 20-, 30-, 40-, and 50-year returns on the S&P 500 Index, which were, at December 31, 2010, 9.1%, 10.8%, 10.1% and 9.7%, respectively. Fund management fees were estimated to be 0.18% for S&P 500 Index assets and 0.45% for other assets. The expected long-term rate of return for real estate investments was 6.75%; the return was based on five-year forward-looking return projections from our investment manager for the NCREIF index. The expected long-term rate of return on fixed income investments was 5.75%; the return was based upon historical returns on 10-year treasury bonds of 6.9% from 1962 to 2009, and adjusted for recent declines in interest rates. The expected long-term rate of return on cash investments was estimated to be 1.0%, which was based upon current one year LIBOR rates plus a credit spread.

Our Pension Plan funding policy is in accordance with the federal government's funding requirements. The Pension Plans' assets are held in trust and consist primarily of equity and fixed income investments. We use a December 31 measurement date for the Pension Plans.

The Investment Policy for the Pension Plans is to seek to achieve the following long-term objectives: 1) a rate of return in excess of the annualized inflation rate based on a five year moving average; 2) a rate of return that meets or exceeds the assumed actuarial rate of return as stated in the Plan's actuarial report; 3) a rate of return on investments, net of expenses, that is equal to or exceeds various benchmark rates on a moving three year average, and 4) maintenance of sufficient income and liquidity to pay monthly retirement benefits. The policy strategy seeks to prudently invest in a diversified portfolio of predominately equity and fixed income assets. The policy contains certain prohibitions on transactions in separately managed portfolios in which the Pension Plans may invest, including prohibitions on short sales.

### Supplemental Nonqualified Defined Benefit Retirement Plans

BHC has various supplemental retirement plans for key executives of the Company, including executives of BHSC. The plans are non-qualified defined benefit plans. We use a December 31 measurement date for the plans. Effective January 1, 2010, we eliminated a non-qualified pension plan, in which some of our officers participated, due to the partial freeze of our qualified pension plans. We also amended the NQDC, which was adopted in 1999. The NQDC is a non-qualified deferred compensation plan that provides executives with an opportunity to elect to defer compensation and receive benefits without reference to the limitations on contributions in the Black Hills Corporation Retirement Savings Plan or those imposed by the Internal Revenue Code of 1986, as amended. The amended NQDC provides for non-elective non-qualified restoration benefits to certain officers who are not eligible to continue accruing benefits under the Defined Benefit Pension Plans and associated non-qualified pension restoration plans. All contributions to the NQDC plan are subject to a graded

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vesting schedule at 20% per year over five years with vesting credit beginning with service in the plan on and after January 1, 2010.

### Non-pension Defined Benefit Postretirement Plans

BHIC sponsors a retiree healthcare plan. Employees who participate in the Black Hills Corporation Postretirement Healthcare Plan and who retire from the Company on or after attaining age 55 after completing at least five years of service with the Company are entitled to postretirement healthcare benefits. In July 2009, the Board of Directors approved amendments to the BHC Retiree Healthcare Plan which changed the structure of the Plan for non-union employees and participating union employees to an RMSA and expanded eligibility of plan participants, effective January 1, 2010. The bargaining unit employees in the Black Hills Corporation Plan voted to change the structure of their benefits to an RMSA effective January 1, 2011.

The benefits for all of the plans are subject to premiums, deductibles, co-payment provisions and other limitations. We may amend or change the plans periodically. It has been determined that the post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy.

### Benefit Obligations as of December 31, 2010

	Defined Benefit Pension Plan	Supplemental Nonqualified Defined Benefit Retirement Plan	Non-Pension Defined Benefit Postretirement Plan
Accrued liabilities	\$ --	\$ 619,515	\$ 177,941
Deferred credits and other liabilities - other	\$ 6,135,877	\$ 21,031,353	\$ 2,798,988
Accumulated other comprehensive income	\$ (4,171,159)	\$ (3,834,300)	\$ 37,236

### Benefit Obligations as of December 31, 2009

	Defined Benefit Pension Plan	Supplemental Nonqualified Defined Benefit Retirement Plan	Non-Pension Defined Benefit Postretirement Plan
Accrued liabilities	\$ --	\$ 616,357	\$ 104,671
Deferred credits and other liabilities - other	\$ 11,146,844	\$ 18,368,297	\$ 2,102,586
Accumulated other comprehensive income	\$ (3,937,872)	\$ (2,831,027)	\$ (1,618,926)

### Defined Contribution Plan

BHC sponsors a 401(k) retirement savings plan. Participants in the Plan may elect to invest a portion of their

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eligible compensation to the Plan up to the maximum amounts established by the IRS. The Plan provides employees the opportunity to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis. The Plan provides for Company matching contributions and Company Retirement Contributions for certain eligible participants. Vesting of Company contributions ranges from immediate vesting to graduated vesting at 20% per year with full vesting when the participant has five years of service with the Company.



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**Schedule XV- Comparative Income Statement**

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		<b>SERVICE COMPANY OPERATING REVENUES</b>		
2	400	Service Company Operating Revenues	108,378,307	97,009,869
3		<b>SERVICE COMPANY OPERATING EXPENSES</b>		
4	401	Operation Expenses	99,670,895	88,300,764
5	402	Maintenance Expenses		
6	403	Depreciation Expenses	7,299,242	6,536,328
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property		
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	1,670,724	2,322,825
13	409.1	Income Taxes, Operating Income		
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	55	
22		<b>TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)</b>	108,640,916	97,159,917
23		<b>NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)</b>	( 262,609)	( 150,048)
24		<b>OTHER INCOME</b>		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	35,233	2,013
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	180,774	588,687
29	421.1	Gain on Disposition of Property		
30		<b>TOTAL OTHER INCOME (Total of Lines 25-29)</b>	216,007	590,700
31		<b>OTHER INCOME DEDUCTIONS</b>		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	17,223	21,632
35	426.2	Life Insurance		
36	426.3	Penalties	1,830	1,380
37	426.4	Expenditures for Certain Civic, Political and Related Activities	21,958	
38	426.5	Other Deductions	7,420	
39		<b>TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)</b>	48,431	23,012

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**Schedule XV- Comparative Income Statement (continued)**

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
40		<b>TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS</b>		
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		<b>TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)</b>		
47		<b>INTEREST CHARGES</b>		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	123,732	51,477
52	431	Other Interest Expense	( 218,765)	366,163
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		<b>TOTAL INTEREST CHARGES (Total of Lines 48-53)</b>	( 95,033)	417,640
55		<b>NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)</b>		
56		<b>EXTRAORDINARY ITEMS</b>		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		<b>Net Extraordinary Items (Line 57 less Line 58)</b>		
60	409.4	(less) Income Taxes, Extraordinary		
61		<b>Extraordinary Items After Taxes (Line 59 less Line 60)</b>		
62		<b>NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)</b>		

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

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

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense	735,978	6,563,264	7,299,242			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits - Net						
4	408.1-408.2	Taxes Other Than Income Taxes	( 13,961)	1,684,685	1,670,724			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes - Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services						
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	55		55			
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income		35,233	35,233			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		180,774	180,774			
19	421.1	Gain on Disposition of Property						
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	974	16,249	17,223			
23	426.2	Life Insurance						
24	426.3	Penalties	1,830		1,830			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	13,656	8,302	21,958			
26	426.5	Other Deductions		7,420	7,420			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense						
29	429	Amortization of Premium on Debt - Credit						
30	430	Interest on Debt to Associate Companies		123,732	123,732			
31	431	Other Interest Expense	1,874	( 220,639)	( 218,765)			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	36,074		36,074			
34	510-515	Total Steam Power Generation Maintenance Expenses -	2,164		2,164			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses						
36	529-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses						
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses						
39	546-550.1	Total Other Power Generation Operation Expenses						
40	551-554.1	Total Other Power Generation Maintenance Expenses						
41	555-557	Total Other Power Supply Operation Expenses						
42	560	Operation Supervision and Engineering	36,953		36,953			
43	561.1	Load Dispatch-Reliability						
44	561.2	Load Dispatch-Monitor and Operate Transmission System						
45	561.3	Load Dispatch-Transmission Service and Scheduling						
46	561.4	Scheduling, System Control and Dispatch Services						
47	561.5	Reliability Planning and Standards Development	7,675		7,675			
48	561.6	Transmission Service Studies						
49	561.7	Generation Interconnection Studies						
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)	( 746)		( 746)			
52	563	Overhead Line Expenses (Major Only)						
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)						
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	43,882		43,882			
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)						
66	571	Maintenance of Overhead Lines (Major Only)						
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses						
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	1,171		1,171			
74	590-598	Total Distribution Maintenance Expenses	( 58)		( 58)			
75		Total Electric Operation and Maintenance Expenses	823,639	7,967,006	8,790,645			
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses						
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses						
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	50,190		50,190			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses						
106		Total Natural Gas Operation and Maintenance Expenses	50,190		50,190			
107	901	Supervision						
108	902	Meter reading expenses	125		125			
109	903	Customer records and collection expenses	421		421			
110	904	Uncollectible accounts						
111	905	Miscellaneous customer accounts expenses						
112	906	Total Customer Accounts Operation Expenses	546		546			
113	907	Supervision						
114	908	Customer assistance expenses						
115	909	Informational And Instructional Advertising Expenses	89,562		89,562			
116	910	Miscellaneous Customer Service And Informational Expenses		44	44			
117		Total Service and Informational Operation Accounts	89,562	44	89,606			
118	911	Supervision						
119	912	Demonstrating and Selling Expenses	284		284			
120	913	Advertising Expenses	900		900			
121	916	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses	1,184		1,184			
123	920	Administrative and General Salaries	18,897,328	22,905,575	41,802,903			
124	921	Office Supplies and Expenses	6,954,462	7,222,305	14,176,767			
125	923	Outside Services Employed	4,901,690	6,395,471	11,297,161			
126	924	Property Insurance	69,267	3,879	73,146			
127	925	Injuries and Damages	133,847	4,844,063	4,977,910			
128	926	Employee Pensions and Benefits	545,340	20,684,764	21,230,104			
129	928	Regulatory Commission Expenses						
130	930.1	General Advertising Expenses	30,384	126,460	156,844			
131	930.2	Miscellaneous General Expenses	336,015	858,240	1,194,255			
132	931	Rents	1,264,000	1,552,370	2,816,370			
133		Total Administrative and General Operation Expenses	33,132,333	64,593,127	97,725,460			
134	935	Maintenance of Structures and Equipment	413,584	1,307,092	1,720,676			
135		Total Administrative and General Maintenance Expenses	33,637,209	65,900,263	99,537,472			
136		Total Cost of Service	34,511,038	73,867,269	108,378,307			

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense	735,978	6,563,264	7,299,242
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes	( 13,961)	1,684,685	1,670,724
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	55		55
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income		35,233	35,233
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		180,774	180,774
19	421.1	Gain on Disposition of Property			
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	974	16,249	17,223
23	426.2	Life Insurance			
24	426.3	Penalties	1,830		1,830
25	426.4	Expenditures for Certain Civic, Political and Related Activities	13,656	8,302	21,958
26	426.5	Other Deductions		7,420	7,420
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense			
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies		123,732	123,732
31	431	Other Interest Expense	1,874	( 220,639)	( 218,765)
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	36,074		36,074
34	510-515	Total Steam Power Generation Maintenance Expenses	2,164		2,164

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses			
39	546-550.1	Total Other Power Generation Operation Expenses			
40	551-554.1	Total Other Power Generation Maintenance Expenses			
41	555-557	Total Other Power Supply Operation Expenses			
42	560	Operation Supervision and Engineering	36,953		36,953
43	561.1	Load Dispatch-Reliability			
44	561.2	Load Dispatch-Monitor and Operate Transmission System			
45	561.3	Load Dispatch-Transmission Service and Scheduling			
46	561.4	Scheduling, System Control and Dispatch Services			
47	561.5	Reliability Planning and Standards Development	7,675		7,675
48	561.6	Transmission Service Studies			
49	561.7	Generation Interconnection Studies			
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)	( 746)		( 746)
52	563	Overhead Line Expenses (Major Only)			
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)			
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	43,882		43,882
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)			
66	571	Maintenance of Overhead Lines (Major Only)			
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			



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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses			
71	575.1-575.8	Total Regional Market Operation Expenses			
72	575.1-575.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	1,171		1,171
74	590-598	Total Distribution Maintenance Expenses	( 58)		( 58)
75		Total Electric Operation and Maintenance Expenses	823,639	7,967,006	8,790,645
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses			
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses			
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	50,190		50,190

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses			
106		Total Natural Gas Operation and Maintenance Expenses	50,190		50,190
107	901	Supervision			
108	902	Meter reading expenses	125		125
109	903	Customer records and collection expenses	421		421
110	904	Uncollectible accounts			
111	905	Miscellaneous customer accounts expenses			
112	906	Total Customer Accounts Operation Expenses	546		546
113	907	Supervision			
114	908	Customer assistance expenses			
115	909	Informational And Instructional Advertising Expenses	89,562		89,562
116	910	Miscellaneous Customer Service And Informational Expenses		44	44
117		Total Service and Informational Operation Accounts	89,562	44	89,606
118	911	Supervision			
119	912	Demonstrating and Selling Expenses	284		284
120	913	Advertising Expenses	900		900
121	916	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses	1,184		1,184
123	920	Administrative and General Salaries	18,897,328	22,905,575	41,802,903
124	921	Office Supplies and Expenses	6,954,462	7,222,305	14,176,767
125	923	Outside Services Employed	4,901,690	6,395,471	11,297,161
126	924	Property Insurance	69,267	3,879	73,146
127	925	Injuries and Damages	133,847	4,844,063	4,977,910
128	926	Employee Pensions and Benefits	545,340	20,684,764	21,230,104
129	928	Regulatory Commission Expenses			
130	930.1	General Advertising Expenses	30,384	126,460	156,844
131	930.2	Miscellaneous General Expenses	336,015	858,240	1,194,255
132	931	Rents	1,264,000	1,552,370	2,816,370
133		Total Administrative and General Operation Expenses	33,132,333	64,593,127	97,725,460
134	935	Maintenance of Structures and Equipment	413,584	1,307,092	1,720,676
135		Total Administrative and General Maintenance Expenses	33,637,209	65,900,263	99,537,472
136		Total Cost of Service	34,511,038	73,867,269	108,378,307

Name of Respondent Black Hills Service Company, LLC		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
<b>Schedule XVII - Analysis of Billing – Associate Companies (Account 457)</b>					
1. For services rendered to associate companies (Account 457), list all of the associate companies.					
Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Black Hills Power, Inc	5,934,240	17,145,293		23,079,533
2	Cheyenne Light, Fuel, and Power Company	1,788,988	5,891,108		7,680,096
3	Black Hills Exploration and Production, Inc	1,894,693	4,133,056		6,027,749
4	Black Hills Plateau Production, LLC	138,929	1,136,341		1,275,270
5	Black Hills Gas Resources, Inc	45,199	1,351,832		1,397,031
6	Black Hills Midstream, LLC	119,177	197,615		316,792
7	Wyodak Resources Developement Corp	1,001,921	4,433,402		5,435,323
8	Black Hills Wyoming, Inc	332,453	1,623,594		1,956,047
9	Enserco	3,450,837	1,862,325		5,313,162
10	Enserco Midstream, LLC	35,472			35,472
11	Black Hills Idaho Operations, LLC	102,868	241,538		344,406
12	EIF Investors, inc	8,131			8,131
13	Black Hills Electric Generation, LLC	151,730			151,730
14	Black Hills Non-Regulated Holdings, LLC	1,125,303	5,650		1,130,953
15	Black Hills Corporation	157,286	482,695		639,981
16	Black Hills Nebraska Gas Utility Company, LLC	1,535,698	7,450,513		8,986,211
17	Black Hills Iowa Gas Utility Company, LLC	1,429,438	6,494,880		7,924,318
18	Black Hills Kansas Gas Utility Company, LLC	1,335,641	4,748,386		6,084,027
19	Black Hills Colorado Gas Utility Company, LLC	884,441	2,451,170		3,335,611
20	Black Hills Colorado Electric Utility Company, LLC	4,075,153	8,066,642		12,141,795
21	Black Hills Utility Holdings, Inc	8,459,844	5,940,154		14,399,998
22	Black Hills Colorado IPP, LLC	439,836	211,075		650,911
23	Generation Development Co, LLC	63,760			63,760
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	<b>Total</b>	<b>34,511,038</b>	<b>73,867,269</b>		<b>108,378,307</b>

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)**

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

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1						
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39						
40	<b>Total</b>					

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2010</u>
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**Schedule XIX - Miscellaneous General Expenses - Account 930.2**

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

Line No.	Title of Account (a)	Amount (b)
1	Director Fees	1,381,634
2	Sales Tax Audit	( 823,572)
3	Undistributed Credit Card expense	( 26,760)
4	Membership fees	402,306
5	Travel	88,464
6	Miscellaneous Computer expense	50,844
7	Miscellaneous	121,339
8		
9		
10		
11		
12		
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39		
40	<b>Total</b>	<b>1,194,255</b>

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report
Black Hills Service Company, LLC			2010
<b>Schedule XX - Organization Chart</b>			

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

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

<b>OFFICER</b>	<b>TITLE</b>
David R. Emery	Chairman, President and Chief Executive Officer
Linden R. Evans	Chief Operating Officer – Utilities
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)
Robert A. Myers	Senior Vice President – Human Resources
Scott A. Buchholz	Senior Vice President – Chief Information Officer
Lynnette K. Wilson	Senior Vice President – Communications and Investor Relations
Roxann R. Basham	Vice President – Governance and Corporate Secretary
Stephen L. Pella	Vice President – Strategic Initiatives
Perry S. Krush	Vice President – Supply Chain
Jeffrey B. Berzina	Vice President – Corporate Controller
Garner M. Anderson	Vice President, Treasurer and Chief Risk Officer
Kyle D. White	Vice President – Resource Planning and Regulatory Affairs
Richard W. Kinzley	Vice President – Strategic Planning and Development

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
<b>Schedule XXI - Methods of Allocation</b>			

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

Service Department or Function	Basis of Allocation
See Below	

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
Black Hills Service Company, LLC			
Schedule XXI - Methods of Allocation			

## ALLOCATION FACTORS

The following is a list of all allocations factors, including a brief description of the factor, the basis for the calculation of the factor, and the cost centers to which that factor has been assigned. Any asset factors and employee count factors are calculated as of period-end dates, while revenue and expense factors are calculated for twelve months ended as of period-end dates.

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

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

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

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

*Payroll Dollars Ratio* – Based on the total payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000.

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

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



Name of Respondent	This Report is:	Resubmission Date	Year of Report
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Schedule XXI - Methods of Allocation			

Departments that utilize this ratio include Accounting Systems, Accounts Payable, Tax, Credit and Risk, General Accounting, Insurance, Internal Audit, Legal, Company Communications, Records Management, Supply Chain Management, Contract Management, Strategic Sourcing, Fleet Services, Supplier Diversity, Facilities, Creative Services, Federal Governmental Affairs, Regulatory Management, State Governmental Affairs, Information Technology Administration, Information Technology Business Applications Wholesale and Enterprise, Information Technology Business Applications Web Service Support, Information Technology Business Applications Financial and HR Systems, Information Technology Infrastructure Services, Information Technology Communications, Information Technology User Services, Corporate Security, Information Technology Compliance, Materials Management, Process Improvement, Central Services, Budgeting & Forecasting, Assets Blended, Accounting Accruals, Benefits, Retiree and BHSC portion of the Rapid City Plant Street Facility and Bellevue Data Center Facility.

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

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

In addition, a portion of directors and officer’s insurance expense incurred through the Insurance cost center will be direct charged to the BHC Holding Company.

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

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

*Power Generation Capacity Ratio* – Based on the total power generation capacity at the end of the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Power generation includes capacity in service and capacity under construction.

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

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

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2010
Schedule XXI - Methods of Allocation			

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

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

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

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

*Utility Payroll Dollars Ratio* – Based on the total utility payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee’s W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000.

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

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

The Utility Communications and IT Business Applications departments utilize this ratio.

*Nameplate Generation Capacity Ratio* – Based on the total Colorado Airport Project power generation capacity at the end of the prior year ending December 31, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Nameplate generation includes capacity in service and capacity under construction at the Colorado Airport Project.

The Generation Plant Operations department utilizes this ratio.

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

The Rapid City Plant Street Facility operating unit utilizes this ratio.



THIS FILING IS

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

Form 60 Approved  
OMB No. 1902-0215  
Expires 01/31/2013



# FERC FINANCIAL REPORT

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

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

**Exact Legal Name of Respondent (Company)**

Black Hills Utility Holdings, Inc.

**Year of Report**

Dec 31, 2010

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

<b>IDENTIFICATION</b>		
01 Exact Legal Name of Respondent Black Hills Utility Holdings, Inc.		02 Year of Report Dec 31, <u>2010</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change  //
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 Ninth Street, Rapid City SD 57701	06 Name of Contact Person Jeff Berzina	
07 Title of Contact Person Corporate Controller	08 Address of Contact Person 625 Ninth Street, Rapid City, SD 57701	
09 Telephone Number of Contact Person (605) 721-2346	10 E-mail Address of Contact Person jeff.berzina@blackhillscorp.com	
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12 Resubmission Date (Month, Day, Year)  //	
13 Date of Incorporation 06/09/2008	14 If Not Incorporated, Date of Organization  //	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
<b>CORPORATE OFFICER CERTIFICATION</b>		
The undersigned officer certifies that:  I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.		
17 Name of Signing Officer Jeff Berzina	19 Signature of Signing Officer	20 Date Signed (Month, Day, Year)
18 Title of Signing Officer Corporate Controller	Jeff Berzina	

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**List of Schedules and Accounts**

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule I - Comparative Balance Sheet**

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		<b>Service Company Property</b>			
2	101	Service Company Property	103	22,211,917	16,292,138
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified		4,662,552	474,244
5	107	Construction Work In Progress	103	2,279,616	2,054,542
6		Total Property (Total Of Lines 2-5)		29,154,085	18,820,924
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	( 2,607,518)	( 536,945)
8	111	Less: Accumulated Provision for Amortization of Service Company Property		3,868,635	536,945
9		Net Service Company Property (Total of Lines 6-8)		27,892,968	18,820,924
10		<b>Investments</b>			
11	123	Investment In Associate Companies	105	589,291,792	563,320,062
12	124	Other Investments	105		
13	128	Other Special Funds	105	70,808	692,038
14		Total Investments (Total of Lines 11-13)		589,362,600	564,012,100
15		<b>Current And Accrued Assets</b>			
16	131	Cash		3,357,940	2,617,385
17	134	Other Special Deposits		10,355,286	500
18	135	Working Funds		750	3,789,128
19	136	Temporary Cash Investments			
20	141	Notes Receivable		475,000,000	475,000,000
21	142	Customer Accounts Receivable		117,652	1,941,708
22	143	Accounts Receivable		11,977,956	190,963
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	84,659,865	
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		12,931	11,104
27	163	Stores Expense Undistributed	108	604	
28	165	Prepayments		936,728	5,086,235
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			
33	175	Derivative Instrument Assets	109	4,787,276	3,041,802
34	176	Derivative Instrument Assets - Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		591,206,988	491,678,825
36		<b>Deferred Debits</b>			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		7,933,321	8,293,977
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts		( 30,666)	( 42,093)
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		10,931,994	3,537,579
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		24,443,229	13,968,368
46		Total Deferred Debits (Total of Lines 37-45)		43,277,878	25,757,831





Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
FOOTNOTE DATA			

**Schedule Page: 101 Line No.: 9 Column: d**

Ties to Schedule II page 103 column (g) and is equal to the asset balance after allocation to subsidiaries.

**Schedule Page: 101 Line No.: 18 Column: e**

Prior year included special deposits.

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

Includes note receivable from subsidiaries.

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

Includes \$3M of interest receivable on note balance from line 20.

**Schedule Page: 101 Line No.: 42 Column: d**

Includes account 191100 Unrecovered Purchased Gas Cost of \$16.1M

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

Equity in Earnings of Subsidiaries not included in Net Income. The reconciliation between Retained Earnings on the balance sheet to Retained Earnings on Proprietary Capital is:

\$491,846,570	Page 103 - Line #53
(\$4,303,796)	Equity in Earnings of Subsidiaries for 2008
(\$16,682,606)	Equity in Earnings of Subsidiaries for 2009
<u>(\$26,126,019.57)</u>	Equity in Earnings of Subsidiaries for 2010
\$444,734,148	Page 201 - Line 15

Since BHUHC has no true net income/loss, any net income/loss on BHUHC's is from the subsidiaries and represents equity in earnings in those subsidiaries. The balance will always be \$444,734,148.

**Schedule Page: 101 Line No.: 65 Column: e**

Prior year includes:

Current year pension now in line 82 and PEP now in line 76.

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule I - Comparative Balance Sheet (continued)**

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		<b>Proprietary Capital</b>			
49	201	Common Stock Issued	201	1,000	1,000
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	( 200,000,000)	( 200,000,000)
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	491,846,570	465,720,550
54	219	Accumulated Other Comprehensive Income	201	( 14,549)	12,102
55		Total Proprietary Capital (Total of Lines 49-54)		291,833,021	265,733,652
56		<b>Long-Term Debt</b>			
57	223	Advances From Associate Companies	202	475,000,000	475,000,000
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)		475,000,000	475,000,000
62		<b>Other Non-current Liabilities</b>			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		240,915	178,637
65	228.3	Accumulated Provision For Pensions and Benefits			11,626,263
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		240,915	11,804,900
68		<b>Current and Accrued Liabilities</b>			
69	231	Notes Payable			
70	232	Accounts Payable		2,500,941	70,594,200
71	233	Notes Payable to Associate Companies	203	292,755,883	125,516,417
72	234	Accounts Payable to Associate Companies	203	4,861,884	11,647,716
73	236	Taxes Accrued		9,933,693	4,061,457
74	237	Interest Accrued			
75	241	Tax Collections Payable		37,760	44,713
76	242	Miscellaneous Current and Accrued Liabilities	203	4,855,731	3,659,314
77	243	Obligations Under Capital Leases - Current			
78	244	Derivative Instrument Liabilities		11,975,656	4,553,058
79	245	Derivative Instrument Liabilities - Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		326,921,548	220,076,875
81		<b>Deferred Credits</b>			
82	253	Other Deferred Credits		56,312,091	41,244,673
83	254	Other Regulatory Liabilities		4,520,686	
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		3,538,183	( 4,530,917)
87	283	Accumulated deferred income taxes-Other		93,373,990	90,940,497
88		Total Deferred Credits (Total of Lines 82-87)		157,744,950	127,654,253
89		<b>TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)</b>		<b>1,251,740,434</b>	<b>1,100,269,680</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule II - Service Company Property**

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

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization	18,820,923			5,835,355	24,656,278
2	303	Miscellaneous Intangible Plant	30,000			( 30,000)	
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	5,470,823	109,511		( 5,580,334)	
6	391	Office Furniture and Equipment	89,994,058	5,883,124	1,127,280	( 94,749,902)	
7	392	Transportation Equipment	110,594	127,282		( 237,876)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	1,095,756	23,857		( 1,119,613)	
10	395	Laboratory Equipment	223,550	14,621		( 238,171)	
11	396	Power Operated Equipment					
12	397	Communications Equipment	1,094,071	24,944		( 1,119,015)	
13	398	Miscellaneous Equipment	106,752	( 91,255)		( 15,497)	
14	399	Other Tangible Property	52,020,544	2,490,840	2,276,385	( 51,277,925)	957,074
15	399.1	Asset Retirement Costs					
16		<b>Total Service Company Property (Total of Lines 1-15)</b>	168,967,071	8,582,924	3,403,665	( 148,532,978)	25,613,352
17	107	<b>Construction Work in Progress:</b>					
18		Misc/Accounting Accruals		76,614			76,614
19		AMI Hardware		296,366			296,366
20		Lockbox		19,045			19,045
21		Rapid City Customer Call Center	129,739	( 7,179)			122,560
22		Lincoln Call Center	139,926	( 63,865)			76,061
23		PNG Meters	( 89,294)	89,294			
24		Papillion Call Center		53,179			53,179
25		Omaha Call Center		2,382			2,382
26		Software Conversions	1,507,664	( 108,996)			1,398,668
27		SCADA	143,969	( 132,092)			11,877
28		Vehicles	99,037	( 33,447)			65,590
29		Field Collection System	123,503	33,771			157,274
30							
31		<b>Total Account 107 (Total of Lines 14-30)</b>	2,054,542	225,072			2,279,616
32		<b>Total (Lines 16 and Line 31)</b>	171,021,613	8,807,996		( 148,532,977)	27,892,968

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2010
FOOTNOTE DATA			

**Schedule Page: 103 Line No.: 1 Column: f**

Account #114 - Plant Acquisition Adjustment - balance was \$24,656,278 on 12/31/10

**Schedule Page: 103 Line No.: 14 Column: g**

\$957,073.27 did not get allocated to the subsidiaries

**Schedule Page: 103 Line No.: 32 Column: c**

The true property beginning balance is only account \$18,820,923.47 (#301 made up of Acct 114000). The rest of the beginning balance activity is the reversal of the entry to allocate all other property at 12/31/09.

**Schedule Page: 103 Line No.: 32 Column: c**

Each month BHUHC allocates fixed assets to its subsidiaries and this allocation reverses the following month. Column (c) are all BHUHC assets prior to allocation, column (f) is the allocation, and column (g) are the assets that remain after the allocation.

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property**

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

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	5,223,992	110,845		( 5,334,837)	
6	391	Office Furniture and Equipment	82,959,037	4,919,510	1,127,280	( 86,751,267)	
7	392	Transportation Equipment	( 18,793)	16,935		1,858	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	546,580	40,683		( 587,263)	
10	395	Laboratory Equipment	75,084	12,386		( 87,470)	
11	396	Power Operated Equipment					
12	397	Communications Equipment	900,411	155,287		( 1,055,698)	
13	398	Miscellaneous Equipment	12,040	8,497		( 20,537)	
14	399	Other Tangible Property	14,117,011	1,499,749	2,276,385	( 13,340,375)	
15	399.1	Asset Retirement Costs					
16		<b>Total</b>	103,815,362	6,763,892	3,403,665	( 107,175,589)	

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
FOOTNOTE DATA			

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

Is monthly allocation of accumulated depreciation to the subsidiaries that reverses the following month.

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule IV - Investments**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies	563,320,062	589,291,792
2	124	Other Investments		
3	128	Other Special Funds	692,038	70,808
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	564,012,100	589,362,600

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
FOOTNOTE DATA			

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

Holds the loss deposit and prefunding fee for Specialty Risk Services (SRS) a TPA for worker's compensation program



Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule V – Accounts Receivable from Associate Companies**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	<b>Accounts Receivable From Associate Companies</b>		
2		<b>Associate Company:</b>		
3		Black Hills Colorado Electric Utility Company, LP		11,261,629
4		Black Hills Colorado Gas Utility Company, LP		4,102,015
5		Black Hills Iowa Gas Utility Company, LLC		23,929,323
6		Black Hills Kansas Gas Utility Company, LLC		14,778,768
7		Black Hills Nebraska Gas Utility Company, LLC		28,766,000
8		Black Hills Power, Inc		1,269,794
9		Cheyenne Light Fuel & Power Company		416,403
10				
11				
12				
13				
14				
15		Non Associate Company:		
16		Black Hills Wyoming, LLC		644
17		Black Hills Corporation		101,427
18		Black Hills Service Company, LLC		33,862
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
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38				
39				
40	<b>Total</b>			<b>84,659,865</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2010</u>
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**Schedule VI – Fuel Stock Expenses Undistributed**

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
5					
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40	<b>Total</b>				

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule VII – Stores Expense Undistributed**

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		BHUHC	604		604
4					
5					
6					
7					
8					
9					
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37					
38					
39					
40	<b>Total</b>		<b>604</b>		<b>604</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2010</u>
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**Schedule VIII - Miscellaneous Current and Accrued Assets**

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule IX - Miscellaneous Deferred Debits**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		Misc Deferred Debits	( 2)	( 25,497)
4		Meter Shop Cap Exp State Alloc	( 2,719,132)	( 5,295,309)
5		Unrecovered PGC Actual - Gen System	5,467,784	16,168,100
6		Deferred Gas Cost	786,500	84,700
7		Deferred Rate Case Expenses	2,429	
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
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31				
32				
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34				
35				
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39				
40	<b>Total</b>		<b>3,537,579</b>	<b>10,931,994</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule X - Research, Development, or Demonstration Expenditures**

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

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
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25			
26			
27			
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35			
36			
37			
38			
39			
40	Total		

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XI - Proprietary Capital**

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

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

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	1,000,000
2			Par or Stated Value per Share	1.00
3			Outstanding Number of Shares	1,000
4			Close of Period Amount	1,000
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		( 200,000,000)
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		( 14,549)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	444,734,148
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	444,734,148

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2010
FOOTNOTE DATA			

**Schedule Page: 201 Line No.: 15 Column: d**

Equity in Earnings of Subsidiaries not included in Net Income. The reconciliation between Retained Earnings on the balance sheet to Retained Earnings on Proprietary Capital is:

\$491,846,570	Page 103 - Line #53
(\$4,303,796)	Equity in Earnings of Subsidiaries for 2008
(\$16,682,606)	Equity in Earnings of Subsidiaries for 2009
<u>(\$26,126,019.57)</u>	Equity in Earnings of Subsidiaries for 2010
\$444,734,148	Page 201 - Line 15

Since BHUHC has no true net income/loss, any net income/loss on BHUHC's is from the subsidiaries and represents equity in earnings in those subsidiaries. The balance will always be \$444,734,148.



Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XII – Long Term Debt**

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

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3		Black Hills Corporation	60 Months	05/15/2014	9.00000		250,000,000		250,000,000
4		Black Hills Corporation	42 Months	05/15/2013	6.50000		225,000,000		225,000,000
5									
6									
7									
8									
9									
10									
11									
12									
13		<b>TOTAL</b>					475,000,000		475,000,000
14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		<b>TOTAL</b>							

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XIII – Current and Accrued Liabilities**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
2		Black Hills Corporation	( 25,000,000)	3,685,664
3		Black Hills Colorado Electric Utility Company, LP	( 12,661,958)	
4		Black Hills Colorado Gas Utility Company, LP	( 1,569,660)	
5		Black Hills Iowa Gas Utility Company, LLC	6,543,741	
6		Black Hills Kansas Gas Utility Company, LLC	( 1,677,890)	
7		Black Hills Nebraska Gas Utility Company, LLC	8,174,816	
8		Black Hills Utility Holdings, Inc	151,707,368	
9		Black Hills Power, Inc.		289,070,219
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24	234	Accounts Payable to Associate Companies		
25		Black Hills Power, Inc	1,004,797	540,988
26		Black Hills Corporation	9,879,598	78,021
27		Black Hills Service Company	1,876,399	2,683,960
28		Cheyenne Light Fuel & Power Company	( 64,098)	151,982
29		BH Non-Regulated Holdings, LLC	2,813,122	
30		Black Hills Exploration and Production, Inc	( 3,862,102)	
31		Black Hills Colorado Electric Utility Company, LP		265,751
32		Black Hills Colorado Gas Utility Company, LP		( 28,610)
33		Black Hills Iowa Gas Utility Company, LLC		1,007,935
34		Black Hills Kansas Gas Utility, LLC		2,281
35		Black Hills Nebraska Utility, LLC		159,576
36				
37				
38				
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities		24,976
42		Accrued Audit Fees	424,180	352,505
43		Accrued Benefits Comp Absences	207,433	393,677
44		Accrued Benefits 401K	( 254,954)	335,938
45		Accrued Severance, Deferred Rent, & Uncleared Checks	376	18,503
46		Accrued Incentive	1,856,092	2,226,221
47		Accrued Payroll	855,136	1,001,516
48		Accrued EE Reimbursed Exp, Pay it Forward, & Other	200,411	170,051

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
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**Schedule Page: 203 Line No.: 41 Column: d**

Miscellaneous Current and Accrued Liabilities:

Accrued PEP ST	\$52,778
Accrued LT Perform Plan	\$51,710
Accrued Personal Care	<u>(\$79,512)</u>
	\$24,976



Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
<b>Schedule XIV- Notes to Financial Statements</b>			

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

### **Business Description**

Black Hills Utility Holdings, Inc. (the "Company," "us," "we," "our") is a direct wholly-owned subsidiary of Black Hills Corporation (BHC or the Parent). We are a combination electric and gas public utility serving electric utility customers in Colorado, Wyoming and South Dakota and gas utility customers in Wyoming, Colorado, Iowa, Kansas and Nebraska.

### **Basis of Presentation**

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

### **Regulatory Accounting**

Our operations are subject to regulation by state and federal agencies. The accounting policies followed are generally subject to the Uniform System of Accounts of FERC.

Our financial statements reflect the effects of the different ratemaking principles followed by FERC, CPUC, IUB, KCC, SDPUC, WYPSC and NPSC regulating its operations.

### **Cash Equivalents**

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

### **Property, Plant and Equipment**

Additions to property, plant and equipment are recorded at cost when placed in service. The cost of regulated utility property, plant and equipment retired, or otherwise disposed of in the ordinary course of business, less salvage, is charged to accumulated depreciation. Repairs and maintenance of property are charged to operations as incurred. Beginning in January 2010, Construction Work-In-Progress (CWIP) from BHUHC was no longer allocated to the subsidiaries.

### **Derivatives and Hedging Activities**

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

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Schedule XIV- Notes to Financial Statements			

derivatives and are marked-to-market, the change in market value is recorded in regulatory assets or regulatory liabilities in accordance with accounting standards for regulated utility operations.

### Income Taxes

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

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

### Risk Management Activities

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

### Notes Payable

In May 2007, BHC entered into a senior unsecured \$1 billion Acquisition Facility with a syndicate of banks to fund the purchase of assets from Aquila. In conjunction with the completion of the purchase of the Aquila properties in July 2008, BHC executed a single draw of \$382.8 million under this Acquisition Facility. The loan was originally scheduled to mature on February 5, 2009, however, on December 18, 2008, BHC amended the facility to extend the maturity date to December 29, 2009. On May 14, 2009, BHC issued a \$250 million aggregate principal amount of senior unsecured notes due 2014. The notes were priced at par and carry a fixed rate of 9%. Proceeds from the sale of assets of the Parent, the Debt Offering, and the use of BHC's revolving credit facility were used to pay off the Acquisition Facility in the second quarter of 2009.

We recorded the \$250 million Debt Offering in Note payable - Parent on BHUHC in May 2009. We also recorded an additional \$225 million aggregate principal amount to Note payable - Parent in relation to the BHC unsecured notes in October 2009 on BHUHC. We are making payments on this debt in accordance with terms established in the Debt Offerings.

Deferred financing costs included in Other assets - Other on the Consolidated Balance Sheets totaled \$2 million as of December 31, 2010. The 2010 deferred financing costs were recorded on the subsidiaries and not on BHUHC.

### Employee Benefit Plans

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<b>Schedule XIV- Notes to Financial Statements</b>			

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

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

### **Defined Benefit Pension Plan**

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

### **Defined Contribution Plan**

We sponsor a 401(k) savings plan. Participants may elect to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis up to the maximum amounts established by the Internal Revenue Service. We provide a maximum matching contribution of 100% of the employee's tax-deferred contribution up to a maximum of 6% of eligible compensation. Matching contributions vest at 20% per year and are fully vested when the participant has five years of service.

Effective January 1, 2010, in conjunction with the partial freeze of our defined benefit pension plan, we amended our 401(k) Retirement Savings Plan. This amendment covers all employees with the exception of the bargaining unit employees and certain other employees grandfathered under a prior defined benefits plan election. The amendment provides for a matching contribution of 100% of the eligible employee's annual contribution up to a maximum of 6% of eligible compensation. The amendment also provides certain eligible participants an age- and service-based employer contribution.

### **Related Party Transactions**

During 2009, we completed a series of affiliate transactions to restructure our debt and equity capitalization. These transactions included recording a \$475.0 million Note Payable to BHC and a \$200.0 million cash dividend to BHC. As of December 31, 2010, we had a Note Payable to Parent of \$475.0 million.

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**Schedule XV- Comparative Income Statement**

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		<b>SERVICE COMPANY OPERATING REVENUES</b>		
2	400	Service Company Operating Revenues	72,110,636	70,699,146
3		<b>SERVICE COMPANY OPERATING EXPENSES</b>		
4	401	Operation Expenses	51,730,494	48,407,594
5	402	Maintenance Expenses		
6	403	Depreciation Expenses	6,865,998	13,796,621
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property	98,434	277,006
9	405	Amortization of Other Property	37,670	91,699
10	407.3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	1,388,100	1,600,172
13	409.1	Income Taxes, Operating Income	0	
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit, Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	2,508,354	4,192,225
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	62,629,050	68,365,317
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	9,481,586	2,333,829
24		<b>OTHER INCOME</b>		
25	418.1	Equity in Earnings of Subsidiary Companies	0	
26	419	Interest and Dividend Income	1,793	243,582
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	8,520	3,176
29	421.1	Gain on Disposition of Property		
30		TOTAL OTHER INCOME (Total of Lines 25-29)	10,313	246,758
31		<b>OTHER INCOME DEDUCTIONS</b>		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	14,851	16,984
35	426.2	Life Insurance		
36	426.3	Penalties	27,000	( 23)
37	426.4	Expenditures for Certain Civic, Political and Related Activities	36,804	58,870
38	426.5	Other Deductions	526	13,485



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

Income Tax Like Kind Exchanges of \$2,098,504 not included on the Analysis of Charges:

Current Federal Income Tax	3,600,874
Current State Income Tax	328,296
Deferred Current Federal Income Tax	23,625,365
Deferred Current State Income Tax	1,316,043
Deferred Income Tax Federal Credit Operating	(29,270,227)
Deferred Income Tax State Credit Operating	<u>(1,698,855)</u>
	2,098,504

**Schedule Page: 301 Line No.: 25 Column: c**

Schedule XV Page: 301 Line No: 25 Column: c  
Equity in Earnings of Subsidiaries for \$26,126,019 not included on the Income Statement.

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**Schedule XV- Comparative Income Statement (continued)**

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
39		<b>TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)</b>	79,181	89,316
40		<b>TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS</b>		
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions	52,457	73,529
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		<b>TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)</b>	52,457	73,529
47		<b>INTEREST CHARGES</b>		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	6,561,464	1,165,573
52	431	Other Interest Expense	2,798,797	1,254,450
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		2,281
54		<b>TOTAL INTEREST CHARGES (Total of Lines 48-53)</b>	9,360,261	2,417,742
55		<b>NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)</b>		
56		<b>EXTRAORDINARY ITEMS</b>		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		<b>Net Extraordinary Items (Line 57 less Line 58)</b>		
60	409.4	(less) Income Taxes, Extraordinary		
61		<b>Extraordinary Items After Taxes (Line 59 less Line 60)</b>		
62		<b>NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)</b>		

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

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

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense	749,061	6,116,937	6,865,998			
2	404-405	Amortization Expense	37,670	98,434	136,104			
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	12,291	1,428,266	1,440,557			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services						
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	1,494,531	1,010,031	2,504,562	3,792		3,792
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income		1,793	1,793			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		8,520	8,520			
19	421.1	Gain on Disposition of Property						
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	408	14,443	14,851			
23	426.2	Life Insurance						
24	426.3	Penalties	27,000		27,000			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	2,277	34,527	36,804			
26	426.5	Other Deductions		526	526			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense						
29	429	Amortization of Premium on Debt – Credit						
30	430	Interest on Debt to Associate Companies		6,561,464	6,561,464			
31	431	Other Interest Expense	2,853	2,795,944	2,798,797			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses						
34	510-515	Total Steam Power Generation Maintenance Expenses	171		171			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses						
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses						
39	546-550.1	Total Other Power Generation Operation Expenses						
40	551-554.1	Total Other Power Generation Maintenance Expenses						
41	555-557	Total Other Power Supply Operation Expenses	588,382	445	588,827			
42	560	Operation Supervision and Engineering	678,294	9,535	687,829			
43	561.1	Load Dispatch-Reliability		3,118	3,118			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	373,988	3,704	377,692			
45	561.3	Load Dispatch-Transmission Service and Scheduling	236,527	254	236,781			
46	561.4	Scheduling, System Control and Dispatch Services	242,702		242,702			
47	561.5	Reliability Planning and Standards Development	245,543	17,956	263,502			
48	561.6	Transmission Service Studies	458		458			
49	561.7	Generation Interconnection Studies	2,112		2,112			
50	551.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)	110		110			
52	563	Overhead Line Expenses (Major Only)	538		538			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	2,924		2,924			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	1,783,193	34,567	1,817,766			
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)	457		457			
66	571	Maintenance of Overhead Lines (Major Only)	882		882			
67	572	Maintenance of Underground Lines (Major Only)						
	573	Maintenance of Miscellaneous Transmission Plant						

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
68		(Major Only)						

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	1,339		1,339			
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	336,125	6,995	343,120			
74	590-598	Total Distribution Maintenance Expenses	1,226		1,226			
75		Total Electric Operation and Maintenance Expenses	5,036,533	18,092,266	23,128,799	3,792		3,792
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses		( 7,483)	( 7,483)			
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses	47,871		47,871			
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses	47,871		47,871			
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains		1,000	1,000			
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment	576		576			
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses	576	1,000	1,576			
104	870-881	Total Distribution Operation Expenses	325,590	1,310,023	1,635,613			

Name of Respondent Black Hills Utility Holdings, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	1,821	559,957	561,778			
106		Total Natural Gas Operation and Maintenance Expenses	375,858	1,863,497	2,239,355			
107	901	Supervision	( 27,540)	361,789	334,249			
108	902	Meter reading expenses		14,514	14,514			
109	903	Customer records and collection expenses	1,140,965	9,314,122	10,455,087			
110	904	Uncollectible accounts	2,082,720		2,082,720			
111	905	Miscellaneous customer accounts expenses	( 31,442)	1,236,499	1,205,057			
112	906	Total Customer Accounts Operation Expenses	3,164,703	10,926,924	14,091,627			
113	907	Supervision	( 67,378)	821,905	754,527			
114	908	Customer assistance expenses	( 100,042)	1,616,768	1,516,726			
115	909	Informational And Instructional Advertising Expenses	60,037	3,732	63,769			
116	910	Miscellaneous Customer Service And Informational Expenses	( 157)	9,705	9,548			
117		Total Service and Informational Operation Accounts	( 107,540)	2,452,110	2,344,570			
118	911	Supervision	( 3,612)	361,069	357,457			
119	912	Demonstrating and Selling Expenses	1,425	188,312	189,737			
120	913	Advertising Expenses		16,601	16,601			
121	915	Miscellaneous Sales Expenses		5,029	5,029			
122		Total Sales Operation Expenses	( 2,187)	571,011	568,824			
123	920	Administrative and General Salaries	1,483,595	16,003,607	17,487,202	( 160,650)		( 160,650)
124	921	Office Supplies and Expenses	162,912	4,230,475	4,393,387	104		104
125	923	Outside Services Employed	75,461	2,404,845	2,480,306			
126	924	Property Insurance	( 17)	2,501	2,484			
127	925	Injuries and Damages	( 2,822)	357,711	354,889			
128	926	Employee Pensions and Benefits	( 158,131)	2,860,512	2,702,381			
129	928	Regulatory Commission Expenses	664,061	25	664,086			
130	930.1	General Advertising Expenses	56,909	12,651	69,560			
131	930.2	Miscellaneous General Expenses	118,220	116,374	234,594	53		53
132	931	Rents	( 44,733)	803,916	759,183			
133		Total Administrative and General Operation Expenses	2,355,455	26,792,617	29,148,072	( 160,493)		( 160,493)
134	935	Maintenance of Structures and Equipment	( 12,973)	759,065	746,092			
135		Total Administrative and General Maintenance Expenses	5,397,458	41,501,727	46,899,185	( 160,493)		( 160,493)
136		Total Cost of Service	10,809,849	61,457,490	72,267,339	( 156,701)		( 156,701)

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense	749,061	6,116,937	6,865,998
2	404-405	Amortization Expense	37,670	98,434	136,104
3	407.3-407.4	Regulatory Debits/Credits - Net			
4	408.1-408.2	Taxes Other Than Income Taxes	12,291	1,428,266	1,440,557
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes - Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	1,498,323	1,010,031	2,508,354
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income		1,793	1,793
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		8,520	8,520
19	421.1	Gain on Disposition of Property			
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	408	14,443	14,851
23	426.2	Life Insurance			
24	426.3	Penalties	27,000		27,000
25	426.4	Expenditures for Certain Civic, Political and Related Activities	2,277	34,527	36,804
26	426.5	Other Deductions		526	526
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense			
29	429	Amortization of Premium on Debt - Credit			
30	430	Interest on Debt to Associate Companies		6,561,464	6,561,464
31	431	Other Interest Expense	2,853	2,795,944	2,798,797
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses			
34	510-515	Total Steam Power Generation Maintenance Expenses	171		171



Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2010
FOOTNOTE DATA			

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

The following non-regulated activity was included in #416:

DM Miscellenous	986.88
Non Reg Power Generation O&M	2,805.41
Merchandis Revenues	(202.04)
Exp for Merchandising, Jobbing & Contract	220.34
Nonutility Expenses - COS	1,028.88
Nonutility Expenses - Other O&M	798,184.87
Nonutility Selling Expense	757,794.03
Nonutility Admin & General	8,944.14
Admin and General - Employee Benefits	372,561.43
Exp for Uncollectible Accounts Non Reg	463,532.00
Nonutility Depreciation Expense	<u>102,498.33</u>
	2,508,354.27

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses			
39	546-550.1	Total Other Power Generation Operation Expenses			
40	551-554.1	Total Other Power Generation Maintenance Expenses			
41	555-557	Total Other Power Supply Operation Expenses	588,382	445	588,827
42	560	Operation Supervision and Engineering	678,294	9,535	687,829
43	561.1	Load Dispatch-Reliability		3,118	3,118
44	561.2	Load Dispatch-Monitor and Operate Transmission System	373,988	3,704	377,692
45	561.3	Load Dispatch-Transmission Service and Scheduling	236,527	254	236,781
46	561.4	Scheduling, System Control and Dispatch Services	242,702		242,702
47	561.5	Reliability Planning and Standards Development	245,546	17,956	263,502
48	561.6	Transmission Service Studies	458		458
49	561.7	Generation Interconnection Studies	2,112		2,112
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)	110		110
52	563	Overhead Line Expenses (Major Only)	538		538
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	2,924		2,924
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	1,783,199	34,567	1,817,766
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)	457		457
66	571	Maintenance of Overhead Lines (Major Only)	882		882
67	572	Maintenance of Underground Lines (Major Only)			
	573	Maintenance of Miscellaneous Transmission Plant			



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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	1,339		1,339
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	336,125	6,995	343,120
74	590-598	Total Distribution Maintenance Expenses	1,226		1,226
75		Total Electric Operation and Maintenance Expenses	5,040,325	18,092,266	23,132,591
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses		( 7,483)	( 7,483)
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching.			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses	47,871		47,871
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses	47,871		47,871
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains		1,000	1,000
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment	576		576
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses	576	1,000	1,576
104	870-881	Total Distribution Operation Expenses	325,590	1,310,023	1,635,613

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	1,821	559,957	561,778
106		Total Natural Gas Operation and Maintenance Expenses	375,858	1,863,497	2,239,355
107	901	Supervision	( 27,540)	361,789	334,249
108	902	Meter reading expenses		14,514	14,514
109	903	Customer records and collection expenses	1,140,965	9,314,122	10,455,087
110	904	Uncollectible accounts	2,082,720		2,082,720
111	905	Miscellaneous customer accounts expenses	( 31,442)	1,236,499	1,205,057
112	906	Total Customer Accounts Operation Expenses	3,164,703	10,926,924	14,091,627
113	907	Supervision	( 67,378)	821,905	754,527
114	908	Customer assistance expenses	( 100,042)	1,616,768	1,516,726
115	909	Informational And Instructional Advertising Expenses	60,037	3,732	63,769
116	910	Miscellaneous Customer Service And Informational Expenses	( 157)	9,705	9,548
117		Total Service and Informational Operation Accounts	( 107,540)	2,452,110	2,344,570
118	911	Supervision	( 3,612)	361,069	357,457
119	912	Demonstrating and Selling Expenses	1,425	188,312	189,737
120	913	Advertising Expenses		16,601	16,601
121	916	Miscellaneous Sales Expenses		5,029	5,029
122		Total Sales Operation Expenses	( 2,187)	571,011	568,824
123	920	Administrative and General Salaries	1,322,945	16,003,607	17,326,552
124	921	Office Supplies and Expenses	163,016	4,230,475	4,393,491
125	923	Outside Services Employed	75,461	2,404,845	2,480,306
126	924	Property Insurance	( 17)	2,501	2,484
127	925	Injuries and Damages	( 2,822)	357,711	354,889
128	926	Employee Pensions and Benefits	( 158,131)	2,860,512	2,702,381
129	928	Regulatory Commission Expenses	664,061	25	664,086
130	930.1	General Advertising Expenses	56,909	12,651	69,560
131	930.2	Miscellaneous General Expenses	118,273	116,374	234,647
132	931	Rents	( 44,733)	803,916	759,183
133		Total Administrative and General Operation Expenses	2,194,962	26,792,617	28,987,579
134	935	Maintenance of Structures and Equipment	( 12,973)	759,065	746,092
135		Total Administrative and General Maintenance Expenses	5,236,965	41,501,727	46,738,692
136		Total Cost of Service	10,653,148	61,457,490	72,110,638

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XVII - Analysis of Billing – Associate Companies (Account 457)**

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

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Black Hills Colorado Electric Utility Company, LP	2,440,416	9,900,609		12,341,025
2	Black Hills Colorado Gas Utility Company, LP	1,284,467	5,921,975		7,206,442
3	Black Hills Iowa Gas Utility Company, LLC	2,273,181	13,384,702		15,657,883
4	Black Hills Kansas Gas Utility Company, LLC	1,722,082	10,585,763		12,307,845
5	Black Hills Nebraska Gas Utility Company, LLC	1,264,625	16,874,586		18,139,211
6	Black Hills Power, Inc.	1,615,704	3,269,605		4,885,309
7	Cheyenne Light Fuel & Power Comany	209,374	1,520,250		1,729,624
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40	<b>Total</b>	10,809,849	61,457,490		72,267,339

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)**

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

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1	Wyodak Resources Dev Corp	12,660				12,660
2	Black Hills Wyoming LLC	( 701)				( 701)
3	Enserco Energy Inc	( 4,569)				( 4,569)
4	Black Hills Idaho Operations LLC	( 342)				( 342)
5	Black Hills Non Reg Holdings LLC	( 18,157)				( 18,157)
6	Black Hills Colorado IPP, LLC	3,494				3,494
7	Black Hills Service Company LLC	( 149,085)				( 149,085)
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39						
40	<b>Total</b>	*****				*****

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010
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**Schedule XIX - Miscellaneous General Expenses - Account 930.2**

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

Line No.	Title of Account (a)	Amount (b)
1	Admin Exp Trans Credit	( 61,074)
2	Miscellaneous Exp	295,668
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40	<b>Total</b>	<b>234,594</b>



Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
<b>Schedule XX - Organization Chart</b>			

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

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

<b>OFFICER</b>	<b>TITLE</b>
David R. Emery	Chairman and Chief Executive Officer
Linden R. Evans	President and Chief Operating Officer – Utilities
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)
Robert A. Myers	Senior Vice President – Human Resources
Scott A. Buchholz	Senior Vice President – Chief Information Officer
Lynnette K. Wilson	Senior Vice President – Communications and Investor Relations
Roxann R. Basham	Vice President – Governance and Corporate Secretary
Stephen L. Pella	Vice President – Strategic Initiatives
Perry S. Krush	Vice President – Supply Chain
Jeffrey B. Berzina	Vice President – Corporate Controller
Garner M. Anderson	Vice President, Treasurer and Chief Risk Officer
Kyle D. White	Vice President – Regulatory and Governmental Affairs
Richard W. Kinzley	Vice President – Strategic Planning and Development
Stuart A. Wevik	Vice President – Utility Operations
Ivan Vancas	Vice President – Utility Services
Mark L. Lux	Vice President and General Manager – Power Delivery
Randy D. Winkelman	Vice President – Customer Service

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
<b>Schedule XX - Organization Chart</b>			

Brian G. Iverson                      Vice President – Electric Regulatory Services

Trent Cozad                              Vice President – Natural Gas Supply Services

Steven M. Jurek                         Vice President – Natural Gas Regulatory Services

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Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2010
<b>Schedule XXI - Methods of Allocation</b>			

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

## Allocation Ratios

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

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

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

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

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

*Payroll Dollar Ratio* – Based on the total payroll dollars for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies. Payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums of \$50,000.

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

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

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

*Customer Count Ratio* – Based on the number of customers at the end of the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2010
Schedule XXI - Methods of Allocation			

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

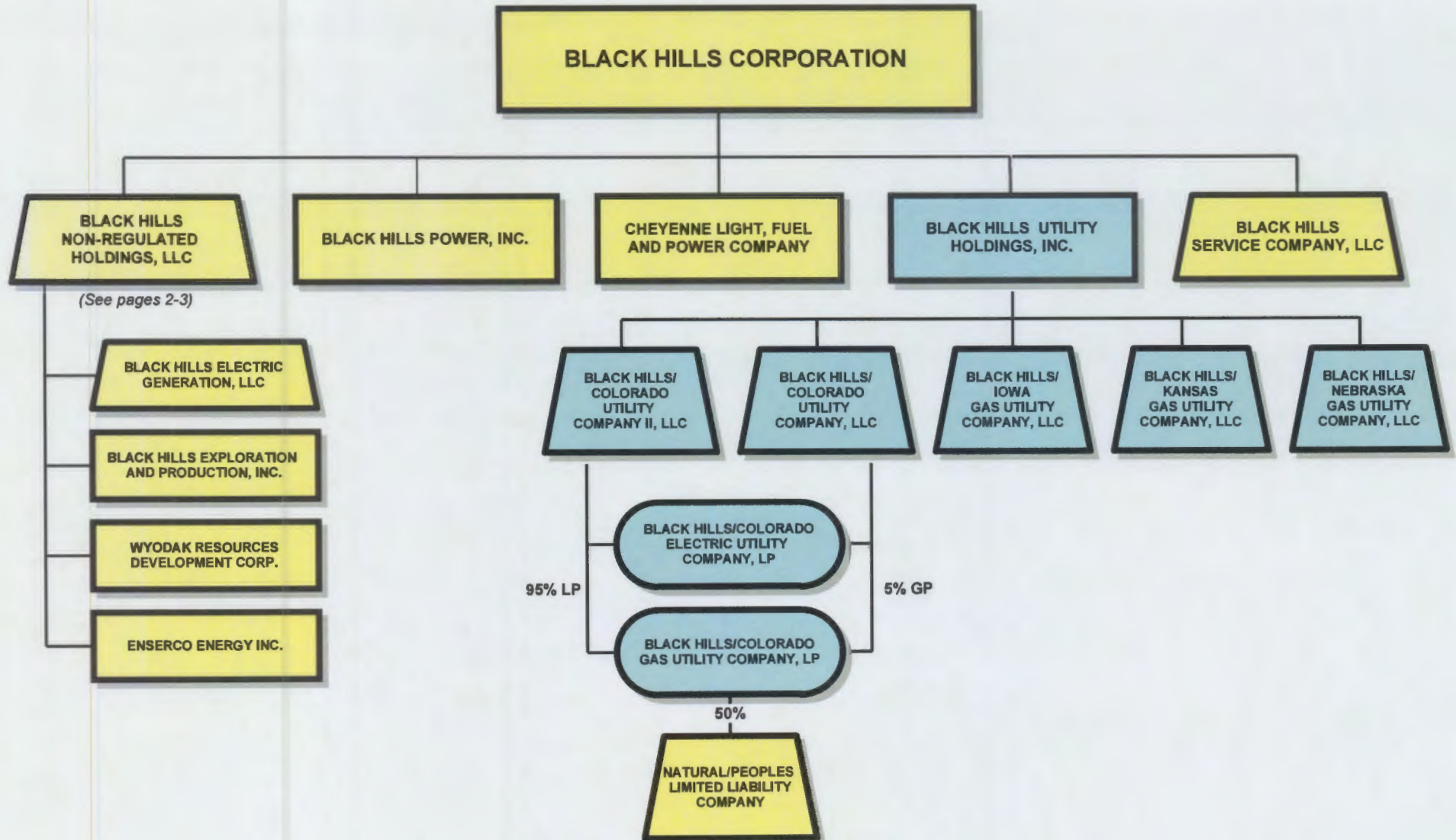
*Net Energy Sales Ratio* – Based on the net energy sales for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

The department that utilizes this ratio is power supply and renewables.

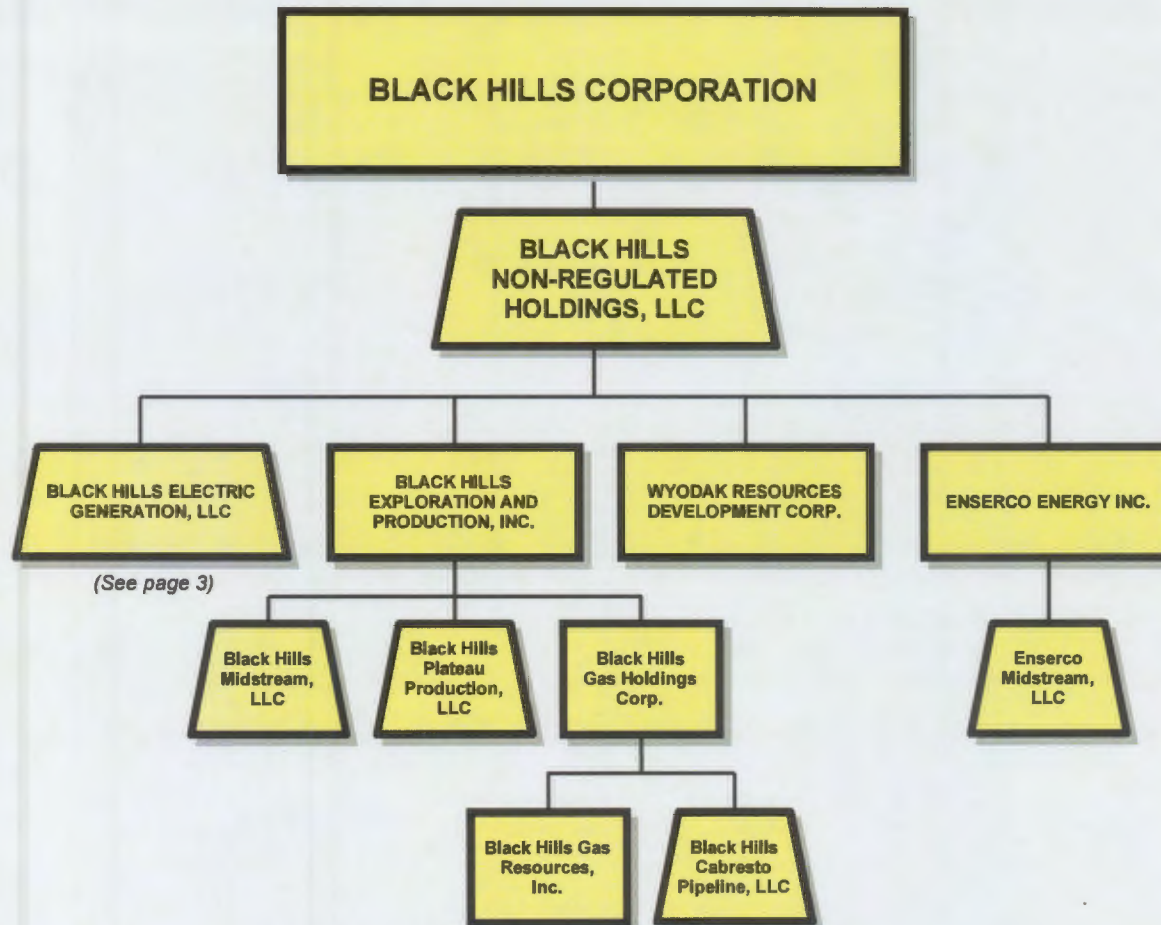
*Transmission Ratio* – Based on a simple average of a multiple of cross-sectional drivers for the transmission function that includes customer counts, peak load, number of substations, number of feeders, number of distribution and transmission miles, and number of remote terminal units. The numerator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

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

# BLACK HILLS CORPORATION ORGANIZATIONAL CHART

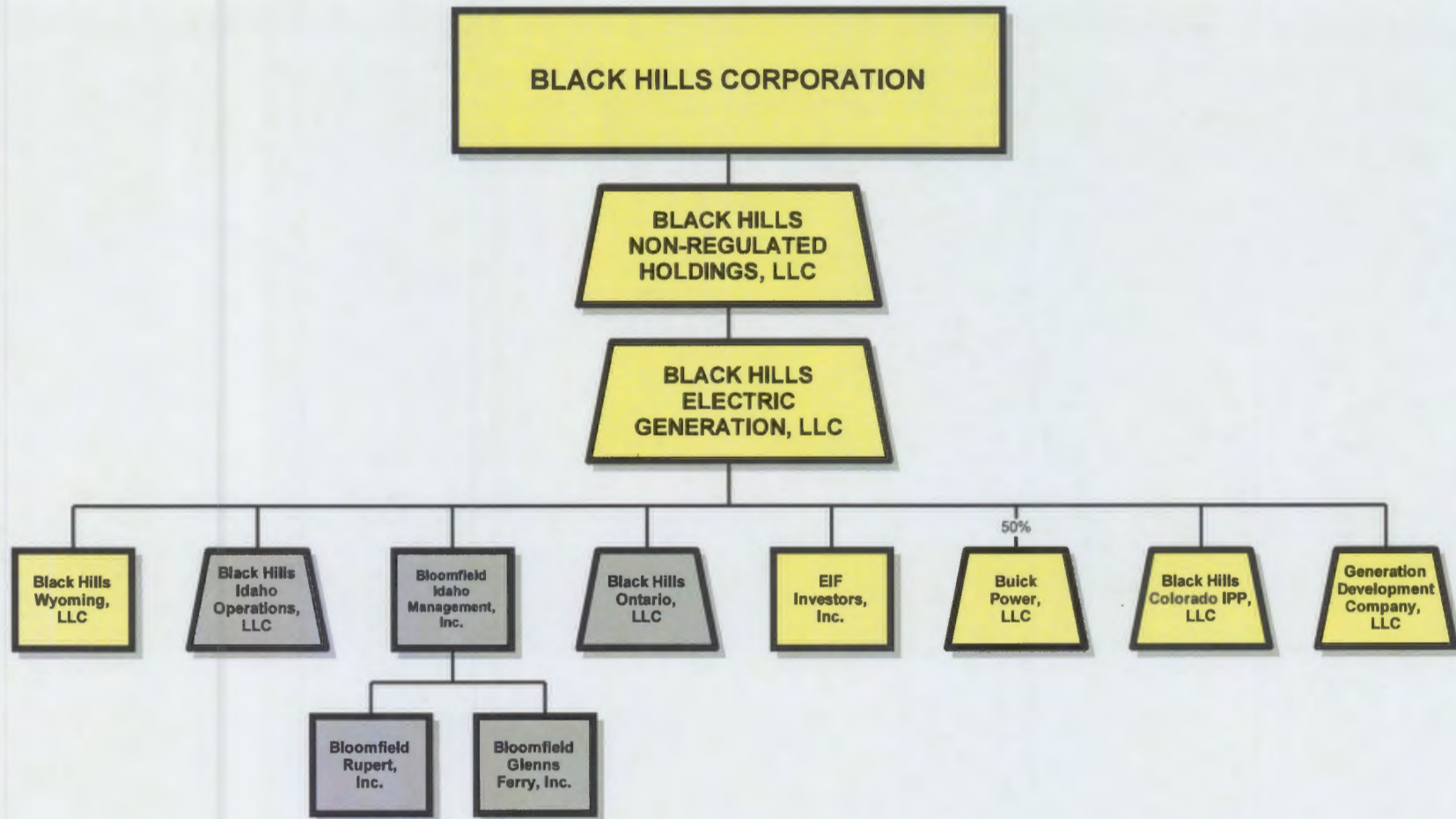


# BLACK HILLS CORPORATION ORGANIZATIONAL CHART





# BLACK HILLS CORPORATION ORGANIZATIONAL CHART



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

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

For the fiscal year ended December 31, 2010

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-31303

**BLACK HILLS CORPORATION**

Incorporated in South Dakota

625 Ninth Street  
Rapid City, South Dakota 57701

IRS Identification Number 46-0458824

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

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

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

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

Yes  No

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

Yes  No

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

Yes  No

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

Yes  No

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

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

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

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

Yes  No

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

At June 30, 2010 \$1,102,103,935

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 31, 2011
Common stock, \$1.00 par value	39,262,118 shares

**Documents Incorporated by Reference**

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2011 Annual Meeting of Stockholders to be held on May 25, 2011, are incorporated by reference in Part III of this Form 10-K.



## PART I

### ITEMS 1 AND 2. BUSINESS AND PROPERTIES

#### History and Organization

Black Hills Corporation, a South Dakota corporation (together with its subsidiaries, referred to herein as the "Company," "we," "us" and "our"), is a diversified energy company headquartered in Rapid City, South Dakota. Our predecessor company, Black Hills Power and Light Company, was incorporated and began providing electric utility service in 1941. It was formed through the purchase and combination of several existing electric utilities and related assets, some of which had served customers in the Black Hills region since 1883. In 1956, the Company began producing, selling and marketing various forms of energy through its non-regulated business.

We operate principally in the United States with two major business groups: Utilities and Non-regulated Energy. Our Utilities Group is comprised of our regulated Electric Utilities and regulated Gas Utilities segments, and our Non-regulated Energy Group is comprised of our Oil and Gas, Power Generation, Coal Mining, and Energy Marketing segments, as shown below. At December 31, 2010, we had 2,124 employees, 705 of whom were represented by union locals.

<b>Business Group</b>	<b>Financial Segment</b>
<i>Utilities</i>	Electric Utilities Gas Utilities
<b><i>Non-regulated Energy</i></b>	Oil and Gas Power Generation Coal Mining Energy Marketing

Our Electric Utilities segment generates, transmits and distributes electricity to approximately 201,000 customers in South Dakota, Wyoming, Colorado and Montana and includes the operations of Cheyenne Light, a combination electric and gas utility, and its approximately 34,500 gas utility customers in Wyoming. Our Gas Utilities segment serves approximately 527,000 natural gas utility customers in Colorado, Nebraska, Iowa and Kansas. Our Electric Utilities own 687 MWs of generation and 8,038 miles of electric transmission and distribution lines, and our Gas Utilities own 626 miles of intrastate gas transmission pipelines and 19,638 miles of gas distribution mains and service lines. Our Electric and Gas Utilities generated income from continuing operations of \$74.6 million for the year ended December 31, 2010 and had total assets of \$2.6 billion at December 31, 2010.

Our Oil and Gas segment engages in the exploration, development and production of crude oil and natural gas, primarily in the Rocky Mountain region. Our Coal Mining segment produces coal at our coal mine near Gillette, Wyoming, and our Energy Marketing segment is engaged in marketing of natural gas, crude oil, coal, power, environmental products and related services, in the United States and Canada. Our Power Generation segment produces electric power from our generating plants and sells the electric capacity and energy primarily under long-term contracts. In 2008, we sold seven IPP plants previously reported in our Power Generation segment, which resulted in the operations of these plants being reported as discontinued operations. Our Non-regulated Energy Group generated income from continuing operations of \$13.6 million in the year ended December 31, 2010 and had total assets of \$1.1 billion at December 31, 2010.

#### **Segment Financial Information**

We discuss our business strategy and other prospective information in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations. Financial information regarding our business segments is incorporated herein by reference to Item 8 - Financial Statements and Supplementary Data, particularly Note 17 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

## **Non-regulated Energy Group**

Our Non-regulated Energy Group, which operates through various subsidiaries, produces natural gas and crude oil primarily in the Rocky Mountain region; produces and sells electric capacity and energy through ownership of a portfolio of generating plants; produces and stores coal; and engages in natural gas, crude oil, coal, power and environmental marketing. The Non-regulated Energy Group consists of four business segments for reporting purposes:

- Oil and Gas;
- Power Generation;
- Coal Mining; and
- Energy Marketing.

### **Oil and Gas Segment**

Our Oil and Gas segment, which conducts business through **BHEP and its subsidiaries**, acquires, explores for, develops and produces natural gas and crude oil for sale into commodity markets. As of December 31, 2010, the principal assets of our Oil and Gas segment included: (i) operating interests in oil and natural gas properties, including properties in the San Juan Basin (primarily New Mexico, including holdings within the tribal lands of the Jicarilla Apache and Southern Ute Nations), the Powder River Basin (Wyoming) and the Piceance Basin (primarily in Colorado); (ii) non-operated interests in oil and natural gas properties including wells located in the Williston (Bakken Shale primarily in North Dakota), Wind River (Wyoming), Bearpaw Uplift (Montana), Arkoma (Oklahoma), Anadarko (Texas) and Sacramento (California) basins; and (iii) a 44.7% ownership interest in the Newcastle gas processing plant and associated gathering system located in Weston County, Wyoming. The plant, operated by Western Gas Partners, LP, is adjacent to our producing properties in that area, and BHEP's production accounts for the majority of the facility's throughput. We also own natural gas gathering, compression and treating facilities serving the operated San Juan and Piceance Basin properties and working interests in similar facilities serving our non-operated Montana and Wyoming properties.

At December 31, 2010, we had total reserves of approximately 131 Bcfe, of which natural gas comprised 73% and oil comprised 27% of total reserves. The majority of our reserves are located in select oil and natural gas producing basins in the Rocky Mountain region. Approximately 28% of our reserves are located in the San Juan Basin of northwestern New Mexico, primarily in the East Blanco Field of Rio Arriba County, 26% are located in the Powder River Basin of Wyoming, primarily in the Finn-Shurley Field of Weston and Niobrara counties and 25% are located in the Piceance Basin of western Colorado.

#### ***Delivery Commitments***

None of our oil and gas production is sold under long-term product delivery commitments.

#### ***Summary Oil and Gas Reserve Data***

The summary information presented concerning our estimated proved developed and undeveloped oil and gas reserves and the 10% discounted present value of estimated future net revenues is based on reports prepared by CG&A, an independent consulting and engineering firm located in Fort Worth, Texas. Reserves in 2010 and 2009 were determined consistent with SEC requirements using a 12-month average price calculated using the first-day-of-the-month price for each of the 12 months in the reporting period held constant for the life of the properties. Estimates of economically recoverable reserves and future net revenues are based on a number of variables, which may differ from actual results. Our 2008 reserves were determined based on the previous guidelines utilizing the price on the last day of the reporting period. (Oil (in Mbbbl) is multiplied by six to convert to MMcfe). Additional information on our oil and gas reserves, related financial data and the SEC requirements can be found in Note 21 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

The Company believes it maintains adequate and effective internal controls over the reserve estimation process as well as the underlying data upon which reserve estimates are based. The primary inputs to the reserve estimation process are comprised of technical information, financial data, ownership interest and production data. All field and reservoir technical information, which is updated annually, is assessed for validity when the reservoir engineers hold technical meetings with geoscientists, operations and land personnel to discuss field performance and to validate future development plans. The Company's internal engineers and our independent reserve engineering firm, CG&A, work independently and concurrently to develop reserve volume estimates. Current revenue and expense information is obtained from the Company's accounting records, which are subject to external quarterly reviews, annual audits and internal controls over financial reporting. All current financial data such as commodity prices, lease operating expenses, production taxes and field commodity price differentials are updated in the reserve database and then analyzed to ensure that they have been entered accurately and that all updates are complete. The Company's current ownership in mineral interests and well production data are also subject to the aforementioned internal controls over financial reporting, and they are incorporated in the reserve database as well and verified to ensure their accuracy and completeness. Once the reserve database has been entirely updated with current information, and all relevant technical support materials have been assembled, CG&A meets with the Company's technical personnel to review field performance and future development plans in order to further verify their validity. Following these reviews the reserve database, including updated cost, price and ownership data, is furnished to CG&A so that they can prepare their independent reserve estimates and final report. Access to the Company's reserve database is restricted to specific members of the engineering department.

CG&A is a Texas Registered Engineering Firm. Our primary contact at CG&A is Mr. Zane Meekins. Mr. Meekins has been practicing consulting petroleum engineering since 1989. Mr. Meekins is a Registered Professional Engineer in the State of Texas and has over 22 years of practical experience in petroleum engineering and over 20 years experience in the estimation and evaluation of reserves. He graduated from Texas A&M University in 1987 with a Bachelor of Science in Petroleum Engineering. Mr. Meekins meets or exceeds the education, training and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers; he is proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying SEC and other industry reserves definitions and guidelines.

BHEP's Manager of Planning and Analysis is the technical person primarily responsible for overseeing our third party reserve estimates. He has over 30 years of Exploration and Production industry experience as a geologist. He has over 20 years of experience working closely with internal and third party qualified reserve estimators in major and mid-sized oil and gas companies. He holds a Bachelor of Science degree in Geology and a Masters in Business Administration.

The following tables set forth summary information concerning our estimated proved developed and undeveloped reserves, by basin, as of December 31, 2010, 2009 and 2008:

Proved Reserves	December 31, 2010					
	Total	Picance	San Juan	Williston	Powder River	Other
Developed -						
Natural Gas (MMcf)	67,656	11,475	36,281	679	10,180	9,041
Oil (Mbbbl)	4,434	—	11	508	3,891	24
Total Developed (MMcfe)	94,260	11,475	36,347	3,727	33,526	9,185
Undeveloped -						
Natural Gas (MMcf)	27,800	21,777	620	1,820	—	3,583
Oil (Mbbbl)	1,506	—	—	1,506	—	—
Total Undeveloped (MMcfe)	36,836	21,777	620	10,856	—	3,583
Total MMcfe	131,096	33,252	36,967	14,583	33,526	12,768

In addition to being subject to federal and tribal regulations, we must also comply with state and county regulations, which have been going through significant change over the last several years. For example, in 2008 new state regulations were implemented in New Mexico which increased the regulatory requirements associated with drilling pits. Colorado legislation in 2007 changed the structure of the oil and gas commission, which has subsequently developed and approved significant changes to oil and gas regulations which were implemented in 2009. Changes such as these have increased costs and added uncertainty with respect to the timing and receipt of permits. We expect additional changes of this nature to occur in the future.

**Environmental.** Our operations are subject to various federal, state and local laws and regulations relating to the discharge of materials into, and the protection of the environment. We must account for the cost of complying with environmental regulations in planning, designing, drilling, operating and abandoning wells. In most instances, the regulatory requirements relate to the handling and disposal of drilling and production waste products, water and air pollution control procedures (such as spill prevention, control and countermeasure plans, storm water pollution prevention plans, state air quality permits and underground injection control disposal permits), chemical storage and use and the remediation of petroleum-product contamination. Certain states, such as Colorado, impose storm water requirements more stringent than the EPA's and are actively implementing and enforcing these requirements. We take a proactive role in working with these agencies to ensure compliance.

Under state, federal and tribal laws, we could also be required to remove or remediate previously disposed waste, including waste disposed of or released by us, or prior owners or operators, in accordance with current laws, or to otherwise suspend or cease operations in contaminated areas, or to perform remedial well plugging operations or clean up to prevent future contamination. We generate waste that is already subject to the RCRA and comparable state statutes. The EPA and various state agencies limit the disposal options for those wastes. It is possible that certain oil and gas wastes which are currently exempt from treatment as RCRA wastes may in the future be designated as wastes under RCRA or other applicable statutes.

**Greenhouse Gas Regulations.** The Oil and Gas segment is impacted by regulation in the state of New Mexico where legislation was passed requiring the tracking and reporting of GHG emissions, beginning with calendar year 2008. The EPA published an amendment to its GHG reporting requirements in the November 30, 2010 Federal Register, adding Petroleum and Natural Gas Systems to the mandatory reporting requirements. Data gathering commenced on January 1, 2011, with the final report to the EPA due in 2012. Other states may implement their own such programs in the future.

#### **Power Generation Segment**

Our Power Generation segment, which operates through **Black Hills Electric Generation and its subsidiaries**, acquires, develops and operates our non-regulated power plants. As of December 31, 2010, we held varying interests in independent power plants operating in Wyoming and Idaho with a total net ownership of 120 MW. In January 2011, we sold our ownership interests in the Idaho partnerships which own the Idaho facilities.

During 2008, we sold seven IPP plants with 974 MW of capacity to affiliates of Hastings and IIF for a purchase price of \$840 million, subject to customary adjustments. We completed the sale in July 2008 and received net cash proceeds of \$756 million, including the effects of estimated working capital adjustments and other costs and net of the required payoff of \$67.5 million of project debt. See Notes 1 and 22 to the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

#### **Portfolio Management**

We sell capacity and energy under a combination of mid- to long-term contracts, which mitigates the impact of a potential downturn in future power prices. We currently sell a substantial majority of our non-regulated generating capacity under contracts having terms greater than one year. We sell additional power into the wholesale power markets from our generating capacity when it is available and economical.

As of December 31, 2010, the power plant ownership interests held by our Power Generation segment included:

Power Plants <sup>(1)</sup>	Fuel Type	Location	Ownership Interest	Owned Capacity (MW)	Start Date
Gillette CT	Gas	Gillette, Wyoming	100.0%	40.0	2001
Wygen I <sup>(2)</sup>	Coal	Gillette, Wyoming	76.5%	68.9	2003
Glenns Ferry Cogeneration <sup>(3)</sup>	Gas	Glenns Ferry, Idaho	50.0%	5.5	1996
Rupert Cogeneration <sup>(3)</sup>	Gas	Rupert, Idaho	50.0%	5.5	1996

(1) We are currently constructing two 100 MW combined-cycle gas-fired power generation facilities in Colorado. These facilities are expected to be completed by December 31, 2011.

(2) In January 2009, we sold a 23.5% ownership interest in this plant to MEAN. See Note 22 of Notes to our Consolidated Financial Statements for further description of the transaction.

(3) On January 18, 2011, we sold our ownership interest in the partnerships which owns the Glenns Ferry and Rupert Cogeneration facilities.

**Gillette CT.** The Gillette CT is a simple-cycle, gas-fired combustion turbine located at our Gillette, Wyoming energy complex. The facility's energy and capacity is sold to Cheyenne Light under a 10-year power purchase agreement that expires in August 2011.

**Wygen I.** The Wygen I generation facility is a mine-mouth, coal-fired power plant with a total nameplate capacity of 90 MW located at our Gillette, Wyoming energy complex. We own 76.5% of the plant. We sell 60 MW of unit contingent capacity and energy from this plant to Cheyenne Light under a PPA that expires on December 31, 2022. The PPA includes an option for Cheyenne Light to purchase Black Hills Wyoming's ownership interest in the Wygen I facility between 2013 and 2019. The purchase price related to the option is \$2.55 million per MW which is equivalent to the estimated initial per MW price of new construction of the Wygen III facility. This price is reduced annually by an amount of annual depreciation assuming a facility life of 35 years.

**Idaho Cogeneration Facilities.** Through partnership investments, at December 31, 2010, we owned a 50% interest in two QFs in Rupert and Glenns Ferry, Idaho. Rupert and Glenns Ferry are both 11 MW combined-cycle, gas-fired power plants. Our investments in the partnerships have been accounted for under the equity method of accounting. On January 18, 2011, we sold our ownership interests in the partnerships which own the Idaho facilities.

**Black Hills Colorado IPP.** During 2009, we began planning and purchasing equipment for the construction of two 100 MW combined-cycle gas-fired power generation facilities to fulfill a 20-year PPA signed with Colorado Electric. Construction of the facilities commenced in July 2010, and these facilities are expected to be completed by December 31, 2011.

**Competition.** The independent power industry is replete with strong and capable competitors, some of which may have more extensive operating experience, larger staffs or greater financial resources than we possess.

With respect to the merchant power sector, FERC has taken steps to increase access to the national transmission grid by utility and non-utility purchasers and sellers of electricity, and foster competition within the wholesale electricity markets. In addition, the deregulation efforts that caused some vertically integrated utilities to separate their generation, transmission, and distribution businesses have slowed considerably since the merchant energy crisis in 2001. Our Power Generation business could face greater competition if utilities are permitted to robustly invest in power generation assets. However, regulatory pressures for utilities to competitively bid generation resources may provide their own upside opportunity for independent power producers in some regions.

**Regulation.** Many of the environmental laws and regulations applicable to our regulated Electric Utilities also apply to our Power Generation operations. See the discussion under the "Environmental" and "Regulation" captions for the Utilities Group for additional information on certain laws and regulations described below.

*The Energy Policy Act of 1992.* The passage of the Energy Policy Act of 1992 encouraged independent power production by providing certain exemptions from regulation for EWGs. EWGs are exclusively in the business of owning or operating, or both owning and operating, eligible power facilities and selling electric energy at wholesale. EWGs are subject to FERC regulation, including rate regulation. We own two EWGs: Wygen I and Gillette CT. Our EWGs have been granted market-based rate authority, which allows FERC to waive certain accounting, record-keeping and reporting requirements imposed on public utilities with cost-based rates.

*Clean Air Act.* The Clean Air Act impacts our Power Generation business in a manner similar to the impact disclosed for our regulated Electric Utilities. Our Gillette CT and Wygen I facilities are subject to Titles IV and V of the Clean Air Act and have the required permits in place. As a result of SO<sub>2</sub> allowances credited to us from the installation of sulfur removal equipment at our jointly owned Wyodak plant, we hold sufficient allowances for our Gillette CT and Wygen I plants through 2040, without purchasing additional allowances. The EPA's pending Utility MACT described in the Utilities Group section will apply to Wygen I. The EPA's GHG Tailoring Rule described in the Utilities Group section will apply to the Gillette CT and Wygen I, upon a major modification or upon operating permit renewal.

*Clean Water Act.* The Clean Water Act impacts our Power Generation business in a manner similar to the impact described above for our regulated Electric Utilities. Each of our facilities required to have NPDES permits have those permits and are in compliance with discharge limitations. Also, as the EPA regulates surface water oil pollution prevention through its oil pollution prevention regulations, each of our facilities regulated under this program have the requisite plans in place.

*Solid Waste Disposal.* We dispose of all Wygen I coal ash and scrubber wastes in mined areas at our WRDC coal mine under the terms and conditions of a state permit. The factors discussed under this caption for the Utilities Group also impact our Power Generation segment in a similar manner.

*Greenhouse Gas Regulations.* The factors discussed under this caption for the Utilities Group also apply to our Power Generation segment.

### **Coal Mining Segment**

Our Coal Mining segment operates through our ~~WRDC subsidiary~~. We mine, process and sell low-sulfur coal at our coal mine near Gillette, Wyoming. The WRDC coal mine, which we acquired in 1956 from Homestake Gold Mining Company, is located in the Powder River Basin. The Powder River Basin contains one of the largest coal reserves in the United States. We produced approximately 5.9 million tons of coal in 2010. In a basin characterized by thick coal seams, our overburden ratio, a comparison of the cubic yards of dirt removed to a ton of coal uncovered, has in recent years trended towards a ratio of approximately 2.3:1, where it is expected to remain for the next several years.

Mining rights to the coal are based on four federal leases and one state lease. We pay federal and state royalties of 12.5% and 9.0%, respectively, of the selling price of all coal. As of December 31, 2010, we had coal reserves of approximately 261.9 million tons, based on internal engineering studies. The reserve life is equal to approximately 40 years at expected production levels.

Substantially all of our coal production is currently sold under mid- and long-term contracts to:

- Our regulated electric utilities, Black Hills Power and Cheyenne Light;
- The 362 MW Wyodak power plant owned 80% by PacifiCorp and 20% by Black Hills Power;
- PacifiCorp for the Dave Johnston power plant located near Casper, Wyoming and served by rail;
- The 110 MW Wygen III power plant owned 52% by Black Hills Power, 25% by MDU and 23% by the City of Gillette;
- Our 90 MW non-regulated mine-mouth power plant, Wygen I owned 76.5% by Black Hills Wyoming and 23.5% by MEAN; and
- Certain regional industrial customers served by truck.

Our Coal Mining segment sells coal to Black Hills Power and Cheyenne Light for all of their requirements under agreements that limit earnings from these affiliate coal sales to a specified return on our coal mine's cost-depreciated investment base. The return is 4% (400 basis points) above A-rated utility bonds, to be applied to our coal mining investment base as determined each year. Black Hills Power made a commitment to the SDPUC, the WPSC and the City of Gillette that coal for Black Hills Power's operating plants would be furnished and priced as provided by that agreement for the life of the Neil Simpson II plant, which was placed into service in 1995. The agreement with Cheyenne Light provides coal for the life of the Wygen II plant, which was placed into service January 1, 2008.

We increased our coal production to supply additional mine-mouth power generating capacity related to the 110 MW Wygen III plant, which began commercial operations in April 2010. Coal supply agreements provide WRDC will supply the coal to Wygen III through June 1, 2060 under an agreement that limits earnings from these affiliate coal sales to a specified return on our coal mines' cost-depreciated investment base. The return is 4% (400 basis points) above A-rated utility bonds, to be applied to our coal mining investment base as determined each year.

The price for unprocessed coal sold to PacifiCorp for its 80% interest in the Wyodak plant is determined by a coal supply agreement which terminates in 2022. The price for coal sold to PacifiCorp for its Dave Johnston plant is determined by a coal supply agreement which terminates in December 2011.

**Competition.** Our primary strategy is to sell the majority of our coal production to on-site, mine-mouth generation facilities under long-term supply contracts. Historically our off-site sales have been to consumers within a close proximity to our mine. There are limitations on our ability to economically transport our lower-heat content coal, but we are reviewing new opportunities to market our coal.

**Environmental Regulation.** The construction and operation of coal mines are subject to extensive environmental protection and land use regulation in the United States. These laws and regulations often require a lengthy and complex process of obtaining licenses, permits and approvals from federal, state and local agencies. Many of the environmental issues and regulations discussed under the Utilities Group also apply to our Coal Mining segment.

Operations at WRDC must, and regularly do attend to issues arising due to the proximity of the mine disturbance boundary to the City of Gillette and to related residential and industrial development. The impacts from mining are routinely viewed negatively by the general public and increasing complaints and challenges to the permits may occur as mining operations move closer to the development areas. Specific concerns include fugitive dust emissions and vibration and nitrous oxide fumes from blasting. To mitigate these concerns, WRDC is actively pursuing the establishment of buffer zones through land purchases and long-term leases.

Ash from our South Dakota and Wyoming power plants, as well as PacifiCorp's Wyodak Power Plant, is disposed of in the mine and is utilized for backfill to meet permitted post-mining contour requirements. The EPA has proposed national disposal regulations that include multiple options, one of which regulates coal ash as a hazardous waste. The public comment period ended on November 19, 2010, and a final rule is expected in late 2011 or early 2012. While the proposed combustion residuals regulations do not address mine backfill, it is widely expected that the U.S. Office of Surface Mining will collaborate with the EPA to address mine backfill in the near future. If the ash is regulated as a hazardous waste, implementation requirements could have a material impact on our financial position and results of operations.

**Mine Reclamation.** Under applicable law, we must submit applications to, and receive approval from, the WDEQ for any mining and reclamation plan that provides for orderly mining, reclamation, and restoration of the WRDC mine. We have approved mining permits and are in compliance with other permitting programs administered by various regulatory agencies. The WRDC coal mine is permitted to operate under a five year mining permit issued by the State of Wyoming. The current permit expires in April 2011 and an application for renewal has been timely filed. Based on extensive reclamation studies, we have accrued approximately \$17.6 million for reclamation costs as of December 31, 2010. If additional requirements or changes to current requirements are imposed in the future, we may experience a material increase in reclamation costs. The mining operation must also meet specific environmental performance standards regulated by the WDEQ through permit commitments and statutes. Failure to achieve these standards could potentially delay the release of the bonds and/or result in increased mitigation costs.

### **Energy Marketing Segment**

Through our subsidiary, **Enserco**, we engage in natural gas, crude oil, coal, power and environmental marketing and trading in the United States and Canada. Our marketing operations are headquartered in Denver, Colorado, with a satellite sales office in Calgary, Alberta, Canada.

Our energy marketing business seeks to provide services to producers and end-users of natural gas, crude oil, coal, power and environmental products and to capitalize on market volatility by employing certain risk-managed commodity trading strategies. The diversity of the commodities portfolio that we market helps us optimize value for shareholders. The service provider focus of our energy marketing activities largely differentiates us from other energy marketers. Through our producer services group, we assist mostly small- to medium-sized independent producers throughout the Western United States with marketing and transporting their crude oil and natural gas. Through our origination services, we work with utilities, municipalities and industrial users of natural gas to provide customized delivery services, as well as to support their efforts to optimize their transportation and storage positions. Our coal marketing team assists small utility and industrial coal consumers manage their coal procurement and transportation functions. Similarly, our power marketing experts help both buyers and sellers of electricity, as well as assisting customers with the monetization of emissions or other environmental products.

Our natural gas marketing focuses primarily on producer services and wholesale marketing. It includes the purchase, sale, storage and transportation of natural gas, as well as a variety of services including asset optimization, price risk management and customized offerings to producer and end-use clients. Producer services margins are typically fee-based, limited risk, recurrent transactions with long-term customers. Additionally, the producer services division has captured increased opportunities for growth with the recent shale natural gas discoveries. The team's wholesale efforts are focused in the Rocky Mountain, Western and Mid-Continent regions of the United States, the entirety of Canada, and expanding into the eastern United States.

Our crude oil marketing focuses on providing optimization services to both producers and end-use markets in the Rocky Mountain States with an emphasis in the Bakken Shale of North Dakota. With exclusive trucking arrangements and access to all major Rockies pipelines, Enserco extends to its customers the benefit of established relationships with premium markets and transportation options via pipeline, truck and rail. Enserco is continuing to build out its truck unloading stations and currently has six strategically located stations in North Dakota, Wyoming and Colorado as well as crude oil storage in Wyoming. Enserco's crude oil marketing team provides us with a low risk, recurring margin stream.

Enserco began marketing coal in June 2010 with the acquisition of a coal marketing business. Our coal marketing team currently participates in financial and physical coal markets, primarily focused in coal basins west of the Mississippi River. Our presence spans the physical coal supply chain from sourcing, storage and delivery. We leverage extensive experience and partnering arrangements to meet the challenges facing the physical markets. Further, we maintain long-term supply positions from multiple sources in multiple basins, including Wyoming's Powder River and Uinta Basins that allow us to perform beyond the role of a traditional merchant participant and closer to a primary supplier via supply sourcing flexibility and security.

Enserco began power and environmental marketing late in the third quarter of 2010. FERC approval was received for power marketing in December 2010 with an effective date of September 1, 2010. The power marketing focuses on origination and customer business with an emphasis on a diversified portfolio of short, mid- and long-term transactions. The marketing effort primarily involves execution of financial transactions, at liquid trading hubs in day-ahead markets. The geographic scope encompasses the United States.

Environmental marketing focuses on producer services and customized solutions for all aspects of the renewable business. This strategy encompasses short, mid- and longer term origination efforts with end users. Our marketers monetize Renewable Energy Credits, carbon and other emissions as well as optimize renewable assets including solar, wind and biomass. The focus is on opportunities within the United States, both in mandatory and elective markets.

Our average daily marketing physical volumes for the year ended December 31, 2010 were approximately 1.6 million MMBtu of gas, approximately 18,455 Bbls of oil and approximately 33,250 tons of coal.



**BEHIND THE  
ENERGY**

# BLACK HILLS CORPORATION BOARD OF DIRECTORS

2010 Annual Report



**David R. Emery**, age 48, was elected Chairman in April 2005 and has been President and Chief Executive Officer and a member of the Board of Directors since January 2004. Prior to that, he was our President and Chief Operating Officer — Retail Business Segment from April 2003 to January 2004 and Vice President — Fuel Resources from January 1997 to April 2003. Mr. Emery has 21 years of experience with the Company.



**David C. Ebertz**, age 65, is President of Dave Ebertz Risk Management Consulting, a firm specializing in insurance and risk management services for schools and public entities, since 2000. He has previous experience in the insurance industry. Mr. Ebertz has served on our Board of Directors since 1998.



**Jack W. Eugster**, age 65, retired, was Chairman, Chief Executive Officer and President of Musicland Stores, Inc. from 1980 until his retirement in 2001. He was Non-Executive Chairman of Shopko Stores, Inc. a general merchandise discount store chain from 2001 to 2005. Mr. Eugster was elected to the Board of Directors in 2004 and currently chairs the Compensation Committee. He also serves on the board of directors of Donaldson Co., Inc., Graco, Inc., and Life Time Fitness.



**John R. Howard**, age 70, retired, was President of Industrial Products, Inc., which provided equipment and supplies to the mining and manufacturing industries, from 1992 to 2003 and was Special Projects Manager for Linweld, Inc. Mr. Howard was elected to the Board of Directors in 1977.



**Kay S. Jorgensen**, age 60, is involved in numerous business activities and is Owner and Chief Executive Officer of KSJ Enterprises, LLC, providing marketing and development services since 2006. She was Former Owner and Chief Executive Officer of Jorgensen-Thompson Creative Broadcast Services, Inc., a radio broadcast services company, from 1997 to 2005. She previously served in the South Dakota State Legislature and on various state and local boards and commissions. She served on the board of Wellmark, Inc. from 2002 to 2009, and on the board of Wellmark Blue Cross Blue Shield of South Dakota from 1999 to 2010. Ms. Jorgensen has served on the Board of Directors since 1992.



**Stephen D. Newlin**, age 58, is Chairman, President and Chief Executive Officer of PolyOne Corporation, a global premier provider of specialized polymer materials, services and solutions, since 2006. Prior to that he was President of the Industrial Sector of Ecolab, Inc., a global leader of services, specialty chemicals and equipment serving industrial and institutional clients, from 2003 to 2006. Mr. Newlin was elected to the Board of Directors in 2004 and currently chairs the Governance Committee. He also serves on the board of directors of Valspar Corporation.



**Gary L. Pechota**, age 61, is President and Chief Executive Officer of DT-TRAK Consulting, Inc., a medical billing services company, since December 2007. He was retired from 2005 to 2007. Prior to that he was Former Chief of Staff of the National Indian Gaming Commission from 2003 to 2005. He previously held executive positions in the cement industry and positions in finance and accounting. Mr. Pechota was elected to the Board of Directors in 2007. He also serves on the board of directors of Insteel Industries, Inc. and Texas Industries, Inc.



**Warren L. Robinson**, age 61, retired, was Executive Vice President, Treasurer and Chief Financial Officer of MDU Resources Group, Inc., a diversified energy and resources company, from 1992 until his retirement in January 2006. Mr. Robinson was elected to the Board of Directors in 2007 and currently chairs the Audit Committee. He also serves on the board of directors of TMI Systems Design Corporation.



**John B. Vering**, age 61, has been serving as Interim President and General Manager of Black Hills Exploration and Production, Inc., our oil and gas subsidiary, since May 2010. He has also been Managing Director of Lone Mountain Investments, Inc., agricultural and oil and gas investments, since 2002. He previously held several executive positions in the oil and gas industry. Mr. Vering was elected to the Board of Directors in 2005. He also serves on the board of directors of Broad Oak Energy, Inc.



**Thomas J. Zeller**, age 63, has been Chief Executive Officer of RESPEC, a technical consulting and services firm with expertise in engineering, information technologies and water and natural resources since Jan. 2011 and served as President from 1995 to Jan. 2011. Mr. Zeller has been a member of the Board of Directors since 1997 and currently serves as Presiding Director.

## CORPORATE GOVERNANCE

**Corporate Governance Guidelines.** Our Board of Directors has adopted corporate governance guidelines titled “Corporate Governance Guidelines of the Board of Directors” which set the tone for operation of our Board and assist the Board in fulfilling its obligations to shareholders and other constituencies. The guidelines lay the foundation for the Board’s responsibilities, operations, leadership, organization and committee matters. The Governance Committee reviews the guidelines annually, and the guidelines may be amended at any time, upon recommendation by the Governance Committee and approval of the Board.

**Board Independence.** In accordance with New York Stock Exchange rules, the Board of Directors through its Governance Committee affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the New York Stock Exchange listing standards. These guidelines are contained in our Policy for Director Independence, which can be found in the “Governance” section of our website ([www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm)). Based on these standards, the Governance Committee determined that each of the following non-employee directors and director nominee is independent and has no relationship with the Company, except as a director and shareholder of the Company:

David C. Ebertz	Jack W. Eugster	John R. Howard
Kay S. Jorgensen	Stephen D. Newlin	Gary L. Pechota
Rebecca B. Roberts	Warren L. Robinson	Thomas J. Zeller

In addition, based on such standards, the Governance Committee determined that Messrs. Emery and Vering are not independent. Mr. Emery is not independent because he is our Chairman, President and Chief Executive Officer (the “CEO”). Mr. Vering is not independent because of his role as Interim President and General Manager of our oil and gas company and our consulting contract with Lone Mountain Investments Inc., of which Mr. Vering is Managing Director.

**Board Leadership Structure.** As noted above, our Board is currently comprised of ten directors, eight of which are independent. Mr. Emery has served as our Chairman of the Board and CEO since 2005, and has been a member of our Board since 2004. Mr. Emery provides strategic, operational, and technical expertise and context for the matters considered by our Board. After considering alternative board leadership structures, our Board chose to retain the ability to balance an independent Board structure with the flexibility to appoint as Chairman a CEO-Director with knowledge of and experience in the operations of our Company. At this time, our Board believes that having a single person serve as Chairman and CEO provides unified and responsible leadership for our Company.

Our Board has been, and continues to value a high degree of Board independence. As a result, our corporate governance structure and practices promote a strong, independent Board, and include several independent oversight mechanisms, including only independent directors serving on our Audit, Compensation and Governance Committees and appointing a Presiding Director. Our Board believes these practices ensure that experienced and independent directors will continue to effectively oversee management and critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity. All of our Board Committees may seek legal, financial or other expert advice from a source independent of management.

Our Board annually appoints a Presiding Director. Thomas J. Zeller is our current Presiding Director and has served in this role since May 2010. The responsibilities of Presiding Director, as provided in the Board’s Governance Guidelines, are to chair executive sessions of the independent directors and communicate the Board’s annual evaluation of the CEO. The Presiding Director, together with the independent directors, establishes the agenda for executive sessions, which are held at each regular Board meeting. The Presiding Director serves as a liaison between the independent members of

the Board and the CEO, and discusses, to the extent appropriate, matters raised by the independent directors in executive session. The Presiding Director also presides over regular meetings of the Board in the absence of the Chairman. This leadership structure provides consistent and effective oversight of our management and our Company.

***Risk Oversight.*** Our Board oversees an enterprise approach to risk management that supports the operational and strategic objectives of the Company. The Corporate Governance Guidelines of our Board of Directors provide that the Board will review major risks facing our Company and the options for risk mitigation presented by management. Our Board delegates oversight of certain risk considerations to its committees within each of their respective areas of responsibility; however, the full Board monitors risk relating to strategic planning and execution, as well as executive succession. Financial risk oversight falls within the purview of our Audit Committee. Our Compensation Committee oversees compensation and benefit plan risks. Each committee reports to the full Board.

Our Board reviews any material changes in the Company's key enterprise risk management issues with management at each quarterly Board meeting in conjunction with the presentation of quarterly financial results. In so doing, our Board seeks to ensure appropriate risk mitigation strategies are implemented by management on an ongoing basis. Operational and strategic plan presentations by management to our Board include consideration of the challenges and risks to our business. Our Board and management actively engage in discussions of these topics and utilize outside consultants as needed. Our Board oversees development of the Company's strategic plan risks as part of its annual strategic planning meeting. In addition, our Board receives environmental, safety, legal and compliance reports at least annually.

Our Audit Committee oversees management's strategy and performance relative to the significant financial risks of the Company. In consultation with management, the independent auditors and the internal auditors, the Audit Committee discusses the Company's risk assessment, risk management and credit policies, and reviews significant financial risk exposures along with steps management has taken to monitor, mitigate and report such exposures. At least twice a year, our Chief Risk Officer provides a Risk and Credit Report to the Audit Committee. The Company adopted Risk Policies and Procedures for our energy marketing operations that address governance, control infrastructure, authorized commodities and trading instruments, prohibited activities, employee conduct and other concerns. The Company also adopted a Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within risk tolerances established by the Committee. The Audit Committee reviews these policies as the Internal Audit Department regularly reports audit results concerning compliance with these policies to them.

Our Compensation Committee adopted an executive compensation philosophy that provides the foundation for our executive compensation program. The executive compensation philosophy states that the executive pay program should be market-based and maintain an appropriate and competitive balance between fixed and variable pay elements, short- and long-term compensation and cash and stock-based compensation. The Committee establishes company-specific performance goals and potential incentive payouts for our executive officers to motivate and reward performance, consistent with the long-term success of the Company. The target compensation for our senior officers is heavily weighted in favor of long-term incentives, aligning performance incentives with long-term results for our shareholders. Our Compensation Committee also sets minimum performance thresholds and maximum payouts in the incentive programs, and maintains the discretion to reduce awards if excessive risk is taken. Stock ownership guidelines established for all of our officers require our executives to hold 100 percent of all shares awarded to them until the ownership guidelines are achieved. Our Compensation Committee also instituted "claw-back" provisions in our incentive plans, which may require an executive to return incentives received, if the Committee determines, in its discretion, that the executive engaged in specified misconduct or wrongdoing.

Our management is responsible for day-to-day risk management. Reporting to the senior management team, our Treasury, Risk Management, Compliance and Internal Audit groups provide the primary monitoring and testing services in accordance with company-wide policies and procedures, and oversee the day-to-day risk management strategy for our ongoing businesses. Their oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, and compliance and reporting levels.

We believe this division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company.

***Director Nominees.*** The Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Committee considers various potential candidates for director. Board candidates are considered based upon various criteria, including diverse business, administrative and professional skills or experiences; an understanding of relevant industries, technologies and markets; financial literacy; independence status; the ability and willingness to contribute time and special competence to Board activities; personal integrity and independent judgment; and a commitment to enhancing shareholder value. The Committee considers these and other factors as it deems appropriate, given the needs of the Board and the Company. Our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. The Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, the use of third-party executive search firms, members of management and shareholders. There are no differences in the manner by which the Committee evaluates director candidates recommended by shareholders from those recommended by other sources.

Shareholders who intend to nominate persons for election to the Board of Directors must provide timely written notice of the nomination in accordance with Article I, Section 9 of our Bylaws. Generally, our Corporate Secretary must receive the written notice at our executive offices at P.O. Box 1400, 625 Ninth Street, Rapid City, South Dakota, 57709, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. The notice must set forth at a minimum the information set forth in Article I, Section 9 of our Bylaws, including the shareholder's identity and status, contingent ownership interests, description of any agreement made with others acting in concert with respect to the nomination, specific information about the nominee and supply certain representations by the nominee to the Company.

***Communications with the Board.*** Shareholders and others interested in communicating directly with the Presiding Director, with the independent directors as a group, or the Board of Directors may do so in writing to the Presiding Director, Black Hills Corporation, P.O. Box 1400, 625 Ninth Street, Rapid City, South Dakota, 57709.

***Corporate Governance Documents.*** The charters of the Audit, Compensation and Governance committees, as well as the Board's Corporate Governance Guidelines, Policy for Director Independence, Code of Business Conduct and the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, and certain other persons performing similar functions can be found in the "Governance" section of our website ([www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm)). We intend to disclose any amendments to, or waivers of the Code of Ethics on our website. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

***Certain Relationships and Related Party Transactions.*** We recognize related party transactions can present potential or actual conflicts of interest and create the appearance that decisions are based on considerations other than the best interests of the Company and our shareholders. Accordingly, as a

general matter, it is our preference to avoid related party transactions. Nevertheless, we recognize that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of the Company and our shareholders, including but not limited to situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when we provide products or services to related parties on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, our Board of Directors has adopted a policy for the review of related party transactions. This policy requires directors and officers to promptly report to our Vice President—Governance all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our Vice President—Governance presents to our Governance Committee those transactions that may require disclosure pursuant to Item 404 of Regulation S-K (typically, those transactions that exceed \$120,000). Our Governance Committee reviews the material facts presented and either approves or disapproves entry into the transaction. In reviewing the transaction, the Governance Committee considers the following factors, among other factors it deems appropriate: (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances; (ii) the extent of the related party's interest in the transaction; and (iii) the impact on a director's independence in the event the related party is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer.

*Section 16(a) Beneficial Ownership Reporting Compliance.* Based solely upon a review of our records and copies of reports on Form 3, 4 and 5 furnished to us, we believe that during and with respect to 2010, all persons subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, filed the required reports on a timely basis, except for two Form 4s reporting two transactions for Mr. Ohlmacher relating to market sales pursuant to a 10b5-1 Plan.

## MEETINGS AND COMMITTEES OF THE BOARD

### The Board of Directors

Our directors review and approve our strategic plan and oversee management of the Company. Our Board of Directors held six meetings during 2010. Directors' attendance at all Board and Committee meetings averaged 97 percent. During 2010, every director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served. Each regularly scheduled meeting of the Board includes an executive session of only independent directors. We encourage our directors to attend the annual shareholders' meeting. All 10 directors were in attendance at the 2010 annual meeting of shareholders.

### Committees of the Board

Our Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Compensation Committee and the Governance Committee. In accordance with the New York Stock Exchange listing standards and our Corporate Governance Guidelines, the Audit, Compensation and Governance Committees are comprised solely of independent directors. Each committee operates under a charter which is available on our website at [www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm) and is also available in print to any shareholder who requests it. In addition, our Board creates special committees from time to time for specific purposes.

Members of the Committees are designated by our directors upon recommendation of the Governance Committee. The table below shows current membership for each of the Board committees.

Audit Committee	Compensation Committee	Governance Committee
John R. Howard	David C. Ebertz	David C. Ebertz
Gary L. Pechota	Jack W. Eugster*	Jack W. Eugster
Warren L. Robinson*	Kay S. Jorgensen	Kay S. Jorgensen
	Stephen D. Newlin	Stephen D. Newlin*
	Thomas J. Zeller	Gary L. Pechota

\* Committee Chairperson

Audit Committee. The Audit Committee held seven meetings in 2010. The Audit Committee’s responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assist the Board in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices;
- monitor the integrity of our financial reporting process, systems of internal controls and disclosure controls regarding finance, accounting and legal compliance;
- review areas of potential significant financial risk to the Company;
- review consolidated financial statements and disclosures;
- appoint an independent registered public accounting firm for ratification by our shareholders;
- monitor the independence and performance of our independent registered public accountants and internal auditing department;
- pre-approve all audit and non-audit services provided by our independent registered public accountants;
- review the scope and results of the annual audit including reports and recommendations of our independent registered public accountants;
- review the internal audit plan, results of internal audit work and the Company’s process for monitoring compliance with our Code of Conduct; and
- periodically meet with our internal audit group, management, and independent registered public accounting firm.

In accordance with the rules of the NYSE, all of the members of the Audit Committee are financially literate. In addition, the Board determined that Messrs. Howard, Pechota and Robinson each have the requisite attributes of an “audit committee financial expert” as provided in regulations promulgated by the Securities and Exchange Commission, and that such attributes were acquired through relevant education and/or experience.

Compensation Committee. The Compensation Committee held six meetings in 2010. The Compensation Committee’s responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- discharge the Board of Director’s responsibilities related to executive and director compensation philosophy, policies and programs;
- perform functions required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation;
- consider and recommend for approval by the Board all executive compensation programs including executive benefit programs and stock ownership plans; and

- promote an executive compensation program that supports the overall objective of enhancing shareholder value.

The Compensation Committee has authority under its charter to retain and terminate compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee has sole authority to approve related fees and retention terms. The Committee may delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion. The Committee engaged Towers Watson, an independent consulting firm, to conduct an annual review of its 2010 total compensation program for executive officers and directors. In addition, Towers Watson was engaged by management to provide certain other services, including an energy marketing compensation review, services related to union negotiations and grievances and an actuarial analysis of insurance claims. Management discussed with the Committee the other work to be performed by Towers Watson. Total aggregate fees for services provided to us in 2010 by Towers Watson were \$375,000, comprised of \$237,000 for services related to executive and director compensation and \$138,000 for other services.

The Committee annually evaluates the CEO's performance in light of established goals and objectives, with input from the other independent directors. Based upon the Committee's evaluation and recommendation, the independent directors of the Board set the CEO's annual compensation, including salary, bonus, incentive and equity compensation.

The CEO annually reviews the performance of each of our senior officers and presents a summary of his evaluations to the Committee. The CEO also provides oversight of management's evaluations of our other officers. Senior officers assess performance of all officers reporting to them. Based upon these performance reviews, market analysis conducted by the compensation consultant and discussions with our Chief Human Resources Officer, the CEO recommends the compensation of the officers to the Committee. The Committee may exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process.

More information describing the Compensation Committee's processes and procedures for considering and determining executive compensation, including the role of our CEO and consultants in determining or recommending the amount or form of executive compensation, is included in the Compensation Discussion and Analysis.

In setting non-employee director compensation, the Compensation Committee recommends the form and amount of compensation to the Board of Directors and the Board of Directors makes the final determination. In considering and recommending the compensation of non-employee directors, the Compensation Committee considers such factors as it deems appropriate, including historical compensation information, level of compensation necessary to attract and retain non-employee directors meeting our desired qualifications and market data. In the review of director compensation for 2010, the Compensation Committee retained Towers Watson to provide market information on non-employee director compensation, including annual board and committee retainers, board and committee meeting fees, committee chairperson fees, number of Board meetings and stock based compensation.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee is comprised entirely of independent directors.

Governance Committee. The Governance Committee held three meetings in 2010. The Governance Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assess the size of the Board and membership needs and qualifications for Board membership;
- identify and recommend prospective directors to the Board to fill vacancies;



- consider and recommend existing Board members to be renominated at our annual meeting of shareholders;
- establish and review guidelines for corporate governance;
- recommend to the Board committee membership and the chairpersons of the committees;
- nominate an independent director to serve as a Presiding Director;
- review the independence of each director and director nominee;
- administer an annual evaluation of the performance of the Board and facilitate an annual assessment of each committee; and
- ensure that the Board oversees the evaluation and succession planning of management.

## DIRECTOR COMPENSATION

### Director Fees

In 2010, our non-employee director compensation was as follows:

- an annual cash retainer of \$36,000, paid on a monthly basis;
- common stock equivalents equal to \$50,000 per year, paid on a quarterly basis;
- dividend equivalents on the common stock equivalents equal to the same dividend rate our shareholders receive; and
- a meeting fee of \$1,250 for each board and committee meeting attended, provided such committee meetings are substantive in nature and content.

In addition, our Presiding Director and Committee Chairpersons received the following additional compensation:

- Presiding Director—an annual fee of \$15,000;
- Audit Committee Chairperson—an annual fee of \$10,000; and
- Compensation and Governance Committee Chairpersons—annual fees of \$6,000.

Effective January 1, 2011, our non-employee director compensation was increased to the following:

- an annual cash retainer of \$36,000, paid on a monthly basis;
- common stock equivalents equal to \$60,000 per year, paid on a quarterly basis;
- dividend equivalents on the common stock equivalents equal to the same dividend rate our shareholders receive; and
- a meeting fee of \$1,500 for each board and committee meeting attended, provided such committee meetings are substantive in nature and content.

In addition, our Presiding Director and Committee Chairpersons receive the following additional compensation:

- Presiding Director—an annual fee of \$15,000;
- Audit Committee Chairperson—an annual fee of \$10,000;
- Compensation Committee Chairperson—an annual fee of \$8,000; and
- Governance Committee Chairperson—an annual fee of \$6,000.



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
LIST OF OFFICERS AND RESPONSIBILITY**

<b>Name</b>	<b>Title</b>	<b>Areas of Responsibility</b>
<b><u>Officers Shared with Non-Utility Associate Companies and Holding Company:</u></b>		
David R. Emery	Chairman and Chief Executive Officer	Oversees all company operations
Linden R. Evans	President and Chief Operating Officer – Utilities	Oversees all utility operations
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)	Oversees finance and accounting
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)	Legal, compliance, contracts
Robert A. Myers	Senior Vice President – Human Resources	Compensation, benefits
Scott A. Buchholz	Senior Vice President – Chief Information Officer	Information technology, customer information, billing systems
Lynnette K. Wilson	Senior Vice President – Communications and Investor Relations	Internal and external communications
Roxann R. Basham	Vice President – Governance and Corporate Secretary	Company records, internal audit
Stephen L. Pella	Vice President – Strategic Initiatives	Safety, environmental, supply chain, marketing
Perry S. Krush	Vice President – Supply Chain	Supply chain
Jeffrey B. Berzina	Vice President – Corporate Controller	Accounting
Garner M. Anderson	Vice President – Chief Risk Officer	Insurance, credit, risk
Brian G. Iverson	Vice President – Treasurer	Financing and cash management
Kyle D. White	Vice President – Resource Planning and Regulatory Affairs	Resource planning, regulatory affairs, rates
Richard W. Kinzley	Vice President – Strategic Planning and Development	Planning, strategy
Ivan Vancas	Vice President – Utility Services	Oversees gas supply services, meters, gas engineering services, customer service

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<b>Name</b>	<b>Title</b>	<b>Areas of Responsibility</b>
<b><u>Officers Shared with Holding Company:</u></b>		
Stuart A. Wevik	Vice President – Utility Operations	Oversees utility operation
Randy D. Winkelman	Vice President – Customer Service	Customer service, customer billing
Trent Cozad	Vice President – Natural Gas Supply Services	Gas purchases
Steven M. Jurek	Vice President – Natural Gas Regulatory Services	Rates and regulatory filings

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

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

For the fiscal year ended December 31, 2010

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-31303

**BLACK HILLS CORPORATION**

Incorporated in South Dakota

625 Ninth Street  
Rapid City, South Dakota 57701

IRS Identification Number 46-0458824

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

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

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

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

Yes            No     

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

Yes            No     

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

Yes            No     

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

Yes            No     

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

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

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

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

Yes            No     

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

At June 30, 2010      \$1,102,103,935

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 31, 2011
Common stock, \$1.00 par value	39,262,118 shares

**Documents Incorporated by Reference**

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2011 Annual Meeting of Stockholders to be held on May 25, 2011, are incorporated by reference in Part III of this Form 10-K.

**(8) LONG TERM DEBT**

Long-term debt outstanding at December 31 was as follows (in thousands):

	2010	2009
Senior unsecured notes:		
Senior unsecured notes at 6.5% due 2013	\$ 225,000	\$ 225,000
Unamortized discount on notes due 2013	(70)	(99)
Senior unsecured notes at 9.0% due 2014	250,000	250,000
Senior unsecured notes at 5.875% due in 2020	200,000	—
Total senior unsecured notes	<u>674,930</u>	<u>474,901</u>
First mortgage bonds:		
<u>Electric Utilities</u>		
<i>Black Hills Power:</i>		
8.06% due 2010	—	30,000
9.49% due 2018	—	2,520
9.35% due 2021	—	19,980
7.23% due 2032	75,000	75,000
6.125% due 2039	180,000	180,000
Unamortized discount on 6.125% bonds	(119)	(124)
<i>Cheyenne Light:</i>		
6.67% due 2037	110,000	110,000
Industrial development revenue bonds due 2021, variable rate, at 0.4% <sup>(a)</sup>	7,000	7,000
Industrial development revenue bonds due 2027, variable rate, at 0.4% <sup>(a)</sup>	10,000	10,000
Total first mortgage bonds	<u>381,881</u>	<u>434,376</u>
Other long-term debt:		
Pollution control revenue bonds at 4.8% due 2014	6,450	6,450
Pollution control revenue bonds at 5.35% due 2024	12,200	12,200
Other long-term debt	3,089	3,230
Total other long-term debt	<u>21,739</u>	<u>21,880</u>
Project financing floating rate debt:		
Black Hills Wyoming project financing due 2016, variable rate debt at 3.54% <sup>(a)</sup>	<u>112,681</u>	<u>120,000</u>
Total long-term debt	1,191,231	1,051,157
Less current maturities	(5,181)	(35,245)
Net long-term debt	<u>\$ 1,186,050</u>	<u>\$ 1,015,912</u>

(a) Interest rates are presented as of December 31, 2010.

Scheduled maturities of long-term debt, excluding amortization of premiums or discounts, for the next five years and thereafter are (in thousands):

2011	\$	5,181
2012		2,473
2013		228,973
2014		262,473
2015		6,964
Thereafter		685,356
Total	\$	<u>1,191,420</u>

Certain debt instruments of the Company and its subsidiaries contain restrictions and covenants, all of which the Company and its subsidiaries were in compliance with at December 31, 2010.

Substantially all of the tangible utility property of Black Hills Power and Cheyenne Light is subject to the lien of indentures securing their first mortgage bonds. First mortgage bonds of Black Hills Power and Cheyenne Light may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures. The first mortgage bonds issued by Black Hills Power and Cheyenne Light are either currently not callable or are subject to make-whole provisions which would eliminate any economic benefit for us to call the bonds.

#### Black Hills Power Series AC Bonds

In February 2010, the Black Hills Power Series 8.06% AC bonds matured. These were paid in full for \$30.0 million of principal plus accrued interest of \$1.2 million.

#### Black Hills Power Series Y Bonds

In March 2010, Black Hills Power completed redemption of its Series Y 9.49% bonds in full. The bonds were originally due in 2018. A total of \$2.7 million was paid on March 31, 2010, which includes the principal balance of \$2.5 million plus accrued interest and an early redemption premium of 2.618%. The early redemption premium was recorded in unamortized loss on reacquired debt which is included in Regulatory assets on the accompanying Consolidated Balance Sheet and is being amortized over the remaining term of the original bonds.

#### Black Hills Power Series Z Bonds

In June 2010, Black Hills Power completed redemption of its Series Z 9.35% bonds in full. The bonds were originally due in 2021. A total of \$21.8 million was paid on June 1, 2010, which included the principal balance of \$20.0 million plus accrued interest and an early redemption premium of 4.675%. The early redemption premium was recorded in unamortized loss on reacquired debt which is included in Regulatory assets on the accompanying Consolidated Balance Sheet and is being amortized over the remaining term of the original bonds.

#### \$200 Million Debt Offering

In July 2010, pursuant to a public offering, we issued \$200.0 million aggregate principal of senior unsecured notes due in 2020. The notes were priced at par and carry a fixed interest rate of 5.875%. We received proceeds of \$198.7 million, net of underwriting fees. Deferred financing costs of \$1.7 million are being amortized over the 10-year term of the debt. Amortization of deferred financing costs is included in interest expense.

#### \$250 Million Debt Offering

In May 2009, we issued a \$250 million aggregate principal amount of senior unsecured notes due in 2014 pursuant to a public offering. The notes were priced at par and carry a fixed interest rate of 9%. We received proceeds, net of underwriting fees, of \$248.5 million. Proceeds were used to pay down the Acquisition Facility. Deferred financing costs capitalized are being amortized over the term of the debt. Amortization of deferred financing costs is included in interest expense.

### Industrial Development Revenue Bonds

In September 2009, Cheyenne Light completed a \$17 million weekly variable rate refunding bond issuance. The new issue replaced existing debt and converted the bond credit support structure from an AMBAC Financial Group insurance policy to a direct-pay letter of credit issued by Wells Fargo Bank. Laramie County, Wyoming was the tax-exempt conduit issuer for this transaction. The bonds were issued in two series: a \$10.0 million series maturing March 1, 2027 and a \$7.0 million series maturing September 1, 2021. The principal amounts and maturity dates did not change from the original financing. Including the letter of credit fees and other issuance costs, the all-in rate as of December 31, 2010 was approximately 2.77%.

Under the terms of our Reimbursement Agreement with the letter of credit provider, Cheyenne Light is required to maintain a debt to capitalization ratio of no more than 0.60 to 1.00 and an interest coverage ratio greater than or equal to 2.50 to 1.00. If Cheyenne Light fails to meet these covenants, subject to a 30-day cure period, it would constitute an event of default and the bank would have the right to cause the bonds and related outstanding obligations to become immediately due and payable.

### Black Hills Power Bond Issuance

In October 2009, Black Hills Power completed a \$180 million first mortgage bond issuance. The bonds were priced at 99.931% of par with a re-offer yield of 6.13%. The bonds mature on November 1, 2039 and carry an annual interest rate of 6.125%, which is paid semi-annually. We received proceeds net of underwriting fees of \$178.3 million which were used to repay intercompany borrowings under the Utility Money Pool agreement, primarily incurred to fund the construction of Wygen III and repayment of bonds. Deferred financing costs of approximately \$2.2 million were capitalized and are being amortized over the term of the bonds.

### Black Hills Wyoming

On December 9, 2009, Black Hills Wyoming issued \$120 million in project financing debt. Proceeds were used to pay down short-term borrowings on our Corporate Credit Facility. The loan amortizes over a seven year term and matures on December 9, 2016, at which time the remaining unamortized balance of \$78.8 million is due. Principal and interest payments are made on a quarterly basis with the principal payments based on projected cash flows available for debt service. Additional quarterly principal payments are required based upon actual cash flows available for debt service. Interest is charged at LIBOR plus 3.25%. Deferred financing costs capitalized are being amortized over the term of the debt. Amortization of deferred financing costs is included in interest expense.

Our Black Hills Wyoming project financing is secured by our ownership interest in the Wygen I plant and by the Gillette CT generation facility. The financing places restrictions on dividends or the loaning of funds by Black Hills Wyoming, and allows dividends or loans only in limited circumstances when cash flows for the projects exceed project debt service and reserve requirements.

Under the terms of the Black Hills Wyoming project financing, Black Hills Wyoming was required to become a party to hedging agreements fixing the interest rate on \$75 million of the principal amount of the debt. To accomplish this, two existing swap agreements with notional amounts totaling \$75 million were amended so that BHC and Black Hills Wyoming are now both jointly and severally liable for the full amount of the obligations under the swap agreements. As of January 15, 2010, the mark to market liability associated with the two swaps was transferred from BHC to Black Hills Wyoming. The balance in AOCI as of January 15, 2010 on BHC was frozen at that point in time and is being amortized over the remaining life of the swaps through the quarterly settlement process.



### Amortization Expense

Our deferred financing costs and associated amortization expense were as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheet at December 31, 2010	Amortization Expense for the years ended December 31,		
		2010	2009	2008
Senior unsecured notes at 6.5% due 2013	\$ 528	\$ 218	\$ 218	\$ 218
Senior unsecured notes at 9% due 2014	\$ 1,559	\$ 462	\$ 289	\$ —
Senior unsecured notes at 5.875% due in 2020	\$ 1,595	\$ 77	\$ —	\$ —
Black Hills Power first mortgage bonds at 7.23% due 2032	\$ 717	\$ 33	\$ 33	\$ 33
Black Hills Power first mortgage bonds at 6.125% due 2039	\$ 2,189	\$ 76	\$ 12	\$ —
Cheyenne Light 6.67% due 2037	\$ 828	\$ 31	\$ 31	\$ 31
Black Hills Wyoming project financing due 2016	\$ 5,226	\$ 1,036	\$ 60	\$ —
Other	\$ 886	\$ 74	\$ 67	\$ 149

### (9) NOTES PAYABLE

Our credit facilities and debt securities contain certain restrictive financial covenants including, among others, interest expense coverage ratios, recourse leverage ratios and consolidated net worth ratios. At December 31, 2010, we were in compliance with all of these financial covenants. None of our facilities or debt securities contain default provisions pertaining to our credit ratings.

#### Revolving Credit Facility

On April 15, 2010, we terminated our \$525 million Corporate Credit Facility and entered into a new \$500 million Revolving Credit Facility expiring April 14, 2013. The new facility contains an accordion feature which allows us, with the consent of the administrative agent, to increase the capacity of the new facility to \$600 million and can be used for the issuance of letters of credit, to fund working capital needs and other corporate purposes. The covenants and events of default are substantially the same as the prior facility, except the minimum interest expense coverage ratio covenant was eliminated. Borrowings are available under a base rate option or a Eurodollar option. The cost of borrowings or letters of credit is determined based upon our credit ratings. At current ratings levels, the margins for base rate borrowings, Eurodollar borrowings and letters of credit are 1.75%, 2.75% and 2.75%, respectively at December 31, 2010. The new facility contains a commitment fee to be charged on the unused amount of the Revolving Credit Facility. Based upon current credit ratings, the fee is 0.5%.

We had \$149.0 million of borrowings and \$46.9 million of letters of credit and \$164.5 million of borrowings and \$44.8 million of letters of credit issued under the Revolving Credit Facility and Corporate Credit Facility at December 31, 2010 and 2009, respectively. Deferred financing costs are being amortized over the three-year term of the Revolving Credit Facility and are included in Interest expense on the accompanying Consolidated Statements of Income as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheet as of December 31, 2010	Amortization Expense for the years ended December 31,		
		2010	2009	2008
Amortization expense <sup>(a)</sup>	\$ 3,389	\$ 1,340	\$ 495	\$ 489

(a) Amortization expense for 2010 relates to our new Revolving Credit Facility, while 2009 and 2008 relates to the Corporate Credit Facility which was terminated in April 2010.

The Revolving Credit Facility includes the following covenants that we must comply with at the end of each quarter (dollars, in thousands). We were in compliance with these covenants as of December 31, 2010.

	Actual	Covenant Requirement
Consolidated net worth	\$ 1,100,270	\$ 859,266
Recourse leverage ratio	57.5%	65.0%

#### Corporate Term Loan

In December 2010, we entered into a one-year \$100.0 million term loan (the "Loan") with J.P. Morgan and Union Bank due in December 2011. The cost of borrowings under the Loan was based on a spread of 137.5 basis points over LIBOR (1.69%% at December 31, 2010). The proceeds were used to reduce borrowings on the Revolving Credit Facility. The covenants are substantially the same as the Revolving Credit Facility.

#### Enserco Credit Facility

In May 2010, Enserco entered into an agreement for a two-year \$250.0 million committed credit facility. The facility contains an accordion feature which allows us, with the consent of the administrative agent, to increase commitments under the facility to \$350 million. This facility replaced the \$300 million credit facility which expired on May 7, 2010. Borrowings under the Enserco Credit Facility are subject to a sub-limit of \$50 million. Borrowings under this facility are available under a base rate option or a Eurodollar option. Margins for base rate borrowings are 1.75% and for Eurodollar borrowings are 2.50%.

At December 31, 2010, \$166.9 million of letters of credit were issued and outstanding under this facility and there were no cash borrowings outstanding.

Deferred financing costs capitalized are being amortized over the term of the Enserco Credit Facility. Amortization of deferred financing costs included in Interest expense on the accompanying Consolidated Statements of Income was as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheet as of December 31, 2010	Amortization Expense for the years ended December 31,		
		2010	2009	2008
Amortization expense	\$ 1,520	\$ 1,514	\$ 1,394	\$ 559

The June 1, 2010 coal marketing acquisition (see Note 23) included certain contractual positions that caused Enserco to temporarily not be in compliance with one of the non-financial covenants to the Enserco Credit Facility as of June 30, 2010. The Enserco Credit Facility limited the net fixed price volume of coal. As of June 30, 2010, Enserco was above that limit. In July, the participating banks waived the non-compliance with this covenant and increased the permitted net fixed price volume of coal allowed. Enserco was in compliance with covenants as of December 31, 2010.

In September 2010, the Enserco Credit Facility was amended to allow for trading of electric power, renewable energy credits and emissions credits.

#### Acquisition Facility

In July 2008, in conjunction with the closing of the Aquila Transaction, we borrowed \$382.8 million under our \$1 billion bridge acquisition credit facility dated May 7, 2007. The Acquisition Facility was structured as a single-draw term loan facility for the sole purpose of financing the Aquila Transaction. During 2009, we repaid the Acquisition Facility with proceeds of \$30.2 million from the sale of 25% of the Wygen III plant to MDU, net proceeds from the \$250 million public debt offering, and with a borrowing of \$104.6 million on our Corporate Credit Facility.

# Income Statement - Prior Year Comparison - FERC Reporting Acct Detail

Business Unit: BH KANSAS GAS UTILITY CO LLC

December, 2010 YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date 2010	Year-To-Date 2009	Year-To-Date Variance
480001 RESIDENTIAL UNBILLED GAS	(1,127,844)	(727,690)	(400,154)
480000 RESIDENTIAL GAS SALES	70,987,028	71,576,014	(588,985)
481010 COMMERCIAL INTERR GAS REVENUE	829,824	1,065,826	(236,003)
481001 COMMERCIAL FIRM UNBIL GAS REV	(399,181)	(318,552)	(80,629)
481000 COMMERCIAL FIRM GAS REVENUE	21,522,107	21,881,264	(359,157)
481110 INDUSTRIAL INTERR GAS REVENUE	13,882,832	10,753,273	3,129,559
481101 INDUSTRIAL FIRM UNBIL GAS REV	39,159	(29,512)	68,671
481100 INDUSTRIAL FIRM GAS REVENUE	390,477	332,832	57,645
483001 SALES FOR RESALE UNBIL GAS RE	(72,406)	(17,912)	(54,494)
483000 SALES FOR RESALE GAS	875,750	1,001,535	(125,785)
487000 FORFEITED DISC/LATE PMT GAS	464,764	469,717	(4,952)
488000 MISC SERVICE REV GAS	809,863	736,363	73,500
489304 INDUSTRIAL INTERR TRANSPRT REV	2,633,596	2,592,294	41,302
489303 COMMERCIAL INTERR TRANSPRT REV	222,199	209,285	12,913
489302 INDUSTRIAL FIRM TRANSPORT REV	929,396	975,038	(45,642)
489301 COMMERCIAL FIRM TRANSPORT REV	1,685,351	1,612,741	72,610
495000 Other Revenue And Royalties	1,352,959	1,100,573	252,386
<b>TOTAL OPERATING REVENUE</b>	<b>115,025,874</b>	<b>113,213,088</b>	<b>1,812,786</b>
850000 TRANS OPS SUPERV & ENG	61,001	26,359	34,641
851000 TRANS SYS CONTR & LOAD DISPATC	544	44,894	(44,350)
856000 TRANS MAINS EXPENSE	147,785	158,357	(10,572)
857000 TRANS MEAS & REGUL STATION EXP	32,058	39,101	(7,043)
859000 OTHER TRANS OPS EXP	10,000	0	10,000
870000 DIST OPS SUPERVISION AND ENGIN	631,262	485,699	145,563
874002 ROUTINE LEAK SURV MAINS & SVCS	360,086	290,693	69,393
874001 PERF DISTRIB MAIN LOCATES-GAS	619,387	480,837	138,550
874000 OPER/INSPECT UG DIST MAINS-GAS	429,538	337,411	92,127
875001 OPERATE/INSPECT FARM TAPS(O&M)	77,382	67,753	9,629
877000 DIST MEAS & REG STAT - CITY GA	1,251	3,351	(2,101)
876000 DIST MEAS & REG STAT - INDUS	145,979	126,829	19,150
875000 DIST MEAS & REG STAT - GENERAL	60,203	23,846	36,357
878001 PERF CONNECTS/DISCON/RECON-GAS	937,787	669,334	268,453
878000 OPER/INSP MTRS COLLECT DATAGAS	204,880	142,457	62,423
871000 DIST LOAD DISPATCHING	0	2,134	(2,134)
879000 DIST CUSTOMER INSTALLATIONS	499,267	479,779	19,488
881000 DIST OPER RENTS	676	1,839	(1,163)
880001 CO USED GAS O&M OFFSET	19,765	19,782	(17)
880000 DIST OPS OTHER EXPENSE	2,098,265	1,485,154	613,112
873000 DISTR FUEL/POWER COMPR STATION	269	45	223
872000 DIST COMPR STAT LABR & EXP	14	108	(94)
759000 NG PROD GATH OTHER EXPENSES	4,846	0	4,846
812000 GAS USED FOR OTHER UTILITY OPS	(19,760)	(19,776)	16
808200 GAS DELIVERED TO STORAGE CR	(6,015,333)	(4,049,547)	(1,965,786)
808100 GAS WITHDRAWN FROM STORAGE DR	5,498,894	8,475,153	(2,976,260)
805200 FINANCIAL GAS COST ADJ	(1,714,655)	(8,249,397)	6,534,742
805100 PURCHASED GAS COST ADJUSTMENTS	2,340,021	9,044,232	(6,704,212)
805001 COST OF UNBILLED REVENUE	(1,392,776)	(1,144,163)	(248,613)
805000 OTHER GAS PURCHASES	(495)	150	(646)
804000 NATURAL GAS CITY GATE PURCHASE	70,145,737	64,128,397	6,017,341
TOTAL ELECTRIC/GAS OPERATING EXPENSE	75,183,876	73,070,812	2,113,064
901000 CUST ACCTS SUPERVISION	207,788	75,607	132,181
902002 OTHER METER READING EXPENSES	235,275	175,626	59,648
902001 RE-READ METERS	28,281	6,598	21,683

902000 READ METERS	786,447	612,711	173,736
903002 PROC/COLLECT DELINQUENT ACCTS	251,375	333,079	(81,703)
903001 PROCESS CUSTOMER REMITTANCES	61,562	48,336	13,226
903000 CUST ACCTS RECORDS & COLLECTIO	1,620,823	1,376,231	244,592
904000 UNCOLLECTIBLE ACCOUNTS	249,253	423,577	(174,324)
905000 MISC CUSTOMER ACCOUNTS	214,464	154,631	59,833
907000 CUSTOMER SERVICE SUPERVISION	225,534	238,633	(13,099)
908000 CUSTOMER ASSISTANCE EXP	330,403	227,950	102,453
909000 INFORMATIONAL & INSTRUCT ADS	72,128	89,896	(17,768)
910000 MISC CUST SERVICE & INFO	9,281	2,990	6,291
912000 SALES DEMONSTRATING & SELLING	68,948	93,679	(24,732)
916000 MISCELLANOUS SALES EXPENSES	3,809	1,377	2,432
911000 SALES SUPERVERION	129,871	119,403	10,468
913000 SALES ADVERTISING EXPENSES	19,348	11,610	7,738
920000 ADMIN AND GENERAL SALARIES	6,163,215	4,770,363	1,392,852
920999 LABOR OVERHEAD OFFSET	(1,027,920)	0	(1,027,920)
921000 OFFICE SUPPLIES & EXPENSE	2,095,756	2,543,656	(447,901)
922000 ADMIN EXP TRANS CREDIT	(501,361)	(334,161)	(167,200)
923000 OUTSIDE SERVICES	991,026	1,443,721	(452,695)
924000 PROPERTY INSURANCE	31,074	34,699	(3,625)
925000 INJURIES AND DAMAGES	2,072,174	(492,778)	2,564,952
926000 EMPLOYEE PENSIONS & BENEFITS	3,560,188	3,399,104	161,084
926999 BENEFIT OVERHEAD OFFSET	(1,801,121)	0	(1,801,121)
927000 FRANCHISE REQUIREMENTS	0	295	(295)
928000 REGULATORY COMMISSION EXP	333,046	383,240	(50,194)
930100 GENERAL ADVERTISING	36,292	168,220	(131,928)
930200 MISCELLANEOUS GENERAL EXP	204,462	286,408	(81,946)
931000 A & G RENTS	362,386	345,050	17,335
TOTAL A&G & OTHER EXPENSES	17,033,805	16,539,753	494,052
<b>TOTAL OPERATING EXPENSE</b>	<b>92,217,681</b>	<b>89,610,565</b>	<b>2,607,117</b>
861000 TRANS MAINT SUPERV & ENGIN	6,869	4,365	2,504
835000 UG STOR MNT MEAS & REG STAT EQ	367	0	367
863000 TRANS MAINT OF MAINS	335,019	257,322	77,696
865000 TRANS MNT MEAS & REG STAT EQU	38,541	56,397	(17,856)
867000 TRANS MAINT OF OTHER EQUIP	6,512	526	5,986
888000 DIST MAINT COMPR STATION EQUIP	50,944	19,512	31,432
885000 DIST MAINT SUPER & ENG	88,169	60,570	27,599
889001 MAINTAIN FARM TAPS (O&M)	2,401	6,843	(4,442)
891000 DS MNT MS & REG STAT EQ-CITY G	159,244	123,296	35,948
890000 DS MNT MEAS & REG STAT EQ-IND	18,222	23,734	(5,512)
889000 DS MNT MEAS & REG STAT EQ-GEN	115,075	131,162	(16,087)
894000 DIST MAINT OF OTHER EQUIP	12,567	1,640	10,926
892000 DIST MAINT OF SERVICES	99,528	104,553	(5,025)
887001 PERFMINT_3RDPRTYDMG-UGDISTGAS	(4,182)	(3,881)	(302)
887000 PERF UG DISTRIB LINE MAINT-GAS	329,116	551,572	(222,456)
886000 DIST MAINT STRUCT & IMPROVE	20,485	24,619	(4,134)
893000 DIST MAINT METERS & HSE REGS	169,542	125,640	43,901
TOTAL MAINTENANCE EXPENSES	1,448,417	1,487,871	(39,453)
935000 MAINTENANCE GENERAL PLANT	299,400	213,642	85,758
TOTAL A&G MAINTENANCE EXPENSES	299,400	213,642	85,758
<b>TOTAL MAINTENANCE EXPENSE</b>	<b>1,747,817</b>	<b>1,701,512</b>	<b>46,305</b>
403000 DEPRECIATION	4,897,783	5,780,052	(882,269)
DEPREC EXPENSE DEPRECIATION EXPENSE	4,897,783	5,780,052	(882,269)
405002 MISCELLANEOUS AMORTIZATION	0	72,670	(72,670)
405000 AMORTIZATION EXPENSE	153,711	192,078	(38,367)
404900 AMORT-LTD TERM CMNPLT-CORP	8,323	48,753	(40,431)
404300 AMORT-LTD TERM GAS PLANT	0	23,854	(23,854)
AMORT & DEPL UTILITY AMORT & DEPL OF UTILITY PLANT	162,034	337,354	(175,321)
408100 Taxes Oth-Than Income Taxes	4,101,206	3,737,034	364,172
408199 TAXES OTI CAPITAL OFFSET	(452,278)	0	(452,278)
TAXES OTHER THAN INC TAXES OTHER THAN INCOME	3,648,928	3,737,034	(88,106)
409100 CURRENT FED INC TAX	(2,153,864)	3,029,622	(5,183,486)

INC TAXES FEDERAL INCOME TAXES FEDERAL	(2,153,864)	3,029,622	(5,183,486)
409101 CURRENT STATE INC TAX	(112,522)	174,893	(287,415)
INC TAXES OTHER INCOME TAXES OTHER	(112,522)	174,893	(287,415)
410101 DEFERRED CURRENT STATE INC TAX	570,579	84,256	486,323
410100 DEFERRED CURRENT FED INC TAX	10,237,166	5,407,985	4,829,181
PROV DEF INC TAX PROVISION FOR DEF INCOME TAX	10,807,746	5,492,241	5,315,505
411101 DEF INC TAX ST CR OPERATING	(331,837)	(85,481)	(246,356)
411100 DEF INC TAX FED CR OPERATING	(5,918,140)	(5,429,441)	(488,699)
LESS PROV DEF INC TX LESS PROV DEF INCOME TAX CRED	(6,249,977)	(5,514,922)	(735,055)
<b>OTHER OPERATING EXPENSES</b>	<b>11,000,127</b>	<b>13,036,274</b>	<b>(2,036,147)</b>
<b>TOTAL UTILITY OPERATING EXPENS</b>	<b>104,965,626</b>	<b>104,348,351</b>	<b>617,275</b>
<b>NET UTILITY OPERATING INCOME</b>	<b>10,060,248</b>	<b>8,864,737</b>	<b>1,195,511</b>
415000 MERCHANDISE REVENUES	437,258	347,422	89,836
REV MERCH JOBBING REVENUE MERCH JOBBING CONTRACT	437,258	347,422	89,836
416000 EXP MERCH JOBBING & CONTRACT	162,423	102,202	60,221
LESS COST & EXP MERC LESS COST & EXPENSE MERCH JOB	162,423	102,202	60,221
417057 OTHER REVENUE AND ROYALTIES NR	545,953	284,065	261,888
417020 I/C TRANSPORT REVENUE	19,667	20,218	(551)
417000 NONUTILITY REVENUES	3,974,196	3,753,699	220,497
REV NON UTILITY OPS REVENUE NON UTILITY OPERATIONS	4,539,816	4,057,982	481,834
417180 NONUTILITY DEPRECIATION EXP	77,693	135,238	(57,546)
417170 NONUTILITY MAINTENANCE EXPENSE	27	76	(49)
417165 EXP FOR UNCOLLECT ACCT NONREG	63,858	12,978	50,880
417162 ADMIN AND GEN-EMPL BENEFITS	154,036	91,098	62,938
417161 NONUTILITY ADMIN & GENERAL	51,994	190,313	(138,319)
417160 NONUTILITY SELLING EXPENSE	197,574	114,454	83,120
417158 NONUTILITY OPS EXPENSE OTHER	80,211	27,889	52,321
417101 NONUTILITY EXP - OTHER O&M	671,916	800,945	(129,029)
417100 NONUTILITY EXPENSES - COS	2,219,368	2,130,034	89,334
LESS EXP NON UTILITY LESS EXPENSE NON UTILITY OPS	3,516,677	3,503,025	13,652
418000 NONOPERATING RENTAL INCOME	26,660	0	26,660
NON OP RENTAL INCOME NON OPERATING RENTAL INCOME	26,660	0	26,660
419052 I/C INT INC ALLOC FROM BHSC	2,529	0	2,529
419050 I/C INTEREST INCOME FROM UMP	219,113	0	219,113
419000 INTEREST INCOME - 3RD PARTY	16,947	60,003	(43,055)
INT & DIVIDEND INC INTEREST & DIVIDEND INCOME	238,589	60,003	178,587
421000 Misc Nonoperating Income	12,701	9,636	3,065
MISC NON OP INCOME MISC NON OPERATING INCOME	12,701	9,636	3,065
TOTAL OTHER INCOME	1,575,923	869,815	706,108
421299 LOSS ON ASSET SALES	11,980	0	11,980
LOSS DISPO PROPERTY LOSS ON DISPOSITION PROPERTY	11,980	0	11,980
426100 MISC NONOPER DONATIONS	159,980	67,982	91,998
DONATIONS	159,980	67,982	91,998
426300 MISC NONOPER PENALTIES	0	(15)	15
PENALTIES	0	(15)	15
426400 MISC NONOPER CIVIC & POLITICAL	33,420	31,905	1,515
EXP CIVIC POLITICAL EXP CIVIC POLITICAL & RELATED	33,420	31,905	1,515
426500 MISC NONOPER OTHER	10,931	17,520	(6,589)
OTHER DEDUCTIONS	10,931	17,520	(6,589)
TTL OTH INC DEDUCT TOTAL OTHER INCOME DEDUCTIONS	216,311	117,392	98,919
408202 TAXES OTHR TN INCTAX DIR BUS	29,743	54,672	(24,929)
408200 TAXES OTHR TN INCTAX NON UTIL	46,663	38,140	8,522
TAXES OTHER TAXES ON OTHER INCOME	76,406	92,812	(16,406)
409200 CURR INC TAX FED NONOPERATING	371,527	257,807	113,720
INC TAX FED OTHER FED INC TAX OTHER INC DED	371,527	257,807	113,720
409201 CURR INC TAX ST NONOPERATING	21,663	14,732	6,931
INC TAX STATE OTHER STATE INC TAX OTHER INC & DED	21,663	14,732	6,931
TAXES OTH INC & DED TAXES OTHER INCOME & DEDUCTION	469,596	365,351	104,244
NET OTH INC & DED NET OTHER INCOME & DEDUCTIONS	890,016	387,071	502,945
TOTAL OTHER INCOME & DEDUCTIONS	890,016	387,071	502,945

427000 INTEREST ON LT DEBT	0	1,089,626	(1,089,626)
INT CHRG LT DEBT INTEREST CHARGES ON LT DEBT	0	1,089,626	(1,089,626)
428000 AMORTIZ DEBT DISCOUNT	136,847	285,269	(148,422)
AMORT DEBT DISC EXP AMORT DEBT DISC & EXPENSE	136,847	285,269	(148,422)
430002 I/C INT EXP ALLOC FROM BHSC	7,240	0	7,240
430000 I/C INTEREST EXPENSE TO UMP	771,322	1,345,721	(574,398)
430005 I/C INTEREST EXPENSE AFFILIATE	4,987,785	0	4,987,785
INT DEBT ASSOC COMP INTEREST ON DEBT ASSOC COMPANY	5,766,348	1,345,721	4,420,627
431000 INTEREST EXPENSE - 3RD PARTY	514,383	593,273	(78,889)
OTH INTEREST EXPENSE OTHER INTEREST EXPENSE	514,383	593,273	(78,889)
432000 AFUDC DEBT	(125,230)	(38,965)	(86,265)
LESS AFUDC BORROWED	(125,230)	(38,965)	(86,265)
NET INTEREST CHRGS NET INTEREST CHARGES	6,292,348	3,274,923	3,017,425
<b>NET INTEREST CHRGS NET INTEREST CHARGES</b>	<b>6,292,348</b>	<b>3,274,923</b>	<b>3,017,425</b>
NI BEFORE EXTR ITEMS NI BEFORE EXTRAORDINARY ITEMS	4,657,916	5,976,885	(1,318,969)
EXTRAORDINARY ITEMS	0	0	0
<b>TOTAL NET INCOME</b>	<b>4,657,916</b>	<b>5,976,885</b>	<b>(1,318,969)</b>

Report: Income Stmt - QTD & YTD w Pr Yr for FERC Rpt Detail Page: 1 of 1

Printed: Jan 24, 2011 11:14 AM Hyp 11.1.1.3

Data from the PSGLFERC Essbase Cube

**Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)**  
**Business Unit: BH KANSAS GAS UTILITY CO LLC**  
**HTD December, 2010**

Run For: Actual Data, All Resource Codes, All Allocation Types  
 Data from the PSGLFERC Essbase Cube

Account Description	Y2010	Y2009	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
<b>ASSETS:</b>			
<b>UTILITY PLANT:</b>			
101000 PLANT IN SERVICE	95,648,887	89,163,648	6,485,239
101001 PLANT IN SERVICE INTANGIBLES	3,208,194	3,208,194	0
101304 PLANT IN SERVICE ARO	7,758	7,758	0
101999 GAAP TO FERC PLANT	84,438,290	84,438,290	0
106000 COMPLETE NOT CLASSIFIED IN CPR	3,321,846	1,197,735	2,124,111
114000 PLANT ACQUISITION ADJUSTMENTS	5,234,286	5,646,271	(411,985)
114003 PLANT ACQUISITION ADJ - OTHER	(124,688)	(124,688)	0
118999 COMMON UTILITY PLANT ALLOC	18,788,843	19,263,052	(474,209)
UTILITY PLANT	210,523,415	202,800,260	7,723,155
107000 CONSTRUCTION WORK IN-PROGRESS	4,798,252	1,836,250	2,962,002
CWIP Construction Work In Progress	4,798,252	1,836,250	2,962,002
TOTAL UTILITY PLANT	215,321,667	204,636,510	10,685,157
119999 COMMON UTIL-ACC DEPR-ALLOC	(13,710,399)	(16,183,576)	2,473,178
119998 MON UTIL ACC DEPR CUR CUR ALLOC	(2,572,290)	0	(2,572,290)
111006 ACCUM AMORT/RET/REM SALV	0	(778,722)	778,722
111000 PLT IN SERV-ACC AMORT -REGUTIL	(91,042)	(404,677)	313,635
108305 ACCUMULATED DEPR-NON LEGAL ARO	(3,669,236)	(3,085,888)	(583,348)
108304 ACCUMULATED DEPR-LEGAL ARO	(4,276)	(4,111)	(165)
108006 ACCUM AMORT - INTANGIBLES	(1,309,996)	(1,193,955)	(116,041)
108005 ACCUM DEPR/RET/REM/SALVT&WE	(825,152)	(825,152)	0
108004 ACCUM DEPR/RET/REM/SALV	(30,358,548)	(30,358,548)	0
108003 PLT IN SERV-ACCUM DEPREC-SALV	(851,940)	(783,224)	(68,717)
108002 PLT IN SERV-ACCUM DEPR-REM COS	1,186,522	1,372,508	(185,986)
108001 RETIREMENT WORK IN PROGRESS	53,258	26,654	26,605
108000 PLT IN SERV-ACCUM DEPREC-ORIG	41,219,879	44,144,598	(2,924,719)
108999 GAAP TO FERC ACCUM DEPR	(84,438,290)	(84,438,290)	0
ACCUM DEPRECIATION	(95,371,512)	(92,512,385)	(2,859,127)
<b>NET UTILITY PLANT</b>	<b>119,950,155</b>	<b>112,124,125</b>	<b>7,826,030</b>
<b>OTHER PROPERTY AND INVESTMENTS:¶</b>			
121999 NON UTILITY PLANT ALLOC	1,438,945	822,554	616,391
121000 NONUTILITY PROPERTY	574,883	574,883	0
NON UTILITY PROPERTY	2,013,828	1,397,437	616,391
122999 NON UTIL-ACCDEPR-ALLOC	(1,353,547)	(749,366)	(604,181)
122200 PLT IN SERV-ACCM AMORT-NONUTIL	(1,273)	(1,273)	0
122000 NON-UTIL PLT-ACCUM DEPR-ORIG	(370,309)	(359,126)	(11,182)
ACCUM PROV DEPREC ACCUM PROV FOR DEPRECIATION	(1,725,128)	(1,109,765)	(615,363)
<b>TTL OTH PROPERTY &amp; INVESTMENT</b>	<b>288,700</b>	<b>287,672</b>	<b>1,028</b>
<b>CURRENT AND ACCRUED ASSETS:¶</b>			
131508 CITIBANK OTHER WIRE/ACH	300	0	300
131232 WELLS FARGO OTHER MANUAL	14,573	0	14,573
131221 WELLS FARGO PMT SVCS	2,457	0	2,457
131150 WELLS FARGO UTIL DEPOSITORY	56,741	0	56,741
131126 BOA WICHITA	19,944	0	19,944
CASH ACCOUNTS	94,015	0	94,015
142006 CUSTOMER A/R INSTALL	226,204	194,301	31,902
142003 CUSTOMER A/R FINANCE PROGRAM	31,454	46,853	(15,399)
142002 CUSTOMER A/R MERC	49,100	32,159	16,941
142001 CUSTOMER A/R OFF SYSTEM	330,000	367,000	(37,000)
142000 CUSTOMER ACCTS RECEIVABLE CIS	7,852,082	8,589,653	(737,571)
CUST ACCT RECEIVABLE CUSTOMER ACCOUNTS RECEIVABLE	8,488,840	9,229,966	(741,126)
143038 A/R MEDICARE SUBSIDY	83,790	56,706	27,084
143028 A/R TO BE COLLECTED FOR OTHERS	(61)	999	(1,060)
143012 A/R OTHER EMPLOYEE LOANS	3,457	27,192	(23,735)
143008 A/R DAMAGE CLAIMS			
	5 119,665	62,690	56,974

143007 A/R ADMINISTRATIVE SERVICES	14,201	28,160	(13,959)
143003 A/R CONTRIB IN AID OF CONSTRUC	229,511	28,179	201,332
143005 A/R ACCRUALS	6,472	0	6,472
OTHER ACCTS REC VBL OTHER ACCOUNTS RECEIVABLE	457,035	203,926	253,109
144000 ACCUM PROV FOR UNCOLL ACCTS	(275,717)	(482,809)	207,093
ACCUM PROV-UNCOLL ACCUM PROV FOR UNCOLLECTIBLE	(275,717)	(482,809)	207,093
145000 I/C NOTES RECEIVABLE FROM UMP	27,703,066	0	27,703,066
NOTES REC INTER CO NOTES RECEIVABLE INTER COMPANY	27,703,066	0	27,703,066
146000 I/C ACCOUNTS RECEIVABLE	126,896	0	126,896
ACCTS REC INTER CO ACCTS RECEIVABLE INTER COMPANY	126,896	0	126,896
154007 INVENTORY-TRANSFERS IN TRANSIT	830	889	(60)
154000 MATERIALS AND SUPPLIES GENERAL	323,075	346,297	(23,222)
154003 INVENTORY MANUAL	(9,888)	0	(9,888)
PLANT MATERIAL & OP PLANT MATERIALS & OP SUPPLIES	314,017	347,186	(33,170)
163000 STORES EXPENSE UNDISTRIBUTED-	719	324,065	(323,346)
STORES EXP UNDIST STORES EXPENSE UNDISTRIBUTED	719	324,065	(323,346)
164118 STORED UNDERGROUND-CENTERPOINT	1,128,223	1,060,548	67,676
164107 GAS STORED UNDERGROUND WNG	2,111,353	1,533,353	577,999
164104 GAS STORED UNDERGROUNDKNE	301,929	312,825	(10,896)
164102 GAS STORED UNDERGROUND NNG	1,643,857	1,354,160	289,697
164100 GAS STORED UNDERGROUND-	(1,071,993)	(673,434)	(398,558)
GAS STORED UG CRNT GAS STORED UNDERGROUND CRNT	4,113,369	3,587,452	525,917
165180 PREPAID STATE TAXES	299,942	379,080	(79,138)
165002 PREPAID INSURANCE	27,307	30,885	(3,578)
PREPAYMENTS	327,249	409,965	(82,716)
173000 ACCRUED UNBILLED REVENUES	8,307,135	9,639,923	(1,332,788)
ACCD UTILITY REVENUE ACCRUED UTILITY REVENUES	8,307,135	9,639,923	(1,332,788)
174007 EXCHANGE GAS RECEIVABLE WMS	708	131,992	(131,284)
174005 EXCHANGE GAS RECEIVABLE PEPL	(43,417)	(162,795)	119,378
MISC CRNT ACCD ASSTS MISC CURRENT & ACCURED ASSETS	(42,709)	(30,803)	(11,906)
<b>TTL CURRENT &amp; ACCRUED ASSETS</b>	<b>49,613,914</b>	<b>23,228,871</b>	<b>26,385,044</b>

**DEFERRED DEBITS:II**

181000 UNAMORTIZED DEBT EXP	261,757	347,094	(85,337)
UNAMORT DEBT EXP UNAMORTIZED DEBT EXPENSE	261,757	347,094	(85,337)
182300 REG ASSET OTHER	966,485	1,284,687	(318,202)
182302 REG ASSET AAO'S	0	37,670	(37,670)
182305 REG ASSET ARO	32,712	30,466	2,246
182309 REG ASSET FAS 106 PRIOR SVC	643,518	802,279	(158,761)
182310 REG ASSET PENSION PRIOR SVC	1,772,984	1,989,445	(216,461)
182315 REG ASSET FAS 106	862,692	1,130,996	(268,304)
182316 REG ASSET PENSION	3,184,238	2,902,122	282,116
OTHER REG ASSETS OTHER REGULATORY ASSETS	7,462,629	8,177,665	(715,037)
184017 MISC CAPITAL CLEARING	2,395	0	2,395
184015 CIS ENERGY ASSISTANCE	0	(11,327)	11,327
184013 POOL GAS CLEARING	(9,478)	0	(9,478)
184003 FIELD ENGINEERING CLEARING	221	0	221
184000 FLEET/TRANSPORTATION CLEARING	0	36,198	(36,198)
CLEARING ACCOUNTS	(6,862)	24,871	(31,733)
186998 DEFERRED ASSETS - OTHER	24,555	45,267	(20,711)
186023 METER SHOP CAPEX STATE ALLOC	969,339	412,510	556,828
186002 DEFERRED RATE CASE EXPENSES	27,114	0	27,114
186001 MISC DEFERRED DEBITS-IN PROCES	0	20,597	(20,597)
MISC DEFERRED DEBITS	1,021,008	478,374	542,634
190520 DEFERRED TAX ASSET LT	3,611,223	3,073,570	537,653
190299 DEF TAX ASSET STATE INC TAX ST	12,836	222,465	(209,629)
190190 DEF TAX AMORTIZATION OF CIAC	(413)	(413)	0
190175 DEFERRED TAX ASSET ST	220,127	819,563	(599,436)
190599 DEF TAX ASSET STATE INC TAX LT	210,567	0	210,567
ACCUM DEF INC TAXES ACCUM DEFERRED INCOME TAXES	4,054,341	4,115,185	(60,844)
191600 UNREC PGA CST EST-GEN SYS	5,005,393	4,521,792	483,601
191560 UNREC PGA CAP REL-SH SHAREDREV	88,338	44,280	44,058
191549 UNREC PGA CAPACITY RELEASE	(176,675)	(88,559)	(88,116)
191541 UNREC PGA CST PND KS	779,566	2,699,848	(1,920,283)
191300 UNREC PGA CST UNBILLED	(5,802,815)	(7,195,591)	1,392,776
191100 UNREC PGC ACTUAL-GEN SYSTEM	106,194	18,230	87,964
<b>DEFERRED DEBITS</b>	<b>12,792,873</b>	<b>13,143,189</b>	<b>(350,317)</b>



<b>TOTAL ASSETS AND OTHER DEBITS:</b>	<b><u>182,645,642</u></b>	<b><u>148,783,857</u></b>	<b><u>33,861,785</u></b>
<b><u>LIABILITIES AND SHAREHOLDERS EQUITY:</u></b>			
<b><u>PROPRIETARY CAPITAL:</u></b>			
211000 MISC PAID IN CAPITAL	0	55,514,021	(55,514,021)
211001 ADDL PAID IN CAPITAL	55,514,021	0	55,514,021
OTH PAID IN CAPITAL OTHER PAID IN CAPITAL	55,514,021	55,514,021	0
216000 RETAINED EARNINGS GENERAL	7,329,865	1,352,980	5,976,885
RETAINED EARNINGS	7,329,865	1,352,980	5,976,885
219002 OTHER COMPREHENSIVE INCOME	(120,817)	(170,810)	49,993
219016 AOCI DERIVATIVES TAX BENEFIT	42,286	59,784	(17,498)
ACCUM OTR COMP INC ACCUM OTH COMPREHENSIVE INCOME	(78,531)	(111,027)	32,496
<b>TOTAL PROPRIETARY CAPITAL</b>	<b><u>62,765,355</u></b>	<b><u>56,755,974</u></b>	<b><u>6,009,381</u></b>
<b><u>LONG-TERM DEBT:</u></b>			
226100 DISCOUNT ON BONDS	(36,404)	0	(36,404)
226101 AMORTIZATION OF DISCOUNTS	27,607	0	27,607
UNAMAORT DISC ON LTD UNAMORT DISCOUNT ON LT DEBT	(8,798)	0	(8,798)
<b>TOTAL LONG TERM DEBT</b>	<b><u>(8,798)</u></b>	<b><u>0</u></b>	<b><u>(8,798)</u></b>
<b><u>OTHER NON-CURRENT LIABILITIES:</u></b>			
228204 RESERVE MEDICAL	101,577	93,251	8,326
228203 RESERVE AUTO LIABILITY	(6,818)	21,227	(28,045)
228202 RESERVE WORKERS' COMPENSATION	706,036	376,542	329,493
228200 RESERVE GENERAL LIABILITY	119,559	91,155	28,404
ACCUM PROV INJRY DAM ACCUM PROV INJURIES & DAMAGES	920,353	582,175	338,178
229001 BILLINGS COLL SUBJECT TO REFUN	16,875	11,373	5,502
ACCUM PROV RATE RFND ACCUM PROV FOR RATE REFUNDS	16,875	11,373	5,502
230304 ACCUM RESV OBLIGATION ARO	36,193	34,113	2,081
ASSET RETIRE OBLIG ASSET RETIREMENT OBLIGATIONS	36,193	34,113	2,081
<b>TTL OTR NONCRNT LIAB TTL OTHER NONCRNT LIABILITIES</b>	<b><u>973,421</u></b>	<b><u>627,661</u></b>	<b><u>345,761</u></b>
<b><u>CURRENT AND ACCRUED LIABILITIES:</u></b>			
232000 AP PEOPLESOFT SUBLEDGER	692,409	0	692,409
232001 A/P INVENTORY ACCRUAL	0	224,160	(224,160)
232005 A/P PO ACCRUAL	6,022	9,820	(3,798)
232006 A/P GAS PURCHASES ESTIMATED	10,459,846	0	10,459,846
232009 A/P MANUAL	2,030,351	354,399	1,675,953
232014 A/P WH FLEX 125 DEPENDENT	0	46,393	(46,393)
232016 A/P WH HEALTH INSURANCE	0	0	0
232023 A/P WH LIFE INSURANCE	(24,119)	0	(24,119)
232026 A/P CUSTOMER CARE	11,710	984	10,726
ACCTS PAYABLE ACCOUNTS PAYABLE	13,176,219	635,756	12,540,463
233000 I/C NOTES PAYABLE TO UMP	0	1,897,493	(1,897,493)
233053 I/C NOTES PAYABLE AFFILIATE	59,576,673	59,576,673	0
233100 I/C INTEREST PAYABLE TO UMP	10,372	0	10,372
233153 I/C INTEREST PAYABLE AFFILIATE	401,961	0	401,961
NOTE PAY INTER CO NOTES PAYABLE INTER COMPANY	59,989,006	61,474,165	(1,485,159)
234222 CIS+ ACCOUNT BALANCE TRANSFERS	0	272	(272)
234000 I/C ACCOUNTS PAYABLE	16,711,522	2,235,874	14,475,648
ACCT PAY INTER CO ACCOUNTS PAYABLE INTER COMPANY	16,711,522	2,236,146	14,475,376
235000 CUSTOMER DEPOSITS-	2,054,059	2,091,764	(37,705)
CUSTOMER DEPOSITS	2,054,059	2,091,764	(37,705)
236000 ACCRUED INCOME TAXES FEDERAL	767,710	1,034,943	(267,233)
236001 ACCRUED INCOME TAXES STATE	0	0	0
236003 ACCRUED TAXES SALES/USE	(8,565)	23,076	(31,641)
236004 ACCRUED PROPERTY TAXES	1,682,672	1,572,202	110,469
236005 ACCRUED FRANCHISE TAX	160	0	160
236010 ACCRUED FICA TAX EMPLOYER	33,257	31,334	1,923
236011 ACCRUED FUTA TAX	198	101	98
236012 ACCRUED SUTA TAX	53	47	5
TAXES ACCRUED	2,475,483	2,661,703	(186,220)
241006 STATE WITHHOLDING TAXES PAYABL	25,867	25,941	(74)
241004 STATE SALES AND USE TAX	160,667	161,267	(600)
241002 TAX COLLECTION PAY CITY FRANCH	648,885	667,026	(18,141)
TAX COLLECTED PAY TAX COLLECTIONS PAYABLE	835,419	854,235	(18,816)
242999 ACCRUED OTHER	2,573,132	2,859,027	(285,895)
242075 ACCRUED PERSONAL CARE	26,269	0	26,269
242046 ACCRUED EE REIMBURSED EXP	37,202	(528)	37,729

242045 ACCRUED PAYROLL	356,773	478,842	(122,069)
242041 ACCRUED INCENTIVE	632,675	478,712	153,963
242028 ACCRD UNCL CHECKS/ESCHEATS	(1,217)	606	(1,823)
242021 ACCRUED PAY IT FORWARD	3,105	3,105	0
242019 ACCRUED ENERGY AID ASSISTANCE	47,192	36,555	10,637
242013 ACCRUED BENEFITS 401K	128,865	28,234	100,631
242003 ACCRUED BENEFITS COMP ABSENCES	189,149	100,478	88,671
MISC CRNT ACCD LIAB MISC CURRENT & ACCRUED LIAB	3,993,144	3,985,032	8,112
<b>TOTAL CURRENT &amp; ACCRUED LIAB</b>	<b>99,234,852</b>	<b>73,938,800</b>	<b>25,296,052</b>
<b>DEFERRED CREDITS:</b>			
252000 CUSTOMER ADVANCES FOR CONST	892,506	928,192	(35,686)
CUST ADV FOR CONSTR CUSTOMER ADVANCE CONSTRUCTION	892,506	928,192	(35,686)
253520 FIN48 LIABILITY	35,144	0	35,144
253134 STATE FIN48 LIABILITY	2,022	0	2,022
253011 ACCRUED GROUP INS RETIREE LT	781,678	1,142,616	(360,938)
253006 OTH DEF CR ENVIRONMENTAL	45,599	45,599	0
253001 OTH DEF CR CONTRACTOR RETAINAG	10,293	0	10,293
253105 ACCRUED PENSION	4,224,449	4,490,718	(266,269)
OTH DEFERRED CREDITS OTHER DEFERRED CREDITS	5,099,185	5,678,934	(579,748)
254020 REG LIAB PGA CR BAL RECLASS	106,194	18,230	87,964
254004 REG LIAB ACL PIPE REPL RIDR KS	224	225	(2)
254100 REG LIAB LT RETIREE HC	491,613	0	491,613
254200 REG LIABILITY LT PENSION	1,814,565	0	1,814,565
OTH REGULATORY LIAB OTHER REGULATORY LIABILITIES	2,412,596	18,456	2,394,140
282299 DEF TAX LIAB STATE OTH PROP ST	0	0	0
282100 DEF TAX PROPERTY LT	7,904,302	4,331,304	3,572,998
282599 DEF TAX LIAB STATE OTH PROP LT	460,891	0	460,891
ACCUM DEF INC TAX PR ACCUM DEF INCOME TAXES PROPTY	8,365,193	4,331,304	4,033,889
283440 DEFERRED TAX LIAB LT	(2,188,054)	(203,903)	(1,984,151)
283134 DEF TAX LIAB STATE INC TAX ST	32,190	(28,140)	60,330
283005 DEFERRED TAX LIAB ST	552,052	759,694	(207,642)
283534 DEF TAX LIAB STATE INC TAX LT	(142,774)	0	(142,774)
ACCUM DEF INC TAX OT ACCUM DEF INCOME TAX OTHER	(1,746,585)	527,652	(2,274,237)
<b>TOTAL DEFERRED CREDITS</b>	<b>15,022,895</b>	<b>11,484,537</b>	<b>3,538,358</b>
<b>UNDIST YTD NET INCOME</b>	<b>4,657,916</b>	<b>5,976,885</b>	<b>(1,318,969)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY:</b>	<b>182,645,642</b>	<b>148,783,857</b>	<b>33,861,785</b>
Balance Sheet Tie Out (Assets=Liabilities)	0	0	0

Report: Bal Sheet - Detail w Totals YTD & LYD FERC Page: 1 of 1

Printed: Jan 22, 2011 03:37 PM Hyp 11.1.1.3

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

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

For the fiscal year ended December 31, 2010

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-31303

**BLACK HILLS CORPORATION**

Incorporated in South Dakota

625 Ninth Street  
Rapid City, South Dakota 57701

IRS Identification Number 46-0458824

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

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

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

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

Yes  No

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

Yes  No

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

Yes  No

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

Yes  No

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

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

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

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

Yes  No

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

At June 30, 2010 \$1,102,103,935

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 31, 2011
Common stock, \$1.00 par value	39,262,118 shares

**Documents Incorporated by Reference**

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2011 Annual Meeting of Stockholders to be held on May 25, 2011, are incorporated by reference in Part III of this Form 10-K.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

Years ended	December 31, 2010	December 31, 2009	December 31, 2008
	(in thousands, except per share amounts)		
<b>Revenues:</b>			
Utilities	\$ 1,120,721	\$ 1,100,204	\$ 749,250
Non-regulated energy	186,530	169,374	256,540
<b>Total revenues</b>	<b>1,307,251</b>	<b>1,269,578</b>	<b>1,005,790</b>
<b>Operating expenses:</b>			
Utilities -			
Fuel, purchased power and cost of gas sold	626,528	652,725	448,411
Operations and maintenance	251,375	241,995	152,424
Non-regulated energy operations and maintenance	88,891	85,938	113,210
Gain on sale of operating assets	(8,921)	(25,971)	—
Depreciation, depletion and amortization	126,894	121,297	107,263
Impairment of long-lived assets	—	43,301	91,782
Taxes - property, production and severance	27,602	22,231	27,684
Other operating expenses	980	1,230	9,139
<b>Total operating expenses</b>	<b>1,113,349</b>	<b>1,142,746</b>	<b>949,913</b>
<b>Operating income</b>	<b>193,902</b>	<b>126,832</b>	<b>55,877</b>
<b>Other income (expense):</b>			
<b>Interest charges -</b>			
Interest expense (including amortization of debt expense, premiums and discounts, realized amount on interest rate swaps)	(107,790)	(90,878)	(58,252)
Allowance for funds used during construction - borrowed	10,689	5,839	2,811
Capitalized interest	4,381	349	1,318
Unrealized gain (loss) on interest rate swaps	(15,193)	55,653	(94,440)
Interest income	694	1,612	2,176
Allowance for funds used during construction - equity	2,996	5,891	3,835
Other expense	(176)	(513)	(187)
Other income	2,921	5,943	1,064
<b>Total other income (expense)</b>	<b>(101,478)</b>	<b>(16,104)</b>	<b>(141,675)</b>
Income (loss) from continuing operations before non-controlling interest and income taxes	92,424	110,728	(85,798)
Equity in earnings of unconsolidated subsidiaries	1,559	1,343	4,366
Income tax (expense) benefit	(25,298)	(33,315)	29,395
<b>Income (loss) from continuing operations</b>	<b>68,685</b>	<b>78,756</b>	<b>(52,037)</b>
Income from discontinued operations, net of income taxes	—	2,799	157,247
<b>Net income</b>	<b>68,685</b>	<b>81,555</b>	<b>105,210</b>
Net income attributable to non-controlling interest	—	—	(130)
<b>Net income available for common stock</b>	<b>\$ 68,685</b>	<b>\$ 81,555</b>	<b>\$ 105,080</b>
<b>Earnings (loss) per share of common stock:</b>			
<b>Basic -</b>			
Continuing operations	\$ 1.76	\$ 2.04	\$ (1.37)
Discontinued operations	—	0.07	4.12
<b>Total</b>	<b>\$ 1.76</b>	<b>\$ 2.11</b>	<b>\$ 2.75</b>
<b>Diluted -</b>			
Continuing operations	\$ 1.76	\$ 2.04	\$ (1.37)
Discontinued operations	—	0.07	4.12
<b>Total</b>	<b>\$ 1.76</b>	<b>\$ 2.11</b>	<b>\$ 2.75</b>
<b>Weighted average common shares outstanding:</b>			
Basic	38,916	38,614	38,193
Diluted	39,091	38,684	38,193

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

As of	December 31, 2010	December 31, 2009
	(in thousands, except share amounts)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 32,438	\$ 112,901
Restricted cash	4,260	17,502
Accounts receivable, net	328,811	274,489
Materials, supplies and fuel	139,677	123,322
Derivative assets, current	56,572	37,747
Income tax receivable	—	2,031
Deferred income taxes, net	17,113	4,523
Regulatory assets, current	66,429	25,085
Other current assets	25,571	27,270
Total current assets	670,871	624,870
Investments	17,780	18,524
Property, plant and equipment	3,359,762	2,975,993
Less accumulated depreciation and depletion	(864,329)	(815,263)
Total property, plant and equipment, net	2,495,433	2,160,730
Other assets:		
Goodwill	354,831	353,734
Intangible assets, net	4,069	4,309
Derivative assets, non-current	9,260	3,777
Regulatory assets, non-current	138,405	135,578
Other assets	20,860	16,176
Total other assets	527,425	513,574
<b>TOTAL ASSETS</b>	<b>\$ 3,711,509</b>	<b>\$ 3,317,698</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 279,069	\$ 229,352
Accrued liabilities	170,301	151,504
Derivative liabilities, current	79,167	57,166
Accrued income tax	779	—
Regulatory liabilities, current	3,943	7,092
Notes payable	249,000	164,500
Current maturities of long-term debt	5,181	35,245
Total current liabilities	787,440	644,859
Long-term debt, net of current maturities	1,186,050	1,015,912
Deferred credits and other liabilities:		
Deferred income taxes, non-current	277,136	262,034
Derivative liabilities, non-current	21,361	11,999
Regulatory liabilities, non-current	84,611	42,458
Benefit plan liabilities	124,709	140,671
Other deferred credits and other liabilities	129,932	114,928
Total deferred credits and other liabilities	637,749	572,090
Commitments and contingencies (See Notes 3, 8, 9, 10, 13, 18, 19 and 20)		
Stockholders' equity:		
Common stock equity-		
Common stock \$1 par value; 100,000,000 shares authorized; issued: 39,280,048 shares at 2010 and 38,977,526 shares at 2009	39,280	38,978
Additional paid-in capital	598,805	591,390
Retained earnings	486,075	473,857
Treasury stock at cost - 10,962 shares at 2010 and 8,834 shares at 2009	(309)	(224)
Accumulated other comprehensive loss	(23,581)	(19,164)
Total stockholders' equity	1,100,270	1,084,837
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,711,509</b>	<b>\$ 3,317,698</b>

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year ended	December 31, 2010	December 31, 2009	December 31, 2008
	(in thousands)		
<b>Operating activities:</b>			
Net income	\$ 68,685	\$ 81,555	\$ 105,210
(Income) from discontinued operations, net of tax	—	(2,799)	(157,247)
Income (loss) from continuing operations	68,685	78,756	(52,037)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities -			
Depreciation, depletion and amortization	126,894	121,297	107,263
Impairment of long-lived assets	—	43,301	91,782
Gain on sale of operating assets	(8,921)	(25,971)	—
Stock compensation	5,849	3,983	2,657
Unrealized mark-to-market (gain) loss on interest rate swaps	15,193	(55,653)	94,440
Earnings of associated companies	(1,559)	(1,343)	(2,581)
Allowance for funds used during construction - equity	(2,996)	(5,891)	(3,835)
Derivative fair value adjustments	10,873	27,362	(36,847)
Deferred income taxes	19,206	39,743	2,058
Employee benefit plans	16,342	16,349	7,779
Other adjustments	(3,218)	4,036	6,720
Change in operating assets and liabilities-			
Materials, supplies and fuel	(25,265)	1,078	14,525
Accounts receivable and other current assets	(51,443)	78,886	(50,955)
Accounts payable and other current liabilities	30,772	(53,157)	(21,453)
Regulatory assets	(21,283)	2,598	(36,400)
Regulatory liabilities	50	1,265	526
Contributions to defined pension plans	(30,015)	(16,945)	(500)
Other operating activities	(1,412)	7,892	4,446
Net cash provided by operating activities of continuing operations	147,752	267,586	127,588
Net cash provided by operating activities of discontinued operations	—	2,916	18,053
Net cash provided by operating activities	147,752	270,502	145,641
<b>Investing activities:</b>			
Property, plant and equipment additions	(472,681)	(346,872)	(328,922)
Payment for acquisition of net assets, net of cash acquired	(2,250)	—	(938,423)
Proceeds from sale of business operations	—	—	835,592
Proceeds from sale of assets	70,357	84,661	—
Working capital adjustment - Aquila Transaction	—	7,880	—
Other investing activities	15,406	(15,492)	4,537
Net cash used in investing activities of continuing operations	(389,168)	(269,823)	(427,216)
Net cash used in investing activities of discontinued operations	—	—	(29,836)
Net cash used in investing activities	(389,168)	(269,823)	(457,052)
<b>Financing activities:</b>			
Dividends paid on common stock	(56,467)	(55,151)	(53,663)
Common stock issued	3,246	4,819	2,683
Decrease in short-term borrowings	(770,000)	(1,125,300)	(483,500)
Increase in short-term borrowings	854,500	586,000	1,150,300
Long-term debt - issuance	200,000	543,069	—
Long-term debt - repayments	(59,926)	(2,173)	(130,297)
Other financing activities	(10,400)	(7,574)	(12,907)
Net cash provided by (used in) financing activities of continuing operations	160,953	(56,310)	472,616
Net cash used in financing activities of discontinued operations	—	—	(73,928)
Net cash provided by (used in) financing activities	160,953	(56,310)	398,688
Net change in cash and cash equivalents	(80,463)	(55,631)	87,277
Cash and cash equivalents beginning of year	112,901	168,532	81,255
Cash and cash equivalents end of year	<u>\$ 32,438</u>	<u>\$ 112,901</u>	<u>\$ 168,532</u>

See Note 16 for supplemental disclosure of cash flow information

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

KANSAS RING FENCING COMPLIANCE  
FINANCIAL RATIOS  
TOTAL DEBT TO TOTAL CAPITALIZATION

BLACK HILLS CORPORATION  
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2010
<i>Numerator</i>	
Notes payable	249,000
+ Commercial paper	-
+ Current maturities	5,181
+ Current capitalized lease obligations	9
+ Long term debt	1,186,050
+ Capitalized lease obligations	-
+ Total OBS Debt	116,479
	<hr/> 1,556,719
 <i>Denominator</i>	
Notes payable	249,000
+ Commercial paper	-
+ Current maturities	5,181
+ Current capitalized lease obligations	9
+ Long Term debt	1,186,050
+ Capitalized lease obligations	-
+ Common equity	1,100,271
+ Total OBS Debt	116,479
	<hr/> 2,656,990
	58.59%

Source: 2010 Black Hills Corporation Form 10-K



KANSAS RING FENCING COMPLIANCE  
FINANCIAL RATIOS  
FUNDS FROM OPERATIONS INTEREST COVERAGE

BLACK HILLS CORPORATION  
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2010
<i>Numerator</i>	
Net income from continuing operations	68,685
+ Depreciation, depletion & amortization	126,894
+ Deferred income taxes (net)	19,543
+ Investment tax credit amortization	(337)
- AFDC - debt	10,689
- AFDC - equity	2,996
+ (Income) loss from equity investments	1,559
+ (Gain) loss on property	(8,921)
+ Deferred income taxes adjusted	-
<u>Total Funds from operations (FFO)</u>	<u>193,738</u>
+ Cash interest paid (net of interest capitalized)	104,290
+ AFDC - debt	10,689
- Interest expense adjustment	-
+ Interest on OBS debt	-
	<u>308,717</u>
 <i>Denominator</i>	
Interest expense (net)	103,409
- Interest expense adjustment	-
+ AFDC - debt	10,689
+ Interest on OBS debt	-
	<u>114,098</u>
	 2.71%

Source: 2010 Black Hills Corporation Form 10-K

KANSAS RING FENCING COMPLIANCE  
FINANCIAL RATIOS  
FUNDS FROM OPERATIONS AS A % OF TOTAL DEBT

BLACK HILLS CORPORATION  
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2010
<i>Numerator</i>	
Net income from continuing operations	68,685
+ Depreciation, depletion & amortization	126,894
+ Deferred income taxes (net)	19,543
+ Investment tax credit amortization	(337)
- AFDC - debt	10,689
- AFDC - equity	2,996
+ (Income) loss from equity investments	1,559
+ (Gain) loss on property	(8,921)
+ Deferred income taxes adjusted	-
<u>Total Funds from operations (FFO)</u>	<u>193,738</u>
+ <u>Depreciation adjustment for Operating Leases</u>	<u>-</u>
	193,738
 <i>Denominator</i>	
Notes payable	249,000
+ Commercial paper	-
+ Current maturities	5,181
+ Current capitalized lease obligation	9
+ Long term debt	1,186,050
+ Capitalized lease obligations	-
+ <u>Total OBS Debt</u>	<u>116,479</u>
	1,556,719
	12.45%

Source: 2010 Black Hills Corporation Form 10-K