



**Dari Dornan**

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June 30, 2020

Via e-filing Express

Ms. Lynn M. Retz, Executive Director  
Kansas Corporation Commission  
1500 S.W. Arrowhead Road  
Topeka, KS 66604-4027

RE: 11-BHCG-800-CPL  
FERC Form 60

Dear Ms. Retz:

On May 29, 2020, Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills") filed its Compliance Filing pursuant to the Commission's Order in Docket No. 06-GIMX-181-GIV ("181 Docket") on December 3, 2010. As stated in the Compliance Filing, pursuant to the Federal Energy Regulatory Commission's ("FERC") Notice Granting Extension of Time issued April 2, 2020, in Docket Nos. AD20-11 and ER02-2001-000, the filing date for Black Hills Service Company's ("BHSC") FERC Form 60 was extended. BHSC requested a further extension until June 30, 2020. Therefore, FERC Form 60 was not included in the Compliance Filing.

Black Hills is filing to supplement the Compliance Filing to add FERC Form 60 as Tab A2.

Respectfully submitted,

/s/ Dari Dornan

Dari Dornan  
Associate General Counsel

Attachment

THIS FILING IS

Item 1: ☒ An Initial (Original)  
SubmissionOR ☐ Resubmission No. \_\_\_\_\_Form 60 Approved  
OMB No. 1902-0215  
Expires 01/31/2023

# FERC FINANCIAL REPORT

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

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

Exact Legal Name of Respondent (Company)

Black Hills Service Company, LLC

Year of Report

Dec 31, 2019

## **GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60**

### **I. Purpose**

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

### **II. Who Must Submit**

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

### **III. How to Submit**

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

### **IV. When to Submit**

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

### **V. Preparation**

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

### **VI. Time Period**

This report covers the entire calendar year.

### **VII. Whole Dollar Usage**

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

### **VIII. Accurateness**

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

### **IX. Applicability**

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

**X. Date Format**

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

**XI. Number Format**

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

**XII. Required Entries**

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

**XIII. Prior Year References**

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

**XIV. Where to Send Comments on Public Reporting Burden**

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

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

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

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

And to:

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

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

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

## ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION		
01 Exact Legal Name of Respondent Black Hills Service Company, LLC		02 Year of Report Dec 31, <u>2019</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) 7001 Mt Rushmore Road, Rapid City, SD 57702		06 Name of Contact Person Kimberly Nooney
07 Title of Contact Person VP-Corporate Controller and Treasurer		08 Address of Contact Person 7001 Mt Rushmore Road, Rapid City, SD 57702
09 Telephone Number of Contact Person (605) 721-2370		10 E-mail Address of Contact Person kim.nooney@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 12/30/2004	14 If Not Incorporated, Date of Organization  / /	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
CORPORATE OFFICER CERTIFICATION		
<p>The undersigned officer certifies that:</p> <p>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.</p>		
17 Name of Signing Officer Kimberly Nooney	19 Signature of Signing Officer  Kimberly Nooney	20 Date Signed (Month, Day, Year)  06/26/2020
18 Title of Signing Officer VP-Corporate Controller and Treasurer		

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

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

**Schedule I - Comparative Balance Sheet**

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		<b>Service Company Property</b>			
2	101	Service Company Property	103	964,445,486	
3	101.1	Property Under Capital Leases	103	2,823,067	
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103	23,333,910	4,854,126
6		Total Property (Total Of Lines 2-5)		990,602,463	4,854,126
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	859,270	14,034
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		989,743,193	4,840,092
10		<b>Investments</b>			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105	7,929,352	7,473,549
14		Total Investments (Total of Lines 11-13)		7,929,352	7,473,549
15		<b>Current And Accrued Assets</b>			
16	131	Cash		1,438,794	
17	134	Other Special Deposits			
18	135	Working Funds			
19	136	Temporary Cash Investments			
20	141	Notes Receivable			
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		1,014,795	933,170
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	236,144,232	62,487,007
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		30,659	11,455
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		13,011,966	8,505,748
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	303,161	
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		251,943,607	71,937,380
36		<b>Deferred Debits</b>			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		32,030,779	24,608,616
39	183	Preliminary Survey And Investigation Charges		147,533	
40	184	Clearing Accounts		36,955	3,274
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		3,470,534	418,117
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		28,512,991	
46		Total Deferred Debits (Total of Lines 37-45)		64,198,792	25,030,007
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		1,313,814,944	109,281,028

**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	940,735,522	100,000
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	( 642,765,305)	( 778,368)
54	219	Accumulated Other Comprehensive Income	201	( 10,999,409)	( 7,850,467)
55		Total Proprietary Capital (Total of Lines 49-54)		286,970,808	( 8,528,835)
56		<b>Long-Term Debt</b>			
57	223	Advances From Associate Companies	202	644,000,000	
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)		644,000,000	
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current		1,925,470	
64	228.2	Accumulated Provision for Injuries and Damages		1,931,068	559,212
65	228.3	Accumulated Provision For Pensions and Benefits		77,723,912	69,227,081
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		81,580,450	69,786,293
68		<b>Current and Accrued Liabilities</b>			
69	231	Notes Payable			
70	232	Accounts Payable		13,804,666	9,888,406
71	233	Notes Payable to Associate Companies	203	97,255,350	1,716,004
72	234	Accounts Payable to Associate Companies	203	13,476,052	5,039,935
73	236	Taxes Accrued		6,018,305	1,032,028
74	237	Interest Accrued			
75	241	Tax Collections Payable		1,136,908	524,048
76	242	Miscellaneous Current and Accrued Liabilities	203	31,272,139	21,196,471
77	243	Obligations Under Capital Leases – Current		352,871	
78	244	Derivative Instrument Liabilities		282,897	
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		163,599,188	39,396,892
81		<b>Deferred Credits</b>			
82	253	Other Deferred Credits		10,747,329	8,626,678
83	254	Other Regulatory Liabilities		24,087,235	
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		25,192,436	
87	283	Accumulated deferred income taxes-Other		77,637,498	
88		Total Deferred Credits (Total of Lines 82-87)		137,664,498	8,626,678
89		<b>TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)</b>		1,313,814,944	109,281,028



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 2019
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). BHUH balances were transferred to BHSC. See Notes 1 and 2 in Schedule XIV for additional information.

The \$964 million balance was transferred from BHUH as part of the service company combination and represents Account 114 Plant Acquisition Adjustments related to the acquisition of SourceGas (\$939 million) and Aquila (\$25 million). Plant Acquisition Adjustments are not allocated to subsidiaries.

**Schedule Page: 101 Line No.: 3 Column: d**

We adopted ASU 2016-12, Leases (Topic 842), effective January 1, 2019. As a result, we recorded \$2.8 million of operating lease right-of-use assets (Account 101.1), \$0.7 million of corresponding amortization (account 108.2), and \$2.1 million of off-setting operating lease obligation liabilities (Accounts 227 and 243). Adoption of ASU 2016-02 had no impact on rate base or cost of service rates. BHSC did not allocate the lease-related balances to subsidiaries.

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				964,445,486	964,445,486
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements		959,491	286,559	( 672,932)	
6	391	Office Furniture and Equipment		31,064,523	10,519,259	( 20,545,264)	
7	392	Transportation Equipment		2,024,433	554,484	( 1,469,949)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment		258,968	21,602	( 237,366)	
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment			6,099	6,099	
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property		22,822,507	144,509	( 19,854,931)	2,823,067
15	399.1	Asset Retirement Costs					
16		<b>Total Service Company Property (Total of Lines 1-15)</b>		57,129,922	11,532,512	921,671,143	967,268,553
17	107	<b>Construction Work in Progress:</b>					
18		Total CWIP (see footnote)	4,854,126	56,328,792		( 37,849,008)	23,333,910
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		<b>Total Account 107 (Total of Lines 18-30)</b>	4,854,126	56,328,792		( 37,849,008)	23,333,910
32		<b>Total (Lines 16 and Line 31)</b>		113,458,714			990,602,463

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 2019
Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 103 Line No.: 2 Column: f**

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). On January 1, 2019, BHUH balances were transferred to BHSC. See Notes 1 and 2 in Schedule XIV for additional information.

The \$964 million balance was transferred from Black Hills Utility Holdings (BHUH) as part of the service company combination and represents Account 114 Plant Acquisition Adjustments related to the acquisition of SourceGas (\$939 million) and Aquila (\$25 million). Plant Acquisition Adjustments are not allocated to subsidiaries. See Notes 1 and 2 in Schedule XIV for additional information.

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

We adopted ASU 2016-12, Leases (Topic 842), effective January 1, 2019. As a result, we recorded \$2.8 million of operating lease right-of-use assets (Account 101.1), \$0.7 million of corresponding amortization (Account 108.2), and \$2.1 million of off-setting operating lease obligation liabilities (Accounts 227 and 243). Adoption of ASU 2016-02 had no impact on rate base or cost of service rates. BHSC did not allocate the lease-related balances to subsidiaries.

**Schedule Page: 103 Line No.: 18 Column: g**

BHSC allocates service company property and related accumulated provision for depreciation to its subsidiaries. BHSC does not allocate construction work in progress to subsidiaries. See Note 1 in Schedule XIV for additional discussion regarding Service Company Property accounting policies. Construction work in progress projects as of End of Year are as follows:

Project Description	Amount
AMI Hardware	\$ 1,198,915
Software Conversions	1,586,016
Office furniture and equipment	20,275,900
Vehicles	<u>273,079</u>
Total	<u>\$23,333,910</u>

**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	3,660	201,282	286,559	81,617	
6	391	Office Furniture and Equipment		20,235,646	10,519,259	( 9,716,387)	
7	392	Transportation Equipment	10,374	562,957	363,053	( 210,278)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment		68,046	21,602	( 46,444)	
10	395	Laboratory Equipment		14,628		( 14,628)	
11	396	Power Operated Equipment					
12	397	Communications Equipment		39,959	6,099	( 33,860)	
13	398	Miscellaneous Equipment		1,100		( 1,100)	
14	399	Other Tangible Property		727,253	144,509	276,526	859,270
15	399.1	Asset Retirement Costs					
16		<b>Total</b>	14,034	21,850,871	11,341,081	( 9,664,554)	859,270

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 2019
Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 104 Line No.: 5 Column: f**

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). On January 1, 2019, BHUH balances were transferred to BHSC. See Notes 1 and 2 in Schedule XIV for additional information.

**Schedule Page: 104 Line No.: 14 Column: f**

We adopted ASU 2016-12, Leases (Topic 842), effective January 1, 2019. As a result, we recorded \$2.8 million of operating lease right-of-use assets (Account 101.1), \$0.7 million of corresponding amortization (Account 108.2), and \$2.1 million of off-setting operating lease obligation liabilities (Accounts 227 and 243). Adoption of ASU 2016-02 had no impact on rate base or cost of service rates. BHSC did not allocate the lease-related balances to subsidiaries.

This Report Is:

(1) ☒ An Original

(2) ☐ A Resubmission

Resubmission Date  
(Mo, Da, Yr)  
/ /

Year/Period of Report
Dec 31, <u>2019</u>

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies		
2	124	Other Investments		
3	128	Other Special Funds	7,473,549	7,929,352
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	7,473,549	7,929,352

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Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

Amounts in Other Special Funds represent Pension Equity Plan (PEP) Insurance Cash Surrender Values.

<ol style="list-style-type: none"> <li>1. List the accounts receivable from each associate company.</li> <li>2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.</li> </ol>
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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 2019
Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 106 Line No.: 3 Column: d**

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). On January 1, 2019, BHUH balances were transferred to BHSC. See Notes 1 and 2 in Schedule XIV for additional information.

**Schedule Page: 106 Line No.: 30 Column: d**

On July 16, 2019, BHC received approval (Docket No. 30003-81-GA-19) from the Wyoming Public Service Commission to consolidate Wyoming gas utility operations into a new utility entity called Black Hills Wyoming Gas, LLC. This requested approval is a result of BHC's utility jurisdiction consolidation process for Wyoming, allowing BHC to establish statewide customer rates and consolidate general tariffs, gas cost adjustments, and certain riders and adjustment clauses. On June 18, 2019, the Wyoming Public Service Commission had approved new consolidated tariff rates for Black Hills Wyoming Gas, LLC (Docket No. 30026-2-GR-19). Effective July 1, 2019, Cheyenne Light, Fuel and Power Company's natural gas utility operations (Cheyenne Gas and Northeast Wyoming), the Wyoming portion of Black Hills Gas Distribution, LLC and Black Hills Northwest Wyoming Gas Utility Company, LLC were combined into a new company called Black Hills Wyoming Gas, LLC.

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

FERC FORM NO. 60 (REVISED 12-07) Page 107

### Schedule VII – Stores Expense Undistributed

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
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25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	Total				

<b>Schedule VIII - Miscellaneous Current and Accrued Assets</b>				
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				
18				
19				
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25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	Total			

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

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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 2019
Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 110 Line No.: 4 Column: d**

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). On January 1, 2019, BHUH balances were transferred to BHSC. See Notes 1 and 2 in Schedule XIV for additional information.

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.

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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.

FERC FORM NO. 60 (REVISED 12-07) Page 201



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 2019
Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 201 Line No.: 9 Column: d**

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). On January 1, 2019, BHUH balances were transferred to BHSC. When the equity of BHUH was moved to BHSC, the offset of the transfer was recorded to retained earnings. This created the \$(642,765,305) retained earnings balance at 12-31-19. See Notes 1 and 2 in Schedule XIV for additional information regarding the BHUH transfer.

**211 - Miscellaneous Paid-In Capital:**

2018 Service Company Ending Balance	\$100,000
Transfer of BHUH Balance	<u>940,635,522</u>
2019 Service Company Ending Balance	<u>\$940,735,522</u>

**Schedule Page: 201 Line No.: 12 Column: d**

**216 – Unappropriated Retained Earnings:**

2018 Service Company Ending Balance	\$(778,368)
Transfer of BHUH Balance	<u>(641,986,937)</u>
2019 Service Company Beginning Balance	<u>\$(642,765,305)</u>

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).

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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 2019
Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 202 Line No.: 3 Column: h**

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). On January 1, 2019, BHUH balances were transferred to BHSC.

The weighted average cost of debt at December 31, 2019 was 4.28%. The balance of Account 223000 of \$644 million reflects an allocation of long-term debt from Black Hills Corporation through an Intercompany Note to fund the Plant Acquisition Adjustment primarily related to our acquisition of SourceGas in 2016.

**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		Utility Money Pool	1,716,004	97,255,350
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		See Attached Schedule	5,039,935	13,476,052
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities		
42		See Attached Schedule	21,196,471	31,272,139
43				
44				
45				
46				
47				
48				
49				
50		(Total)	27,952,410	142,003,541

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 2019
Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 203 Line No.: 2 Column: d**

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). On January 1, 2019, BHUH balances were transferred to BHSC. See Notes 1 and 2 in Schedule XIV for additional information.

**Schedule Page: 203 Line No.: 25 Column: d**

BU	Company	2018	2019
10102	Wyodak Resources Development Corp	\$393	\$20,211
10103	Black Hills Wyoming LLC	1,108	8,219
10109	Black Hills Electric Generation LLC	0	5,473
10110	Black Hills Non-Regulated Holdings LLC	15	1
10111	Black Hills Colorado IPP LLC	27	1,067
10112	Generation Development Co LLC	-	-
10114	N780BH LLC	37,085	534
10115	BH Colorado Wind LLC	-	0
10116	Northern Iowa Wind Power	-	0
10197	Black Hills Explorations & Production LLC	431,114	120,551
50501	Black Hills Power Inc.	1,074,595	2,583,415
50502	Cheyenne Light Fuel and Power Company	29,718	84,147
50503	Black Hills Utility Holdings Inc.	2,411,788	0
50504	Black Hills Kansas Gas Utility Company LLC	36	1,394,661
50505	Black Hills Iowa Gas Utility Company LLC	0	1,556,005
50506	Black Hills Nebraska Gas Utility Company LLC	63,335	1,684,436
50507	Black Hills Colorado Electric LLC	73,206	217,078
50508	Black Hills Colorado Gas Utility Company	4,031	394,030
50509	Black Hills Northwest Wyoming Gas Utility LLC	0	600,570
50510	Black Hills Shoshone Pipeline LLC	152	203
50511	Black Hills Energy Arkansas Inc.	135,762	862,181
50512	Black Hills Gas Distribution Colorado	24,245	783,408
50513	Black Hills Gas Distribution Nebraska	65	926,009
50514	Black Hills Gas Distribution Wyoming	4,123	283,798
50515	Rocky Mountain Natural Gas LLC	0	50,578
50516	Black Hills Energy Services Company	46,037	378,551
50521	Black Hills Wyoming Gas LLC		838,169
50583	Black Hills Gas Holdings LLC	8	-
80801	Black Hills Corporation	703,095	682,756
	<b>Total</b>	<b>\$5,039,935</b>	<b>\$13,476,052</b>

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Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 203 Line No.: 42 Column: d**

Account and Description	2018	2019
242001 ACCRUED AUDIT FEES	\$979,561	\$768,390
242003 ACCRUED BENEFITS COMP ABSENCES	2,004,609	3,447,470
242008 ACCRUED SERP OBLIG CURRENT	69,000	69,000
242009 ACCRUED BENEFITS RETIREE HC CURRENT	1,144,000	1,581,000
242010 ACCRUED PEP ST	1,046,000	912,000
242012 ACCRUED BOD CSE'S - CURRENT	597,999	459,020
242013 ACCRUED BENEFITS 401K	982,570	1,559,991
242014 ACCRUED BONUS OTHER	2,220,014	1,051,260
242028 ACCRD UNCL CHECKS/ESCHEATS	33,982	16,126
242041 ACCRUED INCENTIVE	9,005,650	14,628,651
242045 ACCRUED PAYROLL	1,399,850	3,265,561
242046 ACCRUED EE REIMBURSED EXP	24,411	31,872
242052 ACCRUED LT PERFORMANCE PLAN	927,527	2,535,547
242053 ACCRUED WORKER'S COMPENSATION	61,001	86,943
242560 ACCRD LIAB ST NEG BAL RECLASS	1,559	5,145
242999 ACCRUED OTHER	698,738	850,807
235000 CUSTOMER DEPOSITS		3,356
<b>MISC CURRENT &amp; ACCRUED LIAB</b>	<b>\$21,196,471</b>	<b>\$31,272,139</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 2019
Black Hills Service Company, LLC			
<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.

## (1) BUSINESS DESCRIPTION AND 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.

### Centralized Service Company Changes

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were consolidated with the activities of BHSC. On January 1, 2019, certain BHUH balances were transferred to BHSC. The transfer did not result in any gain or loss recognized on the Results of Operations. The financial statements included in this Form 60 reflect the combined amounts as of and for the year ended December 31, 2019. Prior to January 1, 2019, BHSC and BHUH were separate centralized service companies which were reported on separate Federal Energy Commission (FERC) Form 60 reports. BHUH continues to exist as holding company. See Note 2 for additional information.

### Nature of Operations

BHSC provides services at cost. BHSC manages the allocation of costs to its subsidiaries by adhering to the Cost Allocation Manual (CAM) filed with FERC. These costs are both direct charged to the subsidiary receiving the benefit, when applicable, and allocated through various allocation methods in accordance with the CAM. The charges for services do not include a return for the use of capital.

### Use of Estimates and Basis of Presentation

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

The financial statements were prepared in accordance with the accounting requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

The significant differences consist of the following:

- The accumulated reserve for estimated removal costs is included in the accumulated provision for depreciation for FERC reporting. For GAAP reporting it is reported as a regulatory liability.
- Accumulated deferred tax assets and liabilities are classified in the balance sheet as gross deferred debits and credits, respectively, while GAAP presentation reflects either a net deferred asset or liability.
- Uncertain tax positions related to temporary differences are classified in the Balance Sheets within the deferred tax accounts in accordance with regulatory treatment, as compared to other noncurrent liabilities for GAAP purposes. In

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Black Hills Service Company, LLC			
Schedule XIV- Notes to Financial Statements			

addition, interest related to uncertain tax positions is recognized in interest expense in accordance with regulatory treatment, as compared to income tax expense for GAAP purposes.

- Regulatory assets and liabilities are classified as current and noncurrent for GAAP, while FERC classifies all regulatory assets and liabilities as noncurrent deferred debits and credits, respectively.
- Various revenues and expenses are presented as other income and income deductions for the FERC presentation and reported as operating income and expense for the GAAP presentation.
- Only the service cost component of net periodic pension and post-retirement benefit costs can be capitalized for GAAP reporting. However, all cost components of net periodic pension and post-retirement benefit costs are eligible for capitalization under FERC regulations.
- Capital and operating leases are both classified as capital leases on the balance sheet for FERC reporting. For GAAP reporting, these are presented as other current and noncurrent assets and liabilities.
- Goodwill (plant acquisition adjustments) is included within utility plant for FERC reporting, but is presented as other non-current assets for GAAP reporting.

### Cash and Cash Equivalents

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

### Service Company Property

Additions to property, plant and equipment are recorded at cost. Included in the cost of regulated construction projects is AFUDC, when applicable, which represents the approximate composite cost of borrowed funds and a return on equity used to finance a regulated utility project. In addition, asset retirement costs associated with tangible long-lived regulated utility assets are recognized as liabilities with an increase to the carrying amounts of the related long-lived regulated utility assets in the period incurred. The amounts capitalized are included in Property, plant and equipment on the accompanying Balance Sheets.

The cost of regulated utility property, plant and equipment retired, or otherwise disposed of in the ordinary course of business, less salvage plus retirement costs, is charged to accumulated depreciation. At the time of such retirement, the accumulated provision for depreciation is charged with the original cost of the property retired and also for the net cost of removal. Ordinary repairs and maintenance of property, except as allowed under rate regulations, are charged to operations as incurred.

Property, plant and equipment is tested for impairment when it is determined that the carrying value of the assets may not be recoverable. A loss is recognized in the current period if it becomes probable that part of a cost of a plant under construction or recently completed plant will be disallowed for recovery from customers and a reasonable estimate of the disallowance can be made. For investments in property, plant and equipment that are abandoned and not expected to go into service, incurred costs and related deferred tax amounts are compared to the discounted estimated future rate recovery, and a loss is recognized, if necessary. No impairment loss was recorded during the years ended December 31, 2019 and 2018.

BHSC allocates service company property and related accumulated provision for depreciation to its subsidiaries. BHSC does not allocate construction work in progress to subsidiaries.

### Plant Acquisition Adjustments

Plant acquisition adjustments with indefinite lives are not amortized, but the carrying values are reviewed upon an indicator of impairment or at least annually.

Plant acquisition adjustments relate to our acquisitions of SourceGas and Aquila and represent the final purchase allocation of the cost of the investment over the estimated fair value of the underlying net assets acquired. We perform an impairment test on an annual basis or upon the occurrence of events or changes in circumstances that indicate that the asset might be impaired. Our annual impairment testing date is as of October 1, which aligns our testing date with our financial planning process. No impairment loss was recorded during 2019 or 2018.



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Schedule XIV- Notes to Financial Statements			

	Total Plant acquisition adjustments
Ending balance at December 31, 2018	\$ —
Additions	—
Transfer due to BHUH/BHSC combination	964,445,486
Ending balance at December 31, 2019	\$ 964,445,486

Plant acquisition adjustments are not allocated from the service company to subsidiaries and are presented in Service Company Property in the Balance Sheet.

### Fair Value Measurements

We use the following fair value hierarchy for determining inputs for our financial instruments. Our financial instruments' assets and liabilities for financial instruments are classified and disclosed in one of the following fair value categories:

Level 1 — Unadjusted quoted prices available in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities. Level 1 instruments primarily consist of highly liquid and actively traded financial instruments with quoted pricing information on an ongoing basis.

Level 2 — Pricing inputs include quoted prices for identical or similar assets and liabilities in active markets other than quoted prices in Level 1, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Pricing inputs are generally less observable from objective sources. These inputs reflect management's best estimate of fair value using its own assumptions a market participant would use in pricing the asset or liability.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. We record transfers, if necessary, between levels at the end of the reporting period for all of our financial instruments.

Transfers into Level 3, if any, occur when significant inputs used to value the derivative instruments become less observable such as a significant decrease in the frequency and volume in which the instrument is traded, negatively impacting the availability of observable pricing inputs. Transfers out of Level 3, if any, occur when the significant inputs become more observable such as the time between the valuation date and the delivery date of a transaction becomes shorter, positively impacting the availability of observable pricing inputs. We currently do not have any Level 3 investments.

### Valuation Methodologies for Derivatives

The commodity contracts for electric and gas utilities are valued using the market approach and include Level 2 exchange-traded futures, options, basis swaps and over-the-counter swaps for natural gas contracts. For exchange-traded futures, options and basis swap assets and liabilities, fair value was derived using broker quotes validated by the exchange settlement pricing for the applicable instrument. For over-the-counter instruments, fair value was obtained by utilizing a nationally recognized service that obtains observable inputs to compute fair value, which we validate by comparing our valuation with the counterparty. The fair value of these swaps includes a CVA based on the credit spreads of the counterparties when we are in an unrealized gain position or on our own credit spread when we are in an unrealized loss position.

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 2019
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Schedule XIV- Notes to Financial Statements			

## Derivatives and Hedging Activities

All our derivatives are measured at fair value and recognized as either assets or liabilities on the Balance Sheets, except for derivative contracts that qualify for and are elected under the normal purchase and normal sales exception. Normal purchases and normal sales are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable amount of time, and price is not tied to an unrelated underlying derivative. Normal purchase and sales contracts are recognized when the underlying physical transaction is completed under the accrual basis of accounting. As part of our Electric and Gas Utilities' operations, we enter into contracts to buy and sell energy to meet the requirements of our customers.

In addition, certain derivatives contracts approved by regulatory authorities are either recovered or refunded through customer rates. Any changes in the fair value of these approved derivative contracts are deferred as a regulatory asset or regulatory liability.

We also have some derivatives that qualify for hedge accounting and are designated as cash flow hedges. The effective portion of the derivative gain or loss is deferred in AOCI and reclassified into earnings when the corresponding hedged transaction is recognized in earnings. Changes in the fair value of all other derivatives contracts are recognized in earnings.

We utilize master netting agreements which consist of an agreement between two parties who have multiple contracts with each other that provide for the net settlement of all contracts in the event of default on or termination of any one contract. When the right of offset exists, accounting standards permit the netting of receivables and payables under a legally enforceable master netting agreement between counterparties. Accounting standards also permit offsetting of fair value amounts recognized for the right to reclaim, or the obligation to return, cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty. We reflect the offsetting of net derivative positions with fair value amounts for cash collateral with the same counterpart when a legal right of offset exists.

## Regulatory Accounting

We are subject to cost-of-service regulation and earnings oversight from federal and state utility commissions. We account for income and expense items in accordance with accounting standards for regulated operations. These accounting policies differ in some respects from those used by our non-regulated businesses. Under these regulated operations accounting standards:

- Certain costs, which would otherwise be charged to expense or OCI, are deferred as regulatory assets based on the expected ability to recover the costs in future rates.
- Certain credits, which would otherwise be reflected as income or OCI, are deferred as regulatory liabilities based on the expectation the amounts will be returned to customers in future rates, or because the amounts were collected in rates prior to the costs being incurred

Management continually assesses the probability of future recoveries and obligations associated with regulatory assets and liabilities. Factors such as the current regulatory environment, recently issued rate orders, and historical precedents are considered. As a result, we believe that the accounting prescribed under rate-based regulation remains appropriate and our regulatory assets are probable of recovery in current rates or in future rate proceedings.

If changes in the regulatory environment occur, we may no longer be eligible to apply this accounting treatment, and may be required to eliminate regulatory assets and liabilities from our balance sheet. Such changes could adversely affect our results of operations, financial position or cash flows.

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  2019
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Schedule XIV- Notes to Financial Statements			

## Income Taxes

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

The Company uses the asset and liability method in accounting for income taxes. Under the asset and 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 use the deferral method of accounting for investment tax credits as allowed by our rate-regulated jurisdictions. Such a method results in the investment tax credit being amortized as a reduction to income tax expense over the estimated useful lives of the underlying property that gave rise to the credit.

We recognize interest income or interest expense and penalties related to income tax matters in Other interest expense on the Statements of Income.

We account for uncertainty in income taxes recognized in the financial statements in accordance with the accounting standards for income taxes. The unrecognized tax benefit is classified within deferred tax accounts in accordance with regulatory treatment on the accompanying Balance Sheets.

## Recently Adopted Accounting Standards

### Leases, ASU 2016-02

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the balance sheet for most leases, whereas previously only financing-type lease liabilities (capital leases) were recognized on the balance sheet. Under the new standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

We adopted the standard effective January 1, 2019. We elected not to recast comparative periods coinciding with the new lease standard transition and will report these comparative periods as presented under previous lease guidance. In addition, we elected the package of practical expedients permitted under the transition guidance with the new standard, which among other things, allowed us to carry forward the historical lease classification. We also elected the practical expedient related to land easements, allowing us to carry forward our accounting treatment for existing land easements agreements.

Adoption of the new standard resulted in the recording of a \$0.5 million operating lease right-of-use asset (account 101.1), \$0.1 million of corresponding amortization (account 108.2), and a \$0.4 million off-setting operating lease obligation liability (accounts 227 and 243) as of January 1, 2019. The cumulative effect of the adoption did not materially impact results of operations. Adoption of the new standard had no impact on cash flows, rate base or cost of service rates. Lease-related balances are not allocated from the service company to subsidiaries.

## (2) CENTRALIZED SERVICE COMPANY CHANGES

As discussed in Note 1 above, effective January 1, 2019, all significant service company activities previously performed by BHUH, including employees, were consolidated with the activities of BHSC. On January 1, 2019, certain BHUH balances, which included service company property, deferred tax assets and liabilities, regulatory assets and liabilities, proprietary capital, and long-term debt were transferred to BHSC as shown below (in thousands of dollars).

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 2019
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Schedule XIV- Notes to Financial Statements			

	BHSC	Transfer of BHUH Balances	Combined	Combined
	January 1, 2019	January 1, 2019	January 1, 2019	December 31, 2019
Net Service Company Property	\$ 4,840	\$ 974,094	\$ 978,934	\$ 989,743
Investments (a)	7,474	10	\$ 7,484	7,929
Current and Accrued Assets (b)	71,937	84,749	\$ 156,686	251,944
Deferred Debits (b)	25,030	10,105	\$ 35,135	64,199
<b>Total Assets</b>	<b>\$ 109,281</b>	<b>\$ 1,068,958</b>	<b>\$ 1,178,239</b>	<b>\$ 1,313,815</b>
Proprietary Capital (a)	(8,529)	298,654	\$ 290,125	286,971
Long-Term Debt (b)	—	644,000	\$ 644,000	644,000
Other Non-current Liabilities	69,786	1,761	\$ 71,547	81,580
Current and Accrued Liabilities	39,397	13,409	\$ 52,806	163,599
Deferred Credits	8,627	111,134	\$ 119,761	137,665
<b>Total Liabilities and Proprietary Capital</b>	<b>\$ 109,281</b>	<b>\$ 1,068,958</b>	<b>\$ 1,178,239</b>	<b>\$ 1,313,815</b>

(a) BHUH's \$1,295 million intercompany investment in subsidiary reported in account 123 (and corresponding offset in account 216) on BHUH's 2018 FERC Form 60 was not transferred to BHSC as part of the service company combination and remains at BHUH. BHUH continues to exist as a holding company and this investment represents its equity investment in its subsidiaries. It is not related to BHSC activities.

(b) BHUH's \$525 million intercompany note payable and corresponding intercompany note receivable were not transferred to BHSC. Prior to the January 1, 2019 service company combination, BHC allocated \$525 million of long-term debt to BHUH which was reported in account 223 in BHUH's 2018 FERC Form 60. BHUH then allocated this same \$525 million of debt to subsidiaries through account 141 (short-term) and account 186 (long-term). After the January 1, 2019 combination, BHC allocated this debt directly to the subsidiaries and not through the service company.

### (3) RISK MANAGEMENT ACTIVITIES

Our activities in the regulated and non-regulated energy sectors expose us to a number of risks in the normal operations of our businesses. Depending on the activity, we are exposed to varying degrees of market risk and credit risk.

#### Market Risk

Market risk is the potential loss that may occur as a result of an adverse change in market price, rate or supply. We are exposed to the following market risks, including, but not limited to:

Commodity price risk associated with our retail natural gas marketing activities and our fuel procurement for several of our gas-fired generation assets, which include market fluctuations due to unpredictable factors such as weather, market speculation, pipeline constraints, and other factors that may impact natural gas supply and demand;

#### Utilities

The operations of our utilities, including natural gas sold by our Gas Utilities and natural gas used by our Electric Utilities' generation plants or those plants under PPAs where our Electric Utilities must provide the generation fuel (tolling agreements) expose our utility customers to volatility in natural gas prices. Therefore, as allowed or required by state utility

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Schedule XIV- Notes to Financial Statements			

commissions, we have entered into commission-approved hedging programs utilizing natural gas futures, options, over-the-counter swaps and basis swaps to reduce our customers' underlying exposure to these fluctuations. These transactions are considered derivatives, and in accordance with accounting standards for derivatives and hedging, mark-to-market adjustments are recorded as Derivative assets or Derivative liabilities on the accompanying Consolidated Balance Sheets, net of balance sheet offsetting as permitted by GAAP.

For our regulated Utilities' hedging plans, unrealized and realized gains and losses, as well as option premiums and commissions on these transactions are recorded as Regulatory assets or Regulatory liabilities in the accompanying Consolidated Balance Sheets in accordance with the state utility commission guidelines. When the related costs are recovered through our rates, the hedging activity is recognized in the Consolidated Statements of Income.

We buy, sell and deliver natural gas at competitive prices by managing commodity price risk. As a result of these activities, this area of our business is exposed to risks associated with changes in the market price of natural gas. We manage our exposure to such risks using over-the-counter and exchange traded options and swaps with counterparties in anticipation of forecasted purchases and/or sales during time frames ranging from January 2020 through December 2021. A portion of our over-the-counter swaps have been designated as cash flow hedges to mitigate the commodity price risk associated with deliveries under fixed price forward contracts to deliver gas to our Choice Gas Program customers. The effective portion of the gain or loss on these designated derivatives is reported in AOCI in the accompanying Consolidated Balance Sheets and the ineffective portion, if any, is reported in Fuel, purchased power and cost of natural gas sold. Effectiveness of our hedging position is evaluated at least quarterly.

#### (4) EMPLOYEE BENEFIT PLANS

##### Defined Contribution Plans

BHC sponsors a 401(k) retirement savings plan (the 401(k) Plan). Participants in the 401(k) Plan may elect to invest a portion of their eligible compensation to the 401(k) Plan up to the maximum amounts established by the IRS. The 401(k) Plan provides employees the opportunity to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis.

The 401(k) Plan provides a Company matching contribution for all eligible participants. Certain eligible participants who are not currently accruing a benefit in the Pension Plan also receive a Company retirement contribution based on the participant's age and years of service. Vesting of all Company and matching contributions occurs at 20% per year with 100% vesting when the participant has 5 years of service with the Company.

##### Defined Benefit Pension Plan (Pension Plan)

We have a defined benefit pension plan ("Pension Plan") covering certain eligible employees. The benefits for the Pension Plan are based on years of service and calculations of average earnings during a specific time period prior to retirement. The Pension Plan has been closed to new employees and certain employees who did not meet age and service based criteria.

The Pension Plan assets are held in a Master Trust. Our Board of Directors has approved the Pension Plan's investment policy. The objective of the investment policy is to manage assets in such a way that will allow the eventual settlement of our obligations to the Pension Plan's beneficiaries. To meet this objective, our pension assets are managed by an outside adviser using a portfolio strategy that will provide liquidity to meet the Pension Plan's benefit payment obligations. The Pension Plan's assets consist primarily of equity, fixed income and hedged investments.

The expected rate of return on the Pension Plan assets is determined by reviewing the historical and expected returns of both equity and fixed income markets, taking into account asset allocation, the correlation between asset class returns, and the mix of active and passive investments. The Pension Plan utilizes a dynamic asset allocation where the target allocation range to return-seeking and liability-hedging assets is determined based on the funded status of the Plan. As of December 31, 2019, the expected rate of return on pension plan assets is based on the targeted asset allocation range of 29% to 37% return-seeking assets and 63% to 71% liability-hedging assets.

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Our Pension Plan is funded in compliance with the federal government's funding requirements.

### Supplemental Non-qualified Defined Benefit Plans

We have various supplemental retirement plans for key executives of the Company. The plans are non-qualified defined benefit and defined contribution plans (Supplemental Plans). The Supplemental Plans are subject to various vesting schedules and are not funded by the Company.

#### Plan Assets

We do not fund our Supplemental Plans. We fund on a cash basis as benefits are paid.

### Non-pension Defined Benefit Postretirement Healthcare Plans

BHC sponsors retiree healthcare plans (Healthcare Plans) for employees who meet certain age and service requirements at retirement. Healthcare Plan benefits are subject to premiums, deductibles, co-payment provisions and other limitations. Pre-65 retirees receive their retiree medical benefits through the Black Hills self-insured retiree medical plans. Healthcare coverage for Medicare-eligible BHP retirees is provided through an individual market healthcare exchange.

#### Plan Assets

We fund our Healthcare Plans on a cash basis as benefits are paid.

## (5) COMMITMENTS AND CONTINGENCIES

### Environmental Matters

We are subject to costs resulting from a number of federal, state and local laws and regulations which affect future planning and existing operations. They can result in increased capital expenditures, operating and other costs as a result of compliance, remediation and monitoring obligations. We may be required to modify, curtail, replace or cease operating certain facilities or operations to comply with statutes, regulations and other requirements of regulatory bodies.

### Legal Proceedings

In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations. We believe the amounts provided in the financial statements to satisfy alleged liabilities are adequate in light of the probable and estimable contingencies. However, there can be no assurance that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims and other matters discussed, and to comply with applicable laws and regulations will not exceed the amounts reflected in the financial statements.

In the normal course of business, we enter into agreements that include indemnification in favor of third parties, such as information technology agreements, purchase and sale agreements and lease contracts. We have also agreed to indemnify our directors, officers and employees in accordance with our articles of incorporation, as amended. Certain agreements do not contain any limits on our liability and therefore, it is not possible to estimate our potential liability under these indemnifications. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we maintain insurance policies that may provide coverage against certain claims under these indemnities.

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**(6) RELATED-PARTY TRANSACTIONS****Accounts Receivable from Associated Companies and Accounts Payable to Associated Companies**

BHSC provides services to affiliates 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.

We have accounts receivable and accounts payable balances related to transactions with affiliates.

**Dividends to and from Parent**

We record dividends to and from BHC, our Parent company.

**Advances from Associate Companies**

Long-term financing for us and our utility subsidiaries is obtained at the parent level (BHC) and assigned to the utilities through intercompany notes. We are able to obtain more favorable financing terms by obtaining external debt at the parent level (BHC) than obtaining debt at BHSC or the utility subsidiary level.

**Money Pool Notes Receivable and Notes Payable**

We participate in the Utility Money Pool Agreement (the Agreement). Under the Agreement, we may borrow from the pool; however the Agreement restricts the pool from loaning funds to BHC or to any of BHC's non-utility subsidiaries. The Agreement does not restrict us from paying dividends to BHC. Borrowings under the Agreement bear interest at the weighted average daily cost of BHC's external borrowings as defined under the Agreement, or if there are no external funds outstanding on that date, then the rate will be the daily one-month LIBOR plus 1.0%. The cost of borrowing under the Utility Money Pool was 2.21% at December 31, 2019.

**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	345,548,603	184,575,036
3		<b>SERVICE COMPANY OPERATING EXPENSES</b>		
4	401	Operation Expenses	252,187,219	161,888,083
5	402	Maintenance Expenses	23,313,891	12,771,186
6	403	Depreciation Expenses	21,850,873	8,925,113
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	4,116,979	124,925
13	409.1	Income Taxes, Operating Income	( 1,035,088)	
14	410.1	Provision for Deferred Income Taxes, Operating Income	15,113,267	
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income	( 12,493,553)	
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	3,918,659	420,017
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	306,972,247	184,129,324
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	38,576,356	445,712
24		<b>OTHER INCOME</b>		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	1,704,510	12,902
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	286,262	260,962
29	421.1	Gain on Disposition of Property	( 375)	45,151
30		<b>TOTAL OTHER INCOME (Total of Lines 25-29)</b>	1,990,397	319,015
31		<b>OTHER INCOME DEDUCTIONS</b>		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	838,107	412,650
35	426.2	Life Insurance		
36	426.3	Penalties	1,149	372
37	426.4	Expenditures for Certain Civic, Political and Related Activities	1,251,825	439,843
38	426.5	Other Deductions	2,229,766	( 229,882)
39		<b>TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)</b>	4,320,847	622,983
40		<b>TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS</b>		



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FOOTNOTE DATA			

**Schedule Page: 301 Line No.: 2 Column: c**

Effective January 1, 2019, Black Hills Utility Holdings, Inc. (BHUH) ceased to function as a centralized service company. All significant service company activities previously performed by BHUH, including employees, were combined with the activities of Black Hills Service Company (BHSC). On January 1, 2019, BHUH balances were transferred to BHSC. See Notes 1 and 2 in Schedule XIV for additional information.

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		21,850,873	21,850,873			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	1,426,094	2,858,028	4,284,122			
5	409.1-409.3	Income Taxes		( 1,035,088)	( 1,035,088)			
6	410.1-411.2	Provision for Deferred Taxes		15,113,267	15,113,267			
7	411.1-411.2	Provision for Deferred Taxes – Credit		12,493,553	12,493,553			
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	2,704,235	1,214,424	3,918,659			
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income	59,773	1,644,737	1,704,510			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		286,262	286,262			
19	421.1	Gain on Disposition of Property	( 375)		( 375)			
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	429,753	408,354	838,107			
23	426.2	Life Insurance						
24	426.3	Penalties	146	1,003	1,149			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	1,052,082	199,743	1,251,825			
26	426.5	Other Deductions	108,723	2,121,043	2,229,766			
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		36,676,462	36,676,462			
31	431	Other Interest Expense	37,441	( 635,140)	( 597,699)			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	( 3,219)	34,343	31,124			
34	510-515	Total Steam Power Generation Maintenance Expenses	239,998		239,998			

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	2,641,120	47,871	2,688,991			
40	551-554.1	Total Other Power Generation Maintenance Expenses	830,713		830,713			
41	555-557	Total Other Power Supply Operation Expenses	( 28,777)	3,483,214	3,454,437			
42	560	Operation Supervision and Engineering	325,172	1,446,812	1,771,984			
43	561.1	Load Dispatch-Reliability	109,448	51,408	160,856			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	190,166	1,450,702	1,640,868			
45	561.3	Load Dispatch-Transmission Service and Scheduling	245,057	146,508	391,565			
46	561.4	Scheduling, System Control and Dispatch Services	316,188		316,188			
47	561.5	Reliability Planning and Standards Development	435,591	1,647,886	2,083,477			
48	561.6	Transmission Service Studies	31,660	3,992	35,652			
49	561.7	Generation Interconnection Studies	128,477	10,772	139,249			
50	561.8	Reliability Planning and Standards Development Services	682,165		682,165			
51	562	Station Expenses (Major Only)	101,330	15,789	117,119			
52	563	Overhead Line Expenses (Major Only)	157,517	103,883	261,400			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	376,581	399,810	776,391			
56	567	Rents	80,900		80,900			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	3,180,252	5,277,562	8,457,814			
59	568	Maintenance Supervision and Engineering (Major Only)	345		345			
60	569	Maintenance of Structures (Major Only)	4,243	4,266	8,509			
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)	28,183	180,507	208,690			
66	571	Maintenance of Overhead Lines (Major Only)	684,181	10,967	695,148			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	16,561		16,561			

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	733,513	195,740	929,253			
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	2,328,607	2,566,080	4,894,687			
74	590-598	Total Distribution Maintenance Expenses	7,321,153	247,600	7,568,753			
75		Total Electric Operation and Maintenance Expenses	22,942,436	76,200,827	99,143,263			
76	700-798	Production Expenses (Provide selected accounts in a footnote)	2,395	238	2,633			
77	800-813	Total Other Gas Supply Operation Expenses	( 4,959)	( 12,515)	( 17,474)			
78	814-826	Total Underground Storage Operation Expenses	82,052	78,658	160,710			
79	830-837	Total Underground Storage Maintenance Expenses	10,835	142,995	153,830			
80	840-842.3	Total Other Storage Operation Expenses	208	( 1,387)	( 1,179)			
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	535,617	734,713	1,270,330			
85	851	System Control and Load Dispatching.	3,713		3,713			
86	852	Communication System Expenses	18,041	4,043	22,084			
87	853	Compressor Station Labor and Expenses	3		3			
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses	7,981		7,981			
91	857	Measuring and Regulating Station Expenses		7	7			
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses	1,499,836	286,321	1,786,157			
94	860	Rents	89,669		89,669			
95		Total Gas Transmission Operation Expenses	2,154,860	1,025,084	3,179,944			
96	861	Maintenance Supervision and Engineering	11,091	128,811	139,902			
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains	3,686	424	4,110			
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment	336	12	348			
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses	15,113	129,247	144,360			
104	870-881	Total Distribution Operation Expenses	2,425,081	5,978,653	8,403,734			

[illegible]

**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		21,850,873	21,850,873
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes	1,426,094	2,858,028	4,284,122
5	409.1-409.3	Income Taxes		( 1,035,088)	( 1,035,088)
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7	411.1-411.2	Provision for Deferred Taxes – Credit		12,493,553	12,493,553
8	411.6	Gain from Disposition of Service Company Plant			
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12	412	Costs and Expenses of Construction or Other Services			
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18	421	Miscellaneous Income or Loss		286,262	286,262
19	421.1	Gain on Disposition of Property	( 375)		( 375)
20	421.2	Loss on Disposition Of Property			
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41	555-557	Total Other Power Supply Operation Expenses	( 28,777)	3,483,214	3,454,437
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

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72	576.1-576.5	Total Regional Market Maintenance Expenses			
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79	830-837	Total Underground Storage Maintenance Expenses	10,835	142,995	153,830
80	840-842.3	Total Other Storage Operation Expenses	208	( 1,387)	( 1,179)
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	535,617	734,713	1,270,330
85	851	System Control and Load Dispatching.	3,713		3,713
86	852	Communication System Expenses	18,041	4,043	22,084
87	853	Compressor Station Labor and Expenses	3		3
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses	7,981		7,981
91	857	Measuring and Regulating Station Expenses		7	7
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses	1,499,836	286,321	1,786,157
94	860	Rents	89,669		89,669
95		Total Gas Transmission Operation Expenses	2,154,860	1,025,084	3,179,944
96	861	Maintenance Supervision and Engineering	11,091	128,811	139,902
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains	3,686	424	4,110
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment	336	12	348
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses	15,113	129,247	144,360
104	870-881	Total Distribution Operation Expenses	2,425,081	5,978,653	8,403,734

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	14,814	1,287,326	1,302,140
106		Total Natural Gas Operation and Maintenance Expenses	4,700,399	8,628,299	13,328,698
107	901	Supervision	2,098	1,142,375	1,144,473
108	902	Meter reading expenses	3,313	110,682	113,995
109	903	Customer records and collection expenses	5,762,761	18,584,384	24,347,145
110	904	Uncollectible accounts	5,562,612		5,562,612
111	905	Miscellaneous customer accounts expenses	( 18,959)	737,207	718,248
112	906	Total Customer Accounts Operation Expenses	11,311,825	20,574,648	31,886,473
113	907	Supervision	1,392	518,337	519,729
114	908	Customer assistance expenses	661,925	564,532	1,226,457
115	909	Informational And Instructional Advertising Expenses	36,670	8,459	45,129
116	910	Miscellaneous Customer Service And Informational Expenses	8,585	2,847	11,432
117		Total Service and Informational Operation Accounts	708,572	1,094,175	1,802,747
118	911	Supervision			
119	912	Demonstrating and Selling Expenses	769,827	501,174	1,271,001
120	913	Advertising Expenses	124,606	31,753	156,359
121	916	Miscellaneous Sales Expenses	20	1,202	1,222
122		Total Sales Operation Expenses	894,453	534,129	1,428,582
123	920	Administrative and General Salaries	6,361,906	64,781,282	71,143,188
124	921	Office Supplies and Expenses	7,600,718	13,998,803	21,599,521
125	923	Outside Services Employed	3,495,891	18,169,395	21,665,286
126	924	Property Insurance	2,593,467	7,427	2,600,894
127	925	Injuries and Damages	( 630,407)	8,831,037	8,200,630
128	926	Employee Pensions and Benefits	4,512,643	30,886,324	35,398,967
129	928	Regulatory Commission Expenses	3,318,772		3,318,772
130	930.1	General Advertising Expenses	1,240,679	922,735	2,163,414
131	930.2	Miscellaneous General Expenses	678,183	4,403,185	5,081,368
132	931	Rents	( 208,195)	14,850,152	14,641,957
133		Total Administrative and General Operation Expenses	28,963,657	156,850,340	185,813,997
134	935	Maintenance of Structures and Equipment	171,763	11,973,080	12,144,843
135		Total Administrative and General Maintenance Expenses	42,050,270	191,026,372	233,076,642
136		Total Cost of Service	69,693,105	275,855,498	345,548,603

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

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Black Hills Service Company, LLC			
FOOTNOTE DATA			

**Schedule Page: 307 Line No.: 12 Column: b**

On July 16, 2019, BHC received approval (Docket No. 30003-81-GA-19) from the Wyoming Public Service Commission to consolidate Wyoming gas utility operations into a new utility entity called Black Hills Wyoming Gas, LLC. This requested approval is a result of BHC's utility jurisdiction consolidation process for Wyoming, allowing BHC to establish statewide customer rates and consolidate general tariffs, gas cost adjustments, and certain riders and adjustment clauses. On June 18, 2019, the Wyoming Public Service Commission had approved new consolidated tariff rates for Black Hills Wyoming Gas, LLC (Docket No. 30026-2-GR-19). Effective July 1, 2019, Cheyenne Light, Fuel and Power Company's natural gas utility operations (Cheyenne Gas and Northeast Wyoming), the Wyoming portion of Black Hills Gas Distribution, LLC and Black Hills Northwest Wyoming Gas Utility Company, LLC were combined into a new company called Black Hills Wyoming Gas, LLC.

**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)
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39						
40	Total					



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Black Hills Service Company, LLC			
Schedule XX - Organization Chart			

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

**BLACK HILLS SERVICE COMPANY, LLC**  
**LIST OF OFFICERS, MEMBERS AND MANAGERS**

OFFICER	TITLE
Linden R. Evans	Chairman, President and Chief Executive Officer (2)
Richard W. Kinzley	Senior Vice President and Chief Financial Officer
Brian G. Iverson	Senior Vice President, General Counsel, Chief Compliance Officer and Assistant Corporate Secretary (3)
Scott A. Buchholz	Senior Vice President – Chief Information Officer
Jennifer C. Landis	Senior Vice President – Chief Human Resources Officer
Karen H. Beachy	Senior Vice President – Growth and Strategy (7)
Stuart A. Wevik	Senior Vice President – Utility Operations (8)
Kimberly F. Nooney	Vice President – Corporate Controller and Treasurer
Esther J. Newbrough	Vice President and Chief Risk Officer
Marne M. Jones	Vice President – Regulatory and Finance
Amy K. Koenig	Vice President – Governance, Corporate Secretary and Deputy General Counsel (9)
Donna E. Genora	Vice President – Tax
Nick Gardner	Vice President – Electric Utilities (10)
Todd Jacobs	Vice President – Natural Gas Utilities (11)
Kyle D. White	Vice President – Regulatory Strategy
Mark L. Lux	Vice President – Electric Asset Optimization (12)
Marc Ostrem	Vice President – Mine Operations and Power Delivery (13)
Mark E. Stege	Vice President – Customer Service
Jodi Culp	Vice President – Gas Asset Optimization
John A. Hill, Jr.	Vice President – Gas Engineering

**BOARD OF DIRECTORS**

No Directors

**MEMBERS/MANAGERS**

Sole Member	Black Hills Corporation
Manager	Linden R. Evans
Manager	Richard W Kinzley

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Black Hills Service Company, LLC			
Schedule XX - Organization Chart			

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Manager

Brian G. Iverson



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Black Hills Service Company, LLC			
<b>Schedule XX - Organization Chart</b>			

- 1) David R. Emery was removed as Chairman and Chief Executive Officer and Manager of Black Hills Service Company, LLC effective January 1, 2019 in preparation for his upcoming retirement.
- 2) Linden R. Evans' title changed from President and Chief Operating Officer to Chairman, President and Chief Executive Officer effective January 1, 2019.
- 3) Brian G. Iverson's title changed from Senior Vice President and General Counsel (also Chief Compliance Officer and Assistant Corporate Secretary) to Senior Vice President, General Counsel and Corporate Secretary (also Chief Compliance Officer) effective February 1, 2019 and to Senior Vice President, General Counsel, Chief Compliance Officer and Assistant Corporate Secretary effective August 26, 2019.
- 4) Roxann R. Basham's title changed from Vice President – Governance and Corporate Secretary to Vice President – Governance effective February 1, 2019 and retired effective May 1, 2019.
- 5) Perry S. Krush, Vice President – Facilities, retired effective March 1, 2019.
- 6) Ivan Vancas, Group Vice President – Natural Gas Utilities, was removed as an Officer effective April 16, 2019.
- 7) Karen H. Beachy's title changed from Vice President – Growth and Strategy to Senior Vice President – Growth and Strategy effective August 26, 2019.
- 8) Stuart A. Wevik's title changed from Group Vice President – Electric Utilities to Senior Vice President – Utility Operations effective August 26, 2019.
- 9) Amy K. Koenig's title changed from Assistant Corporate Secretary to Vice President – Governance, Corporate Secretary and Deputy General Counsel effective August 26, 2019.
- 10) Nick Gardner was added as Vice President – Electric Utilities effective August 26, 2019.
- 11) Todd Jacobs was added as Vice President – Natural Gas Utilities effective August 26, 2019.
- 12) Mark Lux's title changed from Vice President – Energy Innovation to Vice President – Electric Asset Optimization effective August 26, 2019.
- 13) Marc Ostrem's title changed from Vice President – Power Delivery, Safety and Environmental to Vice President – Mine Operations and Power Delivery effective August 26, 2019.

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Black Hills Service Company, LLC			
Schedule XXI - Methods of Allocation			

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

2. Include any other allocation methods used to allocate costs.

### Direct Costs versus Indirect Costs

Below defines the key definitions and ratios used to directly and indirectly allocate costs from BHSC to the subsidiaries of BHC. The complete Cost Allocation Manual for BHSC is filed with FERC.

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

Methods of Direct charges include:

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

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

### Allocation Ratios

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

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

A list of all allocation ratios, including a brief description of the ratio, the basis for the calculation of the ratio, and the department to which that ratio has been assigned, is listed below.

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Schedule XXI - Methods of Allocation			

### Allocation Ratios

*Asset Cost Ratio* – As of January 1<sup>st</sup>, ratios are updated based on the net cost of assets as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Assets are limited to the direct property, plant, and equipment, and include construction or work in process less accumulated depreciation, depletion and amortization (compliance with GAAP). In addition to the BHC subsidiaries cost, the Assets shall also include the cost of any third party assets or minority interests in assets the subsidiaries operate. The Asset Cost Ratio measures the level of investment in the businesses.

*Gross Margin Ratio* – As of January 1<sup>st</sup>, ratios are updated based on the total gross margin for the trailing twelve months ending September 30, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Gross margin is defined as revenue less cost of sales. Certain intercompany transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party. The Gross Margin Ratio measures where the businesses make money.

*Payroll Dollars Ratio* – As of January 1<sup>st</sup>, ratios are updated based on the total payroll dollars for the trailing twelve months ending September 30, the numerator of which is the direct payroll charges from all BHC subsidiaries charging the applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Payroll dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000. The Payroll Dollar Ratio measures where the businesses employees spend their time.

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

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

#### SC All-Blended (No BHES)

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

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

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Schedule XXI - Methods of Allocation			

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

Regulated Utilities  
Regulated Electric  
Regulated Natural Gas  
Regulated Natural Gas (No BHEA)

*Employee Ratio* – As of January 1<sup>st</sup>, ratios are updated based on the number of employees as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. *Power Generation Capacity Ratio* – Based on the total power generation capacity as of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Power generation includes capacity in service and capacity under construction.

*Nameplate Generation Capacity Ratio* – As of January 1<sup>st</sup>, ratios are updated based on the total facility's power generation capacity at the end of September 30 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Nameplate generation includes capacity in service and capacity under construction at the facility.

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

*Regulated Electric Transmission/Distribution Ratio* – As of January 1<sup>st</sup>, ratios are updated based on a simple average of a multiple of cross-sectional drivers for the transmission function as of September 30 for the prior year that includes customer counts, peak load, number of substations, number of feeders, number of distribution and transmission miles, and number of remote terminal units. The numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

*Customer Count Ratio* – As of January 1<sup>st</sup>, ratios are updated based on the number of customers as of September 30 for the prior year, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

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

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

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<b>Schedule XXI - Methods of Allocation</b>			

All Customers  
 Regulated Electric Customers  
 Regulated Natural Gas Customers  
 Regulated Natural Gas Customers (No NEGD)  
 Products and Services Customers (Non-Regulated)

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

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