

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

MAY 23 2013

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

by
State Corporation Commission
of Kansas
Docket No. 11-BHCG-800-CPL

**COMPLIANCE FILING OF
BLACK HILLS ENERGY**

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

1. Cost Allocation Manual ("CAM") and Service Agreements. An amended Black Hills Utility Holdings, Inc. ("BHUH") CAM and Black Hills Service Company ("BHSC") CAM, and redlined versions showing the amendments to the CAMs, are included in this year-ended 2012 filing and are attached hereto and incorporated herein (requirement and Tab A1). There have been no changes to the following items as filed in the Black Hills' Kansas Compliance filing dated May 25, 2012:

- (a) Service Agreement with BHUH and Service Agreement with BHSC; and
2. BHSC's FERC Form 60 and BHUH's FERC Form 60, attached hereto and incorporated herein (requirement and Tab A2);
3. Organizational Chart of Black Hills Corporation ("BHC"), attached hereto and incorporated herein (requirement and Tab B1);
4. Description of activities & business at each non-utility company attached hereto and incorporated herein (requirement and Tab B2);
5. Organizational chart of personnel that includes list of directors, corporate officers, and

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

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

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

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

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

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

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

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

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

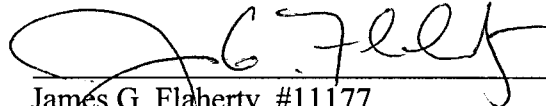
(1) This information is not maintained;

(2) This information is not maintained; and

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

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

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

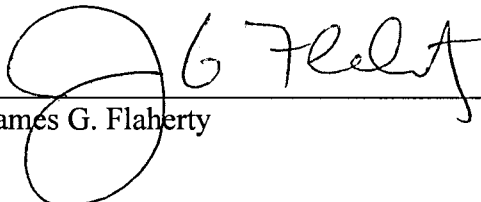


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VERIFICATION

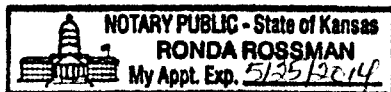
STATE OF KANSAS, COUNTY OF FRANKLIN, ss:

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



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 22nd day of May, 2013.



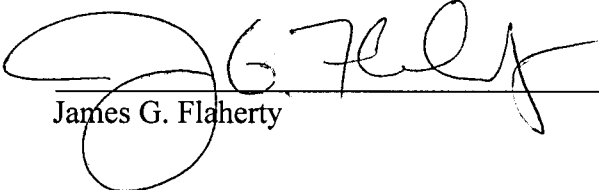
Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail this 22nd day of May, 2013, addressed to:

Robert A. Fox
Senior Litigation Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
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James G. Flaherty

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May 22, 2013

Received
on

MAY 23 2013

by
State Corporation Commission
of Kansas

Ms. Patrice Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 S. W. Arrowhead Road
Topeka, Kansas 66604-4027

Re: Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy
Docket No. 11-BHCG-800-CPL

Dear Ms. Petersen-Klein:

Please file the enclosed Compliance Filing on behalf of Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy, in the above captioned matter. I would appreciate receiving a file stamped copy of this cover letter as well as a file stamped copy of the Compliance Filing for my files. An envelope is included for your convenience.

Thank you for your assistance. If you have any questions, please call.

Sincerely,



James G. Flaherty
jflaherty@andersonbyrd.com

JGF:rr
Enclosure

KANSAS RING FENCING
COMPLIANCE FILING

BLACK HILLS ENERGY
MAY 31, 2013

13-BHCG-800-CPL



TAB A1

Black Hills Utility Holdings, Inc.

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: August 1, 2009

Amended: January 1, 2011

Amended: January 1, 2012

Amended: January 1, 2013

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

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

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

BHUH Organization

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

Direct Costs versus Indirect Costs

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

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

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

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

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

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

There are certain costs that will always be considered direct or indirect costs, no matter the circumstances. Below is a list of significant BHUH expenses that follow these rules:

Always considered direct costs:

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

Always considered indirect costs:

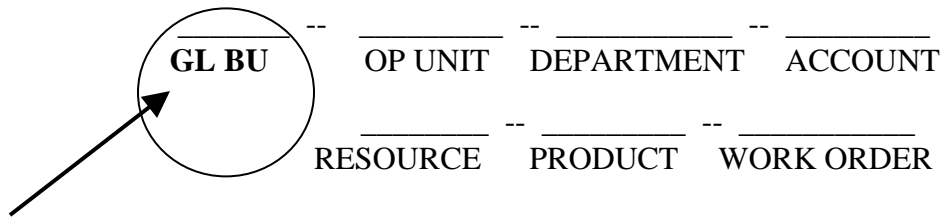
- PTO (Paid Time Off) and Holiday labor (they are included as a component of overhead)
- Bonuses and other similar methods of compensation that are included as a component of overhead
- Payroll taxes and 401(k) match expenses (they are included as components of overhead)
- Short or long-term disability expenses
- General office rent
- Depreciation
- Intercompany interest expense and income related to the BHUH balance payable or receivable from the Utility Money Pool

Transaction Coding

BHC utilizes the PeopleSoft software system. PeopleSoft provides a variety of fields to create account coding logic, or code block. The account coding string consists of seven fields. It is

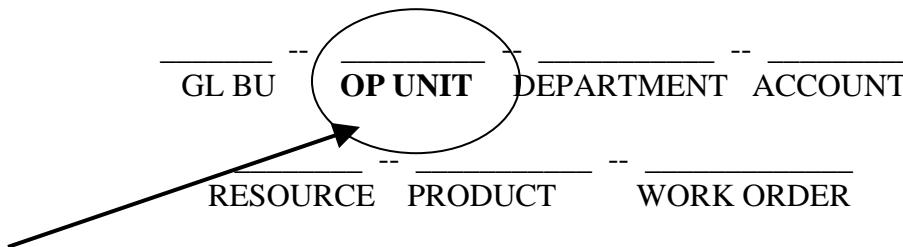
important to understand the intended purpose of each field within the account coding string. In addition, the system also handles the distribution of both direct and indirect costs to the operating companies.

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



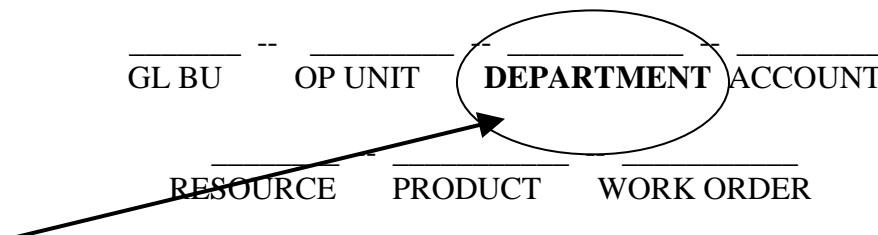
General Ledger Business Unit (“GLBU”):

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



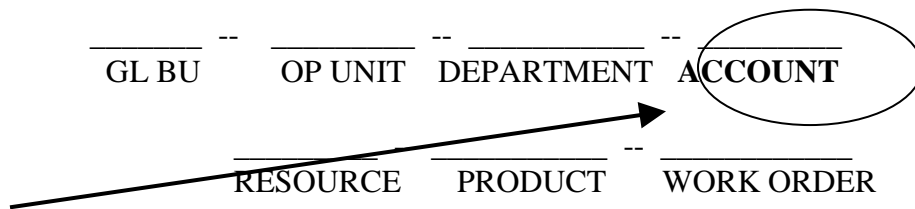
Operating Unit (“Op Unit”):

- Six (6) character numeric field.
- The Op Unit field is used to identify the account code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the Op Unit field will be populated using the general Utility Holding Op Unit 201900. Indirect costs also include costs directly related to the Utility Holding Company.
- The field will be populated using one of the BHUHOp Units for indirect costs.



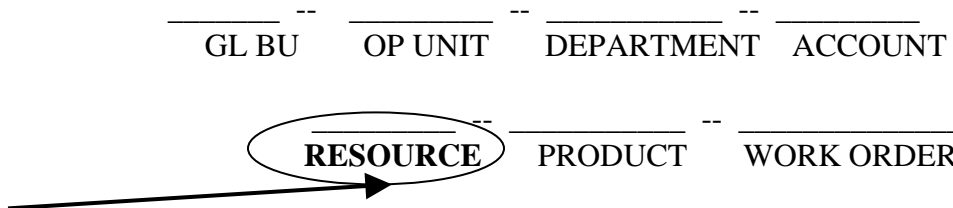
Department:

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



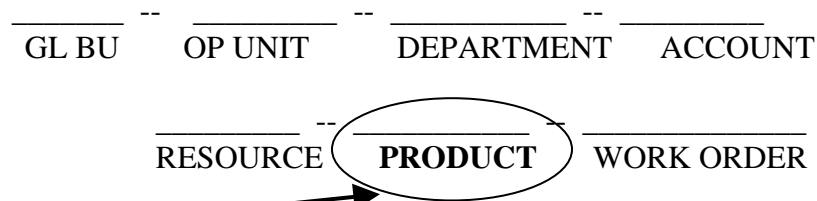
Account:

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



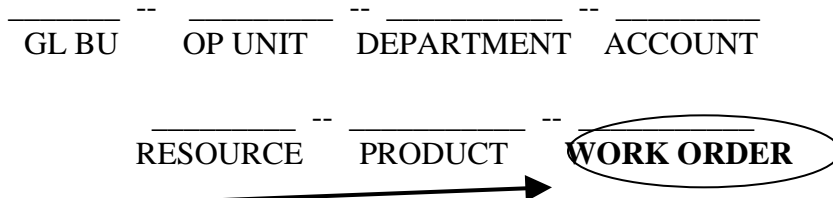
Resource:

- Four (4) character numeric field
- Represents the type of cost that fall under a specific account
- The resource field is required for all income statement and capital accounting transactions



Product:

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



Work Order:

- Eight (8) character numeric field
- Represents the collection of costs to allow the monitoring of a job or group of tasks
- The project field is required on all construction work in progress transactions
- Generally used for capital projects, additionally used to track specific costs in Operations and Maintenance

Timekeeping

All BHUH employees are required to complete a timesheet for each two week pay period, whether they are an employee paid hourly or an employee paid a salary. Employee timesheets are required to be approved by their supervisor.

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

Loadings

Certain benefits that are provided to employees become an inherent cost of labor. To account for these benefits and allow for them to be charged to the appropriate subsidiary, they become part of a loading rate that is added on to each payroll dollar (see below). A distinct resource is used to track each specific loading.

The loading rates are calculated at the beginning of the year based upon budgeted benefit expenses and budgeted labor and are reviewed and updated quarterly. These rates are loaded into the accounting system and used for payroll processing throughout the year. Below is a list of components of the loading rates:

General loadings:

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

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

Allocation Ratios

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

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

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

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

Changing Allocation Ratios

Allocation ratios are set at the first of the year, based upon financial information from the prior year ending December 31st. The ratios for Asset Cost and Customer Count are based on values

as of the previous period ending December 31st. The ratios for Gross Margin, Payroll Dollars, and Net Energy Sales are based on values for the 12 months ended December 31st.

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

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

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

Any changes to indirect allocation ratios are initiated by one member of the allocations staff and reviewed by another member of the allocations staff. All changes are documented in memo format, with the supporting documentation maintained. Allocation ratios loaded into the system are reviewed by someone other than who input the ratios into the system. Accounting calculates the allocation ratios and provides ratios and calculations to Financial Managers and Regulatory Departments for review.

Subsidiary Payment for Direct and Indirect Charges

It is the policy of BHUH to insure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to BHUH by the end of the following month. Payment requests will be provided directly to the accounts payable departments of the subsidiary companies. BHUH will monitor payments received during the month to insure that all subsidiary companies make payment in a timely manner.

Allocating Fixed Assets

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

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

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

Allocating Capitalized Inventory

The gas metershop is a BHUH department serving the gas utility operating companies. As gas meters are purchased, they are recorded as capitalized inventory (charged to plant-in-service) by BHUH, the meters are issued out of inventory to the specific operating company. All gas meter investment and accumulated depreciation reserve is held at BHUH, at month-end, a manual journal entry is prepared to allocate the plant balance of BHUH. The Customer Count Ratio is used for this allocation.

Appendix 1

BHUH Departments

The following departments are included in BHUH as of January 1, 2012 and are subject to changes as required to support evolving business requirements.

Gas Supply Services Administration (2301)

~~Description: Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services. (Customer Count Ratio)~~

Computer Aided Dispatch CAD Assets (4247)

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

FAME Assets (4251)

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

Work Management Assets (4257)

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

Regulated Generation Assets (4258)

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

BHUH Benefits Loadings (4470)

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

Retiree (4473)

Description: Provides for the collection of retiree health benefits for the former employees of BHUH. (Blended Allocator Ratio)

BHUH Accounting Accruals (4474)

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

Blended Assets – All (4478)

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

Blended Assets – Electric (4479)

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

Blended Assets – Gas (4480)

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

Blended Assets – Customers (4481)

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

Design Engineering Gas (5105)

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

Standards Compliance Gas (5106)

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

Transmission Planning (5107)

Description: Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and performs operational

~~studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups. (Transmission Ratio)~~

~~***NERC Compliance (5108)***~~

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

~~***FERC Tariff and Compliance (5109)***~~

~~Description: Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS). Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system). (Transmission Ratio)~~

~~***Transmission and Distribution Reliability (5110)***~~

~~Description: Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages. (Transmission Ratio)~~

~~***NERC Transmission and Tech Support (5111)***~~

~~Description: Develops, coordinates and oversees the technical support piece of the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System. (Transmission Ratio) Open dept. do we include for 2012? See comments in support spreadsheet.~~

~~***Transmission Services Management (5112)***~~

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

~~***Electric Engineering Services (5120)***~~

~~Description: Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T & D asset management, metering, substation maintenance, Vegetation Management, GIS/drafting and outage~~

~~management systems. Provides Director level support to GIS support functions as defined in Dept. 5305 for both the electric & gas network operations. (Blended Allocator Ratio)~~

~~***Power Supply and Renewables (5121)***~~

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

~~***Electric Regulatory Services (5122)***~~

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

~~***Gas Engineering Services (5254)***~~

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

~~***GIS Support (5305)***~~

~~Description: Researches, builds and implements work management solutions for the benefit of electric and gas network operations. This department also supports STORMS, FAME, Electric Utilities Outage Management and network requests. (Customer Count Ratio)~~

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

~~Description: Manages and provides gas measurement support to field operations located in gas service states. (Customer Count Ratio)~~

~~***Utility Financial Management (5668)***~~

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

~~***Utility Accounting (5670)***~~

~~Description — Responsible for closing the general ledger for the utilities on a monthly basis and assists in the compliance of all accounting rules and regulations. Prepares various operating and financial reports for utility financial management including margin and operating expenses. Assists the utility financial management team with monthly analysis and the financial planning process.~~

~~***Customer Service Management (5674)***~~

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

~~***Utility Operations Management (5682)***~~

~~Description: Provides guidance, direction and management to overall utility operations. (Blended Allocator Ratio)~~

~~***Utility Market Services (5688)***~~

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

~~***Executive Management (5691)***~~

~~Description: Provides executive management to the regulated utility segments. (Blended Allocator Ratio)~~

~~***Customer Service Center – Lincoln (5701)***~~

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

~~***Customer Account Services – Omaha (5702)***~~

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

~~***Customer Service Support – Rapid City (5703)***~~

~~Description: Provides support to customer services areas through training, revenue assurance analysis, quality analysis, business analysis and customer and community communication. (Customer Count Ratio)~~

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

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

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

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

~~***Large Volume Billing (5706)***~~

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

~~***Customer Service Center Support (5707)***~~

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

~~***Lockbox/Bill Print (5711)***~~

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

~~***Bill Processing (5712)***~~

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

~~***Field Resource Center – Lincoln (5715)***~~

~~Description: Schedules and dispatches premise service activities to both regulated and non-regulated customers. (Customer Count Ratio)~~

~~***Field Resource Center – Rapid City (5717)***~~

~~Description: Schedules and dispatches premise service activities to both regulated and non-regulated customers. (Customer Count Ratio)~~

~~***Service Guard Marketing (6005)***~~

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

~~***Utility Service Management – (6183)***~~

~~Description: Provides guidance to utility activities with emphasis on reliability, customer service and economic energy. (Blended Allocator Ratio)~~

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

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

Gas Regulatory Services (6372)

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

Catch-All

Description: Departments at Black Hills Corporation that are not specifically listed in the CAM or included in the master allocation design that charge BHUH will be allocated using the Blended Allocator Ratio. For example if a BHSC IT department provides maintenance on the SCADA system supporting the regulated electric companies they would charge BHUH operating unit 201900 and these costs would be allocated using the Blended Ratio across the regulated electric companies.

Appendix 1- Corrected

BHUH Departments

Report as of: 12/21/2012 12:14:24 PM CT

The following departments are included in BHUH as of 01/01/2013 and are subject to changes as required to support evolving business requirements.

UHC-GSS ADMINISTRATION (2301)

Description: Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services. (Customer Count Ratio)

UHC-ASSETS-LINCOLN CCTR/CAD (4247)

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

UHC-ASSETS-FAME (4251)

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

UHC-ASSETS-WORK MGMT (4257)

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

UHC-ASSETS-REG GENERATION (4258)

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

UHC-BENEFITS LOADINGS (4470)

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

~~**UHC-RETIREE (4473)**~~ for the collection of retiree health benefits for the former employees of BHUH. (Blended)

UHC-ACCOUNTING ACCRUAL ENTRIES (4474)

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

UHC-ASSETS-BLENDED-ALL (4478)

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

UHC-ASSETS-BLENDED-ELECTRIC (4479)

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

UHC-ASSETS-BLENDED-GAS (4480)

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

UHC-ASSETS-BLENDED-CUSTOMERS (4481)

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

UHC-DESIGN ENGINEERING GAS (5105)

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

UHC-STANDARDS AND COMPLIANCE GAS (5106)

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

UHC-TRANSMISSION PLANNING (5107)

Description: Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups. (Transmission)

UHC-NERC COMPLIANCE (5108)

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

UHC-FERC TARRIFF AND COMPLIANCE (5109)

Description: Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system). (Transmission)

UHC-T AND D RELIABILITY CTR (5110)

Description: Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages. (Transmission)

UHC-NERC TRANSMISSION AND TECH SUPPORT (5111)

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

Bulk Electric System. (Transmission)

UHC-TRANSMISSION SERVICES MGMT (5112)

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

UHC-ELEC ENGINEERING SERV (5120)

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

UHC-PWR SUPPLY AND RENEWABLES (5121)

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

UHC-ELECTRIC REGULATORY SERV (5122)

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

UHC-GAS ENGINEERING SERV (5254)

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

UHC-GIS SUPPORT (5305)

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

UHC-GAS METERING SERV (5490)

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

UHC-UTILITY FINANCIAL MGMT (5668)

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

UHC-UTILITY ACCOUNTING (5670)

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

UHC-EXEC MGMT-CUST SERV (5674)

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

UHC-EXEC MGMT-UTILITIES (5682)

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

UHC-GAS UTILITY SERV (5688)

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

UHC-EXTERNAL AFFAIRS (5690)

Description: Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for load growth. (Customer Count Ratio)

UHC-Electric Meter Services (5691)

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

UHC-CUSTOMER SERV-LINCOLN (5701)

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

UHC-CUSTOMER ACCT SERV-OMAHA (5702)

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

UHC-CUSTOMER SERV SUPP (5703)

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

UHC-CUSTOMER ACCT SERV-RC (5704)

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

UHC-CUSTOMER SERV-RC (5705)

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

UHC-LARGE VOLUME BILLING (5706)

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

UHC CS CTR SUPPORT (5707)

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

UHC-BILL PRINT AND LOCKBOX (5711)

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

UHC-BILL PROCESSING (5712)

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

UHC-FIELD RESOURCE CTR-LINCOLN (5715)

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

UHC-FIELD RESOURCE CTR-RC (5717)

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

UHC-SERV GUARD MARKETING (6005)

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

UHC UTILITY SERVICES EXEC (6183)

Description: Provides guidance to utility activities with emphasis on reliability, customer service and economic energy. (Blended)

UHC-FACILITY MAINTENANCE (6313)

UHC-TECHNICAL TRN-APPLIANCE (6331)

Description: Supports UHC facilities maintenance (Blended)

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

UHC-GAS REGULATORY SERV (6372)

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

UHC-ENERGY SERVICES (6373)

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

CATCH-ALL

Description: Departments at Black Hills Corporation that are not specifically listed in the CAM or included in the master allocation design that charge BHUH will be allocated using the Blended Allocator Ratio. For example if BHSC IT department provides maintenance on the SCADA system supporting the regulated electric companies they would charge BHUH operating unit 201900 and these costs would be allocated using the Blended Ratio across the regulated electric companies.

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Appendix 2

Allocation Ratios

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, ~~2011~~2012 BHUH is utilizing the following customer counts to calculate customer count ratios additional variations may be added if additional product lines are added or in the event that additional segmentation of customers are deemed appropriate to most effectively allocate costs from a specific department

- Regulated Electric Customers
- Regulated Gas Customers
- Non-Regulated Customers
- Total Customers

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

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

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

Black Hills Utility Holdings, Inc.

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: August 1, 2009

Amended: January 1, 2011

Amended: January 1, 2012

Amended: January 1, 2013

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Introduction

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

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

BHUH Organization

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

Direct Costs versus Indirect Costs

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

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

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

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

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

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

There are certain costs that will always be considered direct or indirect costs, no matter the circumstances. Below is a list of significant BHUH expenses that follow these rules:

Always considered direct costs:

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

Always considered indirect costs:

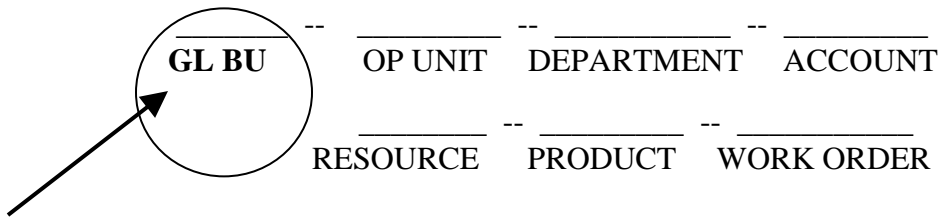
- PTO (Paid Time Off) and Holiday labor (they are included as a component of overhead)
- Bonuses and other similar methods of compensation that are included as a component of overhead
- Payroll taxes and 401(k) match expenses (they are included as components of overhead)
- Short or long-term disability expenses
- General office rent
- Depreciation
- Intercompany interest expense and income related to the BHUH balance payable or receivable from the Utility Money Pool

Transaction Coding

BHC utilizes the PeopleSoft software system. PeopleSoft provides a variety of fields to create account coding logic, or code block. The account coding string consists of seven fields. It is

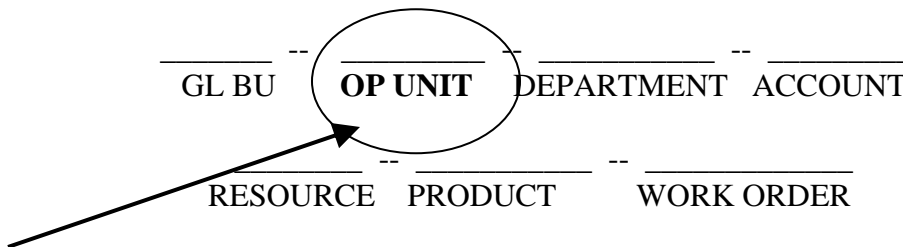
important to understand the intended purpose of each field within the account coding string. In addition, the system also handles the distribution of both direct and indirect costs to the operating companies.

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



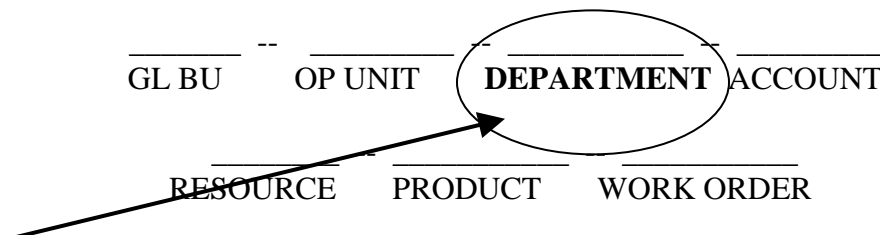
General Ledger Business Unit (“GLBU”):

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



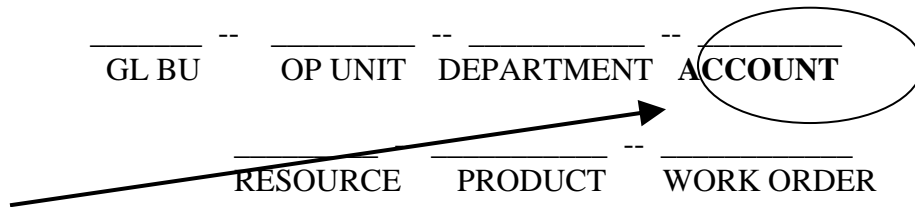
Operating Unit (“Op Unit”):

- Six (6) character numeric field.
- The Op Unit field is used to identify the account code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the Op Unit field will be populated using the general Utility Holding Op Unit 201900. Indirect costs also include costs directly related to the Utility Holding Company.
- The field will be populated using one of the BHUHOp Units for indirect costs.



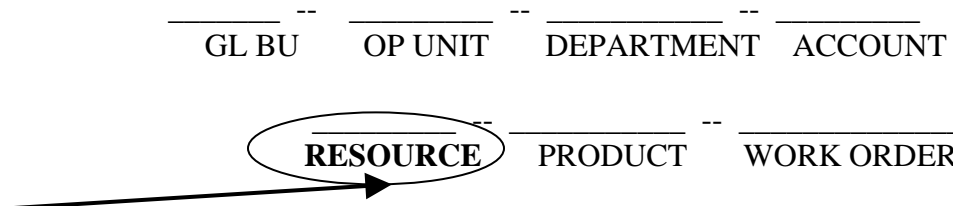
Department:

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



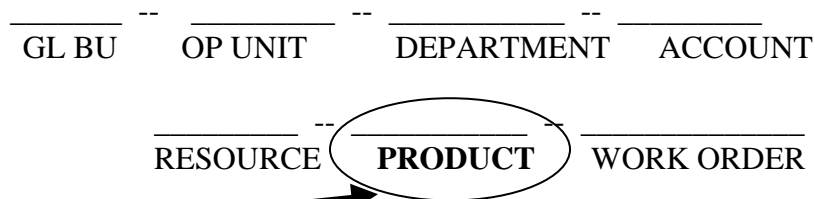
Account:

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



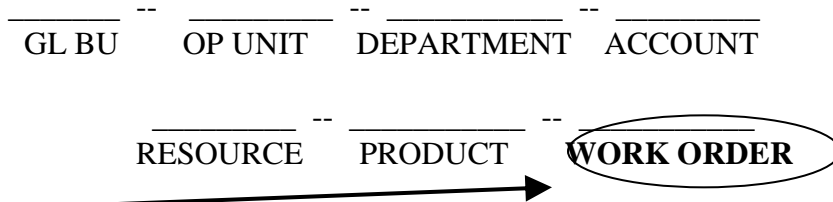
Resource:

- Four (4) character numeric field
- Represents the type of cost that fall under a specific account
- The resource field is required for all income statement and capital accounting transactions



Product:

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



Work Order:

- Eight (8) character numeric field
- Represents the collection of costs to allow the monitoring of a job or group of tasks
- The project field is required on all construction work in progress transactions
- Generally used for capital projects, additionally used to track specific costs in Operations and Maintenance

Timekeeping

All BHUH employees are required to complete a timesheet for each two week pay period, whether they are an employee paid hourly or an employee paid a salary. Employee timesheets are required to be approved by their supervisor.

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

Loadings

Certain benefits that are provided to employees become an inherent cost of labor. To account for these benefits and allow for them to be charged to the appropriate subsidiary, they become part of a loading rate that is added on to each payroll dollar (see below). A distinct resource is used to track each specific loading.

The loading rates are calculated at the beginning of the year based upon budgeted benefit expenses and budgeted labor and are reviewed and updated quarterly. These rates are loaded into the accounting system and used for payroll processing throughout the year. Below is a list of components of the loading rates:

General loadings:

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

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

Allocation Ratios

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

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

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

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

Changing Allocation Ratios

Allocation ratios are set at the first of the year, based upon financial information from the prior year ending December 31st. The ratios for Asset Cost and Customer Count are based on values

as of the previous period ending December 31st. The ratios for Gross Margin, Payroll Dollars, and Net Energy Sales are based on values for the 12 months ended December 31st.

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

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

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

Any changes to indirect allocation ratios are initiated by one member of the allocations staff and reviewed by another member of the allocations staff. All changes are documented in memo format, with the supporting documentation maintained. Allocation ratios loaded into the system are reviewed by someone other than who input the ratios into the system. Accounting calculates the allocation ratios and provides ratios and calculations to Financial Managers and Regulatory Departments for review.

Subsidiary Payment for Direct and Indirect Charges

It is the policy of BHUH to insure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to BHUH by the end of the following month. Payment requests will be provided directly to the accounts payable departments of the subsidiary companies. BHUH will monitor payments received during the month to insure that all subsidiary companies make payment in a timely manner.

Allocating Fixed Assets

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

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

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

Allocating Capitalized Inventory

The gas metershop is a BHUH department serving the gas utility operating companies. As gas meters are purchased, they are recorded as capitalized inventory (charged to plant-in-service) by BHUH, the meters are issued out of inventory to the specific operating company. All gas meter investment and accumulated depreciation reserve is held at BHUH, at month-end, a manual journal entry is prepared to allocate the plant balance of BHUH. The Customer Count Ratio is used for this allocation.

Appendix 1- Corrected

BHUH Departments

Report as of: 12/21/2012 12:14:24 PM CT

The following departments are included in BHUH as of 01/01/2013 and are subject to changes as required to support evolving business requirements.

UHC-GSS ADMINISTRATION (2301)

Description: Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services. (Customer Count Ratio)

UHC-ASSETS-LINCOLN CCTR/CAD (4247)

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

UHC-ASSETS-FAME (4251)

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

UHC-ASSETS-WORK MGMT (4257)

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

UHC-ASSETS-REG GENERATION (4258)

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

UHC-BENEFITS LOADINGS (4470)

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

UHC-RETIREE (4473)

Description: Provides for the collection of retiree health benefits for the former employees of BHUH. (Blended)

UHC-ACCOUNTING ACCRUAL ENTRIES (4474)

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

UHC-ASSETS-BLENDED-ALL (4478)

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

UHC-ASSETS-BLENDED-ELECTRIC (4479)

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

UHC-ASSETS-BLENDED-GAS (4480)

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

UHC-ASSETS-BLENDED-CUSTOMERS (4481)

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

UHC-DESIGN ENGINEERING GAS (5105)

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

UHC-STANDARDS AND COMPLIANCE GAS (5106)

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

UHC-TRANSMISSION PLANNING (5107)

Description: Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups. (Transmission)

UHC-NERC COMPLIANCE (5108)

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

UHC-FERC TARRIFF AND COMPLIANCE (5109)

Description: Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time

Information System (OASIS).Administration of the Tariff, which outlines the “rules of the road” for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system). (Transmission)

UHC-T AND D RELIABILITY CTR (5110)

Description: Operates the Company’s transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages. (Transmission)

UHC-NERC TRANSMISSION AND TECH SUPPORT (5111)

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

UHC-TRANSMISSION SERVICES MGMT (5112)

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

UHC-ELEC ENGINEERING SERV (5120)

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

UHC-PWR SUPPLY AND RENEWABLES (5121)

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

UHC-ELECTRIC REGULATORY SERV (5122)

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

UHC-GAS ENGINEERING SERV (5254)

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

UHC-GIS SUPPORT (5305)

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

UHC-GAS METERING SERV (5490)

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

UHC-UTILITY FINANCIAL MGMT (5668)

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

UHC-UTILITY ACCOUNTING (5670)

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

UHC-EXEC MGMT-CUST SERV (5674)

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

UHC-EXEC MGMT-UTILITIES (5682)

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

UHC-GAS UTILITY SERV (5688)

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

UHC-EXTERNAL AFFAIRS (5690)

Description: Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for load growth. (Customer Count Ratio)

UHC-Electric Meter Services (5691)

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

UHC-CUSTOMER SERV-LINCOLN (5701)

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

UHC-CUSTOMER ACCT SERV-OMAHA (5702)

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

UHC-CUSTOMER SERV SUPP (5703)

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

UHC-CUSTOMER ACCT SERV-RC (5704)

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

UHC-CUSTOMER SERV-RC (5705)

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

UHC-LARGE VOLUME BILLING (5706)

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

UHC CS CTR SUPPORT (5707)

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

UHC-BILL PRINT AND LOCKBOX (5711)

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

UHC-BILL PROCESSING (5712)

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

UHC-FIELD RESOURCE CTR-LINCOLN (5715)

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

UHC-FIELD RESOURCE CTR-RC (5717)

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

UHC-SERV GUARD MARKETING (6005)

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

UHC UTILITY SERVICES EXEC (6183)

Description: Provides guidance to utility activities with emphasis on reliability, customer service and economic energy. (Blended)

UHC-FACILITY MAINTENANCE (6313)

Description: Supports UHC facilities maintenance (Blended)

UHC-TECHNICAL TRN-APPLIANCE (6331)

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

UHC-GAS REGULATORY SERV (6372)

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

UHC-ENERGY SERVICES (6373)

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

CATCH-ALL

Description: Departments at Black Hills Corporation that are not specifically listed in the CAM or included in the master allocation design that charge BHUH will be allocated using the Blended Allocator Ratio. For example if BHSC IT department provides maintenance on the SCADA system supporting the regulated electric companies they would charge BHUH operating unit 201900 and these costs would be allocated using the Blended Ratio across the regulated electric companies.

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Appendix 2

Allocation Ratios

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2012 BHUH is utilizing the following customer counts to calculate customer count ratios additional variations may be added if additional product lines are added or in the event that additional segmentation of customers are deemed appropriate to most effectively allocate costs from a specific department

- Regulated Electric Customers
- Regulated Gas Customers
- Non-Regulated Customers
- Total Customers

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

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

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

Black Hills Service Company

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: January 1, 2013

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Introduction

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

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

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

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

Service Company Organization

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

Direct Costs versus Indirect Costs

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

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

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

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

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

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

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

There are certain costs that will always be considered direct or indirect costs, no matter the circumstances. Below is a list of significant Service Company expenses that follow these rules:

Always considered direct costs:

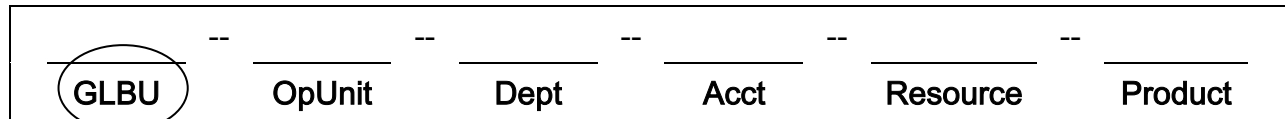
- Capitalized costs for non-BHSC projects (including capitalized labor)
- Corporate development project costs
- Retiree healthcare costs

Always considered indirect costs:

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

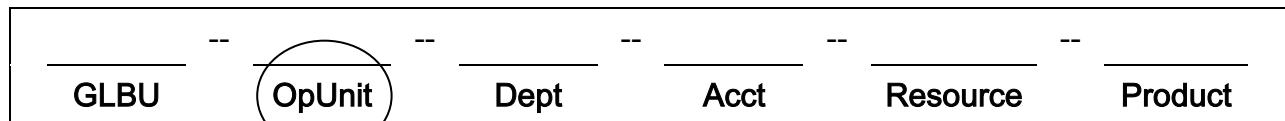
Transaction Coding

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



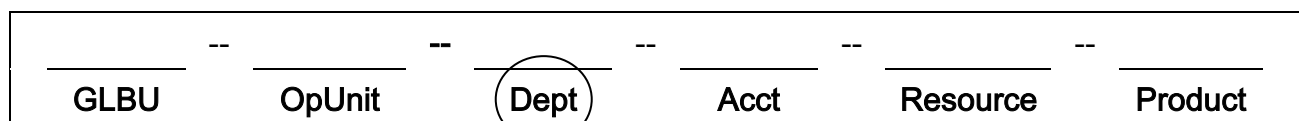
General Ledger Business Unit (GLBU):

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



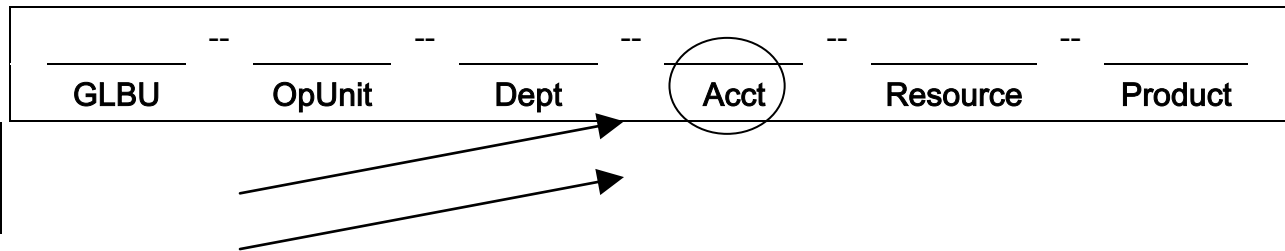
Operating Unit (OpUnit):

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



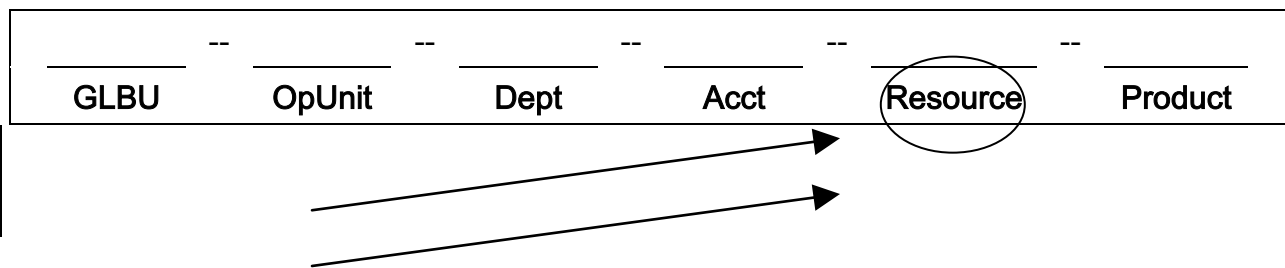
Department (Dept):

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



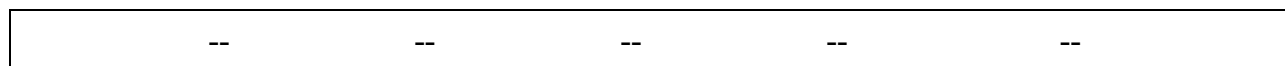
Account (Acct)

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



Resource (PS Resc):

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





Product (Prod):

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

Timekeeping

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

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

Loadings

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

The loading rates are calculated at the beginning of the year based upon budgeted benefit expenses and budgeted labor and are reviewed monthly and updated as needed. These rates are loaded into the accounting system. Below is a list of components of the loading rates:

General loadings:

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

Supplemental loadings:

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

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

Allocation Factors

As previously stated, Service Company costs are either directly charged to a subsidiary, or indirectly allocated when the cost is not associated with a specific subsidiary. Indirect costs are allocated using one of several pre-defined allocation factors. Each department has been assigned one of these allocation factors. All indirect costs of that department are then allocated using that factor. When determining which allocation factor should be assigned to each cost center, a factor was selected based on the specific cost driver of that department. For instance, the expenses incurred by a Human Resources department are primarily related to their support of all company employees. In this example, the cost driver for the Human Resources department indirect costs is employees. Therefore, their indirect costs will be allocated based upon the Employee Ratio.

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

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

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

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

Changing Allocation Factors

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

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

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

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

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

Subsidiary Payment for Direct and Indirect Charges

It is the policy of the Service Company to insure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to the Service Company by the end of the following month. Payment requests will be provided directly to the accounts payable departments of the subsidiary

companies. The Service Company will monitor payments received during the month to insure that all subsidiary companies make payment in a timely manner.

Allocating Fixed Assets

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

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

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

APPENDIX

Appendix 1

BHSC ~~DEPARTMENTS~~Departments

~~Accounting Systems~~The following departments are included in BHSC as of 01/01/2013 and are subject to changes as required to support evolving business requirements.

SC-ACCOUNTING SYSTEMS (4700) –

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

~~Accounts Payable~~SC-ACCOUNTS PAYABLE (4701) –

Description: Processes payments to vendors and prepares 1099s and applicable documentation for the majority of Black Hills Corporation subsidiaries. ~~(Blended Ratio)~~

~~Corporate Development~~SC-CORP DEVELOPMENT (4702) –

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

~~Corporate Governance and Shareholder Services~~SC-CORP GOV AND SHAREHOLDER SERV (4703) –

Description: Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. ~~-Provides oversight of compliance with~~

Securities and Exchange Commission rules and regulations. -Oversees the administrative duties to the Board of Directors. -Provides various recordkeeping and administrative services related to shareholder services. -Assists in the administration of equity-based compensation plans. (HoldCo Blended ~~Ratio~~)

~~Tax~~SC-TAX (4704) –

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

~~Credit and Risk~~SC-CREDIT AND RISK (4705) –

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

~~Legal – Corporate~~

SC-LEGAL - CORPORATE (4706) –

Description: Provides legal counsel and services related to general business operations, including labor and employment law, finance, litigation, contracts, utility rates and regulation, financial reporting, Securities and Exchange Commission, Federal Energy Regulatory Commission and other state and federal compliance, environmental matters, real estate and other legal matters. -Oversees the hiring and administration of external counsel. -Provides legal support to various corporate development projects. (Blended ~~Ratio~~)

~~Environmental~~SC-CORPORATE AFFAIRS (4708)

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

SC-ENVIRONMENTAL SERVICES (4709) –

Description: Establishes policies and procedures for compliance with environmental laws and regulations. -Researches emerging environmental issues and monitors compliance with environmental requirements. -Oversees environmental clean-up projects. Obtains permits to support the business operations of Black Hills Corporation and its subsidiaries. (Asset ~~Ratio~~)

~~Executive Management~~SC-EXECUTIVE MGMT (4710) –

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

~~Safety~~SC-SAFETY (4711) –

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

~~Finance and Treasury~~SC-FINANCE AND TREASURY (4712) –

Description: Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and investing activities ~~and monitoring the.~~ Monitors capital markets ~~to support financial planning for all subsidiaries.~~ Oversees the administration of corporate pension and 401(k) plans. (HoldCo Blended ~~Ratio~~)

~~Financial Reporting~~

SC-FINANCIAL REPORTING (4713) –

Description: Oversees the corporate consolidation of subsidiary financial statements. Prepares monthly internal financial reports for management. -Prepares quarterly and annual financial reports to the Securities and Exchange Commission ~~—,~~ financial statements to banks and quarterly and annual financial statements filed with FERC. Researches emerging accounting issues and assists with the compliance of new accounting rules and regulations. (HoldCo Blended ~~Ratio~~)

~~Budget and Forecasting~~SC-BUDGET AND FORECAST (4714) -

Description: Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide ~~_~~ budget and forecast. -Guides the preparation of strategic plans. (Blended ~~Ratio~~)

~~General Accounting~~SC-GENERAL ACCOUNTING (4715) –

Description: Provides maintenance of management and administrative support for accounting and financial reporting, ~~researches emerging accounting issues, and assists in finance functions of the~~ compliance of all accounting rules Company's regulated and regulations non-regulated businesses including external audit coordination. (Blended ~~Ratio~~)

~~Accounting—Central Services~~SC-ACCOUNTING-CENTRAL SERVICES (4716) –

Description: Maintains the accounting records for Black Hills Service Company and Black Hills Corporation. Provides oversight of Accounts Payable, Payroll, and Property Accounting departments. (Blended ~~Ratio~~)

~~Accounting-Generation Services~~ SC-ACCOUNTING-GENERATION SERV (4717) –

Description: Provides general ledger accounting to non-regulated generation facilities and accounting support to all generation facilities. (Generation Capacity ~~Ratio~~)

SC-HUMAN RESOURCES CORP (4718)

Description: ~~Provides general~~ Human Resources ~~Corporate (4718) – Establishes and administers~~ support services through the administration of policies ~~related to for all facets of Human Resources, including employee relations, labor relations, talent management, recruiting and employment staffing,~~ compensation and benefits. ~~Provides general HR support services. administration and state/federal regulation compliance.~~ (Employee ~~Ratio~~)

~~Human Resources Regulated~~

SC-HUMAN RESOURCES REGULATED (4720) – Administers

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

~~Compensation and Benefits~~ SC-COMPENSATION AND BENEFITS (4721) –

Description: Administers policies related to compensation and benefits. - Oversees the self-insured medical benefits plans and provides support to the third party administrators of the plans. -(Employee ~~Ratio~~)

~~Organization Development and Training~~ SC-ORGANIZATIONAL DEVELOPMENT AND TRAINING (4722) –

Description: Provides ~~technical~~ for employee and ~~professional~~ leadership development training. ~~Provides,~~ succession planning, performance management, goal alignment,

employee engagement, strategic workforce planning, talent assessment and general HR support services for Black Hills Corporation and its subsidiaries. (Employee-Ratio)

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

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

SC-INSURANCE (4724) –

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

~~Internal Audit~~SC-INTERNAL AUDIT (4725) –

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

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

~~Payroll~~SC-IN-HOUSE CREATIVE SOLUTIONS (4726)

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

SC-PAYROLL (4727) –

Description: Processes payroll for all Black Hills Corporation subsidiaries including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports- for Black Hills Corporation and its subsidiaries. (Employee-Ratio)

~~Power Delivery Management~~SC-POWER DELIVERY MGMT (4728) –

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

~~Property Accounting~~ SC-PROPERTY ACCOUNTING (4729) –

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

~~Records Management~~ SC-RECORDS MGMT (4730) –

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

~~Supply Chain Management~~ SC-SUPPLY CHAIN MGMT (4731) –

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

~~Contracts Management~~ SC-CONTRACTS MGMT (4732) –

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

~~Strategic Sourcing~~ SC-STRATEGIC SOURCING (4733) –

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

~~Fleet Services~~ SC-FLEET SERV (4734) –

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

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

~~Facilities Management~~ SC-FACILITIES (4736) –

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

~~Utility Communications (4737) – Manage~~SC-GOVERNMENTAL AFFAIRS (4741)

~~Description: Advances corporate objectives by initiating, influencing, monitoring, and create internal and external communications for the utility companies. Provides advertising and branding development for the utility companies within Black Hills Corporation. (Utility Blended Ratio)~~

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

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

~~Regulatory Management (4740) – Manages all aspects of regulatory requirements and and other governmental officials. Maintains~~ relationships. (~~Blended Ratio~~)

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

~~Information Technology Administration~~SC-IT ADMINISTRATION (4742) –

Description: Provides guidance, governance, and strategic planning to the overall information technology operations. . (Blended ~~Provides liaison services between information technology departments and their business partners. (Blended Ratio)~~)

~~Information Technology Business Applications Financial and~~SC-IT BUS APPS-FIN AND HR SystemsSYSTMS (4743) –

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

~~Information Technology Business Applications~~SC-IT BUS APPLICATIONS-REGULATED (4744) –

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

~~Information Technology Business Applications Web Service Support (4745) –~~SC-IT BUS APPS-WEB SERV SUPP (4745)

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

~~Information Technology Business Applications Wholesale and Enterprise Systems (4746)~~ SC-IT BUS APPS-WHLSALE AND ENTPRISE (4746)

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

~~Information Technology Infrastructure Services~~ SC-IT INFRASTRUCTURE SERV (4747)

–

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

~~Information Technology Communications~~

SC-IT COMMUNICATIONS (4748) –

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

~~Information Technology User Services~~ SC-IT USER SERVICES (4749) –

Description: Provides technology support services for the company, including field services, ~~the help desk, and technology integration.~~ (Blended ~~Ratio~~)

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

~~Information Technology Compliance~~ SC-IT COMPLIANCE (4751) –

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

~~Materials Management~~ SC-MATERIALS MGMT (4752) –

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

~~Process Improvement~~ SC-CONTINUOUS IMPROVEMENT (4753) -

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

~~Generation Plant Operations~~ SC-GENERATION PLANT OPERATIONS (4754) –

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

SC-IT HELPDESK / TECHNOLOGY INTEGRATION (4755)

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

SC-CPGS PLANT OPERATIONS (4756)

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

~~Asset Blended~~ SC-PROCUREMENT (4760)

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

SC – ASSET BLENDED (4793) –

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

~~Benefits Pooled~~ SC-BENEFIT POOLED (4794) –

Description: Records ~~these pooled~~ benefit costs, primarily related to health and welfare, for ~~all companies to be pooled~~ Black Hills Corporation and ~~allocated to its~~ subsidiaries. (Employee ~~Ratio~~)

~~Accounting Accruals~~ SC-ACCOUNTING ACCRUAL ENTRIES (4795) –

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

~~Benefits Loading~~ SC-BENEFITS LOADING (4796) -

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

APPENDIX 2

ALLOCATION FACTORS

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

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

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

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

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

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

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

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

Holding Company Blended Ratio – 5% of costs allocated to the Holding Company, with the remaining 95% of costs allocated using a composite ratio comprised of an average

of the Asset Cost Ratio, the Payroll Dollars Ratio, and the Gross Margin Ratio. These factors are equally weighted.

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

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

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

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

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

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

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

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

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

No departments currently utilize this ratio.

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

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

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

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

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

The ~~Utility Communications and~~ IT Business Applications ~~departments utilize~~ Regulated department utilizes this ratio.

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

The Generation Plant Operations ~~department utilizes~~ and CPGS Plant Operations departments utilize this ratio.

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

The Rapid City Plant Street Facility and the Denver Office Facility operating ~~unit~~ utilizes units utilize this ratio.

Black Hills Service Company

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: January 1, 2010

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Introduction

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

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

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

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

Service Company Organization

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

Direct Costs versus Indirect Costs

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

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

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

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

- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.
- An Environmental representative wishes to take Paid-Time-Off (PTO). This charge can not be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost.
- A Help Desk technician orders a replacement computer monitor for an employee of the Service Company. This hardware cost incurred is specifically associated with the Service Company. Therefore, this would be an indirect cost.

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

There are certain costs that will always be considered direct or indirect costs, no matter the circumstances. Below is a list of significant Service Company expenses that follow these rules:

Always considered direct costs:

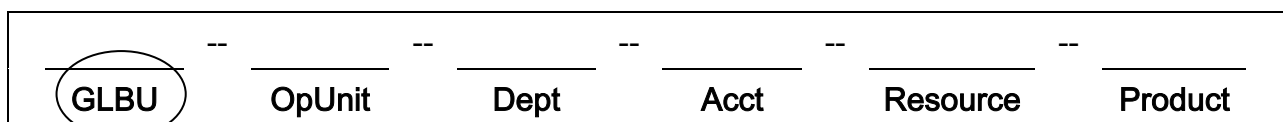
- Capitalized costs for non-BHSC projects (including capitalized labor)
- Corporate development project costs
- Retiree healthcare costs

Always considered indirect costs:

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

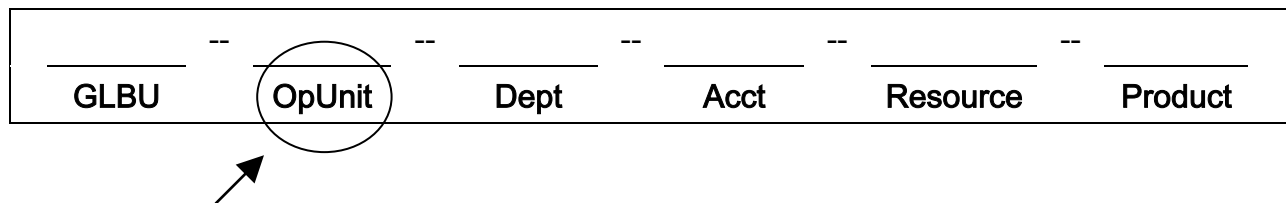
Transaction Coding

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



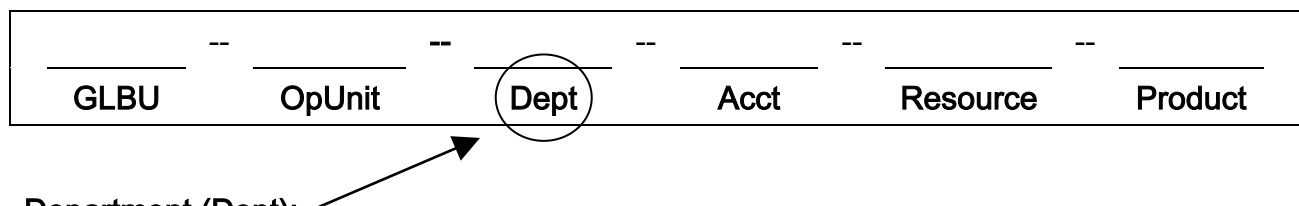
General Ledger Business Unit (GLBU):

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



Operating Unit (OpUnit):

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



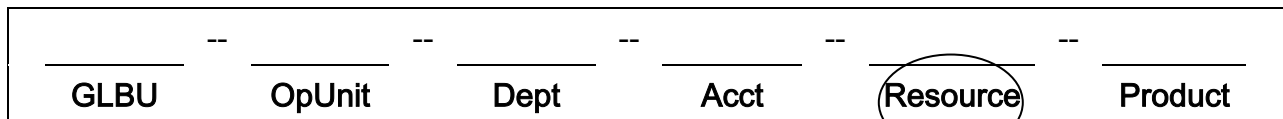
Department (Dept):

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



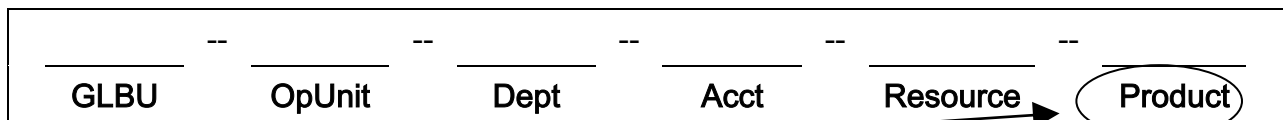
Account (Acct)

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



Resource (PS Resc):

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



Product (Prod):

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

Timekeeping

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

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

Loadings

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

The loading rates are calculated at the beginning of the year based upon budgeted benefit expenses and budgeted labor and are reviewed monthly and updated as needed. These rates are loaded into the accounting system. Below is a list of components of the loading rates:

General loadings:

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

Supplemental loadings:

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

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

Allocation Factors

As previously stated, Service Company costs are either directly charged to a subsidiary, or indirectly allocated when the cost is not associated with a specific subsidiary. Indirect

costs are allocated using one of several pre-defined allocation factors. Each department has been assigned one of these allocation factors. All indirect costs of that department are then allocated using that factor. When determining which allocation factor should be assigned to each cost center, a factor was selected based on the specific cost driver of that department. For instance, the expenses incurred by a Human Resources department are primarily related to their support of all company employees. In this example, the cost driver for the Human Resources department indirect costs is employees. Therefore, their indirect costs will be allocated based upon the Employee Ratio.

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

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

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

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

Changing Allocation Factors

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

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

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

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

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

Subsidiary Payment for Direct and Indirect Charges

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

Allocating Fixed Assets

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

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

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

Appendix 1

BHSC Departments

The following departments are included in BHSC as of 01/01/2013 and are subject to changes as required to support evolving business requirements.

SC-ACCOUNTING SYSTEMS (4700)

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

SC-ACCOUNTS PAYABLE (4701)

Description: Processes payments to vendors and prepares 1099s and applicable documentation for the majority of Black Hills Corporation subsidiaries. (Blended)

SC-CORP DEVELOPMENT (4702)

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

SC-CORP GOV AND SHAREHOLDER SERV (4703)

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

SC-TAX (4704)

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

SC-CREDIT AND RISK (4705)

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

SC-LEGAL - CORPORATE (4706)

Description: Provides legal counsel and services related to general business operations, including labor and employment law, finance, litigation, contracts, utility rates and regulation, financial reporting, Securities and Exchange Commission, Federal Energy Regulatory Commission and other state and federal compliance, environmental matters, real estate and other legal matters. Oversees the hiring and administration of external counsel. Provides legal support to various corporate development projects. (Blended)

SC-CORPORATE AFFAIRS (4708)

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

SC-ENVIRONMENTAL SERVICES (4709)

Description: Establishes policies and procedures for compliance with environmental laws and regulations. Researches emerging environmental issues and monitors compliance with environmental requirements. Oversees environmental clean-up projects. Obtains permits to support the business operations of Black Hills Corporation and its subsidiaries. (Asset)

SC-EXECUTIVE MGMT (4710)

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

SC-SAFETY (4711)

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

SC-FINANCE AND TREASURY (4712)

Description: Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and investing activities. Monitors capital markets to support financial planning for all subsidiaries. Oversees the administration of corporate pension and 401(k) plans. (HoldCo Blended)

SC-FINANCIAL REPORTING (4713)

Description: Oversees the corporate consolidation of subsidiary financial statements. Prepares monthly internal financial reports for management. Prepares quarterly and annual financial reports to the Securities and Exchange Commission, financial statements to banks and quarterly and annual financial statements filed with FERC. Researches emerging accounting issues and assists with the compliance of new accounting rules and regulations. (HoldCo Blended)

SC-BUDGET AND FORECAST (4714)

Description: Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide- budget and forecast. Guides the preparation of strategic plans. (Blended)

SC-GENERAL ACCOUNTING (4715)

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

SC-ACCOUNTING-CENTRAL SERVICES (4716)

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

SC-ACCOUNTING-GENERATION SERV (4717)

Description: Provides general ledger accounting to non-regulated generation facilities and accounting support to all generation facilities. (Generation Capacity)

SC-HUMAN RESOURCES CORP (4718)

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

SC-HUMAN RESOURCES REGULATED (4720)

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

SC-COMPENSATION AND BENEFITS (4721)

Description: Administers policies related to compensation and benefits. Oversees the self-insured medical benefits plans and provides support to the third party administrators of the plans. (Employee)

SC-ORGANIZATIONAL DEVELOPMENT AND TRAINING (4722)

Description: Provides for employee and leadership development, succession planning, performance management, goal alignment, employee engagement, strategic workforce planning, talent assessment and general HR support for Black Hills Corporation and its subsidiaries. (Employee)

SC-ENGINEERING ROTATION PROGRAM (4723)

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

SC-INSURANCE (4724)

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

SC-INTERNAL AUDIT (4725)

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

SC-IN-HOUSE CREATIVE SOLUTIONS (4726)

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

SC-PAYROLL (4727)

Description: Processes payroll including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports for Black Hills Corporation and its subsidiaries. (Employee)

SC-POWER DELIVERY MGMT (4728)

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

SC-PROPERTY ACCOUNTING (4729)

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

SC-RECORDS MGMT (4730)

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

SC-SUPPLY CHAIN MGMT (4731)

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

SC-CONTRACTS MGMT (4732)

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

SC-STRATEGIC SOURCING (4733)

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

SC-FLEET SERV (4734)

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

SC-FACILITIES (4736)

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

SC-GOVERNMENTAL AFFAIRS (4741)

Description: Advances corporate objectives by initiating, influencing, monitoring, and researching government legislation and policies. Acts as a liaison with legislators and other governmental officials. Maintains relationships with federal, state and other governmental bodies. (Blended)

SC-IT ADMINISTRATION (4742)

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

SC-IT BUS APPS-FIN AND HR SYSTMS (4743)

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

SC-IT BUS APPLICATIONS-REGULATED (4744)

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

SC-IT BUS APPS-WEB SERV SUPP (4745)

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

SC-IT BUS APPS-WHLSALE AND ENTPRISE (4746)

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

SC-IT INFRASTRUCTURE SERV (4747)

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

SC-IT COMMUNICATIONS (4748)

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

SC-IT USER SERVICES (4749)

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

SC-IT COMPLIANCE (4751)

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

SC-MATERIALS MGMT (4752)

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

SC-CONTINUOUS IMPROVEMENT (4753)

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

SC-GENERATION PLANT OPERATIONS (4754)

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

SC-IT HELPDESK / TECHNOLOGY INTEGRATION (4755)

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

SC-CPGS PLANT OPERATIONS (4756)

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

SC-PROCUREMENT (4760)

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

SC – ASSET BLENDED (4793)

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

SC-BENEFIT POOLED (4794)

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

SC-ACCOUNTING ACCRUAL ENTRIES (4795)

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

SC-BENEFITS LOADING (4796)

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

APPENDIX 2

ALLOCATION FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No departments currently utilize this ratio.

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

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

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

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

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

The IT Business Applications Regulated department utilizes this ratio.

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

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

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

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

TAB A2

THIS FILING IS

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

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



FERC FINANCIAL REPORT

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

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

Exact Legal Name of Respondent (Company)

Black Hills Utility Holdings, Inc.

Year of Report

Dec 31, 2012

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

IDENTIFICATION		
01 Exact Legal Name of Respondent Black Hills Utility Holdings, Inc.		02 Year of Report Dec 31, <u>2012</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 Ninth Street Rapid City, SD 57701		06 Name of Contact Person Richard Kinzley
07 Title of Contact Person Corporate Controller		08 Address of Contact Person 625 Ninth Street Rapid City, SD 57701
09 Telephone Number of Contact Person (605) 721-2360		10 E-mail Address of Contact Person rich.kinzley@blackhillscorp.com
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation 06/09/2008	14 If Not Incorporated, Date of Organization / /	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
CORPORATE OFFICER CERTIFICATION		
The undersigned officer certifies that: I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.		
17 Name of Signing Officer Richard Kinzley	19 Signature of Signing Officer	20 Date Signed (Month, Day, Year)
18 Title of Signing Officer Corporate Controller	Richard Kinzley	

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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List of Schedules and Accounts

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule I - Comparative Balance Sheet

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	22,454,926	17,846,692
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified		2,231,352	6,839,586
5	107	Construction Work In Progress	103	1,448,380	3,386,653
6		Total Property (Total Of Lines 2-5)		26,134,658	28,072,931
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	(350,942)	(3,849,975)
8	111	Less: Accumulated Provision for Amortization of Service Company Property		368,258	3,868,635
9		Net Service Company Property (Total of Lines 6-8)		26,117,342	28,054,271
10		Investments			
11	123	Investment In Associate Companies	105	569,239,574	628,267,572
12	124	Other Investments	105		
13	128	Other Special Funds	105	70,808	70,808
14		Total Investments (Total of Lines 11-13)		569,310,382	628,338,380
15		Current And Accrued Assets			
16	131	Cash		870,533	4,930,953
17	134	Other Special Deposits		4,731,211	19,416,950
18	135	Working Funds			
19	136	Temporary Cash Investments			
20	141	Notes Receivable		500,000,000	475,000,000
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		428,695	251,262
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	100,170,018	100,532,717
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		3,819	7,144
27	163	Stores Expense Undistributed	108	96,481	861
28	165	Prepayments		7,135,337	1,462,352
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	42,719	9,842,562
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		613,478,813	611,444,801
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		24,624,286	16,189,254
39	183	Preliminary Survey And Investigation Charges		13,622	16,195
40	184	Clearing Accounts		16,165	24,990
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		3,386,603	23,416,216
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		28,733,590	26,812,661
46		Total Deferred Debits (Total of Lines 37-45)		56,774,266	66,459,316
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		1,265,680,803	1,334,296,768

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		Proprietary Capital			
49	201	Common Stock Issued	201	1,000	1,000
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	(50,000,000)	(200,000,000)
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	498,323,934	528,799,866
54	219	Accumulated Other Comprehensive Income	201	(59,418)	(31,628)
55		Total Proprietary Capital (Total of Lines 49-54)		448,265,516	328,769,238
56		Long-Term Debt			
57	223	Advances From Associate Companies	202	250,000,000	475,000,000
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)		250,000,000	475,000,000
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		266,620	285,726
65	228.3	Accumulated Provision For Pensions and Benefits			
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		266,620	285,726
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		2,364,370	1,284,941
71	233	Notes Payable to Associate Companies	203	364,661,066	304,989,605
72	234	Accounts Payable to Associate Companies	203	9,722,815	6,369,722
73	236	Taxes Accrued		4,691,313	12,629,602
74	237	Interest Accrued			(2,892)
75	241	Tax Collections Payable		223,999	41,371
76	242	Miscellaneous Current and Accrued Liabilities	203	4,661,253	4,368,687
77	243	Obligations Under Capital Leases – Current			
78	244	Derivative Instrument Liabilities		8,576,283	26,572,020
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		394,901,099	356,253,056
81		Deferred Credits			
82	253	Other Deferred Credits		59,716,143	61,883,887
83	254	Other Regulatory Liabilities		10,242,357	9,197,471
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		10,963,150	4,098,663
87	283	Accumulated deferred income taxes-Other		91,325,918	98,808,727
88		Total Deferred Credits (Total of Lines 82-87)		172,247,568	173,988,748
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		1,265,680,803	1,334,296,768

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
FOOTNOTE DATA			

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

Retired \$22M worth of Common Utility Plant assets that were fully depreciated in May 2012, reducing the accumulated depreciation balance. Mainly \$14.5M from FAME asset

Schedule Page: 101 Line No.: 8 Column: d

Retired \$22M worth of Common Utility Plant assets that were fully depreciated in May 2012, reducing the accumulated depreciation balance. Mainly \$14.5M from FAME asset

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

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

Schedule Page: 101 Line No.: 16 Column: d

2011 included \$4.5M Cash collected from gas sales on behalf of BHNEG

Schedule Page: 101 Line No.: 17 Column: d

\$4.4M Excess Margin Collateral moved from 134 to 165

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

Includes note receivable from subsidiaries; \$225M retired and replaced by \$250M in October 2012

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

Includes \$1.9M of interest receivable on note balance from line 20

Schedule Page: 101 Line No.: 27 Column: d

Started accumulating and loading out inventory and warehouse related costs in acct 163000

Schedule Page: 101 Line No.: 28 Column: d

\$1.5M Prepaid State Taxes; \$4.8M Excess Margin Collateral moved from 134 to 253

Schedule Page: 101 Line No.: 33 Column: d

2011 included \$9.8M ST MTM Liability reclassified to Asset

Schedule Page: 101 Line No.: 38 Column: d

\$6.8M in derivatives from gas supply hedges; \$0 for 2011

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

2012 includes account 191100 Unrecovered Purchased Gas Cost of \$6.3M vs \$25.9M in 2011

Schedule Page: 101 Line No.: 51 Column: d

BHCOE had a \$150M reduction in APIC as part of a project to align debt and equity.

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

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

\$498,323,934 Page 101 - Line #53
(\$ 4,303,796) Equity in Earnings of Subsidiaries for 2008
(\$ 16,682,606) Equity in Earnings of Subsidiaries for 2009
(\$ 26,126,019.57) Equity in Earnings of Subsidiaries for 2010
(\$36,953,297) Equity in Earnings of Subsidiaries for 2011
(\$33,682,712.11) Equity in Earnings of Subsidiaries for 2012
\$444,734,148 Page 201 - Line 15

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

Schedule Page: 101 Line No.: 57 Column: d

Paid off \$225M note with BHC in October 2012

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

Retired \$225M note and replaced by \$250M in October 2012

Schedule Page: 101 Line No.: 73 Column: d

Accrued taxes in 2011 and are now \$1.5M Prepaid State Taxes in 2012

Schedule Page: 101 Line No.: 78 Column: d

Mark to Market Gas Hedging derivatives

Schedule Page: 101 Line No.: 83 Column: d

\$1M increase for Pension Income Tax

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2012
FOOTNOTE DATA			

Schedule Page: 101 Line No.: 86 Column: d

Provision to tax return true-up for 2011 (which includes 100% bonus depreciation) and bonus depreciation in 2012

Schedule II - Service Company Property

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

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization	24,656,277				24,656,277
2	303	Miscellaneous Intangible Plant	30,000				30,000
3	306	Leasehold Improvements					
4	389	Land and Land Rights		643,635		(643,635)	
5	390	Structures and Improvements	12,239,853	(781,673)	3,500,376	(7,957,804)	
6	391	Office Furniture and Equipment	96,847,465	6,395,130	19,656,688	(83,585,907)	
7	392	Transportation Equipment	482,033	73,451	33,003	(522,481)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	1,028,226	95,591	272,331	(851,486)	
10	395	Laboratory Equipment	214,992	(1,498)		(213,494)	
11	396	Power Operated Equipment					
12	397	Communications Equipment	1,262,061	391,929		(1,653,990)	
13	398	Miscellaneous Equipment	11,893		9,218	(2,675)	
14	399	Other Tangible Property	53,019,254	2,919,476	2,700,667	(53,238,063)	
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)	189,792,054	9,736,041	26,172,283	(148,669,535)	24,686,277
17	107	Construction Work in Progress:					
18		Accounting Accruals	264,988	(423,074)			(158,086)
19		AMI Hardware	(362)	529,431			529,069
20							
21		Rapid City Customer Call Center	76,094	(22,275)			53,819
22		Lincoln Call Center	80,343	(21,980)			58,363
23		Lincoln/RC Call Center	2,481	(2,481)			
24		Software Conversions	2,754,035	(2,541,924)			212,111
25		Field Collection System	6,817	37,767			44,584
26		General Office	202,255	506,265			708,520
27							
28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)		(1,938,271)			1,448,380
32		Total (Lines 16 and Line 31)	193,178,712	7,797,770			26,134,657

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
FOOTNOTE DATA			

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

Account #114 - Plant Acquisition Adjustment - balance was \$24,656,278.47 on 12/31/11.

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

\$30k did not get allocated to the subsidiaries

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

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

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 Charges Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	5,378,390	204,813	3,501,466	(2,081,737)	
6	391	Office Furniture and Equipment	88,262,705	1,659,672	19,656,861	(70,265,516)	
7	392	Transportation Equipment	56,059	40,082	19,220	(76,921)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	511,864	35,923	272,351	(275,436)	
10	395	Laboratory Equipment	100,144	12,474		(112,618)	
11	396	Power Operated Equipment					
12	397	Communications Equipment	1,235,251	28,718		(1,263,969)	
13	398	Miscellaneous Equipment	16,813	32	5,284	(11,561)	
14	399	Other Tangible Property	12,659,624	1,536,803	2,628,549	(11,567,878)	
15	399.1	Asset Retirement Costs					
16		Total	108,220,850	3,518,517	26,083,731	(85,655,636)	

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
FOOTNOTE DATA			

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2012
FOOTNOTE DATA			

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

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

Schedule V – Accounts Receivable from Associate Companies

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		Black Hills Colorado Electric Utility Company, LP	6,429,493	13,005,867
4		Black Hills Colorado Gas Utility Company, LP	12,166,052	8,023,701
5		Black Hills Iowa Gas Utility Company, LLC	25,297,884	24,455,190
6		Black Hills Kansas Gas Utility Company, LLC	17,486,571	16,604,617
7		Black Hills Nebraska Gas Utility Company, LLC	30,001,759	28,695,253
8		Black Hills Power, Inc.	5,335,471	6,492,576
9		Cheyenne Light Fuel & Power Company	2,290,350	2,742,587
10				
11				
12				
13		Non Associate Company:		
14		Black Hills Wyoming, LLC	11,583	4,432
15		Black Hills Corp	397,885	
16		Black Hills Service Company LLC	976,017	145,614
17		Black Hills IPP	139,652	136
18		Black Hill Electric Generation		45
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	Total		100,532,717	100,170,018

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule VI – Fuel Stock Expenses Undistributed

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
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9					
10					
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39					
40	Total				

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule VII – Stores Expense Undistributed

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		BHUHC		96,481	96,481
4					
5					
6					
7					
8					
9					
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12					
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14					
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36					
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39					
40	Total			96,481	96,481

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule VIII - Miscellaneous Current and Accrued Assets

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule IX - Miscellaneous Deferred Debits

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		Misc Deferred Debits		
4		Meter Shop Cap Exp State Alloc	(2,602,255)	(2,919,454)
5		Deferred Gas Cost		
6		Deferred Rate Case Expenses		
7				
8				
9		Unrecovered PGC Actual - General System	25,961,272	6,306,057
10		Unrecovered NE NPSC Assessments	57,197	
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
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25				
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28				
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39				
40	Total		23,416,214	3,386,603

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2012
FOOTNOTE DATA			

Schedule Page: 110 Line No.: 9 Column: d
Gas Supply Services FP Settlements

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule X - Research, Development, or Demonstration Expenditures

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XI - Proprietary Capital

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

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	1,000,000
2			Par or Stated Value per Share	1.00
3			Outstanding Number of Shares	1,000
4			Close of Period Amount	1,000
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		(50,000,000)
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(59,418)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	444,734,148
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	444,734,148

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XII – Long Term Debt

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

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3		Black Hills Corporation	60 Months	05/15/2014	9.00000		250,000,000		250,000,000
4		Black Hills Corporation	42 Months	05/15/2013	6.50000		225,000,000	(225,000,000)	0
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL					475,000,000	(225,000,000)	250,000,000

14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
FOOTNOTE DATA			

Schedule Page: 202 Line No.: 4 Column: i
 Paid off Note with BHC

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XIII – Current and Accrued Liabilities

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
2		Black Hills Corporation	3,417,517	251,913,496
3		Black Hills Colorado Electric Utility Company, LP		
4		Black Hills Colorado Gas Utility Company, LP		
5		Black Hills Iowa Gas Utility Company, LLC		
6		Black Hills Kansas Gas Utility Company, LLC		
7		Black Hills Nebraska Gas Utility Company, LLC		
8		Black Hills Utility Holdings, Inc.		
9		Black Hills Power, Inc.	301,572,088	112,747,569
10				
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23				
24	234	Accounts Payable to Associate Companies		
25		Black Hills Power, Inc.	542,740	608,711
26		Black Hills Corporation	1,029	1,269,580
27		Black Hills Service Company, LLC	3,441,911	3,207,580
28		Cheyenne Light Fuel & Power Company	271,242	242,593
29		BH Non-Regulated Holdings, LLC		
30		Black Hills Exploration and Production, Inc		
31		Black Hills Colorado Electric Utility Company, LP	216,725	3,494,055
32		Black Hills Colorado Gas Utility Company, LP	187,124	158,853
33		Black Hills Iowa Gas Utility Company, LLC	877,313	274,519
34		Black Hills Kansas Gas Utility Company, LLC	292,557	193,152
35		Black Hills Nebraska Gas Utility Company, LLC	496,587	258,976
36		Black Hills Utility Holdings, Inc.		
37		Black Hills Wyoming	42,408	3,705
38		Black Hills IPP	79	11,087
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities	31,699	154,780
42		Accrued Benefits Compensated Absences	479,388	534,039
43		Accrued Benefits 401k	73,351	32,700
44		Accrued Severance, Deferred Rent, & Uncleared Checks	17,080	
45		Accrued Incentive and Bonus	2,234,269	3,160,041
46		Accrued Payroll	1,007,108	465,331
47		Accrued EE Reimbursed Exp, Pay it Forward, & Other	73,197	10,360
48		SFAS 106 Current Portions	452,591	304,000
49				

Name of Respondent	This Report is:	Resubmission Date	Year of Report
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FOOTNOTE DATA			

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

\$250M note at BHC pushed down to BHE companies.

Schedule Page: 203 Line No.: 9 Column: d

\$225M note between BHUHC and BHE companies retired

Schedule Page: 203 Line No.: 26 Column: d

BHC allocated De-Designated Swap Interest

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
Schedule XIV- Notes to Financial Statements			

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

Business Description

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

Basis of Presentation

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

Regulatory Accounting

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

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

Cash Equivalents

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

Property, Plant and Equipment

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

Derivatives and Hedging Activities

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

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Schedule XIV- Notes to Financial Statements			

in accordance with accounting standards for regulated utility operations.

Income Taxes

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

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

Risk Management Activities

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

Notes Payable

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

We recorded the \$250 million Debt Offering in Note payable - Parent on the Consolidated Balance Sheets in May 2009. We also recorded an additional \$225 million aggregate principal amount to Note payable - Parent in relation to the BHC unsecured notes in October 2009. In October 2012, the Utilities paid off the \$225M note held by BHC and replaced it with \$250M Note held at the individual Utility level. We are making payments on this debt in accordance with terms established in the Debt Offerings.

Deferred financing costs included in Other assets - Other on the Consolidated Balance Sheets totaled \$4.2 million as of December 31, 2012. The 2012 deferred financing costs were recorded on the subsidiaries and not on BHUH.

Employee Benefit Plans

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
Schedule XIV- Notes to Financial Statements			

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

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

Defined Benefit Pension Plan

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

Defined Contribution Plan

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

Related Party Transactions

During 2009, we completed a series of affiliate transactions to restructure our debt and equity capitalization. These transactions included recording a \$475.0 million Note Payable to BHC and a \$200.0 million cash dividend to BHC. On October 31, 2012 BHC redeemed their senior unsecured notes of \$225 million. In relation to this redemption, we paid the parent for the same amount. Debt payments to our Parent on this \$225 million note payable were in accordance with terms established in the Debt of the Parent. As of December 31, 2012, we had a Note Payable to Parent of \$250.0 million.

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2012</u>
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Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		SERVICE COMPANY OPERATING REVENUES		
2	400	Service Company Operating Revenues	73,880,594	74,745,445
3		SERVICE COMPANY OPERATING EXPENSES		
4	401	Operation Expenses	57,632,406	54,861,562
5	402	Maintenance Expenses		
6	403	Depreciation Expenses	3,968,959	3,547,539
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	109,438	89,194
13	409.1	Income Taxes, Operating Income		
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	3,238,527	2,253,478
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	64,949,330	60,751,773
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	8,931,264	13,993,672
24		OTHER INCOME		
25	418.1	Equity in Earnings of Subsidiary Companies	0	
26	419	Interest and Dividend Income	30,770	19,870
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	20,699	19,912
29	421.1	Gain on Disposition of Property	1,409	
30		TOTAL OTHER INCOME (Total of Lines 25-29)	52,878	39,782
31		OTHER INCOME DEDUCTIONS		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	15,005	21,892
35	426.2	Life Insurance		
36	426.3	Penalties	7,179	115,007
37	426.4	Expenditures for Certain Civic, Political and Related Activities	61,242	50,891
38	426.5	Other Deductions	10,201	6,249
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	93,627	194,039

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Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
40		TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS		
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions	88	
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)	88	
47		INTEREST CHARGES		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense	(15,835)	
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	6,606,790	8,671,024
52	431	Other Interest Expense	2,299,472	5,168,391
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		TOTAL INTEREST CHARGES (Total of Lines 48-53)	8,890,427	13,839,415
55		NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)		
56		EXTRAORDINARY ITEMS		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		Net Extraordinary Items (Line 57 less Line 58)		
60	409.4	(less) Income Taxes, Extraordinary		
61		Extraordinary Items After Taxes (Line 59 less Line 60)		
62		NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)		

Name of Respondent	This Report is:	Resubmission Date	Year of Report
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FOOTNOTE DATA			

Schedule Page: 301 Line No.: 12 Column: c

Unallocated portion of taxes other than income

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

Equity in Earnings of Subsidiaries for \$36.8M not included on the Income Statement

Schedule Page: 301 Line No.: 49 Column: c

GAAP to FERC adjustment for DFC Revolver fees

Schedule Page: 301 Line No.: 51 Column: c

\$225M note between BHUHC and BHE companies retired

Schedule Page: 301 Line No.: 52 Column: c

\$225M note between BHUHC and BHE companies retired

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

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

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		3,968,958	3,968,958			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes		109,527	109,527			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services						
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	505,763	2,732,762	3,238,525	3,734		3,734
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income		30,720	30,720	50		50
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		20,699	20,699			
19	421.1	Gain on Disposition of Property		1,409	1,409			
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations		15,004	15,004			
23	426.2	Life Insurance						
24	426.3	Penalties	6,673	505	7,178			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	15,330	45,912	61,242			
26	426.5	Other Deductions		10,271	10,271			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense		(15,835)	(15,835)			
29	429	Amortization of Premium on Debt – Credit						
30	430	Interest on Debt to Associate Companies		6,606,790	6,606,790			
31	431	Other Interest Expense		2,299,402	2,299,402			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses						
34	510-515	Total Steam Power Generation Maintenance Expenses	398		398			

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses						
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses						
39	546-550.1	Total Other Power Generation Operation Expenses						
40	551-554.1	Total Other Power Generation Maintenance Expenses						
41	555-557	Total Other Power Supply Operation Expenses	92,568		92,568			
42	560	Operation Supervision and Engineering	165,833	486,640	652,473			
43	561.1	Load Dispatch-Reliability		2,887	2,887			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	1,068,621	484,480	1,553,101			
45	561.3	Load Dispatch-Transmission Service and Scheduling	343,951	140,509	484,460			
46	561.4	Scheduling, System Control and Dispatch Services	273,247	1,954	275,201			
47	561.5	Reliability Planning and Standards Development	383,688	751,980	1,135,668			
48	561.6	Transmission Service Studies	978	2,166	3,144			
49	561.7	Generation Interconnection Studies	(15,603)		(15,603)			
50	561.8	Reliability Planning and Standards Development Services	251,704	23,378	275,082			
51	562	Station Expenses (Major Only)	20,882		20,882			
52	563	Overhead Line Expenses (Major Only)	2,112		2,112			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	5,221	2,625	7,846			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	2,500,634	1,896,619	4,397,253			
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)	376		376			
66	571	Maintenance of Overhead Lines (Major Only)	6,670		6,670			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	7,046		7,046			
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	939,114	271,396	1,210,510			
74	590-598	Total Distribution Maintenance Expenses	11,881	1,705	13,586			
75		Total Electric Operation and Maintenance Expenses	4,079,407	17,890,188	21,969,595	3,684		3,684
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses	232	(4,397)	(4,165)			
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses						
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	108,058	1,539,536	1,647,594			

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	99,894	615,016	714,910			
106		Total Natural Gas Operation and Maintenance Expenses	208,184	2,150,155	2,358,339			
107	901	Supervision		407,450	407,450			
108	902	Meter reading expenses		54,883	54,883			
109	903	Customer records and collection expenses	3,585,128	7,447,787	11,032,915			
110	904	Uncollectible accounts	1,902,907		1,902,907			
111	905	Miscellaneous customer accounts expenses	971	1,079,764	1,080,735			
112	906	Total Customer Accounts Operation Expenses	5,489,006	8,989,884	14,478,890			
113	907	Supervision	5,513	1,590,118	1,595,631			
114	908	Customer assistance expenses	64,021	1,954,494	2,018,515			
115	909	Informational And Instructional Advertising Expenses	4,626	15,585	20,211			
116	910	Miscellaneous Customer Service And Informational Expenses	2,780	86,867	89,647			
117		Total Service and Informational Operation Accounts	76,940	3,647,064	3,724,004			
118	911	Supervision	160	185,057	185,217			
119	912	Demonstrating and Selling Expenses		214,476	214,476			
120	913	Advertising Expenses	200	9,976	10,176			
121	916	Miscellaneous Sales Expenses		36,697	36,697			
122		Total Sales Operation Expenses	360	446,206	446,566			
123	920	Administrative and General Salaries	2,898,371	18,503,004	21,401,375	99,835		99,835
124	921	Office Supplies and Expenses	339,536	3,400,855	3,740,391	31,835		31,835
125	923	Outside Services Employed	61,723	1,619,146	1,680,869			
126	924	Property Insurance		5,141	5,141			
127	925	Injuries and Damages		366,996	366,996			
128	926	Employee Pensions and Benefits		263,886	263,886			
129	928	Regulatory Commission Expenses						
130	930.1	General Advertising Expenses	5,524	38,681	44,205			
131	930.2	Miscellaneous General Expenses		558,133	558,133	10,424		10,424
132	931	Rents		627,507	627,507	24		24
133		Total Administrative and General Operation Expenses	3,305,154	25,383,349	28,688,503	142,118		142,118
134	935	Maintenance of Structures and Equipment	6	2,068,852	2,068,858			
135		Total Administrative and General Maintenance Expenses	8,871,466	40,535,355	49,406,821	142,118		142,118
136		Total Cost of Service	13,159,057	60,575,698	73,734,755	145,802		145,802

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense		3,968,958	3,968,958
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes		109,527	109,527
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	509,497	2,732,762	3,242,259
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income	50	30,720	30,770
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		20,699	20,699
19	421.1	Gain on Disposition of Property		1,409	1,409
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations		15,004	15,004
23	426.2	Life Insurance			
24	426.3	Penalties	6,673	505	7,178
25	426.4	Expenditures for Certain Civic, Political and Related Activities	15,330	45,912	61,242
26	426.5	Other Deductions		10,271	10,271
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense		(15,835)	(15,835)
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies		6,606,790	6,606,790
31	431	Other Interest Expense		2,299,402	2,299,402
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses			
34	510-515	Total Steam Power Generation Maintenance Expenses	398		398

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses			
39	546-550.1	Total Other Power Generation Operation Expenses			
40	551-554.1	Total Other Power Generation Maintenance Expenses			
41	555-557	Total Other Power Supply Operation Expenses	92,568		92,568
42	560	Operation Supervision and Engineering	165,833	486,640	652,473
43	561.1	Load Dispatch-Reliability		2,887	2,887
44	561.2	Load Dispatch-Monitor and Operate Transmission System	1,068,621	484,480	1,553,101
45	561.3	Load Dispatch-Transmission Service and Scheduling	343,951	140,509	484,460
46	561.4	Scheduling, System Control and Dispatch Services	273,247	1,954	275,201
47	561.5	Reliability Planning and Standards Development	383,688	751,980	1,135,668
48	561.6	Transmission Service Studies	978	2,166	3,144
49	561.7	Generation Interconnection Studies	(15,603)		(15,603)
50	561.8	Reliability Planning and Standards Development Services	251,704	23,378	275,082
51	562	Station Expenses (Major Only)	20,882		20,882
52	563	Overhead Line Expenses (Major Only)	2,112		2,112
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	5,221	2,625	7,846
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	2,500,634	1,896,619	4,397,253
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)	376		376
66	571	Maintenance of Overhead Lines (Major Only)	6,670		6,670
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	7,046		7,046
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	939,114	271,396	1,210,510
74	590-598	Total Distribution Maintenance Expenses	11,881	1,705	13,586
75		Total Electric Operation and Maintenance Expenses	4,083,091	17,890,188	21,973,279
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses	232	(4,397)	(4,165)
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching.			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses			
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	108,058	1,539,536	1,647,594

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	99,894	615,016	714,910
106		Total Natural Gas Operation and Maintenance Expenses	208,184	2,150,155	2,358,339
107	901	Supervision		407,450	407,450
108	902	Meter reading expenses		54,883	54,883
109	903	Customer records and collection expenses	3,585,128	7,447,787	11,032,915
110	904	Uncollectible accounts	1,902,907		1,902,907
111	905	Miscellaneous customer accounts expenses	971	1,079,764	1,080,735
112	906	Total Customer Accounts Operation Expenses	5,489,006	8,989,884	14,478,890
113	907	Supervision	5,513	1,590,118	1,595,631
114	908	Customer assistance expenses	64,021	1,954,494	2,018,515
115	909	Informational And Instructional Advertising Expenses	4,626	15,585	20,211
116	910	Miscellaneous Customer Service And Informational Expenses	2,780	86,867	89,647
117		Total Service and Informational Operation Accounts	76,940	3,647,064	3,724,004
118	911	Supervision	160	185,057	185,217
119	912	Demonstrating and Selling Expenses		214,476	214,476
120	913	Advertising Expenses	200	9,976	10,176
121	916	Miscellaneous Sales Expenses		36,697	36,697
122		Total Sales Operation Expenses	360	446,206	446,566
123	920	Administrative and General Salaries	2,998,206	18,503,004	21,501,210
124	921	Office Supplies and Expenses	371,371	3,400,855	3,772,226
125	923	Outside Services Employed	61,723	1,619,146	1,680,869
126	924	Property Insurance		5,141	5,141
127	925	Injuries and Damages		366,996	366,996
128	926	Employee Pensions and Benefits		263,886	263,886
129	928	Regulatory Commission Expenses			
130	930.1	General Advertising Expenses	5,524	38,681	44,205
131	930.2	Miscellaneous General Expenses	10,424	558,133	568,557
132	931	Rents	24	627,507	627,531
133		Total Administrative and General Operation Expenses	3,447,272	25,383,349	28,830,621
134	935	Maintenance of Structures and Equipment	6	2,068,852	2,068,858
135		Total Administrative and General Maintenance Expenses	9,013,584	40,535,355	49,548,939
136		Total Cost of Service	13,304,859	60,575,698	73,880,557

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
FOOTNOTE DATA			

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

The following activity was included in 416:

Non Reg Power Generation O&M	3,734.97
Exp Merchandising, Jobbing & Contract	32,066.26
NonUtility Expenses - COS	107,817.59
NonUtility Expense - Other O&M	1,408,646.43
NonUtility Operation Expense Other	15,343.66
NonUtility Selling Expense	649,878.78
NonUtility Admin and General	298,299.03
Admin and Gen-Employee Benefits	652,878.88
Expense for Uncollectable Accts NonReg	7,952.17
NonUtility Depreciation Expense	65,643.80
	3,242,261.61

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2012</u>
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Schedule XVII - Analysis of Billing - Associate Companies (Account 457)

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

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Black Hills Colorado Electric Utility Company, LP	2,757,417	9,963,292		12,720,709
2	Black Hills Colorado Gas Utility Company, LP	731,168	5,072,325		5,803,493
3	Black Hills Iowa Gas Utility Company, LLC	1,125,656	11,965,369		13,091,025
4	Black Hills Kansas Gas Utility Company, LLC	1,381,470	8,725,857		10,107,327
5	Black Hills Nebraska Gas Utility Company, LLC	1,471,477	14,685,850		16,157,327
6	Black Hills Power, Inc.	4,193,591	7,128,820		11,322,411
7	Cheyenne Light Fuel & Power Company	1,498,292	3,034,201		4,532,493
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40	Total	13,159,071	60,575,714		73,734,785

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)

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

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1	Wyodak Resources Dev Corp	155				155
2	Black Hills Wyoming	5,538				5,538
3	Black Hills Idaho Operations LLC					
4	Black HillsNon Reg Holdings LLC	255				255
5	Black Hills Colorado IPP, LLC	2,762				2,762
6	Black Hills Service Company LLC	129,179				129,179
7	Black Hills Corporation	7,223				7,223
8	Black Hills Electric Gen	675				675
9	Black Hills E&P	12				12
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40	Total	145,799				145,799

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XIX - Miscellaneous General Expenses - Account 930.2

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

Line No.	Title of Account (a)	Amount (b)
1	Admin Exp Trans Credit	(135,742)
2	Miscellaneous Expense	704,299
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40	Total	568,557

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2012
Schedule XX - Organization Chart			

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

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

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

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
Schedule XX - Organization Chart			

Trent Cozad Vice President – Natural Gas Supply Services

Steven M. Jurek Vice President – Regulatory Services

Wendy M. Moser Vice President – Regulatory Services and Resource Planning

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2012
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.

Service Department or Function	Basis of Allocation
	<p>Allocation Ratios</p> <p>Any asset ratios and employee and customer count ratios are calculated as of period-end dates, while revenue and expense ratios are calculated for twelve months ended as of period-end dates.</p> <p><i>Asset Cost Ratio</i> – Based on the total cost of assets as of December 31 for the prior year, the numerator of which is for an applicable operating company and the denominator of which is all applicable operating companies. Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any elimination that are done to bring their FERC financial statements into compliance with GAAP. FERC requires that acquired fixed assets be recorded at their gross value with accumulated depreciation, while GAAP requires acquired fixed assets be recorded at their net value. An elimination journal entry is used to eliminate the gross-up for preparation of GAAP financial statements, but this elimination journal entry is not factored into the calculation of the Asset Cost Ratio.</p> <p>No departments utilize this ratio, but it is a component in the Blended Ratio.</p> <p><i>Gross Margin Ratio</i> – Based on the total gross margin for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies. Gross margin is defined as revenue less cost of sales.</p> <p>No departments utilize this ratio, but it is a component in the Blended Ratio.</p>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2012
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Schedule XXI - Methods of Allocation

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

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

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

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

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2012
Schedule XXI - Methods of Allocation			

management, Lincoln customer service center, Omaha customer account services, Rapid City customer service support, Rapid City customer account services, Rapid City customer service center, large volume billing, customer service center support, bill processing, Lincoln field resource center, Rapid City field resource center, service guard marketing, utility service management, KS/CO gas external affairs, KS/CO gas business operations, and appliance technical training.

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

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

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
Schedule XXI - Methods of Allocation			

THIS FILING IS

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

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



FERC FINANCIAL REPORT

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

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

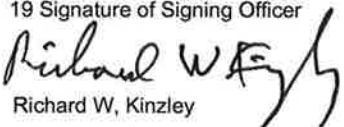
Exact Legal Name of Respondent (Company)

Black Hills Service Company, LLC

Year of Report

Dec 31, 2012

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

IDENTIFICATION		
01 Exact Legal Name of Respondent Black Hills Service Company, LLC		02 Year of Report Dec 31, 2012
03 Previous Name (If name changed during the year)		04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 Ninth Street, Rapid City, SD 57701		06 Name of Contact Person Richard W. Kinzley
07 Title of Contact Person Vice President and Corporate Controller		08 Address of Contact Person 625 Ninth Street, Rapid City, SD 57701
09 Telephone Number of Contact Person (605) 721-2360		10 E-mail Address of Contact Person rich.kinzley@blackhillscorp.com
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation / /	14 If Not Incorporated, Date of Organization 12/30/2004	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
CORPORATE OFFICER CERTIFICATION		
The undersigned officer certifies that: I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.		
17 Name of Signing Officer Richard W, Kinzley	19 Signature of Signing Officer  Richard W, Kinzley	20 Date Signed (Month, Day, Year) 4/26/13
18 Title of Signing Officer Vice President and Corporate Controller		

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2012</u>
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List of Schedules and Accounts

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule I - Comparative Balance Sheet

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	0	
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103	2,427,446	1,318,137
6		Total Property (Total Of Lines 2-5)		2,427,446	1,318,137
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	(1,000)	(1,000)
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		2,428,446	1,319,137
10		Investments			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105	4,935,427	4,631,681
14		Total Investments (Total of Lines 11-13)		4,935,427	4,631,681
15		Current And Accrued Assets			
16	131	Cash			
17	134	Other Special Deposits			
18	135	Working Funds		600	600
19	136	Temporary Cash Investments			
20	141	Notes Receivable		12,054,687	1,019,899
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		369,986	274,072
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	33,987,947	38,702,301
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		70,511	150,632
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		5,051,548	4,652,103
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		51,535,279	44,799,607
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets			
39	183	Preliminary Survey And Investigation Charges			26,047
40	184	Clearing Accounts			223
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits			
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes			
46		Total Deferred Debits (Total of Lines 37-45)			26,270
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		58,899,152	50,776,695

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		Proprietary Capital			
49	201	Common Stock Issued	201		
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	100,000	100,000
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	(778,368)	(778,368)
54	219	Accumulated Other Comprehensive Income	201	(15,212,172)	(14,298,121)
55		Total Proprietary Capital (Total of Lines 49-54)		(15,890,540)	(14,976,489)
56		Long-Term Debt			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		307,618	373,249
65	228.3	Accumulated Provision For Pensions and Benefits			
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		307,618	373,249
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		5,669,821	3,709,350
71	233	Notes Payable to Associate Companies	203		630
72	234	Accounts Payable to Associate Companies	203	1,201,873	1,958,855
73	236	Taxes Accrued		824,072	273,348
74	237	Interest Accrued			
75	241	Tax Collections Payable		311,371	27,416
76	242	Miscellaneous Current and Accrued Liabilities	203	15,527,000	11,300,779
77	243	Obligations Under Capital Leases – Current			
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		23,534,137	17,270,378
81		Deferred Credits			
82	253	Other Deferred Credits		50,947,937	48,109,557
83	254	Other Regulatory Liabilities			
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property			
87	283	Accumulated deferred income taxes-Other			
88		Total Deferred Credits (Total of Lines 82-87)		50,947,937	48,109,557
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		58,899,152	50,776,695

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 2012
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

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

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

Includes allocation of Service Company property, which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 (line 24) on the balance sheet. The \$1,000 balance represents Retirement Work in Progress not allocated in the current year.

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

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

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

(\$778,368) is a cumulative effect of an account adjustment. Prior year balance is the same adjustment.

Schedule Page: 101 Line No.: 71 Column: e

\$630 Intercompany interest payable.

Schedule II - Service Company Property

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

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights	291,371			(291,371)	
5	390	Structures and Improvements	3,374,425	40,496		(3,414,921)	
6	391	Office Furniture and Equipment	43,306,881	8,306,113	1,691,528	(49,921,466)	
7	392	Transportation Equipment	1,380,599	352,631	179,270	(1,553,960)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)	48,353,276	8,699,240	1,870,798	(55,181,718)	
17	107	Construction Work in Progress:					
18		Software/Hardware Implementation in progress	1,157,998	18,258,211		(17,428,338)	1,987,871
19		Vehicles	165,589	444,114		(630,377)	(20,674)
20		Facility Master Plan/remodel work	(5,450)	1,687,729		(1,222,030)	460,249
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)		20,390,054		(19,280,745)	2,427,446
32		Total (Lines 16 and Line 31)		29,089,294			2,427,446

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 2012
Black Hills Service Company, LLC	FOOTNOTE DATA		

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

The true property beginning balance is zero. The beginning balance activity in Column C is the reversal of the entry to allocate all property at 12/31/11, shown in this manner to allow the presentation of activity during the year.

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

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

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
FOOTNOTE DATA			

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

The true provision beginning balance is zero. The beginning balance activity in column C is the reversal of the entry to allocate all property at 12/31/11, shown in this manner to allow presentation of activity during the year.

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

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

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
FOOTNOTE DATA			

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

PEP Insurance Cash Surrender Values

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

PEP insurance Cash Surrender Value

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule V – Accounts Receivable from Associate Companies

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		Wyodak Resources Development Corp	1,929,649	1,985,139
4		Black Hills Wyoming	686,574	844,582
5		Enserco Energy Inc	1,837,015	
6		Enserco Midstream LLC	20,503	
7		EIF Investors Inc	86	
8		Black Hills Electric Generation Inc	15,045	9,318
9		Black Hills Non-regulated Holdings LLC	25,796	19,846
10		Black Hills Colorado IPP LLC	606,451	729,759
11		Generation Development Co LLC	197	188
12		Black Hills Exploration and Production Inc	2,159,679	3,165,849
13		Black Hills Gas Resources	902,159	59,564
14		Black Hills Plateau Production LLC	333,209	27,026
15		Black Hills Midstream LLC	88,981	6,045
16		Black Hills Power	7,239,248	7,311,827
17		Cheyenne Light Fuel and Power Company	2,809,494	2,695,436
18		Black Hills Utility Holdings Inc	3,441,912	3,207,580
19		Black Hills Kansas Gas Utility Company LLC	2,185,234	2,097,993
20		Black Hills Iowa Gas Company LLC	2,647,965	2,672,075
21		Black Hills Nebraska Gas Utility Company LLC	3,100,706	3,123,443
22		Black Hills Colorado Electric Utility Company LP	4,133,834	4,416,653
23		Black Hills Colorado Gas Utility Company LP	1,057,615	1,054,913
24		Black Hills Corporation	3,480,949	560,711
25				
26				
27				
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36				
37				
38				
39				
40	Total		38,702,301	33,987,947

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2012
FOOTNOTE DATA			

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

Includes allocation of Service Company property and Accumulated Provision for Depreciation, which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 (Line 24) on the balance sheet, along with other intercompany receivables.

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule VI – Fuel Stock Expenses Undistributed

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
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Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule VII – Stores Expense Undistributed

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
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9					
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40	Total				

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule VIII - Miscellaneous Current and Accrued Assets

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule IX - Miscellaneous Deferred Debits

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3				
4				
5				
6				
7				
8				
9				
10				
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12				
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39				
40	Total			

Schedule X - Research, Development, or Demonstration Expenditures

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XI - Proprietary Capital

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

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	
2			Par or Stated Value per Share	
3			Outstanding Number of Shares	
4			Close of Period Amount	
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		100,000
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(15,212,172)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	(778,368)
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	(778,368)

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XII – Long Term Debt

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XIII – Current and Accrued Liabilities

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies	630	
2				
3				
4				
5				
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7				
8				
9				
10				
11				
12				
13				
14				
15				
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19				
20				
21				
22				
23				
24	234	Accounts Payable to Associate Companies		
25		Wyodak Resources Development Corporation	58,058	8,433
26		Black Hills Wyoming LLC	2,135	6,537
27		Enserco Energy LLC	143,581	
28		Enserco Midstream	562	
29		EIF Investors Inc	7	
30		Black Hills Electric Generation Inc	5,674	454
31		Black Hills Non-regulated Holdings, LLC	18,480	36,249
32		Black Hills Colorado IPP LLC	26,737	116,386
33		Black Hills Exploration and Production Inc	22,692	22,863
34		Black Hills Power	113,719	116,061
35		Cheyenne Light Fuel and Power Company	32,300	24,909
36		Black Hills Utility Holdings Inc	1,137,489	389,328
37		Black Hills Corporation	397,421	480,653
38				
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities		
42				
43				
44				
45				
46				
47				
48				
49				

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Schedule XIII – Current and Accrued Liabilities (continued)

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
50		(Total)	1,959,485	1,201,873

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Schedule Page: 203 Line No.: 36 Column: c

Black Hills Utility Holdings Inc = \$976,018
 Black Hills Kansas Gas Utility Company LLC = \$19,900
 Black Hills Iowa Gas Utility Company LLC = \$26,692
 Black Hills Nebraska Gas Utility Company LLC = \$23,333
 Black Hills Colorado Electric Utility Company LP = \$75,986
 Black Hills Colorado Gas Utility Company LP = \$15,560
 Total = \$1,137,489

Schedule Page: 203 Line No.: 36 Column: d

Black Hills Utility Holdings Inc = \$145,615
 Black Hills Kansas Gas Utility Company LLC = \$12,643
 Black Hills Iowa Gas Utility Company LLC = \$17,834
 Black Hills Nebraska Gas Utility Company LLC = \$16,522
 Black Hills Colorado Electric Utility Company LP = \$190,279
 Black Hills Colorado Gas Utility Company LP = \$6,435
 Total = \$389,328

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Schedule XIV- Notes to Financial Statements			

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

Note 1 – Summary of Significant Accounting Policies

Organization

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

Nature of Operations

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

Basis of Presentation

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

Use of Estimates

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

Cash and Cash Equivalents

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

Property and Depreciation

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

Legal Costs

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

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Schedule XIV- Notes to Financial Statements			

Income Taxes

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

We use the liability method in accounting for income taxes. Under the liability method, deferred income taxes are recognized at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities as well as operating loss and tax credit carryforwards. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements. We classify deferred tax assets and liabilities into current and noncurrent amounts based on the nature of the related assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it more likely than not that some portion of the deferred tax asset will not be realized.

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

Note 2 – Related Party Transactions

BHSC has entered into service agreements with BHC and its subsidiaries to provide services at cost. At December 31, 2012, BHSC's associates include:

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

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Schedule XIV- Notes to Financial Statements			

At December 31, 2012 and 2011, associate company receivables were \$33,987,947 and \$38,702,301 respectively, and associate company payables were \$1,201,873 and \$1,958,855 respectively.

BHSC has an agreement with Black Hills Power, Inc. (BHP), whereby BHP provides BHSC with certain facility services to be used for internal administrative and general purposes. The services include use of office space and office equipment. Charges for these services were \$641,356 in 2012 and \$586,932 in 2011.

The Utility Money Pool and the Non-Utility Money Pool exist to permit affiliates to borrow excess cash from other affiliate companies. BHC serves as the administrator for these money pools. BHSC is a participant in the Non-Utility Money Pool. At December 31, 2012, BHSC had a note receivable from the Non-Utility Money Pool of \$12,039,755 and interest payable of \$14,933. At December 31, 2011, BHSC had a note receivable from the Non-Utility Money Pool of \$1,018,162 and interest receivable of \$1,737 totaling \$1,019,899 and interest payable of \$630.

Note 3 – Equity Compensation

BHC provides various short-term and long-term incentive plans to officers and other employees of its affiliates. These plans permit the granting of stock, restricted stock, restricted stock units, stock options, and performance shares. Under these plans, BHSC recognized compensation expense of \$2,474,924 and \$2,337,725 respectively for 2012 and 2011.

Note 4 – Pension Plans and Other Employee Benefits

Defined Benefit Pension Plans

We have two non-contributory defined benefit pension plans (the Pension Plans). As of January 1, 2012, both Pension Plans have been frozen to new employees and certain employees who did not meet age and service based criteria at the time the Pension Plans were frozen. The Pension Plan benefits are based on years of service and compensation levels.

The objective of the Investment Policy is to manage assets in such a way that will allow the eventual settlement of our obligations to the Pension Plans' beneficiaries. To meet this objective, our pension assets are managed by an outside adviser using a structured portfolio strategy that will provide liquidity to meet the Plans' benefit payment obligations. The Pension Plans' assets are held in trust and consist primarily of equity and fixed income investments. The expected long-term rate of return for investments was 7.25 percent and 8.75 percent for the 2012 and 2011 plan years, respectively. Our Pension Plan funding policy is in accordance with the federal government's funding requirements.

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Schedule XIV- Notes to Financial Statements			

Supplemental Nonqualified Defined Benefit Retirement Plans

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

Non-pension Defined Benefit Postretirement Healthcare Plans

BHC sponsors retiree healthcare plans (the 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. We may amend or change the Healthcare Plans periodically. A portion of the Healthcare Plans are pre-funded via VEBAs. We have determined that the post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy.

Benefit Obligations as of December 31, 2012

	Defined Benefit Pension Plan	Supplemental Nonqualified Defined Benefit Retirement Plan	Non-Pension Defined Benefit Postretirement Healthcare Plan
Accrued liabilities	\$ --	\$ 881,000	\$ 161,000
Deferred credits and other liabilities - other	\$ 12,068,171	\$ 28,453,607	\$ 3,636,978
Accumulated other comprehensive income	\$ (8,276,896)	\$ (6,285,059)	\$ (650,217)

Benefit Obligations as of December 31, 2011

	Defined Benefit Pension Plan	Supplemental Nonqualified Defined Benefit Retirement Plan	Non-Pension Defined Benefit Postretirement Healthcare Plan
Accrued liabilities	\$ --	\$ 773,589	\$ 272,863
Deferred credits and other liabilities - other	\$ 12,394,375	\$ 26,237,950	\$ 3,203,499
Accumulated other comprehensive income	\$ (7,530,428)	\$ (6,079,264)	\$ (688,429)

Defined Contribution Plan

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

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eligible compensation to the plan up to the maximum amounts established by the IRS. The plan provides employees the opportunity to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis. The plan provides for Company Matching Contributions for all participants and for certain eligible participants, a Company Retirement Contribution based on the participant's age and years of service. Vesting of all Company contributions ranges from immediate vesting to graduated vesting at 20% per year with 100% vesting when the participant has five years of service with the Company.

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Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		SERVICE COMPANY OPERATING REVENUES		
2	400	Service Company Operating Revenues	122,091,504	116,939,217
3		SERVICE COMPANY OPERATING EXPENSES		
4	401	Operation Expenses	115,279,744	109,072,649
5	402	Maintenance Expenses		
6	403	Depreciation Expenses	6,855,857	7,423,081
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	254,654	97,164
13	409.1	Income Taxes, Operating Income		
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work		
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	122,390,255	116,592,894
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	(298,751)	346,323
24		OTHER INCOME		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	25,057	1,737
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	526,142	248,754
29	421.1	Gain on Disposition of Property	22,886	
30		TOTAL OTHER INCOME (Total of Lines 25-29)	574,085	250,491
31		OTHER INCOME DEDUCTIONS		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	13,381	43,984
35	426.2	Life Insurance		
36	426.3	Penalties	(113,341)	232,042
37	426.4	Expenditures for Certain Civic, Political and Related Activities	124,205	113,059
38	426.5	Other Deductions	167,538	63,277
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	191,783	452,362

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Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
40		TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS		
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)		
47		INTEREST CHARGES		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	27,976	90,299
52	431	Other Interest Expense	55,575	54,153
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		TOTAL INTEREST CHARGES (Total of Lines 48-53)	83,551	144,452
55		NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)		
56		EXTRAORDINARY ITEMS		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		Net Extraordinary Items (Line 57 less Line 58)		
60	409.4	(less) Income Taxes, Extraordinary		
61		Extraordinary Items After Taxes (Line 59 less Line 60)		
62		NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)		

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

\$1,659 is tax return penalties and (\$115,000) reversal of NERC penalty assessed in 2011.

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\$231,500 is penalty on NERC compliance violations, \$400 late filing fee on property tax return and \$142 penalty on use tax payment

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

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

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		6,855,860	6,855,860			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	328	254,729	255,057			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services						
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies						
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income	730	24,328	25,058			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		526,142	526,142			
19	421.1	Gain on Disposition of Property		22,886	22,886			
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	7,900	5,481	13,381			
23	426.2	Life Insurance						
24	426.3	Penalties	(115,000)	1,659	(113,341)			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	54,101	70,104	124,205			
26	426.5	Other Deductions		167,538	167,538			
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		27,976	27,976			
31	431	Other Interest Expense	32,237	23,338	55,575			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	1,577,028	3	1,577,031			
34	510-515	Total Steam Power Generation Maintenance Expenses	277,804		277,804			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses						
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses						
39	546-550.1	Total Other Power Generation Operation Expenses	890,767		890,767			
40	551-554.1	Total Other Power Generation Maintenance Expenses	379,654		379,654			
41	555-557	Total Other Power Supply Operation Expenses	1,470		1,470			
42	560	Operation Supervision and Engineering	50,602		50,602			
43	561.1	Load Dispatch-Reliability						
44	561.2	Load Dispatch-Monitor and Operate Transmission System	273		273			
45	561.3	Load Dispatch-Transmission Service and Scheduling						
46	561.4	Scheduling, System Control and Dispatch Services						
47	561.5	Reliability Planning and Standards Development	247,634		247,634			
48	561.6	Transmission Service Studies						
49	561.7	Generation Interconnection Studies						
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)						
52	563	Overhead Line Expenses (Major Only)						
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)						
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	298,509		298,509			
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)						
66	571	Maintenance of Overhead Lines (Major Only)						
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses						
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	4,148		4,148			
74	590-598	Total Distribution Maintenance Expenses	1,364		1,364			
75		Total Electric Operation and Maintenance Expenses	3,409,580	6,833,332	10,242,912			
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses						
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses						
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	137,098		137,098			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	515		515			
106		Total Natural Gas Operation and Maintenance Expenses	137,613		137,613			
107	901	Supervision	36		36			
108	902	Meter reading expenses	784		784			
109	903	Customer records and collection expenses	79		79			
110	904	Uncollectible accounts						
111	905	Miscellaneous customer accounts expenses						
112	906	Total Customer Accounts Operation Expenses	899		899			
113	907	Supervision						
114	908	Customer assistance expenses	4,468		4,468			
115	909	Informational And Instructional Advertising Expenses	105,584		105,584			
116	910	Miscellaneous Customer Service And Informational Expenses						
117		Total Service and Informational Operation Accounts	110,052		110,052			
118	911	Supervision	68		68			
119	912	Demonstrating and Selling Expenses	3,436		3,436			
120	913	Advertising Expenses						
121	916	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses	3,504		3,504			
123	920	Administrative and General Salaries	20,866,270	34,401,441	55,267,711			
124	921	Office Supplies and Expenses	6,037,325	4,739,097	10,776,422			
125	923	Outside Services Employed	4,632,946	5,144,667	9,777,613			
126	924	Property Insurance	3,182,291	9,380	3,191,671			
127	925	Injuries and Damages	800,843	5,229,996	6,030,839			
128	926	Employee Pensions and Benefits	232,976	15,909,707	16,142,683			
129	928	Regulatory Commission Expenses	43,987		43,987			
130	930.1	General Advertising Expenses	281,962	308,836	590,798			
131	930.2	Miscellaneous General Expenses	188,153	2,145,371	2,333,524			
132	931	Rents	18,000	2,919,793	2,937,793			
133		Total Administrative and General Operation Expenses	36,284,753	70,808,288	107,093,041			
134	935	Maintenance of Structures and Equipment	1,548,375	2,948,395	4,496,770			
135		Total Administrative and General Maintenance Expenses	37,947,583	73,756,683	111,704,266			
136		Total Cost of Service	41,494,776	80,590,015	122,084,791			

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		6,855,860	6,855,860
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes	328	254,729	255,057
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies			
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income	730	24,328	25,058
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		526,142	526,142
19	421.1	Gain on Disposition of Property		22,886	22,886
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	7,900	5,481	13,381
23	426.2	Life Insurance			
24	426.3	Penalties	(115,000)	1,659	(113,341)
25	426.4	Expenditures for Certain Civic, Political and Related Activities	54,101	70,104	124,205
26	426.5	Other Deductions		167,538	167,538
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		27,976	27,976
31	431	Other Interest Expense	32,237	23,338	55,575
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	1,577,028	3	1,577,031
34	510-515	Total Steam Power Generation Maintenance Expenses	277,804		277,804

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses			
39	546-550.1	Total Other Power Generation Operation Expenses	890,767		890,767
40	551-554.1	Total Other Power Generation Maintenance Expenses	379,654		379,654
41	555-557	Total Other Power Supply Operation Expenses	1,470		1,470
42	560	Operation Supervision and Engineering	50,602		50,602
43	561.1	Load Dispatch-Reliability			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	273		273
45	561.3	Load Dispatch-Transmission Service and Scheduling			
46	561.4	Scheduling, System Control and Dispatch Services			
47	561.5	Reliability Planning and Standards Development	247,634		247,634
48	561.6	Transmission Service Studies			
49	561.7	Generation Interconnection Studies			
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)			
52	563	Overhead Line Expenses (Major Only)			
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)			
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	298,509		298,509
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)			
66	571	Maintenance of Overhead Lines (Major Only)			
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses			
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	4,148		4,148
74	590-598	Total Distribution Maintenance Expenses	1,364		1,364
75		Total Electric Operation and Maintenance Expenses	3,409,580	6,833,332	10,242,912
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses			
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses			
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	137,098		137,098

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	515		515
106		Total Natural Gas Operation and Maintenance Expenses	137,613		137,613
107	901	Supervision	36		36
108	902	Meter reading expenses	784		784
109	903	Customer records and collection expenses	79		79
110	904	Uncollectible accounts			
111	905	Miscellaneous customer accounts expenses			
112	906	Total Customer Accounts Operation Expenses	899		899
113	907	Supervision			
114	908	Customer assistance expenses	4,468		4,468
115	909	Informational And Instructional Advertising Expenses	105,584		105,584
116	910	Miscellaneous Customer Service And Informational Expenses			
117		Total Service and Informational Operation Accounts	110,052		110,052
118	911	Supervision	68		68
119	912	Demonstrating and Selling Expenses	3,436		3,436
120	913	Advertising Expenses			
121	916	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses	3,504		3,504
123	920	Administrative and General Salaries	20,866,270	34,401,441	55,267,711
124	921	Office Supplies and Expenses	6,037,325	4,739,097	10,776,422
125	923	Outside Services Employed	4,632,946	5,144,667	9,777,613
126	924	Property Insurance	3,182,291	9,380	3,191,671
127	925	Injuries and Damages	800,843	5,229,996	6,030,839
128	926	Employee Pensions and Benefits	232,976	15,909,707	16,142,683
129	928	Regulatory Commission Expenses	43,987		43,987
130	930.1	General Advertising Expenses	281,962	308,836	590,798
131	930.2	Miscellaneous General Expenses	188,153	2,145,371	2,333,524
132	931	Rents	18,000	2,919,793	2,937,793
133		Total Administrative and General Operation Expenses	36,284,753	70,808,288	107,093,041
134	935	Maintenance of Structures and Equipment	1,548,375	2,948,395	4,496,770
135		Total Administrative and General Maintenance Expenses	37,947,583	73,756,683	111,704,266
136		Total Cost of Service	41,494,776	80,590,015	122,084,791

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

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

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Wyodak Resources Development Corporation	1,873,275	4,691,004		6,564,279
2	Black Hills Wyoming	1,016,575	1,514,283		2,530,858
3	Enserco Energy Inc	952,971	509,882		1,462,853
4	Enserco Midstream LLC	8,729	7,727		16,456
5	EIF Investors, Inc	3,335			3,335
6	Black Hills Electric Generation Inc	185,673			185,673
7	Black Hills Non-regulated Holdings LLC	716,474			716,474
8	Black Hills Colorado IPP LLC	2,464,757	1,710,396		4,175,153
9	Generation Development Co LLC	2,262			2,262
10	Black Hills Exploration and Production Inc	1,502,736	5,134,194		6,636,930
11	Black Hills Gas Resources Inc	128,733	1,922,019		2,050,752
12	Black Hills Plateau Production Inc	139,638	825,269		964,907
13	Black Hills Midstream	111,386	175,070		286,456
14	Black Hills Power Inc	7,167,858	17,032,782		24,200,640
15	Cheyenne Light Fuel and Power	2,131,041	5,993,519		8,124,560
16	Black Hills Utility Holdings LLC	10,243,808	7,666,374		17,910,182
17	Black Hills Kansas Gas Utility Co LLC	1,851,353	5,219,582		7,070,935
18	Black Hills Iowa Gas Utility Co LLC	1,885,413	6,958,958		8,844,371
19	Black Hills Nebraska Gas Utility Co LLC	1,641,179	7,893,757		9,534,936
20	Black Hills Colorado Electric Utility Co LP	6,176,432	10,345,530		16,521,962
21	Black Hills Colorado Gas Utility Co LP	939,435	2,550,733		3,490,168
22	Black Hills Corporation	351,713	438,937		790,650
23					
24					
25					
26					
27					
28					
29					
30					
31					
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40	Total	41,494,776	80,590,016		122,084,792

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2012
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Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2012</u>
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Schedule XIX - Miscellaneous General Expenses - Account 930.2

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

Line No.	Title of Account (a)	Amount (b)
1	Office Expense	12,131
2	Travel	92,745
3	Meals	1,925
4	Vehicle expense	182
5	Consulting and other outside services	124,008
6	Dues	284,909
7	Director Fees	1,817,624
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40	Total	2,333,524

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Schedule XX - Organization Chart			

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

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

OFFICER	TITLE
David R. Emery	Chairman, President and Chief Executive Officer
Linden R. Evans	Chief Operating Officer – Utilities
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)
Robert A. Myers	Senior Vice President – Chief Human Resources Officer
Scott A. Buchholz	Senior Vice President – Chief Information Officer
Roxann R. Basham	Vice President – Governance and Corporate Secretary
Stephen L. Pella	Vice President – Corporate Affairs
Perry S. Krush	Vice President – Supply Chain
Richard W. Kinzley	Vice President – Corporate Controller (effective March 1, 2013)
Garner M. Anderson	Vice President – Chief Risk Officer
Brian G. Iverson	Vice President – Treasurer
Kyle D. White	Vice President – Regulatory Affairs
Jeffrey B. Berzina	Vice President – Strategic Planning and Development (effective March 1, 2013)
Ivan Vancas	Vice President – Operations Services

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Schedule XXI - Methods of Allocation			

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

ALLOCATION FACTORS

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

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

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

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

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

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

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

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

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Black Hills Service Company, LLC			2012
Schedule XXI - Methods of Allocation			

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

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

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

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

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

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

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

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

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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report
Black Hills Service Company, LLC			2012
Schedule XXI - Methods of Allocation			

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

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

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

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

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

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

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

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

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

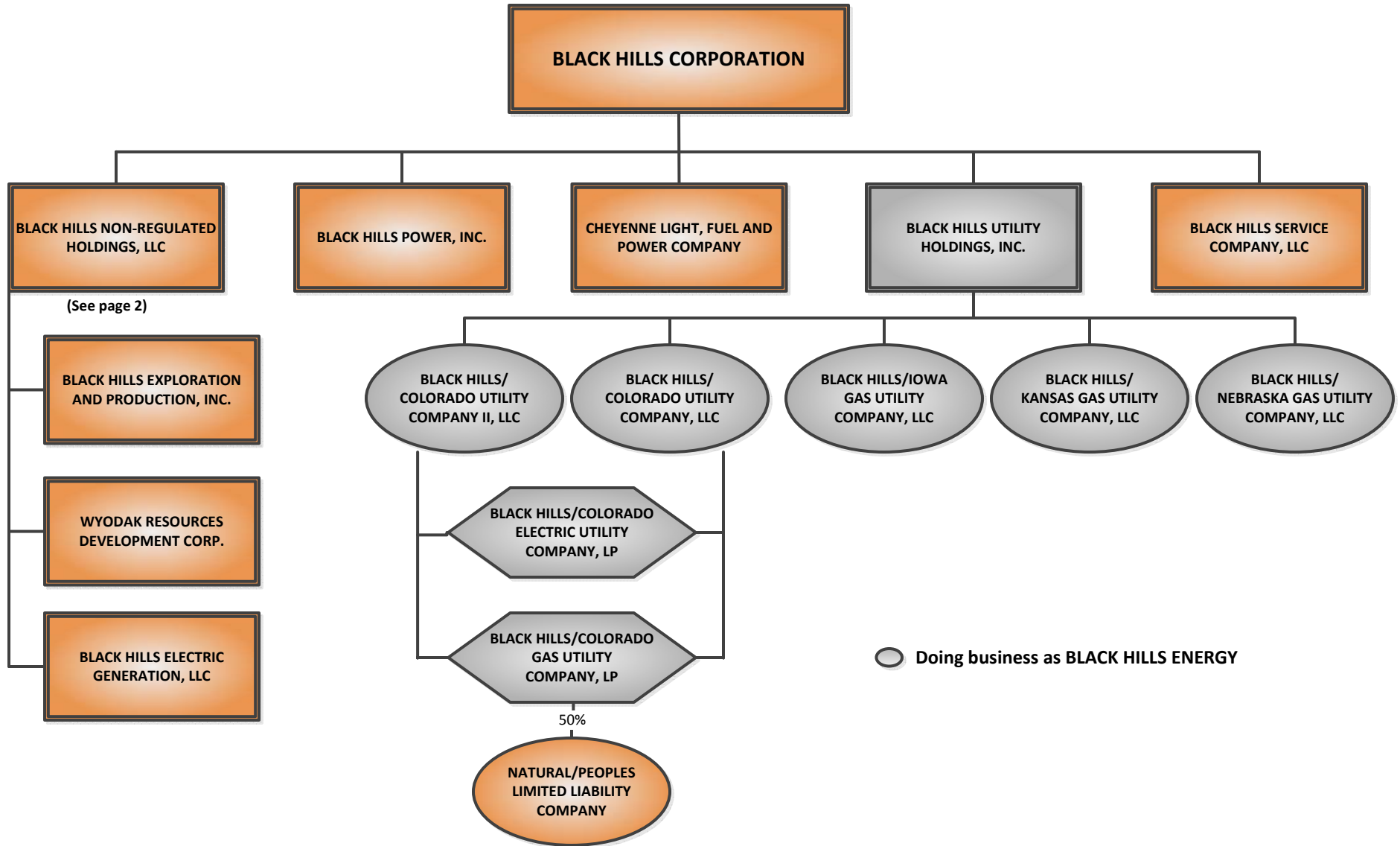
The Generation Plant Operations department utilizes this ratio.

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

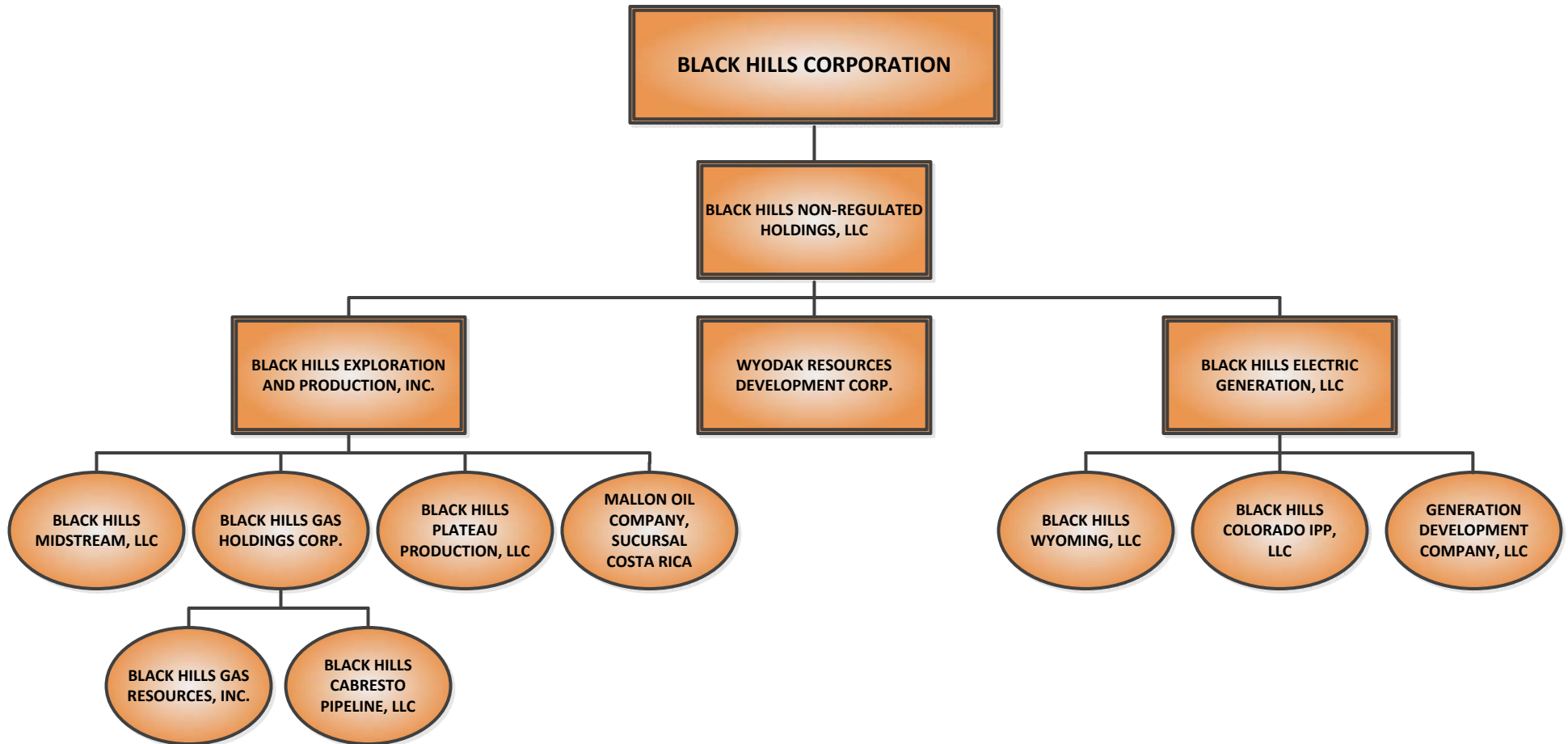
The Rapid City Plant Street Facility and the Denver Office Facility utilizes this ratio.

TAB B1

BLACK HILLS CORPORATION ORGANIZATIONAL CHART



BLACK HILLS CORPORATION ORGANIZATIONAL CHART



TAB B2

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

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

For the fiscal year ended December 31, 2012

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

For the transition period from _____ to _____

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

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

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

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

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

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

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

Yes No

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

At June 30, 2012 \$1,400,316,896

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

Class	Outstanding at January 31, 2013
Common stock, \$1.00 par value	44,222,903 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2013 Annual Meeting of Stockholders to be held on April 23, 2013, are incorporated by reference in Part III of this Form 10-K.

FORM 10-K

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

History and Organization

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

We operate principally in the United States with two major business groups: Utilities and Non-regulated Energy. Our Utilities Group is comprised of our regulated Electric Utilities and regulated Gas Utilities segments, and our Non-regulated Energy Group is comprised of our Power Generation, Coal Mining and Oil and Gas segments.

For more than 15 years, we also owned and operated Enserco, an energy marketing business that engaged in natural gas, crude oil, coal, power and environmental marketing and trading in the United States and Canada. On Feb. 29, 2012, we sold Enserco, representing our entire Energy Marketing segment, which resulted in this segment being classified as discontinued operations. For comparative purposes, all prior periods presented have been restated to reflect the reclassification of this segment as discontinued operations. See Note 23 in the accompanying Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further details.

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

Our Electric Utilities segment generates, transmits and distributes electricity to approximately 202,000 electric customers in South Dakota, Wyoming, Colorado and Montana and also distributes natural gas to approximately 35,000 gas utility customers of Cheyenne Light in Cheyenne, Wyo. Our Gas Utilities segment serves approximately 532,000 natural gas utility customers in Colorado, Nebraska, Iowa and Kansas. Our Electric Utilities own 859 megawatts of generation and 8,530 miles of electric transmission and distribution lines, and our Gas Utilities own 624 miles of intrastate gas transmission pipelines and 19,979 miles of gas distribution mains and service lines. Our Utilities Group generated net income of \$79.6 million for the year ended Dec. 31, 2012 and had total assets of \$3.2 billion at Dec. 31, 2012.

Our Power Generation segment produces electric power from our generating plants and sells the electric capacity and energy primarily to our utilities under long-term contracts. Our Coal Mining segment produces coal at our coal mine near Gillette, Wyo. Our Oil and Gas segment engages in the exploration, development and production of crude oil and natural gas, primarily in the Rocky Mountain region. Our Non-regulated Energy Group generated net income of \$24.7 million for the year ended Dec. 31, 2012 and had total assets of \$0.5 billion at Dec. 31, 2012.

Segment Financial Information

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

Discontinued Operations in the accompanying financial information includes the results of our Energy Marketing segment sold in February 2012.

As a result of the Aquila Transaction, we acquired whole and partial liabilities for several former manufactured gas processing sites in Nebraska and Iowa which were previously used to convert coal to natural gas. The acquisition provided for a \$1.0 million insurance recovery, now valued at \$1.1 million, which will be used to help offset remediation costs. The remediation cost estimate could change materially due to results of further investigations, actions of environmental agencies or the financial viability of other responsible parties.

In March 2011, Nebraska Gas executed an Allocation, Indemnification and Access Agreement with the successor to the former operator of the Nebraska MGPs. Under this agreement, Nebraska Gas received \$1.9 million from the successor to the operator for Nebraska Gas to remediate two sites in Nebraska (Blair and Plattsmouth) and the successor would be responsible for remediation activity at the two remaining sites in Nebraska (Columbus and Norfolk). Subsequent to this transaction, Nebraska Gas enrolled Blair and Plattsmouth in Nebraska's Voluntary Cleanup Program. Site remediation was completed in September 2012, however there is a potential for additional minimal remediation work at Plattsmouth. If required, it is expected to be completed by mid-2013. Both Nebraska sites will be required to monitor groundwater quality for a minimum two year period.

As of Dec. 31, 2012, we estimate a range of approximately \$2.9 million to \$6.3 million to remediate these MGP sites in both Nebraska and Iowa.

Prior to Black Hills Corporation's ownership, Aquila received rate orders that enabled recovery of environmental cleanup costs in certain jurisdictions. We anticipate recovery of these current and future costs would be allowed. Additionally, we may pursue recovery or agreements with other potentially responsible parties when and where permitted.

Non-regulated Energy Group

Our Non-regulated Energy Group, which operates through various subsidiaries, produces and sells electric capacity and energy through a portfolio of generating plants, produces and sells coal from our mine located in the Powder River Basin in Wyoming and acquires, explores for, develops and produces natural gas and crude oil primarily in the Rocky Mountain region. The Non-regulated Energy Group consists of three business segments for reporting purposes:

- Power Generation
- Coal Mining
- Oil and Gas

For more than 15 years, we also owned and operated Enserco, an energy marketing business that engaged in natural gas, crude oil, coal, power and environmental marketing and trading in the United States and Canada. On Feb. 29, 2012, we sold Enserco, our Energy Marketing segment, which resulted in this segment being classified as discontinued operations. For comparative purposes, all prior periods presented have been restated to reflect the reclassification of this segment as discontinued operations.

Power Generation Segment

Our Power Generation segment, which operates through **Black Hills Electric Generation and its subsidiaries**, acquires, develops and operates our non-regulated power plants. As of Dec. 31, 2012, we held varying interests in independent power plants operating in Wyoming and Colorado with a total net ownership of 309 MW.

Portfolio Management

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

As of Dec. 31, 2012, the power plant ownership interests held by our Power Generation segment included:

Power Plants	Fuel Type	Location	Ownership Interest	Owned Capacity (MW)	In Service Date
Gillette CT	Gas	Gillette, Wyo.	100.0%	40.0	2001
Wygen I	Coal	Gillette, Wyo.	76.5%	68.9	2003
Pueblo Airport Generation ⁽¹⁾	Gas	Pueblo, Colo.	100.0%	200.0	2012
				308.9	

(1) Black Hills Colorado IPP owns and operates this facility. This facility provides capacity and energy to Colorado Electric under a 20-year PPA with Colorado Electric. This PPA is accounted for as a capital lease.

Black Hills Wyoming - Gillette CT. The Gillette CT is a simple-cycle, gas-fired combustion turbine located at our Gillette, Wyo. energy complex. The facility's energy and capacity is sold to Cheyenne Light under a 3-year PPA that expires in August 2014. We are exploring various alternatives for the Gillette CT following expiration of its contract with Cheyenne Light, including contracting or selling the unit to another party. We sell excess power from our generating capacity into the wholesale power markets when it is available and economical.

Black Hills Wyoming - Wygen I. The Wygen I generation facility is a mine-mouth, coal-fired power plant with a total capacity of 90 megawatts located at our Gillette, Wyo. energy complex. We own 76.5 percent of the plant. We sell 60 megawatts of unit contingent capacity and energy from this plant to Cheyenne Light under a PPA that expires on Dec. 31, 2022. The PPA includes an option for Cheyenne Light to purchase Black Hills Wyoming's ownership interest in the Wygen I facility between 2013 and 2019. The purchase price in the contract related to the option is \$2.6 million per megawatt reduced annually by an amount of annual depreciation assuming a facility life of 35 years. We expect Cheyenne Light to exercise its option to purchase sometime during the next several years. We sell excess power from our generating capacity into the wholesale power markets when it is available and economical.

Black Hills Colorado IPP - Pueblo Airport Generation. The Pueblo Airport Generation facility consists of two 100 megawatt combined-cycle gas-fired power generation plants located at a site shared with Colorado Electric. The plants commenced operation on Jan. 1, 2012, and the assets are accounted for as a capital lease under a 20-year PPA with Colorado Electric. Under the PPA with Colorado Electric, Colorado Electric has the ability to utilize our generating plants to sell energy in the wholesale power markets when it is available and economical.

Operating Agreement. Black Hills Wyoming and MEAN are parties to a shared joint ownership agreement, whereby Black Hills Wyoming charges MEAN for administrative services, plant operations and maintenance for their share of the Wygen I generating facility for the life of the plant.

Competition. The independent power industry consists of many strong and capable competitors, some of which may have more extensive operating experience, or greater financial resources than we possess.

With respect to the merchant power sector, FERC has taken steps to increase access to the national transmission grid by utility and non-utility purchasers and sellers of electricity, and foster competition within the wholesale electricity markets. Our Power Generation business could face greater competition if utilities are permitted to robustly invest in power generation assets. However, state regulatory rules requiring utilities to competitively bid generation resources may provide opportunity for independent power producers in some regions.

Environmental Regulation. Many of the environmental laws and regulations applicable to our regulated Electric Utilities also apply to our Power Generation operations. See the discussion above under the "Environmental" and "Regulation" captions for the Utilities Group for additional information on certain laws and regulations.

The Energy Policy Act of 1992. The passage of the Energy Policy Act of 1992 encouraged independent power production by providing certain exemptions from regulation for EWGs. EWGs are exclusively in the business of owning or operating, or both owning and operating, eligible power facilities and selling electric energy at wholesale. EWGs are subject to FERC regulation, including rate regulation. We own three EWGs: Gillette CT, Wygen I and 200 megawatts at the Pueblo Airport Generating Facility. Our EWGs have been granted market-based rate authority, which allows FERC to waive certain accounting, record-keeping and reporting requirements imposed on public utilities with cost-based rates.

FORM 10K

Clean Air Act. The Clean Air Act impacts our Power Generation business in a manner similar to the impact disclosed for our Electric Utilities. Our Gillette CT, Wygen I and Pueblo Airport Generating facilities are subject to Titles IV and V of the Clean Air Act and have the required permits in place or have applications submitted in accordance with regulatory time lines. As a result of SO₂ allowances credited to us from the installation of sulfur removal equipment at our jointly owned Wyodak plant, we hold sufficient allowances for our Gillette CT and Wygen I plants through 2042, without purchasing additional allowances. The EPA's MACT rule described in the Utilities Group section will apply to Wygen I.

Clean Water Act. The Clean Water Act impacts our Power Generation business in a manner similar to the impact described above for our Electric Utilities. Each of our facilities that is required to have NPDES permits have those permits and are in compliance with discharge limitations. Also, as the EPA regulates surface water oil pollution prevention through its oil pollution prevention regulations, each of our facilities regulated under this program have the requisite plans in place.

Solid Waste Disposal. We dispose of all Wygen I coal ash and scrubber wastes in mined areas at our WRDC coal mine under the terms and conditions of a state permit. The factors discussed under this caption for the Utilities Group also impact our Power Generation segment in a similar manner.

Greenhouse Gas Regulations. The EPA's GHG Tailoring Rule described in the Utilities Group section will apply to the Gillette CT, Wygen I and the Pueblo Airport Generating units upon a major modification, upon operating permit renewal or in the case of Pueblo Airport Generating Facility, upon initial issuance of the Title V operating permit.

Coal Mining Segment

Our Coal Mining segment operates through our WRDC subsidiary. We surface mine, process and sell low-sulfur sub-bituminous coal at our coal mine near Gillette, Wyo. The WRDC coal mine, which we acquired in 1956 from Homestake Gold Mining Company, is located in the Powder River Basin. The Powder River Basin contains one of the largest coal reserves in the United States. We produced approximately 4.2 million tons of coal in 2012.

Surface mining involves removing the topsoil, then drilling and blasting the overburden (earth and rock covering the coal) with explosives. We then remove the overburden with equipment. Once exposed, we drill, fracture and systematically remove the coal using haul trucks and conveyors to transport the coal to the mine-mouth generating facility. We reclaim disturbed areas as part of our normal mining activities by back-filling the pit with overburden removed during the mining process. Once we have replaced the overburden and topsoil, we re-establish vegetation and plant life in accordance with our Post Mining Topography plan.

In a basin characterized by thick coal seams, our overburden ratio, a comparison of the cubic yards of dirt removed to a ton of coal uncovered, had in recent years trended upwards. The overburden ratio decreased in the second half of 2012 when we relocated mining operations to an area of the mine with lower overburden. We expect a lower overburden ratio for the next several years.

Mining rights to the coal are based on four federal leases and one state lease. The federal leases expire between Sept. 30, 2015 - March 31, 2021 and the state lease expires on Aug. 1, 2013. The duration of the leases vary; however, the lease terms generally are extended to the exhaustion of economically recoverable reserves, as long as active mining continues. We pay federal and state royalties of 12.5 percent and 9.0 percent, respectively, of the selling price of all coal. As of Dec. 31, 2012, we estimated our recoverable coal reserves to be approximately 232.3 million tons, based on a life-of-mine engineering study utilizing currently available drilling data and geological information prepared by internal engineering studies. The recoverable coal reserve life is equal to approximately 46 years at the current expected production levels. Our recoverable coal reserve estimates are periodically updated to reflect past coal production and other geological and mining data. Changes in mining methods or the utilization of new technologies may increase or decrease the recovery basis for a coal seam. Our recoverable coal reserves include reserves that can be economically and legally extracted at the time of their determination. We use various assumptions in preparing our estimate of recoverable coal reserves. See Risk Factors under Coal Mining for further details.

Substantially all of our coal production is currently sold under mid-term and long-term contracts to:

- our electric utilities, Black Hills Power and Cheyenne Light. During 2012, Black Hills Power suspended operations at the 25 megawatt Ben French plant effective on Aug. 31, 2012 and announced the retirement of the Ben French plant and the 21.8 megawatt Neil Simpson I plant effective March 21, 2014 to which we sell approximately 120,000 and 130,000 tons of coal per year, respectively;

- the 362 megawatt Wyodak power plant owned 80 percent by PacifiCorp and 20 percent by Black Hills Power. PacifiCorp is obligated to purchase a minimum of 1.5 million tons of coal each year of the contract term, subject to adjustments for planned outages. This contract expires at the end of December 2022;
- the 110 megawatt Wygen III power plant owned 52 percent by Black Hills Power, 25 percent by MDU and 23 percent by the City of Gillette to which we sell approximately 600,000 tons of coal each year. This contract expires June 1, 2060;
- the 90 megawatt Wygen I power plant owned 76.5 percent by Black Hills Wyoming and 23.5 percent by MEAN to which we sell approximately 600,000 tons of coal each year. This contract expires at the end of June 2038; and
- certain regional industrial customers served by truck to which we sell approximately 165,000 tons of coal each year. These contracts are short-term and have a 1-3 year time range.

Our Coal Mining segment sells coal to Black Hills Power and Cheyenne Light for all of their requirements under cost-based agreements that regulate earnings from these affiliate coal sales to a specified return on our coal mine's cost-depreciated investment base. The return is 4 percent above A-rated utility bonds, to be applied to our coal mining investment base as determined each year. Black Hills Power made a commitment to the SDPUC, the WPSC and the City of Gillette that coal for Black Hills Power's operating plants would be furnished and priced as provided by that agreement for the life of the Neil Simpson II plant and through June 1, 2060 for Wygen III. The agreement with Cheyenne Light provides coal for the life of the Wygen II plant.

The price for unprocessed coal sold to PacifiCorp for its 80 percent interest in the Wyodak plant is determined by the coal supply agreement described above. The agreement includes price adjustments in 2014 and 2019, which essentially allow us to retain the economic advantage of the mine's location adjacent to the plant. The price adjustments will be based on the market price of coal plus considerations for the avoided costs of rail transportation and a coal unloading facility which PacifiCorp would have to incur if it purchased coal from another mine.

WRDC supplies coal to Black Hills Wyoming for the Wygen I generating facility for requirements under an agreement using a base price that includes price escalators and quality adjustments through June 30, 2038 and includes actual costs per ton plus a margin equal to the yield for Moody's A-Rated 10-Year Corporate Bond Index plus 4 percent with the base price being adjusted on a 5-year interval. The agreement stipulates that WRDC will supply coal to the 90 megawatt Wygen I plant through June 30, 2038.

Competition. Our primary strategy is to sell the majority of our coal production to on-site, mine-mouth generation facilities under long-term supply contracts. Historically, off-site sales have been to consumers within a close proximity to the mine. Rail transport market opportunities for WRDC coal are limited due to the lower heating value (Btu) of the coal, combined with the fact that the Wyodak coal mine is served by only one railroad, resulting in less competitive transportation rates. Management continues to explore the limited market opportunities for our product.

Additionally, coal competes with other energy sources, such as natural gas, wind, solar and hydropower. Costs and other factors relating to these alternative fuels, such as safety, environmental considerations and availability affect the overall demand for coal as a fuel.

Environmental Regulation. The construction and operation of coal mines are subject to environmental protection and land use regulation in the United States. These laws and regulations often require a lengthy and complex process of obtaining licenses, permits and approvals from federal, state and local agencies. Many of the environmental issues and regulations discussed under the Utilities Group also apply to our Coal Mining segment.

Operations at WRDC must regularly address issues arising due to the proximity of the mine disturbance boundary to the City of Gillette and to related residential and industrial development. Homeowner complaints and challenges to the permits may occur as mining operations move closer to residential development areas. Specific concerns could include fugitive dust emissions and vibration and nitrous oxide fumes from blasting. To mitigate these concerns, WRDC is actively pursuing the establishment of buffer zones through land purchases and long-term leases.

Ash is the inorganic residue remaining after the combustion of coal. Ash from our South Dakota and Wyoming power plants, as well as PacifiCorp's Wyodak power plant, is disposed of in the mine and is utilized for backfill to meet permitted post-mining contour requirements. The EPA has proposed national disposal regulations that include multiple options, one of which regulates coal ash as a hazardous waste. The public comment period ended in November 2010, and a final rule is expected in 2013. While the proposed combustion residuals regulations do not address mine backfill, it is widely expected that the U.S. Office of Surface Mining will collaborate with the EPA to address mine backfill in the near future. If the ash is regulated as a hazardous waste, the implementation requirements of more stringent management, handling, storage, transportation and disposal requirements will likely increase the cost of ash disposal for the power plants and/or increase backfill costs for the coal mine.

Mine Reclamation. Reclamation is required during production and after mining has been completed. Under applicable law, we must submit applications to, and receive approval from, the WDEQ for any mining and reclamation plan that provides for orderly mining, reclamation, and restoration of the WRDC mine. We have approved mining permits and are in compliance with other permitting programs administered by various regulatory agencies. The WRDC coal mine is permitted to operate under a five year mining permit issued by the State of Wyoming. The current permit expires in 2016. Based on extensive reclamation studies, we have accrued approximately \$20.3 million for reclamation costs as of Dec. 31, 2012. Mining regulatory requirements continue to increase, which impose additional cost on the mining process.

Oil and Gas Segment

Our Oil and Gas segment, which conducts business through **BHEP and its subsidiaries**, acquires, explores for, develops and produces natural gas and crude oil primarily in the Rocky Mountain region.

As of Dec. 31, 2012, the principal assets of our Oil and Gas segment included: (i) operating interests in crude oil and natural gas properties, including properties in the San Juan Basin (including holdings primarily on the tribal lands of the Jicarilla Apache Nation in New Mexico and Southern Ute Nation in Colorado), the Powder River Basin (Wyoming) and the Piceance Basin (Colorado); (ii) non-operated interests in crude oil and natural gas properties including wells located in the Williston (Bakken Shale in North Dakota), Wind River (Wyoming), Bear Paw Uplift (Montana), Arkoma (Oklahoma), Anadarko (Texas) and Sacramento (California) basins; and (iii) a 44.7 percent ownership interest in the Newcastle gas processing plant and associated gathering system located in Weston County, Wyoming. The plant, operated by Western Gas Partners, LP, is adjacent to our producing properties in that area, and BHEP's production accounts for the majority of the facility's throughput. We also own natural gas gathering, compression and treating facilities serving the operated San Juan and Piceance Basin properties and working interests in similar facilities serving our non-operated Montana and Wyoming properties.

At Dec. 31, 2012, we had total reserves of approximately 81 Bcfe, of which natural gas comprised 69 percent and crude oil comprised 31 percent. The majority of our reserves are located in select crude oil and natural gas producing basins in the Rocky Mountain region. Approximately 36 percent of our reserves are located in the San Juan Basin of northwestern New Mexico, primarily in the East Blanco Field of Rio Arriba County; 35 percent are located in the Powder River Basin of Wyoming, primarily in the Finn-Shurley Field of Weston and Niobrara counties; and 15 percent are located in the Piceance Basin of western Colorado, primarily in Mesa county.

Effective July 1, 2012 we sold approximately 85 percent of our Bakken and Three Forks shale assets in the Williston Basin in North Dakota, including approximately 73 gross wells and 28,000 net leasehold acres.

Summary Oil and Gas Reserve Data

The summary information presented for our estimated proved developed and undeveloped crude oil and natural gas reserves and the 10 percent discounted present value of estimated future net revenues is based on reports prepared by Cawley Gillespie & Associates, an independent consulting and engineering firm located in Fort Worth, Texas. Reserves were determined consistent with SEC requirements using a 12-month average product price calculated using the first-day-of-the-month price for each of the 12 months in the reporting period held constant for the life of the properties. Estimates of economically recoverable reserves and future net revenues are based on a number of variables, which may differ from actual results. Reserves for crude oil and natural gas are reported separately and then combined for a total MMcfe (where oil in Mbbl is converted to an MMcfe basis by multiplying Mbbl by six).

The SEC definition of “reliable technology” allows the use of any reliable technology to establish reserve volumes in addition to those established by production and flow test data. This definition allows, but does not require us, to book PUD locations that are more than one location away from a producing well. We elected to only include PUDs which are one location away from a producing well in our volume reserve estimate. Companies are allowed, but not required, to disclose probable and possible reserves. We have elected not to report these additional reserve categories. Additional information on our oil and gas reserves, related financial data and the SEC requirements can be found in Note 21 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

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

CG&A is a Texas Registered Engineering Firm. Our primary contact at CG&A is Mr. Zane Meekins. Mr. Meekins has been practicing consulting petroleum engineering since 1989. Mr. Meekins is a Registered Professional Engineer in the State of Texas and has over 24 years of practical experience in petroleum engineering and over 22 years of experience in the estimation and evaluation of reserves. He graduated from Texas A&M University in 1987 with a Bachelor of Science in Petroleum Engineering. Mr. Meekins meets or exceeds the education, training and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers and he is proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying SEC and other industry reserves definitions and guidelines.

BHEP’s Manager of Planning and Analysis is the technical person primarily responsible for overseeing our third party reserve estimates. He has over 32 years of exploration and production industry experience as a geologist and financial analyst. He has over 22 years of experience working closely with internal and third party qualified reserve estimators in major and mid-sized oil and gas companies. He holds a Bachelor of Science degree in Geology and a Masters in Business Administration.

Minor differences in amounts may result in the following tables relating to oil and gas reserves due to rounding.

TAB B3

**LIST OF OFFICERS
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**

OFFICER	TITLE	AREA OF RESPONSIBILITY
David R. Emery	Chairman and Chief Executive Officer	Oversees all company operations
Linden R. Evans	President and Chief Operating Officer – Utilities	Oversees all utility operations
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)	Oversees finance, accounting
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)	Legal, compliance, contracts
Robert A. Myers	Senior Vice President – Chief Human Resources Officer	Compensation, benefits
Scott A. Buchholz	Senior Vice President – Chief Information Officer	Information technology, billing systems, customer information, supply chain
Roxann R. Basham	Vice President – Governance and Corporate Secretary	Company records, internal audit
Stephen L. Pella	Vice President – Corporate Affairs	Oversees regulatory affairs, resource planning, public relations, governmental affairs, marketing
Perry S. Krush	Vice President – Supply Chain	Supply chain
Richard W. Kinzley	Vice President – Corporate Controller	Accounting
Brian G. Iverson	Vice President – Treasurer	Financing, cash management
Kyle D. White	Vice President – Regulatory Affairs	Regulatory affairs
Jeffrey B. Berzina	Vice President – Strategic Planning and Development	Planning, strategy
Stuart A. Wevik	Vice President – Utility Operations	Oversees utility operations
Ivan Vancas	Vice President – Operations Services	Safety, environmental, marketing services

OFFICER	TITLE	AREA OF RESPONSIBILITY
Randy D. Winkelman	Vice President – Customer Service	Customer service, customer billing
Trent Cozad	Vice President – Natural Gas Supply Services	Gas purchases
Steven M. Jurek	Vice President – Regulatory Services	Regulatory filings, rates
Wendy M. Moser	Vice President – Regulatory Services and Resource Planning	Resource planning, regulatory affairs, rates

Corey Coker,
Colorado Electric Lineman

Closed sale of
oil and gas assets

Busch Ranch
Wind Farm
goes online

Received PSC approval to
build Cheyenne Prairie
Generating Station

Announced
suspension of older
coal-fired plants



2012 Annual Report
Proxy Statement
Form 10K

Black Hills Corporation Board of Directors

2012 Annual Report



David Emery, age 50, was elected Chairman in April 2005 and has been President and Chief Executive Officer and a member of the Board of Directors since January 2004. Previously, he was our President and Chief Operating

Officer - Retail Business Segment from April 2003 to January 2004 and Vice President - Fuel Resources from January 1997 to April 2003.



Jack Eugster, age 67, was elected to the Board of Directors in 2004 and currently chairs the Compensation Committee.

Eugster was Chairman, Chief Executive Officer and President of Musicland Stores, Inc. from 1980 until his retirement in 2001. He was Non-Executive Chairman of Shopko Stores, Inc., a general merchandise discount store chain, from 2001 to 2005. He also serves on the board of directors of Graco, Inc. and Life Time Fitness.



Michael Madison, age 64, was elected to the Board of Directors in May 2012. Madison was President, Chief Executive Officer and a Director of Cleco Corporation, a public utility company, from 2005 to 2011. He was President

and Chief Operating Officer of Cleco Power, LLC, from 2003 to 2005 and State President, Louisiana-Arkansas with American Electric Power, from 2000 to 2003.



Steven Mills, age 57, was elected to the Board of Directors in October 2011. Mills has been Chief Financial Officer of Amyris, Inc., an integrated renewable products company, since May 2012. He was Senior Executive Vice President

Performance and Growth of Archer Daniels Midland Company, a processor, transporter, buyer and marketer of agricultural products, from 2010 to February 2012, Executive Vice President and Chief Financial Officer from 2008 to 2010, and Senior Vice President, Strategic Planning from 2006 to 2008.



Stephen Newlin, age 60, was elected to the Board of Directors in 2004 and currently chairs the Governance Committee. Newlin has been Chairman, President and Chief Executive Officer of PolyOne Corporation, a global

provider of specialized polymer materials, services and solutions, since 2006. He was President of the Industrial Sector of Ecolab, Inc., a global leader of services, specialty chemicals and equipment serving industrial and institutional clients, from 2003 to 2006. He also serves on the board of directors of OshKosh Corporation.



Gary Pechota, age 63, was elected to the Board of Directors in 2007. Pechota has been President and Chief Executive Officer of DT-TRAK Consulting, Inc., a medical billing services company, since 2007. He was retired from 2005 to 2007.

Before that, he was Chief of Staff of the National Indian Gaming Commission from 2003 to 2005. He previously held executive positions in the cement industry and positions in finance and accounting. He also serves on the board of directors of Insteel Industries, Inc.



Rebecca Roberts, age 60, was elected to the Board of Directors in 2011. Roberts was President of Chevron Pipe Line Company, a pipeline company transporting crude oil, refined petroleum products, liquefied petroleum

gas, natural gas and chemicals within the United States, from 2006 to February 2011. Before that, she was President of Chevron Global Power Generation from 2003 to 2006. She also serves on the board of directors of Enbridge Energy Company, Inc. and Enbridge Energy Management, LLC.



Warren Robinson, age 62, was elected to the Board of Directors in 2007 and currently chairs the Audit Committee. Robinson was Executive Vice President, Treasurer and Chief Financial Officer of MDU Resources Group, Inc., a

diversified energy and resources company, from 1992 until his retirement in January 2006.



John Vering, age 63, was elected to the Board of Directors in 2005. Vering has been Managing Director of Lone Mountain Investments, Inc., an oil and gas investments firm, since 2002.

He served as Interim President and General Manager of Black Hills Exploration & Production, our oil and gas subsidiary, from May 2010 to December 2011. He previously held several executive positions in the oil and gas industry.



Thomas Zeller, age 65, was elected to the Board of Directors in 1997 and currently serves as Presiding Director. Zeller was Chief Executive Officer of RESPEC, a technical consulting and services firm with expertise in

engineering, information technologies and water and natural resources specializing in emerging environmental protection protocols, from January 2011 to August 2011 and served as President from 1995 to January 2011.

Stephen D. Newlin, 60, has been a director of the Company since 2004.

Chairman, President and Chief Executive Officer of PolyOne Corporation, a global provider of specialized polymer materials, services and solutions, since 2006. Former President, Industrial Sector, Ecolab, Inc., a global leader of services, specialty chemicals and equipment serving industrial and institutional clients, from 2003 to 2006. Served as President and a Director of Nalco Chemical Company, a manufacturer of specialty chemicals, services and systems, from 1998 to 2001 and Chief Operating Officer and Chairman from 2000 to 2001. Director of OshKosh Corporation since January 2013 and formerly Director of Valspar Corporation from 2007 to February 2012.

Mr. Newlin has been a director of several other public company and non-profit boards in addition to those identified above. He has industry experience in chemicals, water treatment, power generation, mining, energy, petro-chemical and polymer compounds. Mr. Newlin's experience as an active chairman and chief executive officer of a public company and experience on other public company boards provides an in-depth business, financial and strategic acumen that strengthens our Board's collective qualifications, skills and experience and enables him to be an effective Governance Committee Chairman.

CORPORATE GOVERNANCE

Corporate Governance Guidelines. Our Board of Directors has adopted corporate governance guidelines titled "Corporate Governance Guidelines of the Board of Directors," which guide the operation of our Board and assist the Board in fulfilling its obligations to shareholders and other constituencies. The guidelines lay the foundation for the Board's responsibilities, operations, leadership, organization and committee matters. The Governance Committee reviews the guidelines annually, and the guidelines may be amended at any time, upon recommendation by the Governance Committee and approval of the Board. These guidelines can be found in the "Governance" section of our website (www.blackhillscorp.com/corpgov.htm).

Board Independence. In accordance with New York Stock Exchange rules, the Board of Directors through its Governance Committee affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the New York Stock Exchange listing standards. These guidelines are contained in our Policy for Director Independence, which can be found in the "Governance" section of our website (www.blackhillscorp.com/corpgov.htm). Based on these standards, the Governance Committee determined that each of the following non-employee directors is independent and has no relationship with us, except as a director and shareholder:

Jack W. Eugster	Michael H. Madison	Rebecca B. Roberts
Stephen D. Newlin	Gary L. Pechota	Thomas J. Zeller
Warren L. Robinson	Steven R. Mills	

In addition, based on such standards, the Governance Committee determined that Messrs. Emery and Vering are not independent. Mr. Emery is not independent because he is our Chairman, President and Chief Executive Officer ("CEO"). Mr. Vering is not independent because he served as Interim President and General Manager of our oil and gas subsidiary during a portion of 2010 and 2011.

Board Leadership Structure. As noted above, our Board is currently comprised of ten directors, eight of whom are independent. Mr. Emery has served as our Chairman of the Board and CEO since 2005 and has been a member of our Board since 2004. Mr. Emery provides strategic, operational, and technical expertise and context for the matters considered by our Board. After considering alternative board leadership structures, our Board chose to retain the ability to balance an independent Board structure with the designation of a Presiding Director and to appoint as Chairman a CEO-Director with knowledge of and experience in the operations of our Company. At this time, our Board believes that having a single person serve as Chairman and CEO provides unified and responsible leadership for our Company and in conjunction with the Presiding Director provides the proper balance to ensure the Board receives the information, experience and direction it needs to effectively govern.

Our Board has and continues to value a high degree of Board independence. As a result, our corporate governance structure and practices promote a strong, independent Board and include several independent oversight mechanisms. Only independent directors serve on our Audit, Compensation and Governance Committees. Our Board believes these practices ensure that experienced and independent directors will continue to effectively oversee management and critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity. All of our Board committees may seek legal, financial or other expert advice from a source independent of management.

Our Board annually appoints an independent Presiding Director. Thomas J. Zeller is our current Presiding Director and has served in this role since May 2010. The responsibilities of Presiding Director, as provided in the Board's Governance Guidelines, are to chair executive sessions of the independent directors and communicate the Board's annual evaluation of the CEO. The Presiding Director, together with the independent directors, establishes the agenda for executive sessions, which are held at each regular Board meeting. The Presiding Director serves as a liaison between the independent members of the Board and the CEO and discusses, to the extent appropriate, matters raised by the independent directors in executive session. The Presiding Director also consults with the Chairman regarding meeting agendas and presides over regular meetings of the Board in the absence of the Chairman. This leadership structure provides consistent and effective oversight of our management and our Company.

Risk Oversight. Our Board oversees an enterprise approach to risk management that supports our operational and strategic objectives. The Corporate Governance Guidelines of our Board of Directors provide that the Board will review major risks facing our Company and the options for risk mitigation presented by management. Our Board delegates oversight of certain risk considerations to its committees within each of their respective areas of responsibility; however, the full Board monitors risk relating to strategic planning and execution, as well as executive succession. Financial risk oversight falls within the purview of our Audit Committee. Our Compensation Committee oversees compensation and benefit plan risks. Each committee reports to the full Board.

Our Board reviews any material changes in our key enterprise risk management issues with management at each quarterly Board meeting in conjunction with the presentation of quarterly financial results. In so doing, our Board seeks to ensure appropriate risk mitigation strategies are implemented by management on an ongoing basis. Operational and strategic plan presentations by management to our Board include consideration of the challenges and risks to our business. Our Board and management actively engage in discussions of these topics and utilize outside consultants as needed. Our Board oversees the assessment of our strategic plan risks as part of our strategic planning process. In addition, our Board periodically receives safety performance, environmental, legal and compliance reports.

Our Audit Committee oversees management's strategy and performance relative to our significant financial risks. In consultation with management, the independent auditors and the internal auditors, the Audit Committee discusses our risk assessment, risk management and credit policies and reviews significant financial risk exposures along with steps management has taken to monitor, mitigate and report such exposures. At least twice a year, our Chief Risk Officer provides a Risk and Credit Report to the Audit Committee. We adopted a Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within established risk tolerances.

Our Compensation Committee adopted an executive compensation philosophy that provides the foundation for our executive compensation program. The executive compensation philosophy states that the executive pay program should be market-based and maintain an appropriate and competitive balance between fixed and variable pay elements, short- and long-term compensation and cash and stock-based compensation. The Compensation Committee establishes company-specific performance goals with potential incentive payouts for our executive officers to motivate and reward performance, consistent with our long-term success. The target compensation for our senior officers is heavily weighted in favor of long-term incentives, aligning performance incentives with long-term results for our shareholders. Our Compensation Committee also sets minimum performance thresholds and maximum payouts in the incentive programs and maintains the discretion to reduce awards if excessive risk is taken. Stock ownership guidelines established for all of our officers require our executives to hold 100 percent of all shares awarded to them (net of share withholding for taxes and, in the case of cashless stock option exercises, net of the exercise price and withholding for taxes) until the established stock ownership guidelines are achieved. Our Compensation Committee also instituted "claw-back" provisions in our incentive plans, which may require an executive to return incentives received, if the Compensation Committee determines, in its discretion, that the executive engaged in specified misconduct or wrongdoing or in the event of certain financial restatements.

Our management is responsible for day-to-day risk management and operates under an enterprise risk management (ERM) program that addresses strategic, operational and financial risks. The ERM program includes practices to identify risks, assesses the impact and probability of occurrence, and develops action plans to prevent the occurrence or mitigate the impact of the risk. The ERM program includes regular reporting to our senior management team and includes monitoring and testing by Risk Management, Compliance and Internal Audit groups. The overall ERM program is reviewed with the Board of Directors on a regular basis.

We believe this division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company.

Director Nominees. The Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Board candidates are considered based upon various criteria, including diverse business, administrative and professional skills or experiences; an understanding of relevant industries, technologies and markets; financial literacy; independence status; the ability and willingness to contribute time and special competence to Board activities; personal integrity and independent judgment; and a commitment to enhancing shareholder value. The Governance Committee considers these and other factors as it deems appropriate, given the needs of the Board and us. Our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. The Governance Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, the use of third-party executive search firms, members of management and shareholders. Any shareholder may make recommendations for consideration by the Governance Committee for membership on the Board by sending a written statement of the qualifications of the recommended individual to the Corporate Secretary. There are no differences in the manner by which the Committee evaluates director candidates recommended by shareholders from those recommended by other sources.

Shareholders who intend to nominate persons for election to the Board of Directors must provide timely written notice of the nomination in accordance with Article I, Section 9 of our Bylaws. Generally, our Corporate Secretary must receive the written notice at our executive offices at 625 Ninth Street, Rapid City, South Dakota, 57701, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. The notice must set forth at a minimum the information set forth in Article I, Section 9 of our Bylaws, including the shareholder's identity and status, contingent ownership interests, description of any agreement made with others acting in concert with respect to the nomination, specific information about the nominee and supply certain representations by the nominee to us.

Communications with the Board. Shareholders and others interested in communicating directly with the Presiding Director, with the independent directors as a group, or the Board of Directors may do so in writing to the Presiding Director, Black Hills Corporation, 625 Ninth Street, Rapid City, South Dakota, 57701.

Corporate Governance Documents. The charters of the Audit, Compensation and Governance committees, as well as the Board's Corporate Governance Guidelines, Policy for Director Independence, Code of Business Conduct and the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, and certain other persons performing similar functions can be found in the "Governance" section of our website (www.blackhillscorp.com/corp.gov.htm). We intend to disclose any amendments to, or waivers of the Code of Ethics on our website. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

Our Corporate Governance Guidelines include a majority voting policy. Pursuant to the policy, any nominee for election as a director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election will promptly tender his or her resignation as a director to the Chairman of the Board following certification of the election results. Broker non-votes will not be deemed to be votes "for" or "withheld" from a director's election for purposes of the policy. The Governance Committee (without the participation of the affected director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take the appropriate action on each tendered resignation, taking into account the Governance Committee's recommendation. The Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons why the Committee believes shareholders "withheld" votes for election from such director and any other circumstances surrounding the "withheld" votes, any alternatives for curing the underlying cause of the "withheld" votes, the qualifications of the tendering director, his or her past and expected future contributions to us and the Board, and the overall composition of the Board, including whether accepting the resignation would cause us to fail to meet any applicable SEC or NYSE requirements. The Board will publicly disclose by filing with the SEC on Form 8-K its decision and, if applicable, its rationale within 90 days after receipt of the tendered resignation.

Certain Relationships and Related Party Transactions. We recognize related party transactions can present potential or actual conflicts of interest and create the appearance that decisions are based on considerations other than the best interests of us and our shareholders. Accordingly, as a general matter, it is our preference to avoid related party transactions. Nevertheless, we recognize that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of us and our shareholders, including but not limited to situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when we provide products or services to related parties on an arm’s length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, our Board of Directors has adopted a policy for the review of related party transactions. This policy requires directors and officers to promptly report to our Vice President – Governance all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our Vice President – Governance presents to our Governance Committee those transactions that may require disclosure pursuant to Item 404 of Regulation S-K (typically, those transactions that exceed \$120,000). Our Governance Committee reviews the material facts presented and either approves or disapproves entry into the transaction. In reviewing the transaction, the Governance Committee considers the following factors, among other factors it deems appropriate: (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; (ii) the extent of the related party’s interest in the transaction; and (iii) the impact on a director’s independence in the event the related party is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer.

Section 16(a) Beneficial Ownership Reporting Compliance. Based solely upon a review of our records and copies of reports on Form 3, 4 and 5 furnished to us, we believe that during and with respect to 2012, all persons subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, filed the required reports on a timely basis, except for Form 4s for Lynn Wilson, former Senior Vice President-Communications and Investor Relations, and Scott Buchholz, Senior Vice President and Chief Information Officer, reporting the acquisition of shares through the Company’s Short Term Incentive Plan.

MEETINGS AND COMMITTEES OF THE BOARD

The Board of Directors

Our directors review and approve our strategic plan and oversee our management. Our Board of Directors held six in-person meetings and four telephonic meetings during 2012. Each regularly scheduled meeting of the Board includes an executive session of only independent directors. We encourage our directors to attend the annual shareholders’ meeting. During 2012, every director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served and all directors attended the 2012 annual meeting of shareholders.

Committees of the Board

Our Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Compensation Committee and the Governance Committee. In accordance with the New York Stock Exchange listing standards and our Corporate Governance Guidelines, the Audit, Compensation and Governance Committees are comprised solely of independent directors. Each committee operates under a charter, which is available on our website at www.blackhillscorp.com/corpgov.htm and is also available in print to any shareholder who requests it. In addition, our Board creates special committees from time to time for specific purposes.

Members of the Committees are designated by our Board upon recommendation of the Governance Committee. The table below shows current membership for each of the Board committees.

Audit Committee	Compensation Committee	Governance Committee
Michael H. Madison	Jack W. Eugster*	Jack W. Eugster
Steven R. Mills	Stephen D. Newlin	Stephen D. Newlin*
Gary L. Pechota	Rebecca B. Roberts	Gary L. Pechota
Warren L. Robinson*	Thomas J. Zeller	Rebecca B. Roberts
		Thomas J. Zeller

* Committee Chairperson

Audit Committee. The Audit Committee held three in-person meetings and seven telephonic meetings in 2012. The Audit Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assist the Board in fulfilling its oversight responsibility to our shareholders relating to the quality and integrity of our accounting, auditing and financial reporting practices;
- oversee the integrity of our financial statements, financial reporting process, systems of internal controls and disclosure controls regarding finance, accounting and legal compliance;
- review areas of potential significant financial risk to us;
- review consolidated financial statements and disclosures;
- appoint an independent registered public accounting firm for ratification by our shareholders;
- monitor the independence and performance of our independent registered public accountants and internal auditing department;
- pre-approve all audit and non-audit services provided by our independent registered public accountants;
- review the scope and results of the annual audit, including reports and recommendations of our independent registered public accountants;
- review the internal audit plan, results of internal audit work and our process for monitoring compliance with our Code of Conduct and other policies and practices established to ensure compliance with legal and regulatory requirements; and
- periodically meet, in private sessions, with our internal audit group, Chief Financial Officer, Chief Compliance Officer, other management, and our independent registered public accounting firm.

In accordance with the rules of the NYSE, all of the members of the Audit Committee are financially literate. In addition, the Board determined that all of the members of the Audit Committee, Messrs. Madison, Mills, Pechota and Robinson, have the requisite attributes of an "audit committee financial expert" as provided in regulations promulgated by the Securities and Exchange Commission, and that such attributes were acquired through relevant education and/or experience.

Compensation Committee. The Compensation Committee held three in-person meetings and one telephonic meeting in 2012. The Compensation Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- discharge the Board of Directors' responsibilities related to executive and director compensation philosophy, policies and programs;
- perform functions required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation;
- consider and recommend for approval by the Board all executive compensation programs including executive benefit programs and stock ownership plans; and
- promote an executive compensation program that supports the overall objective of enhancing shareholder value.

The Compensation Committee has authority under its charter to retain and terminate compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee has sole authority to approve related fees and retention terms and may delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion. The Committee engaged Towers Watson, an independent consulting firm, to conduct an annual review of our 2012 total compensation program for executive officers and directors. Expenses for other consulting services provided to us by Towers Watson, that are not related to executive compensation, are monitored to ensure that executive compensation consultant independence is maintained. Towers Watson did not provide us with any other consulting services in 2012.

The Committee annually evaluates the CEO's performance against Board established goals and objectives, with input from the other independent directors. Based upon the Committee's evaluation and recommendation, the independent directors of the Board set the CEO's annual compensation, including salary, bonus, incentive and equity compensation.

The CEO annually reviews the performance of each of our executive officers and presents a summary of his evaluations to the Committee. The CEO also provides oversight of management's evaluations of our other officers. Executive officers assess performance of all officers reporting to them. Based upon these performance reviews, market analysis conducted by the compensation consultant and discussions with our Sr. Vice President, Chief Human Resources Officer ("CHRO"), the CEO recommends the compensation of the officers to the Committee. The Committee may exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process.

More information describing the Compensation Committee's processes and procedures for considering and determining executive compensation, including the role of our CEO and consultants in determining or recommending the amount or form of executive compensation, is included in the Compensation Discussion and Analysis.

In setting non-employee director compensation, the Compensation Committee recommends the form and amount of compensation to the Board of Directors, which makes the final determination. In considering and recommending the compensation of non-employee directors, the Compensation Committee considers such factors as it deems appropriate, including historical compensation information, level of compensation necessary to attract and retain non-employee directors meeting our desired qualifications and market data. In the review of director compensation for 2012, the Compensation Committee retained Towers Watson to provide market information on non-employee director compensation, including compensation structure, annual board and committee retainers, board and committee meeting fees, committee chairperson fees, number of Board meetings and stock-based compensation.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee is comprised entirely of independent directors. In addition, none of our executive officers serve as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board or on our Compensation Committee.

Governance Committee. The Governance Committee held three in-person meetings in 2012. The Governance Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assess the size of the Board and membership needs and qualifications for Board membership;
- identify and recommend prospective directors to the Board to fill vacancies;
- review and evaluate director nominations submitted by shareholders, including reviewing the qualifications and independence of shareholder nominees;
- consider and recommend existing Board members to be renominated at our annual meeting of shareholders;
- establish and review guidelines for corporate governance;
- recommend to the Board for approval committee membership and the chairpersons of the committees;
- recommend to the Board for approval an independent director to serve as a Presiding Director;
- review the independence of each director and director nominee;
- administer an annual evaluation of the performance of the Board and facilitate an annual assessment of each committee; and
- ensure that the Board oversees the evaluation and succession planning of management.

DIRECTOR COMPENSATION

Director Fees

In 2012, our non-employee director compensation was as follows:

- an annual cash retainer of \$40,000, paid on a monthly basis;
- common stock equivalents equal to \$60,000 per year, paid on a quarterly basis;
- dividend equivalents on the common stock equivalents equal to the same dividend rate our shareholders received; and
- a meeting fee of \$1,500 for each Board and committee meeting attended, provided such Board and committee meetings were substantive in nature and content.

In addition, our Presiding Director and Committee Chairpersons received the following additional compensation:

- Presiding Director – an annual fee of \$15,000;
- Audit Committee Chairperson – an annual fee of \$10,000;
- Compensation Committee Chairperson – an annual fee of \$8,000; and
- Governance Committee Chairperson – an annual fee of \$6,000.

Recently the Compensation Committee with the assistance of its independent compensation consultant completed a review of compensation for non-employee directors. Based on this review, the Committee recommended to the Board that it adopt a retainer-only structure for Director fees, eliminating Board and Committee meeting fees.

TAB B4

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
Yes No

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

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

At June 30, 2012 \$1,400,316,896

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

Class	Outstanding at January 31, 2013
Common stock, \$1.00 par value	44,222,903 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2013 Annual Meeting of Stockholders to be held on April 23, 2013, are incorporated by reference in Part III of this Form 10-K.

At Dec. 31, 2012, our interests in jointly-owned generating facilities and transmission systems were (in thousands):

	Plant in Service	Construction Work in Progress	Accumulated Depreciation
Wyodak Plant	\$ 109,465	\$ 451	\$ 47,776
Transmission Tie	\$ 19,648	\$ —	\$ 4,414
Wygen I	\$ 105,020	\$ 343	\$ 25,162
Wygen III	\$ 130,267	\$ 565	\$ 8,376
Busch Ranch Wind Project	\$ 17,984	\$ —	\$ 150

(8) LONG-TERM DEBT

Long-term debt outstanding was as follows (dollars in thousands) as of:

	Due Date	Interest Rate	Dec. 31, 2012	Dec. 31, 2011
<u>Corporate</u>				
Senior unsecured notes due 2013 ^{(a)(c)}	May 15, 2013	6.50%	\$ —	\$ 225,000
Unamortized discount on notes due 2013			—	(41)
Senior unsecured notes due 2014 ^(c)	May 15, 2014	9.00%	250,000	250,000
Senior unsecured notes due 2020 ^(c)	July 15, 2020	5.88%	200,000	200,000
Corporate term loan, variable rate ^(b)	Sept. 30, 2013	1.63%	100,000	100,000
Total Corporate Debt			<u>550,000</u>	<u>774,959</u>
<u>Electric Utilities</u>				
First Mortgage Bonds due 2032	Aug. 15, 2032	7.23%	75,000	75,000
First Mortgage Bonds due 2039	Nov. 1, 2039	6.13%	180,000	180,000
Unamortized discount on First Mortgage Bonds due 2039			(111)	(115)
Pollution control revenue bonds due 2014 ^(d)	Oct. 1, 2014	4.80%	—	6,450
Pollution control revenue bonds due 2024	Oct. 1, 2024	5.35%	12,200	12,200
First Mortgage Bonds due 2037	Nov. 20, 2037	6.67%	110,000	110,000
Industrial development revenue bonds due 2021, variable rate ^(b)	Sept. 1, 2021	0.20%	7,000	7,000
Industrial development revenue bonds due 2027, variable rate ^(b)	March 1, 2027	0.20%	10,000	10,000
Series 94A Debt, variable rate ^(b)	June 1, 2024	1.35%	2,855	2,855
Other long-term debt	May 25, 2012	13.66%	—	72
Total Electric Utilities			<u>396,944</u>	<u>403,462</u>
<u>Power Generation</u>				
Black Hills Wyoming project financing, variable rate ^(b)	Dec. 9, 2016	3.59%	95,906	104,461
Total long-term debt			1,042,850	1,282,882
Less current maturities			103,973	2,473
Net long-term debt			<u>\$ 938,877</u>	<u>\$ 1,280,409</u>

(a) On Oct. 31, 2012, we redeemed these senior unsecured notes. See discussion below.

(b) Variable interest rates; rates presented are as of Dec. 31, 2012.

(c) If our senior unsecured credit rating should drop below investment grade, then pricing under our credit agreements would be affected, increasing annual interest expense by approximately \$1.0 million pre-tax based on our Dec. 31, 2012 debt balances.

(d) On May 15, 2012, Black Hills Power repaid these Pollution Control Refund Revenue Bonds. See discussion below.

Scheduled maturities of long-term debt, excluding amortization of premiums or discounts, for future years are (in thousands):

2013	\$	103,973
2014	\$	256,023
2015	\$	6,963
2016	\$	78,947
2017	\$	—
Thereafter	\$	597,055

Our debt securities contain certain restrictive financial covenants, all of which the Company and its subsidiaries were in compliance with at Dec. 31, 2012.

Substantially all of the tangible utility property of Black Hills Power and Cheyenne Light is subject to the lien of indentures securing their first mortgage bonds. First mortgage bonds of Black Hills Power and Cheyenne Light may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures. The first mortgage bonds issued by Black Hills Power and Cheyenne Light are either currently not callable or are subject to make-whole provisions which would eliminate any economic benefit for us to call the bonds.

Early Redemption of Long-term Debt

On Oct. 31, 2012, we redeemed \$225.0 million of senior unsecured 6.5 percent notes, which were originally scheduled to mature on May 15, 2013 for \$238.8 million. The payment included accrued interest and a make-whole provision of \$7.1 million included in Interest expense on the accompanying Consolidated Statements of Income.

On May 15, 2012, Black Hills Power repaid its 4.8 percent Pollution Control Revenue Bonds in full for \$6.5 million principal and interest. These bonds were originally due to mature on Oct. 1, 2014.

Loan Extensions

Our \$100.0 million term loan (the "Loan") with J.P. Morgan and Union Bank was extended through Sept. 30, 2013. The cost of borrowings under the Loan was based on a spread of 1.375 percent over LIBOR (1.63 percent at Dec. 31, 2012). The covenants are substantially the same as the Revolving Credit Facility.

Amortization Expense

Our deferred financing costs and associated amortization expense included in Interest expense on the accompanying Consolidated Statements of Income were as follows (in thousands):

	Deferred Financing Costs Remaining in Other Assets, Non- current on Balance Sheet at		Amortization Expense for the years ended Dec. 31,		
	Dec. 31, 2012		2012	2011	2010
Senior unsecured notes due 2014	\$	634	\$ 462	\$ 462	\$ 462
Senior unsecured notes due 2020	\$	1,260	\$ 167	\$ 167	\$ 77
First mortgage bonds due 2032	\$	651	\$ 33	\$ 33	\$ 33
First mortgage bonds due 2039	\$	2,037	\$ 76	\$ 76	\$ 76
First mortgage bonds due 2037	\$	766	\$ 31	\$ 31	\$ 31
Black Hills Wyoming project financing due 2016	\$	3,177	\$ 1,037	\$ 1,012	\$ 1,036
Other	\$	721	\$ 57	\$ 70	\$ 74

(9) NOTES PAYABLE

Our Revolving Credit Facility and debt securities contain certain restrictive financial covenants. As of Dec. 31, 2012, we were in compliance with all of these covenants.

We had the following short-term debt outstanding at the Consolidated Balance Sheet dates (in thousands):

	Dec. 31, 2012		Dec. 31, 2011	
	Balance Outstanding	Letters of Credit	Balance Outstanding	Letters of Credit
Revolving Credit Facility	\$ 127,000	\$ 36,300	\$ 195,000	\$ 43,700
Term Loan due June 2013 ^(a)	150,000	—	150,000	—
Total	\$ 277,000	\$ 36,300	\$ 345,000	\$ 43,700

(a) In June 2012, this short-term loan was extended for one year. See discussion below.

Revolving Credit Facility

On Feb. 1, 2012, we entered into a new \$500 million Revolving Credit Facility expiring Feb. 1, 2017. The facility contains an accordion feature allowing us, with the consent of the administrative agent, to increase the capacity of the facility to \$750 million. The Revolving Credit Facility can be used for the issuance of letters of credit, to fund working capital needs and for other corporate purposes. Borrowings are available under a base rate option or a Eurodollar option. The cost of borrowings or letters of credit is determined based upon our credit ratings. At current credit ratings, the margins for base rate borrowings, Eurodollar borrowings and letters of credit were 0.50 percent, 1.50 percent and 1.50 percent, respectively, at Dec. 31, 2012. The facility contains a commitment fee that is charged on the unused amount of the Revolving Credit Facility. Based upon current credit ratings, the fee is 0.25 percent.

Deferred financing costs on the new facility of \$2.8 million are being amortized over the estimated useful life of the Revolving Credit Facility and included in Interest expense on the accompanying Consolidated Statements of Income. Upon entering into the Revolving Credit Facility, \$1.5 million of deferred financing costs relating to the previous credit facility were written off through Interest expense. The deferred financing costs on the new facility are being amortized as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheet as of	Amortization Expense for the years ended Dec. 31,		
	Dec. 31, 2012	2012	2011	2010
Revolving Credit Facility	\$ 2,068	\$ 2,187	\$ 1,891	\$ 1,340

Corporate Term Loans

In June 2012, we extended our one-year \$150.0 million unsecured, single draw term loan until June 24, 2013. The cost of borrowing under the extended loan is based on a spread of 1.10 percent over LIBOR (1.35 percent at Dec. 31, 2012). The covenants are substantially the same as those included in the Revolving Credit Facility with an additional requirement to maintain a minimum consolidated net worth. We were in compliance with these covenants as of Dec. 31, 2012.

Debt Covenants

Certain debt obligations require compliance with the following covenants at the end of each quarter (dollars in thousands):

	At Dec. 31, 2012	Covenant Requirement
Consolidated net worth	\$ 1,232,509	Greater than \$ 924,895
Recourse leverage ratio	53.8%	Less than 65.0%

TAB B5

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

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

For the fiscal year ended December 31, 2012

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

For the transition period from _____ to _____

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

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

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

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

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

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

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

Yes No

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

At June 30, 2012 \$1,400,316,896

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

Class	Outstanding at January 31, 2013
Common stock, \$1.00 par value	44,222,903 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2013 Annual Meeting of Stockholders to be held on April 23, 2013, are incorporated by reference in Part III of this Form 10-K.

FORM 10K

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

Years ended	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
	(in thousands, except per share amounts)		
Revenue:			
Utilities	\$ 1,064,813	\$ 1,155,519	\$ 1,109,761
Non-regulated energy	109,071	116,669	109,930
Total revenue	1,173,884	1,272,188	1,219,691
Operating expenses:			
Utilities -			
Fuel, purchased power and cost of gas sold	407,066	574,989	566,967
Operations and maintenance	242,367	247,496	251,375
Non-regulated energy operations and maintenance	85,830	93,453	71,672
Gain on sale of operating assets	(29,129)	—	(8,921)
Depreciation, depletion and amortization	154,632	135,591	126,606
Impairment of long-lived assets	26,868	—	—
Taxes - property, production and severance	40,487	33,710	27,592
Other operating expenses	2,052	710	980
Total operating expenses	930,173	1,085,949	1,036,271
Operating income	243,711	186,239	183,420
Other income (expense):			
Interest charges -			
Interest expense incurred (including amortization of debt issuance costs, premiums and discounts and realized settlements on interest rate swaps)	(117,754)	(116,684)	(105,676)
Allowance for funds used during construction - borrowed	3,462	14,041	10,689
Capitalized interest	682	11,260	4,381
Unrealized gain (loss) on interest rate swaps, net	1,882	(42,010)	(15,193)
Interest income	1,957	2,017	541
Allowance for funds used during construction - equity	540	932	2,996
Other expense	(71)	(817)	(140)
Other income	2,486	2,490	2,733
Total other income (expense)	(106,816)	(128,771)	(99,669)
Income (loss) from continuing operations before earnings (loss) of unconsolidated subsidiaries and income taxes	136,895	57,468	83,751
Equity in earnings (loss) of unconsolidated subsidiaries	10	1,121	1,559
Income tax benefit (expense)	(48,400)	(18,224)	(22,169)
Income (loss) from continuing operations	88,505	40,365	63,141
Income (loss) from discontinued operations, net of tax	(6,977)	9,365	5,544
Net income available for common stock	\$ 81,528	\$ 49,730	\$ 68,685
Earnings (loss) per share of common stock:			
Earnings (loss) per share, Basic -			
Income (loss) from continuing operations, per share	\$ 2.02	\$ 1.01	\$ 1.62
Income (loss) from discontinued operations, per share	(0.16)	0.24	0.14
Total income (loss) per share, Basic	\$ 1.86	\$ 1.25	\$ 1.76
Earnings (loss) per share, Diluted -			
Income (loss) from continuing operations, per share	\$ 2.01	\$ 1.01	\$ 1.62
Income (loss) from discontinued operations, per share	(0.16)	0.23	0.14
Total income (loss) per share, Diluted	\$ 1.85	\$ 1.24	\$ 1.76
Weighted average common shares outstanding:			
Basic	43,820	39,864	38,916
Diluted	44,073	40,081	39,091

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended (in thousands)	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Net income available for common stock	\$ 81,528	\$ 49,730	\$ 68,685
Other comprehensive income (loss), net of tax:			
Benefit plan liability adjustments - net gain (loss) (net of tax of \$296, \$4,135 and \$674, respectively)	(542)	(7,609)	(1,307)
Benefit plan liability adjustments - prior service (costs) (net of tax of \$86, \$176 and \$111, respectively)	(157)	(325)	(214)
Fair value adjustment on derivatives designated as cash flow hedges (net of tax of \$887, \$1,708 and \$(636), respectively)	(1,268)	(2,831)	1,336
Reclassification adjustment of cash flow hedges settled and included in net income (loss) (net of tax of \$534, \$(709) and \$2,498, respectively)	(643)	1,468	(4,232)
Other comprehensive income (loss), net of tax	(2,610)	(9,297)	(4,417)
Comprehensive income (loss)	\$ 78,918	\$ 40,433	\$ 64,268

See Note 15 for additional disclosures related to Comprehensive Income.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS

	As of	
	Dec. 31, 2012	Dec. 31, 2011
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,462	\$ 21,628
Restricted cash and equivalents	7,916	9,254
Accounts receivable, net	163,698	156,774
Materials, supplies and fuel	77,643	84,064
Derivative assets, current	3,236	18,583
Income tax receivable, net	—	9,344
Deferred income tax assets, net, current	77,231	37,202
Regulatory assets, current	31,125	59,955
Other current assets	28,795	21,266
Assets of discontinued operations	—	340,851
Total current assets	405,106	758,921
Investments	16,402	17,261
Property, plant and equipment	3,930,772	3,724,016
Less accumulated depreciation and depletion	(1,188,023)	(934,441)
Total property, plant and equipment, net	2,742,749	2,789,575
Other assets:		
Goodwill	353,396	353,396
Intangible assets, net	3,620	3,843
Derivative assets, non-current	510	1,971
Regulatory assets, non-current	188,268	182,175
Other assets, non-current	19,420	19,941
Total other assets, non-current	565,214	561,326
TOTAL ASSETS	\$ 3,729,471	\$ 4,127,083

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Continued)

	As of	
	Dec. 31, 2012	Dec. 31, 2011
	(in thousands, except share amounts)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 84,422	\$ 104,748
Accrued liabilities	154,389	151,319
Derivative liabilities, current	96,541	84,367
Accrued income tax, net	4,936	—
Regulatory liabilities, current	13,628	16,231
Notes payable	277,000	345,000
Current maturities of long-term debt	103,973	2,473
Liabilities of discontinued operations	—	173,929
Total current liabilities	734,889	878,067
Long-term debt, net of current maturities	938,877	1,280,409
Deferred credits and other liabilities:		
Deferred income tax liabilities, net, non-current	385,908	300,988
Derivative liabilities, non-current	16,941	49,033
Regulatory liabilities, non-current	127,656	108,217
Benefit plan liabilities	167,397	177,480
Other deferred credits and other liabilities	125,294	123,553
Total deferred credits and other liabilities	823,196	759,271
Commitments and contingencies (See Notes 3, 8, 9, 10, 13, 18, 19 and 20)		
Stockholders' equity:		
Common stock equity-		
Common stock \$1 par value; 100,000,000 shares authorized; issued: 44,278,189 and 43,957,502 shares, respectively	44,278	43,958
Additional paid-in capital	733,095	722,623
Retained earnings	492,869	476,603
Treasury stock at cost - 71,782 and 32,766 shares, respectively	(2,245)	(970)
Accumulated other comprehensive income (loss)	(35,488)	(32,878)
Total stockholders' equity	1,232,509	1,209,336
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,729,471	\$ 4,127,083

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
	(in thousands)		
Operating activities:			
Net income available for common stock	\$ 81,528	\$ 49,730	\$ 68,685
(Income) loss from discontinued operations, net of tax	6,977	(9,365)	(5,544)
Income (loss) from continuing operations	88,505	40,365	63,141
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Depreciation, depletion and amortization	154,632	135,591	126,606
Deferred financing cost amortization	5,555	5,655	5,859
Impairment of long-lived assets	26,868	—	—
Derivative fair value adjustments	2,728	(8,693)	13,546
Gain on sale of operating assets	(29,129)	—	(8,921)
Stock compensation	8,271	5,643	5,637
Unrealized mark-to-market loss (gain) on interest rate swaps	(1,882)	42,010	15,193
Deferred income taxes	39,716	33,600	17,354
Equity in (earnings) loss of unconsolidated subsidiaries	(10)	(1,121)	(1,559)
Allowance for funds used during construction - equity	(540)	(932)	(2,996)
Employee benefit plans	20,973	14,586	16,342
Other adjustments, net	2,751	4,947	(9,710)
Change in certain operating assets and liabilities:			
Materials, supplies and fuel	6,343	(21,385)	(338)
Accounts receivable, unbilled revenues and other current assets	(2,257)	(4,202)	(18,480)
Accounts payable and other current liabilities	(10,713)	(31,091)	(12,848)
Regulatory assets	12,864	12,691	(21,283)
Regulatory liabilities	3,194	11,198	50
Contributions to defined benefit pension plans	(25,350)	(11,050)	(30,015)
Other operating activities, net	(6,732)	(11,118)	(1,013)
Net cash provided by operating activities of continuing operations	295,787	216,694	156,565
Net cash provided by (used in) operating activities of discontinued operations	21,184	7,010	(8,813)
Net cash provided by operating activities	316,971	223,704	147,752
Investing activities:			
Property, plant and equipment additions	(349,129)	(440,698)	(472,292)
Payment for acquisition of net assets, net of cash acquired	—	—	(2,250)
Proceeds from sale of assets	253,791	583	70,357
Other investing activities	(180)	(4,533)	15,407
Net cash provided by (used in) investing activities of continuing operations	(95,518)	(444,648)	(388,778)
Proceeds from sale of business operations	107,511	—	—
Net cash provided by (used in) investing activities of discontinued operations	(824)	(2,359)	(390)
Net cash provided by (used in) investing activities	11,169	(447,007)	(389,168)
Financing activities:			
Dividends paid on common stock	(65,262)	(59,202)	(56,467)
Common stock issued	4,726	123,041	3,246
Short-term borrowings - issuances	203,753	1,017,300	854,500
Short-term borrowings - repayments	(271,753)	(821,300)	(770,000)
Long-term debt - issuance	—	—	200,000
Long-term debt - repayments	(240,077)	(8,382)	(59,926)
Other financing activities	(2,833)	(1,666)	(8,363)
Net cash provided by (used in) financing activities of continuing operations	(371,446)	249,791	162,990
Net cash provided by (used in) financing activities of discontinued operations	—	(158)	(2,037)
Net cash provided by (used in) financing activities	(371,446)	249,633	160,953
Net change in cash and cash equivalents	(43,306)	26,330	(80,463)
Cash and cash equivalents beginning of year *	58,768	32,438	112,901
Cash and cash equivalents end of year *	\$ 15,462	\$ 58,768	\$ 32,438

* Cash and cash equivalents include cash of discontinued operations of \$37.1 million, \$16.0 million and \$97.5 million at Dec. 31, 2011, 2010 and 2009, respectively.

See Note 16 for supplemental disclosure of cash flow information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2012 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2012	2011	Variance
480000 RESIDENTIAL GAS SALES	54,079,376	65,352,196	(11,272,820)
480001 RESIDENTIAL UNBILLED GAS	1,016,402	(167,113)	1,183,515
481000 COMMERCIAL FIRM GAS REVENUE	15,532,983	19,561,537	(4,028,554)
481001 COMMERCIAL FIRM UNBIL GAS REV	(443,998)	(1,144)	(442,854)
481010 COMMERCIAL INTERR GAS REVENUE	589,214	801,972	(212,758)
481100 INDUSTRIAL FIRM GAS REVENUE	269,032	374,716	(105,684)
481101 INDUSTRIAL FIRM UNBIL GAS REV	12,245	(36,217)	48,462
481110 INDUSTRIAL INTERR GAS REVENUE	13,332,466	19,232,848	(5,900,383)
482000 OTH PUB AUTH GAS REV	(1,106)	0	(1,106)
483001 SALES FOR RESALE UNBIL GAS RE	(98,063)	(5,550)	(92,513)
483000 SALES FOR RESALE GAS	469,271	672,632	(203,361)
487000 FORFEITED DISC/LATE PMT GAS	367,743	430,107	(62,364)
488000 MISC SERVICE REV GAS	746,387	808,520	(62,133)
489304 INDUSTRIAL INTERR TRANSPRT REV	2,828,983	2,899,972	(70,988)
489303 COMMERCIAL INTERR TRANSPRT REV	227,576	221,712	5,864
489302 INDUSTRIAL FIRM TRANSPORT REV	1,013,346	1,016,943	(3,597)
489301 COMMERCIAL FIRM TRANSPORT REV	1,691,948	1,770,528	(78,579)
495000 Other Revenue And Royalties	3,638,960	1,125,114	2,513,846
TOTAL OPERATING REVENUE	95,272,765	114,058,771	(18,786,006)
850000 TRANS OPS SUPERV & ENG	69,379	87,061	(17,681)
851000 TRANS SYS CONTR & LOAD DISPATC	0	1,289	(1,289)
856000 TRANS MAINS EXPENSE	101,966	171,380	(69,414)
857000 TRANS MEAS & REGUL STATION EXP	28,593	24,178	4,415
870000 DIST OPS SUPERVISION AND ENGIN	777,368	825,583	(48,215)
874002 ROUTINE LEAK SURV MAINS & SVCS	453,158	421,420	31,738
874001 PERF DISTRIB MAIN LOCATES-GAS	741,665	723,267	18,398
874000 OPER/INSPECT UG DIST MAINS-GAS	766,054	556,186	209,868
875001 OPERATE/INSPECT FARM TAPS(O&M)	58,387	54,270	4,118
877000 DIST MEAS & REG STAT - CITY GA	2,712	6,076	(3,364)
876000 DIST MEAS & REG STAT - INDUS	160,476	165,364	(4,888)
875000 DIST MEAS & REG STAT - GENERAL	78,462	80,927	(2,464)
878001 PERF CONNECTS/DISCON/RECON-GAS	1,166,902	1,184,849	(17,947)
878000 OPER/INSP MTRS COLLECT DATAGAS	301,808	285,105	16,702
871000 DIST LOAD DISPATCHING	0	271	(271)
879000 DIST CUSTOMER INSTALLATIONS	594,826	556,638	38,188
881000 DIST OPER RENTS	895	2,631	(1,736)
880001 CO USED GAS O&M OFFSET	13,010	2,759	10,251
880000 DIST OPS OTHER EXPENSE	1,854,185	2,095,595	(241,410)
873000 DISTR FUEL/POWER COMPR STATION	42	0	42
872000 DIST COMPR STAT LABR & EXP	0	76	(76)
804000 NATURAL GAS CITY GATE PURCHASE	45,991,512	65,778,708	(19,787,196)
804002 I/C GAS FOR OTHER NON ELIM	275,975	0	275,975
805000 OTHER GAS PURCHASES	(698)	(747)	49
805001 COST OF UNBILLED REVENUE	422,597	(212,236)	634,833
805100 PURCHASED GAS COST ADJUSTMENTS	(247,917)	3,820,229	(4,068,146)
805200 FINANCIAL GAS COST ADJ	(1,077,036)	(1,360,512)	283,476
808100 GAS WITHDRAWN FROM STORAGE DR	5,812,173	5,951,485	(139,312)
808200 GAS DELIVERED TO STORAGE CR	(3,632,383)	(6,939,943)	3,307,560
812000 GAS USED FOR OTHER UTILITY OPS	(12,996)	(20,245)	7,249
813000 OTHER GAS SUPPLY EXPENSES	0	397	(397)
814000 UG STORAGE OPS SUPERV & ENG	3	2,854	(2,850)

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2012 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2012	2011	Variance
TOTAL ELECTRIC/GAS OPERATING EXPENSE	54,701,121	74,264,915	(19,563,794)
901000 CUST ACCTS SUPERVISION	275,249	279,913	(4,665)
902002 OTHER METER READING EXPENSES	1	83,158	(83,158)
902001 RE-READ METERS	43,901	59,896	(15,995)
902000 READ METERS	712,541	1,071,403	(358,861)
903002 PROC/COLLECT DELINQUENT ACCTS	241,798	253,487	(11,688)
903001 PROCESS CUSTOMER REMITTANCES	75,597	70,192	5,405
903000 CUST ACCTS RECORDS & COLLECTIO	1,699,839	1,739,711	(39,872)
904000 UNCOLLECTIBLE ACCOUNTS	192,635	276,727	(84,093)
905000 MISC CUSTOMER ACCOUNTS	195,358	225,605	(30,247)
907000 CUSTOMER SERVICE SUPERVISION	481,102	496,163	(15,061)
908000 CUSTOMER ASSISTANCE EXP	446,209	431,505	14,705
909000 INFORMATIONAL & INSTRUCT ADS	70,941	56,564	14,377
910000 MISC CUST SERVICE & INFO	37,871	15,509	22,362
912000 SALES DEMONSTRATING & SELLING	104,598	78,073	26,525
916000 MISCELLANEOUS SALES EXPENSES	9,969	4,058	5,911
911000 SALES SUPERVERION	174,370	198,300	(23,930)
913000 SALES ADVERTISING EXPENSES	11,918	7,259	4,658
920000 ADMIN AND GENERAL SALARIES	10,229,662	8,708,357	1,521,304
920999 LABOR OVERHEAD OFFSET	(3,540,978)	(3,000,664)	(540,314)
921000 OFFICE SUPPLIES & EXPENSE	1,469,188	1,599,321	(130,133)
922000 ADMIN EXP TRANS CREDIT	(441,052)	(425,398)	(15,655)
923000 OUTSIDE SERVICES	954,620	1,201,986	(247,366)
924000 PROPERTY INSURANCE	5,531	31,275	(25,744)
925000 INJURIES AND DAMAGES	203,373	672,362	(468,989)
926000 EMPLOYEE PENSIONS & BENEFITS	4,441,225	4,136,415	304,810
926999 BENEFIT OVERHEAD OFFSET	(4,291,036)	(3,925,753)	(365,283)
928000 REGULATORY COMMISSION EXP	9,812	534,055	(524,243)
930100 GENERAL ADVERTISING	93,752	89,577	4,175
930200 MISCELLANEOUS GENERAL EXP	232,694	241,326	(8,632)
930299 GAAP TO FERC BANK FEES	71,019	0	71,019
931000 A & G RENTS	154,951	262,413	(107,462)
931001 I/C RENT EXPENSE	44,787	0	44,787
TOTAL A&G & OTHER EXPENSES	14,411,444	15,472,795	(1,061,350)
TOTAL OPERATING EXPENSE	69,112,565	89,737,710	(20,625,145)
861000 TRANS MAINT SUPERV & ENGIN	15,119	13,627	1,493
863000 TRANS MAINT OF MAINS	327,375	497,627	(170,252)
865000 TRANS MNT MEAS & REG STAT EQU	48,581	35,434	13,147
867000 TRANS MAINT OF OTHER EQUIP	600	500	100
888000 DIST MAINT COMPR STATION EQUIP	56,266	9,522	46,744
885000 DIST MAINT SUPER & ENG	108,421	97,182	11,239
889001 MAINTAIN FARM TAPS (O&M)	5,915	3,637	2,279
891000 DS MNT MS & REG STAT EQ-CITY G	168,040	213,735	(45,695)
890000 DS MNT MEAS & REG STAT EQ-IND	26,235	27,380	(1,144)
889000 DS MNT MEAS & REG STAT EQ-GEN	145,018	142,831	2,187
894000 DIST MAINT OF OTHER EQUIP	26,009	8,122	17,887
892000 DIST MAINT OF SERVICES	98,205	129,504	(31,299)
887001 PERFMANT_3RDPRTYDMG-UGDISTGAS	(10,224)	(7,837)	(2,387)
887000 PERF UG DISTRIB LINE MAINT-GAS	405,920	333,891	72,029
886000 DIST MAINT STRUCT & IMPROVE	26,900	23,590	3,310
893000 DIST MAINT METERS & HSE REGS	189,160	196,966	(7,806)

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2012 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2012	2011	Variance
TOTAL MAINTENANCE EXPENSES	1,637,541	1,725,710	(88,169)
935000 MAINTENANCE GENERAL PLANT	538,048	503,717	34,331
TOTAL A&G MAINTENANCE EXPENSES	538,048	503,717	34,331
TOTAL MAINTENANCE EXPENSE	2,175,589	2,229,427	(53,838)
403000 DEPRECIATION	4,937,897	4,442,690	495,207
DEPREC EXPENSE DEPRECIATION EXPENSE	4,937,897	4,442,690	495,207
405000 AMORTIZATION EXPENSE	114,284	114,415	(131)
AMORT & DEPL UTILITY AMORT & DEPL OF UTILITY PLANT	114,284	114,415	(131)
408100 Taxes Oth-Than Income Taxes	1,118,993	1,065,181	53,812
408130 TOTI-PROPERTY TAXES	3,873,090	3,458,475	414,615
408199 TAXES OTI CAPITAL OFFSET	(1,011,352)	(1,058,659)	47,307
TAXES OTHER THAN INC TAXES OTHER THAN INCOME	3,980,731	3,464,997	515,734
409100 CURRENT FED INC TAX	(1,044,089)	(307,645)	(736,444)
409199 GAAP TO FERC-CURR FED INC TAX	(23)	(4,157)	4,134
410998 GAAP TO FERC DEF FED INC TAX EXPENSE	290,178	0	290,178
INC TAXES FEDERAL INCOME TAXES FEDERAL	(753,934)	(311,801)	(442,132)
409101 CURRENT STATE INC TAX	26,578	9,441	17,137
410999 GAAP TO FERC DEF STATE INC TAX EXPENSE	16,920	0	16,920
INC TAXES OTHER INCOME TAXES OTHER	43,498	9,441	34,057
410101 DEFERRED CURRENT STATE INC TAX	739,228	654,890	84,338
410100 DEFERRED CURRENT FED INC TAX	12,054,690	11,401,272	653,418
PROV DEF INC TAX PROVISION FOR DEF INCOME TAX	12,793,917	12,056,162	737,755
411101 DEF INC TAX ST CR OPERATING	(859,531)	(454,274)	(405,257)
411100 DEF INC TAX FED CR OPERATING	(8,390,037)	(8,245,198)	(144,839)
LESS PROV DEF INC TX LESS PROV DEF INCOME TAX CRED	(9,249,569)	(8,699,472)	(550,097)
OTHER OPERATING EXPENSES	11,866,826	11,076,432	790,393
TOTAL UTILITY OPERATING EXPENS	83,154,980	103,043,569	(19,888,589)
NET UTILITY OPERATING INCOME	12,117,786	11,015,202	1,102,583
415000 MERCHANDISE REVENUES	552,350	968,934	(416,583)
REV MERCH JOBBING REVENUE MERCH JOBBING CONTRACT	552,350	968,934	(416,583)
416000 EXP MERCH JOBBING & CONTRACT	244,615	508,537	(263,923)
LESS COST & EXP MERC LESS COST & EXPENSE MERCH JOB	244,615	508,537	(263,923)
417057 OTHER REVENUE AND ROYALTIES NR	537,439	432,814	104,625
417000 NONUTILITY REVENUES	4,026,234	3,937,191	89,043
REV NON UTILITY OPS REVENUE NON UTILITY OPERATIONS	4,563,673	4,370,005	193,668
417180 NONUTILITY DEPRECIATION EXP	41,389	46,747	(5,358)
417170 NONUTILITY MAINTENANCE EXPENSE	41	126	(85)
417165 EXP FOR UNCOLLECT ACCT NONREG	13,666	113,581	(99,914)
417162 ADMIN AND GEN-EMPL BENEFITS	192,104	182,601	9,503
417161 NONUTILITY ADMIN & GENERAL	(32,798)	49,624	(82,423)
417160 NONUTILITY SELLING EXPENSE	171,957	219,728	(47,771)
417158 NONUTILITY OPS EXPENSE OTHER	75,942	170,480	(94,538)
417101 NONUTILITY EXP - OTHER O&M	579,527	540,431	39,096
417100 NONUTILITY EXPENSES - COS	2,152,580	2,351,488	(198,908)
LESS EXP NON UTILITY LESS EXPENSE NON UTILITY OPS	3,194,408	3,674,807	(480,399)
418000 NONOPERATING RENTAL INCOME	6,000	86,884	(80,884)
NON OP RENTAL INCOME NON OPERATING RENTAL INCOME	6,000	86,884	(80,884)
419000 INTEREST INCOME - 3RD PARTY	9,812	5,455	4,357
419005 DIVIDEND INCOME	0	1,578	(1,578)

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail
 Business Unit: BH KANSAS GAS UTILITY CO LLC
 December, 2012 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2012	2011	Variance
419050 I/C INTEREST INCOME FROM UMP	391,551	1,077,977	(686,426)
419052 I/C INT INC ALLOC FROM BHSC	1,695	118	1,577
INT & DIVIDEND INC INTEREST & DIVIDEND INCOME	403,058	1,085,128	(682,070)
421000 Misc Nonoperating Income	72,408	17,459	54,949
MISC NON OP INCOME MISC NON OPERATING INCOME	72,408	17,459	54,949
421199 GAIN ON ASSET SALES	1	0	1
421198 O&M GAIN ON SALE OF ASSET	1,612	50,433	(48,821)
421999 GAAP TO FERC GN ON ASSET SALE	846,000	0	846,000
GAIN DISPO PROPERTY GAIN ON DISPOSITION PROPERTY	847,613	50,433	797,181
TOTAL OTHER INCOME	3,006,079	2,395,497	610,582
426100 MISC NONOPER DONATIONS	163,754	191,855	(28,101)
DONATIONS	163,754	191,855	(28,101)
426300 MISC NONOPER PENALTIES	177	410	(233)
PENALTIES	177	410	(233)
426400 MISC NONOPER CIVIC & POLITICAL	22,700	29,419	(6,719)
EXP CIVIC POLITICAL EXP CIVIC POLITICAL & RELATED	22,700	29,419	(6,719)
426500 MISC NONOPER OTHER	11,699	(5,902)	17,601
OTHER DEDUCTIONS	11,699	(5,902)	17,601
TTL OTH INC DEDUCT TOTAL OTHER INCOME DEDUCTIONS	198,330	215,782	(17,451)
408200 TAXES OTHR TN INCTAX NON UTIL	0	44,919	(44,919)
408230 TOTI-PROPERTY TAXES NON UTILITY	8	0	8
TAXES OTHER TAXES ON OTHER INCOME	8	44,919	(44,911)
409200 CURR INC TAX FED NONOPERATING	524,896	315,313	209,584
INC TAX FED OTHER FED INC TAX OTHER INC DED	524,896	315,313	209,584
409201 CURR INC TAX ST NONOPERATING	28,489	18,385	10,103
INC TAX STATE OTHER STATE INC TAX OTHER INC & DED	28,489	18,385	10,103
TAXES OTH INC & DED TAXES OTHER INCOME & DEDUCTION	553,393	378,617	174,776
NET OTH INC & DED NET OTHER INCOME & DEDUCTIONS	2,254,356	1,801,098	453,258
TOTAL OTHER INCOME & DEDUCTIONS	2,254,356	1,801,098	453,258
430000 I/C INTEREST EXPENSE TO UMP	583,205	1,383,361	(800,156)
430002 I/C INT EXP ALLOC FROM BHSC	1,940	6,119	(4,179)
430005 I/C INTEREST EXPENSE AFFILIATE	4,989,160	4,795,358	193,802
430999 GAAP TO FERC - BANK FEES	(35,724)	0	(35,724)
INT DEBT ASSOC COMP INTEREST ON DEBT ASSOC COMPANY	5,538,581	6,184,837	(646,256)
428999 GAAP TO FERC AMORTIZATION EXP	(11,118)	0	(11,118)
431000 INTEREST EXPENSE - 3RD PARTY	385,486	866,177	(480,691)
431001 INTEREST ON CUSTOMER DEPOSITS	2,315	9,773	(7,458)
431999 GAAP TO FERC-INTEREST EXPENSE	(24,154)	4,157	(28,311)
OTH INTEREST EXPENSE OTHER INTEREST EXPENSE	352,529	880,108	(527,579)
432000 AFUDC DEBT	(117,003)	(182,830)	65,826
LESS AFUDC BORROWED	(117,003)	(182,830)	65,826
NET INTEREST CHRGS NET INTEREST CHARGES	5,774,106	6,882,115	(1,108,009)
NET INTEREST CHARGES	5,774,106	6,882,115	(1,108,009)
NI BEFORE EXTRAORDINARY ITEMS	8,598,036	5,934,186	2,663,850
EXTRAORDINARY ITEMS	0	0	0
TOTAL NET INCOME	8,598,036	5,934,186	2,663,850

Report: Income Stmt - QTD & YTD w Pr Yr for FERC Rpt Detail Page: 1 of 1

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Data from the PSGLFERC Essbase Cube

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)
Business Unit: BH KANSAS GAS UTILITY CO LLC
HTD December, 2012

Run For: Scenario, All Resource Codes, All Allocation Types
 Data from the PSGLFERC Essbase Cube

Account Description	Y2012	Y2011	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
ASSETS:			
UTILITY PLANT:			
101000 PLANT IN SERVICE	113,855,941	94,889,051	18,966,891
101001 PLANT IN SERVICE INTANGIBLES	3,205,293	3,208,194	(2,900)
101304 PLANT IN SERVICE ARO	4,062	7,758	(3,696)
101999 GAAP TO FERC PLANT	76,219,692	84,438,290	(8,218,598)
106000 COMPLETE NOT CLASSIFIED IN CPR	2,683,008	4,579,560	(1,896,551)
114000 PLANT ACQUISITION ADJUSTMENTS	5,234,286	5,234,286	0
114003 PLANT ACQUISITION ADJ - OTHER	(124,688)	(124,688)	0
114005 PLANT ACQ ADJ - BHP	(171,347)	0	(171,347)
118990 BHUHC UTILITY PLANT ALLOC	23,275,688	25,811,650	(2,535,962)
118999 COMMON UTILITY PLANT ALLOC	3,402,952	2,895,486	507,466
UTILITY PLANT	227,584,888	220,939,586	6,645,302
107000 CONSTRUCTION WORK IN-PROGRESS	793,762	3,370,126	(2,576,364)
CWIP Construction Work In Progress	793,762	3,370,126	(2,576,364)
TOTAL UTILITY PLANT	228,378,650	224,309,712	4,068,938
108000 PLT IN SERV-ACCUM DEPREC-ORIG	33,428,411	38,610,235	(5,181,824)
108001 RETIREMENT WORK IN PROGRESS	16,982	(9,049)	26,031
108002 PLT IN SERV-ACCUM DEPR-REM COS	(126,355)	570,147	(696,503)
108003 PLT IN SERV-ACCUM DEPREC-SALV	(851,940)	(851,940)	0
108004 ACCUM DEPR/RET/REM/SALV	(30,358,548)	(30,358,548)	0
108005 ACCUM DEPR/RET/REM/SALVT&WE	(825,152)	(825,152)	0
108006 ACCUM AMORT - INTANGIBLES	(1,535,965)	(1,424,411)	(111,554)
108304 ACCUMULATED DEPR-LEGAL ARO	(2,247)	(4,441)	2,194
108999 GAAP TO FERC ACCUM DEPR	(75,373,692)	(84,438,290)	9,064,598
111000 PLT IN SERV-ACC AMORT -REGUTIL	(45,175)	(91,042)	45,867
119990 BHUHC ACCUM DEPR-ALLOC	(10,939,913)	(14,296,220)	3,356,307
119998 MON UTIL ACC DEPR CUR CUR ALLOC	(1,353,029)	(1,351,846)	(1,183)
119999 COMMON UTIL-ACC DEPR-ALLOC	(2,067,960)	(1,690,643)	(377,317)
ACCUM DEPRECIATION	(90,034,584)	(96,161,202)	6,126,617
NET UTILITY PLANT	138,344,065	128,148,510	10,195,555
OTHER PROPERTY AND INVESTMENTS:			
121990 BHUHC NON UTILITY PLANT ALLOC	620,556	760,120	(139,564)
121999 NON UTILITY PLANT ALLOC	182,877	155,606	27,272
121000 NONUTILITY PROPERTY	348,870	574,883	(226,013)
NON UTILITY PROPERTY	1,152,303	1,490,608	(338,305)
122000 NON-UTIL PLT-ACCUM DEPR-ORIG	(518,713)	(381,419)	(137,294)
122200 PLT IN SERV-ACCM AMORT-NONUTIL	(1,273)	(1,273)	0
122990 BHUHC ACCUM DEPR-NON UTIL PLT	(507,816)	(677,042)	169,226
122999 NON UTIL-ACCDEPR-ALLOC	(111,134)	(90,856)	(20,277)
ACCUM PROV DEPREC ACCUM PROV FOR DEPRECIATION	(1,138,935)	(1,150,590)	11,655
TTL OTH PROPERTY & INVESTMENT	13,368	340,019	(326,651)
CURRENT AND ACCRUED ASSETS:			
131232 WELLS FARGO OTHER MANUAL	14,573	14,573	0
131221 WELLS FARGO PMT SVCS	60,474	24,619	35,855
131152 WELLS FARGO WFED LOCK BOX	23,032	23,032	0
131148 WELLS FARGO OPER CASH	1,075,410	197,741	877,668
CASH ACCOUNTS	1,173,489	259,965	913,523
142006 CUSTOMER A/R INSTALL	226,926	233,471	(6,545)

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)
Business Unit: BH KANSAS GAS UTILITY CO LLC
HTD December, 2012

Run For: Scenario, All Resource Codes, All Allocation Types
 Data from the PSGLFERC Essbase Cube

Account Description	Y2012	Y2011	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
142003 CUSTOMER A/R FINANCE PROGRAM	17,156	24,440	(7,284)
142002 CUSTOMER A/R MERC	39,285	84,733	(45,448)
142001 CUSTOMER A/R OFF SYSTEM	314,000	361,000	(47,000)
142000 CUSTOMER ACCTS RECEIVABLE CIS	6,006,085	7,366,587	(1,360,501)
CUST ACCT RECEIVABLE CUSTOMER ACCOUNTS RECEIVABLE	6,603,453	8,070,231	(1,466,778)
143038 A/R MEDICARE SUBSIDY	47,598	83,608	(36,010)
143028 A/R TO BE COLLECTED FOR OTHERS	1,393	(190)	1,584
143012 A/R OTHER EMPLOYEE LOANS	6,660	8,516	(1,857)
143008 A/R DAMAGE CLAIMS	43,017	33,775	9,242
143007 A/R ADMINISTRATIVE SERVICES	7,517	7,739	(222)
143003 A/R CONTRIB IN AID OF CONSTRUC	50,017	105,256	(55,238)
143000 A/R MISCELLANEOUS	8,236	0	8,236
OTHER ACCTS RECVBL OTHER ACCOUNTS RECEIVABLE	164,438	238,703	(74,266)
144000 ACCUM PROV FOR UNCOLL ACCTS	(33,544)	(179,729)	146,185
ACCUM PROV-UNCOLL ACCUM PROV FOR UNCOLLECTIBLE	(33,544)	(179,729)	146,185
145000 I/C NOTES RECEIVABLE FROM UMP	11,205,864	26,994,403	(15,788,539)
145100 I/C INTEREST REC FROM UMP	0	71,538	(71,538)
NOTES REC INTER CO NOTES RECEIVABLE INTER COMPANY	11,205,864	27,065,940	(15,860,077)
146000 I/C ACCOUNTS RECEIVABLE	263,404	881,483	(618,078)
ACCTS REC INTER CO ACCTS RECEIVABLE INTER COMPANY	263,404	881,483	(618,078)
154000 MATERIALS AND SUPPLIES GENERAL	369,606	417,750	(48,144)
154003 INVENTORY MANUAL	29,743	1,134	28,609
154007 INVENTORY-TRANSFERS IN TRANSIT	2,566	320	2,246
PLANT MATERIAL & OP PLANT MATERIALS & OP SUPPLIES	401,915	419,205	(17,290)
163000 STORES EXPENSE UNDISTRIBUTED-	476,288	325,851	150,437
STORES EXP UNDIST STORES EXPENSE UNDISTRIBUTED	476,288	325,851	150,437
164118 STORED UNDERGROUND-CENTERPOINT	955,692	1,253,841	(298,149)
164107 GAS STORED UNDERGROUND WNG	1,657,518	2,277,015	(619,497)
164104 GAS STORED UNDERGROUNDKNE	246,372	291,184	(44,813)
164102 GAS STORED UNDERGROUND NNG	1,118,867	1,808,549	(689,683)
164100 GAS STORED UNDERGROUND-	(1,067,176)	(538,241)	(528,935)
GAS STORED UG CRNT GAS STORED UNDERGROUND CRNT	2,911,272	5,092,349	(2,181,077)
165180 PREPAID STATE TAXES	0	280,861	(280,861)
165007 PREPAID FEDERAL TAXES	295,642	216,126	79,516
165002 PREPAID INSURANCE	30,761	35,000	(4,239)
165020 PREPAID DUES AND SUBSCRIPTIONS	0	0	0
PREPAYMENTS	326,403	531,987	(205,585)
173000 ACCRUED UNBILLED REVENUES	8,624,396	8,097,111	527,286
ACCD UTILITY REVENUE ACCRUED UTILITY REVENUES	8,624,396	8,097,111	527,286
174005 EXCHANGE GAS RECEIVABLE PEPL	87,086	122,037	(34,951)
174007 EXCHANGE GAS RECEIVABLE WMS	0	27,779	(27,779)
MISC CRNT ACCD ASSTS MISC CURRENT & ACCURED ASSETS	87,086	149,816	(62,730)
TTL CURRENT & ACCRUED ASSETS	32,204,464	50,952,913	(18,748,448)
DEFFERED DEBITS:			
182300 REG ASSET OTHER	5,012,239	2,038,840	2,973,399
182301 REG ASSET ENVIROMEN ST	746	0	746
182305 REG ASSET ARO	17,310	35,084	(17,775)
182309 REG ASSET FAS 106 PRIOR SVC	325,997	484,757	(158,761)
182310 REG ASSET PENSION PRIOR SVC	1,340,062	1,556,523	(216,461)
182313 REGULATORY ASSSET - COMP ABS	0	24,789	(24,789)
182315 REG ASSET FAS 106	933,074	1,095,438	(162,364)

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)
Business Unit: BH KANSAS GAS UTILITY CO LLC
HTD December, 2012

Run For: Scenario, All Resource Codes, All Allocation Types
 Data from the PSGLFERC Essbase Cube

Account Description	Y2012	Y2011	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
182316 REG ASSET PENSION	6,371,022	6,077,864	293,158
OTHER REG ASSETS OTHER REGULATORY ASSETS	14,000,449	11,313,296	2,687,153
184017 MISC CAPITAL CLEARING	0	0	0
184003 FIELD ENGINEERING CLEARING	61,861	18,640	43,221
184000 FLEET/TRANSPORTATION CLEARING	65,322	24,666	40,656
CLEARING ACCOUNTS	127,183	43,306	83,877
186001 MISC DEFERRED DEBITS-IN PROCES	1,848	0	1,848
186002 DEFERRED RATE CASE EXPENSES	66,646	69,385	(2,739)
186023 METER SHOP CAPEX STATE ALLOC	806,008	709,214	96,794
186998 DEFERRED ASSETS - OTHER	5,708	4,924	783
MISC DEFERRED DEBITS	880,209	783,523	96,686
190520 DEFERRED TAX ASSET LT	4,384,028	5,645,638	(1,261,610)
190299 DEF TAX ASSET STATE INC TAX ST	24,944	24,953	(9)
190190 DEF TAX AMORTIZATION OF CIAC	(413)	(413)	0
190175 DEFERRED TAX ASSET ST	376,400	396,139	(19,739)
190599 DEF TAX ASSET STATE INC TAX LT	699,424	326,742	372,682
ACCUM DEF INC TAXES ACCUM DEFERRED INCOME TAXES	5,484,383	6,393,059	(908,676)
191600 UNREC PGA CST EST-GEN SYS	2,041,311	414,137	1,627,174
191560 UNREC PGA CAP REL-SH SHAREDREV	97,230	64,523	32,707
191549 UNREC PGA CAPACITY RELEASE	(194,460)	(129,045)	(65,415)
191541 UNREC PGA CST PND KS	(452,144)	1,257,598	(1,709,742)
191300 UNREC PGA CST UNBILLED	(6,013,176)	(5,590,579)	(422,597)
191100 UNREC PGC ACTUAL-GEN SYSTEM	4,521,238	4,173,073	348,166
UNREC PURCH GAS UNRECOVERED PURCHASED GAS	0	189,706	(189,706)
DEFERRED DEBITS	<u>20,492,225</u>	<u>18,722,891</u>	<u>1,769,334</u>
TOTAL ASSETS AND OTHER DEBITS:	<u>191,054,122</u>	<u>198,164,332</u>	<u>(7,110,210)</u>
<u>LIABILITIES AND SHAREHOLDERS EQUITY:</u>			
<u>PROPRIETARY CAPITAL:</u>			
211001 ADDL PAID IN CAPITAL	55,514,021	55,514,021	0
OTH PAID IN CAPITAL OTHER PAID IN CAPITAL	55,514,021	55,514,021	0
216000 RETAINED EARNINGS GENERAL	0	11,987,782	(11,987,782)
RETAINED EARNINGS	0	11,987,782	(11,987,782)
TOTAL PROPRIETARY CAPITAL	<u>55,514,021</u>	<u>67,501,803</u>	<u>(11,987,782)</u>
<u>LONG-TERM DEBT:</u>			
<u>OTHER NON-CURRENT LIABILITIES:</u>			
228204 RESERVE MEDICAL	88,316	102,936	(14,620)
228203 RESERVE AUTO LIABILITY	0	(41,151)	41,151
228202 RESERVE WORKERS' COMPENSATION	586,559	707,165	(120,606)
228200 RESERVE GENERAL LIABILITY	158,065	129,530	28,536
ACCUM PROV INJRY DAM ACCUM PROV INJURIES & DAMAGES	832,940	898,480	(65,539)
229001 BILLINGS COLL SUBJECT TO REFUN	5,469	0	5,469
ACCUM PROV RATE RFND ACCUM PROV FOR RATE REFUNDS	5,469	0	5,469
230304 ACCUM RESV OBLIGATION ARO	19,125	38,401	(19,276)
ASSET RETIRE OBLIG ASSET RETIREMENT OBLIGATIONS	19,125	38,401	(19,276)
TTL OTR NONCRNT LIAB TTL OTHER NONCRNT LIABILITIES	<u>857,534</u>	<u>936,881</u>	<u>(79,347)</u>
<u>CURRENT AND ACCRUED LIABILITIES:</u>			

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)
Business Unit: BH KANSAS GAS UTILITY CO LLC
HTD December, 2012

Run For: Scenario, All Resource Codes, All Allocation Types
 Data from the PSGLFERC Essbase Cube

Account Description	Y2012	Y2011	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
232000 AP PEOPLESFT SUBLEDGER	371,060	1,392,987	(1,021,927)
232001 A/P INVENTORY ACCRUAL	0	8,711	(8,711)
232005 A/P PO ACCRUAL	6,827	133,539	(126,712)
232006 A/P GAS PURCHASES ESTIMATED	5,971,512	6,368,629	(397,117)
232009 A/P MANUAL	244,955	546,075	(301,121)
232026 A/P CUSTOMER CARE	0	(3,605)	3,605
232061 A/P ESCHEAT	19,579	0	19,579
ACCTS PAYABLE ACCOUNTS PAYABLE	6,613,932	8,446,336	(1,832,404)
233053 I/C NOTES PAYABLE AFFILIATE	62,712,287	59,576,673	3,135,614
233100 I/C INTEREST PAYABLE TO UMP	9,135	0	9,135
233153 I/C INTEREST PAYABLE AFFILIATE	239,999	399,613	(159,614)
NOTE PAY INTER CO NOTES PAYABLE INTER COMPANY	62,961,421	59,976,286	2,985,136
234222 CIS+ ACCOUNT BALANCE TRANSFERS	0	171	(171)
234000 I/C ACCOUNTS PAYABLE	18,545,464	19,847,387	(1,301,923)
234002 I/C AP ENSERCO SETTLEMENTS	0	167,585	(167,585)
ACCT PAY INTER CO ACCOUNTS PAYABLE INTER COMPANY	18,545,464	20,015,143	(1,469,679)
235000 CUSTOMER DEPOSITS-	1,625,457	1,818,108	(192,651)
CUSTOMER DEPOSITS	1,625,457	1,818,108	(192,651)
236000 ACCRUED INCOME TAXES FEDERAL	0	(1)	1
236001 ACCRUED INCOME TAXES STATE	47,840	(1)	47,841
236003 ACCRUED TAXES SALES/USE	5,123	18,932	(13,809)
236004 ACCRUED PROPERTY TAXES	2,270,687	1,907,784	362,903
236005 ACCRUED FRANCHISE TAX	0	7	(7)
236010 ACCRUED FICA TAX EMPLOYER	93,239	93,359	(120)
236011 ACCRUED FUTA TAX	121	29	92
236012 ACCRUED SUTA TAX	24	8	16
236998 ACCRUED UTILITY COMM TAXES	456,841	405,000	51,841
TAXES ACCRUED	2,873,874	2,425,117	448,756
241006 STATE WITHHOLDING TAXES PAYABL	39,550	26,022	13,528
241004 STATE SALES AND USE TAX	116,043	200,427	(84,384)
241002 TAX COLLECTION PAY CITY FRANCH	528,577	621,809	(93,232)
241001 FEDERAL WITHHOLDING TAXES PAYB	36,018	0	36,018
241000 FICA WITHHOLDING TAXES PAYABLE	16,132	0	16,132
TAX COLLECTED PAY TAX COLLECTIONS PAYABLE	736,321	848,258	(111,938)
242003 ACCRUED BENEFITS COMP ABSENCES	214,410	206,985	7,425
242013 ACCRUED BENEFITS 401K	13,571	27,526	(13,956)
242014 ACCRUED BONUS OTHER	42,000	0	42,000
242019 ACCRUED ENERGY AID ASSISTANCE	22,895	17,741	5,154
242021 ACCRUED PAY IT FORWARD	0	3,105	(3,105)
242028 ACCRD UNCL CHECKS/ESCHEATS	1,184	(734)	1,918
242041 ACCRUED INCENTIVE	726,305	702,182	24,123
242045 ACCRUED PAYROLL	142,528	345,857	(203,330)
242046 ACCRUED EE REIMBURSED EXP	8,841	16,889	(8,048)
242052 ACCRUED LT PERFORMANCE PLAN	2,884	0	2,884
242075 ACCRUED PERSONAL CARE	0	26,269	(26,269)
242999 ACCRUED OTHER	1,946,414	2,098,536	(152,122)
MISC CRNT ACCD LIAB MISC CURRENT & ACCRUED LIAB	3,121,032	3,444,357	(323,325)
TOTAL CURRENT & ACCRUED LIAB	96,477,500	96,973,605	(496,105)
DEFFERED CREDITS:			
252000 CUSTOMER ADVANCES FOR CONST	439,497	558,301	(118,804)
CUST ADV FOR CONSTR CUSTOMER ADVANCE CONSTRUCTION	439,497	558,301	(118,804)

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)
Business Unit: BH KANSAS GAS UTILITY CO LLC
HTD December, 2012

Run For: Scenario, All Resource Codes, All Allocation Types
 Data from the PSGLFERC Essbase Cube

Account Description	Y2012	Y2011	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
253002 CONTRACTOR RETAINAGE CURRENT	0	10,293	(10,293)
253011 ACCRUED GROUP INS RETIREE LT	570,097	874,931	(304,834)
253105 ACCRUED PENSION	6,446,298	6,534,484	(88,186)
253134 STATE FIN48 LIABILITY	387	21,687	(21,300)
253520 FIN 48 LIABILITY	9,080	379,324	(370,244)
253700 OTH DEF CR ENERGY ASST PRGM	416,174	2,286	413,888
253997 GAAP TO FERC FIN48 LIAB FED	(6,007)	(337,280)	331,273
253998 GAAP TO FERC-FIN 48 LIAB-STATE	(386)	(19,667)	19,281
OTH DEFERRED CREDITS OTHER DEFERRED CREDITS	7,435,644	7,466,059	(30,416)
254020 REG LIAB PGA CR BAL RECLASS	4,521,238	4,173,073	348,166
254004 REG LIAB ACL PIPE REPL RIDR KS	230	229	0
254001 REG LIAB EMISSIONS	0	0	0
254100 REG LIAB LT RETIREE HC INC TAX	535,467	624,245	(88,778)
254200 REG LIABILITY LT PENSION INC TAX	3,656,161	3,463,523	192,638
OTH REGULATORY LIAB OTHER REGULATORY LIABILITIES	8,713,096	8,261,070	452,026
282299 DEF TAX LIAB STATE OTH PROP ST	0	0	0
282100 DEF TAX PROPERTY LT	15,096,222	12,522,886	2,573,336
282599 DEF TAX LIAB STATE OTH PROP LT	992,809	730,198	262,611
282998 GAAP TO FERC-DEFTAX-ACCEL DEPR	6,007	337,280	(331,273)
282999 GAAP TO FERC-DEFTAX-DEPR STATE	386	19,667	(19,281)
ACCUM DEF INC TAX PR ACCUM DEF INCOME TAXES PROPTY	16,095,424	13,610,030	2,485,394
283440 DEFERRED TAX LIAB LT	(3,648,737)	(3,346,219)	(302,518)
283134 DEF TAX LIAB STATE INC TAX ST	31,581	25,507	6,074
283005 DEFERRED TAX LIAB ST	480,200	437,422	42,779
283534 DEF TAX LIAB STATE INC TAX LT	(246,771)	(194,313)	(52,458)
283998 GAAP TO FERC-DEF TAX LT LIAB	290,178	0	290,178
283999 GAAP TO FERC-DEFTX LIAB-STATE	16,920	0	16,920
ACCUM DEF INC TAX OT ACCUM DEF INCOME TAX OTHER	(3,076,629)	(3,077,603)	974
TOTAL DEFERRED CREDITS	29,607,031	26,817,857	2,789,174
UNDIST YTD NET INCOME	8,598,036	5,934,186	2,663,850
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY:	191,054,122	198,164,332	(7,110,210)

Report: Bal Sheet - Detail w Totals YTD & LYD FERC Page: 1 of 1
 Printed: Jan 18, 2013 10:50 AM Hyp 11.1.1.3
 Data from the PSGLFERC Essbase Cube

TAB B6

KANSAS RING FENCING COMPLIANCE
FINANCIAL RATIOS
TOTAL DEBT TO TOTAL CAPITALIZATION

BLACK HILLS CORPORATION
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2012
<i>Numerator</i>	
Notes payable	277,000
+ Commercial paper	-
+ Current maturities	103,973
+ Current capitalized lease obligations	-
+ Long term debt	938,877
+ Capitalized lease obligations	-
+ Total OBS Debt	175,273
	1,495,123
 <i>Denominator</i>	
Notes payable	277,000
+ Commercial paper	-
+ Current maturities	103,973
+ Current capitalized lease obligations	-
+ Long Term debt	938,877
+ Capitalized lease obligations	-
+ Common equity	1,232,509
+ Total OBS Debt	175,273
	2,727,632
	54.81%

Source: 2012 Black Hills Corporation Form 10-K

KANSAS RING FENCING COMPLIANCE
FINANCIAL RATIOS
FUNDS FROM OPERATIONS INTEREST COVERAGE

BLACK HILLS CORPORATION
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2012
<i>Numerator</i>	
Net income from continuing operations	81,528
+ Depreciation, depletion & amortization	154,632
+ Deferred income taxes (net)	39,944
+ Investment tax credit amortization	(228)
- AFDC - debt	3,462
- AFDC - equity	540
+ (Income) loss from equity investments	(10)
+ (Gain) loss on property (see note below)	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	271,864
+ Cash interest paid (net of interest capitalized)	116,593
+ AFDC - debt	3,462
- Interest expense adjustment	-
+ Interest on OBS debt	-
	391,919
 <i>Denominator</i>	
Interest expense (net)	117,072
- Interest expense adjustment	-
+ AFDC - debt	3,462
+ Interest on OBS debt	-
	120,534
	3.2515

Source: 2012 Black Hills Corporation Form 10-K

Note: \$29.1 million related to the sale of a portion of Williston Basin assets is not reflected in the calculation of interest coverage from operations.

KANSAS RING FENCING COMPLIANCE
FINANCIAL RATIOS
FUNDS FROM OPERATIONS AS A % OF TOTAL DEBT

BLACK HILLS CORPORATION
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2012
<i>Numerator</i>	
Net income from continuing operations	81,528
+ Depreciation, depletion & amortization	154,632
+ Deferred income taxes (net)	39,944
+ Investment tax credit amortization	(228)
- AFDC - debt	3,462
- AFDC - equity	540
+ (Income) loss from equity investments	(10)
+ (Gain) loss on property (see note below)	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	271,864
+ Depreciation adjustment for Operating Leases	-
	271,864
<i>Denominator</i>	
Notes payable	277,000
+ Commercial paper	-
+ Current maturities	103,973
+ Current capitalized lease obligation	-
+ Long term debt	938,877
+ Capitalized lease obligations	-
+ Total OBS Debt	175,273
	1,495,123
	18.18%

Source: 2012 Black Hills Corporation Form 10-K

Note: \$29.1 million related to the sale of a portion of Williston Basin assets is not reflected in the calculation of funds as a percentage of debt.

TAB C3

BLACK HILLS CORPORATION
LIST OF CREDIT RATING AGENCIES AND EQUITY ANALYST REPORTS RECEIVED
(Updated Through Mid-May 2013)

Agency/Analyst	Date
D.A. Davidson & Co./Michael Bates	5/13/2013
Drexel Hamilton/Andy Smith	5/9/2013
Drexel Hamilton/Andy Smith	5/6/2013
Gabelli & Company, Inc./Timothy Winter	5/6/2013
Credit Suisse/Kevin Cole	5/3/2013
D.A. Davidson & Co./Michael Bates	5/3/2013
RBC/Shelby Tucker	5/3/2013
D.A. Davidson & Co./Michael Bates	4/29/2013
BMO Capital Markets/Michael S. Worms	4/15/2013
Sidoti/Michael Klein	4/2/2013
RBC/Shelby Tucker	3/18/2013
Drexel Hamilton/Andy Smith	2/20/2013
Credit Suisse/Kevin Cole	2/7/2013
Gabelli & Company, Inc./Timothy Winter	2/5/2013
BMO Capital Markets/Michael S. Worms	2/1/2013
Credit Suisse/Kevin Cole	2/1/2013
D.A. Davidson & Co./Michael Bates	2/1/2013
D.A. Davidson & Co./Michael Bates	2/1/2013
RBC/Shelby Tucker	2/1/2013
RBC/Shelby Tucker	2/1/2013
D.A. Davidson & Co./Michael Bates	11/9/2012
Gabelli & Company, Inc./Timothy Winter	11/9/2012
J.P.Morgan/Christopher Turnure	11/9/2012
RBC/Shelby Tucker	11/9/2012
Credit Suisse/Kevin Cole	11/9/2012
Credit Suisse/Kevin Cole	11/8/2012
BMO Capital Markets/Michael S. Worms	11/8/2012
D.A. Davidson & Co./Michael Bates	11/5/2012
Credit Suisse/Kevin Cole	11/2/2012
RBC/Shelby Tucker	10/23/2012
BMO Capital Markets/Michael S. Worms	10/5/2012
Gabelli & Company, Inc./Timothy Winter	10/4/2012
Gabelli & Company, Inc./Timothy Winter	9/26/2012
J.P.Morgan/Christopher Turnure	9/12/2012
BMO Capital Markets/Michael S. Worms	8/27/2012
Gabelli & Company, Inc./Timothy Winter	8/24/2012
BMO Capital Markets/Michael S. Worms	8/24/2012
Credit Suisse/Kevin Cole	8/24/2012
Gabelli & Company, Inc./Timothy Winter	8/9/2012
D.A. Davidson & Co./Michael Bates	8/8/2012
D.A. Davidson & Co./James L. Bellessa, Jr.	8/2/2012
D.A. Davidson & Co./James L. Bellessa, Jr.	7/12/2012
D.A. Davidson & Co./James L. Bellessa, Jr.	6/1/2012
BMO Capital Markets/Michael S. Worms	5/4/2012

Agency/Analyst	Date
Credit Suisse/Kevin Cole	5/4/2012
Gabelli & Company, Inc./Timothy Winter	5/4/2012
Credit Suisse/Kevin Cole	4/26/2012
J.P.Morgan/Christopher Turnure	4/24/2012
D.A. Davidson & Co./James L. Bellessa, Jr.	2/7/2012
Credit Suisse/Kevin Cole	2/3/2012
D.A. Davidson & Co./James L. Bellessa, Jr.	1/24/2012
BMO Capital Markets/Michael S. Worms	1/19/2012
J.P.Morgan/Andrew Smith	1/19/2012
Gabelli & Company, Inc./Tim Winter	1/19/2012
D.A. Davidson & Co./James L. Bellessa, Jr.	12/27/2011
Gabelli & Company, Inc./Tim Winter	12/27/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	11/21/2011
Gabelli & Company, Inc./Tim Winter	11/7/2011
J.P.Morgan/Andrew Smith	11/4/2011
Credit Suisse/Dan Eggers	11/4/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	11/2/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	10/24/2011
BMO Capital Markets/Michael S. Worms	10/9/2011
Gabelli & Company, Inc./Tim Winter	10/6/2011
Credit Suisse/Dan Eggers	10/6/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	10/4/2011
Gabelli & Company, Inc./Tim Winter	9/7/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	8/24/2011
J.P.Morgan/Andrew Smith	8/5/2011
J.P.Morgan/Andrew Smith	8/3/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	7/29/2011
J.P.Morgan/Andrew Smith	7/14/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	6/20/2011
Williams Capital Research/Christopher R. Ellinghaus	6/17/2011
Credit Suisse/Dan Eggers	6/10/2011
J.P.Morgan/Andrew Smith	6/9/2011