



Black Hills Energy
1102 E 1st Street
Papillion, NE 68046

May 30, 2019

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

RE: 11-BHCG-800-CPL

Dear Ms. Retz:

Pursuant to compliance requirements in Docket No. 06-GIMX-181-GIV, this correspondence serves to inform there have been no changes to the following item as filed in the Black Hills Energy Kansas Ring Fencing Compliance Filing dated May 31, 2011 in Docket No. 11-BHCG-800-CPL:

- Service Agreement with Black Hills Service Company, LLC (“BHSC”)

Effective January 1, 2019, Black Hills Utility Holdings, LLC (“BHUH”) ceased to function as a centralized service company. All service company activities previously performed by BHUH are combined with the activities of BHSC.

The amended BHSC Cost Allocation Manual (“CAM”) is included in this year-ended 2018 filing and follow this letter. According to submission information requirements, changes made to the amended BHSC CAM follow in a red-lined document. The CAM includes the combining of BHUH activities with BHSC.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ann Stichler', is written over a light blue horizontal line.

Ann Stichler
Regulatory and Finance

Black Hills Service Company

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: December 1, 2013

Amended: December 1, 2014

Amended: December 1, 2015

Amended: December 1, 2016

Amended: December 1, 2017

Amended: November 7, 2018

Amended: December 20, 2018

Black Hills Service Company Cost Allocation Manual

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Introduction

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

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

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

In 2018, BHC made a strategic business decision to divest its oil and gas division and transition from a diversified energy company to a utility-centered energy company. The divestiture of the oil and gas division followed BHC's earlier decision in 2014 to divest of its energy trading division, all steps in furtherance of its transition to a utility company. As a result of this strategic shift, BHC no longer needed two service companies, the Service Company and Black Hills Utility Holding (BHUH). On January 1, 2019, BHUH will transfer its departments including employees and assets to the Service Company. The process improvement results in one Service Company instead of two, eliminating unnecessary complexity and improved visibility for our regulators.

The Service Company is a wholly owned subsidiary of Black Hills Corporation (the Holding Company or BHC), and is a separate legal entity. The 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, short-term financing (corporate credit facility and commercial paper program) and related deferred finance costs, and the administration of money pool transactions for both the utility money pool and the non-utility money pool. In addition, as will be discussed in greater detail later, certain corporate costs are charged directly to the Holding Company. The most notable of these types of costs are corporate development project costs.

Service Company Organization

The Service Company is organized into operating departments based upon the services that those departments provide to Black Hills Corporation subsidiaries. A list of each department, as well as a brief description of the services they provide, is attached as Appendix 2.

Direct Costs versus Indirect Costs

A key issue in distributing Service Company costs is distinguishing between direct and indirect costs. The account coding will change depending on whether the cost is a direct or indirect cost. Costs for shared services are distributed to affiliates within Black Hills through *direct* costs (direct assignable or direct distributed) or *indirect* allocation. Costs are direct charged to the extent possible. Costs that cannot be directly assigned nor distributed reasonably to the applicable business units receive the benefit using indirect allocation. Below is a summary of each of these types of costs and examples of these costs.

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

Methods of Direct Charges include:

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

Here are some examples:

- A Facilities employee is supporting the facilities management for Black Hills Power. The labor costs incurred in supporting facilities are specifically associated with an identified subsidiary. Therefore, this would be a Direct Cost Assignable.
- A Regulatory employee whom directly supports one jurisdiction travels to Rapid City to attend a BHC strategic conference. The time and travel associated with attending the conference shall be Direct Cost Assignable to that employees business unit they directly support.
- A Gas Engineer is reviewing the Distribution Integrity Management Program for all the gas utilities. This charge cannot be directly attributable to any specific individual business, but can be identified to support multiple businesses within the gas utilities. Therefore, this charge would be considered a Direct Cost Distributed.

Methods of Direct Cost Distributed:

Regulated Electric - Blended	Direct Cost Distributed
Regulated Electric - Customers	Direct Cost Distributed
Regulated Electric - Transmission/Distribution	Direct Cost Distributed
Regulated Natural Gas - Blended	Direct Cost Distributed
Regulated Natural Gas - Customers	Direct Cost Distributed
Non-Regulated- Blended	Direct Cost Distributed
GDPM	Direct Cost Distributed
Nameplate Generation Capacity	Direct Cost Distributed
Power Generation Capacity	Direct Cost Distributed

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

- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.

- A Human Resources representative attends an industry training event. This charge cannot be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost.
- The Corporate Accounting department is completing monthly close of the BHC financials. Since the Corporate Accounting department is supporting the enterprise and all of its subsidiaries, it is impractical to direct code, this charge would be considered an indirect cost.
- A Help Desk technician orders a replacement computer monitor for an employee of the Service Company. This hardware cost incurred is specifically associated with the Service Company. Therefore, this would be an indirect cost.

Methods of Indirect Charges:

SC All – Blended	Indirect
SC All – Employee	Indirect
SC All – Asset Cost	Indirect
SC All – Regulated Customers	Indirect
SC All – Customers (Regulated and Non-Regulated)	Indirect
SC Utility - Blended	Indirect

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

There are certain costs that will always be considered either direct or indirect costs. Below is a list of significant Service Company expenses that follow these rules:

Always considered direct costs:

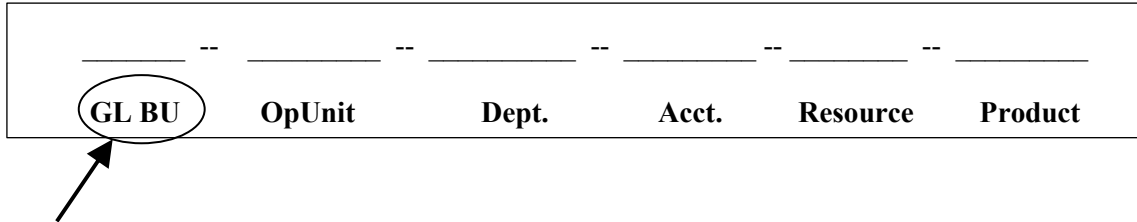
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Corporate development project costs
- Retiree healthcare costs

Always considered indirect costs:

- Board of Directors’ fees and expenses
- Horizon Point rent
- Depreciation of Service Company assets
- Directors’ and officers’ insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

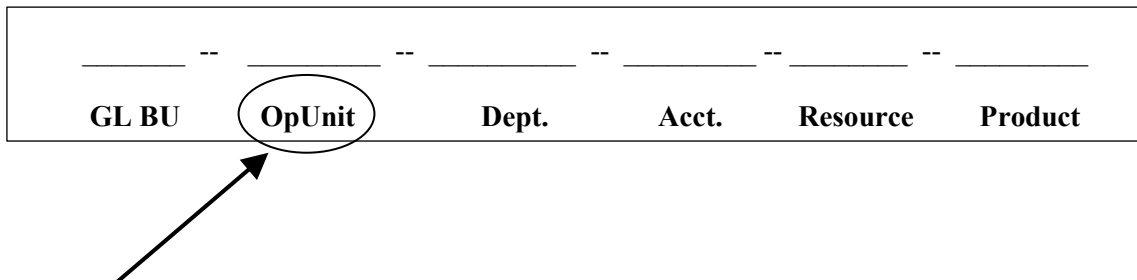
Transaction Coding

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



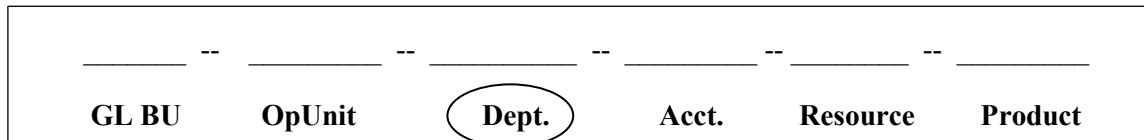
General Ledger Business Unit (GLBU):

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



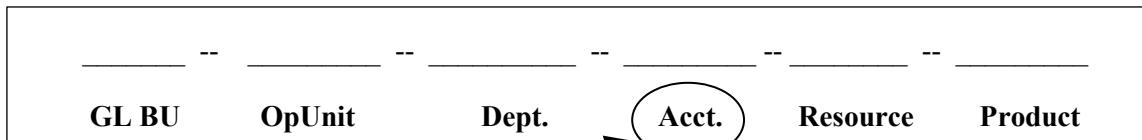
Operating Unit (OpUnit):

- Six (6) character numeric field.
- The OpUnit field is used to identify the code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- The Op Unit field will be populated using one of the Service Company Op Units for indirect costs. Indirect costs also include costs from other areas of the company that are directly related to the Utility Holding Company.



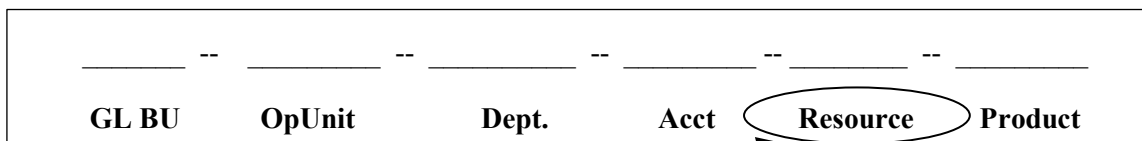
Department (Dept):

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



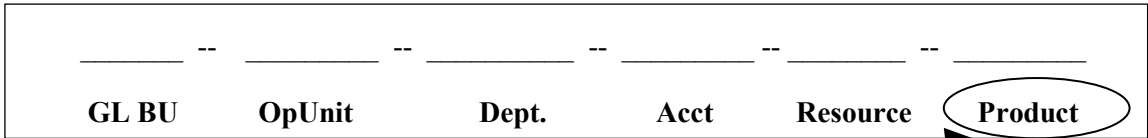
Account (Acct)

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



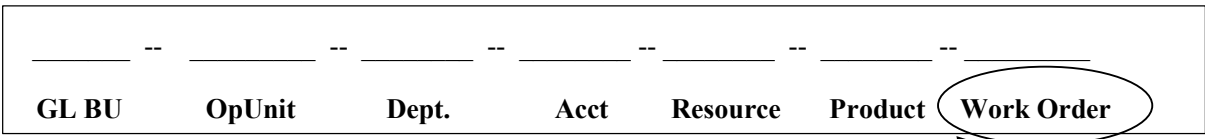
Resource:

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



Product:

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



Work Order:

- Alpha or numeric field.
- Represents the collection of costs to allow the monitoring of a job or group of costs.
- The Work Order field is required on all construction work in progress transactions

Timekeeping

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

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

Loadings

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

The loading rates are calculated at the beginning of the year based on budgeted benefit expenses and budgeted labor. Benefit costs and loading rates are reviewed, and updated as needed. Below is a list of components of the loading rates:

General labor loadings:

- Compensated Absences: including but not limited to paid time off (PTO), Holiday, Jury duty, Funeral pay, United Way day, Short-term Disability and Annual Physical appointment.
- Payroll Taxes: including but not limited to FICA, FUTA SUTA and city taxes
- Employee Benefits: including but not limited to health and medical, 401K match and fees, Pension, Retiree healthcare and associated fees
- Incentives: including but not limited to Non-officer incentive plans, Restricted Stock and Stock Option expense

Supplemental loadings:

- Officer short term incentive plans
- Officer supplemental retirement
- Officer performance plan

Loadings calculated on payroll are based on estimated benefit costs, therefore, differences between actual benefits will be inherent to this process.

Allocation Ratios

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

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

One additional item to note is that pooled benefits, primarily health care costs, are allocated differently due to the pooling method for benefits such as self-insured health care. BHC has chosen to pool certain benefit costs and spread the risk amongst all subsidiaries equally. All pooled benefit costs of BHC are paid by the Service Company and allocated to subsidiaries based on employee counts.

A list of all allocation ratios, including a brief description of the ratio, the basis for the calculation of the ratio, and the department to which that ratio has been assigned, is attached hereto as Appendix 1.

Changing Allocation Ratios

Allocation ratios are set at the first of the year, based upon financial information from the trailing twelve months ending September 30th for prior year. Assets, utility assets, employee counts, and power generation capacity are based on values as of previous period ending September 30th. Gross margin, utility gross margin, payroll dollars, and utility payroll dollars are based on values for the trailing twelve months ending September 30th.

The Service Company maintains certain departments (reflected as Centralized Utility Departments) that are used by and benefit only the Utilities. These departments include employees and assets that support the utility functions of: regulatory, engineering, customer service, gas supply, etc. Because these costs only support utility subsidiaries; their respected assets, payroll and employee count are allocated to only the utility subsidiaries before arriving at the allocation ratios.

Certain events may occur during the year that are deemed to be significant to BHC that will require corresponding adjustments be made to the allocation ratios. A significant change is any singular event at any individual entity that changes the value of any of the three-factor denominators from the Blended Ratio by more than 3%. Any change would take effect the month following the singular event. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams. Less significant events that may require a change include complete divestiture of a business unit or acquisition of a new business unit. A certain level of judgment is required to determine whether an event is significant enough to require an adjustment to the allocations.

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

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

Subsidiary Payment for Direct and Indirect Charges

It is the policy of the Service Company to insure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to the Service Company by the end of the following month. The Service Company will monitor payments received during the month to 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 BHC subsidiaries. These fixed assets primarily consist of computer hardware and software that form the corporate-wide information technology network. Because these fixed assets support multiple BHC subsidiaries, they are allocated to the appropriate subsidiaries monthly as part of the month-end close process, along with the allocation of these assets' accumulated depreciation. Construction Work in Process balances are not allocated.

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

The allocation ratio used for fixed assets and accumulated depreciation follows the appropriate cost driver.

Allocating Capitalized Inventory

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

Appendix 1 – Allocation Ratios

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

Gross Margin Ratio – Based on the total gross margin for the trailing twelve months ending September 30th, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Gross margin is defined as revenue less cost of sales. Certain intercompany transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party. The Gross Margin Ratio measures where the businesses makes their money.

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

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

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

SC All-Blended (No BHES)

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

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

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

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

Employee Ratio – Based on the number of employees as of September 30th for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries.

Power Generation Capacity Ratio – Based on the total power generation capacity as of September 30th for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Power generation includes capacity in service and capacity under construction.

Nameplate Generation Capacity Ratio – Based on the total facility’s power generation capacity at the end of September 30th for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Nameplate generation includes capacity in service and capacity under construction at the facility.

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

Regulated Electric Transmission/Distribution Ratio – Based on a simple average of a multiple of cross-sectional drivers for the transmission function as of September 30th for the prior year that includes customer counts, peak load, number of substations, number of feeders, number of distribution and transmission miles, and number of remote terminal units. The numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

Customer Count Ratio – Based on the number of customers as of September 30th for the prior year, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

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

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

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

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

**Appendix 2 –
Service Company Departments**

Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4700	SC-ACCOUNTING SYSTEMS	SC All-Blended	Maintains the corporate- wide accounting systems of Black Hills Corporation, most notably the general ledger and financial statement preparation systems.		Yes	Yes	Yes	Yes	Yes	Yes
4702	SC-CORP DEVELOPMENT	SC All-Blended	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.		Yes	Yes	Yes	Yes	Yes	Yes
4704	SC-TAX	SC All-Blended	Prepares quarterly and annual tax provisions of all Black Hills Corporation subsidiaries. Maintains and reconciles all current and deferred income tax general ledger accounts. Prepares tax filings and ensures compliance with applicable laws and regulations. Oversees various tax planning projects.		Yes	Yes	Yes	Yes	Yes	Yes
4705	SC-CREDIT AND RISK	SC All-Blended	Provides risk management, risk evaluation, and risk analysis services. Provides support to the Executive Risk Committee. Evaluates contract risks		Yes	Yes	Yes	Yes	Yes	Yes
4706	SC-LEGAL - CORPORATE	SC All-Blended	Provides legal counsel and services related to general business operations, including labor and employment law, finance, litigation, contracts, utility rates and regulation, financial reporting, Securities and Exchange Commission, Federal Energy Regulatory Commission and other state and federal compliance, environmental matters, real estate and other legal matters. Oversees the hiring and administration of external counsel. Provides legal support to various corporate development projects. Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Provides various recordkeeping and administrative services related to shareholder services. Assists in the administration of equity-based compensation plans.		Yes	Yes	Yes	Yes	Yes	Yes
4709	SC-ENVIRONMENTAL SERVICES	Asset Cost	Establishes policies and procedures for compliance with environmental laws and regulations. Researches emerging environmental issues and monitors compliance with environmental requirements. Oversees environmental clean-up projects. Obtains permits to support the business operations of Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4710	SC-EXECUTIVE MGMT	SC All-Blended	Provides overall oversight of Black Hills Corporation and its subsidiaries. Provides the Board of Directors information for decision making purposes.		Yes	Yes	Yes	Yes	Yes	Yes
4711	SC-SAFETY	Employee Ratio	Develops and implements safety planning activities and provides employee safety education. Administers the corporate safety program. Assists with compliance with DOT, OSHA, and MSHA regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4712	SC-TREASURY	SC All-Blended	Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and investing activities. Monitors capital markets to support financial planning for all subsidiaries. Oversees the administration of corporate pension and 401(k) plans.		Yes	Yes	Yes	Yes	Yes	Yes
4715	SC-F&A LEADERSHIP	SC All-Blended	Provides management and administrative support for accounting and finance functions of the Company's regulated and non-regulated businesses including external audit coordination. Responsible for closing the general ledger for the Company's regulated and non-regulated businesses. Oversees the corporate consolidation of subsidiary financial statements. Prepares monthly internal financial reports for management. Prepares quarterly and annual financial reports to the Securities and Exchange Commission, financial statements to banks and quarterly and annual financial statements filed with FERC. Researches emerging accounting issues and assists with the compliance of new accounting rules and regulations.		Yes	Yes	Yes	Yes	Yes	Yes
4718	SC- HORIZON POINT	Horizon Point	Costs specifically related to Horizon Point, the corporate headquarters located in Rapid City: wellness center, child development, cafeteria and other Horizon Point activities.		Yes	Yes	Yes	Yes	Yes	Yes
4720	SC-HUMAN RESOURCES	Employee Ratio	Provides general Human Resources support services to the subsidiaries through the administration of policies and labor contracts for all facets of Human Resources, including employee relations, labor relations, talent management, recruiting and employment staffing, compensation and benefits administration. Processes payroll including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4721	SC-HR TOTAL REWARDS	Employee Ratio	Administers policies related to compensation and benefits. Oversees the self-insured medical benefits plans and other pooled benefits and provides support to the third party administrators of the plans		Yes	Yes	Yes	Yes	Yes	Yes
4722	SC-HR TALENT MANAGEMENT	Employee Ratio	Provides for employee and leadership development, succession planning, performance management, goal alignment, employee engagement, strategic workforce planning, talent assessment and general HR support for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4725	SC-INTERNAL AUDIT	SC All-Blended	Reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Oversees the Sarbanes Oxley compliance efforts.		Yes	Yes	Yes	Yes	Yes	Yes
4726	SC-IN-HOUSE CORPORATE SOLUTIONS (Communications)	SC All-Blended	Develops strategies and implements programs for effective communication with internal and external stakeholders. Develops and manages measured, and coordinated advertising. Designs and develops communication strategies and materials for the company.		Yes	Yes	Yes	Yes	Yes	Yes

Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4728	SC-POWER DELIVERY MGMT	Power Generation Capacity	Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets.		Yes					Yes
4729	SC-PROPERTY ACCOUNTING	Asset Cost	Maintains the accounting records for property, plant and equipment for the majority of subsidiaries of the corporation. Assists in compliance with regulatory accounting requirements as it relates to property. Prepares various operating and financial reports for management.		Yes	Yes	Yes	Yes	Yes	Yes
4730	SC-RECORDS MGMT	SC All-Blended	Administers and maintains the records retention policies and procedures of the corporation. Manages and maintains the content management software.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN MGMT	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials.		Yes	Yes	Yes		Yes	Yes
4732	SC-SUPPLY CHAIN	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders.		Yes	Yes	Yes		Yes	Yes
4734	SC-FLEET SERV	SC All-Blended	Manages fleet expense cards, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations.		Yes	Yes	Yes	Yes	Yes	Yes
4736	SC-REAL ESTATE & FACILITIES	SC All-Blended	Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances corporate objectives by initiating, influencing, monitoring, and researching government legislation and policies. Acts as a liaison with legislators and other governmental officials. Maintains relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT ADMINISTRATION	SC All-Blended	Provides guidance, governance, and strategic planning to the overall information technology operations.		Yes	Yes	Yes	Yes	Yes	Yes
4743	SC-IT BUSINESS APPLICATIONS FIN & HR SYSTEMS	SC All-Blended	Manages, maintains, and enhances the finance, human resource, web-based service and enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4744	SC-IT BUS APPLICATIONS REG CUSTOMER SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise wide business applications.		Yes	Yes				
4745	SC-IT BUS APPS-WEB & ECM	SC All-Blended	Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes	Yes	Yes	Yes	Yes
4746	SC-IT BUS APPS-WHLSLE&ENTPRISE.Dpt	Regulated Utilities-Blended	Manages, maintains, and enhances the electric and natural gas utility enterprise wide business applications.		Yes	Yes	Yes			
4747	SC-IT INFRASTRUCTURE	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture and corporate databases. Supports the data and voice communication needs for the company and provides telecommunication expense management services as well as technology support services and field service support for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4749	SC-IT USER SERVICES.Dpt	SC All-Blended	Manages, maintains, and enhances the analytics and integration enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-IT COMPLIANCE/SECURITY	SC All-Blended	Responsible for internal and external audit compliance, disaster recovery, change management and legal compliance related to technology		Yes	Yes	Yes	Yes	Yes	Yes
4754	SC-GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHCOE and BHCIPP		Yes					Yes
4755	SC-IT PMO / HELPDESK	SC All-Blended	Manages, maintains, and enhances the governance, project management, IT asset/service management, and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4756	SC-CPGS PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the new generation for the Cheyenne Prairie Generation Station.		Yes					
4770- 4781, 4796, 4797	SC-BENEFIT LOADINGS	By Function	Records overhead benefit costs loaded to labor costs dependent on assigned allocation ratio		Yes	Yes	Yes	Yes	Yes	Yes
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/Distribution	Allocates property assets (transmission)	Yes	Yes					
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes				

Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4793	SC – ASSET BLENDED	Blended Regulated Natural Gas (No BHEA)	Allocates property assets (service company)		Yes	Yes	Yes	Yes	Yes	Yes
4794	SC-BENEFIT POOLED	Employee Ratio	Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4795	SC-ACCOUNTING ACCRUAL ENTRIES	SC All-Blended	Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department		Yes	Yes	Yes	Yes	Yes	Yes
4803	SC- PIPELINE AND SYSTEM INTEGRITY	Regulated Natural Gas Blended	Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety.	Yes		Yes	Yes			
4804	SC-COMPLIANCE GAS	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4805	SC-ASSET PLANNING & DATA MANA	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY AND COMPLIANCE GAS	Regulated Natural Gas Blended	Responsible for implementing and reporting DOT regulatory requirements, maintaining standards, and supporting GIS Smallworld mapping.	Yes		Yes	Yes			
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/ Distribution	Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages.	Yes	Yes					
4811	SC-OPERATIONAL SERVICES	Regulated Electric Transmission/ Distribution	Develops, coordinates and oversees the technical support piece of the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System.	Yes	Yes					
4812	SC-TRANSMISSION SERVICES MGMT	Regulated Electric Transmission/ Distribution	For all three electric utilities, transmission Services directs the 24/7 Reliability Centers in Rapid City and Pueblo, Transmission Planning, NERC Compliance, FERC Compliance, Vegetation Management, and Transmission Tariff Administration.	Yes	Yes					
4813	SC-T&D ENGINEERING	Regulated Electric Transmission/ Distribution	For all three electric utilities, T&D Engineering provides engineering support of electric transmission and distribution facilities including planning, monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/ Distribution	For all three electric utilities, designs, coordinates, and oversees the electric substation infrastructure for all Black Hills Energy electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same. Will include work with Transmission and Distribution assets.	Yes	Yes					
4815	SC-ENGINEERING RESOURCES	Regulated Electric Transmission/ Distribution	For all three electric utilities, Working with other departments coordinates talent development of engineers responsible for all Black Hills Energy electric utilities. Includes identifying project assignments in other groups, training opportunities, and rotational positions.	Yes	Yes					
4816	SC-GENERATION DISPATCH POWER MARKETING	GDPM	Manages the three electric utilities and others generation units dispatch and energy management services to generating resources on a system wide, least-cost basis.		Yes					Yes
4817	SC-ELEC OPS COMMUNICATIONS	Regulated Electric Blended	Manages and supports the Electric Utilities radio, fiber and microwave based communication needs for the electric operating companies. Provides telecommunication expense management for the electric operating companies.	Yes	Yes					
4818	SC-MAINTENANCE	Regulated Electric Transmission/ Distribution	For all three electric utilities, Maintenance Services supports the maintenance of the substation and lines within the Electric Utilities.	Yes	Yes					
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/ Distribution	For all three electric utilities, Vegetation Management supports the vegetation management programs across all Electric Utilities.	Yes	Yes					
4820	SC- ELECTRIC ASSET MANAGEMENT	Regulated Electric Blended	Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T and D asset management, metering, substation maintenance, , GIS/drafting and outage management systems.	Yes	Yes					
4821	SC-PWR SUPPLY AND RENEWABLES	Regulated Electric Blended	Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies.	Yes	Yes					

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4822	SC-REGULATORY AND FINANCIAL MANAGEMENT	SC All-Blended	Provides regulatory financial support for all electric and gas utility regulatory filings including: rates cases, class cost of service, rate design, reporting, adjustment clauses, riders, trackers and other regulatory issues. Additionally, provides financial management to the Company's regulated and non-regulated businesses. Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide- budget and forecast. Guides the preparation of strategic plans.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4823	SC-RELIABILITY AND CONTROL	Regulated Electric Transmission/ Distribution	For all three electric utilities, supports the maintenance of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS METERING SERV	Regulated Natural Gas Customers	Manages and provides gas measurement support to field operations located in gas service states.	Yes		Yes	Yes			
4825	SC-ASSET PROGRAMS	All Customers	Researches, builds and implements utility software solutions for the benefit of electric and gas operations. This department supports Smallworld GIS, Click, STORMS work management, PowerOn outage management, Korterra line locates, and GTViewer mobile maps.	Yes	Yes	Yes				
4826	SC-ELECTRIC METER SERVICES	Regulated Electric Customers	Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric entities.	Yes	Yes					
4827	SC-TRANSMISSION PLANNING	Regulated Electric Transmission/ Distribution	Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups.	Yes	Yes					
4828	SC-NERC COMPLIANCE	Regulated Electric Transmission/ Distribution	Develops, coordinates and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System..	Yes	Yes					
4829	SC-FERC TARRIFF AND COMPLIANCE	Regulated Electric Transmission/ Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system).	Yes	Yes					
4831	SC-CUSTOMER SERV CALL CENTERS	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers	Yes	Yes	Yes		Yes		
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	Provides support to customer services areas through customer information system project management and process control for customer information system changes, revenue assurance analysis, quality analysis, training, and customer and community communication.	Yes	Yes	Yes		Yes		
4835	SC-FIELD RESOURCE CENTER	All Customers	Plans work, and schedules and dispatches premise service activities to both regulated and non-regulated customers.	Yes	Yes	Yes				
4840	SC-COMMUNITY AFFAIRS	All Customers	Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for community growth	Yes	Yes	Yes				
4845	SC-SERVICE GUARD MARKETING	Products and Services Customers (Non-Regulated)	Provides and manages product development for consumer marketing with the primary focus on Service Guard (appliance options) a non-regulated business for utility/regulated customers.	Yes						
4871	SC GAS ASSET OPTIMIZATION	Regulated Natural Gas Customers (No NEGD)	Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services.	Yes	Yes	Yes	Yes	Yes		
4872	SC-EXEC MGMT-UTILITIES	Regulated Utilities- Blended	Provides guidance, direction and management to overall utility operations and support services.	Yes	Yes	Yes	Yes	Yes		
4873	SC-ENERGY EFFICIENCY/DSM	All Customers	Supports the energy efficiency programs across the utilities.	Yes	Yes	Yes				
4874	SC-TECHNICAL TRAINING	All Customers	Provides technical training support for gas and electric utilities.	Yes	Yes	Yes	Yes			
4875	SC-HR ROTATION PROGRAM	Regulated Utilities- Blended	Provides a rotation program to develop staff for critical need areas within the utility operating companies of Black Hills Corporation	Yes	Yes	Yes	Yes			

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4876	SC-PROCESS AND SYSTEM TRAINING	Regulated Utilities-Blended	Provide training and support for utility employees on current and future business process standardization efforts.	Yes	Yes	Yes	Yes			
4877	SC-FIELD SUPPORT SERVICES	Regulated Utilities-Blended	Responsible for managing the design, development, configuration, access, integration, testing and security of the ClickSoftware suite in order to provide a high quality, value-added solution to business managers and end users.	Yes	Yes	Yes	Yes			
4878	SC- MATERIALS MANAGEMENT	Regulated Utilities-Blended	Serves primarily as an inventory clearing for balance sheet activity.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	Regulated Utilities-Blended	Manages the company's right of way activities.	Yes	Yes	Yes	Yes			
4880	SC-BUSINESS DEVELOPMENT	Regulated Utilities-Blended	Provides business and planning services, including marketing. Searches for competitive business opportunities and energy solutions	Yes	Yes	Yes				
All Other	All Other	SC All-Blended	Departments at Black Hills Corporation and subsidiaries that are not specifically listed in the Cost Allocation Manual or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio for departments beginning with 47 and Utilities Blended for departments beginning with 48.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Centralized Utility Departments are primarily for the service of the Utility business units			w							

Black Hills Service Company

Cost Allocation Manual

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Amended: August 1, 2010

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Amended: December 1, 2017

Amended: November 7, 2018

Amended: December 20, 2018

Note: Highlighted items are changes resulting from the annual review of the CAM.

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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.

In 2018, BHC made a strategic business decision to divest its oil and gas division and transition from a diversified energy company to a utility-centered energy –company. The divestiture of the oil and gas division followed BHC’s earlier decision in 2014 to divest of its energy trading division, all steps in furtherance of its transition to a utility company. As a result of this strategic shift, BHC no longer needed two service companies, ~~The~~ the Service Company and Black Hills Utility Holding (BHUH). On January 1, 2019, BHUH will transfer its departments including employees and assets to ~~The~~ the Service Company. The process improvement results in one Service Company instead of two, eliminating unnecessary complexity and improved visibility for our regulators.

The Service Company is a wholly owned subsidiary of Black Hills Corporation (the Holding Company or BHC), and is a separate legal entity. The 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, short-term financing (corporate credit facility and commercial paper program) and related deferred finance costs, and the administration of money pool transactions for both the utility money pool and the non-utility money pool. In addition, as will be discussed in greater detail later, certain corporate costs are charged directly to the Holding Company. The most notable of these types of costs are corporate development project costs.

Service Company Organization

The Service Company is organized into operating departments based upon the services that those departments provide to Black Hills Corporation subsidiaries. A list of each department, as well as a brief description of the services they provide, is attached as Appendix 2.

Direct Costs versus Indirect Costs

A key issue in distributing Service Company costs is distinguishing between direct ~~costs~~ and indirect costs. The account coding will change depending on whether the cost is a direct or indirect cost. Costs for shared services are distributed to affiliates within Black Hills through direct costs (direct assignable or direct distributed) or indirect allocation. Costs are direct charged to the extent possible. Costs that cannot be directly assigned nor distributed reasonably to the applicable business units receive the benefit using indirect allocation. Below is a summary of each of these types of costs and examples of these costs.

Direct costs are those costs that are specifically associated with an identified subsidiary or collection of subsidiaries. ~~This means that it is known exactly to which subsidiary these costs relate.~~

Methods of Direct Charges include:

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

Here are some examples:

- ~~A Payroll Processor~~ A Facilities employee is processing supporting the payroll-facilities management for Black Hills Power. The labor costs incurred in processing payroll supporting facilities are specifically associated with an identified subsidiary. Therefore, this would be a direct-Direct cost Cost Assignable cost.
- ~~A Regulatory employee whom directly supports one jurisdiction~~ An Internal Auditor travels to Denver Rapid City to complete audits for Colorado Independent Power Production and Colorado Electric attend a BHC strategic conference. ~~The time and travel associated with completing the audits would be attending the conference shall be Direct Cost Assignable charged to that employees business unit they directly support each company based on the time worked for each specific company project. The travel expenses should be split equally or on a pro-rata share based on days worked.~~
- ~~The Human Resources department incurs costs to bring an employment candidate on-site to Gillette for an interview with Wyodak Resources. These travel costs incurred in bringing the employee in for the interview are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.~~
- ~~A Help Desk technician orders a replacement computer monitor for an employee at Black Hills Power. This hardware cost incurred is specifically associated with an identified subsidiary. Therefore, this would be a direct cost.~~ A Gas Engineer is reviewing the Distribution Integrity Management Program for all the gas utilities. This charge cannot be directly attributable to any specific individual business, but can be identified to support multiple businesses within the gas utilities. Therefore, this charge would be considered a Direct Cost Distributed.

Methods of Direct Cost Distributed:

<u>Regulated Electric - Blended</u>	<u>Direct Cost Distributed</u>
<u>Regulated Electric - Customers</u>	<u>Direct Cost Distributed</u>
<u>Regulated Electric - Transmission/Distribution</u>	<u>Direct Cost Distributed</u>
<u>Regulated Natural Gas - Blended</u>	<u>Direct Cost Distributed</u>
<u>Regulated Natural Gas - Customers</u>	<u>Direct Cost Distributed</u>
<u>Non-Regulated- Blended</u>	<u>Direct Cost Distributed</u>
<u>GDPM</u>	<u>Direct Cost Distributed</u>
<u>Nameplate Generation Capacity</u>	<u>Direct Cost Distributed</u>
<u>Power Generation Capacity</u>	<u>Direct Cost Distributed</u>

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

- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.
- An Environmental A Human Resources representative attends an industry training event. This charge cannot be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost.
- The Corporate Accounting department is completing monthly close of the BHC financials. Since the Corporate Accounting department is supporting the enterprise and all of its subsidiaries, it is impractical to direct code, this charge would be considered an indirect cost.
- A Help Desk technician orders a replacement computer monitor for an employee of the Service Company. This hardware cost incurred is specifically associated with the Service Company. Therefore, this would be an indirect cost.

Methods of Indirect Charges:

<u>SC All – Blended</u>	<u>Indirect</u>
<u>SC All – Employee</u>	<u>Indirect</u>
<u>SC All – Asset Cost</u>	<u>Indirect</u>
<u>SC All – Regulated Customers</u>	<u>Indirect</u>
<u>SC All – Customers (Regulated and Non-Regulated)</u>	<u>Indirect</u>
<u>SC Utility - Blended</u>	<u>Indirect</u>

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

There are certain costs that will always be considered either direct or indirect costs. Below is a list of significant Service Company expenses that follow these rules:

Always considered direct costs:

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

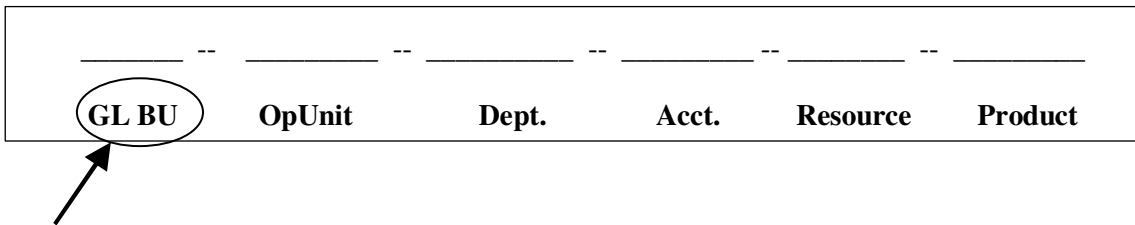
Always considered indirect costs:

- Board of Directors’ fees and expenses
- Horizon Point rent

- Depreciation of Service Company assets
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

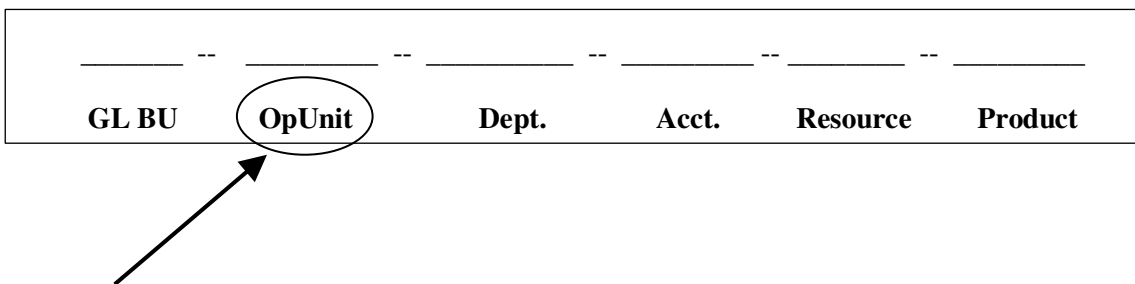
Transaction Coding

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



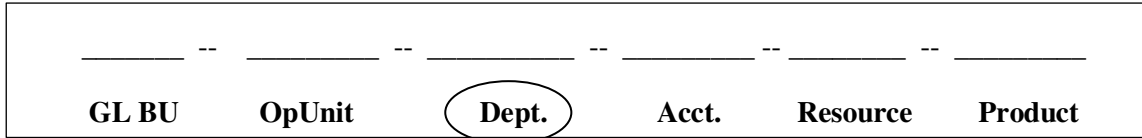
General Ledger Business Unit (GLBU):

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



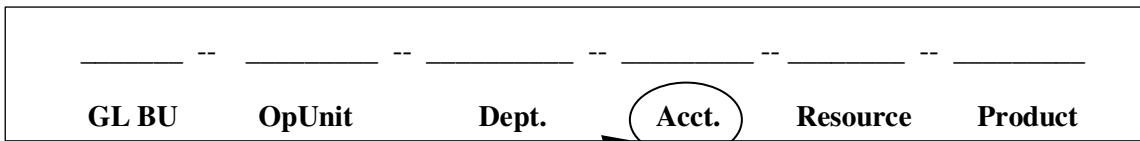
Operating Unit (OpUnit):

- Six (6) character numeric field.
- The OpUnit field is used to identify the code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- The Op Unit field will be populated using one of the Service Company Op Units for indirect costs. Indirect costs also include costs from other areas of the company that are directly related to the Utility Holding Company.



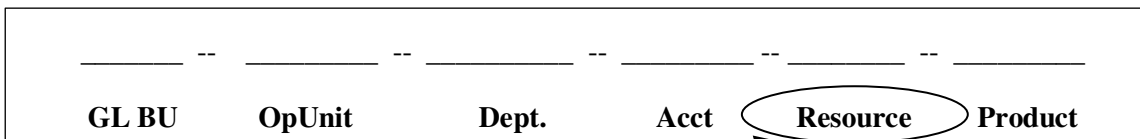
Department (Dept):

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



Account (Acct)

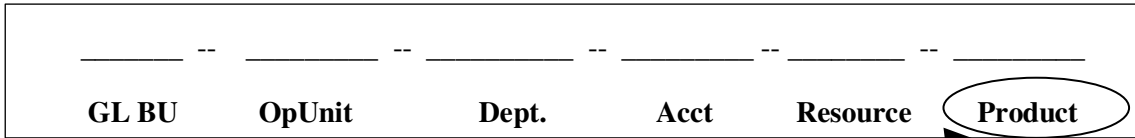
- Six (6) character numeric field.
- The Account field is required on all accounting transactions.
- All companies will generally use the same Chart of Accounts although some values will be specific to certain companies.



Resource:

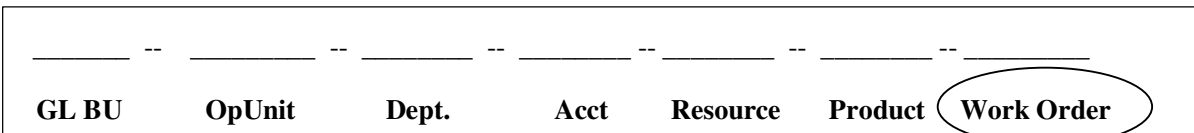
- Four (4) character numeric field.
- A Resource is used to identify types of costs.

- The Resource field is required for ~~all income statement~~ operating expenses and capital accounting transactions.



Product:

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



Work Order:

- Alpha or numeric field.
- Represents the collection of costs to allow the monitoring of a job or group of costs.
- The Work Order field is required on all construction work in progress transactions

Timekeeping

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

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

Loadings

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

The loading rates are calculated at the beginning of the year based on budgeted benefit expenses and budgeted labor. Benefit costs and loading rates are reviewed, and updated as needed. Below is a list of components of the loading rates:

General labor loadings:

- Compensated Absences: including but not limited to paid time off (PTO), Holiday, Jury duty, Funeral pay, United Way day, Short-term Disability and Annual Physical appointment.
- Payroll Taxes: including but not limited to FICA, FUTA SUTA and city taxes
- Employee Benefits: including but not limited to health and medical, 401K match and fees, Pension, Retiree healthcare and associated fees
- Incentives: including but not limited to Non-officer incentive plans, Restricted Stock and Stock Option expense

Supplemental loadings:

- Officer short term incentive plans
- Officer supplemental retirement
- Officer performance plan

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

Allocation Ratios

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

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

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

One additional item to note is that pooled benefits, primarily health care costs, are allocated differently due to the pooling method for benefits such as self-insured health care. BHC has chosen to pool certain benefit costs and

spread the risk amongst all subsidiaries equally. All pooled benefit costs of BHC are paid by the Service Company and allocated to subsidiaries based on employee counts.

A list of all allocation ratios, including a brief description of the ratio, the basis for the calculation of the ratio, and the department to which that ratio has been assigned, is attached hereto as Appendix 121.

Changing Allocation Ratios

Allocation ratios are set at the first of the year, based upon financial information from the trailing twelve months ending September 30th for prior year. Assets, utility assets, employee counts, and power generation capacity are based on values as of previous period ending September 30th. Gross margin, utility gross margin, payroll dollars, and utility payroll dollars are based on values for the trailing twelve months ending September 30th.

The Service Company maintains certain departments (reflected as Centralized Utility Departments) that are used by and benefit only the Utilities. These departments include employees and assets that support the utility functions of: regulatory, engineering, customer service, gas supply, etc. Because these costs only support utility subsidiaries; their respected assets, payroll and employee count are allocated to only the utility subsidiaries before arriving at the allocation ratios.

Certain events may occur during the year that are deemed to be significant to BHC that will require corresponding adjustments be made to the allocation ratios. A significant change is any singular event at any individual entity that changes the value of any of the three-factors denominators from the Blended Ratio by more than 3%. Any change would take effect the month following the singular event. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, significant staffing changes or new, significant revenue streams. Less significant events that may require a change include complete divestiture of a business unit or acquisition of a new business unit. A certain level of judgment is required to determine whether an event is significant enough to require an adjustment to the allocations.

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

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

Subsidiary Payment for Direct and Indirect Charges

It is the policy of the Service Company to insure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to the Service Company by the end of the following month. The Service Company will monitor payments received during the month to 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 BHC subsidiaries. These fixed assets primarily consist of computer hardware and software that form the corporate-wide information technology network. Because these fixed assets support multiple BHC subsidiaries, they are allocated to the appropriate subsidiaries monthly as part of the month-end close process, along with the allocation of these assets' accumulated depreciation. Construction Work in Process balances are not allocated.

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

The allocation ratio used for fixed assets and accumulated depreciation follows the appropriate cost driver-is the Blended Ratio, except as otherwise noted. Depreciation expense is also allocated using the Blended Ratio.

Allocating Capitalized Inventory

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

Appendix 1 — ~~BHSC Departments~~

~~The following departments are included in BHSC as of 01/01/2017 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-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. Facilitates physical risk management strategies through the purchase and evaluation of various types of insurance coverage. Provides claims management services. (Blended)~~

~~SC-ENVIRONMENTAL SERVICES (4709)~~

~~Description: Establishes policies and procedures for compliance with environmental laws and regulations. Researches emerging environmental issues and monitors compliance with environmental requirements.~~

~~Oversees environmental clean-up projects. Obtains permits to support the business operations of Black Hills Corporation and its subsidiaries. (Asset Cost)~~

~~**SC-EXECUTIVE MGMT (4710)**~~

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

~~**SC-SAFETY (4711)**~~

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

~~**SC-FINANCE AND TREASURY (4712)**~~

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

~~**SC-F&A LEADERSHIP (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. 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. (Blended)~~

~~**SC-CORPORATE ACCOUNTING (4716)**~~

~~Description: Responsible for closing the general ledger for the Company's regulated and non-regulated businesses (excluding BHEP and WRDC) on a monthly basis and assists in the compliance of all accounting rules and regulations. Analyzes balance sheet accounts and assists the financial management team with monthly analysis. Maintains the accounting records for Black Hills Service Company and Black Hills Corporation. Provides oversight of the Accounts Payable and Property Accounting departments. Processes payments to vendors and prepares 1099s and applicable documentation for the majority of Black Hills Corporation subsidiaries. (Blended)~~

~~**SC-FINANCIAL MANAGEMENT (4717)**~~

~~Description: Provides financial management to the Company's regulated and non-regulated businesses (excluding BHEP). 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-HUMAN RESOURCES (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. 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-COMPENSATION AND BENEFITS (4721)***~~

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

~~***SC-ORGANIZATIONAL DEVELOPMENT AND TRAINING (4722)***~~

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

~~***SC-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 CORPORATE SOLUTIONS (4726)***~~

~~Description: Develops strategies and implements programs for effective communication with internal and external stakeholders. Develops and manages measured, and coordinated advertising. Designs and develops communication strategies and materials for the company. (Blended)~~

~~***SC-POWER DELIVERY MGMT (4728)***~~

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

~~***SC-PROPERTY ACCOUNTING (4729)***~~

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

~~***SC-RECORDS MGMT (4730)***~~

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

~~***SC-SUPPLY CHAIN MGMT (4731)***~~

~~Description: Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution~~

and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials. (Blended)

SC-SUPPLY CHAIN (4732)

Description: Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. (Blended)

SC-FLEET SERV (4734)

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

SC-FACILITIES (4736)

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

SC-GOVERNMENTAL AFFAIRS (4741)

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

SC-IT ADMINISTRATION (4742)

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

SC-IT BUSINESS APPLICATIONS-FIN&HR SYSTEMS (4743)

Description: Manages, maintains, and enhances the finance, human resource, web-based service and enterprise wide business applications. (Blended)

SC-IT BUSINESS APPLICATIONS-CUSTOMER SYSTEMS (4744)

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

SC-IT BUSINESS APPLICATIONS-WEB & ECM (4745)

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

~~**SC-IT BUSINESS APPLICATIONS-UTILITY SYSTEMS (4746)**~~

~~Description: Manages, maintains, and enhances the wholesale and utility business applications of the company. (Blended)~~

~~**SC-IT INFRASTRUCTURE (4747)**~~

~~Description: Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture and corporate databases. Supports the data and voice communication needs for the company and provides telecommunication expense management services as well as technology support services and field service support for the company. (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-GENERATION PLANT OPERATIONS (4754)**~~

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

~~**SC-IT HELPDESK / TECHNOLOGY INTEGRATION****BUSINESS APPLICATIONS – PMO (4755)**~~

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

~~**SC-CPGS PLANT OPERATIONS (4756)**~~

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

~~**SC – ASSET BLENDED (4793)**~~

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

~~**SC-BENEFIT POOLED (4794)**~~

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

~~**SC-ACCOUNTING ACCRUAL ENTRIES (4795)**~~

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

~~**SC-BENEFITS LOADING (4796)**~~

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

CATCH-ALL

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

Appendix 1 –Allocation Ratios

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

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

Gross Margin Ratio – Based on the total gross margin for the trailing twelve months ending September 30th, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Gross margin is defined as revenue less cost of sales. Certain intercompany transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party. The Gross Margin Ratio measures where the businesses makes their money.

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

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

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

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

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

SC All-Blended (No BHES)

~~Departments that utilize this ratio include Accounting Systems, Tax, Credit and Risk, F&A Leadership, Internal Audit, Legal, Corporate Accounting, In-House Corporate Solutions, Records Management, Supply Chain Management, Supply Chain, Fleet Services, Facilities, Governmental Affairs, Information Technology Administration, Information Technology Business Applications Information Technology Infrastructure, Information Technology Compliance, Information Technology Helpdesk / Technology Integration, Assets Blended, Accounting Accruals, Benefits and The Service Company BHSC portion of the Rapid City Plant Street Facility, Midlands Data Facility and Cheyenne Data Center Facility.~~

~~Blended Ratio (SC UtilityUtility) – 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 allocationthree--factor blended ratio.~~

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

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

~~Regulated Utilities Only~~

~~Regulated Electric Only~~

~~Regulated Natural Gas Only~~

~~Regulated Natural Gas (No BHEA)~~

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

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

~~Employee Ratio – Based on the number of employees as of September 30th 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.~~

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

~~Power Generation Capacity Ratio – Based on the total power generation capacity as of September 30th for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Power generation includes capacity in service and capacity under construction.~~

~~Departments that use this ratio include Power Delivery Management .~~

~~Nameplate Generation Capacity Ratio – Based on the total facility’s power generation capacity at the end of September 30th for30thfor the prior year, the numerator of which is for an applicable BHC subsidiary and the~~

denominator of which is for all applicable BHC subsidiaries. Nameplate generation includes capacity in service and capacity under construction at the facility.

~~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 Fayetteville, Papillion, and Denver Office Facilities utilize this ratio.~~

Regulated Electric Transmission/Distribution Ratio – Based on a simple average of a multiple of cross-sectional drivers for the transmission function as of September 30th for the prior year that includes customer counts, peak load, number of substations, number of feeders, number of distribution and transmission miles, and number of remote terminal units. The numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

~~The departments that utilize this ratio include Transmission Planning, T&D Engineering, NERC Compliance, FERC Tariff and Compliance, Transmission and Distribution Reliability, NERC Transmission and Tech Support, Transmission Service Management, Substation/Protection Engineering, Engineering Resources, Electrical Maintenance Services, and Vegetation Management.~~

Customer Count Ratio – Based on the number of customers as of September 30th for the prior year, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

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

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

All Customers (Regulated and Non-Regulated)

All Regulated Customers

Regulated Electric Customers

Regulated Natural Gas Customers

Regulated Natural Gas Customers (No NEGD)

~~Non-Regulated Customers~~Products and Services Customers (Non-Regulated)

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

Appendix 2 –Service Company- Departments

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____Form 60 Approved
OMB No. 1902-0215
Expires 05/31/2019

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)	Year of Report
Black Hills Service Company, LLC	Dec 31, 2018

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

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

II. Who Must Submit

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

III. How to Submit

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

IV. When to Submit

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

V. Preparation

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

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

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

VIII. Accuratness

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

IX. Applicability

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

X. Date Format

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

XI. Number Format

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

XII. Required Entries

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

XIII. Prior Year References

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

XIV. Where to Send Comments on Public Reporting Burden

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

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

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

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

And to:

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

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

DEFINITIONS

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

ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION		
01 Exact Legal Name of Respondent Black Hills Service Company, LLC		02 Year of Report Dec 31, <u>2018</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 7001 Mt. Rushmore Rd., Rapid City, SD 57702		06 Name of Contact Person Kimberly Nooney
07 Title of Contact Person VP - Corporate Controller & Treasurer		08 Address of Contact Person 7001 Mt. Rushmore Rd., Rapid City, SD 57702
09 Telephone Number of Contact Person (605) 721-2370		10 E-mail Address of Contact Person kim.nooney@blackhillscorp.com
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation 12/30/2004	14 If Not Incorporated, Date of Organization / /	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
CORPORATE OFFICER CERTIFICATION		
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 Kimberly Nooney	19 Signature of Signing Officer	20 Date Signed (Month, Day, Year)
18 Title of Signing Officer VP - Corporate Controller & Treasurer	Kimberly Nooney	05/01/2019

List of Schedules and Accounts

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

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

Schedule I - Comparative Balance Sheet

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	0	0
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified		0	0
5	107	Construction Work In Progress	103	4,854,126	1,749,651
6		Total Property (Total Of Lines 2-5)		4,854,126	1,749,651
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	14,034	(952)
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		4,840,092	1,750,603
10		Investments			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105	7,473,549	7,043,640
14		Total Investments (Total of Lines 11-13)		7,473,549	7,043,640
15		Current And Accrued Assets			
16	131	Cash			
17	134	Other Special Deposits			
18	135	Working Funds			
19	136	Temporary Cash Investments			
20	141	Notes Receivable			
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		933,170	348,142
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	62,487,007	57,222,843
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		11,455	4,703
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		8,505,748	8,082,068
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)		71,937,380	65,657,756
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		24,608,616	
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts		3,274	
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		418,117	568,730
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)		25,030,007	568,730
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		109,281,028	75,020,729

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	(7,850,467)	(20,235,039)
55		Total Proprietary Capital (Total of Lines 49-54)		(8,528,835)	(20,913,407)
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		559,212	564,447
65	228.3	Accumulated Provision For Pensions and Benefits		69,227,081	52,327,179
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		69,786,293	52,891,626
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		9,888,406	7,043,017
71	233	Notes Payable to Associate Companies	203	1,716,004	6,342,725
72	234	Accounts Payable to Associate Companies	203	5,039,935	5,112,025
73	236	Taxes Accrued		1,032,028	994,373
74	237	Interest Accrued			
75	241	Tax Collections Payable		524,048	523,559
76	242	Miscellaneous Current and Accrued Liabilities	203	21,196,471	14,420,093
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)		39,396,892	34,435,792
81		Deferred Credits			
82	253	Other Deferred Credits		8,626,678	8,606,718
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)		8,626,678	8,606,718
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		109,281,028	75,020,729

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 2018
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

Service Company Property is allocated monthly to subsidiaries.

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

Service Company Property is allocated monthly to subsidiaries.

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

Service Company Property is allocated monthly to subsidiaries.

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

Service Company Property is allocated monthly to subsidiaries.

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

Construction Work in Progress is not allocated.

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

Construction Work in Progress is not allocated.

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

Service Company Accumulated Provision is allocated monthly to subsidiaries. Retirement Work in Progress is not allocated.

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

Service Company Accumulated Provision is allocated monthly to subsidiaries. Retirement Work in Progress is not allocated.

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

Service Company Property (lines 2 & 4) and Accumulated Provision for Depreciation (line 7) are allocated to the subsidiaries. The associated receivable from the allocation is included in account 146.

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

Service Company Property (lines 2 & 4) and Accumulated Provision for Depreciation (line 7) are allocated to the subsidiaries. The associated receivable from the allocation is included in account 146.

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

Account balances for Black Hills Utility Holdings, Inc.'s benefit plans were moved to Black Hills Service Company, LLC as of 12.31.18 as a result of the annual actuarial valuation process each year end. Effective 1.1.19 the service company functions of Black Hills Utility Holdings, Inc. were merged into Black Hills Service Company, LLC.

Schedule Page: 101 Line No.: 54 Column: d

Amounts related to pension and benefit plans that are recoverable through rates were transferred to account 182.3 at 12.31.18.

Schedule Page: 101 Line No.: 65 Column: d

Account balances for Black Hills Utility Holdings, Inc.'s benefit plans were moved to Black Hills Service Company, LLC as of 12.31.18 as a result of the annual actuarial valuation process each year end. Effective 1.1.19 the service company functions of Black Hills Utility Holdings, Inc. were merged into Black Hills Service Company, LLC.

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	3,629,151		3,342,591	(286,560)	
6	391	Office Furniture and Equipment	67,325,616	8,010,695	11,991,560	(63,344,751)	
7	392	Transportation Equipment	3,294,904	733,385	123,569	(3,904,720)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment	292,576			(292,576)	
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)	74,833,618	8,744,080	15,749,091	(67,828,607)	
17	107	Construction Work in Progress:					
18		Accounting Accruals	400,669	902,425			1,303,094
19		Hardware/Software	1,348,982	10,048,544		(8,010,695)	3,386,831
20		Vehicles		805,926		(733,385)	72,541
21		Facility		91,660			91,660
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)	1,749,651	11,848,555		(8,744,080)	4,854,126
32		Total (Lines 16 and Line 31)	76,583,269	20,592,635		(76,572,687)	4,854,126

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) / /	2018
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 which allocated all property at 12/31/17. Presented in this format to show the flow of activity and the amount of property that is allocated by Service Company.

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

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

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

Construction Work in Progress is not allocated.

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

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

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights			(45,151)	(45,151)	
5	390	Structures and Improvements	624,778	8,149	867,322	238,055	3,660
6	391	Office Furniture and Equipment	38,397,215	8,915,194	11,991,560	(35,320,849)	
7	392	Transportation Equipment	844,209	290,389	96,040	(1,028,184)	10,374
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment	83,808	18,712		(102,520)	
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total	39,950,010	9,232,444	12,909,771	(36,258,649)	14,034

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2018
FOOTNOTE DATA			

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

The true Accumulated Provision beginning balance is zero, with the exception of Retirement Work in Progress. The beginning balance activity in column C is the reversal of the entry which allocated all Accumulated Provisions at 12/31/17. Presented in this format to show the flow of activity and the amount of Accumulated Provision that is allocated by Service Company.

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

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

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 2018
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

PEP Insurance Cash Surrender Values.

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

PEP Insurance Cash Surrender Values.

Schedule V – Accounts Receivable from Associate Companies

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		Wyodak Resources Development Coop	1,605,796	1,579,311
4		Black Hills Wyoming LLC	868,755	851,330
5		Black Hills Electric Generation LLC	1,646,085	1,536,089
6		Black Hills Non-Regulated Holdings LLC	771	974
7		Black Hills Colorado IPP LLC	109,553	170,208
8		Generation Development Co LLC		
9		N780BH, LLC	707	317
10		Black Hills Midstream LLC	2,644	3,446
11		Black Hills Exploration and Production Inc	228,912	583,845
12		Black Hills Gas Resources Inc	24,989	52,224
13		Black Hills Plateau Production LLC	12,793	16,387
14		Black Hills Power Inc	9,969,038	8,854,306
15		Cheyenne Light Fuel and Power Company	4,702,877	4,931,588
16		Black Hills Utility Holdings Inc	7,408,151	14,775,237
17		Black Hills Kansas Gas Utility Company LLC	2,533,956	2,360,995
18		Black Hills Iowa Gas Utility Company LLC	2,812,274	3,208,114
19		Black Hills Nebraska Gas Utility Company LLC	3,631,031	3,426,640
20		Black Hills Colorado Electric Utility Company LP	6,707,613	6,182,359
21		Black Hills Colorado Gas Utility Company LP	1,278,228	1,333,994
22		Black Hills Northwest Wyoming Gas Utility Company	229,728	238,062
23		Black Hills Shoshone Pipeline LLC	19,988	4,760
24		Black Hills Energy Arkansas Inc	4,168,486	3,585,522
25		Black Hills Gas Distribution Colorado	2,244,785	2,100,135
26		Black Hills Gas Distribution Nebraska	2,946,712	2,938,723
27		Black Hills Gas Distribution Wyoming	2,109,597	2,094,571
28		Rocky Mountain Natural Gas LLC	1,203,720	1,137,063
29		Black Hills Energy Services Company	357,502	244,534
30		Black Hills Gas Supply Contract Inc.		
31		Black Hills Gas Holdings LLC		610
32		Black Hills Gas Distribution LLC		
33		Black Hills Gas LLC		
34		Black Hills Corporation	398,152	275,663
35				
36				
37				
38				
39				
40	Total		57,222,843	62,487,007

Schedule VI – Fuel Stock Expenses Undistributed

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

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

Schedule VII – Stores Expense Undistributed

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

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

Schedule VIII - Miscellaneous Current and Accrued Assets

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

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

Schedule IX - Miscellaneous Deferred Debits

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		Worker's Comp Deposit - Liberty Mutual	100,000	100,000
4		Long Term Portion of Prepaid Maintenance	468,730	318,117
5				
6				
7				
8				
9				
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11				
12				
13				
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39				
40	Total		568,730	418,117

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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12			
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32			
33			
34			
35			
36			
37			
38			
39			
40	Total		

Schedule XI - Proprietary Capital

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

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	
2			Par or Stated Value per Share	
3			Outstanding Number of Shares	
4			Close of Period Amount	
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		100,000
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(7,850,467)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	(778,368)
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	(778,368)

Schedule XII – Long Term Debt

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

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

Schedule XIII – Current and Accrued Liabilities

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
2		Non-Utility Money Pool	6,342,725	1,716,004
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24	234	Accounts Payable to Associate Companies	5,112,025	5,039,935
25		See attached Schedule		
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities	14,420,093	21,196,471
42		See attached schedule		
43				
44				
45				
46				
47				
48				
49				
50		(Total)	25,874,843	27,952,410

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) / /	2018
FOOTNOTE DATA			

Schedule Page: 203 Line No.: 24 Column: c

Schedule XIII - Lines 24-40 - Page 203

BU	Company	2017
10102	Wyodak Resources Development Corp	26,115
10103	Black Hills Wyoming LLC	13,680
10109	Black Hills Electric Generation LLC	49,769
10110	Black Hills Non-Regulated Holdings LLC	62
10111	Black Hills Colorado IPP LLC	218
10112	Generation Development Co LLC	161
10114	N780BH LLC	181,209
10197	Black Hills Explorations & Production LLC	68,367
50501	Black Hills Power Inc.	1,578,575
50502	Cheyenne Light Fuel And Power Company	71,538
50503	Black Hills Utility Holdings Inc.	1,323,834
50504	Black Hills Kansas Gas Utility Company LLC	36,399
50505	Black Hills Iowa Gas Utility Company LLC	42,243
50506	Black Hills Nebraska Gas Utility Company LLC	73,612
50507	Black Hills Colorado Electric Utility Company LP	177,863
50508	Black Hills Colorado Gas Utility Company LP	17,478
50509	Black Hills Northwest Wyoming Gas Utility Co	10,930
50510	Black Hills Shoshone Pipeline LLC	200
50511	Black Hills Energy Arkansas Inc.	81,997
50512	Black Hills Gas Distribution Colorado	70,002
50513	Black Hills Gas Distribution Nebraska	46,167
50514	Black Hills Gas Distribution Wyoming	37,899
50515	Rocky Mountain Natural Gas LLC	19,763
50516	Black Hills Energy Services Co	13,255
50517	Black Hills Gas Supply Contract Inc.	-
50583	Black Hills Gas Holdings LLC	-
80801	Black Hills Corporation	1,170,689
Total		5,112,025

Schedule Page: 203 Line No.: 24 Column: d

Schedule XIII - Lines 24-40 - Page 203

BU	Company	2018
10102	Wyodak Resources Development Corp	393
10103	Black Hills Wyoming LLC	1,108
10109	Black Hills Electric Generation LLC	(0)
10110	Black Hills Non-Regulated Holdings LLC	15
10111	Black Hills Colorado IPP LLC	27
10112	Generation Development Co LLC	-
10114	N780BH LLC	37,085
10197	Black Hills Explorations & Production LLC	431,114
50501	Black Hills Power Inc.	1,074,595
50502	Cheyenne Light Fuel And Power Company	29,718
50503	Black Hills Utility Holdings Inc.	2,411,788
50504	Black Hills Kansas Gas Utility Company LLC	36
50505	Black Hills Iowa Gas Utility Company LLC	(0)
50506	Black Hills Nebraska Gas Utility Company LLC	63,335
50507	Black Hills Colorado Electric Utility Company LP	73,206
50508	Black Hills Colorado Gas Utility Company LP	4,031
50509	Black Hills Northwest Wyoming Gas Utility Co	(0)

Name of Respondent	This Report is:	Resubmission Date	Year of Report
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50510	Black Hills Shoshone Pipeline LLC	152
50511	Black Hills Energy Arkansas Inc.	135,762
50512	Black Hills Gas Distribution Colorado	24,245
50513	Black Hills Gas Distribution Nebraska	65
50514	Black Hills Gas Distribution Wyoming	4,123
50515	Rocky Mountain Natural Gas LLC	0
50516	Black Hills Energy Services Co	46,037
50517	Black Hills Gas Supply Contract Inc.	-
50583	Black Hills Gas Holdings LLC	8
80801	Black Hills Corporation	703,095

Total 5,039,935

GL totals (5,039,935)

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Account and Description	2017
242001 ACCRUED AUDIT FEES	826,898
242003 ACCRUED BENEFITS COMP ABSENCES	1,873,199
242008 ACCRUED SERP OBLIG CURRENT	69,000
242009 SFAS 106 CURRENT PORTIONS	483,000
242010 ACCRUED PEP ST	891,000
242011 ACCRUED DIRECTORS FEES	-
242012 ACCRUED BOD CSE'S - CURRENT	589,440
242013 ACCRUED BENEFITS 401K	680,507
242014 ACCRUED BONUS OTHER	-
242028 ACCRD UNCL CHECKS/ESCHEATS	-
242041 ACCRUED INCENTIVE	6,793,828
242045 ACCRUED PAYROLL	1,165,522
242046 ACCRUED EE REIMBURSED EXP	46,569
242052 ACCRUED LT PERFORMANCE PLAN	717,448
242053 ACCRUED WORKER'S COMPENSATION	62,439
242560 ACCRUED LIAB ST NEG BAL RECLASS	18,286
242999 ACCRUED OTHER	202,957
MISC CURRENT & ACCRUED LIAB	14,420,093

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Account and Description	2018
242001 ACCRUED AUDIT FEES	979,561
242003 ACCRUED BENEFITS COMP ABSENCES	2,004,609
242008 ACCRUED SERP OBLIG CURRENT	69,000
242009 SFAS 106 CURRENT PORTIONS	1,144,000
242010 ACCRUED PEP ST	1,046,000
242011 ACCRUED DIRECTORS FEES	-
242012 ACCRUED BOD CSE'S - CURRENT	597,999
242013 ACCRUED BENEFITS 401K	982,570
242014 ACCRUED BONUS OTHER	2,220,014
242028 ACCRD UNCL CHECKS/ESCHEATS	33,982
242041 ACCRUED INCENTIVE	9,005,650
242045 ACCRUED PAYROLL	1,399,850
242046 ACCRUED EE REIMBURSED EXP	24,411
242052 ACCRUED LT PERFORMANCE PLAN	927,527
242053 ACCRUED WORKER'S COMPENSATION	61,001
242560 ACCRUED LIAB ST NEG BAL RECLASS	1,559

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242999 ACCRUED OTHER	698,738
MISC CURRENT & ACCRUED LIAB	21,196,471

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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.

These notes have been taken from the 10K general footnotes of the Black Hills Corporation. The notes included below are notes that are applicable to Black Hills Service Company.

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.

Use of Estimates and Basis of Presentation

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

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. For purposes of the cash flow statements, we consider all highly liquid investments with original maturities of three months or less at the time of purchase to be cash and cash equivalents.

Restricted Cash and Equivalents

We maintain cash accounts for various specified purposes. Therefore, we classify these amounts as restricted cash.

Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost. Included in the cost of regulated construction projects is AFUDC, when applicable, which represents the approximate composite cost of borrowed funds and a return on equity used to finance a regulated utility project. We also capitalize interest, when applicable, on undeveloped leasehold costs

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and certain non-regulated construction projects. In addition, asset retirement costs associated with tangible long-lived regulated utility assets are recognized as liabilities with an increase to the carrying amounts of the related long-lived regulated utility assets in the period incurred. The amounts capitalized are included in Property, plant and equipment on the accompanying Consolidated Balance Sheets. We also classify our base or "cushion gas" as property, plant and equipment. Cushion gas is the portion of natural gas necessary to force saleable gas from a storage field into the transmission system and for system balancing, representing a permanent investment necessary to use storage facilities and maintain reliability.

The cost of regulated utility property, plant and equipment retired, or otherwise disposed of in the ordinary course of business, less salvage plus retirement costs, is charged to accumulated depreciation. Estimated removal costs associated with non-legal obligations related to our regulated properties are reclassified from accumulated depreciation and reflected as regulatory liabilities. Retirement or disposal of all other assets, except for crude oil and natural gas properties as described below, result in gains or losses recognized as a component of operating income. Ordinary repairs and maintenance of property, except as allowed under rate regulations, are charged to operations as incurred.

Depreciation provisions for property, plant and equipment are generally computed on a straight-line basis based on the applicable estimated service life of the various class of property. Capitalized coal mining costs and coal leases are amortized on a unit-of-production method based on volumes produced and estimated reserves. For certain non-utility power plant components, depreciation is computed on a unit-of-production methodology based on plant hours run.

Regulatory Accounting

Our Electric Utilities and Gas Utilities follow accounting standards for regulated operations and reflect the effects of the numerous rate-making principles followed by the various state and federal agencies regulating the utilities. The accounting policies followed are generally subject to the Uniform System of Accounts of the FERC. These accounting policies differ in some respects from those used by our non-regulated businesses. If rate recovery becomes unlikely or uncertain due to competition or regulatory action, these accounting standards may no longer apply which would require these net assets to be charged to current income or OCI. Our regulatory assets represent amounts for which we will recover the cost, but generally are not allowed a return, except as described below. In the event we determine that our regulated net assets no longer meet the criteria for following accounting standards for regulated operations, the accounting impact to us could be an extraordinary non-cash charge to operations, which could be material.

Income Taxes

The Company and its subsidiaries file consolidated federal income tax returns. As a result of the SourceGas transaction, certain subsidiaries acquired file as a separate consolidated group. Where applicable, each tax-paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the subsidiaries based on separate company computations of taxable income or loss.

We use the asset and liability method in accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities as well as operating loss and tax credit carry forwards. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be

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reported on the income tax return in a different period than they are reported in the financial statements.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the TCJA. The TCJA makes broad and complex changes to the U.S. tax code, including, but not limited to reducing the U.S. federal corporate tax rate from 35% to 21%.

It is our policy to apply the flow-through method of accounting for investment tax credits. Under the flow-through method, investment tax credits are reflected in net income as a reduction to income tax expense in the year they qualify. An exception to this general policy is the deferral method, which applies to our regulated businesses. Such a method results in the investment tax credit being amortized as a reduction to income tax expense over the estimated useful lives of the underlying property that generated the credit.

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

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

Centralized Service Company Combination

Effective January 1, 2019, Black Hills Utility Holdings, Inc. will cease to function as a centralized service company. All service company activities previously performed by BHUH will be combined with the activities of Black Hills Service Company, LLC. This will include the movement of balances between the two companies.

Defined Contribution Plans

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

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

The SourceGas Retirement Savings Plan was merged into the Black Hills Corporation Retirement Savings Plan effective December 31, 2017. The plan design of the Black Hills Corporation 401(k) Plan applies to all eligible employees as of January 1, 2018.

Defined Benefit Pension Plans (Pension Plans)

We have one defined benefit pension plan, the Black Hills Retirement Plan (Pension Plan). The Pension Plan covers certain eligible employees of the Company. The benefits for the Pension Plan are based on years of service and calculations of average earnings during a specific time period prior to retirement. The Pension Plan is closed to new

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employees and frozen for certain employees who did not meet age and service based criteria.

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

The expected rate of return on the Pension Plan assets is determined by reviewing the historical and expected returns of both equity and fixed income markets, taking into account asset allocation, the correlation between asset class returns, and the mix of active and passive investments. The Pension Plan utilizes a dynamic asset allocation where the target range to return-seeking and liability-hedging assets is determined based on the funded status of the Plan. As of December 31, 2018, the expected rate of return on pension plan assets was based on the targeted asset allocation range of 29% to 37% return-seeking assets and 63% to 71% liability-hedging assets.

Supplemental Non-qualified Defined Benefit Plans

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

Non-pension Defined Benefit Postretirement Healthcare Plans

BHC sponsors retiree healthcare plans (Healthcare Plans) for employees who meet certain age and service requirements at retirement. Healthcare Plan benefits are subject to premiums, deductibles, co-payment provisions and other limitations. A portion of the Healthcare Plans for participating business units are pre-funded via VEBAs. Pre-65 retirees as well as a grandfathered group of post-65 Cheyenne Light, Fuel and Power ("CLFP") retirees and a grandfathered group of post-65 former SourceGas employees who retired prior to January 1, 2017 receive their retiree medical benefits through the Black Hills self-insured retiree medical plans.

Healthcare coverage for Medicare-eligible BHC and Black Hills Utility Holdings retirees is provided through an individual market healthcare exchange. Medicare-eligible SourceGas employees who retired after December 31, 2016 also receive retiree medical coverage through an individual market healthcare exchange.

Legal Proceedings

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

In the normal course of business, we enter into agreements that include indemnification in favor of third parties, such as information technology agreements, purchase and sale agreements and lease contracts. We have also agreed to

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indemnify our directors, officers and employees in accordance with our articles of incorporation, as amended. Certain agreements do not contain any limits on our liability and therefore, it is not possible to estimate our potential liability under these indemnifications. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we maintain insurance policies that may provide coverage against certain claims under these indemnities.

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	184,575,036	164,512,654
3		SERVICE COMPANY OPERATING EXPENSES		
4	401	Operation Expenses	161,888,083	142,897,950
5	402	Maintenance Expenses	12,771,186	10,797,447
6	403	Depreciation Expenses	8,925,113	8,601,461
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	124,925	268,198
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	420,017	189,408
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	184,129,324	162,754,464
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	445,712	1,758,190
24		OTHER INCOME		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	12,902	6,530
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	260,962	265,237
29	421.1	Gain on Disposition of Property	45,151	
30		TOTAL OTHER INCOME (Total of Lines 25-29)	319,015	271,767
31		OTHER INCOME DEDUCTIONS		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	412,650	95,177
35	426.2	Life Insurance		
36	426.3	Penalties	372	1,074
37	426.4	Expenditures for Certain Civic, Political and Related Activities	439,843	586,328
38	426.5	Other Deductions	(229,882)	1,257,669
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	622,983	1,940,248
40		TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS		

Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)		
47		INTEREST CHARGES		
48	427	Interest on Long-Term Debt		
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	180,754	115,508
52	431	Other Interest Expense	(39,010)	(25,799)
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		TOTAL INTEREST CHARGES (Total of Lines 48-53)	141,744	89,709
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

\$150 is Franchise tax penalty. \$222 is tax return penalties.

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

\$1,074 is tax return penalties.

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		8,925,113	8,925,113			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	(9)	124,934	124,925			
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	419,956	60	420,016			
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income	12,902		12,902			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		260,962	260,962			
19	421.1	Gain on Disposition of Property		45,151	45,151			
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	55,902	356,748	412,650			
23	426.2	Life Insurance						
24	426.3	Penalties	372		372			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	307,204	132,639	439,843			
26	426.5	Other Deductions	138,720	(368,709)	(229,989)			
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		180,754	180,754			
31	431	Other Interest Expense	3,450	(42,459)	(39,009)			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	14,046	41,597	55,643			
34	510-515	Total Steam Power Generation Maintenance Expenses	2,721,956		2,721,956			

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	3,539,270	38,992	3,578,262			
40	551-554.1	Total Other Power Generation Maintenance Expenses	1,195,447		1,195,447			
41	555-557	Total Other Power Supply Operation Expenses	66,198		66,198			
42	560	Operation Supervision and Engineering	16,176		16,176			
43	561.1	Load Dispatch-Reliability						
44	561.2	Load Dispatch-Monitor and Operate Transmission System	38,087		38,087			
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	643,946		643,946			
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)	267,791		267,791			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	966,000		966,000			
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)	112		112			
66	571	Maintenance of Overhead Lines (Major Only)						
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	112		112			
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	16,758		16,758			
74	590-598	Total Distribution Maintenance Expenses						
75		Total Electric Operation and Maintenance Expenses	9,432,480	9,083,556	18,516,036			
76	700-798	Production Expenses (Provide selected accounts in a footnote)	2,087		2,087			
77	800-813	Total Other Gas Supply Operation Expenses	34		34			
78	814-826	Total Underground Storage Operation Expenses	1,318		1,318			
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	725		725			
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses	634		634			
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	245		245			
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses	3,354		3,354			
94	860	Rents						
95		Total Gas Transmission Operation Expenses	4,958		4,958			
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	33		33			
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses	33		33			
104	870-881	Total Distribution Operation Expenses	8,033		8,033			

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	731		731			
106		Total Natural Gas Operation and Maintenance Expenses	17,194		17,194			
107	901	Supervision	67,456		67,456			
108	902	Meter reading expenses	7,303		7,303			
109	903	Customer records and collection expenses	169,016		169,016			
110	904	Uncollectible accounts						
111	905	Miscellaneous customer accounts expenses	28,967		28,967			
112	906	Total Customer Accounts Operation Expenses	272,742		272,742			
113	907	Supervision						
114	908	Customer assistance expenses	48,322		48,322			
115	909	Informational And Instructional Advertising Expenses	18,726		18,726			
116	910	Miscellaneous Customer Service And Informational Expenses	89,870		89,870			
117		Total Service and Informational Operation Accounts	156,918		156,918			
118	911	Supervision						
119	912	Demonstrating and Selling Expenses	(266)		(266)			
120	913	Advertising Expenses	36,193		36,193			
121	916	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses	35,927		35,927			
123	920	Administrative and General Salaries	13,767,071	45,402,330	59,169,401			
124	921	Office Supplies and Expenses	9,222,671	8,514,741	17,737,412			
125	923	Outside Services Employed	5,898,837	14,127,854	20,026,691			
126	924	Property Insurance	2,292,697	4,953	2,297,650			
127	925	Injuries and Damages	374,526	7,325,102	7,699,628			
128	926	Employee Pensions and Benefits	531,123	32,210,202	32,741,325			
129	928	Regulatory Commission Expenses	4,052		4,052			
130	930.1	General Advertising Expenses	215,110	270,007	485,117			
131	930.2	Miscellaneous General Expenses	245,855	2,879,162	3,125,017			
132	931	Rents	51,976	13,384,936	13,436,912			
133		Total Administrative and General Operation Expenses	32,603,918	124,119,287	156,723,205			
134	935	Maintenance of Structures and Equipment	3,274,870	5,578,144	8,853,014			
135		Total Administrative and General Maintenance Expenses	36,344,375	129,697,431	166,041,806			
136		Total Cost of Service	45,794,049	138,780,987	184,575,036			

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		8,925,113	8,925,113
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes	(9)	124,934	124,925
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	419,956	60	420,016
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income	12,902		12,902
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		260,962	260,962
19	421.1	Gain on Disposition of Property		45,151	45,151
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	55,902	356,748	412,650
23	426.2	Life Insurance			
24	426.3	Penalties	372		372
25	426.4	Expenditures for Certain Civic, Political and Related Activities	307,204	132,639	439,843
26	426.5	Other Deductions	138,720	(368,709)	(229,989)
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		180,754	180,754
31	431	Other Interest Expense	3,450	(42,459)	(39,009)
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	14,046	41,597	55,643
34	510-515	Total Steam Power Generation Maintenance Expenses	2,721,956		2,721,956

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	3,539,270	38,992	3,578,262
40	551-554.1	Total Other Power Generation Maintenance Expenses	1,195,447		1,195,447
41	555-557	Total Other Power Supply Operation Expenses	66,198		66,198
42	560	Operation Supervision and Engineering	16,176		16,176
43	561.1	Load Dispatch-Reliability			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	38,087		38,087
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	643,946		643,946
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)	267,791		267,791
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	966,000		966,000
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)	112		112
66	571	Maintenance of Overhead Lines (Major Only)			
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	112		112
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	16,758		16,758
74	590-598	Total Distribution Maintenance Expenses			
75		Total Electric Operation and Maintenance Expenses	9,432,480	9,083,556	18,516,036
76	700-798	Production Expenses (Provide selected accounts in a footnote)	2,087		2,087
77	800-813	Total Other Gas Supply Operation Expenses	34		34
78	814-826	Total Underground Storage Operation Expenses	1,318		1,318
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	725		725
85	851	System Control and Load Dispatching.			
86	852	Communication System Expenses	634		634
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	245		245
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses	3,354		3,354
94	860	Rents			
95		Total Gas Transmission Operation Expenses	4,958		4,958
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	33		33
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses	33		33
104	870-881	Total Distribution Operation Expenses	8,033		8,033

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	731		731
106		Total Natural Gas Operation and Maintenance Expenses	17,194		17,194
107	901	Supervision	67,456		67,456
108	902	Meter reading expenses	7,303		7,303
109	903	Customer records and collection expenses	169,016		169,016
110	904	Uncollectible accounts			
111	905	Miscellaneous customer accounts expenses	28,967		28,967
112	906	Total Customer Accounts Operation Expenses	272,742		272,742
113	907	Supervision			
114	908	Customer assistance expenses	48,322		48,322
115	909	Informational And Instructional Advertising Expenses	18,726		18,726
116	910	Miscellaneous Customer Service And Informational Expenses	89,870		89,870
117		Total Service and Informational Operation Accounts	156,918		156,918
118	911	Supervision			
119	912	Demonstrating and Selling Expenses	(266)		(266)
120	913	Advertising Expenses	36,193		36,193
121	916	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses	35,927		35,927
123	920	Administrative and General Salaries	13,767,071	45,402,330	59,169,401
124	921	Office Supplies and Expenses	9,222,671	8,514,741	17,737,412
125	923	Outside Services Employed	5,898,837	14,127,854	20,026,691
126	924	Property Insurance	2,292,697	4,953	2,297,650
127	925	Injuries and Damages	374,526	7,325,102	7,699,628
128	926	Employee Pensions and Benefits	531,123	32,210,202	32,741,325
129	928	Regulatory Commission Expenses	4,052		4,052
130	930.1	General Advertising Expenses	215,110	270,007	485,117
131	930.2	Miscellaneous General Expenses	245,855	2,879,162	3,125,017
132	931	Rents	51,976	13,384,936	13,436,912
133		Total Administrative and General Operation Expenses	32,603,918	124,119,287	156,723,205
134	935	Maintenance of Structures and Equipment	3,274,870	5,578,144	8,853,014
135		Total Administrative and General Maintenance Expenses	36,344,375	129,697,431	166,041,806
136		Total Cost of Service	45,794,049	138,780,987	184,575,036

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 2018
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

416000 EXP MERCH JOBBING & CONTRACT	369
417100 NONUTILITY EXPENSES - COS	26,261
417101 NONUTILITY EXP - OTHER O&M	168,037
417158 NONUTILITY OPS EXPENSE OTHER	0
417160 NONUTILITY SELLING EXPENSE	18,436
417161 NONUTILITY ADMIN & GENERAL	203,813
417162 ADMIN AND GEN-EMPL BENEFITS	300
417170 NONUTILITY MAINTENANCE EXPENSE	2,800
	420,016

Schedule Page: 304 Line No.: 76 Column: e

759000 NG PROD GATH OTHER EXPENSES \$2,087

Schedule Page: 304 Line No.: 123 Column: c

This amount includes the A&G loading offset, account 922000.

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 Corp	1,203,069	3,934,492		5,137,561
2	Black Hills Wyoming LLC	545,404	1,770,816		2,316,220
3	Black Hills Electric Generation LLC	311,928			311,928
4	Black Hills Non-Regulated Holdings LLC	15,608			15,608
5	Black Hills Colorado IPP LLC	2,280,575	3,316,039		5,596,614
6	Generation Development Co LLC	161			161
7	N780Bh, LLC	1,197			1,197
8	Black Hills Midstream LLC				
9	Black Hills Exploration and Production Inc	593,587	365,769		959,356
10	Black Hills Gas Resources Inc	3,416			3,416
11	Black Hills Plateau Production LLC	(7,181)			(7,181)
12	Black Hills Power Inc	5,348,967	20,028,270		25,377,237
13	Cheyenne Light Fuel and Power Company	4,148,561	9,601,489		13,750,050
14	Black Hills Utility Holdings Inc	20,110,362	25,321,337		45,431,699
15	Black Hills Kansas Gas Utility Company LLC	1,022,100	6,163,479		7,185,579
16	Black Hills Iowa Gas Utility Company LLC	820,325	7,246,624		8,066,949
17	Black Hills Nebraska Gas Utility Company LLC	674,256	8,865,509		9,539,765
18	Black Hills Colorado Electric Utility Company LP	3,354,791	13,748,458		17,103,249
19	Black Hills Colorado Gas Utility Company LP	876,960	2,984,200		3,861,160
20	Black Hills Northwest Wyoming Gas Utility Company	232,257	564,606		796,863
21	Black Hills Shoshone Pipeline LLC	22,202	8,450		30,652
22	Black Hills Energy Arkansas Inc	1,833,698	12,825,369		14,659,067
23	Black Hills Gas Distribution Colorado	340,049	5,235,036		5,575,085
24	Black Hills Gas Distribution Nebraska	(108,651)	7,886,946		7,778,295
25	Black Hills Gas Distribution Wyoming	522,350	5,295,501		5,817,851
26	Rocky Mountain Natural Gas LLC	166,060	2,505,768		2,671,828
27	Black Hills Energy Services Company	380,921	619,612		1,000,533
28	Black Hills Gas Supply Contract Inc				
29	Black Hills Gas Holdings LLC	602			602
30	Black Hills Gas Distribution LLC				
31	Black Hills Gas LLC				
32	Black Hills Corporation	890,348	493,217		1,383,565
33	Black Hills Exploration & Production	210,127			210,127
34					
35					
36					
37					
38					
39					
40	Total	45,794,049	138,780,987		184,575,036

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					

Schedule XIX - Miscellaneous General Expenses - Account 930.2

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

Line No.	Title of Account (a)	Amount (b)
1	Director Fees	2,442,464
2	Dues	342,101
3	Labor	58,527
4	Other	281,925
5		
6		
7		
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40	Total	3,125,017

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 2018
Black Hills Service Company, LLC			
Schedule XX - Organization Chart			

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

OFFICER	TITLE
David R. Emery	Chairman and Chief Executive Officer
Linden R. Evans	President and Chief Operating Officer
Richard W. Kinzley	Senior Vice President and Chief Financial Officer
Brian G. Iverson	Senior Vice President and General Counsel (also Chief Compliance Officer and Assistant Secretary)
Scott A. Buchholz	Senior Vice President – Chief Information Officer
Jennifer C. Landis	Senior Vice President – Chief Human Resources Officer
Roxann R. Basham	Vice President – Governance and Corporate Secretary
Esther J. Newbrough	Vice President and Chief Risk Officer (1)
Kimberly F. Nooney	Vice President – Corporate Controller and Treasurer (2)
	(3)
Donna E. Genora	Vice President – Tax (5)
Amy K. Koenig	Assistant Corporate Secretary
Kyle D. White	Vice President – Regulatory Strategy
Marne M. Jones	Vice President – Regulatory and Finance (4)
Perry S. Krush	Vice President – Facilities
Karen Beachy	Vice President – Growth and Strategy (6)
Mark L. Lux	Vice President – Energy Innovation (7)
Marc Ostrem	Vice President – Power Delivery, Safety and Environmental (8)
Stuart A. Wevik	Group Vice President – Electric Utilities (9)
Ivan Vancas	Group Vice President – Natural Gas Utilities (9)
Mark E. Stege	Vice President – Customer Service (9)
Jodi Culp	Vice President – Gas Asset Optimization (9)
John A. Hill, Jr.	Vice President – Gas Engineering (9)
BOARD OF DIRECTORS	
No Directors	
MEMBERS/MANAGERS	
Sole Member	Black Hills Corporation

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 2018
Black Hills Service Company, LLC			
Schedule XX - Organization Chart			

Manager	David R. Emery
Manager	Linden R. Evans
Manager	Richard W Kinzley
Manager	Brian G. Iverson

- (1) Esther Newbrough's title changed from Vice President – Corporate Controller to Vice President and Chief Risk Officer effective June 6, 2018
- (2) Kimberly F. Nooney's title changed from Vice President – Treasurer to Vice President – Corporate Controller and Treasurer effective June 6, 2018
- (3) Jeffrey B. Berzina was removed as Vice President – Strategic Planning and Development effective June 6, 2018
- (4) Marne M. Jones' title changed from Vice President – Regulatory to Vice President – Regulatory and Finance effective June 6, 2018
- (5) Donna E. Genora was appointed to replace Melinda Lee Watkins as Vice President – Tax effective September 28, 2018
- (6) Karen Beachy's title changed from Vice President – Supply Chain to Vice President – Growth and Strategy effective October 15, 2018
- (7) Mark Lux's title changed from Vice President – Power Generation, Safety and Environmental to Vice President – Energy Innovation effective October 15, 2018
- (8) Marc Ostrem was appointed Vice President – Power Delivery, Safety and Environmental effective October 15, 2018
- (9) Stuart A. Wevik, Ivan Vancas, Mark E. Stege, Jodi Culp, and John A. Hill, Jr. were added as Officers effective December 31, 2018

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 2018
Black Hills Service Company, LLC			
Schedule XXI - Methods of Allocation			

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

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

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

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

One additional item to note is that pooled benefits, primarily health care costs, are allocated differently due to the pooling method for benefits such as self-insured health care. Black Hills Corporation has chosen to pool certain benefit costs and spread the risk amongst all subsidiaries equally. All pooled benefit costs of BHC are paid by the Service Company and allocated to subsidiaries based on employee counts. (See Black Hills Service Company Cost Allocation Manual 2018 for further details.)

Service Department or Function	Basis of Allocation
BHSC Indirect Allocations:	
Environmental Services Property Accounting	Asset Cost
Accounting Systems Accounts Payable Tax Credit and Risk General Accounting Insurance Internal Audit Legal Corporate Affairs Budget and Forecast Accounting-Central Services Engineering Rotation Program Internal Audit	

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Schedule XXI - Methods of Allocation			

<p>In-House Creative Solutions Records Management Supply Chain Management Contract Management Strategic Sourcing Fleet Services Facilities Governmental Affairs IT Administration IT Business Applications Wholesale & Enterprise IT Business Applications Web Service Support IT Business Applications Financial & HR Systems IT Infrastructure Services IT Communications IT User Services Corporate Security IT Compliance Material Management Continuous Improvement IT Helpdesk/Technology Integration Procurement Assets Blended Accounting Accruals Benefits BHSC portion of the Rapid city Plant Street Facility, Midlands Data Facility, and Cheyenne Data Center Facility Catch-All</p> <p>Corporate Development Corporate Governance Shareholder Services Executive Management Finance & Treasury Financial Reporting</p> <p>Safety Human Resources Regulated Compensation & Benefits Organizational Development & Training</p> <p>Power Delivery Management</p> <p>Generation Plant Operations CPGS Plant Operations</p>	<p>Blended Ratio</p> <p>Holding Company Blended Ratio</p> <p>Employee Ratio</p> <p>Power Generation Capacity Ratio</p> <p>Nameplate Generation Capacity Ratio</p>
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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 of Report 2018
Schedule XXI - Methods of Allocation			

Rapid City Office Facility Fayetteville Denver Office Facility	Square Footage Ratio	

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

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Document Content(s)

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