

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

MAY 25 2012

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

by  
State Corporation Commission  
of Kansas

Docket No. 11-BHCG-800-CPL

**COMPLIANCE FILING OF  
BLACK HILLS ENERGY**

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

1. Cost Allocation Manual ("CAM") and Service Agreements. A redlined version of the amended Black Hills Utility Holdings, Inc. ("BHUH") CAM is included in this year-ended 2011 filing and is attached hereto and incorporated herein (requirement and Tab A1). There have been no changes to the following items as filed in the Black Hills's Kansas Compliance filing dated May 31, 2011:

(a) Service Agreement with BHUH; Service Agreement with Black Hills Service Company, LLC ("BHSC"); and BHSC's CAM.

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

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

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

5. Organizational chart of personnel that includes list of directors, corporate officers, and

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

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

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

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

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

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

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

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

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

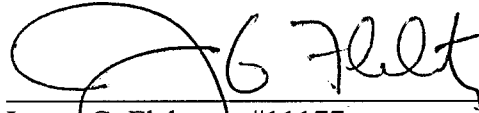
(1) This information is not maintained;

(2) This information is not maintained; and

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

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

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

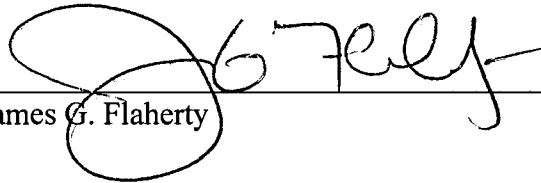


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**VERIFICATION**

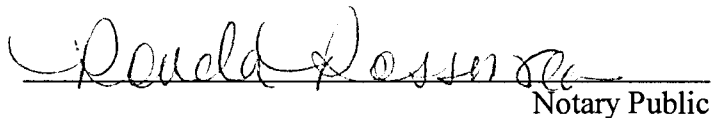
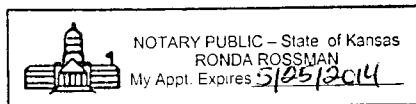
STATE OF KANSAS, COUNTY OF FRANKLIN, ss:

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



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 24<sup>th</sup> day of May, 2012.



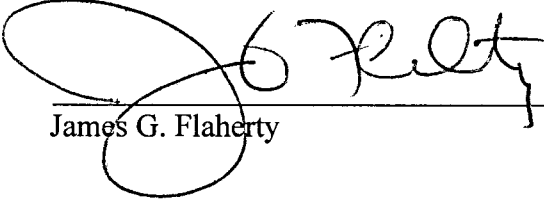
Notary Public

Appointment/Commission Expires:

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the above and foregoing was mailed, postage prepaid, this 24<sup>th</sup> day of May, 2012, addressed to:

Robert A. Fox  
Senior Litigation Counsel  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, KS 66604-4027

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

A-1



1102 E First Street  
Papillion, NE 68046

May 31, 2012

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

Dear Ms. Petersen-Klein:

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

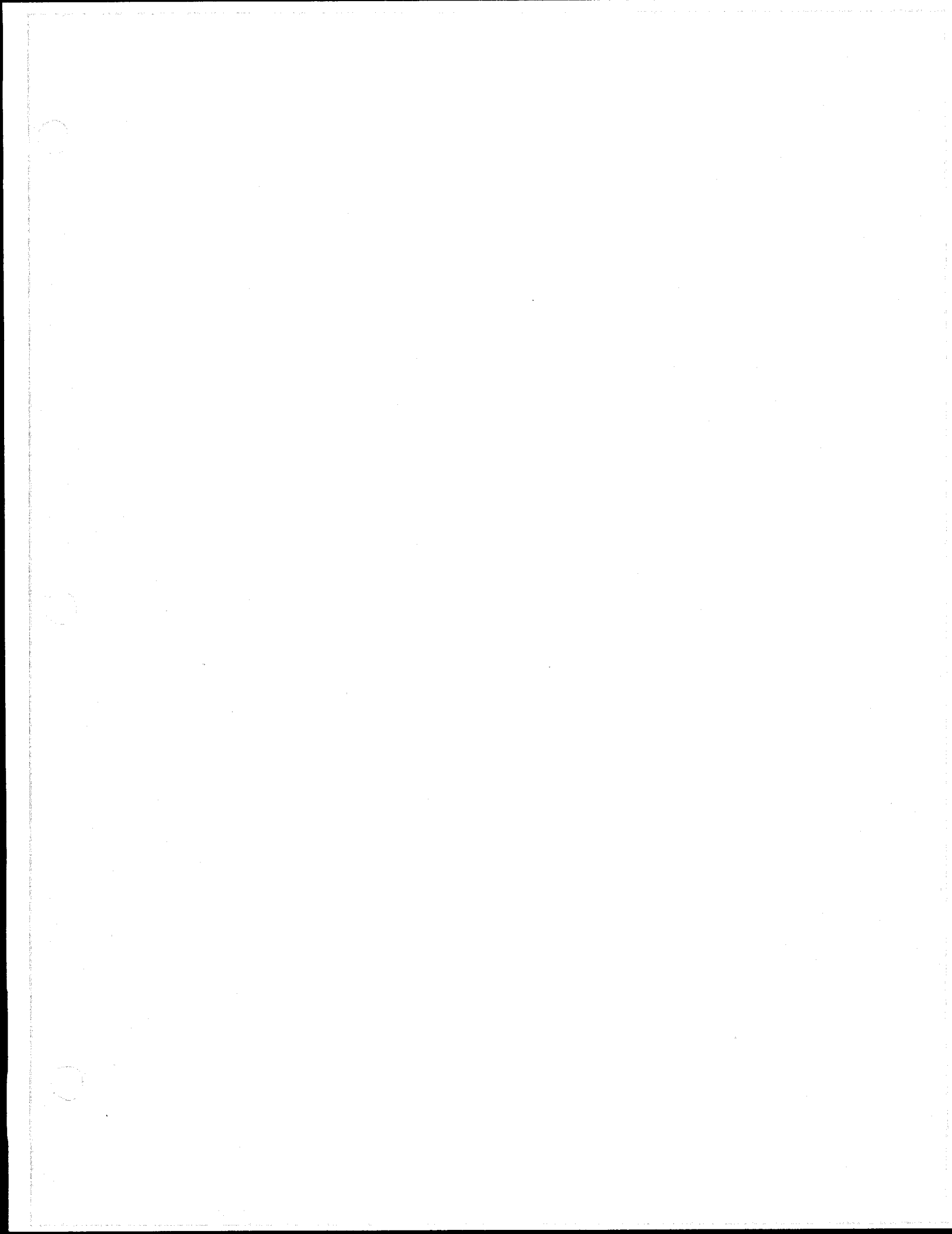
- Service Agreement with Black Hills Utility Holdings, Inc. ("BHUH")
- Service Agreement with Black Hills Service Company, LLC ("BHSC")
- BHSC Cost Allocation Manual ("CAM")

An amended BHUH CAM is included in this year-ended 2011 filing and follows this letter. According to submission information requirements, changes made to the amended BHUH CAM follow in a red-lined Word document.

Sincerely,

*Meg McGill*  
Meg McGill  
Regulatory Services





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# Black Hills Utility Holdings, Inc.

## Cost Allocation Manual

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Effective Date: July 14, 2008

Amended: August 1, 2009

Amended: January 1, 2011

Amended: January 1, 2012

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## Introduction

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

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

## BHUH Organization

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

## Direct Costs versus Indirect Costs

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

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

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

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

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

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

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

Always considered direct costs:

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

Always considered indirect costs:

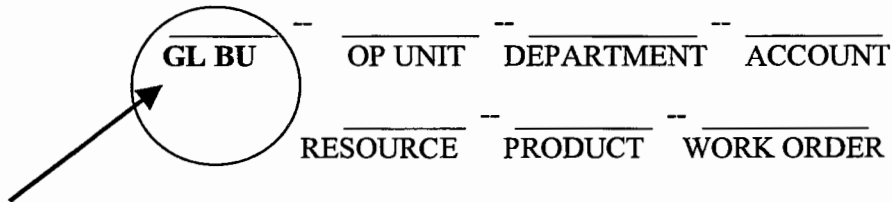
- PTO (Paid Time Off) and Holiday labor (they are included as a component of overhead)
- Bonuses and other similar methods of compensation that are included as a component of overhead
- Payroll taxes and 401(k) match expenses (they are included as components of overhead)
- Short or long-term disability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

## **Transaction Coding**

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

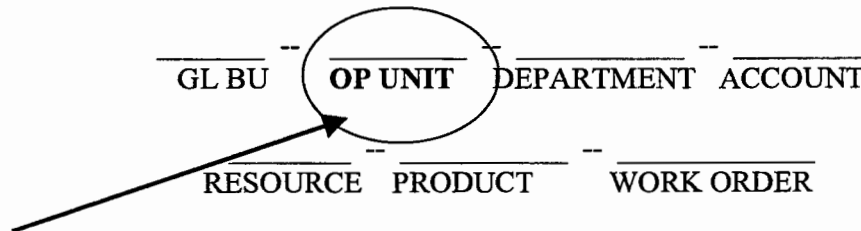
important to understand the intended purpose of each field within the account coding string. In addition, the system also handles the distribution of both direct and indirect costs to the operating companies.

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



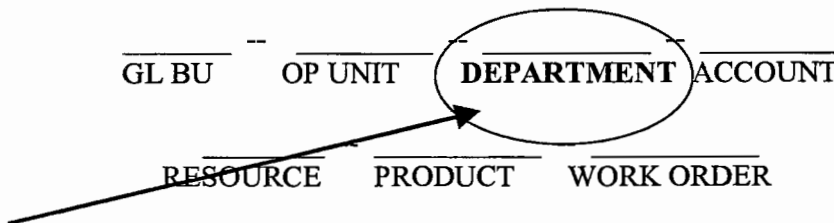
**General Ledger Business Unit (“GLBU”):**

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



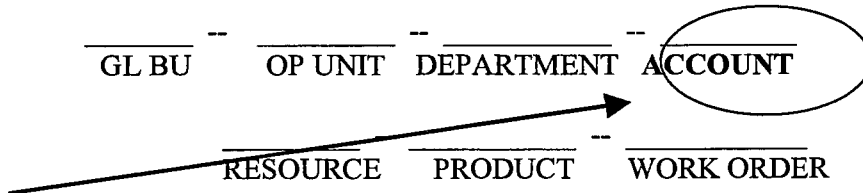
**Operating Unit (“Op Unit”):**

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



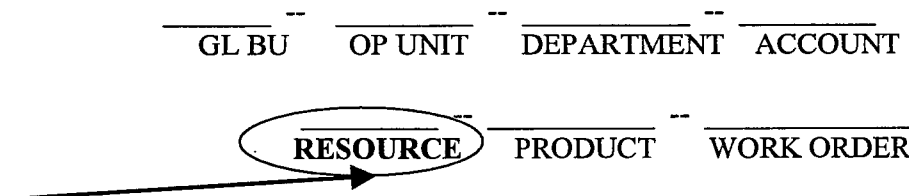
**Department:**

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



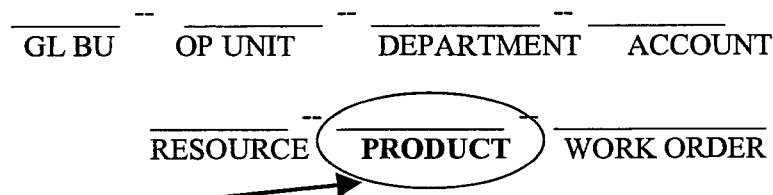
**Account:**

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



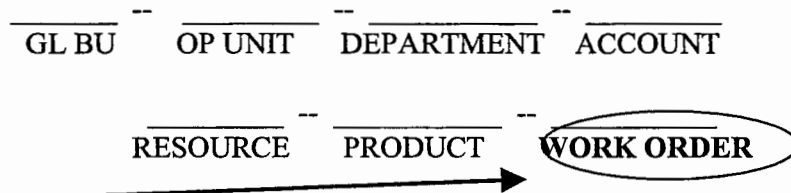
**Resource:**

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



**Product:**

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



**Work Order:**

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

**Timekeeping**

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

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

**Loadings**

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

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

**General loadings:**

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

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

### **Allocation Ratios**

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

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

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

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

### **Changing Allocation Ratios**

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

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

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

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

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

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

### **Subsidiary Payment for Direct and Indirect Charges**

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

### **Allocating Fixed Assets**

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

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

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

### **Allocating Capitalized Inventory**

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



## Appendix 1

### BHUH Departments

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

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

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

#### ***Computer Aided Dispatch CAD Assets (4247)***

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

#### ***FAME Assets (4251)***

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

#### ***Work Management Assets (4257)***

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

#### ***Regulated Generation Assets (4258)***

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

#### ***BHUH Benefits Loadings (4470)***

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

***Retiree (4473)***

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

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

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

***Blended Assets - All (4478)***

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

***Blended Assets - Electric (4479)***

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

***Blended Assets - Gas (4480)***

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

***Blended Assets - Customers (4481)***

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

***Design Engineering Gas (5105)***

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

***Standards Compliance Gas (5106)***

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

***Transmission Planning (5107)***

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

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

#### ***NERC Compliance (5108)***

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

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

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

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

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

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

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

#### ***Transmission Services Management (5112)***

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

#### ***Electric Engineering Services (5120)***

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

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

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

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

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

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

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

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

***GIS Support (5305)***

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

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

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

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

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

***Utility Accounting (5670)***

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

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

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

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

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

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

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

***Executive Management (5691)***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Bill Processing (5712)***

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

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

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

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

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

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

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

***Utility Service Management - (6183)***

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

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

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

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

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

***Catch-All***

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

## Appendix 2

### Allocation Ratios

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

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

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

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

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

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

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

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

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



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

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

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

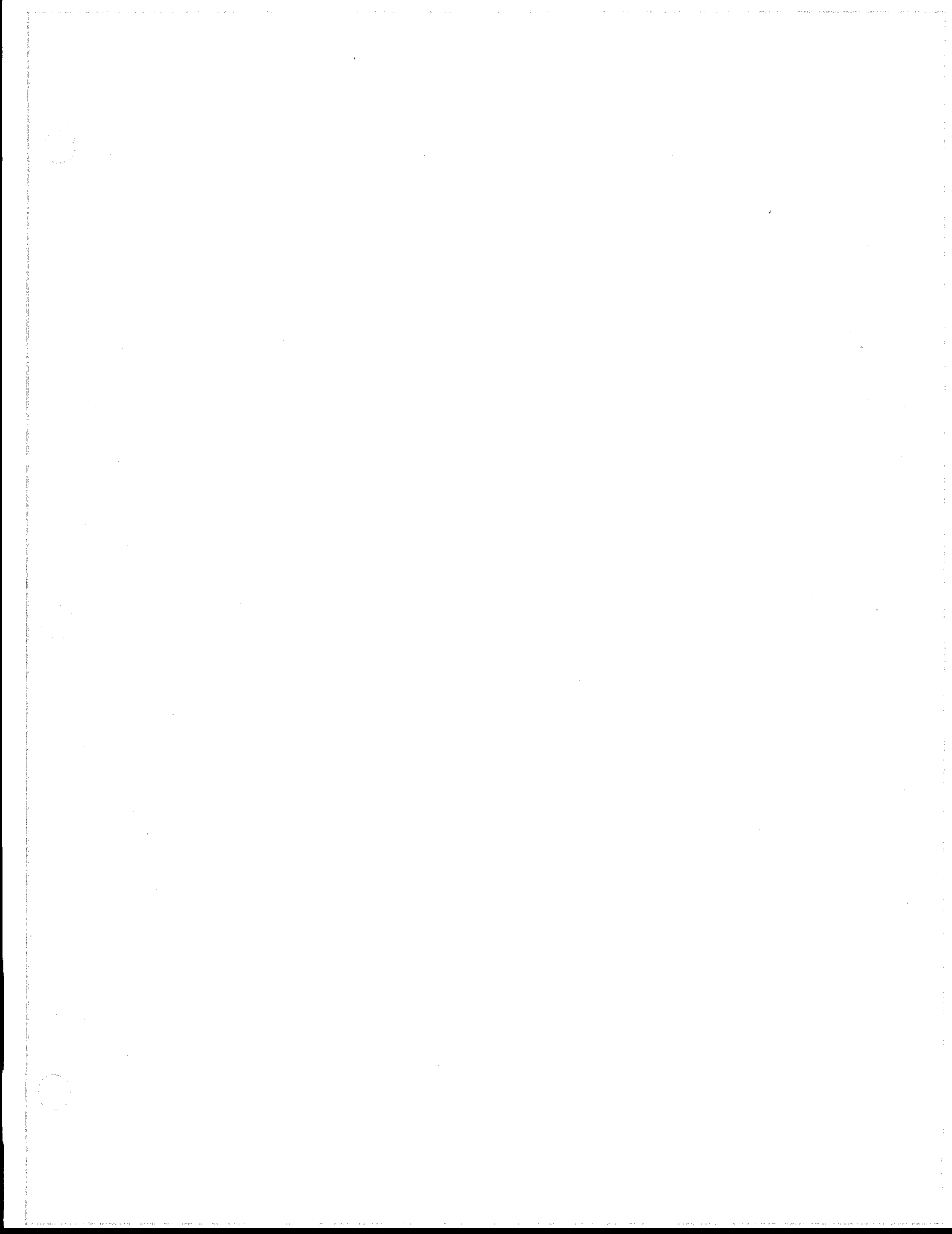
As of December 31, 2011 BHUH is utilizing the following customer counts to calculate customer count ratios additional variations may be added if additional product lines are added or in the event that additional segmentation of customers are deemed appropriate to most effectively allocate costs from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

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

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

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

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



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Black Hills Utility Holdings, Inc.

Cost Allocation Manual

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Effective Date: July 14, 2008

Amended: August 1, 2009

Amended: January 1, 2011

Amended: January 1, 2012

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## Introduction

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

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

## BHUH Organization

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

## Direct Costs versus Indirect Costs

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

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

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

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

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

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

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

Always considered direct costs:

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

Always considered indirect costs:

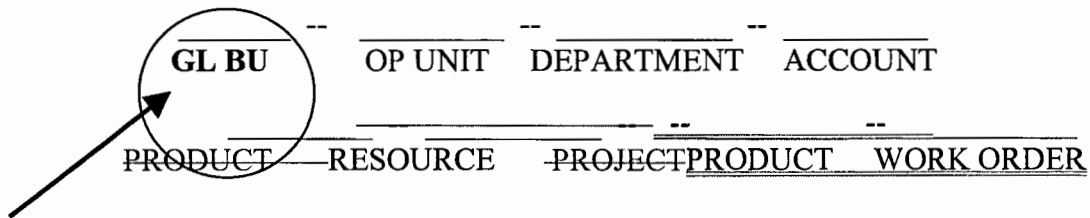
- PTO (Paid Time Off) and Holiday labor (they are included as a component of overhead)
- Bonuses and other similar methods of compensation that are included as a component of overhead
- Payroll taxes and 401(k) match expenses (they are included as components of overhead)
- Short or long-term disability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

## Transaction Coding

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

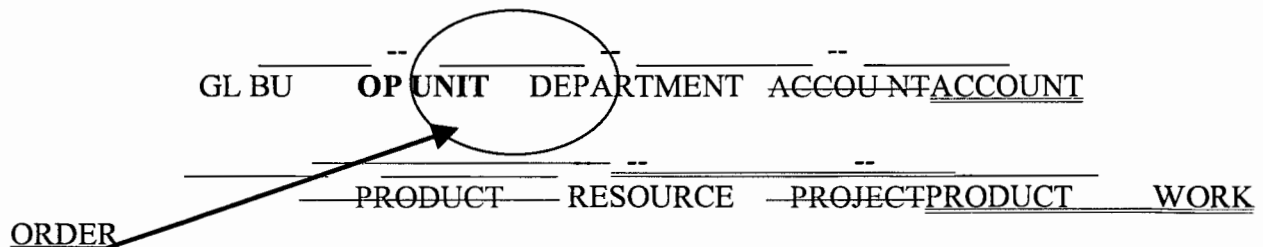
All transactions will use the account coding string listed below. The coding is comprised of seven separate fields, each representing an important characteristic of the underlying transaction.





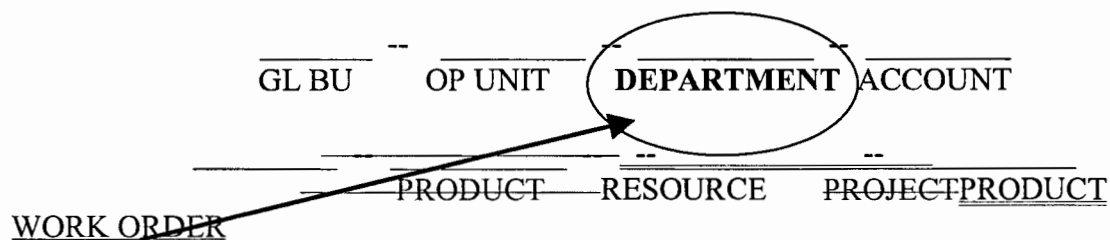
**General Ledger Business Unit (“GL BU”):**

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



**Operating Unit (“Op Unit”):**

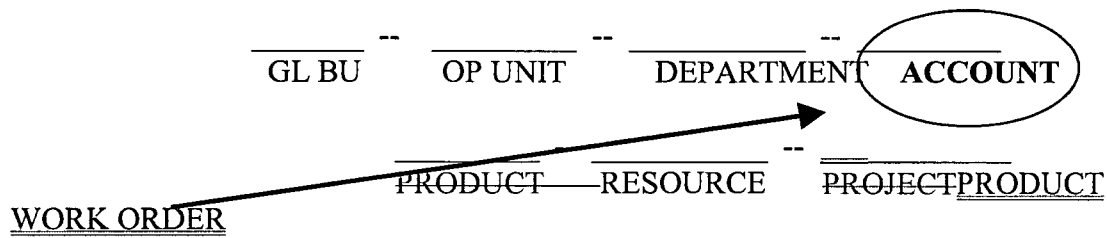
- Six (6) character numeric field.
- The operating unit allows for the grouping of multiple departments. Op Unit field is used to identify the account code block as either a direct cost or an indirect cost.
- The operating unit will default based on the department, as described below. If the cost is a direct cost, the Op Unit field will be populated using the general Utility Holding Op Unit 201900. Indirect costs also include costs directly related to the Utility Holding Company.
- The operating unit field is used to create direct charges to GL BUs by overriding the default operating unit for that department field will be populated using one of the BHUHOps Units for indirect costs.



**Department:**

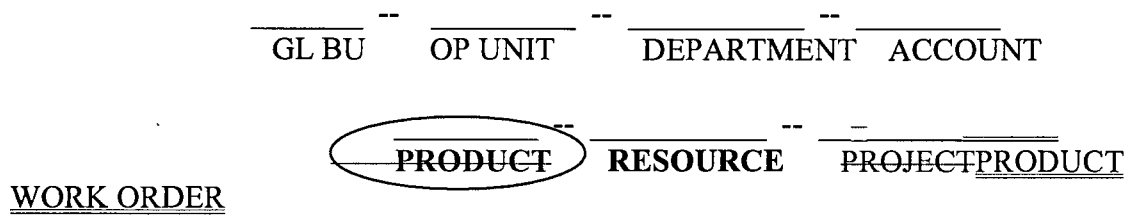
- Four (4) character numeric field

- The department ~~represents a functional group or cost center~~field is used to identify where the cost(s) originated
- The department ~~will default the operating unit~~is required on all income statement and capital transactions
- Each employee has been ~~Every Dept is~~ assigned to a departmentGLBU



**Account:**

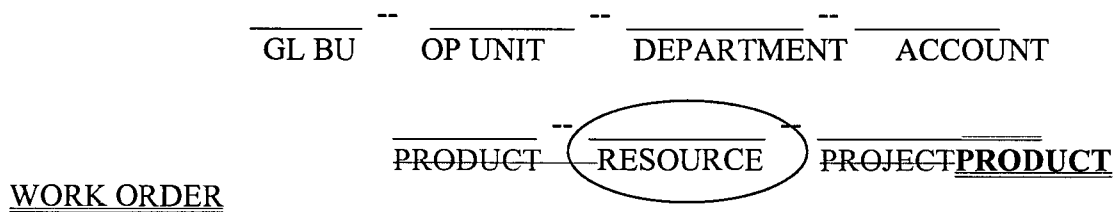
- Six (6) character numeric field
- The account field is required on all accounting transactions
- Based on All companies will use the FERC same Chart of Accounts though some values will be specific to certain companies.



**Product:**

**Resource:**

- ~~Three~~Four (34) character numeric field
- Identifies the product lineRepresents the type of cost that fall under a specific account
- Examples of product line include electric, gas, non-regulatedThe resource field is required for all income statement and capital accounting transactions



**Resource:**

**Product:**

- ~~Four~~Three (43) character numeric field
- Represents the type of costIdentifies the product line

- Examples of the product line include labor, meals, office supplies, etc. electric, gas, and non-regulated

GL BU -- OP UNIT -- DEPARTMENT ACCOUNT

RESOURCE -- PRODUCT -- RESOURCE

### PROJECTWORK ORDER

Project: 

#### Work Order:

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

### **Timekeeping**

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

~~Timesheets are completed in PeopleSoft. Employees must complete the coding string, as previously discussed, for each time record. The timesheet will default the employee's department, which will in turn default the operating unit and general ledger business unit. The employee will need to enter an account and product. Employees also must enter a time reporting code, which designates the time in such classifications as regular time, overtime, holiday time, or paid time off. The resource code will default based on the time reporting code used. If an employee is working on a capital project and enters a project code, all other account fields will default. If an employee enters a time reporting code for paid time off, all other account fields will also default. For an employee to direct charge time to another company, the operating unit that defaulted must be overridden with an operating unit that belongs to the GL-BU that is being charged, 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. Employees are also encouraged to keep their timesheets updated on a regular basis, so that they don't have to enter two weeks worth of time on the last day of the pay period. It is best if they enter their time on a daily basis, when feasible.~~

### Loadings

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

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

General loadings:

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

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

### **Allocation Factors Ratios**

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

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

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

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

### **Changing Allocation Factors/Ratios**

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

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

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

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

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

## Subsidiary Payment for Direct and Indirect Charges

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

## **Allocating Fixed Assets**

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

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

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

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

## **Allocating Capitalized Inventory**

~~As noted above, the~~The gas metershop is a BHUH department. ~~This department serves~~ servicing the gas utility operating companies. As gas meters are purchased, they are recorded as capitalized inventory (charged to plant-in-service) by BHUH. ~~When gas, the~~ meters are placed into service, they are issued out of inventory to the specific operating company that will install the meter and they become a fixed asset for that operating company. ~~At~~ All gas meter investment and accumulated depreciation reserve is held at BHUH, at month-end, a manual journal entry is prepared to allocate the inventoryplant balance of BHUH. The Customer Count ~~Factor~~Ratio is used for this allocation.





## Appendix 1

### BHUH Departments

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

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

Description: Provides for the development and execution of the gas supply portfolio plans for all gas distribution and gas supply needs for 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.

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor. ~~Gas Supply Services Cost Management (2309)~~ (Customer Count Ratio)

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

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

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

#### ***Computer Aided Dispatch CAD Assets (4247)***

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

#### ***FAME Assets (4251)***

Description: ~~Provides for the development and execution of the gas supply portfolio plans for all gas distribution and gas supply needs for power plants. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services.~~ The assets invested for the Facilitated Asset Mapping Enterprise system for Black Hills Energy. This includes capitalized and centrally located hardware and software costs to serve multiple utilities. Depreciation expense on this group of assets is also charged from here. (Customer Count Ratio)

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

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

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

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

*Corporate Services – Omaha (4015)*

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

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

***Security Services – Omaha (4026)***

Description: Provides for security services for the Omaha facilities.

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

***Environmental (4090)***

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

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

***Work Management Assets (4257)***

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

***Regulated Generation Assets (4258)***

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

***BHUH Benefits (4402) Loadings (4470)***

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

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

***Retiree (4473)***

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

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

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

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

### *Network*

#### **Blended Assets - All (4478)**

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

#### **Blended Assets - Electric (4479)**

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

#### **Blended Assets - Gas (4480)**

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

#### **Blended Assets - Customers (4481)**

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

#### **Design Engineering Gas (5105)**

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

#### **Standards and Safety Training (5254)**

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

~~Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.~~**Compliance Gas (5106)**

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

#### **Transmission Planning (5107)**

Description: Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs

studies in support of large customer requests and the FERC Tariff; and performs operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups. (Transmission Ratio)

**NERC Compliance (5108)**

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

**FERC Tariff and Compliance (5109)**

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

**Transmission and Distribution Reliability (5110)**

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

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

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

**Transmission Services Management (5112)**

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

**Electric Engineering Services (5120)**

Description: Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T & D asset management,

metering, substation maintenance, Vegetation Management, GIS/drafting and outage management systems. Provides Director level support to GIS support functions as defined in Dept. 5305 for both the electric & gas network operations. (Blended Allocator Ratio)

**Power Supply and Renewables (5121)**

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

**Electric Regulatory Services (5122)**

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

**Gas Engineering Services (5254)**

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

**Net-Ops Work Management GIS Support (5305)**

Description: Researches, builds and implements work management solutions for the benefit of electric and gas network operations. This department also supports STORMS, FAME, Electric Utilities Outage Management and network requests. Method of Allocation: Indirect costs of this department are allocated using the (Customer Count Factor Ratio)

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

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

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

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

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

***Utility Accounting (5670)***

Description: ~~Assists – Responsible for closing the general ledger for the utilities on a monthly basis and assists in the compliance with regulatory accounting requirements. Assists in the preparation of budgets for the operating companies of all accounting rules and regulations. Prepares various operating and financial reporting reports for utility financial management including margin and operating expenses. Assists with the regulatory strategy for the operating companies.~~

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

~~***Safety (5672)*** Description: Develops and implements safety planning activities and provides employee safety education. Assists with the administration of the corporate safety program. Assists with compliance with DOT, OSHA, and MSHA regulations. the utility financial management team with monthly analysis and the financial planning process.~~

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

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

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

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

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



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

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

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

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

~~Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor. ***Electric Executive Utility Operations Management (5682)***~~

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

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

### ***Gas Utility Market Services (5688)***

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

~~Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor. ***Gas Executive Management (5690)*** (Blended Allocator Ratio)~~

### ***Executive Management (5691)***

~~Description: Provides guidance, direction and executive management to overall gas the regulated utility activities. Method of Allocation: Indirect costs of this department are allocated using the General segments. (Blended Allocator Factor. Ratio)~~

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

~~Description: Answers and resolves customer inquiries for both regulated and non-regulated customers. Method of Allocation: Indirect costs of this department are allocated using the (Customer Count Factor. Ratio)~~

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

~~Description: Assists customers with billing, payment and collection issues. Method of Allocation: Indirect costs of this department are allocated using the (Customer Count Factor. Ratio)~~

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

Description: Provides support to customer services areas through training, revenue assurance analysis, quality analysis, business analysis and customer and community communication.  
Method of Allocation: ~~Indirect costs of this department are allocated using the (Customer Count Factor:Ratio)~~

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

Description: Assists customers with billing, payment and collection issues.Method of Allocation: Indirect costs of this department are allocated using the (Customer Count Factor:Ratio)

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

Description: Answers and resolves customer inquiries for both regulated and non-regulated customers.Method of Allocation: Indirect costs of this department are allocated using the (Customer Count Factor:Ratio)

***Large Volume Billing – Omaha (5706)***

Description: Manages and maintains regulated and non-regulated sales and billing of gas to large volume customers. Method of Allocation: Indirect costs of this department are allocated using the (Customer Count Factor:Accounts Receivable Management (5708) Ratio)

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

Description: ~~Prepares monthly metrics reporting, performs compliance testing and performs other general business analysis tasks for the Customer Service groups.~~ Provides direct support to the operations of the two customer service centers in Lincoln and Rapid City. Provides analysis on employee staffing, monitoring service metrics, projects, and planning. (Customer Count Ratio)

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

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

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

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

Method of Allocation: Indirect costs of this department are allocated using the Customer Count Factor.letters and bills for BHC utility customers. Processes payments for regulated and non-regulated services mailed back to BHC by utility customers. (Customer Count Ratio)

***Bill Processing (5712)***

Description: ~~Prepares, assembles, inserts and distributes customer mailings for both regulated and non-regulated customers. Method of Allocation:~~ Indirect costs of this department are allocated using the Outside services, supplies and postage expenses required for billing,

correspondence, remittance, credit and collection services related to BHC utility customers.  
(Customer Count Factor Ratio)

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

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

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

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

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

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

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

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

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

***Communications (5721)***

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

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

***Supply Chain (5724)***

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

Method of Allocation: Indirect costs of this department are allocated using the General Allocator Factor. ***Service-Guard-Central Marketing (6005)***

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

Method of Allocation: Indirect costs of this department are allocated using the business for utility/regulating customers. (Customer Count Factor. Customer Services Training (6016) Ratio)

***Utility Service Management - (6183)***

~~Description: Oversees training in allProvides guidance to utility activities with emphasis on reliability, customer service centers.—and economic energy. (Blended Allocator Ratio)~~

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

~~***Process Improvement (6134)***~~

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

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

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

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

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

~~***Headquarters – KS/CO Gas (6183)***~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Gas Regulatory Administration (6370)***

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

Method of Allocation: ~~Indirect costs of this department are allocated using the General Allocator Factor.~~ ***Regulatory Services – Gas Services (6372)***

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

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

***~~Regulatory Legislative Services – KS/CO (6377)~~***

***Catch-All***

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

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

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

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

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

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



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

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

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

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

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



## Appendix 2

### Allocation Factors Ratios

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

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

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

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

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

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

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

*General Allocator Factor* Blended Ratio – A composite ~~factor~~ratio comprised of an average of the Net Plant Factor, the Asset Cost Ratio, Payroll Dollar Factor, Ratio and the

Name of Respondent <b>Black Hills Service Company, LLC</b>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)**

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

Line No.	Name of Non-associate Company  (a)	Account 458.1 Direct Costs Charged  (b)	Account 458.2 Indirect Costs Charged  (c)	Account 458.3 Compensation For Use of Capital  (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies  (e)	Total Amount Billed  (f)
1						
2						
3						
4						
5						
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7						
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12						
13						
14						
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29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40	<b>Total</b>					



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Schedule XX - Organization Chart			

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

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

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

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**Schedule XXI - Methods of Allocation**

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

Service Department or Function	Basis of Allocation
See Below	



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Schedule XXI - Methods of Allocation			

## ALLOCATION FACTORS

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

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

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

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

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

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

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

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

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Schedule XXI - Methods of Allocation			

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

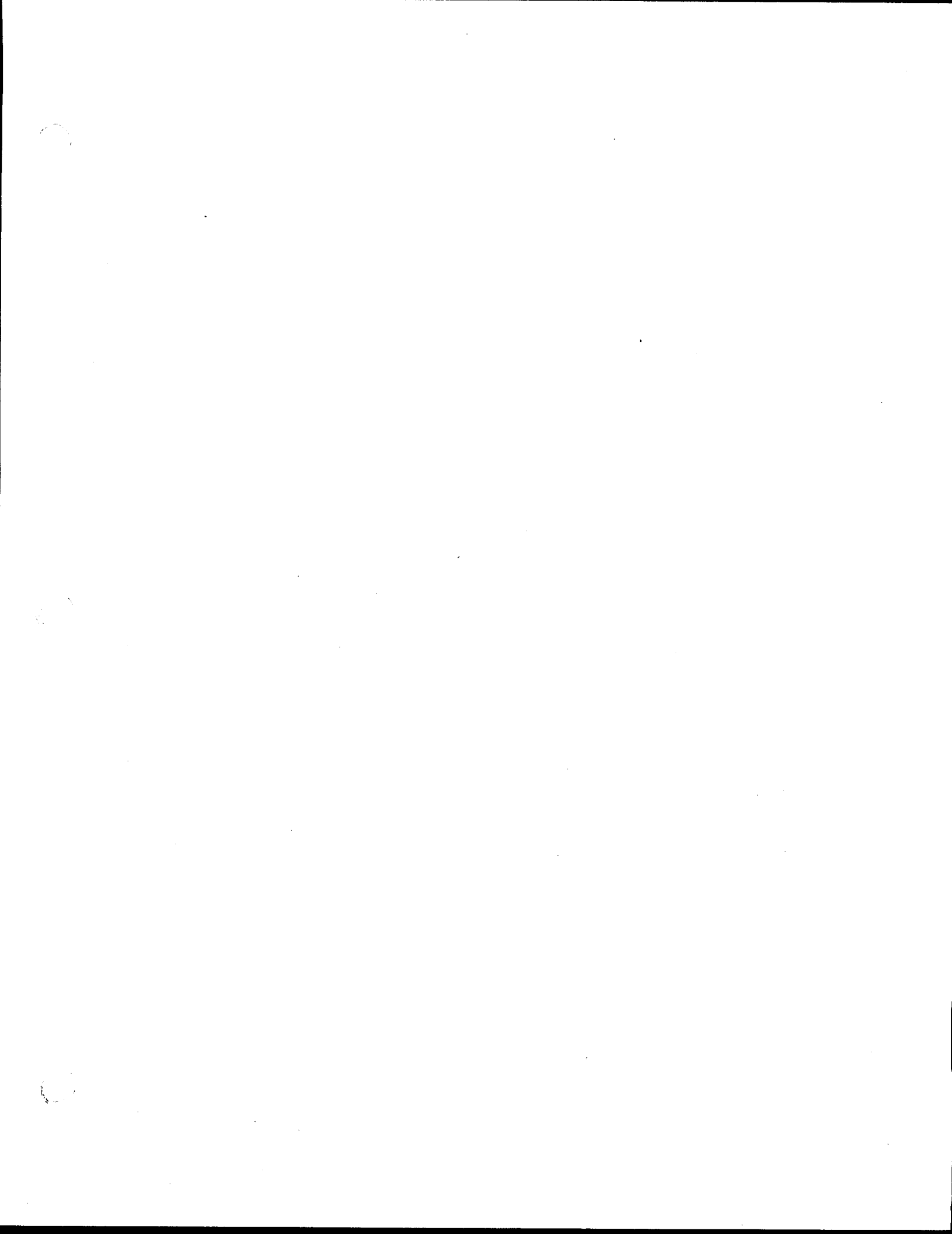
The Utility Communications and IT Business Applications departments utilize this ratio.

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

The Generation Plant Operations department utilizes this ratio.

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

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



THIS FILING IS

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

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



# FERC FINANCIAL REPORT

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

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

Exact Legal Name of Respondent (Company)

Black Hills Utility Holdings, Inc.

Year of Report

Dec 31, 2011

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

**IDENTIFICATION**

01 Exact Legal Name of Respondent Black Hills Utility Holdings, Inc.		02 Year of Report Dec 31, <u>2011</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change  //
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 Ninth Street, Rapid City, SD 57701	06 Name of Contact Person Jeff Berzina	
07 Title of Contact Person Corporate Controller	08 Address of Contact Person 625 Ninth Street, Rapid City, SD 57701	
09 Telephone Number of Contact Person (605) 721-2346	10 E-mail Address of Contact Person jeff.berzina@blackhillscorp.com	
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12 Resubmission Date (Month, Day, Year)  //	
13 Date of Incorporation 06/09/2008	14 If Not Incorporated, Date of Organization  //	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		

**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 Jeff Berzina	19 Signature of Signing Officer  Jeff Berzina	20 Date Signed (Month, Day, Year)
18 Title of Signing Officer Corporate Controller		

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**List of Schedules and Accounts**

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule I - Comparative Balance Sheet**

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		<b>Service Company Property</b>			
2	101	Service Company Property	103	17,846,692	22,211,917
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified		6,839,586	4,662,552
5	107	Construction Work In Progress	103	3,386,653	2,279,616
6		Total Property (Total Of Lines 2-5)		28,072,931	29,154,085
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	( 3,849,975)	( 2,607,518)
8	111	Less: Accumulated Provision for Amortization of Service Company Property		3,868,635	3,868,635
9		Net Service Company Property (Total of Lines 6-8)		28,054,271	27,892,968
10		<b>Investments</b>			
11	123	Investment In Associate Companies	105	628,267,572	589,291,792
12	124	Other Investments	105		
13	128	Other Special Funds	105	70,808	70,808
14		Total Investments (Total of Lines 11-13)		628,338,380	589,362,600
15		<b>Current And Accrued Assets</b>			
16	131	Cash		4,930,953	3,357,940
17	134	Other Special Deposits		19,416,950	10,355,286
18	135	Working Funds		6,734	750
19	136	Temporary Cash Investments			
20	141	Notes Receivable		475,000,000	475,000,000
21	142	Customer Accounts Receivable		( 14)	117,652
22	143	Accounts Receivable		244,543	11,977,956
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	100,532,717	84,659,865
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		7,144	12,931
27	163	Stores Expense Undistributed	108	861	604
28	165	Prepayments		1,462,352	936,728
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	9,842,561	4,787,276
34	176	Derivative Instrument Assets - Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		611,444,801	591,206,988
36		<b>Deferred Debits</b>			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		16,189,254	7,933,321
39	183	Preliminary Survey And Investigation Charges		16,195	
40	184	Clearing Accounts		24,990	( 30,666)
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		23,416,216	10,931,994
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		26,812,661	24,443,229
46		Total Deferred Debits (Total of Lines 37-45)		66,459,316	43,277,878
47		<b>TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)</b>		1,334,296,768	1,251,740,434



Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule I - Comparative Balance Sheet (continued)**

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		<b>Proprietary Capital</b>			
49	201	Common Stock Issued	201	1,000	1,000
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	( 200,000,000)	( 200,000,000)
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	528,799,866	491,846,570
54	219	Accumulated Other Comprehensive Income	201	( 31,628)	( 14,549)
55		Total Proprietary Capital (Total of Lines 49-54)		328,769,238	291,833,021
56		<b>Long-Term Debt</b>			
57	223	Advances From Associate Companies	202	475,000,000	475,000,000
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)		475,000,000	475,000,000
62		<b>Other Non-current Liabilities</b>			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		285,726	240,915
65	228.3	Accumulated Provision For Pensions and Benefits			
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		285,726	240,915
68		<b>Current and Accrued Liabilities</b>			
69	231	Notes Payable			
70	232	Accounts Payable		1,284,941	2,500,941
71	233	Notes Payable to Associate Companies	203	304,989,605	292,755,883
72	234	Accounts Payable to Associate Companies	203	6,369,722	4,861,884
73	236	Taxes Accrued		12,629,602	9,933,693
74	237	Interest Accrued		( 2,892)	
75	241	Tax Collections Payable		41,371	37,760
76	242	Miscellaneous Current and Accrued Liabilities	203	4,368,687	4,855,731
77	243	Obligations Under Capital Leases - Current			
78	244	Derivative Instrument Liabilities		26,572,020	11,975,656
79	245	Derivative Instrument Liabilities - Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		356,253,056	326,921,548
81		<b>Deferred Credits</b>			
82	253	Other Deferred Credits		61,883,887	56,312,091
83	254	Other Regulatory Liabilities		9,197,471	4,520,686
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		4,098,663	3,538,183
87	283	Accumulated deferred income taxes-Other		98,808,727	93,373,990
88		Total Deferred Credits (Total of Lines 82-87)		173,988,748	157,744,950
89		<b>TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)</b>		<b>1,334,296,768</b>	<b>1,251,740,434</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2011
<b>FOOTNOTE DATA</b>			

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

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

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

\$9M increase for maintenance margin for gas supply hedges

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

Includes note receivable from subsidiaries

**Schedule Page: 101 Line No.: 22 Column: d**

\$11.8M IRS Audit Refund-Received in 2011

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

Includes \$775K of increased prepaid software maintenance

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

ST MTM Liability reclassified to Asset

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

Year End Pension Evaluation-Adj \$2.9M

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

Includes account 191100 Unrecovered Purchased Gas Cost of \$25.9M and account 191745 Unrecorded NE NPSC Assessments of \$57K

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

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

\$528,799,866 Page 101-Line #53  
(\$ 4,303,796) Equity in Earnings of Subsidiaries for 2008  
(\$ 16,682,606) Equity in Earnings of Subsidiaries for 2009  
(\$ 26,126,019.57) Equity in Earnings of Subsidiaries for 2010  
(\$36,953,297) Equity in Earnings of Subsidiaries for 2011  
\$444,734,148 Page 201 - Line 15

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

**Schedule Page: 101 Line No.: 74 Column: d**

Interest correction on Colorado Electric Escheatment Checks

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

\$14.7M increase for market to market gas hedging

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

\$4.7M increase for pension income tax

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule II - Service Company Property**

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

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization	24,656,278				24,656,278
2	303	Miscellaneous Intangible Plant	30,000			( 30,000)	
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	5,580,333	6,659,520		( 12,239,853)	
6	391	Office Furniture and Equipment	94,749,902	2,097,564		( 96,847,466)	
7	392	Transportation Equipment	271,141	210,893		( 482,034)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	1,099,564	42,400	113,738	( 1,028,226)	
10	395	Laboratory Equipment	224,955	( 9,963)		( 214,992)	
11	396	Power Operated Equipment					
12	397	Communications Equipment	1,119,014	143,047		( 1,262,061)	
13	398	Miscellaneous Equipment	15,497	( 3,603)		( 11,894)	
14	399	Other Tangible Property	52,234,998	3,020,046	2,224,449	( 53,019,255)	11,240
15	399.1	Asset Retirement Costs					
16		<b>Total Service Company Property (Total of Lines 1-15)</b>	179,981,682	12,159,904	2,338,187	( 165,135,781)	24,667,618
17	107	<b>Construction Work in Progress:</b>					
18		Account Accruals	76,614	188,374			264,988
19		AMI Hardware	296,366	( 296,728)			( 362)
20		Lockbox	19,045	( 19,045)			
21		Rapid City Customer Call Center	122,559	( 46,465)			76,094
22		Lincoln Call Center	76,061	4,283			80,344
23		Lincoln/RC Call Center		2,481			2,481
24		Papillion Call Center	53,179	( 53,179)			
25		Omaha New Space	2,382	( 2,382)			
26		Software Conversions/Upgrades	1,398,670	1,355,365			2,754,035
27		SCADA System	11,876	( 11,876)			
28		Vehicles	65,590	( 65,590)			
29		Field Collection System	157,274	( 150,456)			6,818
30		General Office-Rapid City		202,255			202,255
31		<b>Total Account 107 (Total of Lines 14-30)</b>	2,279,616	1,107,037			3,386,653
32		<b>Total (Lines 16 and Line 31)</b>	182,261,300	13,266,941			28,054,271

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2011
FOOTNOTE DATA			

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

Account #114 - Plant Acquisition Adjustment - balance was \$24,656,278.47 on 12/31/10.

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

\$11,340 did not get allocated to the subsidiaries

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property**

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

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	5,334,580	43,810		( 5,378,390)	
6	391	Office Furniture and Equipment	86,751,266	1,511,440		( 88,262,706)	
7	392	Transportation Equipment	( 1,601)	57,661		( 56,060)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	587,263	38,339	113,738	( 511,864)	
10	395	Laboratory Equipment	87,470	12,674		( 100,144)	
11	396	Power Operated Equipment					
12	397	Communications Equipment	1,055,698	179,553		( 1,235,251)	
13	398	Miscellaneous Equipment	20,537	( 3,723)		( 16,814)	
14	399	Other Tangible Property	13,340,375	1,474,195	2,154,945	( 12,659,625)	
15	399.1	Asset Retirement Costs					
16		<b>Total</b>	<b>107,175,588</b>	<b>3,313,949</b>	<b>2,268,683</b>	<b>( 108,220,854)</b>	

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2011
FOOTNOTE DATA			

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule IV – Investments**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies	589,291,792	628,267,572
2	124	Other Investments		
3	128	Other Special Funds	70,808	70,808
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	589,362,600	628,338,380

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2011
FOOTNOTE DATA			

**Schedule Page: 105 Line No.: 3 Column: d**  
 Holds the loss deposit and prefunding fee for Specialty Risk Services (SRS) a Third Party Administrator (TPA) for workers compensation program.



Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule V – Accounts Receivable from Associate Companies**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	<b>Accounts Receivable From Associate Companies</b>		
2		<b>Associate Company:</b>		
3				
4				
5		Black Hills Colorado Electric Utility Company, LP	11,261,629	6,429,493
6		Black Hills Colorado Gas Utility Company, LP	4,102,015	12,166,051
7		Black Hills Iowa Gas Utility Company, LLC	23,929,323	25,297,883
8		Black Hills Kansas Gas Utility Company, LLC	14,778,768	17,486,571
9		Black Hills Nebraska Gas Utility Company, LLC	28,766,000	30,001,759
10		Black Hills Power, Inc.	1,269,795	5,335,471
11		Cheyenne Light Fuel & Power Company	416,403	2,290,350
12				
13				
14				
15		<b>Non Associate Company:</b>		
16		Black Hills Wyoming, LLC	644	11,584
17		Black Hills Corp	101,427	397,885
18		Black Hills Service Company LLC	33,862	976,017
19		Black Hills IPP		139,653
20				
21				
22				
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34				
35				
36				
37				
38				
39				
40	<b>Total</b>		<b>84,659,866</b>	<b>100,532,717</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule VI – Fuel Stock Expenses Undistributed**

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule VII – Stores Expense Undistributed**

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		BHUHC		861	861
4					
5					
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38					
39					
40	<b>Total</b>			861	861

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule VIII - Miscellaneous Current and Accrued Assets**

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule IX - Miscellaneous Deferred Debits**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		Misc Deferred Debits	( 25,497)	
4		Meter Shop Cap Exp State Alloc	( 5,295,309)	( 2,602,255)
5		Unrecovered PGC Actual - General System	16,168,100	25,961,272
6		Deferred Gas Cost	84,700	
7		Unrec. NE NPSC		57,199
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
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21				
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27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	<b>Total</b>		<b>10,931,994</b>	<b>23,416,216</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule X - Research, Development, or Demonstration Expenditures**

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

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

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XI - Proprietary Capital**

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

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	10,000,000
2			Par or Stated Value per Share	1.00
3			Outstanding Number of Shares	1,000
4			Close of Period Amount	1,000
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		( 200,000,000)
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		( 31,628)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	444,734,148
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	444,734,148

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XII – Long Term Debt**

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

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

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



<b>Name of Respondent</b> Black Hills Utility Holdings, Inc.	<b>This Report Is:</b> (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	<b>Resubmission Date</b> (Mo, Da, Yr) / /	<b>Year/Period of Report</b> Dec 31, 2011
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**Schedule XIII – Current and Accrued Liabilities**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
2		Black Hills Corporation	289,070,219	301,572,088
3		Black Hills Colorado Electric Utility Company, LP		
4		Black Hills Colorado Gas Utility Company, LP		
5		Black Hills Iowa Gas Utility Company, LLC		
6		Black Hills Kansas Gas Utility Company, LLC		
7		Black Hills Nebraska Gas Utility Company, LLC		
8		Black Hills Utility Holdings, Inc.		
9		Black Hills Power, Inc.	3,685,664	3,417,517
10				
11				
12				
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20				
21				
22				
23				
24	234	Accounts Payable to Associate Companies		
25		Black Hills Power, Inc.	540,988	542,740
26		Black Hills Corporation	78,021	1,030
27		Black Hills Service Company, LLC	2,683,960	3,441,912
28		Cheyenne Light Fuel & Power Company	151,982	271,243
29		BH Non-Regulated Holdings, LLC		
30		Black Hills Exploration and Production, Inc		
31		Black Hills Colorado Electric Utility Company, LP	265,751	216,726
32		Black Hills Colorado Gas Utility Company, LP	( 28,610)	187,125
33		Black Hills Iowa Gas Utility Company, LLC	1,007,935	877,313
34		Black Hills Kansas Gas Utility Company, LLC	2,281	292,558
35		Black Hills Nebraska Gas Utility Company, LLC	159,576	496,588
36		Black Hills Utility Holdings, Inc.		
37		Black Hills Wyoming		42,408
38		Black Hills IPP		79
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities	24,976	31,700
42		Accrued Audit Fees	352,505	0
43		Accrued Benefits Compensated Absences	393,677	479,388
44		Accrued Benefits 401k	335,938	73,352
45		Accrued Severance, Deferred Rent, & Uncleared Checks	18,503	17,081
46		Accrued Incentive and Bonus	2,226,221	2,234,269
47		Accrued Payroll	1,001,517	1,007,108
48		Accrued EE Reimbursed Exp, Pay it Forward, & Other	170,051	73,198
49		SFAS 106 Current Portions	332,344	452,591

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**Schedule XIII – Current and Accrued Liabilities (continued)**

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
50		(Total)	302,473,499	315,728,014

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

**Schedule Page: 203 Line No.: 41 Column: d**  
**Miscellaneous Current and Accrued Liabilities:**

Accrued Pension Equalization Plan	\$52,675
Accrued LT Performance Plan	74,907
Accrued Energy Aid Assostamce	68
Accrued Personal Care	(95,950) _
	31,700

**Schedule Page: 203 Line No.: 42 Column: d**  
 Accrued Audit Fees are being held at BHSC effective 1/1/2011

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 2011
Black Hills Utility Holdings, Inc.			
Schedule XIV- Notes to Financial Statements			

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

### Business Description

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

### Basis of Presentation

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

### Regulatory Accounting

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

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

### Cash Equivalents

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

### Property, Plant and Equipment

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

### Derivatives and Hedging Activities

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

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 2011
Black Hills Utility Holdings, Inc.			
Schedule XIV- Notes to Financial Statements			

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

### Income Taxes

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

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

### Risk Management Activities

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

### Notes Payable

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

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

Deferred financing costs included in Other assets - Other on the Consolidated Balance Sheets totaled \$1.4 million as of December 31, 2011. The 2011 deferred financing costs were recorded on the subsidiaries and not on BHUHC.

Name of Respondent	This Report is:	Resubmission Date	Year of Report
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Schedule XIV- Notes to Financial Statements			

### Employee Benefit Plans

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

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

### Defined Benefit Pension Plan

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

### Defined Contribution Plan

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

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

### Related Party Transactions

During 2009, we completed a series of affiliate transactions to restructure our debt and equity capitalization. These transactions included recording a \$475.0 million Note Payable to BHC and a \$200.0 million cash dividend to BHC. As of December 31, 2011, we had a Note Payable to Parent of \$475.0 million.

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XV- Comparative Income Statement**

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		<b>SERVICE COMPANY OPERATING REVENUES</b>		
2	400	Service Company Operating Revenues	74,745,446	72,110,636
3		<b>SERVICE COMPANY OPERATING EXPENSES</b>		
4	401	Operation Expenses	54,861,563	51,730,494
5	402	Maintenance Expenses		
6	403	Depreciation Expenses	3,547,538	6,865,998
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property		98,434
9	405	Amortization of Other Property		37,670
10	407.3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	89,195	1,388,100
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	2,253,477	2,508,354
22		<b>TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)</b>	60,751,773	62,629,050
23		<b>NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)</b>	13,993,673	9,481,586
24		<b>OTHER INCOME</b>		
25	418.1	Equity in Earnings of Subsidiary Companies	0	
26	419	Interest and Dividend Income	19,871	1,793
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	19,913	8,520
29	421.1	Gain on Disposition of Property		
30		<b>TOTAL OTHER INCOME (Total of Lines 25-29)</b>	39,784	10,313
31		<b>OTHER INCOME DEDUCTIONS</b>		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	21,891	14,851
35	426.2	Life Insurance		
36	426.3	Penalties	115,008	27,000
37	426.4	Expenditures for Certain Civic, Political and Related Activities	50,892	36,804
38	426.5	Other Deductions	6,250	526
39		<b>TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)</b>	194,041	79,181

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

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
40		<b>TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS</b>		
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		52,457
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		<b>TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)</b>		52,457
47		<b>INTEREST CHARGES</b>		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	8,671,025	6,561,464
52	431	Other Interest Expense	5,168,391	2,798,797
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		<b>TOTAL INTEREST CHARGES (Total of Lines 48-53)</b>	13,839,416	9,360,261
55		<b>NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)</b>		
56		<b>EXTRAORDINARY ITEMS</b>		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		<b>Net Extraordinary Items (Line 57 less Line 58)</b>		
60	409.4	(less) Income Taxes, Extraordinary		
61		<b>Extraordinary Items After Taxes (Line 59 less Line 60)</b>		
62		<b>NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)</b>		



Name of Respondent	This Report is:	Resubmission Date	Year of Report
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**Schedule Page: 301 Line No.: 12 Column: c**

Unallocated portion of taxes other than income. Previous year included property tax and other taxes.

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

Equity in Earnings of Subsidiaries for \$36.9M not included on the Income Statement

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies**

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

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		3,547,538	3,547,538			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits - Net						
4	408.1-408.2	Taxes Other Than Income Taxes		89,195	89,195			
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	925,836	1,327,642	2,253,478	4,525		4,525
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income		19,871	19,871			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		19,913	19,913			
19	421.1	Gain on Disposition of Property						
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations		21,891	21,891			
23	426.2	Life Insurance						
24	426.3	Penalties	115,000	8	115,008			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	4,026	46,866	50,892			
26	426.5	Other Deductions		6,250	6,250			
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		8,671,025	8,671,025			
31	431	Other Interest Expense		5,168,391	5,168,391			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses						
34	510-515	Total Steam Power Generation Maintenance Expenses	( 4,166)		( 4,166)			

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	617-525	Total Nuclear Power Generation Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses						
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses						
39	546-550.1	Total Other Power Generation Operation Expenses						
40	551-554.1	Total Other Power Generation Maintenance Expenses						
41	555-557	Total Other Power Supply Operation Expenses	102,876		102,876			
42	560	Operation Supervision and Engineering	223,292	121,620	344,912			
43	561.1	Load Dispatch-Reliability		13,398	13,398			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	1,134,647	3,730	1,138,377			
45	561.3	Load Dispatch-Transmission Service and Scheduling	590,104	22,243	612,347			
46	561.4	Scheduling, System Control and Dispatch Services	405,621		405,621			
47	561.5	Reliability Planning and Standards Development	747,798	214,486	962,284			
48	561.6	Transmission Service Studies	344		344			
49	561.7	Generation Interconnection Studies	96,301	198	96,499			
50	561.8	Reliability Planning and Standards Development Services	319,199		319,199			
51	562	Station Expenses (Major Only)	812		812			
52	563	Overhead Line Expenses (Major Only)	3,812		3,812			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	5,242		5,242			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	3,527,172	375,675	3,902,847			
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)	2,834		2,834			
66	571	Maintenance of Overhead Lines (Major Only)	3,765		3,765			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

Name of Respondent Black Hills Utility Holdings, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	6,599		6,599			
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	680-689	Total Distribution Operation Expenses	774,749	33,727	808,476			
74	690-698	Total Distribution Maintenance Expenses	7,887		7,887			
75		Total Electric Operation and Maintenance Expenses	5,459,979	19,248,424	24,708,403	4,525		4,525
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses		( 6,738)	( 6,738)			
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses	51,295		51,295			
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	880	Rents						
95		Total Gas Transmission Operation Expenses	51,295		51,295			
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	357,204	1,499,957	1,857,161			

Name of Respondent Black Hills Utility Holdings, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	7,831	586,903	594,734			
106		Total Natural Gas Operation and Maintenance Expenses	416,330	2,080,122	2,496,452			
107	901	Supervision	11,344	445,102	456,446			
108	902	Meter reading expenses		32,938	32,938			
109	903	Customer records and collection expenses	3,448,725	7,744,513	11,193,238			
110	904	Uncollectible accounts	2,702,430		2,702,430			
111	905	Miscellaneous customer accounts expenses	158	1,217,852	1,218,008			
112	906	Total Customer Accounts Operation Expenses	6,162,655	9,440,405	15,603,060			
113	907	Supervision		1,545,935	1,545,935			
114	908	Customer assistance expenses	203	1,985,873	1,986,076			
115	909	Informational And Instructional Advertising Expenses		15,523	15,523			
116	910	Miscellaneous Customer Service And Informational Expenses	31	60,732	60,763			
117		Total Service and Informational Operation Accounts	234	3,608,063	3,608,297			
118	911	Supervision	79,647	361,268	440,915			
119	912	Demonstrating and Selling Expenses	9,460	192,022	201,482			
120	913	Advertising Expenses	7,087	8,902	15,989			
121	916	Miscellaneous Sales Expenses		8,757	8,757			
122		Total Sales Operation Expenses	96,194	570,949	667,143			
123	920	Administrative and General Salaries	2,395,408	16,983,712	19,379,120	47,646		47,646
124	921	Office Supplies and Expenses	145,165	2,787,728	2,932,893	8,176		8,176
125	923	Outside Services Employed	71,455	2,138,249	2,209,704			
126	924	Property Insurance		5,600	5,600			
127	925	Injuries and Damages	2,327	341,839	344,166			
128	926	Employee Pensions and Benefits	44,654	237,642	282,296	155		155
129	928	Regulatory Commission Expenses	( 6,160)		( 6,160)			
130	930.1	General Advertising Expenses	2,042	23,634	25,676			
131	930.2	Miscellaneous General Expenses	2,515	475,516	478,031			
132	931	Rents		261,219	261,219			
133		Total Administrative and General Operation Expenses	2,657,406	23,255,139	25,912,545	55,977		55,977
134	935	Maintenance of Structures and Equipment		1,689,042	1,689,042			
135		Total Administrative and General Maintenance Expenses	8,916,485	38,563,598	47,480,087	55,977		55,977
136		Total Cost of Service	14,792,798	59,892,144	74,684,942	60,502		60,502

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense		3,547,538	3,547,538
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes		89,195	89,195
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	930,361	1,327,642	2,258,003
14	418	Non-operating Rental Income			0
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income		19,871	19,871
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		19,913	19,913
19	421.1	Gain on Disposition of Property			
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations		21,891	21,891
23	426.2	Life Insurance			
24	426.3	Penalties	115,000	8	115,008
25	426.4	Expenditures for Certain Civic, Political and Related Activities	4,026	46,866	50,892
26	426.5	Other Deductions		6,250	6,250
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		8,671,025	8,671,025
31	431	Other Interest Expense		5,168,391	5,168,391
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses			
34	510-515	Total Steam Power Generation Maintenance Expenses	( 4,166)		( 4,166)

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses			
39	546-550.1	Total Other Power Generation Operation Expenses			
40	551-554.1	Total Other Power Generation Maintenance Expenses			
41	555-557	Total Other Power Supply Operation Expenses	102,876		102,876
42	560	Operation Supervision and Engineering	223,292	121,620	344,912
43	561.1	Load Dispatch-Reliability		13,398	13,398
44	561.2	Load Dispatch-Monitor and Operate Transmission System	1,134,647	3,730	1,138,377
45	561.3	Load Dispatch-Transmission Service and Scheduling	590,104	22,243	612,347
46	561.4	Scheduling, System Control and Dispatch Services	405,621		405,621
47	561.5	Reliability Planning and Standards Development	747,798	214,486	962,284
48	561.6	Transmission Service Studies	344		344
49	561.7	Generation Interconnection Studies	96,301	198	96,499
50	561.8	Reliability Planning and Standards Development Services	319,199		319,199
51	562	Station Expenses (Major Only)	812		812
52	563	Overhead Line Expenses (Major Only)	3,812		3,812
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	5,242		5,242
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	3,527,172	375,675	3,902,847
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)	2,834		2,834
66	571	Maintenance of Overhead Lines (Major Only)	3,765		3,765
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	6,599		6,599
71	575.1-575.9	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	774,749	33,727	808,476
74	590-598	Total Distribution Maintenance Expenses	7,887		7,887
75		Total Electric Operation and Maintenance Expenses	5,464,504	19,248,424	24,712,928
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses		( 6,738)	( 6,738)
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching.			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses	51,295		51,295
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses	51,295		51,295
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	357,204	1,499,957	1,857,161



Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (j)	Total Charges for Services Indirect Cost (i)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	7,831	586,903	594,734
106		Total Natural Gas Operation and Maintenance Expenses	416,330	2,080,122	2,496,452
107	801	Supervision	11,344	445,102	456,446
108	902	Meter reading expenses		32,938	32,938
109	903	Customer records and collection expenses	3,448,725	7,744,513	11,193,238
110	904	Uncollectible accounts	2,702,430		2,702,430
111	905	Miscellaneous customer accounts expenses	156	1,217,852	1,218,008
112	906	Total Customer Accounts Operation Expenses	6,162,655	9,440,405	15,603,060
113	907	Supervision		1,545,935	1,545,935
114	908	Customer assistance expenses	203	1,985,873	1,986,076
115	909	Informational And Instructional Advertising Expenses		15,523	15,523
116	910	Miscellaneous Customer Service And Informational Expenses	31	60,732	60,763
117		Total Service and Informational Operation Accounts	234	3,608,063	3,608,297
118	911	Supervision	79,647	361,268	440,915
119	912	Demonstrating and Selling Expenses	9,460	192,022	201,482
120	913	Advertising Expenses	7,087	8,902	15,989
121	916	Miscellaneous Sales Expenses		8,757	8,757
122		Total Sales Operation Expenses	96,194	570,949	667,143
123	920	Administrative and General Salaries	2,443,054	16,983,712	19,426,766
124	921	Office Supplies and Expenses	153,341	2,787,728	2,941,069
125	923	Outside Services Employed	71,455	2,138,249	2,209,704
126	924	Property Insurance		5,600	5,600
127	925	Injuries and Damages	2,327	341,839	344,166
128	926	Employee Pensions and Benefits	44,809	237,642	282,451
129	928	Regulatory Commission Expenses	( 6,160)		( 6,160)
130	930.1	General Advertising Expenses	2,042	23,634	25,676
131	930.2	Miscellaneous General Expenses	2,515	475,516	478,031
132	931	Rents		261,219	261,219
133		Total Administrative and General Operation Expenses	2,713,383	23,255,139	25,968,522
134	935	Maintenance of Structures and Equipment		1,689,042	1,689,042
135		Total Administrative and General Maintenance Expenses	8,972,466	38,563,598	47,536,064
136		Total Cost of Service	14,853,300	59,892,144	74,745,444

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2011
FOOTNOTE DATA			

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

The following activity was included in 416:

Non Reg Power Generation O&M	4,524.85
Exp Merchandising, Jobbing & Contract	7,592.64
NonUtility Expenses - COS	83,053.73
NonUtility Expense - Other O&M	126,537.61
NonUtility Operation Expense Other	7,708.66
NonUtility Selling Expense	735,874.79
NonUtility Admin and General	81,313.08
Admin and Gen-Employee Benefits	610,363.48
Expense for Uncollectable Accts NonReg	416,156.97
NonUtility Depreciation Expense	<u>(15,123.37)</u>
	<b>2,258,002.44</b>

**Schedule Page: 304 Line No.: 14 Column: k**

Equity in Earnings of Subsidiaries for \$39.1M not included on the Analysis of Charges.

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVII - Analysis of Billing - Associate Companies (Account 457)**

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

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Black Hills Colorado Electric Utility Company, LP	2,979,988	9,602,730		12,582,718
2	Black Hills Colorado Gas Utility Company, LP	806,171	5,335,033		6,141,204
3	Black Hills Iowa Gas Utility Company, LLC	1,631,445	12,479,614		14,111,059
4	Black Hills Kansas Gas Utility Company, LLC	1,887,930	9,290,222		11,178,152
5	Black Hills Nebraska Gas Utility Company, LLC	1,511,341	14,858,509		16,369,850
6	Black Hills Power, Inc.	4,571,136	5,774,914		10,346,050
7	Cheyenne Light Fuel & Power Company	1,404,788	2,551,123		3,955,911
8					
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36					
37					
38					
39					
40	<b>Total</b>	<b>14,792,799</b>	<b>59,892,145</b>		<b>74,684,944</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVIII - Analysis of Billing - Non-Associate Companies (Account 458)**

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

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1	Wyodak Resources Dev Corp	116				116
2	Black Hills Wyoming	6,207				6,207
3	Enserco Energy Inc	56				56
4	Black Hills Idaho Operations LLC					
5	Black Hills Non Reg Holdings LLC	211				211
6	Black Hills Colorado IPP, LLC	432				432
7	Black Hills Service Company LLC	49,885				49,885
8	Black Hills Corporation	3,595				3,595
9						
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40	<b>Total</b>	<b>60,502</b>				<b>60,502</b>

<b>Name of Respondent</b> Black Hills Utility Holdings, Inc.	<b>This Report Is:</b> (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	<b>Resubmission Date</b> (Mo, Da, Yr) / /	<b>Year/Period of Report</b> Dec 31, 2011
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**Schedule XIX - Miscellaneous General Expenses - Account 930.2**

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

Line No.	Title of Account (a)	Amount (b)
1	Admin Exp Trans Credit	( 95,614)
2	Miscellaneous Expense	573,644
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40	<b>Total</b>	<b>478,030</b>

Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2011
<b>Schedule XX - Organization Chart</b>			

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

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

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

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2011
Schedule XX - Organization Chart			

Randy D. Winkelman      Vice President – Customer Service

Trent Cozad              Vice President – Natural Gas Supply Services

Steven M. Jurek          Vice President – Natural Gas Regulatory Services

Wendy M. Moser          Vice President - Electric Regulatory Services and Senior Corporate Counsel

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Name of Respondent Black Hills Utility Holdings, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2011
Schedule XXI - Methods of Allocation			

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

### Allocation Ratios

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

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

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

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

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

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

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

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

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

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



Gross Margin Factor Ratio. These factors are equally weighted. This factor is sometimes referred to as the general allocation factor.

Departments that utilize this factor include:

- ~~Utility Accounting~~
- ~~Black Hills Service Company Charges~~
- ~~Corporate Services—Omaha~~
- ~~Security Services—Omaha~~
- ~~Environmental~~
- ~~Safety~~
- ~~Process Improvement~~
- ~~Regulatory Administration~~
- ~~Headquarters—KS/CO Gas~~
- ~~KS/CO Gas Business Operations~~
- ~~IT Infrastructure Services~~
- ~~Supply Chain~~
- ~~Gas Utility Services~~
- ~~Gas Executive Management~~
- ~~Regulatory Services—Gas~~
- ~~Regulatory Accounting Services—Gas~~
- ~~Service Guard Materials Management~~
- ~~Appliance Technical Training~~
- ~~Regulatory Legislative Services—KS/CO~~
- ~~IT Business Services~~
- ~~IT Field Support~~
- ~~BHUH Accounting Accruals~~

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

Departments that utilize this factor include:

- ~~Human Resources Networks~~
- ~~HR Central Safety~~

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

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

Departments that utilize this factor include:

- NE Lincoln Ops Facility and CSC

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

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

Departments that utilize this factor include:

- Gas Supply Services Administration
- Gas Supply Services Cost Management
- Gas Supply Services Planning and Forecasting
- Gas Supply Services Operations
- Network Gas Standards and Safety Training
- Service Guard Central Marketing
- Billing—Omaha
- Metershop General
- Communications
- Customer Service Support—Rapid City
- Customer Account Services—Rapid City
- Customer Service—Rapid City
- Customer Service Center—Lincoln
- Customer Account Services—Omaha
- Accounts Receivable Management
- Bill Processing
- Customer Services Training
- Customer Service Executive Management
- IT Business Applications
- IT Customer Service Applications
- IT Networks Telecom
- Customer Communication—Stakeholder Outreach
- Field Resource Center—Lincoln
- Net Ops Work Management
- Customer Relations—KS/CO Gas
- Field Resource Center—Rapid City

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.

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

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

Departments that utilize this factor include:

- ~~PS Engineering/Generation Services~~
- Regulated Electric Executive Management Customers
  - Regulated Gas Customers
  - Non-Regulated Customers
  - Total Customers

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

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

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

Departments that utilize this factor include:

- BHUH Benefits

Document comparison by Workshare Professional on Friday, May 18, 2012 3:41:34 PM

<b>Input:</b>	
Document 1 ID	file://L:/BH Utility Holdings/Agreements/BHUH CAM/BHUH CAM (FINAL) 08-01-09.doc
Description	BHUH CAM (FINAL) 08-01-09
Document 2 ID	file://L:/BH Utility Holdings/Agreements/BHUH CAM/BHUH CAM January 1 2012-Final-12-28-2011.docx
Description	BHUH CAM January 1 2012-Final-12-28-2011
Rendering set	standard

<b>Legend:</b>	
<u>Insertion</u>	
Deletion	
Moved from	
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Style change	
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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

<b>Statistics:</b>	
	Count
Insertions	311
Deletions	371
Moved from	5
Moved to	5
Style change	0
Format changed	0
Total changes	692

A-2

THIS FILING IS	
Item 1: <input checked="" type="checkbox"/> An Initial (Original) Submission	OR <input type="checkbox"/> Resubmission No. _____

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




# FERC FINANCIAL REPORT

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

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

<b>Exact Legal Name of Respondent (Company)</b> Black Hills Service Company, LLC	<b>Year of Report</b> Dec 31, <u>2011</u>
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**FERC FORM NO. 60  
ANNUAL REPORT FOR SERVICE COMPANIES**

IDENTIFICATION		
01 Exact Legal Name of Respondent Black Hills Service Company, LLC		02 Year of Report Dec 31, <u>2011</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change  //
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 Ninth Street, Rapid City, SD 57701		06 Name of Contact Person Jeffrey B. Berzina
07 Title of Contact Person Vice President and Corporate Controller		08 Address of Contact Person 625 Ninth Street, Rapid City, SD 57701
09 Telephone Number of Contact Person (605) 721-2511		10 E-mail Address of Contact Person Jeff.Berzina@blackhillscorp.com
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year)  //
13 Date of Incorporation  //	14 If Not Incorporated, Date of Organization  12/30/2004	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
CORPORATE OFFICER CERTIFICATION		
The undersigned officer certifies that:  I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.		
17 Name of Signing Officer Jeffrey B. Berzina	19 Signature of Signing Officer  Jeffrey B. Berzina	20 Date Signed (Month, Day, Year) 4/30/2012
18 Title of Signing Officer Vice President and Corporate Controller		

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**List of Schedules and Accounts**

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

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	
5	Schedule V - Accounts Receivable from Associate Companies	106	
6	Schedule VI - Fuel Stock Expenses Undistributed	107	Not Applicable
7	Schedule VII - Stores Expense Undistributed	108	None
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	None
9	Schedule IX - Miscellaneous Deferred Debits	110	None
10	Schedule X - Research, Development, or Demonstration Expenditures	111	Not Applicable
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	Not Applicable
21	Schedule XIX - Miscellaneous General Expenses - Account 930.2	307	
23	Schedule XX - Organization Chart	401	
24	Schedule XXI - Methods of Allocation	402	

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule I - Comparative Balance Sheet**

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		<b>Service Company Property</b>			
2	101	Service Company Property	103		
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103	1,318,137	222,313
6		Total Property (Total Of Lines 2-5)		1,318,137	222,313
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	(1,000)	
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		1,319,137	222,313
10		<b>Investments</b>			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105	4,631,680	4,252,934
14		Total Investments (Total of Lines 11-13)		4,631,680	4,252,934
15		<b>Current And Accrued Assets</b>			
16	131	Cash			
17	134	Other Special Deposits			
18	135	Working Funds		600	600
19	136	Temporary Cash Investments			
20	141	Notes Receivable		1,019,899	309,902
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		274,072	117,972
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	38,702,301	34,358,251
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		150,632	163,723
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		4,652,103	5,269,243
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)		44,799,607	40,219,691
36		<b>Deferred Debits</b>			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets			
39	183	Preliminary Survey And Investigation Charges		26,048	
40	184	Clearing Accounts		223	128
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits			10,094
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes			
46		Total Deferred Debits (Total of Lines 37-45)		26,271	10,222
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		50,776,695	44,705,160



Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule I - Comparative Balance Sheet (continued)**

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
<b>48</b>		<b>Proprietary Capital</b>			
49	201	Common Stock Issued	201		
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	100,000	100,000
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	( 778,368)	( 778,368)
54	219	Accumulated Other Comprehensive Income	201	( 14,298,121)	( 8,042,695)
55		Total Proprietary Capital (Total of Lines 49-54)		( 14,976,489)	( 8,721,063)
<b>56</b>		<b>Long-Term Debt</b>			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		373,249	330,641
65	228.3	Accumulated Provision For Pensions and Benefits			
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		373,249	330,641
<b>68</b>		<b>Current and Accrued Liabilities</b>			
69	231	Notes Payable			
70	232	Accounts Payable		3,709,350	3,727,805
71	233	Notes Payable to Associate Companies	203	630	8,699
72	234	Accounts Payable to Associate Companies	203	1,958,855	1,257,245
73	236	Taxes Accrued		273,348	287,889
74	237	Interest Accrued			
75	241	Tax Collections Payable		27,416	36,394
76	242	Miscellaneous Current and Accrued Liabilities	203	11,300,779	12,718,044
77	243	Obligations Under Capital Leases - Current			9,493
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities - Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		17,270,378	18,046,569
<b>81</b>		<b>Deferred Credits</b>			
82	253	Other Deferred Credits		48,109,557	35,049,013
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)		48,109,557	35,049,013
89		<b>TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)</b>		<b>50,776,695</b>	<b>44,705,160</b>

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) / /	2011
FOOTNOTE DATA			

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

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

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

Includes allocation of Service Company property, which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 (line 24) on the balance sheet. The \$1,000 balance represents Retirement Work in Progress not allocated in the current year.

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

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

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

(\$778,347) is a cumulative effect of an accounting adjustment. Prior year balance is the same adjustment.

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

\$630 Intercompany interest payable.

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

\$9,699 Intercompany interest payable.

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule II - Service Company Property**

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

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights	291,371			( 291,371)	
5	390	Structures and Improvements	3,304,134	70,291		( 3,374,425)	
6	391	Office Furniture and Equipment	42,856,786	6,495,300	6,045,205	( 43,306,881)	
7	392	Transportation Equipment	1,196,546	196,883	12,830	( 1,380,599)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		<b>Total Service Company Property (Total of Lines 1-15)</b>	47,648,837	6,762,474	6,058,035	( 48,353,276)	
17	107	<b>Construction Work in Progress:</b>					
18		Software/Hardware Implementation in progress	222,313	17,544,108		( 16,608,423)	1,157,998
19		Vehicles		408,531		( 242,942)	165,589
20		Facility Master Plan/remodel work		80,162		( 85,612)	( 5,450)
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		<b>Total Account 107 (Total of Lines 14-30)</b>		18,032,801		( 16,936,977)	1,318,137
32		<b>Total (Lines 16 and Line 31)</b>		24,795,275			1,318,137

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 2011
FOOTNOTE DATA			

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

The true property beginning balance is zero. The beginning balance activity in column C is the reversal of the entry to allocate all property at 12/31/10, shown in this manner to allow presentation of activity during the year.

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property**

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

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	114,139	108,037		( 222,176)	
6	391	Office Furniture and Equipment	25,756,566	7,150,514	5,734,247	( 27,172,833)	
7	392	Transportation Equipment	883,624	174,617	118,045	( 940,196)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		<b>Total</b>	<b>26,754,329</b>	<b>7,433,168</b>	<b>5,852,292</b>	<b>( 28,335,205)</b>	

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2011
FOOTNOTE DATA			

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

The true property beginning balance is zero. The beginning balance activity in column C is the reversal of the entry to allocate all property at 12/31/10, shown in this manner to allow presentation of activity during the year.

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule IV – Investments**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies		
2	124	Other Investments		
3	128	Other Special Funds	4,252,934	4,631,680
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	4,252,934	4,631,680

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 2011
FOOTNOTE DATA			

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

PEP Insurance Cash Surrender Values

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

PEP Insurance Cash Surrender Values



Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**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	<b>Accounts Receivable From Associate Companies</b>		
2		<b>Associate Company:</b>		
3		Wyodak Resources Development Corp	1,863,572	1,929,649
4		Black Hills Wyoming	573,865	686,574
5		Enserco Energy Inc	1,437,958	1,837,015
6		Enserco Midstream LLC	5,449	20,503
7		Black Hills Idaho Operations, LLC	87,285	
8		EIF Investors Inc	531	86
9		Black Hills Electric Generation, Inc.	21,198	15,045
10		Black Hills Non-regulated Holdings, LLC	3,474,956	25,796
11		Black Hills Colorado, IPP, LLC	182,021	606,451
12		Generation Development Co., LLC	3,614	197
13		Black Hills Exploration and Production, Inc.		2,159,679
14		Black Hills Gas Resources, Inc.		902,159
15		Black Hills Plateau Production, LLC		333,209
16		Black Hills Midstream, LLC		88,981
17		Black Hills Power, Inc.	7,363,201	7,239,248
18		Cheyenne Light Fuel and Power Company	2,683,913	2,809,494
19		Black Hills Utility Holdings, Inc.	2,683,961	3,441,912
20		Black Hills Kansas Gas Utility Company, LLC	2,020,263	2,185,234
21		Black Hills Iowa Gas Utility Company, LLC	2,768,286	2,647,965
22		Black Hills Nebraska Gas Utility Company, LLC	3,280,557	3,100,706
23		Black Hills Colorado Electric Utility Company, LP	3,667,072	4,133,834
24		Black Hills Colorado Gas Utility Company, LP	1,110,715	1,057,615
25		Black Hills Corporation	1,129,834	3,480,949
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	<b>Total</b>		<b>34,358,251</b>	<b>38,702,301</b>

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2011
FOOTNOTE DATA			

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

Includes allocation of Service Company property and Accumulated Provision for Depreciation, which is allocated monthly to subsidiaries. Receivables from associate companies are in account 146 (line 24) on the balance sheet, along with other intercompany receivables.

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule VI – Fuel Stock Expenses Undistributed**

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
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38					
39					
40	Total				

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule VII – Stores Expense Undistributed**

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule VIII - Miscellaneous Current and Accrued Assets**

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule IX - Miscellaneous Deferred Debits**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3				
4				
5				
6				
7				
8				
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39				
40	Total			

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule X - Research, Development, or Demonstration Expenditures**

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

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3			
4			
5			
6			
7			
8			
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38			
39			
40	<b>Total</b>		

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XI - Proprietary Capital**

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

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	
2			Par or Stated Value per Share	
3			Outstanding Number of Shares	
4			Close of Period Amount	
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		100,000
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		( 14,298,121)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	( 778,368)
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	( 778,368)



Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XII – Long Term Debt**

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XIII – Current and Accrued Liabilities**

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies	9,699	630
2				
3				
4				
5				
6				
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23				
24	234	Accounts Payable to Associate Companies		
25		Wyodak Resrouces Development Corporation	16,242	58,058
26		Black Hills Wyoming LLC	231	2,135
27		Enserco Energy Inc	5,172	143,581
28		Enserco Midstream LLC	47	562
29		Black Hills Idaho Operations LLC	30,011	
30		EIF Investors Inc	5	7
31		Black Hills Electric Generation, Inc.	273	5,674
32		Black Hills Non-regulated Holdings LLC	27,052	18,480
33		Black Hills Colorado IPP LLC	1,473	26,737
34		Generation Development Co LLC	41	
35		Black Hills Exploration and Production, Inc.		22,692
36		Black Hills Power Inc	670,152	113,719
37		Cheyenne Light Fuel and Power Company	1,271	32,300
38		Black Hills Utility Holdings, Inc	57,583	1,137,489
39		Black Hills Corporation	447,692	397,421
40				
41	242	Miscellaneous Current and Accrued Liabilities		
42				
43				
44				
45				
46				
47				
48				
49				

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**Schedule XIII – Current and Accrued Liabilities (continued)**

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
50		(Total)	1,266,944	1,959,485

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**Schedule Page: 203 Line No.: 38 Column: c**

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

**Schedule Page: 203 Line No.: 38 Column: d**

Black Hills Utility Holdings, Inc = \$976,018  
 Black Hills Kansas Gas Utility Company, LLC = \$19,900  
 Black Hills Iowa Gas Utility Company, LLC = \$26,692  
 Black Hills Nebraska Gas Utility Company, LLC = \$23,333  
 Black Hills Colorado Electric Utility Company, LLC = \$75,986  
 Black Hills Colorado Gas Utility Company, LLC = \$15,560  
 Total = \$1,137,489

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 2011
Schedule XIV- Notes to Financial Statements			

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

### Note 1 – Summary of Significant Accounting Policies

#### Organization

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

#### Nature of Operations

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

#### Basis of Presentation

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

#### Use of Estimates

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

#### Cash and Cash Equivalents

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

#### Property and Depreciation

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

#### Legal Costs

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

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litigation are expensed as incurred.

### Income Taxes

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

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

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

### Note 2 – Related Party Transactions

BHSC has entered into service agreements with BHC and its subsidiaries to provide services at cost. At December 31, 2011, BHSC's associates include:

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

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- Black Hills Colorado IPP, LLC
- Generation Development Co, LLC

At December 31, 2011 and 2010, associate company receivables were \$38,702,300 and \$34,358,251 respectively, and associate company payables were \$1,958,855 and \$1,257,245 respectively.

BHSC has an agreement with Black Hills Power, Inc. (BHP), whereby BHP provides BHSC with certain facility services to be used for internal administrative and general purposes. The services include use of office space and office equipment. Charges for these services were \$586,932 in 2011 and \$589,866 in 2010.

The Utility Money Pool and the Non-Utility Money Pool exist to permit affiliates to borrow excess cash from other affiliate companies. BHC serves as the administrator for these money pools. BHSC is a participant in the Non-Utility Money Pool. At December 31, 2011, BHSC had a note receivable from the Non-Utility Money Pool of \$1,018,162 and interest receivable of \$1,737 totaling \$1,019,899. At December 31, 2010, BHSC had a note receivable from the Non-Utility Money Pool of \$309,902 and interest payable of \$7,339.

### Note 3 – Equity Compensation

BHC provides various short-term and long-term incentive plans to officers and other employees of its affiliates. These plans permit the granting of stock, restricted stock, restricted stock units, stock options, and performance shares. Under these plans, BHSC recognized compensation expense of \$2,337,725 and \$3,395,232 respectively for 2011 and 2010.

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

#### Defined Benefit Pension Plan

We have three non-contributory defined benefit pension plans (the Pension Plans). As of January 1, 2012, all Pension Plans have been frozen to new employees and certain employees who did not meet age and service based on criteria at the time the Plans were frozen. The benefits for the plans are based on years of service and calculations of average earnings during a specific time period to retirement.

Our Pension Plan funding policy is in accordance with the federal government's funding requirements. The Pension Plans' assets are held in trust and consist primarily of equity and fixed income investments.

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

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class. The asset class weighting is determined using the target allocation for each asset class in the Pension Plan portfolio. The expected long-term rate of return for each asset class is determined primarily from long-term historical returns for the asset class. It is anticipated that long-term future returns will not achieve historical results.

The expected long-term rate of return for equity investments was 8.75% and 9.25% for the 2011 and 2010 plan years, respectively.

#### Supplemental Nonqualified Defined Benefit Retirement Plans

BHC has various supplemental retirement plans for key executives of the Company, including executives of BHSC. The plans are non-qualified defined benefit and defined contribution plans (Supplemental Plans). The Supplemental Plans are subject to a graded vesting schedule at 20% per year over five years and are not funded by the Company.

#### Non-pension Defined Benefit Postretirement Plans

BHC sponsors a retiree healthcare plan (the Healthcare Plans) for all employees who meet certain age and service requirements at retirement and who are entitled to postretirement benefits. Healthcare Plan benefits are subject to premiums, deductibles, co-payment provisions and other limitations. We may amend or change the plans periodically. A portion of the Healthcare Plan is pre-funded via VEBAs. It has been determined that the post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy.

#### Benefit Obligations as of December 31, 2011

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 773,589	\$ 272,863
Deferred credits and other liabilities - other	\$ 12,394,375	\$ 26,237,950	\$ 3,203,499
Accumulated other comprehensive income	\$ (7,530,428)	\$ (6,079,264)	\$ (688,429)

#### Benefit Obligations as of December 31, 2010

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 619,515	\$ 177,941
Deferred credits and other liabilities - other	\$ 6,135,877	\$ 21,031,353	\$ 2,798,988



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Accumulated other comprehensive income    \$    (4,171,159)    \$    (3,834,300)    \$    37,236

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**Defined Contribution Plan**

BHC sponsors a 401(k) retirement savings plan. Participants in the Plan may elect to invest a portion of their eligible compensation to the Plan up to the maximum amounts established by the IRS. The Plan provides employees the opportunity to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis. The Plan provides for Company Matching Contributions for all participants and for certain eligible participants, a Company Retirement Contribution based on the participant's age and years of service. Vesting of all Company contributions ranges from immediate vesting to graduated vesting at 20% per year with 100% vesting when the participant has five years of service with the Company.

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XV- Comparative Income Statement**

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		<b>SERVICE COMPANY OPERATING REVENUES</b>		
2	400	Service Company Operating Revenues	116,939,217	108,378,307
3		<b>SERVICE COMPANY OPERATING EXPENSES</b>		
4	401	Operation Expenses	109,072,649	99,670,895
5	402	Maintenance Expenses		
6	403	Depreciation Expenses	7,423,081	7,299,242
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	97,164	1,670,724
13	409.1	Income Taxes, Operating Income		
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes - Credit, Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work		55
22		<b>TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)</b>	116,592,894	108,640,916
23		<b>NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)</b>	346,323	( 262,609)
24		<b>OTHER INCOME</b>		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	1,737	35,233
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	248,754	180,774
29	421.1	Gain on Disposition of Property		
30		<b>TOTAL OTHER INCOME (Total of Lines 25-29)</b>	250,491	216,007
31		<b>OTHER INCOME DEDUCTIONS</b>		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	43,984	17,223
35	426.2	Life Insurance		
36	426.3	Penalties	232,042	1,830
37	426.4	Expenditures for Certain Civic, Political and Related Activities	113,059	21,958
38	426.5	Other Deductions	63,277	7,420
39		<b>TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)</b>	452,362	48,431

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

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
40		<b>TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS</b>		
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		<b>TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)</b>		
47		<b>INTEREST CHARGES</b>		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	90,299	123,732
52	431	Other Interest Expense	54,153	( 218,765)
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		<b>TOTAL INTEREST CHARGES (Total of Lines 48-53)</b>	144,452	( 95,033)
55		<b>NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)</b>		
56		<b>EXTRAORDINARY ITEMS</b>		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		<b>Net Extraordinary Items (Line 57 less Line 58)</b>		
60	409.4	(less) Income Taxes, Extraordinary		
61		<b>Extraordinary Items After Taxes (Line 59 less Line 60)</b>		
62		<b>NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)</b>		

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) / /	2011
FOOTNOTE DATA			

**Schedule Page: 301 Line No.: 36 Column: c**

\$231,500 is penalty on NERC compliance violations, \$400 late filing fee on property tax return and \$142 penalty on use tax payment.

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies**

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

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		7,423,081	7,423,081			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes		97,164	97,164			
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	411.5	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services						
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies						
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income		1,737	1,737			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss						
19	421.1	Gain on Disposition of Property		248,754	248,754			
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	21,325	22,584	43,909			
23	426.2	Life Insurance						
24	426.3	Penalties	231,900	142	232,042			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	98,659	13,726	112,385			
26	426.5	Other Deductions	79	63,202	63,277			
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		90,299	90,299			
31	431	Other Interest Expense	1,523	52,630	54,153			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	122,750		122,750			
34	510-515	Total Steam Power Generation Maintenance Expenses	36,370		36,370			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses						
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses						
39	546-550.1	Total Other Power Generation Operation Expenses						
40	551-554.1	Total Other Power Generation Maintenance Expenses						
41	555-557	Total Other Power Supply Operation Expenses	1,255		1,255			
42	560	Operation Supervision and Engineering	39,011		39,011			
43	561.1	Load Dispatch-Reliability						
44	561.2	Load Dispatch-Monitor and Operate Transmission System	106		106			
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	106,103		106,103			
48	561.6	Transmission Service Studies						
49	561.7	Generation Interconnection Studies						
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)	746		746			
52	563	Overhead Line Expenses (Major Only)						
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)						
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	145,966		145,966			
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)						
66	571	Maintenance of Overhead Lines (Major Only)						
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses						
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	5,560		5,560			
74	590-598	Total Distribution Maintenance Expenses	5,460		5,460			
75		Total Electric Operation and Maintenance Expenses	670,843	7,512,337	8,183,180			
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses						
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminating and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminating and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses						
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	139,213		139,213			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	512		512			
106		Total Natural Gas Operation and Maintenance Expenses	139,725		139,725			
107	901	Supervision						
108	902	Meter reading expenses	3,135		3,135			
109	903	Customer records and collection expenses	401		401			
110	904	Uncollectible accounts						
111	905	Miscellaneous customer accounts expenses	24		24			
112	906	Total Customer Accounts Operation Expenses	3,560		3,560			
113	907	Supervision						
114	908	Customer assistance expenses	315		315			
115	909	Informational And Instructional Advertising Expenses	121,394		121,394			
116	910	Miscellaneous Customer Service And Informational Expenses	931		931			
117		Total Service and Informational Operation Accounts	122,640		122,640			
118	911	Supervision	289		289			
119	912	Demonstrating and Selling Expenses	95		95			
120	913	Advertising Expenses						
121	916	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses	384		384			
123	920	Administrative and General Salaries	19,699,812	28,348,491	48,048,303			
124	921	Office Supplies and Expenses	6,137,482	5,769,061	11,906,543			
125	923	Outside Services Employed	7,005,073	5,012,632	12,017,705			
126	924	Property Insurance	2,305,992	9,307	2,315,299			
127	925	Injuries and Damages	480,524	4,890,813	5,371,337			
128	926	Employee Pensions and Benefits	152,193	18,571,336	18,723,529			
129	928	Regulatory Commission Expenses						
130	930.1	General Advertising Expenses	221,364	230,793	452,157			
131	930.2	Miscellaneous General Expenses	325,179	2,343,160	2,668,339			
132	931	Rents	23,010	2,693,974	2,716,984			
133		Total Administrative and General Operation Expenses	36,350,629	67,869,567	104,220,196			
134	935	Maintenance of Structures and Equipment	1,614,206	2,655,326	4,269,532			
135		Total Administrative and General Maintenance Expenses	38,091,419	70,524,893	108,616,312			
136		Total Cost of Service	38,901,987	78,037,230	116,939,217			



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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (ii)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense		7,423,081	7,423,081
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits - Net			
4	408.1-408.2	Taxes Other Than Income Taxes		97,164	97,164
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes - Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies			
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income		1,737	1,737
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss			
19	421.1	Gain on Disposition of Property		248,754	248,754
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	21,325	22,584	43,909
23	426.2	Life Insurance			
24	426.3	Penalties	231,900	142	232,042
25	426.4	Expenditures for Certain Civic, Political and Related Activities	98,659	13,726	112,385
26	426.5	Other Deductions	75	63,202	63,277
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		90,299	90,299
31	431	Other Interest Expense	1,523	52,630	54,153
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	122,750		122,750
34	510-515	Total Steam Power Generation Maintenance Expenses	36,370		36,370

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses			
39	546-550.1	Total Other Power Generation Operation Expenses			
40	551-554.1	Total Other Power Generation Maintenance Expenses			
41	555-557	Total Other Power Supply Operation Expenses	1,255		1,255
42	560	Operation Supervision and Engineering	39,011		39,011
43	561.1	Load Dispatch-Reliability			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	106		106
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	106,103		106,103
48	561.6	Transmission Service Studies			
49	561.7	Generation Interconnection Studies			
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)	746		746
52	563	Overhead Line Expenses (Major Only)			
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)			
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	145,966		145,966
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)			
66	571	Maintenance of Overhead Lines (Major Only)			
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			

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

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (f)	Total Charges for Services Indirect Cost (g)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses			
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	5,560		5,560
74	590-598	Total Distribution Maintenance Expenses	5,460		5,460
75		Total Electric Operation and Maintenance Expenses	670,843	7,512,337	8,183,180
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses			
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching.			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses			
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	139,213		139,213

Name of Respondent Black Hills Service Company, LLC	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)**

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (l)	Total Charges for Services Indirect Cost (i)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	512		512
106		Total Natural Gas Operation and Maintenance Expenses	139,725		139,725
107	901	Supervision			
108	902	Meter reading expenses	3,135		3,135
109	903	Customer records and collection expenses	401		401
110	904	Uncollectible accounts			
111	905	Miscellaneous customer accounts expenses	24		24
112	906	Total Customer Accounts Operation Expenses	3,560		3,560
113	907	Supervision			
114	908	Customer assistance expenses	315		315
115	909	Informational And Instructional Advertising Expenses	121,394		121,394
116	910	Miscellaneous Customer Service And Informational Expenses	931		931
117		Total Service and Informational Operation Accounts	122,640		122,640
118	911	Supervision	289		289
119	912	Demonstrating and Selling Expenses	95		95
120	913	Advertising Expenses			
121	916	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses	384		384
123	920	Administrative and General Salaries	19,699,812	28,348,491	48,048,303
124	921	Office Supplies and Expenses	6,137,482	5,769,061	11,906,543
125	923	Outside Services Employed	7,005,073	5,012,632	12,017,705
126	924	Property Insurance	2,305,992	9,307	2,315,299
127	925	Injuries and Damages	480,524	4,890,813	5,371,337
128	926	Employee Pensions and Benefits	152,193	18,571,336	18,723,529
129	928	Regulatory Commission Expenses			
130	930.1	General Advertising Expenses	221,364	230,793	452,157
131	930.2	Miscellaneous General Expenses	325,179	2,343,160	2,668,339
132	931	Rents	23,010	2,693,974	2,716,984
133		Total Administrative and General Operation Expenses	36,350,629	67,869,567	104,220,196
134	935	Maintenance of Structures and Equipment	1,614,206	2,655,326	4,269,532
135		Total Administrative and General Maintenance Expenses	38,091,419	70,524,893	108,616,312
136		Total Cost of Service	38,901,987	78,037,230	116,939,217

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) / /	2011
FOOTNOTE DATA			

**Schedule Page: 304 Line No.: 24 Column: c**

Penalties on NERC compliance violations.

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2011
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**Schedule XVII - Analysis of Billing - Associate Companies (Account 457)**

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

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Wyodak Resources Development Corporation	1,643,236	4,770,506		6,413,742
2	Black Hills Wyoming	686,511	1,430,124		2,116,635
3	Enserco Energy Inc	3,927,557	2,583,149		6,510,706
4	Enserco Midstream, LLC	56,333	27,530		83,863
5	Black Hills Idaho Operations, LLC	66,571			66,571
6	EIF Investors, Inc	5,287			5,287
7	Black Hills Electric Generation, Inc.	153,139			153,139
8	Black Hills Non-regulated Holdings, LLC	1,178,303	3,180,873		4,359,176
9	Black Hills Colorado IPP, LLC	373,418	1,189,176		1,562,594
10	Generation Development Co, LLC	10,016			10,016
11	Black Hills Exploration and Production, Inc	1,391,226	4,253,859		5,645,085
12	Black Hills Gas Resources, Inc				
13	Black Hills Plateau Production, LLC				
14	Black Hills Power, Inc	6,354,275	16,679,806		23,034,081
15	Cheyenne Light Fuel and Power	1,914,411	5,790,533		7,704,944
16	Black Hills Utility Holdings, LLC	10,280,566	6,972,856		17,253,422
17	Black Hills Kansas Gas Utility Co, LLC	2,035,414	4,975,091		7,010,505
18	Black Hills Iowa Gas Utility Co, LLC	1,595,325	6,662,594		8,257,919
19	Black Hills Nebraska Gas Utility Co, LLC	1,673,710	7,520,606		9,194,316
20	Black Hills Colorado Electric Utility Co, LP	4,433,769	9,084,045		13,517,814
21	Black Hills Colorado Gas Utility Co, LP	740,702	2,531,380		3,272,082
22	Black Hills Corporation	382,218	385,102		767,320
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	<b>Total</b>	<b>38,901,987</b>	<b>78,037,230</b>		<b>116,939,217</b>

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Black Hills Utility Holdings, Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2011
Schedule XXI - Methods of Allocation			

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

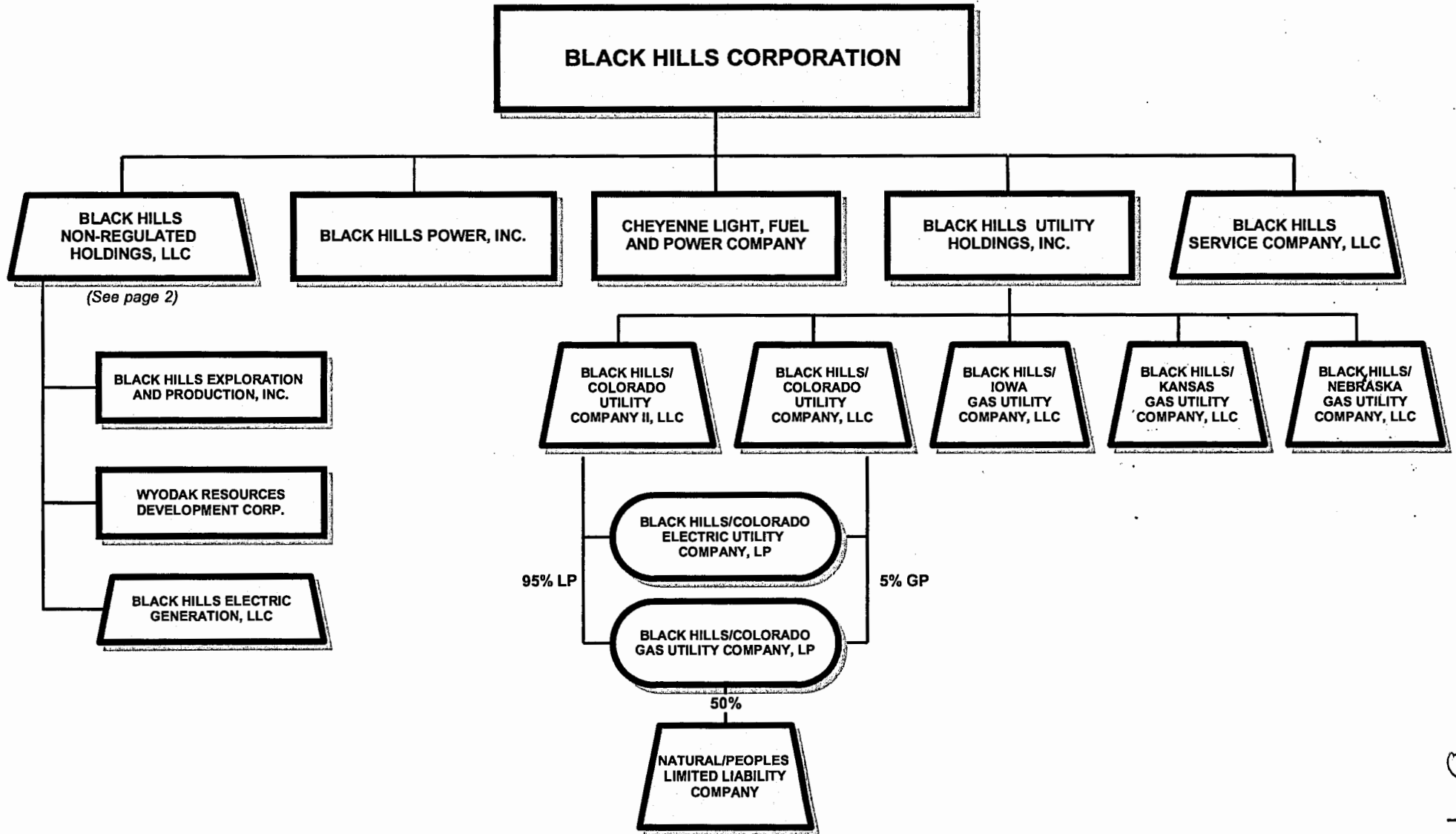
*Net Energy Sales Ratio* – Based on the net energy sales for the prior year ending December 31, the numerator of which is for an applicable operating company and the denominator of which is for all applicable operating companies.

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

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

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

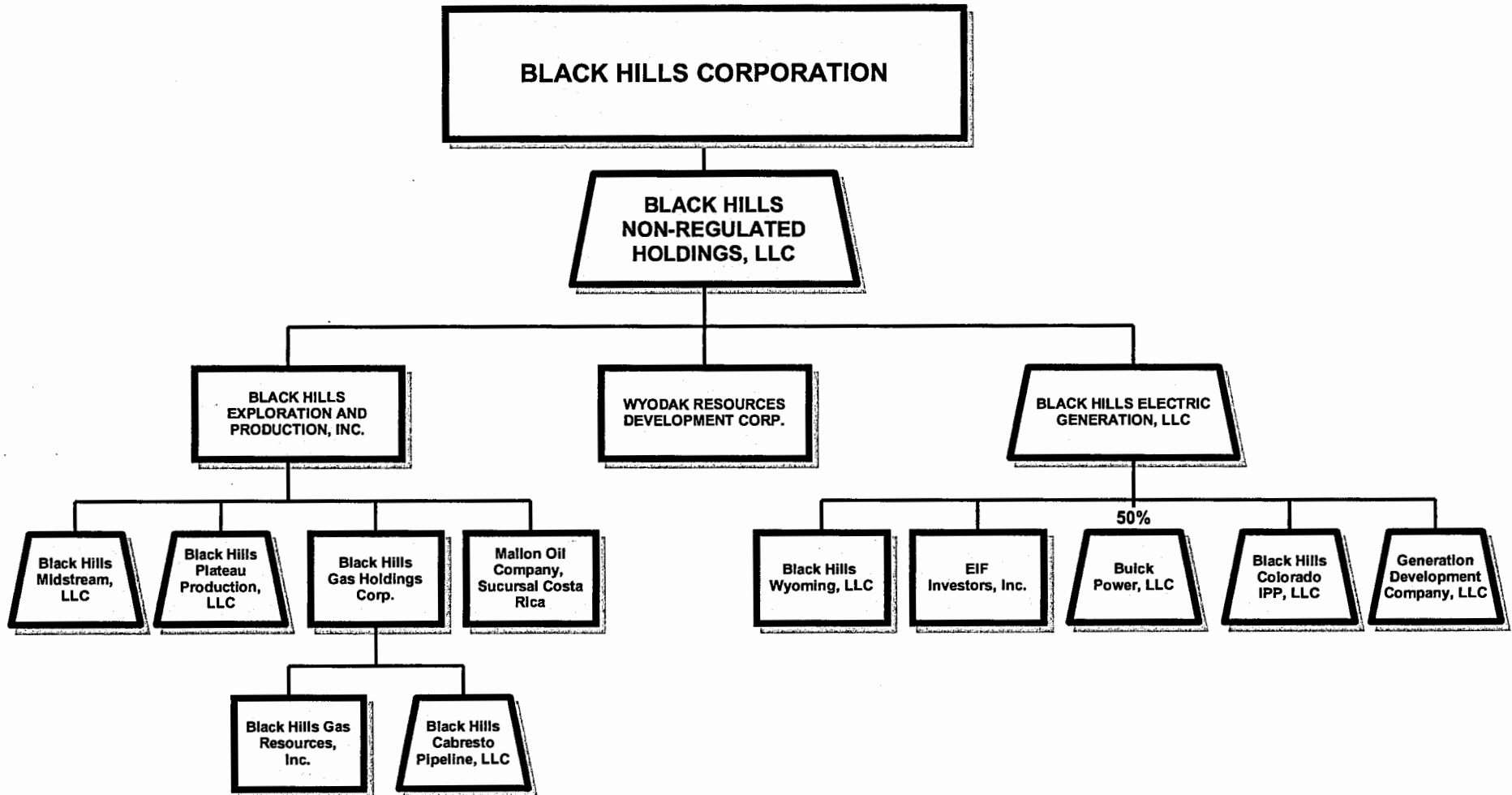
# BLACK HILLS CORPORATION ORGANIZATIONAL CHART



B-1



# BLACK HILLS CORPORATION ORGANIZATIONAL CHART



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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-31303

**BLACK HILLS CORPORATION**

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).  
Yes  No

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

State the aggregate market value of the voting stock held by non-affiliates of the Registrant.  
At June 30, 2011 \$1,169,775,169

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

<u>Class</u>	<u>Outstanding at January 31, 2012</u>
Common stock, \$1.00 par value	43,929,272 shares

**Documents Incorporated by Reference**

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2012 Annual Meeting of Stockholders to be held on May 23, 2012, are incorporated by reference in Part III of this Form 10-K.

## PART I

### ITEMS 1 AND 2. BUSINESS AND PROPERTIES

#### History and Organization

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

We operate principally in the United States with two major business groups: Utilities and Non-regulated Energy. Our Utilities Group is comprised of our regulated Electric Utilities and regulated Gas Utilities segments, and our Non-regulated Energy Group is comprised of our Oil and Gas, Power Generation, and Coal Mining segments.

For more than 15 years, we have also owned and operated an energy marketing business, Enserco, which engages in natural gas, crude oil, coal, power and environmental marketing and trading in the United States and Canada. In the fourth quarter of 2011, we made the decision to sell Enserco, which constitutes our entire non-regulated Energy Marketing segment. On January 18, 2012, we entered into a definitive agreement to sell all of the outstanding stock of Enserco, which resulted in the Energy Marketing segment being reported as discontinued operations. This transaction is expected to close in the first quarter of 2012. For comparative purposes, all prior periods presented have been restated to reflect the reclassification of this segment to discontinued operations on a consistent basis. See Note 23 in the accompanying Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further details.

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

Our Electric Utilities segment generates, transmits and distributes electricity to approximately 201,500 electric customers in South Dakota, Wyoming, Colorado and Montana and includes the operations of Cheyenne Light, a combination electric and gas utility, and its approximately 34,800 gas utility customers in Wyoming. Our Gas Utilities segment serves approximately 528,800 natural gas utility customers in Colorado, Nebraska, Iowa and Kansas. Our Electric Utilities own 865 MWs of generation and 8,496 miles of electric transmission and distribution lines, and our Gas Utilities own 624 miles of intrastate gas transmission pipelines and 19,747 miles of gas distribution mains and service lines. Our Electric and Gas Utilities generated net income of \$81.9 million for the year ended December 31, 2011 and had total assets of \$3.0 billion at December 31, 2011.

Our Oil and Gas segment engages in the exploration, development and production of crude oil and natural gas, primarily in the Rocky Mountain region. Our Power Generation segment produces electric power from our generating plants and sells the electric capacity and energy primarily to other utilities under long-term contracts. Our Coal Mining segment produces coal at our coal mine near Gillette, Wyoming. Our Non-regulated Energy Group generated net income of \$0.9 million for the year ended December 31, 2011 and had total assets of \$0.6 billion at December 31, 2011.

#### **Segment Financial Information**

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

Discontinued Operations in the accompanying financial information includes the results of our Energy Marketing segment.

In March 2011, Nebraska Gas executed an Allocation, Indemnification and Access Agreement with the successor to the operator of the Nebraska former manufactured gas plants. Under this agreement, Nebraska Gas received \$1.87 million from the successor to the operator for Nebraska Gas to remediate two sites in Nebraska and the successor would be responsible for remediation activity at the two remaining sites in Nebraska. Subsequent to this transaction, Nebraska Gas enrolled the two sites (Blair and Plattsmouth) in Nebraska's Voluntary Cleanup Program and remediation activities have commenced, with a target completion date of third quarter 2012. As of December 31, 2011, our effective liabilities for the manufactured gas plant sites currently range from approximately \$2.9 to \$6.1 million.

Prior to Black Hills Corporation's ownership, Aquila received rate orders that enabled recovery of environmental cleanup costs in certain jurisdictions. We anticipate recovery of these current and future costs would be allowed. Additionally, we may pursue recovery or agreements with other potentially responsible parties when and where permitted.

### **Non-regulated Energy Group**

Our Non-regulated Energy Group, which operates through various subsidiaries, acquires, explores for, develops and produces natural gas and crude oil primarily in the Rocky Mountain region; produces and sells electric capacity and energy through a portfolio of generating plants; and produces and sells coal from our mine located in the Powder River Basin in Wyoming. The Non-regulated Energy Group consists of three business segments for reporting purposes:

- Oil and Gas
- Power Generation
- Coal Mining

For more than 15 years, we have also owned and operated, Enserco, an energy marketing business that engages in natural gas, crude oil, coal, power and environmental marketing and trading in the United States and Canada. In January 2012, we entered into a definitive agreement to sell Enserco, which resulted in our Energy Marketing segment being reported as discontinued operations. This transaction is expected to close in the first quarter of 2012. For comparative purposes, all prior periods presented have been restated to reflect the reclassification of this segment to discontinued operations on a consistent basis.

### **Oil and Gas Segment**

Our Oil and Gas segment, which conducts business through BHEP and its subsidiaries, acquires, explores for, develops and produces natural gas and crude oil primarily in the Rocky Mountain region. As of December 31, 2011, the principal assets of our Oil and Gas segment included: (i) operating interests in crude oil and natural gas properties, including properties in the San Juan Basin (including holdings primarily on the tribal lands of the Jicarilla Apache Nation in New Mexico and Southern Ute Nation in Colorado), the Powder River Basin (Wyoming) and the Piceance Basin (Colorado); (ii) non-operated interests in crude oil and natural gas properties including wells located in the Williston (Bakken Shale in North Dakota), Wind River (Wyoming), Bear Paw Uplift (Montana), Arkoma (Oklahoma), Anadarko (Texas) and Sacramento (California) basins; and (iii) a 44.7% ownership interest in the Newcastle gas processing plant and associated gathering system located in Weston County, Wyoming. The plant, operated by Western Gas Partners, LP, is adjacent to our producing properties in that area, and BHEP's production accounts for the majority of the facility's throughput. We also own natural gas gathering, compression and treating facilities serving the operated San Juan and Piceance Basin properties and working interests in similar facilities serving our non-operated Montana and Wyoming properties.

At December 31, 2011, we had total reserves of approximately 133 Bcfe, of which natural gas comprised 72% and crude oil comprised 28%. The majority of our reserves are located in select crude oil and natural gas producing basins in the Rocky Mountain region. Approximately 34% of our reserves are located in the San Juan Basin of northwestern New Mexico, primarily in the East Blanco Field of Rio Arriba County; 23% are located in the Powder River Basin of Wyoming, primarily in the Finn-Shurley Field of Weston and Niobrara counties; and 21% are located in the Piceance Basin of western Colorado, primarily in Mesa county.

### ***Delivery Commitments***

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

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

The summary information presented concerning our estimated proved developed and undeveloped oil and gas reserves and the 10% discounted present value of estimated future net revenues is based on reports prepared by Cawley Gillespie & Associates, an independent consulting and engineering firm located in Fort Worth, Texas. Reserves were determined consistent with SEC requirements using a 12-month average price calculated using the first-day-of-the-month price for each of the 12 months in the reporting period held constant for the life of the properties. Estimates of economically recoverable reserves and future net revenues are based on a number of variables, which may differ from actual results. Reserves for oil and gas are reported separately and then combined for a total MMcfe (where oil in Mbbbl is converted to an MMcfe basis by multiplying Mbbbl by six).

The SEC definition of "reliable technology" permits the use of any reliable technology to establish reserve volumes in addition to those established by production and flow test data. This definition allows, but does not require us, to book PUD locations that are more than one location away from a producing well. We conservatively elected to only include PUDs which are one location away from a producing well in our volume reserve estimate. Companies are permitted but not required to disclose probable and possible reserves. We have elected not to report on these additional reserve categories. Additional information on our oil and gas reserves, related financial data and the SEC requirements can be found in Note 21 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

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

CG&A is a Texas Registered Engineering Firm. Our primary contact at CG&A is Mr. Zane Meekins. Mr. Meekins has been practicing consulting petroleum engineering since 1989. Mr. Meekins is a Registered Professional Engineer in the State of Texas and has over 23 years of practical experience in petroleum engineering and over 21 years of experience in the estimation and evaluation of reserves. He graduated from Texas A&M University in 1987 with a Bachelor of Science in Petroleum Engineering. Mr. Meekins meets or exceeds the education, training and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers and he is proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying SEC and other industry reserves definitions and guidelines.

BHEP's Manager of Planning and Analysis is the technical person primarily responsible for overseeing our third party reserve estimates. He has over 31 years of exploration and production industry experience as a geologist and financial analyst. He has over 21 years of experience working closely with internal and third party qualified reserve estimators in major and mid-sized oil and gas companies. He holds a Bachelor of Science degree in Geology and a Masters in Business Administration.

Our policy is to meet or exceed all applicable local, state, tribal and federal regulatory requirements when drilling, casing, and cementing oil and gas wells that we operate. We follow industry best practices for each project to ensure safety and minimize environmental impacts. Effective wellbore construction and casing design, in accordance with established recommended practices and engineering designs is important to ensure mechanical integrity and isolation from ground water aquifers throughout drilling, hydraulic fracturing and production operations. We place priority on drilling practices that ensure well control throughout the construction and completion phases.

Our wells are constructed using one or more layers of steel casing and cement to form a continuous barrier between fluids in the well and the subsurface strata. The only subsurface strata connected to the inside of the wellbore are the intervals that we perforate for the purpose of producing oil and gas. We isolate potential sources of ground water by cementing our surface and/or protection casing back to surface. In areas where additional protection may be necessary or required by regulations, we will cement the intermediate and or production casing string(s) back to surface. The casing is pressure-tested to ensure integrity. We may also run a cement bond log to determine the quality of the bond between cement and the casing and the cement and the subsurface strata. Surface and/or protection casing string pressures are monitored when a well is stimulated. We also conduct a combination of tests during the life of the well to verify wellbore integrity. Our wells are designed to prevent natural gas migration or leakage for the life of the well. We have qualified companies monitoring the pressure response to ensure that rate and pressure of fracturing treatment proceeds as planned. Unexpected changes in the rate or pressure are immediately evaluated and necessary action taken. We use the most effective and efficient water management options available. The handling, storage, and disposal of produced water meets or exceeds all applicable state, local, tribal and federal regulatory standards and requirements.

**Greenhouse Gas Regulations.** The Oil and Gas segment is impacted by regulation in the state of New Mexico. The EPA published an amendment to its GHG reporting requirements in the November 2010 Federal Register, adding Petroleum and Natural Gas Systems to the mandatory annual reporting requirements. Data gathering commenced on January 1, 2011, with the final report to the EPA due in first quarter of 2012. Other states may implement their own such programs in the future.

### Power Generation Segment

Our Power Generation segment, which operates through Black Hills Electric Generation and its subsidiaries, acquires, develops and operates our non-regulated power plants. As of December 31, 2011, we held varying interests in independent power plants operating in Wyoming and Colorado with a total net ownership of 309 MW. In January 2011, we sold our ownership interests in the Idaho partnerships which own the Idaho facilities.

### Portfolio Management

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

As of December 31, 2011, the power plant ownership interests held by our Power Generation segment included:

Power Plants <sup>(1)</sup>	Fuel Type	Location	Ownership Interest	Owned Capacity (MW)	Start Date
Gillette CT	Gas	Gillette, Wyoming	100.0%	40.0	2001
Wygen I	Coal	Gillette, Wyoming	76.5%	68.9	2003
				108.9	
Power Plant	Fuel Type	Location	Ownership Interest	Owned and Leased (MW)	Start Date
Pueblo Airport Generation <sup>(2)</sup>	Gas	Pueblo, CO	100.0%	200.0	2012
Total Owned Capacity				308.9	

(1) On January 18, 2011, we sold our ownership interest in the partnerships that owned the Glens Ferry and Rupert Cogeneration facilities.

(2) The plant commenced commercial operation on January 1, 2012. Black Hills Colorado IPP has the obligation to operate this facility under the 20-year PPA which is accounted for as a capital lease.

*Black Hills Wyoming - Gillette CT.* The Gillette CT is a simple-cycle, gas-fired combustion turbine located at our Gillette, Wyoming energy complex. The facility's energy and capacity is sold to Cheyenne Light under a 3-year PPA that expires in August 2014.

*Black Hills Wyoming - Wygen I.* The Wygen I generation facility is a mine-mouth, coal-fired power plant with a total nameplate capacity of 90 MW located at our Gillette, Wyoming energy complex. We own 76.5% of the plant. We sell 60 MW of unit contingent capacity and energy from this plant to Cheyenne Light under a PPA that expires on December 31, 2022. The PPA includes an option for Cheyenne Light to purchase Black Hills Wyoming's ownership interest in the Wygen I facility between 2013 and 2019. The purchase price in the contract related to the option is \$2.55 million per MW reduced annually by an amount of annual depreciation assuming a facility life of 35 years.

*Black Hills Colorado IPP - Pueblo Airport Generation.* The Pueblo Airport Generation facility is two 100 MW combined-cycle gas-fired power generation plants constructed to fulfill a 20-year PPA with Colorado Electric. The plants commenced operation on January 1, 2012, and the assets are accounted for as a capital lease under a 20-year PPA with Colorado Electric.

**Competition.** The independent power industry consists of many strong and capable competitors, some of which may have more extensive operating experience, or greater financial resources than we possess.

With respect to the merchant power sector, FERC has taken steps to increase access to the national transmission grid by utility and non-utility purchasers and sellers of electricity, and foster competition within the wholesale electricity markets. In addition, the deregulation efforts that caused some vertically integrated utilities to separate their generation, transmission, and distribution businesses have slowed considerably since the merchant energy crisis in 2001. Our Power Generation business could face greater competition if utilities are permitted to robustly invest in power generation assets. However, regulatory pressures for utilities to competitively bid generation resources may provide their own upside opportunity for independent power producers in some regions.

**Regulation.** Many of the environmental laws and regulations applicable to our regulated Electric Utilities also apply to our Power Generation operations. See the discussion above under the "Environmental" and "Regulation" captions for the Utilities Group for additional information on certain laws and regulations.

*The Energy Policy Act of 1992.* The passage of the Energy Policy Act of 1992 encouraged independent power production by providing certain exemptions from regulation for EWGs. EWGs are exclusively in the business of owning or operating, or both owning and operating, eligible power facilities and selling electric energy at wholesale. EWGs are subject to FERC regulation, including rate regulation. We own two EWGs: Wygen I and Gillette CT. Our EWGs have been granted market-based rate authority, which allows FERC to waive certain accounting, record-keeping and reporting requirements imposed on public utilities with cost-based rates.

*Clean Air Act.* The Clean Air Act impacts our Power Generation business in a manner similar to the impact disclosed for our regulated Electric Utilities. Our Gillette CT and Wygen I facilities are subject to Titles IV and V of the Clean Air Act and have the required permits in place. As a result of SO<sub>2</sub> allowances credited to us from the installation of sulfur removal equipment at our jointly owned Wyodak plant, we hold sufficient allowances for our Gillette CT and Wygen I plants through 2040, without purchasing additional allowances. The EPA's Utility MACT rule described in the Utilities Group section will apply to Wygen I. The EPA's GHG Tailoring Rule described in the Utilities Group section will apply to the Gillette CT and Wygen I upon a major modification or upon operating permit renewal.

*Clean Water Act.* The Clean Water Act impacts our Power Generation business in a manner similar to the impact described above for our regulated Electric Utilities. Each of our facilities that is required to have NPDES permits have those permits and are in compliance with discharge limitations. Also, as the EPA regulates surface water oil pollution prevention through its oil pollution prevention regulations, each of our facilities regulated under this program have the requisite plans in place.

*Solid Waste Disposal.* We dispose of all Wygen I coal ash and scrubber wastes in mined areas at our WRDC coal mine under the terms and conditions of a state permit. The factors discussed under this caption for the Utilities Group also impact our Power Generation segment in a similar manner.

**Greenhouse Gas Regulations.** The factors discussed under this caption for the Utilities Group also apply to our Power Generation segment.

## Coal Mining Segment

Our Coal Mining segment operates through our WRDC subsidiary. We mine, process and sell low-sulfur coal at our coal mine near Gillette, Wyoming. The WRDC coal mine, which we acquired in 1956 from Homestake Gold Mining Company, is located in the Powder River Basin. The Powder River Basin contains one of the largest coal reserves in the United States. We produced approximately 5.7 million tons of coal in 2011. In a basin characterized by thick coal seams, our overburden ratio, a comparison of the cubic yards of dirt removed to a ton of coal uncovered, has in recent years trended upwards to a ratio of approximately 2.6:1 at December 31, 2011. The overburden ratio is expected to decrease in the latter part of 2012 and remain at a lower ratio for the next several years when mining operations are relocated to a different area of the mine property.

Mining rights to the coal are based on four federal leases and one state lease. We pay federal and state royalties of 12.5% and 9.0%, respectively, of the selling price of all coal. As of December 31, 2011, we had coal reserves of approximately 256.2 million tons, based on internal engineering studies. The reserve life is equal to approximately 57 years at expected production levels.

Substantially all of our coal production is currently sold under mid-term and long-term contracts to:

- Our regulated electric utilities, Black Hills Power and Cheyenne Light;
- The 362 MW Wyodak power plant owned 80% by PacifiCorp and 20% by Black Hills Power under which PacifiCorp is obligated to purchase a minimum of 1.5 million tons of coal each year of the contract term, subject to adjustments for planned outages. This contract expires at the end of December 2022;
- The 110 MW Wygen III power plant owned 52% by Black Hills Power, 25% by MDU and 23% by the City of Gillette;
- The 90 MW non-regulated mine-mouth power plant, Wygen I, owned 76.5% by Black Hills Wyoming and 23.5% by MEAN; and
- Certain regional industrial customers served by truck.

Our Coal Mining segment sells coal to Black Hills Power and Cheyenne Light for all of their requirements under agreements that limit earnings from these affiliate coal sales to a specified return on our coal mine's cost-depreciated investment base. The return is 4% (400 basis points) above A-rated utility bonds, to be applied to our coal mining investment base as determined each year. Black Hills Power made a commitment to the SDPUC, the WPSC and the City of Gillette that coal for Black Hills Power's operating plants would be furnished and priced as provided by that agreement for the life of the Neil Simpson II plant, which was placed into service in 1995. The agreement with Cheyenne Light provides coal for the life of the Wygen II plant.

The price for unprocessed coal sold to PacifiCorp for its 80% interest in the Wyodak plant is determined by a coal supply agreement which terminates at the end of 2022. The price for coal sold to PacifiCorp for its Dave Johnston plant was determined by a coal supply agreement that terminated in December 2011. We supplied the Dave Johnston plant with approximately 1.7 million tons of coal per year.

Coal production was increased to supply additional mine-mouth power generating capacity related to the 110 MW Wygen III plant, which began commercial operations in April 2010. Coal supply agreements stipulate that WRDC will supply the coal to Wygen III through June 1, 2060 under an agreement that limits earnings from these affiliate coal sales to a specified return on our coal mines' cost-depreciated investment base. The return is 4% (400 basis points) above A-rated utility bonds, to be applied to our coal mining investment base as determined each year.

WRDC supplies coal to Black Hills Wyoming for the Wygen I generating facility for requirements under an agreement using a base price that includes price escalators and quality adjustments through June 30, 2038 and includes actual costs per ton plus a margin equal to the yield for Moody's A-Rated 10-Year Corporate Bond Index plus 4% with the base price being adjusted on a 5-year interval. The agreement stipulates that WRDC will supply coal to the 90 MW Wygen 1 plant through June 30, 2038.

**Competition.** Our primary strategy is to sell the majority of our coal production to on-site, mine-mouth generation facilities under long-term supply contracts. Historically off-site sales have been to consumers within a close proximity to the mine. Rail transport market opportunities for WRDC coal are limited due to the lower heating value (Btu) of the coal, combined with the fact that the Wyodak Mine is served by only one railroad, resulting in less competitive transportation rates. Management continues to explore market opportunities for our product.



**Environmental Regulation.** The construction and operation of coal mines are subject to environmental protection and land use regulation in the United States. These laws and regulations often require a lengthy and complex process of obtaining licenses, permits and approvals from federal, state and local agencies. Many of the environmental issues and regulations discussed under the Utilities Group also apply to our Coal Mining segment.

Operations at WRDC must regularly address issues arising due to the proximity of the mine disturbance boundary to the City of Gillette and to related residential and industrial development. Homeowner complaints and challenges to the permits may occur as mining operations move closer to residential development areas. Specific concerns could include fugitive dust emissions and vibration and nitrous oxide fumes from blasting. To mitigate these concerns, WRDC is actively pursuing the establishment of buffer zones through land purchases and long-term leases.

Ash from our South Dakota and Wyoming power plants, as well as PacifiCorp's Wyodak Power Plant, is disposed of in the mine and is utilized for backfill to meet permitted post-mining contour requirements. The EPA has proposed national disposal regulations that include multiple options, one of which regulates coal ash as a hazardous waste. The public comment period ended in November 2010, and a final rule is expected in mid-2012. While the proposed combustion residuals regulations do not address mine backfill, it is widely expected that the U.S. Office of Surface Mining will collaborate with the EPA to address mine backfill in the near future. If the ash is regulated as a hazardous waste, implementation requirements will likely increase the cost of disposal.

**Mine Reclamation.** Under applicable law, we must submit applications to, and receive approval from, the WDEQ for any mining and reclamation plan that provides for orderly mining, reclamation, and restoration of the WRDC mine. We have approved mining permits and are in compliance with other permitting programs administered by various regulatory agencies. The WRDC coal mine is permitted to operate under a five year mining permit issued by the State of Wyoming. The current permit was re-issued on May 4, 2011 and expires in 2016. Based on extensive reclamation studies, we have accrued approximately \$17.2 million for reclamation costs as of December 31, 2011. Mining regulatory requirements continue to increase, which impose additional cost into the mining process.

#### Other Properties

In Rapid City, South Dakota, we own an eight-story, 67,000 square foot office building where our corporate headquarters is located, an office building consisting of approximately 36,000 square feet, and a warehouse building and shop with approximately 30,410 square feet. Our Gas Utilities own various office, service center and warehouse space totaling over 170,000 square feet throughout their service territories in Nebraska, Iowa, Colorado and Kansas. In Cheyenne, Wyoming, we own a business office with approximately 13,400 square feet, and a service center and garage with an aggregate of approximately 28,300 square feet. In Papillion, Nebraska, we own an office building consisting of approximately 36,000 square feet. We also own other offices and warehouses located within our service areas.

In addition to our owned properties, we lease the following properties:

- Approximately 8,800 square feet for an operations and customer call center in Rapid City, South Dakota;
- Approximately 37,600 square feet for a customer call center in Lincoln, Nebraska;
- Approximately 47,430 square feet of office space in Denver, Colorado; and
- Other offices and warehouse facilities located within our service areas.

Substantially all of the tangible utility properties of Black Hills Power and Cheyenne Light are subject to liens securing first mortgage bonds issued by Black Hills Power and Cheyenne Light, respectively.

**LIFE**  
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**ENERGY**



*2011 Annual Report*  
*Proxy Statement*  
*Form 10K*

## BLACK HILLS CORPORATION BOARD OF DIRECTORS

2011 Annual Report



**David R. Emery**, age 49, was elected Chairman in April 2005 and has been President and Chief Executive Officer and a member of the Board of Directors since January 2004. Prior to that, he was our President and Chief Operating Officer - Retail Business Segment from April 2003 to January 2004 and Vice President - Fuel Resources from January 1997 to April 2003. Mr. Emery has 22 years of experience with the company.



**David C. Ebertz**, age 66, has been President of Dave Ebertz Risk Management Consulting, a firm specializing in insurance and risk management services for schools and public entities, since 2000. He has previous experience in the insurance industry. Mr. Ebertz has served on our Board of Directors since 1998.



**Jack W. Eugster**, age 66, retired, was Chairman, Chief Executive Officer and President of Musicland Stores, Inc. from 1980 until his retirement in 2001. He was Non-Executive Chairman of Shopko Stores, Inc., a general merchandise discount store chain, from 2001 to 2005. Mr. Eugster was elected to the Board of Directors in 2004 and currently chairs the Compensation Committee. He also serves on the board of directors of Donaldson Co., Inc., Graco, Inc., and Life Time Fitness, Inc.



**John R. Howard**, age 71, retired, was President of Industrial Products, Inc., which provided equipment and supplies to the mining and manufacturing industries, from 1992 to 2003 and was Special Projects Manager for Linweld, Inc. Mr. Howard was elected to the Board of Directors in 1977.



**Steven R. Mills**, age 56, retired, was Senior Executive Vice President Performance and Growth of Archer Daniels Midland Company, a processor, transporter, buyer and marketer of agricultural products from 2010 to February 2012. Prior to that, he was Archer Daniel's Executive Vice President and Chief Financial Officer from 2008 to 2010 and Senior Vice President, Strategic Planning from 2006 to 2008. He has more than 34 years of experience in the fields of accounting, corporate finance, strategic planning, and mergers and acquisitions. Mr. Mills was elected to the Board of Directors in October 2011.



**Stephen D. Newlin**, age 59, has been Chairman, President and Chief Executive Officer of PolyOne Corporation, a global premier provider of specialized polymer materials, services and solutions, since 2006. Prior to that, he was President of the Industrial Sector of Ecolab, Inc., a global leader of services, specialty chemicals and equipment serving industrial and institutional clients, from 2003 to 2006. Mr. Newlin was elected to the Board of Directors in 2004 and currently chairs the Governance Committee.

## BLACK HILLS CORPORATION BOARD OF DIRECTORS

2011 Annual Report



**Gary L. Pechota**, age 62, has been President and Chief Executive Officer of DT-TRAK Consulting, Inc., a medical billing services company, since December 2007. He was retired from 2005 to 2007. Prior to that, he was Former Chief of Staff of the National Indian Gaming Commission from 2003 to 2005. He previously held executive positions in the cement industry and positions in finance and accounting. Mr. Pechota was elected to the Board of Directors in 2007. He also serves on the board of directors of Insteel Industries, Inc. and Texas Industries, Inc.



**Rebecca B. Roberts**, age 59, retired, was President of Chevron Pipe Line Company, a pipeline company transporting crude oil, refined petroleum products, liquefied petroleum gas, natural gas and chemicals within the United States from 2006 to February 2011. She was President of Chevron Global Power Generation from 2003 to 2006. She has more than 37 years of experience in the energy industry. Ms. Roberts was elected to the Board of Directors in May 2011.



**Warren L. Robinson**, age 61, retired, was Executive Vice President, Treasurer and Chief Financial Officer of MDU Resources Group, Inc., a diversified energy and resources company, from 1992 until his retirement in January 2006. Mr. Robinson was elected to the Board of Directors in 2007 and currently chairs the Audit Committee.



**John B. Vering**, age 62, served as Interim President and General Manager of Black Hills Exploration and Production, Inc., our oil and gas subsidiary, from May 2010 to December 2011. He has been Managing Director of Lone Mountain Investments, Inc., agricultural and oil and gas investments, since 2002. He previously held several executive positions in the oil and gas industry. Mr. Vering was elected to the Board of Directors in 2005.



**Thomas J. Zeller**, age 64, retired, was Chief Executive Officer of RESPEC, a technical consulting and services firm with expertise in engineering, information technologies and water and natural resources from January 2011 to August 2011 and served as President from 1995 to January 2011. Mr. Zeller has been a member of the Board of Directors since 1997 and currently serves as Presiding Director.



activities relating to our industries provides the necessary financial reporting expertise to serve as Chairman of our Audit Committee. His experience as an executive financial leader at a publicly traded energy company provides our Board with current knowledge and understanding of the regulated business model, and unique challenges of the geographic and regulatory environment in which we operate.

**John B. Vering, 62**, has been a director of the Company since 2005.

Managing Director of Lone Mountain Investments, Inc., oil and gas investments, since 2002. Partner in Vering Feed Yards LLC, a privately owned agricultural company, since 2010. Served as Interim President and General Manager of Black Hills Exploration and Production, Inc., our oil and gas subsidiary, from May 2010 to December 2011, pursuant to a consulting agreement, leading a strategic review of our oil and gas assets. Previously held several executive positions in the oil and gas industry.

Mr. Vering has over 30 years of experience, including executive leadership, in the oil and gas industry. He served for 23 years with Union Pacific Resources Company in several positions, including Vice President of Canadian Operations. He has direct operating experience in oil and gas transportation, marketing, and exploration and production, important business segments for our Company. His knowledge and understanding of the trans-national oil and gas business, and his executive leadership experience strengthens our Board's collective qualifications, skills and experiences.

**CORPORATE GOVERNANCE**

Corporate Governance Guidelines. Our Board of Directors has adopted corporate governance guidelines titled "Corporate Governance Guidelines of the Board of Directors" which guide the operation of our Board and assist the Board in fulfilling its obligations to shareholders and other constituencies. The guidelines lay the foundation for the Board's responsibilities, operations, leadership, organization and committee matters. The Governance Committee reviews the guidelines annually, and the guidelines may be amended at any time, upon recommendation by the Governance Committee and approval of the Board. These guidelines can be found in the "Governance" section of our website ([www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm)).

Board Independence. In accordance with New York Stock Exchange rules, the Board of Directors through its Governance Committee affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the New York Stock Exchange listing standards. These guidelines are contained in our Policy for Director Independence, which can be found in the "Governance" section of our website ([www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm)). Based on these standards, the Governance Committee determined that each of the following non-employee directors and director nominee is independent and has no relationship with us, except as a director and shareholder:

- |                    |                    |                    |
|--------------------|--------------------|--------------------|
| David C. Ebertz    | Jack W. Eugster    | John R. Howard     |
| Michael H. Madison | Steven R. Mills    | Stephen D. Newlin  |
| Gary L. Pechota    | Rebecca B. Roberts | Warren L. Robinson |
| Thomas J. Zeller   |                    |                    |

In addition, based on such standards, the Governance Committee determined that Messrs. Emery and Vering are not independent. Mr. Emery is not independent because he is our Chairman, President and Chief Executive Officer ("CEO"). Mr. Vering is not independent because he served as Interim President and General Manager of our oil and gas subsidiary during a portion of 2010 and 2011.

Board Leadership Structure. As noted above, our Board is currently comprised of eleven directors, nine of whom are independent. Mr. Emery has served as our Chairman of the Board and CEO since 2005, and has been a member of our Board since 2004. Mr. Emery provides strategic, operational, and technical expertise and context for the matters considered by our Board. After considering alternative board leadership structures, our Board chose to retain the ability to balance an independent Board structure with the flexibility to appoint as Chairman a CEO-Director with knowledge of and experience in the operations of our Company. At this time, our Board believes that having a single person serve as Chairman and CEO provides unified and responsible leadership for our Company.

Our Board has and continues to value a high degree of Board independence. As a result, our corporate governance structure and practices promote a strong, independent Board, and include several independent oversight mechanisms. Only independent directors serve on our Audit, Compensation and Governance Committees and we have appointed an independent Presiding Director. Our Board believes these practices ensure that experienced and independent directors will continue to effectively oversee management and critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity. All of our Board committees may seek legal, financial or other expert advice from a source independent of management.

Our Board annually appoints a Presiding Director. Thomas J. Zeller is our current Presiding Director and has served in this role since May 2010. The responsibilities of Presiding Director, as provided in the Board's Governance Guidelines, are to chair executive sessions of the independent directors and communicate the Board's annual evaluation of the CEO. The Presiding Director, together with the independent directors, establishes the agenda for executive sessions, which are held at each regular Board meeting. The Presiding Director serves as a liaison between the independent members of the Board and the CEO, and discusses, to the extent appropriate, matters raised by the independent directors in executive session. The Presiding Director also consults with the Chairman regarding meeting agendas and presides over regular meetings of the Board in the absence of the Chairman. This leadership structure provides consistent and effective oversight of our management and our Company.

***Risk Oversight.*** Our Board oversees an enterprise approach to risk management that supports our operational and strategic objectives. The Corporate Governance Guidelines of our Board of Directors provide that the Board will review major risks facing our Company and the options for risk mitigation presented by management. Our Board delegates oversight of certain risk considerations to its committees within each of their respective areas of responsibility; however, the full Board monitors risk relating to strategic planning and execution, as well as executive succession. Financial risk oversight falls within the purview of our Audit Committee. Our Compensation Committee oversees compensation and benefit plan risks. Each committee reports to the full Board.

Our Board reviews any material changes in our key enterprise risk management issues with management at each quarterly Board meeting in conjunction with the presentation of quarterly financial results. In so doing, our Board seeks to ensure appropriate risk mitigation strategies are implemented by management on an ongoing basis. Operational and strategic plan presentations by management to our Board include consideration of the challenges and risks to our business. Our Board and management actively engage in discussions of these topics and utilize outside consultants as needed. Our Board oversees the assessment of our strategic plan risks as part of our strategic planning process. In addition, our Board receives environmental, safety, legal and compliance reports at least annually.

Our Audit Committee oversees management's strategy and performance relative to our significant financial risks. In consultation with management, the independent auditors and the internal auditors, the Audit Committee discusses our risk assessment, risk management and credit policies, and reviews significant financial risk exposures along with steps management has taken to monitor, mitigate and report such exposures. At least twice a year, our Chief Risk Officer provides a Risk and Credit Report to the Audit Committee. We adopted a Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within risk tolerances established by the Committee.

Our Compensation Committee adopted an executive compensation philosophy that provides the foundation for our executive compensation program. The executive compensation philosophy states that the executive pay program should be market-based and maintain an appropriate and competitive balance between fixed and variable pay elements, short- and long-term compensation and cash and stock-based compensation. The Compensation Committee establishes company-specific performance goals and potential incentive payouts for our executive officers to motivate and reward performance, consistent with our long-term success. The target compensation for our senior officers is heavily weighted in favor of long-term incentives, aligning performance incentives with long-term results for our shareholders. Our Compensation Committee also sets minimum performance thresholds and maximum payouts in the incentive programs, and maintains the discretion to reduce awards if excessive risk is taken. Stock ownership guidelines established for all of our officers expect our executives to hold 100 percent of all shares awarded to them until the established stock ownership guidelines are achieved. Our Compensation Committee also instituted "claw-back" provisions in our incentive plans, which may require an executive to return incentives received, if the Compensation Committee determines, in its discretion, that the executive engaged in specified misconduct or wrongdoing.

Our management is responsible for day-to-day risk management and operates under an enterprise risk management (ERM) program that addresses strategic, operational and financial risks. The ERM program includes practices to identify risks, assesses the impact and probability of occurrence, and develops action plans to prevent the occurrence or mitigate the impact of the risk. The ERM program includes regular reporting to our senior management team and includes monitoring and testing by Risk Management, Compliance and Internal Audit groups. The overall ERM program is reviewed with the Board of Directors on a regular basis.

We believe this division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company.

*Director Nominees.* The Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Board candidates are considered based upon various criteria, including diverse business, administrative and professional skills or experiences; an understanding of relevant industries, technologies and markets; financial literacy; independence status; the ability and willingness to contribute time and special competence to Board activities; personal integrity and independent judgment; and a commitment to enhancing shareholder value. The Governance Committee considers these and other factors as it deems appropriate, given the needs of the Board and us. Our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. The Governance Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, the use of third-party executive search firms, members of management and shareholders. There are no differences in the manner by which the Committee evaluates director candidates recommended by shareholders from those recommended by other sources.

Shareholders who intend to nominate persons for election to the Board of Directors must provide timely written notice of the nomination in accordance with Article I, Section 9 of our Bylaws. Generally, our Corporate Secretary must receive the written notice at our executive offices at 625 Ninth Street, Rapid City, South Dakota, 57701, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. The notice must set forth at a minimum the information set forth in Article I, Section 9 of our Bylaws, including the shareholder's identity and status, contingent ownership interests, description of any agreement made with others acting in concert with respect to the nomination, specific information about the nominee and supply certain representations by the nominee to us.

*Communications with the Board.* Shareholders and others interested in communicating directly with the Presiding Director, with the independent directors as a group, or the Board of Directors may do so in writing to the Presiding Director, Black Hills Corporation, 625 Ninth Street, Rapid City, South Dakota, 57701.

*Corporate Governance Documents.* The charters of the Audit, Compensation and Governance committees, as well as the Board's Corporate Governance Guidelines, Policy for Director Independence, Code of Business Conduct and the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, and certain other persons performing similar functions can be found in the "Governance" section of our website ([www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm)). We intend to disclose any amendments to, or waivers of the Code of Ethics on our website. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

In January 2012, the Board amended our Corporate Governance Guidelines to adopt a policy relating to majority voting. Pursuant to the policy, any nominee for election as a director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election will promptly tender his or her resignation as a director to the Chairman of the Board following certification of the election results. Neither abstentions nor broker non-votes will be deemed to be votes "for" or "withheld" from a director's election for purposes of the policy. The Governance Committee (without the participation of the affected director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take the appropriate action on each tendered resignation, taking into account the Governance Committee's recommendation. The Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons why the Committee believes shareholders "withheld" votes for election from such director and any other circumstances surrounding the "withheld" votes, any alternatives for curing the underlying cause of the "withheld" votes, the qualifications of the tendering director, his or her past and expected future contributions to us and the Board, and the overall composition of the Board, including whether accepting the resignation would cause us to fail to meet any applicable SEC or

NYSE requirements. The Board will publicly disclose by filing with the SEC on Form 8-K its decision and, if applicable, its rationale within 90 days after receipt of the tendered resignation.

**Certain Relationships and Related Party Transactions.** We recognize related party transactions can present potential or actual conflicts of interest and create the appearance that decisions are based on considerations other than the best interests of us and our shareholders. Accordingly, as a general matter, it is our preference to avoid related party transactions. Nevertheless, we recognize that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of us and our shareholders, including but not limited to situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when we provide products or services to related parties on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, our Board of Directors has adopted a policy for the review of related party transactions. This policy requires directors and officers to promptly report to our Vice President – Governance all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our Vice President – Governance presents to our Governance Committee those transactions that may require disclosure pursuant to Item 404 of Regulation S-K (typically, those transactions that exceed \$120,000). Our Governance Committee reviews the material facts presented and either approves or disapproves entry into the transaction. In reviewing the transaction, the Governance Committee considers the following factors, among other factors it deems appropriate: (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances; (ii) the extent of the related party's interest in the transaction; and (iii) the impact on a director's independence in the event the related party is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer.

**Section 16(a) Beneficial Ownership Reporting Compliance.** Based solely upon a review of our records and copies of reports on Form 3, 4 and 5 furnished to us, we believe that during and with respect to 2011, all persons subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, filed the required reports on a timely basis.

## MEETINGS AND COMMITTEES OF THE BOARD

### The Board of Directors

Our directors review and approve our strategic plan and oversee our management. Our Board of Directors held eight meetings during 2011. Each regularly scheduled meeting of the Board includes an executive session of only independent directors. We encourage our directors to attend the annual shareholders' meeting. During 2011, every director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served and all directors attended the 2011 annual meeting of shareholders.

### Committees of the Board

Our Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Compensation Committee and the Governance Committee. In accordance with the New York Stock Exchange listing standards and our Corporate Governance Guidelines, the Audit, Compensation and Governance Committees are comprised solely of independent directors. Each committee operates under a charter which is available on our website at [www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm) and is also available in print to any shareholder who requests it. In addition, our Board creates special committees from time to time for specific purposes.

Members of the Committees are designated by our Board upon recommendation of the Governance Committee. The table below shows current membership for each of the Board committees.

#### Audit Committee

John R. Howard  
Steven R. Mills  
Gary L. Pechota  
Warren L. Robinson\*

#### Compensation Committee

Rebecca B. Roberts  
David C. Ebertz  
Jack W. Eugster\*  
Stephen D. Newlin  
Thomas J. Zeller

#### Governance Committee

David C. Ebertz  
Jack W. Eugster  
Stephen D. Newlin\*  
Gary L. Pechota

\* Committee Chairperson



*Audit Committee.* The Audit Committee held seven meetings in 2011. The Audit Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assist the Board in fulfilling its oversight responsibility to our shareholders relating to the quality and integrity of our accounting, auditing and financial reporting practices;
- oversee the integrity of our financial statements, financial reporting process, systems of internal controls and disclosure controls regarding finance, accounting and legal compliance;
- review areas of potential significant financial risk to us;
- review consolidated financial statements and disclosures;
- appoint an independent registered public accounting firm for ratification by our shareholders;
- monitor the independence and performance of our independent registered public accountants and internal auditing department;
- pre-approve all audit and non-audit services provided by our independent registered public accountants;
- review the scope and results of the annual audit including reports and recommendations of our independent registered public accountants;
- review the internal audit plan, results of internal audit work and our process for monitoring compliance with our Code of Conduct and other policies and practices established to ensure compliance with legal and regulatory requirements; and
- periodically meet with our internal audit group, Chief Financial Officer, Chief Compliance Officer, other management, and our independent registered public accounting firm.

In accordance with the rules of the NYSE, all of the members of the Audit Committee are financially literate. In addition, the Board determined that all of the members of the Audit Committee have the requisite attributes of an "audit committee financial expert" as provided in regulations promulgated by the Securities and Exchange Commission, and that such attributes were acquired through relevant education and/or experience.

*Compensation Committee.* The Compensation Committee held seven meetings in 2011. The Compensation Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- discharge the Board of Directors' responsibilities related to executive and director compensation philosophy, policies and programs;
- perform functions required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation;
- consider and recommend for approval by the Board all executive compensation programs including executive benefit programs and stock ownership plans; and
- promote an executive compensation program that supports the overall objective of enhancing shareholder value.

The Compensation Committee has authority under its charter to retain and terminate compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee has sole authority to approve related fees and retention terms and may delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion. The Committee engaged Towers Watson, an independent consulting firm, to conduct an annual review of its 2011 total compensation program for executive officers and directors. Expenses for other consulting services provided to us by Towers Watson, that are not related to executive compensation, are monitored to ensure that executive compensation consultant independence is maintained. Towers Watson did not provide us with services in excess of \$120,000 that were in addition to the services provided in connection with its advice and recommendations on the amount or form of executive and director compensation.

The Committee annually evaluates the CEO's performance in light of established goals and objectives, with input from the other independent directors. Based upon the Committee's evaluation and recommendation, the independent directors of the Board set the CEO's annual compensation, including salary, bonus, incentive and equity compensation.

The CEO annually reviews the performance of each of our senior officers and presents a summary of his evaluations to the Committee. The CEO also provides oversight of management's evaluations of our other officers. Senior officers assess performance of all officers reporting to them. Based upon these performance reviews, market analysis conducted by the compensation consultant and discussions with our Sr. Vice President, Human Resources, the CEO recommends the compensation of the officers to the Committee. The Committee may exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process.

More information describing the Compensation Committee's processes and procedures for considering and determining executive compensation, including the role of our CEO and consultants in determining or recommending the amount or form of executive compensation, is included in the Compensation Discussion and Analysis.

In setting non-employee director compensation, the Compensation Committee recommends the form and amount of compensation to the Board of Directors and the Board of Directors makes the final determination. In considering and recommending the compensation of non-employee directors, the Compensation Committee considers such factors as it deems appropriate, including historical compensation information, level of compensation necessary to attract and retain non-employee directors meeting our desired qualifications and market data. In the review of director compensation for 2011, the Compensation Committee retained Towers Watson to provide market information on non-employee director compensation, including annual board and committee retainers, board and committee meeting fees, committee chairperson fees, number of Board meetings and stock based compensation.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee is comprised entirely of independent directors. In addition, none of our executive officers serve as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board or on our Compensation Committee.

Governance Committee. The Governance Committee held three meetings in 2011. The Governance Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assess the size of the Board and membership needs and qualifications for Board membership;
- identify and recommend prospective directors to the Board to fill vacancies;
- review and evaluate director nominations submitted by shareholders, including reviewing the qualifications and independence of shareholder nominees;
- consider and recommend existing Board members to be renominated at our annual meeting of shareholders;
- establish and review guidelines for corporate governance;
- recommend to the Board committee membership and the chairpersons of the committees;
- nominate an independent director to serve as a Presiding Director;
- review the independence of each director and director nominee;
- administer an annual evaluation of the performance of the Board and facilitate an annual assessment of each committee; and
- ensure that the Board oversees the evaluation and succession planning of management.

## DIRECTOR COMPENSATION

### Director Fees

In 2011, our non-employee director compensation was as follows:

- an annual cash retainer of \$36,000, paid on a monthly basis;
- common stock equivalents equal to \$60,000 per year, paid on a quarterly basis;
- dividend equivalents on the common stock equivalents equal to the same dividend rate our shareholders receive; and
- a meeting fee of \$1,500 for each Board and committee meeting attended, provided such committee meetings are substantive in nature and content.

In addition, our Presiding Director and Committee Chairpersons received the following additional compensation:

- Presiding Director – an annual fee of \$15,000;
- Audit Committee Chairperson – an annual fee of \$10,000;
- Compensation Committee Chairperson – an annual fee of \$8,000; and
- Governance Committee Chairperson – an annual fee of \$6,000.

Effective January 1, 2012, the annual cash retainer paid to our non-employee directors was increased to \$40,000, paid on a monthly basis.



**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
LIST OF OFFICERS AND RESPONSIBILITY**

<b>Name</b>	<b>Title</b>	<b>Areas of Responsibility</b>
<b><u>Officers Shared with Non-Utility Associate Companies and Holding Company:</u></b>		
David R. Emery	Chairman and Chief Executive Officer	Oversees all company operations
Linden R. Evans	President and Chief Operating Officer – Utilities	Oversees all utility operations
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)	Oversees finance and accounting
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)	Legal, compliance, contracts
Robert A. Myers	Senior Vice President – Human Resources	Compensation, benefits
Scott A. Buchholz	Senior Vice President – Chief Information Officer	Information technology, customer information, billing systems
Lynnette K. Wilson	Senior Vice President – Communications and Investor Relations	Internal and external communications
Roxann R. Basham	Vice President – Governance and Corporate Secretary	Company records, internal audit
Stephen L. Pella	Vice President – Strategic Initiatives	Safety, environmental, supply chain, marketing
Perry S. Krush	Vice President – Supply Chain	Supply chain
Jeffrey B. Berzina	Vice President – Corporate Controller	Accounting
Garner M. Anderson	Vice President – Chief Risk Officer	Insurance, credit, risk
Brian G. Iverson	Vice President – Treasurer	Financing and cash management
Kyle D. White	Vice President – Resource Planning and Regulatory Affairs	Resource planning, regulatory affairs, rates
Richard W. Kinzley	Vice President – Strategic Planning and Development	Planning, strategy
Ivan Vancas	Vice President – Utility Services	Oversees gas supply services, meters, gas engineering services, customer service

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<b>Name</b>	<b>Title</b>	<b>Areas of Responsibility</b>
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**Officers Shared with Holding Company:**

Stuart A. Wevik	Vice President – Utility Operations	Oversees utility operation
Randy D. Winkelman	Vice President – Customer Service	Customer service, customer billing
Trent Cozad	Vice President – Natural Gas Supply Services	Gas purchases
Steven M. Jurek	Vice President – Natural Gas Regulatory Services	Rates and regulatory filings

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-31303

**BLACK HILLS CORPORATION**

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).  
Yes  No

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

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

At June 30, 2011

\$1,169,775,169

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

<u>Class</u>	<u>Outstanding at January 31, 2012</u>
Common stock, \$1.00 par value	43,929,272 shares

**Documents Incorporated by Reference**

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2012 Annual Meeting of Stockholders to be held on May 23, 2012, are incorporated by reference in Part III of this Form 10-K.

**(8) LONG-TERM DEBT**

Long-term debt outstanding at December 31 was as follows (in thousands):

	Due Date	Interest Rate	2011	2010
<u>Corporate</u>				
Senior unsecured notes due 2013	May 15, 2013	6.5%	\$ 225,000	\$ 225,000
Unamortized discount on notes due 2013			(41)	(70)
Senior unsecured notes due 2014	May 15, 2014	9.0%	250,000	250,000
Senior unsecured notes due 2020	July 15, 2020	5.88%	200,000	200,000
Long-term term loan <sup>(a)</sup>	September 30, 2013	1.69%	100,000	—
Total Corporate Debt			<u>774,959</u>	<u>674,930</u>
<u>Electric Utilities</u>				
First Mortgage Bonds due 2032	August 15, 2032	7.23%	75,000	75,000
First Mortgage Bonds due 2039	November 1, 2039	6.13%	180,000	180,000
Unamortized discount on First Mortgage Bonds due 2039			(115)	(119)
Pollution control revenue bonds due 2014	October 1, 2014	4.80%	6,450	6,450
Pollution control revenue bonds due 2024	October 1, 2024	5.35%	12,200	12,200
First Mortgage Bonds due 2037	November 20, 2037	6.67%	110,000	110,000
Industrial development revenue bonds due 2021, variable rate <sup>(a)</sup>	September 1, 2021	0.14%	7,000	7,000
Industrial development revenue bonds due 2027, variable rate <sup>(a)</sup>	March 1, 2027	0.14%	10,000	10,000
Series 94A Debt <sup>(a)</sup>	June 1, 2024	3.00%	2,855	2,855
Other long-term debt	May 12, 2012	13.66%	72	234
Total Electric Utilities			<u>403,462</u>	<u>403,620</u>
<u>Power Generation</u>				
Black Hills Wyoming project financing, variable rate <sup>(a)</sup>	December 9, 2016	3.66%	104,461	112,681
Total long-term debt			1,282,882	1,191,231
Less current maturities			2,473	5,181
Net long-term debt			<u>\$ 1,280,409</u>	<u>\$ 1,186,050</u>

(a) Variable interest rates, rates presented are as of December 31, 2011.

Scheduled maturities of long-term debt, excluding amortization of premiums or discounts, for future years are (in thousands):

2012	\$	2,473
2013	\$	328,973
2014	\$	262,473
2015	\$	6,964
2016	\$	85,101
Thereafter	\$	597,054

Certain debt instruments of the Company and its subsidiaries contain restrictions and covenants, all of which the Company and its subsidiaries were in compliance with at December 31, 2011.

Substantially all of the tangible utility property of Black Hills Power and Cheyenne Light is subject to the lien of indentures securing their first mortgage bonds. First mortgage bonds of Black Hills Power and Cheyenne Light may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures. The first mortgage bonds issued by Black Hills Power and Cheyenne Light are either currently not callable or are subject to make-whole provisions which would eliminate any economic benefit for us to call the bonds.

#### Debt Offering

In July 2010, pursuant to a public offering, we issued \$200.0 million aggregate principal of senior unsecured notes due July 15, 2020. The notes were priced at par and carry a fixed interest rate of 5.88%. We received proceeds of \$198.7 million, net of underwriting fees. Deferred financing costs are being amortized over the term of the debt. Amortization of deferred financing costs is included in Interest expense.

#### Long-term Term Loan

Our \$100.0 million term loan (the "Loan") with J.P. Morgan and Union Bank was extended through September 30, 2013. The cost of borrowings under the Loan was based on a spread of 1.375% over LIBOR (1.69% at December 31, 2011). The proceeds were used to reduce borrowings on the Revolving Credit Facility. The covenants are substantially the same as the Revolving Credit Facility.

#### Amortization Expense

Our deferred financing costs and associated amortization expense included in Interest expense on the accompanying Consolidated Statements of Income were as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheet at December 31, 2011	Amortization Expense for the years ended December 31,		
		2011	2010	2009
Senior unsecured notes due 2013	\$ 309	\$ 218	\$ 218	\$ 218
Senior unsecured notes due 2014	\$ 1,097	\$ 462	\$ 462	\$ 289
Senior unsecured notes due 2020	\$ 1,428	\$ 167	\$ 77	\$ —
First mortgage bonds due 2023	\$ 684	\$ 33	\$ 33	\$ 33
First mortgage bonds due 2039	\$ 2,113	\$ 76	\$ 76	\$ 12
First mortgage bonds due 2037	\$ 797	\$ 31	\$ 31	\$ 31
Black Hills Wyoming project financing due 2016	\$ 4,214	\$ 1,012	\$ 1,036	\$ 60
Other	\$ 816	\$ 70	\$ 74	\$ 67



**(9) NOTES PAYABLE**

Our credit facilities and debt securities contain certain restrictive financial covenants including, among others, interest expense coverage ratios, recourse leverage ratios and consolidated net worth requirements. At December 31, 2011, we were in compliance with all of these financial covenants. None of our facilities or debt securities contain default provisions pertaining to our credit ratings.

We had the following short-term debt outstanding as of the Consolidated Balance Sheet dates (in thousands):

	As of December 31, 2011		As of December 31, 2010	
	Balance Outstanding	Letters of Credit	Balance Outstanding	Letters of Credit
Revolving Credit Facility	\$ 195,000	\$ 43,700	\$ 149,000	\$ 46,865
Term Loan 2011	—	—	100,000	—
Term Loan 2012	150,000	—	—	—
<b>Total</b>	<b>\$ 345,000</b>	<b>\$ 43,700</b>	<b>\$ 249,000</b>	<b>\$ 46,865</b>

Revolving Credit Facility

Our \$500.0 million Revolving Credit Facility expiring April 14, 2013 contained an accordion feature which allowed us, with the consent of the administrative agent, to increase the capacity of the facility to \$600.0 million and was used for the issuance of letters of credit, to fund working capital needs and other corporate purposes. Borrowings were available under a base rate option or a Eurodollar option. The cost of borrowings or letters of credit was determined based upon our credit ratings. At current year-end credit ratings levels, the margins for base rate borrowings, Eurodollar borrowings and letters of credit were 1.75%, 2.75% and 2.75%, respectively at December 31, 2011. The facility contained a commitment fee to be charged on the unused amount of the Revolving Credit Facility. Based upon current year-end credit ratings, the fee was 0.5%. On February 1, 2012, we entered into a new Revolving Credit Facility replacing the prior Revolving Credit Facility. See Note 25 for additional information.

Deferred financing costs are being amortized over the term of the Revolving Credit Facility and are included in Interest expense on the accompanying Consolidated Statements of Income as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheet as of December 31, 2011	Amortization Expense for the years ended December 31,		
		2011	2010	2009
Revolving Credit Facility	\$ 1,497	\$ 1,891	\$ 1,340	\$ 495

The Revolving Credit Facility includes the following covenants that we must comply with at the end of each quarter (dollars, in thousands). We were in compliance with these covenants as of December 31, 2011.

	Actual	Covenant Requirement
Consolidated net worth	\$ 1,209,336	\$ 884,131
Recourse leverage ratio	58.5%	65.0%

Corporate Term Loans

In June 2011, we entered into a \$150.0 million unsecured, single draw, term loan with CoBank, the Bank of Nova Scotia and U.S. Bank due on June 24, 2012. The cost of borrowing under the loan is based on a spread of 1.25% over LIBOR (1.56% at December 31, 2011). The covenants are substantially the same as those included in the Revolving Credit Facility and we were in compliance with these covenants as of December 31, 2011.

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# Income Statement - Prior Year Comparison - FERC Reporting Acct Detail

Business Unit: BH KANSAS GAS UTILITY CO LLC

December, 2011 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2011	2010	Variance
480000 RESIDENTIAL GAS SALES	65,352,196	70,987,028	(5,634,832)
480001 RESIDENTIAL UNBILLED GAS	(167,113)	(1,127,844)	960,731
481000 COMMERCIAL FIRM GAS REVENUE	19,561,537	21,522,107	(1,960,570)
481001 COMMERCIAL FIRM UNBIL GAS REV	(1,144)	(399,181)	398,037
481010 COMMERCIAL INTERR GAS REVENUE	801,972	829,824	(27,852)
481100 INDUSTRIAL FIRM GAS REVENUE	374,716	390,477	(15,762)
481101 INDUSTRIAL FIRM UNBIL GAS REV	(36,217)	39,159	(75,376)
481110 INDUSTRIAL INTERR GAS REVENUE	19,232,848	13,882,832	5,350,016
483001 SALES FOR RESALE UNBIL GAS RE	(5,550)	(72,406)	66,856
483000 SALES FOR RESALE GAS	672,632	875,750	(203,118)
487000 FORFEITED DISC/LATE PMT GAS	430,107	464,764	(34,658)
488000 MISC SERVICE REV GAS	808,520	809,863	(1,343)
489304 INDUSTRIAL INTERR TRANSPRT REV	2,899,972	2,633,596	266,376
489303 COMMERCIAL INTERR TRANSPRT REV	221,712	222,199	(487)
489302 INDUSTRIAL FIRM TRANSPORT REV	1,016,943	929,396	87,547
489301 COMMERCIAL FIRM TRANSPORT REV	1,770,528	1,685,351	85,177
495000 Other Revenue And Royalties	1,125,114	1,352,959	(227,845)
<b>TOTAL OPERATING REVENUE</b>	<b>114,058,771</b>	<b>115,025,874</b>	<b>(967,103)</b>
850000 TRANS OPS SUPERV & ENG	87,061	61,001	26,060
851000 TRANS SYS CONTR & LOAD DISPATC	1,289	544	746
856000 TRANS MAINS EXPENSE	171,380	147,785	23,595
857000 TRANS MEAS & REGUL STATION EXP	24,178	32,058	(7,880)
859000 OTHER TRANS OPS EXP	0	10,000	(10,000)
870000 DIST OPS SUPERVISION AND ENGIN	825,583	631,262	194,320
874002 ROUTINE LEAK SURV MAINS & SVCS	421,420	360,086	61,334
874001 PERF DISTRIB MAIN LOCATES-GAS	723,267	619,387	103,880
874000 OPER/INSPECT UG DIST MAINS-GAS	556,186	429,538	126,648
875001 OPERATE/INSPECT FARM TAPS(O&M)	54,270	77,382	(23,113)
877000 DIST MEAS & REG STAT - CITY GA	6,076	1,251	4,825
876000 DIST MEAS & REG STAT - INDUS	165,364	145,979	19,385
875000 DIST MEAS & REG STAT - GENERAL	80,927	60,203	20,723
878001 PERF CONNECTS/DISCON/RECON-GAS	1,184,849	937,787	247,062
878000 OPER/INSP MTRS COLLECT DATAGAS	285,105	204,880	80,226
871000 DIST LOAD DISPATCHING	271	0	271
879000 DIST CUSTOMER INSTALLATIONS	556,638	499,267	57,371
881000 DIST OPER RENTS	2,631	676	1,955
880001 CO USED GAS O&M OFFSET	2,759	19,765	(17,006)
880000 DIST OPS OTHER EXPENSE	2,095,595	2,098,265	(2,671)
873000 DISTR FUEL/POWER COMPR STATION	0	269	(269)
872000 DIST COMPR STAT LABR & EXP	76	14	63
759000 NG PROD GATH OTHER EXPENSES	0	4,846	(4,846)
804000 NATURAL GAS CITY GATE PURCHASE	65,778,708	70,145,737	(4,367,029)
805000 OTHER GAS PURCHASES	(747)	(495)	(252)
805001 COST OF UNBILLED REVENUE	(212,236)	(1,392,776)	1,180,540
805100 PURCHASED GAS COST ADJUSTMENTS	3,820,229	2,340,021	1,480,209
805200 FINANCIAL GAS COST ADJ	(1,360,512)	(1,714,655)	354,143
808100 GAS WITHDRAWN FROM STORAGE DR	5,951,485	5,498,894	452,591
808200 GAS DELIVERED TO STORAGE CR	(6,939,943)	(6,015,333)	(924,610)

	Year-To-Date	Year-To-Date	Year-To-Date
	2011	2010	Variance
812000 GAS USED FOR OTHER UTILITY OPS	(20,245)	(19,760)	(485)
813000 OTHER GAS SUPPLY EXPENSES	397	0	397
814000 UG STORAGE OPS SUPERV & ENG	2,854	0	2,854
TOTAL ELECTRIC/GAS OPERATING EXPENSE	74,264,915	75,183,876	(918,961)
901000 CUST ACCTS SUPERVISION	279,913	207,788	72,125
902002 OTHER METER READING EXPENSES	83,158	235,275	(152,116)
902001 RE-READ METERS	59,896	28,281	31,614
902000 READ METERS	1,071,403	786,447	284,955
903002 PROC/COLLECT DELINQUENT ACCTS	253,487	251,375	2,112
903001 PROCESS CUSTOMER REMITTANCES	70,192	61,562	8,630
903000 CUST ACCTS RECORDS & COLLECTIO	1,739,711	1,620,823	118,888
904000 UNCOLLECTIBLE ACCOUNTS	276,727	249,253	27,475
905000 MISC CUSTOMER ACCOUNTS	225,605	214,464	11,141
907000 CUSTOMER SERVICE SUPERVISION	496,163	225,534	270,629
908000 CUSTOMER ASSISTANCE EXP	431,505	330,403	101,102
909000 INFORMATIONAL & INSTRUCT ADS	56,564	72,128	(15,564)
910000 MISC CUST SERVICE & INFO	15,509	9,281	6,228
912000 SALES DEMONSTRATING & SELLING	78,073	68,948	9,125
916000 MISCELLANOUS SALES EXPENSES	4,058	3,809	249
911000 SALES SUPERVERION	198,300	129,871	68,429
913000 SALES ADVERTISING EXPENSES	7,259	19,348	(12,089)
920000 ADMIN AND GENERAL SALARIES	8,708,357	6,163,215	2,545,143
920999 LABOR OVERHEAD OFFSET	(3,000,664)	(1,027,920)	(1,972,745)
921000 OFFICE SUPPLIES & EXPENSE	1,599,321	2,095,756	(496,434)
922000 ADMIN EXP TRANS CREDIT	(425,398)	(501,361)	75,964
923000 OUTSIDE SERVICES	1,201,986	991,026	210,960
924000 PROPERTY INSURANCE	31,275	31,074	201
925000 INJURIES AND DAMAGES	672,362	2,072,174	(1,399,813)
926000 EMPLOYEE PENSIONS & BENEFITS	4,136,415	3,560,188	576,227
926999 BENEFIT OVERHEAD OFFSET	(3,925,753)	(1,801,121)	(2,124,632)
928000 REGULATORY COMMISSION EXP	534,055	333,046	201,009
930100 GENERAL ADVERTISING	89,577	36,292	53,285
930200 MISCELLANEOUS GENERAL EXP	241,326	204,462	36,864
931000 A & G RENTS	262,413	362,386	(99,973)
TOTAL A&G & OTHER EXPENSES	15,472,795	17,033,805	(1,561,010)
<b>TOTAL OPERATING EXPENSE</b>	<b>89,737,710</b>	<b>92,217,681</b>	<b>(2,479,972)</b>
861000 TRANS MAINT SUPERV & ENGIN	13,627	6,869	6,758
835000 UG STOR MNT MEAS & REG STAT EQ	0	367	(367)
863000 TRANS MAINT OF MAINS	497,627	335,019	162,608
865000 TRANS MNT MEAS & REG STAT EQU	35,434	38,541	(3,106)
867000 TRANS MAINT OF OTHER EQUIP	500	6,512	(6,012)
888000 DIST MAINT COMPR STATION EQUIP	9,522	50,944	(41,422)
885000 DIST MAINT SUPER & ENG	97,182	88,169	9,012
889001 MAINTAIN FARM TAPS (O&M)	3,637	2,401	1,236
891000 DS MNT MS & REG STAT EQ-CITY G	213,735	159,244	54,491
890000 DS MNT MEAS & REG STAT EQ-IND	27,380	18,222	9,158
889000 DS MNT MEAS & REG STAT EQ-GEN	142,831	115,075	27,756
894000 DIST MAINT OF OTHER EQUIP	8,122	12,567	(4,445)
892000 DIST MAINT OF SERVICES	129,504	99,528	29,975
887001 PERFMANT_3RDPRTYDMG-UGDISTGAS	(7,837)	(4,182)	(3,654)
887000 PERF UG DISTRIB LINE MAINT-GAS	333,891	329,116	4,775
886000 DIST MAINT STRUCT & IMPROVE	23,590	20,485	3,104
893000 DIST MAINT METERS & HSE REGS	196,966	169,542	27,424
TOTAL MAINTENANCE EXPENSES	1,725,710	1,448,417	277,293
935000 MAINTENANCE GENERAL PLANT	503,717	299,400	204,317
TOTAL A&G MAINTENANCE EXPENSES	503,717	299,400	204,317
<b>TOTAL MAINTENANCE EXPENSE</b>	<b>2,229,427</b>	<b>1,747,817</b>	<b>481,610</b>

	Year-To-Date	Year-To-Date	Year-To-Date
	2011	2010	Variance
403000 DEPRECIATION	4,442,690	4,897,783	(455,093)
DEPREC EXPENSE DEPRECIATION EXPENSE	4,442,690	4,897,783	(455,093)
405000 AMORTIZATION EXPENSE	114,415	153,711	(39,296)
404900 AMORT-LTD TERM CMNPLT-CORP	0	8,323	(8,323)
AMORT & DEPL UTILITY AMORT & DEPL OF UTILITY PLANT	114,415	162,034	(47,619)
408100 Taxes Oth-Than Income Taxes	4,523,051	4,101,206	421,845
408199 TAXES OTI CAPITAL OFFSET	(1,058,659)	(452,278)	(606,381)
TAXES OTHER THAN INC TAXES OTHER THAN INCOME	3,464,392	3,648,928	(184,536)
409100 CURRENT FED INC TAX	(307,645)	(2,153,864)	1,846,220
409199 GAAP TO FERC-CURR FED INC TAX	(4,157)	0	(4,157)
INC TAXES FEDERAL INCOME TAXES FEDERAL	(311,801)	(2,153,864)	1,842,063
409101 CURRENT STATE INC TAX	9,441	(112,522)	121,963
INC TAXES OTHER INCOME TAXES OTHER	9,441	(112,522)	121,963
410101 DEFERRED CURRENT STATE INC TAX	654,890	570,579	84,311
410100 DEFERRED CURRENT FED INC TAX	11,401,272	10,237,166	1,164,106
PROV DEF INC TAX PROVISION FOR DEF INCOME TAX	12,056,162	10,807,746	1,248,416
411101 DEF INC TAX ST CR OPERATING	(454,274)	(331,837)	(122,437)
411100 DEF INC TAX FED CR OPERATING	(8,245,198)	(5,918,140)	(2,327,058)
LESS PROV DEF INC TX LESS PROV DEF INCOME TAX CRED	(8,699,472)	(6,249,977)	(2,449,495)
OTHER OPERATING EXPENSES	11,075,827	11,000,127	75,699
<b>TOTAL UTILITY OPERATING EXPENS</b>	<b>103,042,963</b>	<b>104,965,626</b>	<b>(1,922,663)</b>
<b>NET UTILITY OPERATING INCOME</b>	<b>11,015,808</b>	<b>10,060,248</b>	<b>955,560</b>
415000 MERCHANDISE REVENUES	968,934	437,258	531,676
REV MERCH JOBBING REVENUE MERCH JOBBING CONTRACT	968,934	437,258	531,676
416000 EXP MERCH JOBBING & CONTRACT	508,537	162,423	346,114
LESS COST & EXP MERC LESS COST & EXPENSE MERCH JOB	508,537	162,423	346,114
417057 OTHER REVENUE AND ROYALTIES NR	432,814	545,953	(113,139)
417020 I/C TRANSPORT REVENUE	0	19,667	(19,667)
417000 NONUTILITY REVENUES	3,937,191	3,974,196	(37,005)
REV NON UTILITY OPS REVENUE NON UTILITY OPERATIONS	4,370,005	4,539,816	(169,811)
417180 NONUTILITY DEPRECIATION EXP	46,747	77,693	(30,945)
417170 NONUTILITY MAINTENANCE EXPENSE	126	27	99
417165 EXP FOR UNCOLLECT ACCT NONREG	113,581	63,858	49,722
417162 ADMIN AND GEN-EMPL BENEFITS	182,601	154,036	28,565
417161 NONUTILITY ADMIN & GENERAL	49,624	51,994	(2,370)
417160 NONUTILITY SELLING EXPENSE	219,728	197,574	22,154
417158 NONUTILITY OPS EXPENSE OTHER	170,480	80,211	90,270
417101 NONUTILITY EXP - OTHER O&M	540,431	671,916	(131,485)
417100 NONUTILITY EXPENSES - COS	2,351,488	2,219,368	132,120
LESS EXP NON UTILITY LESS EXPENSE NON UTILITY OPS	3,674,807	3,516,677	158,130
418000 NONOPERATING RENTAL INCOME	86,884	26,660	60,224
NON OP RENTAL INCOME NON OPERATING RENTAL INCOME	86,884	26,660	60,224
419000 INTEREST INCOME - 3RD PARTY	5,455	16,947	(11,492)
419005 DIVIDEND INCOME	1,578	0	1,578
419050 I/C INTEREST INCOME FROM UMP	1,077,977	219,113	858,864
419052 I/C INT INC ALLOC FROM BHSC	118	2,529	(2,411)
INT & DIVIDEND INC INTEREST & DIVIDEND INCOME	1,085,128	238,589	846,539
421000 Misc Nonoperating Income	17,459	12,701	4,758
MISC NON OP INCOME MISC NON OPERATING INCOME	17,459	12,701	4,758
421198 O&M GAIN ON SALE OF ASSET	50,433	0	50,433
GAIN DISPO PROPERTY GAIN ON DISPOSITION PROPERTY	50,433	0	50,433
<b>TOTAL OTHER INCOME</b>	<b>2,395,497</b>	<b>1,575,923</b>	<b>819,574</b>
421299 LOSS ON ASSET SALES	0	11,980	(11,980)
LOSS DISPO PROPERTY LOSS ON DISPOSITION PROPERTY	0	11,980	(11,980)

	Year-To-Date	Year-To-Date	Year-To-Date
	2011	2010	Variance
426100 MISC NONOPER DONATIONS	191,855	159,980	31,875
DONATIONS	191,855	159,980	31,875
426300 MISC NONOPER PENALTIES	410	0	410
PENALTIES	410	0	410
426400 MISC NONOPER CIVIC & POLITICAL	29,419	33,420	(4,001)
EXP CIVIC POLITICAL EXP CIVIC POLITICAL & RELATED	29,419	33,420	(4,001)
426500 MISC NONOPER OTHER	(5,902)	10,931	(16,833)
OTHER DEDUCTIONS	(5,902)	10,931	(16,833)
TTL OTH INC DEDUCT TOTAL OTHER INCOME DEDUCTIONS	215,782	216,311	(529)
408202 TAXES OTHR TN INCTAX DIR BUS	0	29,743	(29,743)
408200 TAXES OTHR TN INCTAX NON UTIL	45,525	46,663	(1,138)
TAXES OTHER TAXES ON OTHER INCOME	45,525	76,406	(30,881)
409200 CURR INC TAX FED NONOPERATING	315,313	371,527	(56,214)
INC TAX FED OTHER FED INC TAX OTHER INC DED	315,313	371,527	(56,214)
409201 CURR INC TAX ST NONOPERATING	18,385	21,663	(3,278)
INC TAX STATE OTHER STATE INC TAX OTHER INC & DED	18,385	21,663	(3,278)
TAXES OTH INC & DED TAXES OTHER INCOME & DEDUCTION	379,223	469,596	(90,373)
NET OTH INC & DED NET OTHER INCOME & DEDUCTIONS	1,800,493	890,016	910,476
<b>TOTAL OTHER INCOME &amp; DEDUCTIONS</b>	<b>1,800,493</b>	<b>890,016</b>	<b>910,476</b>
428000 AMORTIZ DEBT DISCOUNT	0	136,847	(136,847)
AMORT DEBT DISC EXP AMORT DEBT DISC & EXPENSE	0	136,847	(136,847)
430000 I/C INTEREST EXPENSE TO UMP	1,383,361	771,322	612,038
430002 I/C INT EXP ALLOC FROM BHSC	6,119	7,240	(1,122)
430005 I/C INTEREST EXPENSE AFFILIATE	4,795,358	4,987,785	(192,427)
INT DEBT ASSOC COMP INTEREST ON DEBT ASSOC COMPANY	6,184,837	5,766,348	418,489
431000 INTEREST EXPENSE - 3RD PARTY	866,177	514,383	351,794
431001 INTEREST ON CUSTOMER DEPOSITS	9,773	0	9,773
431999 GAAP TO FERC-INTEREST EXPENSE	4,157	0	4,157
OTH INTEREST EXPENSE OTHER INTEREST EXPENSE	880,108	514,383	365,724
432000 AFUDC DEBT	(182,830)	(125,230)	(57,599)
LESS AFUDC BORROWED	(182,830)	(125,230)	(57,599)
NET INTEREST CHRGS NET INTEREST CHARGES	6,882,115	6,292,348	589,767
<b>NET INTEREST CHARGES</b>	<b>6,882,115</b>	<b>6,292,348</b>	<b>589,767</b>
<b>NI BEFORE EXTRAORDINARY ITEMS</b>	<b>5,934,186</b>	<b>4,657,916</b>	<b>1,276,269</b>
EXTRAORDINARY ITEMS	0	0	0
<b>TOTAL NET INCOME</b>	<b>5,934,186</b>	<b>4,657,916</b>	<b>1,276,269</b>

Report: Income Stmt - QTD & YTD w Pr Yr for FERC Rpt Detail Page: 1 of 1

Printed: Jan 16, 2012 08:56 AM Hyp 11.1.1.3

Data from the PSGLFERC Essbase Cube

# Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)

## Business Unit: BH KANSAS GAS UTILITY CO LLC

HTD December, 2011

Run For: Actual Data, All Resource Codes, All Allocation Types  
Data from the PSGLFERC Essbase Cube

Account Description	Y2011	Y2010	Change from
	I-T-D(December)	I-T-D(December)	Prior Year End
<b>ASSETS:</b>			
<b>UTILITY PLANT:</b>			
101000 PLANT IN SERVICE	94,889,051	95,648,887	(759,836)
101001 PLANT IN SERVICE INTANGIBLES	3,208,194	3,208,194	0
101304 PLANT IN SERVICE ARO	7,758	7,758	0
101999 GAAP TO FERC PLANT	84,438,290	84,438,290	0
106000 COMPLETE NOT CLASSIFIED IN CPR	4,579,560	3,321,846	1,257,714
114000 PLANT ACQUISITION ADJUSTMENTS	5,234,286	5,234,286	0
114003 PLANT ACQUISITION ADJ - OTHER	(124,688)	(124,688)	0
118990 BHUHC UTILITY PLANT ALLOC	25,811,650	0	25,811,650
118999 COMMON UTILITY PLANT ALLOC	2,895,486	18,788,843	(15,893,357)
UTILITY PLANT	220,939,586	210,523,415	10,416,170
107000 CONSTRUCTION WORK IN-PROGRESS	3,370,126	4,798,252	(1,428,126)
CWIP Construction Work In Progress	3,370,126	4,798,252	(1,428,126)
TOTAL UTILITY PLANT	224,309,712	215,321,667	8,988,044
108000 PLT IN SERV-ACCUM DEPREC-ORIG	38,610,235	41,219,879	(2,609,643)
108001 RETIREMENT WORK IN PROGRESS	(9,049)	53,258	(62,307)
108002 PLT IN SERV-ACCUM DEPR-REM COS	570,147	1,186,522	(616,375)
108003 PLT IN SERV-ACCUM DEPREC-SALV	(851,940)	(851,940)	0
108004 ACCUM DEPR/RET/REM/SALV	(30,358,548)	(30,358,548)	0
108005 ACCUM DEPR/RET/REM/SALVT&WE	(825,152)	(825,152)	0
108006 ACCUM AMORT - INTANGIBLES	(1,424,411)	(1,309,996)	(114,415)
108304 ACCUMULATED DEPR-LEGAL ARO	(4,441)	(4,276)	(165)
108305 ACCUMULATED DEPR-NON LEGAL ARO	0	(3,669,236)	3,669,236
108999 GAAP TO FERC ACCUM DEPR	(84,438,290)	(84,438,290)	0
111000 PLT IN SERV-ACC AMORT -REGUTIL	(91,042)	(91,042)	0
119990 BHUHC ACCUM DEPR-ALLOC	(14,296,220)	0	(14,296,220)
119998 MON UTIL ACC DEPR CUR CUR ALLOC	(1,351,846)	(2,572,290)	1,220,444
119999 COMMON UTIL-ACC DEPR-ALLOC	(1,690,643)	(13,710,399)	12,019,756
ACCUM DEPRECIATION	(96,161,202)	(95,371,512)	(789,689)
<b>NET UTILITY PLANT</b>	<b><u>128,148,510</u></b>	<b><u>119,950,155</u></b>	<b><u>8,198,355</u></b>
<b>OTHER PROPERTY AND INVESTMENTS:</b>			
121990 BHUHC NON UTILITY PLANT ALLOC	760,120	0	760,120
121999 NON UTILITY PLANT ALLOC	155,606	1,438,945	(1,283,340)
121000 NONUTILITY PROPERTY	574,883	574,883	0
NON UTILITY PROPERTY	1,490,608	2,013,828	(523,220)
122000 NON-UTIL PLT-ACCUM DEPR-ORIG	(381,419)	(370,309)	(11,110)
122200 PLT IN SERV-ACCM AMORT-NONUTIL	(1,273)	(1,273)	0
122990 BHUHC ACCUM DEPR-NON UTIL PLT	(677,042)	0	(677,042)
122999 NON UTIL-ACCDEPR-ALLOC	(90,856)	(1,353,547)	1,262,690
ACCUM PROV DEPREC ACCUM PROV FOR DEPRECIATION	(1,150,590)	(1,725,128)	574,538
<b>TTL OTH PROPERTY &amp; INVESTMENT</b>	<b><u>340,019</u></b>	<b><u>288,700</u></b>	<b><u>51,319</u></b>

Account Description	Y2011	Y2010	Change from
	I-T-D(December)	I-T-D(December)	Prior Year End
<b><u>CURRENT AND ACCRUED ASSETS:</u></b>			
131508 CITIBANK OTHER WIRE/ACH	0	300	(300)
131232 WELLS FARGO OTHER MANUAL	14,573	14,573	0
131221 WELLS FARGO PMT SVCS	24,619	2,457	22,162
131152 WELLS FARGO WFED LOCK BOX	23,032	0	23,032
131150 WELLS FARGO UTIL DEPOSITORY	0	56,741	(56,741)
131148 WELLS FARGO OPER CASH	197,741	0	197,741
131126 BOA WICHITA	0	19,944	(19,944)
CASH ACCOUNTS	259,965	94,015	165,951
142006 CUSTOMER A/R INSTALL	233,471	226,204	7,267
142003 CUSTOMER A/R FINANCE PROGRAM	24,440	31,454	(7,013)
142002 CUSTOMER A/R MERC	84,733	49,100	35,633
142001 CUSTOMER A/R OFF SYSTEM	361,000	330,000	31,000
142000 CUSTOMER ACCTS RECEIVABLE CIS	7,366,587	7,852,082	(485,496)
CUST ACCT RECEIVABLE CUSTOMER ACCOUNTS RECEIVABLE	8,070,231	8,488,840	(418,609)
143038 A/R MEDICARE SUBSIDY	83,608	83,790	(182)
143028 A/R TO BE COLLECTED FOR OTHERS	(190)	(61)	(130)
143012 A/R OTHER EMPLOYEE LOANS	8,516	3,457	5,059
143008 A/R DAMAGE CLAIMS	33,775	119,665	(85,890)
143007 A/R ADMINISTRATIVE SERVICES	7,739	14,201	(6,462)
143003 A/R CONTRIB IN AID OF CONSTRUC	105,256	229,511	(124,256)
143005 A/R ACCRUALS	0	6,472	(6,472)
OTHER ACCTS RECVBL OTHER ACCOUNTS RECEIVABLE	238,703	457,035	(218,332)
144000 ACCUM PROV FOR UNCOLL ACCTS	(179,729)	(275,717)	95,988
ACCUM PROV-UNCOLL ACCUM PROV FOR UNCOLLECTIBLE	(179,729)	(275,717)	95,988
145000 I/C NOTES RECEIVABLE FROM UMP	26,994,403	27,703,066	(708,663)
145100 I/C INTEREST REC FROM UMP	71,538	0	71,538
NOTES REC INTER CO NOTES RECEIVABLE INTER COMPANY	27,065,940	27,703,066	(637,126)
146000 I/C ACCOUNTS RECEIVABLE	881,483	126,896	754,587
ACCTS REC INTER CO ACCTS RECEIVABLE INTER COMPANY	881,483	126,896	754,587
154000 MATERIALS AND SUPPLIES GENERAL	417,750	323,075	94,675
154003 INVENTORY MANUAL	1,134	(9,888)	11,022
154007 INVENTORY-TRANSFERS IN TRANSIT	320	830	(510)
PLANT MATERIAL & OP PLANT MATERIALS & OP SUPPLIES	419,205	314,017	105,188
163000 STORES EXPENSE UNDISTRIBUTED-	325,851	719	325,132
STORES EXP UNDIST STORES EXPENSE UNDISTRIBUTED	325,851	719	325,132
164118 STORED UNDERGROUND-CENTERPOINT	1,253,841	1,128,223	125,617
164107 GAS STORED UNDERGROUND WNG	2,277,015	2,111,353	165,662
164104 GAS STORED UNDERGROUNDKNE	291,184	301,929	(10,744)
164102 GAS STORED UNDERGROUND NNG	1,808,549	1,643,857	164,692
164100 GAS STORED UNDERGROUND-	(538,241)	(1,071,993)	533,752
GAS STORED UG CRNT GAS STORED UNDERGROUND CRNT	5,092,349	4,113,369	978,980
165180 PREPAID STATE TAXES	280,861	299,942	(19,081)
165007 PREPAID FEDERAL TAXES	216,126	0	216,126
165002 PREPAID INSURANCE	35,000	27,307	7,694
165020 PREPAID DUES AND SUBSCRIPTIONS	0	0	0
PREPAYMENTS	531,987	327,249	204,738
173000 ACCRUED UNBILLED REVENUES	8,097,111	8,307,135	(210,024)
ACCD UTILITY REVENUE ACCRUED UTILITY REVENUES	8,097,111	8,307,135	(210,024)
174005 EXCHANGE GAS RECEIVABLE PEPL	122,037	(43,417)	165,454
174007 EXCHANGE GAS RECEIVABLE WMS	27,779	708	27,071
MISC CRNT ACCD ASSTS MISC CURRENT & ACCURED ASSETS	149,816	(42,709)	192,525
<b>TTL CURRENT &amp; ACCRUED ASSETS</b>	<b>50,952,913</b>	<b>49,613,914</b>	<b>1,338,998</b>

Account Description	Y2011	Y2010	Change from
	I-T-D(December)	I-T-D(December)	Prior Year End
<b>DEFERRED DEBITS:</b>			
181000 UNAMORTIZED DEBT EXP	0	261,757	(261,757)
UNAMORT DEBT EXP UNAMORTIZED DEBT EXPENSE	0	261,757	(261,757)
182300 REG ASSET OTHER	2,038,840	966,485	1,072,355
182305 REG ASSET ARO	35,084	32,712	2,373
182309 REG ASSET FAS 106 PRIOR SVC	484,757	643,518	(158,761)
182310 REG ASSET PENSION PRIOR SVC	1,556,523	1,772,984	(216,461)
182313 REGULATORY ASSSET - COMP ABS	24,789	0	24,789
182315 REG ASSET FAS 106	1,095,438	862,692	232,746
182316 REG ASSET PENSION	6,077,864	3,184,238	2,893,626
OTHER REG ASSETS OTHER REGULATORY ASSETS	11,313,296	7,462,629	3,850,667
184017 MISC CAPITAL CLEARING	0	2,395	(2,395)
184013 POOL GAS CLEARING	0	(9,478)	9,478
184003 FIELD ENGINEERING CLEARING	18,640	221	18,420
184000 FLEET/TRANSPORTATION CLEARING	24,666	0	24,666
CLEARING ACCOUNTS	43,306	(6,862)	50,168
186002 DEFERRED RATE CASE EXPENSES	69,385	27,114	42,271
186023 METER SHOP CAPEX STATE ALLOC	709,214	969,339	(260,125)
186998 DEFERRED ASSETS - OTHER	4,924	24,555	(19,631)
MISC DEFERRED DEBITS	783,523	1,021,008	(237,485)
190520 DEFERRED TAX ASSET LT	5,645,638	3,611,223	2,034,415
190299 DEF TAX ASSET STATE INC TAX ST	24,953	12,836	12,117
190190 DEF TAX AMORTIZATION OF CIAC	(413)	(413)	0
190175 DEFERRED TAX ASSET ST	396,139	220,127	176,012
190599 DEF TAX ASSET STATE INC TAX LT	326,742	210,567	116,175
ACCUM DEF INC TAXES ACCUM DEFERRED INCOME TAXES	6,393,059	4,054,341	2,338,718
191600 UNREC PGA CST EST-GEN SYS	414,137	5,005,393	(4,591,255)
191560 UNREC PGA CAP REL-SH SHAREDREV	64,523	88,338	(23,815)
191549 UNREC PGA CAPACITY RELEASE	(129,045)	(176,675)	47,630
191541 UNREC PGA CST PND KS	1,257,598	779,566	478,032
191300 UNREC PGA CST UNBILLED	(5,590,579)	(5,802,815)	212,236
191100 UNREC PGC ACTUAL-GEN SYSTEM	4,173,073	106,194	4,066,878
UNREC PURCH GAS UNRECOVERED PURCHASED GAS	189,706	0	189,706
<b>DEFERRED DEBITS</b>	<b><u>18,722,891</u></b>	<b><u>12,792,873</u></b>	<b><u>5,930,018</u></b>
<b>TOTAL ASSETS AND OTHER DEBITS:</b>	<b><u>198,164,332</u></b>	<b><u>182,645,642</u></b>	<b><u>15,518,690</u></b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY:</b>			
<b>PROPRIETARY CAPITAL:</b>			
211001 ADDL PAID IN CAPITAL	55,514,021	55,514,021	0
OTH PAID IN CAPITAL OTHER PAID IN CAPITAL	55,514,021	55,514,021	0
216000 RETAINED EARNINGS GENERAL	11,987,782	7,329,865	4,657,917
RETAINED EARNINGS	11,987,782	7,329,865	4,657,917
219002 OTHER COMPRESENSIVE INCOME	0	(120,817)	120,817
219016 AOCI DERIVATIVES TAX BENEFIT	0	42,286	(42,286)
ACCUM OTR COMP INC ACCUM OTH COMPREHENSIVE INCOME	0	(78,531)	78,531
<b>TOTAL PROPRIETARY CAPITAL</b>	<b><u>67,501,803</u></b>	<b><u>62,765,355</u></b>	<b><u>4,736,448</u></b>
<b>LONG-TERM DEBT:</b>			
226100 DISCOUNT ON BONDS	0	(36,404)	36,404
226101 AMORTIZATION OF DISCOUNTS	0	27,607	(27,607)



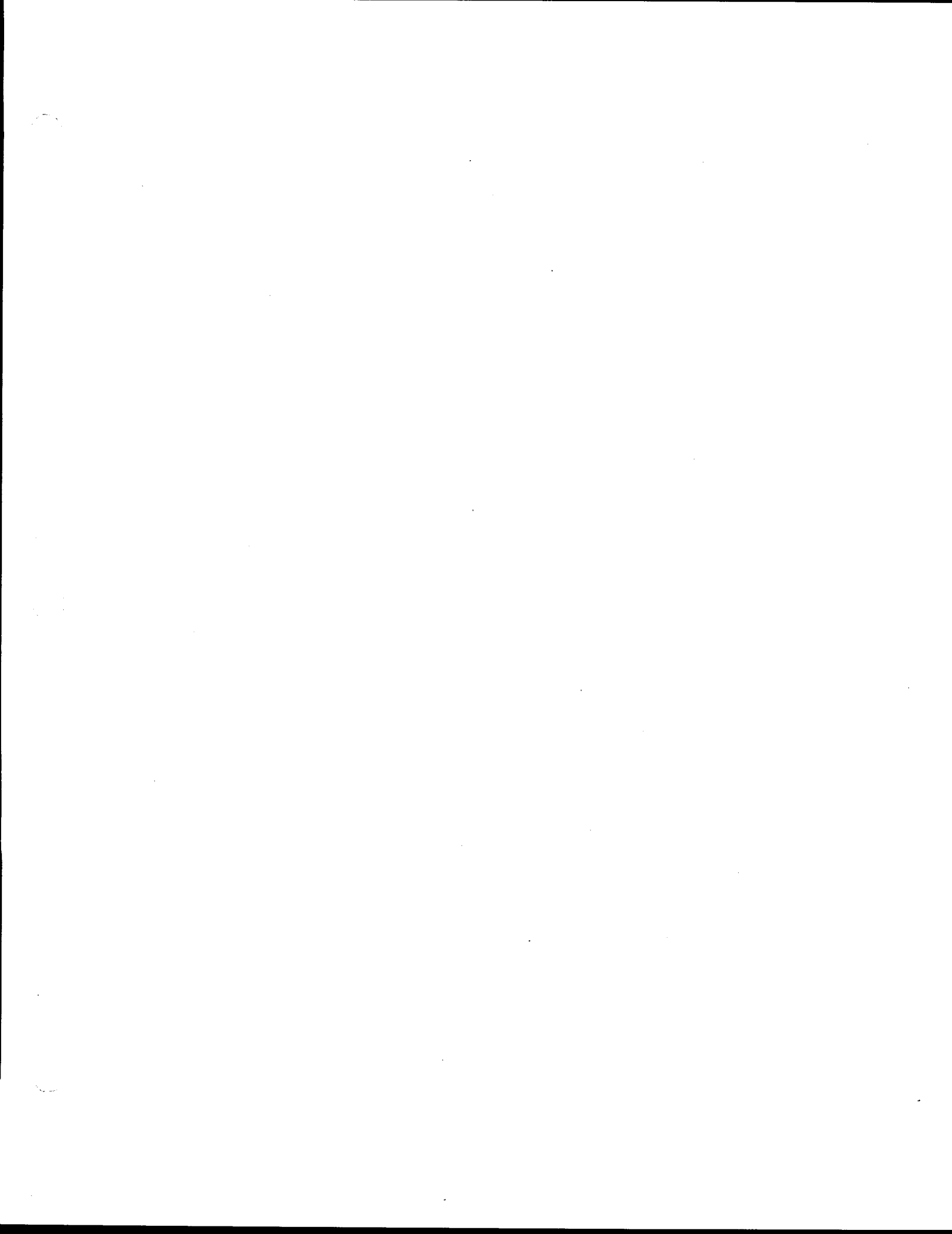
Account Description	Y2011	Y2010	Change from
	I-T-D(December)	I-T-D(December)	Prior Year End
UNAMAORT DISC ON LTD UNAMORT DISCOUNT ON LT DEBT	0	(8,798)	8,798
TOTAL LONG TERM DEBT	0	(8,798)	8,798
<b>OTHER NON-CURRENT LIABILITIES:</b>			
228204 RESERVE MEDICAL	102,936	101,577	1,359
228203 RESERVE AUTO LIABILITY	(41,151)	(6,818)	(34,333)
228202 RESERVE WORKERS' COMPENSATION	707,165	706,036	1,130
228200 RESERVE GENERAL LIABILITY	129,530	119,559	9,971
ACCUM PROV INJRY DAM ACCUM PROV INJURIES & DAMAGES	898,480	920,353	(21,873)
229001 BILLINGS COLL SUBJECT TO REFUN	0	16,875	(16,875)
ACCUM PROV RATE RFND ACCUM PROV FOR RATE REFUNDS	0	16,875	(16,875)
230304 ACCUM RESV OBLIGATION ARO	38,401	36,193	2,208
ASSET RETIRE OBLIG ASSET RETIREMENT OBLIGATIONS	38,401	36,193	2,208
TTL OTR NONCRNT LIAB TTL OTHER NONCRNT LIABILITIES	<u>936,881</u>	<u>973,421</u>	<u>(36,541)</u>
<b>CURRENT AND ACCRUED LIABILITIES:</b>			
232000 AP PEOPLESFT SUBLEDGER	1,392,987	692,409	700,577
232001 A/P INVENTORY ACCRUAL	8,711	0	8,711
232005 A/P PO ACCRUAL	133,539	6,022	127,517
232006 A/P GAS PURCHASES ESTIMATED	6,368,629	10,459,846	(4,091,217)
232009 A/P MANUAL	546,075	2,030,351	(1,484,276)
232016 A/P WH HEALTH INSURANCE	0	0	0
232023 A/P WH LIFE INSURANCE	0	(24,119)	24,119
232026 A/P CUSTOMER CARE	(3,605)	11,710	(15,315)
ACCTS PAYABLE ACCOUNTS PAYABLE	8,446,336	13,176,219	(4,729,883)
233053 I/C NOTES PAYABLE AFFILIATE	59,576,673	59,576,673	0
233100 I/C INTEREST PAYABLE TO UMP	0	10,372	(10,372)
233153 I/C INTEREST PAYABLE AFFILIATE	399,613	401,961	(2,348)
NOTE PAY INTER CO NOTES PAYABLE INTER COMPANY	59,976,286	59,989,006	(12,720)
234222 CIS+ ACCOUNT BALANCE TRANSFERS	171	0	171
234000 I/C ACCOUNTS PAYABLE	19,847,387	16,711,522	3,135,865
234002 I/C AP ENSERCO SETTLEMENTS	167,585	0	167,585
ACCT PAY INTER CO ACCOUNTS PAYABLE INTER COMPANY	20,015,143	16,711,522	3,303,621
235000 CUSTOMER DEPOSITS-	1,818,108	2,054,059	(235,951)
CUSTOMER DEPOSITS	1,818,108	2,054,059	(235,951)
236000 ACCRUED INCOME TAXES FEDERAL	(1)	767,710	(767,710)
236001 ACCRUED INCOME TAXES STATE	(1)	0	(1)
236003 ACCRUED TAXES SALES/USE	18,932	(8,565)	27,497
236004 ACCRUED PROPERTY TAXES	1,907,784	1,682,672	225,112
236005 ACCRUED FRANCHISE TAX	7	160	(153)
236010 ACCRUED FICA TAX EMPLOYER	93,359	33,257	60,102
236011 ACCRUED FUTA TAX	29	198	(169)
236012 ACCRUED SUTA TAX	8	53	(44)
236998 ACCRUED UTILITY COMM TAXES	405,000	0	405,000
TAXES ACCRUED	2,425,117	2,475,483	(50,366)
241006 STATE WITHHOLDING TAXES PAYABL	26,022	25,867	155
241004 STATE SALES AND USE TAX	200,427	160,667	39,760
241002 TAX COLLECTION PAY CITY FRANCH	621,809	648,885	(27,076)
TAX COLLECTED PAY TAX COLLECTIONS PAYABLE	848,258	835,419	12,839
242003 ACCRUED BENEFITS COMP ABSENCES	206,985	189,149	17,836
242013 ACCRUED BENEFITS 401K	27,526	128,865	(101,339)
242019 ACCRUED ENERGY AID ASSISTANCE	17,741	47,192	(29,450)
242021 ACCRUED PAY IT FORWARD	3,105	3,105	0

Account Description	Y2011	Y2010	Change from
	I-T-D(December)	I-T-D(December)	Prior Year End
242028 ACCRD UNCL CHECKS/ESCHEATS	(734)	(1,217)	483
242041 ACCRUED INCENTIVE	702,182	632,675	69,507
242045 ACCRUED PAYROLL	345,857	356,773	(10,915)
242046 ACCRUED EE REIMBURSED EXP	16,889	37,202	(20,313)
242075 ACCRUED PERSONAL CARE	26,269	26,269	0
242999 ACCRUED OTHER	2,098,536	2,573,132	(474,596)
MISC CRNT ACCD LIAB MISC CURRENT & ACCRUED LIAB	3,444,357	3,993,144	(548,787)
<b>TOTAL CURRENT &amp; ACCRUED LIAB</b>	<b><u>96,973,605</u></b>	<b><u>99,234,852</u></b>	<b><u>(2,261,247)</u></b>
<b>DEFERRED CREDITS:</b>			
252000 CUSTOMER ADVANCES FOR CONST	558,301	892,506	(334,205)
CUST ADV FOR CONSTR CUSTOMER ADVANCE CONSTRUCTION	558,301	892,506	(334,205)
253001 OTH DEF CR CONTRACTOR RETAINAG	0	10,293	(10,293)
253002 CONTRACTOR RETAINAGE CURRENT	10,293	0	10,293
253006 OTH DEF CR ENVIRONMENTAL	0	45,599	(45,599)
253011 ACCRUED GROUP INS RETIREE LT	874,931	781,678	93,254
253105 ACCRUED PENSION	6,534,484	4,224,449	2,310,035
253134 STATE FIN48 LIABILITY	21,687	2,022	19,665
253520 FIN 48 LIABILITY	379,324	35,144	344,180
253700 OTH DEF CR ENERGY ASST PRGM	2,286	0	2,286
253997 GAAP TO FERC FIN48 LIAB FED	(337,280)	0	(337,280)
253998 GAAP TO FERC-FIN 48 LIAB-STATE	(19,667)	0	(19,667)
OTH DEFERRED CREDITS OTHER DEFERRED CREDITS	7,466,059	5,099,185	2,366,874
254020 REG LIAB PGA CR BAL RECLASS	4,173,073	106,194	4,066,878
254004 REG LIAB ACL PIPE REPL RIDR KS	229	224	6
254001 REG LIAB EMISSIONS	0	0	0
254100 REG LIAB LT RETIREE HC INC TAX	624,245	491,613	132,632
254200 REG LIABILITY LT PENSION INC TAX	3,463,523	1,814,565	1,648,958
OTH REGULATORY LIAB OTHER REGULATORY LIABILITIES	8,261,070	2,412,596	5,848,474
282299 DEF TAX LIAB STATE OTH PROP ST	0	0	0
282100 DEF TAX PROPERTY LT	12,522,886	7,904,302	4,618,584
282599 DEF TAX LIAB STATE OTH PROP LT	730,198	460,891	269,307
282998 GAAP TO FERC-DEFTAX-ACCEL DEPR	337,280	0	337,280
282999 GAAP TO FERC-DEFTAX-DEPR STATE	19,667	0	19,667
ACCUM DEF INC TAX PR ACCUM DEF INCOME TAXES PROPTY	13,610,030	8,365,193	5,244,837
283440 DEFERRED TAX LIAB LT	(3,346,219)	(2,188,054)	(1,158,165)
283134 DEF TAX LIAB STATE INC TAX ST	25,507	32,190	(6,684)
283005 DEFERRED TAX LIAB ST	437,422	552,052	(114,630)
283534 DEF TAX LIAB STATE INC TAX LT	(194,313)	(142,774)	(51,539)
ACCUM DEF INC TAX OT ACCUM DEF INCOME TAX OTHER	(3,077,603)	(1,746,585)	(1,331,018)
<b>TOTAL DEFERRED CREDITS</b>	<b><u>26,817,857</u></b>	<b><u>15,022,895</u></b>	<b><u>11,794,963</u></b>
<b>UNDIST YTD NET INCOME</b>	<b>5,934,186</b>	<b>4,657,916</b>	<b>1,276,269</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY:</b>	<b><u>198,164,332</u></b>	<b><u>182,645,642</u></b>	<b><u>15,518,690</u></b>
Balance Sheet Tie Out (Assets=Liabilities)	0	0	0

Report: Bal Sheet - Detail w Totals YTD & LYD FERC Page: 1 of 1

Printed: Jan 16, 2012 08:39 AM Hyp 11.1.1.3

Data from the PSGLFERC Essbase Cube



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

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

For the fiscal year ended December 31, 2011

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

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

Commission File Number 001-31303

**BLACK HILLS CORPORATION**

Incorporated in South Dakota

625 Ninth Street

IRS Identification Number

Rapid City, South Dakota 57701

46-0458824

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

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

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

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

Yes  No

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

Yes  No

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

Yes  No

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

Yes  No

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

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

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

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

Yes  No

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

At June 30, 2011 \$1,169,775,169

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

<u>Class</u>	<u>Outstanding at January 31, 2012</u>
Common stock, \$1.00 par value	43,929,272 shares

**Documents Incorporated by Reference**

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2012 Annual Meeting of Stockholders to be held on May 23, 2012, are incorporated by reference in Part III of this Form 10-K.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

Years ended	December 31, 2011	December 31, 2010	December 31, 2009
	(in thousands, except per share amounts)		
<b>Revenue:</b>			
Utilities	\$ 1,155,519	\$ 1,109,761	\$ 1,091,638
Non-regulated energy	116,669	109,930	107,074
<b>Total revenue</b>	<b>1,272,188</b>	<b>1,219,691</b>	<b>1,198,712</b>
<b>Operating expenses:</b>			
Utilities -			
Fuel, purchased power and cost of gas sold	574,989	566,967	595,240
Operations and maintenance	247,496	251,375	241,995
Non-regulated energy operations and maintenance	93,453	71,672	76,137
Gain on sale of operating assets	—	(8,921)	(25,971)
Depreciation, depletion and amortization	135,591	126,606	120,938
Impairment of long-lived assets	—	—	43,301
Taxes - property, production and severance	33,710	27,592	21,687
Other operating expenses	710	980	1,230
<b>Total operating expenses</b>	<b>1,085,949</b>	<b>1,036,271</b>	<b>1,074,557</b>
<b>Operating income</b>	<b>186,239</b>	<b>183,420</b>	<b>124,155</b>
<b>Other income (expense):</b>			
Interest charges -			
Interest expense (including amortization of debt issuance costs, premiums and discounts, realized amount on interest rate swaps)	(116,684)	(105,676)	(89,441)
Allowance for funds used during construction - borrowed	14,041	10,689	5,839
Capitalized interest	11,260	4,381	349
Unrealized (loss) gain on interest rate swaps, net	(42,010)	(15,193)	55,653
Interest income	2,017	541	923
Allowance for funds used during construction - equity	932	2,996	5,891
Other expense	(817)	(140)	(513)
Other income	2,490	2,733	5,921
<b>Total other income (expense)</b>	<b>(128,771)</b>	<b>(99,669)</b>	<b>(15,378)</b>
Income (loss) from continuing operations before earnings (loss) of unconsolidated subsidiaries and income taxes	57,468	83,751	108,777
Equity in earnings (loss) of unconsolidated subsidiaries	1,121	1,559	1,343
Income tax (expense) benefit	(18,224)	(22,169)	(32,851)
Income (loss) from continuing operations	40,365	63,141	77,269
Income (loss) from discontinued operations, net of tax	9,365	5,544	4,286
<b>Net income available for common stock</b>	<b>\$ 49,730</b>	<b>\$ 68,685</b>	<b>\$ 81,555</b>
<b>Income (loss) per share, Basic -</b>			
Income (loss) from continuing operations, per share	\$ 1.01	\$ 1.62	\$ 2.00
Income (loss) from discontinued operations, per share	0.24	0.14	0.11
<b>Total income (loss) per share, Basic</b>	<b>\$ 1.25</b>	<b>\$ 1.76</b>	<b>\$ 2.11</b>
<b>Income (loss) per share, Diluted -</b>			
Income (loss) from continuing operations, per share	\$ 1.01	\$ 1.62	\$ 2.00
Income (loss) from discontinued operations, per share	0.23	0.14	0.11
<b>Total income (loss) per share, Diluted</b>	<b>\$ 1.24</b>	<b>\$ 1.76</b>	<b>\$ 2.11</b>
<b>Weighted average common shares outstanding:</b>			
Basic	39,864	38,916	38,614
Diluted	40,081	39,091	38,684

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

Years ended	December 31, 2011	December 31, 2010	December 31, 2009
	(in thousands)		
Net income available for common stock	\$ 49,730	\$ 68,685	\$ 81,555
Other comprehensive income (loss), net of tax:			
Benefit plan liability adjustments	(7,934)	(1,521)	4,491
Fair value adjustment on derivatives designated as cash flow hedges	(2,831)	1,336	(17,481)
Reclassification adjustment of cash flow hedges settled and included in net income (loss)	1,468	(4,232)	12,609
Reclassification adjustment of cash flow hedges settled and included in regulatory assets or liabilities	—	—	—
Other comprehensive income (loss), net of tax	(9,297)	(4,417)	(381)
Comprehensive income (loss)	\$ 40,433	\$ 64,268	\$ 81,174

See Note 15 for additional disclosures related to Comprehensive Income

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	As of	
	December 31, 2011	December 31, 2010
	(in thousands)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 21,628	\$ 16,437
Restricted cash	9,254	4,260
Accounts receivable, net	156,774	171,816
Materials, supplies and fuel	84,064	62,915
Derivative assets, current	18,583	12,710
Income tax receivable, net	9,344	—
Deferred income tax assets, net, current	37,202	20,664
Regulatory assets, current	59,955	66,429
Other current assets	21,266	14,695
Assets of discontinued operations	340,851	314,235
Total current assets	758,921	684,161
Investments	17,261	17,780
Property, plant and equipment	3,724,016	3,353,509
Less accumulated depreciation and depletion	(934,441)	(861,775)
Total property, plant and equipment, net	2,789,575	2,491,734
Other assets:		
Goodwill	353,396	353,396
Intangible assets, net	3,843	4,069
Derivative assets, non-current	1,971	2,625
Regulatory assets, non-current	182,175	138,405
Other assets, non-current	19,941	19,339
Total other assets	561,326	517,834
<b>TOTAL ASSETS</b>	<b>\$ 4,127,083</b>	<b>\$ 3,711,509</b>

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(continued)

	As of	
	December 31, 2011	December 31, 2010
	(in thousands, except share amounts)	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 104,748	\$ 146,556
Accrued liabilities	151,319	147,643
Derivative liabilities, current	84,367	64,617
Accrued income tax, net	—	3,348
Regulatory liabilities, current	16,231	3,943
Notes payable	345,000	249,000
Current maturities of long-term debt	2,473	5,181
Liabilities of discontinued operations	173,929	173,323
Total current liabilities	878,067	793,611
Long-term debt, net of current maturities	1,280,409	1,186,050
Deferred credits and other liabilities:		
Deferred income tax liabilities, net, non-current	300,988	275,842
Derivative liabilities, non-current	49,033	17,897
Regulatory liabilities, non-current	108,217	84,611
Benefit plan liabilities	177,480	124,709
Other deferred credits and other liabilities	123,553	128,519
Total deferred credits and other liabilities	759,271	631,578
Commitments and contingencies (See Notes 3, 8, 9, 10, 13, 18, 19 and 20)		
Stockholders' equity:		
Common stock equity-		
Common stock \$1 par value; 100,000,000 shares authorized; issued: 43,957,502 shares at 2011 and 39,280,048 shares at 2010, respectively	43,958	39,280
Additional paid-in capital	722,623	598,805
Retained earnings	476,603	486,075
Treasury stock at cost - 32,766 shares at 2011 and 10,962 shares at 2010, respectively	(970)	(309)
Accumulated other comprehensive income (loss)	(32,878)	(23,581)
Total stockholders' equity	1,209,336	1,100,270
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 4,127,083</b>	<b>\$ 3,711,509</b>

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.



**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year ended	December 31, 2011	December 31, 2010	December 31, 2009
	(in thousands)		
<b>Operating activities:</b>			
Net income	\$ 49,730	\$ 68,685	\$ 81,555
(Income) loss from discontinued operations, net of tax	(9,365)	(5,544)	(4,286)
Income (loss) from continuing operations	40,365	63,141	77,269
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities -			
Depreciation, depletion and amortization	135,591	126,606	120,938
Impairment of long-lived assets	—	—	43,301
Gain on sale of operating assets	—	(8,921)	(25,971)
Stock compensation	5,643	5,637	3,908
Unrealized mark-to-market loss (gain) on interest rate swaps	42,010	15,193	(55,653)
Equity in (earnings) loss of unconsolidated subsidiaries	(1,121)	(1,559)	(1,343)
Allowance for funds used during construction - equity	(932)	(2,996)	(5,891)
Derivative fair value adjustments	(8,693)	13,546	19,083
Deferred income taxes	33,600	17,354	45,610
Employee benefit plans	14,586	16,342	16,349
Other adjustments	10,602	(3,851)	4,539
Change in certain operating assets and liabilities-			
Materials, supplies and fuel	(21,385)	(338)	36,767
Accounts receivable and other current assets	(4,202)	(18,480)	26,593
Accounts payable and other current liabilities	(31,091)	(12,848)	4,404
Regulatory assets	12,691	(21,283)	2,598
Regulatory liabilities	11,198	50	1,265
Contributions to defined pension plans	(11,050)	(30,015)	(16,945)
Other operating activities	(11,118)	(1,013)	7,091
Net cash provided by operating activities of continuing operations	216,694	156,565	303,912
Net cash provided by (used in) operating activities of discontinued operations	7,010	(8,813)	(33,410)
Net cash provided by operating activities	223,704	147,752	270,502
<b>Investing activities:</b>			
Property, plant and equipment additions	(440,698)	(472,292)	(346,650)
Payment for acquisition of net assets, net of cash acquired	—	(2,250)	—
Proceeds from sale of operating assets	583	70,357	84,661
Working capital adjustment - Aquila Transaction	—	—	7,880
Other investing activities	(4,533)	15,407	(15,494)
Net cash provided by (used in) investing activities of continuing operations	(444,648)	(388,778)	(269,603)
Net cash provided by (used in) investing activities of discontinued operations	(2,359)	(390)	(220)
Net cash provided by (used in) investing activities	(447,007)	(389,168)	(269,823)
<b>Financing activities:</b>			
Dividends paid on common stock	(59,202)	(56,467)	(55,151)
Common stock issued	123,041	3,246	4,819
Short-term borrowings - repayments	(821,300)	(770,000)	(1,125,300)
Short-term borrowings - issuances	1,017,300	854,500	586,000
Long-term debt - issuance	—	200,000	543,069
Long-term debt - repayments	(8,382)	(59,926)	(2,173)
Other financing activities	(1,666)	(8,363)	(5,527)
Net cash provided by (used in) financing activities of continuing operations	249,791	162,990	(54,263)
Net cash provided by (used in) financing activities of discontinued operations	(158)	(2,037)	(2,047)
Net cash provided by (used in) financing activities	249,633	160,953	(56,310)
Net change in cash and cash equivalents	26,330	(80,463)	(55,631)
Cash and cash equivalents beginning of year *	32,438	112,901	168,532
Cash and cash equivalents end of year *	\$ 58,768	\$ 32,438	\$ 112,901

\* Cash and cash equivalents include cash of discontinued operations of \$37.1 million, \$16.0 million, \$97.5 million and \$94.7 million at December 31, 2011, 2010, 2009 and 2008, respectively.

See Note 16 for supplemental disclosure of cash flow information

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

B-6

KANSAS RING FENCING COMPLIANCE  
FINANCIAL RATIOS  
TOTAL DEBT TO TOTAL CAPITALIZATION

BLACK HILLS CORPORATION  
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2011
<i>Numerator</i>	
Notes payable	345,000
+ Commercial paper	-
+ Current maturities	2,473
+ Current capitalized lease obligations	-
+ Long term debt	1,280,409
+ Capitalized lease obligations	-
+ Total OBS Debt	139,805
	<hr/>
	1,767,687
 <i>Denominator</i>	
Notes payable	345,000
+ Commercial paper	-
+ Current maturities	2,473
+ Current capitalized lease obligations	-
+ Long Term debt	1,280,409
+ Capitalized lease obligations	-
+ Common equity	1,209,335
+ Total OBS Debt	139,805
	<hr/>
	2,977,022
	 59.38%

Source: 2011 Black Hills Corporation Form 10-K

KANSAS RING FENCING COMPLIANCE  
FINANCIAL RATIOS  
FUNDS FROM OPERATIONS INTEREST COVERAGE

BLACK HILLS CORPORATION  
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2011
<i>Numerator</i>	
Net income from continuing operations	49,730
+ Depreciation, depletion & amortization	135,590
+ Deferred income taxes (net)	33,846
+ Investment tax credit amortization	(246)
- AFDC - debt	14,041
- AFDC - equity	932
+ (Income) loss from equity investments	1,121
+ (Gain) loss on property	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	205,068
+ Cash interest paid (net of interest capitalized)	103,110
+ AFDC - debt	14,041
- Interest expense adjustment	-
+ Interest on OBS debt	-
	322,219
<i>Denominator</i>	
Interest expense (net)	105,424
- Interest expense adjustment	-
+ AFDC - debt	14,041
+ Interest on OBS debt	-
	119,465
	2.70%

Source: 2011 Black Hills Corporation Form 10-K

KANSAS RING FENCING COMPLIANCE  
FINANCIAL RATIOS  
FUNDS FROM OPERATIONS AS A % OF TOTAL DEBT

BLACK HILLS CORPORATION  
(in thousands)

ATTACHMENT

06-GIMX-181-GIV

	2011
<i>Numerator</i>	
Net income from continuing operations	49,730
+ Depreciation, depletion & amortization	135,590
+ Deferred income taxes (net)	33,846
+ Investment tax credit amortization	(246)
- AFDC - debt	14,041
- AFDC - equity	932
+ (Income) loss from equity investments	1,121
+ (Gain) loss on property	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	205,068
+ Depreciation adjustment for Operating Leases	-
	205,068
<i>Denominator</i>	
Notes payable	345,000
+ Commercial paper	-
+ Current maturities	2,473
+ Current capitalized lease obligation	-
+ Long term debt	1,280,409
+ Capitalized lease obligations	-
+ Total OBS Debt	139,805
	1,767,687
	11.60%

Source: 2011 Black Hills Corporation Form 10-K

BLACK HILLS CORPORATION  
LIST OF CREDIT RATING AGENCIES AND EQUITY ANALYST REPORTS RECEIVED

Agency/Analyst	Date
Credit Suisse/Kevin Cole	5-4-2012
Gabelli & Company, Inc./Timothy Winter	5-4-2012
J.P.Morgan/Christopher Turnure	4-24-2012
D.A. Davidson & Co./James L. Bellessa, Jr.	2-7-2012
Credit Suisse/Kevin Cole	2-3-2012
D.A. Davidson & Co./James L. Bellessa, Jr.	1-24-2012
BMO Capital Markets/Michael S. Worms	1-19-2012
J.P.Morgan/Andrew Smith	1-19-2012
Gabelli & Company, Inc./Tim Winter	1-19-2012
D.A. Davidson & Co./James L. Bellessa, Jr.	12/27/2011
Gabelli & Company, Inc./Tim Winter	12/27/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	11/21/2011
Gabelli & Company, Inc./Tim Winter	11/7/2011
J.P.Morgan/Andrew Smith	11/4/2011
Credit Suisse/Dan Eggers	11/4/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	11/2/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	10/24/2011
BMO Capital Markets/Michael S. Worms	10/9/2011
Gabelli & Company, Inc./Tim Winter	10/6/2011
Credit Suisse/Dan Eggers	10/6/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	10/4/2011
Gabelli & Company, Inc./Tim Winter	9/7/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	8/24/2011
J.P.Morgan/Andrew Smith	8/5/2011
J.P.Morgan/Andrew Smith	8/3/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	7/29/2011
J.P.Morgan/Andrew Smith	7/14/2011
D.A. Davidson & Co./James L. Bellessa, Jr.	6/20/2011
Williams Capital Research/Christopher R. Ellinghaus	6/17/2011
Credit Suisse/Dan Eggers	6/10/2011
J.P.Morgan/Andrew Smith	6/9/2011

LAW OFFICES OF  
*ANDERSON & BYRD*

*A Limited Liability Partnership*

JOHN L. RICHESON  
JAMES G. FLAHERTY  
R. SCOTT RYBURN  
KEITH A. BROCK

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ROBERT A. ANDERSON  
(1920-1994)  
RICHARD C. BYRD  
(1920-2008)

May 24, 2012

Received  
on

**MAY 25 2012**

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

by  
State Corporation Commission  
of Kansas

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

Dear Ms. Petersen-Klein:

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

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

Sincerely,



James G. Flaherty  
[jflaherty@andersonbyrd.com](mailto:jflaherty@andersonbyrd.com)

JGF:rr  
Enclosure