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May 29, 2014

via e-filing EXPRESS

Ms. Kim Christiansen
Executive Director
Kansas Corporation Commission
1500 S. W. Arrowhead Road
Topeka, Kansas 66604-4027

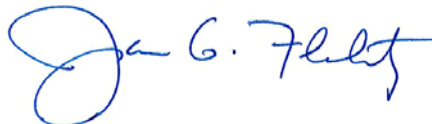
Re: Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy
Docket No. 11-BHCG-800-CPL

Dear Ms. Christiansen:

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.

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

Sincerely,



James G. Flaherty
jflaherty@andersonbyrd.com

JGF:rr

Enclosure

cc: Robert J. Amdor
Ann Stichler
Patrick J. Joyce

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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

Docket No. 11-BHCG-800-CPL

**COMPLIANCE FILING OF
BLACK HILLS ENERGY**

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

1. Cost Allocation Manual ("CAM") and Service Agreements. An amended Black Hills Utility Holdings, Inc. ("BHUH") CAM and Black Hills Service Company ("BHSC") CAM, and redlined versions showing the amendments to the CAMs, are included in this year-ended 2013 filing and are attached hereto and incorporated herein (requirement and Tab A1). There have been no changes to the following items as filed in the Black Hills' Kansas Compliance filing dated May 31, 2011:

(a) Service Agreement with BHUH and Service Agreement with BHSC; and

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

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

4. Description of activities and 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:

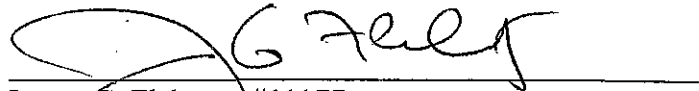
- (1) This information is not maintained;

- (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.

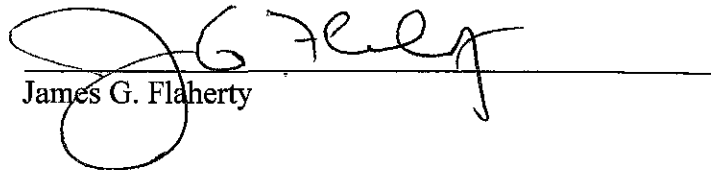


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VERIFICATION

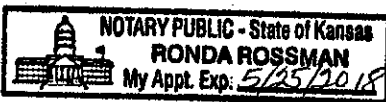
STATE OF KANSAS, COUNTY OF FRANKLIN, ss:

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 29th day of May, 2014.



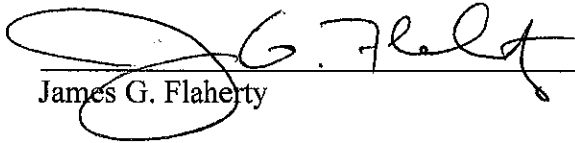
Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail this 29th day of May, 2014, addressed to:

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


James G. Flaherty

KANSAS RING FENCING
COMPLIANCE FILING

BLACK HILLS ENERGY
MAY 29, 2014

11-BHCG-800-CPL



Tab A1

Black Hills Utility Holdings, Inc.

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: August 1, 2009

Amended: January 1, 2011

Amended: January 1, 2012

Amended: January 1, 2013

Amended: December 1, 2013

Black Hills Utility Holdings, Inc. Cost Allocation Manual

Table of Contents

<u>Introduction.....</u>	<u>5</u>
<u>BHUH Organization</u>	<u>5</u>
<u>Direct Costs versus Indirect Costs</u>	<u>5</u>
<u>Transaction Coding.....</u>	<u>7</u>
<u>General Ledger Business Unit</u>	<u>8</u>
<u>Operating Unit</u>	<u>9</u>
<u>Department (“Dept.”).....</u>	<u>10</u>
<u>Account (“Acct.”).....</u>	<u>11</u>
<u>Resource.....</u>	<u>12</u>
<u>Product</u>	<u>13</u>
<u>Work Order</u>	<u>13</u>
<u>Timekeeping</u>	<u>13</u>
<u>Loadings.....</u>	<u>14</u>
<u>Allocation Ratios</u>	<u>15</u>
<u>Changing Allocation Ratios.....</u>	<u>16</u>
<u>Subsidiary Payment for Direct and Indirect Charges.....</u>	<u>17</u>
<u>Allocating Fixed Assets</u>	<u>17</u>
<u>Allocating Capitalized Inventory</u>	<u>17</u>
<u>Appendix 1- BHUH Departments.....</u>	<u>19</u>
<u>Appendix 2- Allocation Ratios</u>	<u>37</u>
<u>Introduction.....</u>	<u>3</u>
<u>BHUH Organization</u>	<u>3</u>
<u>Direct Costs versus Indirect Costs</u>	<u>3</u>
<u>Transaction Coding.....</u>	<u>5</u>
<u>General Ledger Business Unit</u>	<u>56</u>
<u>Operating Unit</u>	<u>6</u>
<u>Department.....</u>	<u>67</u>
<u>Account.....</u>	<u>78</u>
<u>Resource.....</u>	<u>78</u>
<u>Product.....</u>	<u>89</u>

Work Order	<u>89</u>
Timekeeping	<u>89</u>
Loadings	<u>910</u>
Allocation Ratios	<u>910</u>
Changing Allocation Ratios	<u>1011</u>
Subsidiary Payment for Direct and Indirect Charges	<u>1112</u>
Allocating Fixed Assets	<u>1112</u>
Allocating Capitalized Inventory	<u>1213</u>
Appendix 1 – BHUH Departments	<u>1314</u>
Appendix 2 – Allocation Ratios	<u>2526</u>

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 and utility like 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~~ customer information and instructional advertising 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 either 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 of BHUH and BHSC assets
- Intercompany interest expense and income related to the BHUH balance payable or receivable from the Utility Money Pool

Transaction Coding

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

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.

GL BU	OpUnit	Dept.	Acct.	Resource	Product
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separate fields, each representing an important characteristic of the underlying transaction.

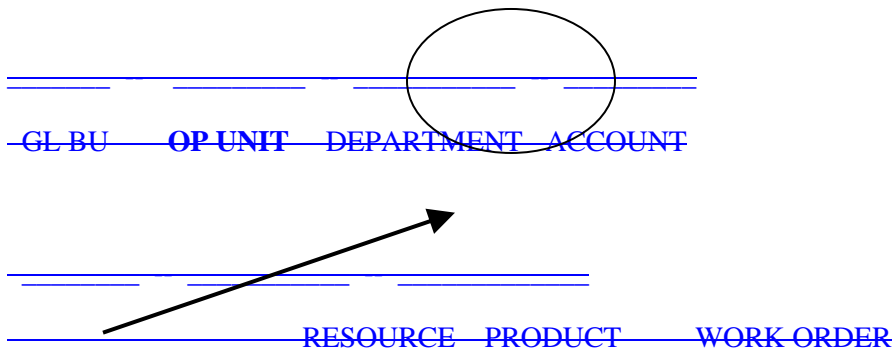
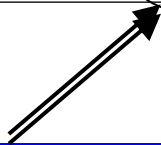
GL BU	OP UNIT	DEPARTMENT	ACCOUNT
RESOURCE	PRODUCT	WORK ORDER	

General Ledger Business Unit (“GLBU”):

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

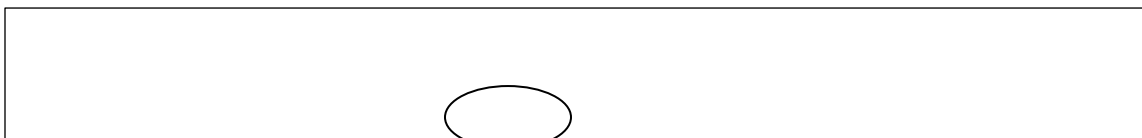
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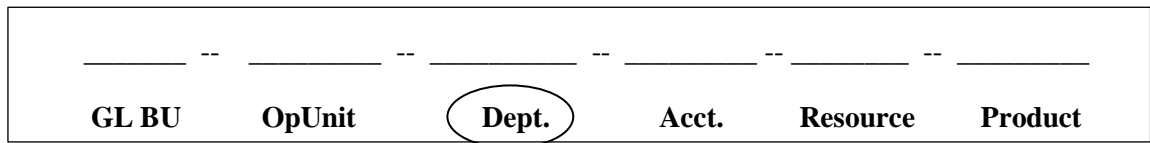
GL BU	OpUnit	Dept.	Acct.	Resource	Product
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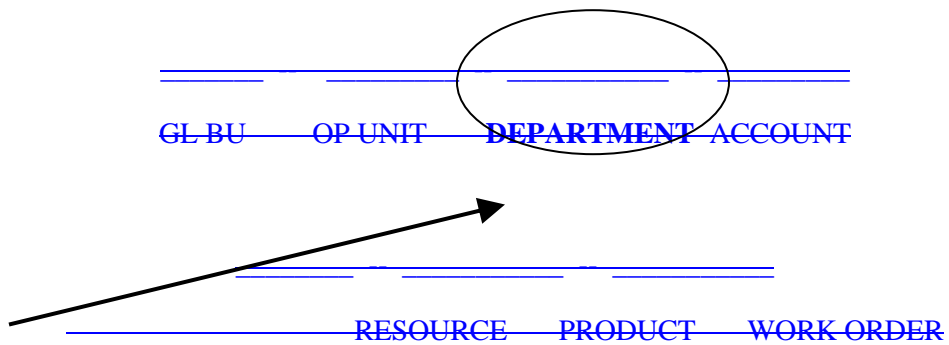
Operating Unit (“Op-Unit”):

- 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 an Op Unit at the specific GLBU being charged. the general Utility Holding Op Unit 201900. Indirect costs also include costs directly related to the Utility Holding Company.
- The Op Unit field will be populated using one of the BHUH Op Units for indirect costs. Indirect costs also include costs from other areas of the company that are directly related to the Utility Holding Company.



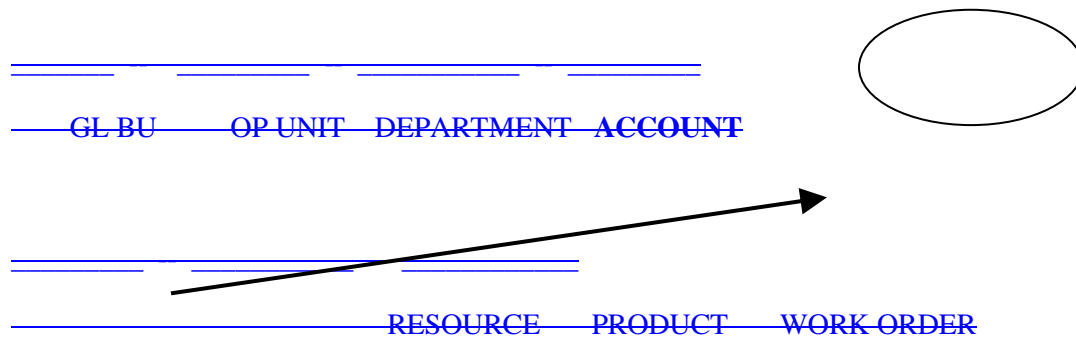
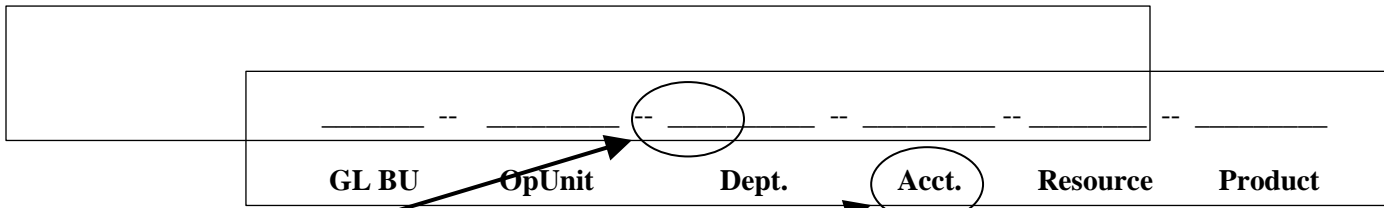


Holding Company:



Department ("Dept."):

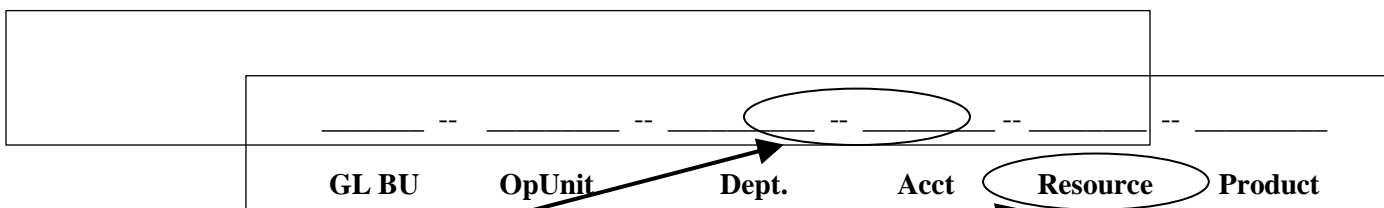
- Four (4) character numeric field
- The department field is used to identify where the cost(s) originated
- The department field is required on all income statement and capital transactions
- Every Dept department is assigned to a GLBU

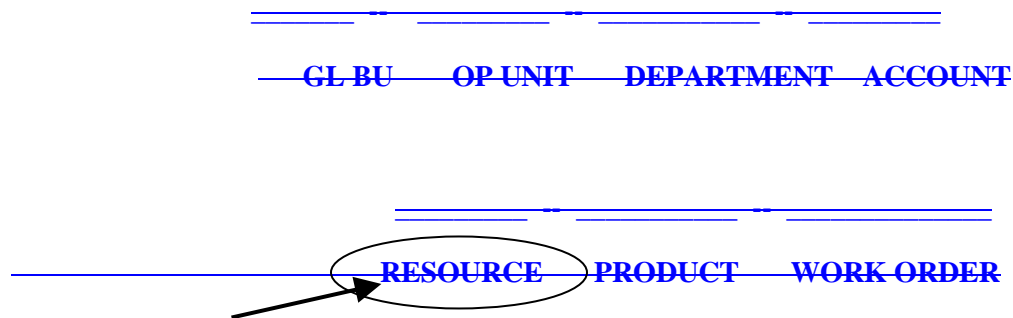


Account (**“Acct.”**):

- Six (6) character numeric field
- The account field is required on all accounting transactions

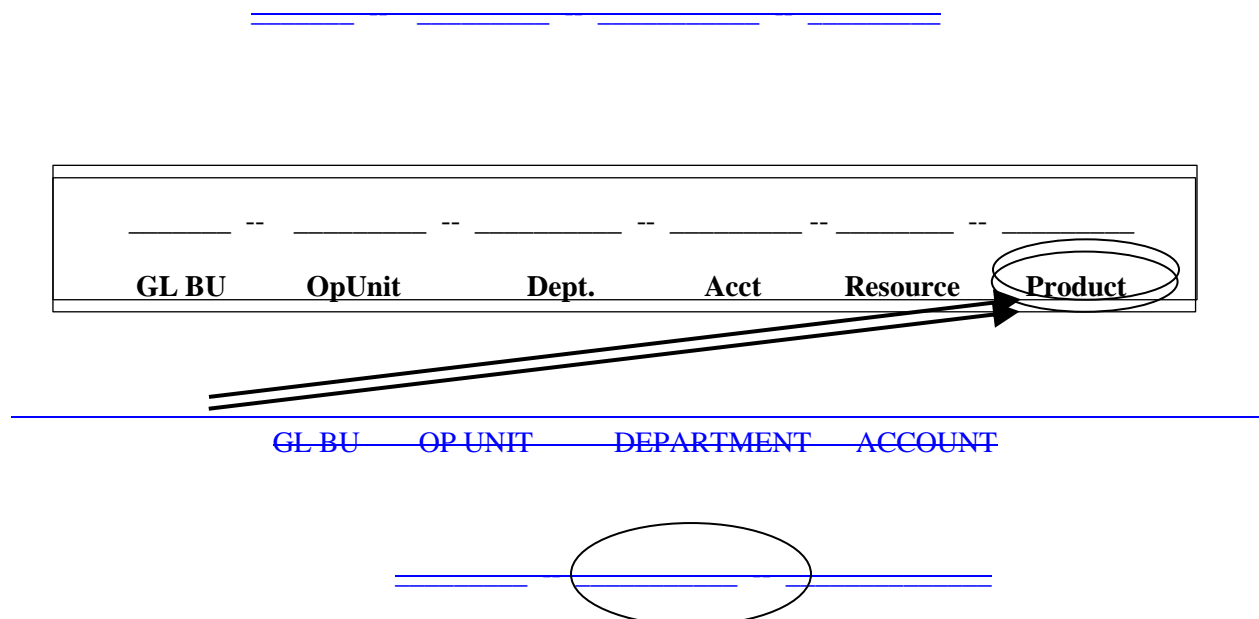
-All companies will generally use the same Chart of Accounts although some values will be specific to certain companies.





Resource:

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



RESOURCE PRODUCT WORK ORDER

Product:

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

GL BU OP UNIT DEPARTMENT ACCOUNT

GL BU	OpUnit	Dept.	Acct	Resource	Product	Work Order
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ORDER RESOURCE PRODUCT WORK

Work Order:

- Eight (8) character numeric field
- Represents the collection of costs to allow the monitoring of a job or group of taskscosts
- The project work order 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. Timesheets of appropriate employees must be approved by a supervisor.~~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:~~

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

General loadings:

- Compensated Absences: including but not limited to PTO (Paid Time Off), Holiday, Jury duty, Funeral pay, United Way day, Short-term Disability and Annual Physical appointment.
- Payroll Taxes: including but not limited to FICA, FUTA SUTA and city taxes.
- Employee Benefits: including but not limited to health and medical, 401K match and fees, Pension, Retiree healthcare and associated fees and Pension audit fees.

- Incentives: including but not limited to Non-officer ~~bonus~~-incentive plans, Restricted Stock and Stock Option expense.

~~At the end of each month, loadings calculated on payroll using the loading rates must be trued 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. Loadings calculated on payroll are based on estimated benefit costs, therefore, differences between actual benefits will be inherent to this process. After the difference is calculated and reviewed for reasonableness, it is recorded to a separate department, and indirectly allocated to Black Hills Corporation subsidiaries.~~

Allocation Ratios

As previously stated, 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-effective~~ to compute on a continuing basis. In these instances, a three-pronged general allocation ratio is used. This ratio equally weights three different general ratios: Gross Margin, Asset Cost, and Payroll Dollars. These ratios were chosen to be included in the Blended Allocator Ratio because they best allocate costs based on the diverse nature of BHUH operations.

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

Changing Allocation Ratios

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

Certain events may occur during the year that are deemed to be significant to BHUH that will require corresponding adjustments be made to the allocation ratios. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, 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/adjustments for the subsidiary with a significant change in a specific allocation ratio base. For example, if an acquisition occurs during the middle of the year, pro forma values will be loaded. Asset values at the time of the acquisition would be used, as well as pro forma gross margin and payroll dollars for a 12 month period. It should be noted that estimations may be required, especially when significant additions or changes are expected as a result of the acquisition.

It should also be noted that asset values, gross margin, and payroll dollars for the other companies will not be changed. However, the ratios will change because the base against which the ratios are calculated will change. 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 following the significant event, 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 ~~and electric~~ meter shops ~~are~~ 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, ~~as~~ the meters are issued out of inventory to the specific operating company those assets are transferred from BHUH to the specific utility operating companies. All unassigned gas and electric meter investment and accumulated depreciation reserve is held at BHUH, ~~at month-end, a manual journal entry is prepared to allocate and is allocated to the applicable utilities monthly. the plant balance of BHUH.~~ The Customer Count Ratio is used for this allocation.

Appendix 1- BHUH Departments

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

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

UHC-GSS ADMINISTRATION (2301)

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

UHC-ASSETS-LINCOLN CCTR/CAD (4247)

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

UHC-ASSETS-FAME (4251)

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

~~UHC-ASSETS-WORK MGMT (4257)~~

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

~~UHC-ASSETS-REG GENERATION (4258)~~

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

~~UHC-BENEFITS LOADINGS (4470)~~

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

~~UHC-RETIREE (4473)~~

Description: Provides for the collection of retiree health benefits for the

~~UHC-ACCOUNTING-ACCRUAL-ENTRIES (4474)~~

former employees of BHUH. (Blended)

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

~~UHC-ASSETS-BLENDED-ALL (4478)~~

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

~~UHC-ASSETS-BLENDED-ELECTRIC (4479)~~

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

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~~UHC-ASSETS-BLENDED-CUSTOMERS (4481)~~

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

~~UHC STANDARDS AND COMPLIANCE GAS (5106)~~

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

~~UHC TRANSMISSION PLANNING (5107)~~

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

~~UHC NERC COMPLIANCE (5108)~~

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

~~UHC-FERC 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)

~~UHC-T AND-D RELIABILITY CTR (5110)~~

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

~~UHC-NERC TRANSMISSION AND TECH SUPPORT (5111)~~

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

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

~~UHC-ELEC ENGINEERING SERV (5120)~~

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

~~UHC-PWR SUPPLY AND RENEWABLES (5121)~~

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

~~UHC-ELECTRIC REGULATORY SERV (5122)~~

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

~~UHC-GAS ENGINEERING SERV (5254)~~

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

~~UHC-GIS SUPPORT (5305)~~

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

~~UHC-GAS METERING SERV (5490)~~

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

~~UHC-UTILITY FINANCIAL MGMT (5668)~~

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

~~UHC-UTILITY ACCOUNTING (5670)~~

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

~~UHC-EXEC MGMT-CUST SERV (5674)~~

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

~~UHC-EXEC MGMT-UTILITIES (5682)~~

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

~~UHC-GAS UTILITY SERV (5688)~~

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

~~UHC-EXTERNAL AFFAIRS (5690)~~

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

~~UHC-Electric Meter Services (5691)~~

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

~~UHC-CUSTOMER SERV-LINCOLN (5701)~~

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

~~UHC-CUSTOMER ACCT SERV-OMAHA (5702)~~

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

~~UHC-CUSTOMER SERV SUPP (5703)~~

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

~~UHC-CUSTOMER ACCT SERV-RC (5704)~~

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

~~UHC-CUSTOMER SERV-RC (5705)~~

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

~~UHC-LARGE VOLUME BILLING (5706)~~

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

~~UHC CS CTR SUPPORT (5707)~~

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

~~UHC BILL PRINT AND LOCKBOX (5711)~~

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

~~UHC BILL PROCESSING (5712)~~

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

~~UHC FIELD RESOURCE CTR LINCOLN (5715)~~

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

~~UHC FIELD RESOURCE CTR RC (5717)~~

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

~~UHC-SERV GUARD-MARKETING (6005)~~

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

~~UHC-UTILITY SERVICES EXEC (6183)~~

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

~~UHC-FACILITY MAINTENANCE (6313)~~

~~UHC-TECHNICAL TRN-APPLIANCE (6331)~~

Description: Supports UHC facilities maintenance (Blended)

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

~~UHC-GAS REGULATORY SERV (6372)~~

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

UHC-ENERGY SERVICES (6373)

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

CATCH-ALL

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

UHC-GSS ADMINISTRATION (2301)

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

UHC-ASSETS-LINCOLN CCTR/CAD (4247)

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

UHC-ASSETS-FAME (4251)

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

UHC-ASSETS-WORK MGMT (4257)

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

UHC-ASSETS-REG GENERATION (4258)

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

UHC-BENEFITS LOADINGS (4470)

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

UHC-ACCOUNTING ACCRUAL ENTRIES (4474)

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

UHC-ASSETS-BLENDED-ALL (4478)

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

UHC-ASSETS-BLENDED-ELECTRIC (4479)

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

UHC-ASSETS-BLENDED-GAS (4480)

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

UHC-ASSETS-BLENDED-CUSTOMERS (4481)

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

UHC-DESIGN ENGINEERING GAS (5105)

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

UHC-STANDARDS AND COMPLIANCE GAS (5106)

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

UHC-TRANSMISSION PLANNING (5107)

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

UHC-NERC COMPLIANCE (5108)

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

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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)

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

UHC-ELECTRIC REGULATORY SERV (5122)

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

UHC-Technical Training(5254)

Description: Provides technical training support for gas and electric utilities. (Customer Count Ratio)

UHC-GIS SUPPORT (5305)

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

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

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

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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. Assists the utility financial management team with monthly analysis. (Blended)

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

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

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

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

UHC Gas Engineering Management (6183)

Description: Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety. (Blended)

UHC-TECHNICAL TRN-APPLIANCE (6331)

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

and administration of technical-related training for our front-line utility employees supporting Service Guard. (Customer Count Ratio)

UHC-GAS REGULATORY SERV (6372)

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

UHC-ENERGY SERVICES (6373)

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

CATCH-ALL

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

Appendix 2- Allocation Ratios

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

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

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

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

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

paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums of \$50,000.

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

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

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

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

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

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

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

Regulated Electric Customers

Regulated Gas Customers

Non-Regulated Customers

Total Customers

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

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

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

Black Hills Utility Holdings, Inc.

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: August 1, 2009

Amended: January 1, 2011

Amended: January 1, 2012

Amended: January 1, 2013

Amended: December 1, 2013

Black Hills Utility Holdings, Inc. Cost Allocation Manual

Table of Contents

Introduction.....	3
BHUH Organization	3
Direct Costs versus Indirect Costs	3
Transaction Coding.....	5
General Ledger Business Unit	5
Operating Unit	6
Department (“Dept.”).....	6
Account (“Acct.”)	7
Resource.....	7
Product	8
Work Order	8
Timekeeping	8
Loadings.....	9
Allocation Ratios	9
Changing Allocation Ratios.....	10
Subsidiary Payment for Direct and Indirect Charges.....	11
Allocating Fixed Assets	11
Allocating Capitalized Inventory	12
Appendix 1- BHUH Departments.....	13
Appendix 2- Allocation Ratios	19

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 supports the operations of the five acquired Aquila operating companies and other utility and utility like operating companies, together the “operating companies”. These costs are allocated to the operating companies requesting service using formal cost allocation methodologies. Departments that provide support services to the five acquired Aquila operating companies as well as other Black Hills Corporation subsidiaries are held at Black Hills Service Company, LLC (“BHSC”). BHSC cost allocation methodologies are discussed in a separate cost allocation manual.

BHUH Organization

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

Direct Costs versus Indirect Costs

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

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

- Advertising is prepared for a new customer information and instructional advertising 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. A certain level of judgment will be involved when deciding whether a particular cost should be directly charged or indirectly allocated.

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

Always considered direct costs:

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

Always considered indirect costs:

- Depreciation of BHUU and BHSC assets
- Intercompany interest expense and income related to the BHUU balance payable or receivable from the Utility Money Pool

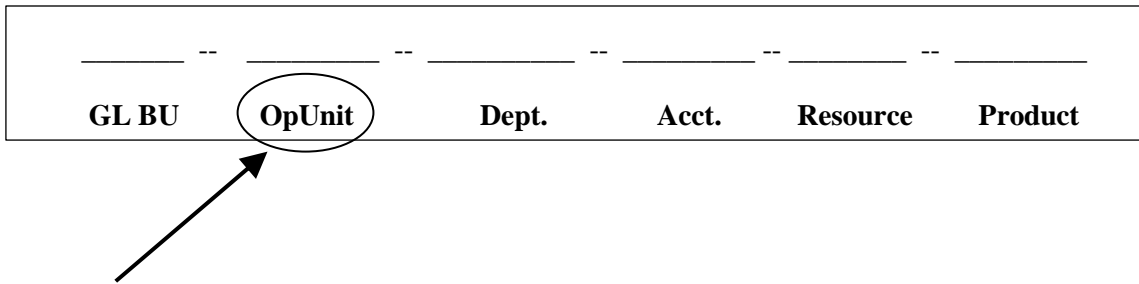
Transaction Coding

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

____	--	____	--	____	--	____	--	____	--	____
GL BU		OpUnit		Dept.		Acct.		Resource		Product

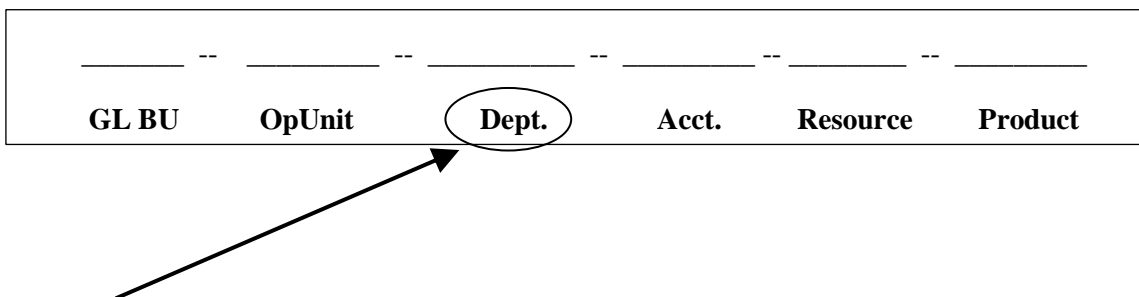
General Ledger Business Unit (“GLBU”):

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



Operating Unit (“OpUnit”):

- Six (6) character numeric field.
- The 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 an Op Unit at the specific GLBU being charged.
- The Op Unit field will be populated using one of the BHUH Op Units for indirect costs. Indirect costs also include costs from other areas of the company that are directly related to the Utility Holding Company.



Department (“Dept.”):

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

_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct.		Resource		Product

Account ("Acct."):

- Six (6) character numeric field
- The account field is required on all accounting transactions

All companies will generally use the same Chart of Accounts although some values will be specific to certain companies.

_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product

Resource:

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

_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product

Product:

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

_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product
										Work Order

Work Order:

- Eight (8) character numeric field
- Represents the collection of costs to allow the monitoring of a job or group of costs
- The work order field is required on all construction work in progress transactions

Timekeeping

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

Employees must complete the coding string, as previously discussed, for each time record. The timesheet will default the department and resource. However, the employee is responsible for providing the

remainder of the code block. Employees are encouraged to enter their time in one half hour increments, although they may use smaller increments if they so choose.

Loadings

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

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

General loadings:

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

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

Allocation Ratios

As previously stated, 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 effective to compute on a continuing basis. In these instances, a three-pronged general allocation ratio is used. This ratio equally weights three different general ratios: Gross Margin, Asset Cost, and Payroll Dollars. These ratios were chosen to be included in the Blended Allocator Ratio because they best allocate costs based on the diverse nature of BHUH operations.

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

Changing Allocation Ratios

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

Certain events may occur during the year that are deemed to be significant to BHUH that will require corresponding adjustments be made to the allocation ratios. Examples of these types of events include acquisitions, divestitures, new generation, significant change in asset base, 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 adjustments for the subsidiary with a significant change in a specific allocation ratio base. For example, if an acquisition occurs during the middle of the year, pro forma values will be loaded. Asset values at the time of the acquisition would be used, as well as pro forma gross margin and payroll dollars for a 12 month period. It should be noted that estimations may be required, especially when significant additions or changes are expected as a result of the acquisition.

It should also be noted that asset values, gross margin, and payroll dollars for the other companies will not be changed. However, the ratios will change because the base against which the ratios are calculated will change. 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 following the significant event, and will apply to all transactions for the month.

Subsidiary Payment for Direct and Indirect Charges

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

Appendix 1- BHUH Departments

UHC-GSS ADMINISTRATION (2301)

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

UHC-ASSETS-LINCOLN CCTR/CAD (4247)

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

UHC-ASSETS-FAME (4251)

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

UHC-ASSETS-WORK MGMT (4257)

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

UHC-ASSETS-REG GENERATION (4258)

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

UHC-BENEFITS LOADINGS (4470)

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

UHC-ACCOUNTING ACCRUAL ENTRIES (4474)

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

UHC-ASSETS-BLENDED-ALL (4478)

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

UHC-ASSETS-BLENDED-ELECTRIC (4479)

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

UHC-ASSETS-BLENDED-GAS (4480)

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

UHC-ASSETS-BLENDED-CUSTOMERS (4481)

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

UHC-DESIGN ENGINEERING GAS (5105)

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

UHC-STANDARDS AND COMPLIANCE GAS (5106)

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

UHC-TRANSMISSION PLANNING (5107)

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

UHC-NERC COMPLIANCE (5108)

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

UHC-FERC TARRIFF AND COMPLIANCE (5109)

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

UHC-T AND D RELIABILITY CTR (5110)

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

UHC-NERC TRANSMISSION AND TECH SUPPORT (5111)

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

UHC-TRANSMISSION SERVICES MGMT (5112)

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

UHC-ELEC ENGINEERING SERV (5120)

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

UHC-PWR SUPPLY AND RENEWABLES (5121)

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

UHC-ELECTRIC REGULATORY SERV (5122)

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

UHC-Technical Training(5254)

Description: Provides technical training support for gas and electric utilities. (Customer-Regulated)

UHC-GIS SUPPORT (5305)

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

UHC-GAS METERING SERV (5490)

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

UHC-UTILITY FINANCIAL MGMT (5668)

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

UHC-UTILITY ACCOUNTING (5670)

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

UHC-EXEC MGMT-CUST SERV (5674)

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

UHC-EXEC MGMT-UTILITIES (5682)

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

UHC-MARKETING (5688)

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

UHC-EXTERNAL AFFAIRS (5690)

Description: Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing

a consistent communications program, and leading economic development for community growth
(Customer Count Ratio)

UHC-Electric Meter Services (5691)

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

UHC-CUSTOMER SERV-LINCOLN (5701)

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

UHC-CUSTOMER ACCT SERV-OMAHA (5702)

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

UHC-CUSTOMER SERV SUPP (5703)

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

UHC-CUSTOMER ACCT SERV-RC (5704)

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

UHC-CUSTOMER SERV-RC (5705)

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

UHC-LARGE VOLUME BILLING (5706)

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

UHC CS CTR SUPPORT (5707)

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

UHC-BILL PRINT AND LOCKBOX (5711)

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

UHC-BILL PROCESSING (5712)

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

UHC-FIELD RESOURCE CTR-LINCOLN (5715)

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

UHC-FIELD RESOURCE CTR-RC (5717)

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

UHC-SERV GUARD MARKETING (6005)

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

UHC Gas Engineering Management (6183)

Description: Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety. (Blended)

UHC-TECHNICAL TRN-APPLIANCE (6331)

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

UHC-GAS REGULATORY SERV (6372)

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

UHC-ENERGY SERVICES (6373)

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

CATCH-ALL

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

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

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

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

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

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

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

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

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

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

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

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

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

Regulated Electric Customers

Regulated Gas Customers

Non-Regulated Customers

Total Customers

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

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

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

Black Hills Service Company

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: January 1, 2013

Amended: December 1, 2013

Black Hills Service Company Cost Allocation Manual

Table of Contents

<u>Introduction.....</u>	<u>5</u>
<u>Service Company Organization</u>	<u>5</u>
<u>Direct Costs versus Indirect Costs</u>	<u>6</u>
<u>Transaction Coding.....</u>	<u>8</u>
<u>General Ledger Business Unit (GLBU):.....</u>	<u>8</u>
<u>Operating Unit (OpUnit):.....</u>	<u>8</u>
<u>Department (Dept):</u>	<u>9</u>
<u>Account (Acct).....</u>	<u>9</u>
<u>Resource:.....</u>	<u>10</u>
<u>Product:</u>	<u>10</u>
<u>Work Order:</u>	<u>10</u>
<u>Timekeeping</u>	<u>11</u>
<u>Loadings.....</u>	<u>11</u>
<u>Allocation Factors</u>	<u>12</u>
<u>Changing Allocation Factors</u>	<u>13</u>
<u>Subsidiary Payment for Direct and Indirect Charges</u>	<u>14</u>
<u>Allocating Fixed Assets</u>	<u>14</u>
<u>Appendix 1 – BHSC Departments.....</u>	<u>14</u>
<u>Appendix 2 – Allocation Factors</u>	<u>22</u>
<u>Verify page numbers after changes have been acceptedIntroduction.....</u>	<u>2</u>
<u>Service Company Organization</u>	<u>3</u>
<u>Direct Costs versus Indirect Costs</u>	<u>4</u>
<u>Transaction Coding.....</u>	<u>6</u>
<u>General Ledger Business Unit (GLBU):.....</u>	<u>6</u>
<u>Operating Unit (OpUnit):.....</u>	<u>6</u>
<u>Department (Dept):</u>	<u>7</u>
<u>Account (Acct).....</u>	<u>7</u>
<u>Resource:.....</u>	<u>7</u>
<u>Product:</u>	<u>8</u>

<u>Work Order:</u>	8
<u>Timekeeping</u>	8
<u>Loadings</u>	8
<u>Allocation Factors</u>	9
<u>Changing Allocation Factors</u>	10
<u>Subsidiary Payment for Direct and Indirect Charges</u>	11
<u>Allocating Fixed Assets</u>	11
<u>Appendix 1</u>	13
<u>APPENDIX 2</u>	21

~~Black Hills Service Company Cost Allocation Manual~~

~~Table of Contents~~

1. Introduction	3
2. Service Company Organization	3
3. Direct and Indirect Costs	4
4. Transaction Coding	5
a. GLBU	
b. Operating Unit	
c. Department	
d. Account	
e. Resources	
f. Product	
5. Timekeeping	7
6. Loadings	8
7. Allocation Factors	8
8. Changing Allocation Factors	9
9. Subsidiary Payments for Direct and Indirect Charges	10
10. Allocating Fixed Assets	10
Appendix 1 – BHSC Departments	12
Appendix 2 – Allocation Factors	20

Introduction

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

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

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

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

Service Company Organization

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

Direct Costs versus Indirect Costs

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

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

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

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

- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.
- An Environmental representative ~~wishes to take Paid Time Off (PTO)~~ attends an industry training event. This charge can not be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost.

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

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

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

Always considered direct costs:

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


Always considered indirect costs:

- ~~PTO and Holiday labor (they are included as a component of overhead) For example, if I charge my time to BHP, the overheads for my PTO will follow and be charged to BHP.~~
- ~~Corporate-wide bonuses and other similar methods of compensation that are included as a component of overhead~~
- ~~Payroll taxes and 401(k) match expenses (they are included as components of overhead)~~
- ~~Short or long-term disability expenses~~
- Board of Directors' fees and expenses
- General Office rent
- Depreciation of BHSC assets
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

Transaction Coding

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

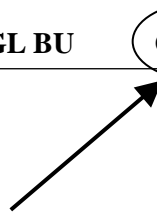
____	--	____	--	____	--	____	--	____	--	____
GL BU		OpUnit		Dept.		Acct.		Resource		Product



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.
- The GLBU field is required on all accounting transactions.
- The GLBU field is auto-populated by will default when the Operating Unit (OpUnit) ~~OpUnit~~ is entered.

____	--	____	--	____	--	____	--	____	--	____
GL BU		OpUnit		Dept.		Acct.		Resource		Product

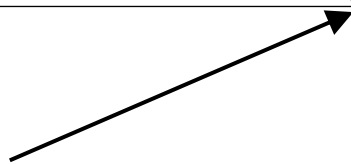


Operating Unit (OpUnit):

- Six (6) character numeric field.
- The OpUnit field is used to identify the account code block as either a direct cost or an indirect cost.

- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- If the cost is an indirect cost, the OpUnit field will be populated using one of the general Service Company BHSC OpUnit's 701600. Indirect costs also include costs directly related to the Service Company.

____	--	____	--	____	--	____	--	____	--	____
GL BU		OpUnit		Dept.		Acct.		Resource		Product

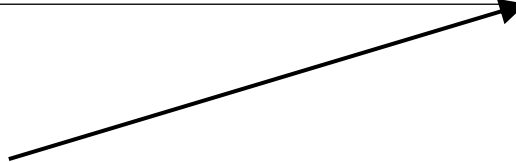


Department (Dept):

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

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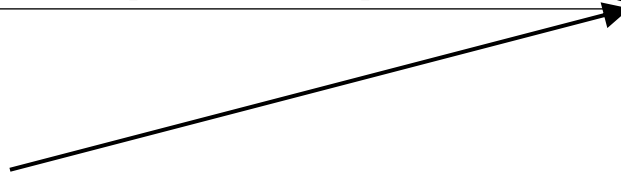
____	--	____	--	____	--	____	--	____	--	____
GL BU		OpUnit		Dept.		Acct.		Resource		Product



Account (Acct)

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

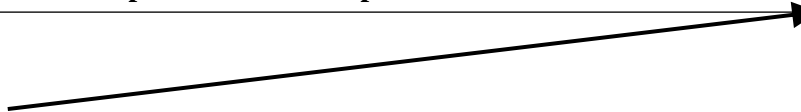
_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product



Resource (~~PS Rese~~):

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

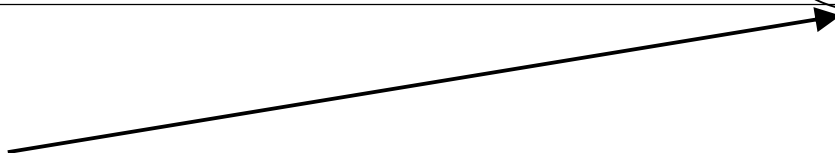
_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product



Product (~~Prod~~):

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

_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product
										Work Order



Work Order:

- Eight (8) character numeric field.

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

Timekeeping

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

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

Loadings

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

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

General labor loadings:

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

Supplemental loadings:

- Officer ~~short term incentive~~ bonus plans
- Officer supplemental retirement ~~Long-term disability~~

- Officer ~~performance plan-pension benefits~~

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

Allocation Factors

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

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

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

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

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

Changing Allocation Factors

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

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

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

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

~~Any changes to indirect allocation factors are initiated by one member of the Service Company accounting allocations staff and reviewed by the Financial Manager of the Service Company. All changes are documented in memo format with the supporting documentation maintained. Allocation factors loaded into the system are reviewed by someone other than who input the factors into the system. Accounting calculates the allocation factors and provides the calculations to Financial Management and Regulatory for review.~~

Subsidiary Payment for Direct and Indirect Charges

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

Allocating Fixed Assets

The Service Company maintains certain fixed assets that are used by and benefit multiple Black Hills Corporation subsidiaries. These fixed assets primarily consist of computer hardware and software that form the corporate-wide information technology network. Because these fixed assets support multiple Black Hills Corporation subsidiaries, they are allocated to the appropriate subsidiaries monthly as part of the month-end close process, along with the allocation of these assets' accumulated depreciation. Construction Work in Process balances are not allocated.

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

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

Appendix 1 – BHSC Departments **BHSC Departments**

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

SC-ACCOUNTING SYSTEMS (4700)

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

SC-~~ACCOUNTS PAYABLE~~DISBURSEMENTS (4701)

Description: Processes payments to vendors and prepares 1099s and applicable documentation for the majority of Black Hills Corporation subsidiaries. Also, processes payroll including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports for Black Hills Corporation and its subsidiaries. -(Blended)

SC-CORP DEVELOPMENT (4702)

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

SC-CORP GOV AND SHAREHOLDER SERV (4703)

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

SC-TAX (4704)

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

SC-CREDIT AND RISK (4705)

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

SC-LEGAL - CORPORATE (4706)

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

SC-CORPORATE AFFAIRS (4708)

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

SC-ENVIRONMENTAL SERVICES (4709)

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

SC-EXECUTIVE MGMT (4710)

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

SC-SAFETY (4711)

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

SC-FINANCE AND TREASURY (4712)

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

SC-FINANCIAL REPORTING (4713)

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

SC-BUDGET AND FORECAST (4714)

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

SC-GENERAL ACCOUNTING (4715)

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

SC-ACCOUNTING-CENTRAL SERVICES (4716)

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

SC-ACCOUNTING-GENERATION SERV (4717)

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

SC-HUMAN RESOURCES CORP (4718)

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

SC-HUMAN RESOURCES REGULATED (4720)

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

SC-COMPENSATION AND BENEFITS (4721)

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

SC-ORGANIZATIONAL DEVELOPMENT AND TRAINING (4722)

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

SC-ENGINEERING ROTATION PROGRAM (4723)

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

SC-INSURANCE (4724)

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

SC-INTERNAL AUDIT (4725)

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

SC-IN-HOUSE CREATIVE SOLUTIONS (4726)

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

~~SC-PAYROLL (4727)~~

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

-SC-POWER DELIVERY MGMT (4728)

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

SC-PROPERTY ACCOUNTING (4729)

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

SC-RECORDS MGMT (4730)

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

SC-SUPPLY CHAIN MGMT (4731)

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

SC-CONTRACTS MGMT (4732)

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

SC-STRATEGIC SOURCING (4733)

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

SC-FLEET SERV (4734)

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

SC-FACILITIES (4736)

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

SC-GOVERNMENTAL AFFAIRS (4741)

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

SC-IT ADMINISTRATION (4742)

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

SC-IT BUSINESS APPLICATIONS-FIN AND HR SYSTMS (4743)

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

SC-IT BUSINESS APPLICATIONS-REGULATED (4744)

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

SC-IT BUSINESS APPLICATIONS-WEB SERV SUPP (4745)

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

SC-IT BUSINESS APPLICATIONS-WHOLESALE AND ENTERPRISE (4746)

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

SC-IT INFRASTRUCTURE SERV (4747)

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

SC-IT COMMUNICATIONS (4748)

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

SC-IT USER SERVICES (4749)

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

SC-IT COMPLIANCE (4751)

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

SC-MATERIALS MGMT (4752)

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

SC-CONTINUOUS IMPROVEMENT (4753)

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

SC-GENERATION PLANT OPERATIONS (4754)

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

SC-IT HELPDESK / TECHNOLOGY INTEGRATION (4755)

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

SC-CPGS PLANT OPERATIONS (4756)

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

SC-PROCUREMENT (4760)

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

SC – ASSET BLENDED (4793)

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

SC-BENEFIT POOLED (4794)

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

SC-ACCOUNTING ACCRUAL ENTRIES (4795)

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

SC-BENEFITS LOADING (4796)

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

~~APPENDIX~~ Appendix 2 – Allocation Factors

~~ALLOCATION FACTORS~~

Asset Cost Ratio – Based on the total cost of assets as of December 31 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Assets are limited to property, plant, and equipment, and include construction or work in process. Assets are also reported at their FERC_ value, meaning that assets for the utility subsidiaries will not include any ~~adjustments~~~~eliminations~~ that are ~~required~~~~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 ~~book~~ value. An ~~adjustment~~~~elimination~~ journal entry is used to eliminate the gross-up ~~of cost and accumulated depreciation~~ for preparation of GAAP financial statements, but this ~~adjustment 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 transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party.

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

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

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

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

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

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

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

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

Departments that utilize this ratio include Safety, Human Resources Corp., Human Resources Regulated, Compensation and Benefits, Organizational Development and

Training, and Payroll. Health and welfare costs for BHC will be in a pool and allocated to subsidiaries based on the Employee Ratio.

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

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

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

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

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

No departments currently utilize this ratio.

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

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

Utility Payroll Dollars Ratio – Based on the total utility payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility payroll

dollars include all bonuses and compensation paid to employees, but do not include items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000.

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

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

The IT Business Applications Regulated department utilizes this ratio.

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

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

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

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

Black Hills Service Company

Cost Allocation Manual

Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: January 1, 2013

Amended: December 1, 2013

Black Hills Service Company Cost Allocation Manual

Table of Contents

Introduction.....	3
Service Company Organization	3
Direct Costs versus Indirect Costs	4
Transaction Coding.....	5
General Ledger Business Unit (GLBU):.....	6
Operating Unit (OpUnit):.....	6
Department (Dept):	7
Account (Acct).....	7
Resource:.....	8
Product:	8
Work Order:	8
Timekeeping	9
Loadings.....	9
Allocation Factors	10
Changing Allocation Factors	11
Subsidiary Payment for Direct and Indirect Charges	11
Allocating Fixed Assets	12
Appendix 1 – BHSC Departments	13
Appendix 2 – Allocation Factors	21

Introduction

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

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

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

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

Service Company Organization

The Service Company is organized into operating departments based upon the services that those departments provide to Black Hills Corporation subsidiaries. A list of each

department, as well as a brief description of the services they provide, is attached as Appendix 1.

Direct Costs versus Indirect Costs

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

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

- A Payroll Processor is processing the payroll for Black Hills Power. The labor costs incurred in processing payroll are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.
- An Internal Auditor travels to Denver to complete audits for Colorado Independent Power Production and Black Hills Exploration and Production. The time associated with completing the audits would be charged to each company based on the time worked for each specific company project. The travel expenses should be split equally or on a pro rata share based on days worked. The Human Resources department incurs costs to bring an employment candidate on-site to Gillette for an interview with Wyodak Resources. These travel costs incurred in bringing the employee in for the interview are specifically associated with an identified subsidiary. Therefore, this would be a direct cost.
- A Help Desk technician orders a replacement computer monitor for an employee at Black Hills Power. This hardware cost incurred is specifically associated with an identified subsidiary. Therefore, this would be a direct cost.

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

- The Internal Audit department is completing a BHC consolidated financial statement audit. Since all entities indirectly affect the financial statements of BHC consolidated, this charge would be considered an indirect cost.
- An Environmental representative attends an industry training event). This charge cannot be directly attributable to any specifically identified company; therefore, this charge would be considered an indirect cost

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

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

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

Always considered direct costs:

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


Always considered indirect costs:

- Board of Directors' fees and expenses
- General Office rent
- Depreciation of BHSC assets
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

Transaction Coding

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

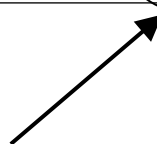
_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct.		Resource		Product



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.
- The GLBU field is required on all accounting transactions.
- The GLBU field will default when the Operating Unit (OpUnit) is entered.

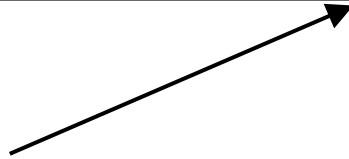
_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct.		Resource		Product



Operating Unit (OpUnit):

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

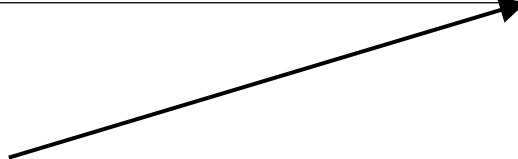
_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct.		Resource		Product



Department (Dept):

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

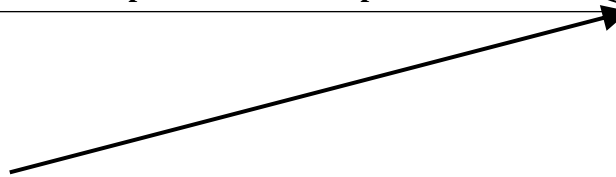
_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct.		Resource		Product



Account (Acct)

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

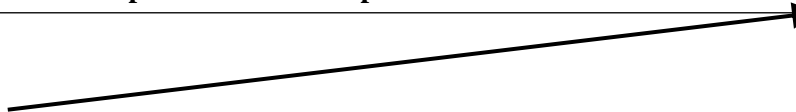
_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product



Resource:

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

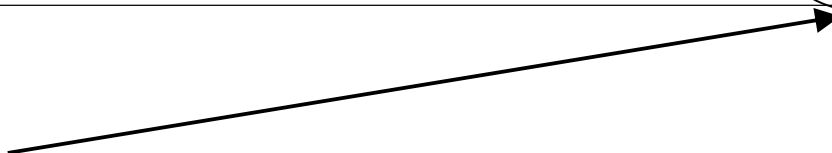
_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product



Product:

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

_____	--	_____	--	_____	--	_____	--	_____	--	_____
GL BU		OpUnit		Dept.		Acct		Resource		Product



Work Order:

- Eight (8) character numeric field.

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

Timekeeping

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

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

Loadings

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

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

General labor loadings:

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

Supplemental loadings:

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

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

Allocation Factors

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

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

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

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

Appendix 2 includes a list of all allocation factors, including a brief description of the factor, the basis for the calculation of the factor, and the departments to which that

factor has been assigned. Asset factors and employee count factors are calculated as of period-end dates, while revenue and expense factors are calculated for twelve months ended as of period-end dates.

Changing Allocation Factors

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

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

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

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

Subsidiary Payment for Direct and Indirect Charges

It is the policy of the Service Company to insure payments are made by the subsidiary companies for direct and indirect charges. All payments for direct and indirect charges must be remitted to the Service Company by the end of the following month. The

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

Allocating Fixed Assets

The Service Company maintains certain fixed assets that are used by and benefit multiple Black Hills Corporation subsidiaries. These fixed assets primarily consist of computer hardware and software that form the corporate-wide information technology network. Because these fixed assets support multiple Black Hills Corporation subsidiaries, they are allocated to the appropriate subsidiaries monthly as part of the month-end close process, along with the allocation of these assets' accumulated depreciation. Construction Work in Process balances are not allocated.

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

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

Appendix 1 – BHSC Departments

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

SC-ACCOUNTING SYSTEMS (4700)

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

SC-DISBURSEMENTS (4701)

Description: Processes payments to vendors and prepares 1099s and applicable documentation for the majority of Black Hills Corporation subsidiaries. Also, processes payroll including but not limited to time reporting, calculation of salaries and wages, payroll tax reporting and compliance reports for Black Hills Corporation and its subsidiaries. (Blended)

SC-CORP DEVELOPMENT (4702)

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

SC-CORP GOV AND SHAREHOLDER SERV (4703)

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

SC-TAX (4704)

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

SC-CREDIT AND RISK (4705)

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

SC-LEGAL - CORPORATE (4706)

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

SC-CORPORATE AFFAIRS (4708)

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

SC-ENVIRONMENTAL SERVICES (4709)

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

SC-EXECUTIVE MGMT (4710)

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

SC-SAFETY (4711)

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

SC-FINANCE AND TREASURY (4712)

Description: Coordinates activities related to securities issuance, including maintaining relationships with financial institutions, debt holders, rating agencies, equity analysts and equity investors. Performs accounting, cash management, debt compliance, and

investing activities. Monitors capital markets to support financial planning for all subsidiaries. Oversees the administration of corporate pension and 401(k) plans. (HoldCo Blended)

SC-FINANCIAL REPORTING (4713)

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

SC-BUDGET AND FORECAST (4714)

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

SC-GENERAL ACCOUNTING (4715)

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

SC-ACCOUNTING-CENTRAL SERVICES (4716)

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

SC-ACCOUNTING-GENERATION SERV (4717)

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

SC-HUMAN RESOURCES CORP (4718)

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

SC-HUMAN RESOURCES REGULATED (4720)

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

SC-COMPENSATION AND BENEFITS (4721)

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

SC-ORGANIZATIONAL DEVELOPMENT AND TRAINING (4722)

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

SC-ENGINEERING ROTATION PROGRAM (4723)

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

SC-INSURANCE (4724)

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

SC-INTERNAL AUDIT (4725)

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

SC-IN-HOUSE CREATIVE SOLUTIONS (4726)

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

SC-POWER DELIVERY MGMT (4728)

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

SC-PROPERTY ACCOUNTING (4729)

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

SC-RECORDS MGMT (4730)

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

SC-SUPPLY CHAIN MGMT (4731)

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

SC-CONTRACTS MGMT (4732)

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

SC-STRATEGIC SOURCING (4733)

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

SC-FLEET SERV (4734)

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

SC-FACILITIES (4736)

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

SC-GOVERNMENTAL AFFAIRS (4741)

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

SC-IT ADMINISTRATION (4742)

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

SC-IT BUSINESS APPLICATIONS-FIN AND HR SYSTMS (4743)

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

SC-IT BUSINESS APPLICATIONS-REGULATED (4744)

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

SC-IT BUSINESS APPLICATIONS-WEB SERV SUPP (4745)

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

SC-IT BUSINESS APPLICATIONS-WHOLESALE AND ENTERPRISE (4746)

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

SC-IT INFRASTRUCTURE SERV (4747)

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

SC-IT COMMUNICATIONS (4748)

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

SC-IT USER SERVICES (4749)

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

SC-IT COMPLIANCE (4751)

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

SC-MATERIALS MGMT (4752)

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

SC-CONTINUOUS IMPROVEMENT (4753)

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

SC-GENERATION PLANT OPERATIONS (4754)

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

SC-IT HELPDESK / TECHNOLOGY INTEGRATION (4755)

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

SC-CPGS PLANT OPERATIONS (4756)

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

SC-PROCUREMENT (4760)

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

SC – ASSET BLENDED (4793)

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

SC-BENEFIT POOLED (4794)

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

SC-ACCOUNTING ACCRUAL ENTRIES (4795)

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

SC-BENEFITS LOADING (4796)

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

Appendix 2 – Allocation Factors

Asset Cost Ratio – Based on the total cost of assets as of December 31 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Assets are limited to property, plant, and equipment, and include construction or work in process. Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any adjustments that are required 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 book value. An adjustment journal entry is used to eliminate the gross-up of cost and accumulated depreciation for preparation of GAAP financial statements, but this adjustment 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 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 transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party.

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

Payroll Dollars Ratio – Based on the total payroll dollars for the 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 the Blended Ratio and the Holding Company Blended Ratio.

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

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

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

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

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

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

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

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

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

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

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

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

No departments currently utilize this ratio.

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

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

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

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

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

The IT Business Applications Regulated department utilizes this ratio.

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

The Generation Plant Operations and CPGS Plant Operations departments utilize this ratio. (should the Generation Plant Operations department be re-named to PAGS Plant Operations? If so, this will need to be updated in multiple places.

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

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

Tab *A2*

THIS FILING IS

Item 1: ☒ An Initial (Original)
Submission

OR ☐ Resubmission No. ____

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



FERC FINANCIAL REPORT

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

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

Exact Legal Name of Respondent (Company)

Black Hills Service Company, LLC

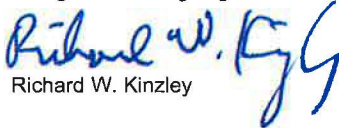
Year of Report

Dec 31, 2013

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>2013</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 9th Street, Rapid City, SD 57701	06 Name of Contact Person Richard W. Kinzley	
07 Title of Contact Person Vice President - Corporate Controller	08 Address of Contact Person 625 9th Street, Rapid City, SD 57701	
09 Telephone Number of Contact Person (605) 721-2360	10 E-mail Address of Contact Person rich.kinzley@blackhillscorp.com	
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12 Resubmission Date (Month, Day, Year) / /	
13 Date of Incorporation / /	14 If Not Incorporated, Date of Organization 12/30/2004	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
CORPORATE OFFICER CERTIFICATION		
<p>The undersigned officer certifies that:</p> <p>I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.</p>		
17 Name of Signing Officer Richard W. Kinzley	19 Signature of Signing Officer	20 Date Signed (Month, Day, Year)
18 Title of Signing Officer Vice President - Corporate Controller	Richard W. Kinzley	04/29/2014

**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>2013</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 9th Street, Rapid City, SD 57701	06 Name of Contact Person Richard W. Kinzley	
07 Title of Contact Person Vice President - Corporate Controller	08 Address of Contact Person 625 9th Street, Rapid City, SD 57701	
09 Telephone Number of Contact Person (605) 721-2360	10 E-mail Address of Contact Person rich.kinzley@blackhillscorp.com	
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12 Resubmission Date (Month, Day, Year) 	
13 Date of Incorporation 	14 If Not Incorporated, Date of Organization 12/30/2004	
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
*6 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		
CORPORATE OFFICER CERTIFICATION		
<p>The undersigned officer certifies that:</p> <p>I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.</p>		
17 Name of Signing Officer Richard W. Kinzley	19 Signature of Signing Officer  Richard W. Kinzley	20 Date Signed (Month, Day, Year) 4/29/14
18 Title of Signing Officer Vice President - 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, 2013
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Schedule I - Comparative Balance Sheet

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	0	0
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified		0	0
5	107	Construction Work In Progress	103	846,606	2,427,446
6		Total Property (Total Of Lines 2-5)		846,606	2,427,446
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	2,880	(1,000)
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		843,726	2,428,446
10		Investments			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105	5,337,805	4,935,427
14		Total Investments (Total of Lines 11-13)		5,337,805	4,935,427
15		Current And Accrued Assets			
16	131	Cash			
17	134	Other Special Deposits			
18	135	Working Funds			600
19	136	Temporary Cash Investments			
20	141	Notes Receivable		8,980,688	12,054,687
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		522,568	369,986
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	36,017,141	33,987,947
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		94,577	70,511
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		4,716,958	5,051,548
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)		50,331,932	51,535,279
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets			
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts		1,429	
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits			
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes			
46		Total Deferred Debits (Total of Lines 37-45)		1,429	
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		56,514,892	58,899,152

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, 2013
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Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		Proprietary Capital			
49	201	Common Stock Issued	201		
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	100,000	100,000
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	(778,368)	(778,368)
54	219	Accumulated Other Comprehensive Income	201	(12,941,899)	(15,212,172)
55		Total Proprietary Capital (Total of Lines 49-54)		(13,620,267)	(15,890,540)
56		Long-Term Debt			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		307,987	307,618
65	228.3	Accumulated Provision For Pensions and Benefits			
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		307,987	307,618
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		4,364,997	5,669,821
71	233	Notes Payable to Associate Companies	203		
72	234	Accounts Payable to Associate Companies	203	1,134,272	1,201,873
73	236	Taxes Accrued		758,326	824,072
74	237	Interest Accrued			
75	241	Tax Collections Payable		747	311,371
76	242	Miscellaneous Current and Accrued Liabilities	203	17,890,329	15,527,000
77	243	Obligations Under Capital Leases - Current			
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities - Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		24,148,671	23,534,137
81		Deferred Credits			
82	253	Other Deferred Credits		45,678,501	50,947,937
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)		45,678,501	50,947,937
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		56,514,892	58,899,152

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 2013
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

Includes allocation of Service Company property, which is allocated monthly to subsidiaries.

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

Includes allocation of Service Company property, which is allocated monthly to subsidiaries.

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

Includes allocation of Service Company property, which is allocated monthly to subsidiaries.

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

Includes allocation of Service Company property, which is allocated monthly to subsidiaries.

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

Construction Work in Progress is not allocated.

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

Construction Work in Progress is not allocated.

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

Includes allocation of Service Company Accumulated Provision which is allocated monthly to subsidiaries. Retirement Work in Progress is not allocated.

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

Includes allocation of Service Company Accumulated Provision which is allocated monthly to subsidiaries. Retirement Work in Progress is not allocated.

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

Presentation change in 2013 to include related interest receivable from subsidiaries in receivables from associate companies account 146 (line 24) on the balance sheet instead of in note receivable (line 20).

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

Service Company property (lines 2 and 4) and Accumulated Provision for Depreciation (line 7) is allocated to the subsidiaries. The associated receivable from the allocation is included in account 146 along with other intercompany receivables, including (beginning in 2013) interest related to the note receivable on line 20.

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

Includes a cumulative effect of an accounting adjustment made in prior years.

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

Includes a cumulative effect of an accounting adjustment made in prior years.

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, 2013
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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	3,414,921	21,066		(3,435,987)	
6	391	Office Furniture and Equipment	49,921,466	7,234,756	12,071,052	(45,085,170)	
7	392	Transportation Equipment	1,553,960	354,824	103,038	(1,805,746)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)	55,181,718	7,610,646	12,174,090	(50,618,274)	
17	107	Construction Work in Progress:					
18		Software/Hardware Implementation in progress	1,987,871	11,282,526		(12,441,445)	828,952
19		Vehicles	(20,674)	389,922		(365,383)	3,865
20		Facility Master Plan/removal work	460,249	9,477,100		(9,923,560)	13,789
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)	2,427,446	21,149,548		(22,730,388)	846,606
32		Total (Lines 16 and Line 31)	57,609,164	28,760,194		(73,348,662)	846,606

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 2013
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

The true property beginning balance is zero. The beginning balance activity in Column C is the reversal of the entry which allocated all property at 12/31/12. Presented in this format to show the flow of activity and amount of property that is allocated by Service Company.

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

Includes the allocation of Service Company property which is allocated to subsidiaries on a monthly basis.

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

Construction Work in Progress is not allocated.

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 2013
Black Hills Service Company, LLC			
FOOTNOTE DATA			

Schedule Page: 104 Line No.: 7 Column: g

Retirement Work in Progress is not allocated.

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

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

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

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

Page 105

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 2013
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

PEP Insurance Cash Surrender Values

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

PEP Insurance Cash Surrender Values

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 2013
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

The associated receivable from the Property and Accumulated Provision allocations are included in account 146 along with other intercompany receivables, including (beginning in 2013) interest related to note receivable from associated companies.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Black Hills Service Company, LLC	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	/ /	Dec 31, <u>2013</u>

Schedule VI – Fuel Stock Expenses Undistributed

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

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
5					
6					
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Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2013</u>
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Schedule VIII - Miscellaneous Current and Accrued Assets

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
3				
4				
5				
6				
7				
8				
9				
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12				
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27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40	Total			

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

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

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2013
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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				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24	234	Accounts Payable to Associate Companies		
25		Wyodak Resources Development Corporation	8,433	5,718
26		Black Hills Wyoming LLC	6,537	11,829
27		Black Hills Electric Generation Inc	454	552
28		Black Hills Non-regulated Holdings Inc	36,249	87,912
29		Black Hills Colorado IPP LLC	116,386	10,789
30		Black Hills Exploration and Production Inc	22,863	102,895
31		Black Hills Power Inc	116,061	140,528
32		Cheyenne Light Fuel and Power Company	24,909	25,275
33		Black Hills Utility Holdings Inc	389,328	141,671
34		Black Hills Kansas Gas Utility Co LLC		12,796
35		Black Hills Iowa Gas Utility Co LLC		51,318
36		Black Hills Nebraska Gas Utility Co LLC		11,155
37		Black Hills Colorado Electric Utility Co LP		35,539
38		Black Hills Colorado GasUtility Co LP		10,579
39		Black Hills Corporation	480,653	485,716
40				
41	242	Miscellaneous Current and Accrued Liabilities		17,890,329
42				
43				
44				
45				
46				
47				
48				
49				

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 2013
Black Hills Service Company, LLC			
FOOTNOTE DATA			

Schedule Page: 203 Line No.: 33 Column: c

Black Hills Utility Holdings Inc = \$145,615
Black Hills Kansas Gas Utility Company LLC = \$12,643
Black Hills Iowa Gas Utility Company LLC = \$17,834
Black Hills Nebraska Gas Utility Company LLC = \$16,522
Black Hills Colorado Electric Utility Company LP = \$190,279
Black Hills Colorado Gas Utility Company LP = \$6,435
Total = \$389,328

Schedule Page: 203 Line No.: 33 Column: d

Presentation changed in 2013 to list companies on page 203 (lines 34-38) which were combined into Black Hills Utility Holdings Inc (line 33) in 2012.

Schedule Page: 203 Line No.: 41 Column: d

Account Description	2013
Accrued Audit Fees	839,066
Accrued Benefits Compensated Absences	852,948
SFAS 106 Current Portions	225,000
Accrued PEP ST	1,085,519
Accrued Directors Fees	5,000
Accrued BOD CSE's - Current	339,537
Accrued Benefits 401K	1,038,853
Accrued Bonus Other	2,540,002
Accrued Incentive	7,477,294
Accrued Payroll	866,126
Accrued Employee Reimbursed Expenses	17,580
Accrued LT Performance Plan	2,496,107
Accrued Workers Compensation	80,797
Accrued Other	26,500
Total Misc Current and Accured Liabilities	17,890,329

Presentation change in 2013 to include account 242 detail.

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 2013
Black Hills Service Company, LLC			
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 (GAAP).

Use of Estimates

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

Cash and Cash Equivalents

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

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.

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 2013
Black Hills Service Company, LLC			
Schedule XIV- Notes to Financial Statements			

Legal Costs

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

When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, we record a loss contingency at the minimum amount in the range. If the loss contingency at issue is not both probable and reasonably estimable, we do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable.

Income Taxes

The Company and its subsidiaries file consolidated federal income tax returns. Each tax paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the subsidiaries based on separate company computations of taxable income or loss.

We use the 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 carry forwards. 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 non-current amounts based on the nature of the related assets and liabilities.

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

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, 2013, 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, LLC
- Black Hills Midstream, LLC
- Black Hills Plateau Production, LLC
- Black Hills Power, Inc.
- Black Hills Wyoming, LLC
- Cheyenne Light, Fuel and Power Company
- Wyodak Resources Development Corp.
- Black Hills Utility Holdings, Inc.
- Black Hills Iowa Gas Utility Company, LLC
- Black Hills Kansas Gas Utility Company, LLC

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) / /	2013
Schedule XIV- Notes to Financial Statements			

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

At December 31, 2013 and 2012, associate company receivables were \$36,017,141 and \$33,987,947 respectively, and associate company payables were \$1,134,272 and \$1,201,873 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 \$660,597 in 2013 and \$641,356 in 2012.

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, 2013, BHSC had a note receivable from the Non-Utility Money Pool of \$8,980,688 and interest receivable of \$4,978. At December 31, 2012, BHSC had a note receivable from the Non-Utility Money Pool of \$12,039,755 and interest receivable of \$14,933.

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 \$2,820,347 and \$2,474,924 respectively for 2013 and 2012.

Note 4 – Pension Plans and Other Employee Benefits

Defined Benefit Pension Plans

Our BHC Pension Plan covers certain eligible employees of Black Hills Service Company, Black Hills Power, WRDC, BHEP and Cheyenne Light. The benefits for the Pension Plan are based on year of service and calculations of average earnings during a specific time period prior to retirement. As of Jan. 1, 2010, the Pension Plan was frozen to new employees and certain employees who did not meet age and service based criteria at the time the Pension Plan was frozen.

Pension Plan assets are held in a Master Trust. The Pension Plan holds an undivided interest in the Master Trust. Our Board of Directors has approved the Plans' investment policy. The objective of the investment policy is to manage assets in such a way that will allow the eventual settlement of our obligations to the Pension Plans' beneficiaries. To meet this objective, our pension assets are managed by an outside adviser using a portfolio strategy that will provide liquidity to meet the Plans' benefit payment obligations. The Pension Plans' assets consist primarily of equity, fixed income and hedged investments. The expected long-term rate of return for investments was 7.25 percent and 7.25 percent for the 2013 and 2012 plan years, respectively. Our Pension Plan funding policy is in accordance with the federal government's funding requirements.

Supplemental Non-qualified Defined Benefit Plans

BHC has various supplemental retirement plans for key executives of the Company, including executives of Black Hills Service Company. The plans are non-qualified defined benefit and defined contribution plans (Supplemental Plans). The Supplemental Plans are subject to various vesting schedules and are not funded by BHC.

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 2013
Black Hills Service Company, LLC			
Schedule XIV- Notes to Financial Statements			

Non-pension Defined Benefit Postretirement Healthcare Plans

BHC sponsors three retiree healthcare plans (Healthcare Plans) for employees who meet certain age and service requirements at retirement. Healthcare Plan benefits are subject to premiums, deductibles, co-payment provisions and other limitations. A portion of the Healthcare Plans is pre-funded via VEBAs. Effective Jan. 1, 2014, health care coverage for Medicare-eligible retirees will be provided through an individual market health care exchange for retirees.

Benefit Obligations as of December 31, 2013

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 1,085,519	\$ 225,000
Deferred credits and other liabilities - other	\$ 5,252,106	\$ 27,630,537	\$ 4,006,062
Accumulated other comprehensive income	\$ (5,450,659)	\$ (6,426,332)	\$ (1,064,908)

Benefit Obligations as of December 31, 2012

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 881,000	\$ 161,000
Deferred credits and other liabilities - other	\$ 12,068,171	\$ 28,453,607	\$ 3,636,978
Accumulated other comprehensive income	\$ (8,276,896)	\$ (6,285,059)	\$ (650,217)

Defined Contribution Plan

BHC sponsors a 401(k) retirement savings plan (the 401(k) Plan). Participants in the 401(k) Plan may elect to invest a portion of their eligible compensation to the 401(k) Plan up to the maximum amounts established by the IRS. The 401(k) Plan provides employees the opportunity to invest up to 50 percent of their eligible compensation on a pre-tax or after-tax basis. The 401(k) Plan provides a Company Matching Contribution for all eligible participants 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 percent per year with 100 percent vesting when the participant has 5 years of service with BHC.

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, 2013
Schedule XV- Comparative Income Statement					
Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)	
1		SERVICE COMPANY OPERATING REVENUES			
2	400	Service Company Operating Revenues	132,325,388	122,091,504	
3		SERVICE COMPANY OPERATING EXPENSES			
4	401	Operation Expenses	117,199,810	115,279,744	
5	402	Maintenance Expenses	7,383,285		
6	403	Depreciation Expenses	7,145,107	6,855,857	
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	207,719	254,654	
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	28,487		
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	131,964,408	122,390,255	
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	360,980	(298,751)	
24		OTHER INCOME			
25	418.1	Equity in Earnings of Subsidiary Companies			
26	419	Interest and Dividend Income	31,940	25,057	
27	419.1	Allowance for Other Funds Used During Construction			
28	421	Miscellaneous Income or Loss	483,357	526,142	
29	421.1	Gain on Disposition of Property	61,707	22,886	
30		TOTAL OTHER INCOME (Total of Lines 25-29)	577,004	574,085	
31		OTHER INCOME DEDUCTIONS			
32	421.2	Loss on Disposition of Property			
33	425	Miscellaneous Amortization			
34	426.1	Donations	342,730	13,381	
35	426.2	Life Insurance			
36	426.3	Penalties	(7,727)	(113,341)	
37	426.4	Expenditures for Certain Civic, Political and Related Activities	68,624	124,205	
38	426.5	Other Deductions	487,495	167,538	
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	891,122	191,783	

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Black Hills Service Company, LLC			
FOOTNOTE DATA			

Schedule Page: 301 Line No.: 4 Column: c
Presentation change in 2013 to separate Maintenance Expenses (account 402) from Operation Expenses (line 401).

Schedule Page: 301 Line No.: 5 Column: c
Presentation change in 2013 to separate Maintenance Expenses (account 402) from Operation Expenses (line 401).

Schedule Page: 301 Line No.: 36 Column: c
\$2,248 is a tax return penalty, (\$10,000) is a reversal of NERC penalty accrual, and \$25 misc.

Schedule Page: 301 Line No.: 36 Column: d
\$1,659 is tax return penalties and (\$115,000) reversal of NERC penalty accrual.

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, 2013
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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		7,145,107	7,145,107			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	31	207,688	207,719			
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	28,487		28,487			
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income	145	31,795	31,940			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss		483,357	483,357			
19	421.1	Gain on Disposition of Property		61,707	61,707			
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	28,830	313,900	342,730			
23	426.2	Life Insurance						
24	426.3	Penalties	(7,752)	25	(7,727)			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	12,819	55,805	68,624			
26	426.5	Other Deductions		487,495	487,495			
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		21,948	21,948			
31	431	Other Interest Expense	9,501	15,413	24,914			
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	338,643		338,643			
34	510-515	Total Steam Power Generation Maintenance Expenses	94,893		94,893			

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, 2013
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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	1,134,476		1,134,476			
40	551-554.1	Total Other Power Generation Maintenance Expenses	2,188,801		2,188,801			
41	555-557	Total Other Power Supply Operation Expenses	177		177			
42	560	Operation Supervision and Engineering	36,743		36,743			
43	561.1	Load Dispatch-Reliability	379		379			
44	561.2	Load Dispatch-Monitor and Operate Transmission System						
45	561.3	Load Dispatch-Transmission Service and Scheduling						
46	561.4	Scheduling, System Control and Dispatch Services						
47	561.5	Reliability Planning and Standards Development	2,154		2,154			
48	561.6	Transmission Service Studies						
49	561.7	Generation Interconnection Studies						
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)						
52	563	Overhead Line Expenses (Major Only)	188		188			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	207		207			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	39,671		39,671			
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)	70		70			
66	571	Maintenance of Overhead Lines (Major Only)	245		245			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

Name of Respondent Black Hills Service Company, LLC			This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission			Resubmission Date (Mo, Da, Yr) / /		Year/Period of Report Dec 31, 2013	
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	315		315				
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	19,239		19,239				
74	590-598	Total Distribution Maintenance Expenses	669		669				
75		Total Electric Operation and Maintenance Expenses	3,888,655	7,670,522	11,559,177				
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	3,154		3,154				
103		Total Gas Transmission Maintenance Expenses	3,154		3,154				
104	870-881	Total Distribution Operation Expenses	158,118		158,118				

[illegible]

FERC FORM NO. 60 (REVISED 12-07) Page 306

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, 2013
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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	1,134,476		1,134,476
40	551-554.1	Total Other Power Generation Maintenance Expenses	2,188,801		2,188,801
41	555-557	Total Other Power Supply Operation Expenses	177		177
42	560	Operation Supervision and Engineering	36,743		36,743
43	561.1	Load Dispatch-Reliability	379		379
44	561.2	Load Dispatch-Monitor and Operate Transmission System			
45	561.3	Load Dispatch-Transmission Service and Scheduling			
46	561.4	Scheduling, System Control and Dispatch Services			
47	561.5	Reliability Planning and Standards Development	2,154		2,154
48	561.6	Transmission Service Studies			
49	561.7	Generation Interconnection Studies			
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)			
52	563	Overhead Line Expenses (Major Only)	188		188
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	207		207
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	39,671		39,671
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)	70		70
66	571	Maintenance of Overhead Lines (Major Only)	245		245
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)			

Name of Respondent Black Hills Service Company, LLC	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2013
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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	315		315
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	19,239		19,239
74	590-598	Total Distribution Maintenance Expenses	669		669
75		Total Electric Operation and Maintenance Expenses	3,888,655	7,670,522	11,559,177
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	3,154		3,154
103		Total Gas Transmission Maintenance Expenses	3,154		3,154
104	870-881	Total Distribution Operation Expenses	158,118		158,118

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 2013
Black Hills Service Company, LLC			
FOOTNOTE DATA			

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

Includes:

Account and Description	Amount
417100 Non-Utility Expense - Cost of Service	\$ 8,052
417101 Non-Utility Expense - Other O&M	\$ 902
417160 Non-Utility Selling Expense	\$ 18,172
417161 Non-Utility Admin & General	\$ 420
417162 Admin & General - Employee Benefits	\$ 109
416000 Expense Merch Jobbing & Contract	\$ 832
Total	\$ 28,487

Schedule Page: 304 Line No.: 40 Column: k

Includes Account 604230 Non-reg Power Generation O&M.

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 2013
Black Hills Service Company, LLC			
Schedule XX - Organization Chart			

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

LIST OF OFFICERS
BLACK HILLS SERVICE COMPANY, LLC

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

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 2013
Black Hills Service Company, LLC			
Schedule XXI - Methods of Allocation			

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

Allocation Factors

Asset Cost Ratio – Based on the total cost of assets as of December 31 for the prior year, the numerator of which is for an applicable BHC subsidiary and the denominator of which is for all applicable BHC subsidiaries. Assets are limited to property, plant, and equipment, and include construction or work in process. Assets are also reported at their FERC value, meaning that assets for the utility subsidiaries will not include any adjustments that are required 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 book value. An adjustment journal entry is used to eliminate the gross-up of cost and accumulated depreciation for preparation of GAAP financial statements, but this adjustment 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 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 transactions may be excluded from gross margin if they would not have occurred if the revenue relationship was with a third party instead of a related party.

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

Payroll Dollars Ratio – Based on the total payroll dollars for the 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 the Blended Ratio and the Holding Company Blended Ratio.

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

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

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 2013
Black Hills Service Company, LLC			
Schedule XXI - Methods of Allocation			

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.

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

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

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

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

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

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

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

No departments currently utilize this ratio.

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

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

Utility Payroll Dollars Ratio – Based on the total utility payroll dollars for the prior year ending December 31, the numerator of which is for an applicable BHC utility subsidiary and the denominator of which is for all applicable BHC utility subsidiaries. Utility payroll dollars include all bonuses and compensation paid to employees, but do not include

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 2013
Black Hills Service Company, LLC			
Schedule XXI - Methods of Allocation			

items that are only included on an employee's W-2 for gross-up and income tax purposes, such as life insurance premiums over \$50,000.

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

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

The IT Business Applications Regulated department utilizes this ratio.

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

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

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

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

THIS FILING IS

Item 1: ☒ An Initial (Original)
Submission

OR ☐ Resubmission No. _____

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



FERC FINANCIAL REPORT

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

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

Exact Legal Name of Respondent (Company)

Black Hills Utility Holdings, Inc.

Year of Report

Dec 31, 2013

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

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

II. Who Must Submit

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

III. How to Submit

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

IV. When to Submit

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

V. Preparation

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

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

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

VIII. Accurateness

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

IX. Applicability

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

X. Date Format

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

XI. Number Format

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

XII. Required Entries

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

XIII. Prior Year References

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

XIV. Where to Send Comments on Public Reporting Burden

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

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

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

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

And to:

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

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

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

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>2013</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 625 Ninth Street Rapid City, SD 57701		06 Name of Contact Person Richard W. Kinzley
07 Title of Contact Person Vice President - Corporate Controller		08 Address of Contact Person 625 Ninth Street Rapid City, SD 57701
09 Telephone Number of Contact Person (605) 721-2360		10 E-mail Address of Contact Person rich.kinzley@blackhillscorp.com
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation 06/09/2008		14 If Not Incorporated, Date of Organization / /
15 State or Sovereign Power Under Which Incorporated or Organized SOUTH DAKOTA		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Black Hills Corporation		

CORPORATE OFFICER CERTIFICATION

<p>The undersigned officer certifies that:</p> <p>I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.</p>		
17 Name of Signing Officer Richard W. Kinzley	19 Signature of Signing Officer Richard W. Kinzley	20 Date Signed (Month, Day, Year) 04/29/2014
18 Title of Signing Officer Vice President - 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, <u>2013</u>
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List of Schedules and Accounts			
1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.			
Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	
5	Schedule V - Accounts Receivable from Associate Companies	106	
6	Schedule VI - Fuel Stock Expenses Undistributed	107	None
7	Schedule VII - Stores Expense Undistributed	108	None
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	None
9	Schedule IX - Miscellaneous Deferred Debits	110	
10	Schedule X - Research, Development, or Demonstration Expenditures	111	None
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII - Long-Term Debt	202	
13	Schedule XIII - Current and Accrued Liabilities	203	
14	Schedule XIV - Notes to Financial Statements	204	
15	Schedule XV - Comparative Income Statement	301-302	
16	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	303-306	
17	Schedule XVII - Analysis of Billing – Associate Companies (Account 457)	307	
18	Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)	308	
21	Schedule XIX - Miscellaneous General Expenses - Account 930.2	307	
23	Schedule XX - Organization Chart	401	
24	Schedule XXI - Methods of Allocation	402	

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2013</u>
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Schedule I - Comparative Balance Sheet

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

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	24,686,278	22,454,926
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified		0	2,231,352
5	107	Construction Work In Progress	103	4,800,209	1,448,380
6		Total Property (Total Of Lines 2-5)		29,486,487	26,134,658
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	6,453	(350,942)
8	111	Less: Accumulated Provision for Amortization of Service Company Property		0	368,258
9		Net Service Company Property (Total of Lines 6-8)		29,480,034	26,117,342
10		Investments			
11	123	Investment In Associate Companies	105	600,653,965	569,239,574
12	124	Other Investments	105		
13	128	Other Special Funds	105	10,000	70,808
14		Total Investments (Total of Lines 11-13)		600,663,965	569,310,382
15		Current And Accrued Assets			
16	131	Cash		772,339	870,533
17	134	Other Special Deposits			4,731,211
18	135	Working Funds		750	
19	136	Temporary Cash Investments			
20	141	Notes Receivable		410,000,000	500,000,000
21	142	Customer Accounts Receivable		8,142	
22	143	Accounts Receivable		73,721	428,695
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	80,815,293	100,170,018
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		4,199	3,819
27	163	Stores Expense Undistributed	108		96,481
28	165	Prepayments		6,024,740	7,135,337
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	662,081	42,719
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		498,361,265	613,478,813
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		17,191,412	24,624,286
39	183	Preliminary Survey And Investigation Charges			13,622
40	184	Clearing Accounts		7,150	16,165
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		(3,212,670)	3,386,603
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		24,330,391	28,733,590
46		Total Deferred Debits (Total of Lines 37-45)		38,316,283	56,774,266
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		1,166,821,547	1,265,680,803

Name of Respondent Black Hills Utility Holdings, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2013</u>
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Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		Proprietary Capital			
49	201	Common Stock Issued	201	1,000	1,000
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	(2,500,000)	(50,000,000)
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	445,431,051	498,323,934
54	219	Accumulated Other Comprehensive Income	201	(55,124)	(59,418)
55		Total Proprietary Capital (Total of Lines 49-54)		442,876,927	448,265,516
56		Long-Term Debt			
57	223	Advances From Associate Companies	202	410,000,000	250,000,000
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)		410,000,000	250,000,000
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		293,555	266,620
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)		293,555	266,620
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		3,102,088	2,364,370
71	233	Notes Payable to Associate Companies	203	121,174,533	364,661,066
72	234	Accounts Payable to Associate Companies	203	12,245,186	9,722,815
73	236	Taxes Accrued		4,263,385	4,691,313
74	237	Interest Accrued			
75	241	Tax Collections Payable			223,999
76	242	Miscellaneous Current and Accrued Liabilities	203	5,201,868	4,661,253
77	243	Obligations Under Capital Leases – Current			
78	244	Derivative Instrument Liabilities		6,732,431	8,576,283
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		152,719,491	394,901,099
81		Deferred Credits			
82	253	Other Deferred Credits		47,306,234	59,716,143
83	254	Other Regulatory Liabilities		5,581,353	10,242,357
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		13,187,120	10,963,150
87	283	Accumulated deferred income taxes-Other		94,856,867	91,325,918
88		Total Deferred Credits (Total of Lines 82-87)		160,931,574	172,247,568
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		1,166,821,547	1,265,680,803

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 2013
Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

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

Presentation change in 2013 to net Completed Construction Not Classified with line 2 since Completed Construction Not Classified is included in the allocation of BHUH property, which is allocated monthly to subsidiaries.

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

Presentation change in 2013 to net Accumulated Provision for Depreciation (line 7) and Amortization (line 8) since both are included in the allocation of BHUH property, which is allocated monthly to subsidiaries. Retirement Work in Progress is not allocated.

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

Presentation change in 2013 to net Accumulated Provision for Depreciation (line 7) and Amortization (line 8) since both are included in the allocation of BHUH property, which is allocated monthly to subsidiaries.

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

Interest receivable from subsidiaries is included in Accounts Receivables from Associate Companies account 146 (line 24) on the balance sheet.

Schedule Page: 101 Line No.: 21 Column: d

Prior year Customer Accounts Receivable included in account 143.

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

BHUH Property and Accumulated Provision (lines 2, 4, 7 and 8) are allocated to subsidiaries. The associated receivable from the allocation is included in account 146 along with other intercompany receivables, including interest related to notes receivable from associated companies (lines 11 and 20).

Schedule Page: 101 Line No.: 72 Column: d

Interest payable from subsidiaries is included in Accounts Payables from Associate Companies account 234 (line 72) on the balance sheet.

Name of Respondent Black Hills Utility Holdings, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2013</u>
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<p align="center">Schedule II - Service Company Property</p> <p>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).</p>							
---	--	--	--	--	--	--	--

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	643,635	2,688		(646,323)	
5	390	Structures and Improvements	7,957,804	46,532	187,046	(7,817,290)	
6	391	Office Furniture and Equipment	83,585,908	2,704,086	8,124,931	(78,165,063)	
7	392	Transportation Equipment	522,482	159,856	21,495	(660,843)	
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	851,486	69,289	416,560	(504,215)	
10	395	Laboratory Equipment	213,494	20,500	155,893	(78,101)	
11	396	Power Operated Equipment					
12	397	Communications Equipment	1,653,990	12,170	1,084,216	(581,944)	
13	398	Miscellaneous Equipment	2,675			(2,675)	
14	399	Other Tangible Property	53,238,065	4,279,050	2,908,420	(54,608,695)	
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)	173,355,817	7,294,171	12,898,561	(143,065,149)	24,686,278
17	107	Construction Work in Progress:					
18		Accounting Accruals	(158,086)	5,678,167		(5,203,934)	316,147
19		AMI Hardware	529,069	3,145,542		(2,660,146)	1,014,465
20		Rapid City Customer Call Center	53,819	15,801		(69,620)	
21		Lincoln Call Center	58,363	9,579		(67,942)	
22		Software Conversions	212,111	2,629,321		(2,439,527)	401,905
23		SCADA System		86,009		(85,698)	311
24		Vehicles		234,671		(194,356)	40,315
25		Field Collection System	44,584	10,463,192		(8,404,847)	2,102,929
26		General Office	708,520	411,208		(195,591)	924,137
27		Papillion Office		273,466		(273,466)	
28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)	1,448,380	22,946,956		(19,595,127)	4,800,209
32		Total (Lines 16 and Line 31)	174,804,197	30,241,127		(88,456,455)	29,486,487

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 2013
Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

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

Plant Acquisition Adjustment is not allocated to the subsidiaries.

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

Intangible costs are not allocated to the subsidiaries.

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

The true beginning property balance is \$24,686,278 for property that is not allocated. The other beginning balances in Column (c) are the reversal of the entry which allocated all property at 12/31/2012. Information is presented in this format to show the flow of activity and the amount of property that is allocated by BHUH.

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

Includes the allocation of BHUH's property which is allocated to the subsidiaries on a monthly basis.

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

Construction Work In Progress is not allocated to the subsidiaries.

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 2013
Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

Schedule Page: 104 Line No.: 6 Column: d

Includes allocations from Black Hills Service Company (a related company) of \$468,719.

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

The true beginning Accumulated Provision balance is \$17,316 for Retirement Work in Progress which is not allocated. The other beginning balance activity in Column (c) is the reversal of the entry which allocated all property at 12/31/2012. Information is presented in this format to show the flow of activity and the amount of Accumulated Provision allocated by BHUH.

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

Includes the allocation of Accumulated Provision for Depreciation which is allocated monthly to subsidiaries.

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 2013
Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

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

Holds the loss deposit and prefunding fee for Specialty Risk Services a Third Party Administrator for workers compensation program.

Schedule V – Accounts Receivable from Associate Companies

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

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		Black Hills Colorado Electric Utility Company, LP	13,005,867	15,698,199
4		Black Hills Colorado Gas Utility Company, LP	8,023,701	8,465,257
5		Black Hills Iowa Gas Utility Company, LLC	24,455,190	18,192,398
6		Black Hills Kansas Gas Utility Company, LLC	16,604,617	10,561,720
7		Black Hills Nebraska Gas Utility Company, LLC	28,695,253	18,954,865
8		Black Hills Power, Inc.	6,492,576	6,051,556
9		Cheyenne Light Fuel & Power Company	2,742,587	2,745,345
10				
11				
12				
13		Non Associate Company:		
14		Black Hills Wyoming, LLC	4,432	658
15		Black Hills Non-Regulated Holdings, LLC		975
16		Black Hills Service Company LLC	145,614	141,671
17		Black Hills Colorado IPP, LLC	136	149
18		Black Hill Electric Generation, LLC	45	
19		Black Hills Exploration and Production, Inc.		2,500
20				
21				
22				
23				
24				
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39				
40	Total		100,170,018	80,815,293

Name of Respondent Black Hills Utility Holdings, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2013</u>
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Schedule VIII - Miscellaneous Current and Accrued Assets				
1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.				

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

FERC FORM NO. 60 (REVISED 12-07) Page 110

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 2013
Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

Schedule Page: 201 Line No.: 9 Column: d
Includes \$47,500,000 reclass from Unappropriated Retained Earnings.

Schedule Page: 201 Line No.: 12 Column: d
Includes BHUH's full beginning Unappropriated Retained Earnings balance, including Equity in Earnings from Subsidiaries. This is a change in presentation from prior years, where Equity in Earnings from Subsidiaries was excluded.

Schedule Page: 201 Line No.: 14 Column: d
Includes a non-cash dividend to BHC of \$39,800,000 and a \$47,500,000 reclass to Miscellaneous Paid-In Capital.

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 2013
Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

Schedule Page: 202 Line No.: 3 Column: i \$250M note at BHC paid on December 19, 2013.
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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/Period of Report Dec 31, <u>2013</u>
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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	251,913,496	0
3		Black Hills Power, Inc.	112,747,569	121,174,533
4				
5				
6				
7				
8				
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20				
21				
22				
23				
24	234	Accounts Payable to Associate Companies		
25		Black Hills Power, Inc	608,711	347,243
26		Black Hills Corporation	1,269,580	2,755,546
27		Black Hills Service Company, LLC	3,207,580	3,555,867
28		Cheyenne Light Fuel & Power Company	242,593	174,605
29		Black Hills Colorado Electric Utility Company, LP	3,494,055	5,119,742
30		Black Hills Colorado Gas Utilitiy Company, LP	158,853	29,363
31		Black Hills Iowa Gas Utility Company, LLC	274,519	50,665
32		Black Hills Kansas Gas Utility Company, LLC	193,152	63,391
33		Black Hills Nebraska Gas Utility Company, LLC	258,976	148,764
34		Black Hills Wyoming, LLC	3,705	
35		Black Hills Colorado IPP, LLC	11,087	
36				
37				
38				
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities	154,780	5,201,868
42		Accrued Benefits Compensated Absences	534,039	
43		Accrued Benefits 401K	32,700	
44		Accrued Incentive and Bonus	3,160,041	
45		Accrued Payroll	465,331	
46		Accrued Employee Reimbursed Exp, Pay it Forward, & Other	10,360	
47		SFAS 106 Current Portions	304,000	
48				
49				
50		(Total)	379,045,127	138,621,587

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 2013
Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

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

\$250M debt paid off.

Schedule Page: 203 Line No.: 41 Column: d

Includes:

Miscellaneous Current and Accrued Liabilities	\$60,215
Accrued Benefits Compensated Absences	\$504,986
Accrued Incentive and Bonus	\$3,239,076
Accrued Payroll	\$657,046
SFAS 106 Current Portions	\$337,000
Accrued PEP ST	\$53,000
Accrued LT Performance Plan	\$350,545
Total	\$5,201,868

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 2013
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.

BHUH Notes to Financial Statements – FERC Form 60 2013

Note 1 – Business Description and Summary of Significant Accounting Policies

Business Description

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

Organization

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 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”.

Nature of Operations

BHUH 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.

Regulatory Accounting

BHUH’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). 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 and NPSC regulating its operations.

Use of Estimates

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

Cash and Cash Equivalents

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

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.

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 2013
Black Hills Utility Holdings, Inc.			
Schedule XIV- Notes to Financial Statements			

Under accounting standards for goodwill and intangible assets, goodwill and intangible assets with indefinite lives are not amortized, but the carrying values are reviewed annually for impairment (or more frequently if impairment indicators arise). Intangible assets with a finite life continue to be amortized over their estimated useful lives and are reviewed for impairment as impairment indicators arise.

Derivatives and Hedging Activities

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

We recognize interest income or interest expense and penalties related to income tax matters in Income tax (expense) benefit. We account for uncertainty in income taxes recognized in the financial statements in accordance with accounting standards for income taxes.

Note 2 – Risk Management Activities

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

Note 3 – Related Party Transactions

Note Payable

As of December 31, 2012, we had a Note Payable to Parent of \$250 million. The debt to our Parent of this \$250 million Note Payable was paid on December 19, 2013. As of December 31, 2013 we had a Note Payable to Parent of \$410 million.

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 2013
Black Hills Utility Holdings, Inc.			
Schedule XIV- Notes to Financial Statements			

Non-cash Contribution from Parent

In 2013 we recorded a non-cash dividend to our Parent for \$39.8 million and decreased the Utility Money Pool Note Receivable, net by the amount of \$39.8 million.

Money Pool Agreement

We have entered into a Utility Money Pool Agreement (the Agreement) with BHC and Black Hills Power, an electric utility subsidiary of the Parent. Under the Agreement, we may borrow from the Parent. The Agreement restricts us from lending funds to the Parent or to any of the Parent's non-utility subsidiaries; the Agreement does not restrict us from paying dividends to the Parent. Borrowings under the Agreement bear interest at the weighted average daily cost of our parent company's credit facility borrowings as defined under the Agreement, or if there are no external funds outstanding on that date, the rate will be the daily one-month LIBOR plus 1%. Borrowings under the agreement are due upon demand. Outstanding advances, net were \$121,174,533 and \$112,582,673 at December 31, 2013 and 2012, respectively. At December 31, 2013 the cost of borrowing under the Utility Money Pool was 1.6%.

We had net interest payable to the Money Pool of \$0.2 million and \$0.2 million at December 31, 2013 and 2012, respectively.

Note 4 – Employee Benefit Plans

Funded Status of 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.

Pension Plan assets are held in a Master Trust. Our Board of Directors has approved the Plans' investment policy. The objective of the investment policy is to manage assets in such a way that will allow the eventual settlement of our obligations to the Pension Plans' beneficiaries. To meet this objective, our pension assets are managed by an outside adviser using a portfolio strategy that will provide liquidity to meet the Plans' benefit payment obligations. The Pension Plans' assets consist primarily of equity, fixed income and hedged investments. The expected long-term rate of return for investments was 7.25% and 7.25% for the 2013 and 2012 plan years, respectively. Our Pension Plan funding policy is in accordance with the federal government's funding requirements.

Supplemental Non-qualified Defined Benefit Plans

We have two supplemental retirement plans for key executives of the Company. The plans are non-qualified defined benefit plans (Supplemental Plans). The Supplemental Plans are subject to various vesting schedules and are not funded by the Company. We do not fund our Supplemental Plans. We fund on a cash basis as benefits are paid.

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 2013
Black Hills Utility Holdings, Inc.			
Schedule XIV- Notes to Financial Statements			

Non-pension Defined Benefit Postretirement Plan

Employees who retire on or after attaining age 55 and after completion of at least five years of service are entitled to postretirement healthcare benefits (the "Postretirement Plan"). These benefits are subject to premiums, deductibles, co-payment provisions, and other limitations. We may amend or change the Postretirement Plan periodically. A portion of our healthcare plan is pre-funded via VEBA and the assets are held in trust. We use a December 31 measurement date for the Postretirement Plan.

It has been determined that the Postretirement Plan's post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy.

Benefit Obligations as of December 31, 2013

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 53,000	\$ 337,000
Deferred credits and other liabilities - other	\$ 7,865,608	\$ 461,636	\$ 5,293,646
Accumulated other comprehensive income	\$ --	\$ (55,124)	\$ --

Benefit Obligations as of December 31, 2012

	Defined Benefit <u>Pension Plan</u>	Supplemental Nonqualified Defined Benefit <u>Retirement Plan</u>	Non-Pension Defined Benefit Postretirement <u>Plan</u>
Accrued liabilities	\$ --	\$ 53,000	\$ 304,000
Deferred credits and other liabilities - other	\$ 16,135,189	\$ 399,915	\$ 4,981,765
Accumulated other comprehensive income	\$ --	\$ (59,418)	\$ --

Defined Contribution Plan

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

Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		SERVICE COMPANY OPERATING REVENUES		
2	400	Service Company Operating Revenues	88,295,719	73,880,594
3		SERVICE COMPANY OPERATING EXPENSES		
4	401	Operation Expenses	64,201,049	57,632,406
5	402	Maintenance Expenses	8,199,535	
6	403	Depreciation Expenses	4,392,713	3,968,959
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	220,003	109,438
13	409.1	Income Taxes, Operating Income		
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	3,602,808	3,238,527
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	80,616,108	64,949,330
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	7,679,611	8,931,264
24		OTHER INCOME		
25	418.1	Equity in Earnings of Subsidiary Companies	35,643,263	
26	419	Interest and Dividend Income	2,898	30,770
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	52,485	20,699
29	421.1	Gain on Disposition of Property	4,048	1,409
30		TOTAL OTHER INCOME (Total of Lines 25-29)	35,702,694	52,878
31		OTHER INCOME DEDUCTIONS		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	43,983	15,005
35	426.2	Life Insurance		
36	426.3	Penalties	6	7,179
37	426.4	Expenditures for Certain Civic, Political and Related Activities	83,641	61,242
38	426.5	Other Deductions	96,911	10,201
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	224,541	93,627
40		TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS		

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Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

Schedule Page: 301 Line No.: 4 Column: c

Presentation change in 2013 to separate Maintenance Expenses (Account 402) from Operations Expenses (Account 401).

Schedule Page: 301 Line No.: 5 Column: c

Presentation change in 2013 to separate Maintenance Expenses (Account 402) from Operations Expenses (Account 401).

Schedule Page: 301 Line No.: 62 Column: c

BHUH does not have any true net income as all of BHUH's costs are allocated to the subsidiaries. As a parent company BHUH holds the earnings from its subsidiaries Beginning in 2013 presentation of BHUH's Income Statement includes net income which is Equity in Earnings of Subsidiary Companies and the related taxes. In prior years this was excluded.

418.1 Equity in Earnings of Subsidiary Companies	\$35,643,263
(Less)	
409.2 Income Taxes, Operating Income	\$(2,042,192)
410.2 Provision for Deferred Income Taxes, Other Income and Deductions	\$14,410,008
411.2 Prov for Defer Inc Taxes - Credit, Other Income and Deductions	<u>\$(11,131,670)</u>
	\$34,407,117

Schedule Page: 301 Line No.: 62 Column: d

Equity in Earnings of Subsidiaries and related taxes totaling \$33,682,712 are not included on the Income Statement. In 2012, these amounts were footnoted instead of presented on the Income Statement.

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				5,062		5,062
41	555-557	Total Other Power Supply Operation Expenses	58,844		58,844			
42	560	Operation Supervision and Engineering	291,299	799,438	1,090,737			
43	561.1	Load Dispatch-Reliability		17,647	17,647			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	920,458	274,789	1,195,247			
45	561.3	Load Dispatch-Transmission Service and Scheduling	355,813	250,501	606,314			
46	561.4	Scheduling, System Control and Dispatch Services	188,300		188,300			
47	561.5	Reliability Planning and Standards Development	428,649	567,073	995,722			
48	561.6	Transmission Service Studies	23	2,658	2,681			
49	561.7	Generation Interconnection Studies	(10,607)		(10,607)			
50	561.8	Reliability Planning and Standards Development Services	325,810		325,810			
51	562	Station Expenses (Major Only)	717		717			
52	563	Overhead Line Expenses (Major Only)	6,834		6,834			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	12,201	65,283	77,484			
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	2,519,497	1,977,389	4,496,886			
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)	105		105			
66	571	Maintenance of Overhead Lines (Major Only)	7,640	115	7,755			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)						

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	7,745	115	7,860			
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	1,128,746	744,963	1,873,709			
74	590-598	Total Distribution Maintenance Expenses	5,134,927	165,182	5,300,109			
75		Total Electric Operation and Maintenance Expenses	9,645,814	18,007,951	27,653,765	5,578		5,578
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses		(4,209)	(4,209)			
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	267		267			
103		Total Gas Transmission Maintenance Expenses	267		267			
104	870-881	Total Distribution Operation Expenses	404,916	1,723,725	2,128,641			

Name of Respondent Black Hills Utility Holdings, Inc.				This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Resubmission Date (Mo, Da, Yr) / /		Year/Period of Report Dec 31, <u>2013</u>	
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	122,269	601,304	723,573				
106		Total Natural Gas Operation and Maintenance Expenses	527,452	2,320,820	2,848,272				
107	901	Supervision	34	467,005	467,039				
108	902	Meter reading expenses	6,426	14,239	20,665				
109	903	Customer records and collection expenses	3,440,242	8,998,205	12,438,447				
110	904	Uncollectible accounts	3,638,868		3,638,868				
111	905	Miscellaneous customer accounts expenses	77,315	976,380	1,053,695				
112	906	Total Customer Accounts Operation Expenses	7,162,885	10,455,829	17,618,714				
113	907	Supervision	18,741	1,333,704	1,352,445				
114	908	Customer assistance expenses	86,442	1,428,391	1,514,833				
115	909	Informational And Instructional Advertising Expenses	70,030	4,777	74,807				
116	910	Miscellaneous Customer Service And Informational Expenses	15,863	79,185	95,048				
117		Total Service and Informational Operation Accounts	191,076	2,846,057	3,037,133				
118	911	Supervision	100	182,035	182,135				
119	912	Demonstrating and Selling Expenses		307,301	307,301				
120	913	Advertising Expenses	1,400	18,888	20,288				
121	916	Miscellaneous Sales Expenses		63,884	63,884				
122		Total Sales Operation Expenses	1,500	572,108	573,608				
123	920	Administrative and General Salaries	3,366,108	22,214,422	25,580,530	182,802		182,802	
124	921	Office Supplies and Expenses	162,643	3,964,224	4,126,867	70,005		70,005	
125	923	Outside Services Employed	524,450	1,767,142	2,291,592	1,405		1,405	
126	924	Property Insurance		4,142	4,142				
127	925	Injuries and Damages		782,315	782,315				
128	926	Employee Pensions and Benefits		15,365	15,365				
129	928	Regulatory Commission Expenses	4,774	(4,774)					
130	930.1	General Advertising Expenses	7,283	37,318	44,601				
131	930.2	Miscellaneous General Expenses	6,994	475,052	482,046				
132	931	Rents		835,903	835,903	54		54	
133		Total Administrative and General Operation Expenses	4,072,252	30,091,109	34,163,361	254,266		254,266	
134	935	Maintenance of Structures and Equipment		2,141,022	2,141,022				
135		Total Administrative and General Maintenance Expenses	11,427,713	46,106,125	57,533,838	254,266		254,266	
136		Total Cost of Service	21,600,979	66,434,896	88,035,875	259,844		259,844	

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		4,392,713	4,392,713
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes		220,003	220,003
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	714,959	2,887,849	3,602,808
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income		2,898	2,898
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss		52,485	52,485
19	421.1	Gain on Disposition of Property		4,048	4,048
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	1,201	42,782	43,983
23	426.2	Life Insurance			
24	426.3	Penalties		6	6
25	426.4	Expenditures for Certain Civic, Political and Related Activities	(4,112)	87,753	83,641
26	426.5	Other Deductions	62,785	34,126	96,911
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		7,513,541	7,513,541
31	431	Other Interest Expense		960	960
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	96		96
34	510-515	Total Steam Power Generation Maintenance Expenses	21,642		21,642

Name of Respondent Black Hills Utility Holdings, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, <u>2013</u>
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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	5,062		5,062
41	555-557	Total Other Power Supply Operation Expenses	58,844		58,844
42	560	Operation Supervision and Engineering	291,299	799,438	1,090,737
43	561.1	Load Dispatch-Reliability		17,647	17,647
44	561.2	Load Dispatch-Monitor and Operate Transmission System	920,458	274,789	1,195,247
45	561.3	Load Dispatch-Transmission Service and Scheduling	355,813	250,501	606,314
46	561.4	Scheduling, System Control and Dispatch Services	188,300		188,300
47	561.5	Reliability Planning and Standards Development	428,649	567,073	995,722
48	561.6	Transmission Service Studies	23	2,658	2,681
49	561.7	Generation Interconnection Studies	(10,607)		(10,607)
50	561.8	Reliability Planning and Standards Development Services	325,810		325,810
51	562	Station Expenses (Major Only)	717		717
52	563	Overhead Line Expenses (Major Only)	6,834		6,834
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	12,201	65,283	77,484
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	2,519,497	1,977,389	4,496,886
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)	105		105
66	571	Maintenance of Overhead Lines (Major Only)	7,640	115	7,755
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, <u>2013</u>
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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	7,745	115	7,860
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	1,128,746	744,963	1,873,709
74	590-598	Total Distribution Maintenance Expenses	5,134,927	165,182	5,300,109
75		Total Electric Operation and Maintenance Expenses	9,651,392	18,007,951	27,659,343
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses		(4,209)	(4,209)
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	267		267
103		Total Gas Transmission Maintenance Expenses	267		267
104	870-881	Total Distribution Operation Expenses	404,916	1,723,725	2,128,641

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 2013
Black Hills Utility Holdings, Inc.			
FOOTNOTE DATA			

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

The following activity was included in 416:

416000 Exp Merchandising, Jobbing and Contract	\$6,444
417100 NonUtility Expenses COS	\$113,407
417101 NonUtility Expenses - COS	\$1,322,568
417158 NonUtility Expense - Other O&M	\$35,922
417160 NonUtility Operation Expense Other	\$1,126,035
417161 NonUtility Selling Expense	\$293,390
417162 NonUtility Admin and General	\$544,683
417165 Admin and Gen-Employee Benefits	\$73,859
417170 Expense for Uncollectable Accts NonReg	\$10
417180 NonUtility Depreciation Expense	\$86,490
	<u>\$3,602,808</u>

Schedule Page: 304 Line No.: 18 Column: k

Includes Account 487000 Forfeited Disc/Late Pmt Gas

Schedule Page: 304 Line No.: 40 Column: k

Includes Account 604230 Non-Reg Power Generation O&M.

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

Includes Account 922000 Admin Exp Rans Credit.

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	Industry Association Dues for Company Membership	325,270
2	Director Fees and Expenses	190,338
3	Supplies	3,893
4	Travel	3,835
5	Dues and Subscriptions	5,000
6	Other	(46,290)
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40	Total	482,046

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 2013
Black Hills Utility Holdings, Inc.			
Schedule XX - Organization Chart			

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

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

OFFICER	TITLE
David R. Emery	Chairman and Chief Executive Officer
Linden R. Evans	President and Chief Operating Officer – Utilities
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)
Robert A. Myers	Senior Vice President – Chief Human Resources Officer
Scott A. Buchholz	Senior Vice President – Chief Information Officer
Roxann R. Basham	Vice President – Governance and Corporate Secretary
Stephen L. Pella	Vice President – Corporate Affairs
Perry S. Krush	Vice President – Supply Chain
Richard W. Kinzley	Vice President – Corporate Controller
Brian G. Iverson	Vice President – Treasurer
Kyle D. White	Vice President – Regulatory Affairs
Jeffrey B. Berzina	Vice President – Strategic Planning and Development
Stuart A. Wevik	Vice President – Utility Operations
Ivan Vancas	Vice President – Operations Services
Mark L. Lux	Vice President and General Manager – Power Delivery
Randy D. Winkelman	Vice President – Customer Service
Richard C. Loomis	Vice President – Energy Asset Optimization
Steven M. Jurek	Vice President – Regulatory Services
Wendy M. Moser	Vice President – Regulatory Services and Resource Planning

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 2013
Black Hills Utility Holdings, Inc.			
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.

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

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 2013
Black Hills Utility Holdings, Inc.			
Schedule XXI - Methods of Allocation			

they would charge BHUH operating unit 201900 and these costs would be allocated using the Blended Ratio across the regulated electric companies.

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

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

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

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

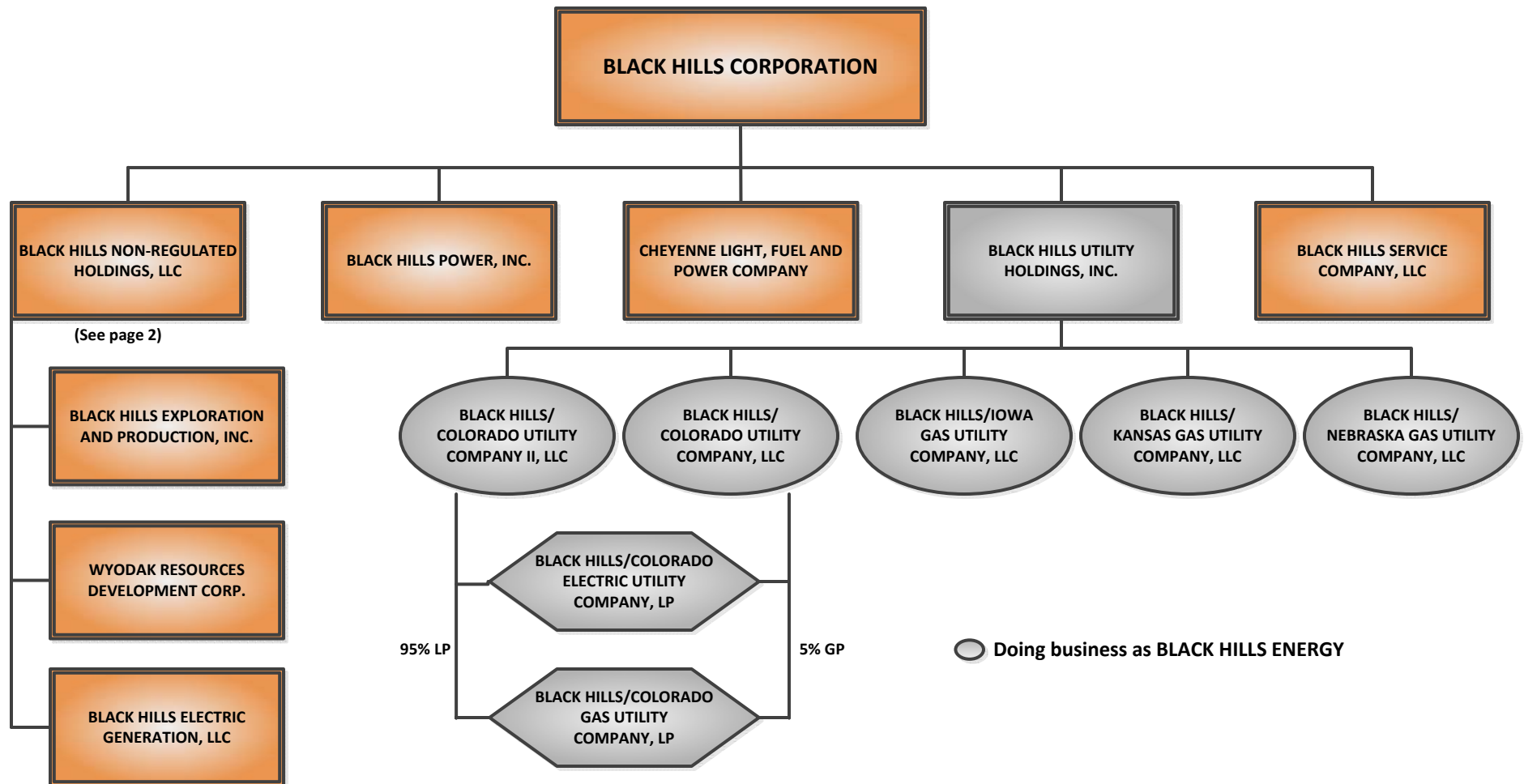
Departments that utilize this ratio include gas supply services administration, computer aided dispatch, FAME assets, general assets, work management assets, regulated generation assets, customer blended assets, electric AMI blended assets, gas engineering services, GIS support, general meter shop, customer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

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

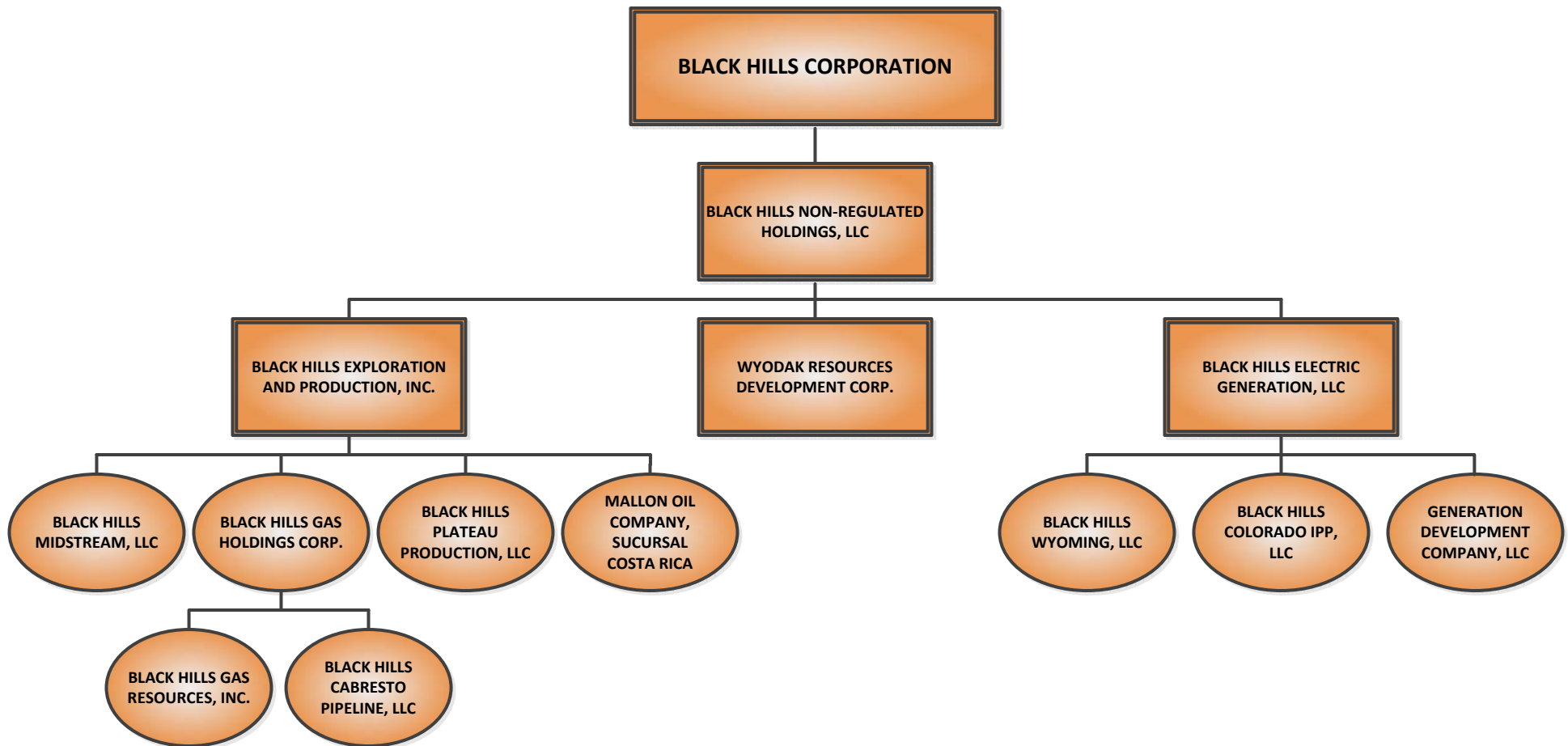
The departments that utilize this ratio include transmission planning, NERC compliance, FERC tariff and compliance, transmission and distribution reliability, NERC transmission and tech support, and transmission service management.

Tab B 1

BLACK HILLS CORPORATION ORGANIZATIONAL CHART



BLACK HILLS CORPORATION ORGANIZATIONAL CHART



Tab B2

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

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

For the fiscal year ended December 31, 2013

☐ 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, 2013 \$2,135,998,459

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, 2014</u>
Common stock, \$1.00 par value	44,503,454 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2014 Annual Meeting of Stockholders to be held on April 29, 2014, 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” or “our”), is a growth-oriented, vertically-integrated energy company headquartered in Rapid City, S.D. Our predecessor company, Black Hills Power and Light Company, was incorporated and began providing electric utility service in 1941. It was formed through the purchase and combination of several existing electric utilities and related assets, some of which had served customers in the Black Hills region since 1883. In 1956, we began producing, selling and marketing various forms of energy through non-regulated businesses.

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

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

Our Electric Utilities segment generates, transmits and distributes electricity to approximately 203,500 electric customers in South Dakota, Wyoming, Colorado and Montana and also distributes natural gas to approximately 35,500 gas utility customers of Cheyenne Light in and around Cheyenne, Wyo. Our Gas Utilities segment serves approximately 538,000 natural gas utility customers in Colorado, Nebraska, Iowa and Kansas. Our Electric Utilities own 790 megawatts of generation and 8,599 miles of electric transmission and distribution lines, and our Gas Utilities own 604 miles of intrastate gas transmission pipelines and 19,998 miles of gas distribution mains and service lines. Our Utilities Group generated net income of \$85 million for the year ended Dec. 31, 2013, and had total assets of \$3.3 billion at Dec. 31, 2013.

Our Power Generation segment produces electric power from our generating plants and sells the electric capacity and energy primarily to our utilities under long-term contracts. Our Coal Mining segment produces coal at our coal mine near Gillette, Wyo., and sells the coal primarily under long-term contracts to electric generation facilities including our own regulated and non-regulated generating plants. Our Oil and Gas segment engages in the exploration, development and production of crude oil and natural gas, primarily in the Rocky Mountain region. Our Non-regulated Energy Group generated net income of \$18 million for the year ended Dec. 31, 2013, and had total assets of \$0.5 billion at Dec. 31, 2013.

For more than 15 years, prior to February 2012, we also owned and operated Enserco, an energy marketing business that engaged in natural gas, crude oil, coal, power and environmental marketing and trading in the United States and Canada. On Feb. 29, 2012, we sold Enserco, representing our entire Energy Marketing segment, which resulted in this segment being classified as discontinued operations. See Note 21 in the accompanying Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further details.

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 4 to the Consolidated Financial Statements, in this Annual Report on Form 10-K.

Discontinued Operations in the accompanying financial information includes the results of our Energy Marketing segment sold in February 2012.

For our Pueblo Airport Generation site in Pueblo, Colo., we posted a bond with the State of Colorado to cover the costs of remediation for a waste water containment pond permitted to provide wastewater storage and processing for this zero discharge facility.

Agreements are in place that require PacifiCorp and MEAN to be responsible for any costs related to the solid waste from their ownership interest in the Wyodak plant and Wygen I plant, respectively. As operator of Wygen III, Black Hills Power has a similar agreement in place for any such costs related to solid waste from Wygen III. Under their separate but related operating agreement, Black Hills Power, MDU and the City of Gillette each share the costs for solid waste from Wygen III according to their respective ownership interests.

Additional unexpected material costs could also result in the future if any regulatory agency determines that solid waste from the burning of coal contains a hazardous material that requires special treatment, including previously disposed solid waste. In that event, the regulatory authority could hold entities that dispose of such waste responsible for remedial treatment. On June 21, 2010, the EPA published its proposed coal combustion residuals regulations. The regulations are complex and contain various options for ash management that the EPA will select from to form the final version of the rule. We cannot determine the likely impact on our operations until the final version of the rule is known, which appears to be scheduled for some time in 2014. If ash becomes subject to regulations as a hazardous waste, implementation requirements could have a material impact on our financial position, results of operations or cash flows.

Manufactured Gas Processing

Some federal and state laws authorize the EPA and other agencies to issue orders compelling potentially responsible parties to clean up sites that are determined to present an actual or potential threat to human health or the environment.

As a result of the Aquila Transaction, we acquired whole and partial liabilities for several former manufactured gas processing sites in Nebraska and Iowa which were previously used to convert coal to natural gas. The acquisition provided for a \$1.0 million insurance recovery, now valued at approximately \$1.3 million, which will be used to help offset remediation costs. The remediation cost estimate could change materially due to results of further investigations, actions of environmental agencies or the financial viability of other responsible parties.

In March 2011, Nebraska Gas executed an Allocation, Indemnification and Access Agreement with the successor to the former operator of the Nebraska MGPs. Under this agreement, Nebraska Gas received \$1.9 million from the successor to the operator for Nebraska Gas to remediate two sites in Nebraska (Blair and Plattsmouth). The successor is responsible for remediation activity at the two remaining sites in Nebraska (Columbus and Norfolk). Subsequent to this transaction, Nebraska Gas enrolled Blair and Plattsmouth in Nebraska's Voluntary Cleanup Program. Site remediation was completed in September 2012. Both Nebraska sites will be required to monitor groundwater quality for a minimum two-year period to end in September 2014.

As of Dec. 31, 2013, we estimate a range of approximately \$2.9 million to \$6.3 million to remediate the MGP site in Council Bluffs, Iowa, of which we could be responsible for up to 25 percent of the costs. There are potentially other responsible parties relating to the site in Council Bluffs, Iowa; however, at this time no parties have been named nor have we determined the degree to which they are responsible. There are currently no regulatory requirements or deadlines for cleanup.

Prior to Black Hills Corporation's ownership, Aquila received rate orders that approved recovery of environmental cleanup costs in certain jurisdictions. We anticipate recovery of current and future remediation costs would be allowed. Additionally, we may pursue recovery or agreements with other potentially responsible parties when and where permitted.

Non-regulated Energy Group

Our Non-regulated Energy Group, which operates through various subsidiaries, produces and sells electric capacity and energy through a portfolio of generating plants, produces and sells coal from our mine located in the Powder River Basin in Wyoming and acquires, explores for, develops and produces natural gas and crude oil primarily in the Rocky Mountain region. The Non-regulated Energy Group consists of three business segments for reporting purposes:

- Power Generation
- Coal Mining
- Oil and Gas

Power Generation Segment

Our Power Generation segment, which operates through **Black Hills Electric Generation and its subsidiaries**, acquires, develops and operates our non-regulated power plants. As of Dec. 31, 2013, we held varying interests in independent power plants operating in Wyoming and Colorado with a total net ownership of approximately 309 megawatts.

Portfolio Management

We produce electric power from our generating plants and sell the electric capacity and energy, primarily to affiliates under a combination of mid- to long-term contracts, which mitigates the impact of a potential downturn in future power prices. We currently sell a substantial majority of our non-regulated generating capacity under contracts having terms greater than one year.

As of Dec. 31, 2013, the power plant ownership interests held by our Power Generation segment included:

Power Plants	Fuel Type	Location	Ownership Interest	Owned Capacity (MW)	In Service Date
Gillette CT	Gas	Gillette, Wyo.	100.0%	40.0	2001
Wygen I	Coal	Gillette, Wyo.	76.5%	68.9	2003
Pueblo Airport Generation ⁽¹⁾	Gas	Pueblo, Colo.	100.0%	200.0	2012
				<u>308.9</u>	

(1) Black Hills Colorado IPP owns and operates this facility. This facility provides capacity and energy to Colorado Electric under a 20-year PPA with Colorado Electric. This PPA is accounted for as a capital lease on the accompanying Consolidated Financial Statements.

Black Hills Wyoming - Gillette CT. The Gillette CT is a simple-cycle, gas-fired combustion turbine located at our Gillette, Wyo., energy complex. The facility's energy and capacity is sold to Cheyenne Light under a PPA that expires in August 2014. We sell excess power from our generating capacity into the wholesale power markets when it is available and economical. On May 6, 2013, Black Hills Wyoming entered into an agreement to sell the Gillette CT to the City of Gillette, Wyo. The sale is expected to close in August 2014 upon the expiration of the existing PPA with Cheyenne Light. This sale is subject to FERC approval and certain other requirements included in the contract.

Black Hills Wyoming - Wygen I. The Wygen I generation facility is a mine-mouth, coal-fired power plant with a total capacity of 90 megawatts located at our Gillette, Wyo., energy complex. We own 76.5 percent of the plant and MEAN owns the remaining 23.5 percent. We sell 60 megawatts of unit contingent capacity and energy from this plant to Cheyenne Light under a PPA that expires on Dec. 31, 2022. The PPA includes an option for Cheyenne Light to purchase Black Hills Wyoming's ownership interest in the Wygen I facility through 2019. The purchase price in the contract related to the option is \$2.6 million per megawatt adjusted for capital additions and reduced by depreciation over 35 years starting Jan. 1, 2009 (approximately \$5 million per year). The net book value of Wygen I at Dec. 31, 2013 was \$79 million and if Cheyenne Light had exercised the purchase option at year-end 2013, the estimated purchase price would have been approximately \$154 million. We expect Cheyenne Light to exercise its option to purchase sometime during the next several years. We sell excess power from our generating capacity into the wholesale power markets when it is available and economical.

Black Hills Colorado IPP - Pueblo Airport Generation. The Pueblo Airport Generation Station consists of two 100 megawatt combined-cycle gas-fired power generation plants located at a site shared with Colorado Electric. The plants commenced operation on Jan. 1, 2012, and the assets are accounted for as a capital lease under a 20-year PPA with Colorado Electric. Under the PPA with Colorado Electric, any excess capacity and energy shall be for the benefit of Colorado Electric.

The following table summarizes megawatt-hours for our Power Generation segment:

Quantities Sold, Generated and Purchased (megawatt-hour)	2013	2012	2011
Sold			
Black Hills Colorado IPP	1,008,482	762,950	—
Black Hills Wyoming	556,307	541,687	556,577
Total Sold	1,564,789	1,304,637	556,577
Generated			
Black Hills Colorado IPP	1,008,482	762,950	—
Black Hills Wyoming	556,106	538,945	557,899
Total Generated	1,564,588	1,301,895	557,899
Purchased			
Black Hills Colorado IPP	—	—	—
Black Hills Wyoming	5,481	8,011	402
Total Purchased	5,481	8,011	402

Operating Agreements. Our Power Generation segment has the following material operating agreements:

- Shared Services Agreements -
 - Black Hills Power, Cheyenne Light, and Black Hills Wyoming are parties to a shared facilities agreement, whereby each entity charges for the use of assets by the affiliate entity.
 - Black Hills Colorado IPP and Colorado Electric are also parties to a facility fee agreement, whereby Colorado Electric charges Black Hills Colorado IPP for the use of Colorado Electric assets.
 - Colorado IPP and Black Hills Wyoming also receive certain staffing, and management services from BHSC.
- Jointly Owned Facilities -
 - Black Hills Wyoming and MEAN are parties to a shared joint ownership agreement, whereby Black Hills Wyoming charges MEAN for administrative services, plant operations and maintenance for their share of the Wygen I generating facility for the life of the plant.

Competition. The independent power industry consists of many strong and capable competitors, some of which may have more extensive operating experience, or greater financial resources than we possess.

With respect to the merchant power sector, FERC has taken steps to increase access to the national transmission grid by utility and non-utility purchasers and sellers of electricity, and foster competition within the wholesale electricity markets. Our Power Generation business could face greater competition if utilities are permitted to robustly invest in power generation assets. However, state regulatory rules requiring utilities to competitively bid generation resources may provide opportunity for independent power producers in some regions.

Environmental Regulation. Many of the environmental laws and regulations applicable to our regulated Electric Utilities also apply to our Power Generation operations. See the discussion above under the “Environmental” and “Regulation” captions for the Utilities Group for additional information on certain laws and regulations.

The Energy Policy Act of 1992. The passage of the Energy Policy Act of 1992 encouraged independent power production by providing certain exemptions from regulation for EWGs. EWGs are exclusively in the business of owning or operating, or both owning and operating, eligible power facilities and selling electric energy at wholesale. EWGs are subject to FERC regulation, including rate regulation. We own three EWGs: Gillette CT, Wygen I and 200 megawatts at the Pueblo Airport Generating Station. Our EWGs were 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 Electric Utilities. Our Gillette CT, Wygen I and Pueblo Airport Generating facilities are subject to Titles IV and V of the Clean Air Act and have the required permits in place or have applications submitted in accordance with regulatory time lines. As a result of SO₂ allowances credited to us from the installation of sulfur removal equipment at our jointly owned Wyodak plant, we hold sufficient allowances for our Gillette CT and Wygen I plants through 2043, without purchasing additional allowances. The EPA's MACT rule described in the Utilities Group section will apply to Wygen I.

Clean Water Act. The Clean Water Act impacts our Power Generation business in a manner similar to the impact described above for our Electric Utilities. Each of our facilities that is required to have NPDES permits have those permits and are in compliance with discharge limitations. The EPA also regulates surface water oil pollution prevention through its oil pollution prevention regulations. Each of our facilities regulated under this program have the requisite pollution prevention plans in place.

Solid Waste Disposal. We dispose of all Wygen I coal ash and scrubber wastes in mined areas at our WRDC coal mine under the terms and conditions of a state permit. The factors discussed under this caption for the Utilities Group also impact our Power Generation segment in a similar manner.

Greenhouse Gas Regulations. The EPA's GHG Tailoring Rule described in the Utilities Group section will apply to the Gillette CT, Wygen I and the Pueblo Airport Generating units upon a major modification, upon operating permit renewal or in the case of Pueblo Airport Generating Station, upon initial issuance of the Title V operating permit.

Coal Mining Segment

Our Coal Mining segment operates through our WRDC subsidiary. We surface mine, process and sell primarily low-sulfur sub-bituminous coal at our coal mine near Gillette, Wyo. The WRDC coal mine, which we acquired in 1956 from Homestake Gold Mining Company, is located in the Powder River Basin. The Powder River Basin contains one of the largest coal reserves in the United States. We produced approximately 4.3 million tons of coal in 2013.

Surface mining involves removing the topsoil, then drilling and blasting the overburden (earth and rock covering the coal) with explosives. We then remove the overburden with equipment. Once exposed, we drill, fracture and systematically remove the coal using front end loaders and use conveyors to transport the coal to the mine-mouth generating facilities. We reclaim disturbed areas as part of our normal mining activities by back-filling the pit with overburden removed during the mining process. Once we have replaced the overburden and topsoil, we re-establish vegetation and plant life in accordance with our approved Post Mining Topography plan.

In a basin characterized by thick coal seams, our overburden ratio, a comparison of the cubic yards of dirt removed to a ton of coal uncovered, had in recent years trended upwards. The overburden ratio decreased in the second half of 2012 when we relocated mining operations to an area of the mine with lower overburden. The overburden ratio has been reduced approximately 60 percent during 2013.

Mining rights to the coal are based on four federal leases and one state lease. The federal leases expire between Sept. 30, 2015, to March 31, 2021, and the state lease expires on Aug. 1, 2023. The duration of the leases vary; however, the lease terms generally are extended to the exhaustion of economically recoverable reserves, as long as active mining continues. We pay federal and state royalties of 12.5 percent and 9.0 percent, respectively, of the selling price of all coal. As of Dec. 31, 2013, we estimated our recoverable coal reserves to be approximately 213 million tons, based on a life-of-mine engineering study utilizing currently available drilling data and geological information prepared by internal engineering studies. The recoverable coal reserve life is equal to approximately 40 years at the current expected production levels. Our recoverable coal reserve estimates are periodically updated to reflect past coal production and other geological and mining data. Changes in mining methods or the utilization of new technologies may increase or decrease the recovery basis for a coal seam. Our recoverable coal reserves include reserves that can be economically and legally extracted at the time of their determination. We use various assumptions in preparing our estimate of recoverable coal reserves. See Risk Factors under Coal Mining for further details.

Substantially all of our coal production is currently sold under mid-term and long-term contracts to:

- Black Hills Power for use at its Ben French, Neil Simpson I and Neil Simpson II plants. Effective Aug. 31, 2012, Black Hills Power suspended operations at the 25 megawatt Ben French plant and announced the retirement of the Ben French plant and the 21.8 megawatt Neil Simpson I plant effective March 21, 2014. We sold approximately 120,000 tons per year to Ben French when it was operable and sell approximately 130,000 tons of coal per year to Neil Simpson I;
- the 362 megawatt Wyodak power plant owned 80 percent by PacifiCorp and 20 percent by Black Hills Power. PacifiCorp is obligated to purchase a minimum of 1.5 million tons of coal each year of the contract term, subject to adjustments for planned outages. This contract expires at the end of December 2022;
- the 110 megawatt Wygen III power plant owned 52 percent by Black Hills Power, 25 percent by MDU and 23 percent by the City of Gillette to which we sell approximately 600,000 tons of coal each year. This contract expires June 1, 2060;
- the 90 megawatt Wygen I power plant owned 76.5 percent by Black Hills Wyoming and 23.5 percent by MEAN to which we sell approximately 500,000 tons of coal each year. This contract expires June 30, 2038; and
- certain regional industrial customers served by truck to which we sell a total of approximately 150,000 tons of coal each year. These contracts are short-term and have terms of one to three years.

Our Coal Mining segment sells coal to Black Hills Power and Cheyenne Light for all of their requirements under cost-based agreements that regulate earnings from these affiliate coal sales to a specified return on our coal mine's cost-depreciated investment base. The return is 4 percent above A-rated utility bonds, to be applied to our coal mining investment base as determined each year. Black Hills Power made a commitment to the SDPUC, the WPSC and the City of Gillette that coal for Black Hills Power's operating plants would be furnished and priced as provided by that agreement for the life of the Neil Simpson II plant and through June 1, 2060, for Wygen III. The agreement with Cheyenne Light provides coal for the life of the Wygen II plant.

The price for unprocessed coal sold to PacifiCorp for its 80 percent interest in the Wyodak plant is determined by the coal supply agreement described above. The agreement includes price adjustments in 2014 and 2019, which essentially allow us to retain the full economic advantage of the mine's location adjacent to the plant. The price adjustments will be based on the market price of coal plus considerations for the avoided costs of rail transportation and a coal unloading facility which PacifiCorp would have to incur if it purchased coal from another mine.

WRDC supplies coal to Black Hills Wyoming for the Wygen I generating facility for requirements under an agreement using a base price that includes price escalators and quality adjustments through June 30, 2038, and includes actual cost per ton plus a margin equal to the yield for Moody's A-Rated 10-Year Corporate Bond Index plus 4 percent with the base price being adjusted on a 5-year interval. The agreement stipulates that WRDC will supply coal to the 90 megawatt Wygen I plant through June 30, 2038.

Competition. Our primary strategy is to sell the majority of our coal production to on-site, mine-mouth generation facilities under long-term supply contracts. Historically, off-site sales have been to consumers within a close proximity to the mine. Rail transport market opportunities for WRDC coal are limited due to the lower heating value (Btu) of the coal, combined with the fact that the WRDC coal mine is served by only one railroad, resulting in less competitive transportation rates. Management continues to explore the limited market opportunities for our product through truck transport.

Additionally, coal competes with other energy sources, such as natural gas, wind, solar and hydropower. Costs and other factors relating to these alternative fuels, such as safety, environmental considerations and availability affect the overall demand for coal as a fuel.

Environmental Regulation. The construction and operation of coal mines are subject to environmental protection and land use regulation in the United States. These laws and regulations often require a lengthy and complex process of obtaining licenses, permits and approvals from federal, state and local agencies. Many of the environmental issues and regulations discussed under the Utilities Group also apply to our Coal Mining segment.

Operations at WRDC must regularly address issues arising due to the proximity of the mine disturbance boundary to the City of Gillette and to residential and industrial development. Homeowner complaints and challenges to the permits may occur as mining operations move closer to residential development areas. Specific concerns could include fugitive dust emissions and vibration and nitrous oxide fumes from blasting. To mitigate these concerns, WRDC is actively pursuing the establishment of buffer zones through land purchases and long-term leases.

Ash is the inorganic residue remaining after the combustion of coal. Ash from our 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. A final rule is expected in 2014. While the proposed combustion residuals regulations do not address mine backfill, it is widely expected that the U.S. Office of Surface Mining will collaborate with the EPA to address mine backfill in the near future. If the ash is regulated as a hazardous waste, the implementation requirements of more stringent management, handling, storage, transportation and disposal requirements will likely increase the cost of ash disposal for the power plants and/or increase backfill costs for the coal mine.

Mine Reclamation. Reclamation is required during production and after mining has been completed. Under applicable law, we must submit applications to, and receive approval from, the WDEQ for any mining and reclamation plan that provides for orderly mining, reclamation, and restoration of the WRDC mine. We have approved mining permits and are in compliance with other permitting programs administered by various regulatory agencies. The WRDC coal mine is permitted to operate under a five year mining permit issued by the State of Wyoming. The current permit expires in 2016. Based on extensive reclamation studies, we have accrued approximately \$21 million for reclamation costs as of Dec. 31, 2013. Mining regulatory requirements continue to increase, which impose additional cost on the mining process.

Oil and Gas Segment

Our Oil and Gas segment, which conducts business through BHEP and its subsidiaries, acquires, explores for, develops and produces natural gas and crude oil in the United States primarily in the Rocky Mountain region.

As of Dec. 31, 2013, 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 (with 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 Kansas) and Sacramento (California) basins; and (iii) a 44.7 percent ownership interest in the Newcastle gas processing plant and associated gathering system located in Weston County, Wyoming. The plant, operated by Western Gas Partners, LP, is adjacent to our producing properties in that area, and BHEP's production accounts for the majority of the facility's throughput. We also own natural gas gathering, compression and treating facilities serving the operated San Juan and Piceance Basin properties and working interests in similar facilities serving our non-operated Montana and Wyoming properties.

At Dec. 31, 2013, we had total reserves of approximately 87 Bcfe, of which natural gas comprised 73 percent and crude oil comprised 27 percent. The majority of our reserves are located in select crude oil and natural gas producing basins in the Rocky Mountain region. Approximately 31 percent of our reserves are located in the San Juan Basin of northwestern New Mexico, primarily in the East Blanco Field of Rio Arriba County; 30 percent are located in the Powder River Basin of Wyoming, primarily in the Finn-Shurley Field of Weston and Niobrara counties; and 25 percent are located in the Piceance Basin of western Colorado, primarily in Mesa county.

Effective July 1, 2012, we sold approximately 85 percent of our Bakken and Three Forks shale assets in the Williston Basin in North Dakota, including approximately 73 gross wells and 28,000 net leasehold acres.

Summary Oil and Gas Reserve Data

The summary information presented for our estimated proved developed and undeveloped crude oil and natural gas reserves and the 10 percent discounted present value of estimated future net revenues is based on reports prepared by Cawley Gillespie & Associates, an independent consulting and engineering firm located in Fort Worth, Texas. Reserves were determined consistent with SEC requirements using a 12-month average product price calculated using the first-day-of-the-month price for each of the 12 months in the reporting period held constant for the life of the properties. Estimates of economically recoverable reserves and future net revenues are based on a number of variables, which may differ from actual results. Reserves for crude oil and natural gas are reported separately and then combined for a total MMcfe (where oil in Mbbl is converted to an MMcfe basis by multiplying Mbbl by six).

The SEC definition of “reliable technology” allows the use of any reliable technology to establish reserve volumes in addition to those established by production and flow test data. This definition allows, but does not require us, to book PUD locations that are more than one location away from a producing well. We elected to only include PUDs which are one location away from a producing well in our volume reserve estimate. Companies are allowed, but not required, to disclose probable and possible reserves. We have elected not to report these additional reserve categories. Additional information on our oil and gas reserves, related financial data and the SEC requirements can be found in Note 20 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

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

CG&A is a Texas Registered Engineering Firm. Our primary contact at CG&A is Mr. Zane Meekins. Mr. Meekins has been practicing consulting petroleum engineering since 1989. Mr. Meekins is a Registered Professional Engineer in the State of Texas and has over 25 years of practical experience in petroleum engineering and over 23 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 33 years of exploration and production industry experience as a geologist and financial analyst. He has over 23 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.

Tab B3

Growth

2013 Black Hills Corporation

Annual Report
Proxy Statement
Form 10K

Black Hills Corporation

Black Hills Corporation Board of Directors

2013 Annual Report



David Emery, age 51, was elected Chairman in April 2005 and has been President and Chief Executive Officer and a member of the Board of Directors since January 2004. Previously, he was our President and Chief Operating Officer - Retail Business Segment from April 2003 to January 2004 and Vice President - Fuel Resources from January 1997 to April 2003.



Jack Eugster, age 68, was elected to the Board of Directors in 2004 and currently chairs the Compensation Committee. Mr. Eugster was Chairman, Chief Executive Officer and President of Musicland Stores, Inc. from 1980 until his retirement in 2001. He was Non-Executive Chairman of Shopko Stores, Inc., a general merchandise discount store chain, from 2001 to 2005. He also serves on the board of directors of Graco, Inc. and Life Time Fitness, Inc.



Michael Madison, age 65, was elected to the Board of Directors in 2012. Mr. Madison was President, Chief Executive Officer and a Director of Cleco Corporation, a public utility holding company, from 2005 to 2011. He was President and Chief Operating Officer of Cleco Power, LLC, from 2003 to 2005 and State President, Louisiana-Arkansas with American Electric Power, from 2000 to 2003.



Steven Mills, age 58, was elected to the Board of Directors in 2011. Mr. Mills was Chief Financial Officer of Amyris, Inc., an integrated renewable products company, from May 2012 to December 2013. He was Senior Executive Vice President Performance and Growth of Archer Daniels Midland Company, a processor, transporter, buyer and marketer of agricultural products, from 2010 to February 2012, Executive Vice President and Chief Financial Officer from 2008 to 2010 and Senior Vice President, Strategic Planning from 2006 to 2008.



Stephen Newlin, age 61, was elected to the Board of Directors in 2004 and currently chairs the Governance Committee. Mr. Newlin has been Chairman, President and Chief Executive Officer of PolyOne Corporation, a global premier provider of specialized polymer materials, services and solutions, since 2006. He was President of the Industrial Sector of Ecolab, Inc., a global leader of services, specialty chemicals and equipment serving industrial and institutional clients, from 2003 to 2006. He also serves on the board of directors of Oshkosh Corporation.



Gary Pechota, age 64, was elected to the Board of Directors in 2007. Mr. Pechota has been President and Chief Executive Officer of DT-TRAK Consulting, Inc., a medical billing services company, since 2007. He was retired from 2005 to 2007.

He was Chief of Staff of the National Indian Gaming Commission from 2003 to 2005. He previously held executive positions in the cement industry and positions in finance and accounting. He also serves on the board of directors of Insteel Industries, Inc.



Rebecca Roberts, age 61, was elected to the Board of Directors in 2011. Ms. Roberts was President of Chevron Pipe Line Company, a pipeline company transporting crude oil, refined petroleum products, liquefied petroleum gas,

natural gas and chemicals within the United States, from 2006 to February 2011. She was President of Chevron Global Power Generation from 2003 to 2006. She also serves on the board of directors of Enbridge Energy Company, Inc., Enbridge Energy Management, LLC, and Mine Safety Appliances Company.



Warren Robinson, age 63, was elected to the Board of Directors in 2007 and currently chairs the Audit Committee. Mr. Robinson was Executive Vice President, Treasurer and Chief Financial Officer of MDU Resources Group, Inc.,

a diversified energy and resources company, from 1992 until his retirement in January 2006.



John Vering, age 64, was elected to the Board of Directors in 2005. Mr. Vering has been Managing Director of Lone Mountain Investments, Inc., oil and gas investments, since 2002. He 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 previously held several executive positions in the oil and gas industry.



Thomas Zeller, age 66, was elected to the Board of Directors in 1997 and currently serves as Presiding Director. Mr. Zeller was Chief Executive Officer of RESPEC, a technical consulting and services firm with expertise in

engineering, information technologies and water and natural resources specializing in emerging environmental protection protocols, from January 2011 to August 2011 and served as President from 1995 to January 2011.

CORPORATE GOVERNANCE

Corporate Governance Guidelines. Our Board of Directors has adopted corporate governance guidelines titled “Corporate Governance Guidelines of the Board of Directors,” which guide the operation of our Board and assist the Board in fulfilling its obligations to shareholders and other constituencies. The guidelines lay the foundation for the Board’s responsibilities, operations, leadership, organization and committee matters. The Governance Committee reviews the guidelines annually, and the guidelines may be amended at any time, upon recommendation by the Governance Committee and approval of the Board. These guidelines can be found in the “Governance” section of our website (www.blackhillscorp.com/corpgov.htm).

Board Independence. In accordance with New York Stock Exchange rules, the Board of Directors through its Governance Committee affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the NYSE listing standards. These guidelines are contained in our Policy for Director Independence, which can be found in the “Governance” section of our website (www.blackhillscorp.com/corpgov.htm). Based on these standards, the Governance Committee determined that each of the following non-employee directors is independent and has no relationship with us, except as a director and shareholder:

Jack W. Eugster	Michael H. Madison	Rebecca B. Roberts
Stephen D. Newlin	Gary L. Pechota	Thomas J. Zeller
Warren L. Robinson	Steven R. Mills	

In addition, based on such standards, the Governance Committee determined that Messrs. Emery and Vering are not independent. Mr. Emery is not independent because he is our Chairman, President and Chief Executive Officer (“CEO”). Mr. Vering is not independent because he served as Interim President and General Manager of our oil and gas subsidiary during a portion of 2010 and 2011.

Board Leadership Structure. As noted above, our Board is currently comprised of ten directors, eight of whom are independent. Mr. Emery has served as our Chairman of the Board and CEO since 2005 and has been a member of our Board since 2004. Mr. Emery provides strategic, operational, and technical expertise and context for the matters considered by our Board. After considering alternative board leadership structures, our Board chose to retain the ability to balance an independent Board structure with the designation of an independent Presiding Director and to appoint as Chairman a CEO-Director with knowledge of and experience in the operations of our Company. At this time, our Board believes that having a single person serve as Chairman and CEO provides unified and responsible leadership for our Company and in conjunction with the Presiding Director provides the proper balance to ensure the Board receives the information, experience and direction it needs to effectively govern.

Our Board has and continues to value a high degree of Board independence. As a result, our corporate governance structure and practices promote a strong, independent Board and include several independent oversight mechanisms. Only independent directors serve on our Audit, Compensation and Governance Committees. Our Board believes these practices ensure that experienced and independent directors will continue to effectively oversee management and critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity. All of our Board committees may seek legal, financial or other expert advice from a source independent of management.

Our Board annually appoints an independent Presiding Director. Thomas J. Zeller is our current Presiding Director and has served in this role since May 2010. The responsibilities of Presiding Director, as provided in the Board’s Governance Guidelines, are to chair executive sessions of the independent directors and communicate the Board’s annual evaluation of the CEO. The Presiding Director, together with the independent directors, establishes the agenda for executive sessions, which are held at each regular Board meeting. The Presiding Director serves as a liaison between the independent members of the Board and the CEO and discusses, to the extent appropriate, matters raised by the independent directors in executive session. The Presiding Director also consults with the Chairman regarding meeting agendas and presides over regular meetings of the Board in the absence of the Chairman. This leadership structure provides consistent and effective oversight of our management and our Company.

Risk Oversight. Our Board oversees an enterprise approach to risk management that supports our operational and strategic objectives. The Corporate Governance Guidelines of our Board of Directors provide that the Board will review major risks facing our Company and the options for risk mitigation presented by management. Our Board delegates oversight of certain risk considerations to its committees within each of their respective areas of responsibility; however, the full Board monitors

risk relating to strategic planning and execution, as well as executive succession. Financial risk oversight falls within the purview of our Audit Committee. Our Compensation Committee oversees compensation and benefit plan risks. Each committee reports to the full Board.

Our Board reviews any material changes in our key enterprise risk management ("ERM") issues with management at each quarterly Board meeting in conjunction with the presentation of quarterly financial results. In so doing, our Board seeks to ensure appropriate risk mitigation strategies are implemented by management on an ongoing basis. Operational and strategic plan presentations by management to our Board include consideration of the challenges and risks to our business. Our Board and management actively engage in discussions of these topics and utilize outside consultants as needed. Our Board oversees the assessment of our strategic plan risks as part of our strategic planning process. In addition, our Board periodically receives safety performance, environmental, legal and compliance reports.

Our Audit Committee oversees management's strategy and performance relative to our significant financial risks. In consultation with management, the independent auditors and the internal auditors, the Audit Committee discusses our risk assessment, risk management and credit policies and reviews significant financial risk exposures along with steps management has taken to monitor, mitigate and report such exposures. At least twice a year, our Chief Risk Officer provides a Risk and Credit Report to the Audit Committee. We adopted a Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within established risk tolerances.

Our Compensation Committee adopted an executive compensation philosophy that provides the foundation for our executive compensation program. The executive compensation philosophy states that the executive pay program should be market-based and maintain an appropriate and competitive balance between fixed and variable pay elements, short-term and long-term compensation and cash and stock-based compensation. The Compensation Committee establishes company-specific performance goals with potential incentive payouts for our executive officers to motivate and reward performance, consistent with our long-term success. The target compensation for our senior officers is heavily weighted in favor of long-term incentives, aligning performance incentives with long-term results for our shareholders. Our Compensation Committee also sets minimum performance thresholds and maximum payouts in the incentive programs and maintains the discretion to reduce awards if excessive risk is taken. Stock ownership guidelines established for all of our officers require our executives to hold 100 percent of all shares awarded to them (net of share withholding for taxes and, in the case of cashless stock option exercises, net of the exercise price and withholding for taxes) until the established stock ownership guidelines are achieved. Our Compensation Committee also instituted "clawback" provisions in our incentive plans, which may require an executive to return incentives received, if the Compensation Committee determines, in its discretion, that the executive engaged in specified misconduct or wrongdoing or in the event of certain financial restatements.

Our management is responsible for day-to-day risk management and operates under an ERM program that addresses strategic, operational and financial risks. The ERM program includes practices to identify risks, assesses the impact and probability of occurrence, and develops action plans to prevent the occurrence or mitigate the impact of the risk. The ERM program includes regular reporting to our senior management team and includes monitoring and testing by Risk Management, Compliance and Internal Audit groups. The overall ERM program is reviewed with the Board of Directors on a regular basis.

We believe this division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company.

Director Nominees. The Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Board candidates are considered based upon various criteria, including diverse business, administrative and professional skills or experiences; an understanding of relevant industries, technologies and markets; financial literacy; independence status; the ability and willingness to contribute time and special competence to Board activities; personal integrity and independent judgment; and a commitment to enhancing shareholder value. The Governance Committee considers these and other factors as it deems appropriate, given the needs of the Board and us. Our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. The Governance Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, the use of third-party executive search firms, members of management and shareholders. Any shareholder may make recommendations for consideration by the Governance Committee for membership on the Board by sending a written statement of the qualifications of the recommended individual to the Corporate Secretary. There are no differences in the manner by which the Committee evaluates director candidates recommended by shareholders from those recommended by other sources.

Shareholders who intend to nominate persons for election to the Board of Directors must provide timely written notice of the nomination in accordance with Article I, Section 9 of our Bylaws. Generally, our Corporate Secretary must receive the written notice at our executive offices at 625 Ninth Street, Rapid City, South Dakota, 57701, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. The notice must set forth at a minimum the information set forth in Article I, Section 9 of our Bylaws, including the shareholder's identity and status, contingent ownership interests, description of any agreement made with others acting in concert with respect to the nomination, specific information about the nominee and supply certain representations by the nominee to us.

Communications with the Board. Shareholders and others interested in communicating directly with the Presiding Director, with the independent directors as a group, or the Board of Directors may do so in writing to the Presiding Director, Black Hills Corporation, 625 Ninth Street, Rapid City, South Dakota, 57701.

Corporate Governance Documents. The charters of the Audit, Compensation and Governance committees, as well as the Board's Corporate Governance Guidelines, Policy for Director Independence, Code of Business Conduct and the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, and certain other persons performing similar functions can be found in the "Governance" section of our website (www.blackhillscorp.com/corp.gov.htm). We intend to disclose any amendments to, or waivers of the Code of Ethics on our website. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

Our Corporate Governance Guidelines include a plurality plus voting policy. Pursuant to the policy, any nominee for election as a director in an uncontested election who receives a greater number of votes "Withheld" from his or her election than votes "For" his or her election will promptly tender his or her resignation as a director to the Chairman of the Board following certification of the election results. Broker non-votes will not be deemed to be votes "For" or "Withheld" from a director's election for purposes of the policy. The Governance Committee (without the participation of the affected director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take the appropriate action on each tendered resignation, taking into account the Governance Committee's recommendation. The Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons why the Committee believes shareholders "Withheld" votes for election from such director and any other circumstances surrounding the "Withheld" votes, any alternatives for curing the underlying cause of the "Withheld" votes, the qualifications of the tendering director, his or her past and expected future contributions to us and the Board, and the overall composition of the Board, including whether accepting the resignation would cause us to fail to meet any applicable SEC or NYSE requirements. The Board will publicly disclose by filing with the SEC on Form 8-K its decision and, if applicable, its rationale within 90 days after receipt of the tendered resignation.

Certain Relationships and Related Party Transactions. We recognize related party transactions can present potential or actual conflicts of interest and create the appearance that decisions are based on considerations other than the best interests of us and our shareholders. Accordingly, as a general matter, it is our preference to avoid related party transactions. Nevertheless, we recognize that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of us and our shareholders, including but not limited to situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when we provide products or services to related parties on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, our Board of Directors has adopted a policy for the review of related party transactions. This policy requires directors and officers to promptly report to our Vice President – Governance all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our Vice President – Governance presents to our Governance Committee those transactions that may require disclosure pursuant to Item 404 of Regulation S-K (typically, those transactions that exceed \$120,000). Our Governance Committee reviews the material facts presented and either approves or disapproves entry into the transaction. In reviewing the transaction, the Governance Committee considers the following factors, among other factors it deems appropriate: (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; (ii) the extent of the related party's interest in the transaction; and (iii) the impact on a director's independence in the event the related party is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer.

Section 16(a) Beneficial Ownership Reporting Compliance. Based solely upon a review of our records and copies of reports on Form 3, 4 and 5 furnished to us, we believe that during and with respect to 2013, all persons subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, filed the required reports on a timely basis, except for Form 4s for Michael Madison, Director; Steven Mills, Director; and Thomas Zeller, Director, reporting the acquisition of shares through the Company's Director Optional Monthly Stock Purchase for the month of October 2013.

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 four in-person meetings and one telephonic meetings during 2013. 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 2013, 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 2013 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 NYSE listing standards and our Corporate Governance Guidelines, the Audit, Compensation and Governance Committees are comprised solely of independent directors. Each committee operates under a charter, which is available on our website at www.blackhillscorp.com/corpgov.htm and is also available in print to any shareholder who requests it. In addition, our Board creates special committees from time to time for specific purposes.

Members of the Committees are designated by our Board upon recommendation of the Governance Committee. The table below shows current membership for each of the Board committees.

Audit Committee	Compensation Committee	Governance Committee
Michael H. Madison	Jack W. Eugster*	Jack W. Eugster
Steven R. Mills	Stephen D. Newlin	Stephen D. Newlin*
Gary L. Pechota	Rebecca B. Roberts	Gary L. Pechota
Warren L. Robinson*	Thomas J. Zeller	Rebecca B. Roberts
		Thomas J. Zeller

* Committee Chairperson

Audit Committee. The Audit Committee held three in-person meetings and four telephonic meetings in 2013. The Audit Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assist the Board in fulfilling its oversight responsibility to our shareholders relating to the quality and integrity of our accounting, auditing and financial reporting practices;
- oversee the integrity of our financial statements, financial reporting process, systems of internal controls and disclosure controls regarding finance, accounting and legal compliance;
- review areas of potential significant financial risk to us;
- review consolidated financial statements and disclosures;
- appoint an independent registered public accounting firm for ratification by our shareholders;
- monitor the independence and performance of our independent registered public accountants and internal auditing department;
- pre-approve all audit and non-audit services provided by our independent registered public accountants;
- review the scope and results of the annual audit, including reports and recommendations of our independent registered public accountants;
- review the internal audit plan, results of internal audit work and our process for monitoring compliance with our Code of Conduct and other policies and practices established to ensure compliance with legal and regulatory requirements; and
- periodically meet, in private sessions, with our internal audit group, Chief Financial Officer, Chief Compliance Officer, other management, and our independent registered public accounting firm.

In accordance with the rules of the NYSE, all of the members of the Audit Committee are financially literate. In addition, the Board determined that all of the members of the Audit Committee, Messrs. Madison, Mills, Pechota and Robinson, have the requisite attributes of an "audit committee financial expert" as provided in regulations promulgated by the SEC, and that such attributes were acquired through relevant education and/or experience.

Compensation Committee. The Compensation Committee held four in-person meetings and two telephonic meeting in 2013. All members of the Compensation Committee are independent directors as defined under NYSE listing standards and SEC rules. 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 addition, pursuant to SEC rules and NYSE listing standards regarding the independence of compensation committee advisors, the Committee has the responsibility to consider the independence of any compensation advisor before engaging the advisor.

The Committee engaged Towers Watson, an independent consulting firm, to conduct an annual review of our 2013 total compensation program for executive officers and directors. The Committee reviewed the independence of Towers Watson and the individual representative of Towers Watson who serves as a consultant to the Committee, in accordance with the SEC and NYSE requirements and the specific factors that the requirements cite. The Compensation Committee concluded that Towers Watson is independent and Towers Watson's performance of services raises no conflict of interest. The Committee's conclusion was based in part on a report that Towers Watson provided to the Committee intended to reveal any potential conflicts of interest and a schedule provided by management of the type and amount of non-executive compensation services provided by Towers Watson to the Company. During 2013, management also purchased other services from Towers Watson. The cost of these services was less than \$40,000.

The Committee annually evaluates the CEO's performance against Board established goals and objectives, with input from the other independent directors. Based upon the Committee's evaluation and recommendation, the independent directors of the Board set the CEO's annual compensation, including salary, bonus, incentive and equity compensation.

The CEO annually reviews the performance of each of our executive officers and presents a summary of his evaluations to the Committee. Based upon these performance reviews, market analysis conducted by the compensation consultant and discussions with our Sr. Vice President, Chief Human Resources Officer, the CEO recommends the compensation of the executive officers to the Committee. The Committee may exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process.

More information describing the Compensation Committee's processes and procedures for considering and determining executive compensation, including the role of our CEO and consultants in determining or recommending the amount or form of executive compensation, is included in the Compensation Discussion and Analysis.

In setting non-employee director compensation, the Compensation Committee recommends the form and amount of compensation to the Board of Directors, which makes the final determination. In considering and recommending the compensation of non-employee directors, the Compensation Committee considers such factors as it deems appropriate, including historical compensation information, level of compensation necessary to attract and retain non-employee directors meeting our desired qualifications and market data. In the review of director compensation for 2013, the Compensation Committee retained Towers Watson to provide market information on non-employee director compensation, including compensation structure, annual board and committee retainers, board and committee meeting fees, committee chairperson fees, number of Board meetings and stock-based compensation.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee is comprised entirely of independent directors. In addition, none of our executive officers serve as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board or on our Compensation Committee.

Governance Committee. The Governance Committee held three in-person meetings in 2013. 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;
- consider the resignation of an incumbent director who makes a principal occupation change (including retirement) or who receives a greater number of votes "Withheld" than votes "For" in an uncontested election of directors and recommend to the Board whether to accept or reject the resignation;
- establish and review guidelines for corporate governance;
- recommend to the Board for approval committee membership and the chairpersons of the committees;
- recommend to the Board for approval an independent director to serve as a Presiding Director;
- review the independence of each director and director nominee;
- administer an annual evaluation of the performance of the Board and facilitate an annual assessment of each committee; and
- ensure that the Board oversees the evaluation and succession planning of management.

DIRECTOR COMPENSATION

Director Fees

In 2013, our non-employee director compensation was as follows:

- Board cash retainer of \$60,000;
- common stock equivalents equal to \$75,000 per year;
- dividend equivalents on the common stock equivalents equal to the same dividend rate our shareholders receive;
- committee member cash retainers of \$10,000 for Audit Committee members, \$7,500 for Compensation Committee members and \$7,500 for Governance Committee members;
- committee chair cash retainers of \$10,000 for Audit Committee Chair, \$8,000 for Compensation Committee Chair and \$6,000 for Governance Committee Chair; and
- Presiding Director cash retainer of \$15,000.

LIST OF OFFICERS
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC

OFFICER	TITLE	AREA OF RESPONSIBILITY
David R. Emery	Chairman and Chief Executive Officer	Oversees all company operations
Linden R. Evans	President and Chief Operating Officer – Utilities	Oversees all utility operations
Anthony S. Cleberg	Executive Vice President and Chief Financial Officer (also Assistant Treasurer and Assistant Secretary)	Oversees finance, accounting
Steven J. Helmers	Senior Vice President, General Counsel and Chief Compliance Officer (also Assistant Secretary)	Legal, compliance, contracts
Robert A. Myers	Senior Vice President – Chief Human Resources Officer	Compensation, benefits
Scott A. Buchholz	Senior Vice President – Chief Information Officer	Information technology, billing systems, customer information, supply chain
Roxann R. Basham	Vice President – Governance and Corporate Secretary	Company records, internal audit
Stephen L. Pella	Vice President – Corporate Affairs	Oversees regulatory affairs, resource planning, public relations, governmental affairs, marketing
Perry S. Krush	Vice President – Supply Chain	Supply chain
Richard W. Kinzley	Vice President – Corporate Controller	Accounting
Brian G. Iverson	Vice President – Treasurer	Financing, cash management
Kyle D. White	Vice President – Regulatory Affairs	Regulatory affairs
Jeffrey B. Berzina	Vice President – Strategic Planning and Development	Planning, strategy
Stuart A. Wevik	Vice President – Utility Operations	Oversees utility operations
Ivan Vancas	Vice President – Operations Services	Safety, environmental, marketing services

OFFICER	TITLE	AREA OF RESPONSIBILITY
Randy D. Winkelman	Vice President – Customer Service	Customer service, customer billing
Richard C. Loomis	Vice President – Energy Asset Optimization	Generation dispatch and power marketing, gas supply services, generation resource planning
Steven M. Jurek	Vice President – Regulatory Services	Regulatory filings, rates
Wendy M. Moser	Vice President – Regulatory Services and Resource Planning	Resource planning, regulatory affairs, rates

Tab B4

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

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

For the fiscal year ended December 31, 2013

☐ 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, 2013 \$2,135,998,459

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, 2014</u>
Common stock, \$1.00 par value	44,503,454 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2014 Annual Meeting of Stockholders to be held on April 29, 2014, are incorporated by reference in Part III of this Form 10-K.

(5) LONG-TERM DEBT

Long-term debt outstanding was as follows (dollars in thousands) as of:

		Interest Rate at		
	Due Date	Dec. 31, 2013	Dec. 31, 2013	Dec. 31, 2012
<u>Corporate</u>				
Senior unsecured notes due 2023	Nov. 30, 2023	4.25%	\$ 525,000	\$ —
Senior unsecured notes due 2014 ^(a)	May 15, 2014	9.00%	—	250,000
Senior unsecured notes due 2020	July 15, 2020	5.88%	200,000	200,000
Corporate term loan due 2013 ^(a)	Sept. 30, 2013	NA	—	100,000
Corporate term loan due 2015 ^(b)	June 19, 2015	1.31%	275,000	—
Total Corporate Debt			1,000,000	550,000
<u>Electric Utilities</u>				
First Mortgage Bonds due 2032	Aug. 15, 2032	7.23%	75,000	75,000
First Mortgage Bonds due 2039	Nov. 1, 2039	6.13%	180,000	180,000
Unamortized discount on First Mortgage Bonds due 2039			(107)	(111)
Pollution control revenue bonds due 2024	Oct. 1, 2024	5.35%	12,200	12,200
First Mortgage Bonds due 2037	Nov. 20, 2037	6.67%	110,000	110,000
Industrial development revenue bonds due 2021, variable rate ^(c)	Sept. 1, 2021	0.11%	7,000	7,000
Industrial development revenue bonds due 2027, variable rate ^(c)	March 1, 2027	0.11%	10,000	10,000
Series 94A Debt, variable rate ^(c)	June 1, 2024	0.75%	2,855	2,855
Total Electric Utilities			396,948	396,944
<u>Power Generation</u>				
Black Hills Wyoming project financing, variable rate ^(a)	Dec. 9, 2016	3.59%	—	95,906
Total long-term debt			1,396,948	1,042,850
Less current maturities			—	103,973
Long-term debt, net of current maturities			\$ 1,396,948	\$ 938,877

(a) This debt repaid. See Debt Transactions discussed below.

(b) Variable interest rates, based on LIBOR plus a spread.

(c) Variable interest rate.

Scheduled maturities of long-term debt, excluding amortization of premiums or discounts, for future years are (in thousands):

2014	\$	—
2015	\$	275,000
2016	\$	—
2017	\$	—
2018	\$	—
Thereafter	\$	1,122,055

Our debt securities contain certain restrictive financial covenants, all of which the Company and its subsidiaries were in compliance with at Dec. 31, 2013.

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 Transactions

On Nov. 19, 2013, we entered into a \$525 million, 4.25 percent senior unsecured note expiring on Nov. 30, 2023. The proceeds from this new debt were used to:

- Redeem our \$250 million senior unsecured 9.0 percent notes originally due on May 15, 2014. This repayment occurred on Dec. 19, 2013, for approximately \$261 million which included a make-whole provision of approximately \$8.5 million and accrued interest which are included in Interest expense on the accompanying Consolidated Statements of Income;
- Repay our variable interest rate Black Hills Wyoming project financing with a remaining balance of approximately \$87 million originally due on Dec. 9, 2016, as well as the interest rate swaps designated to this project financing of \$8.5 million which is included in Interest expense on the accompanying Consolidated Statements of Income;
- Settle the \$250 million notional de-designated interest rate swaps for approximately \$64 million;
- Pay down approximately \$55 million of the Revolving Credit Facility;
- Remainder was used for general corporate purposes.

On June 21, 2013, we entered into a new long-term Corporate Term Loan for \$275 million expiring on June 19, 2015. The proceeds from this new term loan was used to repay the \$150 million term loan due on June 24, 2013, the \$100 million corporate term loan due on Sept. 30, 2013, and approximately \$25 million in short-term borrowing under our Revolving Credit Facility. The covenants of the new term loan are substantially the same as the Revolving Credit Facility. At Dec. 31, 2013, the cost of borrowing under this new term loan was 1.3125 percent (LIBOR plus a margin of 1.125 percent).

On Oct. 31, 2012, we redeemed \$225 million of senior unsecured 6.5 percent notes, which were originally scheduled to mature on May 15, 2013, for approximately \$239 million. The payment included accrued interest and a make-whole provision of \$7.1 million which are included in Interest expense on the accompanying Consolidated Statements of Income.

Amortization Expense

Our deferred financing costs and associated amortization expense included in Interest expense on the accompanying Consolidated Statements of Income were as follows (in thousands):

	Deferred Financing Costs Remaining in Other Assets, Non- current on Balance Sheets at Dec. 31, 2013	Amortization Expense for the years ended Dec. 31,		
		2013	2012	2011
Senior unsecured notes due 2023	\$ 6,846	\$ 86	\$ —	\$ —
Senior unsecured notes due 2014	\$ —	\$ 635	\$ 462	\$ 462
Senior unsecured notes due 2020	\$ 1,093	\$ 167	\$ 167	\$ 167
First mortgage bonds due 2032	\$ 618	\$ 33	\$ 33	\$ 33
First mortgage bonds due 2039	\$ 1,961	\$ 76	\$ 76	\$ 76
First mortgage bonds due 2037	\$ 736	\$ 31	\$ 31	\$ 31
Black Hills Wyoming project financing due 2016 ^(a)	\$ —	\$ 3,177	\$ 1,037	\$ 1,012
Other	\$ 664	\$ 57	\$ 57	\$ 70

(a) This project financing was repaid in 2013 and the deferred financing costs were written-off.

Dividend Restrictions

Our credit facility and other debt obligations contain restrictions on the payment of cash dividends upon a default or event of default. As of Dec. 31, 2013, we were in compliance with these covenants.

Due to our holding company structure, substantially all of our operating cash flows are provided by dividends paid or distributions made by our subsidiaries. The cash to pay dividends to our shareholders is derived from these cash flows. As a result, certain statutory limitations or regulatory or financing agreements could affect the levels of distributions allowed to be made by our subsidiaries. The following restrictions on distributions from our subsidiaries existed at Dec. 31, 2013:

- Our utilities are generally limited to the amount of dividends allowed to be paid to our utility holding company under the Federal Power Act and settlement agreements with state regulatory jurisdictions. As of Dec. 31, 2013, the restricted net assets at our Utilities Group were approximately \$88 million.

(6) NOTES PAYABLE

Our Revolving Credit Facility and debt securities contain certain restrictive financial covenants. As of Dec. 31, 2013, we were in compliance with all of these covenants.

We had the following short-term debt outstanding at the Consolidated Balance Sheets date (in thousands):

	Balance Outstanding at	
	Dec. 31, 2013	Dec. 31, 2012
Revolving Credit Facility	\$ 82,500	\$ 127,000
Corporate Term Loan due June 2013	—	150,000
Total	<u>\$ 82,500</u>	<u>\$ 277,000</u>

Revolving Credit Facility

On Feb. 1, 2012, we entered into a new \$500 million Revolving Credit Facility expiring Feb. 1, 2017. The facility contains an accordion feature allowing us, with the consent of the administrative agent, to increase the capacity of the facility to \$750 million. The Revolving Credit Facility can be used for the issuance of letters of credit, to fund working capital needs and for other corporate purposes. Borrowings are available under a base rate option or a Eurodollar option. The cost of borrowings or letters of credit is determined based upon our credit ratings. At current credit ratings, the margins for base rate borrowings, Eurodollar borrowings and letters of credit were 0.375 percent, 1.375 percent and 1.375 percent, respectively, at Dec. 31, 2013. The facility contains a commitment fee that is charged on the unused amount of the Revolving Credit Facility. Based upon current credit ratings, the fee is 0.25 percent. As of Dec. 31, 2013 and 2012, we had outstanding letters of credit totaling approximately \$22 million and approximately \$36 million, respectively.

Deferred financing costs on the new facility of \$2.8 million are being amortized over the estimated useful life of the Revolving Credit Facility and included in Interest expense on the accompanying Consolidated Statements of Income. Upon entering into the Revolving Credit Facility, \$1.5 million of deferred financing costs relating to the previous credit facility were written off through Interest expense. The deferred financing costs on the new facility are being amortized as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheets as of	Amortization Expense for the years ended Dec. 31,		
	Dec. 31, 2013	2013	2012	2011
Revolving Credit Facility	\$ 1,316	\$ 752	\$ 2,187	\$ 1,891

Debt Covenants

Our Revolving Credit Facility and our new Term Loan require compliance with the following financial covenant at the end of each quarter:

	At Dec. 31, 2013	Covenant Requirement
Recourse leverage ratio	55%	Less than 65%

(7) ASSET RETIREMENT OBLIGATIONS

We have identified legal retirement obligations related to plugging and abandonment of natural gas and oil wells in the Oil and Gas segment, reclamation of coal mining sites at the Coal Mining segment and removal of fuel tanks, asbestos, transformers containing polychlorinated biphenyls, an evaporation pond and wind turbines at the regulated Electric Utilities segment and asbestos at our regulated utilities segments. We periodically review and update estimated costs related to these asset retirement obligations. The actual cost may vary from estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials and equipment.

The following tables present the details of ARO which are included on the accompanying Consolidated Balance Sheets in Other deferred credits and other liabilities (in thousands):

	Dec. 31, 2012	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates ^(a)	Dec. 31, 2013
Electric Utilities	\$ 6,981	\$ —	\$ —	\$ 168	\$ (227)	\$ 6,922
Gas Utilities	259	—	—	15	—	274
Coal Mining	20,286	3	(714)	1,052	—	20,627
Oil and Gas	23,022	143	(1,903)	1,450	1,316	24,028
Total	\$ 50,548	\$ 146	\$ (2,617)	\$ 2,685	\$ 1,089	\$ 51,851

	Dec. 31, 2011	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates ^(a)	Dec. 31, 2012
Electric Utilities	\$ 3,064	\$ 3,626	\$ —	\$ 291	\$ —	\$ 6,981
Gas Utilities	270	—	(22)	11	—	259
Coal Mining	17,158	1,627	—	921	580	20,286
Oil and Gas	22,422	158	(1,059)	1,345	156	23,022
Total	\$ 42,914	\$ 5,411	\$ (1,081)	\$ 2,568	\$ 736	\$ 50,548

(a) The Revisions to Prior Estimates reflects the change in the estimated liability for final reclamation adjusted for inflation, discount rate and market risk premium.

We also have legally required AROs related to certain assets within our electric and gas utility transmission and distribution systems. These retirement obligations are pursuant to an easement or franchise agreement and are only required if we discontinue our utility service under such easement or franchise agreement. Accordingly, it is not possible to estimate a time period when these obligations could be settled and therefore, a value for the cost of these obligations cannot be measured at this time.

(8) RISK MANAGEMENT ACTIVITIES

Our activities in the regulated and non-regulated energy sectors expose us to a number of risks in the normal operations of our businesses. Depending on the activity, we are exposed to varying degrees of market risk and credit risk. To manage and mitigate these identified risks, we have adopted the Black Hills Corporation Risk Policies and Procedures. Valuation methodologies for our derivatives are detailed within Note 1.

Tab B5

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

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

For the fiscal year ended December 31, 2013

☐ 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, 2013 \$2,135,998,459

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, 2014</u>
Common stock, \$1.00 par value	44,503,454 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2014 Annual Meeting of Stockholders to be held on April 29, 2014, are incorporated by reference in Part III of this Form 10-K.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

Year ended	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
	(in thousands, except per share amounts)		
Revenue:			
Utilities	\$ 1,191,133	\$ 1,064,813	\$ 1,155,519
Non-regulated energy	84,719	109,071	116,669
Total revenue	1,275,852	1,173,884	1,272,188
Operating expenses:			
Utilities -			
Fuel, purchased power and cost of natural gas sold	492,147	407,066	574,989
Operations and maintenance	261,919	242,367	247,496
Non-regulated energy operations and maintenance	83,762	85,830	93,453
Gain on sale of operating assets	—	(29,129)	—
Depreciation, depletion and amortization	141,217	154,632	135,591
Impairment of long-lived assets	—	26,868	—
Taxes - property, production and severance	40,012	40,487	33,710
Other operating expenses	1,243	2,052	710
Total operating expenses	1,020,300	930,173	1,085,949
Operating income	255,552	243,711	186,239
Other income (expense):			
Interest charges -			
Interest expense incurred (including amortization of debt issuance costs, premiums and discounts and realized settlements on interest rate swaps)	(113,979)	(117,754)	(116,684)
Allowance for funds used during construction - borrowed	1,130	3,462	14,041
Capitalized interest	1,061	682	11,260
Unrealized gain (loss) on interest rate swaps, net	30,169	1,882	(42,010)
Interest income	1,723	1,957	2,017
Allowance for funds used during construction - equity	607	540	932
Other expense	(694)	(71)	(817)
Other income	1,971	2,486	2,490
Total other income (expense)	(78,012)	(106,816)	(128,771)
Income (loss) from continuing operations before earnings (loss) of unconsolidated subsidiaries and income taxes	177,540	136,895	57,468
Equity in earnings (loss) of unconsolidated subsidiaries	(86)	10	1,121
Income tax benefit (expense)	(61,608)	(48,400)	(18,224)
Income (loss) from continuing operations	115,846	88,505	40,365
Income (loss) from discontinued operations, net of tax	(884)	(6,977)	9,365
Net income (loss) available for common stock	\$ 114,962	\$ 81,528	\$ 49,730
Earnings (loss) per share of common stock:			
Earnings (loss) per share, Basic -			
Income (loss) from continuing operations, per share	\$ 2.62	\$ 2.02	\$ 1.01
Income (loss) from discontinued operations, per share	(0.02)	(0.16)	0.24
Total income (loss) per share, Basic	\$ 2.60	\$ 1.86	\$ 1.25
Earnings (loss) per share, Diluted -			
Income (loss) from continuing operations, per share	\$ 2.61	\$ 2.01	\$ 1.01
Income (loss) from discontinued operations, per share	(0.02)	(0.16)	0.23
Total income (loss) per share, Diluted	\$ 2.59	\$ 1.85	\$ 1.24
Weighted average common shares outstanding:			
Basic	44,163	43,820	39,864
Diluted	44,419	44,073	40,081

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended (in thousands)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Net income (loss) available for common stock	\$ 114,962	\$ 81,528	\$ 49,730
Other comprehensive income (loss), net of tax:			
Benefit plan liability adjustments - net gain (loss) (net of tax of \$(3,813), \$296 and \$4,135, respectively)	8,237	(542)	(7,609)
Benefit plan liability adjustments - prior service (costs) (net of tax of \$185, \$86 and \$176, respectively)	(406)	(157)	(325)
Reclassification adjustment of benefit plan liability - net gain (loss) (net of tax of \$(971), \$0 and \$0)	1,820	—	—
Reclassification adjustment of benefit plan liability - prior service cost (net of tax of \$88, \$0 and \$0)	(165)	—	—
Fair value adjustment on derivatives designated as cash flow hedges (net of tax of \$(2,445), \$887 and \$1,708, respectively)	4,534	(1,268)	(2,831)
Reclassification adjustment of cash flow hedges settled and included in net income (loss) (net of tax of \$(2,016), \$534 and \$(709), respectively)	4,046	(643)	1,468
Other comprehensive income (loss), net of tax	18,066	(2,610)	(9,297)
Comprehensive income (loss)	\$ 133,028	\$ 78,918	\$ 40,433

See Note 15 for additional disclosures related to Comprehensive Income.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS

As of	
Dec. 31, 2013	Dec. 31, 2012
(in thousands)	
\$	\$
7,841	15,462
2	7,916
177,573	163,698
88,478	77,643
717	3,236
1,460	—
18,889	77,231
24,451	31,125
25,877	28,795
345,288	405,106
16,697	16,402
4,259,445	3,930,772
(1,269,148)	(1,188,023)
2,990,297	2,742,749
353,396	353,396
3,397	3,620
—	510
138,197	188,268
27,906	19,420
522,896	565,214
\$ 3,875,178	\$ 3,729,471

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Continued)

	As of	
	Dec. 31, 2013	Dec. 31, 2012
	(in thousands, except share amounts)	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 130,416	\$ 84,422
Accrued liabilities	151,277	154,389
Derivative liabilities, current	3,474	96,541
Accrued income tax, net	—	4,936
Regulatory liabilities, current	10,727	13,628
Notes payable	82,500	277,000
Current maturities of long-term debt	—	103,973
Total current liabilities	378,394	734,889

Long-term debt, net of current maturities

1,396,948	938,877
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Deferred credits and other liabilities:

Deferred income tax liabilities, net, non-current	432,287	385,908
Derivative liabilities, non-current	5,614	16,941
Regulatory liabilities, non-current	109,429	127,656
Benefit plan liabilities	111,479	167,397
Other deferred credits and other liabilities	133,279	125,294
Total deferred credits and other liabilities	792,088	823,196

Commitments and contingencies (See Notes 5, 6, 7, 8, 13, 17, and 19)

Stockholders' equity:

Common stock \$1 par value; 100,000,000 shares authorized; issued: 44,550,239 and 44,278,189 shares, respectively	44,550	44,278
Additional paid-in capital	742,344	733,095
Retained earnings	540,244	492,869
Treasury stock at cost - 50,877 and 71,782 shares, respectively	(1,968)	(2,245)
Accumulated other comprehensive income (loss)	(17,422)	(35,488)
Total stockholders' equity	1,307,748	1,232,509

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 3,875,178	\$ 3,729,471
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The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
	(in thousands)		
Operating activities:			
Net income available for common stock	\$ 114,962	\$ 81,528	\$ 49,730
(Income) loss from discontinued operations, net of tax	884	6,977	(9,365)
Income (loss) from continuing operations	115,846	88,505	40,365
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Depreciation, depletion and amortization	141,217	154,632	135,591
Deferred financing cost amortization	6,763	5,555	5,655
Impairment of long-lived assets	—	26,868	—
Gain on sale of operating assets	—	(29,129)	—
Stock compensation	12,595	8,271	5,643
Unrealized (gain) loss on interest rate swaps, net	(30,169)	(1,882)	42,010
Deferred income taxes	63,784	39,716	33,600
Employee benefit plans	22,194	20,973	14,586
Other adjustments, net	9,826	4,929	(5,799)
Change in certain operating assets and liabilities:			
Materials, supplies and fuel	(5,770)	6,343	(21,385)
Accounts receivable, unbilled revenues and other current assets	(13,921)	13,739	22,290
Accounts payable and other current liabilities	15,336	(10,713)	(31,091)
Contributions to defined benefit pension plans	(12,500)	(25,350)	(11,050)
Other operating activities, net	312	(6,670)	(13,721)
Net cash provided by operating activities of continuing operations	325,513	295,787	216,694
Net cash provided by (used in) operating activities of discontinued operations	(884)	21,184	7,010
Net cash provided by operating activities	324,629	316,971	223,704
Investing activities:			
Property, plant and equipment additions	(354,749)	(349,129)	(440,698)
Proceeds from sale of assets	—	253,791	583
Other investing activities	5,471	(180)	(4,533)
Net cash provided by (used in) investing activities of continuing operations	(349,278)	(95,518)	(444,648)
Proceeds from sale of business operations	—	107,511	—
Net cash provided by (used in) investing activities of discontinued operations	—	(824)	(2,359)
Net cash provided by (used in) investing activities	(349,278)	11,169	(447,007)
Financing activities:			
Dividends paid on common stock	(67,587)	(65,262)	(59,202)
Common stock issued	4,354	4,726	123,041
Short-term borrowings - issuances	337,650	203,753	1,017,300
Short-term borrowings - repayments	(532,150)	(271,753)	(821,300)
Long-term debt - issuance	800,000	—	—
Long-term debt - repayments	(445,906)	(240,077)	(8,382)
De-designated interest rate swap settlement	(63,939)	—	—
Other financing activities	(15,394)	(2,833)	(1,666)
Net cash provided by (used in) financing activities of continuing operations	17,028	(371,446)	249,791
Net cash provided by (used in) financing activities of discontinued operations	—	—	(158)
Net cash provided by (used in) financing activities	17,028	(371,446)	249,633
Net change in cash and cash equivalents	(7,621)	(43,306)	26,330
Cash and cash equivalents beginning of year *	15,462	58,768	32,438
Cash and cash equivalents end of year *	\$ 7,841	\$ 15,462	\$ 58,768

* Cash and cash equivalents include cash of discontinued operations of \$37 million and \$16 million at Dec. 31, 2011 and 2010 respectively.
See Note 16 for supplemental disclosure of cash flow information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail

Business Unit: BH KANSAS GAS UTILITY CO LLC

December, 2013 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2013	2012	Variance
480000 RESIDENTIAL GAS SALES	67,695,550	54,079,376	13,616,174
480001 RESIDENTIAL UNBILLED GAS	(194,254)	1,016,402	(1,210,656)
481000 COMMERCIAL FIRM GAS REVENUE	20,435,063	15,532,983	4,902,080
481001 COMMERCIAL FIRM UNBIL GAS REV	92,309	(443,998)	536,307
481010 COMMERCIAL INTERR GAS REVENUE	912,711	589,214	323,496
481100 INDUSTRIAL FIRM GAS REVENUE	375,469	269,032	106,437
481101 INDUSTRIAL FIRM UNBIL GAS REV	(24,079)	12,245	(36,324)
481110 INDUSTRIAL INTERR GAS REVENUE	15,401,902	13,332,466	2,069,437
482000 OTH PUB AUTH GAS REV	0	(1,106)	1,106
483001 SALES FOR RESALE UNBIL GAS RE	(2,356)	(98,063)	95,707
483000 SALES FOR RESALE GAS	670,437	469,271	201,166
487000 FORFEITED DISC/LATE PMT GAS	444,424	367,743	76,681
488000 MISC SERVICE REV GAS	772,974	746,387	26,587
489304 INDUSTRIAL INTERR TRANSPRT REV	3,119,005	2,828,983	290,022
489303 COMMERCIAL INTERR TRANSPRT REV	268,306	227,576	40,730
489302 INDUSTRIAL FIRM TRANSPORT REV	1,002,441	1,013,346	(10,905)
489301 COMMERCIAL FIRM TRANSPORT REV	2,082,830	1,691,948	390,881
495000 Other Revenue And Royalties	441,103	3,638,960	(3,197,857)
TOTAL OPERATING REVENUE	113,493,835	95,272,765	18,221,069
850000 TRANS OPS SUPERV & ENG	71,276	69,379	1,897
851000 TRANS SYS CONTR & LOAD DISPATC	656	0	656
856000 TRANS MAINS EXPENSE	62,491	101,966	(39,475)
857000 TRANS MEAS & REGUL STATION EXP	47,045	28,593	18,452
870000 DIST OPS SUPERVISION AND ENGIN	782,787	777,368	5,419
874002 ROUTINE LEAK SURV MAINS & SVCS	528,854	453,158	75,695
874001 PERF DISTRIB MAIN LOCATES-GAS	690,711	741,665	(50,954)
874000 OPER/INSPECT UG DIST MAINS-GAS	916,544	766,054	150,490
875001 OPERATE/INSPECT FARM TAPS(O&M)	61,231	58,387	2,844
877000 DIST MEAS & REG STAT - CITY GA	7,275	2,712	4,563
876000 DIST MEAS & REG STAT - INDUS	134,066	160,476	(26,410)
875000 DIST MEAS & REG STAT - GENERAL	60,310	78,462	(18,152)
878001 PERF CONNECTS/DISCON/RECON-GAS	1,112,218	1,166,902	(54,684)
878000 OPER/INSP MTRS COLLECT DATAGAS	317,490	301,808	15,683
871000 DIST LOAD DISPATCHING	50	0	50
879000 DIST CUSTOMER INSTALLATIONS	570,237	594,826	(24,589)
881000 DIST OPER RENTS	30	895	(865)
880001 CO USED GAS O&M OFFSET	22,330	13,010	9,321
880000 DIST OPS OTHER EXPENSE	2,578,795	1,854,185	724,610
873000 DISTR FUEL/POWER COMPR STATION	0	42	(42)
804000 NATURAL GAS CITY GATE PURCHASE	63,884,127	45,991,512	17,892,615
804002 I/C GAS FOR OTHER NON ELIM	0	275,975	(275,975)
805000 OTHER GAS PURCHASES	1,338	(698)	2,036
805001 COST OF UNBILLED REVENUE	(263,190)	422,597	(685,787)
805100 PURCHASED GAS COST ADJUSTMENTS	965,719	(247,917)	1,213,636
805200 FINANCIAL GAS COST ADJ	(701,345)	(1,077,036)	375,691
808100 GAS WITHDRAWN FROM STORAGE DR	5,239,829	5,812,173	(572,345)
808200 GAS DELIVERED TO STORAGE CR	(5,575,694)	(3,632,383)	(1,943,311)
812000 GAS USED FOR OTHER UTILITY OPS	(22,192)	(12,996)	(9,197)
813000 OTHER GAS SUPPLY EXPENSES	690	0	690
814000 UG STORAGE OPS SUPERV & ENG	2,645	3	2,642
TOTAL ELECTRIC/GAS OPERATING EXPENSE	71,496,324	54,701,121	16,795,203

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail

Business Unit: BH KANSAS GAS UTILITY CO LLC

December, 2013 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2013	2012	Variance
901000 CUST ACCTS SUPERVISION	283,823	275,249	8,574
902002 OTHER METER READING EXPENSES	5,559	1	5,558
902001 RE-READ METERS	61,517	43,901	17,616
902000 READ METERS	551,019	712,541	(161,522)
903002 PROC/COLLECT DELINQUENT ACCTS	213,625	241,798	(28,173)
903001 PROCESS CUSTOMER REMITTANCES	84,109	75,597	8,512
903000 CUST ACCTS RECORDS & COLLECTIO	2,013,913	1,699,839	314,074
904000 UNCOLLECTIBLE ACCOUNTS	461,771	192,635	269,136
905000 MISC CUSTOMER ACCOUNTS	164,865	195,358	(30,494)
907000 CUSTOMER SERVICE SUPERVISION	323,761	481,102	(157,341)
908000 CUSTOMER ASSISTANCE EXP	372,021	446,209	(74,188)
909000 INFORMATIONAL & INSTRUCT ADS	41,855	70,941	(29,086)
910000 MISC CUST SERVICE & INFO	36,987	37,871	(884)
912000 SALES DEMONSTRATING & SELLING	169,559	104,598	64,961
916000 MISCELLANEOUS SALES EXPENSES	21,259	9,969	11,291
911000 SALES SUPERVERION	213,357	174,370	38,987
913000 SALES ADVERTISING EXPENSES	7,572	11,918	(4,346)
920000 ADMIN AND GENERAL SALARIES	11,111,458	10,229,662	881,796
920999 LABOR OVERHEAD OFFSET	(3,693,525)	(3,540,978)	(152,546)
921000 OFFICE SUPPLIES & EXPENSE	1,648,707	1,469,188	179,519
922000 ADMIN EXP TRANS CREDIT	(362,816)	(441,052)	78,236
923000 OUTSIDE SERVICES	938,881	954,620	(15,739)
924000 PROPERTY INSURANCE	5,601	5,531	70
925000 INJURIES AND DAMAGES	437,275	203,373	233,902
926000 EMPLOYEE PENSIONS & BENEFITS	5,044,417	4,441,225	603,192
926999 BENEFIT OVERHEAD OFFSET	(4,953,820)	(4,291,036)	(662,784)
928000 REGULATORY COMMISSION EXP	(1,170)	9,812	(10,982)
930100 GENERAL ADVERTISING	92,350	93,752	(1,402)
930200 MISCELLANEOUS GENERAL EXP	350,233	232,694	117,538
930299 GAAP TO FERC BANK FEES	441,387	71,019	370,369
931000 A & G RENTS	176,381	154,951	21,430
931001 I/C RENT EXPENSE	45,356	44,787	570
TOTAL A&G & OTHER EXPENSES	16,307,286	14,411,444	1,895,842
TOTAL OPERATING EXPENSE	87,803,611	69,112,565	18,691,045
861000 TRANS MAINT SUPERV & ENGIN	16,239	15,119	1,119
863000 TRANS MAINT OF MAINS	239,322	327,375	(88,054)
865000 TRANS MNT MEAS & REG STAT EQU	37,519	48,581	(11,062)
867000 TRANS MAINT OF OTHER EQUIP	24,788	600	24,188
888000 DIST MAINT COMPR STATION EQUIP	75,296	56,266	19,030
885000 DIST MAINT SUPER & ENG	150,832	108,421	42,411
889001 MAINTAIN FARM TAPS (O&M)	5,856	5,915	(60)
891000 DS MNT MS & REG STAT EQ-CITY G	189,981	168,040	21,941
890000 DS MNT MEAS & REG STAT EQ-IND	19,645	26,235	(6,590)
889000 DS MNT MEAS & REG STAT EQ-GEN	195,295	145,018	50,277
894000 DIST MAINT OF OTHER EQUIP	17,474	26,009	(8,535)
892000 DIST MAINT OF SERVICES	127,103	98,205	28,898
887001 PERFMaint_3RDPRTYDMG-UGDISTGAS	(24,133)	(10,224)	(13,909)
887000 PERF UG DISTRIB LINE MAINT-GAS	467,697	405,920	61,777
886000 DIST MAINT STRUCT & IMPROVE	17,684	26,900	(9,216)
893000 DIST MAINT METERS & HSE REGS	178,152	189,160	(11,008)
TOTAL MAINTENANCE EXPENSES	1,738,748	1,637,541	101,207

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail

Business Unit: BH KANSAS GAS UTILITY CO LLC

December, 2013 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2013	2012	Variance
935000 MAINTENANCE GENERAL PLANT	566,584	538,048	28,536
TOTAL A&G MAINTENANCE EXPENSES	566,584	538,048	28,536
TOTAL MAINTENANCE EXPENSE	2,305,332	2,175,589	129,743
403000 DEPRECIATION	5,291,505	4,937,897	353,608
DEPREC EXPENSE DEPRECIATION EXPENSE	5,291,505	4,937,897	353,608
405000 AMORTIZATION EXPENSE	113,835	114,284	(449)
AMORT & DEPL UTILITY AMORT & DEPL OF UTILITY PLANT	113,835	114,284	(449)
408100 Taxes Oth-Than Income Taxes	905,072	1,118,993	(213,921)
408130 TOTI-PROPERTY TAXES	4,605,798	3,873,090	732,708
408199 TAXES OTI CAPITAL OFFSET	(1,030,998)	(1,011,352)	(19,646)
TAXES OTHER THAN INC TAXES OTHER THAN INCOME	4,479,872	3,980,731	499,141
409100 CURRENT FED INC TAX	702,985	(1,044,089)	1,747,074
409199 GAAP TO FERC-CURR FED INC TAX	0	(23)	23
410998 GAAP TO FERC DEF FED INC TAX EXPENSE	0	290,178	(290,178)
INC TAXES FEDERAL INCOME TAXES FEDERAL	702,985	(753,934)	1,456,919
409101 CURRENT STATE INC TAX	(79,233)	26,578	(105,811)
410999 GAAP TO FERC DEF STATE INC TAX EXPENSE	0	16,920	(16,920)
INC TAXES OTHER INCOME TAXES OTHER	(79,233)	43,498	(122,731)
410101 DEFERRED CURRENT STATE INC TAX	1,039,607	739,228	300,379
410100 DEFERRED CURRENT FED INC TAX	11,742,080	12,054,690	(312,610)
PROV DEF INC TAX PROVISION FOR DEF INCOME TAX	12,781,686	12,793,917	(12,231)
411101 DEF INC TAX ST CR OPERATING	(618,309)	(859,531)	241,222
411100 DEF INC TAX FED CR OPERATING	(9,303,710)	(8,390,037)	(913,673)
LESS PROV DEF INC TX LESS PROV DEF INCOME TAX CRED	(9,922,019)	(9,249,569)	(672,451)
OTHER OPERATING EXPENSES	13,368,631	11,866,826	1,501,806
TOTAL UTILITY OPERATING EXPENS	103,477,573	83,154,980	20,322,594
NET UTILITY OPERATING INCOME	10,016,261	12,117,786	(2,101,525)
415000 MERCHANDISE REVENUES	1,255,995	552,350	703,645
REV MERCH JOBBING REVENUE MERCH JOBBING CONTRACT	1,255,995	552,350	703,645
416000 EXP MERCH JOBBING & CONTRACT	596,407	244,615	351,792
LESS COST & EXP MERC LESS COST & EXPENSE MERCH JOB	596,407	244,615	351,792
417057 OTHER REVENUE AND ROYALTIES NR	588,479	537,439	51,040
417000 NONUTILITY REVENUES	4,150,954	4,026,234	124,720
REV NON UTILITY OPS REVENUE NON UTILITY OPERATIONS	4,739,433	4,563,673	175,760
417180 NONUTILITY DEPRECIATION EXP	38,276	41,389	(3,114)
417170 NONUTILITY MAINTENANCE EXPENSE	199	41	158
417165 EXP FOR UNCOLLECT ACCT NONREG	11,093	13,666	(2,574)
417162 ADMIN AND GEN-EMPL BENEFITS	178,699	192,104	(13,404)
417161 NONUTILITY ADMIN & GENERAL	(30,451)	(32,798)	2,347
417160 NONUTILITY SELLING EXPENSE	252,877	171,957	80,921
417158 NONUTILITY OPS EXPENSE OTHER	64,610	75,942	(11,331)
417101 NONUTILITY EXP - OTHER O&M	458,287	579,527	(121,240)
417100 NONUTILITY EXPENSES - COS	2,299,981	2,152,580	147,401
LESS EXP NON UTILITY LESS EXPENSE NON UTILITY OPS	3,273,571	3,194,408	79,163
418000 NONOPERATING RENTAL INCOME	36,000	6,000	30,000
NON OP RENTAL INCOME NON OPERATING RENTAL INCOME	36,000	6,000	30,000
419000 INTEREST INCOME - 3RD PARTY	5,158	9,812	(4,654)
419050 I/C INTEREST INCOME FROM UMP	120,658	391,551	(270,893)
419052 I/C INT INC ALLOC FROM BHSC	2,183	1,695	488

Income Statement - Prior Year Comparison - FERC Reporting Acct Detail

Business Unit: BH KANSAS GAS UTILITY CO LLC

December, 2013 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2013	2012	Variance
INT & DIVIDEND INC INTEREST & DIVIDEND INCOME	127,999	403,058	(275,059)
421000 Misc Nonoperating Income	24,895	72,408	(47,513)
MISC NON OP INCOME MISC NON OPERATING INCOME	24,895	72,408	(47,513)
421199 GAIN ON ASSET SALES	0	1	(1)
421198 O&M GAIN ON SALE OF ASSET	419,365	1,612	417,753
421999 GAAP TO FERC GN ON ASSET SALE	(415,128)	846,000	(1,261,128)
GAIN DISPO PROPERTY GAIN ON DISPOSITION PROPERTY	4,237	847,613	(843,376)
TOTAL OTHER INCOME	2,318,582	3,006,079	(687,498)
426100 MISC NONOPER DONATIONS	132,662	163,754	(31,092)
DONATIONS	132,662	163,754	(31,092)
426300 MISC NONOPER PENALTIES	2	177	(175)
PENALTIES	2	177	(175)
426400 MISC NONOPER CIVIC & POLITICAL	40,226	22,700	17,526
EXP CIVIC POLITICAL EXP CIVIC POLITICAL & RELATED	40,226	22,700	17,526
426500 MISC NONOPER OTHER	33,729	11,699	22,030
OTHER DEDUCTIONS	33,729	11,699	22,030
TTL OTH INC DEDUCT TOTAL OTHER INCOME DEDUCTIONS	206,620	198,330	8,289
408230 TOTI-PROPERTY TAXES NON UTILITY	0	8	(8)
TAXES OTHER TAXES ON OTHER INCOME	0	8	(8)
409200 CURR INC TAX FED NONOPERATING	622,513	524,896	97,617
INC TAX FED OTHER FED INC TAX OTHER INC DED	622,513	524,896	97,617
409201 CURR INC TAX ST NONOPERATING	56,044	28,489	27,556
INC TAX STATE OTHER STATE INC TAX OTHER INC & DED	56,044	28,489	27,556
TAXES OTH INC & DED TAXES OTHER INCOME & DEDUCTION	678,558	553,393	125,165
NET OTH INC & DED NET OTHER INCOME & DEDUCTIONS	1,433,404	2,254,356	(820,952)
TOTAL OTHER INCOME & DEDUCTIONS	1,433,404	2,254,356	(820,952)
430000 I/C INTEREST EXPENSE TO UMP	337,760	583,205	(245,444)
430002 I/C INT EXP ALLOC FROM BHSC	1,507	1,940	(433)
430005 I/C INTEREST EXPENSE AFFILIATE	5,406,835	4,989,160	417,675
430999 GAAP TO FERC - BANK FEES	(441,387)	(35,724)	(405,664)
INT DEBT ASSOC COMP INTEREST ON DEBT ASSOC COMPANY	5,304,715	5,538,581	(233,866)
428999 GAAP TO FERC AMORTIZATION EXP	0	(11,118)	11,118
431000 INTEREST EXPENSE - 3RD PARTY	3,052	385,486	(382,434)
431001 INTEREST ON CUSTOMER DEPOSITS	2,839	2,315	524
431002 CURR INC TAX - UTP INTEREST EXP	93	0	93
431999 GAAP TO FERC-INTEREST EXPENSE	0	(24,154)	24,154
OTH INTEREST EXPENSE OTHER INTEREST EXPENSE	5,984	352,529	(346,545)
432000 AFUDC DEBT	(99,700)	(117,003)	17,303
LESS AFUDC BORROWED	(99,700)	(117,003)	17,303
NET INTEREST CHRGS NET INTEREST CHARGES	5,210,999	5,774,106	(563,107)
NET INTEREST CHARGES	5,210,999	5,774,106	(563,107)
NI BEFORE EXTRAORDINARY ITEMS	6,238,667	8,598,036	(2,359,369)
EXTRAORDINARY ITEMS	0	0	0
TOTAL NET INCOME	6,238,667	8,598,036	(2,359,369)

Report: Income Stmt - QTD & YTD w Pr Yr for FERC Rpt Detail Page: 1 of 1

Printed: Jan 21, 2014 10:20 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, 2013

Run For: Scenario, All Resource Codes, All Allocation Types
Data from the PSGLFERC Essbase Cube

Account Description	Y2013	Y2012	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
<u>ASSETS:</u>			
<u>UTILITY PLANT:</u>			
101000 PLANT IN SERVICE	133,351,989	113,855,941	19,496,048
101001 PLANT IN SERVICE INTANGIBLES	3,205,293	3,205,293	0
101304 PLANT IN SERVICE ARO	4,062	4,062	0
101999 GAAP TO FERC PLANT	74,870,801	76,219,692	(1,348,891)
106000 COMPLETE NOT CLASSIFIED IN CPR	8,084,835	2,683,008	5,401,827
114000 PLANT ACQUISITION ADJUSTMENTS	5,234,286	5,234,286	0
114003 PLANT ACQUISITION ADJ - OTHER	(124,688)	(124,688)	0
114005 PLANT ACQ ADJ - BHP	0	(171,347)	171,347
114999 GAAP TO FERC ACQ ADJ	(415,128)	0	(415,128)
118990 BHUHC UTILITY PLANT ALLOC	13,811,175	23,275,688	(9,464,513)
118999 COMMON UTILITY PLANT ALLOC	3,026,108	3,402,952	(376,844)
UTILITY PLANT	241,048,734	227,584,888	13,463,846
107000 CONSTRUCTION WORK IN-PROGRESS	2,901,226	793,762	2,107,465
CWIP Construction Work In Progress	2,901,226	793,762	2,107,465
TOTAL UTILITY PLANT	243,949,961	228,378,650	15,571,311
108000 PLT IN SERV-ACCUM DEPREC-ORIG	26,440,156	33,428,411	(6,988,255)
108001 RETIREMENT WORK IN PROGRESS	22,403	16,982	5,421
108002 PLT IN SERV-ACCUM DEPR-REM COS	(623,218)	(126,355)	(496,863)
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	(1,649,800)	(1,535,965)	(113,835)
108304 ACCUMULATED DEPR-LEGAL ARO	(2,334)	(2,247)	(87)
108999 GAAP TO FERC ACCUM DEPR	(74,024,801)	(75,373,692)	1,348,891
111000 PLT IN SERV-ACC AMORT - REGUTIL	(45,175)	(45,175)	0
119990 BHUHC ACCUM DEPR-ALLOC	(8,122,905)	(10,939,913)	2,817,008
119998 UHC ACC DEPR CUR ALLOC	(1,335,932)	(1,353,029)	17,097
119999 COMMON UTIL-ACC DEPR-ALLOC	(1,739,065)	(2,067,960)	328,895
ACCUM DEPRECIATION	(93,116,312)	(90,034,584)	(3,081,727)
NET UTILITY PLANT	150,833,649	138,344,065	12,489,584
<u>OTHER PROPERTY AND INVESTMENTS:</u>			
121990 BHUHC NON UTILITY PLANT ALLOC	548,865	620,556	(71,691)
121999 NON UTILITY PLANT ALLOC	149,241	182,877	(33,636)
121000 NONUTILITY PROPERTY	348,870	348,870	0
NON UTILITY PROPERTY	1,046,976	1,152,303	(105,327)
122000 NON-UTIL PLT-ACCUM DEPR-ORIG	(524,530)	(518,713)	(5,817)
122200 PLT IN SERV-ACCM AMORT-NONUTIL	(1,273)	(1,273)	0
122990 BHUHC ACCUM DEPR-NON UTIL PLT	(435,099)	(507,816)	72,717
122999 NON UTIL-ACCDEPR-ALLOC	(85,767)	(111,134)	25,367
ACCUM PROV DEPREC ACCUM PROV FOR DEPRECIATION	(1,046,668)	(1,138,935)	92,267
TTL OTH PROPERTY & INVESTMENT	308	13,368	(13,060)
<u>CURRENT AND ACCRUED ASSETS:</u>			
131232 WELLS FARGO OTHER MANUAL	14,420	14,573	(153)
131221 WELLS FARGO PMT SVCS	14,790	60,474	(45,684)
131185 FIRST AM BANK WEBSTER CTY	468	0	468
131152 WELLS FARGO WFED LOCK BOX	23,235	23,032	203
131148 WELLS FARGO OPER CASH	0	1,075,410	(1,075,410)
131427 FIRSTIER BANK OF WYOMING	451	0	451
CASH ACCOUNTS	53,364	1,173,489	(1,120,125)
142006 CUSTOMER A/R INSTALL	249,229	226,926	22,303
142003 CUSTOMER A/R FINANCE PROGRAM	13,376	17,156	(3,781)
142002 CUSTOMER A/R MERC	61,575	39,285	22,290
142001 CUSTOMER A/R OFF SYSTEM	364,000	314,000	50,000
142000 CUSTOMER ACCTS RECEIVABLE CIS	9,039,672	6,006,085	3,033,587
CUST ACCT RECEIVABLE CUSTOMER ACCOUNTS RECEIVABLE	9,727,852	6,603,453	3,124,400

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)

Business Unit: BH KANSAS GAS UTILITY CO LLC

HTD December, 2013

Run For: Scenario, All Resource Codes, All Allocation Types
Data from the PSGLFERC Essbase Cube

Account Description	Y2013	Y2012	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
143038 A/R MEDICARE SUBSIDY	59,454	47,598	11,856
143028 A/R TO BE COLLECTED FOR OTHERS	1,101	1,393	(293)
143012 A/R OTHER EMPLOYEE LOANS	4,971	6,660	(1,689)
143008 A/R DAMAGE CLAIMS	52,176	43,017	9,159
143007 A/R ADMINISTRATIVE SERVICES	0	7,517	(7,517)
143003 A/R CONTRIB IN AID OF CONSTRUC	17,616	50,017	(32,401)
143000 A/R MISCELLANEOUS	19,309	8,236	11,074
OTHER ACCTS RECVBL OTHER ACCOUNTS RECEIVABLE	154,627	164,438	(9,811)
144000 ACCUM PROV FOR UNCOLL ACCTS	(53,453)	(33,544)	(19,909)
ACCUM PROV-UNCOLL ACCUM PROV FOR UNCOLLECTIBLE	(53,453)	(33,544)	(19,909)
145000 I/C NOTES RECEIVABLE FROM UMP	0	11,205,864	(11,205,864)
NOTES REC INTER CO NOTES RECEIVABLE INTER COMPANY	0	11,205,864	(11,205,864)
146000 I/C ACCOUNTS RECEIVABLE	79,029	263,404	(184,376)
ACCTS REC INTER CO ACCTS RECEIVABLE INTER COMPANY	79,029	263,404	(184,376)
154000 MATERIALS AND SUPPLIES GENERAL	439,498	369,606	69,891
154003 INVENTORY MANUAL	(9,833)	29,743	(39,576)
154007 INVENTORY-TRANSFERS IN TRANSIT	0	2,566	(2,566)
PLANT MATERIAL & OP PLANT MATERIALS & OP SUPPLIES	429,664	401,915	27,749
163000 STORES EXPENSE UNDISTRIBUTED-	197,059	476,288	(279,228)
STORES EXP UNDIST STORES EXPENSE UNDISTRIBUTED	197,059	476,288	(279,228)
164118 STORED UNDERGROUND-CENTERPOINT	939,397	955,692	(16,295)
164107 GAS STORED UNDERGROUND WNG	1,902,457	1,657,518	244,939
164104 GAS STORED UNDERGROUNDKNE	231,685	246,372	(14,687)
164102 GAS STORED UNDERGROUND NNG	1,469,791	1,118,867	350,925
164100 GAS STORED UNDERGROUND-	(1,296,192)	(1,067,176)	(229,016)
GAS STORED UG CRNT GAS STORED UNDERGROUND CRNT	3,247,138	2,911,272	335,865
165002 PREPAID INSURANCE	31,053	30,761	292
165007 PREPAID FEDERAL TAXES	308,142	295,642	12,500
165180 PREPAID STATE TAXES	16,470	0	16,470
PREPAYMENTS	355,664	326,403	29,262
173000 ACCRUED UNBILLED REVENUES	8,492,331	8,624,396	(132,065)
ACCD UTILITY REVENUE ACCRUED UTILITY REVENUES	8,492,331	8,624,396	(132,065)
174005 EXCHANGE GAS RECEIVABLE PEPL	0	87,086	(87,086)
MISC CRNT ACCD ASSTS MISC CURRENT & ACCURED ASSETS	0	87,086	(87,086)
TTL CURRENT & ACCRUED ASSETS	22,683,276	32,204,464	(9,521,188)
DEFERRED DEBITS			
182300 REG ASSET OTHER	2,685,773	5,012,239	(2,326,467)
182301 REG ASSET ENVIROMEN ST	829	746	83
182305 REG ASSET ARO	18,571	17,310	1,261
182309 REG ASSET FAS 106 PRIOR SVC	167,236	325,997	(158,761)
182310 REG ASSET PENSION PRIOR SVC	1,123,601	1,340,062	(216,461)
182313 REGULATORY ASSSET - COMP ABS	0	0	0
182315 REG ASSET FAS 106	614,778	933,074	(318,296)
182316 REG ASSET PENSION	3,348,942	6,371,022	(3,022,080)
OTHER REG ASSETS OTHER REGULATORY ASSETS	7,959,729	14,000,449	(6,040,720)
184003 FIELD ENGINEERING CLEARING	247,520	61,861	185,659
184000 FLEET/TRANSPORTATION CLEARING	74,162	65,322	8,839
CLEARING ACCOUNTS	321,682	127,183	194,499
186001 MISC DEFERRED DEBITS-IN PROCES	112,588	1,848	110,741
186002 DEFERRED RATE CASE EXPENSES	74,118	66,646	7,473
186023 METER SHOP CAPEX STATE ALLOC	916,622	806,008	110,614
186998 DEFERRED ASSETS - OTHER	7,745	5,708	2,037
MISC DEFERRED DEBITS	1,111,073	880,209	230,865
190520 DEFERRED TAX ASSET LT	462,096	4,384,028	(3,921,932)
190299 DEF TAX ASSET STATE INC TAX ST	21,978	24,944	(2,966)
190190 DEF TAX AMORTIZATION OF CIAC	(413)	(413)	0
190175 DEFERRED TAX ASSET ST	272,031	376,400	(104,369)
190599 DEF TAX ASSET STATE INC TAX LT	398,119	699,424	(301,305)

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)

Business Unit: BH KANSAS GAS UTILITY CO LLC

HTD December, 2013

Run For: Scenario, All Resource Codes, All Allocation Types
Data from the PSGLFERC Essbase Cube

Account Description	Y2013	Y2012	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
ACCUM DEF INC TAXES ACCUM DEFERRED INCOME TAXES	1,153,811	5,484,383	(4,330,572)
191600 UNREC PGA CST EST-GEN SYS	1,786,799	2,041,311	(254,512)
191560 UNREC PGA CAP REL-SH SHAREDREV	109,121	97,230	11,891
191549 UNREC PGA CAPACITY RELEASE	(218,241)	(194,460)	(23,781)
191541 UNREC PGA CST PND KS	(1,950,444)	(452,144)	(1,498,300)
191300 UNREC PGA CST UNBILLED	(5,749,986)	(6,013,176)	263,190
191100 UNREC PGC ACTUAL-GEN SYSTEM	6,022,751	4,521,238	1,501,513
DEFERRED DEBITS	10,546,296	20,492,225	(9,945,929)
TOTAL ASSETS AND OTHER DEBITS:	184,063,530	191,054,122	(6,990,593)
<u>LIABILITIES AND SHAREHOLDERS EQUITY:</u>			
<u>PROPRIETARY CAPITAL:</u>			
211001 ADDL PAID IN CAPITAL	55,514,021	55,514,021	0
OTH PAID IN CAPITAL OTHER PAID IN CAPITAL	55,514,021	55,514,021	0
216000 RETAINED EARNINGS GENERAL	(1,349,686)	0	(1,349,686)
216999 GAAP TO FERC RETAINED EARNINGS	538,902	0	538,902
RETAINED EARNINGS	(810,784)	0	(810,784)
TOTAL PROPRIETARY CAPITAL	54,703,237	55,514,021	(810,784)
<u>LONG-TERM DEBT:</u>			
<u>OTHER NON-CURRENT LIABILITIES:</u>			
228204 RESERVE MEDICAL	88,316	88,316	0
228202 RESERVE WORKERS' COMPENSATION	554,834	586,559	(31,725)
228200 RESERVE GENERAL LIABILITY	120,250	158,065	(37,815)
ACCUM PROV INJRY DAM ACCUM PROV INJURIES & DAMAGES	763,400	832,940	(69,540)
229001 BILLINGS COLL SUBJECT TO REFUN	0	5,469	(5,469)
ACCUM PROV RATE RFND ACCUM PROV FOR RATE REFUNDS	0	5,469	(5,469)
230304 ACCUM RESV OBLIGATION ARO	20,299	19,125	1,175
ASSET RETIRE OBLIG ASSET RETIREMENT OBLIGATIONS	20,299	19,125	1,175
TTL OTR NONCRNT LIAB TTL OTHER NONCRNT LIABILITIES	783,700	857,534	(73,834)
<u>CURRENT AND ACCRUED LIABILITIES:</u>			
232000 AP PEOPLESFT SUBLEDGER	590,017	371,060	218,958
232005 A/P PO ACCRUAL	20,941	6,827	14,114
232006 A/P GAS PURCHASES ESTIMATED	7,965,812	5,971,512	1,994,300
232009 A/P MANUAL	146,803	244,955	(98,151)
232024 A/P EMPLOYEE WH OTHER	85	0	85
232061 A/P ESCHEAT	0	19,579	(19,579)
ACCTS PAYABLE ACCOUNTS PAYABLE	8,723,658	6,613,932	2,109,726
233000 I/C NOTES PAYABLE TO UMP	6,469,535	0	6,469,535
233053 I/C NOTES PAYABLE AFFILIATE	60,000,000	62,712,287	(2,712,287)
233100 I/C INTEREST PAYABLE TO UMP	7,918	9,135	(1,217)
233153 I/C INTEREST PAYABLE AFFILIATE	395,237	239,999	155,237
NOTE PAY INTER CO NOTES PAYABLE INTER COMPANY	66,872,690	62,961,421	3,911,268
234222 CIS+ ACCOUNT BALANCE TRANSFERS	77	0	77
234000 I/C ACCOUNTS PAYABLE	12,613,676	18,545,464	(5,931,788)
ACCT PAY INTER CO ACCOUNTS PAYABLE INTER COMPANY	12,613,753	18,545,464	(5,931,711)
235000 CUSTOMER DEPOSITS-	1,552,797	1,625,457	(72,660)
CUSTOMER DEPOSITS	1,552,797	1,625,457	(72,660)
236000 ACCRUED INCOME TAXES FEDERAL	0	0	0
236001 ACCRUED INCOME TAXES STATE	0	47,840	(47,840)
236003 ACCRUED TAXES SALES/USE	3,587	5,123	(1,536)
236004 ACCRUED PROPERTY TAXES	2,703,034	2,270,687	432,347
236010 ACCRUED FICA TAX EMPLOYER	65,739	93,239	(27,499)
236011 ACCRUED FUTA TAX	0	121	(121)
236012 ACCRUED SUTA TAX	0	24	(24)
236998 ACCRUED UTILITY COMM TAXES	240,000	456,841	(216,841)

Balance Sheet CY & PY and PY Dec w Chg Amt (All Products)

Business Unit: BH KANSAS GAS UTILITY CO LLC

HTD December, 2013

Run For: Scenario, All Resource Codes, All Allocation Types
Data from the PSGLFERC Essbase Cube

Account Description	Y2013	Y2012	Change from Prior
	I-T-D(December)	I-T-D(December)	Year End
TAXES ACCRUED	3,012,360	2,873,874	138,486
241006 STATE WITHHOLDING TAXES PAYABL	0	39,550	(39,550)
241004 STATE SALES AND USE TAX	280,302	116,043	164,259
241002 TAX COLLECTION PAY CITY FRANCH	722,738	528,577	194,161
241001 FEDERAL WITHHOLDING TAXES PAYB	0	36,018	(36,018)
241000 FICA WITHHOLDING TAXES PAYABLE	0	16,132	(16,132)
TAX COLLECTED PAY TAX COLLECTIONS PAYABLE	1,003,040	736,321	266,719
242003 ACCRUED BENEFITS COMP ABSENCES	197,331	214,410	(17,079)
242013 ACCRUED BENEFITS 401K	13,820	13,571	249
242014 ACCRUED BONUS OTHER	0	42,000	(42,000)
242019 ACCRUED ENERGY AID ASSISTANCE	20,603	22,895	(2,292)
242028 ACCRD UNCL CHECKS/ESCHEATS	272	1,184	(912)
242041 ACCRUED INCENTIVE	663,180	726,305	(63,125)
242045 ACCRUED PAYROLL	230,328	142,528	87,800
242046 ACCRUED EE REIMBURSED EXP	10,019	8,841	1,178
242052 ACCRUED LT PERFORMANCE PLAN	0	2,884	(2,884)
242999 ACCRUED OTHER	1,187,174	1,946,414	(759,239)
MISC CRNT ACCD LIAB MISC CURRENT & ACCRUED LIAB	2,322,727	3,121,032	(798,305)
TOTAL CURRENT & ACCRUED LIAB	96,101,025	96,477,500	(376,476)
DEFERRED CREDITS:			
252000 CUSTOMER ADVANCES FOR CONST	541,465	439,497	101,968
CUST ADV FOR CONSTR CUSTOMER ADVANCE CONSTRUCTION	541,465	439,497	101,968
253011 ACCRUED GROUP INS RETIREE LT	130,713	570,097	(439,383)
253105 ACCRUED PENSION	3,690,368	6,446,298	(2,755,930)
253134 STATE FIN48 LIABILITY	(2)	387	(389)
253520 FIN 48 LIABILITY	3,120	9,080	(5,960)
253700 OTH DEF CR ENERGY ASST PRGM	108,688	416,174	(307,486)
253997 GAAP TO FERC FIN48 LIAB FED	0	(6,007)	6,007
253998 GAAP TO FERC-FIN 48 LIAB-STATE	0	(386)	386
OTH DEFERRED CREDITS OTHER DEFERRED CREDITS	3,932,887	7,435,644	(3,502,756)
254020 REG LIAB PGA CR BAL RECLASS	6,022,751	4,521,238	1,501,513
254004 REG LIAB ACL PIPE REPL RIDR KS	230	230	0
254001 REG LIAB EMISSIONS	0	0	0
254100 REG LIAB LT RETIREE HC INC TAX	357,780	535,467	(177,687)
254200 REG LIABILITY LT PENSION INC TAX	1,948,969	3,656,161	(1,707,193)
OTH REGULATORY LIAB OTHER REGULATORY LIABILITIES	8,329,730	8,713,096	(383,366)
282100 DEF TAX PROPERTY LT	17,599,029	15,096,222	2,502,807
282599 DEF TAX LIAB STATE PROP LT	1,421,882	992,809	429,073
282998 GAAP TO FERC-DEFTAX-ACCEL DEPR	0	6,007	(6,007)
282999 GAAP TO FERC-DEFTAX-DEPR STATE	0	386	(386)
ACCUM DEF INC TAX PR ACCUM DEF INCOME TAXES PROPTY	19,020,911	16,095,424	2,925,487
283440 DEFERRED TAX LIAB LT	(5,941,658)	(3,648,737)	(2,292,921)
283134 DEF TAX LIAB STATE INC TAX ST	39,354	31,581	7,774
283005 DEFERRED TAX LIAB ST	487,100	480,200	6,899
283534 DEF TAX LIAB STATE INC TAX LT	(479,986)	(246,771)	(233,215)
283998 GAAP TO FERC-DEF TAX LT LIAB	290,178	290,178	0
283999 GAAP TO FERC-DEFTX LIAB-STATE	16,920	16,920	0
ACCUM DEF INC TAX OT ACCUM DEF INCOME TAX OTHER	(5,588,092)	(3,076,629)	(2,511,463)
TOTAL DEFERRED CREDITS	26,236,902	29,607,031	(3,370,130)
UNDIST YTD NET INCOME	6,238,667	8,598,036	(2,359,369)
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY:	184,063,529	191,054,122	(6,990,593)
Balance Sheet Tie Out (Assets=Liabilities)	0	0	0

Report: Bal Sheet - Detail w Totals YTD & LYD FERC Page: 1 of 1

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Data from the PSGLFERC Essbase Cube

Tab B6

Kansas Ring Fencing Compliance
Financial Ratios
Total Debt to Total Capitalization

Black Hills Corporation
(in thousands)

Attachment

06-GIMX-181-GIV

	<u>2013</u>
<i>Numerator</i>	
Notes payable	82,500
+ Commercial paper	-
+ Current maturities	-
+ Current capitalized lease obligations	-
+ Long term debt	1,396,948
+ Capitalized lease obligations	-
+ Total OBS Debt	<u>134,449</u>
	1,613,897
 <i>Denominator</i>	
Notes payable	82,500
+ Commercial paper	-
+ Current maturities	-
+ Current capitalized lease obligations	-
+ Long Term debt	1,396,948
+ Capitalized lease obligations	-
+ Common equity	1,307,748
+ Total OBS Debt	<u>134,449</u>
	2,921,645
	55.24%

Source: 2013 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

	<u>2013</u>
<i>Numerator</i>	
Net income from continuing operations	115,846
+ Depreciation, depletion & amortization	141,217
+ Deferred income taxes (net)	63,996
+ Investment tax credit amortization	(212)
- AFUDC - debt	1,130
- AFUDC - equity	607
+ (Income) loss from equity investments	86
+ (Gain) loss on property	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	<u>319,196</u>
+ Cash interest paid (net of interest capitalized)	108,361
+ AFUDC - debt	1,130
- Interest expense adjustment	-
+ Interest on OBS debt	-
	<u>428,687</u>
<i>Denominator</i>	
Interest expense (net)	112,918
- Interest expense adjustment	-
+ AFDC - debt	1,130
+ Interest on OBS debt	-
	<u>114,048</u>
	3.7588

Source: 2013 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

	<u>2013</u>
<i>Numerator</i>	
Net income from continuing operations	115,846
+ Depreciation, depletion & amortization	141,217
+ Deferred income taxes (net)	63,996
+ Investment tax credit amortization	(212)
- AFUDC - debt	1,130
- AFUDC - equity	607
+ (Income) loss from equity investments	86
+ (Gain) loss on property (see note below)	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	319,196
 + Depreciation adjustment for Operating Leases	 -
	319,196
 <i>Denominator</i>	
Notes payable	82,500
+ Commercial paper	-
+ Current maturities	-
+ Current capitalized lease obligation	-
+ Long term debt	1,396,948
+ Capitalized lease obligations	-
+ Total OBS Debt	134,449
	1,613,897
	19.78%

Source: 2013 Black Hills Corporation Form 10-K

Tab C3

BLACK HILLS CORPORATION
LIST OF CREDIT RATING AGENCIES AND EQUITY ANALYST REPORTS RECEIVED
(Updated Through Mid-May 2014)

Agency/Analyst	Date
Credit Suisse/Kevin Cole	5/8/2014
RBC/Shelby Tucker	5/6/2014
Gabelli & Company, Inc./Timothy Winter	5/5/2014
J.P.Morgan/Christopher Turnure	5/5/2014
BMO Capital Markets/Michael S. Worms	5/2/2014
Sidoti/Michael Klein	5/2/2014
Credit Suisse/Kevin Cole	5/1/2014
BMO Capital Markets/Michael S. Worms	4/11/2014
Sidoti/Michael Klein	4/11/2014
RBC/Shelby Tucker	3/28/2014
Sidoti/Michael Klein	3/13/2014
Credit Suisse/Kevin Cole	2/19/2014
Gabelli & Company, Inc./Timothy Winter	2/10/2014
RBC/Shelby Tucker	2/10/2014
BMO Capital Markets/Michael S. Worms	2/7/2014
Credit Suisse/Kevin Cole	2/7/2014
J.P.Morgan/Christopher Turnure	1/23/2014
J.P.Morgan/Christopher Turnure	12/9/2013
Gabelli & Company, Inc./Timothy Winter	12/3/2013
BMO Capital Markets/Michael S. Worms	12/2/2013
Credit Suisse/Kevin Cole	11/4/2013
RBC/Shelby Tucker	11/4/2013
Drexel Hamilton/Andy Smith	10/8/2013
Gabelli & Company, Inc./Timothy Winter	10/7/2013
RBC/Shelby Tucker	10/7/2013
BMO Capital Markets/Michael S. Worms	10/3/2013
Credit Suisse/Kevin Cole	10/3/2013
J.P.Morgan/Christopher Turnure	10/1/2013
RBC/Shelby Tucker	8/9/2013
BMO Capital Markets/Michael S. Worms	8/7/2013
D.A. Davidson & Co./Michael Bates	8/7/2013
Drexel Hamilton/Andy Smith	8/7/2013
Gabelli & Company, Inc./Timothy Winter	8/7/2013
Williams Capital Research/Christopher R. Ellinghaus	8/7/2013
Credit Suisse/Kevin Cole	8/5/2013
J.P.Morgan/Christopher Turnure	7/23/2013
Williams Capital Research/Christopher R. Ellinghaus	7/19/2013
Drexel Hamilton/Andy Smith	7/18/2013
Gabelli & Company, Inc./Timothy Winter	6/26/2013
D.A. Davidson & Co./Michael Bates	6/20/2013
Sidoti/Michael Klein	6/14/2013
RBC/Shelby Tucker	6/3/2013