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Black Hills Energy  
1102 E 1<sup>st</sup> Street  
Papillion, NE 68046

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May 29, 2020

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

RE: 11-BHCG-800-CPL

Dear Ms. Retz:

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

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

Effective January 1, 2019, BHUH ceased to function as a centralized service company. All service company activities previously performed by BHUH were combined with the activities of BHSC. As such, the BHUH Service Agreement was terminated on September 30, 2019.

The amended BHSC Cost Allocation Manual (“CAM”) is included in this year-ended 2019 filing and follows this letter. According to submission information requirements, changes made to the amended BHSC CAM follows in a red-lined document.

Sincerely,

*Ann Stichler*

Ann Stichler  
Regulatory and Finance

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# Black Hills Service Company

## Cost Allocation Manual

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Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: December 1, 2013

Amended: December 1, 2014

Amended: December 1, 2015

Amended: December 1, 2016

Amended: December 1, 2017

Amended: November 7, 2018

Amended: December 20, 2018

Amended: December 20, 2019

# Black Hills Service Company Cost Allocation Manual

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## **Introduction**

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

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

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

In 2017, BHC made a strategic business decision to divest its oil and gas division and transition from a diversified energy company to a utility-centered energy company. The divestiture of the oil and gas division followed BHC's earlier decision in 2014 to divest of its energy trading division, all steps in furtherance of its transition to a utility company. As a result of this strategic shift, BHC no longer needed two service companies, the Service Company and Black Hills Utility Holding (BHUH). On January 1, 2019, BHUH transferred its employees and assets to the Service Company. The process improvement results in one Service Company instead of two, eliminating unnecessary complexity and improved visibility for our regulators.

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

## **Service Company Organization**

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

## Direct Costs versus Indirect Costs

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

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

Methods of Direct Charges include:

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

Here are some examples:

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

Methods of Direct Cost Distributed:

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

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

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

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

Methods of Indirect Charges:

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

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

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

Always considered direct costs:

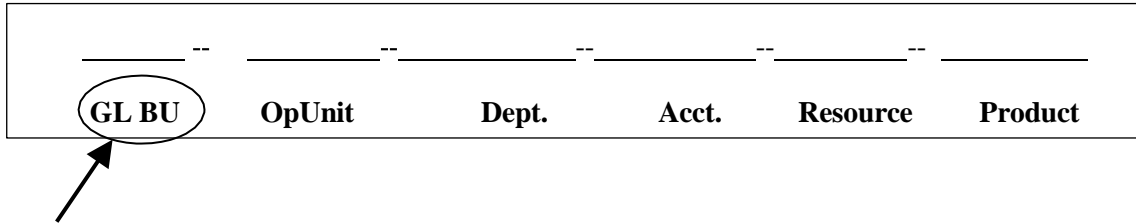
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

Always considered indirect costs:

- Board of Directors' fees and expenses
- Horizon Point rent
- Depreciation of Service Company assets (recorded in SC All or SC Utility)
- Directors' and officers' insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

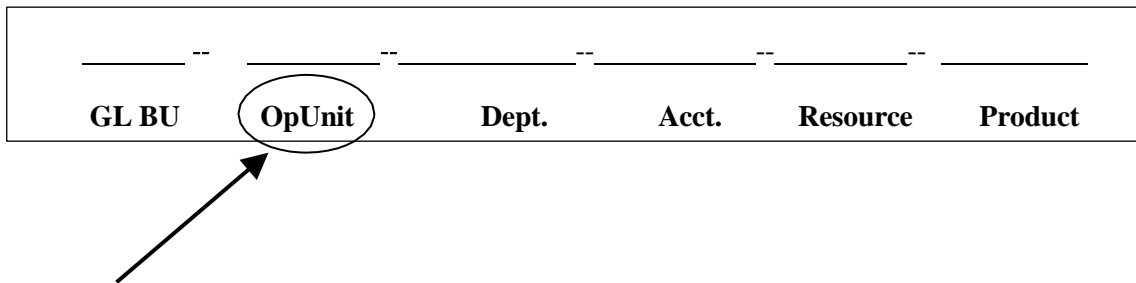
## Transaction Coding

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



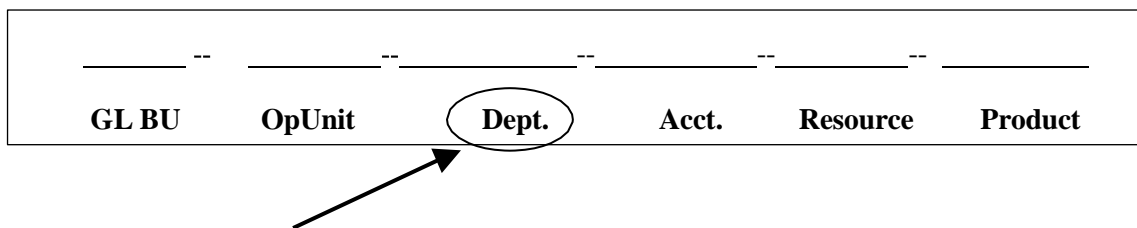
### General Ledger Business Unit (GLBU):

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



### Operating Unit (OpUnit):

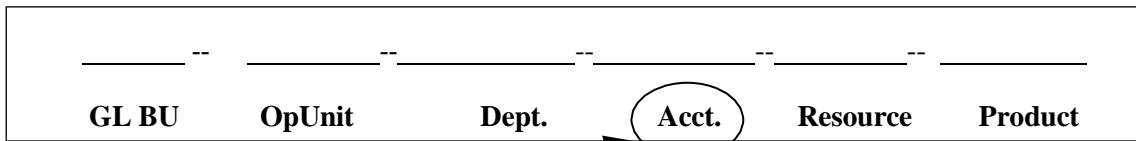
- Six (6) character numeric field.
- The OpUnit field is used to identify the code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- The Op Unit field will be populated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



### Department (Dept):

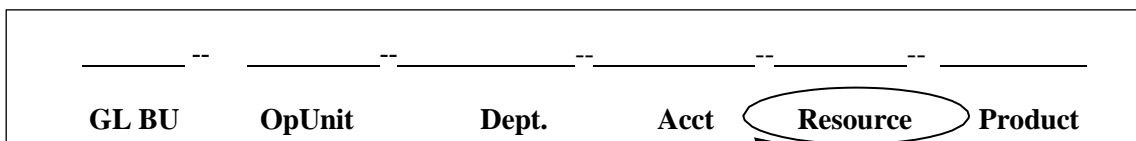
- Four (4) character numeric field.
- The Department field is used to identify where the cost(s) originated.
- The Department field is required on all income statement and capital transactions.
- Every Department is assigned to a GLBU.





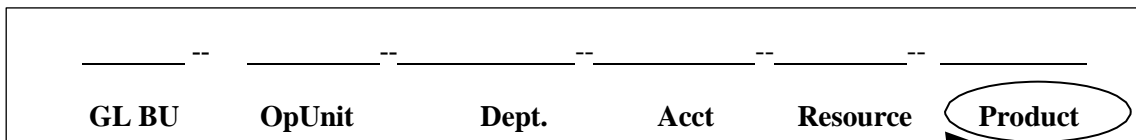
**Account (Acct)**

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



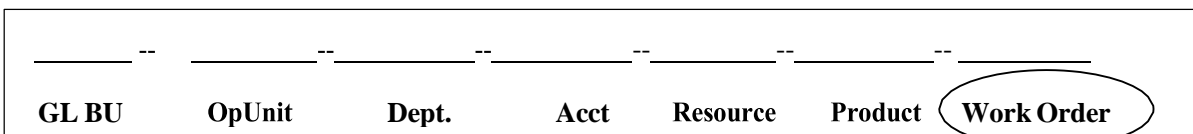
**Resource:**

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



**Product:**

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



**Work Order:**

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

## **Timekeeping**

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

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

## **Loadings**

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

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

General labor loadings:

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

Supplemental loadings:

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

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

## **Allocation Ratios**

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

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

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

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

### **Changing Allocation Ratios**

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

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

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

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

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

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

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

### **Allocating Fixed Assets**

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

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

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

### **Allocating Capitalized Inventory**

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

### **Allocating FERC Functional Accounts**

FERC Functional accounts are used by Service Company to code charges in support of the business units. When direct charging to a business unit is not appropriate, using a direct distributed or indirect method is applicable. The FERC functional accounts will be allocated based on one of the allocation ratios identified in Appendix 1 and the receiving regulated entities will align with the Functional Account matrix found in Appendix 3.

#### **Appendix 1 – Allocation Ratios**

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

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

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

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

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

SC All-Blended (No BHES)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Appendix 2- Service Company Departments

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

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4726	SC-IN-HOUSE CORPORATE SOLUTIONS (Communications)	SC All-Blended	Develops strategies and implements programs for effective communication with internal and external stakeholders. Develops and manages measured, and coordinated advertising. Designs and develops communication strategies and materials for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4728	SC-POWER DELIVERY MGMT	Power Generation Capacity	Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets.		Yes					Yes
4729	SC-PROPERTY ACCOUNTING	Asset Cost	Maintains the accounting records for property, plant and equipment for the majority of subsidiaries of the corporation. Assists in compliance with regulatory accounting requirements as it relates to property. Prepares various operating and financial reports for management. .		Yes	Yes	Yes	Yes	Yes	Yes
4730	SC-RECORDS MGMT	SC All-Blended	Administers and maintains the records retention policies and procedures of the corporation. Manages and maintains the content management software.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN MGMT	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials.		Yes	Yes	Yes		Yes	Yes
4732	SC-SUPPLY CHAIN	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders.		Yes	Yes	Yes		Yes	Yes
4734	SC-FLEET SERV	SC All-Blended	Manages fleet expense cards, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations.		Yes	Yes	Yes	Yes	Yes	Yes
4736	SC-REAL ESTATE & FACILITIES	SC All-Blended	Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances corporate objectives by initiating, influencing, monitoring, and researching government legislation and policies. Acts as a liaison with legislators and other governmental officials. Maintains relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT ADMINISTRATION	SC All-Blended	Provides guidance, governance, and strategic planning to the overall information technology operations.		Yes	Yes	Yes	Yes	Yes	Yes
4743	SC-IT BUS APPS FIN & HR SYSTEMS	SC All-Blended	Manages, maintains, and enhances the finance, human resource, web-based service and enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4744	SC-IT BUS APPS CUSTOMER SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise wide business applications.		Yes	Yes				
4745	SC-IT BUS APPS-WEB	SC All-Blended	Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes	Yes	Yes	Yes	Yes
4746	SC-IT BUS APPS-Utility Systems	SC All-Blended	Manages, maintains, and enhances the electric and natural gas utility enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4747	SC-IT INFRASTRUCTURE & Ops	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture and corporate databases. Supports the data and voice communication needs for the company and provides telecommunication expense management services as well as technology support services and field service support for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4749	SC-IT BUS APPS-ADDS-INTEG	SC All-Blended	Manages, maintains, and enhances the analytics and integration enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-IT SECURITY-COMPLIANCE-RISK	SC All-Blended	Responsible for internal and external audit compliance, disaster recovery, change management and legal compliance related to technology		Yes	Yes	Yes	Yes	Yes	Yes
4754	SC-GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHCOE and BHCIPP for the Pueblo Airport Generation Station		Yes					Yes
4755	SC-IT BUS APPS-PMO-ECM-GOV	SC All-Blended	Manages, maintains, and enhances the governance, project management, IT asset/service management, and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4756	SC-NORTHERN GAS GENERATION	Nameplate Generation Capacity	Operates and manages the generation for. BHSDE and BHWYE for the Cheyenne Prairie Generation Station		Yes					Yes



## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4796	SC-BENEFIT LOADINGS	SC All-Blended	Records overhead benefit costs loaded to labor costs dependent on assigned allocation ratio		Yes	Yes	Yes	Yes	Yes	Yes
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/ Distribution	Allocates property assets (transmission)	Yes	Yes					
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes				
4793	SC – ASSET BLENDED	Blended Regulated Natural Gas (No BHEA)	Allocates property assets (service company)		Yes	Yes	Yes	Yes	Yes	Yes
4794	SC-BENEFIT POOLED	Employee Ratio	Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4795	SC-ACCOUNTING ACCRUAL ENTRIES	SC All-Blended	Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department		Yes	Yes	Yes	Yes	Yes	Yes
4803	SC- PIPELINE AND SYSTEM INTEGRITY	Regulated Natural Gas Blended	Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety.	Yes		Yes	Yes			
4804	SC-COMPLIANCE GAS	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4805	SC-ASSET PLANNING & DATA MANA	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY AND COMPLIANCE GAS	Regulated Natural Gas Blended	Responsible for implementing and reporting DOT regulatory requirements, maintaining standards, and supporting GIS Smallworld mapping.	Yes		Yes	Yes			
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/ Distribution	Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages.	Yes	Yes					
4811	SC-OPERATIONAL SERVICES	Regulated Electric Transmission/ Distribution	Develops, coordinates and oversees the technical support piece of the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System.	Yes	Yes					
4812	SC-TRANSMISSION ENGINEERING SERVICES (TES)	Regulated Electric Transmission/ Distribution	For all three electric utilities, transmission Services directs the 24/7 Reliability Centers in Rapid City and Pueblo, Transmission Planning, NERC Compliance, FERC Compliance, Vegetation Management, and Transmission Tariff Administration.	Yes	Yes					
4813	SC-TRANSMISSION & DISTRIBUTION ENGINEERING	Regulated Electric Transmission/ Distribution	For all three electric utilities, T&D Engineering provides engineering support of electric transmission and distribution facilities including planning, monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/ Distribution	For all three electric utilities, designs, coordinates, and oversees the electric substation infrastructure for all Black Hills Energy electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same. Will include work with Transmission and Distribution assets.	Yes	Yes					
4815	SC-ENGINEERING RESOURCES	Regulated Electric Transmission/ Distribution	For all three electric utilities, working with other departments coordinates talent development of engineers responsible for all Black Hills Energy electric utilities. Includes identifying project assignments in other groups, training opportunities, and rotational positions.	Yes	Yes					
4816	SC-GENERATION DISPATCH POWER MARKETING	GDPM	Manages the three electric utilities and others generation units dispatch and energy management services to generating resources on a system wide, least-cost basis.		Yes					Yes
4818	SC-MAINTENANCE	Regulated Electric Transmission/ Distribution	For all three electric utilities, Maintenance Services supports the maintenance of the substation and lines within the Electric Utilities.	Yes	Yes					

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Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/Distribution	For all three electric utilities, Vegetation Management supports the vegetation management programs across all Electric Utilities.	Yes	Yes					
4820	SC- ELECTRIC ASSET MANAGEMENT	Regulated Electric Blended	Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T and D asset management, metering, substation maintenance, GIS/drafting and outage management systems.	Yes	Yes					
4821	SC-PWR SUPPLY AND RENEWABLES	Regulated Electric Blended	Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies.	Yes	Yes					
4822	SC-REGULATORY AND FINANCE	SC All-Blended	Provides regulatory financial support for all electric and gas utility regulatory filings including: rates cases, class cost of service, rate design, reporting, adjustment clauses, riders, trackers and other regulatory issues. Additionally, provides financial management to the Company's regulated and non-regulated businesses. Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide- budget and forecast. Guides the preparation of strategic plans.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4823	SC-RELAY & CONTROLS	Regulated Electric Transmission/Distribution	For all three electric utilities, supports the maintenance of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS MEASUREMENT SERV	Regulated Natural Gas Customers	Manages and provides gas measurement support to field operations located in gas service states.	Yes		Yes				
4825	SC-ASSET PROGRAMS	All Customers	Researches, builds and implements utility software solutions for the benefit of electric and gas operations. This department supports Smallworld GIS, Click, STORMS work management, PowerOn outage management, Korterra line locates, and GTViewer mobile maps.	Yes	Yes	Yes				
4826	SC-ELECTRIC METER SERVICES	Regulated Electric Customers	Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric entities.	Yes	Yes					
4827	SC-TRANSMISSION & DISTRIBUTION PLANNING	Regulated Electric Transmission/Distribution	Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups.	Yes	Yes					
4828	SC-NERC COMPLIANCE	Regulated Electric Transmission/Distribution	Develops, coordinates and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System.	Yes	Yes					
4829	SC-FERC TARRIFF AND COMPLIANCE	Regulated Electric Transmission/Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system).	Yes	Yes					
4831	SC-CUSTOMER SERV CALL CENTERS	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers	Yes	Yes	Yes				
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	Provides support to customer services areas through customer information system project management and process control for customer information system changes, revenue assurance analysis, quality analysis, training, and customer and community communication.	Yes	Yes	Yes				
4840	SC-COMMUNITY AFFAIRS	All Customers	Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for community growth	Yes	Yes	Yes				
4845	SC-SERVICE GUARD MARKETING	Products and Services Customers (Non-Regulated)	Provides and manages product development for consumer marketing with the primary focus on Service Guard (appliance options) a non-regulated business for utility/regulated customers.	Yes		Yes				

## Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4871	SC GAS ASSET OPTIMIZATION	Regulated Natural Gas Customers (No NEGD)	Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services.	Yes		Yes				
4872	SC-EXEC MGMT-UTILITIES	Regulated Utilities-Blended	Provides guidance, direction and management to overall utility operations and support services.	Yes	Yes	Yes	Yes	Yes		
4873	SC-ENERGY EFFICIENCY/DSM	All Customers	Supports the energy efficiency programs across the utilities.	Yes	Yes	Yes				
4874	SC-TECHNICAL TRAINING SAFETY	All Customers	Provides technical training support for gas and electric utilities.	Yes	Yes	Yes				
4875	SC-HR ROTATION PROGRAM	Regulated Utilities-Blended	Provides a rotation program to develop staff for critical need areas within the utility operating companies of Black Hills Corporation	Yes	Yes	Yes	Yes			
4876	SC- UTILITY PROCESS & SYSTEM TRAINING	Regulated Utilities-Blended	Provide training and support for utility employees on current and future business process standardization efforts.	Yes	Yes	Yes	Yes			
4877	SC-FIELD SUPPORT SERVICES	Regulated Utilities-Blended	Responsible for managing the design, development, configuration, access, integration, testing and security of the ClickSoftware suite in order to provide a high quality, value-added solution to business managers and end users.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	SC All- Blended	Manages the company's right of way activities.	Yes	Yes	Yes	Yes			
4880	SC-GROWTH STRATEGY & INNOVATION	Regulated Utilities-Blended	Provides the enterprise with analytics, continuous improvement management and business and planning services through collaboration, education and partnership. Research enterprise strategies through data and analytics projects that assist the enterprise in growth solutions.	Yes	Yes	Yes				
All Other	All Other	SC All-Blended	Departments at Black Hills Corporation and subsidiaries that are not specifically listed in the Cost Allocation Manual or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.		Yes	Yes	Yes	Yes	Yes	Yes
Centralized Utility Departments are primarily for the service of the Utility business units										

### Appendix 3- FERC Functional Accounts – for regulated entities

Account Range	Type of Accounts	50501	50502	50507	50504	50505	50506	50508	50509	50510	50511	50512	50513	50514	50515	50516	50520	50521	50522
		BHP	CLFP-E	COE	KSG	IAG	NEG	COG	NWWY	Shoshone	BHEA	GDCO	GDNE	GDWY	RMNG	BHES	GCO	GWY	GNE
440 - 449	Electric Sales Revenues	X	X	X															
450- 455	Misc Electric Revenues	X	X	X															
456 - 457	Electric Transmission Revenues	X	X	X															
480 - 486	Gas Sales Revenues				X	X	X	X	X		X	X		X		X	X	X	X
487 - 488	Misc Gas Revenues				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
489	Gas Transmission Revenues				X	X	X	X	X	X	X	X	X	X	X		X	X	X
490 - 496	Other Gas Revenues				X	X	X	X	X	X	X	X	X	X	X		X	X	X
500 - 515	Steam Power Generation	X	X																
517 - 532	Nuclear Power Generation																		
535 - 545	Hydraulic Power Generation																		
546 - 554	Other Power Generation	X	X	X															
555 - 557	Power Supply Expenses	X	X	X															
560 - 574	Electric Transmission Expenses	X	X	X															
575 - 576	Electric Regional Market Expenses	X	X	X															
580 - 598	Electric Distribution Expenses	X	X	X															
700 - 708	Manufactured Gas Steam Production																		
710 - 742	Manufactured Gas Production																		
750 - 769	Gas Production & Gathering										X				X				
770 - 791	Products Extraction														X				
795 - 798	Gas Exploration & Development																		
800 - 813	Gas Supply Expenses				X	X	X	X	X		X	X		X	X	X	X	X	X
814 - 837	Gas Storage Expenses										X			X	X				
840 - 843	Other Storage Expenses																		
844 - 847	LNG Terminaling Expenses																		
850 -869	Gas Transmission Expenses				X	X	X	X	X	X	X	X		X	X		X	X	X
870 - 894	Gas Distribution Expenses				X	X	X	X	X		X	X	X	X			X	X	X
901 - 905	Customer Accounts Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
907 - 910	Customer Service and Information Expenses	X	X	X	X	X	X	X	X		X	X	X	X		X	X	X	X
911 - 916	Sales Expenses	X	X	X	X	X	X	X	X		X	X	X	X		X	X	X	X
920 – 931	Administrative and General Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
932	Maintenance of general plant (gas)				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
935	Maintenance of general plant (electric)	X	X	X															

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# Black Hills Service Company

## Cost Allocation Manual

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Effective Date: July 14, 2008

Amended: January 1, 2010

Amended: August 1, 2010

Amended: December 1, 2013

Amended: December 1, 2014

Amended: December 1, 2015

Amended: December 1, 2016

Amended: December 1, 2017

Amended: November 7, 2018

Amended: December 20, 2018

Amended: December 20, 2019

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## Introduction

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

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

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

In 2018<sup>7</sup>, BHC made a strategic business decision to divest its oil and gas division and transition from a diversified energy company to a utility-centered energy company. The divestiture of the oil and gas division followed BHC's earlier decision in 2014 to divest of its energy trading division, all steps in furtherance of its transition to a utility company. As a result of this strategic shift, BHC no longer needed two service companies, the Service Company and Black Hills Utility Holding (BHUH). On January 1, 2019, BHUH ~~will transfer~~red its ~~departments including~~ employees and assets to the Service Company. The process improvement results in one Service Company instead of two, eliminating unnecessary complexity and improved visibility for our regulators.

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

## Service Company Organization

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

### Direct Costs versus Indirect Costs

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

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

Methods of Direct Charges include:

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

Here are some examples:

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

Methods of Direct Cost Distributed:

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

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

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



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

Methods of Indirect Charges:

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

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

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

Always considered direct costs:

- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions Corporate development related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

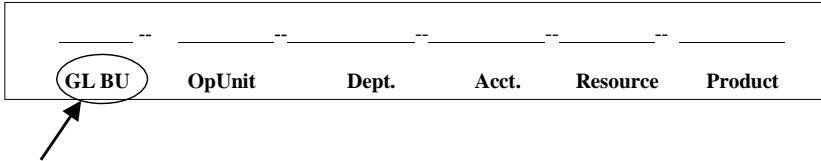
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Always considered indirect costs:

- Board of Directors’ fees and expenses
- Horizon Point rent
- Depreciation of Service Company assets (recorded in SC All or SC Utility)
- Directors’ and officers’ insurance
- Investor relations expenses
- Shareholder expenses
- Intercompany interest expense and income

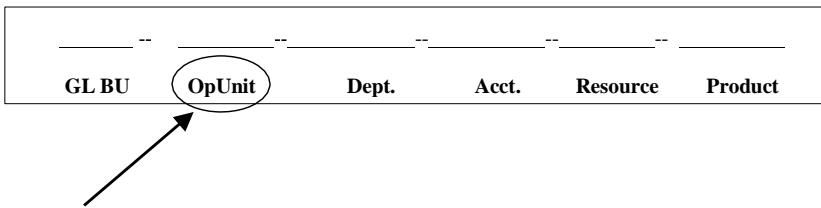
## Transaction Coding

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



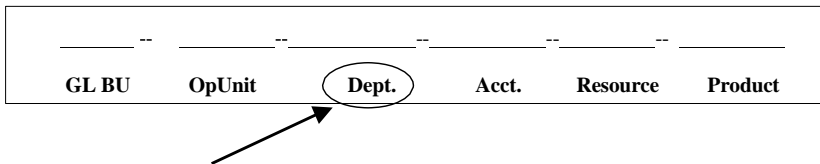
### General Ledger Business Unit (GLBU):

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



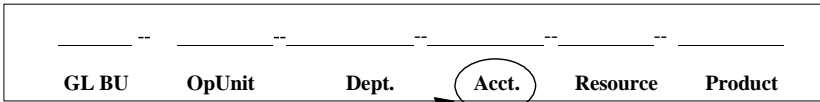
### Operating Unit (OpUnit):

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



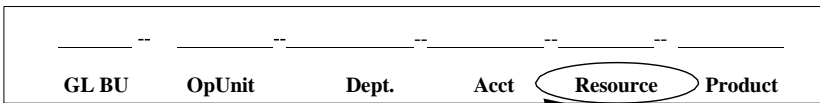
### Department (Dept):

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



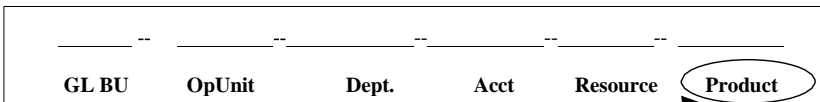
**Account (Acct)**

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



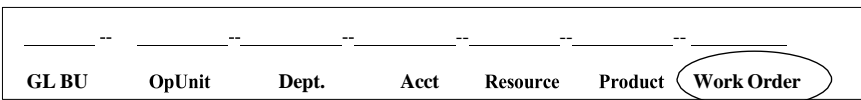
**Resource:**

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



**Product:**

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



**Work Order:**

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

### **Timekeeping**

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

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

### **Loadings**

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

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

General labor loadings:

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

Supplemental loadings:

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

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

### **Allocation Ratios**

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

For certain departments, a specific cost driver may not be clearly identifiable or the driver may not be cost effective to compute on a continuing basis. In these instances, a three-factor general allocation ratio is used,

which is referred to as the Blended Ratio. This ratio equally weights three different general ratios: Gross Margin, Asset Cost, and Payroll Dollars. These factors were chosen to be included in the Blended Ratio because they best allocate costs based on the diverse nature of BHC operations.

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

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

### **Changing Allocation Ratios**

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

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

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

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

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

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

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

### **Allocating Fixed Assets**

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

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

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

### **Allocating Capitalized Inventory**

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

### **Allocating FERC Functional Accounts**

FERC Functional accounts are used by Service Company to code charges in support of the business units. When direct charging to a business unit is not appropriate, using a direct distributed or indirect method is applicable. The FERC functional accounts will be allocated based on one of the allocation ratios identified in Appendix 1 and the receiving regulated entities will align with the Functional Account matrix found in Appendix 3.

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## Appendix 1 – Allocation Ratios

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

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

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

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

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

SC All-Blended (No BHES)

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Appendix 2- Service Company Departments**

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

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**Appendix 2- Service Company Departments**

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4726	SC-IN-HOUSE CORPORATE SOLUTIONS (Communications)	SC All-Blended	Develops strategies and implements programs for effective communication with internal and external stakeholders. Develops and manages measured, and coordinated advertising. Designs and develops communication strategies and materials for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4728	SC-POWER DELIVERY MGMT	Power Generation Capacity	Performs resource planning, power delivery management, strategic planning, and construction management for the corporation's power generation assets.		Yes					Yes
4729	SC-PROPERTY ACCOUNTING	Asset Cost	Maintains the accounting records for property, plant and equipment for the majority of subsidiaries of the corporation. Assists in compliance with regulatory accounting requirements as it relates to property. Prepares various operating and financial reports for management.		Yes	Yes	Yes	Yes	Yes	Yes
4730	SC-RECORDS MGMT	SC All-Blended	Administers and maintains the records retention policies and procedures of the corporation. Manages and maintains the content management software.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN MGMT	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials.		Yes	Yes	Yes		Yes	Yes
4732	SC-SUPPLY CHAIN	SC All-Blended (No BHES)	Manages contracts, including drafting, negotiating, reviewing and interpreting contracts. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders. Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. Executes the procurement process including, purchasing activities, managing vendor relationships, and issue resolution and tracking and expediting orders.		Yes	Yes	Yes		Yes	Yes
4734	SC-FLEET SERV	SC All-Blended	Manages fleet expense cards, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations.		Yes	Yes	Yes	Yes	Yes	Yes
4736	SC-REAL ESTATE & FACILITIES	SC All-Blended	Provides facility, construction, and real estate management services for corporate-wide facilities. Supports disaster recovery and business continuation planning.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances corporate objectives by initiating, influencing, monitoring, and researching government legislation and policies. Acts as a liaison with legislators and other governmental officials. Maintains relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT ADMINISTRATION	SC All-Blended	Provides guidance, governance, and strategic planning to the overall information technology operations.		Yes	Yes	Yes	Yes	Yes	Yes
4743	SC-IT BUSINESS APPLICATIONS FIN & HR SYSTEMS	SC All-Blended	Manages, maintains, and enhances the finance, human resource, web-based service and enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4744	SC-IT BUS APPLICATIONS REG-CUSTOMER SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise wide business applications.		Yes	Yes				
4745	SC-IT BUS APPS-WEB & ECM	SC All-Blended	Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes	Yes	Yes	Yes	Yes
4746	SC-IT BUS APPS-Utility Systems WHLSLE&ENTPRISE.Dpt	SC All-BlendedRegu	Manages, maintains, and enhances the electric and natural gas utility enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4747	SC-IT INFRASTRUCTURE & Ops	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, enterprise architecture and corporate databases. Supports the data and voice communication needs for the company and provides telecommunication expense management services as well as technology support services and field service support for the company.		Yes	Yes	Yes	Yes	Yes	Yes
4749	SC-IT BUS APPS-ADDS-INTEG USER-SERVICES.Dpt	SC All-Blended	Manages, maintains, and enhances the analytics and integration enterprise wide business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-IT SECURITY-COMPLIANCE-RISK/SECURITY	SC All-Blended	Responsible for internal and external audit compliance, disaster recovery, change management and legal compliance related to technology		Yes	Yes	Yes	Yes	Yes	Yes
4754	SC-GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the generation for BHCOE and BHCIPP <a href="#">for the Pueblo Airport Generation Station</a>		Yes					Yes
4755	SC-IT BUS APPS-PMO-ECM-GOVPMO-HELPDESK	SC All-Blended	Manages, maintains, and enhances the governance, project management, IT asset/service management, and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4756	SC-CPGS-NORTHERN GAS GENERATION PLANT OPERATIONS	Nameplate Generation Capacity	Operates and manages the new-generation for <a href="#">BHSDE and BHWYE for the Cheyenne Prairie Generation Station</a> .		Yes					Yes

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**Appendix 2- Service Company Departments**

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
<del>4770-4784, 4796</del>	<del>SC-BENEFIT LOADINGS</del>	<del>SC All</del>	<del>Records overhead benefit costs loaded to labor costs dependent on assigned allocation ratio</del>		Yes	Yes	Yes	Yes	Yes	Yes
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/Distribution	Allocates property assets (transmission)	Yes	Yes					
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes				
4793	SC – ASSET BLENDED	Blended Regulated Natural Gas (No BHEA)	Allocates property assets (service company)		Yes	Yes	Yes	Yes	Yes	Yes
4794	SC-BENEFIT POOLED	Employee Ratio	Records pooled benefit costs, primarily related to health and welfare for Black Hills Corporation and its subsidiaries.		Yes	Yes	Yes	Yes	Yes	Yes
4795	SC-ACCOUNTING ACCRUAL ENTRIES	SC All-Blended	Records accrual of certain charges not related to specific departments or not significant enough to allocate to each department		Yes	Yes	Yes	Yes	Yes	Yes
4803	SC- PIPELINE AND SYSTEM INTEGRITY	Regulated Natural Gas Blended	Provides management support to gas engineering and metering activities with emphasis on reliability, customer service, compliance and safety.	Yes		Yes	Yes			
4804	SC-COMPLIANCE GAS	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4805	SC-ASSET PLANNING & DATA MANA	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, monitoring, and analyses.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY AND COMPLIANCE GAS	Regulated Natural Gas Blended	Responsible for implementing and reporting DOT regulatory requirements, maintaining standards, and supporting GIS Smallworld mapping.	Yes		Yes	Yes			
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/Distribution	Operates the Company's transmission and distribution systems on a 24/7 basis; and plans and directs switching and outage restoration efforts for both emergency and planned outages.	Yes	Yes					
4811	SC-OPERATIONAL SERVICES	Regulated Electric Transmission/Distribution	Develops, coordinates and oversees the technical support piece of the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric System.	Yes	Yes					
4812	SC-TRANSMISSION ENGINEERING SERVICES (TES) MGMT	Regulated Electric Transmission/Distribution	For all three electric utilities, transmission Services directs the 24/7 Reliability Centers in Rapid City and Pueblo, Transmission Planning, NERC Compliance, FERC Compliance, Vegetation Management, and Transmission Tariff Administration.	Yes	Yes					
4813	SC-TRANSMISSION & DISTRIBUTION ENGINEERING	Regulated Electric Transmission/Distribution	For all three electric utilities, T&D Engineering provides engineering support of electric transmission and distribution facilities including planning, monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/Distribution	For all three electric utilities, designs, coordinates, and oversees the electric substation infrastructure for all Black Hills Energy electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same. Will include work with Transmission and Distribution assets.	Yes	Yes					
4815	SC-ENGINEERING RESOURCES	Regulated Electric Transmission/Distribution	For all three electric utilities, Workingworking with other departments coordinates talent development of engineers responsible for all Black Hills Energy electric utilities. Includes identifying project assignments in other groups, training opportunities, and rotational positions.	Yes	Yes					
4816	SC-GENERATION DISPATCH POWER MARKETING	GDPM	Manages the three electric utilities and others generation units dispatch and energy management services to generating resources on a system wide, least-cost basis.		Yes					Yes
<del>4817</del>	<del>SC-ELEC OPS COMMUNICATIONS</del>	<del>Regulated Electric Blended</del>	<del>Manages and supports the Electric Utilities radio, fiber and microwave based communication needs for the electric operating companies. Provides telecommunication expense management for the electric operating companies.</del>	<del>Yes</del>	<del>Yes</del>					
4818	SC-MAINTENANCE	Regulated Electric Transmission/Distribution	For all three electric utilities, Maintenance Services supports the maintenance of the substation and lines within the Electric Utilities.	Yes	Yes					

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**Appendix 2- Service Company Departments**

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/ Distribution	For all three electric utilities, Vegetation Management supports the vegetation management programs across all Electric Utilities.	Yes	Yes					
4820	SC- ELECTRIC ASSET MANAGEMENT	Regulated Electric Blended	Engineering Services supports transmission and distribution activities within the Electric Utilities group including engineering, distribution planning, T and D asset management, metering, substation maintenance, GIS/drafting and outage management systems.	Yes	Yes					
4821	SC-PWR SUPPLY AND RENEWABLES	Regulated Electric Blended	Provides for the planning, development, and management of power supply and renewable strategies for electric operating companies.	Yes	Yes					
4822	SC-REGULATORY AND <del>FINANCIAL-MANAGEMENT</del> FINANCE	SC All-Blended	Provides regulatory financial support for all electric and gas utility regulatory filings including: rates cases, class cost of service, rate design, reporting, adjustment clauses, riders, trackers and other regulatory issues. Additionally, provides financial management to the Company's regulated and non-regulated businesses. Oversees the accumulation of subsidiary financial budgets and forecasts. Provides the consolidation of the corporate wide- budget and forecast. Guides the preparation of strategic plans.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4823	SC-RELAY & CONTROLS <del>ABILITY AND-CONTROL</del>	Regulated Electric Transmission/ Distribution	For all three electric utilities, supports the maintenance of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS MEASUREMENT <del>TERING SERV</del>	Regulated Natural Gas Customers	Manages and provides gas measurement support to field operations located in gas service states.	Yes		Yes	Yes			
4825	SC-ASSET PROGRAMS	All Customers	Researches, builds and implements utility software solutions for the benefit of electric and gas operations. This department supports Smallworld GIS, Click, STORMS work management, PowerOn outage management, Korterra line locates, and GTViewer mobile maps.	Yes	Yes	Yes				
4826	SC-ELECTRIC METER SERVICES	Regulated Electric Customers	Manages and provides electric measurement support to field operations located in electric service states. Also manages AMI system for all electric entities.	Yes	Yes					
4827	SC-TRANSMISSION & <del>DISTRIBUTION</del> PLANNING	Regulated Electric Transmission/ Distribution	Performs near and long-term (1-20 year) transmission planning to determine cost-effective transmission additions needed to reliably serve projected customer load. Performs studies in support of large customer requests and the FERC Tariff; and supports operational studies for planned outages. Provides support in meeting compliance with NERC Standards; and represents the corporation in regional and sub-regional planning groups.	Yes	Yes					
4828	SC-NERC COMPLIANCE	Regulated Electric Transmission/ Distribution	Develops, coordinates and oversees the Electric Utilities Group's compliance with mandatory North American Electric Reliability Corporation (NERC) Reliability Standards, which standards are enforceable through financial sanctions and are intended to ensure a reliable Bulk Electric <del>System-System</del> .	Yes	Yes					
4829	SC-FERC TARRIFF AND COMPLIANCE	Regulated Electric Transmission/ Distribution	Develops, coordinates, and oversees the Electric Utilities Group's compliance with the Federal Energy Regulatory Commission (FERC) requirements pertaining to electric transmission; and administers the Company's Open Access Transmission Tariff (OATT) and Open Access Same-time Information System (OASIS).Administration of the Tariff, which outlines the "rules of the road" for transmission providers, the rates we charge, and the procedures and timelines in addressing customer requests (new load, new generators, or other requests to wheel power across the system).	Yes	Yes					
4831	SC-CUSTOMER SERV CALL CENTERS	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers	Yes	Yes	Yes		Yes		
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	Provides support to customer services areas through customer information system project management and process control for customer information system changes, revenue assurance analysis, quality analysis, training, and customer and community communication.	Yes	Yes	Yes		Yes		
4835	SC-FIELD RESOURCE CENTER	All Customers	<del>Plans work, and schedules and dispatches premise service activities to both regulated and non-regulated customers.</del>	Yes	Yes	Yes				
4840	SC-COMMUNITY AFFAIRS	All Customers	Aligns business objectives with the integrated communications provided to our stakeholders. Including: media relations, coordination of community involvement programs, developing and managing a consistent communications program, and leading economic development for community growth	Yes	Yes	Yes				
4845	SC-SERVICE GUARD MARKETING	Products and Services Customers (Non-Regulated)	Provides and manages product development for consumer marketing with the primary focus on Service Guard (appliance options) a non-regulated business for utility/regulated customers.	Yes		Yes				

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Appendix 2- Service Company Departments

Department #	Name	Primary Allocation Ratio	Description / Functions	Centralized Utility Departments	Electric Utilities (EU)	Natural Gas Utilities (NGU)	RMNG	BHES	WRDC (Coal Mine)	BHWY and BHEG (Elec Gen-IPP)
4871	SC GAS ASSET OPTIMIZATION	Regulated Natural Gas Customers (No NEGD)	Provides for the development and execution of the gas supply portfolio plans for all gas distribution operating companies and regulated power plants fueled by natural gas. This plan includes purchasing strategies for the commodity and optimization and procurement of pipeline capacity and services.	Yes	Yes	Yes	Yes	Yes		
4872	SC-EXEC MGMT-UTILITIES	Regulated Utilities-Blended	Provides guidance, direction and management to overall utility operations and support services.	Yes	Yes	Yes	Yes	Yes		
4873	SC-ENERGY EFFICIENCY/DSM	All Customers	Supports the energy efficiency programs across the utilities, supported by BHUH	Yes	Yes	Yes				
4874	SC-TECHNICAL TRAINING SAFETY	All Customers	Provides technical training support for gas and electric utilities.	Yes	Yes	Yes	Yes			
4875	SC-HR ROTATION PROGRAM	Regulated Utilities-Blended	Provides a rotation program to develop staff for critical need areas within the utility operating companies of Black Hills Corporation	Yes	Yes	Yes	Yes			
4876	SC-UTILITY PROCESS & AND SYSTEM TRAINING	Regulated Utilities-Blended	Provide training and support for utility employees on current and future business process standardization efforts.	Yes	Yes	Yes	Yes			
4877	SC-FIELD SUPPORT SERVICES	Regulated Utilities-Blended	Responsible for managing the design, development, configuration, access, integration, testing and security of the ClickSoftware suite in order to provide a high quality, value-added solution to business managers and end users.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	<del>SC All Regulated Utilities- Blended</del>	Manages the company's right of way activities.	Yes	Yes	Yes	Yes			
4880	<del>SC-BUSINESS DEVELOPMENT GROWTH STRATEGY &amp; INNOVATION</del>	Regulated Utilities-Blended	<del>Provides the enterprise with analytics, continuous improvement management and business and planning services through collaboration, education and partnership. Research enterprise strategies through data and analytics projects that assist the enterprise in growth solutions. Provides business and planning services, including marketing. Searches for competitive business opportunities and energy solutions</del>	Yes	Yes	Yes				
All Other	All Other	SC All-Blended	Departments at Black Hills Corporation and subsidiaries that are not specifically listed in the Cost Allocation Manual or included in the master allocation design that charge BHSC will be allocated using the Blended Allocation Ratio.	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Centralized Utility Departments are primarily for the service of the Utility business units

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**Appendix 3- FERC Functional Accounts – for regulated entities**

Account Range	Type of Accounts	50501	50502	50507	50504	50505	50506	50508	50509	50510	50511	50512	50513	50514	50515	50516	50520	50521	50522
		BHP	CLFP-E	COE	KSG	IAG	NEG	COG	NWWY	Shoshone	BHEA	GDCO	GDNE	GDWY	RMNG	BHES	GCO	GWY	GNE
440 - 449	Electric Sales Revenues	X	X	X															
450- 455	Misc Electric Revenues	X	X	X															
456 - 457	Electric Transmission Revenues	X	X	X															
480 - 486	Gas Sales Revenues				X	X	X	X	X		X	X		X		X	X	X	X
487 - 488	Misc Gas Revenues				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
489	Gas Transmission Revenues				X	X	X	X	X	X	X	X	X	X	X		X	X	X
490 - 496	Other Gas Revenues				X	X	X	X	X	X	X	X	X	X	X		X	X	X
500 - 515	Steam Power Generation	X	X																
517 - 532	Nuclear Power Generation																		
535 - 545	Hydraulic Power Generation																		
546 - 554	Other Power Generation	X	X	X															
555 - 557	Power Supply Expenses	X	X	X															
560 - 574	Electric Transmission Expenses	X	X	X															
575 - 576	Electric Regional Market Expenses	X	X	X															
580 - 598	Electric Distribution Expenses	X	X	X															
700 - 708	Manufactured Gas Steam Production																		
710 - 742	Manufactured Gas Production																		
750 - 769	Gas Production & Gathering										X				X				
770 - 791	Products Extraction														X				
795 - 798	Gas Exploration & Development																		
800 - 813	Gas Supply Expenses				X	X	X	X	X		X	X		X	X	X	X	X	X
814 - 837	Gas Storage Expenses										X			X	X				
840 - 843	Other Storage Expenses																		
844 - 847	LNG Terminating Expenses																		
850 -869	Gas Transmission Expenses				X	X	X	X	X	X	X	X		X	X		X	X	X
870 - 894	Gas Distribution Expenses				X	X	X	X	X		X	X	X	X			X	X	X
901 - 905	Customer Accounts Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
907 - 910	Customer Service and Information Expenses	X	X	X	X	X	X	X	X		X	X	X	X		X	X	X	X
911 - 916	Sales Expenses	X	X	X	X	X	X	X	X		X	X	X	X		X	X	X	X
920 – 931	Administrative and General Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
932	Maintenance of general plant (gas)				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
935	Maintenance of general plant (electric)	X	X	X															

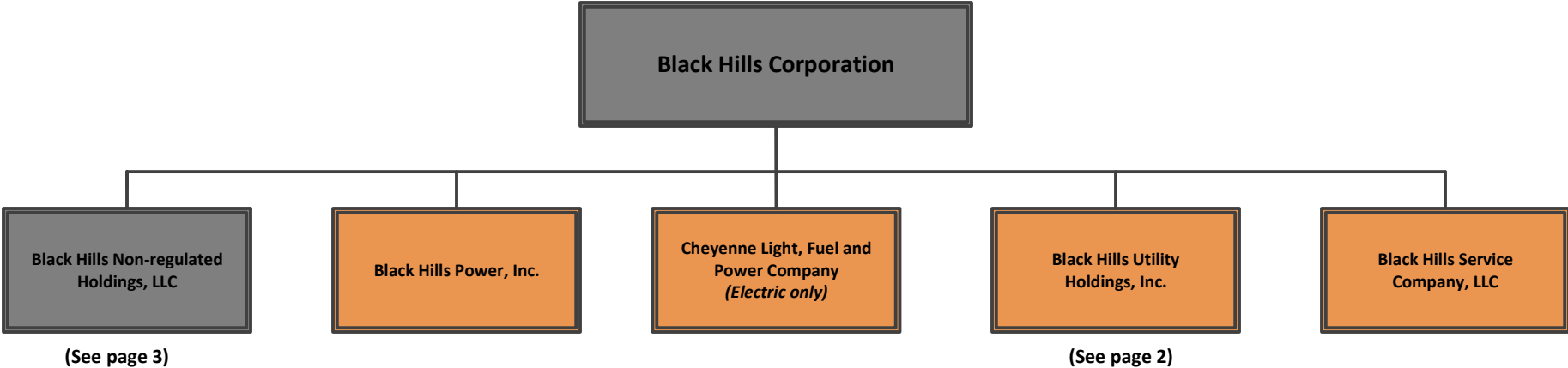
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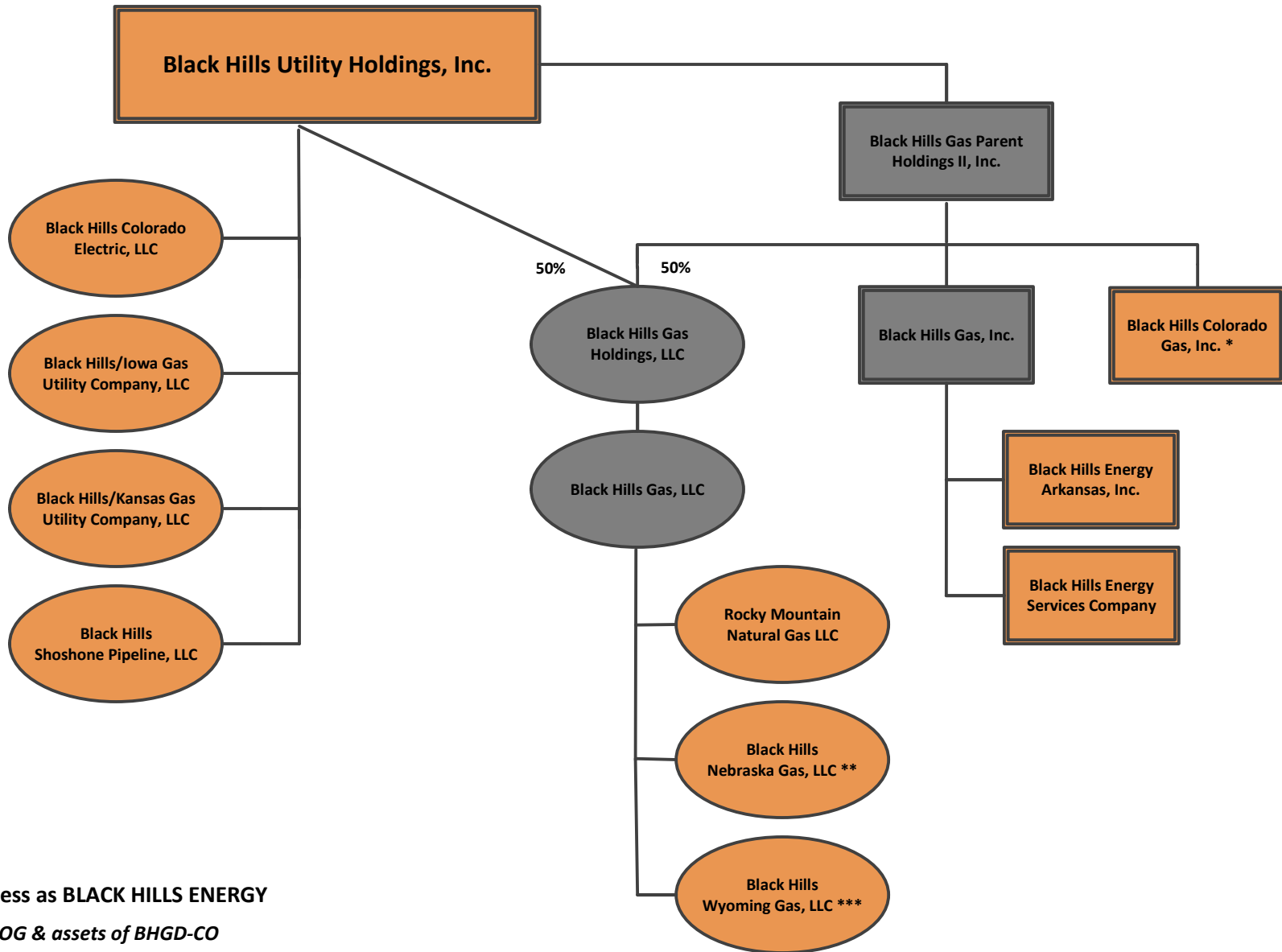
# BLACK HILLS CORPORATION LEGAL ORGANIZATIONAL CHART



 Doing business as BLACK HILLS ENERGY

# BLACK HILLS CORPORATION LEGAL ORGANIZATIONAL CHART

Date: 01-01-2020



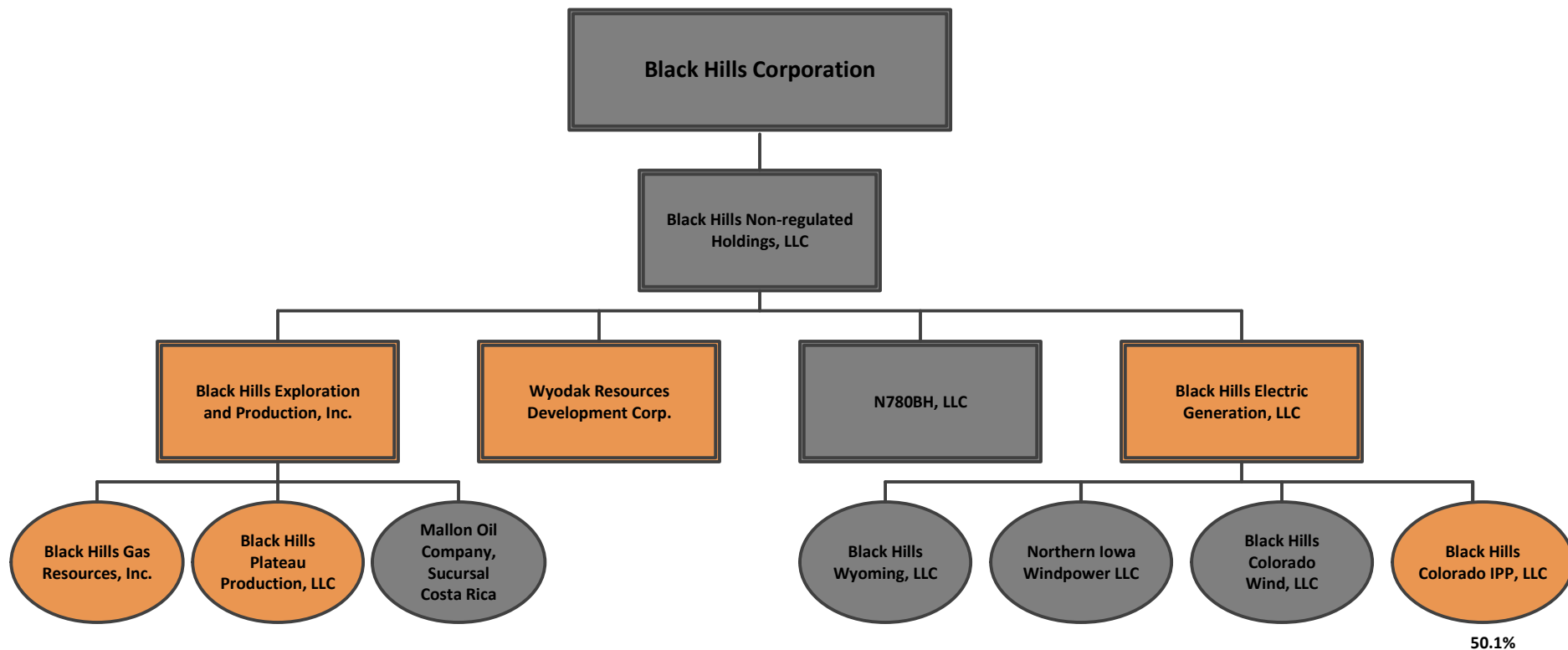
● Doing business as BLACK HILLS ENERGY

\* Includes BHCOG & assets of BHGD-CO

\*\* Includes BHNEG & assets of BHGD-NE

\*\*\* Includes BH Northwest Wyoming Gas, assets of CLFP gas & BHGD-WY

# BLACK HILLS CORPORATION LEGAL ORGANIZATIONAL CHART



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 Doing business as BLACK HILLS ENERGY

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

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

For the fiscal year ended December 31, 2019

Or

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                      IRS Identification Number                      46-0458824

7001 Mount Rushmore Road    Rapid City                      South Dakota    57702

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock of \$1.00 par value	BKH	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 every Interactive Data File required to be submitted 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 such files).

Yes                       No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes                       No

The aggregate market value of the voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2019, was \$4,727,278,183

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

Class	Outstanding at January 31, 2020
Common stock, \$1.00 par value	61,475,403 shares

**Documents Incorporated by Reference**

Portions of the registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2020 Annual Meeting of Stockholders to be held on April 28, 2020, 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 customer-focused, growth-oriented utility company headquartered in Rapid City, South Dakota. Our predecessor company, Black Hills Power and Light Company, was incorporated and began providing electric utility service in 1941. It was formed through the purchase and combination of several existing electric utilities and related assets, some of which had served customers in the Black Hills region since 1883. In 1956, with the purchase of the WRDC mine, we began producing and selling energy through non-regulated businesses.

We operate our business in the United States, reporting our operating results through our regulated Electric Utilities, regulated Gas Utilities, Power Generation and Mining segments. Certain unallocated corporate expenses that support our operating segments are presented as Corporate and Other.

Our Electric Utilities segment generates, transmits and distributes electricity to approximately 214,000 electric utility customers in Colorado, Montana, South Dakota and Wyoming. Our Electric Utilities own 939 MW of generation and 8,892 miles of electric transmission and distribution lines.

Our Gas Utilities segment serves approximately 1,066,000 natural gas utility customers in Arkansas, Colorado, Iowa, Kansas, Nebraska, and Wyoming. Our Gas Utilities own and operate approximately 4,775 miles of intrastate gas transmission pipelines and 41,210 miles of gas distribution mains and service lines, seven natural gas storage sites, nearly 49,000 horsepower of compression and over 500 miles of gathering lines.

Our Power Generation segment produces electric power from its wind, natural gas and coal-fired generating plants and sells the electric capacity and energy primarily to our utilities under long-term contracts. Our Mining segment produces coal at our mine near Gillette, Wyoming, and sells and delivers it primarily under long-term contracts to adjacent mine-mouth electric generation facilities owned by our Electric Utilities and Power Generation businesses.

#### Electric Utilities Segment

We conduct electric utility operations through our Colorado, South Dakota and Wyoming subsidiaries. Our electric generating facilities and power purchase agreements provide for the supply of electricity principally to our distribution systems. Additionally, we sell excess power to other utilities and marketing companies, including our affiliates. We also provide non-regulated services through our Tech Services product lines.

**Capacity and Demand.** System peak demand for the Electric Utilities’ retail customers for each of the last three years are listed below:

	System Peak Demand (in MW)					
	2019		2018		2017	
	Summer	Winter	Summer	Winter	Summer	Winter
Colorado Electric <sup>(a)</sup>	422	297	413	313	398	299
South Dakota Electric	335	320	355	314	370	310
Wyoming Electric <sup>(b)</sup>	265	247	254	238	249	230

(a) The Colorado Electric July 2019 summer peak load of 422 surpassed previous summer peak record load of 413 set in June 2018. The October 2018 winter peak load of 313 surpassed previous winter peak load of 310 set in February 2011.

(b) The Wyoming Electric July 2019 summer peak load of 265 surpassed previous summer peak record load of 254 set in July 2018. The December 2019 winter peak load of 247 surpassed the previous winter peak record load of 238 set in December 2018.

Our Electric Utilities and Power Generation entities are authorized by FERC to make wholesale sales of electric capacity and energy at market-based rates under tariffs on file with FERC. As a condition of their market-based rate authority, each files Electric Quarterly Reports with FERC. Our Electric Utilities own and operate FERC-jurisdictional interstate transmission facilities and provide open access transmission service under tariffs on file with FERC. Our Electric Utilities are subject to routine audit by FERC with respect to their compliance with FERC's regulations.

The Federal Power Act authorizes FERC to certify and oversee a national electric reliability organization with authority to promulgate and enforce mandatory reliability standards applicable to all users, owners and operators of the bulk-power system. FERC has certified NERC as the electric reliability organization. NERC has promulgated mandatory reliability standards and NERC, in conjunction with regional reliability organizations that operate under FERC's and NERC's authority and oversight, enforces those mandatory reliability standards.

*PUHCA 2005.* PUHCA 2005 gives FERC authority with respect to the books and records of a utility holding company. As a utility holding company with a centralized service company subsidiary, BHSC, we are subject to FERC's authority under PUHCA 2005.

### Power Generation Segment

Our Power Generation segment, which operates through Black Hills Electric Generation and its subsidiaries, acquires, develops, constructs and operates our non-regulated power plants. As of December 31, 2019, we held varying interests in independent power plants with a total net ownership of approximately 423 MW.

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 majority of our non-regulated generating capacity under contracts having terms greater than one year.

As of December 31, 2019, the power plant ownership interests held by our Power Generation segment include:

Power Plants	Fuel Type	Location	Ownership Interest	Owned Capacity (MW)	In Service Date
Wygen I <sup>(a)</sup>	Coal	Gillette, Wyoming	76.5%	68.9	2003
Pueblo Airport Generation	Gas	Pueblo, Colorado	50.1%	200.0	2012
Busch Ranch I <sup>(b)</sup>	Wind	Pueblo, Colorado	50.0%	14.5	2012
Busch Ranch II <sup>(c)(e)</sup>	Wind	Pueblo, Colorado	100.0%	60.0	2019
Top of Iowa <sup>(d)(e)</sup>	Wind	Joice, Iowa	100.0%	80.0	2019
				423.4	

(a) The Wygen I generation facility is a mine-mouth, coal-fired power plant with a total capacity of 90 MW located at our Gillette, Wyoming energy complex. We own 76.5% of the plant and MEAN owns the remaining 23.5%.

(b) On December 11, 2018, Black Hills Electric Generation purchased a 50% ownership interest in Busch Ranch I. This facility originally qualified under the Section 1603 program grant in lieu of ITCs.

(c) On November 26, 2019, Black Hills Electric Generation placed in service Busch Ranch II.

(d) On February 5, 2019, Black Hills Electric Generation purchased 80 MW of wind generating assets in Iowa. A third-party operates the facility and we sell the wind energy generated in the MISO market.

(e) This facility qualifies for PTCs at \$25/MWh under IRC 45 during the 10-year period beginning on the date the facility was originally placed in service.

**Power Sales Agreements.** Our Power Generation facilities have various long-term power sales agreements. See Note 19 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for further information.

**Third Party Noncontrolling Interest in Subsidiary.** In 2016, Black Hills Electric Generation sold a 49.9%, noncontrolling interest in Black Hills Colorado IPP for \$216 million to a third party buyer. See Note 12 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

The following table summarizes MWh for our Power Generation segment:

Quantities Sold, Generated and Purchased (MWh) <sup>(a)</sup>	For the year ended December 31,		
	2019	2018	2017
<b>Sold</b>			
Black Hills Colorado IPP	935,997	1,000,577	943,618
Black Hills Wyoming <sup>(b)</sup>	629,788	582,938	645,810
Black Hills Electric Generation <sup>(c)</sup>	167,296	5,873	—
<b>Total Sold</b>	<b>1,733,081</b>	<b>1,589,388</b>	<b>1,589,428</b>
<b>Generated</b>			
Black Hills Colorado IPP	935,997	1,000,577	943,618
Black Hills Wyoming <sup>(b)</sup>	557,119	501,945	577,124
Black Hills Electric Generation <sup>(c)</sup>	167,296	5,873	—
<b>Total Generated</b>	<b>1,660,412</b>	<b>1,508,395</b>	<b>1,520,742</b>
<b>Purchased</b>			
Black Hills Wyoming <sup>(b)</sup>	74,199	83,213	69,377
<b>Total Purchased</b>	<b>74,199</b>	<b>83,213</b>	<b>69,377</b>

(a) Company use and losses are not included in the quantities sold, generated and purchased.

(b) Under the 20-year economy energy PPA (discussed in Note 19 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K) with the City of Gillette, Black Hills Wyoming purchases energy on behalf of the City of Gillette and sells that energy to the City of Gillette. MWh sold may not equal MWh generated and purchased due to a dispatch agreement Black Hills Wyoming has with South Dakota Electric to cover energy imbalances.

(c) Black Hills Electric Generation amounts in this table are related to wind facilities held by our Power Generation segment. Change from 2018 to 2019 is driven by acquisition, and placing in service, of new wind assets.

**Operating Agreements.** Our Power Generation segment has the following material operating agreements:

- Black Hills Wyoming's economy energy PPA and other ancillary agreements are discussed in Note 19 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.
- Operating and Maintenance Services Agreement
  - In conjunction with the sale of a noncontrolling interest in 2016, an operating and maintenance services agreement was entered into between Black Hills Electric Generation and Black Hills Colorado IPP. This agreement sets forth the obligations and responsibilities of Black Hills Electric Generation as the operator of the generating facility owned by Black Hills Colorado IPP. This agreement became effective on the date of the noncontrolling interest purchase and remains effective as long as the operator or one of its affiliates is responsible for managing the generating facilities in accordance with the noncontrolling interest agreement, or until termination by owner or operator.



- Shared Services Agreements
  - South Dakota Electric, Wyoming Electric and Black Hills Wyoming are parties to a shared facilities agreement, whereby each entity is charged for the use of assets by the affiliate entity.
  - Black Hills Colorado IPP and Colorado Electric are parties to a facility fee agreement, whereby Colorado Electric charges Black Hills Colorado IPP for the use of Colorado Electric's assets.
  - Black Hills Colorado IPP, Wyoming Electric and South Dakota Electric are parties to a Spare Turbine Use Agreement, whereby Black Hills Colorado IPP charges South Dakota Electric and Wyoming Electric a monthly fee for the availability of a spare turbine to support the operation of Cheyenne Prairie.
  - Black Hills Colorado IPP and Black Hills Wyoming receive certain staffing and management services from BHSC.
- Jointly owned facilities agreements are discussed in Note 4 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

**Competition.** The independent power industry consists of many strong and capable competitors, some of which may have more extensive operations 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. Conversely, state regulatory rules requiring utilities to competitively bid generation resources may provide opportunity for independent power producers in some regions.

*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 five EWGs: Wygen I, Pueblo Airport Generation, Busch Ranch I, Busch Ranch II and Top of Iowa. 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.

### **Mining Segment**

Our Mining segment operates through our WRDC subsidiary. We surface mine, process and sell low-sulfur sub-bituminous coal at our mine near Gillette, Wyoming. The WRDC mine, which we acquired in 1956 from Homestake Mining Company, is located in the Powder River Basin in eastern Wyoming. We produced approximately 3.7 million tons of coal in 2019.

During our surface mining operations, we strip and store the topsoil. We then remove the overburden (earth and rock covering the coal) with heavy equipment. Removal of the overburden typically requires drilling and blasting. Once the coal is exposed, we drill, fracture and systematically remove it, using front-end loaders and 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 reestablish 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, has in recent years trended upwards. The overburden ratio at December 31, 2019 was 2.30 which increased from the prior year as we continued mining in areas with higher overburden. We expect our stripping ratio to be approximately 2.18 by the end of 2020 as we mine in areas with comparable overburden.

Mining rights to the reserves are based on three federal leases and one state lease. The federal leases expire between March 31, 2021 and September 30, 2025 and the state lease expires on August 1, 2023. The duration of the leases varies; 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% of the selling price of all coal. As of December 31, 2019, we estimated our recoverable reserves to be approximately 185 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 reserve life is equal to approximately 50 years at the current production levels. Our recoverable reserve estimates are periodically updated to reflect past 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 reserves include reserves that can be economically and legally extracted at the time of their determination.

Substantially all of the mine's production is currently sold under contracts to:

- South Dakota Electric for use at the 90 MW Neil Simpson II plant to which we sell approximately 500,000 tons each year. This contract is for the life of the plant;
- Wyoming Electric for use at the 95 MW Wygen II plant to which we sell approximately 550,000 tons each year. This contract is for the life of the plant;
- The 362 MW Wyodak Plant owned 80% by PacifiCorp and 20% by South Dakota Electric. PacifiCorp is obligated to purchase a minimum of 1.5 million tons each year of the contract term, subject to adjustments for planned outages. South Dakota Electric is also obligated to purchase a minimum of 375,000 tons per year for its 20% share of the power plant, subject to adjustments for planned outages. This contract expires December 31, 2022 and negotiations are underway to extend the contract;
- The 110 MW Wygen III power plant owned 52% by South Dakota Electric, 25% by MDU and 23% by the City of Gillette to which we sell approximately 600,000 tons each year. This contract expires June 1, 2060;
- The 90 MW Wygen I power plant owned 76.5% by Black Hills Wyoming and 23.5% by MEAN to which we sell approximately 500,000 tons 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 each year. These contracts have terms of one to five years.

Our Mining segment sells coal to South Dakota Electric and Wyoming Electric for all of their requirements under cost-based agreements that regulate earnings from these affiliate sales to a specified return on our mine's cost-depreciated investment base. The return calculated annually is 400 basis points above Moody's A-Rated Utility Bond Index applied to our Mining investment base. South Dakota Electric made a commitment to the SDPUC, the WPSC and the City of Gillette that coal for South Dakota Electric'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 Wyoming Electric provides coal for the life of the Wygen II plant.

The price of unprocessed coal sold to PacifiCorp for the Wyodak Plant is determined by the supply agreement described above. The agreement included a price adjustment in 2019. The price adjustment essentially allowed us to retain the full economic advantage of the mine's location adjacent to the plant. The price adjustment was based on market price plus considerations for the avoided costs of rail transportation and an unloading facility, which PacifiCorp would have to incur if it purchased from another mine. In addition, the agreement also provided for the monthly escalation of price based on an escalation factor.

In October 2019, negotiations were completed for the price re-opener in the contract with Wyodak Plant. The new price was reset at \$17.94 per ton effective July 1, 2019, compared to the prior contract price of \$18.25 per ton. The current contract price is comprised of three components: 1) avoided transportation costs (approximately 20% of current price); 2) avoided costs of an unloading facility (approximately 30% of current price); and 3) a rolling 12-month average of the Coal Daily spot market price of 8,400 Btu Powder River Basin coal (approximately 50% of current price).

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 Utility Bond Index plus 400 basis points with the base price being adjusted on a 5-year interval. The agreement stipulates that WRDC will supply coal to the 90 MW Wygen I plant through June 30, 2038.

**Competition.** Our strategy is to sell the majority of our production to on-site, mine-mouth generation facilities under long-term supply contracts. Historically, any off-site sales have been to consumers within close proximity to the WRDC mine. Rail transport market opportunities for WRDC are limited due to the lower heating value (Btu) of the coal, combined with the fact that the WRDC 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 Matters.** We are subject to federal, state and local laws and regulations providing for air, water and solid waste pollution control; state facility-siting regulations; zoning and planning regulations of certain state and local authorities; federal health and safety regulations; and state hazard communication standards. See Environmental Matters section for further information.

**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 plans that provide 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 mine is permitted to operate under a five-year mining permit issued by the State of Wyoming. In 2016, that five-year permit was re-issued. Based on extensive reclamation studies, we have accrued approximately \$14 million for reclamation costs as of December 31, 2019. See additional information in Note 8 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

## **Environmental Matters**

**Methane Rules (Greenhouse Gas Emissions).** The EPA and the State of Colorado have implemented strict regulatory requirements on hydrocarbon and methane emissions associated with natural gas gathering and transmission systems. The BLM repealed similar hydrocarbon and methane emissions reductions it previously established under the Methane Rule (Venting and Flaring rule). Presently, we have four facilities in our Colorado natural gas transmission operations affected by the hydrocarbon and methane reduction rules.

Our operations are currently in compliance with both EPA and State of Colorado rules. Future modifications to our gathering and transmissions systems are anticipated to trigger EPA methane rules. We plan to develop a corporate-wide methane control strategy to address GHG emissions as we anticipate this will be a requirement in future rule-making efforts.

**Water Issues.** Our facilities are subject to a variety of state and federal regulations governing existing and potential water/wastewater discharges and protection of surface waters from oil pollution. Generally, such regulations are promulgated under the Clean Water Act and govern overall water/wastewater discharges through EPA's surface water discharge and storm water permits. All of our facilities that are required to have such permits have those permits in place and are in compliance with discharge limitations and plan implementation requirements. The EPA proposed effluent limitation guidelines and standards on June 7, 2013, and published the final rule on November 3, 2015. In 2017, the EPA postponed the implementation of the rule and set a timeline in 2018 to revise the rule. To date, the rule is being reviewed by the Office of Management and Budget. This rule will have an impact on the Wyodak Plant. Until the EPA issues the rule for publication, we cannot quantify what the potential impact may be on the Wyodak Plant. The terms of this new regulation may impact the next permit renewal, which will be in 2020.

**Short-term Emission Limits.** The EPA and State Air Quality Programs implemented short-term emission limits for coal and natural gas-fired generating units during normal and start-up operating scenarios for SO<sub>2</sub>, NO<sub>x</sub> and opacity. The limits pertain to emissions during start-up periods and upset conditions such as mechanical malfunctions. State and federal regulatory agencies typically excuse short-term emissions exceedances if they are reported and corrected immediately or if it occurs during start-up.

We proactively manage this requirement through maintenance efforts and installing additional pollution control systems to control SO<sub>2</sub> emission short-term excursions during start-up. These actions have nearly eliminated our short-term emission limit compliance risk while plant availability remained above 90% for all four of our coal-fired plants. To eliminate the remaining potential for exceedances, an innovative trip logic mechanism was implemented to shut the power plant down if a predicted emission limit is to be exceeded. Similar efforts have been taken and similar results achieved with our natural gas fired combustion turbine sites as well.

**Regional Haze (Impacts to the Wyodak Plant).** The EPA Regional Haze rule was promulgated to improve visibility in our National Parks and Wilderness Areas. The State of Wyoming proposed controls in its Regional Haze State Implementation Plan (SIP) which allowed PacifiCorp to install low-NO<sub>x</sub> burners in the Wyodak Plant, of which South Dakota Electric owns 20%. The EPA did not agree with the State of Wyoming's determination and overruled it in a Federal Implementation Plan (FIP). The State of Wyoming and other interested parties are challenging the EPA's determination. If the challenge is unsuccessful, additional capital investment would be necessary to bring the Wyodak Plant into compliance. South Dakota Electric's 20% share of this capital investment for the facility would be approximately \$27 million if PacifiCorp is required to install a Selective Catalytic Reactor for NO<sub>x</sub> control. The case is currently held in abeyance at the 10th circuit court as the parties work on a settlement. Basin Electric, who is part of the legal action, settled with the EPA. In lieu of going to court, PacifiCorp entered into mediation with the EPA and conservation groups. PacifiCorp submitted a "Request for Reconsideration" on October 24, 2019 to the EPA and provided a copy to the court. The purpose of the submittal is to revisit the emission impacts and cost of additional investment.

**Mining.** Operations at the WRDC mine must regularly address issues related to the proximity of the mine disturbance boundary to the City of Gillette and to residential and industrial properties. Homeowner complaints and challenges to the permits may occur as mining operations move closer to residential areas. Specific concerns could include damage to wells, fugitive dust emissions, vibration and an emissions cloud from blasting.

**Former Manufactured Gas Plants (FMGP).** 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. We are currently in discussions with the EPA, state regulators, and/or other third-parties to determine the ultimate resolution to these sites. As of December 31, 2019, our Gas Utilities have two active FMGP sites, which are located in Council Bluffs, Iowa, and McCook, Nebraska. For the Council Bluffs site, the delay in clean-up is due to identifying the Potential Responsible Parties (PRPs or Successors to the Operators) to pay for the clean-up. We are the landowner and not the Successors to the Operator, whom would be responsible for paying for the majority of clean-up. We have been working with the EPA to identify the PRPs. The EPA has sent out information requests to the PRPs seeking transaction documents to determine the Successors to the Operators of the site who created the contamination. For the McCook, Nebraska site, we have been contacted by a third-party who intends to manage and pay for the clean-up at this site. The third-party is conducting site assessments and working with the State of Nebraska on a clean-up plan.

**Affordable Clean Energy Rule.** The EPA was directed to repeal, revise, and replace the Clean Power Plan rule. On August 31, 2018, the EPA published the proposed Affordable Clean Energy rule. This rule focuses on heat-rate improvements on coal-fired boiler units. In July 2019, the rule was finalized and applies only to our coal-fired plants. These plants have implemented or plan to implement a majority of the efficiency requirements listed in the rule.

**OSM Coal Combustion Residual Rule (CCR).** The EPA issued the CCR which is currently effective and establishes requirements to protect surface and groundwater from impacts of coal ash impoundments. WRDC is exempt from the EPA CCR because ash is used for backfill reclamation in areas previously mined. The current administration has not pursued further modification of the CCR.

Environmental risk changes constantly with the implementation of new or modified regulations, changing stakeholder interests and needs, and through the introduction of innovative work practices and technologies. We assess risk annually and develop mitigation strategies to successfully and responsibly manage and ensure compliance across the enterprise. For additional information on environmental matters, see [Item 1A](#) and [Note 19](#) of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

### **Other Properties**

In addition to the facilities previously disclosed in Items 1 and 2, we own or lease several facilities throughout our service territories. Our owned facilities are as follows:

- In Rapid City, South Dakota, we have a 220,000 square foot corporate headquarters building, Horizon Point, which was completed in 2017.
- In Arkansas, Colorado, Iowa, Kansas, Nebraska, and Wyoming we own various office, service center, storage, shop and warehouse space totaling over 1,030,000 square feet utilized by our Gas Utilities.
- In Colorado, South Dakota, and Wyoming we own various office, service center, storage, shop and warehouse space totaling approximately 305,000 square feet utilized by our Electric Utilities and Mining segments.

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# IN MOTION



# BOARD OF DIRECTORS



**David R. Emery**, age 57, was elected to the Board in 2004. He has been Executive Chairman since January 1, 2019, was our Chairman and CEO from 2016 through 2018, and Chairman, President and CEO from 2005 through 2015. Prior to that he held various positions with the Company, including President and CEO from 2004 to 2005, President and COO - Retail Business Segment from 2003 to 2004, and Vice President of Fuel Resources from 1997 to 2003.

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**Linden R. Evans**, age 57, was elected to the Board in November 2018. He has been President and CEO since January 1, 2019, President and COO from 2016 through 2018, and President and COO — Utilities from 2004 through 2015. Prior to that he served as the Vice President and General Manager of our former communication subsidiary in 2003 and 2004, and Associate Counsel from 2001 to 2003.

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**Tony A. Jensen**, age 58, was elected to the Board on November 1, 2019. He was President and CEO and Director of Royal Gold, Inc., a public precious metals company, from 2006 to 2019, and COO from 2003 to 2006.

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**Michael H. Madison**, age 71, was elected to the Board in 2012 and chairs the Compensation Committee. He was President and CEO and Director of Cleco Corporation, a public utility holding company, from 2005 to 2011, President and COO of Cleco Power, LLC from 2003 to 2005, and State President, Louisiana-Arkansas with American Electric Power from 2000 to 2003.

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**Kathleen S. McAllister**, age 55, was elected to the Board on November 1, 2019. She was President and CEO and Director of Transocean Partners LLC, a growth-oriented public company and subsidiary of Transocean Ltd., an international provider of offshore contract drilling services for oil and gas wells, from 2014 to 2016, and Chief Financial Officer in 2016. She also serves on the Boards of Hoegh LNG Partners LP and Maersk Drilling.

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**Steven R. Mills**, age 64, was elected to the Board in 2011 and is our Lead Director. He is a Consultant and Advisor to Naxos Capital Partners, a European-based private equity company. He previously served as CFO of Amyris, Inc., a renewable products company, from 2012 to 2013. He also served as Senior Executive Vice President Performance and Growth and CFO at Archer Daniels Midland Co., one of the world's largest agricultural processors and food ingredient providers, from 2010 to 2012. He also serves on the Board of Amyris, Inc.



**Robert P. Otto**, age 60, was elected to the Board in 2017. He has been the owner of Bob Otto Consulting LLC, providing strategic planning and services in cyber security, intelligence and reconnaissance since 2017. He retired from the U.S. Air Force in 2016 as a lieutenant general. He served as a general officer since 2008, culminating as the Air Force Deputy Chief of Staff for Intelligence, Surveillance and Reconnaissance.

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**Rebecca B. Roberts**, age 67, was elected to the Board in 2011 and chairs the Governance Committee. She 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 U.S., from 2006 to 2011, and President of Chevron Global Power Generation from 2003 to 2006. She also serves on the Boards of AbbVie, Inc. and MSA Safety, Inc.

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**Mark A. Schober**, age 64, was elected to the Board in 2015 and chairs the Audit Committee. He was Senior Vice President and CFO of ALLETE, Inc., a public utility company, from 2006 to 2014. He previously held several positions in accounting and finance.

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**Teresa A. Taylor**, age 56, was elected to the Board in 2016. She has been CEO of Blue Valley Advisors, LLC since 2011. She previously served as COO of Qwest Communications, Inc., a telecommunications carrier, from 2009 to 2011. She also served in other leadership roles at Qwest and the former U.S. West beginning in 1987, including Executive Vice President and Chief Administrative Officer. She also serves on the Boards of T-Mobile USA, Inc. and First Interstate BancSystem, Inc.

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**John B. Vering**, age 70, was elected to the Board in 2005. He was Managing Director of Lone Mountain Investments, Inc., an oil and gas investment firm, from 2002 to 2019. He previously held several executive positions in the oil and gas industry.

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**Thomas J. Zeller**, age 72, was elected to the Board in 1997. He was CEO 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, in 2011, and served as President from 1995 to 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/investor-relations/corporate-governance](http://www.blackhillscorp.com/investor-relations/corporate-governance)).

### Board Independence

In accordance with NYSE 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/investor-relations/corporate-governance](http://www.blackhillscorp.com/investor-relations/corporate-governance)). 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:

Tony A. Jensen	83% INDEPENDENT	Rebecca B. Roberts
Michael H. Madison		Mark A. Schober
Kathleen S. McAllister		Teresa A. Taylor
Steven R. Mills		John B. Vering
Robert P. Otto		Thomas J. Zeller

In addition, based on such standards, the Governance Committee determined that Messers. Emery and Evans are not independent because they are Officers of the Company.

### Board Leadership Structure

As part of a planned leadership transition, Mr. Emery, after 14 years as Chairman and CEO, was appointed Executive Chairman of the Board of Directors, effective January 1, 2019. Mr. Evans, who had been President and Chief Operating Officer since 2016, was named President and CEO effective January 1, 2019.

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.

As provided in our Corporate Governance Guidelines of the Board of Directors, because our Executive Chairman is not independent, our Board annually appoints an independent Lead Director, and has done so since 2001. Steven R. Mills is our current Lead Director and has served in this role since May 2019. As provided in the Corporate Governance Guidelines, the primary responsibilities of the Lead Director are to chair executive sessions of the independent directors, and in conjunction with the Executive Chairman, communicate the Board’s annual evaluation of the CEO. The Lead Director, together with the independent directors, establishes the agenda for executive sessions, which are held at each regular Board meeting. The Lead Director serves as a liaison between the independent members of the Board, the Executive Chairman, and the CEO, and discusses, to the extent appropriate, matters raised by the independent directors in executive session. The Lead Director also consults with the Executive Chairman, and the CEO, as appropriate, regarding meeting agendas and presides over regular meetings of the Board in the absence of the Executive Chairman. This leadership structure provides consistent and effective oversight of our management and our Company.

## The Board Role in Risk Oversight

Our Board oversees an enterprise approach to risk management that supports our operational and strategic objectives. The Corporate Governance Guidelines of the 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, including cyber security, with management at each quarterly Board meeting. In addition, the Board reviews a deep dive enterprise risk topic with our Chief Risk Officer at most quarterly meetings. 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, operations, environmental, regulatory, 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 Report and our Treasurer provides a Credit Report to the Audit Committee. We have a Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within established risk tolerances.

Our Compensation Committee has 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 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 established stock ownership guidelines are achieved, and the Company prohibits hedging or pledging of stock. Our Compensation Committee also includes "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.

In addition, management periodically conducts, and our Compensation Committee reviews, a risk assessment of the Company's compensation policies and practices for all employees. This was last done in December 2017 and there have been no material changes in our policies and practices since that time. Key members of human resources, legal, risk, finance, audit and operations departments were included in the review to ensure accuracy and completeness of the scope and findings. The assessment demonstrated that our compensation programs are designed to minimize financial and reputational risks and do not create risks that are reasonably likely to have a material adverse effect on the Company.

Our management is responsible for day-to-day risk management and operates under an ERM program that addresses strategic, operational, financial and compliance 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 the Chief Risk Officer and Risk Management, Compliance and Internal Audit groups. The Chief Risk Officer reviews the overall ERM program with the Board of Directors on a regular basis.

We believe the 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 diversity; 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. 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 currently and in the future. 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.

Ms. McAllister and Mr. Jensen are standing for election by shareholders for the first time at this annual meeting. Both director nominees were identified as candidates by a third-party search firm. The firm was engaged to assist in the identification and assessment of director candidates based on criteria developed by the Governance Committee.

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 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. For the 2021 shareholder meeting, those dates are January 28, 2021 and December 29, 2020. 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 certain representations by the nominee to us.

### Director Resignation Policies

The Corporate Governance Guidelines require members of the Board to submit a letter of resignation for consideration by the Board in certain circumstances. The 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 Governance 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.

The Corporate Governance Guidelines also require members of the Board to tender a letter of resignation in the event of a change in professional responsibilities that may directly or indirectly impact that board member's ability to fulfill directorship obligations. The Board is not obligated to accept such resignation. The Governance Committee will review the affected member's service and qualifications and recommend to the Board the continued appropriateness of Board membership under the circumstances.

In conformance with the Corporate Governance Guidelines, Mr. Vering provided notice that he would retire from his position as Managing Director of Lone Mountain Investments, Inc., effective December 31, 2019, and submitted a letter of resignation

to the Board. The Governance Committee determined Mr. Vering's change in employment status would not impact his ability to perform his duties as a director and recommended the Board not accept his tendered resignation. Acting on the Committee's recommendation, the Board declined to accept Mr. Vering's resignation.

### Corporate Governance Documents

In addition to the Corporate Governance Guidelines, Committee Charters, and the Policy for Director Independence, the 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/investor-relations/corporate-governance](http://www.blackhillscorp.com/investor-relations/corporate-governance)). 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.

### 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 General Counsel all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our General Counsel 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. There were no reportable related party transactions in 2019.

### Delinquent Section 16(a) Reports

Based solely upon a review of our records and reports on Form 3, 4 and 5 filed with the SEC, we believe that during and with respect to 2019, 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 a Form 4 for Mr. Mills related to an August 2019 transaction that was reported in December of 2019 and initial reports on Form 3 for Tony A. Jensen and Kathleen S. McAllister for November 1, 2019, the date they both became directors. At the time the Form 3 reports were due, Mr. Jensen and Ms. McAllister did not own any stock in our Company.

### Communications with the Board

Shareholders and others interested in communicating directly with the Lead Director, with the independent directors as a group, or the Board of Directors may do so in writing to the Lead Director, Black Hills Corporation, 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709.

## 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 meeting during 2019. 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 2019, each current director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served and all directors then serving attended the 2019 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/investor-relations/corporate-governance](http://www.blackhillscorp.com/investor-relations/corporate-governance) 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.

#### AUDIT COMMITTEE

*Committee Chair:*

Mark A. Schober

*Additional Committee Members:*

Steven R. Mills, Robert P. Otto, John B. Vering

Total Meetings Held

In-Person

Telephonic

4

5

#### Primary Responsibilities

- ▲ 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 Business Conduct and other policies and practices established to ensure compliance with legal and regulatory requirements; and
- ▲ periodically meet, in private sessions, with our Chief Auditor, 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 Messrs. Mills, Schober and Vering 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

*Committee Chair:*

Michael H. Madison

Total Meetings Held

*Additional Committee Members:*

Rebecca B. Roberts, Teresa A. Taylor, Thomas J. Zeller

In-Person

Telephonic

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### Primary Responsibilities

- ▲ 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 engaged Willis Towers Watson, an independent consulting firm, to conduct an annual review of our 2019 total compensation program for executive officers and directors. The Committee reviewed the independence of Willis Towers Watson and the individual representative of Willis 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 Willis Towers Watson is independent and Willis Towers Watson’s performance of services raises no conflict of interest. The Committee’s conclusion was based in part on a report that Willis 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 Willis Towers Watson to the Company. During 2019, the cost of these non-executive compensation services was less than \$25,000.

Compensation Committee Interlocks. 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

*Committee Chair:*

Rebecca B. Roberts

Total Meetings Held

*Additional Committee Members:*

In-Person

Telephonic

Michael H. Madison, Steven R. Mills, John B. Vering, Thomas J. Zeller

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### Primary Responsibilities

- ▲ 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 chairs of the committees;
- ▲ recommend to the Board for approval an independent director to serve as a Lead Director;
- ▲ review the independence of each director and director nominee;
- ▲ administer an annual evaluation of the performance of the Board and each Committee and a biennial evaluation of each individual director; and
- ▲ ensure that the Board oversees the evaluation and succession planning of management.

**LIST OF OFFICERS**  
**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC**

<b>OFFICER</b>	<b>TITLE</b>	<b>AREA OF RESPONSIBILITY</b>
Linden R. Evans	Chairman, President and Chief Executive Officer	Oversees all company operations
Richard W. Kinzley	Senior Vice President and Chief Financial Officer	Oversees finance, accounting, regulatory, tax
Brian G. Iverson	Senior Vice President, General Counsel and Corporate Secretary	Oversees legal, compliance, internal audit, governance, company records
Scott A. Buchholz	Senior Vice President – Chief Information Officer	Oversees Information technology, billing systems
Jennifer C. Landis	Senior Vice President – Chief Human Resources Officer	Oversees compensation, benefits
Karen H. Beachy	Senior Vice President – Growth and Strategy	Oversees corporate strategic planning
Stuart A. Wevik	Senior Vice President – Utility Operations	Oversees electric and gas utility operations
Marne M. Jones	Vice President – Regulatory and Finance	Regulatory, finance
Amy K. Koenig	Vice President – Governance, Corporate Secretary and Deputy General Counsel	Governance
Esther J. Newbrough	Vice President and Chief Risk Officer	Corporate risk, compliance
Kimberly F. Nooney	Vice President – Corporate Controller and Treasurer	Financing, cash management, accounting, investor relations
Todd Jacobs	Vice President – Natural Gas Utilities	Gas utility operations
Jodi Culp	Vice President – Gas Asset Optimization	Gas supply services
Donna E. Genora	Vice President – Tax	Tax
John A. Hill, Jr.	Vice President – Gas Engineering	Gas engineering
Vacant	Vice President – Customer Service	Customer service
Kyle D. White	Vice President – Regulatory Strategy	Regulatory strategy



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

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

For the fiscal year ended December 31, 2019

Or

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 IRS Identification Number 46-0458824

7001 Mount Rushmore Road Rapid City South Dakota 57702

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock of \$1.00 par value	BKH	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 every Interactive Data File required to be submitted 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 such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2019, was \$4,727,278,183

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, 2020</u>
Common stock, \$1.00 par value	61,475,403 shares

**Documents Incorporated by Reference**

Portions of the registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2020 Annual Meeting of Stockholders to be held on April 28, 2020, are incorporated by reference in Part III of this Form 10-K.

## (6) LONG-TERM DEBT

Long-term debt outstanding was as follows (dollars in thousands):

	Due Date	Interest Rate at December 31, 2019	Balance Outstanding	
			December 31, 2019	December 31, 2018
<u>Corporate</u>				
Senior unsecured notes due 2023	November 30, 2023	4.25%	\$ 525,000	\$ 525,000
Senior unsecured notes due 2020	July 15, 2020	N/A	—	200,000
Senior unsecured notes due 2026	January 15, 2026	3.95%	300,000	300,000
Senior unsecured notes due 2027	January 15, 2027	3.15%	400,000	400,000
Senior unsecured notes due 2033	May 1, 2033	4.35%	400,000	400,000
Senior unsecured notes, due 2046	September 15, 2046	4.20%	300,000	300,000
Senior unsecured notes, due 2029	October 15, 2029	3.05%	400,000	—
Senior unsecured notes, due 2049	October 15, 2049	3.88%	300,000	—
Corporate term loan due 2021 <sup>(a)</sup>	June 17, 2021	N/A	—	300,000
Corporate term loan due 2021	June 7, 2021	2.32%	7,178	12,921
Total Corporate debt			2,632,178	2,437,921
Less unamortized debt discount			(6,462)	(5,122)
Total Corporate debt, net			2,625,716	2,432,799
<u>South Dakota Electric</u>				
Series 94A Debt, variable rate <sup>(b)</sup>	June 1, 2024	1.84%	2,855	2,855
First Mortgage Bonds due 2032	August 15, 2032	7.23%	75,000	75,000
First Mortgage Bonds due 2039	November 1, 2039	6.13%	180,000	180,000
First Mortgage Bonds due 2044	October 20, 2044	4.43%	85,000	85,000
Total South Dakota Electric debt			342,855	342,855
Less unamortized debt discount			(82)	(86)
Total South Dakota Electric debt, net			342,773	342,769
<u>Wyoming Electric</u>				
Industrial development revenue bonds due 2021 <sup>(a)</sup>	September 1, 2021	1.68%	7,000	7,000
Industrial development revenue bonds due 2027 <sup>(a)</sup>	March 1, 2027	1.68%	10,000	10,000
First Mortgage Bonds due 2037	November 20, 2037	6.67%	110,000	110,000
First Mortgage Bonds due 2044	October 20, 2044	4.53%	75,000	75,000
Total Wyoming Electric debt			202,000	202,000
Less unamortized debt discount			—	—
Total Wyoming Electric debt, net			202,000	202,000
Total long-term debt			3,170,489	2,977,568
Less current maturities			5,743	5,743
Less unamortized deferred financing costs <sup>(b)</sup>			24,650	20,990
Long-term debt, net of current maturities and deferred financing costs			\$ 3,140,096	\$ 2,950,835

(a) Variable interest rate.

(b) Includes deferred financing costs associated with our Revolving Credit Facility of \$1.7 million and \$2.3 million as of December 31, 2019 and December 31, 2018, respectively.

Scheduled maturities of long-term debt, excluding amortization of premiums or discounts, for future years are (in thousands):

2020	\$	5,743
2021	\$	8,435
2022	\$	—
2023	\$	525,000
2024	\$	2,855
Thereafter	\$	2,635,000

Our debt securities contain certain restrictive financial covenants, all of which the Company and its subsidiaries were in compliance with at December 31, 2019.

Substantially all of the tangible utility property of South Dakota Electric and Wyoming Electric is subject to the lien of indentures securing their first mortgage bonds. First mortgage bonds of South Dakota Electric and Wyoming Electric may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures.

### Debt Transactions

On October 3, 2019, we completed a public debt offering of \$700 million principal amount in senior unsecured notes. The debt offering consisted of \$400 million of 3.05% 10-year senior notes due October 15, 2029 and \$300 million of 3.875% 30-year senior notes due October 15, 2049 (together the “Notes”). The proceeds of the Notes were used for the following:

- Repay the \$400 million Corporate term loan under the Amended and Restated Credit Agreement due June 17, 2021;
- Retire the \$200 million 5.875% senior notes due July 15, 2020; and
- Repay a portion of short-term debt.

On June 17, 2019, we amended our Corporate term loan due July 30, 2020. This amendment increased total commitments to \$400 million from \$300 million, extended the term through June 17, 2021, and had substantially similar terms and covenants as the amended and restated Revolving Credit Facility. The net proceeds from the increase in total commitments were used to pay down short-term debt. Proceeds from the October 3, 2019 public debt offering were used to repay this term loan.

On December 12, 2018, we paid off the \$250 million, 2.5% senior unsecured notes due January 11, 2019. Proceeds from the November 1, 2018 Equity Unit conversion were used to pay off this debt.

On August 17, 2018, we issued \$400 million principal amount, 4.350% senior unsecured notes due May 1, 2033. A portion of these notes were issued in a private exchange that resulted in the retirement of all \$299 million principal amount of our RSNs due 2028. The remainder of the notes were sold for cash in a public offering, with the net proceeds being used to pay down short-term debt.

The issuance of the \$400 million senior notes was the culmination of a series of transactions that also included the contractually required remarketing of such RSNs on behalf of the holders of our Equity Units, with the proceeds being deposited as collateral to secure the obligations of those holders under the purchase contracts included in the Equity Units (see [Note 12](#)). As a result of the remarketing, the annual interest rate on such RSNs was automatically reset to 4.579% (however, because the RSNs were then immediately retired, no interest accrued at this reset rate).

On July 30, 2018, we amended and restated our unsecured term loan due August 2019. This amended and restated term loan, with \$300 million outstanding at December 31, 2018, had a maturity date of July 30, 2020 and had substantially similar terms and covenants as the amended and restated Revolving Credit Facility. This term loan was later amended on June 17, 2019 and then repaid using proceeds from the October 3, 2019 public debt offering.

## 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 at December 31, 2019	Amortization Expense for the years ended December 31,		
	2019	2018	2017
\$ 24,650	\$ 3,242	\$ 2,829	\$ 3,349

## Dividend Restrictions

Our credit facility and other debt obligations contain restrictions on the payment of cash dividends when a default or event of default occurs. As of December 31, 2019, 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 December 31, 2019:

- 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 December 31, 2019, the restricted net assets at our Electric and Gas Utilities were approximately \$156 million.
- Wyoming Electric and South Dakota Electric are generally limited to the amount of dividends allowed to be paid to our utility holding company under certain financing agreements.

## **(7) NOTES PAYABLE**

We had the following short-term debt outstanding at the Consolidated Balance Sheets date (in thousands):

	December 31, 2019		December 31, 2018	
	Balance Outstanding	Letters of Credit <sup>(a)</sup>	Balance Outstanding	Letters of Credit <sup>(a)</sup>
Revolving Credit Facility	\$ —	\$ 30,274	\$ —	\$ 22,311
CP Program	349,500	—	185,620	—
Total	\$ 349,500	\$ 30,274	\$ 185,620	\$ 22,311

(a) Letters of credit are off-balance sheet commitments that reduce the borrowing capacity available on our corporate Revolving Credit Facility.

### Revolving Credit Facility and CP Program

On July 30, 2018, we amended and restated our corporate Revolving Credit Facility, maintaining total commitments of \$750 million and extending the term through July 30, 2023 with two one year extension options (subject to consent from lenders). This facility is similar to the former revolving credit facility, which includes an accordion feature that allows us, with the consent of the administrative agent, the issuing agents and each bank increasing or providing a new commitment, to increase total commitments up to \$1.0 billion. Borrowings continue to be available under a base rate or various Eurodollar rate options. The interest costs associated with the letters of credit or borrowings and the commitment fee under the Revolving Credit Facility are determined based upon our Corporate credit rating from S&P, Fitch, and Moody's for our senior unsecured long-term debt. Based on our credit ratings, the margins for base rate borrowings, Eurodollar borrowings, and letters of credit were 0.125%, 1.125%, and 1.125%, respectively, at December 31, 2019. Based on our credit ratings, a 0.175% commitment fee was charged on the unused amount at December 31, 2019.

We have a \$750 million, unsecured CP Program that is backstopped by the Revolving Credit Facility. Amounts outstanding under the Revolving Credit Facility and the CP Program, either individually or in the aggregate, cannot exceed \$750 million. The notes issued under the CP Program may have maturities not to exceed 397 days from the date of issuance and bear interest (or are sold at par less a discount representing an interest factor) based on, among other things, the size and maturity date of the note, the frequency of the issuance and our credit ratings. Under the CP Program, any borrowings rank equally with our unsecured debt. Notes under the CP Program are not registered and are offered and issued pursuant to a registration exemption.

Our net short-term borrowings (payments) during 2019 were \$164 million. As of December 31, 2019, the weighted average interest rate on short-term borrowings was 2.03%.

Total accumulated deferred financing costs on the Revolving Credit Facility of \$6.7 million are being amortized over its estimated useful life and were included in Interest expense on the accompanying Consolidated Statements of Income. See [Note 6](#) above for additional details.

#### Debt Covenants

Under our Revolving Credit Facility and term loan agreements we are required to maintain a Consolidated Indebtedness to Capitalization Ratio not to exceed 0.65 to 1.00. Our Consolidated Indebtedness to Capitalization Ratio is calculated by dividing (i) Consolidated Indebtedness, which includes letters of credit and certain guarantees issued by (ii) Capital, which includes Consolidated Indebtedness plus Net Worth, which excludes noncontrolling interest in subsidiaries. Subject to applicable cure periods, a violation of any of these covenants would constitute an event of default that entitles the lenders to terminate their remaining commitments and accelerate all principal and interest outstanding. As of December 31, 2019, we were in compliance with these covenants.

### **(8) ASSET RETIREMENT OBLIGATIONS**

We have identified legal retirement obligations related to reclamation of mining sites in the Mining segment and removal of fuel tanks, transformers containing polychlorinated biphenyls, and an evaporation pond at our Electric Utilities, wind turbines at our Electric Utilities and Power Generation segments, retirement of gas pipelines at our Gas Utilities and removal of asbestos at our Electric and Gas Utilities. We periodically review and update estimated costs related to these AROs. 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 AROs which are included on the accompanying Consolidated Balance Sheets in Other deferred credits and other liabilities (in thousands):

	December 31, 2018	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates <sup>(a)(b)</sup>	December 31, 2019
Electric Utilities <sup>(c)</sup>	\$ 6,258	\$ —	\$ —	\$ 385	\$ 2,686	\$ 9,329
Gas Utilities	34,627	—	—	1,458	—	36,085
Power Generation <sup>(c)</sup>	300	3,445	—	158	836	4,739
Mining	15,615	—	(380)	740	(1,923)	14,052
Total	\$ 56,800	\$ 3,445	\$ (380)	\$ 2,741	\$ 1,599	\$ 64,205

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Income Statement - Prior Year Comparison - FERC Reporting Acct Detail  
 Business Unit: BH KANSAS GAS UTILITY CO LLC  
 December, 2019 QTD & YTD

Run For: All Products, All Resource Codes, All Allocation Types

	Year-To-Date	Year-To-Date	Year-To-Date
	2019	2018	Variance
480000 RESIDENTIAL GAS SALES	63,140,396	65,902,805	(2,762,409)
480001 RESIDENTIAL UNBILLED GAS	(374,895)	325,952	(700,847)
480005 RESIDENTIAL GAS ALT REV	42,949	32,702	10,247
481000 COMMERCIAL FIRM GAS REVENUE	20,012,177	21,078,021	(1,065,844)
481001 COMMERCIAL FIRM UNBIL GAS REV	(2,401)	62,764	(65,165)
481005 COMMERCIAL GAS ALT REV	43,809	(19,944)	63,753
481010 COMMERCIAL INTERR GAS REVENUE	856,087	697,327	158,760
481100 INDUSTRIAL FIRM GAS REVENUE	279,644	433,379	(153,734)
481101 INDUSTRIAL FIRM UNBIL GAS REV	(72,790)	161,910	(234,700)
481105 INDUSTRIAL GAS ALT REV	5,984	39	5,945
481110 INDUSTRIAL INTERR GAS REVENUE	7,264,191	8,767,420	(1,503,229)
481205 AGRICULTURAL GAS ALT REV	(174)	0	(174)
487000 FORFEITED DISC/LATE PMT GAS	344,428	392,190	(47,762)
488000 MISC SERVICE REV GAS	718,716	727,109	(8,394)
489301 COMM FIRM TRANSPORT REV-DISTRB	3,464,709	3,035,611	429,097
489302 IND FIRM TRANSPORT REV-DISTRB	964,214	956,988	7,226
489303 COMM INTER TRANSPRT REV-DISTRB	307,396	305,147	2,248
489304 IND INTER TRANSPRT REV-DISTRB	3,445,445	3,193,476	251,969
489305 UNBILLED TRANSPORT REV-DISTRB	(20,000)	33,000	(53,000)
496000 PROVISION FOR RATE REFUNDS	(1,687,567)	(1,755,481)	67,914
495000 Other Revenue And Royalties	704,848	610,487	94,362
<b>TOTAL OPERATING REVENUE</b>	<b>99,437,168</b>	<b>104,940,903</b>	<b>(5,503,736)</b>
850000 TRANS OPS SUPERV & ENG	132,250	87,778	44,473
851000 TRANS SYS CONTR & LOAD DISPATCH	628	252	376
856000 TRANS MAINS EXPENSE	61,931	59,856	2,075
857000 TRANS MEAS & REGUL STATION EXP	8,332	9,516	(1,184)
870000 DIST OPS SUPERVISION AND ENGIN	865,687	1,007,782	(142,094)
874002 ROUTINE LEAK SURV MAINS & SVCS	446,604	545,823	(99,219)
874001 PERF DISTRIB MAIN LOCATES-GAS	831,423	834,461	(3,037)
874000 OPER/INSPECT UG DIST MAINS-GAS	543,524	784,454	(240,930)
875001 OPERATE/INSPECT FARM TAPS(O&M)	86,046	125,460	(39,414)
877000 DIST MEAS & REG STAT - CITY GA	71,393	96,495	(25,102)
876000 DIST MEAS & REG STAT - INDUS	27,531	29,394	(1,863)
875000 DIST MEAS & REG STAT - GENERAL	152,889	195,458	(42,570)
878001 PERF CONNECTS/DISCON/RECON-GAS	392,788	515,442	(122,653)
878000 OPER/INSP MTRS COLLECT DATAGAS	172,704	243,044	(70,340)
871000 DIST LOAD DISPATCHING	12,653	125	12,528
879000 DIST CUSTOMER INSTALLATIONS	400,752	424,203	(23,451)
881000 DIST OPER RENTS	2,054	3,766	(1,712)
880001 CO USED GAS O&M OFFSET	13,588	15,006	(1,418)
880000 DIST OPS OTHER EXPENSE	2,638,567	3,362,088	(723,521)
840000 OPER SUPERV & ENG	0	0	0
852000 COMMUNICATION SYS EXP	454	0	454
859000 OTHER TRANS OPS EXP	153,564	155,843	(2,279)



	Year-To-Date	Year-To-Date	Year-To-Date
	2019	2018	Variance
860000 TRANSM RENT	33,072	24	33,048
804000 NATURAL GAS CITY GATE PURCHASE	44,548,650	52,002,120	(7,453,471)
805000 OTHER GAS PURCHASES	3,587	(3,985)	7,573
805001 COST OF UNBILLED REVENUE	(813,143)	381,521	(1,194,664)
805100 PURCHASED GAS COST ADJUSTMENTS	1,145,844	560,748	585,096
805200 FINANCIAL GAS COST ADJ	(427,736)	26,582	(454,318)
808100 GAS WITHDRAWN FROM STORAGE DR	3,682,972	5,004,900	(1,321,928)
808200 GAS DELIVERED TO STORAGE CR	(3,198,671)	(4,466,545)	1,267,873
812000 GAS USED FOR OTHER UTILITY OPS	(12,572)	(13,399)	827
TOTAL ELECTRIC/GAS OPERATING EXPENSE	51,977,366	61,988,211	(10,010,845)
901000 CUST ACCTS SUPERVISION	183,273	280,242	(96,970)
902002 OTHER METER READING EXPENSES	0	18,098	(18,098)
902001 RE-READ METERS	0	4,557	(4,557)
902000 READ METERS	298,803	347,989	(49,186)
903002 PROC/COLLECT DELINQUENT ACCTS	0	213,681	(213,681)
903001 PROCESS CUSTOMER REMITTANCES	0	49,567	(49,567)
903000 CUST ACCTS RECORDS & COLLECTIO	2,171,262	2,499,356	(328,094)
904000 UNCOLLECTIBLE ACCOUNTS	379,693	496,281	(116,589)
905000 MISC CUSTOMER ACCOUNTS	97,949	84,737	13,211
907000 CUSTOMER SERVICE SUPERVISION	39,684	39,220	464
908000 CUSTOMER ASSISTANCE EXP	156,848	171,035	(14,187)
909000 INFORMATIONAL & INSTRUCT ADS	36,403	12,711	23,692
910000 MISC CUST SERVICE & INFO	14,413	20,701	(6,288)
912000 SALES DEMONSTRATING & SELLING	178,758	137,752	41,006
916000 MISCELLANOUS SALES EXPENSES	125	268	(142)
911000 SALES SUPERVERION	0	20,086	(20,086)
913000 SALES ADVERTISING EXPENSES	114,036	127,630	(13,593)
920000 ADMIN AND GENERAL SALARIES	9,453,127	10,796,516	(1,343,389)
920999 LABOR OVERHEAD OFFSET	(4,158,928)	(3,808,286)	(350,642)
921000 OFFICE SUPPLIES & EXPENSE	1,926,250	1,730,163	196,087
922000 ADMIN EXP TRANS CREDIT	(1,116,006)	(1,270,128)	154,122
923000 OUTSIDE SERVICES	1,210,478	1,199,645	10,833
924000 PROPERTY INSURANCE	6,047	3,990	2,057
925000 INJURIES AND DAMAGES	462,981	116,730	346,251
926000 EMPLOYEE PENSIONS & BENEFITS	10,767,265	5,613,131	5,154,134
926040 EMPLOYEE PENSIONS/BEN NON SEVC	(1,508,357)	68,540	(1,576,897)
926949 Ben Non SevC Loading Offset	391,283	(727)	392,010
926999 BENEFIT OVERHEAD OFFSET	(5,544,195)	(5,552,348)	8,154
928000 REGULATORY COMMISSION EXP	126,627	157,241	(30,614)
929000 DUPLICATE CHARGES - CREDIT	(132)	0	(132)
930100 GENERAL ADVERTISING	163,998	60,675	103,323
930102 GENERAL ADVERT-CUSTOMER BENE	157	0	157
930200 MISCELLANEOUS GENERAL EXP	275,598	261,253	14,344
930299 GAAP TO FERC BANK FEES	131,628	139,511	(7,883)
931000 A & G RENTS	69,983	162,001	(92,018)
931001 I/C RENT EXPENSE	717,769	544,535	173,234
TOTAL A&G & OTHER EXPENSES	17,046,820	14,746,356	2,300,464
<b>TOTAL OPERATING EXPENSE</b>	<b>69,024,186</b>	<b>76,734,567</b>	<b>(7,710,381)</b>

	Year-To-Date	Year-To-Date	Year-To-Date
	2019	2018	Variance
830000 STORAGE MAINT SUPERV & ENG	0	0	0
862000 MNT STRUCTURES & IMPRVMTS	913	0	913
863000 TRANS MAINT OF MAINS	52,270	137,922	(85,652)
865000 TRANS MNT MEAS & REG STAT EQU	10,213	19,105	(8,892)
866000 MNT COMM EQUIP	1	0	1
867000 TRANS MAINT OF OTHER EQUIP	3,069	6,345	(3,276)
861000 TRANS MAINT SUPERV & ENGIN	22,259	47,475	(25,216)
888000 DIST MAINT COMPR STATION EQUIP	16,512	3,062	13,450
885000 DIST MAINT SUPER & ENG	48,876	150,663	(101,787)
889001 MAINTAIN FARM TAPS (O&M)	347	688	(341)
891000 DS MNT MS & REG STAT EQ-CITY G	188,556	121,902	66,654
890000 DS MNT MEAS & REG STAT EQ-IND	23,715	47,599	(23,884)
889000 DS MNT MEAS & REG STAT EQ-GEN	110,751	138,728	(27,978)
894000 DIST MAINT OF OTHER EQUIP	14,084	8,687	5,397
892000 DIST MAINT OF SERVICES	180,756	165,152	15,605
887001 PERFMaint_3RDPRTYDMG-UGDISTGAS	(12,561)	(9,816)	(2,745)
887000 PERF UG DISTRIB LINE MAINT-GAS	319,273	431,380	(112,108)
886000 DIST MAINT STRUCT & IMPROVE	18	2,997	(2,980)
893000 DIST MAINT METERS & HSE REGS	557,981	726,975	(168,994)
TOTAL MAINTENANCE EXPENSES	1,537,031	1,998,865	(461,834)
932000 MAINTENANCE GENERAL PLANT GAS	780,705	0	780,705
935000 MAINTENANCE GENERAL PLANT	0	633,650	(633,650)
TOTAL A&G MAINTENANCE EXPENSES	780,705	633,650	147,055
<b>TOTAL MAINTENANCE EXPENSE</b>	<b>2,317,736</b>	<b>2,632,515</b>	<b>(314,779)</b>
403000 DEPRECIATION	7,562,142	6,791,376	770,767
403340 DEPRECIATION NONREG	(37,596)	(42,990)	5,394
DEPREC EXPENSE DEPRECIATION EXPENSE	7,524,547	6,748,386	776,161
405000 AMORTIZATION EXPENSE	101,481	101,675	(194)
AMORT & DEPL UTILTY AMORT & DEPL OF UTILITY PLANT	101,481	101,675	(194)
408100 Taxes Oth-Than Income Taxes	2,120,527	1,145,944	974,582
408130 TOTI-PROPERTY TAXES	4,478,340	3,637,109	841,231
408199 TAXES OTI CAPITAL OFFSET	(1,292,554)	(1,205,590)	(86,964)
TAXES OTHER THAN INC TAXES OTHER THAN INCOME	5,306,312	3,577,463	1,728,850
409100 CURRENT FED INC TAX	3,126,544	1,555,734	1,570,810
INC TAXES FEDERAL INCOME TAXES FEDERAL	3,126,544	1,555,734	1,570,810
409101 CURRENT STATE INC TAX	484,937	(73,874)	558,812
INC TAXES OTHER INCOME TAXES OTHER	484,937	(73,874)	558,812
410101 DEFERRED CURRENT STATE INC TAX	2,062,666	1,626,116	436,550
410100 DEFERRED CURRENT FED INC TAX	7,269,668	11,322,901	(4,053,234)
410110 EXCESS DEFERRED TAX	383,685	164,367	219,318
PROV DEF INC TAX PROVISION FOR DEF INCOME TAX	9,716,018	13,113,384	(3,397,366)
411101 DEF INC TAX ST CR OPERATING	(3,053,174)	(1,288,152)	(1,765,022)
411100 DEF INC TAX FED CR OPERATING	(7,971,610)	(9,462,760)	1,491,150
411110 EXCESS DEFERRED TAX - PLANT	(11,319)	(164,367)	153,048
LESS PROV DEF INC TX LESS PROV DEF INCOME TAX CRED	(11,036,103)	(10,915,279)	(120,823)
<b>OTHER OPERATING EXPENSES</b>	<b>15,223,737</b>	<b>14,107,488</b>	<b>1,116,249</b>
<b>TOTAL UTILITY OPERATING EXPENS</b>	<b>86,565,658</b>	<b>93,474,569</b>	<b>(6,908,911)</b>
<b>NET UTILITY OPERATING INCOME</b>	<b>12,871,509</b>	<b>11,466,334</b>	<b>1,405,175</b>

	Year-To-Date	Year-To-Date	Year-To-Date
	2019	2018	Variance
415000 MERCHANDISE REVENUES	828,331	921,213	(92,882)
415100 REV P&S APPL REP CONTRACT	2,832,514	0	2,832,514
415101 REV P&S COMFORT PLAN	1,342,403	0	1,342,403
415103 REV P&S - HOMESERVE	23,728	0	23,728
415200 REV P&S - SALES & INSTALLS	2,570	0	2,570
415300 REV P&S - T&M REPAIRS	68,561	0	68,561
REV MERCH JOBBING REVENUE MERCH JOBBING CONTRACT	5,098,106	921,213	4,176,893
416000 EXP MERCH JOBBING & CONTRACT	425,895	408,404	17,491
416100 COGS P&S - APPL REP CONTRACT	1,593,102	0	1,593,102
416101 COGS P&S - COMFORT PLAN	132,881	0	132,881
416103 COGS P&S - HOMESERVE	954	0	954
416200 COGS P&S - SALES & INSTALLS	2,743	0	2,743
416300 COGS P&S - T&M REPAIRS	50,845	0	50,845
416800 O&M P&S EXPENSES	175,559	0	175,559
LESS COST & EXP MERC LESS COST & EXPENSE MERCH JOB	2,381,979	408,404	1,973,575
417000 NONUTILITY REVENUES	(12,337)	5,148,043	(5,160,380)
417057 OTHER REVENUE AND ROYALTIES NR	1,382,948	1,295,632	87,316
REV NON UTILITY OPS REVENUE NON UTILITY OPERATIONS	1,370,612	6,443,675	(5,073,063)
417100 NONUTILITY EXPENSES - COS	750,272	3,179,443	(2,429,171)
417101 NONUTILITY EXP - OTHER O&M	294,457	598,311	(303,854)
417158 NONUTILITY OPS EXPENSE OTHER	55,615	111,729	(56,114)
417160 NONUTILITY SELLING EXPENSE	0	81,689	(81,689)
417161 NONUTILITY ADMIN & GENERAL	0	(37,132)	37,132
417162 ADMIN AND GEN-EMPL BENEFITS	11,615	21,243	(9,628)
417165 EXP FOR UNCOLLECT ACCT NONREG	0	67,936	(67,936)
417180 NONUTILITY DEPRECIATION EXP	85,849	79,970	5,880
LESS EXP NON UTILITY LESS EXPENSE NON UTILITY OPS	1,197,808	4,103,189	(2,905,381)
419000 INTEREST INCOME - 3RD PARTY	2,391	1,805	585
419050 I/C INTEREST INCOME FROM UMP	32,259	0	32,259
419053 I/C UMP INT INC FROM AFFILIATE	205,114	188,911	16,203
INT & DIVIDEND INC INTEREST & DIVIDEND INCOME	239,763	190,716	49,047
421000 Misc Nonoperating Income	14,655	13,348	1,307
MISC NON OP INCOME MISC NON OPERATING INCOME	14,655	13,348	1,307
421198 O&M GAIN ON SALE OF ASSET OP	19,931	2,259	17,672
GAIN DISPO PROPERTY GAIN ON DISPOSITION PROPERTY	19,931	2,259	17,672
TOTAL OTHER INCOME	3,163,280	3,059,619	103,661
426100 MISC NONOPER DONATIONS	160,995	126,590	34,405
DONATIONS	160,995	126,590	34,405
426300 MISC NONOPER PENALTIES	86	1,508	(1,423)
PENALTIES	86	1,508	(1,423)
426400 MISC NONOPER CIVIC & POLITICAL	48,888	110,017	(61,129)
EXP CIVIC POLITICAL EXP CIVIC POLITICAL & RELATED	48,888	110,017	(61,129)
426500 MISC NONOPER OTHER	111,234	224,615	(113,381)
426501 MISC OPERATING	0	48	(48)
OTHER DEDUCTIONS	111,234	224,663	(113,430)
TTL OTH INC DEDUCT TOTAL OTHER INCOME DEDUCTIONS	321,203	462,779	(141,577)
408200 TAXES OTHR TN INCTAX NON UTIL	130,444	59,620	70,824
TAXES OTHER TAXES ON OTHER INCOME	130,444	59,620	70,824
409200 CURR INC TAX FED NONOPERATING	92,948	519,439	(426,491)

	Year-To-Date	Year-To-Date	Year-To-Date
	2019	2018	Variance
INC TAX FED OTHER FED INC TAX OTHER INC DED	92,948	519,439	(426,491)
409201 CURR INC TAX ST NONOPERATING	878,371	73,874	804,496
INC TAX STATE OTHER STATE INC TAX OTHER INC & DED	878,371	73,874	804,496
410200 DEFERRED INCOME TAXES - OTHER	165,040	(36,271)	201,310
410201 DEFERRED STATE INCOME TAXES - Non op	(785,902)	172,717	(958,619)
DEF INC TAX OTHER DEF TAX PROV OTHER INC & DED	(620,862)	136,446	(757,309)
TAXES OTH INC & DED TAXES OTHER INCOME & DEDUCTION	480,901	789,381	(308,480)
NET OTH INC & DED NET OTHER INCOME & DEDUCTIONS	2,361,176	1,807,459	553,717
<b>TOTAL OTHER INCOME &amp; DEDUCTIONS</b>	<b>2,361,176</b>	<b>1,807,459</b>	<b>553,717</b>
430000 I/C INTEREST EXPENSE TO UMP	155,252	357,665	(202,413)
430002 I/C INT EXP ALLOC FROM BHSC	157,441	9,045	148,396
430003 I/C UMP INT EXP TO AFFILIATE	204,207	196,781	7,427
430005 I/C INTEREST EXPENSE AFFILIATE	3,490,883	3,398,917	91,966
430006 I/C ALLOCATED INTEREST EXPENSE	365,445	0	365,445
430999 GAAP TO FERC - BANK FEES	(131,628)	(139,511)	7,883
INT DEBT ASSOC COMP INTEREST ON DEBT ASSOC COMPANY	4,241,601	3,822,897	418,704
431000 INTEREST EXPENSE - 3RD PARTY	9,017	15,138	(6,121)
431001 INTEREST ON CUSTOMER DEPOSITS	38,702	22,613	16,089
431500 CAPITALIZED INTEREST	(29,385)	(12,103)	(17,282)
OTH INTEREST EXPENSE OTHER INTEREST EXPENSE	18,334	25,648	(7,314)
432000 AFUDC DEBT	(92,750)	(60,858)	(31,892)
LESS AFUDC BORROWED	(92,750)	(60,858)	(31,892)
NET INTEREST CHRGS NET INTEREST CHARGES	4,167,184	3,787,687	379,498
<b>NET INTEREST CHARGES</b>	<b>4,167,184</b>	<b>3,787,687</b>	<b>379,498</b>
<b>NI BEFORE EXTRAORDINARY ITEMS</b>	<b>11,065,501</b>	<b>9,486,107</b>	<b>1,579,394</b>
EXTRAORDINARY ITEMS	0	0	0
<b>TOTAL NET INCOME</b>	<b>11,065,501</b>	<b>9,486,107</b>	<b>1,579,394</b>

Report: Income Stmt - QTD & YTD w Pr Yr for FERC Rpt Detail  
Printed: May 21, 2020 05:48 PM  
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, 2019**

Run For: Scenario, All Resource Codes, All Allocation Types  
 Data from the PSGLFERC Essbase Cube

Account Description	Y2019	Y2018	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
<b>ASSETS:</b>			
<b>UTILITY PLANT:</b>			
101000 PLANT IN SERVICE	278,582,731	260,976,839	17,605,892
101001 PLANT IN SERVICE INTANGIBLES	3,205,293	3,205,293	0
101110 RIGHT OF USE ASSET OPER LEASE	359,011	0	359,011
101340 NON UTILITY PLANT	(2,296,365)	(2,125,888)	(170,477)
101999 GAAP TO FERC PLANT	1,002,864	1,002,864	0
106000 COMPLETE NOT CLASSIFIED IN CPR	22,669,644	20,807,508	1,862,136
114000 PLANT ACQUISITION ADJUSTMENTS	5,234,286	5,234,286	0
114002 NEW PLANT ACQ	(124,688)	0	(124,688)
114003 PLANT ACQUISITION ADJ - OTHER	0	(124,688)	124,688
114005 PLANT ACQ ADJ - BHP	0	0	0
114999 GAAP TO FERC ACQ ADJ	(792,564)	(792,564)	0
118990 BHUHC UTILITY PLANT ALLOC	0	12,628,522	(12,628,522)
118999 COMMON UTILITY PLANT ALLOC	17,599,254	2,918,804	14,680,451
UTILITY PLANT	325,439,467	303,730,976	21,708,491
107000 CONSTRUCTION WORK IN-PROGRESS	2,652,555	653,174	1,999,381
CWIP Construction Work In Progress	2,652,555	653,174	1,999,381
TOTAL UTILITY PLANT	328,092,022	304,384,150	23,707,872
108000 PLT IN SERV-ACCUM DEPREC-ORIG	(93,551,780)	(92,396,826)	(1,154,954)
108001 RETIREMENT WORK IN PROGRESS	83,979	61,858	22,121
108002 PLT IN SERV-ACCUM DEPR-REM COS	(4,354,896)	(3,688,614)	(666,282)
108006 ACCUM AMORT - INTANGIBLES	(2,279,069)	(2,177,588)	(101,481)
108200 RIGHT OF USE ASSET AMORTIZATION	(244,841)	0	(244,841)
108340 PLT IN SERV_ACC AMORT NONUTILITY	801,437	668,182	133,255
108999 GAAP TO FERC ACCUM DEPR	(156,864)	(156,864)	0
111000 PLT IN SERV-ACC AMORT -REGUTIL	(19,062)	(19,387)	325
119990 BHUHC ACCUM DEPR-ALLOC	0	(4,924,869)	4,924,869
119998 UHC ACC DEPR CUR ALLOC	(982,411)	(958,951)	(23,459)
119999 COMMON UTIL-ACC DEPR-ALLOC	(7,025,843)	(1,452,649)	(5,573,194)
ACCUM DEPRECIATION	(107,729,349)	(105,045,707)	(2,683,642)
<b>NET UTILITY PLANT</b>	<b>220,362,673</b>	<b>199,338,443</b>	<b>21,024,229</b>
<b>OTHER PROPERTY AND INVESTMENTS:</b>			
121000 NONUTILITY PROPERTY	2,296,365	2,125,888	170,477
121990 BHUHC NON UTILITY PLANT ALLOC	0	560,796	(560,796)
121999 NON UTILITY PLANT ALLOC	778,142	153,621	624,521
NON UTILITY PROPERTY	3,074,507	2,840,306	234,201
122000 NON-UTIL PLT-ACCUM DEPR-ORIG	(801,437)	(668,182)	(133,255)
122990 BHUHC ACCUM DEPR-NON UTIL PLT	0	(306,469)	306,469
122999 NON UTIL-ACCDEPR-ALLOC	(416,670)	(76,455)	(340,215)
ACCUM PROV DEPREC ACCUM PROV FOR DEPRECIATION	(1,218,107)	(1,051,106)	(167,001)
<b>TTL OTH PROPERTY &amp; INVESTMENT</b>	<b>1,856,400</b>	<b>1,789,200</b>	<b>67,200</b>
<b>CURRENT AND ACCRUED ASSETS:</b>			
131148 WELLS FARGO OPER CASH	(602,738)	(1,036,028)	433,290
131149 WELLS FARGO OPER CASH - DISBUR	(153,317)	(129,388)	(23,928)
131150 WELLS FARGO UTIL DEPOSITORY	680,967	1,088,410	(407,443)
131154 WF BHE RM	27,673	1,020	26,653
131221 WELLS FARGO PMT SVCS	47,738	76,047	(28,308)
131230 WESTERN UNION	(78)	0	(78)
131233 WELLS FARGO EFT/CHECKLINE	(699)	(72)	(627)

Account Description	Y2019	Y2018	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
131234 WELLS FARGO COLLECTION AGENCY	453	453	0
CASH ACCOUNTS	0	441	(441)
142000 CUSTOMER ACCTS RECEIVABLE CIS	7,030,389	8,358,146	(1,327,757)
142002 CUSTOMER A/R MERC	139,577	248,556	(108,978)
142006 CUSTOMER A/R INSTALL	182,847	281,510	(98,663)
CUST ACCT RECEIVABLE CUSTOMER ACCOUNTS RECEIVABLE	7,352,813	8,888,211	(1,535,398)
143003 A/R CONTRIB IN AID OF CONSTRUC	46,051	58,920	(12,870)
143008 A/R DAMAGE CLAIMS	51,877	67,646	(15,770)
143012 A/R OTHER EMPLOYEE LOANS	4,951	4,910	40
143028 A/R TO BE COLLECTED FOR OTHERS	53	1,101	(1,047)
143060 A/R SHORT TERM NEG BAL RECLASS	12,951	264,683	(251,732)
OTHER ACCTS RECVBL OTHER ACCOUNTS RECEIVABLE	115,882	397,260	(281,379)
144000 ACCUM PROV FOR UNCOLL ACCTS	(294,528)	(367,408)	72,880
ACCUM PROV-UNCOLL ACCUM PROV FOR UNCOLLECTIBLE	(294,528)	(367,408)	72,880
146000 I/C ACCOUNTS RECEIVABLE	1,755,414	3,150,122	(1,394,708)
ACCTS REC INTER CO ACCTS RECEIVABLE INTER COMPANY	1,755,414	3,150,122	(1,394,708)
154000 MATERIALS AND SUPPLIES GENERAL	1,409,444	1,320,769	88,675
154003 INVENTORY MANUAL	71,878	81,083	(9,204)
154007 INVENTORY-TRANSFERS IN TRANSIT	0	0	0
PLANT MATERIAL & OP PLANT MATERIALS & OP SUPPLIES	1,481,322	1,401,851	79,471
163000 STORES EXPENSE UNDISTRIBUTED-	539,843	438,015	101,828
STORES EXP UNDIST STORES EXPENSE UNDISTRIBUTED	539,843	438,015	101,828
164100 GAS STORED UNDERGROUND-	(545,251)	(632,211)	86,960
164110 GAS STORED UNDERGROUND	2,997,316	3,568,576	(571,261)
GAS STORED UG CRNT GAS STORED UNDERGROUND CRNT	2,452,065	2,936,366	(484,300)
165002 PREPAID INSURANCE	34,346	28,377	5,969
165012 PREPAID OTHR	775	2,275	(1,500)
165180 PREPAID STATE TAXES	14,666	15,690	(1,023)
PREPAYMENTS	49,787	46,342	3,445
173000 ACCRUED UNBILLED REVENUES	7,665,220	8,105,742	(440,522)
ACCD UTILITY REVENUE ACCRUED UTILITY REVENUES	7,665,220	8,105,742	(440,522)
174000 EXCHANGE GAS RECEIVABLE	79,931	131,902	(51,972)
MISC CRNT ACCD ASSTS MISC CURRENT & ACCURED ASSETS	79,931	131,902	(51,972)
<b>TTL CURRENT &amp; ACCRUED ASSETS</b>	<b>21,197,748</b>	<b>25,128,844</b>	<b>(3,931,096)</b>
<b>DEFERRED DEBITS:</b>			
182300 REG ASSET OTHER	3,706	0	3,706
182310 REG ASSET PENSION PRIOR SVC	0	41,296	(41,296)
182315 REG ASSET RETIREE HC	1,075,249	491,762	583,487
182316 REG ASSET PENSION	5,174,760	4,601,192	573,568
182361 REG ASSET ST RECLASS	44,467	1,235,550	(1,191,084)
182375 REG ASSET LT OTHER INC TAX	1,455,619	842,661	612,958
OTHER REG ASSETS OTHER REGULATORY ASSETS	7,753,800	7,212,461	541,339
184000 FLEET/TRANSPORTATION CLEARING	66,039	55,126	10,913
184003 FIELD ENGINEERING CLEARING	168,630	82,140	86,490
184004 Field Eng Clearing Transmission	19	19	0
184040 CIS+ TRANSACTION CLEARING	608	0	608
184045 LEASE CLEARING	786	0	786
CLEARING ACCOUNTS	236,082	137,285	98,797
186001 MISC DEFERRED DEBITS-IN PROCES	76,618	76,618	0
MISC DEFERRED DEBITS	76,618	76,618	0
190300 Deferred Tax Asset - Include	5,936,947	0	5,936,947
190301 Deferred Tax Asset - Exclude	806,065	0	806,065
190520 DEFERRED TAX ASSET LT	0	5,698,471	(5,698,471)
190599 DEF TAX ASSET STATE INC TAX LT	0	206,471	(206,471)
ACCUM DEF INC TAXES ACCUM DEFERRED INCOME TAXES	6,743,012	5,904,942	838,070
191100 UNREC PGA ACT-GEN SYSTEM REAL	0	0	0

Account Description	Y2019	Y2018	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
191300 UNREC PGA CST UNBILLED	(4,007,216)	(4,820,359)	813,143
191540 REG ASST GCA ACTUAL	782,634	0	782,634
191541 UNREC PGA CST PND KS	0	(115,485)	115,485
191549 UNREC PGA CAPACITY RELEASE	(491,931)	(509,041)	17,111
191560 UNREC PGA CAP REL-SH SHAREDREV	245,965	254,521	(8,555)
191600 REG ASST GCA MTHLY ACCRUAL	833,990	2,763,914	(1,929,924)
UNREC PURCH GAS UNRECOVERED PURCHASED GAS	(2,636,558)	(2,426,450)	(210,108)
<b>DEFERRED DEBITS</b>	<b>12,172,954</b>	<b>10,904,856</b>	<b>1,268,098</b>
<b>TOTAL ASSETS AND OTHER DEBITS:</b>	<b>255,589,777</b>	<b>237,161,343</b>	<b>18,428,431</b>
<b><u>LIABILITIES AND SHAREHOLDERS EQUITY:</u></b>			
<b><u>PROPRIETARY CAPITAL:</u></b>			
211001 ADDL PAID IN CAPITAL	61,514,021	61,514,021	0
OTH PAID IN CAPITAL OTHER PAID IN CAPITAL	61,514,021	61,514,021	0
216000 RETAINED EARNINGS GENERAL	7,038,185	2,151,348	4,886,837
216020 CUM EFFECT ACCOUNTING ADJ	292	0	292
216999 GAAP TO FERC RETAINED EARNINGS	(253,662)	(253,662)	0
RETAINED EARNINGS	6,784,815	1,897,686	4,887,128
<b>TOTAL PROPRIETARY CAPITAL</b>	<b>68,298,836</b>	<b>63,411,707</b>	<b>4,887,128</b>
<b><u>LONG-TERM DEBT:</u></b>			
<b><u>OTHER NON-CURRENT LIABILITIES:</u></b>			
227100 OPERATING LEASE OBLIGATIONS	88,680	0	88,680
OBLIG UNDR CAP LEASE OBLIGATION UNDER CAPITAL LEASE	88,680	0	88,680
228202 RESERVE WORKERS' COMPENSATION	571,978	706,452	(134,474)
228204 RESERVE MEDICAL	144,856	123,701	21,155
ACCUM PROV INJRY DAM ACCUM PROV INJURIES & DAMAGES	716,834	830,154	(113,320)
228302 BENEFITS ACCRUAL PENSION	3,017,671	2,921,063	96,608
228400 BENEFITS ACCRUAL VEBA	331,216	0	331,216
ACCUM PROV PEN & BEN ACCUM PROV PENSIONS & BENFITS	3,348,888	2,921,063	427,824
229001 BILLINGS COLL SUBJECT TO REFUN	0	13,887	(13,887)
ACCUM PROV RATE RFND ACCUM PROV FOR RATE REFUNDS	0	13,887	(13,887)
<b>TTL OTR NONCRNT LIAB TTL OTHER NONCRNT LIABILITIES</b>	<b>4,154,402</b>	<b>3,765,104</b>	<b>389,298</b>
<b><u>CURRENT AND ACCRUED LIABILITIES:</u></b>			
232000 AP PEOPLESFT SUBLEDGER	538,540	914,438	(375,898)
232001 A/P INVENTORY ACCRUAL	8,287	0	8,287
232005 A/P PO ACCRUAL	32,943	40,247	(7,304)
232006 A/P GAS PURCHASES ESTIMATED	4,953,102	9,296,991	(4,343,889)
232009 A/P MANUAL	605,316	633,145	(27,829)
232014 A/P WH FLEX 125 DEPENDENT	3,256	2,226	1,030
232016 A/P WH HEALTH INSURANCE	20,983	18,403	2,580
232017 A/P WH PAC	55	40	15
232021 A/P WH EMPL DONATIONS	906	907	(1)
232022 A/P WH GARNISHMENTS	1,854	2,403	(548)
232023 A/P WH LIFE INSURANCE	5,289	4,664	625
232026 A/P CUSTOMER CARE	1,050	1,176	(126)
ACCTS PAYABLE ACCOUNTS PAYABLE	6,171,581	10,914,639	(4,743,058)
233000 I/C NOTES PAYABLE TO UMP	16,321,345	6,367,650	9,953,694
233053 I/C NOTES PAYABLE AFFILIATE	82,000,000	75,000,000	7,000,000
233100 I/C INTEREST PAYABLE TO UMP	25,604	16,355	9,249
233153 I/C INTEREST PAYABLE AFFILIATE	318,650	291,142	27,508
NOTE PAY INTER CO NOTES PAYABLE INTER COMPANY	98,665,598	81,675,147	16,990,451
234000 I/C ACCOUNTS PAYABLE	16,708,029	16,494,457	213,572
ACCT PAY INTER CO ACCOUNTS PAYABLE INTER COMPANY	16,708,029	16,494,457	213,572
235000 CUSTOMER DEPOSITS-	1,482,842	1,425,901	56,941

Account Description	Y2019	Y2018	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
CUSTOMER DEPOSITS	1,482,842	1,425,901	56,941
236000 ACCRUED INCOME TAXES FEDERAL	8,978	6,122	2,856
236001 ACCRUED INCOME TAXES STATE	0	0	0
236004 ACCRUED PROPERTY TAXES	2,241,866	2,111,305	130,561
236010 ACCRUED FICA TAX EMPLOYER	110,793	105,523	5,271
236011 ACCRUED FUTA TAX	0	1,262	(1,262)
236012 ACCRUED SUTA TAX	0	282	(282)
TAXES ACCRUED	2,361,637	2,224,494	137,143
241000 FICA WITHHOLDING TAXES PAYABLE	38,818	29,558	9,260
241001 FEDERAL WITHHOLDING TAXES PAYB	65,581	41,717	23,864
241002 TAX COLLECTION PAY CITY FRANCH	586,892	654,638	(67,746)
241004 STATE SALES AND USE TAX	145,426	230,226	(84,800)
241006 STATE WITHHOLDING TAXES PAYABL	22,526	16,465	6,062
TAX COLLECTED PAY TAX COLLECTIONS PAYABLE	859,244	972,604	(113,360)
242003 ACCRUED BENEFITS COMP ABSENCES	279,983	314,024	(34,042)
242013 ACCRUED BENEFITS 401K	119,228	108,770	10,458
242014 ACCRUED BONUS OTHER	0	22,899	(22,899)
242019 ACCRUED ENERGY AID ASSISTANCE	36,722	29,137	7,585
242020 ACCRUED CUSTOMER IMBALANCES	14,146	196,972	(182,826)
242028 ACCRD UNCL CHECKS/ESCHEATS	332	340	(8)
242041 ACCRUED INCENTIVE	864,491	947,128	(82,637)
242045 ACCRUED PAYROLL	272,476	255,626	16,850
242046 ACCRUED EE REIMBURSED EXP	15,740	13,180	2,561
242052 ACCRUED LT PERFORMANCE PLAN	24,138	10,067	14,071
242500 ACCRUED LONG TERM LIABILITIES	271,437	269,409	2,028
242560 ACCRD LIAB ST NEG BAL RECLASS	0	468	(468)
242999 ACCRUED OTHER	2,235,995	2,194,802	41,193
MISC CRNT ACCD LIAB MISC CURRENT & ACCRUED LIAB	4,134,688	4,362,821	(228,133)
243100 OPERATING LEASE OBLIGATION - ST	26,501	0	26,501
OBLIG CAP LEASE CRNT OBLIG UNDER CAP LEASE CURRENT	26,501	0	26,501
<b>TOTAL CURRENT &amp; ACCRUED LIAB</b>	<b>130,410,119</b>	<b>118,070,063</b>	<b>12,340,056</b>
<b>DEFERRED CREDITS:</b>			
252000 CUSTOMER ADVANCES FOR CONST	192,234	151,522	40,712
252001 CUST ADVANCE FOR CONST CURRENT	19,775	41,877	(22,102)
CUST ADV FOR CONSTR CUSTOMER ADVANCE CONSTRUCTION	212,009	193,398	18,611
253015 OTH DEF CR UNEARNED REVENUE	11,128	0	11,128
253520 FIN 48 LIABILITY	1	1	0
253700 OTH DEF CR ENERGY ASST PRGM	125,617	120,553	5,064
253999 OTH DEF CR OTHER	250,500	500,500	(250,000)
OTH DEFERRED CREDITS OTHER DEFERRED CREDITS	387,246	621,054	(233,808)
254000 REG LIAB OTHER LT	3,590,299	2,472,745	1,117,554
254001 REG LIAB EMISSIONS	0	0	0
254004 REG LIAB ACL PIPE REPL RIDR KS	0	0	0
254015 REG LIAB FLOWBACK EXCESS DEFTX	13,152,750	16,820,329	(3,667,579)
254020 REG LIAB PGA CR BAL RECLASS	0	0	0
254070 REG LIAB LT NEG BAL RECLASS	0	1,299,560	(1,299,560)
254100 REG LIAB LT RETIREE HC INC TAX	177,575	148,324	29,251
254200 REG LIABILITY LT PENSION INC TAX	1,868,605	1,400,255	468,350
254386 REG LIAB RETIREE MED TRACKER	440,771	321,065	119,706
OTH REGULATORY LIAB OTHER REGULATORY LIABILITIES	19,230,000	22,462,278	(3,232,278)
282100 DEF TAX PROPERTY LT	0	21,463,174	(21,463,174)
282300 Deferred Tax Liability Property - Include	29,904,945	0	29,904,945
282301 Deferred Tax Liability Property - Exclude	(957,085)	0	(957,085)
282599 DEF TAX LIAB STATE PROP LT	0	2,890,131	(2,890,131)
ACCUM DEF INC TAX PR ACCUM DEF INCOME TAXES PROPTY	28,947,860	24,353,306	4,594,554
283300 Deferred Tax Liability - Include	4,219	0	4,219



Account Description	Y2019	Y2018	Change from Prior Year End
	I-T-D(December)	I-T-D(December)	
283301 Deferred Tax Liability - Exclude	(7,427,511)	0	(7,427,511)
283440 DEFERRED TAX LIAB LT	0	(4,874,603)	4,874,603
283534 DEF TAX LIAB STATE INC TAX LT	0	(634,166)	634,166
283998 GAAP TO FERC-DEF TAX LT LIAB	307,098	290,178	16,920
283999 GAAP TO FERC-DEFTX LIAB-STATE	0	16,920	(16,920)
ACCUM DEF INC TAX OT ACCUM DEF INCOME TAX OTHER	(7,116,194)	(5,201,671)	(1,914,523)
<b>TOTAL DEFERRED CREDITS</b>	<b>41,660,921</b>	<b>42,428,365</b>	<b>(767,444)</b>
<b>UNDIST YTD NET INCOME</b>	11,065,501	9,486,107	1,579,394
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY:</b>	<b>255,589,779</b>	<b>237,161,346</b>	<b>18,428,432</b>
<b>Balance Sheet Tie Out (Assets=Liabilities)</b>	(2)	(3)	(1)

Report: Bal Sheet - Detail w Totals YTD & LYD FERC

Printed: May 21, 2020 06:05 PM

Data from the PSGLFERC Essbase Cube

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

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

For the fiscal year ended December 31, 2019

Or

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 IRS Identification Number 46-0458824

7001 Mount Rushmore Road Rapid City South Dakota 57702

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock of \$1.00 par value	BKH	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 every Interactive Data File required to be submitted 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 such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2019, was \$4,727,278,183

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

Class	Outstanding at January 31, 2020
Common stock, \$1.00 par value	61,475,403 shares

**Documents Incorporated by Reference**

Portions of the registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2020 Annual Meeting of Stockholders to be held on April 28, 2020, are incorporated by reference in Part III of this Form 10-K.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

Year ended	December 31, 2019	December 31, 2018	December 31, 2017
	(in thousands, except per share amounts)		
Revenue	\$ 1,734,900	\$ 1,754,268	\$ 1,680,266
Operating expenses:			
Fuel, purchased power and cost of natural gas sold	570,829	625,610	563,288
Operations and maintenance	495,994	481,706	454,605
Depreciation, depletion and amortization	209,120	196,328	188,246
Taxes - property and production	52,915	51,746	51,578
Other operating expenses	—	1,841	5,813
Total operating expenses	1,328,858	1,357,231	1,263,530
Operating income	406,042	397,037	416,736
Other income (expense):			
Interest charges -			
Interest expense incurred net of amounts capitalized (including amortization of debt issuance costs, premiums and discounts)	(145,847)	(143,720)	(140,533)
Allowance for funds used during construction - borrowed	6,556	2,104	2,415
Interest income	1,632	1,641	1,016
Allowance for funds used during construction - equity	472	619	2,321
Impairment of investment	(19,741)	—	—
Other income (expense), net	(6,212)	(1,799)	(213)
Total other income (expense)	(163,140)	(141,155)	(134,994)
Income before income taxes	242,902	255,882	281,742
Income tax benefit (expense)	(29,580)	23,667	(73,367)
Income from continuing operations	213,322	279,549	208,375
Net (loss) from discontinued operations	—	(6,887)	(17,099)
Net income	213,322	272,662	191,276
Net income attributable to noncontrolling interest	(14,012)	(14,220)	(14,242)
Net income available for common stock	\$ 199,310	\$ 258,442	\$ 177,034
Amounts attributable to common shareholders:			
Net income from continuing operations	\$ 199,310	\$ 265,329	\$ 194,133
Net (loss) from discontinued operations	—	(6,887)	(17,099)
Net income available for common stock	\$ 199,310	\$ 258,442	\$ 177,034
Earnings (loss) per share of common stock, Basic -			
Earnings from continuing operations	\$ 3.29	\$ 4.88	\$ 3.65
(Loss) from discontinued operations	—	(0.13)	(0.32)
Total earnings per share of common stock, Basic	\$ 3.29	\$ 4.75	\$ 3.33
Earnings (loss) per share of common stock, Diluted -			
Earnings from continuing operations	\$ 3.28	\$ 4.78	\$ 3.52
(Loss) from discontinued operations	—	(0.12)	(0.31)
Total earnings per share of common stock, Diluted	\$ 3.28	\$ 4.66	\$ 3.21
Weighted average common shares outstanding:			
Basic	60,662	54,420	53,221
Diluted	60,798	55,486	55,120

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Year ended	December 31, 2019	December 31, 2018	December 31, 2017
	(in thousands)		
Net income	\$ 213,322	\$ 272,662	\$ 191,276
Other comprehensive income (loss), net of tax:			
Benefit plan liability adjustments - net gain (loss) (net of tax of \$1,886, \$(660) and \$1,030, respectively)	(6,253)	2,155	(1,890)
Benefit plan liability adjustments - prior service costs (net of tax of \$2, \$0 and \$0, respectively)	(8)	—	—
Reclassification adjustment of benefit plan liability - net loss (net of tax of \$434, \$(586) and \$(585), respectively)	1,179	1,901	1,072
Reclassification adjustment of benefit plan liability - prior service cost (net of tax of \$19, \$43 and \$69, respectively)	(58)	(135)	(128)
Derivative instruments designated as cash flow hedges:			
Reclassification of net realized (gains) losses on settled/ amortized interest rate swaps (net of tax of \$(666), \$(599) and \$(1,029), respectively)	2,185	2,252	1,912
Net unrealized gains (losses) on commodity derivatives (net of tax of \$126, \$(228) and \$(135), respectively)	(422)	755	231
Reclassification of net realized (gains) losses on settled commodity derivatives (net of tax of \$55, \$(31) and \$154, respectively)	(362)	99	(516)
Other comprehensive income (loss), net of tax	(3,739)	7,027	681
Comprehensive income	209,583	279,689	191,957
Less: comprehensive income attributable to non-controlling interest	(14,012)	(14,220)	(14,242)
Comprehensive income available for common stock	\$ 195,571	\$ 265,469	\$ 177,715

See Note 16 for additional disclosures related to Comprehensive Income.

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

As of  
December 31, 2019    December 31, 2018  


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(in thousands)

**ASSETS**

Current assets:			
Cash and cash equivalents	\$	9,777	\$ 20,776
Restricted cash and equivalents		3,881	3,369
Accounts receivable, net		255,805	269,153
Materials, supplies and fuel		117,172	117,299
Derivative assets, current		342	1,500
Income tax receivable, net		16,446	12,978
Regulatory assets, current		43,282	48,776
Other current assets		26,479	29,982
Total current assets		473,184	503,833
Investments		21,929	41,013
Property, plant and equipment		6,784,679	6,000,015
Less accumulated depreciation and depletion		(1,281,493)	(1,145,136)
Total property, plant and equipment, net		5,503,186	4,854,879
Other assets:			
Goodwill		1,299,454	1,299,454
Intangible assets, net		13,266	14,337
Regulatory assets, non-current		228,062	235,459
Other assets, non-current		19,376	14,352
Total other assets, non-current		1,560,158	1,563,602
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>7,558,457</b>	<b>\$ 6,963,327</b>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Continued)

As of  
December 31, 2019    December 31, 2018  
(in thousands, except share amounts)

**LIABILITIES AND EQUITY**

Current liabilities:

Accounts payable	\$ 193,523	\$ 210,609
Accrued liabilities	226,767	215,501
Derivative liabilities, current	2,254	947
Regulatory liabilities, current	33,507	29,810
Notes payable	349,500	185,620
Current maturities of long-term debt	5,743	5,743
Total current liabilities	811,294	648,230

Long-term debt, net of current maturities	3,140,096	2,950,835
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Deferred credits and other liabilities:

Deferred income tax liabilities, net	360,719	311,331
Regulatory liabilities, non-current	503,145	510,984
Benefit plan liabilities	154,472	145,147
Other deferred credits and other liabilities	124,662	109,377
Total deferred credits and other liabilities	1,142,998	1,076,839

Commitments and contingencies (See Notes 6, 7, 8, 9, 14, 18, 19, and 20)

Equity:

Stockholders' equity -

Common stock \$1 par value; 100,000,000 shares authorized; issued: 61,480,658 and 60,048,567, respectively	61,481	60,049
Additional paid-in capital	1,552,788	1,450,569
Retained earnings	778,776	700,396
Treasury stock at cost - 3,956 and 44,253, respectively	(267)	(2,510)
Accumulated other comprehensive income (loss)	(30,655)	(26,916)
Total stockholders' equity	2,362,123	2,181,588
Noncontrolling interest	101,946	105,835
Total equity	2,464,069	2,287,423

<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>	<b>\$ 7,558,457</b>	<b>\$ 6,963,327</b>
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The accompanying Notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year ended	December 31, 2019	December 31, 2018	December 31, 2017
	(in thousands)		
<b>Operating activities:</b>			
Net income	\$ 213,322	\$ 272,662	\$ 191,276
Loss from discontinued operations, net of tax	—	6,887	17,099
Income from continuing operations	213,322	279,549	208,375
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation, depletion and amortization	209,120	196,328	188,246
Deferred financing cost amortization	7,838	7,845	8,261
Impairment of investment	19,741	—	—
Stock compensation	12,095	12,390	7,626
Deferred income taxes	38,020	(24,239)	80,992
Employee benefit plans	12,406	14,068	10,141
Other adjustments, net	16,485	5,836	(4,773)
<b>Change in certain operating assets and liabilities:</b>			
Materials, supplies and fuel	2,052	(2,919)	(10,089)
Accounts receivable and other current assets	7,578	(45,966)	4,534
Accounts payable and other current liabilities	(34,906)	5,305	(28,222)
Regulatory assets - current	23,619	33,608	(15,407)
Regulatory liabilities - current	(15,158)	18,533	(4,536)
Contributions to defined benefit pension plans	(12,700)	(12,700)	(27,700)
Other operating activities, net	6,001	6,689	(8,418)
Net cash provided by operating activities of continuing operations	505,513	494,327	409,030
Net cash provided by (used in) operating activities of discontinued operations	—	(5,516)	19,231
Net cash provided by operating activities	505,513	488,811	428,261
<b>Investing activities:</b>			
Property, plant and equipment additions	(818,376)	(457,524)	(326,010)
Purchase of investment	—	(24,429)	—
Other investing activities	2,166	(4,281)	1,011
Net cash (used in) investing activities of continuing operations	(816,210)	(486,234)	(324,999)
Net cash provided by investing activities of discontinued operations	—	20,385	7,881
Net cash (used in) investing activities	(816,210)	(465,849)	(317,118)
<b>Financing activities:</b>			
Dividends paid on common stock	(124,647)	(106,591)	(96,744)
Common stock issued	101,358	300,834	4,408
Net (payments) borrowings of short-term debt	163,880	(25,680)	114,700
Long-term debt - issuance	1,100,000	700,000	—
Long-term debt - repayments	(905,743)	(854,743)	(105,743)
Distributions to noncontrolling interests	(17,901)	(19,617)	(18,397)
Other financing activities	(16,737)	(11,260)	(6,919)
Net cash provided by (used in) financing activities	300,210	(17,057)	(108,695)
Net change in cash, restricted cash and cash equivalents	(10,487)	5,905	2,448
Cash, restricted cash and cash equivalents beginning of year	24,145	18,240	15,792
Cash, restricted cash and cash equivalents end of year	\$ 13,658	\$ 24,145	\$ 18,240

See [Note 17](#) for supplemental disclosure of cash flow information.

The accompanying [Notes to the Consolidated Financial Statements](#) are an integral part of these Consolidated Financial Statements.

**B6**



Kansas Ring Fencing Compliance  
Financial Ratios  
Total Debt to Total Capitalization

Black Hills Corporation  
(in thousands)

Attachment

06-GIMX-181-GIV

	<u>2019</u>
<i>Numerator</i>	
Notes payable	349,500
+ Commercial paper	-
+ Current maturities	5,743
+ Current capitalized lease obligations	-
+ Long term debt	3,140,096
+ Capitalized lease obligations	473
+ Total OBS Debt	<u>102,358</u>
	<u>3,598,170</u>
 <i>Denominator</i>	
Notes payable	349,500
+ Commercial paper	-
+ Current maturities	5,743
+ Current capitalized lease obligations	-
+ Long Term debt	3,140,096
+ Capitalized lease obligations	473
+ Common equity	2,464,069
+ Total OBS Debt	<u>102,358</u>
	<u>6,062,239</u>
	59.35%

Source: 2019 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

	2019
<i>Numerator</i>	
Net income from continuing operations	199,310
+ Depreciation, depletion & amortization	209,120
+ Deferred income taxes (net)	38,020
+ Investment tax credit amortization	-
- AFUDC - debt	6,556
- AFUDC - equity	472
+ (Income) loss from equity investments	-
+ (Gain) loss on property	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	439,422
+ Cash interest paid (net of interest capitalized)	131,774
+ AFUDC - debt	6,556
- Interest expense adjustment	-
+ Interest on OBS debt	-
	577,752
 <i>Denominator</i>	
Interest expense (net)	145,847
- Interest expense adjustment	-
+ AFDC - debt	6,556
+ Interest on OBS debt	-
	152,403
	3.7909

Source: 2019 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

	2019
<i>Numerator</i>	
Net income from continuing operations	199,310
+ Depreciation, depletion & amortization	209,120
+ Deferred income taxes (net)	38,020
+ Investment tax credit amortization	-
- AFUDC - debt	6,556
- AFUDC - equity	472
+ (Income) loss from equity investments	-
+ (Gain) loss on property	-
+ Deferred income taxes adjusted	-
Total Funds from operations (FFO)	439,422
+ Depreciation adjustment for Operating Leases	-
	439,422
<i>Denominator</i>	
Notes payable	349,500
+ Commercial paper	-
+ Current maturities	5,743
+ Current capitalized lease obligation	-
+ Long term debt	3,140,096
+ Capitalized lease obligations	473
+ Total OBS Debt	102,358
	3,598,170
	12.21%

Source: 2019 Black Hills Corporation Form 10-K

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**BLACK HILLS CORPORATION**  
**LIST OF EQUITY ANALYST REPORTS RECEIVED**  
**(May 5, 2019 to May 19, 2020)**

<b>Bank</b>	<b>Analyst</b>	<b>Date</b>
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	5/5/2019
Scotia Howard Weil	Andrew Weisel	5/5/2019
Scotia Howard Weil	Andrew Weisel	5/5/2019
Scotia Howard Weil	Andrew Weisel	5/8/2019
Scotia Howard Weil	Andrew Weisel	5/8/2019
Credit Suisse Securities	Michael Weinstein	5/13/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	5/16/2019
Credit Suisse Securities	Michael Weinstein	5/20/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	5/23/2019
Wells Fargo Capital Markets	Sarah Akers	5/23/2019
Credit Suisse Securities	Michael Weinstein	5/24/2019
Scotia Howard Weil	Andrew Weisel	5/28/2019
RBC Capital Markets	Shelby Tucker	6/5/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	6/7/2019
Wells Fargo Capital Markets	Sarah Akers	6/9/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	7/9/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	7/18/2019
RBC Capital Markets	Shelby Tucker	7/18/2019
Scotia Howard Weil	Andrew Weisel	7/19/2019
Credit Suisse Securities	Michael Weinstein	7/22/2019
RBC Capital Markets	Shelby Tucker	8/5/2019
Credit Suisse Securities	Michael Weinstein	8/6/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	8/7/2019
Scotia Howard Weil	Andrew Weisel	8/8/2019
Credit Suisse Securities	Michael Weinstein	8/9/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	8/19/2019
Fitch		8/29/2019
Wells Fargo Capital Markets	Sarah Akers	9/2/2019
Fitch		9/18/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	10/2/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	10/10/2019
Credit Suisse Securities	Michael Weinstein	10/21/2019
RBC Capital Markets	Shelby Tucker	10/24/2019
Wells Fargo Capital Markets	Sarah Akers	11/1/2019
RBC Capital Markets	Shelby Tucker	11/4/2019
Wells Fargo Capital Markets	Sarah Akers	11/4/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	11/5/2019
Credit Suisse Securities	Michael Weinstein	11/5/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	11/6/2019
Credit Suisse Securities	Michael Weinstein	11/7/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	11/8/2019
Credit Suisse Securities	Michael Weinstein	11/8/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	11/11/2019
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	11/14/2019
RBC Capital Markets	Shelby Tucker	11/14/2019
Wells Fargo Capital Markets	Sarah Akers	11/14/2019
Credit Suisse Securities	Michael Weinstein	11/15/2019
JP Morgan	Christopher Turnure	11/15/2019
Wells Fargo Capital Markets	Sarah Akers	11/15/2019
Wells Fargo Capital Markets	Sarah Akers	11/18/2019
Mizuho Securities	Paul Fremont	11/22/2019
Scotia Howard Weil	Andrew Weisel	12/5/2019
Mizuho Securities	Paul Fremont	12/19/2019
Moody's		12/19/2019
Scotia Howard Weil	Andrew Weisel	12/20/2019

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**(May 5, 2019 to May 19, 2020)**

<b>Bank</b>	<b>Analyst</b>	<b>Date</b>
Moody's		12/20/2019
Wells Fargo Capital Markets	Sarah Akers	1/9/2020
RBC Capital Markets	Shelby Tucker	1/15/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	1/16/2020
Scotia Howard Weil	Andrew Weisel	1/16/2020
Credit Suisse Securities	Michael Weinstein	1/17/2020
Mizuho Securities	Paul Fremont	1/21/2020
Scotia Howard Weil	Andrew Weisel	1/28/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	1/31/2020
Credit Suisse Securities	Michael Weinstein	2/6/2020
Wells Fargo Capital Markets	Sarah Akers	2/7/2020
Scotia Howard Weil	Andrew Weisel	2/9/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	2/10/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	2/24/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	2/25/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	2/26/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	2/28/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	3/3/2020
Scotia Howard Weil	Andrew Weisel	3/3/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	3/5/2020
Scotia Howard Weil	Andrew Weisel	3/6/2020
RBC Capital Markets	Shelby Tucker	3/9/2020
Scotia Howard Weil	Andrew Weisel	3/11/2020
Sidoti & Company	Brian Russo	3/11/2020
Scotia Howard Weil	Andrew Weisel	3/17/2020
Scotia Howard Weil	Andrew Weisel	3/20/2020
Siebert Williams Shank	Christopher Ellinghaus	3/20/2020
Credit Suisse Securities	Michael Weinstein	3/23/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	3/26/2020
Mizuho Securities	Paul Fremont	3/26/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	3/30/2020
Scotia Howard Weil	Andrew Weisel	3/30/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	4/3/2020
Scotia Howard Weil	Andrew Weisel	4/6/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	4/7/2020
Sidoti & Company	Brian Russo	4/13/2020
S&P		4/13/2020
Wells Fargo Capital Markets	Sarah Akers	4/14/2020
Scotia Howard Weil	Andrew Weisel	4/21/2020
Wells Fargo Capital Markets	Sarah Akers	4/27/2020
RBC Capital Markets	Shelby Tucker	4/28/2020
Bank of Americal Merrill Lynch	Julien Dumoulin-Smith	4/29/2020
Credit Suisse Securities	Michael Weinstein	5/1/2020
Scotia Howard Weil	Andrew Weisel	5/1/2020
Credit Suisse Securities	Michael Weinstein	5/4/2020
RBC Capital Markets	Shelby Tucker	5/4/2020
Wells Fargo Capital Markets	Sarah Akers	5/5/2020
Scotia Howard Weil	Andrew Weisel	5/6/2020
Sidoti & Company	Brian Russo	5/6/2020
Siebert Williams Shank	Christopher Ellinghaus	5/6/2020
Scotia Howard Weil	Andrew Weisel	5/10/2020
RBC Capital Markets	Shelby Tucker	5/11/2020
RBC Capital Markets	Shelby Tucker	5/17/2020
Credit Suisse Securities	Michael Weinstein	5/19/2020