

## SECTION 2 , RULE 004.04 - OPERATING EXPENSE SCHEDULES

Application Section & Exhibit	Rule Ref	Testimony Exhibit Cross Reference	Topic	Witness
<b>General Information</b>				
Section 1, Exhibit A	004.02A		Base Year Test Year	Amdor
Section 1, Exhibit B	004.02B		Case Drivers	Amdor
Section 1, Exhibit B2	004.02B		Customer Impacts	Sullivan
Section 1, Exhibit C	004.02C	MCC-2 Stmt M	Financial Summary	Clevinger
Section 1, Exhibit D	004.02D		Corporate Structure	Amdor
Section 1, Exhibit E	004.02E	MCC-2 Stmt A, Stmt B	Financial Statements	Clevinger
Section 1, Exhibit F	004.02F		Annual Report	Amdor
Section 1, Exhibit G	004.02G		Witness List	Amdor
<b>Rate Base Schedules</b>				
Section 2, Exhibit A	004.03A	MCC-2 Stmt D, Stmt E, & Sch M-1	Rate Base Schedules	Clevinger
Section 2, Exhibit A1	004.03A1	MCC-2 Stmt E	Utility Plant - Depr.	Clevinger
Section 2, Exhibit A2	004.03A2	MCC-2 Stmt F & Lead Lag Study	Working Capital	Clevinger
Section 2, Exhibit A3	004.03A3	MCC-2 Sch M-1	Other Rate Base Items	Clevinger
Section 2, Exhibit B	004.03B	MCC-2 Stmt D, Stmt E, & Sch M-1	Allocated Rate Base	Clevinger
Section 2, Exhibit C	004.03C	KMJ-4	2020 Capital Additions	Jarosz
<b>Operating Expense Schedules</b>				
Section 2, Exhibit A	004.04A	MCC-2 Stmt H	Operating Expenses	Clevinger
Section 2, Exhibit B	004.04B		Legislative Advocacy	Clevinger
Section 2, Exhibit C	004.04C		Political Candidates	Clevinger
Section 2, Exhibit D	004.04D		Political Religious Causes	Clevinger
Section 2, Exhibit E	004.04E		Memberships and Dues	Clevinger
Section 2, Exhibit F	004.04F		Affiliate Transactions	Clevinger
Section 2, Exhibit G	004.04G		Cost Allocation Manuel	Clevinger
<b>Rate of Return and Cost of Capital Schedules</b>				
Section 2, Exhibit 5A	004.05A	MCC-2 Stmt G & Sch G-1	Cost of Capital / ROR	Clevinger
Section 2, Exhibit 5B	004.05B	MCC-2 Stmt G & Sch G-1	Cost of Capital / ROR	Clevinger

<b>Application Section &amp; Exhibit</b>	<b>Rule Ref</b>	<b>Testimony Exhibit Cross Reference</b>	<b>Topic</b>	<b>Witness</b>
<b>Revenue Schedules</b>				
Section 3, Exhibit A	004.06A		Rate Rev. unadjusted	Hyatt
Section 3, Exhibit B	004.06B		Rate Rev. normalized	Hyatt
Section 3, Exhibit C	004.06B1		Using Current Rate	Hyatt
Section 3 - DNH-7	004.06B2	DNH-7	Using Proposed Rates	Hyatt
<b>Class Cost of Service Study</b>				
Section 4, Exhibit A	004.07		Class Cost of Service Study	Sullivan
Section 4, Exhibit B	004.07		Class Cost of Service Study	Sullivan
<b>Prefiled Direct Testimony and Exhibits</b>				
Section 5 - Direct Testimony	004.08		Testimony and Exhibits	Various
<b>Tariffs</b>				
Section 6 - Tariffs (Clean & Red-Lined)	No rule reference		Clean and Redlined Tariffs	Frost
<b>Workpapers</b>				
Section 7 - Workpapers	004.01C		Workpapers	Various

Black Hills Nebraska Gas, LLC

Application Exhibit No. 1

Section 2, Exhibit A

Operating Expense Schedules

For the Test Year Ended December 31, 2019

Rule 004.04A

**Revenue Requirement Study**

The Revenue Requirement Study is also identified as Exhibit No. MCC-2 within testimony provided in this Rate Review Application.

**Operating Expense Schedules for the Base Year and Test Year.**

The Operating Expense schedules for this Rate Review Application are provided in the Revenue Requirement Study, Statement H. Statement H is replicated in the pages below.

*241 Neb. Admin. Code. Ch. 9, Rule 004.04A. (Commission Rules Section III)*



BLACK HILLS NEBRASKA GAS, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDING DECEMBER 31, 2020

Sect III: 004.04A  
 Exhibit No. MCC-2  
 Statement H

Line No.	FERC Acct	Description	(a) Base Year Adjusted	(b) Sched H-1	(c) Sched H-2	(d) Sched H-3	(e) Sched H-4	(f) Sched H-5	(g) Sched H-6	(h) Sched H-7	(i) Sched H-8	(j) Sched H-9
61												
62		<b>Total Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63												
64		<b>Transmission Expense</b>										
65		<b>Operation</b>										
66	850	Operation Supervision & Engineering	\$ 203,254	\$ -	\$ (1,843)	\$ -	\$ -	\$ -	\$ 2,387	\$ -	\$ -	\$ -
67	851	System Control & Load Dispatching	1,180	-	-	-	25	-	13	-	-	-
68	852	Communication System Expenses	-	-	-	-	-	-	-	-	-	-
69	853	Compressor Labor & Expense	-	-	-	-	-	-	-	-	-	-
70	856	Mains Expense	63,014	-	-	-	26	-	-	-	-	-
71	857	Measuring & Regulating Station Expense	12,311	-	-	-	7	-	-	-	-	-
72	859	Other Expenses	64,900	-	-	-	172	-	905	-	-	-
73	860	Rents	-	-	-	-	-	-	-	-	-	-
74		<b>Total Operation</b>	\$ 344,659	\$ -	\$ (1,843)	\$ -	\$ 231	\$ -	\$ 3,304	\$ -	\$ -	\$ -
75												
76		<b>Maintenance</b>										
77	861	Maintenance Supervision & Engineering	\$ 17,231	\$ -	\$ (64)	\$ -	\$ -	\$ -	\$ 411	\$ -	\$ -	\$ -
78	862	Maintenance of Structures & Improvements	-	-	-	-	-	-	-	-	-	-
79	863	Maintenance of Mains	3,182	-	-	-	194	-	(0)	-	-	-
80	864	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-
81	865	Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-	-	-	-	-	-
82	866	Maintenance of Communication Equipment	134	-	-	-	8	-	0	-	-	-
83	867	Maintenance of Other Equipment	-	-	-	-	-	-	-	-	-	-
84		<b>Total Maintenance</b>	\$ 20,547	\$ -	\$ (64)	\$ -	\$ 202	\$ -	\$ 411	\$ -	\$ -	\$ -
85												
86		<b>Total Transmission Expense</b>	\$ 365,206	\$ -	\$ (1,907)	\$ -	\$ 433	\$ -	\$ 3,715	\$ -	\$ -	\$ -
87												
88		<b>Distribution Expense</b>										
89		<b>Operation</b>										
90	870	Dist. Operating and Supervision Engineering	\$ 3,911,607	\$ (143)	\$ (3,965)	\$ -	\$ 258,382	\$ -	\$ 3,934	\$ -	\$ -	\$ -
91	871	Dist. Load Dispatching	832	-	-	-	-	-	-	-	-	-
92	872	Compressor Station Labor & Expense	147	-	-	-	-	-	-	-	-	-
93	874	Oper./Inspect Underground Dist. Mains - Gas	6,687,347	(14,126)	-	-	695,688	-	26	-	-	-
94	875	Dist. Measuring & Regulating Station Expense - General	1,509,155	(344,922)	-	-	77,480	-	-	-	-	-
95	876	Dist. Measuring & Regulating Station Expense - Industrial	22,849	-	-	-	1,841	-	-	-	-	-
96	877	Measuring & Regulating Station Expense - City Gate Check Station	179,143	-	-	-	26,053	-	-	-	-	-
97	878	Oper./Inspect Meters & Collect Data - Gas	1,600,377	(1,774)	-	-	189,102	-	3	-	-	-
98	879	Dist. Customer Installation Expense	1,160,183	(1,971)	-	-	117,237	-	-	-	-	-
99	880	Dist. Ops. Other Expenses	8,973,797	(3,931)	(2,086)	-	986,098	-	346	-	-	-
100	881	Dist. Oper. Rents	36,571	-	-	-	-	-	3	-	-	-
101		<b>Total Operation</b>	\$ 24,082,009	\$ (366,867)	\$ (6,051)	\$ -	\$ 2,351,881	\$ -	\$ 4,311	\$ -	\$ -	\$ -
102												
103		<b>Maintenance</b>										
104	885	Dist. Maint. Supervision & Engineering	\$ 203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
105	886	Maintenance of Structures & Improvements	302	-	-	-	-	-	-	-	-	-
106	887	Perf. Underground Distribution Line Maintenance - Gas	511,842	(14,595)	-	-	39,798	-	(2)	-	-	-
107	888	Dist. Maint. of Compressor Station Equipment	6,878	-	-	-	1,014	-	(1)	-	-	-
108	889	Maintenance of Measuring & Regulating Station Expense -General	294,799	(175)	-	-	16,066	-	-	-	-	-
109	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	79,113	(26)	-	-	6,635	-	-	-	-	-
110	891	Maintenance of Measuring & Regulating Station - City Gate Check Stn.	497,327	(1,742)	-	-	23,412	-	-	-	-	-
111	892	Dist. Maint. of Services	422,369	(143)	-	-	47,068	-	-	-	-	-
112	893	Dist. Maint. of Meters & House Regulators	1,021,188	(1,685)	-	-	80,293	-	(1,141)	-	-	-
113	894	Dist. Maint. of Other Equipment	131,916	-	-	-	19,226	-	-	-	-	-
114		<b>Total Maintenance</b>	\$ 2,965,936	\$ (18,367)	\$ -	\$ -	\$ 233,514	\$ -	\$ (1,144)	\$ -	\$ -	\$ -
115												
116		<b>Total Distribution Expense</b>	\$ 27,047,946	\$ (385,233)	\$ (6,051)	\$ -	\$ 2,585,395	\$ -	\$ 3,167	\$ -	\$ -	\$ -

**BLACK HILLS NEBRASKA GAS, LLC**  
**OPERATING AND MAINTENANCE EXPENSES**  
**FOR THE TEST YEAR ENDING DECEMBER 31, 2020**

**Sect III: 004.04A**  
**Exhibit No. MCC-2**  
**Statement H**

Line No.	FERC Acct	Description	(a) Base Year Adjusted	(b) Sched H-1	(c) Sched H-2	(d) Sched H-3	(e) Sched H-4	(f) Sched H-5	(g) Sched H-6	(h) Sched H-7	(i) Sched H-8	(j) Sched H-9
117												
118		<b>Customer Account Expenses</b>										
119		<b>Operation</b>										
120	901	Customer Accounts Supervision	\$ 254,770	\$ -	\$ -	\$ -	\$ 1,890	\$ -	\$ 2,830	\$ -	\$ -	\$ -
121	902	Meter Reading Expense	664,995	-	-	-	70,977	-	83	-	-	-
122	903	Customer Record & Collection Expense	5,763,196	(1,640)	-	-	43,634	-	50,220	-	243,387	-
123	904	Uncollectible Accounts	519,241	-	-	-	-	-	-	177,782	-	-
124	905	Miscellaneous Customer Accounts Expense	161,857	-	-	-	2,215	-	2,875	-	-	-
125		<b>Total Customer Account Expense</b>	<b>\$ 7,364,060</b>	<b>\$ (1,640)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 118,716</b>	<b>\$ -</b>	<b>\$ 56,007</b>	<b>\$ 177,782</b>	<b>\$ 243,387</b>	<b>\$ -</b>
126												
127		<b>Customer Service and Information Expenses</b>										
128		<b>Operation</b>										
129	907	Supervision	\$ 101,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,223	\$ -	\$ -	\$ -
130	908	Customer Assistance Expense	132,164	-	(409)	-	-	-	869	-	-	-
131	909	Informational/Instructional Advertising Expense	17,850	-	(17,193)	-	-	-	7	-	-	-
132	910	Miscellaneous Cust Serv & Inform Expense	3,857	-	(16)	-	-	-	(30)	-	-	-
133		<b>Total Customer Srvc &amp; Inform Exp.</b>	<b>\$ 255,757</b>	<b>\$ -</b>	<b>\$ (17,618)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,070</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
134												
135		<b>Sales Expenses</b>										
136		<b>Operation</b>										
137	911	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
138	912	Demonstrating and Selling Expense	352,923	-	(8,538)	-	1,631	-	1,252	-	-	-
139	913	Advertising Expenses	208,274	-	(206,976)	-	353	-	83	-	-	-
140	916	Miscellaneous Sales Expense	326	-	-	-	-	-	1	-	-	-
141		<b>Total Sales Expense</b>	<b>\$ 561,524</b>	<b>\$ -</b>	<b>\$ (215,514)</b>	<b>\$ -</b>	<b>\$ 1,984</b>	<b>\$ -</b>	<b>\$ 1,336</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
142												
143		<b>Administrative &amp; General Expense</b>										
144		<b>Operation</b>										
145	920	Administrative & General Salaries	\$ 11,029,388	\$ -	\$ -	\$ -	\$ 53,547	\$ -	\$ 2,265,233	\$ -	\$ -	\$ -
146	921	Office Supplies & Expense	3,723,829	-	(105,854)	-	29	-	698,375	-	-	-
147	922	Administrative Expense Transferred-Cr	(2,373,972)	-	-	-	-	-	(874,617)	-	-	-
148	923	Outside Services Employed	3,281,237	(411,096)	-	-	-	-	162,910	-	-	-
149	924	Property Insurance	31,740	-	-	-	-	-	75	-	-	-
150	925	Injuries and Damages	1,439,451	-	-	-	-	-	88,201	-	-	-
151	926	Employee Pensions and Benefits	8,937,872	-	-	-	213,287	328,708	2,276,143	-	-	212,676
152	927	Franchise Requirements	-	-	-	-	-	-	-	-	-	-
153	928	Regulatory Commission Expense	-	-	-	-	-	-	-	-	-	-
154	929	Duplicate Charges - Credit	(1,240)	-	-	-	-	-	(30)	-	-	-
155	930.1	General Advertising Expense	410,817	-	(412,156)	-	-	-	(2,168)	-	-	-
156	930.2	Miscellaneous General Expense	1,331,686	(56,679)	(17,733)	-	(9)	-	48,946	-	-	-
157	931	Rents	2,465,662	-	-	-	-	-	697,391	-	-	-
158		<b>Total Operation</b>	<b>\$ 30,276,470</b>	<b>\$ (467,775)</b>	<b>\$ (535,744)</b>	<b>\$ -</b>	<b>\$ 266,854</b>	<b>\$ 328,708</b>	<b>\$ 5,360,459</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 212,676</b>
159												
160		<b>Maintenance</b>										
161	932	Maintenance of General Plant	\$ 1,670,501	\$ -	\$ -	\$ -	\$ 46	\$ -	\$ 36,611	\$ -	\$ -	\$ -
162		<b>Total Administrative &amp; General Exp</b>	<b>\$ 31,946,971</b>	<b>\$ (467,775)</b>	<b>\$ (535,744)</b>	<b>\$ -</b>	<b>\$ 266,900</b>	<b>\$ 328,708</b>	<b>\$ 5,397,071</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 212,676</b>
163												
164		<b>Total Operating &amp; Maintenance Exp</b>	<b>\$ 143,067,314</b>	<b>\$ (854,648)</b>	<b>\$ (776,834)</b>	<b>\$ (75,525,851)</b>	<b>\$ 2,973,428</b>	<b>\$ 328,708</b>	<b>\$ 5,463,365</b>	<b>\$ 177,782</b>	<b>\$ 243,387</b>	<b>\$ 212,676</b>

BLACK HILLS NEBRASKA GAS, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDING DECEMBER 31, 2020

Sect III: 004.04A  
 Exhibit No. MCC-2  
 Statement H

Line No.	FERC Acct	Description	(k)	(l)	(m)	(n)	(o)
			Sched H-10	Sched H-11	Sched H-12	Total Adjustments	Adjusted Total
1							
2		<b>Production and Gathering</b>					
3		<b>Operation</b>					
4	750	Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -
5	752	Gas Wells Expense	-	-	-	-	-
6	753	Field Line Expense	-	-	-	-	-
7	754	Field Compressor Station Expense	-	-	-	-	-
8	755	Field Compressor Station Fuel and Power	-	-	-	-	-
9	756	Field Measuring & Regulating Station Expense	-	-	-	-	-
10	757	Purification Expense	-	-	-	-	-
11	758	Gas Well Royalties	-	-	-	-	-
12	759	Other Expenses	-	-	-	-	-
13	760	Rents	-	-	-	-	-
14		<b>Total Production Operation Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
15							
16		<b>Maintenance</b>					
17	761	Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -
18	762	Maintenance of Structures & Improvements	-	-	-	-	-
19	763	Maintenance of Producing Gas Wells	-	-	-	-	-
20	764	Maintenance of Field Lines	-	-	-	-	-
21	765	Maintenance of Field Compressor Station Equipment	-	-	-	-	-
22	766	Maintenance of Field Measuring & Regulating Station Equipment	-	-	-	-	-
23	767	Maintenance of Purification Equipment	-	-	-	-	-
24		<b>Total Production Maintenance Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
25							
26							
27		<b>Other Gas Supply Expense</b>					
28		<b>Operation</b>					
29	804	Natural Gas City Gate Purchase	\$ -	\$ -	\$ -	\$ (70,953,810)	\$ -
30	805	Other Gas Purchases	-	-	-	2,419,037	-
31	805.1	Purchased Gas Cost Adjustments	-	-	-	(5,499,380)	-
32	806	Exchange Gas	-	-	-	-	-
33	808	Gas Storage-Gas Ops	-	-	-	-	-
34	808.1	Withdrawals from Storage	-	-	-	(10,881,933)	-
35	808.2	Gas Delivered to Storage	-	-	-	9,373,035	-
36	812	Gas Used for Other Utility Operation	-	-	-	17,200	-
37	813	Other Gas Supply Expense	-	-	-	-	-
38		<b>Total Other Gas Supply Expense</b>	\$ -	\$ -	\$ -	\$ (75,525,851)	\$ -
39							
40		<b>Underground Storage Expense</b>					
41		<b>Operation</b>					
42	814	Operation Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -
43	816	Wells Expense	-	-	-	-	-
44	817	Lines Expense	-	-	-	-	-
45	818	Compressor Station Expense	-	-	-	-	-
46	819	Compressor Station Fuel and Power	-	-	-	-	-
47	820	Storage - Measuring & Regulating Station Expense	-	-	-	-	-
48	821	Purification Expense	-	-	-	-	-
49	824	Other Expenses	-	-	-	-	-
50	826	Rents	-	-	-	-	-
51		<b>Total Operation Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -
52							
53		<b>Maintenance</b>					
54	830	Maintenance Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ -
55	832	Maintenance of Reservoirs & Wells	-	-	-	-	-
56	833	Maintenance of Lines	-	-	-	-	-
57	834	Maintenance of Compressor Station Equipment	-	-	-	-	-
58	835	Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-
59	836	Maintenance of Purification Equipment	-	-	-	-	-
60		<b>Total Maintenance Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -

BLACK HILLS NEBRASKA GAS, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDING DECEMBER 31, 2020

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 Exhibit No. MCC-2  
 Statement H

Line No.	FERC Acct	Description	(k)	(l)	(m)	(n)	(o)
			Sched H-10	Sched H-11	Sched H-12	Total Adjustments	Adjusted Total
61							
62		<b>Total Underground Storage Expense</b>	\$ -	\$ -	\$ -	\$ -	\$ -
63							
64		<b>Transmission Expense</b>					
65		<b>Operation</b>					
66	850	Operation Supervision & Engineering	\$ -	\$ -	\$ (42)	\$ 502	\$ 203,756
67	851	System Control & Load Dispatching	-	-	(5)	33	1,213
68	852	Communication System Expenses	-	-	-	-	-
69	853	Compressor Labor & Expense	-	-	-	-	-
70	856	Mains Expense	-	-	(2)	24	63,039
71	857	Measuring & Regulating Station Expense	-	-	(1)	6	12,317
72	859	Other Expenses	-	-	(47)	1,030	65,930
73	860	Rents	-	-	-	-	-
74		<b>Total Operation</b>	\$ -	\$ -	\$ (97)	\$ 1,595	\$ 346,254
75							
76		<b>Maintenance</b>					
77	861	Maintenance Supervision & Engineering	\$ -	\$ -	\$ (48)	\$ 299	\$ 17,530
78	862	Maintenance of Structures & Improvements	-	-	-	-	-
79	863	Maintenance of Mains	-	-	(18)	176	3,357
80	864	Maintenance of Compressor Station Equipment	-	-	-	-	-
81	865	Maintenance of Measuring & Regulating Station Equipment	-	-	-	-	-
82	866	Maintenance of Communication Equipment	-	-	-	8	143
83	867	Maintenance of Other Equipment	-	-	-	-	-
84		<b>Total Maintenance</b>	\$ -	\$ -	\$ (66)	\$ 483	\$ 21,030
85							
86		<b>Total Transmission Expense</b>	\$ -	\$ -	\$ (163)	\$ 2,078	\$ 367,284
87							
88		<b>Distribution Expense</b>					
89		<b>Operation</b>					
90	870	Dist. Operating and Supervision Engineering	\$ -	\$ -	\$ (18,212)	\$ 239,996	\$ 4,151,603
91	871	Dist. Load Dispatching	-	-	(1)	(1)	830
92	872	Compressor Station Labor & Expense	-	-	-	-	147
93	874	Oper./Inspect Underground Dist. Mains - Gas	-	161,999	(33,524)	810,063	7,497,411
94	875	Dist. Measuring & Regulating Station Expense - General	-	-	(4,829)	(272,271)	1,236,884
95	876	Dist. Measuring & Regulating Station Expense - Industrial	-	-	(162)	1,679	24,528
96	877	Measuring & Regulating Station Expense - City Gate Check Station	-	-	(1,126)	24,928	204,071
97	878	Oper./Inspect Meters & Collect Data - Gas	-	-	(11,602)	175,729	1,776,106
98	879	Dist. Customer Installation Expense	-	-	(7,154)	108,113	1,268,296
99	880	Dist. Ops. Other Expenses	-	-	(56,502)	923,925	9,897,722
100	881	Dist. Oper. Rents	-	-	-	3	36,574
101		<b>Total Operation</b>	\$ -	\$ 161,999	\$ (133,112)	\$ 2,012,162	\$ 26,094,171
102							
103		<b>Maintenance</b>					
104	885	Dist. Maint. Supervision & Engineering	\$ -	\$ -	\$ -	\$ -	\$ 203
105	886	Maintenance of Structures & Improvements	-	-	-	-	302
106	887	Perf. Underground Distribution Line Maintenance - Gas	-	-	(3,334)	21,867	533,709
107	888	Dist. Maint. of Compressor Station Equipment	-	-	(6)	1,008	7,885
108	889	Maintenance of Measuring & Regulating Station Expense -General	-	-	(1,309)	14,583	309,381
109	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	-	-	(402)	6,207	85,321
110	891	Maintenance of Measuring & Regulating Station - City Gate Check Stn.	-	-	(1,978)	19,692	517,019
111	892	Dist. Maint. of Services	-	-	(3,101)	43,825	466,194
112	893	Dist. Maint. of Meters & House Regulators	-	-	(7,427)	70,040	1,091,228
113	894	Dist. Maint. of Other Equipment	-	-	(1,093)	18,133	150,049
114		<b>Total Maintenance</b>	\$ -	\$ -	\$ (18,648)	\$ 195,354	\$ 3,161,290
115							
116		<b>Total Distribution Expense</b>	\$ -	\$ 161,999	\$ (151,760)	\$ 2,207,516	\$ 29,255,462

BLACK HILLS NEBRASKA GAS, LLC  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR ENDING DECEMBER 31, 2020

Sect III: 004.04A  
 Exhibit No. MCC-2  
 Statement H

Line No.	FERC Acct	Description	(k)	(l)	(m)	(n)	(o)
			Sched H-10	Sched H-11	Sched H-12	Total Adjustments	Adjusted Total
117							
118		<b>Customer Account Expenses</b>					
119		<b>Operation</b>					
120	901	Customer Accounts Supervision	\$ -	\$ -	\$ (328)	\$ 4,391	\$ 259,162
121	902	Meter Reading Expense	-	-	(5,504)	65,556	730,551
122	903	Customer Record & Collection Expense	-	-	(4,080)	331,521	6,094,718
123	904	Uncollectible Accounts	-	-	-	177,782	697,023
124	905	Miscellaneous Customer Accounts Expense	-	-	(233)	4,857	166,714
125		<b>Total Customer Account Expense</b>	\$ -	\$ -	\$ (10,144)	\$ 584,108	\$ 7,948,168
126							
127		<b>Customer Service and Information Expenses</b>					
128		<b>Operation</b>					
129	907	Supervision	\$ -	\$ -	\$ (4)	\$ 1,220	\$ 103,107
130	908	Customer Assistance Expense	-	-	(30)	430	132,593
131	909	Informational/Instructional Advertising Expense	-	-	-	(17,186)	664
132	910	Miscellaneous Cust.Serv & Inform Expense	-	-	(0)	(46)	3,811
133		<b>Total Customer Srvc &amp; Inform Exp.</b>	\$ -	\$ -	\$ (34)	\$ (15,582)	\$ 240,175
134							
135		<b>Sales Expenses</b>					
136		<b>Operation</b>					
137	911	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -
138	912	Demonstrating and Selling Expense	-	-	(231)	(5,886)	347,037
139	913	Advertising Expenses	-	-	-	(206,539)	1,735
140	916	Miscellaneous Sales Expense	-	-	-	1	327
141		<b>Total Sales Expense</b>	\$ -	\$ -	\$ (231)	\$ (212,424)	\$ 349,099
142							
143		<b>Administrative &amp; General Expense</b>					
144		<b>Operation</b>					
145	920	Administrative & General Salaries	\$ -	\$ -	\$ -	\$ 2,318,779	\$ 13,348,167
146	921	Office Supplies & Expense	-	-	-	592,550	4,316,380
147	922	Administrative Expense Transferred-Cr	-	-	-	(874,617)	(3,248,589)
148	923	Outside Services Employed	-	-	-	(248,186)	3,033,051
149	924	Property Insurance	-	-	-	75	31,815
150	925	Injuries and Damages	-	-	-	88,201	1,527,652
151	926	Employee Pensions and Benefits	-	-	-	3,030,814	11,968,686
152	927	Franchise Requirements	-	-	-	-	-
153	928	Regulatory Commission Expense	-	-	-	-	-
154	929	Duplicate Charges - Credit	-	-	-	(30)	(1,270)
155	930.1	General Advertising Expense	-	-	-	(414,324)	(3,507)
156	930.2	Miscellaneous General Expense	142,854	-	(58)	117,321	1,449,007
157	931	Rents	-	-	-	697,391	3,163,053
158		<b>Total Operation</b>	\$ 142,854	\$ -	\$ (58)	\$ 5,307,974	\$ 35,584,444
159							
160		<b>Maintenance</b>					
161	932	Maintenance of General Plant	\$ -	\$ -	\$ (5)	\$ 36,652	\$ 1,707,153
162		<b>Total Administrative &amp; General Exp</b>	\$ 142,854	\$ -	\$ (63)	\$ 5,344,627	\$ 37,291,598
163							
164		<b>Total Operating &amp; Maintenance Exp</b>	\$ 142,854	\$ 161,999	\$ (162,394)	\$ (67,615,528)	\$ 75,451,785

**Legislative Advocacy expenses sought in the application, whether made directly or indirectly, including but not limited to, legislative advocacy expenses included in professional or trade association dues.**

There are no legislative advocacy expenses sought in this Rate Review Application.

*241 Neb. Admin. Code. Ch. 9, Rule 004.04B. (Commission Rules Section III).*

Political Candidates  
For the Test Year Ended December 31, 2019

Rule 004.04C

**Funds expended in support of or in opposition to political candidates and sought in the application.**

There are no funds expended in support of or in opposition to political candidates and sought in this Rate Review Application.

*241 Neb. Admin. Code. Ch. 9, Rule 004.04C. (Commission Rules Section III)*

Political Candidates  
For the Test Year Ended December 31, 2019

Rule 004.04D

**Funds expended in promotion of or in opposition to political or religious causes and sought in the application.**

There are no funds expended in promotion of or in opposition to political or religious causes sought in this Rate Review Application.

*241 Neb. Admin. Code. Ch. 9, Rule 004.04D. (Commission Rules Section III)*

Black Hills Nebraska Gas, LLC

Application Exhibit No. 1  
Section 2, Exhibit E

Funds Expended in Support of or Membership In  
Social, Recreational, Fraternal, or Religious Clubs or Organizations  
For the Test Year Ended December 31, 2019

Rule 004.04E

**Funds expended in support of or membership in social, recreational, fraternal or religious clubs or organizations.**

Funds expended in support of or membership in social, recreational, fraternal or religious clubs or organization sought in this Rate Review Application is provided on the page(s) to follow.

*241 Neb. Admin. Code. Ch. 9, Rule 004.04E. (Commission Rules Section III)*

**BLACK HILLS NEBRASKA GAS, LLC**  
Dues and Subscriptions Memberships List  
For the Base Year Ended December 31 , 2019

Sum of Amount Dues Type	Name	Account			Allowed			Adjustment		
		913000	921000	930200	Allowed	Allowed	Allowed	913000	921000	930200
<b>Association</b>	ALBION ECONOMIC DEVELOPMENT CO			50	100%	100%	100%	-	-	-
	AUBURN DEVELOPMENT COUNCIL			500	100%	100%	100%	-	-	-
	AURORA DEVELOPMENT CO.			2,250	100%	100%	100%	-	-	-
	BOX BUTTE DEVELOPMENT CORPORATION			1,000	100%	100%	100%	-	-	-
	CASS COUNTY NEBRASKA ECONOMIC			5,300	100%	100%	100%	-	-	-
	CITY OF PAPILLION			2,500	100%	100%	100%	-	-	-
	COZAD DEVELOPMENT CORP			250	100%	100%	100%	-	-	-
	CUSTER ECONOMIC DEVELOPMENT CORPORA			500	100%	100%	100%	-	-	-
	ECONOMIC DEVELOPMENT COUNCIL			5,000	100%	100%	100%	-	-	-
	GAGE AREA GROWTH ENTERPRISE INC			2,500	100%	100%	100%	-	-	-
	GATEWAY DEVELOPMENT CORPORATION			3,000	100%	100%	100%	-	-	-
	LEAGUE OF NEBRASKA MUNICIPALITIES			400	100%	100%	100%	-	-	-
	LINCOLN INDEPENDENT BUSINESS ASSOCIATION			285	100%	100%	100%	-	-	-
	NEBRASKA BROADCASTERS ASSOCIATION INC			300	100%	100%	100%	-	-	-
	NEBRASKA ECONOMIC DEVELOPERS ASSOCIATION			195	100%	100%	100%	-	-	-
	NEBRASKA SAFETY COUNCIL INC			500	100%	100%	100%	-	-	-
	NORTHEAST NEBRASKA ECONOMIC DEVLPMNT DIS			500	100%	100%	100%	-	-	-
	NORTHWEST NEBRASKA DEVELOPMENT CORP			500	100%	100%	100%	-	-	-
	PHELPS COUNTY DEVELOPMENT CORP			2,000	100%	100%	100%	-	-	-
	SARPY COUNTY ECONOMIC DEVELOPMENT CORP		0	19,870	100%	100%	100%	-	-	-
	THE LAVISTA COMMUNITY FOUNDATION		0	3,500	100%	100%	100%	-	-	-
	TWIN CITIES DEVELOPMENT ASSOCIATION INC			2,000	100%	100%	100%	-	-	-
	WAYNE AREA ECONOMIC DEVELOPMENT INC			2,000	100%	100%	100%	-	-	-
	<b>Association Total</b>		<b>0</b>	<b>54,900</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fraternal</b>	HEMINGFORD COMMUNITY FCU			100	50%	50%	50%	-	-	(50)
	NORFOLK LIONS CLUB			320	50%	50%	50%	-	-	(160)
	UNITED WAY OF THE MIDLANDS			1,500	50%	50%	50%	-	-	(750)
	WAKEFIELD COMMUNITY CLUB			75	50%	50%	50%	-	-	(38)
	OLD TOWN KEARNEY ASSOCIATION			30	50%	50%	50%	-	(15)	-
	ROTARY CLUB OF BEATRICE			517	50%	50%	50%	-	(259)	-
<b>Fraternal Total</b>			<b>547</b>	<b>1,995</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>-</b>	<b>(274)</b>	<b>(998)</b>
<b>Organization</b>	ALBION CHAMBER OF COMMERCE			275	100%	100%	100%	-	-	-
	ALLIANCE CHAMBER OF COMMERCE			1,290	100%	100%	100%	-	-	-
	BEATRICE CHAMBER OF COMMERCE INC			1,000	100%	100%	100%	-	-	-
	BELLEVUE CHAMBER OF COMMERCE INC			0	100%	100%	100%	-	-	-
	BLAIR AREA CHAMBER OF COMMERCE	750		250	100%	100%	100%	-	-	-
	CHADRON CHAMBER OF COMMERCE			1,780	100%	100%	100%	-	-	-
	CHEYENNE COUNTY CHAMBER OF COMMERCE			690	100%	100%	100%	-	-	-
	COZAD AREA CHAMBER OF COMMERCE			248	100%	100%	100%	-	-	-
	CRETE CHAMBER OF COMMERCE			625	100%	100%	100%	-	-	-
	FAIRBURY CHAMBER OF COMMERCE			260	100%	100%	100%	-	-	-
	FULLERTON AREA CHAMBER OF COMMERCE			60	100%	100%	100%	-	-	-
	GORDON CHAMBER OF COMMERCE			599	100%	100%	100%	-	-	-
	GOTHENBURG AREA CHAMBER OF COMMERCE			600	100%	100%	100%	-	-	-
	GREATER LINCOLN CHAMBER FOUNDATION INC			5,000	100%	100%	100%	-	-	-
GREATER OMAHA CHAMBER OF COMMERCE			13,887	100%	100%	100%	-	-	-	

GRETNA AREA CHAMBER OF COMMERCE		1,070		100%	100%	100%	-	-	-
HARTINGTON CHAMBER OF COMMERCE		175		100%	100%	100%	-	-	-
HENDERSON CHAMBER OF COMMERCE		200		100%	100%	100%	-	-	-
HOLDREGE AREA CHAMBER OF COMMERCE		1,050		100%	100%	100%	-	-	-
KIMBALL BANNER COUNTY CHAMBER OF COMMERCE		500		100%	100%	100%	-	-	-
LEXINGTON AREA CHAMBER OF COMMERCE		455		100%	100%	100%	-	-	-
LINCOLN CHAMBER ECONOMIC DEVEL CORP		15,000		100%	100%	100%	-	-	-
LINCOLN CHAMBER OF COMMERCE		33,385		100%	100%	100%	-	-	-
MADISON AREA CHAMBER OF COMMERCE		150		100%	100%	100%	-	-	-
MINDEN CHAMBER OF COMMERCE		575		100%	100%	100%	-	-	-
NEBRASKA CHAMBER OF COMMERCE & INDUSTRY		100		100%	100%	100%	-	-	-
NORFOLK AREA CHAMBER OF COMMERCE	120	3,000		100%	100%	100%	-	-	-
NORTH BEND CHAMBER OF COMMERCE		64		100%	100%	100%	-	-	-
OGALLALA KEITH COUNTY CHAMBER OF COMMERCE	0	750		100%	100%	100%	-	-	-
ORD CHAMBER OF COMMERCE		385		100%	100%	100%	-	-	-
PERKINS COUNTY CHAMBER OF COMMERCE		275		100%	100%	100%	-	-	-
PLATTSMOUTH CHAMBER OF COMMERCE		2,000		100%	100%	100%	-	-	-
RAVENNA CHAMBER OF COMMERCE		400		100%	100%	100%	-	-	-
SARPY COUNTY CHAMBER OF COMMERCE		11,300		100%	100%	100%	-	-	-
SOUTH PLATTE UNITED CHAMBERS OF COMMERCE		400		100%	100%	100%	-	-	-
SUTTON AREA CHAMBER OF COMMERCE INC		500		100%	100%	100%	-	-	-
WAVERLY COMMUNITY CHAMBER OF COMMERCE		200		100%	100%	100%	-	-	-
WESTERN DOUGLAS COUNTY CHAMBER OF COMMERCE		480		100%	100%	100%	-	-	-
YORK AREA CHAMBER OF COMMERCE		330		100%	100%	100%	-	-	-
NELIGH CHAMBER OF COMMERCE	350			100%	100%	100%	-	-	-
BUTLER COUNTY CHAMBER OF COMMERCE	550			100%	100%	100%	-	-	-
COLUMBUS AREA CHAMBER OF COMMERCE	2,325			100%	100%	100%	-	-	-
<b>Organization Total</b>	<b>750</b>	<b>4,345</b>	<b>98,307</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Trade Association</b>									
HOME BUILDERS ASSOCIATION OF LINCOLN	0		6,320	100%	100%	100%	-	-	-
LINCOLN BUILDERS BUREAU			1,235	100%	100%	100%	-	-	-
LINCOLN HEATING AND AC ASSOCIATION			75	100%	100%	100%	-	-	-
NORFOLK AREA HOME BUILDERS ASSN			400	100%	100%	100%	-	-	-
SOUTHERN GAS ASSOCIATION			27,500	100%	100%	100%	-	-	-
NEBRASKA STATE HOME BUILDERS	360			100%	100%	100%	-	-	-
COLUMBUS HOME BUILDERS ASSOCIATION	400			100%	100%	100%	-	-	-
LINCOLN HOME BUILDERS CARE FOUNDATION	60			100%	100%	100%	-	-	-
<b>Trade Association Total</b>	<b>0</b>	<b>820</b>	<b>35,530</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>750</b>	<b>5,712</b>	<b>190,732</b>				<b>-</b>	<b>(274)</b>	<b>(998)</b>
Trade Association	AGA Dues	82,125	81,465	163,591	100%	100%	100%	-	-
Out of State		6,243	103,590	2,088	0%	0%	0%	(6,243)	(103,590)
<b>Total</b>		<b>89,118</b>	<b>190,767</b>	<b>356,412</b>				<b>(6,243)</b>	<b>(103,864)</b>
								<b>(3,086)</b>	

**Schedules detailing all affiliate transactions.**

A schedule detailing all affiliate transactions in this Rate Review Application is provided on the page(s) to follow.

**NOTE:** Transactions between BH Nebraska Gas and BHSC (a Shared Resources Affiliate) flow through the Cost Allocation Manual, and are not required to be listed on this schedule.

*241 Neb. Admin. Code. Ch. 9, Rule 004.04F. (Commission Rules Section III)*

**BLACK HILLS NEBRASKA GAS, LLC**  
Affiliate Transaction listing  
For the Base Year Ending December 31, 2019

Sum of MONETARY_AMOUNT		BUSINESS_UNIT			
Affiliate	ACCOUNT	50506	50513	Grand Total	
BH COLORADO ELECTRIC LLC	107000		-16,579	1,669	-14,909
BH COLORADO ELECTRIC LLC	108001		-31	28	-3
BH COLORADO ELECTRIC LLC	184000			647	647
BH COLORADO ELECTRIC LLC	184003		92	-212	-120
BH COLORADO ELECTRIC LLC	408100		7	6	13
BH COLORADO ELECTRIC LLC	408200		0	0	1
BH COLORADO ELECTRIC LLC	417101		27	12	39
BH COLORADO ELECTRIC LLC	920000		98	77	175
BH COLORADO ELECTRIC LLC	921000		380	298	678
BH COLORADO ELECTRIC LLC	926000		28	22	50
<b>BH COLORADO ELECTRIC LLC Total</b>			<b>-15,977</b>	<b>2,547</b>	<b>-13,429</b>
BH ENERGY ARKANSAS, INC	101599		27	6	32
BH ENERGY ARKANSAS, INC	107000		2,430	-506	1,924
BH ENERGY ARKANSAS, INC	144000			-717	-717
BH ENERGY ARKANSAS, INC	163000		-126	27	-98
BH ENERGY ARKANSAS, INC	182999		-27	-6	-32
BH ENERGY ARKANSAS, INC	184000		125	773	898
BH ENERGY ARKANSAS, INC	184003		-137		-137
BH ENERGY ARKANSAS, INC	408100		661	511	1,172
BH ENERGY ARKANSAS, INC	408200		22	10	32
BH ENERGY ARKANSAS, INC	417101		485	223	708
BH ENERGY ARKANSAS, INC	852000		67		67
BH ENERGY ARKANSAS, INC	870000		3,129	2,384	5,513
BH ENERGY ARKANSAS, INC	879000		32		32
BH ENERGY ARKANSAS, INC	880000		3,717	2,829	6,546
BH ENERGY ARKANSAS, INC	892000		34		34
BH ENERGY ARKANSAS, INC	893000		36	27	63
BH ENERGY ARKANSAS, INC	903000		734	577	1,311
BH ENERGY ARKANSAS, INC	905000		8	6	14
BH ENERGY ARKANSAS, INC	920000		6,371	4,982	11,353
BH ENERGY ARKANSAS, INC	921000		1,214	908	2,122
BH ENERGY ARKANSAS, INC	923000		133	101	234
BH ENERGY ARKANSAS, INC	926000		3,127	2,420	5,546
BH ENERGY ARKANSAS, INC	929000		6	3	10
BH ENERGY ARKANSAS, INC	930200		-64	-49	-113
<b>BH ENERGY ARKANSAS, INC Total</b>			<b>22,004</b>	<b>14,511</b>	<b>36,514</b>
BH IOWA GAS UTILITY CO LLC	107000		11,643	236	11,879
BH IOWA GAS UTILITY CO LLC	108001		68		68
BH IOWA GAS UTILITY CO LLC	163000		7,582	5,768	13,350
BH IOWA GAS UTILITY CO LLC	184000			294	294
BH IOWA GAS UTILITY CO LLC	184003		-1,692		-1,692
BH IOWA GAS UTILITY CO LLC	184015		0		0
BH IOWA GAS UTILITY CO LLC	408100		3,439	2,620	6,059
BH IOWA GAS UTILITY CO LLC	408200		30	22	52
BH IOWA GAS UTILITY CO LLC	416800		238	183	421
BH IOWA GAS UTILITY CO LLC	417101		398	293	690
BH IOWA GAS UTILITY CO LLC	870000		500	381	882
BH IOWA GAS UTILITY CO LLC	880000		681	399	1,080
BH IOWA GAS UTILITY CO LLC	888000		38	26	64
BH IOWA GAS UTILITY CO LLC	893000		58,251	29,598	87,849
BH IOWA GAS UTILITY CO LLC	903000		-30	-24	-54
BH IOWA GAS UTILITY CO LLC	905000		12	10	22
BH IOWA GAS UTILITY CO LLC	920000		1,878	1,439	3,318
BH IOWA GAS UTILITY CO LLC	921000		-37	549	512

**BLACK HILLS NEBRASKA GAS, LLC**  
Affiliate Transaction listing  
For the Base Year Ending December 31, 2019

Sum of MONETARY_AMOUNT		BUSINESS_UNIT			
Affiliate	ACCOUNT	50506	50513	Grand Total	
BH IOWA GAS UTILITY CO LLC	926000		11,294	8,605	19,899
BH IOWA GAS UTILITY CO LLC	930200		7	6	13
<b>BH IOWA GAS UTILITY CO LLC Total</b>			<b>94,297</b>	<b>50,407</b>	<b>144,704</b>
BLACK HILLS COLORADO GAS, INC	101599			55	55
BLACK HILLS COLORADO GAS, INC	107000			927	927
BLACK HILLS COLORADO GAS, INC	108599			-240	-240
BLACK HILLS COLORADO GAS, INC	182999			5	5
BLACK HILLS COLORADO GAS, INC	184000		100		100
BLACK HILLS COLORADO GAS, INC	184003		13	-142	-129
BLACK HILLS COLORADO GAS, INC	254002			-8,248	-8,248
BLACK HILLS COLORADO GAS, INC	408100		311	258	569
BLACK HILLS COLORADO GAS, INC	408200		1	1	2
BLACK HILLS COLORADO GAS, INC	417000			0	0
BLACK HILLS COLORADO GAS, INC	417101		59	44	103
BLACK HILLS COLORADO GAS, INC	870000		6,551	4,993	11,545
BLACK HILLS COLORADO GAS, INC	880000		188	626	814
BLACK HILLS COLORADO GAS, INC	887000		106	81	187
BLACK HILLS COLORADO GAS, INC	905000		35	27	62
BLACK HILLS COLORADO GAS, INC	920000		125	97	222
BLACK HILLS COLORADO GAS, INC	921000		277	216	493
BLACK HILLS COLORADO GAS, INC	926000		1,107	928	2,035
BLACK HILLS COLORADO GAS, INC	930200		-145	-110	-256
BLACK HILLS COLORADO GAS, INC	932000		11	9	20
BLACK HILLS COLORADO GAS, INC	935000		0	0	0
<b>BLACK HILLS COLORADO GAS, INC Total</b>			<b>8,737</b>	<b>-472</b>	<b>8,265</b>
BLACK HILLS NEBRASKA GAS, LLC	101599			54,715	54,715
BLACK HILLS NEBRASKA GAS, LLC	108599			-22,892	-22,892
BLACK HILLS NEBRASKA GAS, LLC	182999		0	-31,716	-31,716
BLACK HILLS NEBRASKA GAS, LLC	184003			9,471	9,471
BLACK HILLS NEBRASKA GAS, LLC	403599			22,892	22,892
BLACK HILLS NEBRASKA GAS, LLC	408100			4,277	4,277
BLACK HILLS NEBRASKA GAS, LLC	408200			591	591
BLACK HILLS NEBRASKA GAS, LLC	416800			11,422	11,422
BLACK HILLS NEBRASKA GAS, LLC	417101			64,497	64,497
BLACK HILLS NEBRASKA GAS, LLC	430005			40,510	40,510
BLACK HILLS NEBRASKA GAS, LLC	430999			-40,510	-40,510
BLACK HILLS NEBRASKA GAS, LLC	812000			-3,034	-3,034
BLACK HILLS NEBRASKA GAS, LLC	870000			5,922	5,922
BLACK HILLS NEBRASKA GAS, LLC	880000			1,281	1,281
BLACK HILLS NEBRASKA GAS, LLC	913000			9	9
BLACK HILLS NEBRASKA GAS, LLC	920000			64,002	64,002
BLACK HILLS NEBRASKA GAS, LLC	921000			9,228	9,228
BLACK HILLS NEBRASKA GAS, LLC	926000			2,065,445	2,065,445
BLACK HILLS NEBRASKA GAS, LLC	926549			-22,997	-22,997
BLACK HILLS NEBRASKA GAS, LLC	929000			-462	-462
BLACK HILLS NEBRASKA GAS, LLC	930299			40,510	40,510
<b>BLACK HILLS NEBRASKA GAS, LLC Total</b>			<b>0</b>	<b>2,273,161</b>	<b>2,273,161</b>
BLACK HILLS POWER INC	101599		-5	-1	-6
BLACK HILLS POWER INC	107000		1,189	1,549	2,738
BLACK HILLS POWER INC	108001		3		3
BLACK HILLS POWER INC	163000		79		79
BLACK HILLS POWER INC	182999		5	1	6
BLACK HILLS POWER INC	184000		32	162	194
BLACK HILLS POWER INC	184003		-155	-36	-191

**BLACK HILLS NEBRASKA GAS, LLC**  
Affiliate Transaction listing  
For the Base Year Ending December 31, 2019

Sum of MONETARY_AMOUNT		BUSINESS_UNIT			
Affiliate	ACCOUNT	50506	50513	Grand Total	
BLACK HILLS POWER INC	408100		24	19	43
BLACK HILLS POWER INC	408200		15	14	29
BLACK HILLS POWER INC	416800		247	191	438
BLACK HILLS POWER INC	417000		0	0	0
BLACK HILLS POWER INC	417101		310	122	432
BLACK HILLS POWER INC	417162			35	35
BLACK HILLS POWER INC	903000		0	0	0
BLACK HILLS POWER INC	920000		351	273	624
BLACK HILLS POWER INC	921000		701	546	1,247
BLACK HILLS POWER INC	923000		4,546	2,780	7,326
BLACK HILLS POWER INC	926000		86	67	153
<b>BLACK HILLS POWER INC Total</b>			<b>7,428</b>	<b>5,722</b>	<b>13,150</b>
CHEYENNE LIGHT FUEL AND POWER	101599		-64	-64	-127
CHEYENNE LIGHT FUEL AND POWER	107000		2,776	-1,088	1,688
CHEYENNE LIGHT FUEL AND POWER	182999		64	64	127
CHEYENNE LIGHT FUEL AND POWER	184000			5,291	5,291
CHEYENNE LIGHT FUEL AND POWER	184003		-290	-6	-295
CHEYENNE LIGHT FUEL AND POWER	408100		859	654	1,514
CHEYENNE LIGHT FUEL AND POWER	408200		-1	0	-2
CHEYENNE LIGHT FUEL AND POWER	417101		50	15	65
CHEYENNE LIGHT FUEL AND POWER	870000		20,607	15,685	36,292
CHEYENNE LIGHT FUEL AND POWER	903000		186	146	333
CHEYENNE LIGHT FUEL AND POWER	920000		512	395	906
CHEYENNE LIGHT FUEL AND POWER	921000		524	129	652
CHEYENNE LIGHT FUEL AND POWER	926000		4,576	3,489	8,065
<b>CHEYENNE LIGHT FUEL AND POWER Total</b>			<b>29,799</b>	<b>24,709</b>	<b>54,508</b>
BLACK HILLS CORP	163000		-228	-174	-401
BLACK HILLS CORP	182999			0	0
BLACK HILLS CORP	417101		0	0	0
BLACK HILLS CORP	426300		0	0	0
BLACK HILLS CORP	920000		0	0	0
BLACK HILLS CORP	930200		99	75	174
<b>BLACK HILLS CORP Total</b>			<b>-129</b>	<b>-98</b>	<b>-227</b>
BH ENERGY SERVICES CO	408200		8	6	15
BH ENERGY SERVICES CO	416800		87	67	154
BH ENERGY SERVICES CO	417101		66	50	116
BH ENERGY SERVICES CO	921000		29	23	52
<b>BH ENERGY SERVICES CO Total</b>			<b>191</b>	<b>146</b>	<b>337</b>
BH KANSAS GAS UTILITY CO LLC	101599		90		90
BH KANSAS GAS UTILITY CO LLC	107000		1,026		1,026
BH KANSAS GAS UTILITY CO LLC	182999		-90		-90
BH KANSAS GAS UTILITY CO LLC	184003		-64		-64
BH KANSAS GAS UTILITY CO LLC	408100		361	272	633
BH KANSAS GAS UTILITY CO LLC	408200		95	70	165
BH KANSAS GAS UTILITY CO LLC	416101		33	25	58
BH KANSAS GAS UTILITY CO LLC	416800		2,044	1,573	3,617
BH KANSAS GAS UTILITY CO LLC	417101		194	91	285
BH KANSAS GAS UTILITY CO LLC	870000		4,355	3,316	7,671
BH KANSAS GAS UTILITY CO LLC	874000		69		69
BH KANSAS GAS UTILITY CO LLC	905000		137	107	244
BH KANSAS GAS UTILITY CO LLC	920000		4,470	3,461	7,931
BH KANSAS GAS UTILITY CO LLC	921000		117	203	321
BH KANSAS GAS UTILITY CO LLC	926000		2,237	1,729	3,966
<b>BH KANSAS GAS UTILITY CO LLC Total</b>			<b>15,072</b>	<b>10,848</b>	<b>25,920</b>

**BLACK HILLS NEBRASKA GAS, LLC**  
Affiliate Transaction listing  
For the Base Year Ending December 31, 2019

Sum of MONETARY_AMOUNT		BUSINESS_UNIT		
Affiliate	ACCOUNT	50506	50513	Grand Total
BLACK HILLS WYOMING GAS, LLC	101000			-54,126
BLACK HILLS WYOMING GAS, LLC	101599		2	2
BLACK HILLS WYOMING GAS, LLC	107000		541	3,874
BLACK HILLS WYOMING GAS, LLC	108000			35,256
BLACK HILLS WYOMING GAS, LLC	108001		0	0
BLACK HILLS WYOMING GAS, LLC	146000			18,870
BLACK HILLS WYOMING GAS, LLC	182999		-2	-2
BLACK HILLS WYOMING GAS, LLC	184000			1,340
BLACK HILLS WYOMING GAS, LLC	184003		-132	-40
BLACK HILLS WYOMING GAS, LLC	232036			-60
BLACK HILLS WYOMING GAS, LLC	254101			187,076
BLACK HILLS WYOMING GAS, LLC	408100		248	233
BLACK HILLS WYOMING GAS, LLC	408200		0	0
BLACK HILLS WYOMING GAS, LLC	417000			0
BLACK HILLS WYOMING GAS, LLC	417101		8	4
BLACK HILLS WYOMING GAS, LLC	850000		39	39
BLACK HILLS WYOMING GAS, LLC	870000		9,549	7,268
BLACK HILLS WYOMING GAS, LLC	875001			7
BLACK HILLS WYOMING GAS, LLC	879000			124
BLACK HILLS WYOMING GAS, LLC	880000		110	84
BLACK HILLS WYOMING GAS, LLC	902000			663
BLACK HILLS WYOMING GAS, LLC	905000		156	119
BLACK HILLS WYOMING GAS, LLC	920000		89	69
BLACK HILLS WYOMING GAS, LLC	921000		378	288
BLACK HILLS WYOMING GAS, LLC	923000		199	4
BLACK HILLS WYOMING GAS, LLC	926000		1,226	1,057
<b>BLACK HILLS WYOMING GAS, LLC Total</b>			<b>12,411</b>	<b>202,110</b>
ROCKY MOUNTAIN NATURAL GAS LLC	101599		4	4
ROCKY MOUNTAIN NATURAL GAS LLC	107000		461	597
ROCKY MOUNTAIN NATURAL GAS LLC	182999		-4	-4
ROCKY MOUNTAIN NATURAL GAS LLC	184000			30
ROCKY MOUNTAIN NATURAL GAS LLC	184003		-57	-57
ROCKY MOUNTAIN NATURAL GAS LLC	870000		8	6
ROCKY MOUNTAIN NATURAL GAS LLC	893000		8	6
ROCKY MOUNTAIN NATURAL GAS LLC	921000		35	27
<b>ROCKY MOUNTAIN NATURAL GAS LLC Total</b>			<b>455</b>	<b>666</b>
BLACK HILLS UTIL HOLDINGS INC	107000		0	-7
BLACK HILLS UTIL HOLDINGS INC	108001			7
BLACK HILLS UTIL HOLDINGS INC	163000		0	0
BLACK HILLS UTIL HOLDINGS INC	183200		0	0
BLACK HILLS UTIL HOLDINGS INC	184000		0	0
BLACK HILLS UTIL HOLDINGS INC	184003		0	0
BLACK HILLS UTIL HOLDINGS INC	417101		211	97
BLACK HILLS UTIL HOLDINGS INC	419050		-25,503	-19,505
BLACK HILLS UTIL HOLDINGS INC	430000		28,640	21,904
BLACK HILLS UTIL HOLDINGS INC	859000		0	0
BLACK HILLS UTIL HOLDINGS INC	880000			0
BLACK HILLS UTIL HOLDINGS INC	903000		4,005	3,148
<b>BLACK HILLS UTIL HOLDINGS INC Total</b>			<b>7,352</b>	<b>5,644</b>
WYODAK RESOURCES DEV CORP	163000		4,939	-221
WYODAK RESOURCES DEV CORP	417101		0	0
WYODAK RESOURCES DEV CORP	921000		20	15
WYODAK RESOURCES DEV CORP	926000		-10	-8
<b>WYODAK RESOURCES DEV CORP Total</b>			<b>4,949</b>	<b>-213</b>

**BLACK HILLS NEBRASKA GAS, LLC**  
Affiliate Transaction listing  
For the Base Year Ending December 31, 2019

Sum of MONETARY_AMOUNT		BUSINESS_UNIT		
Affiliate	ACCOUNT	50506	50513	Grand Total
<b>Grand Total</b>		<b>186,591</b>	<b>2,589,686</b>	<b>2,776,277</b>

**Cost Allocation Manual including description of any changes made since the cost allocation was last approved.**

The December 2019 Cost Allocation Manual in this Rate Review Application is provided on the page(s) to follow.

See also Exhibit No. MCC-6, Exhibit No. MCC-7, and MCC-8 for prior year CAMs of Black Hills Utility Holdings and Black Hills Service Company

**NOTE:** Transactions between BH Nebraska Gas and BHSC (a Shared Resources Affiliate) flow through the Cost Allocation Manual, and are not required to be listed on this schedule.

*241 Neb. Admin. Code. Ch. 9, Rule 004.04G (Commission Rules Section III).*

# 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:

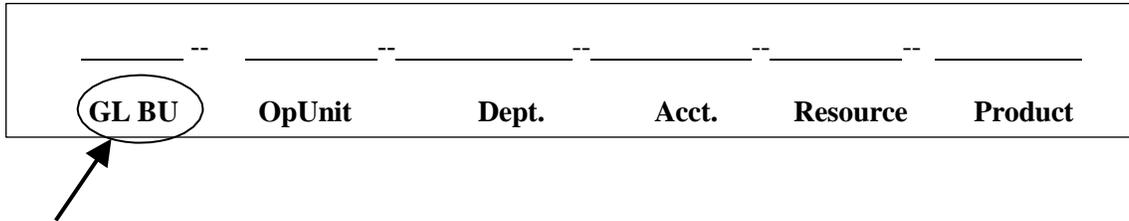
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

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

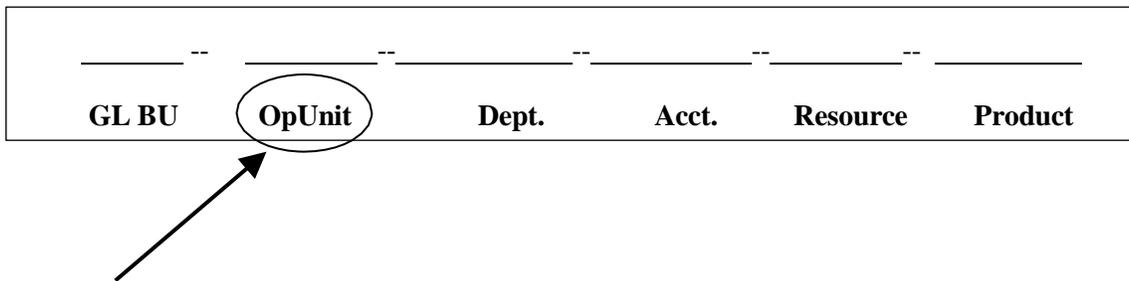
## Transaction Coding

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.



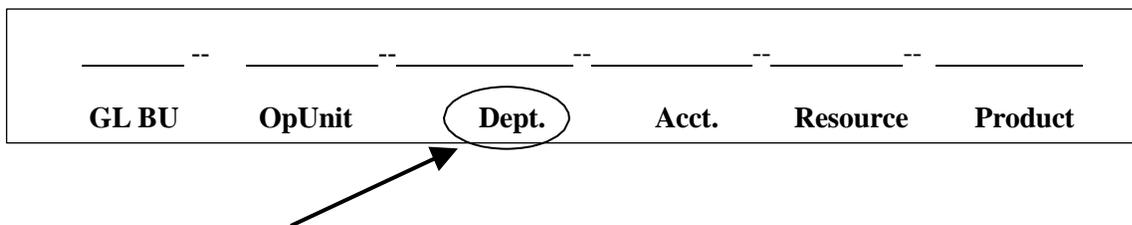
### General Ledger Business Unit (GLBU):

- 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.



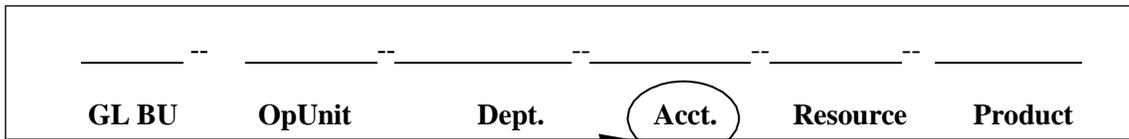
### Operating Unit (OpUnit):

- 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.



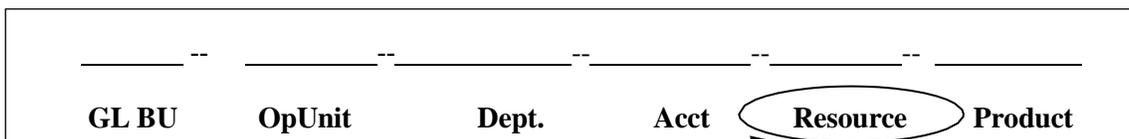
### Department (Dept):

- 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.



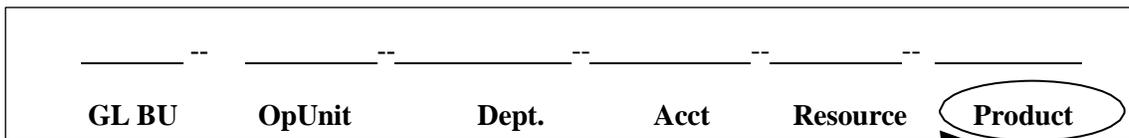
**Account (Acct)**

- 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.



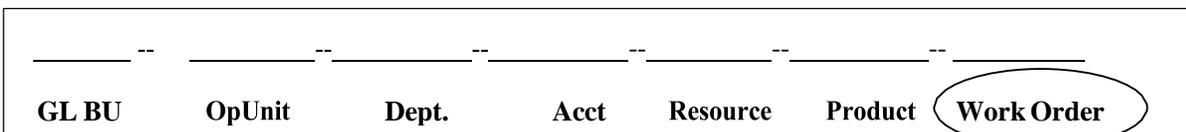
**Resource:**

- 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					

## 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 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				

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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)
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															