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# Black Hills Service Company

## Cost Allocation Manual

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## **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 In August of 2005, this law was repealed and replaced by the Public Utility Holding Company Act of 2005, which is administered by the Federal Energy Regulatory Commission (FERC).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 who 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
SC All – Customer Asset	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:

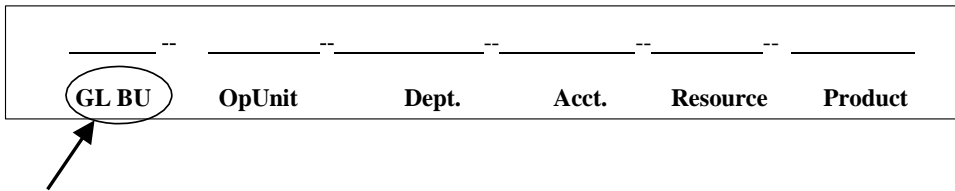
- Capitalized costs for non-Service Company projects (including capitalized labor)
- Acquisitions related project costs
- Retiree healthcare costs
- Depreciation of Service Company assets (Regulated Electric or Natural Gas Direct Cost Distributed)

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

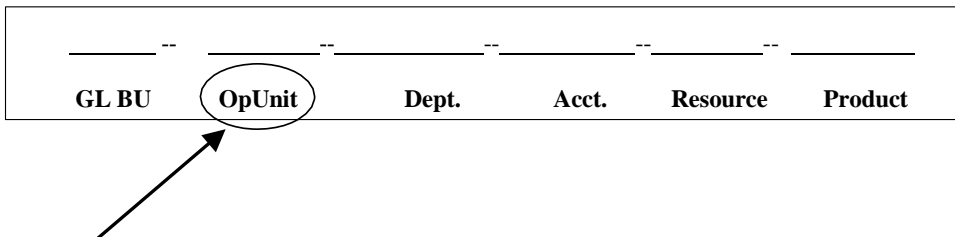
### Transaction Coding

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.



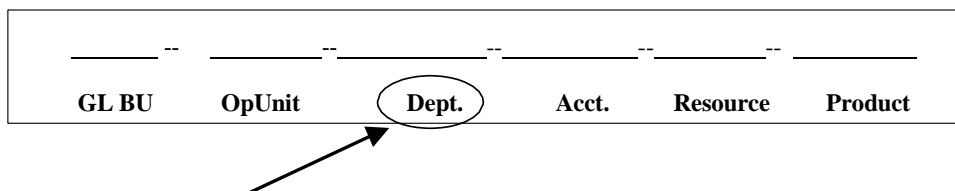
#### General Ledger Business Unit (GLBU):

- 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):

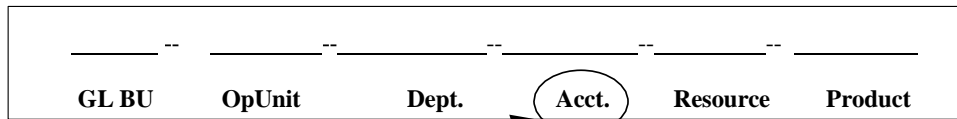
- Six (6) character numeric field.
- The OpUnit field is used to identify the code block as either a direct cost or an indirect cost.
- If the cost is a direct cost, the OpUnit field will be populated using the OpUnit code for the company being directly charged.
- The Op Unit field will be populated 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):

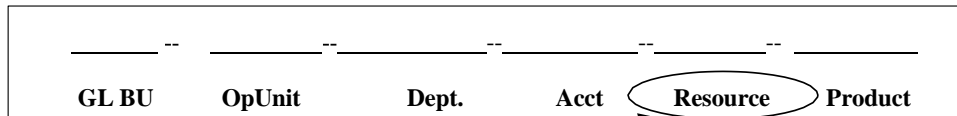
- Four (4) character numeric field.
- The Department field is used to identify where the cost(s) originated.

- The Department field is required on all income statement and capital transactions.
- Every Department is assigned to a GLBU.



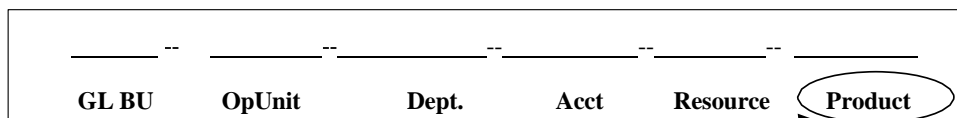
**Account (Acct)**

- 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.



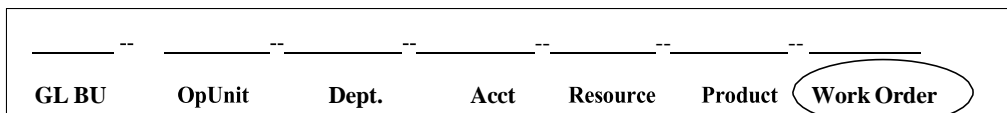
**Resource:**

- 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
- 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. The Blended Ratio CAM is modeled after a commonly used multi-factor formula approved for use by state and federal utility regulators called the "Modified Massachusetts" formula. The Modified Massachusetts formula consisting of direct labor, capital investment and net operating revenues (i.e. without cost of goods sold) was initially approved in *Distrigas of Massachusetts Corp.*, 41 FERC ¶61,205 (1987). 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 ensure 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. By excluding cost of sales (i.e. cost of goods sold such as purchased gas costs, purchased power costs, etc.) from revenue, which may fluctuate significantly from year to year, gross margin provides stability in the year over year allocation of indirect costs. 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

*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
- Programs 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).

*Customer Asset Ratio* – A composite ratio comprised of an average of the Customer Count Ratio and the Asset Cost Ratio. These ratios are equally weighted.

**Appendix 2- Service Company Departments**

N/A

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	Provides system analyst support for Black Hill's key financial systems, including Oracle PeopleSoft ERP, PowerPlan Property and Tax System, Utilities International Planning/Regulatory System, and Endur (Natural Gas transaction system).		Yes	Yes	Yes	Yes	Yes	Yes
4701	SC-Accounts Payable	SC All-Blended	Provides payment services support for purchased goods and/or services for all Black Hill's entities using People Soft ERP to forward invoices for approvals to the appropriate departments and use FileNet to store backup documents.		Yes	Yes	Yes	Yes	Yes	Yes
4703	SC-CORP GOVERNANCE	SC All-Blended	Develops and enforces corporate governance policies and procedures in accordance with applicable laws and regulations. Provides oversight of compliance with Securities and Exchange Commission rules and regulations. Oversees the administrative duties to the Board of Directors.		Yes	Yes	Yes	Yes	Yes	Yes
4704	SC-TAX SERVICES	SC All-Blended	Prepares quarterly and annual tax provisions of all Black Hills Corporation subsidiaries. Maintains and reconciles all direct and indirect tax general ledger accounts. Prepares tax filings and ensures compliance with applicable laws and regulations. Oversees various tax planning projects to reduce risk, reduce customer and shareholder tax liabilities, and complete mergers and acquisitions.		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. Research 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 & HEALTH	Employee Ratio	Leads and directs safety and health activities through projects, education and training to achieve industry leading results and establish a strong safety culture. Provides technical and compliance expertise on 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. Provides risk management of the Company's energy market risks and oversight and monitoring of risk policy compliance, to include facilitating natural gas contract management services.		Yes	Yes	Yes	Yes	Yes	Yes
4715	SC-F&A LEADERSHIP	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. Research emerging accounting issues and assists with the compliance of new accounting rules and regulations. Provides support for the Company's Sarbanes Oxley Compliance program.		Yes	Yes	Yes	Yes	Yes	Yes

**Appendix 2- Service Company Departments**

N/A

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)
4717	SC-FIN PLANNING ANALYSIS	SC All-Blended	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
4718	SC-TALENT ACQUISITION	Employee Ratio	Includes the Talent function of HR and provides full cycle recruiting for positions across the enterprise.		Yes	Yes	Yes	Yes	Yes	
4720	SC-LABOR AND EMPL RELATIONS	Employee Ratio	Includes the Employee & Labor Relations, Compliance, and HRSS/HRIS functions of HR and provides direction for employee-related matters, strategic business advice to leaders, labor relations strategy for the enterprise, and HRIS and HRSS support services for the enterprise.		Yes	Yes	Yes	Yes	Yes	
4721	SC-HR TOTAL REWARDS	Employee Ratio	Administers policies related to compensation, benefits, pension, retiree benefits and relocation. Oversees the self-insured medical benefits plans, retiree plans, other pooled benefits and provides support to the third-party administrators of the plans. Provides general Human Resources support services to regulatory proceedings.		Yes	Yes	Yes	Yes	Yes	
4722	SC-HR ORGANIZATION DEVELOPMENT	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	
4723	SC – CORPORATE PLANNING/SUSTAINABILITY/	SC All Blended	Corporate Planning integrates all processes and engages all stakeholders in the development of corporate strategy and alignment of strategic initiatives. Sustainability provides the enterprise with climate-related strategies and gives internal and external stakeholders information about the utilities' sustainability efforts.		Yes	Yes	Yes	Yes	Yes	Yes
4724	SC –ENTERPRISE DATA & ANALYTICS	SC All-Blended	Provides strategic planning and development for enterprise data and analytics products, processes, and technology.		Yes	Yes	Yes	Yes	Yes	Yes
4725	SC-INTERNAL AUDIT	SC All-Blended	Provide independent assurance to the Audit Committee of the Board of Directors and Management related to the quality of risk management activities including: understanding the intersection between organization objectives and risk management approaches; independently evaluating the adequacy, effectiveness, and consistency of controls in relation to achieving defined objectives (including assessing the Sarbanes-Oxley compliance program); and validating that the balance of cost and benefit or risk management activities is consistent with the company's strategy and objectives.		Yes	Yes	Yes	Yes	Yes	Yes
4726	SC-BRAND MGMT & COMMS	SC All-Blended	Develops strategies, plans and tactics for effective communication with internal and external stakeholders. Develops and manages measured customer communications that enhance positive relationships and understanding of energy topics including safety, preparation, and conservation.		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 Property Accounting records, plant and equipment, book depreciation, Allowance for Funds Used During Construction (AFUDC), for the majority of subsidiaries of the corporation. Assists in compliance with Property Accounting regulatory requirements. Prepares various operating and financial reports for management and regulators.		Yes	Yes	Yes	Yes	Yes	Yes
4731	SC-SUPPLY CHAIN PROCUREMENT	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.		Yes	Yes	Yes		Yes	Yes

**Appendix 2- Service Company Departments**

N/A

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)
4732	SC-SUPPLY CHAIN MATERIALS	SC All-Blended (No BHES)	Manages inventory, obsolescence and scrap. Ensure availability of proper materials. Pull, restock and stage materials. Works with PDO/BD in coordination of project materials and investment recovery tasks at end of project lifecycle.		Yes	Yes	Yes		Yes	Yes
4734	SC-FLEET SERV	SC All-Blended	Manages fleet expenses, fleet contracts, vehicle purchasing, replacement, disposal, licensing/registration and titling of company fleet assets. Advises on vehicle maintenance and repairs, alternative fuel selections and implementations. Manages in-house garages/vehicle shops (excluding WRDC). Manages fleet sustainability data and reporting for ESG (excluding WRDC).		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
4737	SC-I/C FACILITIES	SC Square Footage	Maintains the Share Capital Asset fees (Inter-company rent) for subsidiary owned facilities used by Black Hills Service Company.		Yes	Yes	Yes	Yes	Yes	Yes
4741	SC-GOVERNMENTAL AFFAIRS	SC All-Blended	Advances strategies for sound public policy benefiting the company, customers, and other stakeholders. Engages in the legislative and policy making process including monitoring analysis, and advocacy. Acts as a liaison with legislators and other governmental officials to provide updates on business plans and operations. Maintains constructive relationships with federal, state and other governmental bodies.		Yes	Yes	Yes	Yes	Yes	Yes
4742	SC-IT CIO OFFICE – BUSINESS OFFICE	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 CUSTMR SYSTEMS	All Customers	Manages, maintains, and enhances the customer service enterprise-wide business applications. Manages, maintains, and enhances the internal (intranet) and external web applications.		Yes	Yes				
4745	SC-IT BUS APPS- INTEGRATION	SC All-Blended	Manages, maintains, and enhances integrations between enterprise wide business applications and third parties.		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
4747	SC-IT INFRASTRUCTURE & OPERATIONS	SC All-Blended	Manages, maintains, and enhances data center operations, infrastructure servers, storage, system software, infrastructure architecture, cloud environments, enterprise applications, and corporate databases. Supports the user endpoint and mobile devices needs for the company and provides mobile expense management services. Operates Help Desk services, technology support services, and field service support for the company. Supports the data and voice network communication needs for the company and assists with telecommunication expense management services.		Yes	Yes	Yes	Yes	Yes	Yes
4748	SC-IT CIO OFFICE - EPMO	SC All-Blended	Provides service company portfolio oversight and standards, governance, and execution for enterprise system and capital service company projects.		Yes	Yes	Yes	Yes	Yes	Yes

**Appendix 2- Service Company Departments**

N/A

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)
4749	SC-IT CIO OFFICE - EA	SC All-Blended	Responsible for overall enterprise architecture for solutions across the organization.		Yes	Yes	Yes	Yes	Yes	Yes
4750	SC-IT OPERATIONAL TECHNOLOGY	SC All-Blended	Manages, maintains, and enhances Control System functionality in partnership with Operations staff. Supports Control System and energy delivery/metering infrastructure components, system software, architecture, and disaster recovery		Yes	Yes	Yes	Yes	Yes	Yes
4751	SC-ENTERPRISE SECURITY	SC All-Blended	Responsible for Enterprise Security for Black Hills Energy, which includes Security Governance, Cyber Security, Physical Security, Identity and Access Management, IT Risk Management, and IT Compliance.		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-ECM & GRC SYSTEMS	SC All-Blended	Manages, maintains, and enhances governance, risk, compliance and enterprise content management business applications.		Yes	Yes	Yes	Yes	Yes	Yes
4756	SC-CPGS PLANT OPERATIONS	Nameplate Generation Capacity	Manages the generation for BHSDE and BHWYE for the Cheyenne Prairie Generation Station and Corriedale. Manages maintenance for the gas turbines and diesel generators in Rapid City and Gillette.		Yes					Yes
4757	SC-TRANSFORMATION MGMT OFFICE	SC All Blended	Deliver business transformation to be a connected and simple company positioned for growth through transformational projects that involve a holistic rethinking and reshaping of aspects of our company. Such projects require substantial investments in people, processes, technology and data to fundamentally enhance or deliver new capabilities.		Yes	Yes	Yes	Yes	Yes	Yes
4758	SC-POWER PLANT OPERATIONS	Nameplate Generation Capacity	Operates all gas turbine, diesel, and renewable generation assets for BHCOE, BHCIPP, BHSDE, and BHWYE		Yes					Yes
4759	SC-RENEWABLE GEN MAINTENANCE	Nameplate Generation Capacity	Manages the renewable generation for BHCOE, BHCIPP, BHSDE, and BHWYE.		Yes					Yes
4761	SC- PROCESS PERFORMANCE OFFICE	SC All-Blended	Facilitate operational consistency and enhance utility operational excellence through data-driven key process governance, analytics, and training.		Yes	Yes	Yes	Yes	Yes	Yes
4771	SC-IT COSTS-EMP HDCNT	Employee Ratio	Holds centralized employee related IT costs.		Yes	Yes	Yes	Yes	Yes	
4791	SC-ASSET TRANSMISSION	Regulated Electric Transmission/Distribution	Allocates property assets (transmission)	Yes	Yes					

**Appendix 2- Service Company Departments**

N/A

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)
4792	SC- ASSET CUSTOMER	All Customers	Allocates property assets (customer)	Yes	Yes	Yes				
4793	SC – ASSET BLENDED	SC All-Blended	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	
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
4796	SC-BENEFIT LOADINGS	SC All-Blended	Records overhead benefit costs loaded to labor costs.		Yes	Yes	Yes	Yes	Yes	Yes
4803	SC-NGU ASSET RISK MGMT & STDS	Regulated Natural Gas Blended	Provides asset risk management to evaluate threats throughout the pipeline life cycle in order to reduce risk and enhance system safety for the organization. Responsible for maintaining updated Operations and Maintenance manuals in compliance with state and federal pipeline safety regulations.	Yes		Yes	Yes			
4804	SC-NGU Project Delivery	Regulated Natural Gas Blended	Provides installation/construction oversight of major gas transmission and distribution projects including initiation, planning, installation, commissioning and turnover to Operations.	Yes		Yes	Yes			
4805	SC-NGU DESIGN ENGINEERING	Regulated Natural Gas Blended	Provides engineering support of gas transmission and distribution facilities including planning, design, analyses, and identifying and defining processes for the safe operation of the natural gas system.	Yes		Yes	Yes			
4806	SC-PIPELINE SAFETY	Regulated Natural Gas Blended	Responsible for implementing API RP 1173 Pipeline Safety Management Systems and reporting DOT regulatory requirements.	Yes		Yes	Yes			
4808	SC – GIS	Regulated Utilities-Blended	Responsible for capturing as-built records for all EU & NGU facilities in GIS. Responsible for managing the design, development, configuration, access, integration, testing and training of the enterprise GIS platforms.	Yes	Yes	Yes	Yes			
4810	SC- RELIABILITY CENTER	Regulated Electric Transmission/Distribution	Operates the Company's electric 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					

**Appendix 2- Service Company Departments**

N/A

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)
4811	SC-OPERATIONAL SERVICES	Customer Asset	Maintains operational tools, such as SCADA, and its supporting applications for electric and gas Transmission and Distribution (T&D) systems. Verifies systems are upgraded, modified, or replaced to as necessary for operating the (T&D) system. Performs near-term (T&D)studies to maintain reliability for planned/unplanned maintenance activities as well as training, compliance, and documentation for complying with OATT, NERC, FERC, PHMSA, and TSA requirements.	Yes	Yes	Yes	Yes			
4812	SC-EU PROJECT DELIVERY	Regulated Electric Transmission/ Distribution	Responsible for project management and execution of projects on the transmission and distribution systems of all three electric utilities.	Yes	Yes					
4813	SC-TRANSMISSION & DISTRIBUTION ENGINEERING	Regulated Electric Transmission/ Distribution	Provides engineering support for electric transmission and distribution lines at all three electric utilities, including planning, design, monitoring, and analyses.	Yes	Yes					
4814	SC-SUBSTATION/PROTECTION ENGINEERING	Regulated Electric Transmission/ Distribution	Designs, coordinates, and oversees the electric transmission and distribution substation infrastructure for all three electric utilities. This includes substation designs, standards, protective relaying, and NERC compliance associated with the same.	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 Utility Business Units (SDE, COE, WYE), Substation Maintenance Services supports the commissioning, maintenance and operation of the substation and line equipment.	Yes	Yes					
4819	SC-VEGETATION MANAGEMENT	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), Vegetation Management supports the vegetation management and related wildfire risk mitigation activities.	Yes	Yes					
4820	SC- ELECTRIC AND NGU SERVICES	Regulated Utilities- Blended	Central services leadership supporting both the EU and NGU resides within this department, and is responsible for oversight of Asset Management, Electric Strategy Planning & Policy, Engineering Services & Project Delivery.	Yes	Yes	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	Regulated Utilities- Blended	Provides regulatory support for all electric and gas utility regulatory filings including rate reviews, class cost of service studies, rate design, regulatory reporting, adjustment clauses, riders, trackers and other regulatory issues. Also develops and advances regulatory policy and strategy and maintains relationships with regulatory stakeholders.	Yes	Yes	Yes	Yes			
4823	SC-RELAY & CONTROLS	Regulated Electric Transmission/ Distribution	For all three Electric Utility Business Units (SDE, COE, WYE), supports the commissioning, maintenance and operation of control and protective relaying equipment within the Electric Utilities.	Yes	Yes					
4824	SC-GAS CONTROL	Regulated Natural Gas Customers	Manages and provides Gas control services to ensure the safety & reliability of gas transmission and distribution systems.	Yes		Yes	Yes			

**Appendix 2- Service Company Departments**

N/A

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)
4825	SC-EU ASSET PROGRAMS	All Customers	For all three Electric Utility Business Units (SDE, COE, WYE), this department provides management and oversight over the primary areas of: vegetation management, pole inspection, line patrol, wildfire risk management, and third-party pole attachments.	Yes	Yes					
4827	SC-DISTRIBUTION STRATEGY	Regulated Electric Transmission/Distribution	Performs various short and long-range distribution planning studies to ensure reliability of the electric distribution system. Maintains and updated distribution planning models and ensures data integrity in multiple data warehouses related to equipment ratings, AMI data, DER interconnections, and GIS data. Provides distribution planning support to many internal teams including System Control; Legal; Regulatory; Operations; and Utility Construction Planners. Provides distribution projections for the 5 and 10-year	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 and Western Electricity Coordinating Council (WECC) Regional Reliability Standards and Regional Criteria. Reliability Standards establish requirements to maintain and reduce risks to the security and reliability of the Bulk Electric System.	Yes	Yes					
4829	SC-TRANSMISSION STRATEGY	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).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					
4831	SC-CUSTOMER SERV CALL CENTERS/FRC	All Customers	Answers and resolves customer inquiries, requests for services, for both regulated and non-regulated customers. Support teams within contact center provide quality analysis and training. A 24/7 field operations dispatch function. Also providing customer energy service interruption and emergency call support.	Yes	Yes	Yes				
4833	SC-CUSTOMER SERVICE SUPPORT	All Customers	Manages customer billing, payment, and collections processes. Provides support to customer services areas through customer information system project management and process control for customer information system changes, and revenue assurance analysis.	Yes	Yes	Yes				
4838	SC-MEASUREMENT	All Customers	Monitor, configure, and analyze customer measurement information with data collection and validation tools. Support EU/NGU field operations and internal/external customers in troubleshooting, resolving measurement issues to ensure timely, and accurate billing data. Manages and provides electric and gas measurement support to field operations located in electric and gas service states. Also manages AMI system for all electric and gas utilities and manages the MDMS for electric and gas utilities.	Yes	Yes	Yes				
4840	SC-PUBLIC 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- PROGRAMS AND SERVICES (NREG)	Programs and Services Customers (Non-Regulated)	Provides and manages product development and marketing with the primary focus on Service Guard (appliance options) and HomeServe (protection plans) for the non-regulated business for customers.	Yes	Yes	Yes				

**Appendix 2- Service Company Departments**

N/A

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)
4846	SC-UTILITY PROGRAMS & SERVICE	Programs and Services Customers (Regulated)	Provides and manages program development and administration with the primary focus on Choice Gas (supply and pricing options), Renewable Ready (voluntary renewable solutions), Green Forward, and Nebraska Heat for utility customers.	Yes	Yes	Yes				
4871	SC GAS Supply & Transportation Services	All Customers	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, optimization, and procurement of pipeline capacity and services. Additionally, provides for the execution of the sale and management of BHE pipeline and storage capacity and tariff services to third-party Shippers.	Yes	Yes	Yes	Yes			
4872	SC-EXEC MGMT-UTILITIES	SC All-Blended	Provides guidance, direction and management to overall utility operations and support services.		Yes	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 & OQ	Regulated Utilities - Blended	Provides EU & NGU technical training support and Operator Qualification for gas utilities.	Yes	Yes	Yes				
4875	SC-HR ROTATION PROGRAM	Regulated Utilities- Blended	Provides programs designed to attract and develop diverse talent to fill utility operations positions.	Yes		Yes				
4876	SC-IT BUS APPS-AUTOMATION	SC All-Blended	Manages, maintains, and enhances IT Automation platforms and IT management platforms.		Yes	Yes	Yes	Yes	Yes	Yes
4877	SC-UTILITY TECHNOLOGY SYSTEMS	Regulated Utilities- Blended	Responsible for managing the design, development, configuration, access, integration, and testing of the Utility Technology platforms.	Yes	Yes	Yes	Yes			
4879	SC- LAND RIGHTS	SC All- Blended	Manages the company's right of way and other related land rights activities.		Yes	Yes	Yes		Yes	Yes
4880	SC-BUSINESS DEVELOPMENT	Regulated Utilities- Blended	Provide customer-focused solutions to serve current and prospective customers of our gas and electric utilities.	Yes	Yes	Yes				
4881	SC-CORP GROWTH & STRATEGY	Regulated Utilities- Blended	Provides the enterprise with energy innovation strategies to 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	50508	50510	50511	50512	50515	50516	50521	50522
		BHP	CLFP-E	COE	KSG	IAG	COG	Shoshone	BHEA	GDCO	RMNG	BHES	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
487 - 488	Misc Gas Revenues				X	X	X	X	X	X	X	X	X	X
489	Gas Transmission Revenues				X	X	X	X	X	X	X		X	X
490 - 496	Other Gas Revenues				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										
558	Wind Generation	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		X	
770 - 791	Products Extraction										X			
795 - 798	Gas Exploration & Development													
800 - 813	Gas Supply Expenses				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
870 - 894	Gas Distribution Expenses				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
907 - 910	Customer Service and Information Expenses	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
920 – 931	Administrative and General Expenses	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
935	Maintenance of general plant (electric)	X	X	X										