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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Black Hills Corporation 2012 fourth-quarter and full-year earnings conference call. My name is Tawanda and I will be your coordinator for today.

At this time all participants are in a listen-only mode. Following the prepared remarks there will be a question-and-answer session. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to Mr. Jerome Nichols, Director of Investor Relations of Black Hills Corporation. Please proceed, sir.

Jerome Nichols - *Black Hills Corporation - Director of IR*

Thank you, Tawanda. Good morning, everyone, and welcome to the Black Hills Corporation 2012 fourth-quarter and full-year earnings call. With me today are David Emery, Chairman, President, and Chief Executive Officer, and Tony Cleberg, Executive Vice President and Chief Financial Officer.

Before I turn over the call, I need to remind you that during the course of this call some of the comments we make may contain forward-looking statements as defined by the Securities and Exchange Commission and there are a number of uncertainties inherent in such comments. Although we believe that our expectations and beliefs are based on reasonable assumptions, actual results may differ materially. We direct you to our earnings release, slide 2 of the investor presentation on our website, and our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission for a list of some of the factors that could cause future results to differ materially from our expectations.

I will now turn the call over to David Emery.

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Thank you, Jerome. Good morning, everyone. Thanks for joining us. I will be speaking from our webcast presentation deck that was on the website. Those of you who don't have it shouldn't have any problem following along.

I'll start on slide 3. Our discussion will be similar in format to previous quarters. I'll cover highlights from the quarter and the year; Tony Cleberg, our CFO, will cover financial highlights for both the quarter and the year; and then I will have a discussion on forward strategic issues and objectives.

Moving on to slide 5, fourth-quarter highlights. Several things of note. On the business environment front, a little bit colder than normal weather in our utilities service territory this fall, which was helpful, and continued low natural gas prices. That has been a persistent, consistent theme throughout the entire year, and we will talk more about that as we get into financials and other things.

On the utility front, lots of highlights there, a lot of activity in the fourth quarter. Black Hills Power filed a request with the South Dakota PUC seeking approval for a construction financing rider for our Cheyenne Prairie Generating Station. In South Dakota, we are the first company to file for such a rider, and so we're working our way through that process very cooperatively with the South Dakota PUC staff.

They did approve on January 17 interim rates related to that rider, which will be effective April 1, subject to refund while we work our way through the process of getting a final approval for that rider. We hope to receive a final ruling from the Commission sometime on or before the third quarter.

Black Hills Power also filed a rate request with the South Dakota PUC asking for about a 9.94% or $13.7 million revenue increase related to increase in costs of serving customers since our last case in 2010.

And then the Wyoming Public Service Commission approved a construction financing rider for the Cheyenne Plant very similar to the one that we are seeking in South Dakota. The Wyoming PSC approved that for Wyoming customers of Cheyenne Light and Black Hills Power.

Moving on to slide 6, continued highlights for the quarter. In Colorado, our electric utility completed our 29-megawatt Busch Ranch wind project. There was also a $17 million electric transmission line completed in association with that project. Both were placed in service in mid-October on budget and about two and a half months ahead of schedule, so we're very pleased with the results.

We also received a letter from the U.S. Treasury Department on January 30 basically awarding our tax credit grant in the amount of $8.4 million, which is related to our $25 million investment for our 50% share of the Busch Ranch wind project.

Also in Colorado we completed what we call our Portland West transmission project, about an $11 million project that was completed during the quarter. Then finally, in Colorado we did suspend operations on our W.N. Clark 42-megawatt coal-fired plant; that is in compliance with the Colorado Clean Air-Clean Jobs Act that we have spoken about quite a bit over the last several years. We plan to permanently retire that plant on December 31 of 2013 this year.

Slide 7, highlights on our Non-Regulated Businesses. For our Coal Mining segment we revised our mine plan, which resulted in reduced mining costs and significantly improved profitability for the year compared to 2011. On the oil and gas front we continue to be encouraged by the results of our three Mancos test wells that we drilled and completed in late 2011 and early 2012, as well as some of the results of some offset operators in that area as well. We recorded a little less than $2 million additional gain on the sale, really related to post-close accounting true-ups of the sale of our Williston Basin assets during the quarter as well.

Finally on the corporate front, using the proceeds of our Williston Basin asset sale we redeemed $225 million of senior unsecured notes originally set to mature in May of this year. Both Moody's and Standard & Poor's changed their credit rating outlooks on Black Hills Corp. from stable to positive during October, which is the first positive move we have had on the credit rating side for quite a few years.

And finally, we had excellent safety results. We had great results for the entire year; but in particular, during the fourth quarter our entire workforce of almost 2,000 employees worked completely accident-free in both November and December, which is a phenomenal safety achievement.

Moving on to slide 8, during the fourth quarter we earned $0.68 per share from continuing operations, as adjusted, compared to $0.46 last year, an increase of 48%, driven primarily by our new Pueblo Airport Generating Station in Colorado, which has both electric utility and independent power generation subsidiary facilities there, and then certainly our coal mine performance as well.

Slide 9, full-year earnings per share from continuing ops as-adjusted improved 24%, with the number of $2.09 per share for the year. A very good result, particularly considering the challenges we started out with in the first quarter.

We were significantly below our plan after the first quarter, where we had an extremely mild winter and really felt the impacts of both warm weather and low natural gas prices. So to get back to the number where we did, very pleased with the tremendous effort from our entire employee team.

Slide 10 gives you a breakout on really the change in income from continuing operations from the fourth quarter of last year to the fourth quarter of 2012 -- fourth quarter of '11 to fourth quarter of '12. Really demonstrated the improvement in all five of our business segments.

Slide 11 gives you the change from 2011 income from continuing operations to 2012. As I mentioned earlier, we had very strong earnings growth in our Electric Utilities, our Power Generation, and our Coal Mining segments; some slight declines in natural gas utilities, primarily driven by a very warm winter in early 2012; and then in our Oil and Gas segment, selling assets and also due to low natural gas prices.

Now I'll turn it over to Tony Cleberg, our CFO, to go over the financial information. Tony?

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

Thank you, Dave. Good morning. As Dave described, we were very pleased with both the fourth-quarter and the total-year performance. Compared to 2011 our earnings from continuing operations, as David said, grew 48% in the fourth quarter and 24% for the total year.

For the total year our earnings finished in the upper end of our guidance range that we had updated. This is a pleasing result after the very slow start that we had in the first quarter.

Moving to slide 13, we have reconciled our earnings from continuing operations on a GAAP basis to an earnings per share as-adjusted, which is a non-GAAP measure. We feel by isolating special items, the earnings per share as-adjusted better communicates our performance that is most relevant to our ongoing business.

This slide displays the last five quarters of the total year. During the fourth quarter, we had four special items.

The first item was a reduction of $0.07 for non-capitalized, unrealized mark-to-market gain on our $250 million of interest rate swaps. The gain reflected a slight increase in the long-term interest rates during the quarter. In total, for 2012 the gain was $0.03 compared to a $0.68 loss in 2011.

The second special item was a reduction for recognizing an additional gain on the sale of the Williston Basin assets. As you are aware, our Oil and Gas segment sold a large part of our Williston Basin properties, primarily oil assets, in the third quarter. As we reconciled the post-close accounting for this sale we recorded an additional $0.03 gain in the fourth quarter, bringing the total gain to $0.43 for the year. As a reminder, this transaction had a much larger impact than the $0.43 gain, because we received $228 million in cash and recorded a reduction of $198 million to our Oil and Gas capitalized costs.

Part of the gain was offset by the third special item, a $0.01 cost to the additional incentive compensation attributable to the sale of the Williston Basin assets.

The fourth special item was the $0.07 addition related to redeeming in October the $225 million 6.5% notes prior to their maturity. The net cost is computed by subtracting the interest savings for November and December from the call premium.

So, considering these special items, the fourth quarter's earnings per share as-adjusted from continuing ops was $0.68 compared to the $0.46; and on a full-year, the as-adjusted number is 2.09 compared to $1.69 in 2011. The improvement is strong -- year-over-year 24%.

Slide 14 displays our fourth-quarter revenue and operating income. Later I'll explain major differences between the years, but here the main point is -- we are predominantly a regulated business, generating 88% of our operating income from the Electric and Gas Utilities in the fourth quarter.

Our operating income was strong, increasing 42% during the quarter. Major drivers include the new Pueblo Generation complex, which went into service at the beginning of the year and positively impacted both the Electric Utilities and the Power Generation segments. Overall, our operating income benefited from cost-control initiatives that started early in the year.

Moving to the total year, slide 15, revenue declined by almost $100 million, reflecting the lower volumes and the lower natural gas prices for our Gas Utilities. Looking at operating income compared to 2011, the lower volumes also decreased our earnings from the Gas Utilities; but our Electric Utilities, Power Generation, and Coal Mining all increased significantly, delivering an overall improvement of 32% in operating income as-adjusted.

On slide 16, we display our fourth-quarter and our total-year income statement. On later slides I will discuss the revenue and operating income in more detail, but here I will review other noteworthy items impacting our income statement.

Starting below the operating income as-adjusted, we had several items that impacted our financial results, including the gain on the Williston Basin transaction, the related incentive, and the ceiling test impairment. With the great result of the Williston Basin transaction we also have a sizable cushion at year end in computing our ceiling test, even with the current low natural gas prices.

Continuing down the income statement, fourth-quarter interest expense increased $2 million from 2011. The increase reflects the financing cost for the Pueblo Generation complex offset $2.4 million in savings on the $225 million worth of notes that were redeemed. For the total year, the increased interest expense reflects financing costs for the Pueblo Generation complex with minimal capitalization of interest in 2012. Just below the interest line we show the make-whole premium of $7.1 million to redeem the $225 million worth of notes.

Continuing down the income statement, the income tax rate for the fourth quarter was about the same, at 37%, compared to the prior year of 36%. For the total year, the tax rate of 35% increased 4 percentage points from 2011.

Almost all of the rate increase was driven by a much higher pretax income in 2012. A higher pretax income reduced the rate impact of the permanent differences between the book income and the taxable income.

The last noteworthy item and an item of key importance was our EBITDA. During the quarter, we achieved $107 million in EBITDA as-adjusted, or an increase of 19% over 2011. For the year, the $403 million represents a 24% improvement over 2011.

Last item here, the discontinued operations includes our Energy Marketing business that was divested in the first quarter of 2012.

Moving to slide 17, this displays our Electric Utilities segment revenue and operating income. The Electric Utilities declined in the fourth quarter by $10 million from 2011.

The fourth quarter of 2011 had included a rate case settlement recognizing 17 months of power marketing sales; this was about a $10 million amount. The settlement impact on our operating income was just a slight negative. So a lot of revenue, no income.

Our operating income as-adjusted during the fourth quarter improved $11.4 million or 39%. This reflects the benefits of earning returns on an increased rate base, offset by a 1.1% lower retail-wholesale megawatts sold during the quarter. The lower megawatts during the quarter reflect about a 1.5% fewer heating degree days.

From a total year, revenue increased slightly and operating income increased by $33.6 million or 31%. Again, the main driver was the earning returns on the investment in the Pueblo Generation complex.

Moving to slide 18, the Gas Utilities operating income improved $2.3 million or by 10% in the fourth quarter compared to 2011. Retail decatherms sold increased about 1% year-over-year, and management initiatives lowered our O&M expenses slightly in the fourth quarter compared to 2011.

For the total year, the unusually warm weather in Q1 and the $9 million lower operating income really masks the high operational performance that we continue to see out of our Gas Utilities. So, if you think about weather impact for the combined Electric and Gas Utilities, it was a slight positive for the quarter but negative for the total year.

The next segment, on slide 19, Power Generation. We saw revenue and operating income as-adjusted increase due to the operational commencement of 200-megawatt generating facility in Colorado. Operating income increased year-over-year by $5.5 million in the fourth quarter and $24.6 million for the total year.

This was primarily driven by the new power plant. We are very pleased with the performance and availability and the earnings that we continue to see out of the Colorado IPP.

Moving to the next segment, Coal Mining, we saw the operating income in Q4 improve by $2.4 million from 2011. This is primarily driven by the expiration of a train loadout contract that we had been producing a loss on.

The tons sold decreased by 31%, and the average price increased by 21%. We continued to make good progress in our reducing of mining cost and the revised mine plan, which lowered our stripping ratio in the fourth quarter from 2.9 in 2011 to 1.5. For the total year, the operating income improved by $10.7 million compared to 2011. We made excellent progress in 2012, but we still believe we can achieve continued improvements as we move forward.

Moving to Oil and Gas, on slide 21, we had a busy year. As you are aware, we sold our largest oil-producing properties in the Williston Basin at a price that we considered full value.

Overall, fourth-quarter production decreased by 35% from 2011. The sale of the Williston Basin properties caused the oil production to declined by 50% in the fourth quarter.

Natural gas production declined by 31%, reflecting normal decline curves and adding no new gas wells during 2012. As you may recall, we delayed drilling earlier in the year because of low natural gas prices.

From a pricing standpoint, the oil increased by 8% and natural gas declined by 7% in the quarter. From a cost perspective, O&M expenses decreased by $1.2 million compared to 2011, so we continue to see good cost management.

Depletion in Q4 decreased by $9.4 million from 2011, driven by the impact of selling the Williston Basin assets and lowering our capitalized costs. The actual depletion rate in Q4 was $1.44 per MMcf.

For the total year, prices received for oil increased by 4% and the natural gas price declined by 22%, while total production increased 7% to 12.5 Bcfe. Of course, selling the Williston Basin assets lowers our expected production for 2013 by an estimated 18% to 26%.

Moving to our capital structure, on slide 22, we show our current capitalization. At year-end our net debt to capitalization ratio was 51.4%, a substantial improvement from our prior year at 57.1%. We sold more assets than we spent in capital expenditures.

The major cash receipts included the sale of Enserco in the first quarter and the proceeds from the Williston Basin asset sale in the third quarter. With the additional cash, on October 31 we redeemed $225 million of 6.5% notes. These were scheduled to mature in May of next year.

The call premium was $7.1 million, and we avoided $2.4 million of interest expense in the fourth quarter. We were very encouraged that in October both S&P and Moody's improved our credit outlook from stable to positive.

Moving to slide 23, in our press release we affirmed our 2013 earnings guidance range of $2.20 to $2.40. This is for EPS as-adjusted and excludes special items.

Slide 23 lists the primary assumptions we made regarding our 2013 earnings guidance. Overall, we expect a slight improvement in the operating income over 2012 and a notable reduction in our interest expense, which contributes to the improved 2013 EPS. Achieving the midpoint of our guidance range would result in a 10% year-over-year improvement.

To conclude, we achieved strong financial performance in the fourth quarter and the total year. We like the improvement we saw in the Pueblo Generation complex and the Coal Mining. The Williston Basin asset was a huge winner for us and our shareholders.

Looking beyond 2013, we are encouraged about completing the Cheyenne Prairie Generation Station in the 2014 time frame and the positive impact it should have on earnings. We remain very encouraged by the potential value of the Mancos Shale properties.

And with those comments, I will turn it back to Dave.

David Emery - *Black Hills Corporation - Chairman, President, CEO*

All right. Thank you, Tony. Moving on to slide 21, related to core strategic objectives, we have five major objectives focused primarily on being an industry leader in nearly all we do.

We want to be a leader in operational performance, earnings growth, our earnings upside opportunities created by our Oil and Gas subsidiary, and also our track record of annual dividend increases. In addition, we want to improve our credit rating.

On slide 26, related to operational performance and that strategic objective, this slide illustrates exceptional operational performance in a couple areas -- Customer service O&M expense per customer, electric reliability, and safety. All excellent results.

Slide 27 demonstrates our superior power plant availability and starting reliability. It also demonstrates that we have one of the most modern generation fleets in the country, and that our power plant construction safety record is fantastic.

Slide 28. We expect our strong earnings growth to be driven by capital spending, much of which is to meet customer needs in our utilities, and also to grow our Non-regulated Energy businesses. Our capital spending for the next several years is projected to be far in excess of depreciation.

Slide 29. This slide we dropped, I think, last quarter; so it is back by popular demand. Provides more detail into our capital spending plans for the next several years, and you can get a better idea of where specifically we are deploying our capital. Particularly in the Electric Utilities, a little better breakout there for investors.

Slide 30. Helping drive our future earnings growth is the Cheyenne Prairie Generating Station. Tony mentioned that. And obviously a 132-megawatt plant, it will be jointly owned by Black Hills Power and Cheyenne Light, with construction costs of about $222 million, not including construction financing. We have received all permits; all the major equipment has been ordered. Still doing some bidding on engineering services and things like that, contractors and whatnot. Expect to have all that finalized and be ready to commence construction in the spring, sometime in the next two to three months.

Moving on to slide 31, I think as demonstrated by our Williston Basin asset sale in September, our oil and gas properties represent a tremendous upside opportunity for our shareholders. We are focused on proving up the tremendous value of those existing oil and gas properties.

We also plan to participate in limited oil exploration opportunities, primarily oil-related; we might consider some gas, depending on where it is. And only going to consider relatively low-risk opportunities where we expose small amounts of capital for relatively large reserve potential. In 2013, we plan to continue to advance our Mancos Shale gas opportunity in both the Piceance and San Juan Basins.

Slide 32. Our existing oil and gas leases in the Piceance and San Juan Basins have net resource potential in excess of 2.2 trillion cubic feet of natural gas. That is nearly 30 times -- more than 28 times our year-end proved reserves, so huge upside opportunity there.

As I mentioned earlier, we are seeing results from other operators I think that continue to be very encouraging, in addition to the results of the test wells we have drilled and the ones we plan to drill this year. A lot of exciting things happening in the Mancos play.

Slide 33. We are very proud of our track record of increasing dividends for shareholders. As of this week we have now increased dividends for 43 consecutive years, certainly one of the longest streaks in the utility industry. Something of which we are very proud. This particular increase, we doubled the amount of our dividend increase, a signal of our continued confidence in our ability to grow earnings and cash flows as we move forward.

On slide 34, finally, as I said earlier, we remain focused on improving our credit rating; and certainly the outlook change from both Moody's and Standard & Poor's suggests that we are on the way to improving that credit rating. We will continue to work on that as the year progresses.

Slide 35 is something we have provided for several years now. These scorecards are our way of holding ourselves accountable to you, our shareholders.

In 2012 we made excellent progress, completing most of our key objectives for the year with a couple deferred into 2013. Then lastly on slide 36, a new scorecard setting forth our key objectives for this year.

That concludes our remarks. We would be happy to entertain any questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Kevin Cole, Credit Suisse.

Kevin Cole - *Credit Suisse - Analyst*

Good morning, gentlemen. I have a couple high-level questions. I think I'll save the rest for next week.

But I guess on the job swap between Jeffrey and Richard, does Jeff bring a new or different background or focus to your strategy group?

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Well, certainly when you make those changes you always bring a different background. I would say Jeff's background is different than Richard's and I think will be additive. I think in both situations they are going to bring a fresh set of eyes and a fresh set of experiences to their new jobs, which certainly will help them developmentally as executives, key executives for us, but also I think will help their respective departments as well. A little different look at things, a little different way of looking at things and analyzing things, and we are excited about both of those moves.

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

I would say, Kevin, both executives have a very in-depth knowledge of our business and we can rely on that. We expect great performance out of both of them as we go forward.

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Yes.

Kevin Cole - *Credit Suisse - Analyst*

Is Jeff more of a regulated guy or more of like an E&P guy, background?

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Really both. He didn't come out of either specific sector. I mean he basically came out of public accounting and has worked for us; so he has had a tremendous amount of exposure to each of our businesses. And similarly, with Rich Kinzley.

Kevin Cole - *Credit Suisse - Analyst*

Okay. Thank you. Then generally, I guess, Tony, can you help me understand the timing of future debt and equity needs to support the CapEx program in the face of all the cash you have received from the asset sales?

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

Well, we feel very comfortable that we can get through the next several years just on the debt side. In our current outlook, it would be some time before we would need to issue equity, unless we did something pretty special in terms of an acquisition or something like that.

But just our normal business -- and we have talked about before our strategy on the Mancos to make sure that as we go forward we are going to look at other ways to fund some of the capital through partnerships and bringing others in. So that continues to be our strategy.

Kevin Cole - *Credit Suisse - Analyst*

Okay. Sorry, just so I am clear. Can you fund both debt and equity through use of retained earnings? Is that right? So you don't need to be in the debt market for 2013 as well?

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

Well, 2013 we will certainly look at putting out some more long-term debt and switching out of the short-term debt. So, we want to -- we still think that some place along the line interest rates are going to go up, and so we would like to make sure that we are as long-term as we possibly can before that starts to happen.

Kevin Cole - *Credit Suisse - Analyst*

Is this debt refinancing largely at the parents or at the utilities?

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

I would say mostly at the parent. We would certainly look at some of it at the utilities also.

Kevin Cole - *Credit Suisse - Analyst*

What rate are you seeing these days, like 30-year paper?

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

The rates are low.

Kevin Cole - *Credit Suisse - Analyst*

Great. Thank you, guys.

Operator

Michael Bates, D.A. Davidson.

Michael Bates - *D.A. Davidson & Co. - Analyst*

Hey, good morning, guys. Just wanted to follow up on your 2013 scorecard. One of your checkboxes here points to evaluating acquiring small private and municipal gas distribution systems. Can you talk to us a little bit more in detail about the size of the potential opportunity there, as well as where the assets would potentially be?

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Yes, we have completed, I don't know, half a dozen or so of those over the last few years. And they are quite small, typically less than a few hundred customers; but they are adjacent to existing service territories typically. The ones we have completed are really Iowa and Kansas, most of them in Kansas.

But we think it is an opportunity that, given changes in pipeline regulations, security issues, cyber-security issues, everything else, that some of these small municipal systems are going to be very expensive for cities to continue to operate as independent entities. We have seen a little of that, but I think it is picking up steam.

And to the extent we can find some in or around our existing territories, we are able to purchase those for very cost-effective numbers. And then operationally, it is an advantage in that we get some customer growth in states like Kansas and Iowa that have historically been fairly flat for us over the last few years from a customer count standpoint; and also spread our operating costs over a broader customer base.

So the ones we have done so far, we are seeing pretty good advantages to us from those. But they are not a lot of money. I mean, we are purchasing a few hundred customers at a time.

Michael Bates - *D.A. Davidson & Co. - Analyst*

Is your expectation then that these small acquisitions are likely to accelerate going forward, then, with these new regulations?

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Well, let's put it this way. We hope they will.

I think there is -- the forces are there that I think it makes sense for cities to look at divesting these, especially some of these smaller towns where you only have a few hundred customers. I guess I would be surprised if they did not continue to accelerate that trend.

We really don't have any way to know that with certainty, but what we have seen so far has been encouraging. That is why we bothered to mention it, is we are looking at several more.

Again, they're not a big needle-mover from an income standpoint, but I do think they provide some customer growth and some longer-term benefits to us on the operations side of just spreading our operating expenses over a broader customer base. And we do have certainly a decent return on the investment; it is just not a really big investment, enough to significantly move the needle for the Gas Utility.

Michael Bates - *D.A. Davidson & Co. - Analyst*

Have the transactions that have taken place so far, in general, are those being initiated on your end? Or are the private systems or municipalities out there looking for buyers?

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Kind of all of the above. We have been proactive in some instances where we heard some of the municipal systems might be having problems. We have had situations where they have solicited alternatives for their system.

We also have gotten recommendations like in Kansas from the Kansas Corporation Commission, when some of these smaller utilities contact them about how they can comply with all these new rules and regulations. They have in a couple instances pointed those municipalities in our direction as well.

Michael Bates - *D.A. Davidson & Co. - Analyst*

Thank you.

Operator

(Operator Instructions) Matt Fallon, Talon Capital.

Matt Fallon - *Talon Capital - Analyst*

Hey, guys. Just wondering what -- when you initiated guidance in November what your expectation was in terms of utility rate cases. And also as a follow-up, just can you talk about what your expectation is for the year-over-year change in the Gas Utility earnings?

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Yes. On the utility earnings side we don't typically give guidance by segment. So our Gas Utility earnings expectation would be rolled into our overall earnings expectation. So we typically don't give that.

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

Matt, we planned it normal weather.

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Yes.

Matt Fallon - *Talon Capital - Analyst*

Normal weather? Okay.

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Yes.

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

Right. The thing you have to remember is from a segment standpoint we spread our cost. One of the factors is based on assets, so by the lowering the cost basis in the Oil and Gas, some of that cost ends up in the other segments.

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Corporate cost gets redistributed, if you will. Similarly, when we start building power generation facilities and things like that, those have a tendency to --

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Tony Cleberg - *Black Hills Corporation - EVP, CFO*

Influence.

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Get allocated more cost as they increase the capital base in that particular subsidiary.

Matt Fallon - *Talon Capital - Analyst*

Okay, so just on the Gas, it would be the first quarter of '12 would be the impact from the weather on the utilities? Is that (multiple speakers)?

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Primarily. I mean that was the largest quarter by far of weather impact. Second and third quarter we don't typically make much money in our Gas Utilities anyway.

Tony Cleberg - *Black Hills Corporation - EVP, CFO*

And we were okay in our third and fourth quarter in the Gas Utilities.

Matt Fallon - *Talon Capital - Analyst*

Okay. Then just can you just touch on what your assumption was in November regarding the South Dakota rate case? Because I wasn't sure if you were planning on filing a case or if you were planning on filing for a rider or (multiple speakers)?

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Yes, when we put our guidance out, we typically have our regulatory strategy built into that; so we contemplated filing a case. We also contemplated when we thought we would have a decision.

Similarly on the riders, we expected to file those and so we essentially we are looking at using the financing riders in lieu of AFUDC for the year. Those were all part of our plan when we put out our guidance.

Matt Fallon - *Talon Capital - Analyst*

Okay, thank you.

Operator

(Operator Instructions) With no further questions I would now like to turn the conference over to Mr. David Emery for closing remarks.

David Emery - *Black Hills Corporation - Chairman, President, CEO*

Thank you. Thanks for your time and attention this morning, everyone. We appreciate it as always.

We are excited about 2013. We have had a great year in 2012 despite some very significant challenges and excited about the future. We have got a lot of very exciting opportunities in front of us. And certainly with our dividend increase here this week and a few other things I think we are off to a great start for the year.

So thank you all. Have a great day.

Operator

Thank you for joining today's conference. This concludes the presentation. You may now disconnect. Good day.
