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<< David Emery, Chairman and Chief Executive Officer >>

All right. Good morning, everybody. I am David Emery, Chairman and CEO of Black Hills Corporation. Welcome this morning, and for those of you listening in on the webcast, certainly, welcome to you as well. We do have several of us here today, Rich Kinzley, our CFO, and I will do the presentation, but Linden Evans, our Chief Operating Officer, is here as well and Jerome Nichols with IR is here. So, if you have questions for us afterwards, please catch one of us.

This presentation obviously contains forward-looking statements, so we encourage you to review all of our written documents before making investment decisions in Black Hills. From a highlights perspective, I mean, we are a vertically integrated utility company and for those of you who have followed us for a while, we used to have a lot more non-utility operations. Today, we basically view ourselves as being a pure utility.

I'll explain that in a little more detail here in a few minutes, but it's been a long 10 year, 12 year transition for us, very deliberate, very intentional and we believe that we are largely there today. Very good track record of strong earnings growth, substantially above the industry average for six-plus consecutive years, a great dividend track record, solid credit ratings and you know, we've had a very good track record of buying and integrating utilities over the years.

From an overview perspective, we started back in 1883 serving the gold mining industry, Deadwood in South Dakota, and have been around ever since, pretty proud of our long-term track record for shareholders. As I said earlier, we've spent a lot of time focusing on that, our goal is to be an industry leader in a lot of what we do and we stay pretty focused on doing that. We did make some changes with our recent acquisition of SourceGas and I won't spend a lot of time on this, but we used to report a lot basically in two separate divisions, utilities and then our non-utility businesses. We don't do that anymore.

As I said, we believe that we are largely integrated now, so we've changed our reporting effective with this last quarter and do just reporting utility and then our other businesses that are direct support to our utilities and then we've rebranded all of our utilities, including our legacy Black Hills Power and Cheyenne Light utilities all as Black Hills Energy now and all SourceGas utilities.

And that activity is ongoing but largely complete. From a geography standpoint, pretty large area in the center of the country on the utility operations in states, now we have 1.2 million customers and about 800 communities in eight states, largely rural territory. Electric and gas utilities, both very important to our business, roughly equivalent size from an earnings potential standpoint, that'll vary year to year, but they're going to be pretty close to being even now.

And then the other businesses that we have power generation, mining oil and gas are all supporting or in the process of being transitioned to support our own utilities. I'll talk more about that in a minute. The footprint has changed quite a bit with the addition of SourceGas. You can see the blue on the map, the LDC territory that we just closed in February.

The electric utility is roughly 200,000 customers, gas side, roughly one million customers in an eight state contiguous area, Arkansas, a little bit non-contiguous, but the balance definitely are immediately adjacent. We serve relatively rural service territories, it's something we think we're pretty good at; very relationship based with our commissions, heavy community involvement, and we don't like to litigate rate cases and other regulatory proceedings, we like to settle those whenever possible and have largely been successful in doing that, something that we think is key to our business success.

I talked about these businesses briefly, but power generation and coal mining are already integral to our utilities. All of their supply essentially goes to our own utilities under affiliate approved contracts, commission approved affiliate contracts. There's a story behind all of them, but the power generation facilities, we have two.

One, we actually built to serve Xcel in Wyoming and then we bought their utility in Wyoming. So, we still have the IPP contract there. The other one in Colorado, we were allowed to rate base about half of the generation we've built in Colorado a few years back and we competitively bid the other half. We bid our own non-regulated generation subsidiary into that RFP and won. So, it's a 20-year PPA with our own utility. So, although it's technically not utility, for all practical purposes, it is.

Coal mining, same thing. We have an affiliate contract which basically the affiliate pricing works on a utility model. We earn a utility return on a 100% equity capital structure and recover all of our actual costs. So, it's not a traditional coal mining operation. Oil and gas, we'll talk a little bit more about, but we are in the process of transitioning away from traditional E&P to a utility cost of service gas provider and that's ongoing through this year and probably a little bit into next year.

Highlights, biggest highlight obviously was our mid-February closing of our SourceGas transaction, $1.9 billion gas LDC deal. Three of the states we already operated in, of course, we added Arkansas which we are excited about, big focus for us over the last several months and will continue to be through the rest of the year. We do have several of the projects ongoing. We've got two power generation facilities in Colorado, simple cycle gas turbine Wyoming firm that are under construction now, both of those will be done by the end of the year.

And then in South Dakota, we are constructing, in South Dakota and Wyoming basically, a pretty long transmission line that's in progress now. We're doing the Wyoming segment first and then we'll do the South Dakota segment later in the year. As I said earlier, we filed cost of service gas programs in a total of six states. Those proceedings are underway. We had hearings the week before last in Nebraska, still waiting on orders there.

Colorado, they technically dismissed our filing. The way we proposed our cost of service gas program is we propose that we get approved in two phases. The first phase establishes the construct. So, return on equity, capital structure and how we deal with the costs, how the affiliate contract between the cost of service gas company and the utility works, and then we would come back in phase two and ask for approval to put a specific property into the program. Colorado, we don't have the written order yet, but has indicated a preference for wanting to deal with phase one and phase two at the same time.

We are still proceeding and all the other states with the phase one approval and expect to continue that path. We'll make our decision on how to proceed in Colorado once we get the written order and see if there is anything in it that didn't come out in the verbal comments during the meeting, but they indicated a pretty strong preference to deal with everything at the same time.

In conjunction with and a little after we closed our SourceGas transaction, we made the decision to sell a minority interest in our IPP plant in Colorado that serves our own utility there. We did not have this asset up for sale. We received several inbound offers for this facility or inquiries and in the context of looking at financing SourceGas and everything else, we decided we should explore the opportunity. We built this facility in 2012 for about $260 million and then closed the sale of half of it essentially after four years of operation for $215 (million). So, we think we captured a tremendous value there, provide a lot of opportunity for us obviously the financing of SourceGas is very helpful.

Oil and gas, I talked about the already, we are aggressively transitioning that business to support our utility cost of service gas. A couple of other highlights on the corporate side, continuing our dividend track record, important we settled some tax-free exchange disputes and other things with the IRS going back more than eight years which showed up in our quarterly results. And then we did implement an At-the-Market equity program late in March and announced that we did issue some stock under that in the first quarter.

SourceGas integration is key to all of our focus right now, I mentioned that. We are very aggressive at wanting to get this done quickly. We want to be completely integrated by the end of the year. We will be completely integrated by the end of the year. Anything that'll have any implications on financials will be done with. Took us a couple of weeks, because of the mid-month close, it took us a couple of weeks to get accounting systems converted and HR systems converted, we did those basically March 1. Customer information system and billing and payment processing will kind of be the last big pieces.

There, it's not the issue of conversion itself, it's really making sure our customer representatives are trained on all the different tariffs in all the different states. And that's when you serve eight states and have multiple utilities even in the same state, it's a pretty big effort to train them on all the different tariffs and things, so they can intelligently answer questions when customers do call. So, our schedule is, we'll probably start that conversion, maybe do one state in the summer and then finish the rest in the fall and then we'll be largely done with our integration.

This just gives you a snapshot of where we are at and we think that almost two-thirds of the way through right now with all the activities. You can see the various pieces and how we view we are making progress in each area. HR, the transition of the people side is largely complete. Only big issue there is, we put all the SourceGas people on our benefits programs at the end of this year and that's a big transition. So, they've got a lot of work left to do there, but everything else is largely completed; customers, I talked about that and then the rest is great progress on all fronts.

Sale of the minority interest in our plant here, I won't talk about much about this other than to say we are very happy with the premium we got selling this asset. It really was a tremendous opportunity to capture value for shareholders and obviously defrayed the equity need and debt need that we needed to close SourceGas. So, a very helpful transaction there. We still retain majority ownership, we still operate that. This facility is co-located with some utility owned generation in Pueblo, all of that generation is operated by us and serves our electric utility customers in Colorado.

From a forward-looking strategy perspective, we break our strategic plan really into four major goals and you can see those here. We try to communicate internally, we set all our goals around those four major goals, obviously one of the most important ones from a shareholder perspective today is profitable growth and I'll talk about that here in a few slides. The largest single driver of growth for us over the last decade plus has been capital investment, significant capital spending, far in excess of depreciation is driving good earnings growth for us.

Earnings growth, Rich will talk about it, but has been strong double digits since 2009 and a trend we hope to continue, minutes driven by this capital spending obviously. We're trying to add a little clarity this quarter with the closing of SourceGas, making sure that we can capture as many synergies as we can through the integration and operation of SourceGas which helps us obviously justify what we paid for the utility, but then provides our customers an opportunity for low-cost going forward and we hope to stay out of rate cases for several years in all of our jurisdictions which is great for customers.

We've prioritized our capital spending a little bit in order to optimize spending and growth opportunities through those few years where we hopefully won't be doing any rate cases. So, we have at the bottom here, we've at least identified the portion of the capital that's either rider eligible or its growth oriented and does not need a rate case in order to earn a fair return on the investment. Those numbers are subsets of the total numbers upon top, a little different way of presenting it than we historically have.

I mentioned this project already, a new 40 megawatt simple cycle gas turbine under construction in Colorado; everything is on schedule, on time, or ahead of schedule and on budget. We're in very good shape there. We'll have that done by year end. We filed the rate case the first few days in May, that's associated with this, had a 2015 test year and then basically this plant is the primary driver of the rate case. We expect to have that proceeding done by year end and have the new plant and rates effective on its first day of commercial operation which is going to be about January 1.

The Peak View Wind Project, another project under construction in Colorado. This is a build transfer agreement with the third party developer. Construction is going very well. It's directly interconnected with our system. And this one, we reached an agreement with the Colorado PUC where it's going to be recovered through a couple of different riders rather than a stand-alone rate case. We are pleased with that and a little easier from a regulatory proceeding standpoint and I'm looking forward to getting that one in place and in service by the end of the year and start earning on it as well.

Cost of service gas, I mentioned this one, this is in process and we've filed in six different states. Our proposal is to provide roughly half of our gas supply for both our power generation fuel and gas for our LDCs through this program over the long-term. As I mentioned, we are pursuing approval in two different phases; phase one, which sets up the construct; phase two, which deals with the specific properties. We expect to be largely through at least phase one and hopefully underway with phase two approvals by the end of the year and it's what we are working towards, allows us to really provide a great long-term opportunity for low-cost gas for customers, certainly also provides an investment opportunity for shareholders, truly, a win-win opportunity there.

Dividend track record, something we are pretty proud of. We've got one of the longest streaks in the utility industry with 46 consecutive years of dividend increases. There was a couple of years back in kind of the 2009 – 2008, 2009, 2010 timeframe, where we slowed down our increases, if you will, and that was post our acquisition of Aquila and obviously in the middle of the financial crisis and debt costs were high and things like that. So, we were a little more conservative. We wanted to maintain our track record, but a little more conservative in the amount of annual increase. As you can see, the last few years as we've continued to grow and obviously, the difficult financial times are behind us. We've increased the amount of the raise in our dividend quite a bit over the last couple of years.

Credit rating, something very important to us. We were at BBB- for a lot of years and just in the last four, five years managed to get up to kind of a BBB, BBB+ rating depending on which of the three agencies, both Moody's and Fitch have us one notch higher; S&P, of course, at BBB flat. Our objective of going through the SourceGas transaction was to maintain our ratings even though we knew we were going to lever up to get the deal closed.

All three agencies came out post close of SourceGas and said that they were leaving our ratings alone. We are on negative watch or negative outlook, I guess at the two that have us rated a little bit higher, Moody's and Fitch, basically they want to see that our debt to cap starts coming back down, like we said they would and I think we can demonstrate and then there were some other things they wanted to see us get our ATM program in place for equity, some of those things and so forth. As long as we deliver on what we say we are going to do, they seem to be content with leaving our ratings.

We've spent a lot of time, we're not going to spend much time talking about it today, we've spent a lot of time focusing on benchmarking ourselves in everything from plant availability to electric system reliability, safety and everything else. Our goal is to be at least the top quartile in essentially every metric that you can measure. We've made tremendous progress in a lot of areas and really focus our people here.

Safety, we've had very dramatic improvement post our acquisition of Aquila, our safety record was much worse than we wanted it to be and we really made that a huge focus. Reliability, we are always in top half of the top quartile, so very good performance there. With that, I'll turn it over to Rich Kinzley, our CFO, talk a little bit about financial highlights from the last quarter. Rich?

<< Rich Kinzley, Chief Financial Officer>>

Thanks, Dave good morning, everyone. So, our income statement in the first quarter, there's a lot going on here. I'll hit the highlights and be happy to answer questions after we get through the presentation. You see our gross margin, operating expenses, DD&A and operating income, all up nicely from the prior year first quarter. That's really the addition of SourceGas. We closed that deal February 12, as Dave mentioned, so we got about half of the first quarter of their operating results. So, that was a nice pickup there. I'll skip over to the next couple of items and come back to them. You see interest expense also up, that's from the debt that we placed associated with the SourceGas acquisition.

You do see a very low effective tax rate for the first quarter. We had a couple of special items, as Dave mentioned, one of them, we've reached settlement with the IRS that resulted in a $5.1 million tax benefit for the quarter related to some activity clear back to 2008. And then we, second, had a change in our depletion method for tax purposes at our E&P company which gave us a $5.8 million pickup there related to depletion change from years 2007 through 2014.

The special items that we have this quarter, we had the asset impairment at E&P due to continued low commodity prices and then acquisition costs, of course, with closing the acquisition in the first quarter, we had a lot of costs there. Those are predominantly third-party costs, advisory fees, legal fees and the like. And the bridge financing, the $1.1 million there under interest expense, that's an additional special item this quarter. We closed the bridge out when we closed the deal.

Those in total provided about $0.46 to special items. So, our GAAP EPS was $0.70, our as adjusted EPS $1.23 compared to $1.08 last year and EBITDA importantly up about 20%. So, a good growth there. We look forward to a full quarter, first quarter of SourceGas heating season next year. This slide just breaks down our revenue and operating income. You see the big pick up on the gas utility side, again, that's SourceGas, half of the heating season we got February 12 through March 31.

The other business has performed well. I'll mention oil and gas. You see a reduced operating loss there compared to the prior year, despite lower commodity prices and that's, as Dave mentioned, our strategy working our way out of that and making that business into a cost of service gas utility support function. We had lower depletion due to the impairments last year and importantly, lower operating costs this first quarter as we managed that business to get away from the commodity exposure. And then you also see a loss on the corporate side, usually that's around a breakeven, but this first quarter, we had a lot of internal labor focused on the SourceGas transition and that's what that is.

To pay for the SourceGas acquisition back in November, we did a common stock issuance as well as unit mandatory issuance. And then in January, we issued, ahead of close, $550 million of debt and at closing, assumed $760 million of SourceGas debt and did a small draw on our revolver to finish the closing.

As Dave mentioned, that did lever us up, he talked about the ratings and the actions we are taking with the rating agencies to keep our credit ratings were they are. You see we are at about 69% debt to total cap at the end of the first quarter, that's much higher than we normally would be. Our target is more in the 55% range, mid-50%s. We will work our way back there. Certainly, the April close of the Colorado IPP sale provided $215 million of funds, that after March 31, we applied against debt and then we did start our ATM program in March, so we began issuing equity toward the end of March and now that we've reported first quarter earnings, we've got that program going again.

So, between our strong earnings and cash flows, the ATM program and other activity, we will bring that leverage down fairly quickly over the next 12 to 24 months. One other item of note, the unit mandatory, the $299 million, that is reflected as debt here and will convert to equity in 2018. So, the rating agencies, like S&P give us a 100% credit for that, the others, maybe less, but that certainly will help drive that down in 2018 when it converts.

As we look forward, we are looking at our $500 million revolving credit facility, looking at upsizing that. We may implement an associated commercial paper program this year. I'll talk on the next slide about the $1 billion of near-term debt maturities we have coming up and I already talked about At-the-Market program that we will utilize this year or next year.

This is our debt maturity schedule. The blue bars is the debt we assumed from SourceGas at closing and provide us with an opportunity, that 5.9% note in particular, to refinance some of the debt at better terms. You see about $1 billion coming due in 2017. Either later this year or early next year, we will get all that refinanced. We are looking at different tenors and scenarios there, but a lot of activity to come on the refinancing front as we move through the rest of this year.

We did reaffirm our guidance with our first quarter earnings release this year of as adjusted $2.90 to $3.10 a share and then nice growth next year as the synergies from SourceGas really kick in $3.35 to $3.65. And then this is a chart of our historic earnings and operating income growth, Dave mentioned good double-digit growth in the past. This year, it'll be a little flat with all the activity going on with SourceGas, but then next year, we are back in growth mode.

Lastly, this is a scorecard we've had in these presentations for the last few years. We develop this at the beginning of each year and it helps us stay accountable to the shareholders and check the boxes as we work our way through the year.

With that, we'll take questions.

<<David Emery, Chairman and Chief Executive Officer >>

Anybody have any questions? You can get off easy. Yes

Q&A

<Q>: [Question Inaudible – q question relates to cost of service gas] (25:54)

<A – David Emery>: It's really going to depend on how many states we get approval and under what construct that we put a property in. If we put in a drilling program which we've talked about, and likely the first several years are going to be a $100 million-ish a year kind of numbers. We took the specific capital forecast out of our capital forecast, it's just too difficult to predict meaningfully and we try to be pretty conservative in what we forecast, but it – basically, running one drilling rig in a shale gas play is going to cost you pretty close to a $100 million a year and that's essentially the basis for that number.

<A – Rich Kinzley>: I'd add, it's worth noting our guidance includes, as Dave said, our capital forecast includes no cost of service gas nor does our guidance.

<Q>: Could you comment about the – service territory and about the overall state of the economy [inaudible] (26:49)…

<A – David Emery>: Yes. We are actually in really good shape. Most of our service territory, there is a couple of small exceptions, but most of our territory is not that impacted by the oil and gas activity or anything for example. A little bit of downturn obviously in parts of Wyoming, and most of that's gas service and really isn't impacted by what's going on in the oil and gas or the coal industry for that matter. We have very minimal impact from North Dakota. We do have a couple of small service businesses in the Northern Black Hills, tank manufacture and a couple of things that do a little bit of business in North Dakota, but in the grand scheme of things, they are pretty small loads. So, if you look across our territories, our growth has actually been quite good in most of the territories. Our legacy territories, the Black Hills is always just kind of slow, steady growth and it's been 1% to 2% for about as long as we can remember, and when it's low, it's 1% and when things are good, it's 2%, it doesn't boom, it doesn't bust, pretty consistent. Our Colorado gas utility, the Front Range and the Western slope now with SourceGas, they are growing pretty quickly, several times what we're growing in the Black Hills, 4%, 6%, 7% kind of depending on where you are at.

Colorado Electric, it has been growing, a lot of that has been more industrial and commercial growth, not residential, but certainly some growth there. Cheyenne – Southeast

Wyoming electric utility, Cheyenne area, a lot of data center growth there and that's been a real strong load for us. Our other states, Iowa, Kansas, relatively flat, I mean, they are slightly positive, but they are our slowest growing retail territories, if you will. Arkansas – Nebraska has been slow and steady kind of like the Black Hills area, good growth, not super strong, not weak. And then Arkansas, which is our acquired SourceGas territory, is very strong and it's been real positive. The area we serve there, that been – Fayetteville area is literally one of the top ten fastest growing counties in the United Sates. So, it's real good growth as well.

<Q>: [Question Inaudible – cost of service gas related question] (29:19)

<A – David Emery>: Really, a little bit of both. I mean, we have one property in our E&P unit which is by far our best property, our Piceance Basin shale gas asset. We believe would be an excellent asset for customers in a cost of service gas program and would provide gas for decades. So, we would like to convert that into a cost of service gas asset. The balance of our E&P assets are not suitable for cost of service gas and frankly, we are going to divest those as non-core assets. We are not going to fire sale them, we are not going to throw our hands up and walk away, but we are in the process of gradually divesting those. The expertise at E&P, we are going to be careful to retain some of the key drilling, production, reservoir engineering, some of those folks, because they'll be key to the cost of service gas. Then we will continue to look for properties if it makes sense to purchase assets and put into the cost of service gas program as well.

<Q>: [Question Inaudible – midstream related question] (30:25)

<A – David Emery>: The midstream type assets that we would do, I would classify more as gathering assets, maybe a little bit of compression, field compression. The only circumstances – it's going to depend on the area, but the only circumstance that we would really do a lot of investment in that is if it's real integral to the field operation proper, if it makes sense to – and if it's a little further downstream, we're probably going to let somebody else do it, but we do have our own gathering systems in a couple of the fields we operate now and it makes great economic sense to do that, frankly, it is better to have the operational control to do that. So, in that circumstance, there might be some investment as part of our ongoing drilling program on cost of service gas. It's not going to be a huge needle mover though.

<A – Rich Kinzley>: But it would be rate based, it would be part of the investment that we recover on.

<<David Emery, Chairman and Chief Executive Officer>>

Yes. Any last questions? We are just about out of time, but probably got time for one or – just one more. All right. Well, thanks for your attendance today. We appreciate your interest in Black Hills. For those of you on the webcast, thank you for attending as well. Have a great rest of your day and good conference.