

# 2020 First Quarter Review

May 5, 2020



# Forward-Looking Statements

## COMPANY INFORMATION

### Black Hills Corporation

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NYSE Ticker: **BKH**  
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This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. This includes, without limitations, our 2020 earnings guidance and the impacts of the COVID-19 pandemic on our business. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Item 1A of Part I of our 2019 Annual Report on Form 10-K and other reports that we file with the SEC from time to time, and the following:

- The accuracy of our assumptions on which our earnings guidance is based;
- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and favorable rulings on periodic applications to recover costs for capital additions, plant retirements and decommissioning, fuel, transmission, purchased power and other operating costs, and the timing in which new rates would go into effect;
- Our ability to complete our capital program in a cost-effective and timely manner;
- Our ability to execute on our strategy, including: targeting a 50 to 60 percent dividend payout ratio and continuing our track record of continuous annual dividend increases;
- Our ability to successfully execute our financing plans;
- Board of Directors’ approval of any future quarterly dividends;
- The impact of future governmental regulation; and
- Other factors discussed from time to time in our filings with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time-to-time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

# Discussion Agenda

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## COVID-19 Update

Linn Evans

*President and Chief Executive Officer*

## First Quarter Review

Linn Evans

*President and Chief Executive Officer*

## Financial Update

Rich Kinzley

*Senior Vice President and Chief Financial Officer*

## Strategic Overview

Linn Evans

*President and Chief Executive Officer*

## Q&A

# COVID-19 Update



## **Prioritizing Health and Safety**

- No coworkers have tested positive for COVID-19 virus
- Proactive actions across all business functions to safely and reliably serve our customers while protecting all involved
- Supporting local relief efforts and assisting financially impacted customers
- Continuously monitoring situation and in close coordination with authorities and industry peers



## **Safeguarding System Reliability**

- Sequestering mission critical coworkers to mitigate risk of the virus and maintain reliable energy delivery



## **Maintaining Strong Financial Position and Monitoring Potential Impacts**

- Strong liquidity
- Long-term financing action not necessary in the near-term
- Closely monitoring for potential impacts to customer demand, supply chain or any other impacts and will respond accordingly



# First Quarter 2020 Review



After construction, we restore the land to its natural state. We re-seed, mulch and monitor the right-of-way until vegetation is re-established, minimizing the long-term impact to the land along our pipelines.

# Q1 2020 Overview

## Operational Execution for Customers

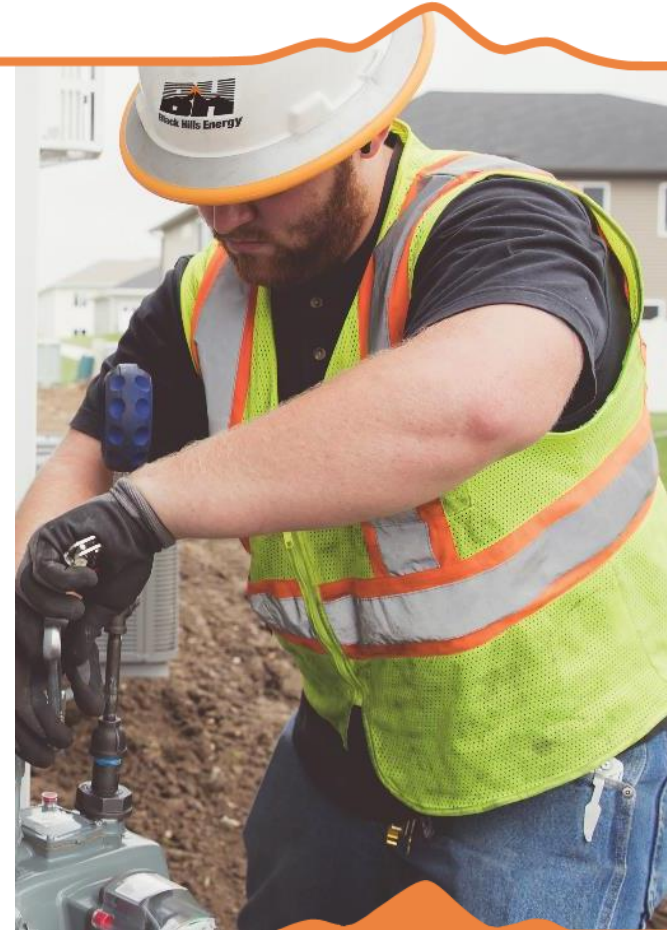
- Served customers safely and adapted processes for COVID-19 response
- Capital investment program on schedule for 2020

## Financial Position and Results

- Completed \$100 million equity issuance in February
- Maintained strong liquidity
- Delivered solid quarterly weather-adjusted earnings

## Strategic Progress

- Continued utility consolidation efforts; Wyoming Gas completed
- Progressed on renewable energy solutions (Renewable Ready and Renewable Advantage programs)





# Recent Highlights

## Natural Gas Utilities

- Advanced utility consolidation efforts
  - Wyoming regulatory and legal consolidation completed; new rates effective March 1
  - Nebraska completed legal consolidation on Jan. 1; expect to file consolidated rate review mid-year
  - Colorado commission essentially accepted ALJ's recommendations to deny regulatory consolidation and rider and reduce rates; legal consolidation was approved and complete in late 2018

## Electric Utilities

- Wyoming Electric and Black Hills Wyoming filed joint application with FERC in Aug. 2019 requesting approval for 60-megawatt Wygen I power purchase agreement
  - On Feb. 21, the FERC ordered public hearing and settlement procedures among all parties; hearing held in abeyance pending outcome of ongoing settlement negotiations
  - Contract would continue providing 60 megawatts of energy from Wygen I to Wyoming Electric beginning 2023 and continuing for 20 years
- Continued construction on Corriedale wind project in Wyoming to serve Renewable Ready program; on track for completion by year-end 2020
- Bids received and being evaluated for Renewable Advantage program in Colorado



## Power Generation

## Corporate

- On April 27, quarterly dividend of \$0.535 per share approved
- On April 10, S&P Global Ratings reaffirmed Black Hills' credit ratings
- On Feb. 27, issued 1.2 million shares for net proceeds of \$99 million

# Financial Update

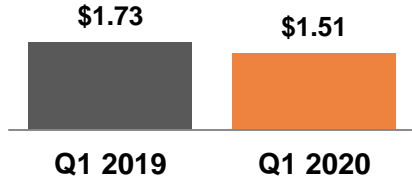


Following historic flooding in the Midwest, our team worked tirelessly to rebuild critical infrastructure and restore service to our customers.

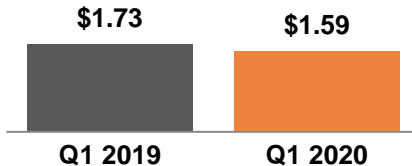


# Financial Overview

## EPS available for common stock (GAAP)



## EPS, as adjusted (Non-GAAP)\*



\* EPS from continuing operations available for common stock, as adjusted is a non-GAAP measure; see slide 10 for detail

## Financial Highlights

- Negative weather impact versus normal and Q1 2019
  - (\$0.04) versus normal and (\$0.15) versus prior year
- Minimal COVID-19 impacts

# Trailing Five Quarters Earnings Per Share

**EPS available for common stock (GAAP)**

Special Items:

Impairment of investment

Total adjustments (after tax)

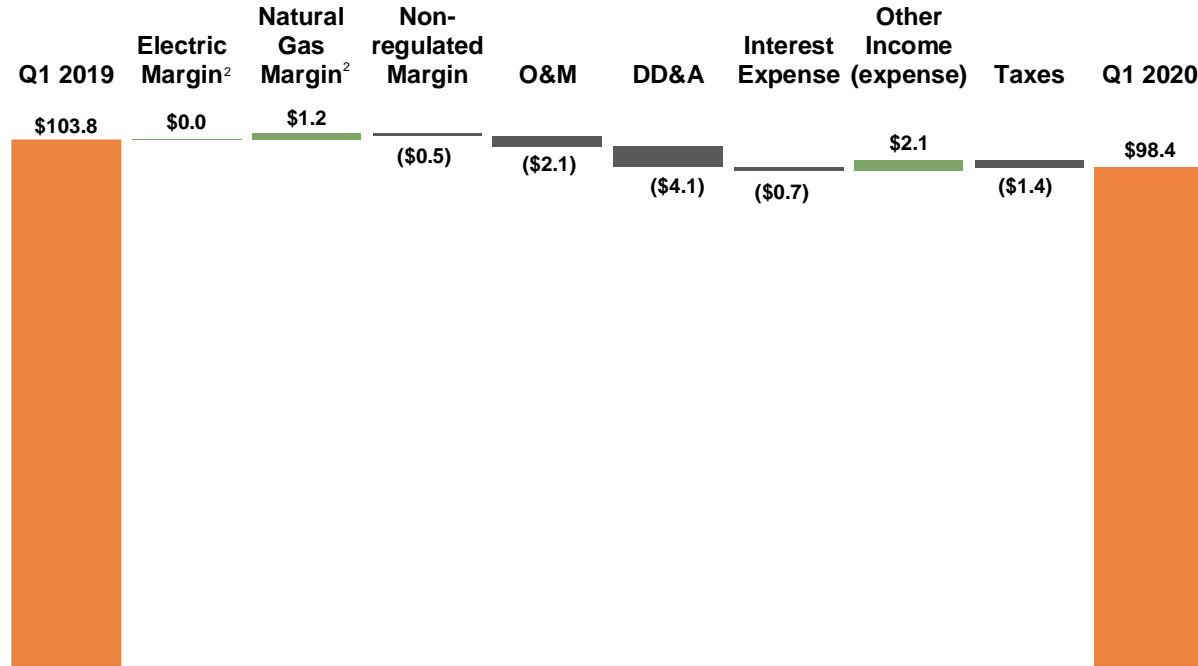
**EPS, as adjusted (Non-GAAP)\***

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
<b>EPS available for common stock (GAAP)</b>	<b>\$ 1.73</b>	<b>\$ 0.24</b>	<b>\$ 0.19</b>	<b>\$ 1.13</b>	<b>\$ 1.51</b>
Impairment of investment	—	—	0.25	—	0.08
Total adjustments (after tax)	—	—	0.25	—	0.08
<b>EPS, as adjusted (Non-GAAP)*</b>	<b>\$ 1.73</b>	<b>\$ 0.24</b>	<b>\$ 0.44</b>	<b>\$ 1.13</b>	<b>\$ 1.59</b>

\* EPS available for common stock, as adjusted is a non-GAAP measure; see Appendix for definition of Non-GAAP measures

# Q1 2020 Earnings Drivers

Change in Net Income available for Common Stock, as adjusted<sup>1</sup>  
(in millions)



## Primary Earnings Drivers

- New rates on investments
- Increased mark-to-market of commodity contracts
- Customer growth
- Weather
- Higher depreciation on larger asset base

<sup>1</sup> Non-GAAP measure; see Income Statement in Appendix

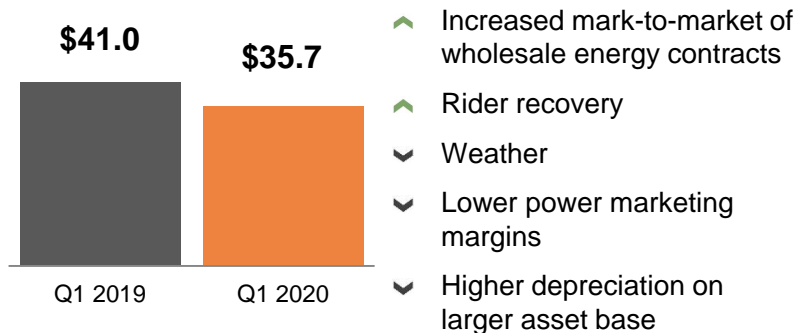
<sup>2</sup> Utility margin negative impact of \$9.4 million (\$8.0 million natural gas negative impact and \$1.4 million electric negative impact), net of tax, related to weather



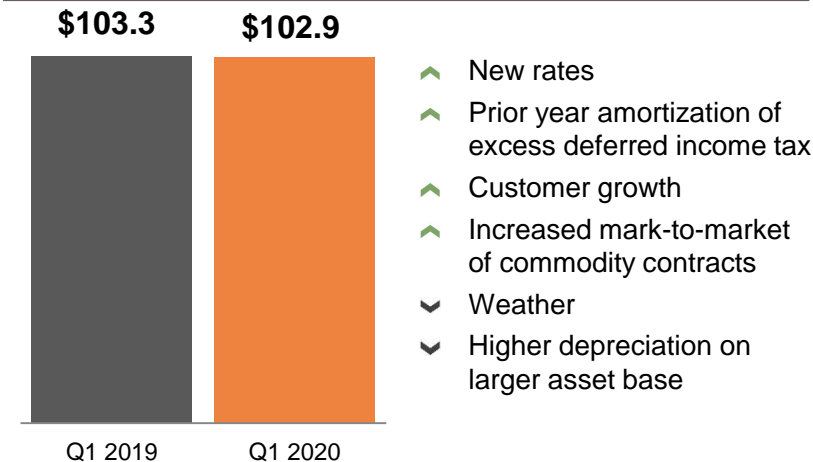
# Q1 2020 Operating Income by Segment

(in millions)

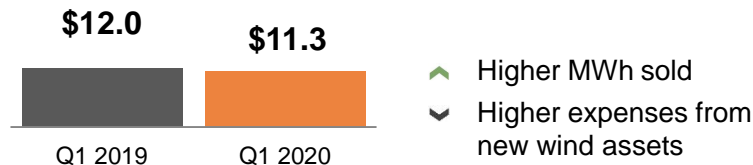
## Electric Utilities



## Gas Utilities



## Power Generation\*



## Mining



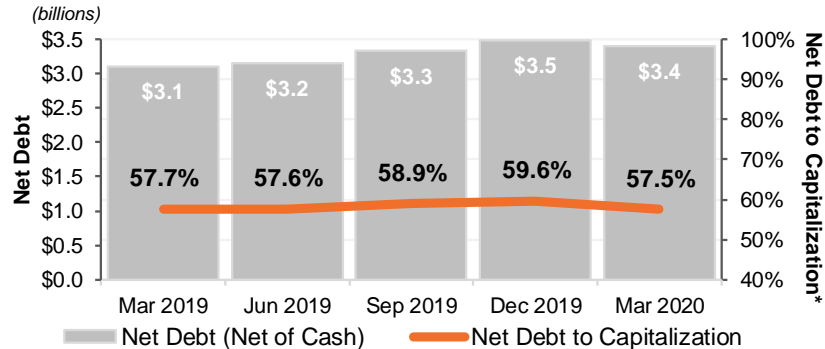
\* Power Generation includes 100% of Colorado IPP operations; financial results for the 49.9% minority owner of COIPP reflected through a reduction to net income attributable to noncontrolling interest

# Strong Financial Position

## Committed to Strong Investment-Grade Credit Ratings

S&P	Moody's	Fitch
<b>BBB+</b>	<b>Baa2</b>	<b>BBB+</b>
<b>Stable outlook</b>	<b>Stable outlook</b>	<b>Stable outlook</b>
Affirmed April 10, 2020	Affirmed Dec. 20, 2019	Affirmed Aug. 29, 2019

## Capital Structure

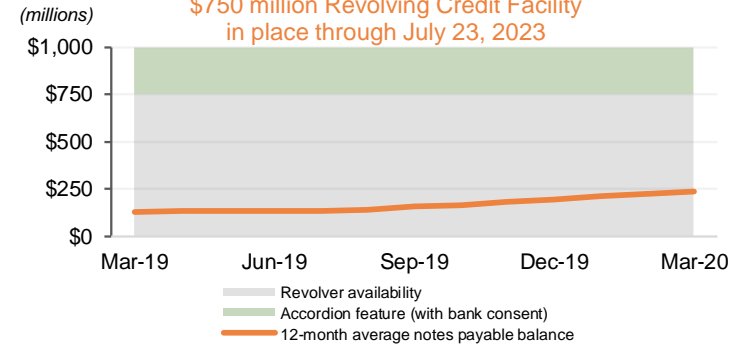


\* Excludes noncontrolling interest; see Appendix for detailed capital structure

## Strong Liquidity and Debt Profile

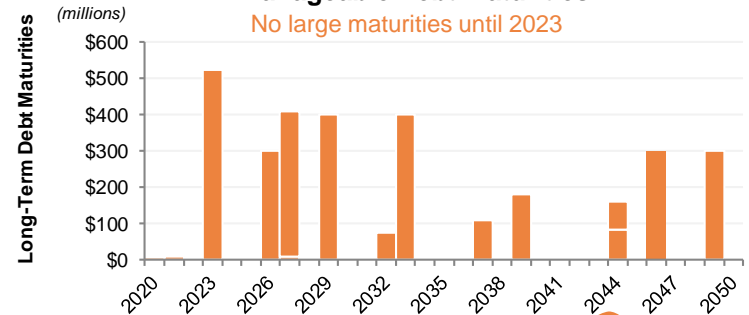
### Ample Access to Liquidity

\$750 million Revolving Credit Facility in place through July 23, 2023



### Manageable Debt Maturities

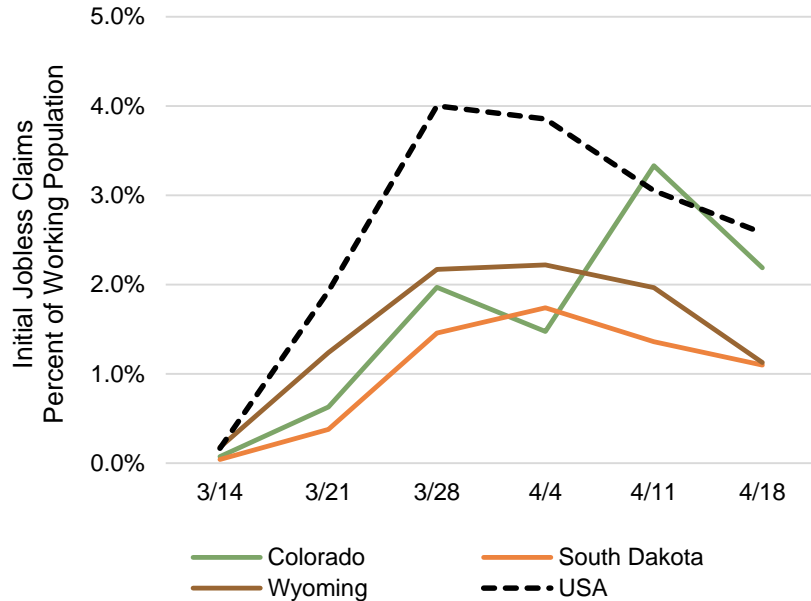
No large maturities until 2023



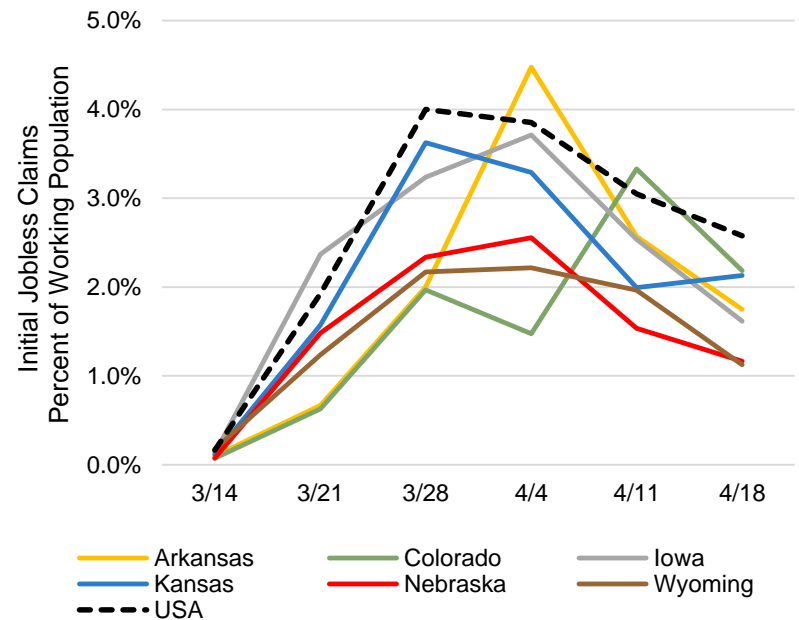
# Economic Conditions

## Initial Jobless Claims by Electric and Gas Utility State and National Average

### Black Hills Electric Utility States



### Black Hills Gas Utility States



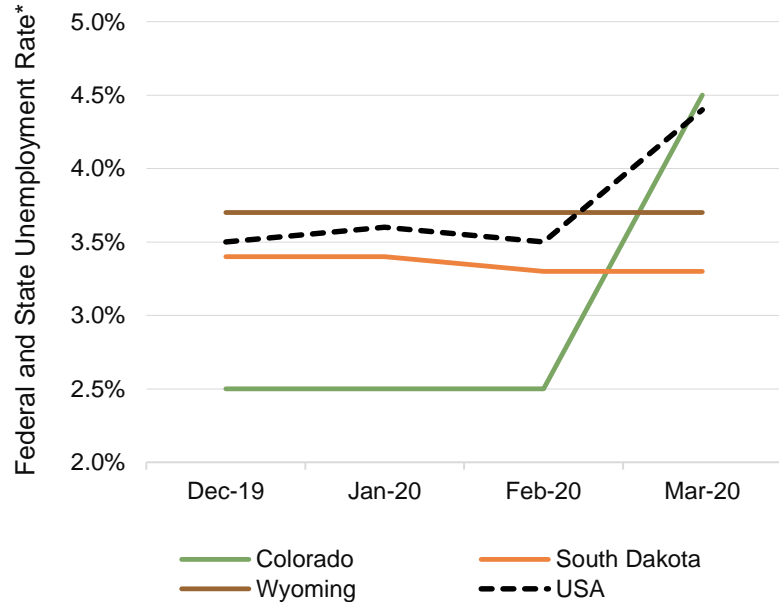
\* Data from Bureau of Labor Statistics – Employment Status of the Non-institutional Population



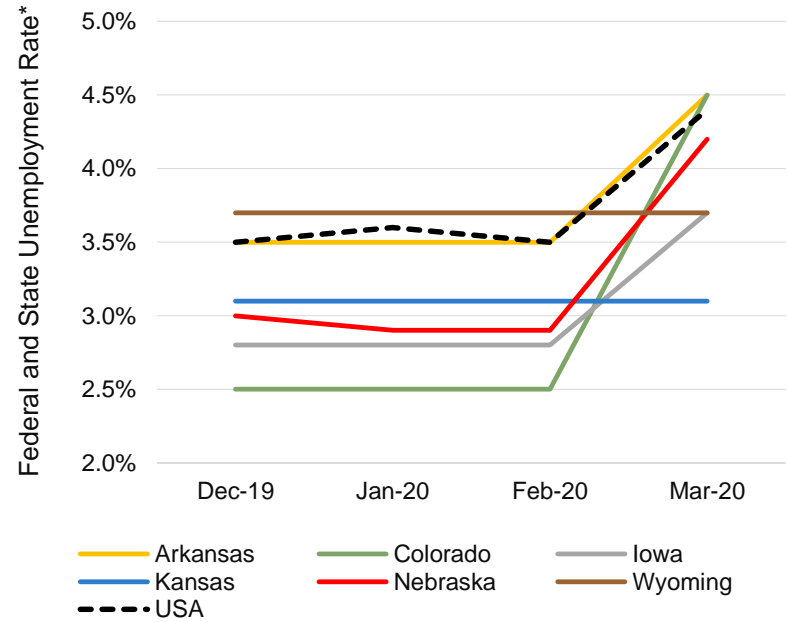
# Economic Conditions

## Unemployment Rates by Electric and Gas Utility State and National Average

### Black Hills Electric Utility States

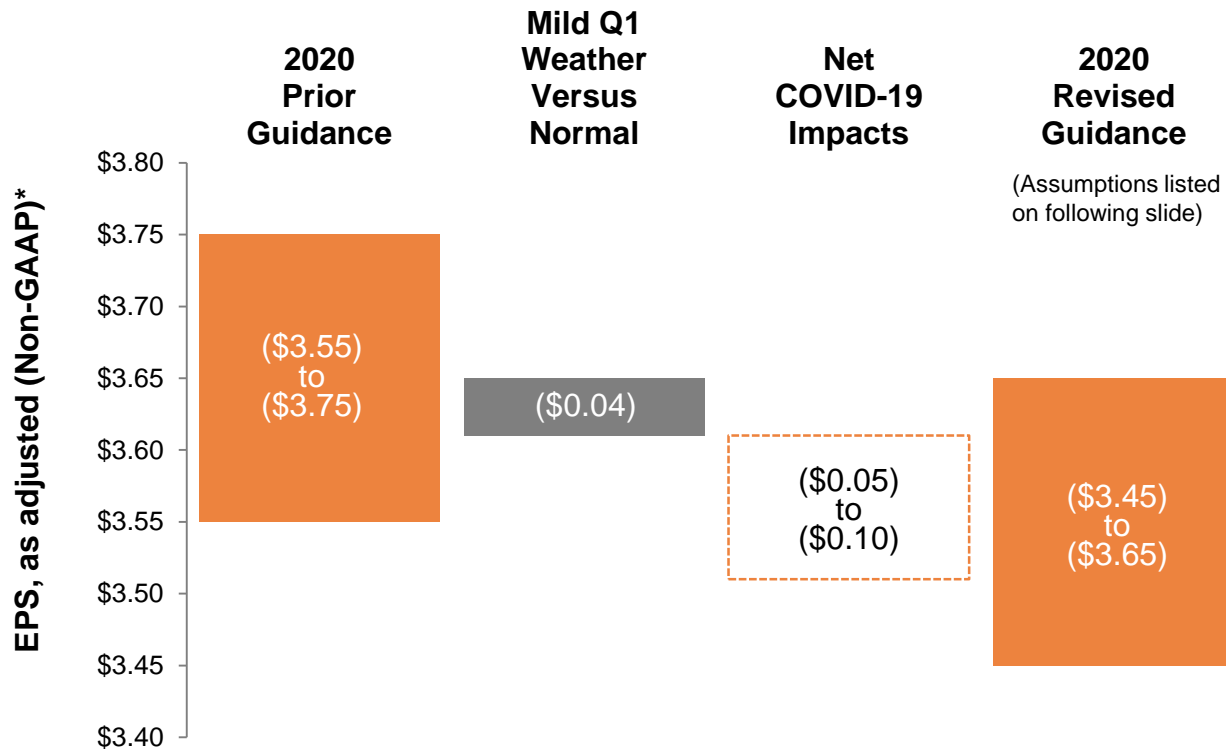


### Black Hills Gas Utility States



\* Data from Bureau of Labor Statistics – unemployment rate for population 16 years of age and over

# 2020 Earnings Guidance Revised



\* Earnings Guidance is based on EPS available for common stock, as adjusted is a non-GAAP measure; reconciled to GAAP on slide 10 and slide 49 in Appendix

# 2020 Earnings Guidance Assumptions

Based on first quarter unfavorable weather impact of \$(0.04) per share, as compared to normal, and current trends and expectations for the year, we revised our guidance assumptions and earnings expectations for 2020 EPS available for common stock, as adjusted\*, to be in the range of \$3.45 to \$3.65, based on the following updated assumptions:

- Net impact from COVID-19 of (\$0.05) to (\$0.10) per share
- Normal weather conditions for the remainder of the year within our utility service territories including temperatures, precipitation levels and wind conditions
- Normal operations and weather conditions for planned construction, maintenance and/or capital investment projects
- Completion of utility regulatory dockets
- Completion of construction and placing in service the Corriedale Wind Energy Project by year-end 2020
- No significant unplanned outages at any of our generating facilities
- Production tax credits of \$14 million to \$15 million associated with wind generation assets
- No additional equity issuances in 2020
- Capital investment of \$669 million in 2020
- No significant acquisitions or divestitures

\* EPS available for common stock, as adjusted is a non-GAAP measure; see slide 10 and slide 49 in Appendix for detail



# COVID-19 Impact Assumptions - Q2 to Q4

## Electric Utility usage

- Reduced usage by commercial and select industrial customers in the second quarter; gradually improving through remainder of the year
- Increased usage by residential customers in the second quarter; returning to more normalized levels through remainder of the year

## Natural Gas Utility usage

- Reduced usage by commercial, and select industrial and transport customers in the second quarter; gradually improving through remainder of the year
- Increased usage by residential customers in the second quarter; returning to more normalized levels through remainder of the year

## Increased net operating expenses

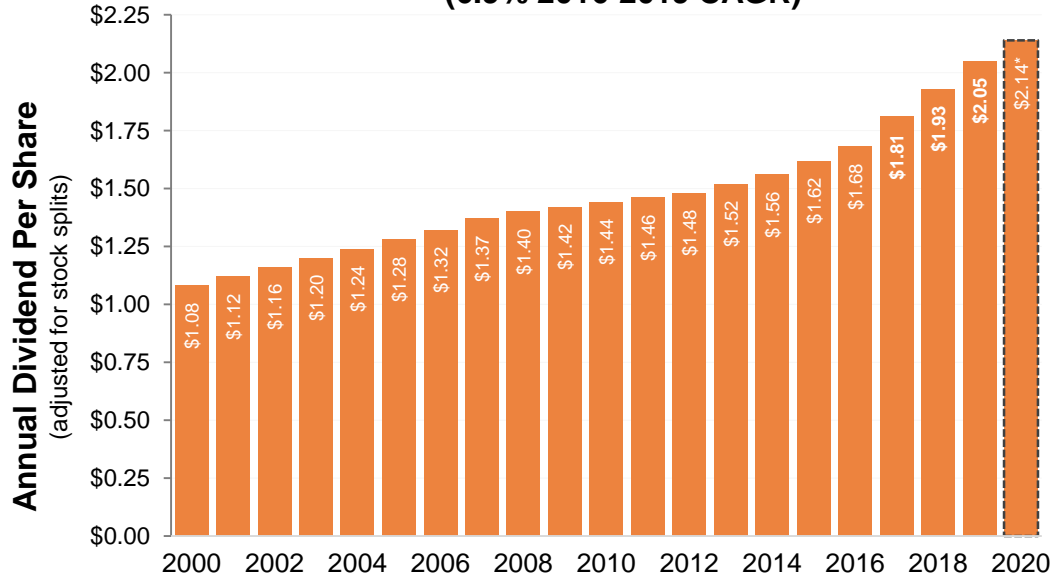
- Sequestration of mission critical and essential employees
- Higher bad debt
- Partially offset by lower travel, training and outside services costs

# Strong Dividend Growth Track Record

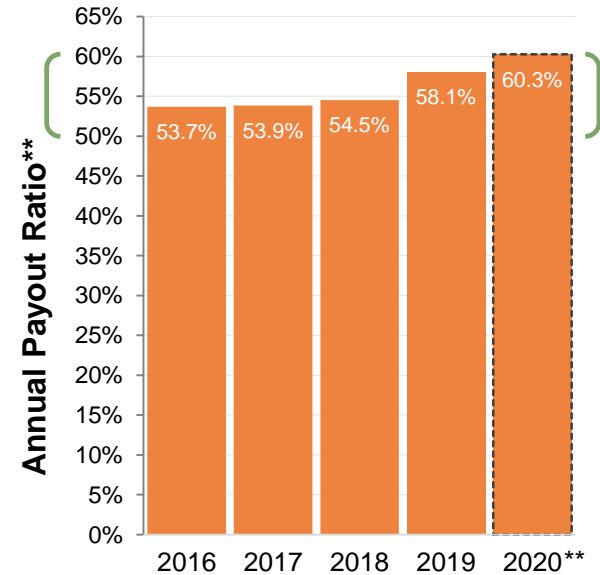
2020 Annual Rate Represents 50 Consecutive Years of Increases\*



**\$0.12 increase in both 2018 and 2019  
(6.9% 2016-2019 CAGR)**



**Target payout ratio of  
50% to 60%**



\* On April 27, board of directors approved a quarterly dividend of \$0.535 per share; 2020 annualized rate of \$2.14 would represent 50 consecutive years of increases, pending quarterly board approval

\*\* Annual dividend payout ratio is calculated by dividing annual dividend per share by earnings from continuing operations, as adjusted, per share, a non-GAAP measure reconciled to GAAP in Appendix; 2020 payout ratio is based on midpoint of earnings guidance range - see Appendix for guidance range and assumptions

# Strategic Overview



The expertise and dedication of our line workers keeps our service among the most reliable in the country.

# READY. for Customers

# READY. for Shareholders

Safety & Integrity

Customer Experience

Growth

Earnings Growth

Dividend Growth

Strong Total Returns

Aligning People + Processes + Technology + Analytics

Committed to maintaining solid investment-grade credit ratings

- Prioritize capital investment for safe, reliable service
- Program-based approach sets priority, increases transparency and improves planning, financial and regulatory processes

- Know our customers
- Easy to do business with
- Deliver innovative solutions

- Capacity and infrastructure enhancements
- Data centers and blockchain
- Responsible integration of additional renewable energy resources
- Natural gas saturation

- \$2.7 billion capital plan (2020-2024)
- Incremental opportunities likely
- Recurring base of utility investment
- Timely investment recovery

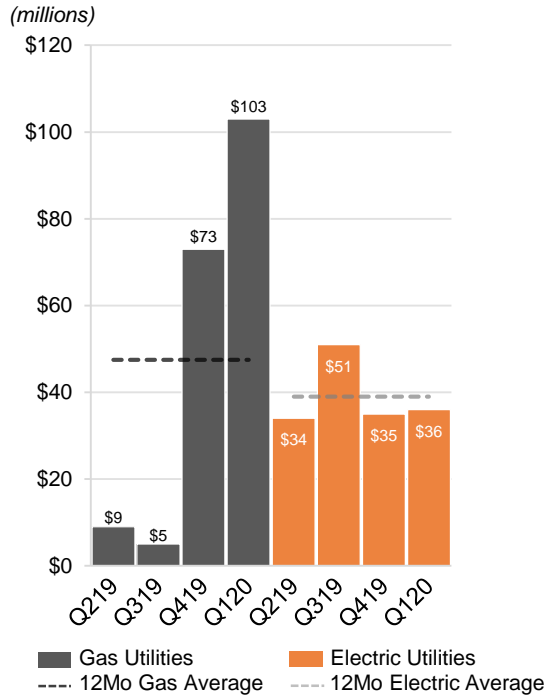
- 50 years of consecutive annual dividend increases\*
- Targeting 50% to 60% payout

\* On April 27, board of directors approved a quarterly dividend of \$0.535 per share; 2020 annualized rate of \$2.14 would represent 50 consecutive years of increases, pending quarterly board approval

# Strategic Diversity

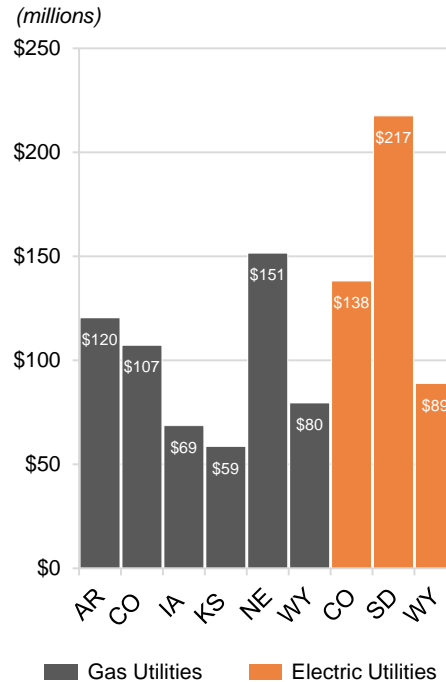
Diversified business risk by type and location

## Utility Operating Income

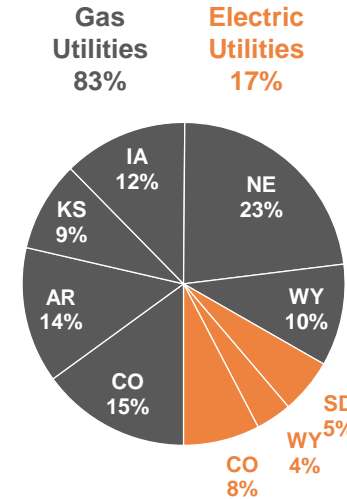


## Gross Margin by State\*<sup>1</sup>

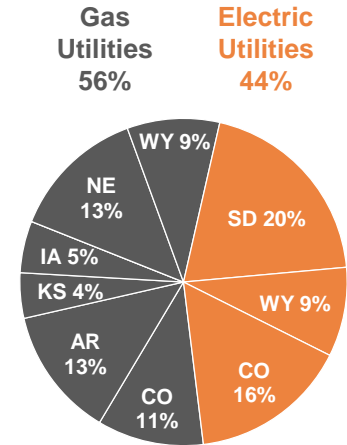
(12 months ending March 31, 2020)



## Percent of Customers by State<sup>1</sup>



## Percent of Utility Rate Base<sup>2</sup>



\* Non-GAAP measure, reconciled to GAAP in Appendix

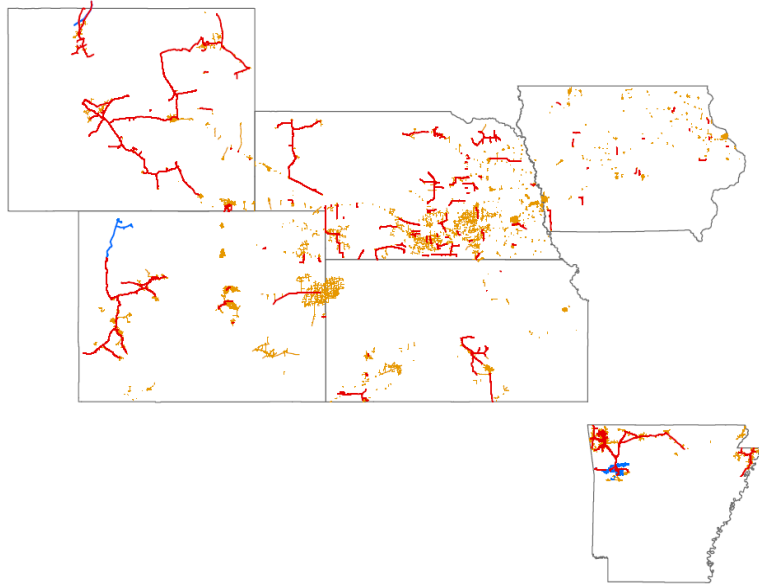
<sup>1</sup> Montana data included in South Dakota totals

<sup>2</sup> Estimated utility rate base as of Dec. 31, 2019; see Appendix for more detail

# Large Systems Require Significant Investment

Eight-state Presence Provides Additional Diversity of Opportunities

**46,000-mile** natural gas gathering, storage, transmission and distribution system



**1.4 gigawatts\*** of electric generation and **9,000-mile** electric transmission and distribution system



\* Includes 49.9 percent ownership in Colorado IPP owned by a third party, representing approximately 100 megawatts

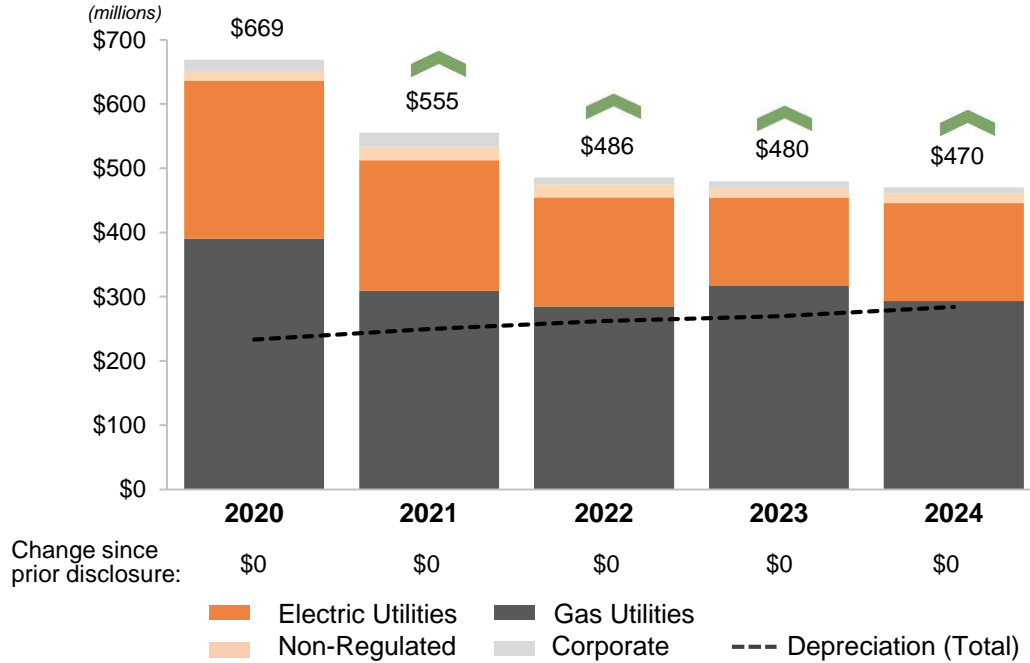
Note: Approximated totals based on information from 2019 Form 10-K Annual Report Filing as of Dec. 31, 2019



# Investing for Customer Needs Drives Growth

2020-2024 Forecast of \$2.7 billion

## Forecasted Capital Investment



2020 capital plan on schedule



Additional identified capital opportunities likely<sup>^</sup>

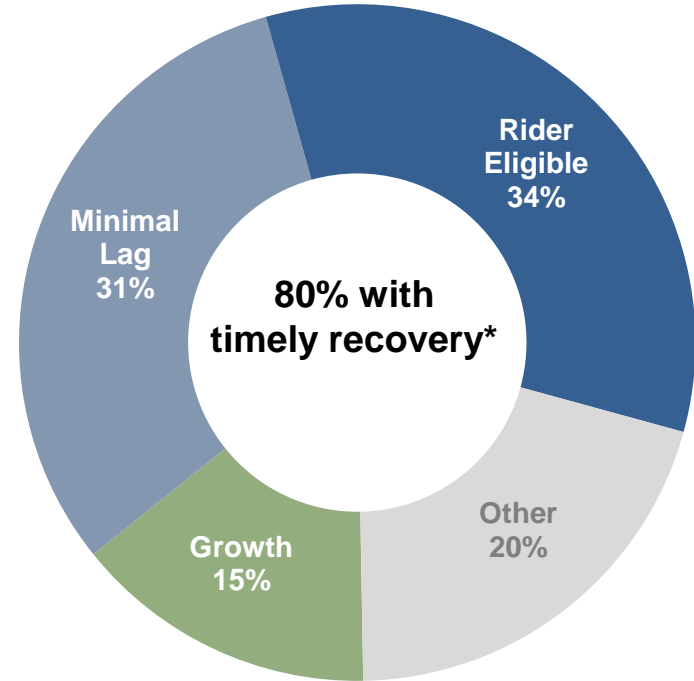
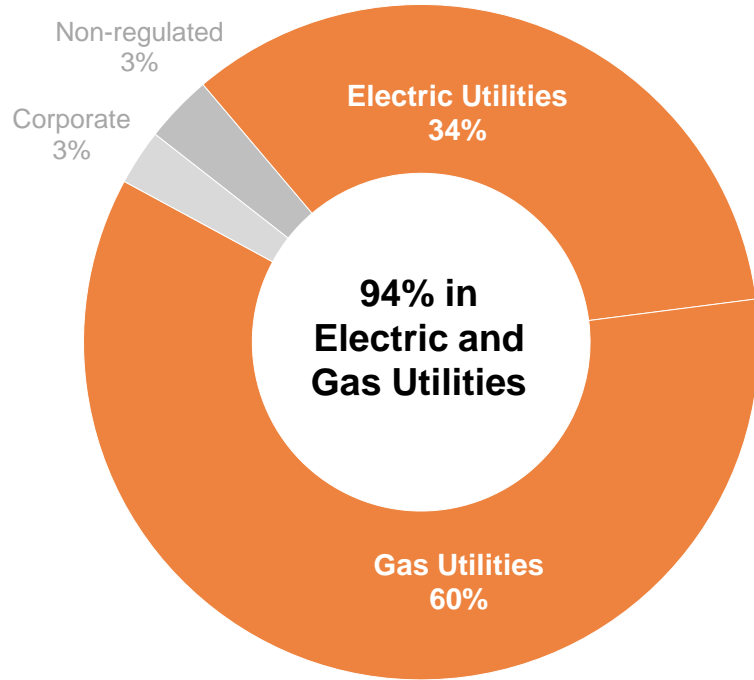


Rate base growth – investment well in excess of depreciation

<sup>^</sup> Excludes additional identified capital investment projects being evaluated and refined for timing and cost

# Timely Investment Recovery

2020-2024 Capital Forecast of \$2.7 Billion



\* Growth Capital - generates immediate revenue on customer connections

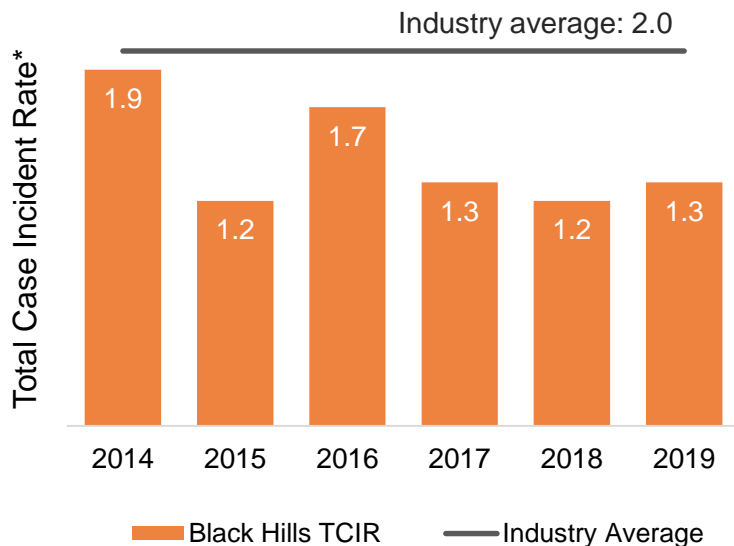
Minimal Lag Capital - capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods

Rider Eligible Capital - capital expenditures recovered through state specific tariffs and meets Minimal Lag Capital definition

# Operational Excellence

## ! Safety Focus

- TCIR better than industry average
- 32% improvement since 2014



\* TCIR is defined as the average number of work-related injuries incurred per 200,000 hours worked during a one-year period (represents approximately 100 workers)



## Customer Experience

### Black Hills named as one of the “Easiest Utilities to Do Business With”

Black Hills Energy was recently named to Escalent’s 2020 list of the top 30% of utility companies based on a customer effort index.

“Top-scoring utilities on customer effort have developed easy processes across their critical customer experience touchpoints. In fact, customers who score their utility high on the Customer Effort Index also say their utility meets or exceeds their expectations. This translates to faster and more satisfying relationships that will ultimately benefit both the customer and utility.”

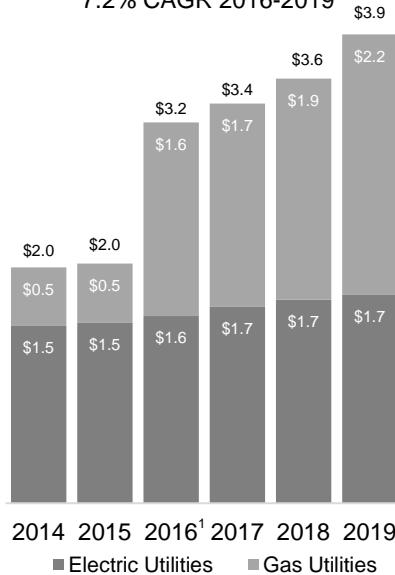
- Chris Oberle, senior vice president at Escalent



# Strategic Execution Delivers Results

## Estimated Rate Base <sup>1</sup> (in billions as of year-end)

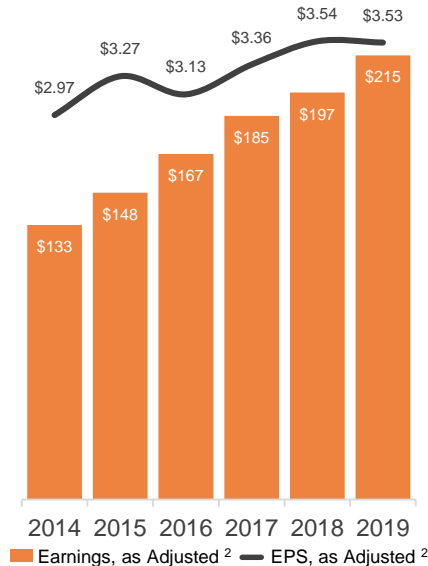
Nearly doubled since 2014  
7.2% CAGR 2016-2019



**Invest for Customer**

## EPS, As Adjusted and Earnings, As Adjusted <sup>2</sup>

3.5% EPS CAGR 2014-2019  
10.1% Earnings CAGR 2014-2019



**Earnings Growth**

## Annual Dividend Per Share

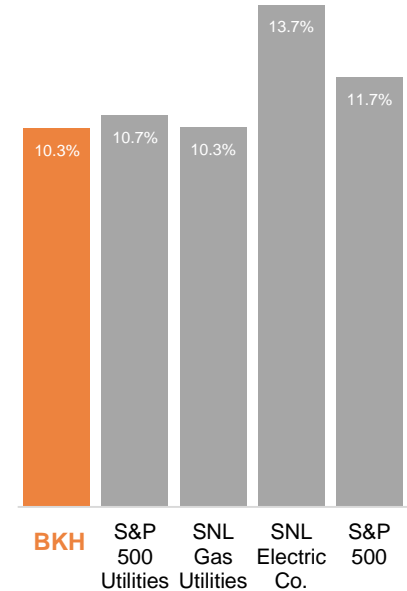
5.6% CAGR 2014-2019



**Dividend Growth**

## Total Shareholder Return <sup>3</sup>

(10-year annualized return as of April 30, 2020)



**Strong Long-term TSR**

<sup>1</sup> Increase in 2016 rate base primarily driven by February 2016 acquisition of SourceGas

<sup>2</sup> Earnings and EPS from continuing operations available for common stock, as adjusted are non-GAAP measures reconciled to GAAP in Appendix

<sup>3</sup> 10-year annualized total shareholder return as of April 30, 2020, based on data from S&P Global Market Intelligence

# 2020 Scorecard

## PROFITABLE GROWTH

- Meet growing customer demand through innovative tariffs and construction of customer-focused, cost effective, rate-based utility assets
- Enhance reliability and customer satisfaction.
- Acquire small utility systems within or near existing service territories

## VALUED SERVICE

- Invest in the replacement of existing utility infrastructure to maintain the safety and reliability of electric and gas systems.
- Cost effectively add renewable resources to energy supply portfolio

## BETTER EVERY DAY

- Achieve top-tier operational performance in a culture of continuous improvement
- Improve efficiencies through continued deployment of technology

## GREAT WORKPLACE

- Be the safest company in the energy industry
- Be one of the best places to work
- Improve the wellness of employees
- Be a workplace of choice for women and minorities

### 2020 Future Initiatives and Progress

- |   |  |  |  |
|---|--|--|--|
| <ul style="list-style-type: none"><li><input type="checkbox"/> Increase annual dividend for 50th consecutive year</li><li><input type="checkbox"/> Place Corriedale wind project in service</li><li><input type="checkbox"/> Advance jurisdiction consolidation<ul style="list-style-type: none"><li><input checked="" type="checkbox"/> Complete Nebraska Gas legal consolidation</li><li><input type="checkbox"/> File Nebraska Gas rate review</li><li><input type="checkbox"/> Complete Colorado Gas rate review</li></ul></li><li><input type="checkbox"/> Execute data center recruitment strategy to support electric utility load growth</li><li><input type="checkbox"/> Enhance electric system reliability through implementation of distribution system integrity program</li><li><input type="checkbox"/> Enhance gas utility system safety and reliability by completing 2020 programmatic capital projects</li></ul> | <ul style="list-style-type: none"><li><input type="checkbox"/> Improve Net Promoter Scores</li><li><input type="checkbox"/> Improve JDP OCSAT scores</li><li><input type="checkbox"/> Enhance customer self-service options</li><li><input type="checkbox"/> File Colorado Electric Resource Plan</li><li><input type="checkbox"/> Obtain approval to add up to 200MW of cost-effective renewable energy in Colorado (Renewable Advantage)</li><li><input type="checkbox"/> Advance ESG reporting practices by disclosing industry-aligned metrics</li><li><input type="checkbox"/> Provide incentive to add electric vehicle charging stations in our territories</li></ul> | <ul style="list-style-type: none"><li><input type="checkbox"/> improve productivity and efficiency, as measured by:<ul style="list-style-type: none"><li><input type="checkbox"/> Non-fuel O&amp;M as a percentage of gross margin</li><li><input type="checkbox"/> Utilize robotic process automation</li></ul></li><li><input type="checkbox"/> Evaluate enterprise data &amp; analytics maturity and design roadmap</li><li><input type="checkbox"/> Identify and evaluate investment opportunities for assets that align with our electric and natural gas value chain</li><li><input type="checkbox"/> Define strategy and opportunities for renewable and liquefied natural gas</li><li><input type="checkbox"/> Complete planned plant maintenance to maintain strong long-term generation availability</li><li><input type="checkbox"/> Reduce third-party gas line hits</li></ul> | <ul style="list-style-type: none"><li><input type="checkbox"/> Achieve safety TCIR of 1.19</li><li><input type="checkbox"/> Achieve PMVI rate of 2.36</li><li><input type="checkbox"/> Conduct quarterly engagement pulse surveys to measure employee sentiment and organizational culture to continuously improve our employees' experience</li><li><input type="checkbox"/> Achieve 80% employee engagement in BHC Virgin Pulse wellness program</li><li><input type="checkbox"/> Continue to expand availability and participation in diversity affinity groups</li></ul> |
|---|--|--|--|



# Questions





# Appendix

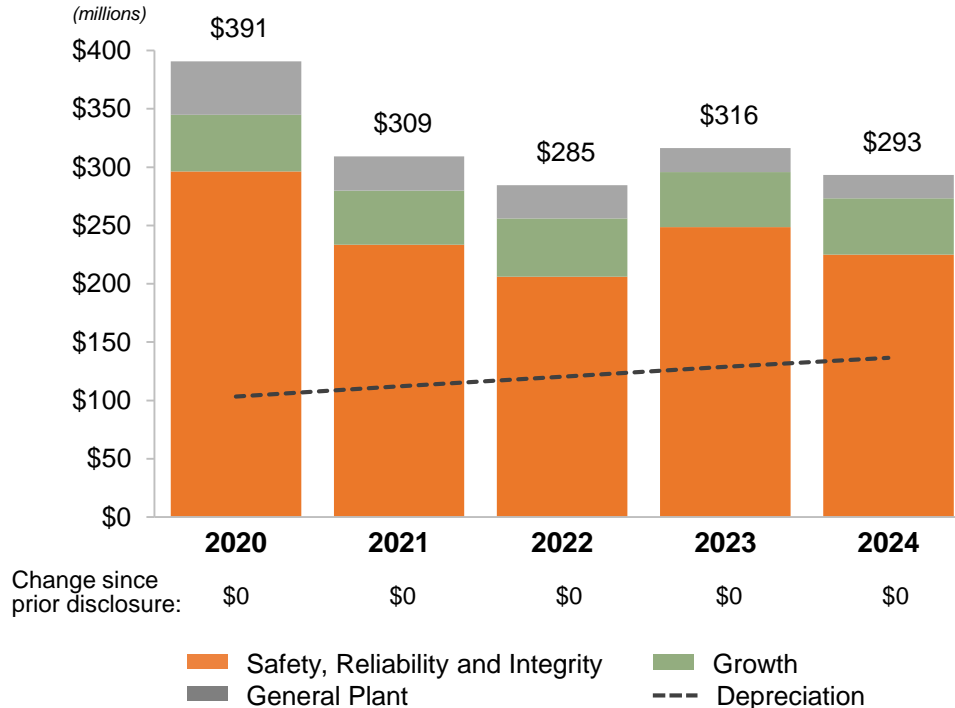


- 31-35** Capital Investment
- 36-39** Regulatory
- 40** Capital Structure
- 41** Income Statement
- 42** Utility Weather and Demand
- 43** Electric Generation and Mining Performance
- 44-49** Non-GAAP information and reconciliations
- 50-51** Strategic Objectives, Values & Mission

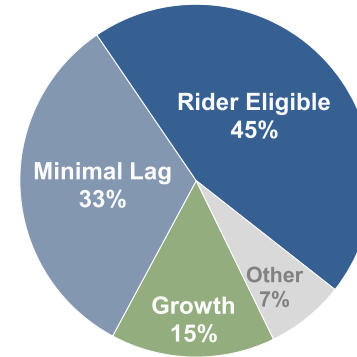
# Natural Gas Utilities Capital Investment

2020-2024 Forecast of \$1.6 billion

Forecasted Capital Investment By Type

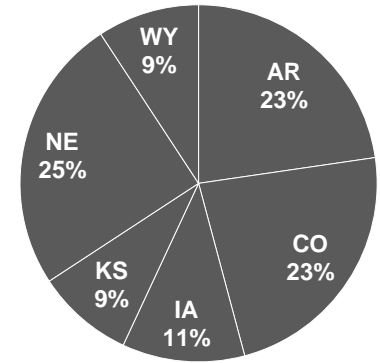


Forecasted Capital Investment Recovery\*



2020-2024

Forecasted Capital by State



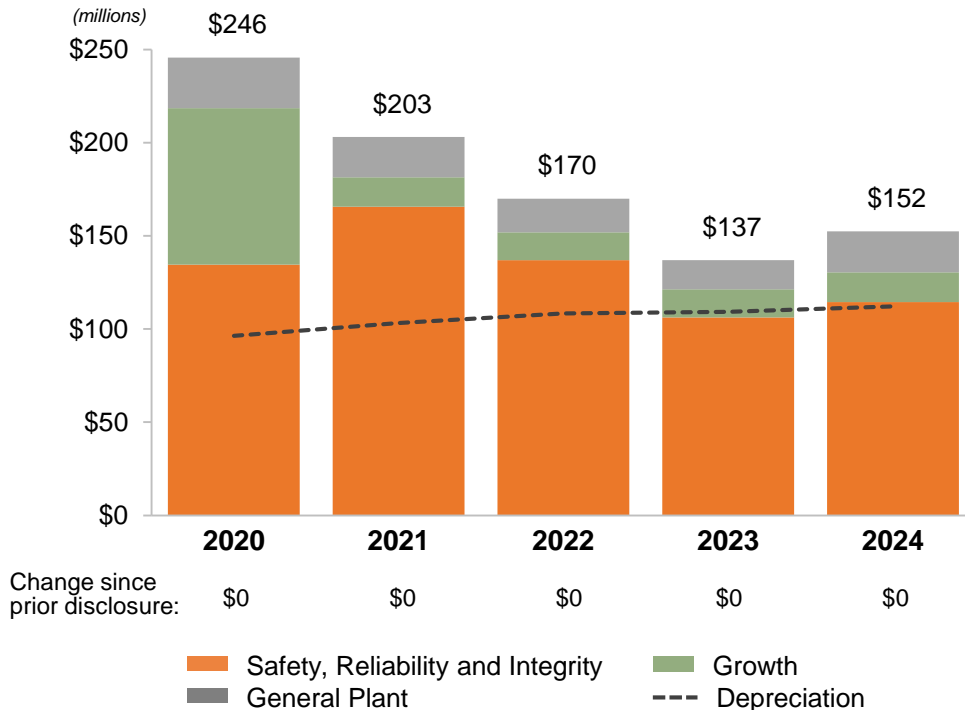
2020-2024

\* Growth Capital - generates immediate revenue upon customer connections  
 Minimal Lag Capital – capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods  
 Rider Eligible Capital - capital expenditures recovered through state specific tariffs and meets Minimal Lag Capital definition

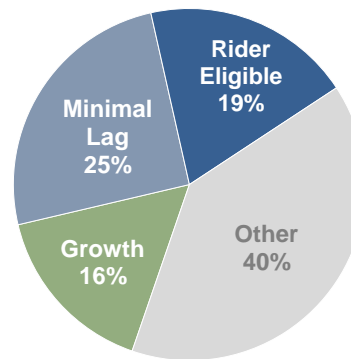
# Electric Utilities Capital Investment

2020-2024 Forecast of \$0.9 billion

Forecasted Capital Investment By Type

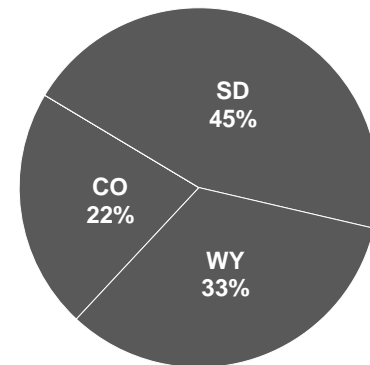


Forecasted Capital Investment Recovery\*



2020-2024

Forecasted Capital by State



2020-2024

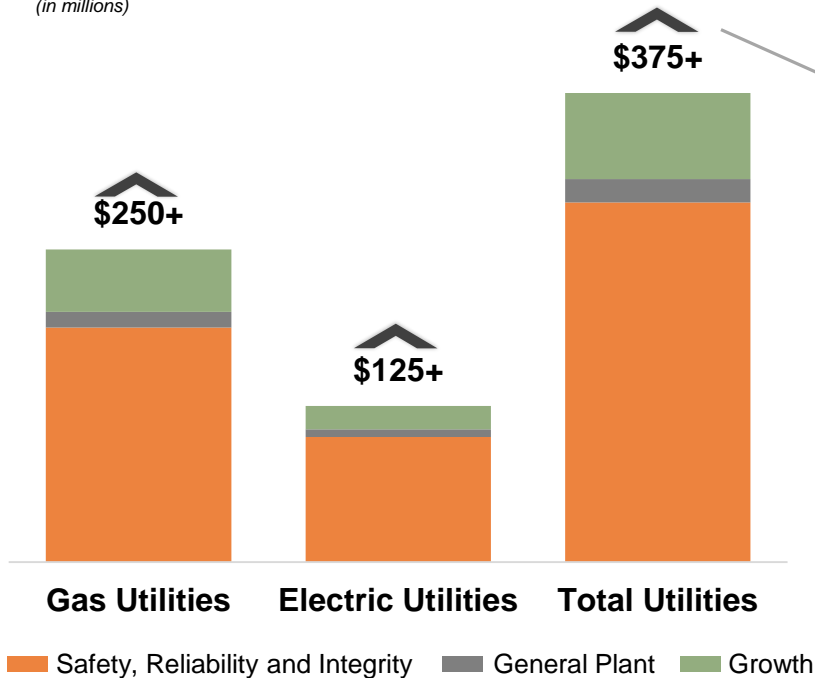
\* Growth Capital - generates immediate revenue upon customer connections  
 Minimal Lag Capital - capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods  
 Rider Eligible Capital - capital expenditures recovered through state specific tariffs or FERC formula rates and meets Minimal Lag Capital definition

# Recurring Annual Base Investment

\$375+ million annually provides confidence in long-term growth

## Annual Capital Investment Beyond 2024\*

(in millions)



### +Incremental Opportunities

- Large natural gas pipeline and storage projects for customers
- Large electric generation, renewable and transmission projects
- Additional programmatic investment
- New governmental safety requirements

# Capital Investment by Recovery

(in millions)

Capital Investment By Segment and Recovery	2020F	2021F	2022F	2023F	2024F	2020-2024F
Minimal Lag Capital - Electric Utilities <sup>1</sup>	\$38	\$76	\$48	\$0	\$66	\$228
Rider Eligible Capital - Electric Utilities	\$39	\$53	\$43	\$12	\$28	175
Growth Capital - Electric Utilities <sup>2</sup>	\$84	\$16	\$15	\$15	\$16	146
Other	\$85	\$58	\$65	\$110	\$42	359
<b>Electric Utilities</b>	<b>\$246</b>	<b>\$203</b>	<b>\$170</b>	<b>\$137</b>	<b>\$152</b>	<b>\$908</b>
Minimal Lag Capital - Gas Utilities <sup>1</sup>	\$189	\$83	\$51	\$113	\$84	520
Rider Eligible Capital - Gas Utilities	\$125	\$156	\$150	\$149	\$138	719
Growth Capital - Gas Utilities <sup>2</sup>	\$48	\$47	\$50	\$47	\$48	240
Other	\$28	\$24	\$34	\$7	\$22	115
<b>Gas Utilities</b>	<b>\$391</b>	<b>\$309</b>	<b>\$285</b>	<b>\$316</b>	<b>\$293</b>	<b>\$1,594</b>
<b>Total Utilities</b>	<b>\$636</b>	<b>\$512</b>	<b>\$455</b>	<b>\$453</b>	<b>\$446</b>	<b>\$2,503</b>
Power Generation	7	9	11	6	6	40
Mining	8	12	9	9	9	47
Corporate	18	22	11	11	9	71
<b>Total</b>	<b>\$669</b>	<b>\$555</b>	<b>\$486</b>	<b>\$480</b>	<b>\$470</b>	<b>\$2,660</b>

Forecasted capital investment excludes additional opportunities from power generation or other material projects being evaluated for timing.

<sup>1</sup> Minimal Lag Capital - investment with regulatory lag of less than one year or incurred during expected regulatory test periods

<sup>2</sup> Growth Capital - generates immediate revenue on customer connections

<sup>3</sup> Rider Eligible Capital - capital expenditures recovered through state specific tariffs or FERC formula rates and meets minimal lag capital definition

Note: Some totals may differ due to rounding

# Utility Capital Investment by Type

(in millions)

Utility Capital Investment by Type	2020F	2021F	2022F	2023F	2024F	2020-2024F
Safety, Reliability and Integrity <sup>1</sup>	\$135	\$166	\$137	\$106	\$114	\$658
Growth <sup>2</sup>	84	16	15	15	16	146
General Plant	27	22	18	16	22	104
<b>Electric Utilities</b>	<b>\$246</b>	<b>\$203</b>	<b>\$170</b>	<b>\$137</b>	<b>\$152</b>	<b>\$908</b>
Safety, Reliability and Integrity <sup>1</sup>	296	233	206	248	225	1,209
Growth <sup>2</sup>	48	47	50	47	48	240
General Plant	46	29	29	21	20	144
<b>Gas Utilities</b>	<b>391</b>	<b>309</b>	<b>285</b>	<b>316</b>	<b>293</b>	<b>\$1,594</b>
<b>Total Utilities</b>	<b>\$636</b>	<b>\$512</b>	<b>\$455</b>	<b>\$453</b>	<b>\$446</b>	<b>\$2,503</b>

Forecasted capital investment excludes additional opportunities from power generation or other material projects being evaluated for timing.

<sup>1</sup> Safety, Reliability and Integrity Capital - capital expenditures related to improving or maintaining system integrity

<sup>2</sup> Growth Capital - generates immediate revenue on customer connections

Note: Some totals may differ due to rounding



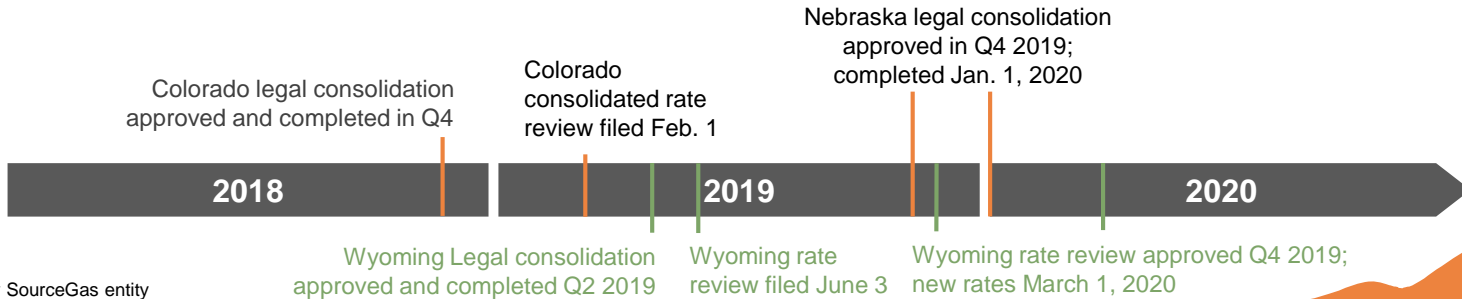
# Jurisdiction Consolidation

Wyoming – Completed	Colorado	Nebraska
<ul style="list-style-type: none"> <li>Wyoming Gas</li> <li>Northeast Wyoming Gas</li> <li>Northwest Wyoming Gas</li> <li>Wyoming Gas Distribution*</li> </ul> <p>➤ Black Hills Wyoming Gas</p>	<ul style="list-style-type: none"> <li>Colorado Gas</li> <li>Colorado Gas Distribution*</li> </ul> <p>➤ Black Hills Colorado Gas</p>	<ul style="list-style-type: none"> <li>Nebraska Gas</li> <li>Nebraska Gas Distribution*</li> </ul> <p>➤ Black Hills Nebraska Gas</p>

- Legal consolidation filed in Q1 2019; approved and completed in Q2 2019
- Filed consolidated rate review June 3, 2019; settlement agreement approved Dec. 11, 2019
- New single statewide rate structure effective March 1, 2020

- Legal consolidation filed in Q3 2018; approved and completed in Q4 2018
- Filed consolidated rate review and request for integrity investment tracker on Feb. 1, 2019
  - Colorado commission essentially accepted ALJ's recommendations to deny regulatory consolidation and rider and reduce rates

- Legal consolidation filed in Q1 2019; approved in Q4 2019 and completed Jan. 1, 2020
- Expect to file consolidated rate review mid-year 2020



\* Former SourceGas entity

# Current Regulatory Activity

## Rate review and consolidation requests

Jurisdiction	Filing Date	Annual Revenue Impact	ROE	Debt / Equity	Status
Colorado Gas	Feb. 1, 2019	TBD pending final order	9.2%*	49.85%* / 50.15%	Legal consolidation approved and completed in late 2018; awaiting final order

## Other major activity

Description	Filing Date	State	Filing Type	Status
Renewable Ready Service Tariff	Dec.18, 2018	SD and WY	tariff	Approved June 25 and July 3, 2019
Corriedale Wind Farm (To serve Renewable Ready)	Dec. 18, 2018	Jointly filed in SD, WY	CPCN**	Approved - construction underway; to be completed by year-end 2020
Renewable Advantage		Colorado	Request for Proposals	Bids received with 30-day report filed to summarize bids
Wyoming Electric / BH Wyoming PPA (2023-2043)	Aug. 2, 2019	WY / FERC	PPA approval	FERC decision pending

\* Per Commission deliberation

\*\* Certificate of Public Convenience

# Optimizing Regulatory Recovery

Electric Utility Jurisdiction	Cost Recovery Mechanisms					
	Environmental Cost	DSM/ Energy Efficiency	Transmission Expense	Fuel Cost	Transmission Cap-Ex	Purchased Power
South Dakota Electric (SD)	☑*	☑	☑	☑	☑*	☑
South Dakota Electric (WY)		☑	☑	☑		☑
South Dakota Electric (FERC)					☑	
Wyoming Electric		☑	☑	☑		☑
Colorado Electric		☑	☑	☑	☑	☑

**Legend:**

☑ Commission approved cost adjustment

\* Included in rate moratorium; applies only to non-FERC jurisdictional assets

# Optimizing Regulatory Recovery

Gas Utility Jurisdiction	Cost Recovery Mechanisms							
	DSM/ Energy Efficiency	Integrity Additions	Bad Debt	Weather Normal	Pension Recovery	Fuel Cost	Revenue Decoupling	Fixed Cost Recovery*
Arkansas Gas	☑	☑		☑		☑	☑	39%
Colorado Gas	☑					☑		47%
Colorado Gas Dist.	☑					☑		36%
Iowa Gas	☑	☑				☑		70%
Kansas Gas		☑	☑	☑	☑	☑		64%
Nebraska Gas		☑	☑			☑		55%
Nebraska Gas Dist.		☑	☑			☑		80% <sup>2</sup>
Rocky Mountain Natural Gas <sup>1</sup>	NA	☑	NA	NA	NA	NA	NA	NA
Wyoming Gas	☑	☑				☑		53%

Legend:

☑ Commission approved cost adjustment

\* Residential customers as of last rate base review

<sup>1</sup> Rocky Mountain Natural Gas, an intrastate natural gas pipeline

<sup>2</sup> Includes first tier of consumption in block rates

# Capital Structure

(in millions, except for ratios)

## Capitalization

Short-term Debt

Long-term Debt

Total Debt

Equity\*

Total Capitalization

## Net Debt to Net Capitalization

Debt

Cash and Cash Equivalents

Net Debt

Net Capitalization

Debt to Capitalization

Net Debt to Capitalization (Net of Cash)

Long-term Debt to Total Debt

	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020
Short-term Debt	\$ 170	\$ 108	\$ 301	\$ 355	\$ 325
Long-term Debt	2,950	3,050	3,049	3,140	3,137
Total Debt	3,121	3,158	3,350	3,495	3,462
Equity*	2,279	2,317	2,329	2,362	2,523
Total Capitalization	\$ 5,400	\$ 5,475	\$ 5,679	\$ 5,857	\$ 5,985
Debt	\$ 3,121	\$ 3,158	\$ 3,350	\$ 3,495	\$ 3,462
Cash and Cash Equivalents	(12)	(7)	(13)	(10)	(54)
Net Debt	3,109	3,151	3,337	3,486	3,408
Net Capitalization	\$ 5,387	\$ 5,468	\$ 5,666	\$ 5,848	\$ 5,931
Debt to Capitalization	57.8%	57.7%	59.0%	59.7%	57.8%
Net Debt to Capitalization (Net of Cash)	57.7%	57.6%	58.9%	59.6%	57.5%
Long-term Debt to Total Debt	94.5%	96.6%	91.0%	89.8%	90.6%

\* Excludes noncontrolling interest

# Income Statement

(in millions, except earnings per share)

	First Quarter	
	2019	2020
Revenue	\$ 597.8	\$ 537.1
Gross margin	348.1	349.2
Operating expenses	(136.9)	(139.6)
DD&A	(51.1)	(56.4)
<b>Operating income</b>	<b>160.1</b>	<b>153.2</b>
Interest expense, net	(34.7)	(35.5)
Impairment of investment	-	(6.9)
Other income (expense), net	(0.8)	2.4
Income before taxes	<b>124.7</b>	<b>113.2</b>
Income tax (expense)	(17.3)	(16.0)
Net income before non-controlling interest	<b>\$ 107.4</b>	<b>\$ 97.2</b>
Non-controlling interest	<b>(3.6)</b>	<b>(4.1)</b>
Net income available to common stock	<b>\$ 103.8</b>	<b>\$ 93.2</b>
Non-GAAP adjustments	-	5.3
Net income available to common stock, as adjusted (Non-GAAP)	<b>\$ 103.8</b>	<b>\$ 98.3</b>
EPS - Net income available for common stock	<b>\$ 1.73</b>	<b>\$ 1.51</b>
EPS - Net income available for common stock, as adjusted *	<b>\$ 1.73</b>	<b>\$ 1.59</b>
Diluted shares outstanding (in thousands)	60.1	61.9
<b>EBITDA, as adjusted*</b>	<b>\$ 210.4</b>	<b>\$ 212.0</b>

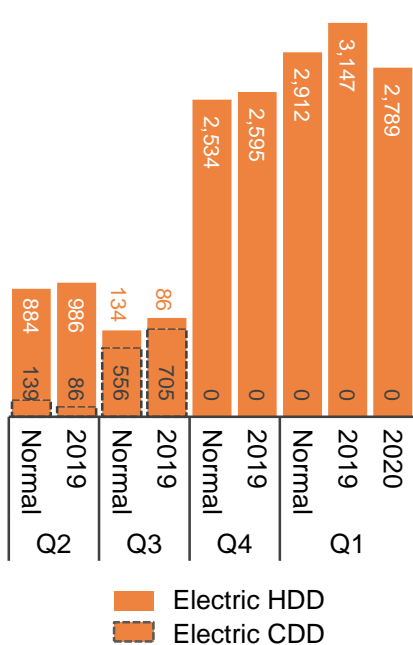
\* Non-GAAP measure; defined and/or reconciled to GAAP in Appendix and on slide 10



# Utility Weather and Demand

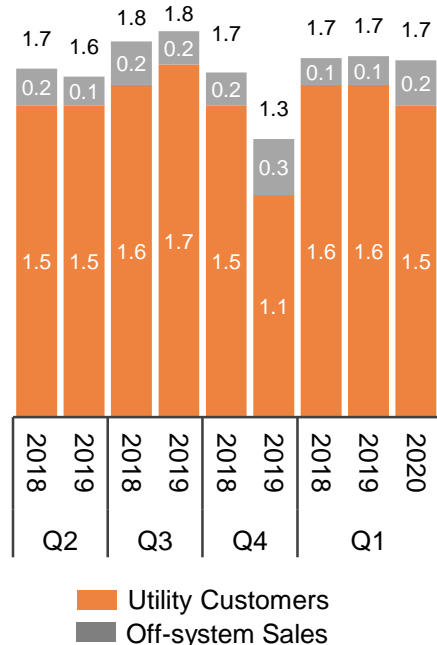
## Electric Degree Days

Total for all electric service areas weighted by customer count



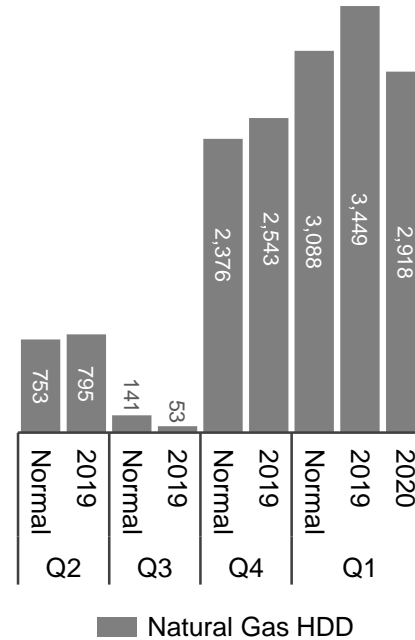
## Electric Utility Total MWh Sales

(in millions)



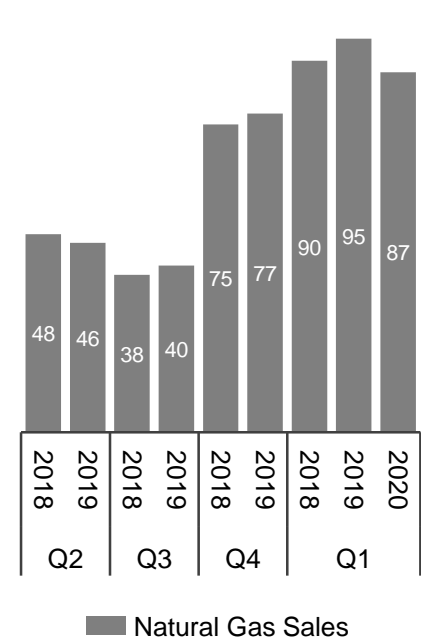
## Gas Degree Days\*

Total for all natural gas service areas weighted by customer count



## Gas Utility Total Dth Sales

(in millions)

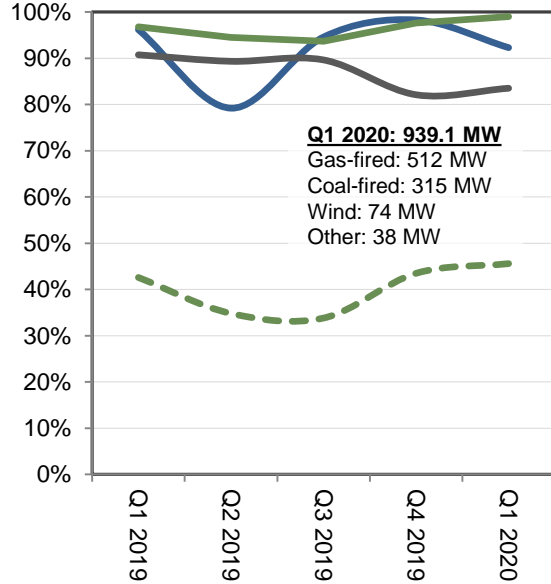


\* Gas Degree Days excludes Kansas data due to weather normalization in the state

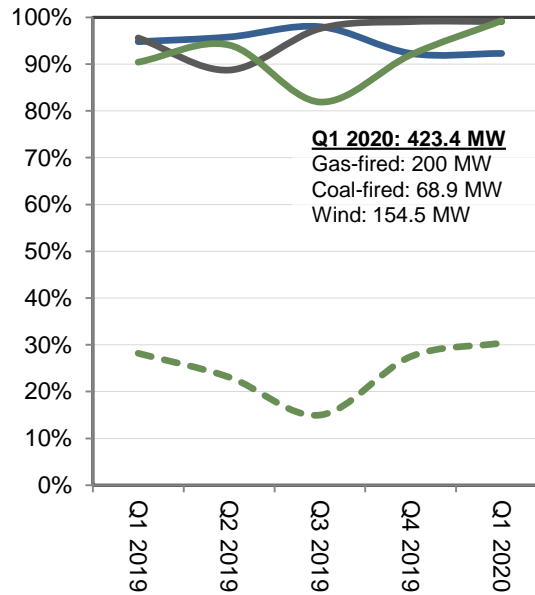
Note: normal degree days listed for prior quarters based on data as of 2019; current quarter normal based on average of currently available data

# Electric Generation and Mining Performance

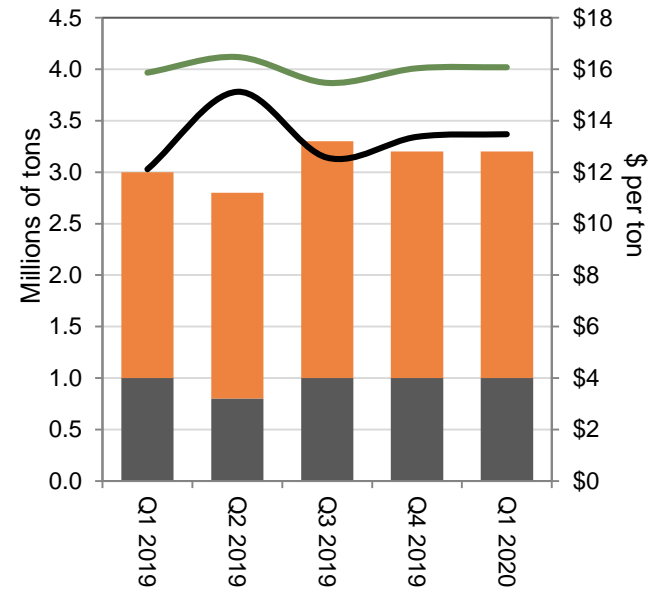
## Utility-owned Generation Availability



## IPP Generation Contract Availability



## Mining Revenue and Expense per Ton Sold



— Gas-fired plants    — Coal and other plants  
— Wind generation    - - - Wind capacity factor

— Revenue/ton    — Expense/Ton  
■ Coal Production    ■ Overburden Removed

# Use of Non-GAAP Financial Measures

## Gross Margin

Our financial information includes the financial measure Gross Margin, which is considered a “non-GAAP financial measure.” Generally, a non-GAAP financial measure is a numerical measure of a company’s financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Gross Margin (Revenues less Cost of Sales) is a non-GAAP financial measure due to the exclusion of depreciation from the measure. The presentation of Gross Margin is intended to supplement investors’ understanding of our operating performance.

Gross Margin is calculated as operating revenue less cost of fuel, purchased power and cost of gas sold. Our Gross Margin is impacted by the fluctuations in power purchases and natural gas and other fuel supply costs. However, while these fluctuating costs impact Gross Margin as a percentage of revenue, they only impact total Gross Margin if the costs cannot be passed through to our customers.

Our Gross Margin measure may not be comparable to other companies’ Gross Margin measure. Furthermore, this measure is not intended to replace operating income as determined in accordance with GAAP as an indicator of operating performance.

## EBITDA and EBITDA, as adjusted

We believe that our presentation of earnings before interest, income taxes, depreciation and amortization (EBITDA) and EBITDA, as adjusted (EBITDA adjusted for special items as defined by management), both non-GAAP measures, are important supplemental measures of operating performance. We believe EBITDA and EBITDA, as adjusted, when considered with measures calculated in accordance with GAAP, give investors a more complete understanding of operating results before the impact of investing and financing transactions and income taxes. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of past and present operating results and as a means to evaluate the results of core on-going operations.

Our presentation of EBITDA may be different from the presentation used by other companies and, therefore, comparability may be limited. Depreciation and amortization expense, interest expense, income taxes and other items have been and will be incurred and are not reflected in the presentation of EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBITDA does not consider capital expenditures and other investing activities and should not be considered a measure of our liquidity. We compensate for these limitations by providing relevant disclosure of our depreciation and amortization, interest and income taxes, capital expenditures and other items both in our reconciliation to the GAAP financial measures and in our consolidated financial statements, all of which should be considered when evaluating our performance.

*Note: continued on next page*

# Use of Non-GAAP Financial Measures

## Operating Income, Net Income Available for Common Stock and EPS, as adjusted

We have provided non-GAAP earnings data reflecting adjustments for special items as specified in the GAAP to non-GAAP adjustment reconciliation table in this presentation. Operating Income (loss), as adjusted, and Net income (loss), as adjusted, are defined as Segment Revenue, Operating Income (loss), and Net income (loss), adjusted for expenses, gains and losses that the company believes do not reflect the company's core operating performance. The company believes that non-GAAP financial measures are useful to investors because the items excluded are not indicative of the company's continuing operating results. The company's management uses these non-GAAP financial measures as an indicator for evaluating current periods and planning and forecasting future periods.

## Limitations on the Use of Non-GAAP Measures

Non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Our presentation of these non-GAAP financial measures should not be construed as an inference that our future results will not be affected by unusual, non-routine, or non-recurring items.

Non-GAAP measures should be used in addition to and in conjunction with results presented in accordance with GAAP. Non-GAAP measures should not be considered as an alternative to net income, operating income or any other operating performance measure prescribed by GAAP, nor should these measures be relied upon to the exclusion of GAAP financial measures. Our non-GAAP measures reflect an additional way of viewing our operations that we believe, when viewed with our GAAP results and the reconciliation to the corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. Management strongly encourages investors to review our financial information in its entirety and not rely on a single financial measure.

# Use of Non-GAAP Financial Measures

Earnings, as adjusted (in millions)	2014	2015	2016	2017	2018	2019
<b>Net income (loss) available for common stock (GAAP)</b>	\$ 130.9	\$ (32.1)	\$ 73.0	\$ 177.0	\$ 258.4	\$ 199.3
<b>(Income) loss from discontinued operations (GAAP)</b>	1.6	173.7	64.2	17.1	6.9	-
<b>Net income from continuing operations available for common stock (GAAP)</b>	<b>132.5</b>	<b>141.5</b>	<b>137.1</b>	<b>194.1</b>	<b>265.3</b>	<b>199.3</b>
<u>Adjustments (after tax)</u>						
Acquisition / integration costs	-	6.7	29.7	2.8	-	-
Tax reform and other tax items	-	-	-	(11.7)	4.0	-
Legal restructuring - income tax benefit	-	-	-	-	(72.8)	-
Impairment of investment	-	-	-	-	-	15.2
Rounding	-	-	0.1	0.1	-	-
<b>Total Non-GAAP adjustments</b>	<b>-</b>	<b>6.7</b>	<b>29.8</b>	<b>(8.8)</b>	<b>(68.8)</b>	<b>15.2</b>
<b>Net income from continuing operations available for common stock; as adjusted (Non-GAAP)</b>	<b>\$ 132.5</b>	<b>\$ 148.2</b>	<b>\$ 166.9</b>	<b>\$ 185.3</b>	<b>\$ 196.5</b>	<b>\$ 214.5</b>

# Use of Non-GAAP Financial Measures

Earnings Per Share, as adjusted	2014	2015	2016	2017	2018	2019
Net income (loss) available for common stock (GAAP)	\$ 2.93	\$ (0.71)	\$ 1.37	\$ 3.21	\$ 4.66	\$ 3.28
(Income) loss from discontinued operations (GAAP)	0.04	3.83	1.20	0.31	0.12	-
Net income from continuing operations available for common stock (GAAP)	2.97	3.12	2.57	3.52	4.78	3.28
<u>Adjustments (after tax)</u>						
Acquisition / integration costs	-	0.15	0.56	0.05	-	-
Tax reform and other tax items	-	-	-	(0.21)	0.07	-
Legal restructuring - income tax benefit	-	-	-	-	(1.31)	-
Impairment of investment	-	-	-	-	-	0.25
Total Non-GAAP adjustments	-	0.15	0.56	(0.16)	(1.24)	0.25
Net income from continuing operations available for common stock; as adjusted (Non-GAAP)	\$ 2.97	\$ 3.27	\$ 3.13	\$ 3.36	\$ 3.54	\$ 3.53

# Use of Non-GAAP Financial Measures

## EBITDA

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2019	2020
Net Income	\$ 107,362	\$ 97,224
Depreciation, depletion and amortization	51,028	56,402
Interest expense, net	34,717	35,453
Income tax expense (benefit)	17,263	16,002
<b>EBITDA (a Non-GAAP Measure)</b>	<b>\$ 210,370</b>	<b>\$ 205,081</b>
Less adjustments for unique items:		
Impairment of investment	—	6,859
<b>EBITDA, as adjusted</b>	<b>\$ 210,370</b>	<b>\$ 211,940</b>



# 2020 Guidance Reconciliation

## Non-GAAP Earnings Guidance Adjustments

### 2020 Guidance Reconciliation

	Low	High
Earnings per share (GAAP)	\$ 3.37	\$ 3.57
Adjustments*:		
Impairment of investment	0.11	0.11
Tax on Adjustments*:		
Impairment of investment	(0.03)	(0.03)
<b>Earnings from continuing operations per share, as adjusted (Non-GAAP)</b>	<b>\$ 3.45</b>	<b>\$ 3.65</b>

\* Additional adjustments may occur in the second, third and fourth quarters. Adjustments shown reflect the actual adjustments made year to date through March 31, 2020.

# Strategic Objectives

Natural gas and electric utility focused on long-term total shareholder returns

## PROFITABLE GROWTH

Achieve consistent growth that creates value.

**EARNINGS:** Lead industry peers in earnings growth

**DIVIDEND:** Increase annual dividend, extending industry-leading dividend history

**CREDIT RATING:** Maintain solid investment-grade senior unsecured credit rating

**ASSET DEVELOPMENT:** Grow our core utility businesses through disciplined investments that meet customer needs, exceed our established hurdle rates and are accretive to earnings

## VALUED SERVICE

Deliver reliable, highly valued products and services.

**CUSTOMER:** Provide quality products and services at a cost that effectively meet or exceed customer expectations with increased use of technology; effectively market these products and services to customers; and, share information to create understanding of energy-related issues

**COMMUNITIES:** Be a partner in growing the economies of the communities we serve

## BETTER EVERY DAY

Continuously improve to achieve industry leading results.

**OPERATIONAL PERFORMANCE:** Achieve top-tier operational performance in a culture of continuous improvement

**EFFICIENCY:** Continuously engage employees to identify and pursue efficiencies, and to simplify or eliminate unnecessary processes. Sustain annual improvements to metrics comparing costs as a percent of gross margin

**EFFECTIVENESS:** Identify the right projects and tools that allow employees to work effectively every day

**MEASUREMENT:** Benchmark our costs and processes with meaningful metrics to assist with real-time business management assessment of results and accountability

## GREAT WORKPLACE

Promote a workplace that inspires individual growth and pride in what we do.

**ENGAGEMENT:** Achieve status as one of the “100 Great Places to Work” as measured by the Great Places to Work Institute

**DIVERSITY:** Increase workforce diversity to achieve improved performance and the innovations that come from inclusiveness

**EMPLOYEE DEVELOPMENT:** Establish robust development options enabling increased performance while preparing employees for additional career opportunities

**TEAM WORK:** Maintain top quartile results within a professional, and productive work environment

**SAFETY:** Strive to be the safest utility company in the U.S. by emphasizing our culture to work and live safely every day

# VISION

Be the Energy Partner of Choice.

# MISSION

Improving Life with Energy.

## COMPANY VALUES



### Agility

We embrace change and challenge ourselves to adapt quickly to opportunities.



### Customer Service

We are committed to providing a superior customer experience every day.



### Partnership

Our partnerships with shareholders, communities, regulators, customers and each other make us all stronger.



### Communication

Consistent, open and timely communication keeps us focused on our strategy and goals.



### Integrity

We hold ourselves to the highest standards based on a foundation of unquestionable ethics.



### Respect

We respect each other. Our unique talents and diversity anchor a culture of success.



### Creating Value

We are committed to creating exceptional value for our shareholders, employees, customers and the communities we serve...always.



### Leadership

Leadership is an attitude. Everyone must demonstrate the care and initiative to do things right.



### Safety

We commit to live and work safely every day.

