

BKH 2017

Investor Meetings

March / April 2017



Investor Relations Information

COMPANY INFORMATION

Black Hills Corporation

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FORWARD LOOKING STATEMENTS

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission, or SEC. 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 news release that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. 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 2015 Annual Report on Form 10-K and other reports that we file with the SEC from time to time, and the following:

- Our ability to realize the benefits of our recent acquisitions, and whether we are able to fully integrate them into our processes and systems and retain the related cost savings from such actions;
- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and favorable rulings in 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 file new cost of service gas applications with our utility regulatory commissions, seeking approval to implement a cost of service gas program with specific gas reserve properties and our ability to receive regulatory approval of the program;
- The impact of future governmental regulation and tax reform;
- The impact of the volatility and extent of changes in commodity prices on our earnings and the underlying value of our oil and gas assets, including the possibility that we may be required to take additional impairment charges, including those required under the SEC’s full cost ceiling test for natural gas and oil reserves; 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.

Notes



Investment Highlights



- Customer-focused, vertically-integrated utility company
- Committed to continuing strong earnings growth
- 47 consecutive annual dividend increases with solid yield
- Committed to maintaining strong investment grade credit ratings
- Disciplined approach to acquisitions creates additional growth opportunities

Company Overview



*Cheyenne Prairie Generating Station
Cheyenne, Wyoming*

Black Hills Corporation Today

- Legacy company started serving electric customers in Deadwood, South Dakota, in 1883
- Black Hills Power & Light incorporated 1941
- BHC listed on NYSE in 1980 under symbol BKH
- Market capitalization of approximately \$3.3 billion



Period	Stock Price*	Annual Total Return**
1-31-17	\$62.55	
1 Year	\$47.89	30.6%
3 Year	\$49.95	7.8%
10 Year	\$24.75	9.7%
20 Year	\$8.26	10.7%

- Approximately 53.1 million shares outstanding
- Average daily trading volume of approximately 361,000 shares
- 47 consecutive years of annual dividend increases

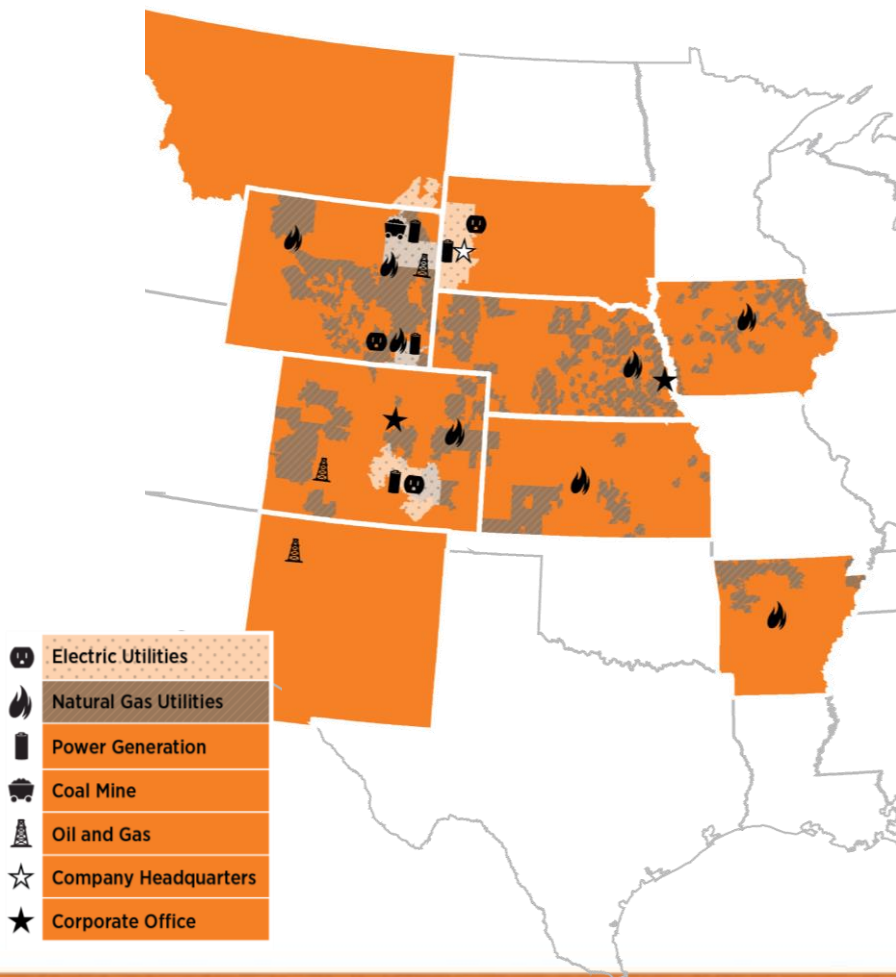
* Stock prices, volumes and shares outstanding are as reported on Yahoo Finance

** Total returns calculated for the listed period through Jan. 31, 2017

Notes: Annual total stock returns calculated on www.buyupside.com using stock return calculator. Total stock return considers dividends paid and stock splits. Black Hills Corporation does not guarantee the accuracy of these calculations, does not suggest our stock price will perform in the future comparable to the past, and does not provide this information as investment advice.

Black Hills Corporation Overview

A customer-focused, growth-oriented utility company with a tradition of exemplary service and a vision to be the energy partner of choice. Based in Rapid City, South Dakota, the company serves approximately 1.2 million natural gas and electric utility customers in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. The company generates wholesale electricity and produces natural gas, crude oil and coal. Employees partner to produce results that *improve life with energy*.



Utilities, Power Generation & Fuel Production

BHE Electric Utilities

- South Dakota
- Colorado
- Wyoming

BHE Gas Utilities

- Arkansas
- Colorado
- Iowa
- Kansas
- Nebraska
- Wyoming

Power Generation

- Black Hills Electric Generation

Mining

- Wyodak Resources

Oil and Gas

- Black Hills Exploration and Production

2016 Fourth Quarter Highlights

Utilities

- Colorado Electric finalized purchase of \$109 million, 60-megawatt Peak View Wind Project on Nov. 7, nearly two months earlier than planned
 - Project helps meet requirements under Colorado's Renewable Energy Standard
- Colorado Electric placed in service \$63 million, 40-megawatt, natural gas-fired turbine at Pueblo Airport Generating Station on Dec. 29
 - On May 3, filed request with Colorado Public Utilities Commission (COPUC) for rate review to increase annual revenue \$8.5 million
 - On Dec. 16, received approval to increase annual revenue by approximately \$1.2 million with new rates effective Jan. 1, 2017
 - ◆ Company believes decision was contrary to both state law and prior COPUC precedent and that Commissioner Koncilja acted with bias
 - On Jan. 17, 2017, filed for reconsideration of decision and also filed to recuse Commissioner Koncilja
- South Dakota Electric continued construction on \$54 million, 144-mile electric transmission line from northeastern Wyoming to Rapid City, South Dakota; final segment expected to be completed in first half of 2017
- Wyoming Electric set new winter peak load of 230 megawatts on Dec. 7, surpassing previous winter peak load of 202 megawatts on Dec. 28, 2015

2016 Fourth Quarter Highlights

Oil and Gas

- In 2016, divested non-core assets consisting of 380 gross wells (24 net wells) with daily production volumes of approximately 2,800 Mcfe and reserves of approximately 5.8 Bcfe for net proceeds of approximately \$11 million

Corporate Activities

- Black Hills recently announced senior leadership changes
 - Robert Myers, senior vice president and chief human resources officer retiring April 1, 2017, after nine years of service
 - Jennifer Landis, previously vice president of human resources and 15-year veteran of the company appointed senior vice president and chief human resources officer, effective Feb. 1, 2017
- On Jan. 25, 2017 declared quarterly dividend of \$0.445 per share, equivalent to an annual dividend rate of \$1.78 per share, an increase of \$0.10 or 6 percent
- During the fourth quarter, Black Hills announced changes to board membership; effective Jan. 1, 2017, Robert P. Otto joined board; Gary Pechota, board member since 2007, passed away unexpectedly Dec. 15
- On Dec. 22, initiated commercial paper program under revolving credit facility
- As of Dec. 31, issued 1,967,738 shares to date under At-The-Market equity offering program for net proceeds of \$118.8 million

Strategic Overview



*Busch Ranch Wind Farm
near Pueblo, Colorado*

Strategic Objectives

Utility-centered energy company well positioned to build upon a track record of successful utility growth

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

BUSINESS DEVELOPMENT: Grow our core energy businesses through investments in organic business expansions and acquisitions that 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 that cost 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 energy company in the U.S. by emphasizing our culture to work and live safely every day



Earnings Growth Strategy

Improve earnings growth and returns while improving services and maintaining costs for customers

- Provide earnings growth by improving efficiency and reducing costs
- Focus capital spending to reduce or eliminate regulatory lag to the extent possible
 - Prioritize safe and reliable service to customers
 - Focus on utility investments that generate timely and fair investment returns
 - Pursue additional utility growth opportunities, such as power generation, electric transmission, gas pipelines, gas storage, propane and diesel to gas conversions, new customer connections, etc.
- Continue to pursue additional large and small utility acquisitions

Capital Investment by Segment

(in millions)	2012	2013	2014	2015	2016	2017F	2018F	2019F
Generation	\$72	\$130	\$75	\$67	\$135	\$13	\$17	\$18
Transmission	38	32	31	36	55	30	46	62
Distribution	44	48	65	54	35	39	41	48
Other	8	1	0	14	34	39	8	10
Subtotal Electric Utilities	162	211	171	171	259	121	112	139
Gas Utilities	51	73	92	100	174	179	169	190
Power Generation	6	14	3	3	5	2	9	18
Mining	13	6	7	6	6	7	7	8
Oil and Gas	108	65	109	169	7	3	5	2
Corporate	7	10	9	10	17	12	3	8
Total	\$347	\$379	\$391	\$459	\$467	\$324	\$305	\$365
Minimal Lag Capital – Elec Utilities*+					\$166	\$29	\$41	\$31
Minimal Lag Capital - Gas Utilities*+					43	58	41	46
Growth Capital - Electric Utilities+					24	18	15	19
Growth Capital - Gas Utilities +					65	43	38	40
Cost of Service Gas (COSG)**					\$ -	\$ -	\$ -	\$ -
Total Minimal Lag and Growth					\$298	\$148	\$135	\$136

* Minimal Lag Capital – capital expenditures with regulatory lag of less than one year

+ Minimal Lag Capital and Growth Capital included in the subtotals above for electric and gas utilities

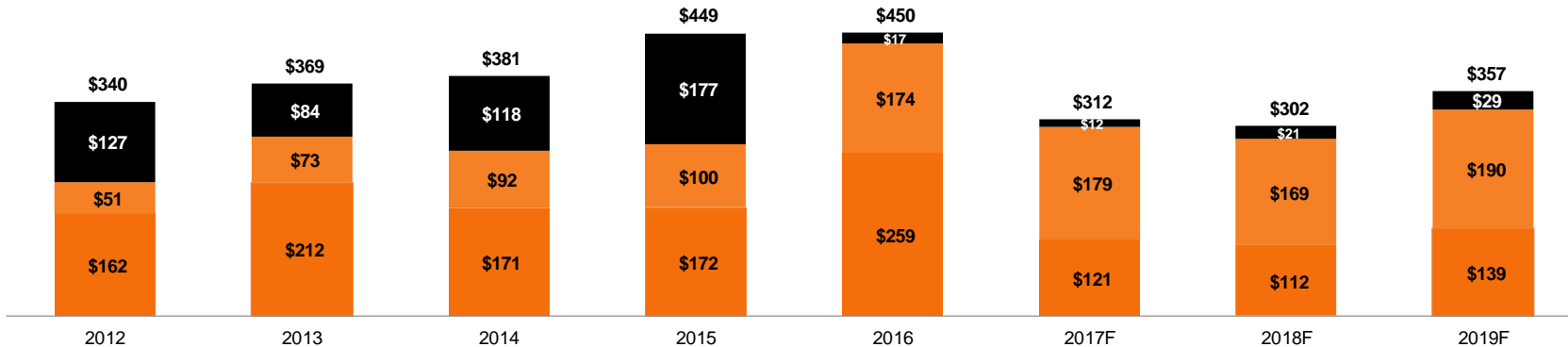
** COSG program not included in guidance or capital expenditure forecast

Note: Minor differences due to rounding



Capital Expenditures

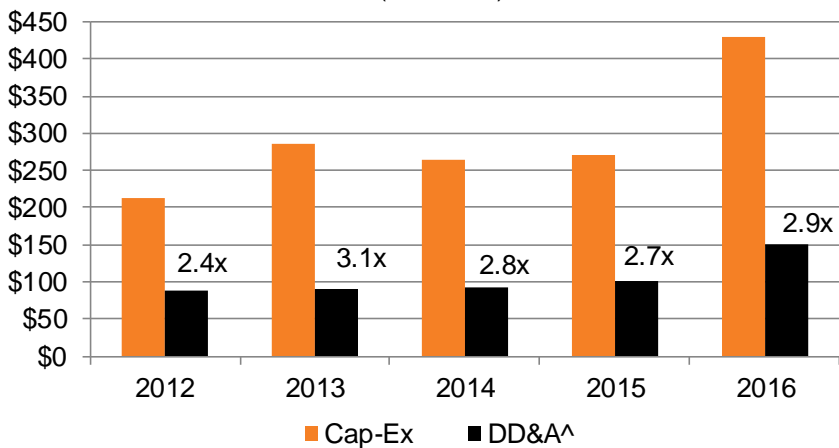
Historical and Forecasted Capital Expenditures
(in millions)*



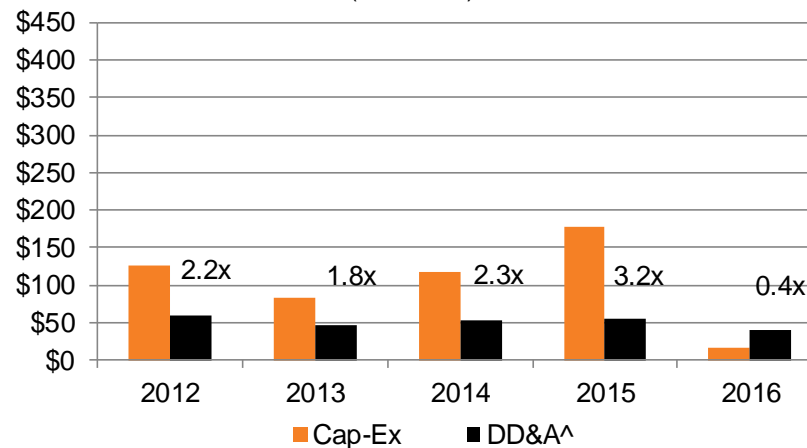
* Excludes Corporate and discontinued ops

■ Electric Utilities ■ Gas Utilities ■ Power Generation, Mining, Oil & Gas

Electric and Gas Cap-Ex vs. DD&A
(in millions)



Power Generation, Mining, Oil & Gas Cap-Ex vs. DD&A
(in millions)



^ Non-GAAP measure, reconciled to GAAP in Appendix
Note: Minor differences due to rounding

Pueblo Airport Generating Station

Overview: New \$63 million, 40-megawatt, natural gas-fired combustion turbine for Colorado Electric at existing Pueblo Airport Generating Station

- Colorado Public Utilities Commission approved CPCN on Feb. 25, 2014, to construct turbine
- Commission approved construction financing rider on Dec. 19, 2014
- Commission issued decision to increase annual revenue by approximately \$1.2 million with new rates effective Jan. 1, 2017
 - Company believes decision was contrary to both state law and prior commission precedent, and that Commissioner Koncilja acted with bias
- Company filed for reconsideration of decision on Jan. 17, 2017, and also filed to recuse Commissioner Koncilja
- Project placed in service on schedule Dec. 29, 2016

Colorado Electric – 40-MW Combustion Turbine Project

SAFETY: TCIR 3.1 as compared to industry average of 4.4



Peak View Wind Project

Overview: New \$109 million, 60-megawatt wind generating project for Colorado Electric adjacent to existing Busch Ranch Wind Farm.

- Received approval from Colorado PUC on Oct. 21, 2015, authorizing Colorado Electric to purchase the planned \$109 million project and recover investment through rider mechanisms
- Purchased project from third party developer on Nov. 4, 2016
- Project placed in service Nov. 7, 2016



Colorado Electric Resource Plan

- On June 3, 2016, filed electric resource plan with Colorado Public Utility Commission to meet Colorado Renewable Energy Standard requirements
 - 20 percent of retail sales requirement increases to 30 percent by 2020
- Entered settlement agreement specifying the addition of approximately 60 megawatts of renewable energy to be in service by 2019
 - Settlement also provides for additional small solar and community solar gardens as part of compliance plan
- On Jan. 17, 2017, Colorado administrative law judge issued order approving settlement agreement to go into effect Feb. 6, 2017
- Plan to issue request for proposal for 60 megawatts of renewable energy

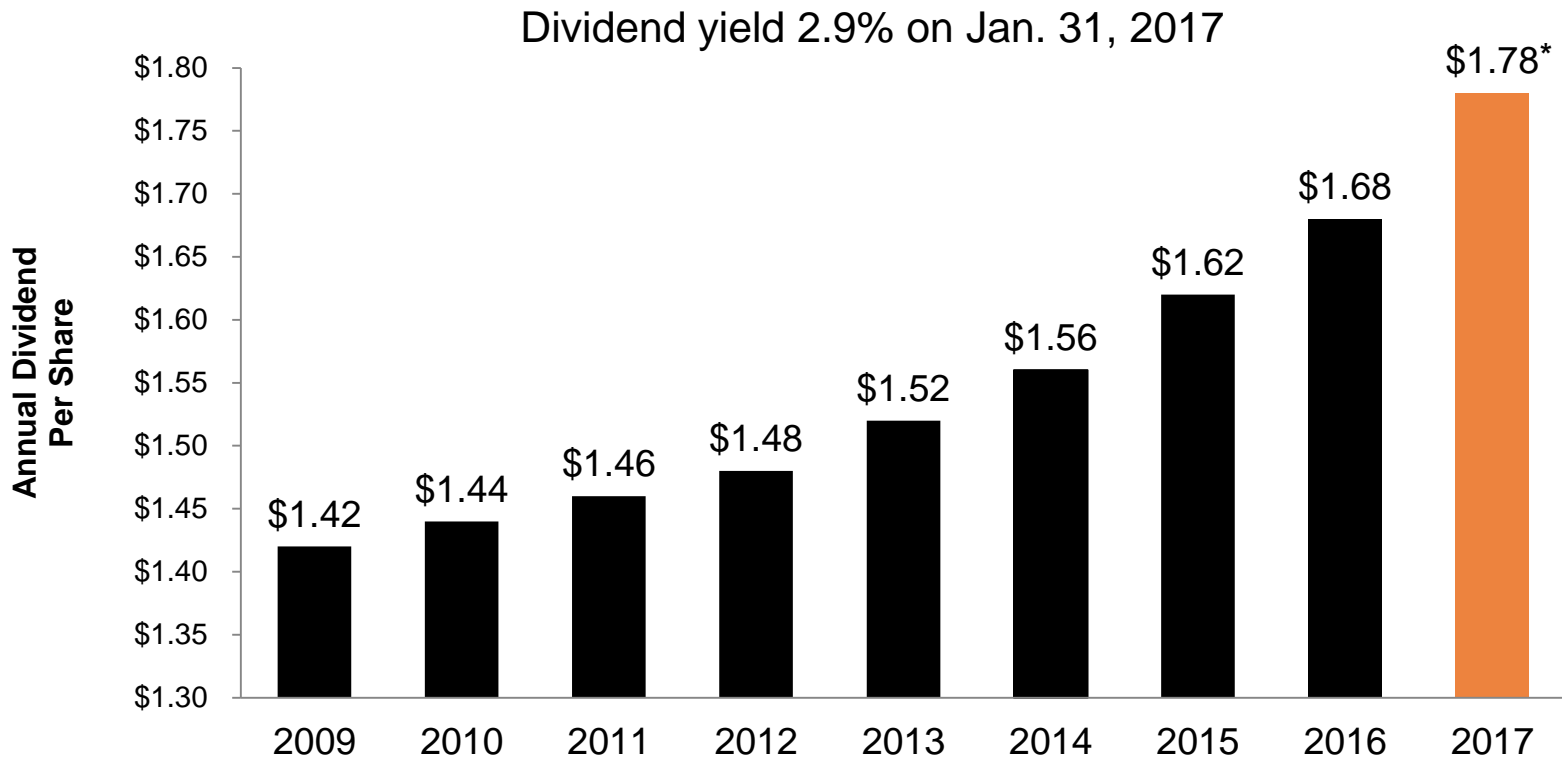
Utility Growth Opportunity - COSG

Cost of service gas program – potential for direct investment in natural gas reserves provides long-term price stability and a reasonable expectation of long-term lower costs for customers, while providing opportunities for increased earnings

- Evaluating options on how best to proceed, including possibility of filing new applications for approval of specific gas reserve properties
- Filing of new applications anticipated in first half of 2017

Dividend Growth

Dividend Increased for 47 Consecutive Years



* Board of Directors on Jan. 25 declared quarterly dividend of \$0.445 per share, equivalent to an annual rate of \$1.78 per share

Credit Rating

- Moody's Investors Service on Dec. 9, 2016, changed its corporate credit ratings of Black Hills Corp. to Baa2 with a stable outlook
- Standard and Poor's on Feb. 12, 2016, affirmed its corporate credit ratings of Black Hills Corp. at BBB and maintained its stable rating outlook
- Fitch on Feb. 12, 2016, affirmed its corporate credit ratings of Black Hills Corp. at BBB+ and assigned a negative rating outlook

Black Hills Corporation	S&P	Moody's	Fitch
Corporate Credit Rating	BBB	Baa2	BBB+
Senior Unsecured	BBB	Baa2	BBB+
Outlook	<i>Stable</i>	<i>Stable</i>	<i>Negative</i>

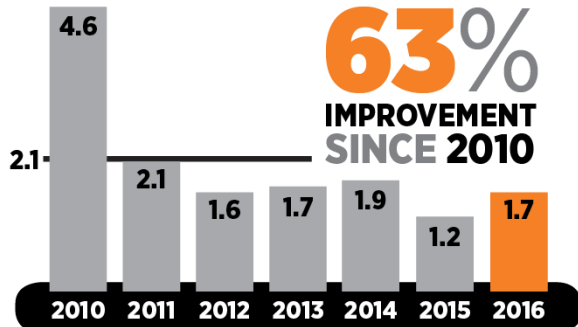


Operational Excellence

Safety Performance

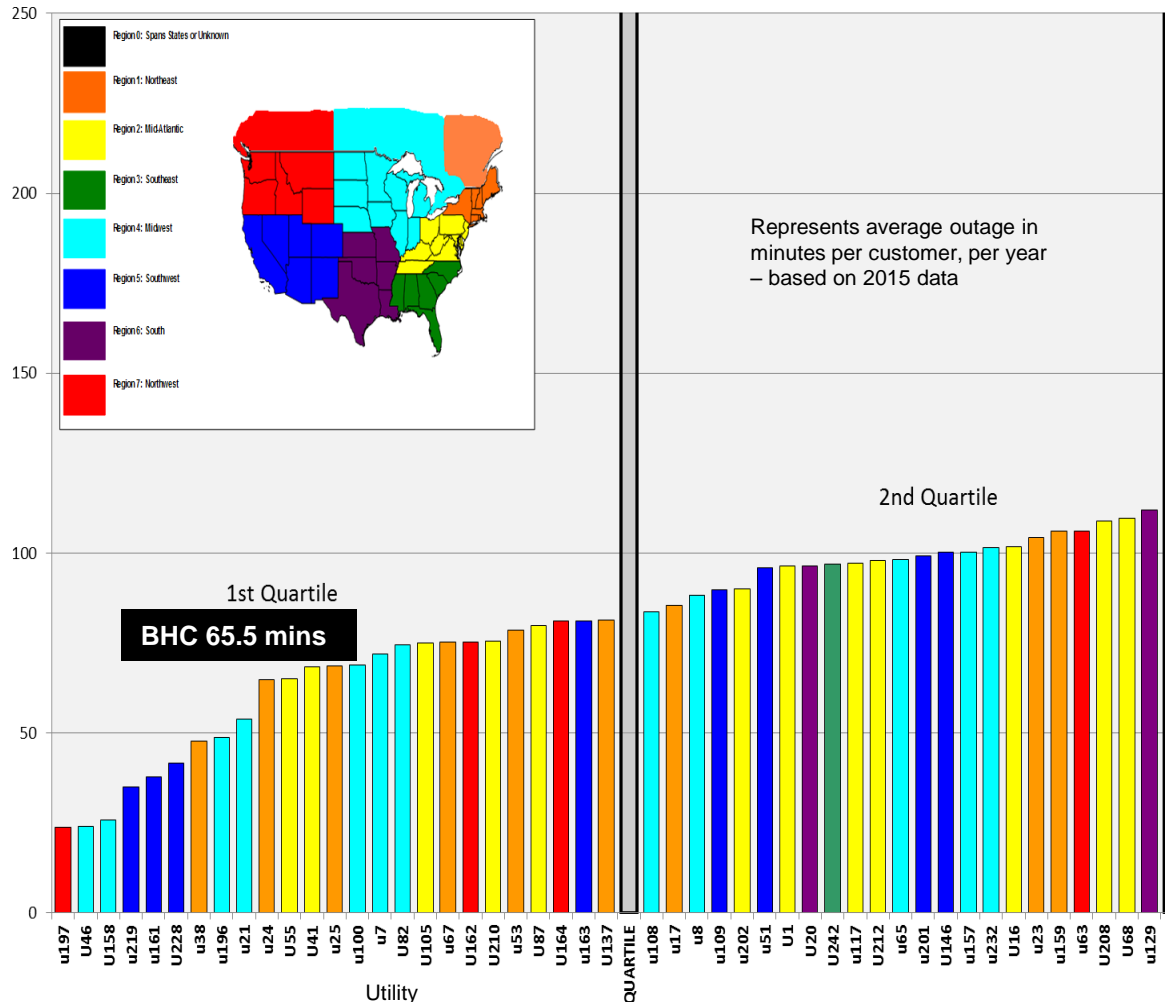
2016 IEEE Reliability Benchmarking Study

Total Case Incident Rate

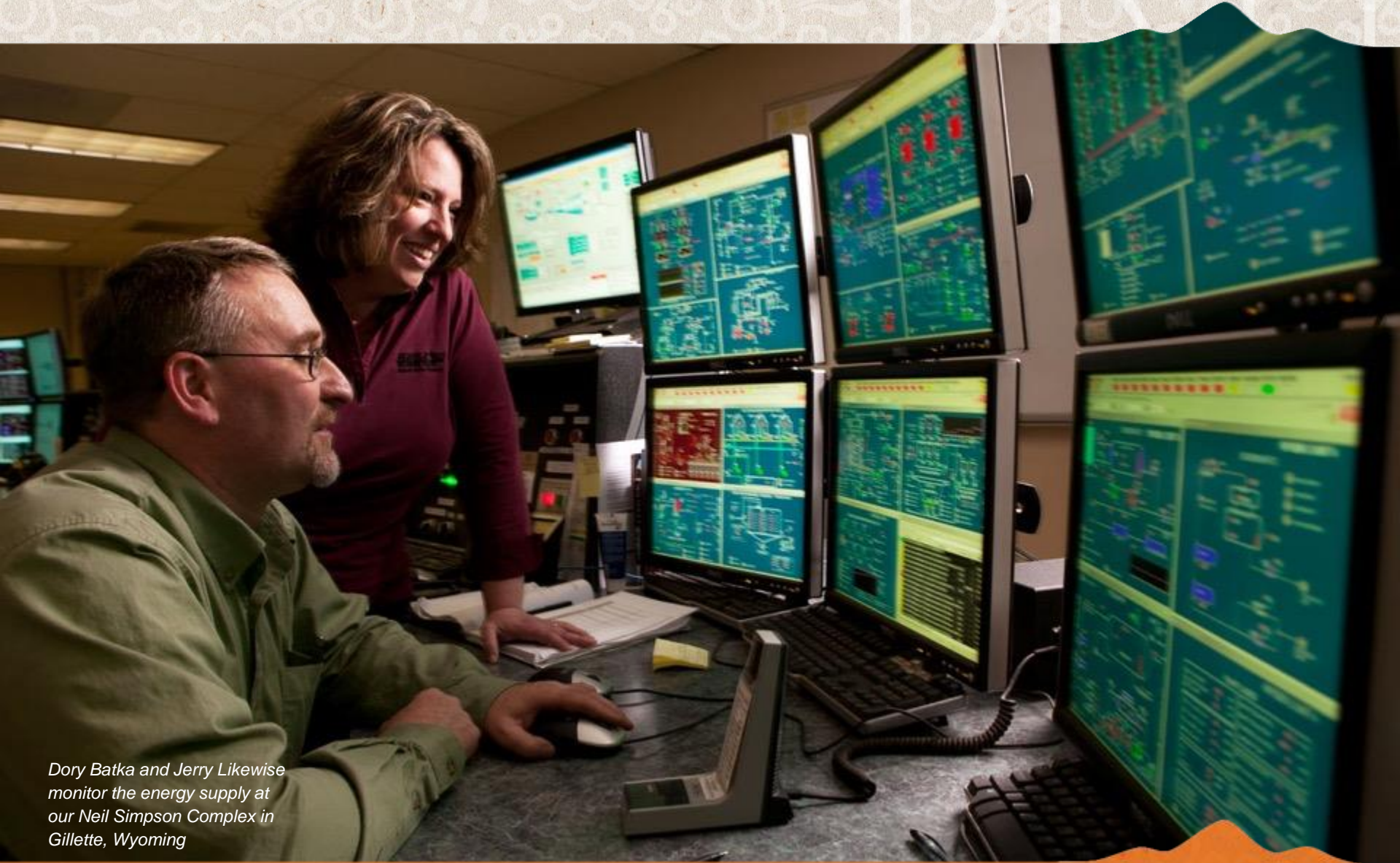


— Industry average

2016 year-end data (Black Hills and Legacy SourceGas combined). TCIR is defined as the average number of work-related injuries incurred by 100 workers during a one-year period.



Financial Update



*Dory Batka and Jerry Likewise
monitor the energy supply at
our Neil Simpson Complex in
Gillette, Wyoming*

Earnings Per Share Analysis

	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Full Year	
						2016	2015
Net Income (loss) available for common stock (GAAP)	\$ 0.33	\$ 0.26	\$ 0.01	\$ 0.77	\$ (0.30)	\$ 1.37	\$ (0.71)
<u>Adjustments (pre-tax)</u>							
Asset impairments (Oil & Gas)	1.01	0.23	0.48	0.28	1.49	2.01	5.61
Acquisition costs	0.15	0.11	0.12	0.48	0.12	0.86	0.23
	1.16	0.34	0.60	0.76	1.61	2.87	5.84
<u>Taxes on adjustments</u>							
Asset impairments (Oil & Gas)	(0.38)	(0.08)	(0.18)	(0.11)	(0.56)	(0.75)	(2.07)
Acquisition costs	(0.05)	(0.04)	(0.04)	(0.19)	(0.04)	(0.30)	(0.08)
	(0.43)	(0.12)	(0.22)	(0.30)	(0.60)	(1.05)	(2.15)
Rounding	0.01	—	—	—	—	—	—
Total adjustments	0.74	0.22	0.38	0.46	1.01	1.82	3.69
Net Income available for common stock, as adjusted* (Non-GAAP)	\$ 1.07	\$ 0.48	\$ 0.39	\$ 1.23	\$ 0.71	\$ 3.19	\$ 2.98

* Non-GAAP measures, reconciled to GAAP in Appendix

Note: Q1 2016 financial results include the acquired SourceGas properties from Feb. 12 through March 31

Income Statement

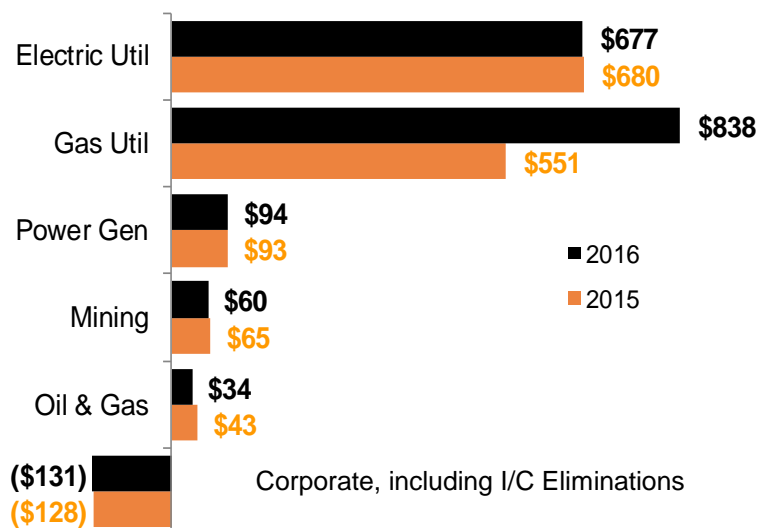
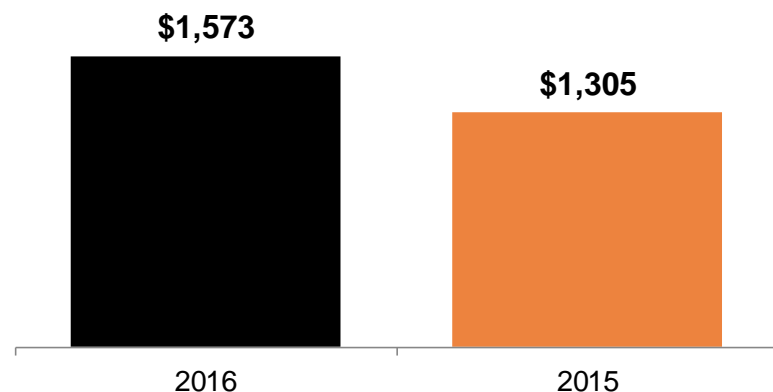
(in millions, except earnings per share)

	4th Qtr		Full Year	
	2016	2015	2016	2015
Revenue	\$ 463.8	\$ 318.3	\$ 1,573.0	\$ 1,304.6
Gross margin	301.2	212.1	1,073.9	847.7
Operating Expenses	(134.3)	(100.0)	(511.6)	(409.3)
DD&A	(48.4)	(38.6)	(189.0)	(155.4)
Subtotal	118.5	73.5	373.3	283.0
Asset impairments	(54.7)	(71.2)	(107.0)	(249.6)
Acquisition costs	(8.5)	(2.0)	(43.7)	(3.6)
Operating income (loss)	55.3	0.3	222.6	29.8
Interest expense	(35.4)	(19.7)	(131.9)	(75.5)
Interest rate swap	-	-	(1.0)	-
Bridge financing costs	-	(3.6)	(1.1)	(6.7)
Other income	0.8	0.5	4.5	2.5
Impairment of equity investments	-	0.8	-	(4.4)
Income (loss) before taxes	20.7	(21.7)	93.1	(54.3)
Income tax benefit (expense)	0.7	7.5	(10.5)	22.2
Net income (loss) before non-controlling interest	\$ 21.4	\$ (14.2)	\$ 82.6	\$ (32.1)
Non-controlling interest	(3.2)	-	(9.6)	-
Net income (loss) available for common stock	\$ 18.2	\$ (14.2)	\$ 73.0	\$ (32.1)
Non-GAAP adjustments	40.0	47.7	97.0	167.1
Net income available for common stock, as adjusted *	\$ 58.2	\$ 33.5	\$ 170.0	\$ 135.0
EPS - Net income (loss) available for common stock	\$ 0.33	\$ (0.30)	\$ 1.37	\$ (0.71)
EPS - Net income available for common stock, as adjusted *	\$ 1.07	\$ 0.71	\$ 3.19	\$ 2.98
Diluted shares outstanding (in thousands)	54.4	47.3	53.3	45.3
EBITDA, as adjusted*	\$ 167.7	\$ 112.6	\$ 566.8	\$ 440.8

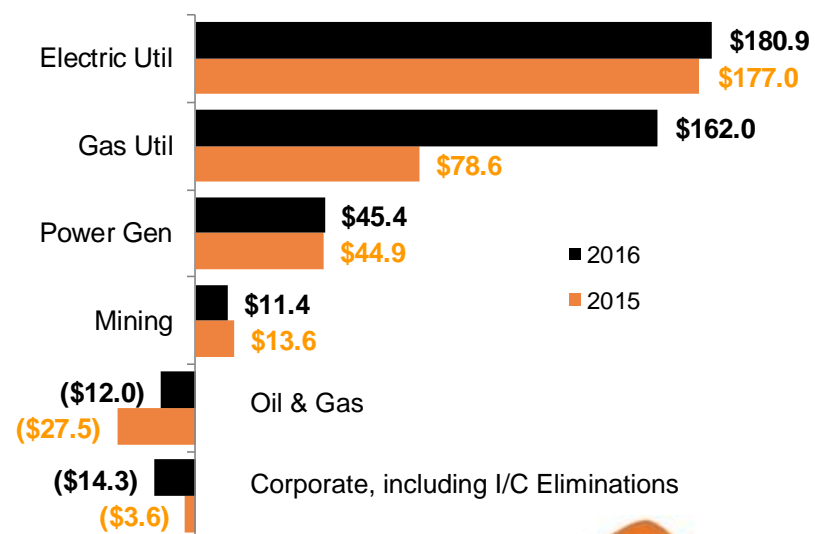
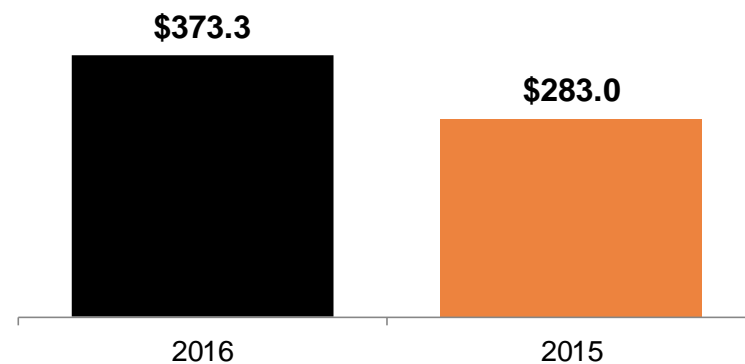
* Non-GAAP measures, defined and/or reconciled to GAAP in Appendix and on slide 22

2016 Revenue/Operating Income

Total Revenue, as adjusted* (in millions)



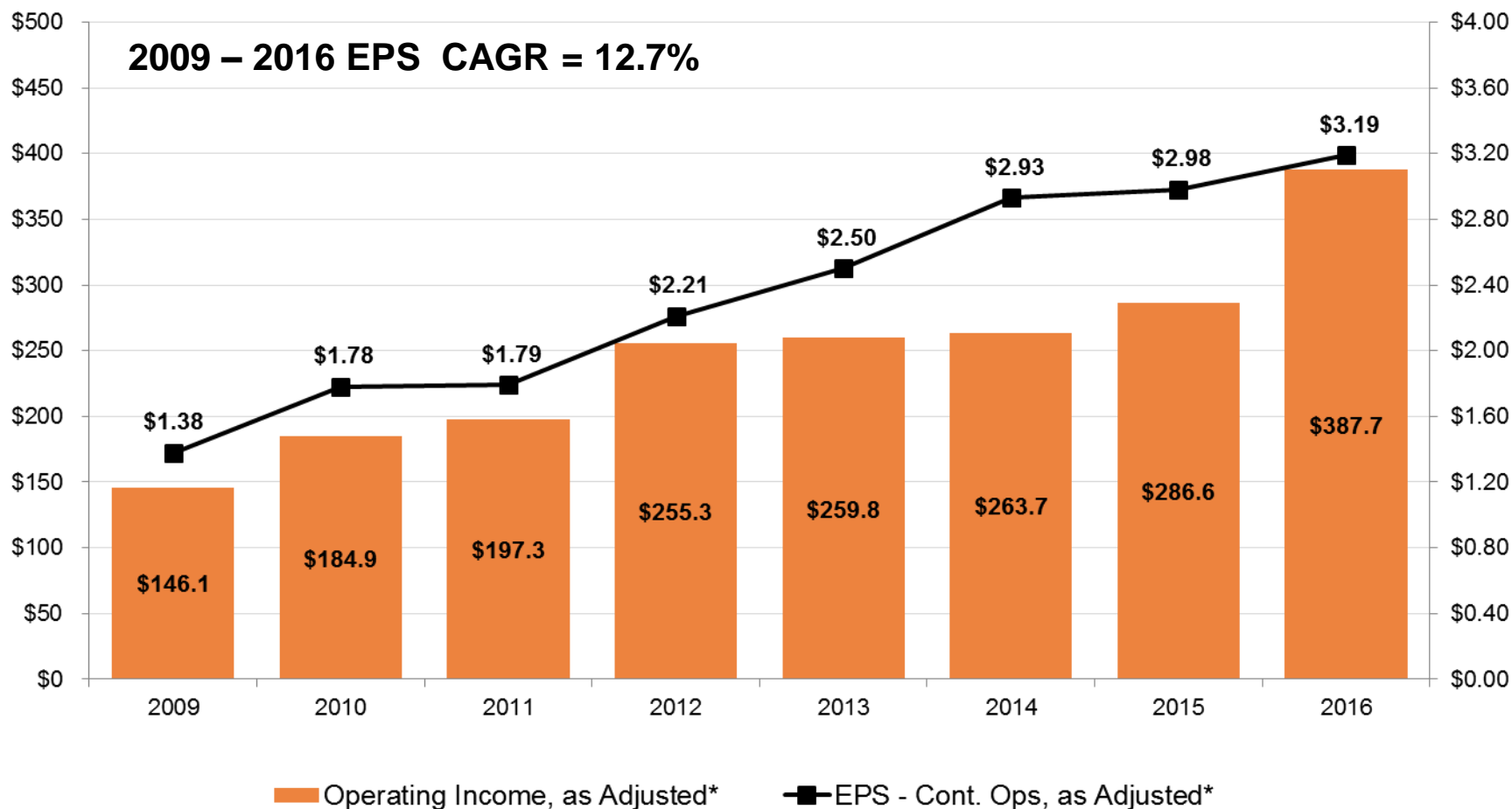
Total Operating Income, as adjusted* (in millions)



* Non-GAAP measures, reconciled to GAAP in Appendix

Creating Shareholder Value through Growth

Operating Income and EPS, as Adjusted



* Non-GAAP measures reconciled to GAAP in Appendix (operating income, as adjusted graph does not include corporate activity)

Capital Structure

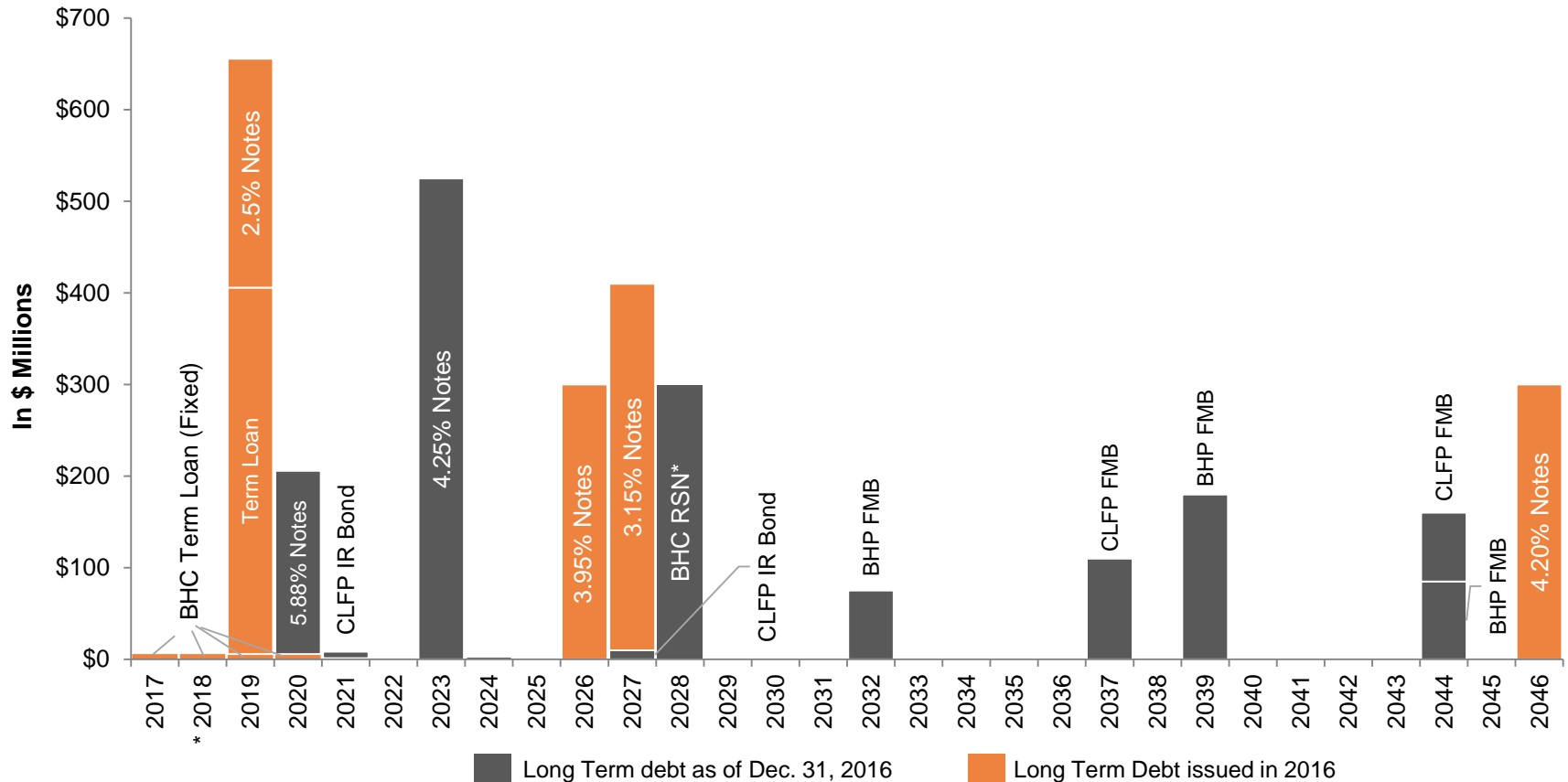
(In millions, except for ratios)

	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Capitalization					
Short-term Debt	\$ 102	\$ 81	\$ 1,006	\$ 216	\$ 77
Long-term Debt	3,211	3,212	2,221	3,159	1,854
Total Debt	3,314	3,293	3,227	3,375	1,930
Equity*	1,615	1,605	1,562	1,481	1,466
Total Capitalization	\$ 4,928	\$ 4,897	\$ 4,790	\$ 4,855	\$ 3,396
Net Debt to Net Capitalization					
Debt	\$ 3,314	\$ 3,293	\$ 3,227	\$ 3,375	\$ 1,930
Cash and Cash Equivalents	(14)	(63)	(117)	(47)	(457)
Net Debt	3,300	3,230	3,110	3,328	1,474
Net Capitalization	\$ 4,915	\$ 4,834	\$ 4,673	\$ 4,808	\$ 2,940
Debt to Capitalization	67.2%	67.2%	67.4%	69.5%	56.8%
Net Debt to Capitalization (Net of Cash)	67.1%	66.8%	66.6%	69.2%	50.1%
Long-term Debt to Total Debt	96.9%	97.5%	68.8%	93.6%	96.0%

* Excludes noncontrolling interest

Long-Term Debt Maturities

\$3.2 Billion Total



* In 2018, the remarketable subordinated notes due in 2028 will reset to the prevailing market interest rate and Black Hills will receive approximately \$300 million from the Equity Unit Holders' mandatory purchase of common stock; we intend to use the proceeds from the conversion to pay off the Black Hills notes due 2019.

2017 Scorecard

PROFITABLE GROWTH

VALUED SERVICE

BETTER EVERY DAY

GREAT WORKPLACE

Strategy

- Construct cost effective rate-base generation and transmission to serve existing utility customers
- Acquire regulated utility properties in our geographic region
- Advance COSG Program
- Construct additional utility infrastructure that supports growing demand, maintains reliability and enables improved customer satisfaction
- Balance integration of alternative and renewable energy with utility customer rate impacts
- Achieve top-tier operational performance in a culture of continuous improvement
- Improve efficiencies through continued deployment of technology
- Efficiently use coal resources through mine-mouth generation
- Be the safest company in the energy industry
- Be one of the best places to work
- Improve the wellness of employees
- Become a workplace of choice for women and minorities

2017 Future Initiatives and Progress

- Increase annual dividend for 47th consecutive year
- Complete construction of Osage to Rapid City 230 kv transmission line
- Obtain regulatory approvals necessary to commence COSG program
- Pursue satisfactory resolution of Colorado Electric 2016 rate review
- Enhance earnings growth by improving efficiency and reducing costs
- Complete construction of the Northeast Nebraska Pipeline
- Obtain approval of Colorado Electric's ERP and complete RFP for 60 MW's of renewable energy
- Begin implementation of utility work and asset management project
- Divest non-core oil and gas assets
- Enhance Field Service Optimization project (iPad and CLICK software technology)
- Achieve safety TCIR of 1.2
- Complete new corporate headquarters
- Conduct an employee engagement survey to measure our progress and to continue efforts toward being a best place to work
- Expand the availability of participation for women's affinity groups into all areas of operations
- Further develop programs that develop, retain, and reward top performing employees

Legend

- Completed
- Planned in 2017

Questions



*Pueblo Airport Generating
Station near Pueblo, Colorado*

Appendix



Elmo Bailey & Ebi Kazemi prepare for pole line installation in the mountains near Victor, Colorado

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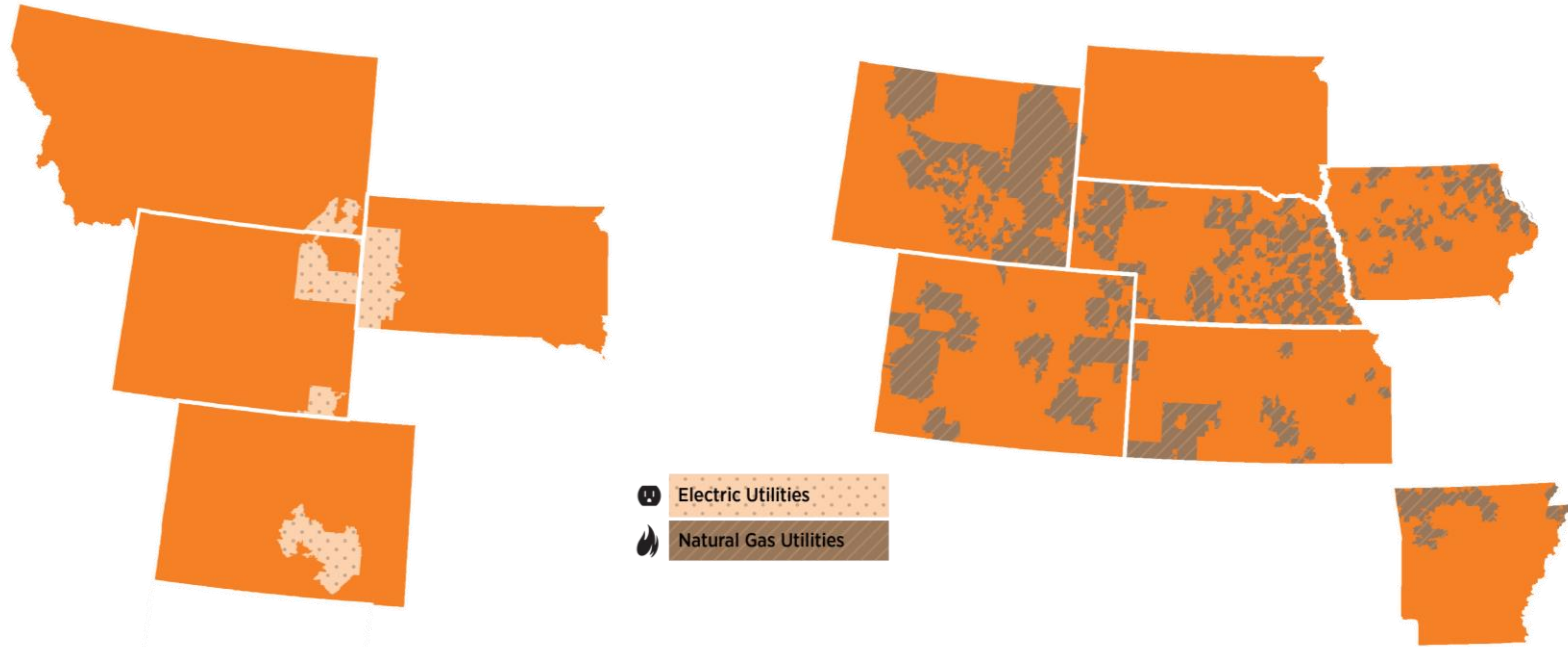
Utilities

Regulatory

Non-Regulated

Non-GAAP Financial Measures

Electric and Gas Utilities



Electric Utilities*

- Generates, transmits and distributes electricity to approximately 208,500 customers
- Operations include three electric utilities doing business as Black Hills Energy in CO, SD, WY and MT
- Includes 941 MW of generation and 8,806 miles of transmission and distribution lines
- East-West interconnection located near Rapid City, SD optimizes the off-system sale of power and improves system reliability (1 of only 7 east-west ties)

Natural Gas Utilities*

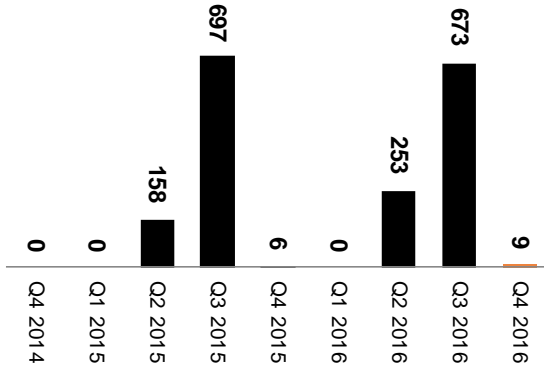
- Distributes natural gas to approximately 1,030,800 customers
- Operations include seven natural gas utilities doing business as Black Hills Energy in AR, CO, IA, KS, NE and WY
- 4,585 miles of intrastate gas transmission pipelines and 40,047 miles of gas distribution mains and service lines as of March 31, 2016
- Provides contract appliance repair services to approximately 61,000, and 33,000 residential customers through Service Guard and CAPP, respectively, throughout our service territory

* Information from 2016 Form 10-K

Utilities Update

Electric Utility Cooling Degree Days

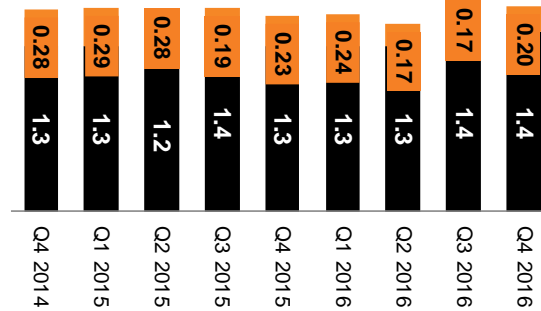
(Total for all electric service areas weighted by customer count)



Electric Utility Total MWh Sales

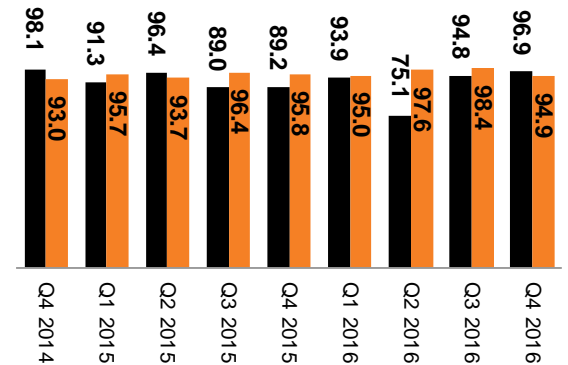
(in millions)

■ Utility Customers
■ Off-system Sales



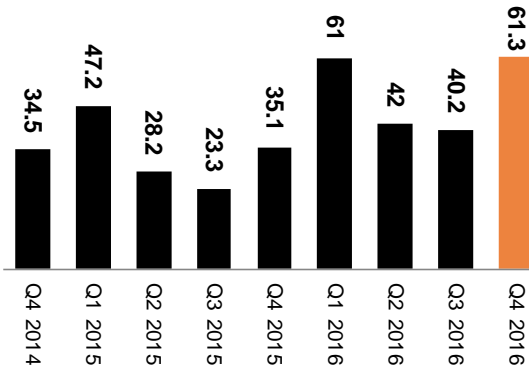
Electric Utility Generation Availability(%)

■ Coal-fired plants
■ Other plants



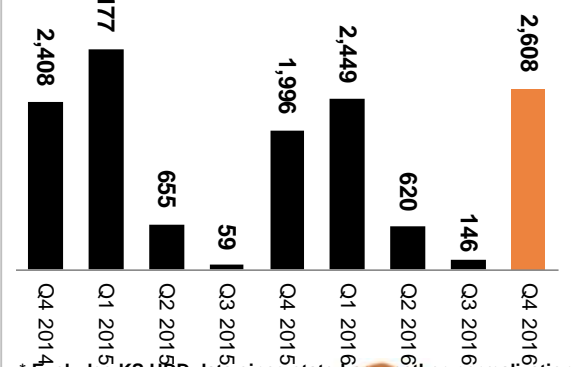
Gas Utility Total Dth Sales

(in millions)



Gas Utility Heating Degree Days

(Total for all gas service* areas weighted by customer count)



* Excludes KS HDD data since state has weather normalization

Select Major Utility Projects

Forecasted Capital Expenditures * Excludes routine capital expenditures for maintenance of assets (in millions)	Projected In-service Date	Pre-2017	2017F	2018F - 2021F	Total **
Utilities					
South Dakota Electric – Rapid City to Hot Springs 230 kV (rebuild)	2018/2019	\$0	\$9	\$20	\$30 ⁺
South Dakota Electric – Teckla / Osage / Lange 230 kV	2017 [^]	\$51	\$5	\$0	\$56
Wyoming Electric - King Ranch Substation	2017	\$3	\$13	\$0	\$16
Colorado Electric – various transmission projects	N/A	\$0	\$6	\$84	\$90

* Above projects are a subset of the forecasted capital expenditures for our utilities

** Includes capital expenditures prior to 2016, if applicable

[^] Teckla to Osage line placed in service in two segments; first segment placed in service in 2016 with final segment expected in first half of 2017.

⁺ Differences due to rounding

Estimated Utility Rate Base

Estimated Rate Base* by Utility Segment (in millions)	2011	2012	2013	2014	2015	2016
Electric Utilities	\$1,007	\$1,272	\$1,248	\$1,487	\$1,515	\$1,570
Gas Utilities	\$443	\$450	\$454	\$489	\$493	\$1,620
Total	\$1,450	\$1,722	\$1,702	\$1,976	\$2,008	\$3,190

* Estimated rate base determined at year-end and calculated using state specific requirements; includes capital expenditures through trackers but excludes construction work in-progress

Black Hills Utility Naming Conventions

State(s)	Formerly	Common Name	Legal Name	Abbreviation	Trade Name
Arkansas	SourceGas	Arkansas Gas	Black Hills Energy Arkansas, Inc.	ARG	Black Hills Energy
Colorado		Colorado Gas	Black Hills/Colorado Gas Utility Company, LP	COG	Black Hills Energy
Colorado	SourceGas	Colorado Gas	Black Hills Gas Distribution, LLC	COGD	Black Hills Energy
Colorado		Colorado Electric	Black Hills/Colorado Electric Utility Company, LP	COE	Black Hills Energy
Colorado	SourceGas	Colorado Gas Transmission	Rocky Mountain Natural Gas LLC	CGT	Black Hills Energy
Iowa		Iowa Gas	Black Hills/Iowa Gas Utility Company, LLC	IAG	Black Hills Energy
Kansas		Kansas Gas	Black Hills/Kansas Gas Utility Company, LLC	KSG	Black Hills Energy
Nebraska		Nebraska Gas	Black Hills/Nebraska Gas Utility Company, LLC	NEG	Black Hills Energy
Nebraska	SourceGas	Nebraska Gas	Black Hills Gas Distribution, LLC	NEGD	Black Hills Energy
South Dakota, Montana and Wyoming	Black Hills Power	South Dakota Electric	Black Hills Power, Inc.	SDE	Black Hills Energy
Wyoming	Cheyenne Light	Wyoming Gas and Electric	Cheyenne Light, Fuel and Power Company	WYGE	Black Hills Energy
Wyoming	Cheyenne Light	Wyoming Gas	Cheyenne Light, Fuel and Power Company	WYG	Black Hills Energy
Wyoming	Cheyenne Light	Wyoming Electric	Cheyenne Light, Fuel and Power Company	WYE	Black Hills Energy
Wyoming	Energy West	Wyoming Gas	Black Hills Northwest Wyoming Gas Utility Company, LLC	WYNW	Black Hills Energy
Wyoming	MGTC	Wyoming Gas	Cheyenne Light, Fuel and Power Company	WYNE	Black Hills Energy
Wyoming	SourceGas	Wyoming Gas	Black Hills Gas Distribution, LLC	WYGD	Black Hills Energy
Montana and Wyoming	Energy West	Shoshone	Black Hills Shoshone Pipeline, LLC	SHOS	N/A

Utility Regulatory Results

Jurisdiction	Utility	Effective Date	Return on Equity	Capital Structure	Authorized Rate Base (in millions)
Arkansas	Arkansas Gas	Feb. 2016	9.40%	52% debt / 48% equity	\$299.4
Colorado	Colorado Electric	Jan. 2017	9.37%*	47.61% debt / 52.39% equity*	\$472.5
Colorado	Colorado Gas	Dec. 2012	9.60%	50% debt / 50% equity	\$57.5
Colorado	Colorado Gas Dist	Dec 2010	10.0%	49.52% debt / 50.48% equity	\$127.1
Colorado	RMNG	March 2013	10.60%	49.23% debt / 50.77% equity	\$90.5
Iowa	Iowa Gas	Feb. 2011	Global Settlement	Global Settlement	Global Settlement
Kansas	Kansas Gas	Jan. 2015	Global Settlement	Global Settlement	Global Settlement
Nebraska	Nebraska Gas	Sept. 2010	10.10%	48% debt / 52% equity	\$161.0
Nebraska	Nebraska Gas Dist	June 2012	9.60%	48.84% debt / 51.16% equity	\$87.6**
South Dakota	South Dakota Electric	Oct. 2014	Global Settlement	Global Settlement	\$543.9
Wyoming	South Dakota Electric	Oct. 2014	9.90%	46.68% debt / 53.32% equity	\$46.8
Wyoming	Wyoming Electric	Oct. 2014	9.90%	46% debt / 54% equity	\$376.8
Wyoming	Wyoming Gas	Oct. 2014	9.90%	46% debt / 54% equity	\$59.6
Wyoming	Wyoming Gas Dist	Jan. 2011	9.92%	49.66% debt / 50.34% equity	\$100.5

Note: Information from last approved rate case in each jurisdiction

* Excludes LM6000 operational Jan. 1, 2017

** Includes amounts to serve non-jurisdictional and agriculture customers

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)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
South Dakota Electric (WY)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
South Dakota Electric (MT)						
South Dakota Electric (FERC)					<input checked="" type="checkbox"/>	
Wyoming Electric		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Colorado Electric		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Legend:

- Commission approved cost adjustment
- Pursuing

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*
Colorado Gas	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		47%
Iowa Gas	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>		70%
Kansas Gas		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		64%
Nebraska Gas		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		55%
Wyoming Gas ¹	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		52%
Arkansas Gas	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	39%
Colorado Gas Dist.	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		36%
Nebraska Gas Dist.		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		80% ¹
Wyoming Gas Dist.						<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	52%
Rocky Mountain Natural Gas ²	NA	<input checked="" type="checkbox"/>	NA	NA	NA	NA	NA	NA

Legend:

- Commission approved cost adjustment
- Pursuing

* Residential customers as of last rate base review

¹ Refers to Cheyenne Light only

² Rocky Mountain Natural Gas, an intrastate natural gas pipeline

³ Includes first tier of consumption in block rates

Other Business Segments



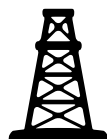
Power Generation*

- Owns interests in two power generation facilities
 - Wygen I - 69 MW of a 90 MW coal-fired facility in Gillette, WY
 - Pueblo Airport – 50.1 percent ownership interest in Colorado IPP which owns the 200-MW, natural gas-fired facility in Pueblo, CO
 - Sells nearly all plant capacity and energy under long-term contracts to utility affiliates



Mining*

- Coal Mine serves as fuel supply to adjacent mine mouth electric power generation customers
- Includes approximately 52-year supply of low-sulfur Powder River Basin coal reserves at expected production levels
- Production forecasted at approximately 4.1 million tons in 2017
- About 50 percent of production sold under contracts that include price adjustments based on actual mining costs
- Overburden stripping ratio and related expenses expected to increase over near term



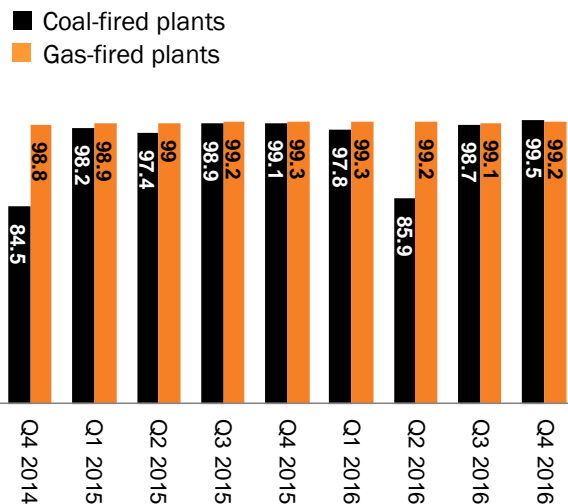
Oil and Gas*

- Divesting non-core assets while retaining assets best suited for a utility cost of service gas program; professional staff refocused on assisting electric and gas utilities with implementation of the cost of service gas program.
- Piceance Mancos shale gas opportunity of 73,000 acres offers upside as a potential cost of service gas resource

* Information from 2016 Form 10-K, unless otherwise noted

Power Generation and Mining

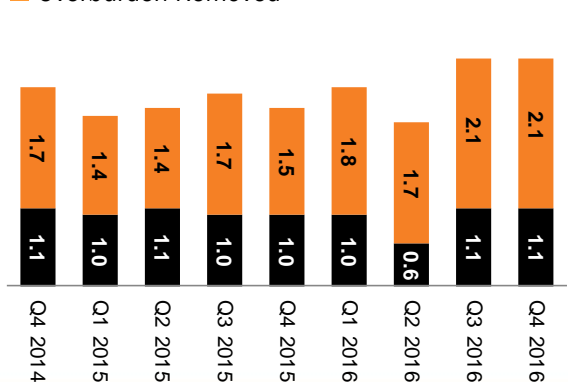
IPP Generation Contract Availability (%)



Coal Production

(Coal in millions of tons and overburden in millions of cubic yards)

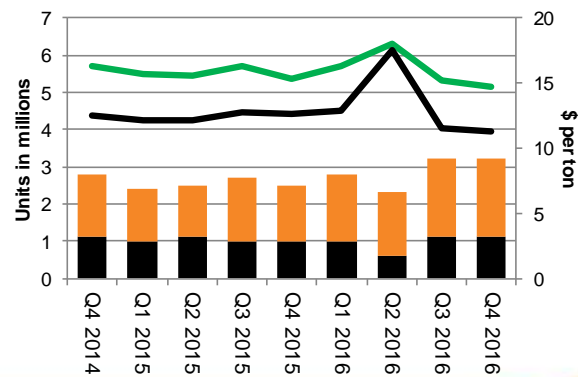
Legend: Coal Production (Black), Overburden Removed (Orange)



Revenue and Expense per Ton Sold

(Units = tons sold plus cubic yards of overburden moved)

Legend: OB Yards (Orange), Coal Tons (Black), Rev/Ton (Green), Exp/Ton (Black)



Coal Contracts Summary

- Approximately 50% of coal production sold under contracts that include price adjustments based on actual mining costs plus a return on mine capital investments
- Most of the remaining 50% of coal production sold under contracts where sales price changes are based on published indices but may lag actual mining costs

Plant/Owner	Production Tons (millions) 2016	Pricing Methodology	Date Price Reopener or Adjustment	Contract Expires	Contract Quantity
Existing Contracts					
Wyodak Plant (PacifiCorp)	1.2	Fixed with escalators	July 1, 2019	Dec. 2022	All plant usage
Wygen III	0.6	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other South Dakota Electric coal plants	0.8	Cost plus return	Annual True-Up	Life of plant	All plant usage
Wygen I	0.5	Fixed with escalators	July 1, 2018*	Life of plant	All plant usage
Wygen II	0.6	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other sales (truck)	0.1	Fixed		1-3 years	Various
Total	3.8				

* Adjusts every 5 years

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

Segment Revenue, 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. Segment Revenue, as adjusted, Operating Income (loss), as adjusted, Income (loss) from continuing operations, as adjusted, and Net income (loss), as adjusted, are defined as Segment Revenue, Operating Income (loss), Income (loss) from continuing operations 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.

Earnings per share, as adjusted

Earnings per share, as adjusted, is a Non-GAAP financial measure. Earnings per share, as adjusted, is defined as GAAP Earnings per share, adjusted for expenses, gains and losses that the Company believes do not reflect the Company's core operating performance. Examples of these types of adjustments may include unique one-time non-budgeted events, impairment of assets, acquisition and disposition costs, and other adjustments noted in the earnings reconciliation tables in this presentation. The Company is not able to provide a forward-looking quantitative GAAP to Non-GAAP reconciliation for this financial measure because we do not know the unplanned or unique events that may occur later during the year.

Depreciation, Depletion and Amortization, as adjusted

Depreciation, Depletion and Amortization (DD&A), as adjusted are defined as DD&A by segment adjusted for additional depreciation expense at our Utilities Group and reduced depreciation at our Non-regulated Group. We have provided this non-GAAP measure to reflect adjustments by Business Group for the requirement under GAAP that the power purchase agreement between Colorado Electric and Colorado IPP be accounted for as a capital lease. The company believes that non-GAAP measures are useful to investors because the lease accounting is not indicative of our rate recovery accounting. 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

Revenue / Gross Margin, as adjusted

(in thousands)

QTD - December 31, 2016

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate - I/C Elim	Total
Revenue	\$ 170,485	\$ 274,463	\$ 1,872	\$ 8,569	\$ 8,398	\$ -	\$ 463,787
Inter-company revenue	3,538	-	20,900	7,562	-	(32,000)	-
Total revenue (GAAP)	174,023	274,463	22,772	16,131	8,398	(32,000)	463,787
Less: - Inter-company capital lease	-	-	710	-	-	(710)	-
Revenue, as adjusted - (Non-GAAP)	\$ 174,023	\$ 274,463	\$ 23,482	\$ 16,131	\$ 8,398	\$ (32,710)	\$ 463,787
Less: Cost of Goods sold	(66,871)	(124,165)	-	-	-	28,444	(162,592)
Less: Inter-company capital lease	(1,382)	-	-	-	-	1,382	-
Gross margin, as adjusted - (Non-GAAP)	\$ 105,770	\$ 150,298	\$ 23,482	\$ 16,131	\$ 8,398	\$ (2,884)	\$ 301,195

QTD - December 31, 2015

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate - I/C Elim	Total
Revenue	\$ 164,174	\$ 134,353	\$ 1,701	\$ 8,229	\$ 9,802	\$ -	\$ 318,259
Inter-company revenue	3,137	-	20,855	7,212	-	(31,204)	-
Total revenue (GAAP)	167,311	134,353	22,556	15,441	9,802	(31,204)	318,259
Less: - Inter-company capital lease	-	-	605	-	-	(605)	-
Revenue, as adjusted - (Non-GAAP)	\$ 167,311	\$ 134,353	\$ 23,161	\$ 15,441	\$ 9,802	\$ (31,809)	\$ 318,259
Less: Cost of Goods sold	(66,267)	(67,608)	-	-	-	27,766	(106,109)
Less: Inter-company capital lease	(1,223)	-	-	-	-	1,223	-
Gross margin, as adjusted - (Non-GAAP)	\$ 99,821	\$ 66,745	\$ 23,161	\$ 15,441	\$ 9,802	\$ (2,820)	\$ 212,150

Use of Non-GAAP Financial Measures

YTD Revenue / Gross Margin, as adjusted

(in thousands)

YTD - December 31, 2016

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate - I/C Elim	Total
Revenue	\$ 664,330	\$ 838,343	\$ 7,176	\$ 29,067	\$ 34,058	\$ -	\$ 1,572,974
Inter-company revenue	12,951	-	83,955	31,213	-	(128,119)	-
Total revenue (GAAP)	677,281	838,343	91,131	60,280	34,058	(128,119)	1,572,974
Less: - Inter-company capital lease	-	-	2,709	-	-	(2,709)	-
Revenue, as adjusted - (Non-GAAP)	\$ 677,281	\$ 838,343	\$ 93,840	\$ 60,280	\$ 34,058	\$ (130,828)	\$ 1,572,974
Less: Cost of Goods sold	(261,349)	(352,165)	-	-	-	114,382	(499,132)
Less: Inter-company capital lease	(5,284)	-	-	-	-	5,284	-
Gross margin, as adjusted - (Non-GAAP)	\$ 410,648	\$ 486,178	\$ 93,840	\$ 60,280	\$ 34,058	\$ (11,162)	\$ 1,073,842

YTD - December 31, 2015

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate - I/C Elim	Total
Revenue	\$ 668,226	\$ 551,300	\$ 7,483	\$ 34,313	\$ 43,283	\$ -	\$ 1,304,605
Inter-company revenue	11,617	-	83,307	30,753	-	(125,677)	-
Total revenue (GAAP)	679,843	551,300	90,790	65,066	43,283	(125,677)	1,304,605
Less: - Inter-company capital lease	-	-	2,384	-	-	(2,384)	-
Revenue, as adjusted - (Non-GAAP)	\$ 679,843	\$ 551,300	\$ 93,174	\$ 65,066	\$ 43,283	\$ (128,061)	\$ 1,304,605
Less: Cost of Goods sold	(269,409)	(299,645)	-	-	-	112,167	(456,887)
Less: Inter-company capital lease	(4,677)	-	-	-	-	4,677	-
Gross margin, as adjusted - (Non-GAAP)	\$ 405,757	\$ 251,655	\$ 93,174	\$ 65,066	\$ 43,283	\$ (11,217)	\$ 847,718

Use of Non-GAAP Financial Measures

Operating Income, as adjusted

(in thousands, pre-tax)

QTD - December 31, 2016

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant Unique Items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 43,478	\$ 63,078	\$ 13,267	\$ 3,664	\$ (56,379)	\$ (11,818)	\$ 55,290
Capital lease adjustment	1,886	—	(2,246)	—	—	360	—
Operating income without capital lease (Non-GAAP)	45,364	63,078	11,021	3,664	(56,379)	(11,458)	55,290
Significant Unique Items:							
Asset impairment (Oil & Gas)	—	—	—	—	54,671	—	54,671
Acquisition costs	—	—	—	—	—	8,519	8,519
Total adjustments	—	—	—	—	54,671	8,519	63,190
Operating income (loss), as adjusted (Non-GAAP)	\$ 45,364	\$ 63,078	\$ 11,021	\$ 3,664	\$ (1,708)	\$ (2,939)	\$ 118,480

QTD - December 31, 2015

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant Unique Items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 42,034	\$ 23,407	\$ 13,180	\$ 2,859	\$ (76,971)	\$ (4,312)	\$ 197
Capital lease adjustment	2,045	—	(1,952)	—	—	(93)	—
Operating income without capital lease (Non-GAAP)	44,079	23,407	11,228	2,859	(76,971)	(4,405)	197
Significant Unique Items:							
Asset impairment (Oil & Gas)	—	—	—	—	71,213	—	71,213
Acquisition costs	—	—	—	—	—	2,009	2,009
Total adjustments	—	—	—	—	71,213	2,009	73,222
Operating income (loss), as adjusted (Non-GAAP)	\$ 44,079	\$ 23,407	\$ 11,228	\$ 2,859	\$ (5,758)	\$ (2,396)	\$ 73,419

Use of Non-GAAP Financial Measures

YTD Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2016

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

YTD Dec. 31, 2015

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 173,153	\$ 162,017	\$ 54,391	\$ 11,358	\$ (118,959)	\$ (59,374)	\$ 222,586
Capital lease adjustment	7,788	—	(9,026)	—	—	1,238	—
Operating income without capital lease (Non-GAAP)	180,941	162,017	45,365	11,358	(118,959)	(58,136)	222,586
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	106,957	—	106,957
Acquisition costs	—	—	—	—	—	43,688	43,688
Total adjustments	—	—	—	—	106,957	43,688	150,645
Operating income (loss), as adjusted (Non-GAAP)	\$ 180,941	\$ 162,017	\$ 45,365	\$ 11,358	\$ (12,002)	\$ (14,448)	\$ 373,231
	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 168,581	\$ 78,606	\$ 54,321	\$ 13,630	\$ (277,205)	\$ (8,138)	\$ 29,795
Capital lease adjustment	8,395	—	(9,380)	—	—	985	—
Operating income without capital lease (Non-GAAP)	176,976	78,606	44,941	13,630	(277,205)	(7,153)	29,795
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	249,608	—	249,608
Acquisition costs	—	—	—	—	—	3,610	3,610
Total adjustments	—	—	—	—	249,608	3,610	253,218
Operating income (loss), as adjusted (Non-GAAP)	\$ 176,976	\$ 78,606	\$ 44,941	\$ 13,630	\$ (27,597)	\$ (3,543)	\$ 283,013

Use of Non-GAAP Financial Measures

Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2014

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 132,649	\$ 82,806	\$ 49,892	\$ 11,910	\$ (11,791)	\$ (1,598)	\$ 263,868
Capital lease adjustment	8,931	—	(10,733)	—	—	1,802	—
Operating income without capital lease (Non-GAAP)	141,580	82,806	39,159	11,910	(11,791)	204	263,868
Significant unique items:	—	—	—	—	—	—	—
Total adjustments	—	—	—	—	—	—	—
Operating income (loss), as adjusted (Non-GAAP)	\$ 141,580	\$ 82,806	\$ 39,159	\$ 11,910	\$ (11,791)	\$ 204	\$ 263,868

YTD Dec. 31, 2013

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 126,713	\$ 83,654	\$ 47,760	\$ 5,586	\$ (3,357)	\$ (910)	\$ 259,446
Capital lease adjustment	9,413	—	(10,003)	—	—	590	—
Operating income without capital lease (Non-GAAP)	136,126	83,654	37,757	5,586	(3,357)	(320)	259,446
Significant unique items:	—	—	—	—	—	—	—
Total adjustments	—	—	—	—	—	—	—
Operating income (loss), as adjusted (Non-GAAP)	\$ 136,126	\$ 83,654	\$ 37,757	\$ 5,586	\$ (3,357)	\$ (320)	\$ 259,446

YTD Dec. 31, 2012

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Gain on sale of Williston Basin assets

Incentive compensation - Williston Basin asset sale

Asset impairment (Oil & Gas)

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 127,770	\$ 70,130	\$ 44,799	\$ 2,165	\$ 32,302	\$ (725)	\$ 276,441
Capital lease adjustment	9,820	—	(9,445)	—	—	(375)	—
Operating income without capital lease (Non-GAAP)	137,590	70,130	35,354	2,165	32,302	(1,100)	276,441
Significant unique items:							
Gain on sale of Williston Basin assets	—	—	—	—	(75,853)	—	(75,853)
Incentive compensation - Williston Basin asset sale	1,595	1,104	105	237	967	—	4,008
Asset impairment (Oil & Gas)	—	—	—	—	49,571	—	49,571
Total adjustments	1,595	1,104	105	237	(25,315)	—	(22,274)
Operating income (loss), as adjusted (Non-GAAP)	\$ 139,185	\$ 71,234	\$ 35,459	\$ 2,402	\$ 6,987	\$ (1,100)	\$ 254,167

Use of Non-GAAP Financial Measures

Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2011

Operating income (loss) (GAAP)

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 109,457	\$ 76,336	\$ 10,935	\$ (8,395)	\$ 8,967	\$ (4,832)	\$ 192,468
Total adjustments	—	—	—	—	—	—	—
Operating income (loss), as adjusted (Non-GAAP)	\$ 109,457	\$ 76,336	\$ 10,935	\$ (8,395)	\$ 8,967	\$ (4,832)	\$ 192,468

YTD Dec. 31, 2010

Operating income (loss) (GAAP)

Significant unique items:

Sale of Elkhorn

Sale of Wygen III to City of Gillette

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 99,292	\$ 68,968	\$ 9,673	\$ 4,731	\$ 11,143	\$ (3,826)	\$ 189,981
Sale of Elkhorn	—	(2,683)	—	—	—	—	(2,683)
Sale of Wygen III to City of Gillette	(6,238)	—	—	—	—	—	(6,238)
Total adjustments	(6,238)	(2,683)	—	—	—	—	(8,921)
Operating income (loss), as adjusted (Non-GAAP)	\$ 93,054	\$ 66,285	\$ 9,673	\$ 4,731	\$ 11,143	\$ (3,826)	\$ 181,060

YTD Dec. 31, 2009

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

23.5% of Wygen I to MEAN

Integration expense (Aquila Transaction)

Total adjustments

Operating income (loss), as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 70,968	\$ 55,210	\$ 40,055	\$ 5,055	\$ (42,521)	\$ (4,612)	\$ 124,155
Capital lease adjustment	—	—	—	—	—	—	—
Operating income without capital lease (Non-GAAP)	70,968	55,210	40,055	5,055	(42,521)	(4,612)	124,155
Asset impairment (Oil & Gas)	—	—	—	—	43,301	—	43,301
23.5% of Wygen I to MEAN	—	—	(25,971)	—	—	—	(25,971)
Integration expense (Aquila Transaction)	—	—	—	—	—	5,291	5,291
Total adjustments	—	—	(25,971)	—	43,301	5,291	22,621
Operating income (loss), as adjusted (Non-GAAP)	\$ 70,968	\$ 55,210	\$ 14,084	\$ 5,055	\$ 780	\$ 679	\$ 146,776

Use of Non-GAAP Financial Measures

Net Income Available for Common Stock, as adjusted

(in thousands, after-tax)

QTD - December 31, 2016

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Net income (loss) available for common stock (GAAP)	\$ 23,202	\$ 29,649	\$ 6,023	\$ 3,084	\$ (35,777)	\$ (8,012)	\$ 18,169
Capital lease adjustment	1,190	—	(1,417)	—	—	227	—
Net income (loss) available for common stock without capital lease (Non-GAAP)	24,392	29,649	4,606	3,084	(35,777)	(7,785)	18,169
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	34,498	—	34,498
Acquisition costs	—	—	—	—	—	5,541	5,541
Total adjustments	—	—	—	—	34,498	5,541	40,039
Net Income (Loss) available for common stock, as adjusted (Non-GAAP)	\$ 24,392	\$ 29,649	\$ 4,606	\$ 3,084	\$ (1,279)	\$ (2,244)	\$ 58,208

QTD - December 31, 2015

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Net income (loss) available for common stock (GAAP)	\$ 19,735	\$ 11,831	\$ 7,888	\$ 2,764	\$ (49,879)	\$ (6,515)	\$ (14,176)
Capital lease adjustment	1,291	—	(1,232)	—	—	(59)	—
Net income (loss) available for common stock without capital lease (Non-GAAP)	21,026	11,831	6,656	2,764	(49,879)	(6,574)	(14,176)
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	44,465	—	44,465
Impairment of equity investments	—	—	—	—	(498)	—	(498)
Acquisition costs	—	—	—	—	—	3,664	3,664
Total adjustments	—	—	—	—	43,967	3,664	47,631
Net Income (Loss) available for common stock, as adjusted (Non-GAAP)	\$ 21,026	\$ 11,831	\$ 6,656	\$ 2,764	\$ (5,912)	\$ (2,910)	\$ 33,455

Use of Non-GAAP Financial Measures

Net Income Available for Common Stock, as adjusted

(in thousands, after-tax)

YTD - December 31, 2016

Net income (loss) available for common stock (GAAP)

Capital lease adjustment

Net income (loss) available for common stock without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Interest rate derivative - MTM loss

Total adjustments

Net Income (Loss) available for common stock, as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Net income (loss) available for common stock (GAAP)	\$ 85,827	\$ 59,624	\$ 25,930	\$ 10,053	\$ (71,054)	\$ (37,410)	\$ 72,970
Capital lease adjustment	4,915		(5,696)			781	—
Net income (loss) available for common stock without capital lease (Non-GAAP)	90,742	59,624	20,234	10,053	(71,054)	(36,629)	72,970
Asset impairment (Oil & Gas)	—	—	—	—	67,309	—	67,309
Acquisition costs	—	—	—	—	—	29,101	29,101
Interest rate derivative - MTM loss	—	—	—	—	—	620	620
Total adjustments	—	—	—	—	67,309	29,721	97,030
Net Income (Loss) available for common stock, as adjusted (Non-GAAP)	\$ 90,742	\$ 59,624	\$ 20,234	\$ 10,053	\$ (3,745)	\$ (6,908)	\$ 170,000

YTD Dec 31, 2015

Net income (loss) available for common stock (GAAP)

Capital lease adjustment

Net income (loss) available for common stock without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

Impairment of equity investments (Oil & Gas)

Acquisition costs

Total adjustments

Net Income (Loss) available for common stock, as adjusted (Non-GAAP)

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Net income (loss) available for common stock (GAAP)	\$ 77,579	\$ 39,306	\$ 32,650	\$ 11,870	\$ (179,958)	\$ (13,558)	\$ (32,111)
Capital lease adjustment	5,298		(5,920)			622	—
Net income (loss) available for common stock without capital lease (Non-GAAP)	82,877	39,306	26,730	11,870	(179,958)	(12,936)	(32,111)
Asset impairment (Oil & Gas)	—	—	—	—	157,540	—	157,540
Impairment of equity investments (Oil & Gas)	—	—	—	—	2,863	—	2,863
Acquisition costs	—	—	—	—	—	6,679	6,679
Total adjustments	—	—	—	—	160,403	6,679	167,082
Net Income (Loss) available for common stock, as adjusted (Non-GAAP)	\$ 82,877	\$ 39,306	\$ 26,730	\$ 11,870	\$ (19,555)	\$ (6,257)	\$ 134,971

Use of Non-GAAP Financial Measures

Depreciation, Depletion & Amortization, adjusted for Intercompany Capital Lease*

(in thousands, pre-tax)

	Electric Utilities	Gas Utilities	Total Utilities	Power Generation	Mining	Oil and Gas	Total Non-Reg	Corporate	Total
YTD Dec. 31, 2016									
Depreciation, depletion and amortization (GAAP)	\$ 84,645	\$ 78,335	\$ 162,980	\$ 4,104	\$ 9,346	\$ 13,902	\$ 27,352	\$ (1,289)	\$ 189,043
Capital lease adjustment	(13,072)	-	(13,072)	11,735	-	-	11,735	1,337	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 71,573	\$ 78,335	\$ 149,908	\$ 15,839	\$ 9,346	\$ 13,902	\$ 39,087	\$ 48	\$ 189,043
Capital Expenditures	\$ 258,739	\$ 173,930	\$ 432,669	\$ 4,729	\$ 5,709	\$ 6,669	\$ 17,107	\$ 17,353	\$ 467,129
Cap Ex to Depreciation Ratio			2.9 to 1				0.4 to 1		
YTD Dec. 31, 2015									
Depreciation, depletion and amortization (GAAP)	\$ 80,929	\$ 32,326	\$ 113,255	\$ 4,329	\$ 9,806	\$ 29,287	\$ 43,422	\$ (1,307)	\$ 155,370
Capital lease adjustment	(13,071)	-	(13,071)	11,764	-	-	11,764	1,307	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 67,858	\$ 32,326	\$ 100,184	\$ 16,093	\$ 9,806	\$ 29,287	\$ 55,186	\$ -	\$ 155,370
Capital Expenditures	\$ 171,897	\$ 99,674	\$ 271,571	\$ 2,694	\$ 5,767	\$ 168,925	\$ 177,386	\$ 9,864	\$ 458,821
Cap Ex to Depreciation Ratio			2.7 to 1				3.2 to 1		
YTD Dec. 31, 2014									
Depreciation, depletion and amortization (GAAP)	\$ 77,011	\$ 28,912	\$ 105,923	\$ 4,540	\$ 10,276	\$ 24,247	\$ 39,063	\$ (241)	\$ 144,745
Capital lease adjustment	(13,072)	-	(13,072)	12,831	-	-	12,831	241	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 63,939	\$ 28,912	\$ 92,851	\$ 17,371	\$ 10,276	\$ 24,247	\$ 51,894	\$ -	\$ 144,745
Capital Expenditures	\$ 171,475	\$ 92,252	\$ 263,727	\$ 2,379	\$ 6,676	\$ 109,439	\$ 118,494	\$ 9,046	\$ 391,267
Cap Ex to Depreciation Ratio			2.8 to 1				2.3 to 1		
YTD Dec. 31, 2013									
Depreciation, depletion and amortization (GAAP)	\$ 75,355	\$ 28,730	\$ 104,085	\$ 5,090	\$ 11,523	\$ 17,876	\$ 34,489	\$ (1,250)	\$ 137,324
Capital lease adjustment	(13,100)	-	(13,100)	11,850	-	-	11,850	1,250	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 62,255	\$ 28,730	\$ 90,985	\$ 16,940	\$ 11,523	\$ 17,876	\$ 46,339	\$ -	\$ 137,324
Capital Expenditures	\$ 212,269	\$ 73,198	\$ 285,467	\$ 13,533	\$ 5,528	\$ 64,687	\$ 83,748	\$ 10,319	\$ 379,534
Cap Ex to Depreciation Ratio			3.1 to 1				1.8 to 1		
YTD Dec. 31, 2012									
Depreciation, depletion and amortization (GAAP)	\$ 72,899	\$ 27,508	\$ 100,407	\$ 4,599	\$ 13,060	\$ 29,785	\$ 47,444	\$ (1,928)	\$ 145,923
Capital lease adjustment	(13,044)	-	(13,044)	11,071	-	-	11,071	1,973	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 59,855	\$ 27,508	\$ 87,363	\$ 15,670	\$ 13,060	\$ 29,785	\$ 58,515	\$ 45	\$ 145,923
Capital Expenditures	\$ 162,136	\$ 50,838	\$ 212,974	\$ 5,547	\$ 13,420	\$ 107,839	\$ 126,806	\$ 7,376	\$ 347,156
Cap Ex to Depreciation Ratio			2.4 to 1				2.2 to 1		

* PPA between Colorado Electric and Colorado IPP is considered a capital lease for GAAP purposes; this PPA went into effect Jan. 1, 2012

Use of Non-GAAP Financial Measures

EBITDA

<i>(in thousands)</i>	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net income (loss)	\$ 21,414	\$ (14,176)	\$ 82,631	\$ (32,111)
Depreciation, depletion and amortization	48,406	38,549	189,043	155,370
Asset impairments (Oil & Gas)	54,671	71,213	106,957	249,608
Interest expense, net	35,407	23,308	133,983	82,098
Income tax expense (benefit)	(730)	(7,520)	10,475	(22,160)
Rounding	1	(1)	1	1
EBITDA (a Non-GAAP Measure)	159,169	111,373	523,090	432,806
Less adjustments for unique items:				
Acquisition costs	8,519	2,009	43,688	3,610
Impairment of equity investments (Oil and Gas)	-	(765)	-	4,404
EBITDA, as adjusted	\$ 167,688	\$ 112,617	\$ 566,778	\$ 440,820

Use of Non-GAAP Financial Measures

Earnings Per Share, as adjusted

Earnings Per Share, as adjusted	2009	2010	2011	2012	2013	2014	2015	2016
Net income (GAAP)	\$ 2.11	\$ 1.87	\$ 1.34	\$ 2.32	\$ 2.64	\$ 2.93	\$ (0.71)	\$ 1.55
Discontinued (loss) Operations	(0.11)	(0.14)	(0.23)	0.16	0.02	-	-	-
Income (loss) from continuing operations (GAAP)	2.00	1.73	1.11	2.48	2.66	2.93	(0.71)	1.55
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	(0.18)
Net income available for common stock (excluding discontinued operations)	2.00	1.73	1.11	2.48	2.66	2.93	(0.71)	1.37
<u>Adjustments (loss) (after tax)</u>								
Interest rate swaps - MTM	(0.94)	0.25	0.68	(0.03)	(0.44)	-	-	-
Costs associated with prepayment of BHW project financing (Net of interest savings)	-	-	-	-	0.15	-	-	-
Financing costs, net of interest savings (\$250M bond payoff)*	-	-	-	-	0.13	-	-	-
Make-whole premium net of interest savings (\$225M bond payoff)	-	-	-	0.07	-	-	-	-
Credit Facility fee write-off	-	-	-	0.02	-	-	-	-
Asset impairment - Oil and Gas	0.72	-	-	0.72	-	-	3.48	1.26
Impairment of equity investments - Oil and Gas	-	-	-	-	-	-	0.06	-
Gain on sale of operating assets -								
Williston Basin assets (net of incentive comp)	-	-	-	(1.05)	-	-	-	-
Sale of Elkhorn, NE service area	-	(0.04)	-	-	-	-	-	-
Partial sale of Wygen III to City of Gillette	-	(0.10)	-	-	-	-	-	-
Partial sale of Wygen I to MEAN	(0.44)	-	-	-	-	-	-	-
Improved effective tax rate	(0.10)	(0.06)	-	-	-	-	-	-
Integration expenses	0.09	-	-	-	-	-	0.15	0.56
Acquisition facility fee	0.05	-	-	-	-	-	-	-
Total Non-GAAP adjustments	(0.62)	0.05	0.68	(0.27)	(0.16)	-	3.69	1.82
Net income available for common stock (excluding discontinued operations); as adjusted (Non-GAAP)	\$ 1.38	\$ 1.78	\$ 1.79	\$ 2.21	\$ 2.50	\$ 2.93	\$ 2.98	\$ 3.19

Notes



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.

To see more ways we're
improving life with energy,
visit www.blackhillscorp.com.

