

# Investor Meetings

June 2020



# Forward-Looking Statements

## COMPANY INFORMATION

### Black Hills Corporation

P.O. Box 1400  
Rapid City, SD 57709-1400  
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.

# Investment Highlights



## **Customer-focused, growth-oriented utility company**

- Prioritizing safety and reliability while responsibly adding renewable resources
- Reducing risk and increasing opportunities through strong diversity
  - Large and strategically diversified natural gas and electric utility infrastructure
  - Stable and growing Midwest territories across eight states
  - Integrated electric utility-supporting segments
  - Programmatic investment approach providing greater long-term consistency



## **Investing significant capital for customer needs**

- Forecasting at least \$2.7 billion in capital investment during 2020 through 2024
  - Incremental opportunities likely
  - Recurring base of utility investment of \$375 million annually



## **Solid financial position with legacy of sustainable growth**

- Committed to solid investment-grade credit ratings
- Marking 50 consecutive years of dividend increases in 2020 at current annualized rate
- Strategic execution delivering strong long-term total shareholder returns

# Health and Safety Priority



## **Prioritizing Health and Safety**

- 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 activities and will respond accordingly



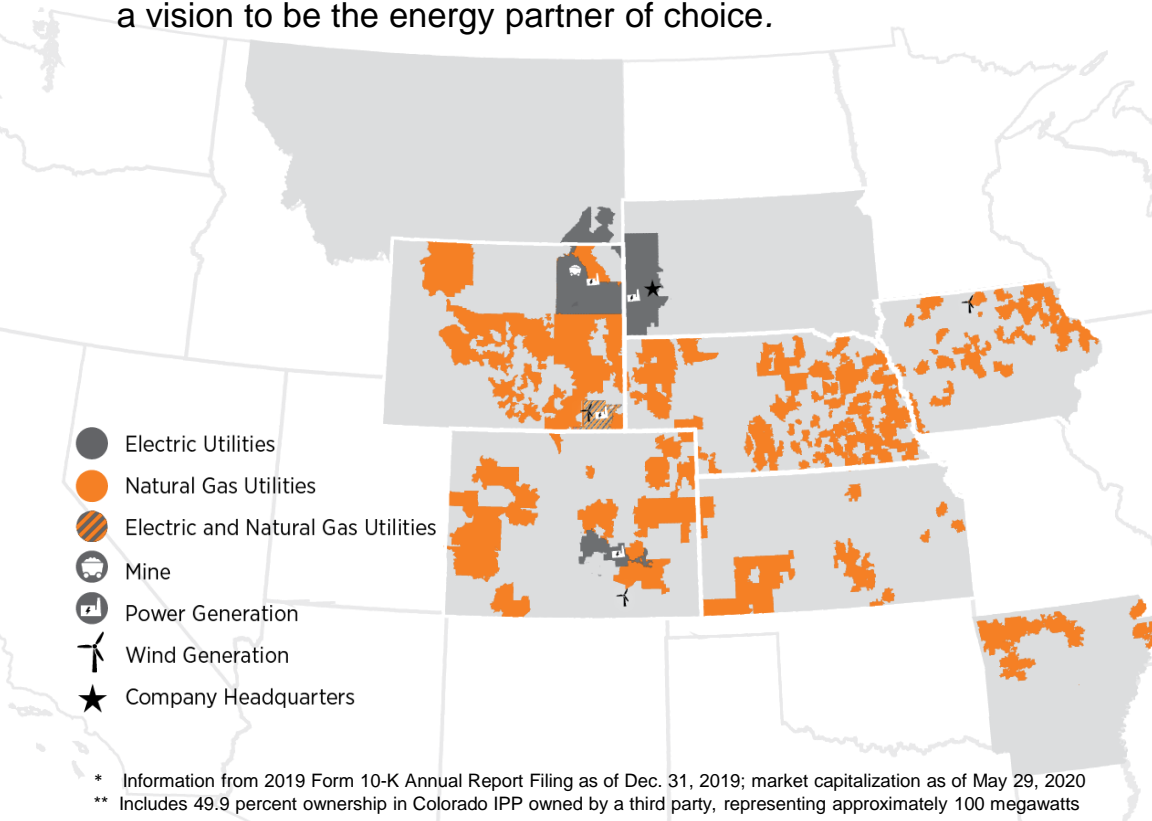
# Black Hills Overview and Strategy



Our southern Colorado energy system is one of the cleanest in the nation, fueled entirely by natural gas and renewable energy.

# Black Hills Corporation Overview

Customer-focused, growth-oriented utility company with a tradition of exemplary service and a vision to be the energy partner of choice.



**Electric and Gas  
Utility Company\***

**Strong  
Financial Base\***

**1.28 Million**  
Utility customers  
in 8 states

**\$7.6 billion**  
Total assets

**46,000 Miles**  
Natural gas lines

**\$3.9 billion**  
Total rate base

**1.4 Gigawatts\*\***  
Electric generation

**\$2.7 billion**  
Capital investment  
2020-2024

**9,000 Miles**  
Electric lines

**\$3.8 billion**  
Market capitalization

**2,900**  
Employees

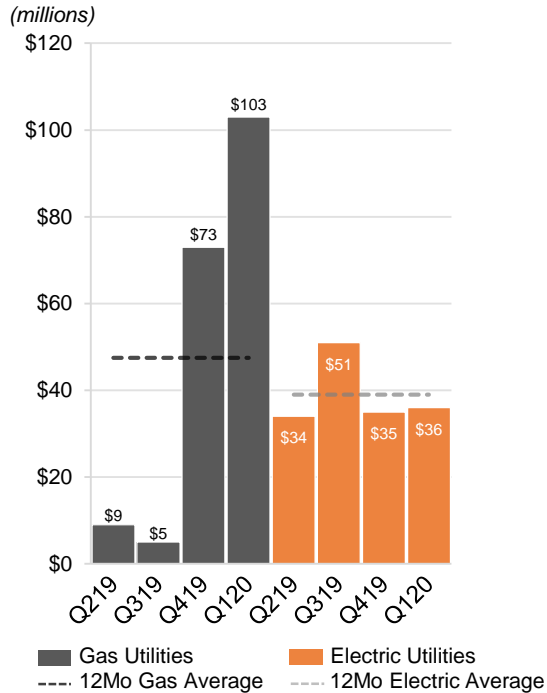
\* Information from 2019 Form 10-K Annual Report Filing as of Dec. 31, 2019; market capitalization as of May 29, 2020

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

# Strategic Diversity

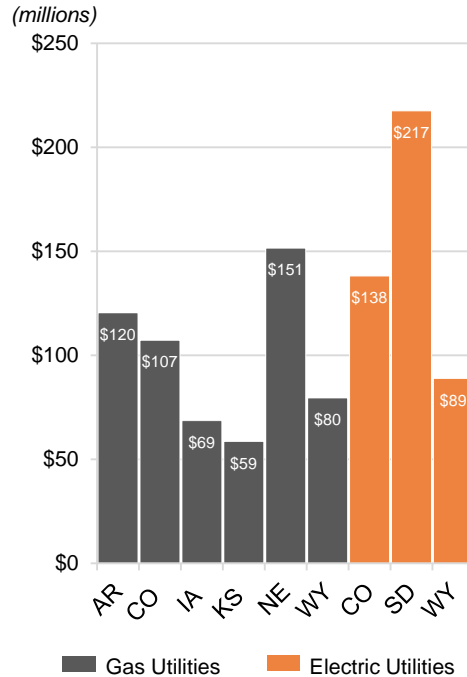
## Diversified Business Risk by Type and Location

### Utility Operating Income

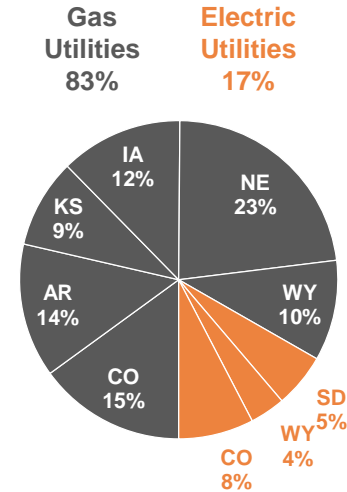


### Gross Margin by State\*1

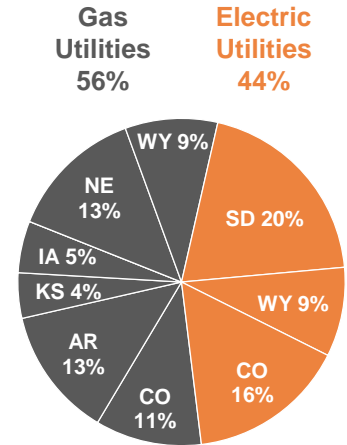
(12 months ending March 31, 2020)



### Percent of Customers by State 1



### Percent of Utility Rate Base 2



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

1 Montana data included in South Dakota totals

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

# READY. for Customers

# READY. for Shareholders

Safety & Integrity

Customer Experience

Growth

Earnings Growth

Dividend Growth

Strong Total Returns

Aligning People + Processes + Technology + Analytics

- 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

Committed to maintaining solid investment-grade credit ratings

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

- 50 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 Execution

## Operational Execution for Customers

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

## Financial Position and Results

- Maintaining strong liquidity
- Reaffirmed 2020 earnings guidance as listed May 5

## Strategic Progress and Regulatory Clarity

- Continuing utility consolidation efforts; filed consolidated rate review in Nebraska on June 1
- Fulfilled 60-megawatt capacity need for Wyoming Electric
- Progressed on renewable energy solutions (Renewable Ready and Renewable Advantage programs)
- Retained franchise agreement for Colorado electric utility in Pueblo



# Strategic Execution - Recent Highlights

## Natural Gas Utilities

## Electric Utilities

## Power Generation

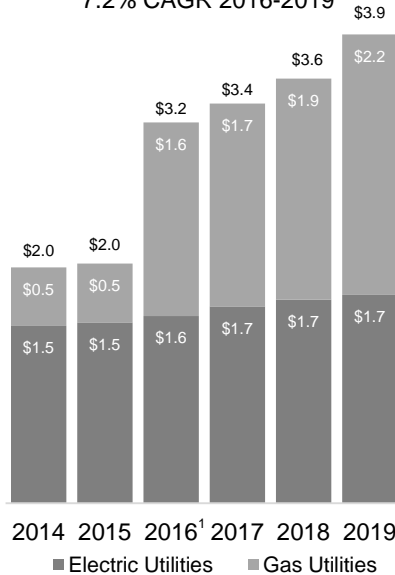
## Corporate

- Advanced utility consolidation efforts
  - On June 1, Nebraska Gas filed consolidated rate review requesting:
    - ♦ \$17.3 million annual revenue increase
    - ♦ 10.0% return on equity
    - ♦ 50.0% / 50.0% debt to equity capital structure
    - ♦ Rider for safety and integrity investments
  - Wyoming Gas regulatory and legal consolidation completed
  - In May, Colorado Gas received commission order for rate review denying rate consolidation and rider and includes a decrease in rates; evaluating next steps
- Wyoming Electric and Black Hills Wyoming filed a settlement agreement with FERC for a new 60-megawatt power purchase agreement
  - Pending FERC approval, Wyoming Electric utility will continue to be served by Power Generation affiliate's Wygen I power plant from Jan. 1, 2022, through Dec. 31, 2033, replacing current contract which ends Dec. 31, 2022
- On May 5, citizens in Pueblo, Colorado, voted to retain Black Hills as its electric utility provider; current franchise agreement continues through 2030
- Corriedale wind project in Wyoming on track for completion by year-end 2020; to be jointly owned by South Dakota and Wyoming Electric utilities and serve Renewable Ready program
- Bids received and being evaluated for Renewable Advantage program for Colorado Electric utility
- 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

# Strategic Execution Delivers Results

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

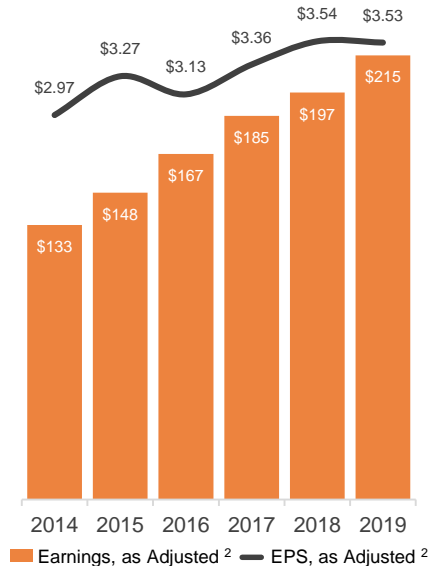
Nearly doubled since 2014  
7.2% CAGR 2016-2019



**Invest for Customer**

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

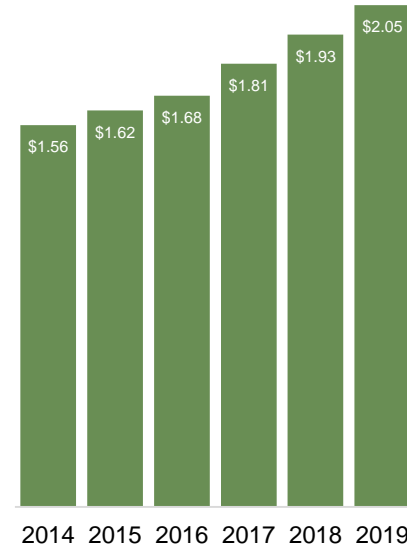
3.5% EPS CAGR 2014-2019  
10.1% Earnings CAGR 2014-2019



**Earnings Growth**

## Annual Dividend Per Share

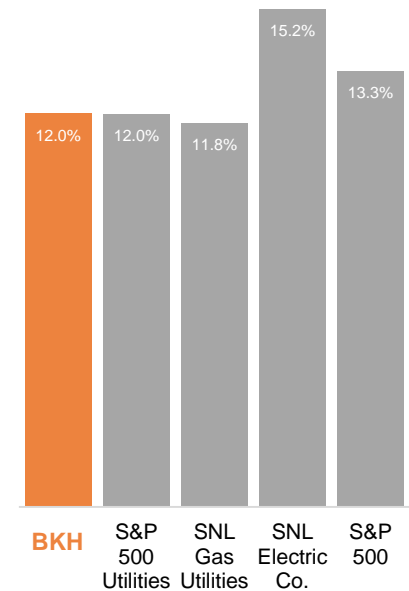
5.6% CAGR 2014-2019



**Dividend Growth**

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

(10-year annualized return as of May 29, 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 May 29, 2020; based on data from S&P Global Market Intelligence

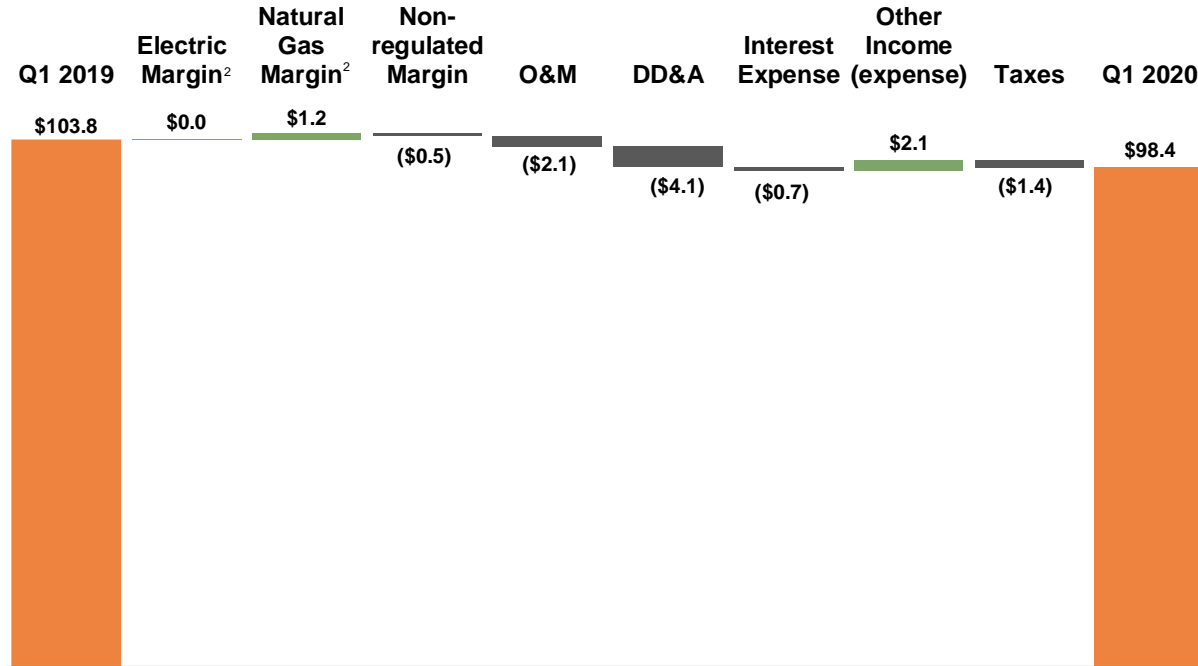
# Financial Update



We are committed to ensuring the safe and reliable delivery of natural gas to our customers' homes and businesses.

# 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



# Trailing Five Quarters Earnings Per Share

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

Special Items:

Impairment of investment

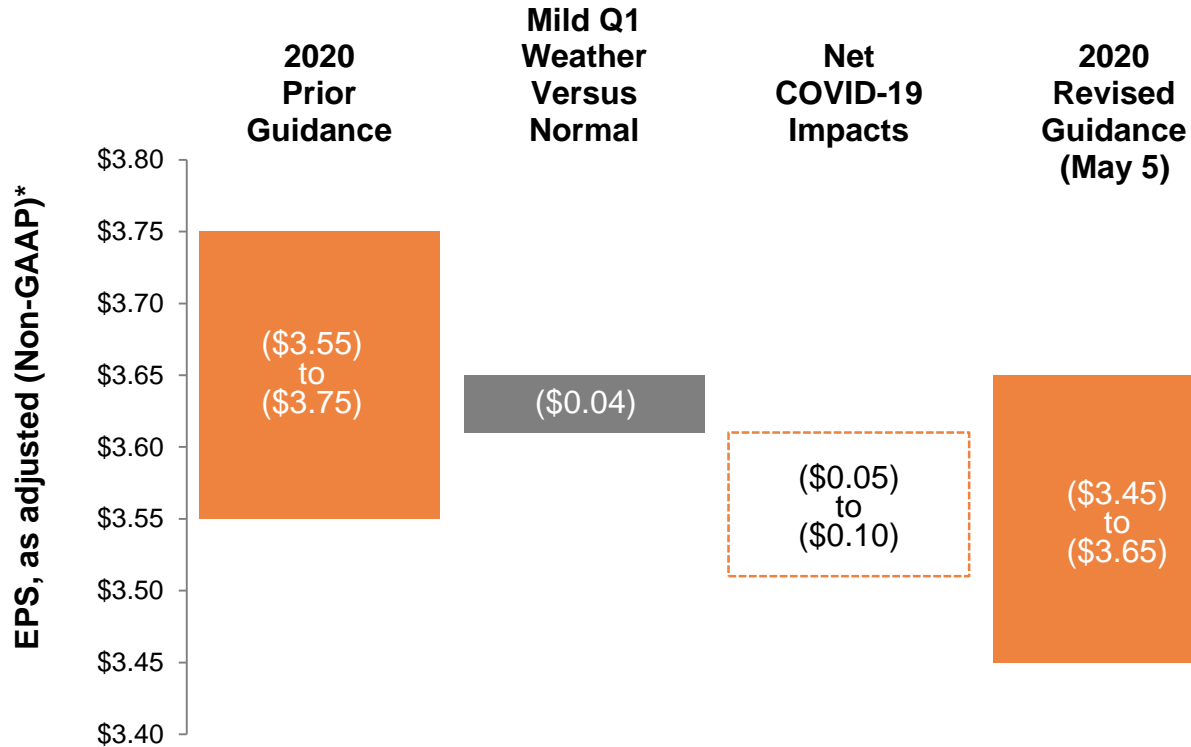
Total adjustments (after tax)

**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

# 2020 Earnings Guidance Reaffirmed



\* EPS available for common stock, as adjusted is a non-GAAP measure; see slide 14 and Appendix for detail

# 2020 Earnings Guidance Reaffirmed

2020 EPS available for common stock, as adjusted\*, is expected to be in the range of \$3.45 to \$3.65, based on the following updated assumptions, as listed on May 5:

- 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 14 and 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

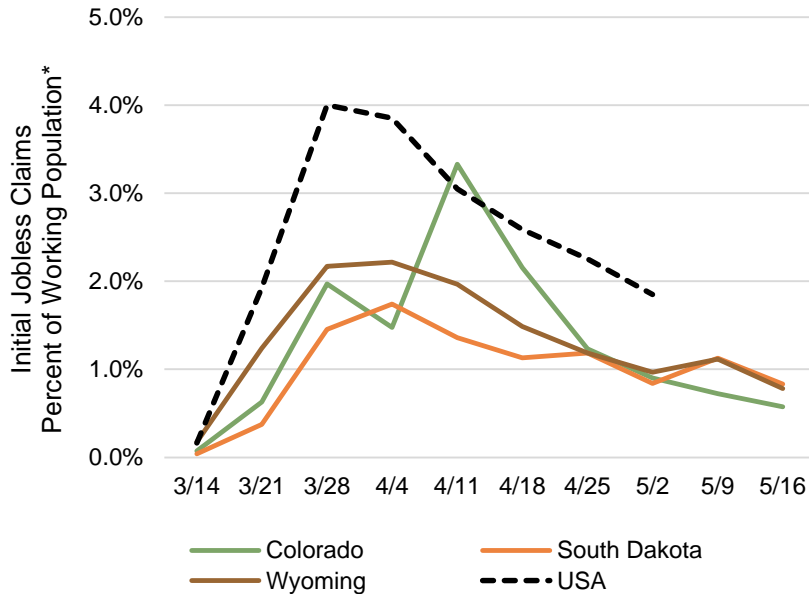
## Increased net operating expenses

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

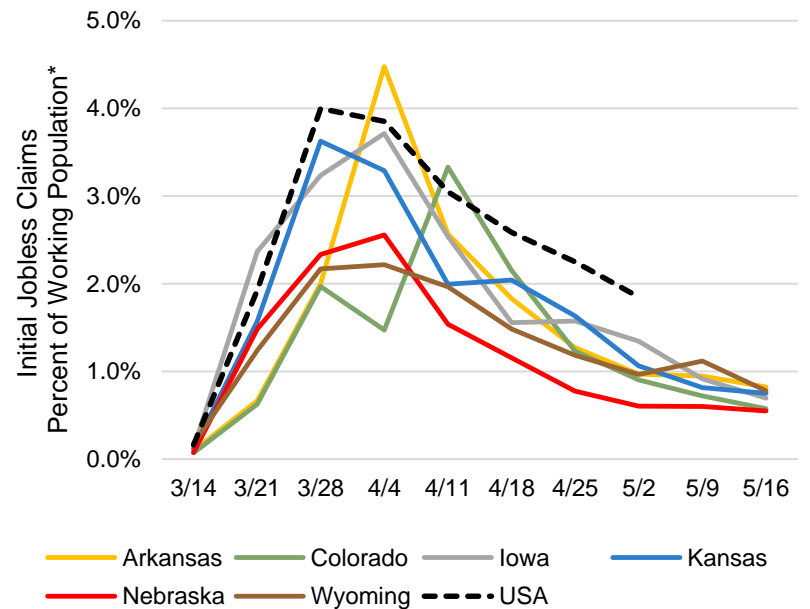
# Economic Conditions

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

### Black Hills Electric Utility States



### Black Hills Gas Utility States



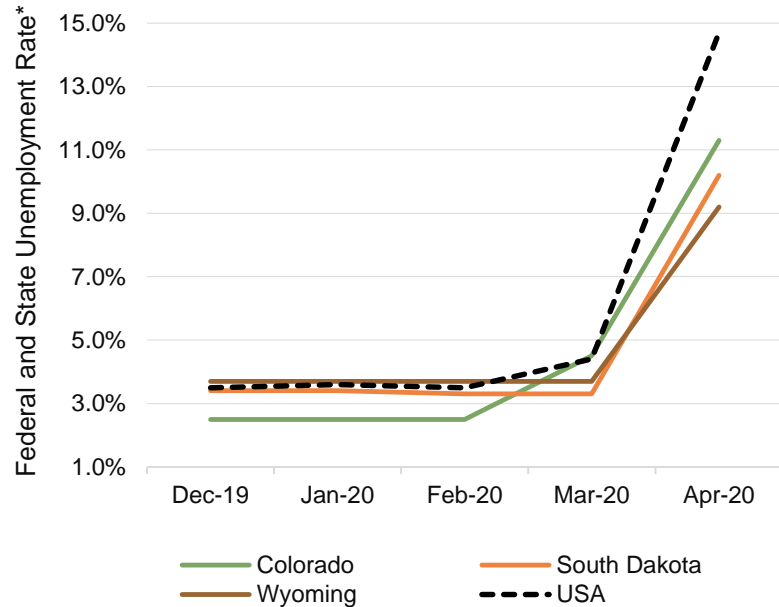
\* Data from Bureau of Labor Statistics – Employment Status of the Non-institutional Population; USA data not yet available for May 9 and May 16



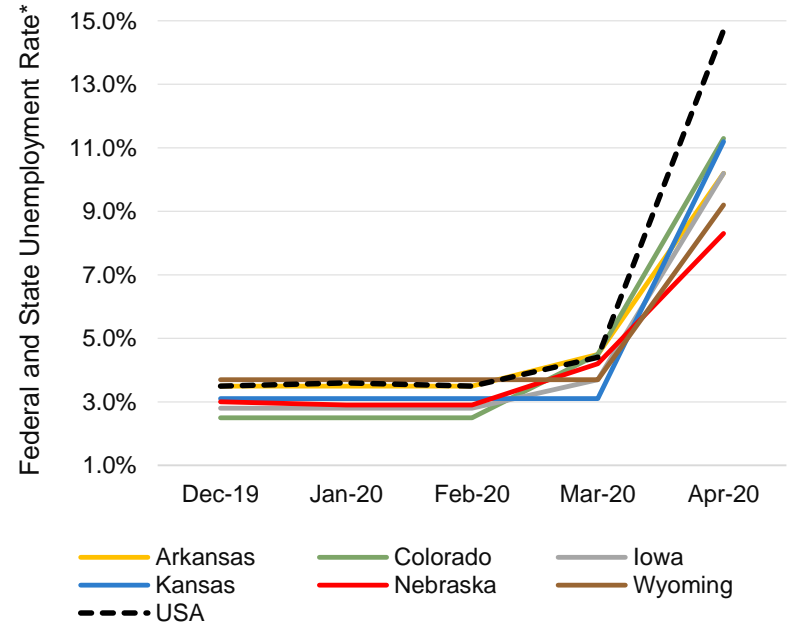
# Economic Conditions

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

### Black Hills Electric Utility States



### Black Hills Gas Utility States



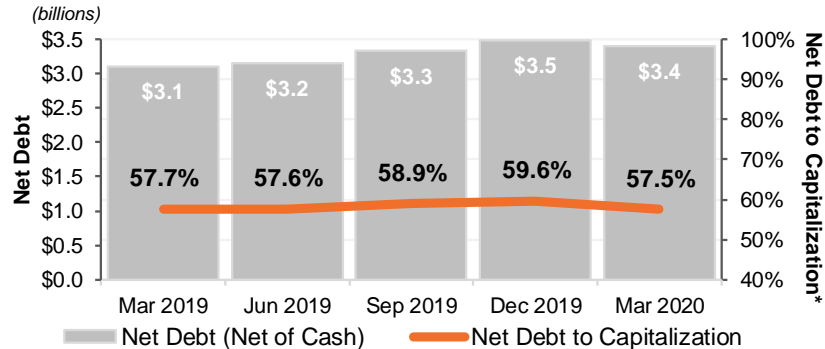
\* Data from Bureau of Labor Statistics – unemployment rate for population 16 years of age and over

# 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

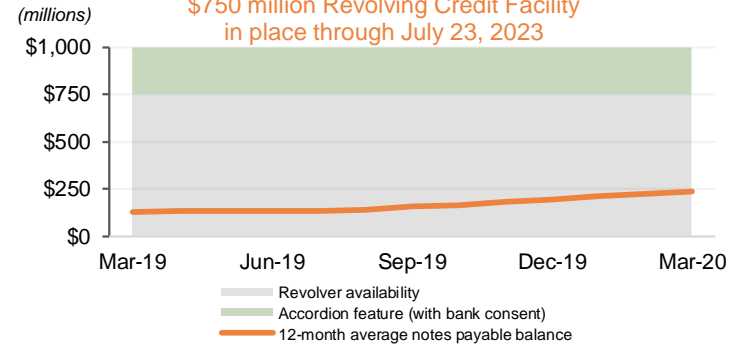


\* Excludes noncontrolling interest; see Appendix for detailed capital structure

## Strong Liquidity and Debt Profile

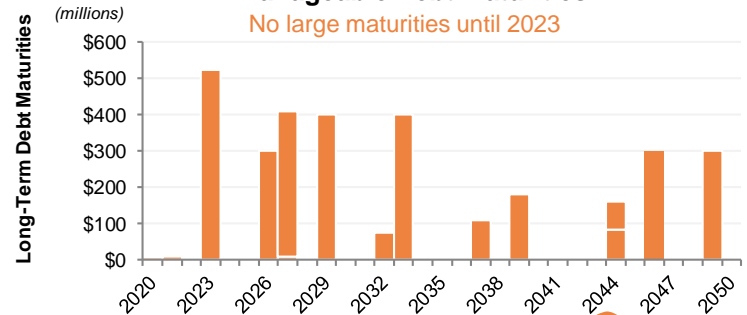
### Ample Access to Liquidity

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



### Manageable Debt Maturities

No large maturities until 2023

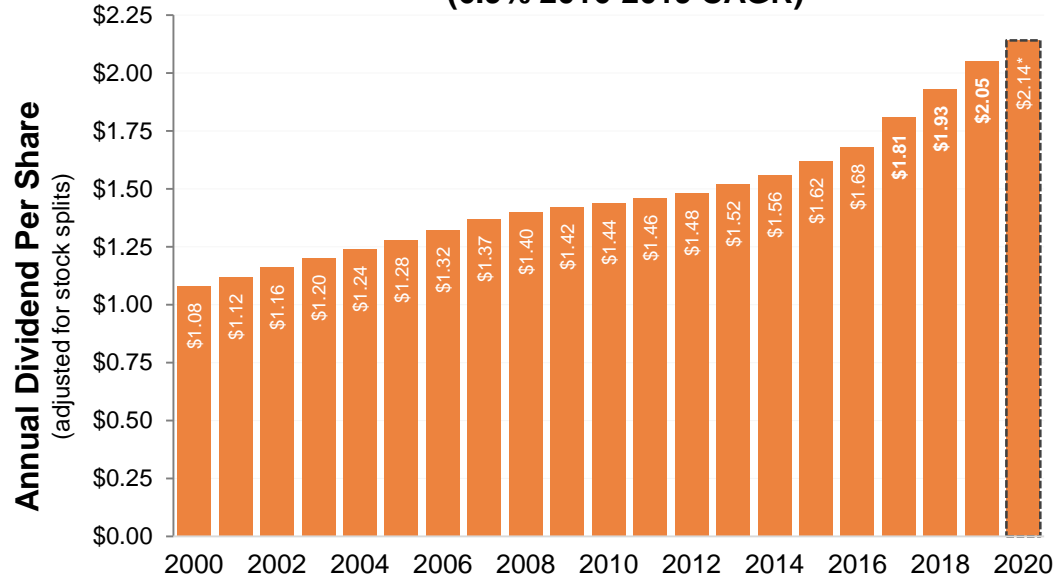


# Strong Dividend Growth Track Record

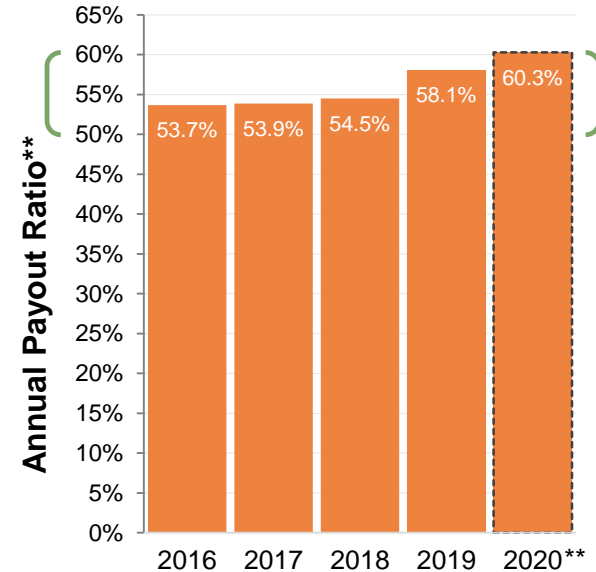
2020 Annual Rate Represents 50 Consecutive Years of Increases\*



**\$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

# Capital Investment for Customer Needs

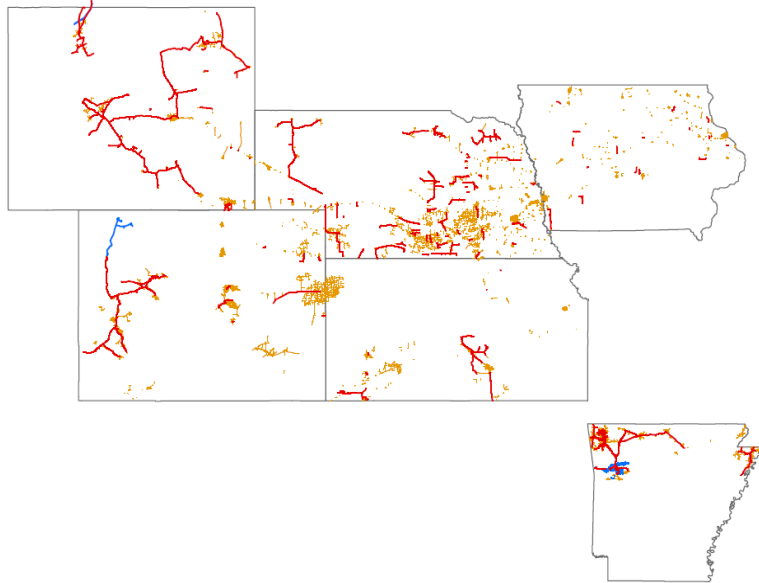


After construction, we restore the land to its natural state. We re-seed, mulch and monitor the right-of-way until vegetation is re-established, minimizing the long-term impact to the land along our pipelines.

# 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



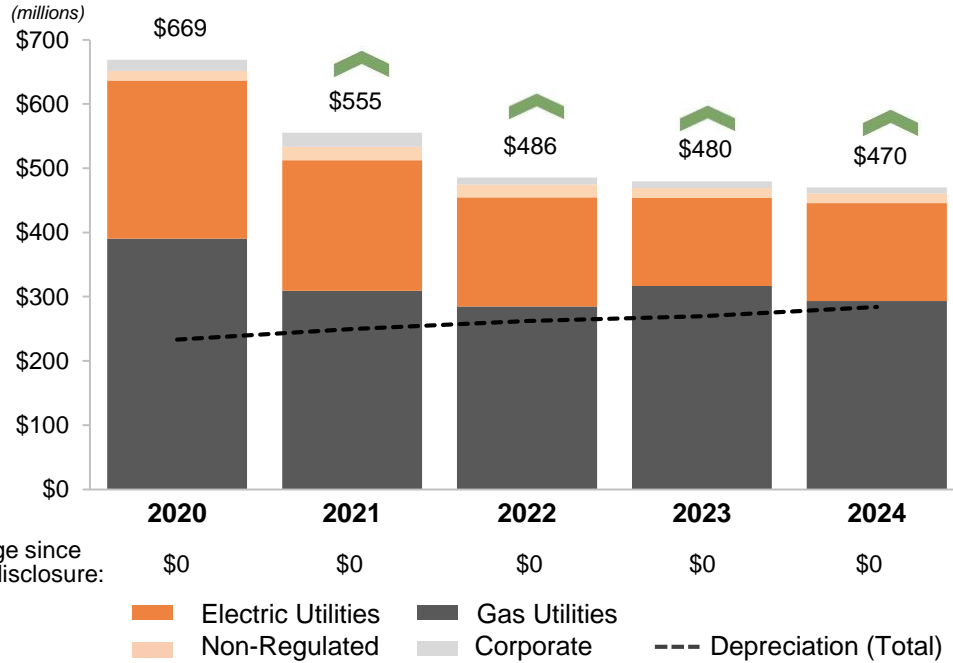
\* Excludes 49.9 percent ownership in Colorado IPP owned by a third party  
Note: Approximated totals based on information from 2019 Form 10-K



# 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>**

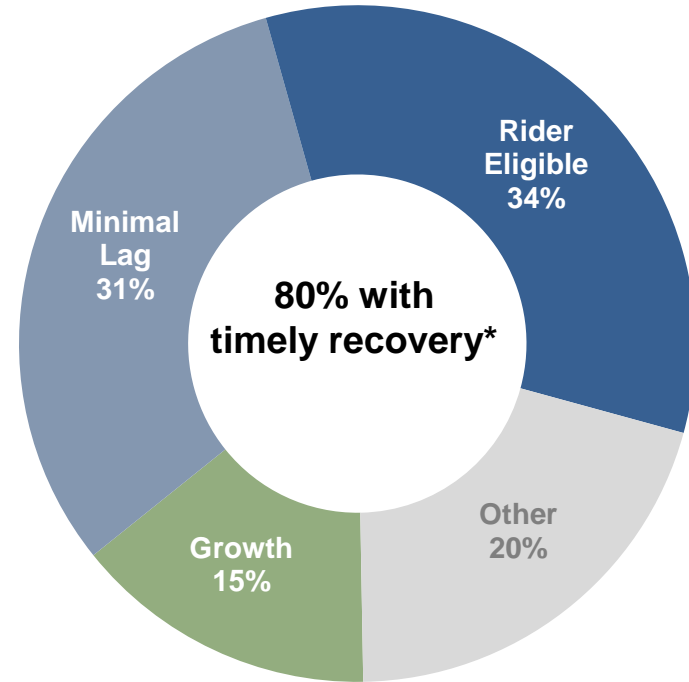
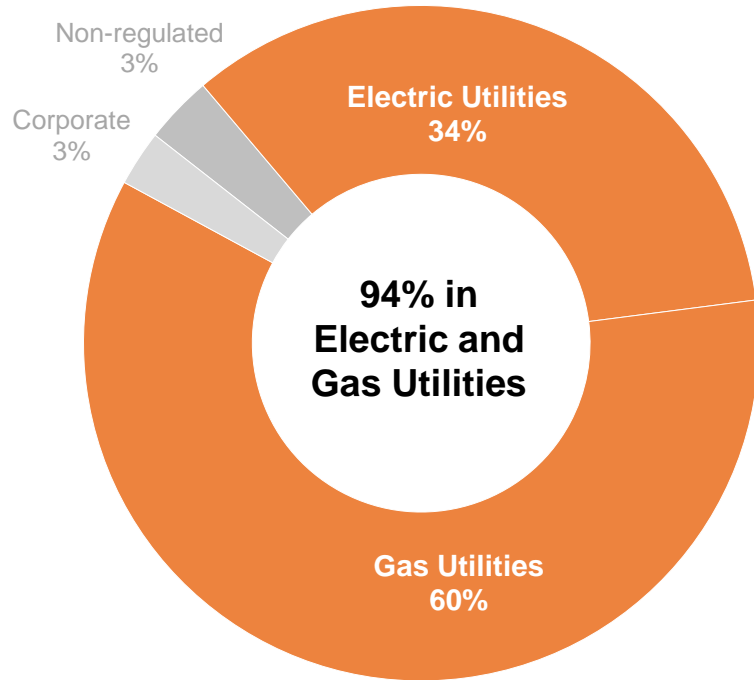


**Rate base growth – investment well in excess of depreciation**

<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

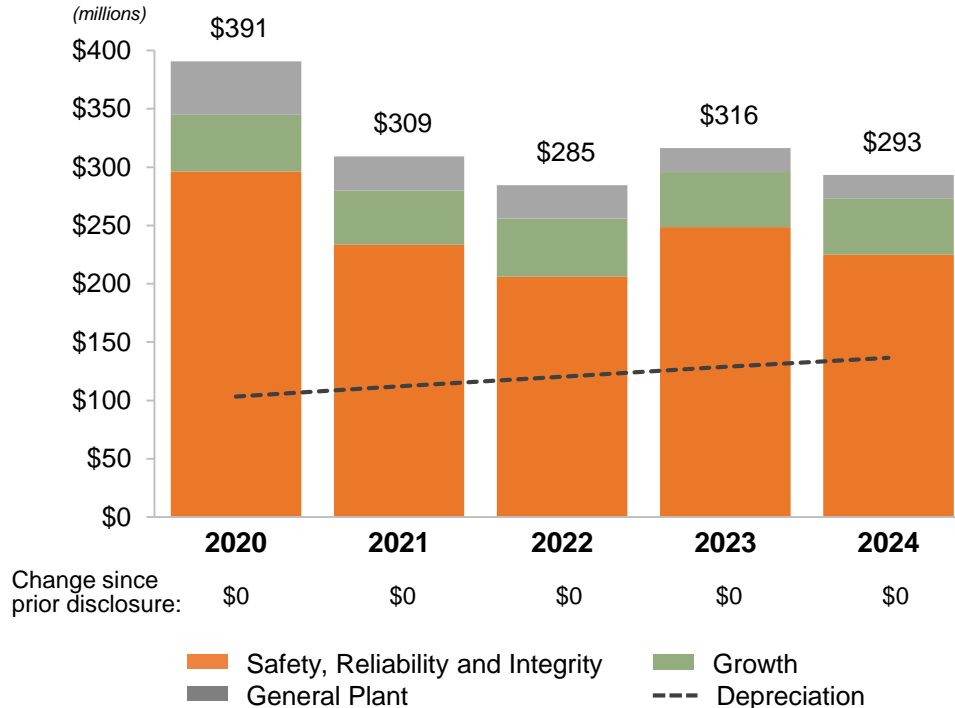
Minimal Lag Capital - capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods

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

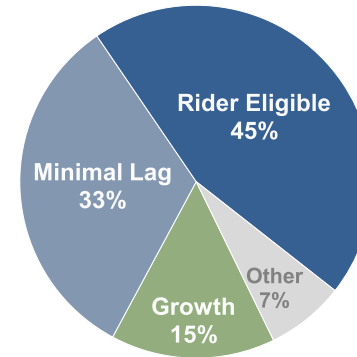
# Natural Gas Utilities Capital Investment

2020-2024 Forecast of \$1.6 billion

Forecasted Capital Investment By Type

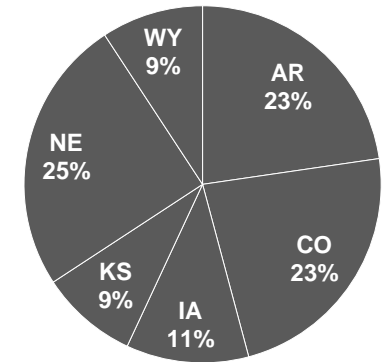


Forecasted Capital Investment Recovery\*



2020-2024

Forecasted Capital by State



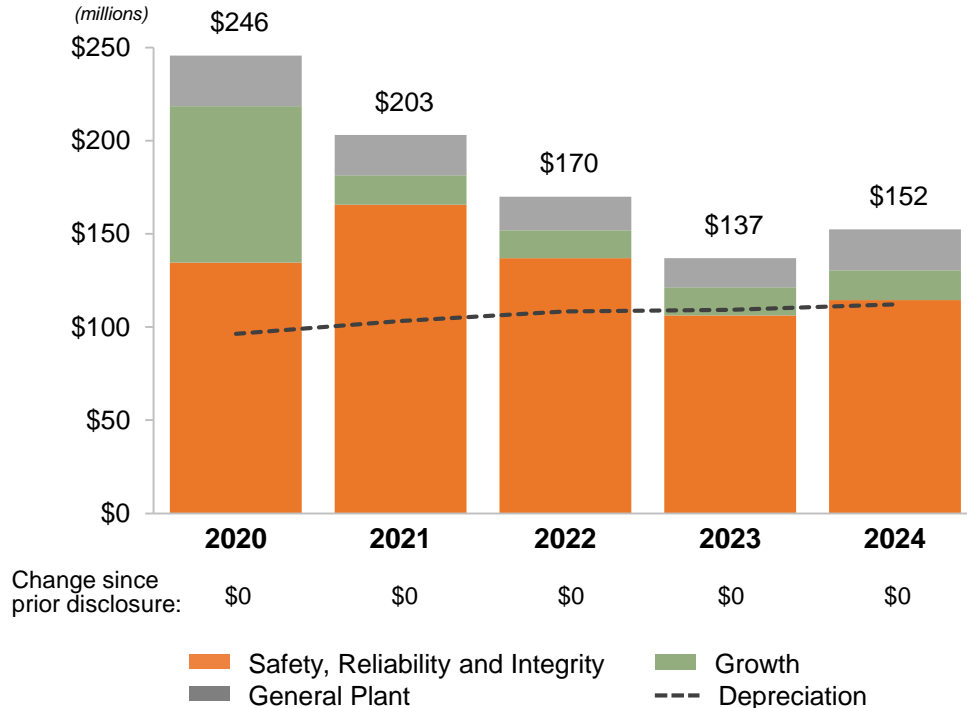
2020-2024

\* 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

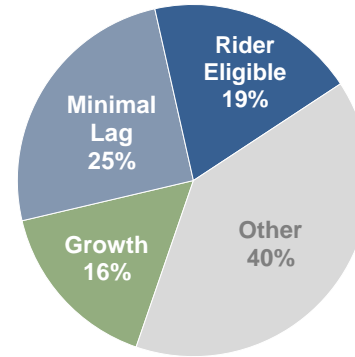
# Electric Utilities Capital Investment

2020-2024 Forecast of \$0.9 billion

Forecasted Capital Investment By Type

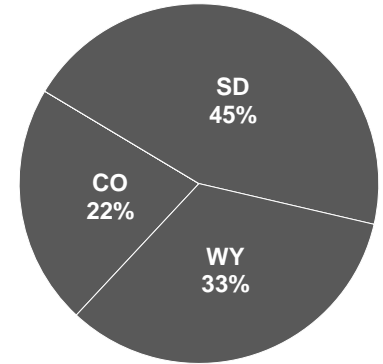


Forecasted Capital Investment Recovery\*



2020-2024

Forecasted Capital by State



2020-2024

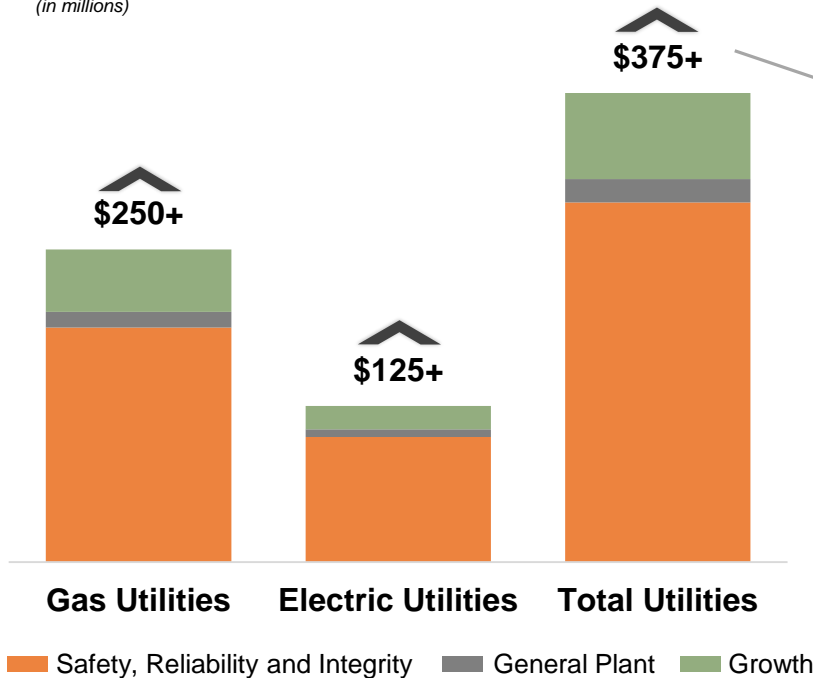
\* Growth Capital - generates immediate revenue upon customer connections  
 Minimal Lag Capital - capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods  
 Rider Eligible Capital - capital expenditures recovered through state specific tariffs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



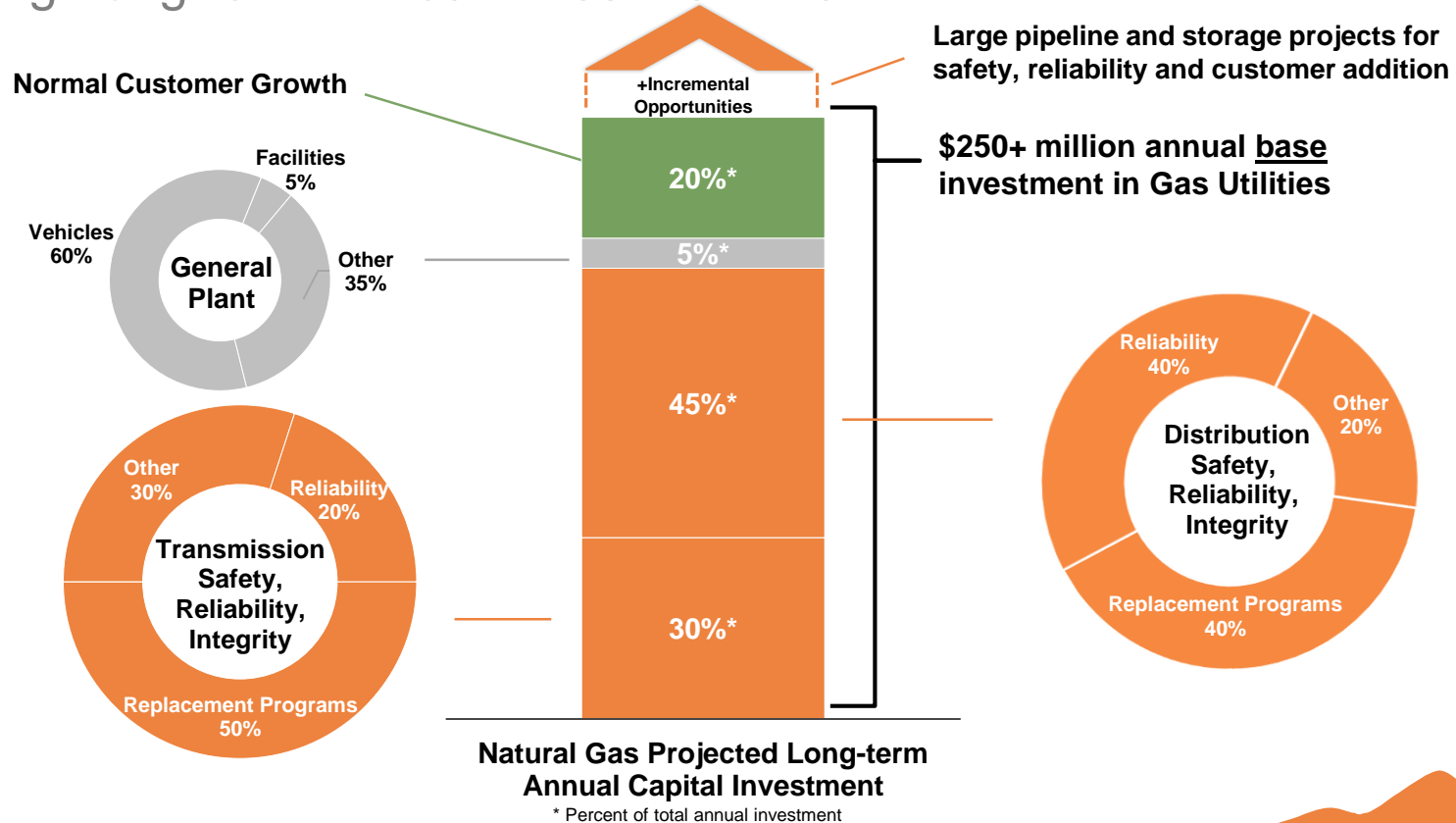
### +Incremental Opportunities

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

\* See following slides for detail on type of recurring annual investments expected

# Gas Utilities Recurring Capital Outlook

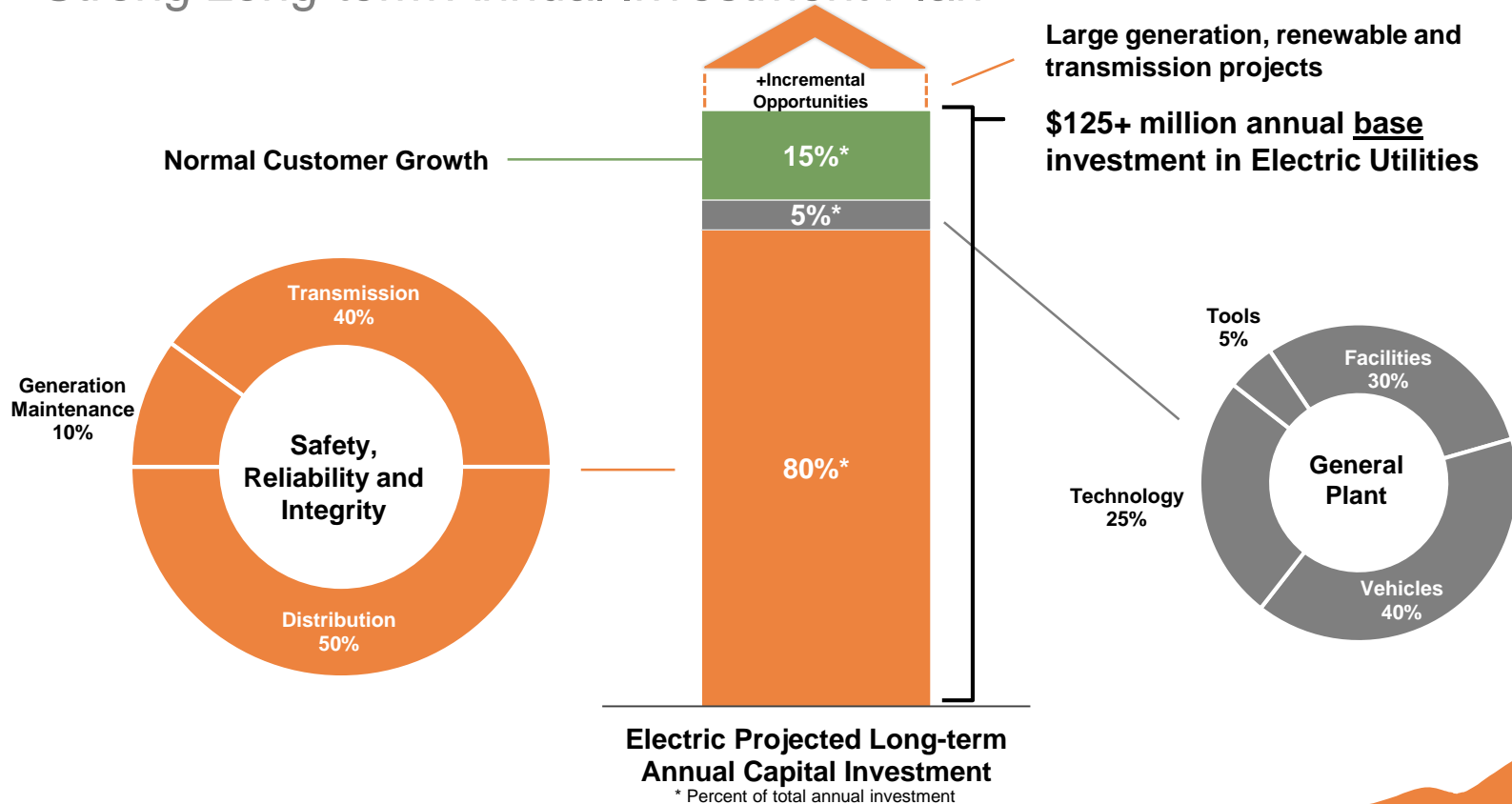
## Strong Long-term Annual Investment Plan





# Electric Utilities Recurring Capital Outlook

## Strong Long-term Annual Investment Plan



# Long-term Capital Investment

Risk-prioritized Programs Focused on Safety and System Integrity

## Electric Investment Programs



Replacing aging infrastructure to harden and modernize electric systems

- Distribution
- Transmission
- General plant and facilities modernization

## Natural Gas Investment Programs



Replacing at-risk materials and modernizing to maintain and enhance system integrity

- Bare steel pipeline replacement
- Vintage plastic pipelines replacement
- Customer service lines and meter upgrades
- Facilities upgrades
- Farm Tap replacements

# Environmental, Social and Governance



Our corporate responsibility report is available on our website at:  
[www.blackhillscorp.com/corporateresponsibility](http://www.blackhillscorp.com/corporateresponsibility)

With the completion of our 60 MW Busch Ranch II wind farm in 2019, our system will achieve 30% energy delivery from renewable sources in 2020

# Focused on ESG for Sustainable Growth

## Environmental

- 16% CO<sub>2</sub> reduction since 2005\*
- Responsibly adding renewable generation resources
  - 60MW Busch Ranch II in 2019
  - 52.5MW Renewable Ready in 2020
  - Potentially adding up to 200MW Renewable Advantage in Colorado by year-end 2023
- Coal-free Colorado Electric generation fleet
- 86% of total revenues related to renewables, natural gas and other services\*\*
- 14% of revenues from mining and coal-fired generation / purchase agreements\*\*

## Social

- Employee safety performance improved with goal to be industry leader in safety
- 2019 employee engagement survey score above utility average and high-performing companies
- 2019 50 Most Engaged Workplaces award (Achievers)
- 2019 Energy Star Partner of the Year for improving residential efficiency



**In 2019, we donated  
\$5.5 million to our communities**  
including nearly \$523,000 by employees to 50 United Way  
agencies and affiliates across our service territories

## Governance

- Diverse and experienced leadership
- Stock ownership requirement and compensation philosophy for officers align interests with stakeholders
- Established succession planning process with Board engagement

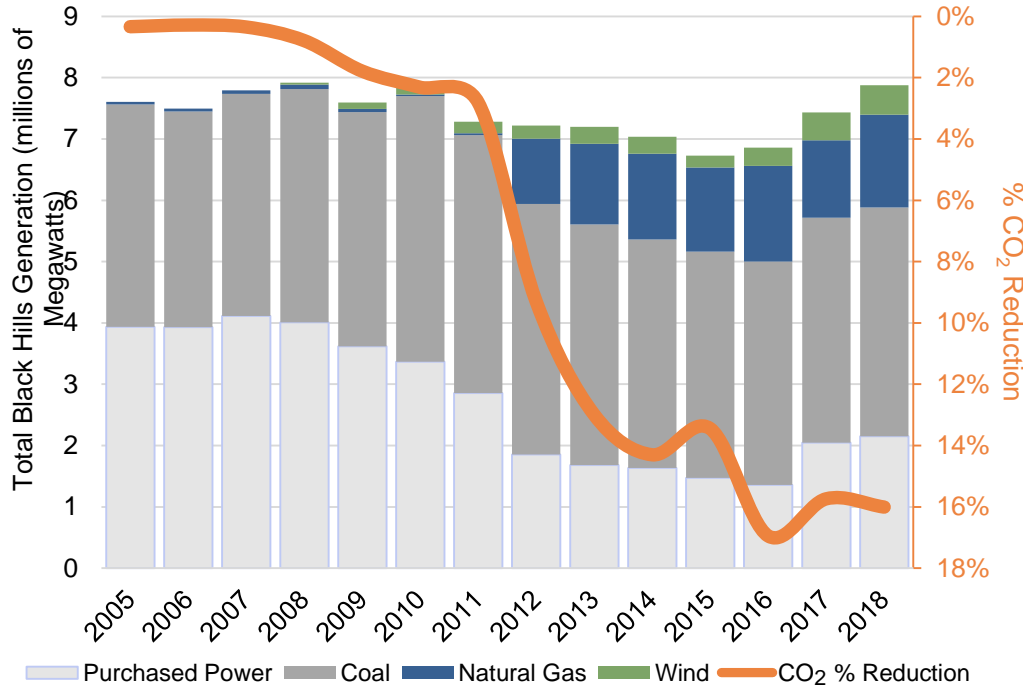
\* 16% reduction as of Dec. 31, 2018; includes Colorado Electric emissions since 2005

\*\* Revenue as a percent of total company revenue based on trailing 12 months as of Dec. 31, 2019



# Reduced CO<sub>2</sub> Emissions by 16%\*

## Cleaner Mix of Generation Resources

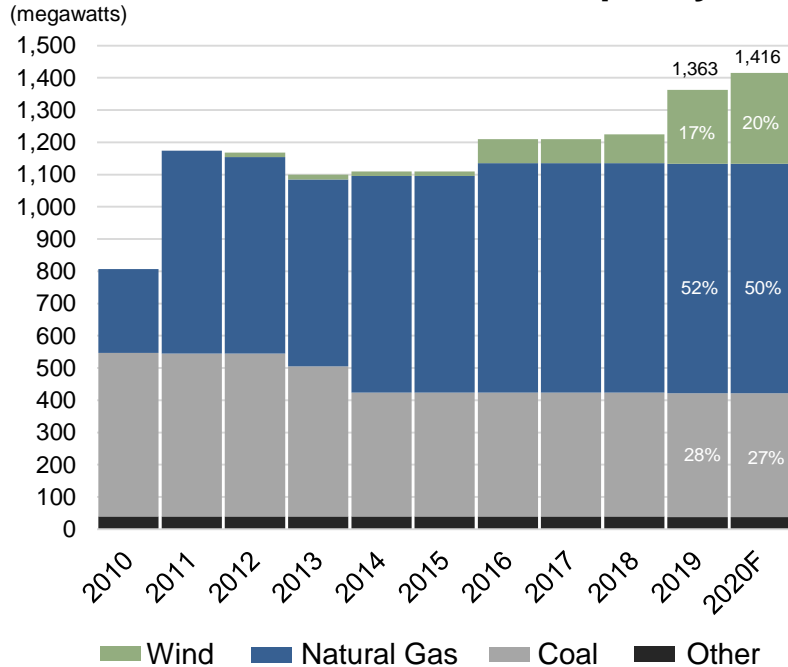


\* 16% reduction as of Dec. 31, 2018; includes Colorado Electric emissions since 2005



# Cleaner Electric Generation Fuel Mix

## Electric Generation Capacity\*^

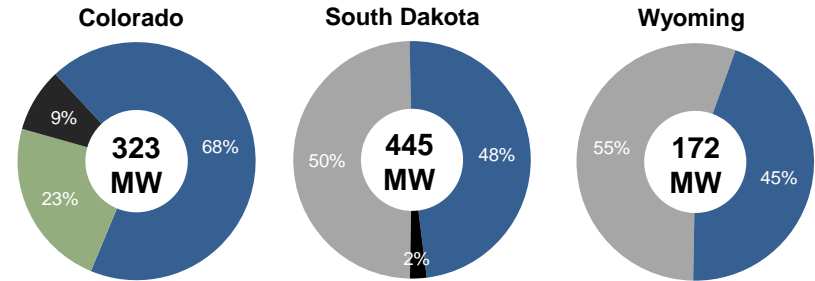


## Black Hills Owned Generation Capacity Mix

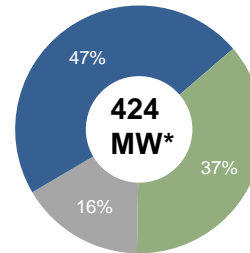
(as of Dec. 31, 2019)

### Utility-Owned Capacity

(939 MW total)

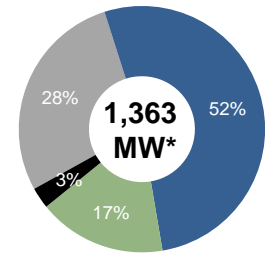


### Power Generation



Primarily Contracted to Utilities Under Long-term PPA's

### Total Black Hills



Electric Utilities and Power Generation

\* Total Black Hills ownership comprised of utility-owned capacity and capacity owned by Power Generation segment, which includes 49.9 percent ownership in Colorado IPP, representing approximately 100 megawatts

^ 2020F includes 52.5 megawatts of new wind from Corriedale Wind Energy Project approved and planned for construction in Wyoming by year-end 2020



# Renewable Ready Subscription Program

Responsibly Adding Renewable Resources for South Dakota and Wyoming

## Innovative Solution to Benefit Customers

- Subscription-based program provides access to renewable energy while keeping larger customers connected to Black Hills' systems
- Utility scale provides more attractive economics than distributed renewable projects
- Initial 40 megawatts expanded to 52.5 megawatts on strong customer demand

## Program to be Supplied by Corriedale Wind Project

- \$79 million, 52.5-megawatt wind farm to be in service by year-end 2020 in Wyoming
  - Jointly-owned asset of South Dakota and Wyoming electric utilities



# Renewable Advantage

## Responsibly Expanding Renewable Resources in Colorado

### Supporting Colorado Emissions Reduction Goals

- Responsibly add renewable energy resources in Colorado for the benefit of customers and communities
- Request for proposals for up to 200 megawatts of cost-effective, utility-scale renewable resources including wind, solar or battery storage to be in service by year-end 2023

### RFP Process Underway

- Independent evaluator reviewing bids with oversight by Colorado Public Utilities Commission
- Filed 30-day report with initial bid results as expected; strong response with low energy costs to benefit customers
- 180-day report with final results and recommendation to be submitted in June



# Governance

## Diverse, Experienced Oversight and Alignment of Stakeholder Interests

- Diverse and experienced leadership
  - Average Board tenure – 6 years
  - Independent Chairman
  - Diverse Board experience across multiple industries and sectors
  - Board – 33% women
  - Leadership team – 37% women
- Stock ownership requirement and compensation philosophy for officers aligns interests with stakeholders
- Established succession planning process with Board engagement

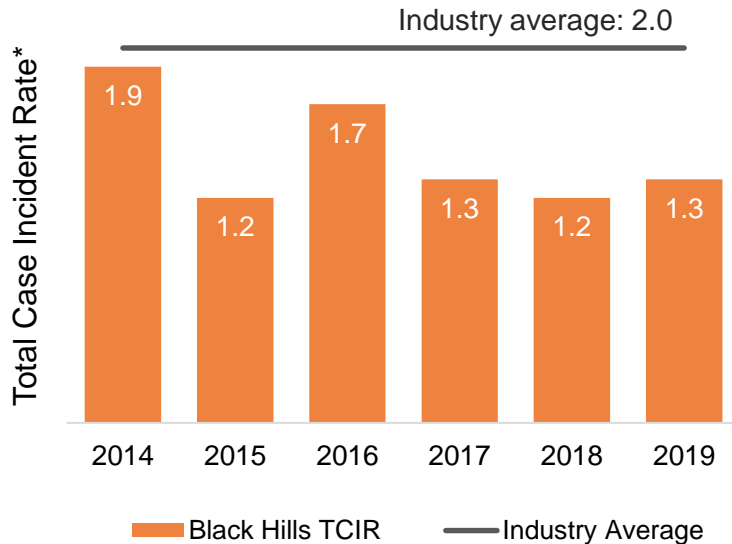


Placing our customers at the center of our business is an important part of our culture.

# 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





# Questions



# Appendix

- 42** 2020 Scorecard
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# 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

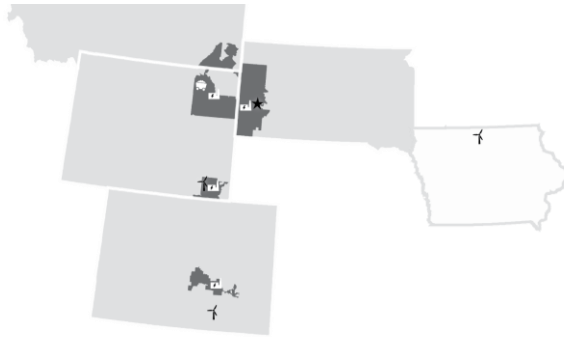
### 2020 Future Initiatives and Progress

- |  |  |   |  |
|--|--|---|--|
| <input type="checkbox"/> Increase annual dividend for 50th consecutive year  | <input type="checkbox"/> Improve Net Promoter Scores   | <input type="checkbox"/> Improve productivity and efficiency, as measured by:   | <input type="checkbox"/> Achieve safety TCIR of 1.19   |
| <input type="checkbox"/> Place Corriedale wind project in service  | <input type="checkbox"/> Improve JDP OCSAT scores  | <input type="checkbox"/> Non-fuel O&M as a percentage of gross margin   | <input type="checkbox"/> Achieve PMVI rate of 2.36   |
| <input type="checkbox"/> Advance jurisdiction consolidation  | <input type="checkbox"/> Enhance customer self-service options   | <input type="checkbox"/> Utilize robotic process automation   | <input type="checkbox"/> Conduct quarterly engagement pulse surveys to measure employee sentiment and organizational culture to continuously improve our employees' experience |
| <input checked="" type="checkbox"/> Complete Nebraska Gas legal consolidation  | <input type="checkbox"/> File Colorado Electric Resource Plan  | <input type="checkbox"/> Evaluate enterprise data & analytics maturity and design roadmap   | <input type="checkbox"/> Achieve 80% employee engagement in BHC Virgin Pulse wellness program  |
| <input checked="" type="checkbox"/> File Nebraska Gas rate review  | <input type="checkbox"/> Obtain approval to add up to 200MW of cost-effective renewable energy in Colorado (Renewable Advantage) | <input type="checkbox"/> Identify and evaluate investment opportunities for assets that align with our electric and natural gas value chain | <input type="checkbox"/> Continue to expand availability and participation in diversity affinity groups  |
| <input checked="" type="checkbox"/> Complete Colorado Gas rate review  | <input type="checkbox"/> Advance ESG reporting practices by disclosing industry-aligned metrics                                  | <input type="checkbox"/> Define strategy and opportunities for renewable and liquefied natural gas  |  |
| <input type="checkbox"/> Execute data center recruitment strategy to support electric utility load growth                    | <input type="checkbox"/> Provide incentive to add electric vehicle charging stations in our territories                          | <input type="checkbox"/> Complete planned plant maintenance to maintain strong long-term generation availability                            |  |
| <input type="checkbox"/> Enhance electric system reliability through implementation of distribution system integrity program |  | <input type="checkbox"/> Reduce third-party gas line hits   |  |
| <input type="checkbox"/> Enhance gas utility system safety and reliability by completing 2020 programmatic capital projects  |  |   |  |

# Operations Overview

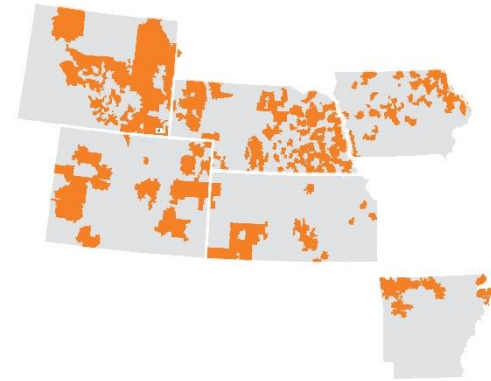
## Electric Utilities, Power Generation & Mining\*

- Electric Utilities
- Natural Gas Utilities
- Mine
- Power Generation
- Wind Generation
- ★ Company Headquarters



- Three electric utilities which generate, transmit and distribute electricity to approximately 214,000 customers in CO, SD, WY and MT
- 1.4 gigawatts\*\* of generation and 8,892 miles of transmission and distribution
  - Five power generation facilities owned by utilities and serving utility customers (939 megawatts)
  - Three power generation facilities delivering capacity and energy under long-term contracts to utility affiliates (423 megawatts\*\*)
  - Efficient mine-mouth generation in WY fueled by low-sulfur Powder River Basin coal (50-year supply of reserves at current production); mine production contracted to on site generation
- East-West interconnection in SD optimizes off-system sale of power and improves system reliability (1 of only 7 east-west ties)

## Natural Gas Utilities\*



- 9 natural gas utilities^ which distribute natural gas to approximately 1,066,000 customers in AR, CO, IA, KS, NE and WY
- 4,775 miles of intrastate gas transmission pipelines and 41,210 miles of gas distribution mains and service lines
- Seven natural gas storage facilities in AR, CO and WY with 16.5 Bcf of underground gas storage working capacity
- 49,000 customers served through Choice Gas Program (unbundled natural gas supply)

\* Information from 2019 Form 10-K Annual Report Filing as of Dec. 31, 2019

\*\* Excludes 49.9 percent ownership interest in Colorado IPP owned by a third party; includes Busch Ranch II Wind Farm

^ Excludes minor entities and Shoshone pipeline

# Integrated Electric Utility

## Power Generation and Mining

- 939 MW of utility-owned generation capacity
- 423 MW of generation capacity owned by Power Generation under long-term contracts to Electric Utilities

### Gillette Energy Complex

- 745 megawatts of mine-mouth coal generation
  - Efficient coal delivery under life of plant contracts
    - Fixed price plus escalators serving 450 MW
    - Cost Plus Return serving 295 MW
- (See mining contracts summary for more detail)

### Cheyenne Prairie

- Combined- Cycle Gas-Fired Plants
  - 95 MW – 2014 (100% owned: 58% SDE / 42% WYE)
- Gas-fired Combustion Turbine
  - 37 MW – 2014 (100% owned by WYE)

### Pueblo Airport Generating Station\*

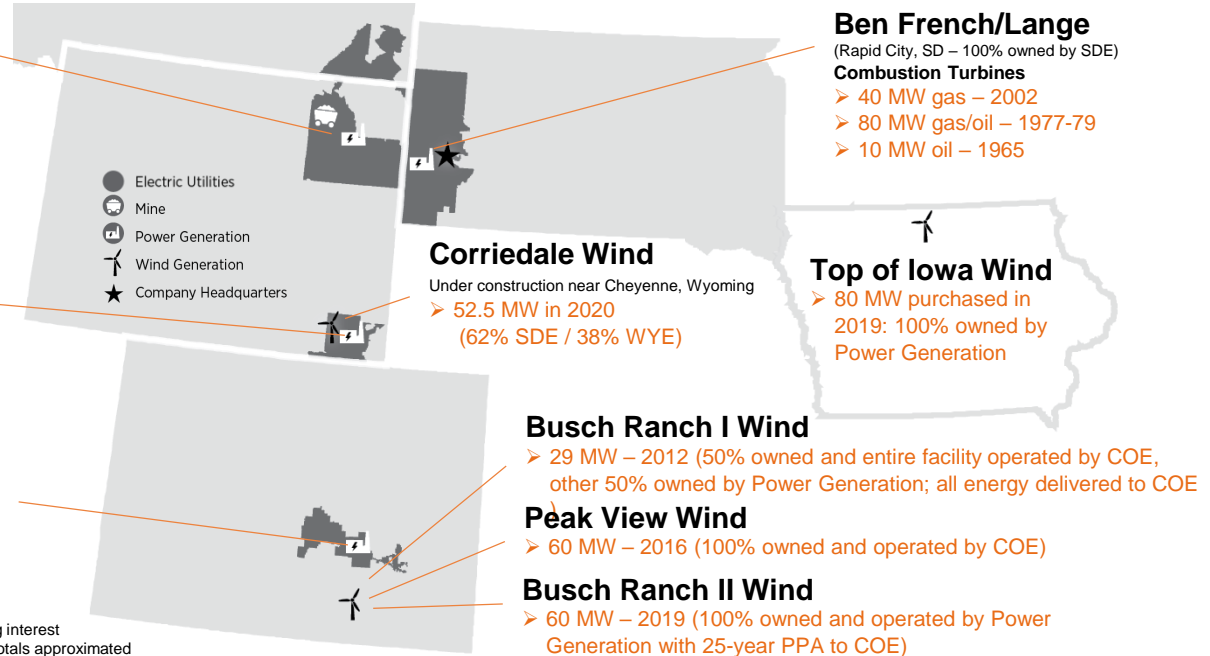
- Combined- Cycle Gas-Fired Plants
  - Two 100 MW Plants – 2012 (50.1%\* owned by Power Generation with 20-yr PPA to COE)
- Simple Cycle Gas-Fired Plants
  - Two 90 MW plants – 2011 (100% owned by COE)
- Gas-Fired Combustion Turbine
  - 40 MW – 2016 (100% owned by COE)

## Transmission Network

- 2,000 miles of electric transmission in SD, WY and CO

## Distribution Systems

- 7,000 miles of distribution in SD, WY and CO



\* 49.9% third party ownership of Black Hills Colorado IPP reported as noncontrolling interest  
Note: information from 2019 Form 10-K Annual Report Filing as of Dec. 31, 2019; totals approximated

# Full Service Natural Gas Utility

## Gas Supply

- Diverse procurement sources and hedging programs
- 600 miles of gathering lines

## Storage and Transmission

- 4,800 miles of intrastate transmission
- 49,000 horsepower of compression
- 7 natural gas storage sites in AR, CO and WY with over 52 million Mcf total capacity
- 153 million Dth natural gas transported and in 2018

## Distribution

- 29,600-mile natural gas distribution system
- 1.1 million customers with 12,000 miles of service lines
- 102 million Dth natural gas distributed to customers in 2019

Third-party sources deliver natural gas into Black Hills' system



Compression stations support storage and transmission



Extensive transmission network transports natural gas to distribution pipelines



Distribution pipelines deliver natural gas to residential and commercial customers



Variety of procurement sources and hedging programs provide reliable natural gas delivery and improve stability of price

Black Hills-owned compression, transmission and storage delivers value through operational flexibility and provides diverse opportunities for growth

Storage Injections and withdrawals meet system demands



7 underground storage sites in three states provide reliable natural gas delivery and more stable pricing during peak demand periods

Diversity of customer location and type reduces business risk

# Natural Gas Infrastructure

Provides Investment Opportunities

1.1 million  
customers

30,000 miles  
of distribution  
mains

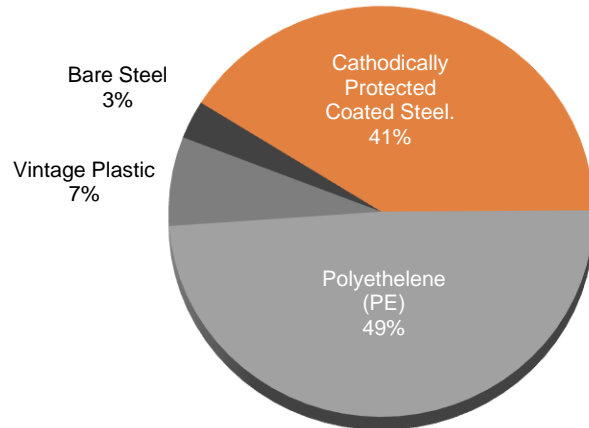
4,800 miles of  
transmission

7 active  
storage fields

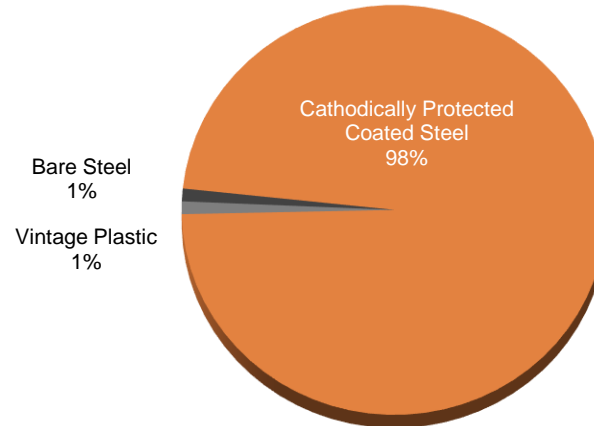
33  
compressors

1 natural gas  
processing plant

**Distribution System Material Type**  
(in Miles)



**Transmission System Material Type**  
(in Miles)

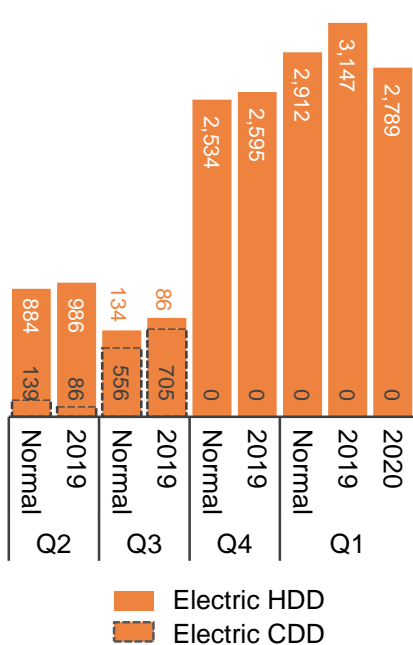


System information from 2019 Form 10-K Annual Report Filing as of Dec. 31, 2019  
Material type information as of Dec. 31, 2019, from 2020 filing with Pipeline Hazardous Materials Safety Administration

# Utility Weather and Demand

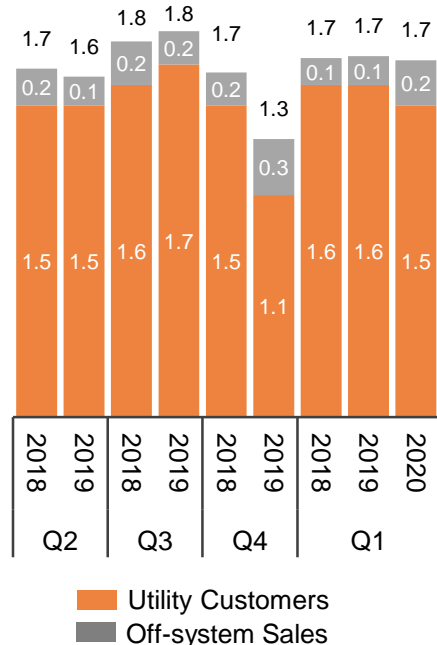
## Electric Degree Days

Total for all electric service areas weighted by customer count



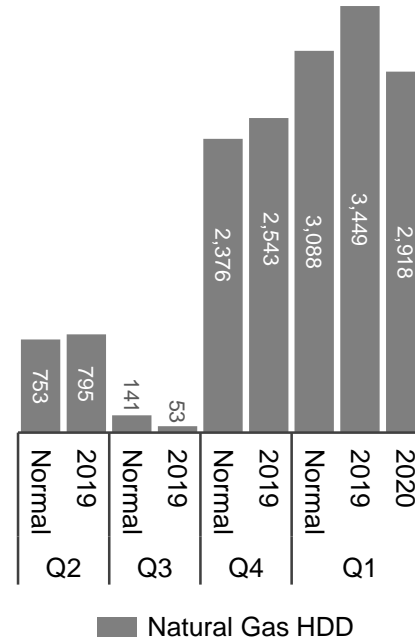
## Electric Utility Total MWh Sales

(in millions)



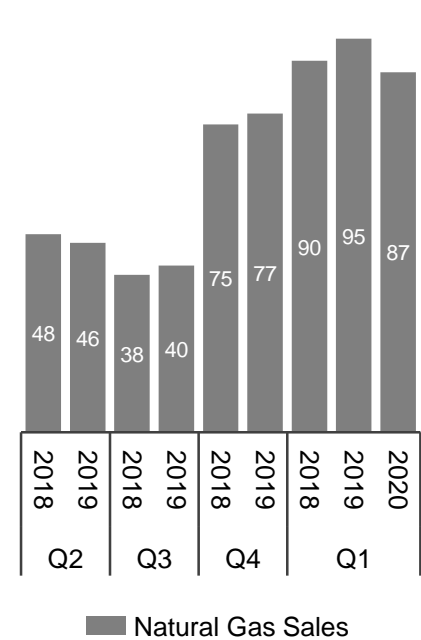
## Gas Degree Days\*

Total for all natural gas service areas weighted by customer count



## Gas Utility Total Dth Sales

(in millions)



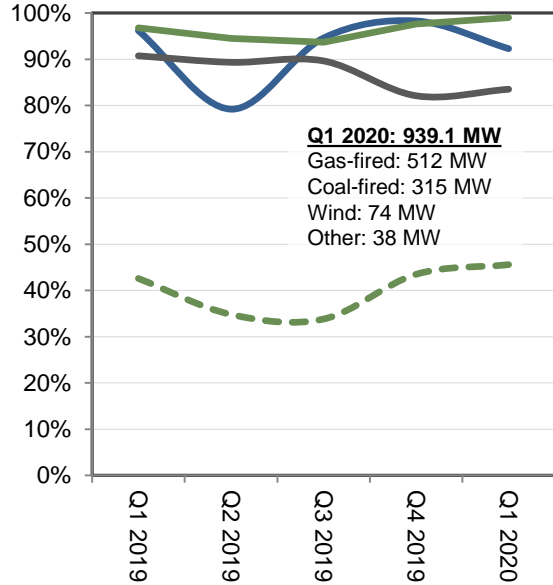
\* Gas Degree Days excludes Kansas data due to weather normalization in the state

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



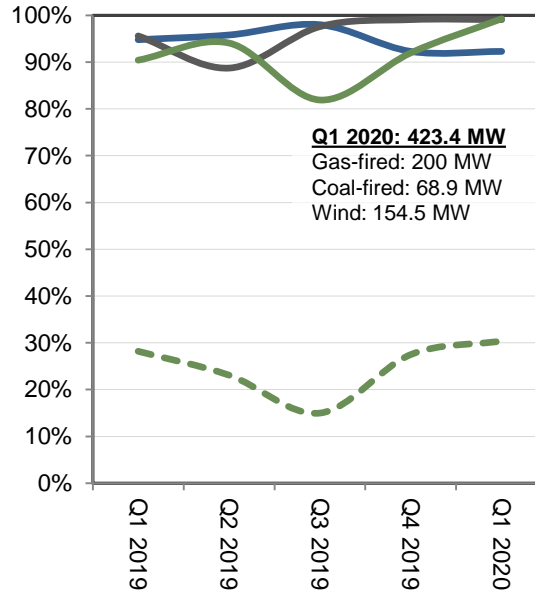
# Power Generation and Mining Performance

## Utility-owned Generation Availability

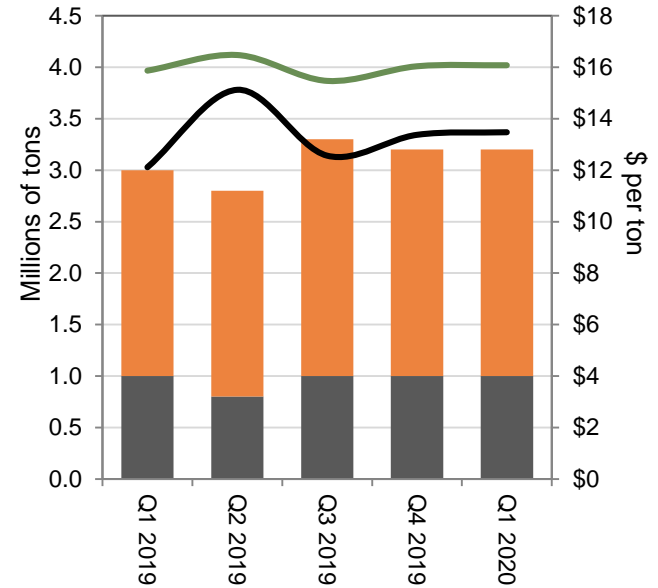


— Gas-fired plants  
— Coal and other plants  
— Wind generation  
- - - Wind capacity factor

## IPP Generation Contract Availability



## Mining Revenue and Expense per Ton Sold



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

# Power Generation Supply Contracts

## Capacity Primarily Serves Black Hills' Electric Utilities\*



Plant	Owned Capacity	Contract Capacity	Contracted % Total Owned Capacity	Counter-Party	Expiration	Other Terms
<b>PAGS</b>	200 MW	200 MW	47.2%	Colorado Electric (COE)	Dec. 31, 2031	Excess power and capacity for benefit of COE
<b>Wygen I</b>	68.9 MW	60 MW	14.2%	Wyoming Electric (WYE)	Dec. 31, 2022	Proposed new contract through Dec. 31, 2033 awaiting FERC approval
<b>Busch Ranch I</b>	14.5 MW	14.5 MW	3.4%	COE	Oct. 16, 2037	
<b>Busch Ranch II</b>	60 MW	60 MW	14.2%	COE	Nov. 26, 2044	
<b>Top of Iowa</b>	80 MW					
<b>Total</b>	<b>423.4 MW</b>	<b>334.5 MW</b>	<b>79.0%</b>			

\*Information from 2019 Form 10-K Annual Report Filing as of Dec. 31, 2019

Note: A third party owns a 49.9% non-operating ownership of Black Hills Electric Generation which is reported as noncontrolling interest

# Mining Contracts

## 92.5% of Production Serves Mine-Mouth Generation

- Nearly 50% of production sold under contracts with price escalators using published indices
  - Wyodak coal price reset at \$17.94 per ton, effective July 1, 2019, versus prior price of \$18.25 per ton
- Nearly 50% of production sold under contracts priced based on actual mining costs plus a return on mine capital investments
  - Price adjusted annually to include actual mining expenses plus return on capital equal to A-rated utility bonds plus 400 bps with 100% equity capital structure

Plant	2020F Production (millions of tons)	Pricing	Price Reopener or Adjustment	Expiration	Contract Quantity
Wyodak Plant <i>(80% owned by PacifiCorp)</i>	1.3	Fixed with escalators	July 1, 2019	Dec. 2022	All plant usage
Wygen I	0.5	Fixed with escalators	July 1, 2023*	Life of plant	All plant usage
Wygen II	0.5	Cost plus return	Annual True-Up	Life of plant	All plant usage
Wygen III	0.6	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other SD Electric coal plants	0.8	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other sales <i>(truck)</i>	0.3	Fixed	1-5 years	1-5 years	Various
<b>Total</b>	<b>4.0</b>				

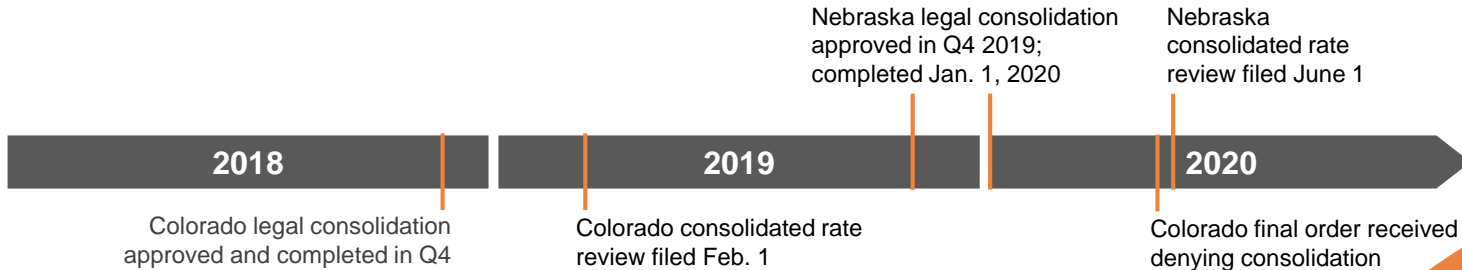


Note differences in total due to rounding

\* Wygen I contract price will move to cost plus return effective Jan. 1, 2022 under proposed agreement awaiting FERC approval

# Jurisdiction Consolidation

Wyoming – Completed	Nebraska	Colorado
<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>Nebraska Gas</li> <li>Nebraska Gas Distribution*</li> </ul> <p>➤ Black Hills Nebraska 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>➤ Legal consolidation filed in Q1 2019; approved and completed in Q2 2019</li> <li>➤ Filed consolidated rate review June 3, 2019; settlement agreement approved Dec. 11, 2019</li> <li>➤ New single statewide rate structure effective March 1, 2020</li> </ul>	<ul style="list-style-type: none"> <li>➤ Legal consolidation filed in Q1 2019; approved in Q4 2019 and completed Jan. 1, 2020</li> <li>➤ Filed consolidated rate review and request for integrity investment tracker on June 1, 2020</li> </ul>	<ul style="list-style-type: none"> <li>➤ Legal consolidation filed in Q3 2018; approved and completed in Q4 2018</li> <li>➤ Filed consolidated rate review and request for integrity investment tracker on Feb. 1, 2019</li> <li>• Received final order for rate review which denies rate consolidation and rider and includes a decrease in rates; evaluating next steps</li> </ul>



\* Former SourceGas entity

# Current Regulatory Activity

## Rate review and consolidation requests

Jurisdiction	Filing Date	Annual Financial Impact	ROE	Debt / Equity	Status
Nebraska Gas	June 1, 2020	\$17.3 million revenue increase requested	10.0%	50.0% / 50.0%	Legal consolidation completed Jan. 1, 2020
Colorado Gas	Feb. 1, 2019	Approximately \$0.6 million operating income decrease	9.2%	49.85% / 50.15%	Commission order received denying regulatory consolidation, rider and decrease in rates; evaluating next steps

## Other major activity

Description	Filing Date	State	Filing Type	Status
Renewable Advantage	-	Colorado	Request for Proposals	Bids received with 30-day report filed to summarize bids
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
Wyoming Electric / BH Wyoming PPA	Aug. 2, 2019	WY / FERC	PPA approval	Settlement filed; awaiting FERC approval

\* Certificate of Public Convenience and Necessity

# 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

# Estimated Rate Base

(in millions)

Estimated Rate Base* by State and Segment	2015	2016	2017	2018	2019
Colorado					\$615
South Dakota (all jurisdictions)					785
Wyoming					347
<b>Total Electric Utilities</b>	<b>\$1,515</b>	<b>\$1,570</b>	<b>\$1,650</b>	<b>\$1,706</b>	<b>\$1,747</b>
Arkansas					505
Colorado					413
Iowa					201
Kansas					176
Nebraska					526
Wyoming					359
<b>Total Gas Utilities</b>	<b>\$493</b>	<b>\$1,620</b>	<b>\$1,700</b>	<b>\$1,851</b>	<b>\$2,180</b>
<b>Total Utilities</b>	<b>\$2,008</b>	<b>\$3,190</b>	<b>\$3,350</b>	<b>\$3,557</b>	<b>\$3,927</b>

\* Estimated rate base at year-end calculated using state specific requirements and includes value of rate base recovered through riders

# Last Approved Utility Rate Review Results by Jurisdiction

Jurisdiction	Utility	Effective Date	Return on Equity	Capital Structure	Authorized Rate Base (in millions)
Arkansas	Arkansas Gas	Oct. 2018	9.61%	50.9% debt / 49.1% equity	\$451.5
Colorado	Colorado Electric	Jan. 2017	9.37%	47.61% debt / 52.39% equity	\$597.5
Colorado	Colorado Gas	July 2020	9.20%	49.85% debt / 50.15% equity	\$68.3
Colorado	Colorado Gas Dist	July 2020	9.20%	49.85% debt / 50.15% equity	\$162.9
Colorado	RMNG	June 2018	9.90%	53.4% debt / 46.6% equity	\$118.7
Iowa	Iowa Gas	Feb. 2011	Global Settlement	Global Settlement	\$109.2
Kansas	Kansas Gas	Jan. 2015	Global Settlement	Global Settlement	\$127.9
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	Mar. 2020	9.40%	49.77% debt / 50.23% equity	\$354.4

Note: Information from last approved rate review in each jurisdiction

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

# Capital Structure

(in millions, except for ratios)

## Capitalization

	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
<b>Net Debt to Net Capitalization</b>					
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
<b>Debt to Capitalization</b>	57.8%	57.7%	59.0%	59.7%	57.8%
<b>Net Debt to Capitalization (Net of Cash)</b>	57.7%	57.6%	58.9%	59.6%	57.5%
<b>Long-term Debt to Total Debt</b>	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 14

# 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 and State

(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

# 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

## 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, 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 and earnings from continuing operations, per share, as adjusted

Earnings per share from continuing operations available for common stock, as adjusted, and earnings from continuing operations, per share, as adjusted, are Non-GAAP financial measures. Earnings per share, as adjusted, and earnings from continuing operations available for common stock, per share, as adjusted, are defined as GAAP Earnings per share and GAAP earnings from continuing operations, 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.

## 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
Net income (loss) available for common stock (GAAP)	\$ 130.9	\$ (32.1)	\$ 73.0	\$ 177.0	\$ 258.4	\$ 199.3
(Income) loss from discontinued operations (GAAP)	1.6	173.7	64.2	17.1	6.9	-
Net income from continuing operations available for common stock (GAAP)	132.5	141.5	137.1	194.1	265.3	199.3
<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	-	-
Total Non-GAAP adjustments	-	6.7	29.8	(8.8)	(68.8)	15.2
Net income from continuing operations available for common stock; as adjusted (Non-GAAP)	\$ 132.5	\$ 148.2	\$ 166.9	\$ 185.3	\$ 196.5	\$ 214.5

# Use of Non-GAAP Financial Measures

<b>Earnings Per Share, as adjusted</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Net income (loss) available for common stock (GAAP)</b>	<b>\$ 2.93</b>	<b>\$ (0.71)</b>	<b>\$ 1.37</b>	<b>\$ 3.21</b>	<b>\$ 4.66</b>	<b>\$ 3.28</b>
<b>(Income) loss from discontinued operations (GAAP)</b>	<b>0.04</b>	<b>3.83</b>	<b>1.20</b>	<b>0.31</b>	<b>0.12</b>	<b>-</b>
<b>Net income from continuing operations available for common stock (GAAP)</b>	<b>2.97</b>	<b>3.12</b>	<b>2.57</b>	<b>3.52</b>	<b>4.78</b>	<b>3.28</b>
<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
<b>Total Non-GAAP adjustments</b>	<b>-</b>	<b>0.15</b>	<b>0.56</b>	<b>(0.16)</b>	<b>(1.24)</b>	<b>0.25</b>
<b>Net income from continuing operations available for common stock; as adjusted (Non-GAAP)</b>	<b>\$ 2.97</b>	<b>\$ 3.27</b>	<b>\$ 3.13</b>	<b>\$ 3.36</b>	<b>\$ 3.54</b>	<b>\$ 3.53</b>

# 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.

