

# A NEW HORIZON

**BKH 2018**

**Intellisight Conference**

August 2018



# Forward Looking Statements

## COMPANY INFORMATION

### Black Hills Corporation

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NYSE Ticker: **BKH**  
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This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. This includes, without limitations, our 2018 earnings guidance. 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 2017 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;
- The impact of Tax Cuts and Jobs Act on customers, rate base, valuation of deferred tax assets and liabilities, interest expense and cash flow;
- 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 and the results of regulatory proceedings regarding the effects of the TCJA;
- Our ability to complete our capital program in a cost-effective and timely manner;
- Our ability to successfully remarket the junior subordinated notes;
- Our ability to execute on our strategy, including: achieving long-term EPS growth rate above the utility industry average, targeting a 50-60 percent dividend payout ratio and continuing our record of continuous annual dividend increases;
- Our ability to execute our utility jurisdiction simplification plan;
- Our ability to receive regulatory approval to build the Natural Bridge Pipeline;
- 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.

# Compelling Utility Investment

Pure-play utility focused on  
long-term total shareholder returns

## Forward Focused Strategy

- Deliver strong long-term total shareholder returns
  - Achieve long-term earnings growth driven by capital investments for customers across expansive electric and natural gas systems
  - Continue 48-year track record of dividend increases\* – flexibility to declare larger dividend increases during periods of slow EPS growth
- Currently transitioning earnings and growth drivers
  - Near-term (2018-2019) – slower EPS growth; focus on acquisition integration and efficiency savings; commence rate review filings
  - Long-term (2020+) – higher EPS growth; focus on strong customer investment program with regular rate review filings
- Strong investment grade credit ratings – metrics to further improve following late 2018 equity unit conversion

\* \$1.90 annual equivalent rate for 2018 represents 48 consecutive annual dividend increases

# Company Overview

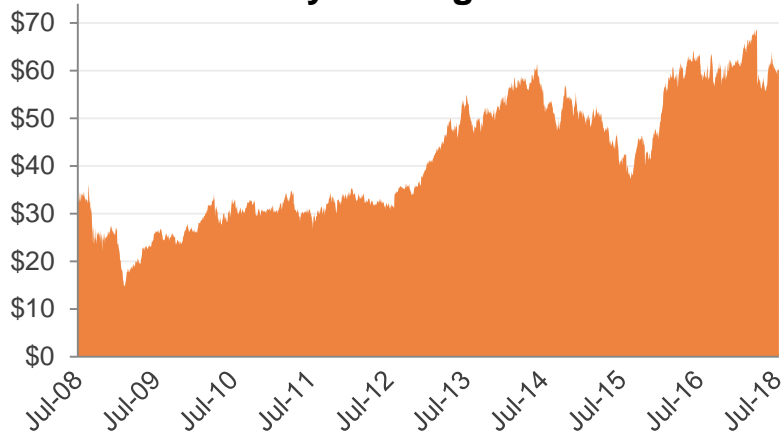


Overhead view of trading floor at NYSE.

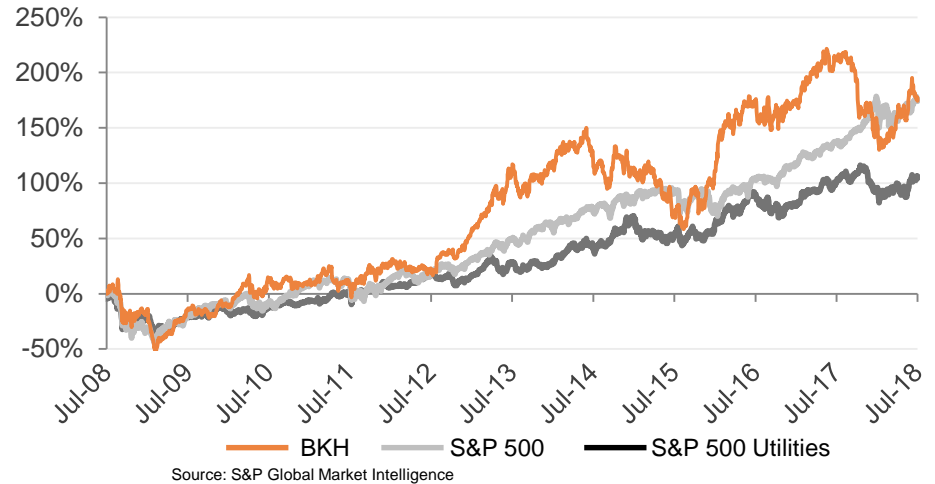
# Delivering Long-term Value for Shareholders

Focused on strong long-term total shareholder return

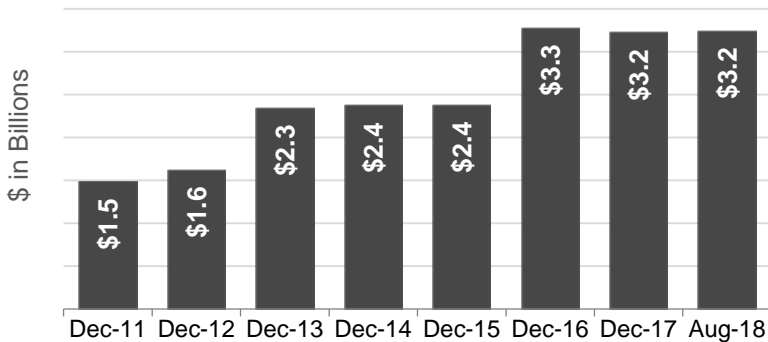
**BKH Daily Closing Stock Price \***



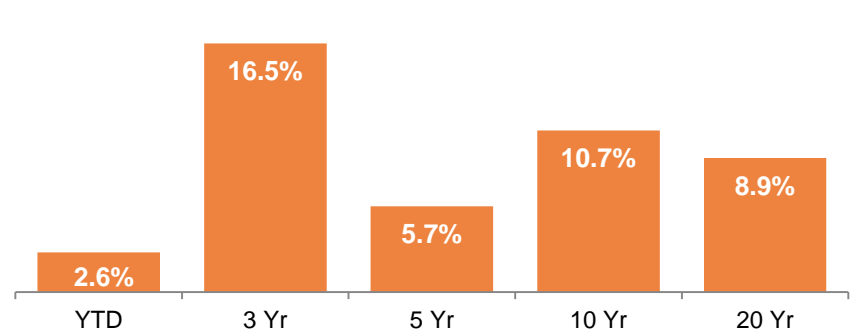
**10-year Total Shareholder Return \*\***



**Market Capitalization**



**Annualized Total Return\*\***

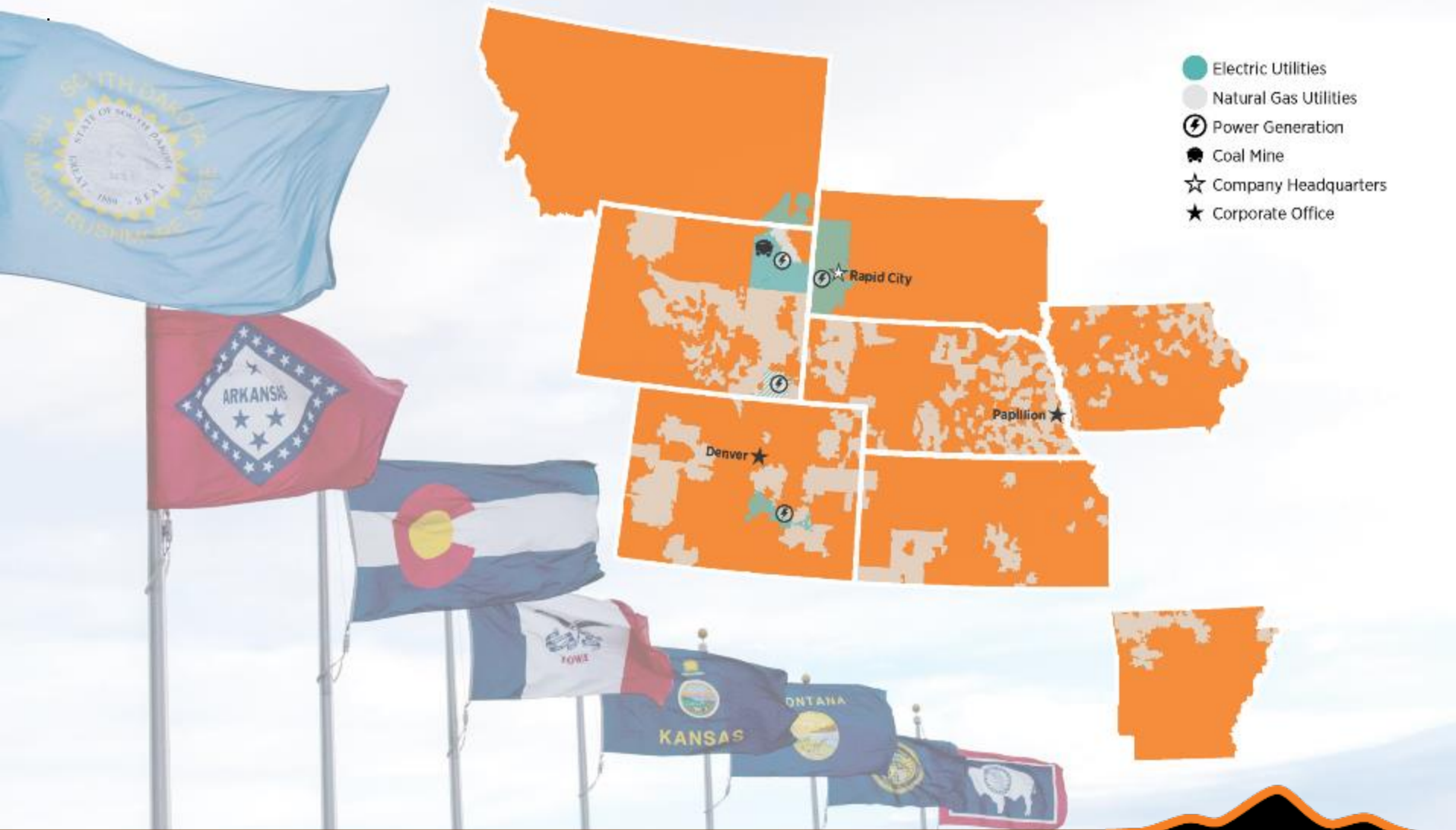


\* Closing prices adjusted for dividends and stock splits

\*\* Average annualized total returns from period ending Aug. 9, 2018, as reported by Bloomberg Financial's Total Return Analysis (TRA); assumes reinvestment of dividends in BKH stock and considers dividends paid and stock splits. Black Hills Corp. 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

**Black Hills Corporation is 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 over 1.25 million electric and natural gas utility customers in more than 800 communities in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. Employees partner to produce results that *improve life with energy*.



# 2018 Second Quarter Highlights

## Utilities

- On July 25, South Dakota Electric placed in service the first 48-mile segment of a \$70 million, 175-mile transmission line from Rapid City, South Dakota, to Stegall, Nebraska; remaining segment expected to be in service by the end of 2019
- On July 16, Wyoming Gas (Northwest Wyoming) received approval of a rate review to recover \$6 million of system integrity investments
  - \$1.0 million increase in annual revenue based on 9.6 percent return on equity and capital structure of 54 percent equity and 46 percent debt
  - New rates to be effective Sept. 1
- On July 10, Wyoming Electric set a new all-time peak load of 254 megawatts surpassing previous peak load of 249 megawatts in July 2017
- On June 27, Colorado Electric set a new all-time peak load of 413 megawatts surpassing previous peak load of 412 megawatts in July 2016

# 2018 Second Quarter Highlights

## Utilities *continued*

- On June 1, Rocky Mountain Natural Gas, an intrastate gas pipeline in Colorado, implemented new rates following the settlement of its rate review
  - \$1.1 million increase in annual revenue based on 9.9 percent return on equity and capital structure of 46.6 percent equity and 53.4 percent debt
  - Safety and system integrity rider extended to recover investments from 2018 through 2021
- On May 18, Wyoming Gas filed with Wyoming Public Service Commission for a certificate of public convenience and necessity to construct a new \$54 million, 35-mile pipeline in central Wyoming; Natural Bridge Pipeline will provide additional sources of natural gas supply, increase supply capacity and improve reliability for customers
  - Expect decision from WPSC in fourth quarter and the pipeline be placed in service by the end of 2019
- On April 25, Colorado Electric received approval from Colorado Public Utilities Commission to contract with Black Hills Electric Generation to purchase 60 megawatts of wind energy through a 25-year power purchase agreement
  - Ensures Colorado Electric compliance with Colorado's Renewable Energy Standard



# 2018 Second Quarter Highlights

## Utilities *continued*

- During second quarter, Black Hills reached agreements with regulatory commissions in Colorado, Iowa and Nebraska to pass on to utility customers benefits of 2017 corporate federal income tax reform; a similar agreement was reached with commission in Kansas in first quarter
  - Benefits of tax reform included in rate reviews at Rocky Mountain Natural Gas and Wyoming Gas (Northwest Wyoming) and included in ongoing rate review at Arkansas Gas
  - Arkansas Public Service Commission recently issued order requiring all investor owned utilities to submit plans within 30 days on how they plan to pass tax reform benefits to customers
    - ◆ Reviewing order and its impacts on customers in relation to Black Hills' rate review currently in process

## Power Generation

- On April 25, Black Hills Electric Generation was selected to provide 60 megawatts of renewable energy from a new wind project to Colorado Electric through a 25-year power purchase agreement
  - Construction of \$71 million Busch Ranch II wind project expected to commence in second quarter of 2019 and be placed in service during the fourth quarter of 2019

# 2018 Second Quarter Highlights

## Corporate Activities

- On July 30, amended and restated corporate revolving credit facility, extending term to July 30, 2023, with two one-year extension options
  - Maintained total commitments of \$750 million with accordion feature to increase to \$1 billion under certain conditions
- On July 30, amended and restated \$300 million term loan due in 2019 with a new maturity of July 30, 2020
  - Cost of borrowing based on LIBOR plus a spread (currently 75 basis points) based on company's credit rating
- On July 25, board of directors declared quarterly dividend of \$0.475 per share, equivalent to an annual dividend rate of \$1.90 per share, payable Sept. 1

## Discontinued Operations – Oil and Gas

- As of June 30, nearly all oil and gas assets sold with remaining asset sales and final accounting expected in third quarter; closing of oil and gas office will occur in August

# Strategic Overview



*Our newly constructed 3.5 mile natural gas pipeline delivers biogas, a renewable energy resource, from the Sarpy County Landfill to fuel homes and businesses in Sarpy County, Nebraska.*

# 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

**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

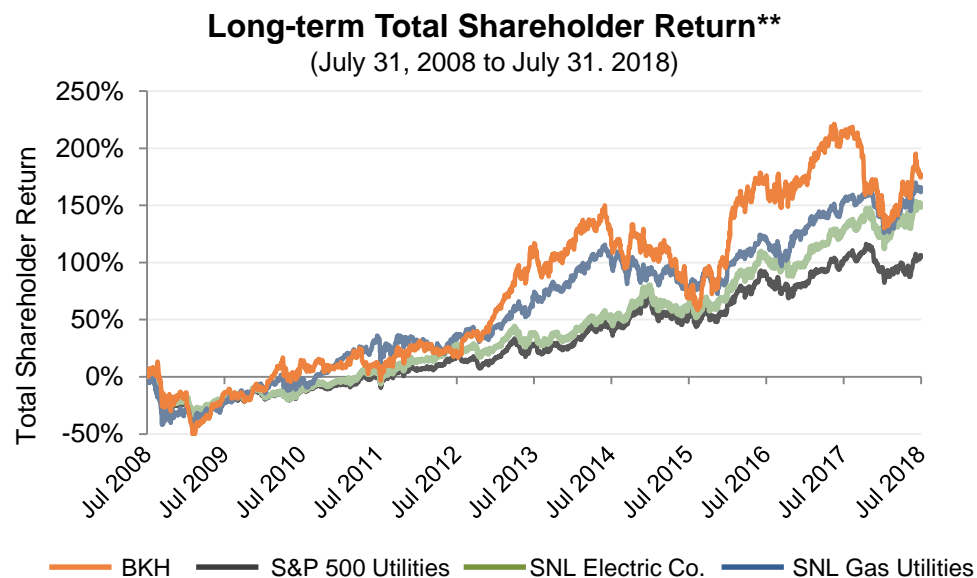
**SAFETY:** Strive to be the safest energy company in the U.S. by emphasizing our culture to work and live safely every day

# Strategy Execution

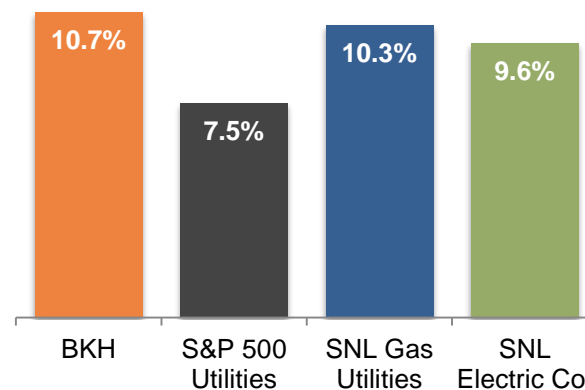
PROFITABLE  
GROWTH

## Target strong long-term total shareholder returns

- **Earnings Growth** – achieve long-term EPS growth rate above utility industry average
- **Dividend Payout Ratio** – target 50 to 60 percent
  - Retain flexibility to increase dividend during periods of slower EPS growth
- **Dividend Increase** – continue track record of 48 consecutive annual increases\*



**Annualized Total Shareholder Return\*\***  
(July 31, 2008 to July 31, 2018)



\* Dividend percentage increase for 2018 reflects increase from actual annual dividend in 2017 compared to annual equivalent rate for 2018

\*\* Source: S&P Market Intelligence as of July 31, 2018; annualized return is 10-year compound annual growth rate since July 31, 2008

# Strategy Transitional Period

Transitioning earnings drivers

PROFITABLE  
GROWTH

**Near-term** (2018-2019)

**Long-term** (2020+)

## Invest in safety, reliability and growth for customers and communities

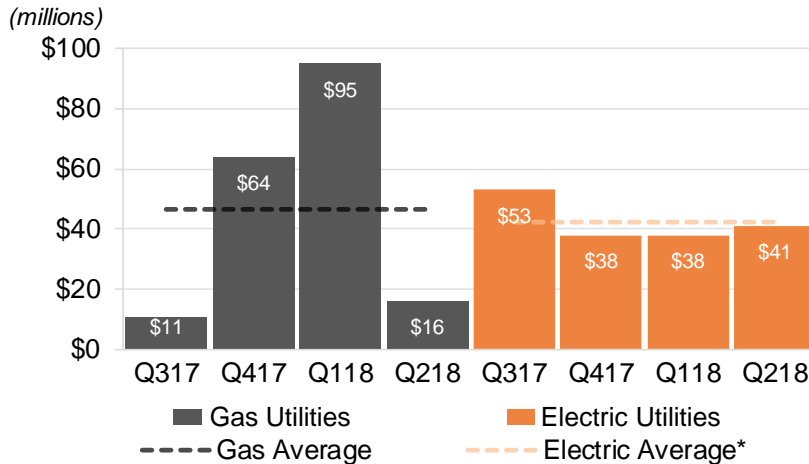
- Slower earnings growth expectations
- Integration savings
- Focused capital investment to reduce regulatory lag
- Entering test years in preparation for rate review filings or commencing such filings in certain jurisdictions
- Higher earnings growth expectations
- Strong capital investments to meet customer needs
- Continued focus on standardization and efficiency improvements
- Regular rate review filings

# Strength in Diversity

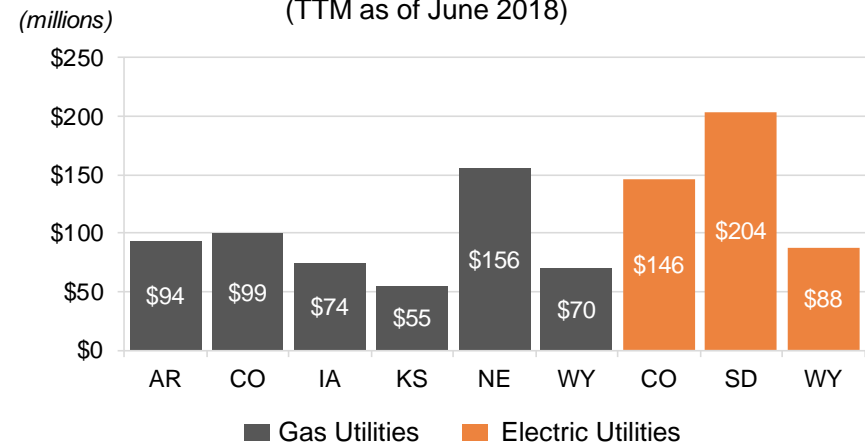
Reduces business risk and drives more predictable earnings



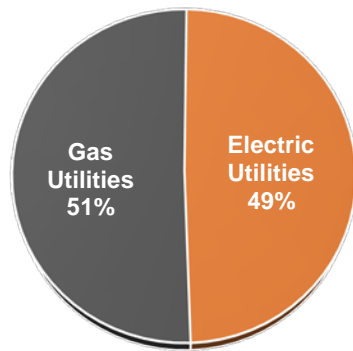
### Utility Operating Income



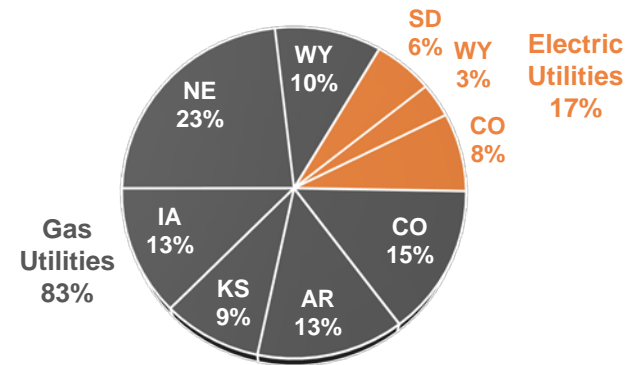
### Gross Margin by State<sup>2</sup>



### Utility Rate Base<sup>1</sup>



### Percent of Customers by State<sup>2</sup>



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

<sup>1</sup> Estimated utility rate base as of Dec. 31, 2017; see appendix for more detail

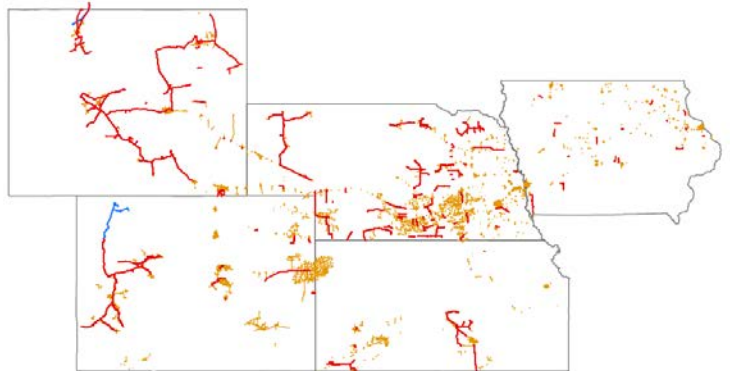
<sup>2</sup> Montana data included in South Dakota totals

Note: TTM – trailing 12 months

# Strategic Execution Delivers Opportunities

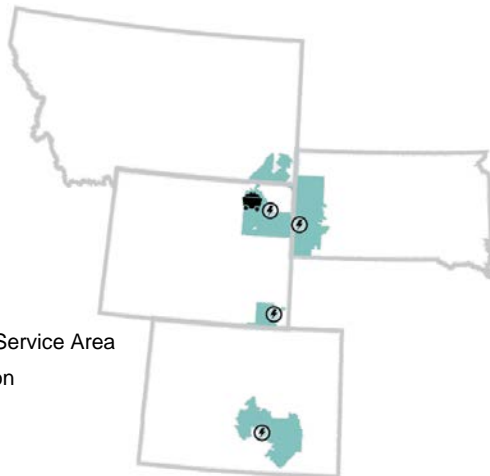
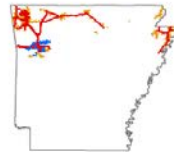
Acquisitions created larger transmission and distribution systems

PROFITABLE  
GROWTH



**45,000-mile** natural gas gathering, storage, transmission and distribution system

- Transmission Pipeline
- Gathering Pipeline
- Natural Gas Distribution Service Area



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

- Electric Utilities Service Area
- ⚡ Power Generation
- 🚂 Coal Mine

\* Excludes 49.9 percent ownership in Colorado IPP owned by a third party

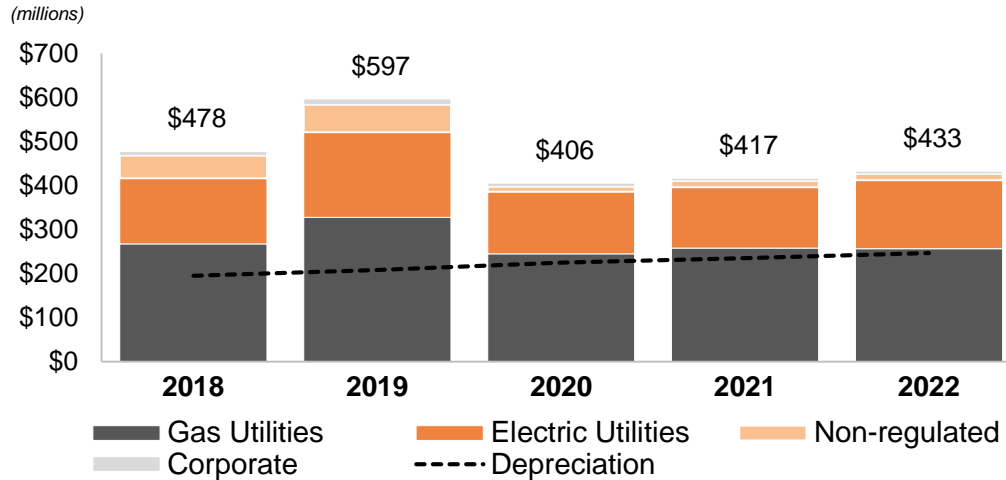
Note: Information from 2017 Form 10-K



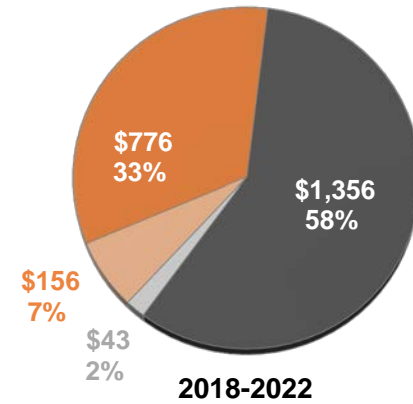
# Utility Capital Investment Drives Growth



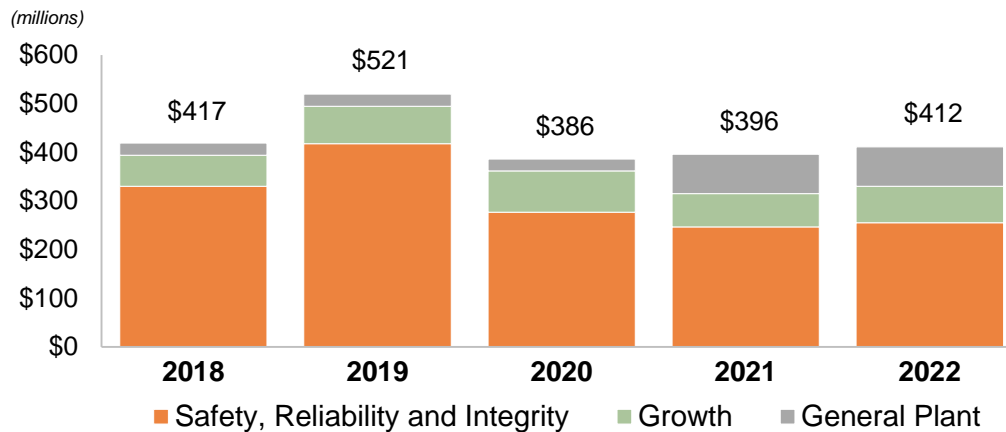
### Total Forecasted Capital Investment By Segment\*



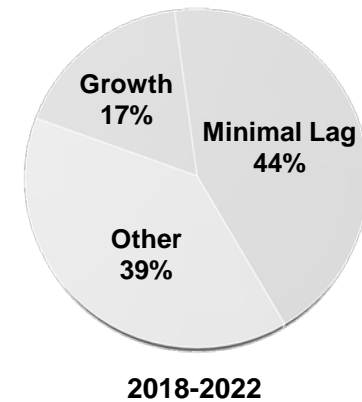
### Total 5-year Forecast by Segment (in millions)



### Utility Forecasted Capital Investment By Type



### Utility 5-year Forecast by Recovery

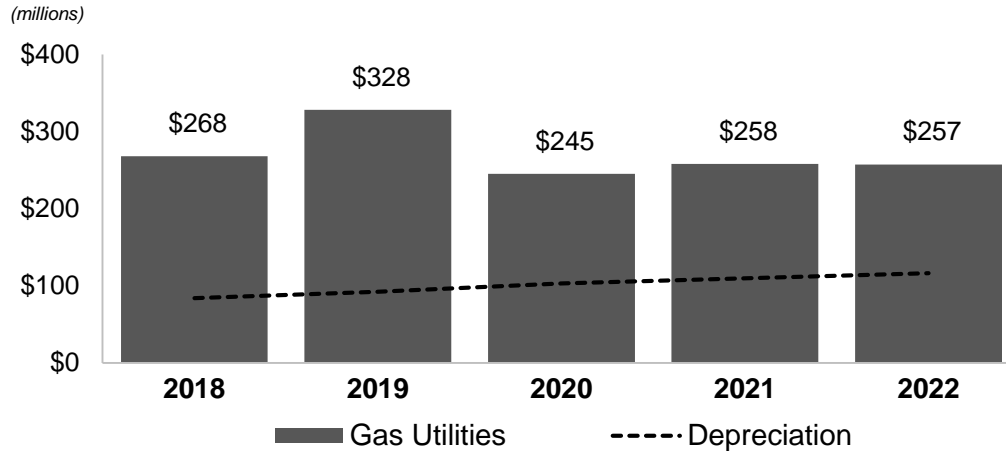


\*Excludes discontinued operations; see appendix for detail  
 Integrity Capital – capital expenditures related to safety and reliability investment  
 Growth Capital – generates immediate revenue on customer connections

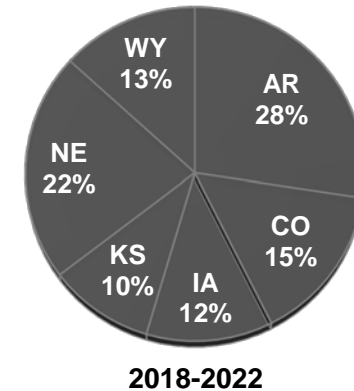
# Gas Utilities Investing in Safety and Reliability

PROFITABLE GROWTH

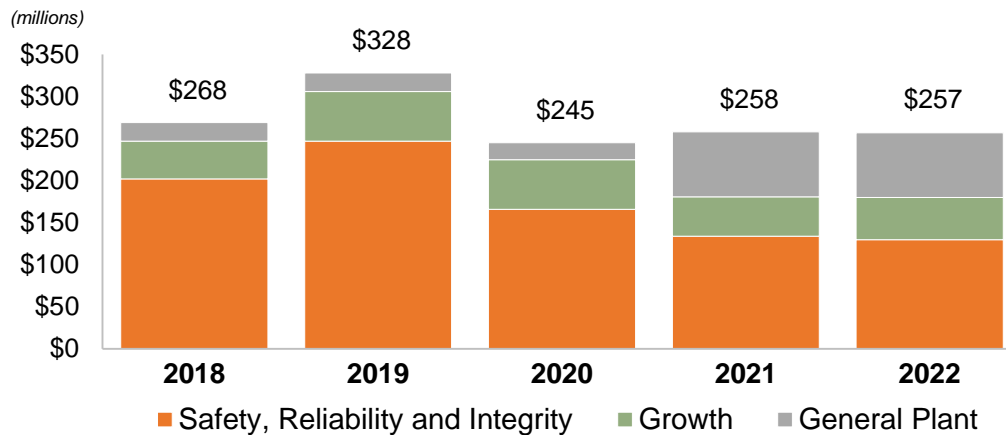
## Gas Utilities Forecasted Capital Investment



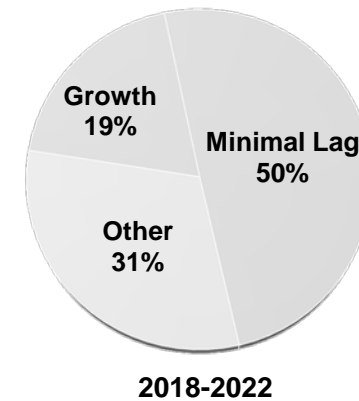
## Gas Utilities 5-Year Capital Investment by State



## Gas Utilities Forecasted Capital Investment By Type



## Gas Utilities 5-Year Capital Investment by Recovery



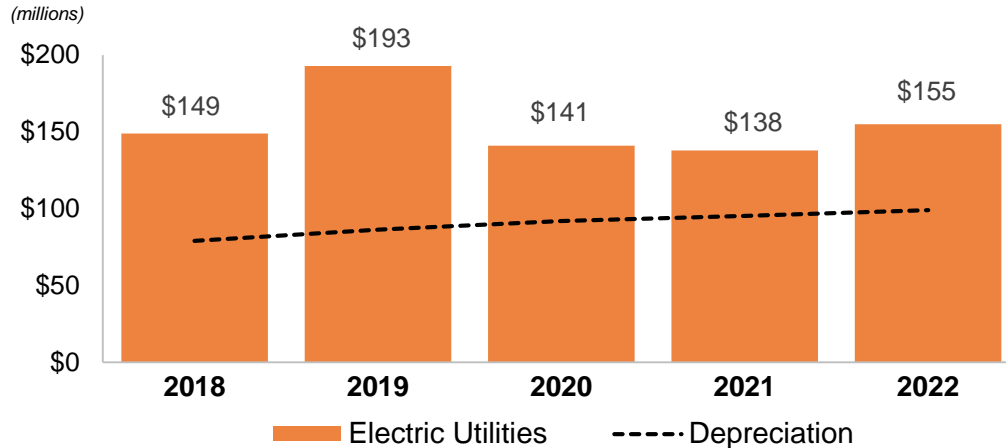
Integrity Capital – capital expenditures related to safety and reliability investment  
 Growth Capital – generates immediate revenue on customer connections

Note: See Appendix for detail

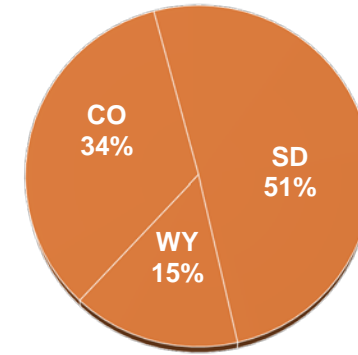
# Electric Utilities Enhancing Reliability



### Electric Utilities Forecasted Capital Investment

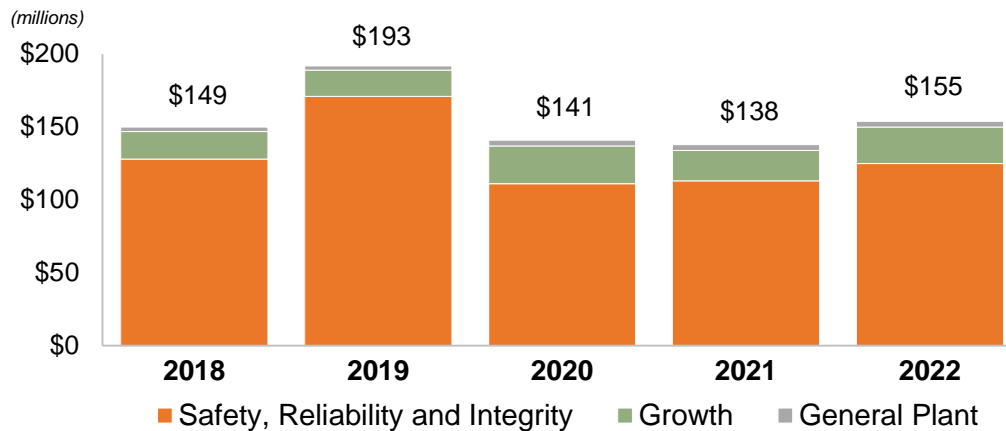


### Electric Utilities 5-year Capital Investment By State

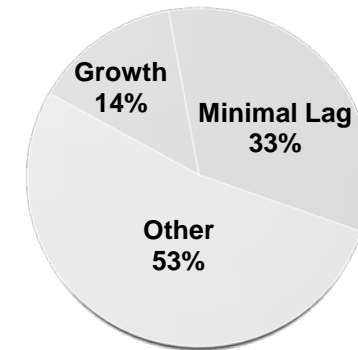


2018-2022

### Electric Utilities Forecasted Capital Investment By Type



### Electric Utilities 5-year Capital Investment by Recovery



2018-2022

Integrity Capital – capital expenditures related to safety and reliability investment  
 Growth Capital – generates immediate revenue on customer connections

Note: See Appendix for detail

# Regulatory Update

VALUED  
SERVICE

Jurisdiction	Date Filed	Annual Revenue Increase	ROE	Equity / Debt	Status
Arkansas Gas	12-15-17	\$18.5M	10.2%	54.7% / 45.3%	Seeking new rates in Q4 2018
Wyoming Gas (NW WY)	11-17-17	\$1.0M	9.6%	54.0% / 46.0%	Completed; new rates effective Sept. 1, 2018
Rocky Mountain Natural Gas (RMNG)	10-3-17	\$1.1M	9.9%	46.6% / 53.4%	Completed; new rates effective June 1, 2018
Colorado Electric 2016 Rate Review – Court Appeal	7-10-17				Communicated decision to not appeal to Colorado PUC

## Passing Tax Reform Benefits To Customers

State	Status	Start Date	Annual Benefit to Customers
Arkansas	AR PSC Order	TBD	TBD
Colorado	Complete	July 2018	\$10.8M
Iowa	Complete	July 2018	\$2.2M
Kansas	Complete	April 2018	\$1.9M
Nebraska	Complete	July 2018	\$3.8M
South Dakota	Filed	TBD	TBD
Wyoming	In process	TBD	TBD

# Utility Jurisdiction Simplification



## Consolidation benefits customers, regulators, company and shareholders

- Simplifies customer bill process and improves customer service (fewer legal entities and tariffs with standardized rules and policies)
- Fewer jurisdictional entities lowers risk, complexity and quantity of rate reviews, regulatory filings and reporting requirements
- Streamlines corporate processes
- Provides corporate tax benefits

Colorado	Wyoming	Nebraska
<ul style="list-style-type: none"><li>• Colorado Gas</li><li>• Colorado Gas Distribution (formerly SourceGas)</li></ul>	<ul style="list-style-type: none"><li>• Wyoming Gas</li><li>• Northeast Wyoming Gas</li><li>• Northwest Wyoming Gas</li><li>• Wyoming Gas Distribution (formerly SourceGas)</li></ul>	<ul style="list-style-type: none"><li>• Nebraska Gas</li><li>• Nebraska Gas Distribution (formerly SourceGas)</li></ul>
<ul style="list-style-type: none"><li>➢ Current need for rate review drives timing of simplification filings</li><li>➢ Expect to file request for legal consolidation in third quarter 2018</li><li>➢ Expect to file consolidated rate review following legal consolidation approval</li></ul>	<ul style="list-style-type: none"><li>➢ Current need for rate review drives timing of simplification filings</li><li>➢ Expect to file request for legal consolidation in late 2018</li><li>➢ Expect to file consolidated rate review in second or third quarter 2019</li><li>➢ Evaluating which entities to include in simplification effort</li></ul>	<ul style="list-style-type: none"><li>➢ Evaluating need and timing for rate reviews</li></ul>

# Operational Excellence

Delivering safe and reliable service to our customers

GREAT  
WORKPLACE

## Enhanced Safety Performance

### Total Case Incident Rate



2018 data is YTD through June 30 (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.

## Governor's Safety Award – Wyodak Mine



For the fifth consecutive year, Wyodak Mine employees were awarded the Governor's Workplace Safety Award, presented last month by Wyoming Gov. Matt Mead at the annual Wyoming Safety & Workforce Summit in Cheyenne.

## Employee Recognition



Forbes named Black Hills Corp. to its America's Best Midsize Employers list in 2018 (and previously in 2016).

## Black Hills Energy Named as a Most Trusted Utility Brand

In June, a Cogent Reports study by Market Strategies International named Black Hills Energy - Midwest as a 2018 Most Trusted Utility Brand. The designation recognizes utilities who have earned the trust of their customers and are perceived to be industry leaders in innovation.

# 2018 Scorecard



## Strategy

- Construct cost effective rate-base utility assets that meet growing demand, improve reliability and customer satisfaction.
- Acquire small utility systems within or near existing service territories
- 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
- Achieve top-tier operational performance in a culture of continuous improvement
- Improve efficiencies through continued deployment of technology
- 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

## 2018 Future Initiatives and Progress

- Increase annual dividend for 48<sup>th</sup> consecutive year
- Commence construction of 175 mile, \$70 million Rapid City, SD to Stegall, NE 230 KV transmission line rebuild
- Obtain Wyoming PSC approval for Natural Bridge Pipeline project
- Complete engineering and purchase wind turbines for Busch Ranch II
- Pursue satisfactory resolution of Colorado Electric 2016 rate review
- Complete Arkansas Gas rate review
- Complete RMNG rate review
- Complete NW WY Gas rate review
- Obtain Colorado PUC approval for recommended project from 2017 renewable energy RFP
- Receive approval from each state regulatory commission to provide benefits of tax reform to utility customers
  - Colorado, Iowa, Kansas, Nebraska
  - Arkansas, South Dakota & Wyoming
- File for approval of Wyoming Electric's electric resource plan
- Finalize negotiations and file for regulatory approval for electric utilities to join SPP
- Improve eBill participation, reduce inbound customer calls and enhance web-based customer options
- Complete implementation of utility work and asset management system
- Implement new vegetation management system
- Focus on improving productivity and reducing costs
- Complete exit of oil and gas business
- Continue to enhance functionality of tablet-based technology for field technicians
- Achieve safety TCIR of 1.1
- Achieve PMVI rate of 1.7
- Expand the availability of participation for women's affinity groups into all areas of operations
- Create additional programs that further develop, retain, and reward top performing employees

Legend  
 Completed  
 Planned in 2018

# Financial Update



*We are proud to serve Southern Colorado with safe, reliable energy services and work hard to be engaged, responsible community partners. Pictured from left, Tom Cruz and Ray Loya, line servicemen for our Colorado electric utility.*



# Earnings Per Share Analysis

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
<b>Net Income from continuing operations available for common stock (GAAP)</b>	<b>\$ 0.41</b>	<b>\$ 0.52</b>	<b>\$ 1.17</b>	<b>\$ 2.50</b>	<b>\$ 0.45</b>
<b>Adjustments (after tax)</b>					
Acquisition costs	0.01	0.01	0.02	—	—
Tax reform and other tax items	—	—	(0.21)	0.04	—
Legal restructuring - income tax benefit	—	—	—	(0.91)	—
Rounding	—	(0.01)	—	—	—
<b>Total adjustments</b>	<b>0.01</b>	<b>—</b>	<b>(0.19)</b>	<b>(0.87)</b>	<b>—</b>
<b>Net Income from continuing operations available for common stock, as adjusted (Non-GAAP)*</b>	<b>\$ 0.42</b>	<b>\$ 0.52</b>	<b>\$ 0.98</b>	<b>\$ 1.63</b>	<b>\$ 0.45</b>
<b>Trailing Twelve Months - Net Income from continuing operations available for common stock, as adjusted (Non-GAAP)*</b>	<b>\$ 3.39</b>				<b>\$ 3.58</b>

\* Non-GAAP measures; reconciled to GAAP in Appendix

# Condensed Income Statement

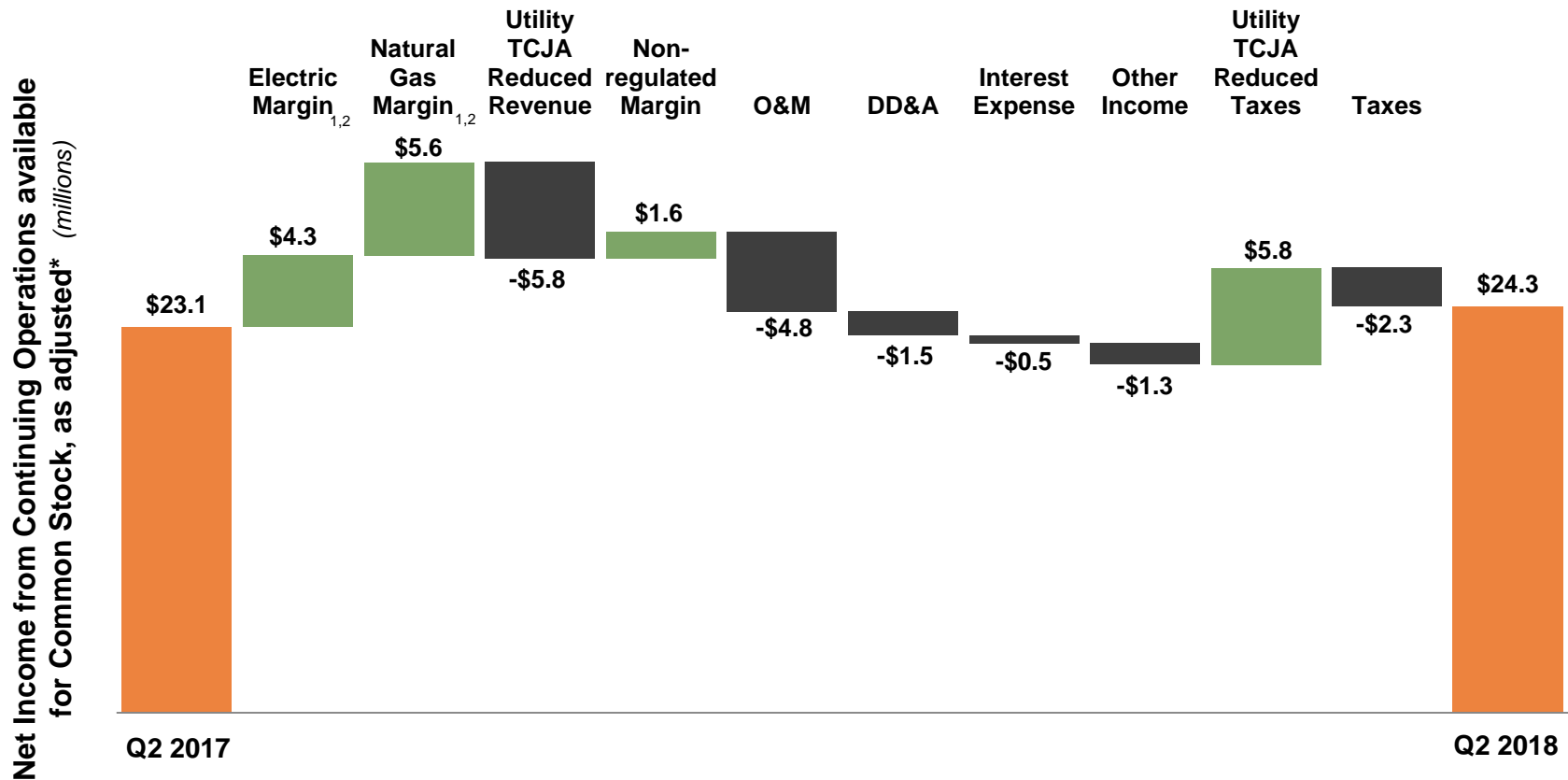
(in millions, except earnings per share)

	Q2 2017	Q2 2018
Revenue	\$ 341.8	\$ 355.7
Gross margin*	243.7	251.1
Operating expenses	(126.6)	(132.8)
DD&A	(46.8)	(48.7)
Acquisition costs	(0.5)	-
<b>Operating income</b>	<b>69.8</b>	<b>69.6</b>
Interest expense	(33.9)	(34.6)
Other income (expense)	0.7	(1.4)
Income taxes	(10.7)	(6.5)
Income from continuing operations	\$ 25.9	\$ 27.1
Non-controlling interest	(3.1)	(2.8)
Income from continuing operations available for common stock	\$ 22.8	\$ 24.3
Non-GAAP adjustments	0.3	-
Income from continuing operations, as adjusted (Non-GAAP)	\$ 23.1	\$ 24.3
EPS - Income from Cont. Ops avail. for common stock, as adjusted *	\$ 0.42	\$ 0.45
Diluted shares outstanding (in thousands)	55.4	54.5
<b>EBITDA, as adjusted*</b>	<b>\$ 117.8</b>	<b>\$ 117.0</b>

\* Non-GAAP measures; defined and/or reconciled to GAAP in Appendix and on slide 11

Note: Full income statement included in appendix on slide 53

# 2018 Second Quarter Financial Drivers



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

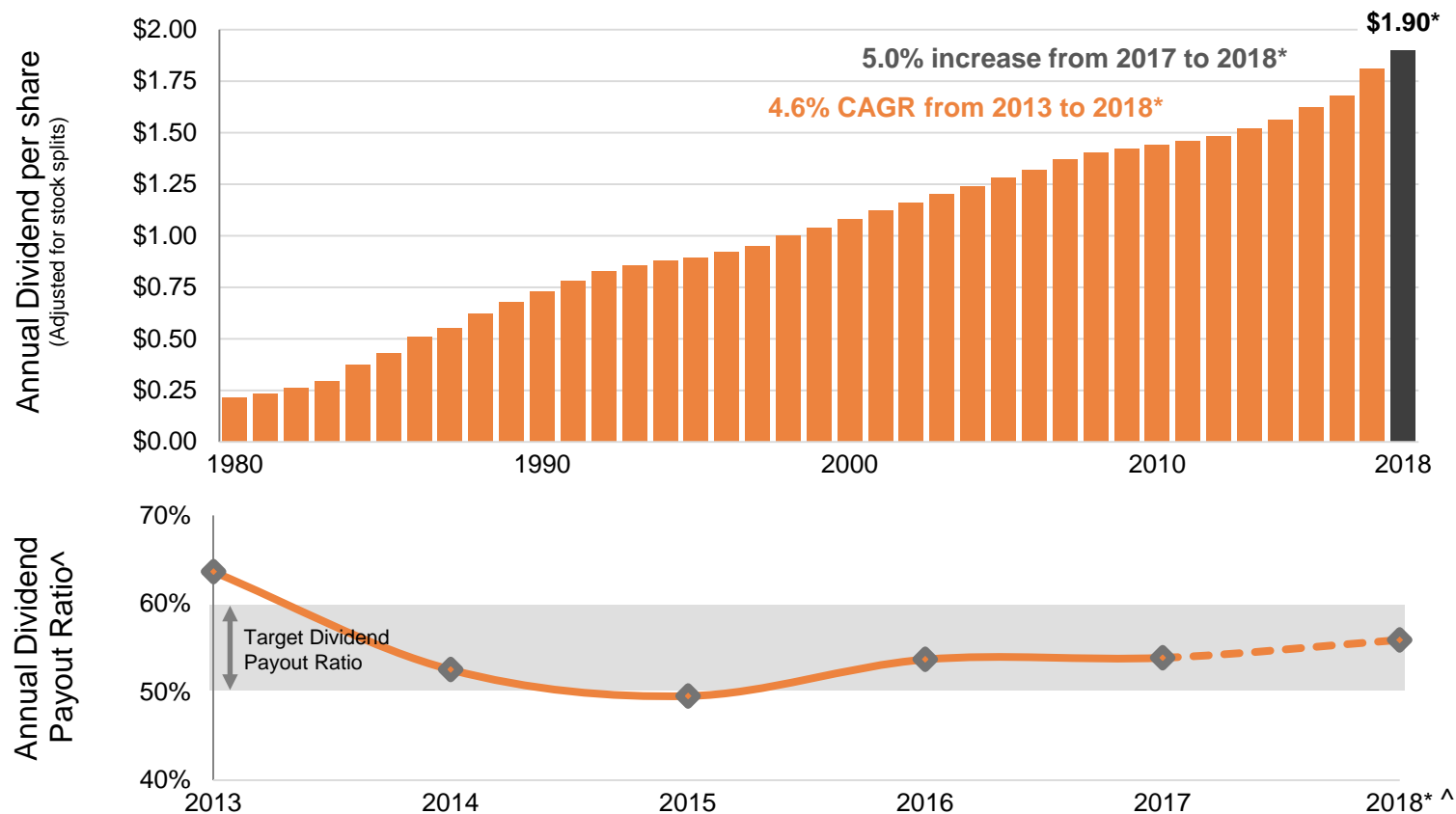
<sup>1</sup> Excludes reduced revenue from Tax Cuts and Jobs Act (TCJA)

<sup>2</sup> Utility margin impact of \$2.0 million (\$1.3 million electric and \$0.7 million natural gas) related to positive weather impacts - net of income taxes

Note: minor difference in total due to rounding

# Strong Dividend Growth Track Record

Dividend Increased for 48 Consecutive Years



\* Board of directors on July 25 approved a quarterly dividend of \$0.475 per share, equivalent to an annual rate of \$1.90 per share; increase from 2017 to 2018 compares the 2018 annual equivalent rate to the total dividends paid for 2017

<sup>^</sup> 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 the appendix; 2018 payout ratio is based on midpoint of earnings guidance range of \$3.30 to \$3.50 per share

# Capital Structure

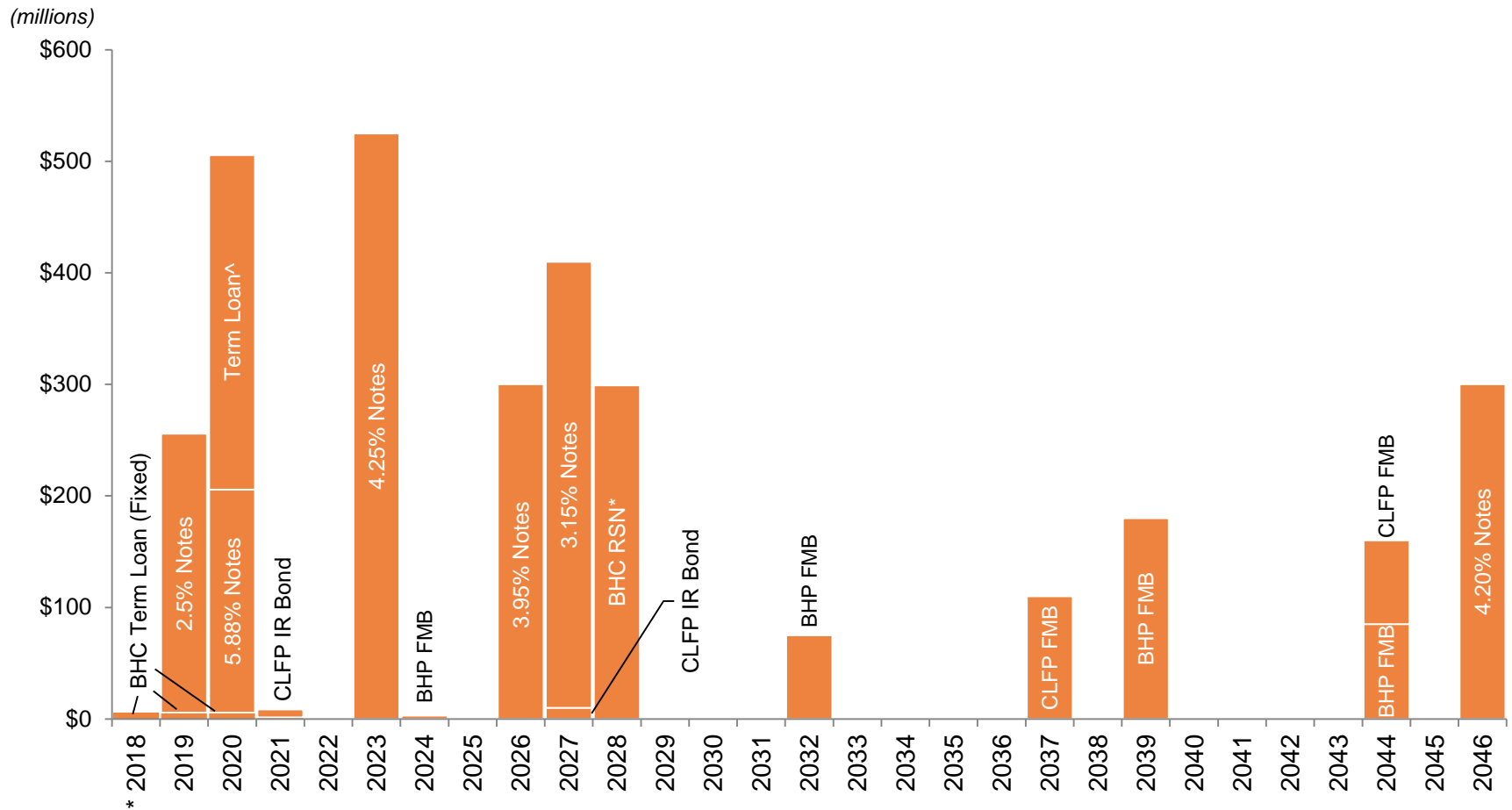
(in millions, except for ratios)

	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018
<b>Capitalization</b>					
Short-term Debt	\$ 114	\$ 231	\$ 217	\$ 420	\$ 378
Long-term Debt	3,160	3,110	3,109	2,859	2,858
Total Debt	3,274	3,341	3,326	3,279	3,236
Equity*	1,676	1,683	1,709	1,819	1,819
Total Capitalization	\$ 4,950	\$ 5,024	\$ 5,035	\$ 5,098	\$ 5,054
<b>Net Debt to Net Capitalization</b>					
Debt	\$ 3,274	\$ 3,341	\$ 3,326	\$ 3,279	\$ 3,236
Cash and Cash Equivalents	(12)	(14)	(15)	(31)	(9)
Net Debt	3,262	3,327	3,311	3,248	3,227
Net Capitalization	\$ 4,939	\$ 5,010	\$ 5,020	\$ 5,067	\$ 5,046
<b>Debt to Capitalization</b>	66.1%	66.5%	66.1%	64.3%	64.0%
<b>Net Debt to Capitalization (Net of Cash)</b>	66.1%	66.4%	66.0%	64.1%	64.0%
<b>Long-term Debt to Total Debt</b>	96.5%	93.1%	93.5%	87.2%	88.3%

\* Excludes noncontrolling interest

# Long-Term Debt Maturities

Total of \$3.1 billion



\* In 2018, the remarketable subordinated notes assumed 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 plan to use proceeds from conversion to pay down debt

<sup>^</sup> On July 30, the unsecured \$300 million term loan due in August 2019 was amended to a new maturity of July 30, 2020.

# Equity Units

Conversion and remarketing to be completed by Nov. 1, 2018

- Each equity unit contains a contract to purchase Black Hills common stock and an interest in remarketable junior subordinated notes
- Junior subordinated notes optional remarketing period will open Aug. 8; final remarketing period ends on Oct. 29
  - Preference to exchange for senior unsecured notes without materially modifying the debt
  - Evaluating upsizing the debt offering which will depend on market conditions; any additional proceeds from upsizing the debt offering will be used to repay short-term debt
- \$299 million of stock purchase contracts will settle on Nov. 1, 2018, with the issuance of BKH stock; proceeds to company will be used to pay down debt
- Total debt to capitalization expected to be under 60 percent by year-end
- Upon conversion there will be approximately 60 million fully diluted shares of BKH stock outstanding

# Credit Rating

Committed to maintaining strong investment-grade credit ratings

- S&P Global Ratings on August 9, 2018, upgraded its corporate credit rating of Black Hills Corp. to BBB+ from BBB with a stable outlook
- Moody's Investors Service on Dec. 12, 2017, affirmed its corporate credit rating of Black Hills Corp. at Baa2 with a stable outlook
- Fitch Ratings on Oct. 4, 2017, affirmed its corporate credit rating of Black Hills Corp. at BBB+ with a stable outlook

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



# Questions



*Pictured from left: Black Hills Energy employees Harold Cummins and Jason Weber deliver energy solutions to our customers in Ogden, Iowa.*

# Appendix - Table of Contents

Corporate and Operations Overview

Utilities

Capital Investment

Regulatory

Power Generation and Mining

Non-GAAP information and reconciliations

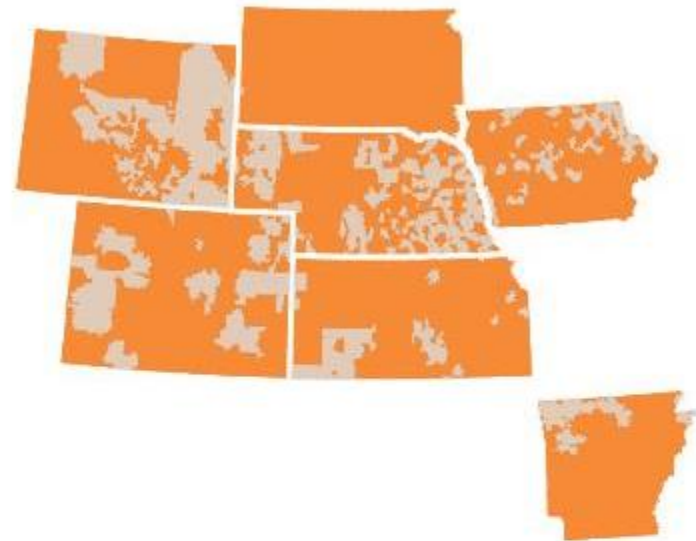
# Operations Overview

## Electric Utilities, Power Generation & Mining\*



- Three electric utilities which generate, transmit and distribute electricity to approximately 210,000 customers in CO, SD, WY and MT
- 1.1 gigawatts\*\* of generation and 8,839 miles of transmission and distribution
  - Five power generation facilities owned by utilities and serving utility customers (921 megawatts)
  - Two power generation facilities delivering capacity and energy under long-term contracts to utility affiliates (160 megawatts\*\*)
  - Efficient mine-mouth generation in WY fueled by low-sulfur Powder River Basin coal (47-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\*



- 12 natural gas utilities^ which distribute natural gas to approximately 1,042,000 customers in AR, CO, IA, KS, NE and WY
- 4,656 miles of intrastate gas transmission pipelines and 40,455 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
- 146,000 customers served through Choice Gas Program (unbundled natural gas supply) and Service Guard/CAPP programs (contract appliance repair service)

\* Information from 2017 Form 10-K

\*\* Excludes 49.9 percent ownership interest in Colorado IPP owned by a third party

^ Excludes minor entities and Shoshone pipeline

# Integrated Electric Utility

Efficient Mine-mouth Generation - Modern Natural Gas Generation - Clean Renewable Generation

## Gillette Energy Complex

(Gillette, Wyoming)

### Wyodak Mine

Efficient coal delivery to 785 MW of mine-mouth generation under life of plant coal contracts

Fixed price plus escalators<sup>^</sup>

- Wyodak
- Wygen I

Cost plus return<sup>^</sup>

- Wygen II
- Wygen III
- Neil Simpson

<sup>^</sup>See coal contracts overview on slide 52 for detail

### Mine-mouth Coal Plants

#### Wyodak

360 MW - 1978  
20% owned by SDE  
(Operated by PacifiCorp)

#### Wygen I

90 MW - 2003  
76.5% owned by Power Generation

#### Wygen II

95 MW - 2008  
100% owned by WYE

#### Wygen III

110 MW - 2010  
52% owned by SDE

#### Neil Simpson II

90 MW - 1995  
100% owned by SDE

#### Neil Simpson Combustion Turbine (CT)

40 MW - 2000  
100% owned by SDE

Centralized work force control centers and warehouse



## Cheyenne Prairie

(Cheyenne, Wyoming - CPGS)

### Combined-Cycle Gas-Fired Plant

95 MW - 2014  
100% owned  
(58% WYE / 42% SDE)

### Gas-Fired Combustion Turbine

37 MW - 2014  
100% owned by WYE

Centralized work force control center and warehouse



## Ben French

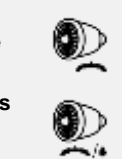
(Rapid City, SD - 100% owned by SDE)

### Gas-Fired Combustion Turbine

40 MW - 2002

### Combustion Turbines

80 MW gas/oil - 1977-79  
10 MW oil - 1965



## Pueblo Airport Generating Station\*

(Pueblo, Colorado - PAGS)

### Combined-Cycle Gas-Fired Plants

Two 100 MW Plants - 2012  
50.1%\* owned by Power Generation with 20-yr PPA to COE

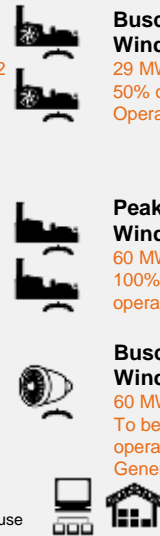
### Simple Cycle Gas-Fired Plants

Two 90 MW plants - 2011  
100% owned by COE

### Gas-Fired Combustion Turbine

40 MW - 2016  
100% owned by COE

Centralized work force control center and warehouse



### Busch Ranch Wind Farm

29 MW - 2012  
50% owned and Operated by COE

### Peak View Wind Farm

60 MW - 2016  
100% owned and operated by COE

### Busch Ranch II Wind Farm

60 MW - by 2019  
To be 100% owned and operated by Power Generation



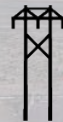
## Power Generation and Mining



941 MW of generation capacity owned by Electric Utilities

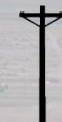
269 MW of generation capacity owned by Power Generation under long-term contracts to Electric Utilities

## Transmission Network

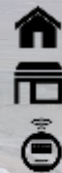


2,000 miles of electric transmission in SD, WY and CO

## Distribution Systems



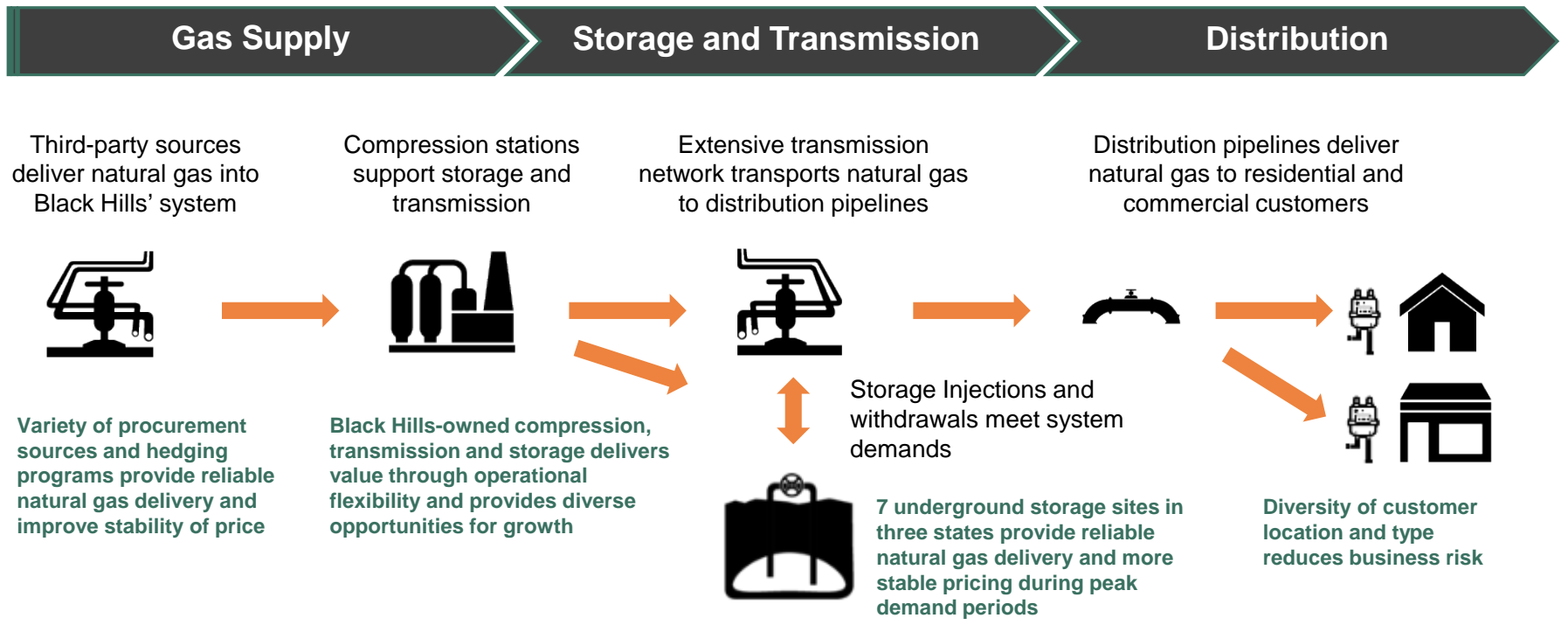
7,000 miles of distribution in SD, WY and CO



210,000 customers  
1,086 MW peak demand

\* 49.9% third party ownership of Black Hills Colorado IPP reported as noncontrolling interest  
Note: information listed as of Dec.31, 2017 from 2017 10-K Annual Report Filing; totals approximated

# Full Service Gas Utility



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

- 4,600 miles of intrastate transmission
- 45,000 horsepower of compression
- 7 natural gas storage sites in AR, CO and WY with over 53 million Mcf total capacity
- 142 million Dth natural gas transported and in 2017

- 29,000-mile natural gas distribution system
- 1 million customers with 12,000 miles of service lines
- 88 million Dth natural gas distributed to customers in 2017

Note: information as of Dec. 31, 2017 from 2017 10-K Annual Report Filing; totals approximated

# Natural Gas Infrastructure

Provides Investment Opportunities

1 million  
customers

29,000 miles  
of distribution

4,600 miles of  
transmission

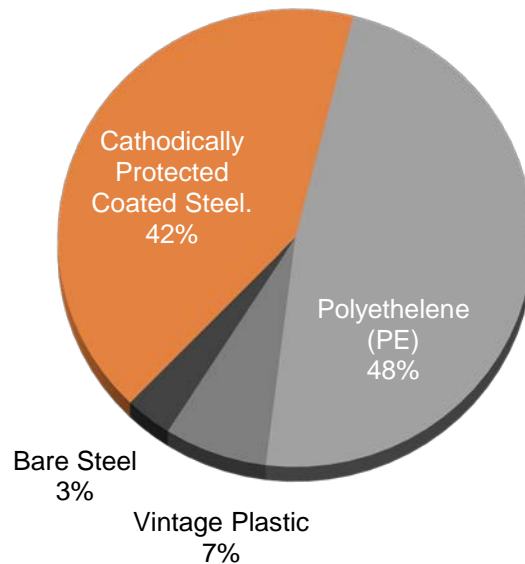
7 active  
storage fields

38  
compressors

2 natural gas  
processing plants

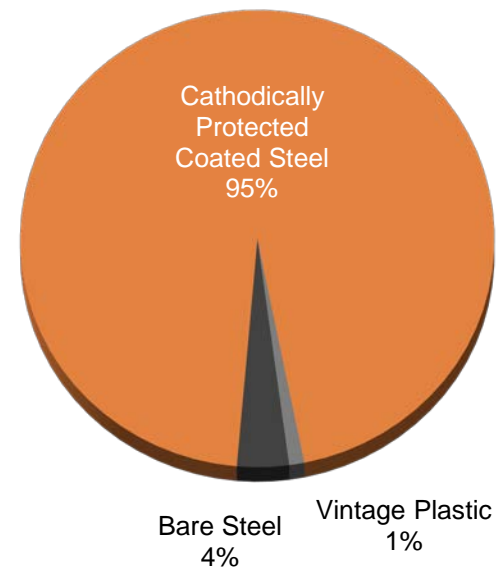
## Distribution System Material Type

(in Miles)



## Transmission System Material Type

(in Miles)

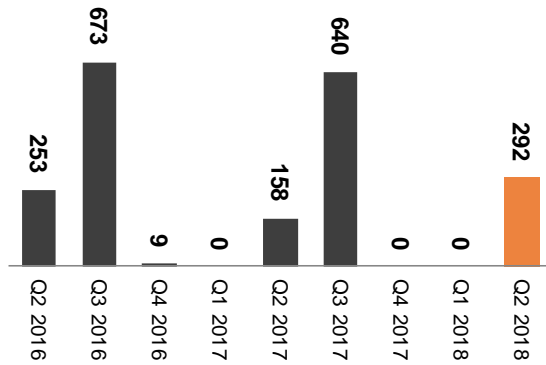


Note: information as of Dec. 31, 2017

# Utility Weather and Demand

## Electric Utility Cooling Degree Days

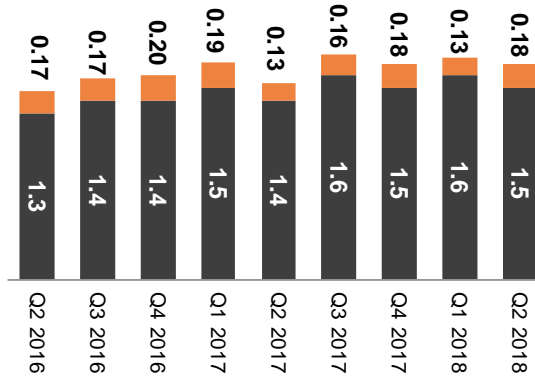
(Total for all electric service areas weighted by customer count)



## Electric Utility Total MWh Sales

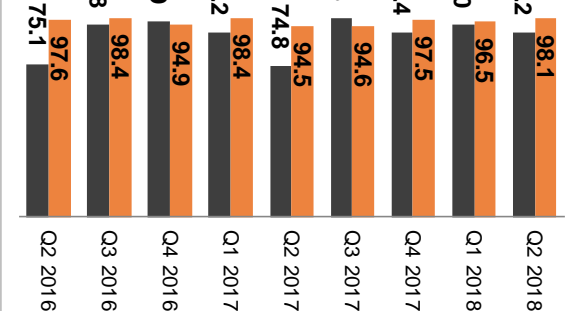
(in millions)

■ Utility Customers  
■ Off-system Sales



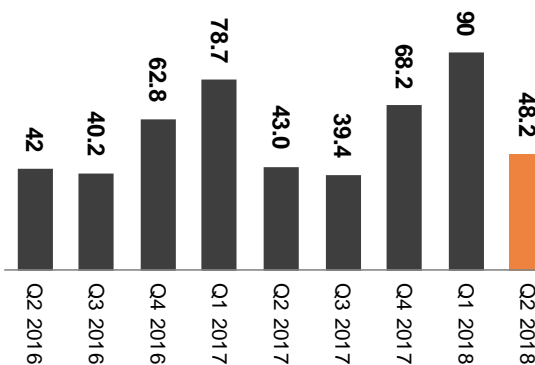
## Electric Utility Generation Availability(%)

■ Coal-fired plants  
■ Other plants



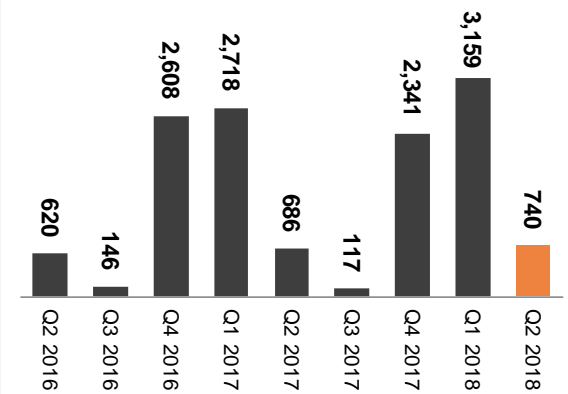
## Gas Utility Total Dth Sales

(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

# Capital Investment by Segment and Recovery

(in millions)	2016A	2017A	2018F	2019F	2020F	2021F	2022F
Minimal Lag Capital - Electric Utilities <sup>1</sup>	166	30	70	86	33	35	34
Growth Capital - Electric Utilities <sup>2</sup>	24	21	19	18	26	21	25
Other	69	87	60	89	82	82	95
<b>Electric Utilities</b>	<b>259</b>	<b>138</b>	<b>149</b>	<b>193</b>	<b>141</b>	<b>138</b>	<b>155</b>
Minimal Lag Capital - Gas Utilities <sup>1</sup>	43	72	134	224	155	82	79
Growth Capital - Gas Utilities <sup>2</sup>	65	67	45	59	59	47	50
Other	67	46	89	45	31	129	128
<b>Gas Utilities</b>	<b>174</b>	<b>184</b>	<b>268</b>	<b>328</b>	<b>245</b>	<b>258</b>	<b>257</b>
<b>Total Utilities</b>	<b>433</b>	<b>322</b>	<b>417</b>	<b>521</b>	<b>386</b>	<b>396</b>	<b>412</b>
Power Generation	5	1	32	56	5	6	6
Mining	6	7	19	7	7	9	9
Corporate	16	7	10	13	8	6	6
<b>Total*</b>	<b>\$460</b>	<b>\$337</b>	<b>\$478</b>	<b>\$597</b>	<b>\$406</b>	<b>\$417</b>	<b>\$433</b>

Forecasted capital expenditures exclude additional upside opportunities from power generation or other material projects

\* Excludes discontinued operations

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

2 Growth Capital - generates immediate revenue on customer connections

Note: Minor differences in totals due to rounding



# Utility Capital Investment by Type

(in millions)	2018F	2019F	2020F	2021F	2022F
Safety, Reliability and other Integrity <sup>1</sup>	128	171	111	113	125
Growth <sup>2</sup>	19	18	26	21	25
General Plant	3	3	4	4	4
<b>Electric Utilities</b>	<b>149</b>	<b>193</b>	<b>141</b>	<b>138</b>	<b>155</b>
Safety, Reliability and other Integrity <sup>1</sup>	202	247	166	134	130
Growth <sup>2</sup>	45	59	59	47	50
General Plant	22	22	20	77	77
<b>Gas Utilities</b>	<b>268</b>	<b>328</b>	<b>245</b>	<b>258</b>	<b>257</b>
<b>Total Utilities</b>	<b>\$417</b>	<b>\$521</b>	<b>\$386</b>	<b>\$396</b>	<b>\$412</b>

<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: Minor differences may occur due to rounding

# Estimated Utility Rate Base

Estimated Rate Base* by Utility Segment (in millions)	2011	2012	2013	2014	2015	2016	2017
Electric Utilities	\$1,007	\$1,272	\$1,248	\$1,487	\$1,515	\$1,570	\$1,650
Gas Utilities	\$443	\$450	\$454	\$489	\$493	\$1,620	\$1,700
<b>Total</b>	<b>\$1,450</b>	<b>\$1,722</b>	<b>\$1,702</b>	<b>\$1,976</b>	<b>\$2,008</b>	<b>\$3,190</b>	<b>\$3,350</b>

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

# Recent Utility Rate Review 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	\$597.5
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	June 2018	9.9%	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	\$127.4
Nebraska	Nebraska Gas	Sept. 2010	10.10%	48% debt / 52% equity	\$161.3
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
Wyoming	Wyoming Gas NW	Sept. 2018	9.60%	46% debt / 54% equity	\$12.9

Note: Information from last approved rate review in each jurisdiction

\* 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)	☑*	☑	☑	☑	☑*	☑
South Dakota Electric (WY)		☑	☑	☑		☑
South Dakota Electric (MT)						
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*
Colorado Gas	☑					☑		47%
Iowa Gas	☑	☑				☑		70%
Kansas Gas		☑	☑	☑	☑	☑		64%
Nebraska Gas		☑	☑			☑		55%
Wyoming Gas <sup>1</sup>	☑					☑		52%
Arkansas Gas	☑	☑		☑		☑	☑	39%
Colorado Gas Dist.	☑					☑		36%
Nebraska Gas Dist.		☑	☑			☑		80% <sup>3</sup>
Wyoming Gas Dist.						☑	☑	52%
Rocky Mountain Natural Gas <sup>2</sup>	NA	☑	NA	NA	NA	NA	NA	NA

Legend:

☑ Commission approved cost adjustment

\* Residential customers as of last rate base review

<sup>1</sup> Refers to Cheyenne Light only

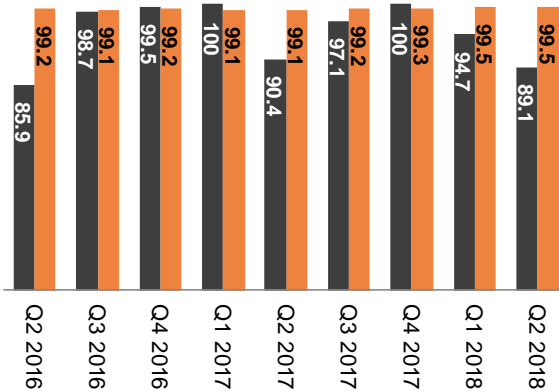
<sup>2</sup> Rocky Mountain Natural Gas, an intrastate natural gas pipeline

<sup>3</sup> Includes first tier of consumption in block rates

# Power Generation and Mining

## IPP Generation Contract Availability (%)

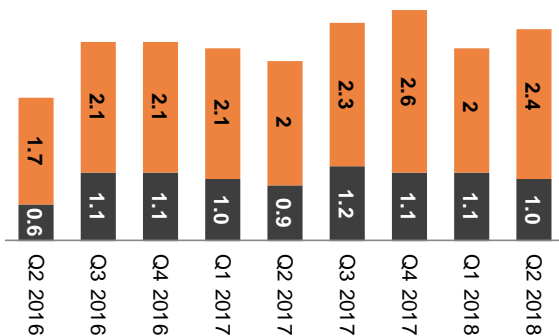
- Coal-fired plants
- Gas-fired plants



## Coal Production

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

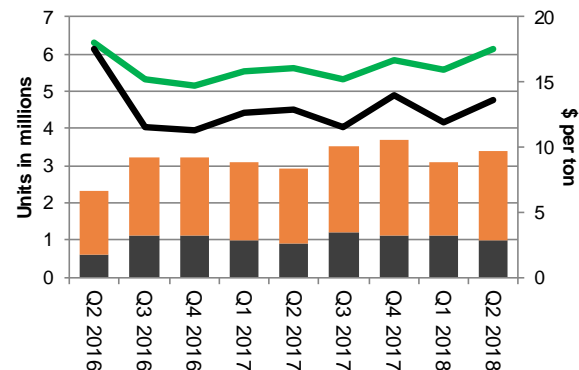
- Coal Production
- Overburden Removed



## Revenue and Expense per Ton Sold

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

- OB Yards
- Coal Tons
- Rev/Ton
- Exp/Ton



# Power Generation - Supply Contracts

97% of owned capacity serves Black Hills' utilities\*

- Approximately 74% (200 megawatts) contracted through 2031 with Colorado Electric; accounted for as capital lease
- Approximately 22% (60 megawatts) contracted through 2022 with Wyoming Electric with option for utility to purchase ownership from power generation subsidiary

## Pueblo Airport Generation Station

(Pueblo, Colorado - PAGS)

Plant	Owned Capacity	Contract Capacity	Counter-Party	Expiration	Other Terms
PAGS	200 MW	200 MW	Colorado Electric (COE)	Dec. 31, 2031	Excess power and capacity for benefit of COE
Wygen I	68.9 MW	60 MW	Wyoming Electric (WYE)	Dec. 31, 2022	WYE has Purchase Option through 2019
<b>Total</b>	<b>268.9 MW</b>	<b>260 MW</b>			



\*Information from 2017 10-K Annual Report Filing with totals approximated; differences in totals due to rounding.

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

# Mining - Coal Contracts

98% of coal production serves mine-mouth generation

- Approximately 50% of coal production sold under contracts priced based on actual mining costs plus a return on mine capital investments
  - Price adjusted annually
  - Actual mining expenses
  - Capital return equal to A-rated utility bonds plus 400 bps; 100% equity capital structure
- Remaining 50% of coal production sold primarily under contracts with price escalation using published indices
  - Periodic price reopeners (every 5 years)
    - ◆ Wygen I – based on cost plus return
    - ◆ Wyodak Plant – based on market price of Powder River Basin coal plus avoided hypothetical cost of rail transportation and coal unloading facility (due to mine-mouth location)

Plant	2018F Production (millions of tons)	Pricing	Price Reopener or Adjustment	Expiration	Contract Quantity
Wyodak Plant <i>(80% owned by PacifiCorp)</i>	1.5	Fixed with escalators	July 1, 2019	Dec. 2022	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
Wygen III	0.6	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other SD Electric coal plants	0.9	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other sales ( <i>truck</i> )	0.1	Fixed		1-3 years	Various
<b>Total</b>	<b>4.2</b>				

\* Wygen I contract pricing adjusts every five years at cost plus return

## Gillette Energy Complex

(Gillette, Wyoming)





# Income Statement

(in millions, except earnings per share)

	Q2 2017		Q2 2018	
Revenue	\$	341.8	\$	355.7
Gross margin*		243.7		251.1
Operating expenses		(126.6)		(132.8)
DD&A		(46.8)		(48.7)
Subtotal		70.3		69.6
Acquisition costs		(0.5)		-
<b>Operating income</b>		<b>69.8</b>		<b>69.6</b>
Interest expense		(33.9)		(34.6)
Other income (expense)		0.7		(1.4)
Income before taxes		<b>36.6</b>		<b>33.6</b>
Income taxes		(10.7)		(6.5)
Income from continuing operations	\$	25.9	\$	27.1
Loss from discontinued operations, net of tax		(0.6)		(2.4)
Net income before non-controlling interest	\$	25.3	\$	24.7
Non-controlling interest		(3.1)		(2.8)
Net Income available to common stock	\$	22.2	\$	21.9
Income from continuing operations available for common stock	\$	22.8	\$	24.3
Non-GAAP adjustments		0.3		-
Income from continuing operations, as adjusted (Non-GAAP)	\$	23.1	\$	24.3
EPS - Net income available for common stock	\$	0.40	\$	0.40
EPS - Income from Cont. Ops avail. for common stock, as adjusted *	\$	0.42	\$	0.45
Diluted shares outstanding (in thousands)		55.4		54.5
<b>EBITDA, as adjusted*</b>	\$	<b>117.8</b>	\$	<b>117.0</b>

\* Non-GAAP measures; defined and/or reconciled to GAAP in Appendix and on slide 11

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

Earnings per share, 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, 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

## Revenue / Gross Margin, as adjusted

(in thousands)

### QTD - June 30, 2018

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate - I/C Elim	Total
Revenue	\$ 168,319	\$ 177,311	\$ 1,478	\$ 8,596	\$ -	\$ 355,704
Inter-company revenue	5,297	309	20,406	8,303	(34,315)	-
Total revenue (GAAP)	173,616	177,620	21,884	16,899	(34,315)	355,704
Less: - Inter-company capital lease	-	-	860	-	(860)	-
<b>Revenue, as adjusted - (Non-GAAP)</b>	<b>\$ 173,616</b>	<b>\$ 177,620</b>	<b>\$ 22,744</b>	<b>\$ 16,899</b>	<b>\$ (35,175)</b>	<b>\$ 355,704</b>
Less: Cost of Goods sold	(64,283)	(68,054)	-	-	27,676	(104,661)
Less: Inter-company capital lease	(1,659)	-	-	-	1,659	-
<b>Gross margin, as adjusted - (Non-GAAP)</b>	<b>\$ 107,674</b>	<b>\$ 109,566</b>	<b>\$ 22,744</b>	<b>\$ 16,899</b>	<b>\$ (5,840)</b>	<b>\$ 251,043</b>

### QTD - June 30, 2017

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate - I/C Elim	Total
Revenue	\$ 165,517	\$ 166,439	\$ 1,470	\$ 8,403	\$ -	\$ 341,829
Inter-company revenue	2,936	8	20,325	6,543	(29,812)	-
Total revenue (GAAP)	168,453	166,447	21,795	14,946	(29,812)	341,829
Less: - Inter-company capital lease	-	-	757	-	(757)	-
<b>Revenue, as adjusted - (Non-GAAP)</b>	<b>\$ 168,453</b>	<b>\$ 166,447</b>	<b>\$ 22,552</b>	<b>\$ 14,946</b>	<b>\$ (30,569)</b>	<b>\$ 341,829</b>
Less: Cost of Goods sold	(62,265)	(62,350)	-	-	26,451	(98,164)
Less: Inter-company capital lease	(1,464)	-	-	-	1,464	-
<b>Gross margin, as adjusted - (Non-GAAP)</b>	<b>\$ 104,724</b>	<b>\$ 104,097</b>	<b>\$ 22,552</b>	<b>\$ 14,946</b>	<b>\$ (2,654)</b>	<b>\$ 243,665</b>

# Use of Non-GAAP Financial Measures

## Operating Income, as adjusted

(in thousands, pre-tax)

### QTD - June 30, 2018

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	Corporate	Total
Operating income (loss) (GAAP)	\$ 39,592	\$ 16,485	\$ 10,292	\$ 3,825	\$ (643)	\$ 69,551
Capital lease adjustment	1,609	—	(1,415)	—	(194)	—
<b>Operating income without capital lease (Non-GAAP)</b>	<b>41,201</b>	<b>16,485</b>	<b>8,877</b>	<b>3,825</b>	<b>(837)</b>	<b>69,551</b>
Total adjustments	—	—	—	—	—	—
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 41,201</b>	<b>\$ 16,485</b>	<b>\$ 8,877</b>	<b>\$ 3,825</b>	<b>\$ (837)</b>	<b>\$ 69,551</b>

### QTD - June 30, 2017

Operating income (loss) (GAAP)

Capital lease adjustment

**Operating income without capital lease (Non-GAAP)**

Significant Unique Items:

Acquisition costs

Total adjustments

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

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Total
Operating income (loss) (GAAP)	\$ 38,753	\$ 18,217	\$ 12,198	\$ 3,051	\$ (2,423)	\$ 69,796
Capital lease adjustment	1,804	—	(2,036)	—	232	—
<b>Operating income without capital lease (Non-GAAP)</b>	<b>40,557</b>	<b>18,217</b>	<b>10,162</b>	<b>3,051</b>	<b>(2,191)</b>	<b>69,796</b>
Acquisition costs	—	—	—	—	455	455
Total adjustments	—	—	—	—	455	455
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 40,557</b>	<b>\$ 18,217</b>	<b>\$ 10,162</b>	<b>\$ 3,051</b>	<b>\$ (1,736)</b>	<b>\$ 70,251</b>

# Use of Non-GAAP Financial Measures

## Net Income Available for Common Stock, as adjusted

(in thousands, after-tax)

QTD - June 30, 2018

Net income (loss) from continuing operations available for common stock (GAAP)  
Capital lease adjustment

**Net income (loss) from Cont. Ops. available for common stock w/o capital lease (Non-GAAP)**

Significant unique items:

Total adjustments

**Net income (loss) from continuing operations, as adjusted (Non-GAAP)**

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Total
Net income (loss) from continuing operations available for common stock (GAAP)	\$21,890	\$ (1,161)	\$ 4,772	\$3,005	\$ (4,162)	\$24,344
Capital lease adjustment	1,232	—	(1,083)	—	(149)	—
<b>Net income (loss) from Cont. Ops. available for common stock w/o capital lease (Non-GAAP)</b>	<b>23,122</b>	<b>(1,161)</b>	<b>3,689</b>	<b>3,005</b>	<b>(4,311)</b>	<b>24,344</b>
Significant unique items:	—	—	—	—	—	—
Total adjustments	—	—	—	—	—	—
<b>Net income (loss) from continuing operations, as adjusted (Non-GAAP)</b>	<b>\$23,122</b>	<b>\$ (1,161)</b>	<b>\$ 3,689</b>	<b>\$3,005</b>	<b>\$ (4,311)</b>	<b>\$24,344</b>

QTD - June 30, 2017

Net income (loss) from continuing operations available for common stock (GAAP)  
Capital lease adjustment

**Net income (loss) from Cont. Ops. available for common stock w/o capital lease (Non-GAAP)**

Significant unique items:

Acquisition costs

Total adjustments

**Net income (loss) from continuing operations, as adjusted (Non-GAAP)**

	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Total
Net income (loss) from continuing operations available for common stock (GAAP)	\$18,832	\$ (272)	\$ 5,332	\$2,681	\$ (3,762)	\$22,811
Capital lease adjustment	1,132	—	(1,279)	—	147	—
<b>Net income (loss) from Cont. Ops. available for common stock w/o capital lease (Non-GAAP)</b>	<b>19,964</b>	<b>(272)</b>	<b>4,053</b>	<b>2,681</b>	<b>(3,615)</b>	<b>22,811</b>
Significant unique items:	—	—	—	—	296	296
Acquisition costs	—	—	—	—	296	296
Total adjustments	—	—	—	—	296	296
<b>Net income (loss) from continuing operations, as adjusted (Non-GAAP)</b>	<b>\$19,964</b>	<b>\$ (272)</b>	<b>\$ 4,053</b>	<b>\$2,681</b>	<b>\$ (3,319)</b>	<b>\$23,107</b>

# Use of Non-GAAP Financial Measures

## Earnings Per Share Analysis

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
<b>Net income available for common stock (GAAP)</b>	\$ 0.40	\$ 0.50	\$ 0.92	\$ 2.46	\$ 0.40
Loss from discontinued operations, after-tax (GAAP)	0.01	0.02	0.25	0.04	0.04
Rounding	-	-	-	-	0.01
<b>Net Income from continuing operations available for common stock (GAAP)</b>	\$ 0.41	\$ 0.52	\$ 1.17	\$ 2.50	\$ 0.45
<b>Adjustments</b>					
Acquisition costs	0.01	0.01	0.04	—	—
Tax reform and other tax items	—	—	(0.21)	0.04	—
Legal restructuring - income tax benefit	—	—	—	(0.91)	—
	0.01	0.01	(0.17)	(0.87)	—
<b>Taxes on adjustments</b>					
Acquisition costs	—	—	(0.01)	—	—
	—	—	(0.01)	—	—
Rounding	—	(0.01)	(0.01)	—	—
Total adjustments, net of tax	0.01	—	(0.19)	(0.87)	—
<b>Net Income from continuing operations available for common stock, as adjusted (Non-GAAP)*</b>	\$ 0.42	\$ 0.52	\$ 0.98	\$ 1.63	\$ 0.45
<b>Trailing Twelve Months - Net Income from continuing operations available for common stock, as adjusted (Non-GAAP)*</b>	\$ 3.39				\$ 3.58

# Use of Non-GAAP Financial Measures

Earnings Per Share, as adjusted	2013	2014	2015	2016	2017
<b>Net income (loss) available for common stock (GAAP)</b>	<b>\$ 2.64</b>	<b>\$ 2.93</b>	<b>\$ (0.71)</b>	<b>\$ 1.37</b>	<b>\$ 3.21</b>
<b>(Income) loss from discontinued operations (GAAP)</b>	<b>(0.09)</b>	<b>0.04</b>	<b>3.83</b>	<b>1.20</b>	<b>0.31</b>
<b>Net income (loss) available for common stock (excluding discontinued operations)</b>	<b>2.55</b>	<b>2.97</b>	<b>3.12</b>	<b>2.57</b>	<b>3.52</b>
<u>Adjustments (after tax)</u>					
Interest rate swaps - MTM	(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	-	-	-	-
Acquisition / integration costs	-	-	0.15	0.56	0.05
Tax reform and other tax items	-	-	-	-	(0.21)
<b>Total Non-GAAP adjustments</b>	<b>(0.16)</b>	<b>-</b>	<b>0.15</b>	<b>0.56</b>	<b>(0.16)</b>
<b>Net income available for common stock (excluding discontinued operations); as adjusted (Non-GAAP)</b>	<b>\$ 2.39</b>	<b>\$ 2.97</b>	<b>\$ 3.27</b>	<b>\$ 3.13</b>	<b>\$ 3.36</b>



# Use of Non-GAAP Financial Measures

## EBITDA

<i>(in thousands)</i>	For the Three Months Ended June 30,	
	2017	2018
Income from continuing operations	\$ 25,927	\$ 27,167
Depreciation, depletion and amortization	46,825	48,709
Interest expense, net	33,935	34,534
Income tax expense (benefit)	10,652	6,541
Rounding	(1)	—
<b>EBITDA (a Non-GAAP Measure)</b>	<b>117,338</b>	<b>116,951</b>
Less adjustments for unique items:		
Acquisition costs	455	—
<b>EBITDA, as adjusted</b>	<b>\$ 117,793</b>	<b>\$ 116,951</b>

# 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.



**BKH 2018**



To see more ways we're Improving Life with Energy, visit [www.blackhillscorp.com](http://www.blackhillscorp.com).