

A woman in a white hard hat and yellow safety vest is working on a wind turbine tower. She is wearing safety glasses and black gloves. The background shows a blurred view of the tower and the sky. The text "2021 First Quarter Review" is overlaid in large orange letters.

2021 First Quarter Review

May 5, 2021



Forward-Looking Statements

COMPANY INFORMATION

Black Hills Corporation

P.O. Box 1400
Rapid City, SD 57709-1400
NYSE Ticker: **BKH**
www.blackhillscorp.com

Company Contacts

Kimberly F. Nooney
Vice President Corporate
Controller and Treasurer
605-721-2370
kim.nooney@blackhillscorp.com

Jerome E. Nichols
Director of Investor Relations
605-721-1171
jerome.nichols@blackhillscorp.com

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 2021 and 2022 earnings guidance and long-term growth targets. 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 2020 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 and growth targets are 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;
- Our ability to successfully execute our financing plans;
- Our ability to achieve our greenhouse gas emissions intensity reduction goals;
- 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.

2021 First Quarter Review



READY TO SERVE

Delivering Results for Stakeholders

- ✓ Excellent system performance and resilience during Winter Storm Uri
 - Safely and reliably served customer demand during extreme cold
 - Customer-focused investments critical to performance
 - Uri demonstrated critical need for natural gas and reliable generation
- ✓ Legislation enacted preserving customer energy choice in Arkansas, Iowa, Kansas and Wyoming
- ✓ New rates and rider recovery
- ✓ Continued customer growth
- ✓ \$647 million capital plan on track in 2021
- ✓ Strong liquidity supported by short-term financing at favorable terms

Financial Outlook

2021

Reaffirmed EPS guidance of \$3.80 to \$4.00

2022

Reaffirmed EPS guidance of \$3.95 to \$4.15

2023-2025

5% to 7% long-term EPS growth target*

Dividend

5%+ annual growth rate target through 2025

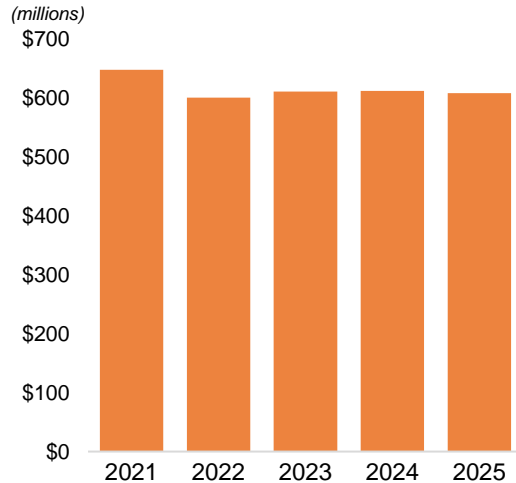
* 2023 to 2025 compound annual growth rate, off 2022 base

Disciplined Growth Plan with Upside



Capital Forecast

\$600+ million annual investment; \$3+ billion 2021-2025



Incremental Projects

- ▲ Electric generation and transmission projects
- ▲ Large natural gas pipeline and storage projects
- ▲ Additional programmatic investment
- ▲ Investments to comply with safety requirements



Other Earnings Drivers

Pursuing Profitable Growth

- ▲ Data center and technology growth
- ▲ Population migration into our territories
- ▲ Innovative solutions, products and technologies, including renewables
- ▲ Cost discipline and focus on continuous improvement

Regulatory Update

- Colorado Gas application requesting new safety and integrity investment rider progressing, with decision anticipated in Q2
- Rate review applications planned for Q2 2021
 - Colorado Gas rate review
 - Kansas Gas rate review and renewal of 5-year safety and integrity investment rider
 - Iowa Gas rate review and request for new safety and integrity investment rider
- Winter Storm Uri cost recovery filings planned for Q2 2021



Electric Resource Planning

Roadmap to Reliable, Cleaner and Cost-Effective Grid of the Future



South Dakota and Wyoming Resource Plan – July 2021

- Initial modeling indicates additional renewable and natural gas generation, transmission, and other resources such as battery storage and upgraded fuel supply
- Modeling responsible solutions to be *Ready to Serve* the needs of all our stakeholders
 - Careful consideration of customer impacts through variety of demand and market pricing forecasts
 - Resilient, modern system through a diverse mix of resources
 - Achieve or exceed stated emissions goals
 - Evaluate Biden Administration’s clean energy plan and potential impacts

Integrated Utility with Strong Growth Outlook

\$3+ billion

Capital Investment 2021-2025

- Incremental projects likely
- Additional growth opportunities

5% to 7%

Long-term EPS growth target¹

5%+

Annual dividend growth target²

50-60% payout target

- Integrated pure-play utility
- Diversified and complementary electric and gas mix
- Stable, growing and constructive service territories
- Strong financial position and liquidity
- Robust capital plan with timely recovery

¹ 2023 to 2025 compound annual growth rate, off 2022 base

² Future dividends subject to board approval

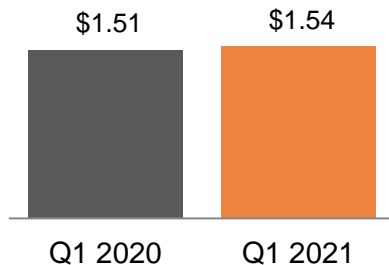
Financial Overview



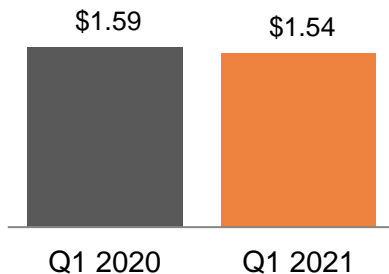
The expertise and dedication of our electric line workers keeps our service among the most reliable in the country.

Q1 2021 Financial Review

EPS available for common stock (GAAP)



EPS, as adjusted (Non-GAAP)*



* EPS, as adjusted is a non-GAAP measure which is reconciled to GAAP in the Appendix

- ▶ Weather benefit of \$0.07 versus normal and \$0.11 versus Q1 2020
- ▶ Winter Storm Uri net impact of (\$0.15), or (\$12.5 million) pretax (see slide 12 for detail)
- ▶ Dilution from higher share count of approximately (\$0.02)

Addressing Winter Storm Uri Impacts

Mitigating Unusual Costs

- Expense and cash management programs immediately implemented
- Planned regulatory actions to mitigate cost impacts
- Opportunities to mitigate regulated cost sharing impact on Q1 margins
- Storm cost recovery commencing in 2021 in some jurisdictions

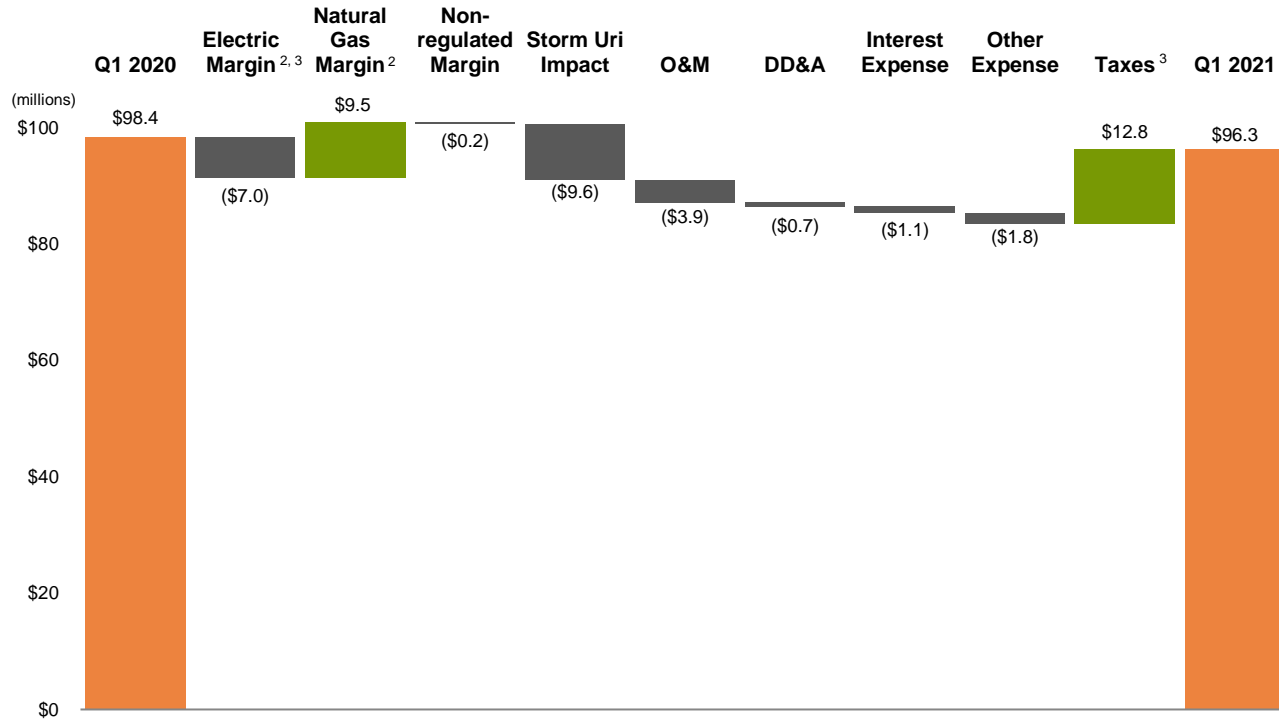
(in millions)

Winter Storm Uri Impacts	Pre-tax Impact	After-tax EPS Impact
Balance Sheet		
Regulatory asset for utility fuel costs	\$558.8	
Income Statement		
Wholesale power margin sharing	\$3.2	
Term loan interest expense	\$0.7	
Power Generation storm benefit	(\$1.7)	
Black Hills Energy Services fuel costs	\$8.2	
Regulated utility fuel costs	\$2.1	
Total income statement impacts*	\$12.5	\$0.15
Total Winter Storm Uri costs	<u>\$571.3</u>	

* Expect opportunities in 2021 to mitigate impacts through cost management and regulatory actions

Q1 2021 Earnings Drivers

Change in Net Income Available for Common Stock, as Adjusted¹



- ▲ New rates and riders
- ▲ Weather
- ▲ Higher tax credits (Corriedale Wind)
- ▼ Winter Storm Uri net impacts
- ▼ Higher employee costs and outside services
- ▼ Higher debt balance

¹ Non-GAAP measure; see Income Statement in Appendix

² Utility positive margin impact of \$6.6 million (\$5.8 million positive impact for gas utilities and \$0.8 million positive impact for electric), net of tax, related to weather

³ In February 2021, Colorado Electric delivered \$7.2 million (after-tax) of TCJA-related bill credits to its customers. These bill credits were offset by a reduction in income tax expense and resulted in a minimal impact to Net Income.

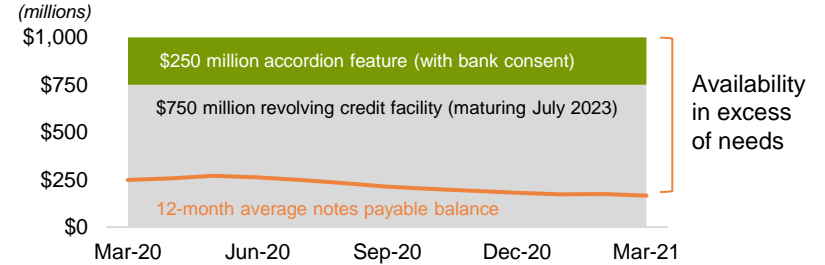
Solid Financial Position

Committed to Strong Investment-Grade Credit Ratings

Credit Ratings

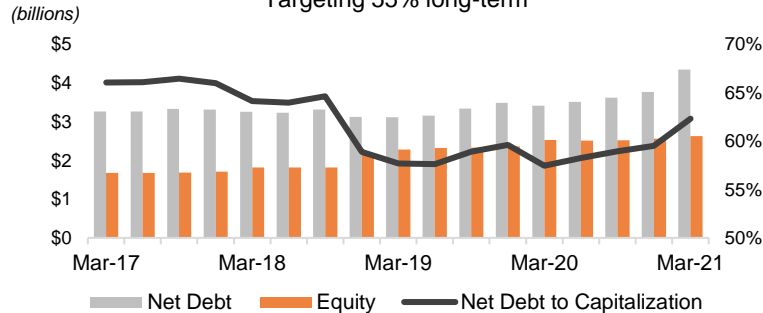
S&P	Moody's	Fitch
BBB+	Baa2	BBB+
Stable outlook	Stable outlook	Stable outlook

Ample Access to Liquidity

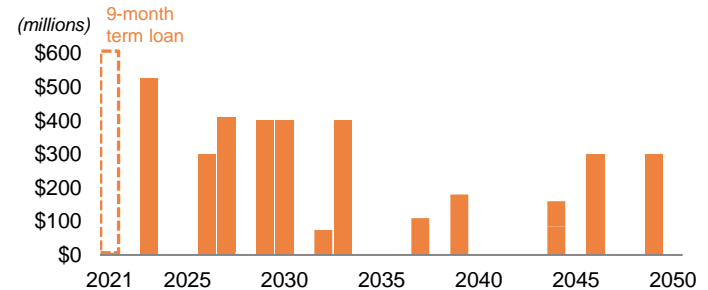


Capital Structure *

Targeting 55% long-term



Manageable Debt Maturities

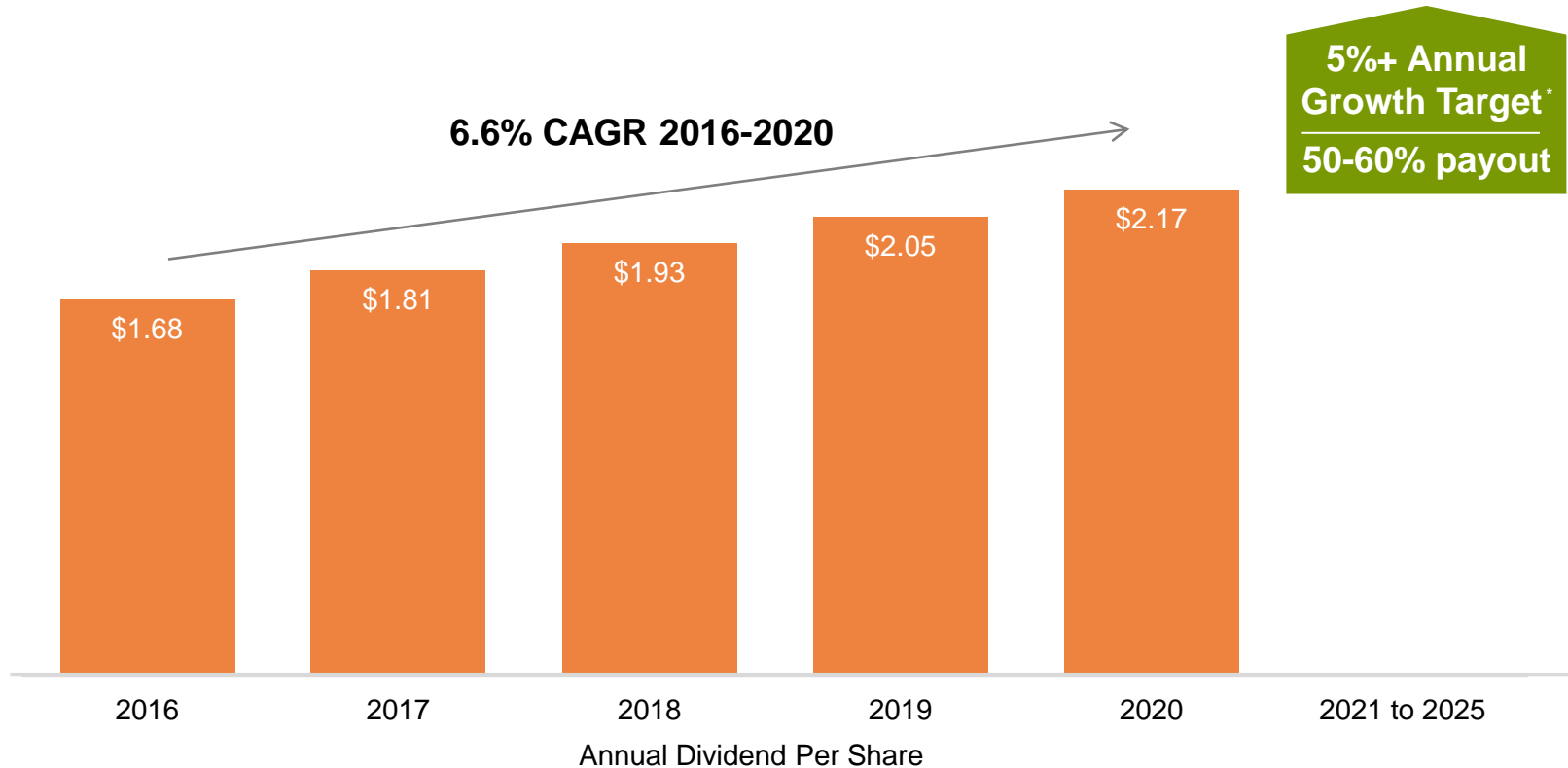


Note: information as of Dec. 31, 2020

* Excludes noncontrolling interest

Strong Dividend Track Record

50 Consecutive Years of Annual Increases and 78 Consecutive Years Paid



* Future dividends subject to board approval

Appendix

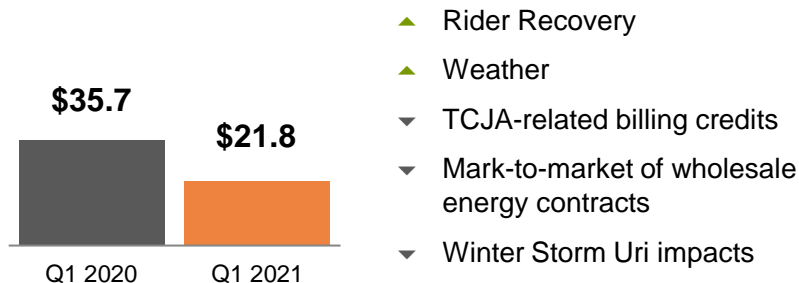


To better serve our customers and improve the safety and reliability of our natural gas system, we are proactively replacing aging natural gas lines.

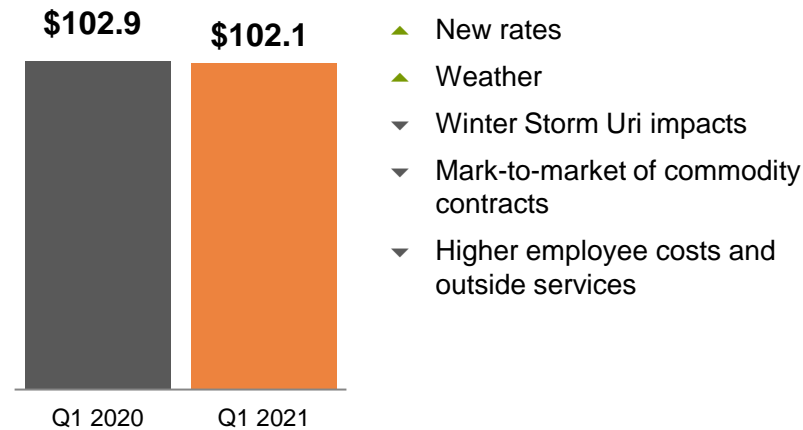
Performance by Segment

(Operating Income in millions)

Electric Utilities



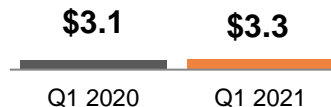
Gas Utilities



Power Generation*



Mining



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

Income Statement

(in millions, except earnings per share)

	First Quarter	
	2020	2021
Revenue	\$ 537.1	\$ 633.4
Gross margin* (non-GAAP)	349.2	340.3
Operations and maintenance expense	(139.6)	(144.7)
Depreciation, depletion and amortization	(56.4)	(57.3)
Operating income	153.2	138.3
Interest expense, net	(35.5)	(37.6)
Impairment of investment	(6.9)	-
Other income (expense), net	2.4	0.3
Income before taxes	113.2	101.0
Income tax (expense)	(16.0)	(0.5)
Net income before non-controlling interest	\$ 97.2	\$ 100.5
Net income attributable to non-controlling interest	(4.1)	(4.2)
Net income available to common stock	\$ 93.2	\$ 96.3
Non-GAAP adjustments	5.3	-
Net income available to common stock, as adjusted *	\$ 98.4	\$ 96.3
EPS - Net income available for common stock	\$ 1.51	\$ 1.54
EPS - Net income available for common stock, as adjusted *	\$ 1.59	\$ 1.54
Diluted shares outstanding	61.9	62.7
EBITDA, as adjusted*	\$ 211.9	\$ 195.9

* Non-GAAP measure; defined and/or reconciled to GAAP on slides 29 and 30

Capital Structure

(\$ in millions)

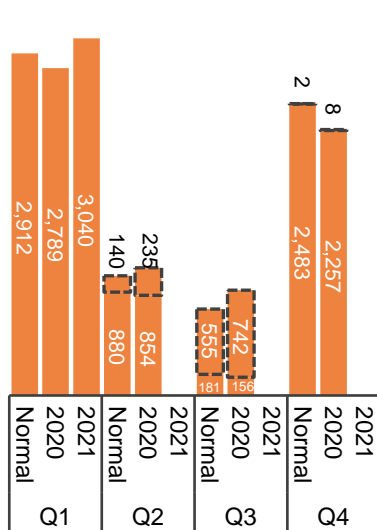
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Capitalization					
Short-term Debt	\$ 325	\$ 4	\$ 94	\$ 243	\$ 823
Long-term Debt	3,137	3,533	3,527	3,528	3,529
Total Debt	3,462	3,537	3,621	3,771	4,352
Equity*	2,523	2,513	2,519	2,561	2,625
Total Capitalization	\$ 5,985	\$ 6,051	\$ 6,140	\$ 6,332	\$ 6,977
Net Debt to Net Capitalization					
Debt	\$ 3,462	\$ 3,537	\$ 3,621	\$ 3,771	\$ 4,352
Cash and Cash Equivalents	(54)	(32)	(7)	(6)	(13)
Net Debt	3,408	3,506	3,614	3,764	4,339
Net Capitalization	\$ 5,931	\$ 6,019	\$ 6,133	\$ 6,326	\$ 6,963
Debt to Capitalization	57.8%	58.5%	59.0%	59.5%	62.4%
Net Debt to Capitalization (Net of Cash)	57.5%	58.2%	58.9%	59.5%	62.3%
Long-term Debt to Total Debt	90.6%	99.9%	97.4%	93.6%	81.1%

* Excludes noncontrolling interest

Utility Weather and Demand

Electric Degree Days

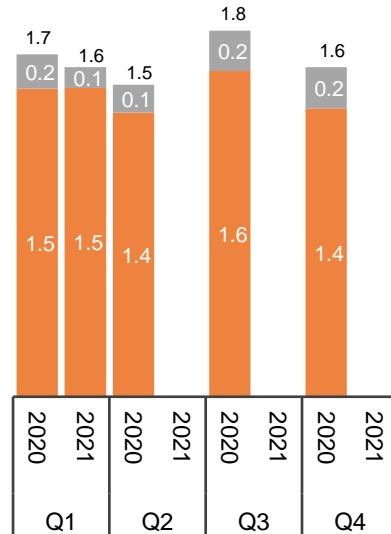
Total for all electric service areas weighted by customer count



Electric Utility Total

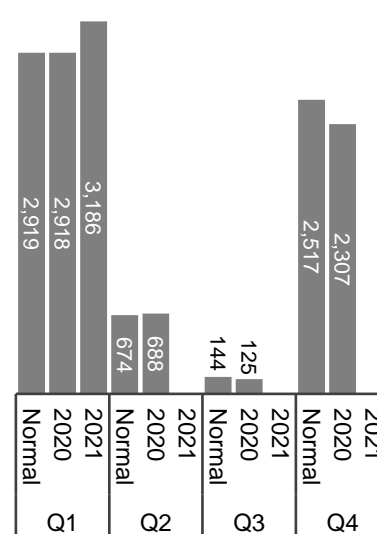
MWh Sales

(in millions)



Gas Degree Days*

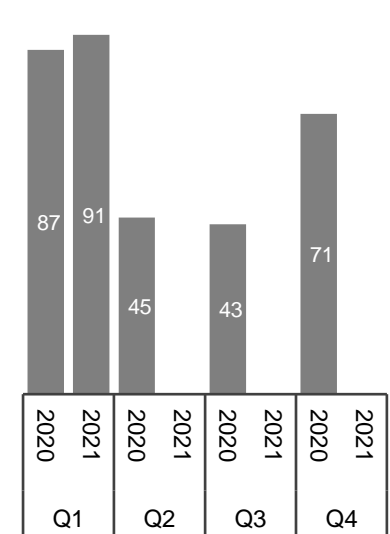
Total for all natural gas service areas weighted by customer count



Gas Utility Total

Dth Sales

(in millions)



█ Electric heating degree days
█ Electric cooling degree days

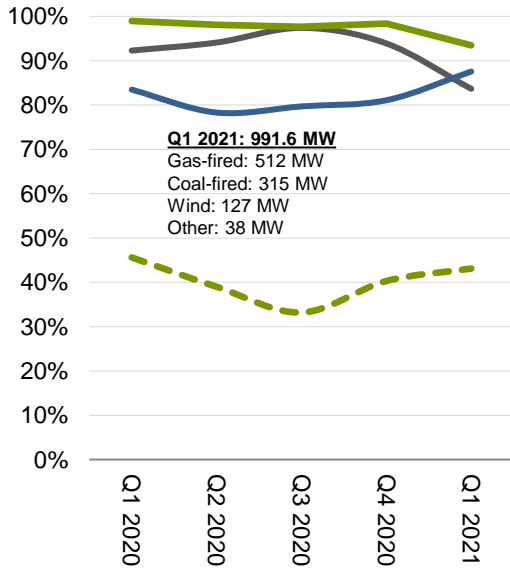
█ Utility customer sales
█ Off-system sales

* 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 2020; current quarter normal based on average of currently available data

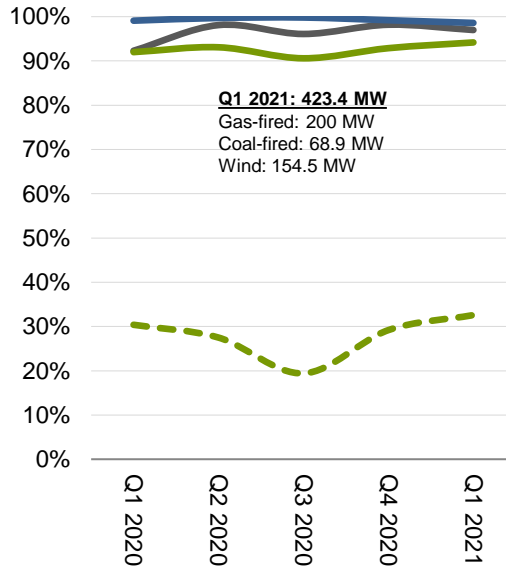
Electric Generation and Mining Performance

Utility-owned Generation Availability

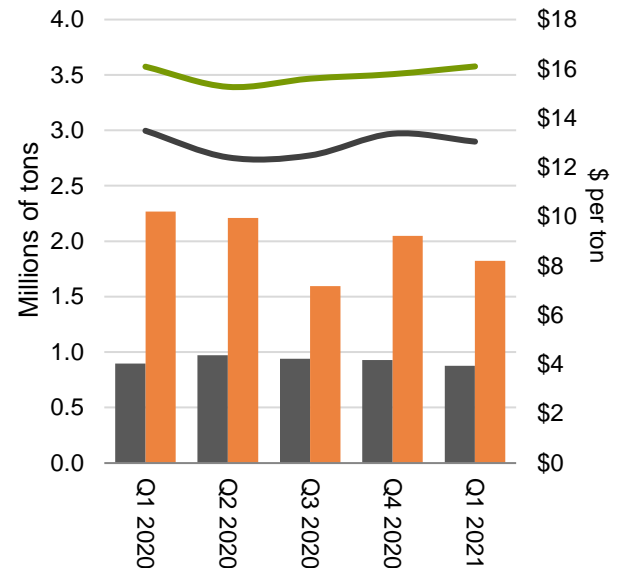


— Gas-fired plants
— Coal and other plants
— Wind generation
- - - Wind capacity factor

IPP Generation Contract Availability



Mining Revenue and Expense per Ton Sold



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

Capital Investment by Segment and Recovery

(in millions)

	2021F	2022F	2023F	2024F	2025F	2021-2025F
Minimal Lag Capital - Electric Utilities ¹	\$37	\$23	\$0	\$0	\$0	\$61
Rider Eligible Capital - Electric Utilities ²	89	51	41	51	35	267
Growth Capital - Electric Utilities ³	30	21	18	23	22	114
Other	83	85	84	82	97	431
Electric Utilities	\$240	\$180	\$143	\$156	\$154	\$872
Minimal Lag Capital - Gas Utilities ¹	106	81	76	105	42	\$410
Rider Eligible Capital - Gas Utilities ²	178	169	164	161	161	833
Growth Capital - Gas Utilities ³	52	55	57	58	58	279
Other	42	43	43	7	65	199
Gas Utilities	\$377	\$347	\$339	\$330	\$326	\$1,720
Total Utilities	\$617	\$528	\$482	\$486	\$480	\$2,593
Power Generation	10	9	6	4	5	34
Mining	9	9	9	9	10	47
Corporate	11	5	13	13	13	54
Total Black Hills Base Forecast	\$647	\$550	\$510	\$512	\$508	\$2,727
▲ Incremental Projects	0	~50	~100	~100	~100	~350
Total Black Hills Forecast	\$647	\$600	\$610	\$612	\$608	\$3,077

Incremental projects being evaluated for timing, cost and other factors

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

² Rider Eligible Capital - capital expenditures recovered through state specific tariffs or FERC formula rates and meets minimal lag capital definition

³ Growth Capital - generates immediate revenue on customer connections

Note: Some totals may differ due to rounding

Regulated Utility Capital Investment by Type

(in millions)

	2021F	2022F	2023F	2024F	2025F	2021-2025F
Safety, Reliability and Integrity ¹	\$175	\$130	\$104	\$113	\$113	\$635
Growth ²	30	21	18	23	22	114
General Plant	34	30	21	19	19	123
Electric Utilities	\$240	\$180	\$143	\$156	\$154	\$872
Safety, Reliability and Integrity ¹	292	259	257	254	253	1,315
Growth ²	52	55	57	58	58	279
General Plant	34	34	26	19	14	126
Gas Utilities	377	347	339	330	326	\$1,720
Total Utilities	\$617	\$528	\$482	\$486	\$480	\$2,593

Incremental projects being evaluated for timing, cost and other factors

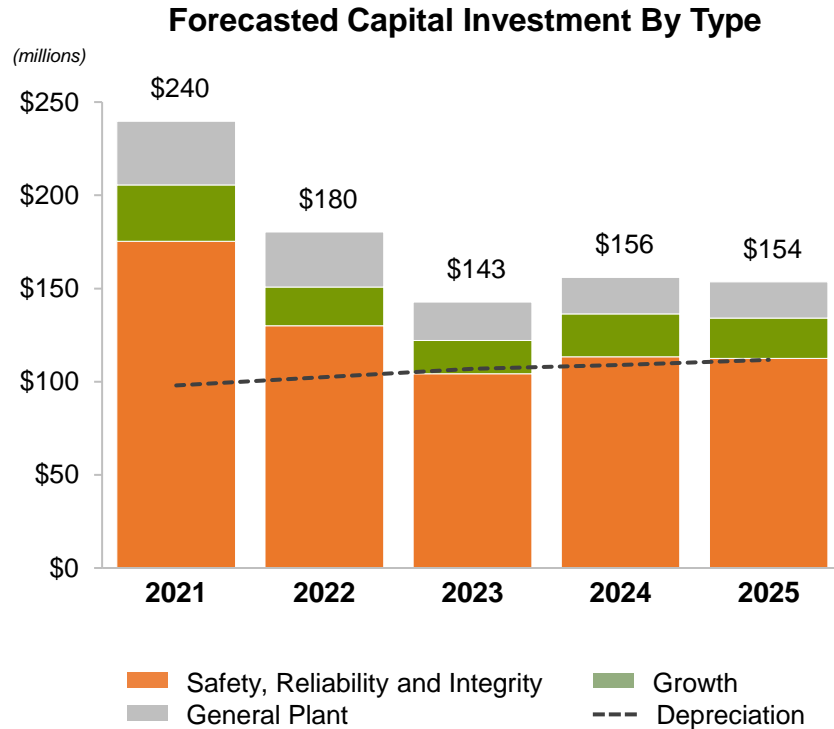
¹ Safety, Reliability and Integrity Capital - capital expenditures related to improving or maintaining system integrity

² Growth Capital - generates immediate revenue on customer connections

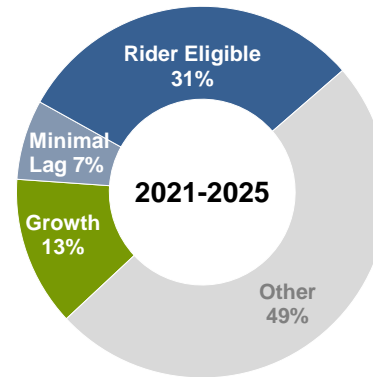
Note: Some totals may differ due to rounding

Electric Utilities Capital Investment

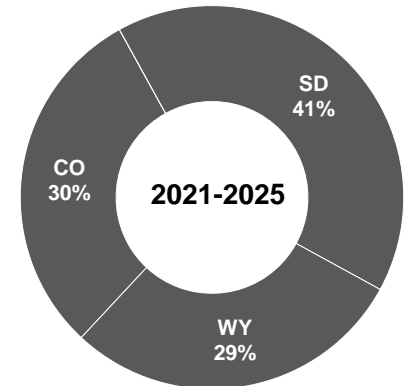
Five-year Forecast of \$0.9+ Billion Focused on Safety, System Integrity and Growth



51% with Timely Recovery*



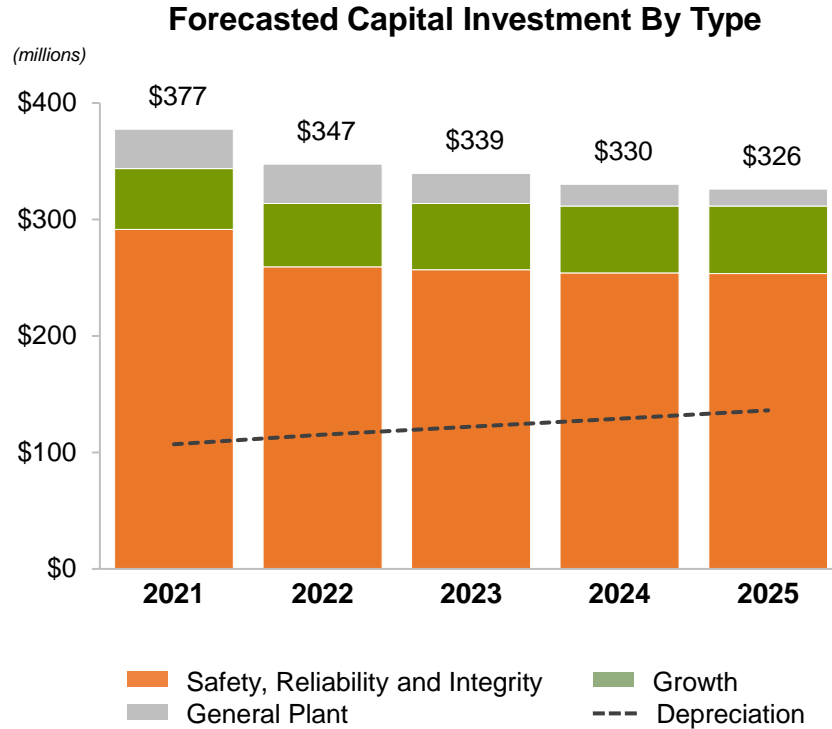
Forecasted Capital by State



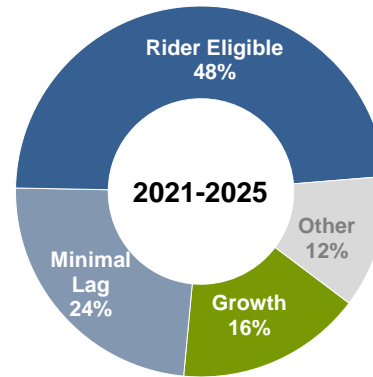
* Growth Capital - generates immediate revenue upon customer connections
 Minimal Lag Capital - capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods
 Rider Eligible Capital - capital expenditures recovered through state specific tariffs or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

Natural Gas Utilities Capital Investment

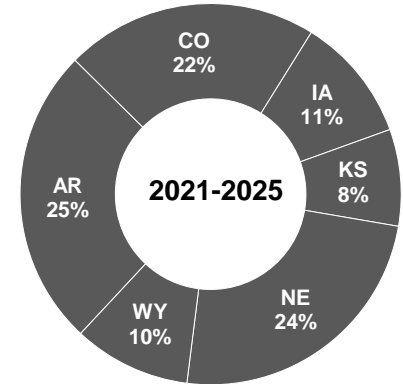
Five-year Forecast of \$1.7+ Billion Focused on Safety, System Integrity and Growth



88% with Timely Recovery*



Forecasted Capital by State



* 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

2021 Earnings Guidance Assumptions

Black Hills reaffirmed its guidance for 2021 EPS available for common stock, to be in the range of \$3.80 to \$4.00, based on the following assumptions:

- Normal weather conditions 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
- No significant unplanned outages at any of our generating facilities
- Production tax credits of \$20 million associated with wind generation assets
- Equity issuance of \$100 million to \$120 million through the at-the-market equity offering program in 2021
- Capital investment of \$647 million in 2021
- No material net impact from COVID-19
- Constructive regulatory outcomes related to recovery of incremental Winter Storm Uri costs

2022 Earnings Guidance Assumptions

Black Hills reaffirmed its guidance for 2022 EPS available for common stock, to be in the range of \$3.95 to \$4.15, based on the following assumptions:

- Normal weather conditions 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
- No significant unplanned outages at any of our generating facilities
- Adjusted contract price for Wygen I power purchase agreement beginning Jan. 1, 2022
- Production tax credits of \$20 million associated with wind generation assets
- Equity issuance of \$100 million to \$120 million in 2021 and \$60 million to \$80 million in 2022 through the at-the-market equity offering program
- Capital investment of \$647 million in 2021 and \$600 million in 2022
- No material net impact from COVID-19
- Constructive regulatory outcomes related to recovery of incremental Winter Storm Uri costs

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.

Non-GAAP Financial Measures

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
EPS available for common stock (GAAP)	\$ 1.51	\$ 0.33	\$ 0.58	\$ 1.23	\$ 1.54
<u>Adjustments (after tax)</u>					
Impairment of investment	0.09	—	—	—	—
Rounding	(0.01)	—	—	—	—
Total adjustments	0.08	—	—	—	—
ESP available for common stock, as adjusted (Non-GAAP)*	\$ 1.59	\$ 0.33	\$ 0.58	\$ 1.23	\$ 1.54

Non-GAAP Financial Measures

	Earnings, as adjusted (in millions)					Earnings Per Share, as adjusted				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Net income (loss) available for common stock (GAAP)	\$ 73.0	\$ 177.0	\$ 258.4	\$ 199.3	\$ 227.6	\$ 1.37	\$ 3.21	\$ 4.66	\$ 3.28	\$ 3.65
Loss from discontinued operations (GAAP)	64.2	17.1	6.9	-	-	1.20	0.31	0.12	-	-
Net income from continuing operations available for common stock (GAAP)	137.1	194.1	265.3	199.3	227.6	2.57	3.52	4.78	3.28	3.65
<u>Adjustments, after tax</u>										
Acquisition / integration costs	29.7	2.8	-	-	-	0.56	0.05	-	-	-
Tax reform and other tax items	-	(11.7)	4.0	-	-	-	(0.21)	0.07	-	-
Legal restructuring - income tax benefit	-	-	(72.8)	-	-	-	-	(1.31)	-	-
Impairment of investment	-	-	-	15.2	5.3	-	-	-	0.25	0.08
Rounding	0.1	0.1	-	-	-	-	-	-	-	-
Total Non-GAAP adjustments	29.8	(8.8)	(68.8)	15.2	5.3	0.56	(0.16)	(1.24)	0.25	0.08
Net income from continuing operations available for common stock, as adjusted (Non-GAAP)	\$ 166.9	\$ 185.3	\$ 196.5	\$ 214.5	\$ 232.9	\$ 3.13	\$ 3.36	\$ 3.54	\$ 3.53	\$ 3.73

Non-GAAP Financial Measures

EBITDA

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2020	2021
Net income	\$ 97,224	\$ 100,487
Depreciation, depletion and amortization	56,402	57,269
Interest expense, net	35,453	37,600
Income tax expense (benefit)	16,002	494
EBITDA	\$ 205,081	\$ 195,850
Adjustments for unique items:		
Impairment of investment	6,859	—
EBITDA, as adjusted	\$ 211,940	\$ 195,850

Strategic Objectives



Profitable Growth

Achieve consistent growth that creates value

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

READY.

Valued Service

Deliver reliable and highly valued products and services

- Invest in infrastructure to maintain safety and reliability of electric and gas systems
- Cost effectively integrate additional renewable resources



Better Every Day

Continuously improve to achieve industry-leading results

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



Great Workplace

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

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

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.



BH
Black Hills Corporation™
Ready