



Forward Focused

# 2017 Second Quarter Earnings

*Aug. 4, 2017*

# Investor Relations Information

## COMPANY INFORMATION

### Black Hills Corporation

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NYSE Ticker: **BKH**  
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## FORWARD LOOKING STATEMENTS

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission, or SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this 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 2017 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 2016 Annual Report on Form 10-K and other reports that we file with the SEC from time to time, and the following:

- The accuracy of our assumptions on which our earnings guidance is based;
- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and favorable rulings in periodic applications to recover costs for capital additions, plant retirements and decommissioning, fuel, transmission, purchased power and other operating costs, and the timing in which new rates would go into effect;
- Our ability to complete our capital program in a cost-effective and timely manner;
- The impact of future governmental regulation and tax reform;
- The impact of the volatility and extent of changes in commodity prices on our earnings and the underlying value of our oil and gas assets, including the possibility that we may be required to take additional impairment charges, including those required under the SEC’s full cost ceiling test for natural gas and oil reserves; and
- Other factors discussed from time to time in our filings with the SEC.

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

# Discussion Agenda

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## Second Quarter Review

**David Emery**

*Chairman and Chief Executive Officer*

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## Financial Update

**Richard Kinzley**

*Senior Vice President and Chief Financial Officer*

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## Strategic Overview

**David Emery**

*Chairman and Chief Executive Officer*

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## Q&A

# 2017 Second Quarter Review



*The Pueblo Airport Generating Station, with its highly efficient, gas turbine generators, provides 420-megawatts of safe, reliable energy for our customers in southern Colorado.*

# 2017 Second Quarter Highlights

## Utilities

- On July 19, Wyoming Electric set new all-time peak load of 249 megawatts surpassing previous peak load of 236 megawatts in July 2016
- On June 23, Colorado Electric issued a request for proposals for additional 60 megawatts of renewable energy resources to be in service by 2019 to meet state's renewable energy requirements; bids due Aug. 4 and plan to present results to Colorado Public Utilities Commission by year-end for approval
- South Dakota Electric entered an agreement with South Dakota Public Utilities Commission staff, which the commission approved on June 16, to stabilize rates for customers through a six-year base rate moratorium effective July 1, 2017, through July 1, 2023
- On May 30, South Dakota Electric completed construction and placed in service the final segment of a 144-mile electric transmission line from northeastern Wyoming to Rapid City, South Dakota

## Oil and Gas

- Year to date, Black Hills sold its interests in 34 gross wells (7.9 net wells) for total proceeds of \$0.5 million; since the beginning of 2016, Black Hills has sold 58 percent of its non-core gross wells and is targeting divestiture of its remaining non-core wells by year-end

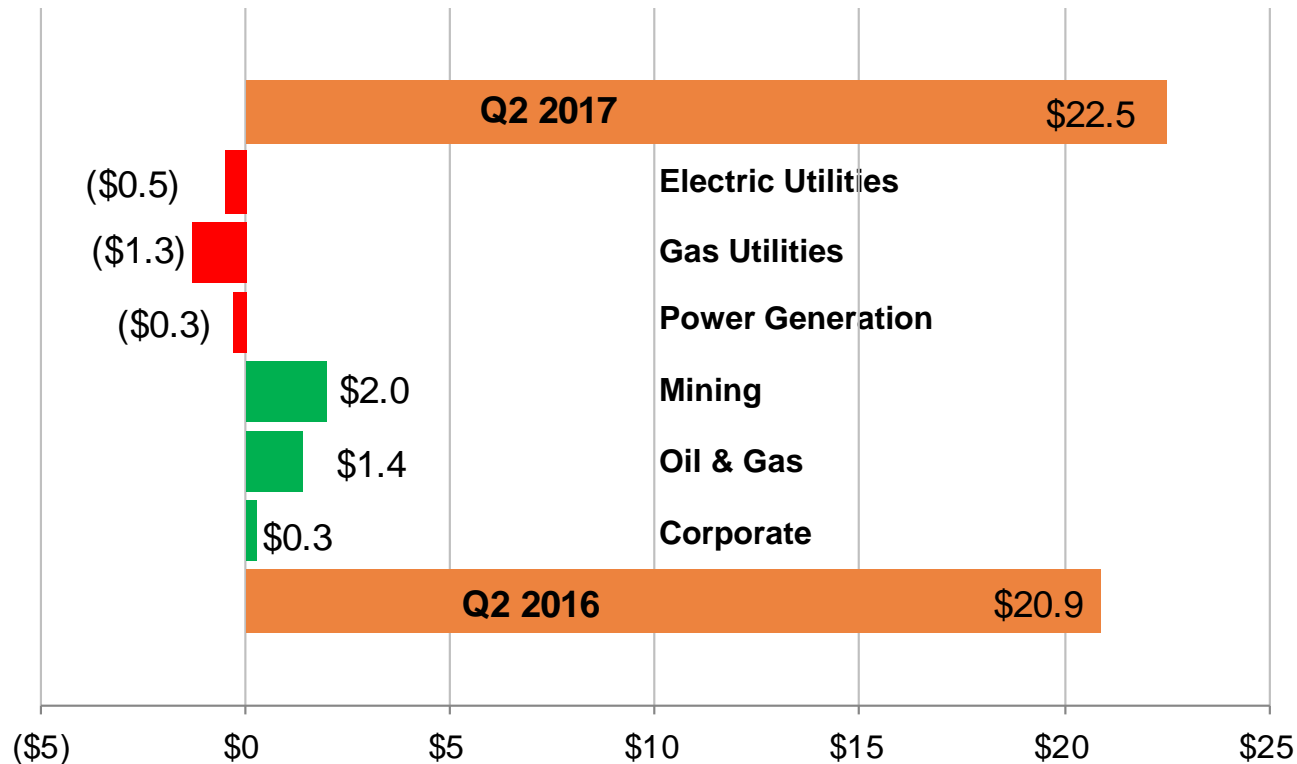
# 2017 Second Quarter Highlights

## Corporate Activities

- Black Hills' universal shelf registration expires Aug. 6 and new shelf registration statement expected to be filed with Securities and Exchange Commission concurrently with second quarter Form 10-Q filing; in conjunction with shelf registration statement, Black Hills intends to renew the At-the-Market equity offering program
- On July 26, Black Hills' board of directors declared quarterly dividend of \$0.445 per share, equivalent to an annual dividend rate of \$1.78 per share
- On July 21, S&P Global Ratings affirmed its credit rating of Black Hills Corp. at BBB with a stable outlook
- Black Hills recently utilized favorable short-term rates on its commercial paper program to repay \$100 million of corporate term loan borrowings due in 2019, with principal payments of \$50 million paid in May and an additional \$50 million paid in July
- On April 1, Robert Myers, senior vice president and chief human resources officer, retired; effective Feb. 1, Jennifer Landis was appointed senior vice president and chief human resources officer

# 2017 Second Quarter Financial Highlights

Change in Net Income Available for Common Stock, as adjusted,\* from Prior Year



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

# 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.*



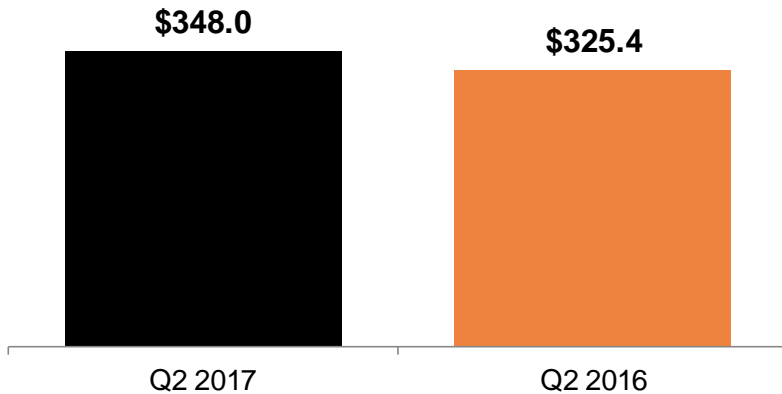
# Earnings Per Share Analysis

	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016
<b>Net Income (loss) available for common stock (GAAP)</b>	<b>\$ 0.40</b>	<b>\$ 1.39</b>	<b>\$ 0.33</b>	<b>\$ 0.26</b>	<b>\$ 0.01</b>
<b><u>Adjustments (pre-tax)</u></b>					
Asset impairments (Oil & Gas)	—	—	1.01	0.23	0.48
Acquisition costs	0.01	0.03	0.15	0.11	0.12
	<b>0.01</b>	<b>0.03</b>	<b>1.16</b>	<b>0.34</b>	<b>0.60</b>
<b><u>Taxes on adjustments</u></b>					
Asset impairments (Oil & Gas)	—	—	(0.37)	(0.08)	(0.18)
Acquisition costs	—	(0.01)	(0.05)	(0.04)	(0.04)
	<b>—</b>	<b>(0.01)</b>	<b>(0.42)</b>	<b>(0.12)</b>	<b>(0.22)</b>
Rounding	—	—	—	—	—
Total adjustments, net of tax	<b>0.01</b>	<b>0.02</b>	<b>0.74</b>	<b>0.22</b>	<b>0.38</b>
<b>Net Income available for common stock, as adjusted* (Non-GAAP)</b>	<b>\$ 0.41</b>	<b>\$ 1.41</b>	<b>\$ 1.07</b>	<b>\$ 0.48</b>	<b>\$ 0.39</b>
<b>Trailing Twelve Months - Net Income, as adjusted</b>	<b>\$ 3.37</b>				<b>\$ 2.97</b>

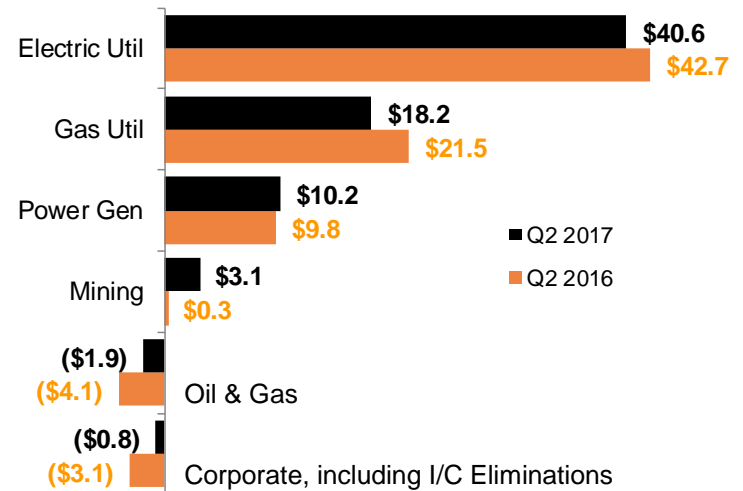
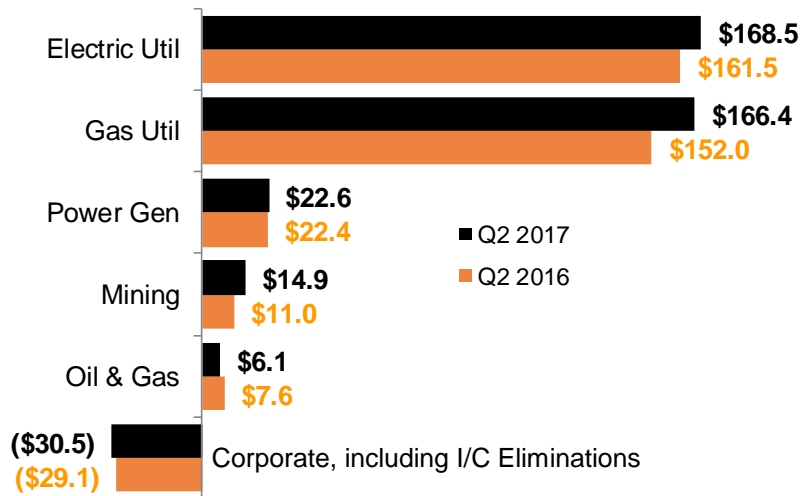
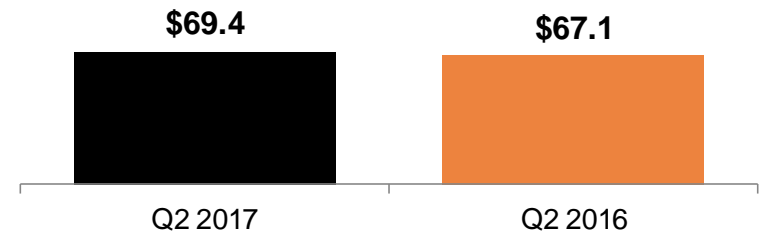
\* Non-GAAP measures; reconciled to GAAP in Appendix

# Revenue/Operating Income

Total Revenue, as adjusted\* (in millions)



Total Operating Income, as adjusted\* (in millions)



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

# Income Statement

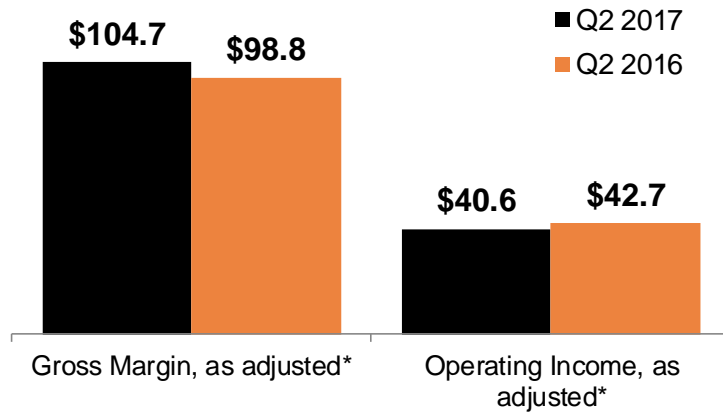
(in millions, except earnings per share)

	2nd Qtr	
	<u>2017</u>	<u>2016</u>
Revenue	\$ 348.0	\$ 325.4
Gross margin	249.8	241.0
Operating expenses	(131.7)	(126.6)
DD&A	(48.7)	(47.3)
Subtotal	69.4	67.1
Asset impairments	-	(25.5)
Acquisition costs	(0.5)	(6.3)
<b>Operating income (loss)</b>	<b>68.9</b>	<b>35.3</b>
Interest expense	(33.9)	(32.6)
Other income	0.7	0.9
Income (loss) before taxes	<b>35.7</b>	<b>3.6</b>
Income taxes	(10.4)	(0.3)
<b>Net income (loss) before non-controlling interest</b>	<b>\$ 25.3</b>	<b>\$ 3.3</b>
<b>Non-controlling interest</b>	<b>(3.1)</b>	<b>(2.6)</b>
<b>Net income (loss) available for common stock</b>	<b>\$ 22.2</b>	<b>\$ 0.7</b>
Non-GAAP adjustments	0.3	20.2
<b>Net income available for common stock, as adjusted *</b>	<b>\$ 22.5</b>	<b>\$ 20.9</b>
EPS - Net income (loss) available for common stock	\$ 0.40	\$ 0.01
<b>EPS - Net income available for common stock, as adjusted *</b>	<b>\$ 0.41</b>	<b>\$ 0.39</b>
Diluted shares outstanding (in thousands)	55.4	53.0
<b>EBITDA, as adjusted*</b>	<b>\$ 118.7</b>	<b>\$ 115.5</b>

\* Non-GAAP measures; defined and/or reconciled to GAAP in Appendix and on slide 9

# Gross Margin/Operating Income

## Electric Utilities (in millions)



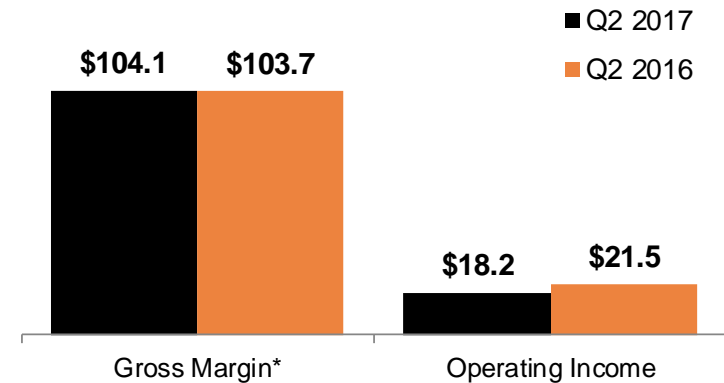
- Peak View Wind Project
- South Dakota Electric transmission project
- Higher industrial MWh sold



- Unfavorable weather
- Higher O&M due to new generation assets
- Higher depreciation from larger asset base
- Higher property taxes

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

## Gas Utilities (in millions)



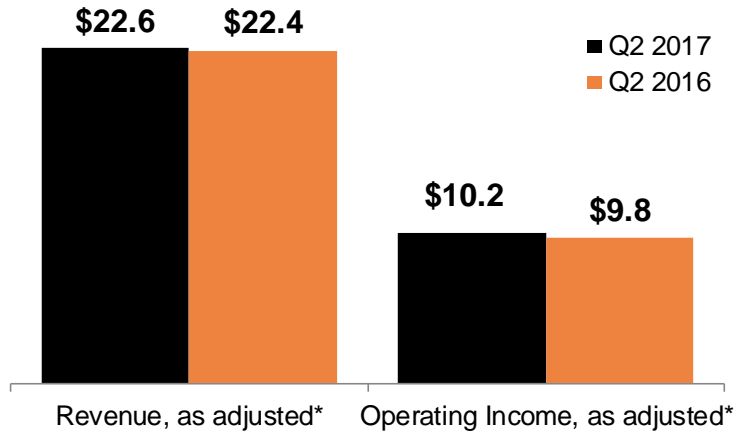
- Slightly higher heating degree days



- Higher total O&M
- Higher depreciation from larger asset base

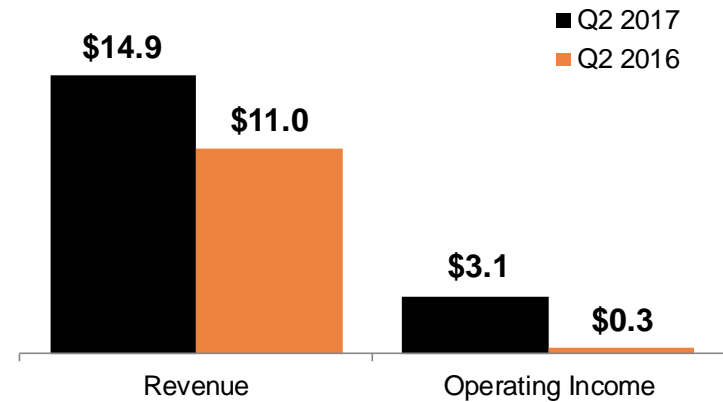
# Revenue/Operating Income

## Power Generation (in millions)\*\*



- Higher contract pricing

## Mining (in millions)



- Higher tons sold due to prior year plant outages



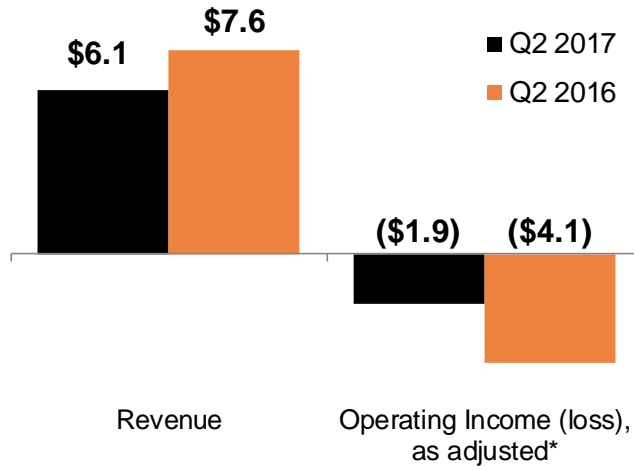
- Lower price per ton due to lower mining costs
- Higher production taxes due to higher tons sold

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

\*\* 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

# Revenue/Operating Income

## Oil & Gas (in millions)



- Higher natural gas and NGL average prices received
- Lower employee costs
- Lower production and ad valorem taxes
- Lower depletion due to prior non-cash impairments



- Lower crude oil, natural gas and NGL production volumes sold

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

# Capital Structure

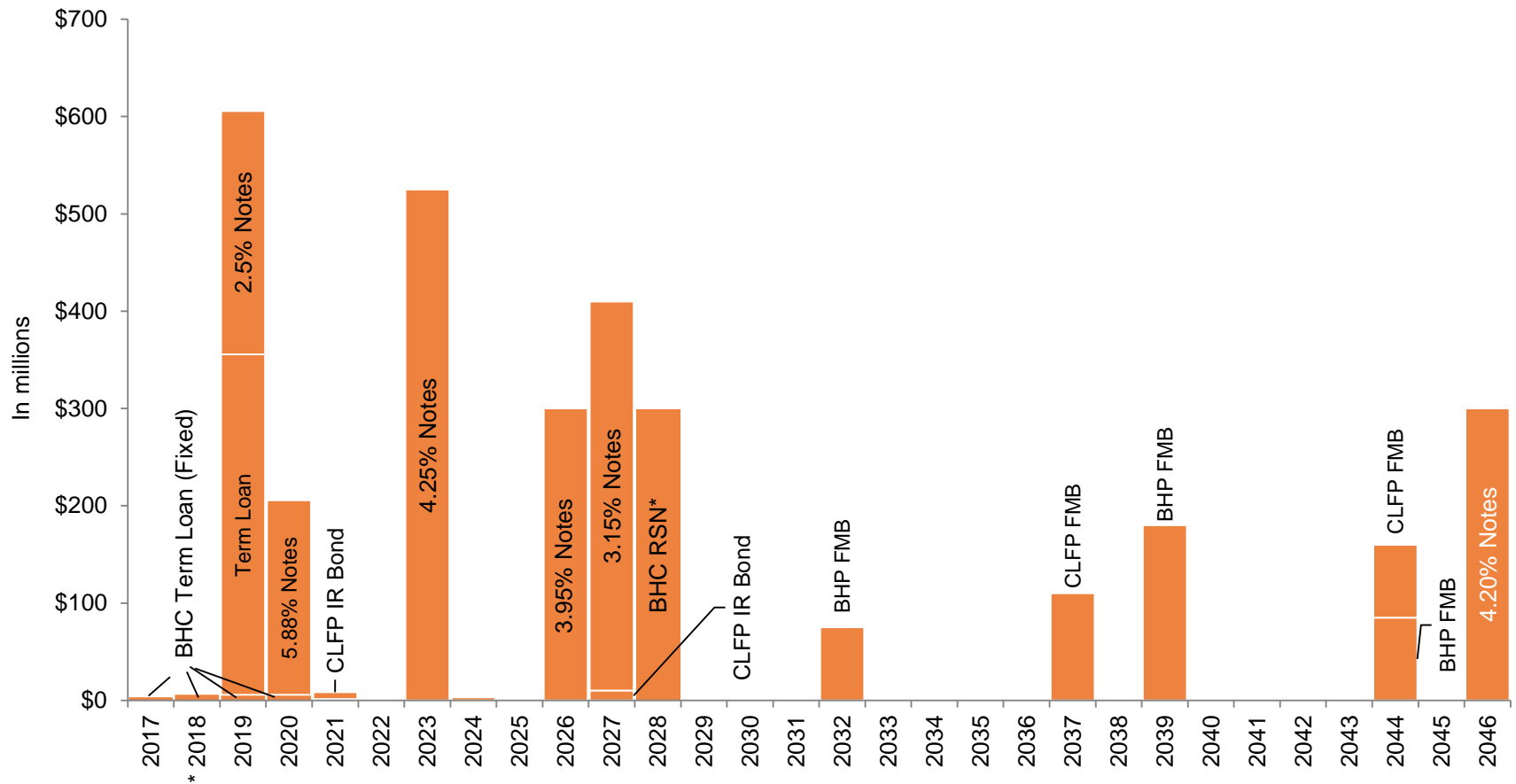
(In millions, except for ratios)

	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016
<b>Capitalization</b>					
Short-term Debt	\$ 114	\$ 57	\$ 102	\$ 81	\$ 1,006
Long-term Debt	3,160	3,211	3,211	3,212	2,221
Total Debt	3,274	3,267	3,314	3,293	3,227
Equity*	1,676	1,674	1,615	1,605	1,562
Total Capitalization	\$ 4,950	\$ 4,942	\$ 4,928	\$ 4,897	\$ 4,790
<b>Net Debt to Net Capitalization</b>					
Debt	\$ 3,274	\$ 3,267	\$ 3,314	\$ 3,293	\$ 3,227
Cash and Cash Equivalents	(12)	(11)	(14)	(63)	(62)
Net Debt	3,262	3,256	3,300	3,230	3,165
Net Capitalization	\$ 4,939	\$ 4,930	\$ 4,915	\$ 4,834	\$ 4,728
<b>Debt to Capitalization</b>	66.1%	66.1%	67.2%	67.2%	67.4%
<b>Net Debt to Capitalization (Net of Cash)</b>	66.1%	66.0%	67.1%	66.8%	67.0%
<b>Long-term Debt to Total Debt</b>	96.5%	98.3%	96.9%	97.5%	68.8%

\* Excludes noncontrolling interest

# Long-Term Debt Maturities

\$3.2 Billion Total



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



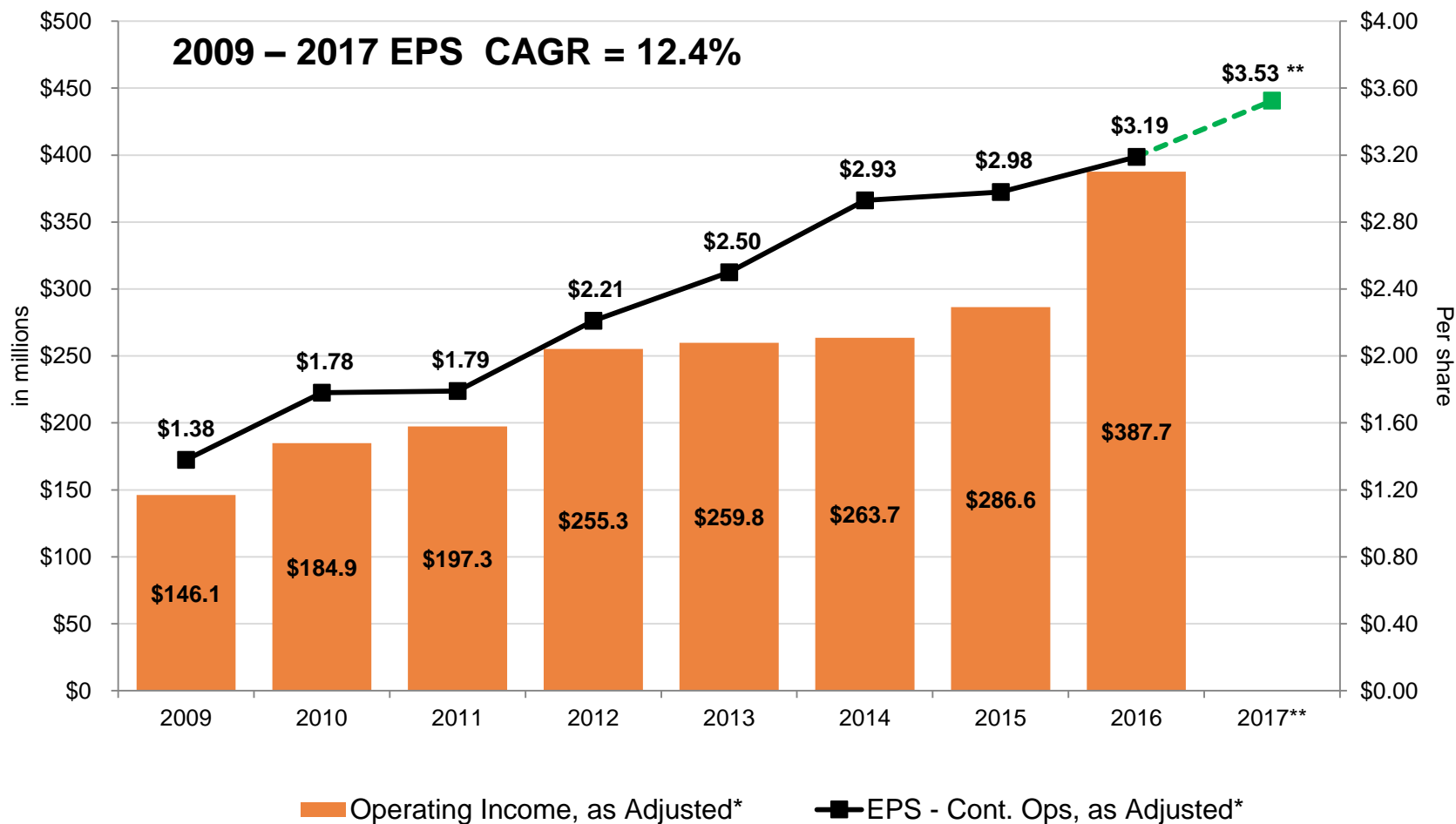
# Credit Rating

- Fitch Ratings on March 29, 2017, affirmed its credit rating of Black Hills Corp. at BBB+ with a stable outlook
- Moody's Investor Service on Dec. 9, 2016, changed its corporate credit ratings of Black Hills Corp. to Baa2 with a stable outlook
- S&P Global Ratings on July 21, 2017, affirmed its corporate credit ratings of Black Hills Corp. at BBB and maintained its 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>

# Creating Shareholder Value through Growth

## Operating Income and EPS, as Adjusted



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

\*\* Midpoint of earnings guidance range of \$3.45 - \$3.60 for 2017

# 2017 Earnings Guidance Updated\*

Black Hills narrowed its guidance for 2017 earnings, as adjusted, to \$3.45 to \$3.60 from \$3.45 to \$3.65 per share due primarily to unfavorable weather in first half of 2017 and additional diluted shares from equity units issued November 2015

The updated guidance range is based on the following assumptions:

- Capital spending of \$350 million;
- Normal operations and weather conditions for second half of 2017;
- No significant unplanned outages at any of our power generation facilities;
- Limited equity financing under our At-the-Market equity offering program and approximately \$3 million from the dividend reinvestment program;
- No significant acquisitions or divestitures; and
- Oil and gas segment loss of \$(0.10) to \$(0.15) per share, excluding potential non-cash asset impairments

\* Earnings, as adjusted is a non-GAAP measure; reconciled to GAAP in Appendix

# Strategic Overview



*Our southern Colorado grid is one of the newest and cleanest in the nation, fueled entirely by natural gas and renewable energy. Our renewable energy portfolio will provide significant benefits to southern Colorado communities and Black Hills customers for years to come.*

# Strategic Objectives

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

## PROFITABLE GROWTH

Achieve consistent growth that creates value.

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

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

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

**BUSINESS DEVELOPMENT:** Grow our core energy businesses through investments in organic business expansions and acquisitions that exceed our established hurdle rates and are accretive to earnings

## VALUED SERVICE

Deliver reliable, highly valued products and services.

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

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

## BETTER EVERY DAY

Continuously improve to achieve industry leading results.

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

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

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

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

## GREAT WORKPLACE

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

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

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

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

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

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

# Earnings Growth Strategy

## Near-Term

- Improve efficiency and manage costs through best practices, standardization and continuous improvement
- Focus capital spending to reduce or eliminate regulatory lag
  - Prioritize safe and reliable service to customers
  - Focus on prudent utility investments that generate timely and fair returns

## Long-Term

- Invest for safe and reliable service to customers
- Aggressively pursue additional utility growth opportunities
  - Power generation and electric transmission
  - Gas pipelines, gas storage, propane and diesel to natural gas conversions
  - New customer connections
- When appropriate, file rate review requests to ensure fair investment returns
- Continue to pursue additional small and large utility acquisitions

# Capital Investment by Segment

(in millions)	2012	2013	2014	2015	2016	2017F	2018F	2019F
Minimal Lag Capital - Electric Utilities*					166	32	41	70
Growth Capital - Electric Utilities**					24	21	17	22
Other					69	74	71	99
<b>Electric Utilities</b>	<b>167</b>	<b>222</b>	<b>171</b>	<b>172</b>	<b>259</b>	<b>126</b>	<b>128</b>	<b>192</b>
Minimal Lag Capital - Gas Utilities*					43	71	76	164
Growth Capital - Gas Utilities**					65	46	43	67
Other					67	68	94	29
<b>Gas Utilities</b>	<b>46</b>	<b>63</b>	<b>93</b>	<b>100</b>	<b>174</b>	<b>185</b>	<b>213</b>	<b>260</b>
<b>Total Utilities</b>	<b>213</b>	<b>285</b>	<b>264</b>	<b>272</b>	<b>433</b>	<b>311</b>	<b>341</b>	<b>452</b>
Power Generation	6	14	3	3	5	2	3	8
Mining	13	6	7	6	6	7	7	8
Oil and Gas	108	65	109	169	7	20	1	0
Corporate	7	10	9	10	17	10	12	10
<b>Total</b>	<b>\$347</b>	<b>\$379</b>	<b>\$391</b>	<b>\$459</b>	<b>\$467</b>	<b>\$350</b>	<b>\$364</b>	<b>\$478</b>

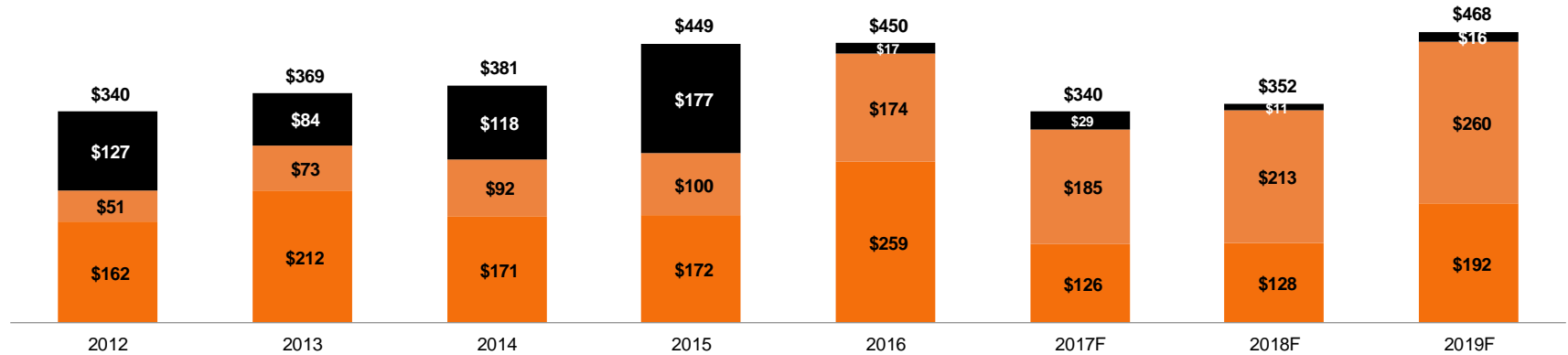
\* Minimal Lag Capital – capital expenditures with regulatory lag of less than one year

\*\* Growth Capital - generates immediate revenue on customer connections

Note: Minor differences due to rounding

# Capital Expenditures

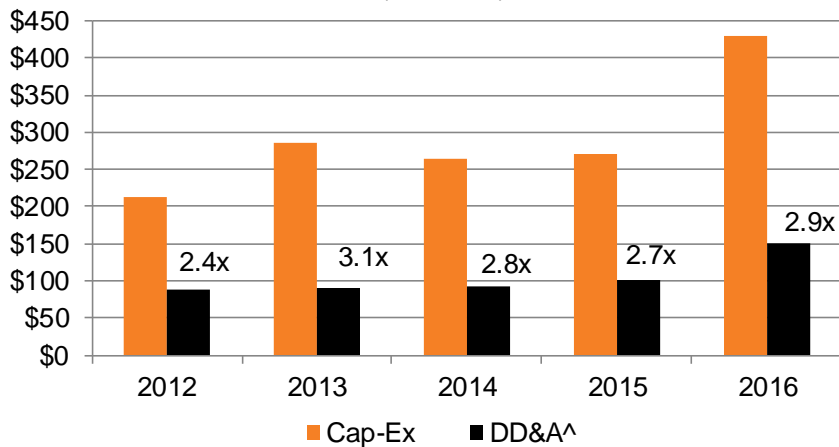
Historical and Forecasted Capital Expenditures  
(in millions)\*



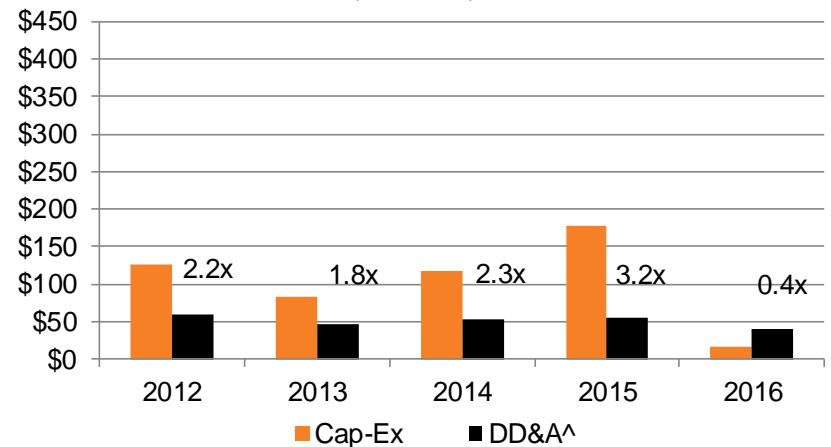
\* Excludes Corporate and discontinued ops

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

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



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



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



# Regulatory Update

## Colorado Electric - Rate Case Review

- On June 9, the Colorado Public Utilities Commission denied Colorado Electric's request for rehearing, rearguing, and reconsideration of its decision to increase annual revenues by \$1.2 million for 40-megawatt natural gas-fired turbine
  - The \$1.2 million revenue increase is in addition to \$5.9 million ongoing annual revenue previously approved through the construction financing rider
- On July 10, Colorado Electric filed appeal with Denver District Court
  - Briefing schedule runs through November 2017

## South Dakota Electric – Settlement Update

- South Dakota Electric entered an agreement with the South Dakota Public Utilities Commission staff, which the commission approved on June 16, to stabilize rates for customers through a six-year base rate moratorium effective July 1, 2017, through July 1, 2023

# Colorado Electric Resource Plan

- On June 3, 2016, filed electric resource plan with commission to meet Colorado Renewable Energy Standard requirements
  - 20 percent of retail sales requirement increases to 30 percent by 2020
- Entered settlement agreement specifying the addition of approximately 60 megawatts of renewable energy resources to be in service by 2019
  - Settlement also provides for additional small solar and community solar gardens as part of compliance plan
- On Jan. 17, Colorado administrative law judge issued order approving settlement agreement effective Feb. 6
- On June 23, issued request for proposals with bids due Aug. 4
- Plan to present results to Colorado Public Utilities Commission by year-end for approval

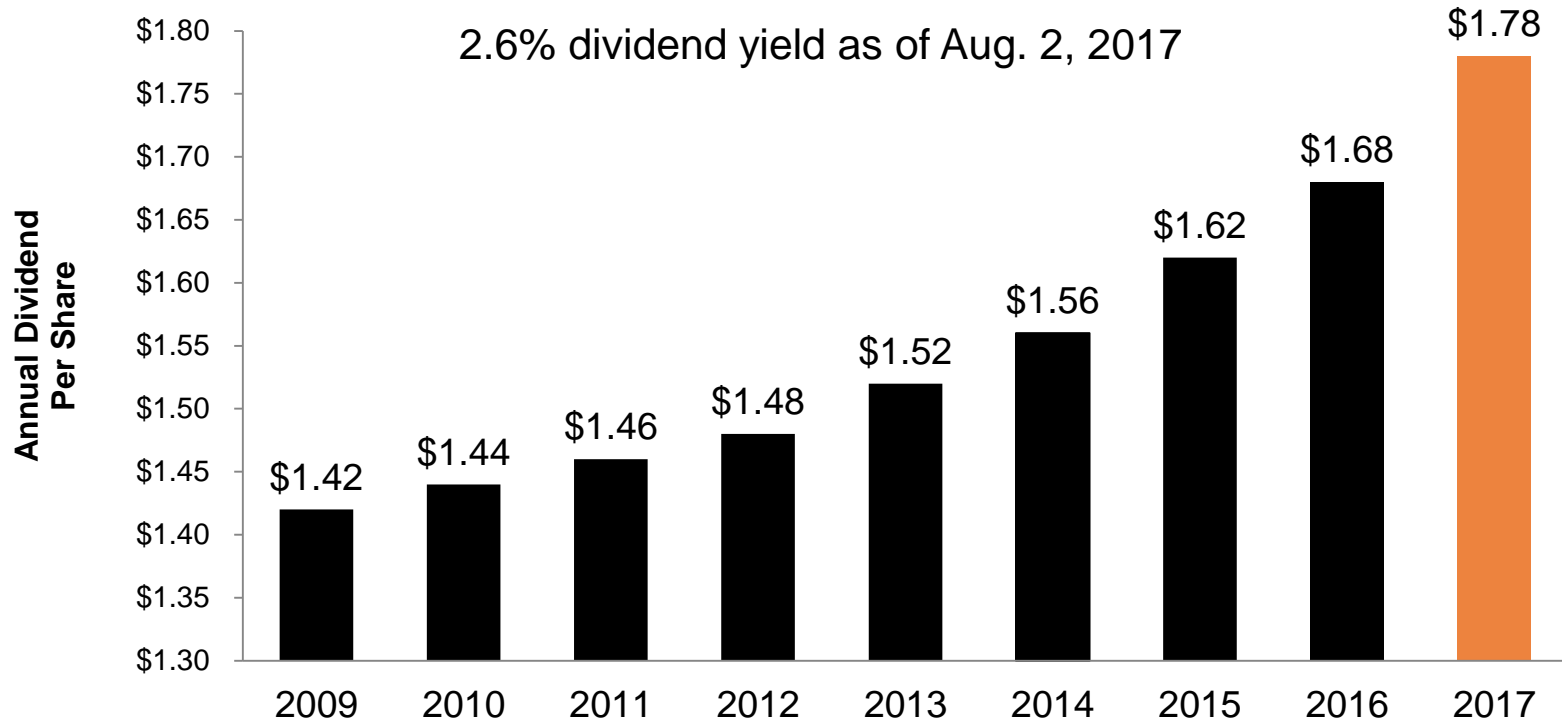
# Utility Growth Opportunity - COSG

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

- Sustained low natural gas price environment has increased difficulty of obtaining regulatory approvals
- Evaluating options on how best to proceed; likely will not file for approval of cost of service gas program prior to year-end

# Dividend Growth

Dividend Increased for 47 Consecutive Years

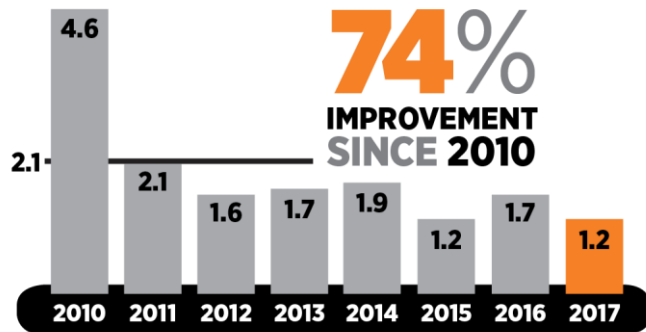


\* Board of Directors on July 26 declared quarterly dividend of \$0.445 per share, equivalent to an annual rate of \$1.78 per share

# Operational Excellence

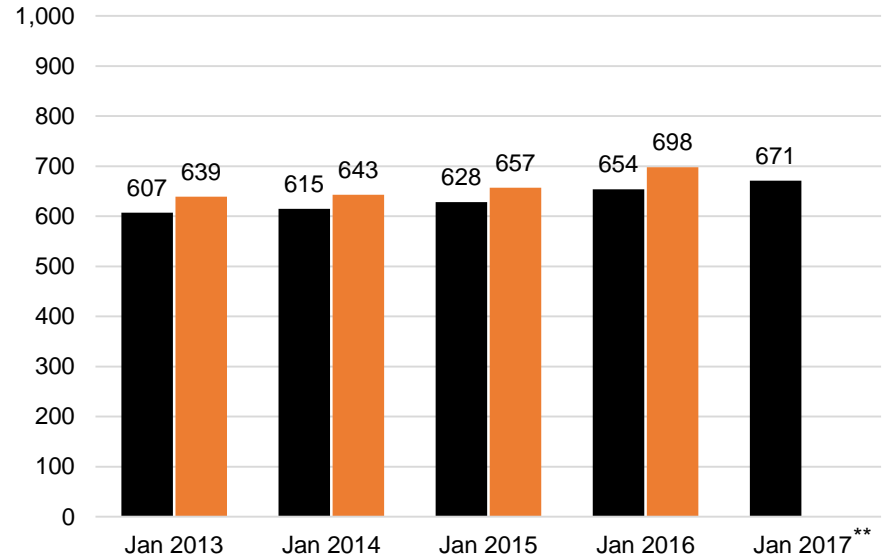
## Safety Performance

### Total Case Incident Rate



2017 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.

## Overall Customer Satisfaction Index\*



■ JD Power Electric Residential ■ JD Power Gas Residential

\* Trailing 12 month period

\*\* Gas Residential customer scores for 2017 will be available in September

## Governor's Safety Award – Wyodak Mine

For the seventh straight year, our Wyodak Mine has operated with a perfect safety record of no lost-time accidents, an industry achievement recognized by the Wyoming mine inspector.

And, for the fourth consecutive year, our Wyodak Mine employees have been awarded the Governor's Workplace Safety Award, presented last month by Wyoming Gov. Matt Mead at the annual Wyoming Safety & Workforce Summit in Cheyenne.



# 2017 Scorecard



## Strategy

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

## 2017 Future Initiatives and Progress

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

### Legend

- Completed
- Planned in 2017

**BKH**  
**LISTED**  
**NYSE**

# **BKH** Analyst Day

**Black Hills will be hosting an analyst day.**

**October 5, 2017**

2:00 p.m. – 6:30 p.m. EDT

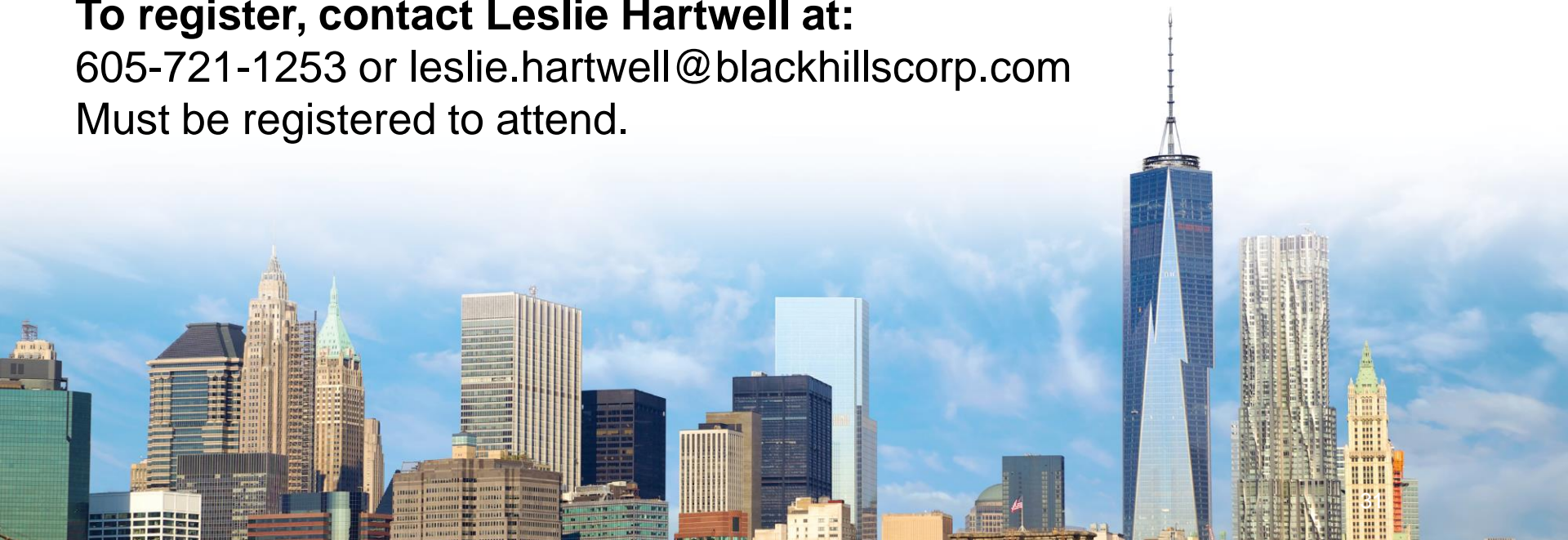
Warwick New York Hotel

New York City, NY

**To register, contact Leslie Hartwell at:**

605-721-1253 or [leslie.hartwell@blackhillscorp.com](mailto:leslie.hartwell@blackhillscorp.com)

Must be registered to attend.



# Questions



*The Cheyenne Prairie Generating Station, looking east at sunrise. The facility is owned by two Black Hills Corporation entities and serves customers in Wyoming and South Dakota.*



# Appendix



*Dennis Rohrbaugh, operations manager stands proudly next to the Northeast Nebraska Line project. The line spans more than 50 miles to connect Bancroft and Norfolk and creates a reliable supply of natural gas for northeastern Nebraska.*

# Appendix - Table of Contents

Overview Map

Utilities

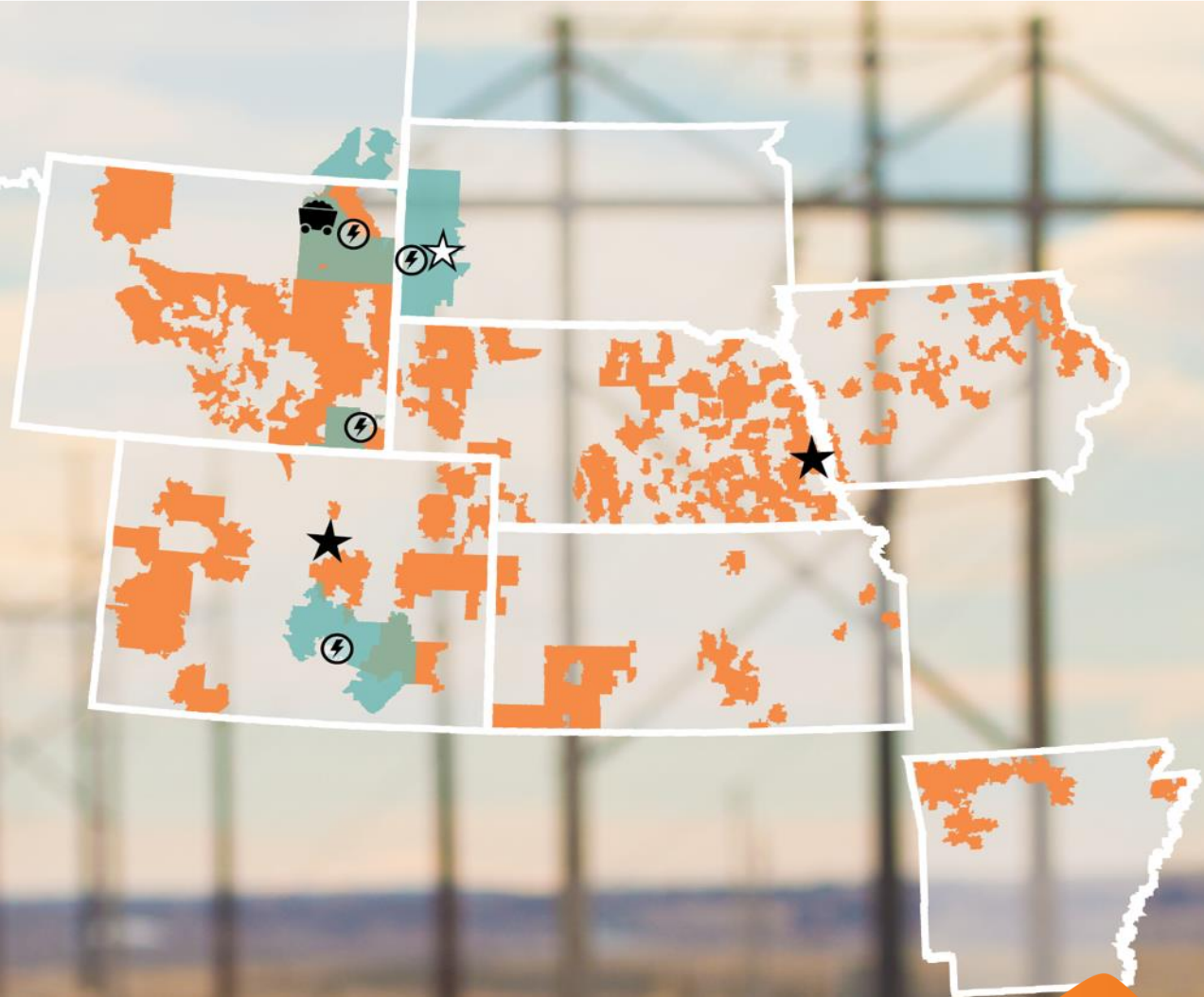
Power Generation and Mining

Non-GAAP slides

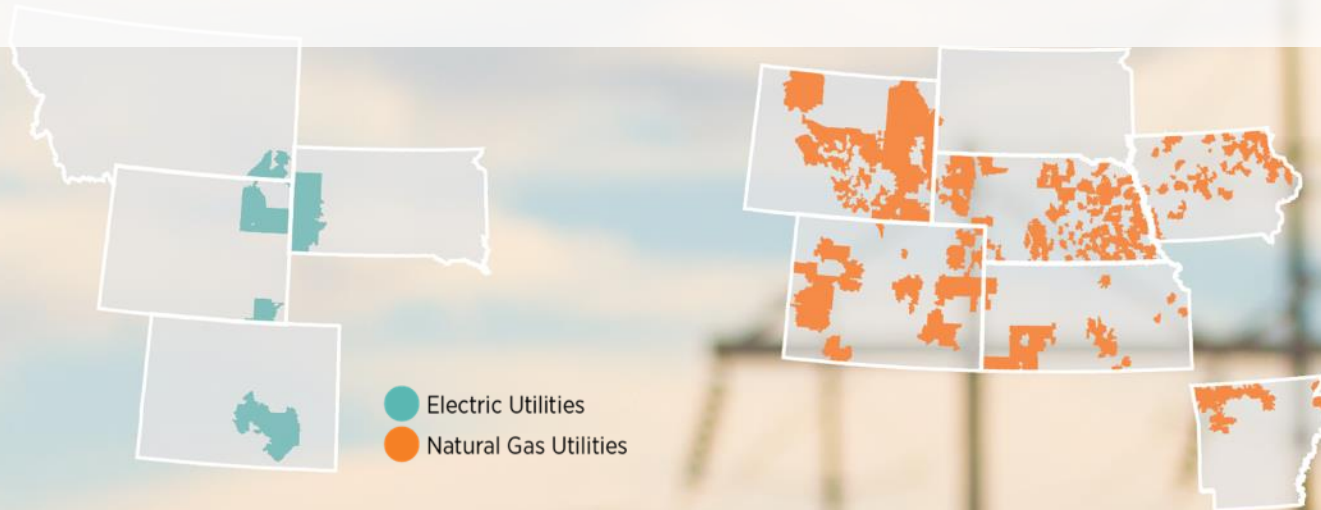
# Overview

We are 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 **1.2 million electric and natural gas utility customers in nearly 800 communities** in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. The company generates wholesale electricity and produces natural gas, crude oil and coal. Employees partner to produce results that improve our customers' lives with energy.

- Electric Utilities
- Natural Gas Utilities
- Power Generation
- Coal Mine
- Company Headquarters
- Corporate Office



# Electric and Gas Utilities



## Electric Utilities\*

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

## Natural Gas Utilities\*

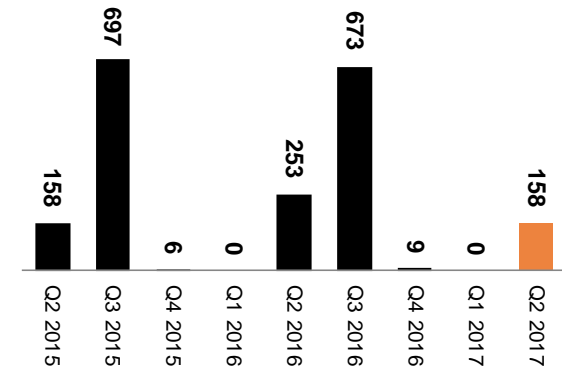
- Operates seven natural gas utilities doing business as Black Hills Energy in AR, CO, IA, KS, NE and WY
- Distributes natural gas to approximately 1,030,800 customers
- Includes 4,585 miles of intrastate gas transmission pipelines and 40,044 miles of gas distribution mains and service lines
- Operates seven storage facilities in AR, CO and WY with 17.4 Bcf of underground gas storage working capacity
- Provides contract appliance repair service to approximately 61,000 customers through Service Guard Program in CO, IA, KS and NE

\* Information from 2016 Form 10-K

# Utilities Update

## Electric Utility Cooling Degree Days

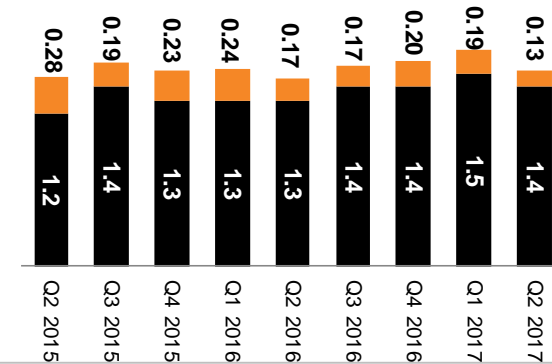
(Total for all electric service areas weighted by customer count)



## Electric Utility Total MWh Sales

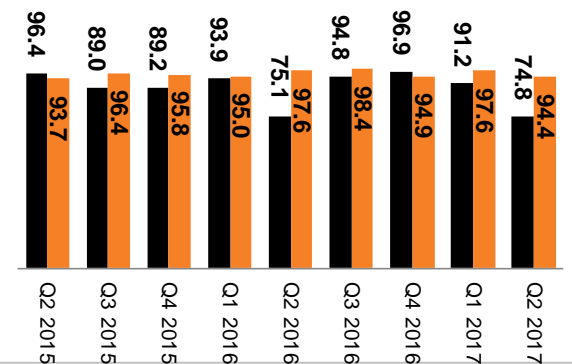
(in millions)

■ Utility Customers  
■ Off-system Sales



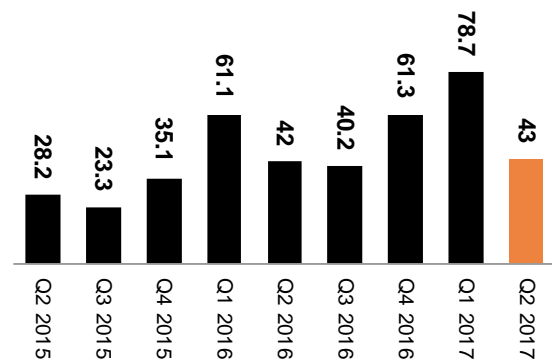
## Electric Utility Generation Availability(%)

■ Coal-fired plants  
■ Other plants



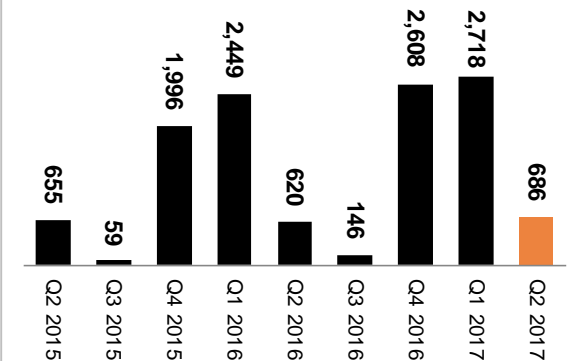
## Gas Utility Total Dth Sales

(in millions)



## Gas Utility Heating Degree Days

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



\* Excludes KS HDD data since state has weather normalization

# Estimated Utility Rate Base

Estimated Rate Base* by Utility Segment (in millions)	2011	2012	2013	2014	2015	2016
Electric Utilities	\$1,007	\$1,272	\$1,248	\$1,487	\$1,515	\$1,570
Gas Utilities	\$443	\$450	\$454	\$489	\$493	\$1,620
<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>

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

# Utility Regulatory Results

Jurisdiction	Utility	Effective Date	Return on Equity	Capital Structure	Authorized Rate Base (in millions)
Arkansas	Arkansas Gas	Feb. 2016	9.40%	52% debt / 48% equity	\$299.4
Colorado	Colorado Electric*	Jan. 2017	9.37%	47.61% debt / 52.39% equity	\$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	March 2014	10.60%	49.23% debt / 50.77% equity	\$90.5
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

Note: Information from last approved rate case in each jurisdiction

\* Results of this rate review are currently being appealed

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

# Optimizing Regulatory Recovery

Electric Utility Jurisdiction	Cost Recovery Mechanisms					
	Environmental Cost	DSM/ Energy Efficiency	Transmission Expense	Fuel Cost	Transmission Cap-Ex	Purchased Power
South Dakota Electric (SD)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
South Dakota Electric (WY)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
South Dakota Electric (MT)						
South Dakota Electric (FERC)					<input checked="" type="checkbox"/>	
Wyoming Electric		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Colorado Electric		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Legend:

- Commission approved cost adjustment
- Pursuing



# Optimizing Regulatory Recovery

Gas Utility Jurisdiction	Cost Recovery Mechanisms							
	DSM/ Energy Efficiency	Integrity Additions	Bad Debt	Weather Normal	Pension Recovery	Fuel Cost	Revenue Decoupling	Fixed Cost Recovery*
Colorado Gas	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		47%
Iowa Gas	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>		70%
Kansas Gas		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		64%
Nebraska Gas		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		55%
Wyoming Gas <sup>1</sup>	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		52%
Arkansas Gas	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	39%
Colorado Gas Dist.	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>		36%
Nebraska Gas Dist.		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		80% <sup>3</sup>
Wyoming Gas Dist.						<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	52%
Rocky Mountain Natural Gas <sup>2</sup>	NA	<input checked="" type="checkbox"/>	NA	NA	NA	NA	NA	NA

Legend:

- Commission approved cost adjustment
- Pursuing

\* Residential customers as of last rate base review

1 Refers to Cheyenne Light only

2 Rocky Mountain Natural Gas, an intrastate natural gas pipeline

3 Includes first tier of consumption in block rates

# Other Business Segments



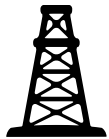
## Power Generation\*

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



## Mining\*

- Coal Mine serves as fuel supply to adjacent mine mouth electric power generation customers
- Includes approximately 52-year supply of low-sulfur Powder River Basin coal reserves at expected production levels
- About 50 percent of production sold under contracts that include price adjustments based on actual mining costs



## Oil and Gas

- Divesting assets not suitable for possible future cost of service gas program
- Evaluating options on how best to proceed with cost of service gas program; likely will not file for approval prior to year-end
- Piceance Mancos shale gas opportunity of approximately 94,000 acres^ offers upside

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

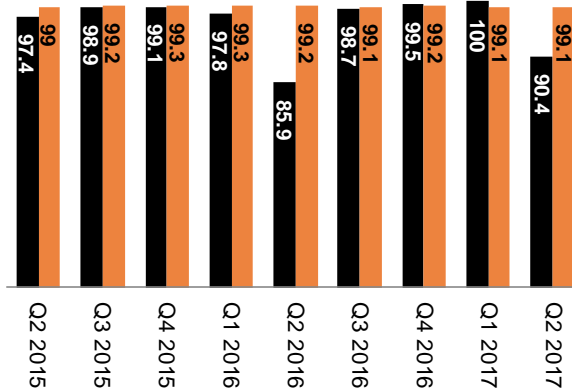
\*\* Black Hills sold a 49.9 percent ownership interest in Colorado IPP on April 14, 2016

^ Oil and Gas acreage as of March 31, 2017

# Power Generation and Mining

## IPP Generation Contract Availability (%)

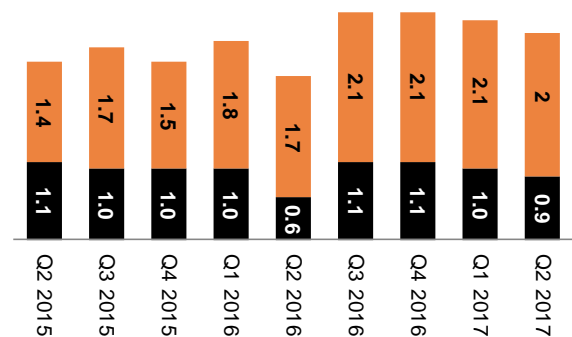
- Coal-fired plants
- Gas-fired plants



## Coal Production

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

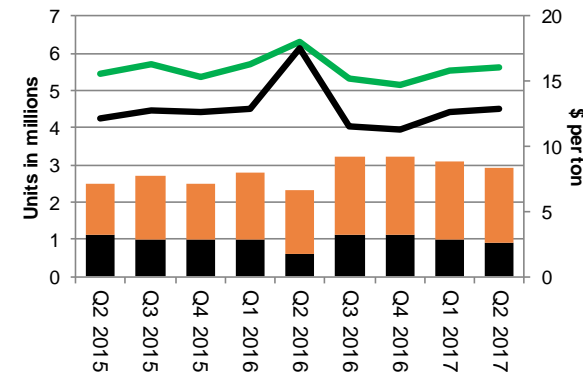
- Coal Production
- Overburden Removed



## Revenue and Expense per Ton Sold

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

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



# Coal Contracts Summary

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

Plant/Owner	Production Tons (millions) 2017	Pricing Methodology	Date Price Reopener or Adjustment	Contract Expires	Contract Quantity
<b>Existing Contracts</b>					
Wyodak Plant (PacifiCorp)	1.5	Fixed with escalators	July 1, 2019	Dec. 2022	All plant usage
Wygen III	0.6	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other South Dakota Electric coal plants	0.8	Cost plus return	Annual True-Up	Life of plant	All plant usage
Wygen I	0.5	Fixed with escalators	July 1, 2018*	Life of plant	All plant usage
Wygen II	0.5	Cost plus return	Annual True-Up	Life of plant	All plant usage
Other sales (truck)	0.1	Fixed		1-3 years	Various
<b>Total</b>	<b>4.2</b>				

\* Adjusts every 5 years

# Use of Non-GAAP Financial Measures

## Gross Margin

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

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

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

## EBITDA and EBITDA, as adjusted

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

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

*Note: continued on next page*

# Use of Non-GAAP Financial Measures

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

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

## Earnings per share, as adjusted

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

## Depreciation, Depletion and Amortization, as adjusted

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

## Limitations on the Use of Non-GAAP Measures

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

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

# Use of Non-GAAP Financial Measures

## Revenue / Gross Margin, as adjusted

(in thousands)

QTD - June 30, 2017

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate - I/C Elim	Total
Revenue	\$ 165,517	\$ 166,439	\$ 1,470	\$ 8,403	\$ 6,149	\$ -	\$ 347,978
Inter-company revenue	2,936	8	20,325	6,543	-	(29,812)	-
Total revenue (GAAP)	168,453	166,447	21,795	14,946	6,149	(29,812)	347,978
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>\$ 6,149</b>	<b>\$ (30,569)</b>	<b>\$ 347,978</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>\$ 6,149</b>	<b>\$ (2,654)</b>	<b>\$ 249,814</b>

QTD - June 30, 2016

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate - I/C Elim	Total
Revenue	\$ 158,560	\$ 153,767	\$ 1,546	\$ 3,922	\$ 7,646	\$ -	\$ 325,441
Inter-company revenue	2,921	(1,806)	20,168	7,125	-	(28,408)	-
Total revenue (GAAP)	161,481	151,961	21,714	11,047	7,646	(28,408)	325,441
Less: - Inter-company capital lease	-	-	666	-	-	(666)	-
<b>Revenue, as adjusted - (Non-GAAP)</b>	<b>\$ 161,481</b>	<b>\$ 151,961</b>	<b>\$ 22,380</b>	<b>\$ 11,047</b>	<b>\$ 7,646</b>	<b>\$ (29,074)</b>	<b>\$ 325,441</b>
Less: Cost of Goods sold	(61,418)	(48,305)	-	-	-	25,234	(84,489)
Less: Inter-company capital lease	(1,300)	-	-	-	-	1,300	-
<b>Gross margin, as adjusted - (Non-GAAP)</b>	<b>\$ 98,763</b>	<b>\$ 103,656</b>	<b>\$ 22,380</b>	<b>\$ 11,047</b>	<b>\$ 7,646</b>	<b>\$ (2,540)</b>	<b>\$ 240,952</b>

# Use of Non-GAAP Financial Measures

## Operating Income, as adjusted

(in thousands, pre-tax)

### QTD - June 30, 2017

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 38,753	\$ 18,217	\$ 12,198	\$ 3,051	\$ (1,902)	\$ (1,451)	\$ 68,866
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>(1,902)</b>	<b>(1,219)</b>	<b>68,866</b>
Significant Unique Items:							
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>\$ (1,902)</b>	<b>\$ (764)</b>	<b>\$ 69,321</b>

### QTD - June 30, 2016

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 40,711	\$ 21,488	\$ 12,013	\$ 312	\$ (29,582)	\$ (9,643)	\$ 35,299
Capital lease adjustment	1,968	—	(2,173)	—	—	205	—
<b>Operating income without capital lease (Non-GAAP)</b>	<b>42,679</b>	<b>21,488</b>	<b>9,840</b>	<b>312</b>	<b>(29,582)</b>	<b>(9,438)</b>	<b>35,299</b>
Significant Unique Items:							
Asset impairment (Oil & Gas)	—	—	—	—	25,497	—	25,497
Acquisition costs	—	—	—	—	—	6,331	6,331
Total adjustments	—	—	—	—	25,497	6,331	31,828
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 42,679</b>	<b>\$ 21,488</b>	<b>\$ 9,840</b>	<b>\$ 312</b>	<b>\$ (4,085)</b>	<b>\$ (3,107)</b>	<b>\$ 67,127</b>



# Use of Non-GAAP Financial Measures

## YTD Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2016

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

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

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 173,153	\$ 162,017	\$ 54,391	\$ 11,358	\$ (118,959)	\$ (59,374)	\$ 222,586
Capital lease adjustment	7,788	—	(9,026)	—	—	1,238	—
Operating income without capital lease (Non-GAAP)	180,941	162,017	45,365	11,358	(118,959)	(58,136)	222,586
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	106,957	—	106,957
Acquisition costs	—	—	—	—	—	43,688	43,688
Total adjustments	—	—	—	—	106,957	43,688	150,645
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 180,941</b>	<b>\$ 162,017</b>	<b>\$ 45,365</b>	<b>\$ 11,358</b>	<b>\$ (12,002)</b>	<b>\$ (14,448)</b>	<b>\$ 373,231</b>

YTD Dec. 31, 2015

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

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

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 168,581	\$ 78,606	\$ 54,321	\$ 13,630	\$ (277,205)	\$ (8,138)	\$ 29,795
Capital lease adjustment	8,395	—	(9,380)	—	—	985	—
Operating income without capital lease (Non-GAAP)	176,976	78,606	44,941	13,630	(277,205)	(7,153)	29,795
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	249,608	—	249,608
Acquisition costs	—	—	—	—	—	3,610	3,610
Total adjustments	—	—	—	—	249,608	3,610	253,218
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 176,976</b>	<b>\$ 78,606</b>	<b>\$ 44,941</b>	<b>\$ 13,630</b>	<b>\$ (27,597)</b>	<b>\$ (3,543)</b>	<b>\$ 283,013</b>

# Use of Non-GAAP Financial Measures

## Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2014

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

YTD Dec. 31, 2013

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

YTD Dec. 31, 2012

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

# Use of Non-GAAP Financial Measures

## Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2011

Operating income (loss) (GAAP)

Total adjustments

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

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

YTD Dec. 31, 2010

Operating income (loss) (GAAP)

Significant unique items:

Sale of Elkhorn

Sale of Wygen III to City of Gillette

Total adjustments

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

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

YTD Dec. 31, 2009

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

23.5% of Wygen I to MEAN

Integration expense (Aquila Transaction)

Total adjustments

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

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

# Use of Non-GAAP Financial Measures

## Net Income Available for Common Stock, as adjusted

(in thousands, after-tax)

QTD - June 30, 2017

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

Capital lease adjustment

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

Significant unique items:

Acquisition costs

Total adjustments

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

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Net income (loss) available for common stock (GAAP)	\$ 18,832	\$ (272)	\$ 5,332	\$ 2,681	\$ (1,946)	\$ (2,432)	\$ 22,195
Capital lease adjustment	1,132	—	(1,279)	—	—	147	—
<b>Net income (loss) available for common stock without capital lease (Non-GAAP)</b>	<b>19,964</b>	<b>(272)</b>	<b>4,053</b>	<b>2,681</b>	<b>(1,946)</b>	<b>(2,285)</b>	<b>22,195</b>
Significant unique items:							
Acquisition costs	—	—	—	—	—	296	296
Total adjustments	—	—	—	—	—	296	296
<b>Net Income (Loss) available for common stock, as adjusted (Non-GAAP)</b>	<b>\$ 19,964</b>	<b>\$ (272)</b>	<b>\$ 4,053</b>	<b>\$ 2,681</b>	<b>\$ (1,946)</b>	<b>\$ (1,989)</b>	<b>\$ 22,491</b>

QTD - June 30, 2016

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

Capital lease adjustment

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

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

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

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Net income (loss) available for common stock (GAAP)	\$ 19,229	\$ 987	\$ 5,683	\$ 724	\$ (19,424)	\$ (6,530)	\$ 669
Capital lease adjustment	1,242	—	(1,371)	—	—	129	—
<b>Net income (loss) available for common stock without capital lease (Non-GAAP)</b>	<b>20,471</b>	<b>987</b>	<b>4,312</b>	<b>724</b>	<b>(19,424)</b>	<b>(6,401)</b>	<b>669</b>
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	16,077	—	16,077
Acquisition costs	—	—	—	—	—	4,115	4,115
Total adjustments	—	—	—	—	16,077	4,115	20,192
<b>Net Income (Loss) available for common stock, as adjusted (Non-GAAP)</b>	<b>\$ 20,471</b>	<b>\$ 987</b>	<b>\$ 4,312</b>	<b>\$ 724</b>	<b>\$ (3,347)</b>	<b>\$ (2,286)</b>	<b>\$ 20,861</b>

# Use of Non-GAAP Financial Measures

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

(in thousands, pre-tax)

### YTD Dec. 31, 2016

	Electric Utilities	Gas Utilities	Total Utilities	Power Generation	Mining	Oil and Gas	Total Non-Reg	Corporate	Total
Depreciation, depletion and amortization (GAAP)	\$ 84,645	\$ 78,335	\$ 162,980	\$ 4,104	\$ 9,346	\$ 13,902	\$ 27,352	\$ (1,289)	\$ 189,043
Capital lease adjustment	(13,072)	-	(13,072)	11,735	-	-	11,735	1,337	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 71,573	\$ 78,335	\$ 149,908	\$ 15,839	\$ 9,346	\$ 13,902	\$ 39,087	\$ 48	\$ 189,043
Capital Expenditures	\$ 258,739	\$ 173,930	\$ 432,669	\$ 4,729	\$ 5,709	\$ 6,669	\$ 17,107	\$ 17,353	\$ 467,129
<b>Cap Ex to Depreciation Ratio</b>			<b>2.9 to 1</b>				<b>0.4 to 1</b>		

### YTD Dec. 31, 2015

	Electric Utilities	Gas Utilities	Total Utilities	Power Generation	Mining	Oil and Gas	Total Non-Reg	Corporate	Total
Depreciation, depletion and amortization (GAAP)	\$ 80,929	\$ 32,326	\$ 113,255	\$ 4,329	\$ 9,806	\$ 29,287	\$ 43,422	\$ (1,307)	\$ 155,370
Capital lease adjustment	(13,071)	-	(13,071)	11,764	-	-	11,764	1,307	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 67,858	\$ 32,326	\$ 100,184	\$ 16,093	\$ 9,806	\$ 29,287	\$ 55,186	\$ -	\$ 155,370
Capital Expenditures	\$ 171,897	\$ 99,674	\$ 271,571	\$ 2,694	\$ 5,767	\$ 168,925	\$ 177,386	\$ 9,864	\$ 458,821
<b>Cap Ex to Depreciation Ratio</b>			<b>2.7 to 1</b>				<b>3.2 to 1</b>		

### YTD Dec. 31, 2014

	Electric Utilities	Gas Utilities	Total Utilities	Power Generation	Mining	Oil and Gas	Total Non-Reg	Corporate	Total
Depreciation, depletion and amortization (GAAP)	\$ 77,011	\$ 28,912	\$ 105,923	\$ 4,540	\$ 10,276	\$ 24,247	\$ 39,063	\$ (241)	\$ 144,745
Capital lease adjustment	(13,072)	-	(13,072)	12,831	-	-	12,831	241	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 63,939	\$ 28,912	\$ 92,851	\$ 17,371	\$ 10,276	\$ 24,247	\$ 51,894	\$ -	\$ 144,745
Capital Expenditures	\$ 171,475	\$ 92,252	\$ 263,727	\$ 2,379	\$ 6,676	\$ 109,439	\$ 118,494	\$ 9,046	\$ 391,267
<b>Cap Ex to Depreciation Ratio</b>			<b>2.8 to 1</b>				<b>2.3 to 1</b>		

### YTD Dec. 31, 2013

	Electric Utilities	Gas Utilities	Total Utilities	Power Generation	Mining	Oil and Gas	Total Non-Reg	Corporate	Total
Depreciation, depletion and amortization (GAAP)	\$ 75,355	\$ 28,730	\$ 104,085	\$ 5,090	\$ 11,523	\$ 17,876	\$ 34,489	\$ (1,250)	\$ 137,324
Capital lease adjustment	(13,100)	-	(13,100)	11,850	-	-	11,850	1,250	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 62,255	\$ 28,730	\$ 90,985	\$ 16,940	\$ 11,523	\$ 17,876	\$ 46,339	\$ -	\$ 137,324
Capital Expenditures	\$ 212,269	\$ 73,198	\$ 285,467	\$ 13,533	\$ 5,528	\$ 64,687	\$ 83,748	\$ 10,319	\$ 379,534
<b>Cap Ex to Depreciation Ratio</b>			<b>3.1 to 1</b>				<b>1.8 to 1</b>		

### YTD Dec. 31, 2012

	Electric Utilities	Gas Utilities	Total Utilities	Power Generation	Mining	Oil and Gas	Total Non-Reg	Corporate	Total
Depreciation, depletion and amortization (GAAP)	\$ 72,899	\$ 27,508	\$ 100,407	\$ 4,599	\$ 13,060	\$ 29,785	\$ 47,444	\$ (1,928)	\$ 145,923
Capital lease adjustment	(13,044)	-	(13,044)	11,071	-	-	11,071	1,973	-
Deprec, depletion and amortization, as adjusted (non-GAAP)	\$ 59,855	\$ 27,508	\$ 87,363	\$ 15,670	\$ 13,060	\$ 29,785	\$ 58,515	\$ 45	\$ 145,923
Capital Expenditures	\$ 162,136	\$ 50,838	\$ 212,974	\$ 5,547	\$ 13,420	\$ 107,839	\$ 126,806	\$ 7,376	\$ 347,156
<b>Cap Ex to Depreciation Ratio</b>			<b>2.4 to 1</b>				<b>2.2 to 1</b>		

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

# Use of Non-GAAP Financial Measures

## EBITDA

<i>(in thousands)</i>	For the Three Months Ended June 30,	
	2017	2016
Net Income	\$ 25,311	\$ 3,284
Depreciation, depletion and amortization	48,663	47,305
Asset impairments (Oil & Gas)	—	25,497
Interest expense, net	33,888	32,641
Income tax expense (benefit)	10,402	309
Rounding	—	—
<b>EBITDA (a Non-GAAP Measure)</b>	<b>118,264</b>	<b>109,036</b>
Less adjustments for unique items:		
Acquisition costs	455	6,427
Impairment of equity investments (Oil and Gas)	—	—
<b>EBITDA, as adjusted</b>	<b>\$ 118,719</b>	<b>\$ 115,463</b>

# Use of Non-GAAP Financial Measures

## Earnings Per Share, as adjusted

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

# 2017 Guidance Reconciliation

	<b>Low</b>	<b>High</b>
Earnings (loss) per share (GAAP)	\$ 3.43	\$ 3.58
Adjustments*, pre-tax:		
Acquisition costs	0.03	0.03
Tax on Adjustments*:		
Acquisition costs	(0.01)	(0.01)
<b>Earnings (loss), as adjusted, per share (Non-GAAP)</b>	<b>\$ 3.45</b>	<b>\$ 3.60</b>

\* Additional adjustments will likely occur in the third and fourth quarters. Adjustments shown reflect the actual adjustments made for the first six months of the year.





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