

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Materials under §240.14a-12

Black Hills Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: _____

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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(3) Filing Party: _____

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BLACK HILLS CORPORATION

**Notice of 2018
Annual Meeting of Shareholders
and Proxy Statement**

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BLACK HILLS CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

WHEN:

Tuesday, April 24, 2018
9:30 a.m., local time

WHERE:

Horizon Point
Company's Corporate Headquarters
7001 Mount Rushmore Road
Rapid City, South Dakota 57702

We are pleased to invite you to attend the annual meeting of shareholders of Black Hills Corporation.

Proposals:

1. Election of three directors in Class III: Michael H. Madison, Linda K. Massman and Steven R. Mills.
2. Ratification of Deloitte & Touche LLP to serve as our independent registered public accounting firm for 2018.
3. Adoption of an advisory, non-binding resolution to approve our executive compensation.
4. Any other business that properly comes before the annual meeting.

Record Date:

The Board of Directors set March 5, 2018 as the record date for the meeting. This means that our shareholders as of the close of business on that date are entitled to receive this notice of the meeting and vote at the meeting and any adjournments or postponements of the meeting.

How to Vote:

Your vote is very important. You may vote your shares by telephone, by the Internet or by returning the enclosed proxy. If you own shares of common stock other than the shares shown on the enclosed proxy, you will receive a proxy in a separate envelope for each such holding. Please vote each proxy received. To make sure that your vote is counted if voting by mail, you should allow enough time for the postal service to deliver your proxy before the meeting.

Sincerely,



ROXANN R. BASHAM

Vice President – Governance and Corporate Secretary

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BLACK HILLS CORPORATION

7001 Mount Rushmore Road
Rapid City, South Dakota 57702

PROXY STATEMENT

- ü A proxy in the accompanying form is solicited by the Board of Directors of Black Hills Corporation, a South Dakota corporation, to be voted at the annual meeting of our shareholders to be held Tuesday, April 24, 2018, and at any adjournment of the annual meeting.
 - ü The enclosed form of proxy, when executed and returned, will be voted as set forth in the proxy. Any shareholder signing a proxy has the power to revoke the proxy in writing, addressed to our secretary, or in person at the meeting at any time before the proxy is exercised.
 - ü We will bear all costs of the solicitation. In addition to solicitation by mail, our officers and employees may solicit proxies by telephone, fax, or in person. We have retained Georgeson LLC to assist us in the solicitation of proxies at an anticipated cost of \$8,000, plus out-of-pocket expenses. Also, we will, upon request, reimburse brokers or other persons holding stock in their names or in the names of their nominees for reasonable expenses in forwarding proxies and proxy materials to the beneficial owners of stock.
 - ü This proxy statement and the accompanying form of proxy are to be first mailed on or about March 15, 2018. Our 2017 annual report to shareholders is being mailed to shareholders with this proxy statement.
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VOTING RIGHTS AND PRINCIPAL HOLDERS

- ü Only our shareholders of record at the close of business on March 5, 2018 are entitled to vote at the meeting. Our outstanding voting stock as of the record date consisted of 53,596,032 shares of our common stock.
- ü Each outstanding share of our common stock is entitled to one vote. Cumulative voting is permitted in the election of our Board of Directors. Each share is entitled to three votes, one each for the election of three directors, and the three votes may be cast for a single nominee or may be distributed among the three nominees.

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COMMONLY ASKED QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING PROCESS

Who is soliciting my proxy?

The Board of Directors of Black Hills Corporation is soliciting your proxy.

Where and when is the annual meeting?

The annual meeting is at 9:30 a.m., local time, April 24, 2018 at Horizon Point, the Company's corporate headquarters, 7001 Mount Rushmore Road, Rapid City, South Dakota.

Who can vote?

Holders of our common stock as of the close of business on the record date, March 5, 2018, can vote at our annual meeting. Each share of our common stock has one vote for Proposals 2 and 3. Cumulative voting is permitted in the election of directors. Each share is entitled to three votes for the election of directors, one each for the election of three directors, and the three votes may be cast for a single person or may be distributed among the three nominees.

How do I vote?

There are three ways to vote by proxy:

- by calling the toll free telephone number on the enclosed proxy;
- by using the Internet by going to the website identified on the enclosed proxy; or
- by returning the enclosed proxy in the envelope provided.

You may be able to vote by telephone or the Internet if your shares are held in the name of a bank or broker. If this is the case, you will need to follow their instructions.

What constitutes a quorum?

Shareholders representing at least 50 percent of our common stock issued and outstanding as of the record date must be present at the annual meeting, either in person or by proxy, for there to be a quorum. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

What am I voting on and what is the required vote for the proposals to be adopted?

The required vote and method of counting votes for the various business matters to be considered at the annual meeting are described in the table below. If you sign and return your proxy card without indicating your vote, your shares will be voted in accordance with the Board recommendations as set forth below.

Item of Business	Board Recommendation	Voting Approval Standard	Effect of Abstention	Effect of Broker Non-Vote
Proposal 1: Election of Directors	FOR election of each director nominee	The three nominees with most "FOR" votes are elected. If a nominee receives more "WITHHOLD AUTHORITY" votes than "FOR" votes, the nominee must submit a resignation for consideration by the Governance Committee and final Board decision.	No effect	No effect
Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm	FOR	The majority of votes present in person or represented by proxy and entitled to vote.	No effect	Not applicable; broker may vote shares without instruction
Proposal 3: Advisory Vote to Approve Executive Compensation	FOR	The majority of votes present in person or represented by proxy and entitled to vote. This advisory vote is not binding on the Board, but the Board will consider the vote results when making future executive compensation decisions.	No effect	No effect

Is cumulative voting permitted for the election of directors?

In the election of directors, you may cumulate your vote. Cumulative voting allows you to allocate among the director nominees, as you see fit, the total number of votes equal to the number of director positions to be filled multiplied by the number of shares you hold. For example, if you own 100 shares of stock, and there are three directors to be elected at the annual meeting, you could allocate 300 "For" votes (three times 100) among as few or as many of the three nominees to be voted on at the annual meeting as you choose.

If you choose to cumulate your votes, you will need to submit a proxy card or a ballot and make an explicit statement of your intent to cumulate your votes, either by indicating in writing on the proxy card or by indicating in writing on your ballot when voting at the annual meeting. If you hold shares beneficially in street name and wish to cumulate votes, you should contact your broker, trustee or nominee.

How will my shares be voted if they are held in a broker's name?

If you hold your shares through an account with a bank or broker, the bank or broker may vote your shares on some matters even if you do not provide voting instructions. Brokerage firms have the authority under the New York Stock Exchange ("NYSE") rules to vote shares on certain matters (such as the ratification of auditors) when their customers do not provide voting instructions. However, on most other matters when the brokerage firm has not received voting instructions from its customers, the brokerage firm cannot vote the shares on that matter and a "broker non-vote" occurs. **This means that brokers may not vote your shares on the election of directors or on the "say on pay" advisory vote if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.**

What should I do now?

You should vote your shares by telephone, by the Internet or by returning your signed and dated proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the annual meeting.

Who will count the vote?

Representatives of our transfer agent, Equiniti Trust Company (previously Wells Fargo Bank, N.A.), will count the votes and serve as judges of the election. On February 1, 2018, the shareowner services business of Wells Fargo Bank, N.A. was acquired by Equiniti Group plc and Wells Fargo Shareowner Services, our transfer agent, became EQ Shareowner Services.

Who conducts the proxy solicitation and how much will it cost?

We are asking for your proxy for the annual meeting and will pay all the costs of asking for shareholder proxies. We have hired Georgeson LLC to help us send out the proxy materials and ask for proxies. Georgeson LLC's fee for these services is anticipated to be \$8,000 plus out-of-pocket expenses. We can ask for proxies through the mail or by telephone, fax, or in person. We can use our directors, officers and employees to ask for proxies. These people do not receive additional compensation for these services. We will reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of our common stock.

Can I revoke my proxy?

Yes. You can change your vote in one of four ways at any time before your proxy is used. First, you can enter a new vote by telephone or Internet. Second, you can revoke your proxy by written notice. Third, you can send a later dated proxy changing your vote. Fourth, you can attend the meeting and vote in person.

Who should I call with questions?

If you have questions about the annual meeting, you should call Roxann R. Basham, Vice President – Governance and Corporate Secretary, at (605) 721-1700.

When are the shareholder proposals due for the 2019 annual meeting?

In order to be considered for inclusion in our proxy materials, you must submit proposals for next year's annual meeting in writing to our Corporate Secretary at our executive offices at 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709, on or prior to November 15, 2018.

A shareholder who intends to submit a proposal for consideration, but not for inclusion in our proxy materials, must provide written notice to our Corporate Secretary in accordance with Article I, Section 9 of our Bylaws. In general, our Bylaws provide that the written notice must be delivered not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of shareholders. Our 2018 annual meeting is scheduled for April 24, 2018. Ninety days prior to the first anniversary of this date will be January 24, 2019, and 120 days prior to the first anniversary of this date will be December 25, 2018.

Our Board is nominating three individuals for election as directors at this annual meeting. All of the nominees are currently serving as our directors. In accordance with our Bylaws and Article VI of our Articles of Incorporation, members of our Board of Directors are elected to three classes of staggered terms consisting of three years each, and until their successors are duly elected and qualified. At this annual meeting, three directors will be elected to Class III for a term of three years until our annual meeting in 2021.

Nominees for director at the annual meeting are Michael H. Madison, Linda K. Massman and Steven R. Mills. Our Bylaws require a minimum of nine directors. The Board has set the size of the current board at 10 directors. If, at the time of the meeting, any of such nominees are unable to stand for election, the Board of Directors may designate a substitute or reduce the number of directors to nine. In that case, shares represented by proxies may be voted for a substitute director. We do not expect that any nominee will be unavailable or unable to serve.

The Board and the Governance Committee believe that the combination of the various qualifications, skills and experiences of the directors contribute to an effective and well-functioning Board, and that, individually and as a whole, the directors possess the necessary qualifications to provide effective oversight of the business and quality advice to the Company's management. Included in each director's biography below is an assessment of the specific qualifications, attributes, skills and experience that have led to the conclusion that each individual should serve as a director in light of our current business and structure.

The Board of Directors recommends a vote *FOR* the election of the following nominees:

Director Nominee	Class	Year Term Expiring
Michael H. Madison	III	2021
Linda K. Massman	III	2021
Steven R. Mills	III	2021

DIRECTOR BIOGRAPHIES

Average Tenure
8 Years

Average Age
61

Diversity
30% Women 10% Ethnic

David R. Emery	Chairman and Chief Executive Officer of Black Hills Corporation since January 1, 2016, and Chairman, President and Chief Executive Officer from 2005 through 2015.
Director since 2004	<p><u>Specific Qualifications, Attributes, Skills and Experience:</u></p> <p>High Level of Financial Expertise Oversees financial matters in his role as Chairman of the Board and Chief Executive Officer of the Company. Led the Company through several successful acquisitions. Served as Interim Chief Financial Officer in 2008.</p> <p>Relevant Senior Leadership Experience Currently Chairman and Chief Executive Officer of the Company. Previously served in various leadership roles with the Company, including Chairman, President and Chief Executive Officer, President and Chief Operating Officer - Retail Business Segment and Vice President - Fuel Resources.</p> <p>Extensive Knowledge of the Company’s Business and/or Industry 28 years of experience with the Company, including 14 years on the Board. Prior to joining the Company, he served as a petroleum engineer for a large independent oil and gas company. Serves on many industry association boards and advisory committees.</p>
Director Class II Term Expiring 2020	
Age 55	
Board Committees None	
Other Public Company Boards None	
Ethnic Diversity Enrolled member of Cheyenne River Sioux Tribe	
Michael H. Madison	Retired. Former President and Chief Executive Officer and Director of Cleco Corporation, a public utility holding company, from 2005 to 2011.
Director since 2012	<p><u>Specific Qualifications, Attributes, Skills and Experience:</u></p> <p>High Level of Financial Expertise Oversaw financial matters in his role as Chief Executive Officer and Director of a public company. Previously served on our Audit Committee.</p> <p>Relevant Senior Leadership Experience Served as Chief Executive Officer and Director of Cleco Corporation from 2005 to 2011, and President and Chief Operating Officer of Cleco Power, LLC from 2003 to 2005. He was State President, Louisiana-Arkansas with American Electric Power from 2000 to 2003.</p> <p>Extensive Knowledge of the Company’s Business and/or Industry More than 40 years of utility industry experience in various positions of increasing responsibility, including president, director, vice president of operations, engineering and production and vice president of corporate services. Served on many industry association boards and advisory committees.</p>
Director Nominee Class III Term Expiring 2021	
Age 69	
Board Committees Compensation (Chair) Governance	
Other Public Company Boards None	
Linda K. Massman	President and Chief Executive Officer and Director of Clearwater Paper Corporation, a premier supplier of private label tissue to major retailers and a producer of bleached paperboard, since 2013. Previously, she served as Clearwater’s President and Chief Operating Officer from 2011 to 2013.
Director since 2015	<p><u>Specific Qualifications, Attributes, Skills and Experience:</u></p> <p>High Level of Financial Expertise Oversees financial matters in her role as Chief Executive Officer and board member of a public company. More than 28 years of experience in the fields of finance, corporate planning and business strategy. Served as Chief Financial Officer of Clearwater Paper Corporation from 2008 to 2011.</p> <p>Relevant Senior Leadership Experience Currently Chief Executive Officer of a public company. Previously served in various other leadership roles with Clearwater Paper. She also served as Group Vice President of Finance and Corporate Planning for SUPERVALU Inc. and a business strategy consultant for Accenture.</p> <p>Risk Oversight/Management Expertise Significant risk oversight/management experience throughout her career in various executive leadership, finance and business consulting positions, including Chief Financial Officer of a public company.</p>
Director Nominee Class III Term Expiring 2021	
Age 51	
Board Committees Compensation	
Other Public Company Boards Clearwater Paper Corporation (since 2013) Tree House Foods, Inc. (since July 2016)	
Gender Diversity	

Steven R. Mills	Financial Consultant and Advisor to clients in the private equity, agribusiness, renewable products and financial services fields, since 2013. Served as Chief Financial Officer of Amyris, Inc., an integrated renewable products company, from 2012 to 2013. Also served as Senior Executive Vice President Performance and Growth of Archer Daniels Midland Company, a processor, transporter, buyer and marketer of agricultural products, from 2010 to 2012.
Director since 2011	<p><u>Specific Qualifications, Attributes, Skills and Experience:</u></p> <p>High Level of Financial Expertise Oversaw financial matters in his role as Chief Financial Officer at public companies. More than 35 years of experience in the fields of accounting, corporate finance, strategic planning, and mergers and acquisitions. Served on our Audit Committee for 7 years, including the past 3 years as Audit Chair.</p> <p>Relevant Senior Leadership Experience Served in several leadership positions with public companies including, Chief Financial Officer, Senior Executive Vice President Performance and Growth and Senior Vice President Strategic Planning. He has also served as a director and board committee chair of several privately-owned companies, providing governance and oversight experience.</p> <p>Risk Oversight/Management Expertise Significant risk oversight/management experience throughout his career in various executive leadership, finance and business consulting positions, including Chief Financial Officer at public companies.</p>
Director Nominee	
Class III Term Expiring 2021	
Age 62	
Board Committees	
Audit (Chair)	
Other Public Company Boards	
None	
Robert P. Otto	Owner of Bob Otto Consulting LLC, providing services in cyber security, intelligence, and reconnaissance since 2017. He retired from the U.S. Air Force in 2016 as a lieutenant general. He served as a general officer since 2008, culminating as the Air Force Deputy Chief of Staff for Intelligence, Surveillance and Reconnaissance.
Director since January 2017	<p><u>Specific Qualifications, Attributes, Skills and Experience:</u></p> <p>Financially Literate Vast experience in areas spanning cyber security, strategic planning, and financial management from his military career. Serves on our Audit Committee.</p> <p>Relevant Senior Leadership Experience Commanded some of the Air Force's largest organizations with thousands of employees and billion-dollar budgets. Intelligence and cyber security expert with a proven record of success executing cost-effective, cutting-edge initiatives. Extensive background in operations, financial management, policy development, restructuring, and systems implementation.</p> <p>Risk Oversight/Management Expertise Significant risk oversight/management experience throughout his military career. As the Air Force's senior-most intelligence officer, he was directly responsible for policy planning, evaluation, oversight and leadership of Air Force intelligence, surveillance and reconnaissance capabilities.</p>
Director	
Class I Term Expiring 2019	
Age 58	
Board Committees	
Audit	
Other Public Company Boards	
None	
Rebecca B. Roberts	Retired. Former President of Chevron Pipe Line Company, a pipeline company transporting crude oil, refined petroleum products, liquefied petroleum gas, natural gas and chemicals within the United States, from 2006 to 2011. President of Chevron Global Power Generation from 2003 to 2006.
Director since 2011	<p><u>Specific Qualifications, Attributes, Skills and Experience:</u></p> <p>Financially Literate Operational and financial experience as a president of large public company subsidiaries and serving on public company boards.</p> <p>Relevant Senior Leadership Experience Served as President of Chevron Pipe Line Company from 2006 to 2011, and President of Chevron Global Power Generation from 2003 to 2006. She has also served on several public company and non-profit boards in addition to the ones identified at the left.</p> <p>Extensive Knowledge of the Company's Business and/or Industry Over 35 years of experience in the energy industry, including managing pipelines in North America and global pipeline projects, and managing a portfolio of power plants in the United States, Asia and the Middle East. She also worked as a vice president, chemist, scientist and trader in the oil and gas sectors.</p>
Director	
Class II Term Expiring 2020	
Age 65	
Board Committees	
Compensation Governance (Chair)	
Other Public Company Boards	
Enbridge, Inc. (since 2015) MSA Safety Inc. (since 2013)	
Gender Diversity	

Mark A. Schober	Retired. Former Senior Vice President and Chief Financial Officer of ALLETE, Inc., a public energy company, from 2006 to 2014.
Director since 2015	<u>Specific Qualifications, Attributes, Skills and Experience:</u>
Director Class I Term Expiring 2019 Age 62	High Level of Financial Expertise Oversaw financial matters in his role as Chief Financial Officer of a public utility company. More than 35 years of experience in the fields of finance and accounting. Serves on our Audit Committee.
Board Committees Audit	Relevant Senior Leadership Experience Served as Chief Financial Officer of ALLETE, Inc., a public utility company, from 2006 to 2014.
Other Public Company Boards None	Extensive Knowledge of the Company's Business and/or Industry More than 35 years of experience in the utility and energy industry, including an understanding of the regulated business model and unique challenges of the geographic and regulatory environment in which we operate.

Teresa A. Taylor	Chief Executive Officer of Blue Valley Advisors, LLC, an advisory firm, since 2011. Former Chief Operating Officer of Qwest Communications, Inc., a telecommunications carrier, from 2009 to 2011.
Director since 2016	<u>Specific Qualifications, Attributes, Skills and Experience:</u>
Director Class II Term Expiring 2020 Age 54	Broad Range of Experience Gained a broad range of experience in her career in areas of strategic planning and execution, technology development, human resources, labor relations and corporate communications.
Board Committees Compensation	Relevant Senior Leadership Experience Served as Chief Operating Officer of Qwest Communications, Inc. where she led the daily operations and a senior management team responsible for 30,000 employees in field support, technical development, sales, marketing, customer support and IT systems. She has also served on several public company and non-profit boards in addition to the ones identified at the left.
Other Public Company Boards T-Mobile USA, Inc. (since 2013) First Interstate BancSystem, Inc. (since 2012)	Extensive Knowledge of the Company's Business and/or Industry Over 29 years of experience in technology, media and the telecom sector. Served on the Board of NiSource, a public utility company, from 2012 to 2015 and Columbia Pipeline Group, Inc. from 2015 to July 2016.
Gender Diversity	

John B. Vering	Managing Director of Lone Mountain Investments, Inc., oil and gas investments, since 2002. Partner in Vering Feed Yards LLC, a privately owned agricultural company, since 2010.
Director since 2005	<u>Specific Qualifications, Attributes, Skills and Experience:</u>
Director Class II Term Expiring 2020 Age 68	High Level of Financial Expertise Has gained a high level of financial expertise as Managing Director of an entity making oil and gas investments. Has served on our Audit Committee for 8 years.
Board Committees Lead Director Audit Governance	Relevant Senior Leadership Experience Serves as our Lead Director. Had a 23-year career with Union Pacific Resources Company in several positions of increasing responsibilities, including Vice President of Canadian Operations.
Other Public Company Boards None	Extensive Knowledge of the Company's Business and/or Industry Over 30 years of experience in the oil and gas industry, including direct operating experience in oil and gas transportation, marketing, exploration and production, and an understanding of the trans-national oil and gas business. He has served on our Board for 13 years and as our Lead Director since March 2016.

Thomas J. Zeller	Retired. Former Chief Executive Officer of RESPEC, a technical consulting and services firm with expertise in engineering, information technologies, and water and natural resources specializing in emerging environmental protection protocols, in 2011 and served as President from 1995 to 2011.
Director since 1997	<u>Specific Qualifications, Attributes, Skills and Experience:</u>
Director Class I Term Expiring 2019 Age 70	High Level of Financial Expertise Oversaw financial matters in his roles as Chief Executive Officer, President and Vice President of Finance for a large technical consulting and services firm. He served on our Audit Committee for 11 years, including serving as the Audit Committee Chair for 4 years.
Board Committees Compensation Governance	Relevant Senior Leadership Experience Previously served as our Lead Director from 2010 to February 2016. Executive leader at a global technical consulting firm. He has served on several non-profit boards.
Other Public Company Boards None	Extensive Knowledge of the Company's Business and/or Industry Experience gained at RESPEC relates to many of our Company's activities concerning technology, engineering and environmental. With his long tenure on our Board, he has developed an extensive knowledge of the utility industry.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our Board of Directors has adopted corporate governance guidelines titled “Corporate Governance Guidelines of the Board of Directors,” which guide the operation of our Board and assist the Board in fulfilling its obligations to shareholders and other constituencies. The guidelines lay the foundation for the Board’s responsibilities, operations, leadership, organization and committee matters. The Governance Committee reviews the guidelines annually, and the guidelines may be amended at any time, upon recommendation by the Governance Committee and approval of the Board. These guidelines can be found in the “Governance” section of our website (www.blackhillscorp.com/investor-relations/corporate-governance).

Board Independence

In accordance with NYSE rules, the Board of Directors through its Governance Committee affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the NYSE listing standards. These guidelines are contained in our Policy for Director Independence, which can be found in the “Governance” section of our website (www.blackhillscorp.com/investor-relations/corporate-governance). Based on these standards, the Governance Committee determined that each of the following non-employee directors is independent and has no relationship with us, except as a director and shareholder:

Michael H. Madison Linda K. Massman Steven R. Mills Robert P. Otto Rebecca B. Roberts	90% INDEPENDENT	Mark A. Schober Teresa A. Taylor John B. Vering Thomas J. Zeller
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In addition, based on such standards, the Governance Committee determined that Mr. Emery is not independent because he is our Chairman and Chief Executive Officer (“CEO”).

Board Leadership Structure

Mr. Emery has served as our Chairman of the Board and CEO since 2005 and has been a member of our Board since 2004. Mr. Emery provides strategic, operational, and technical expertise and context for the matters considered by our Board. After considering alternative board leadership structures, our Board chose to retain the ability to balance an independent Board structure with the designation of an independent Lead Director and to appoint as Chairman a CEO-Director with knowledge of and experience in the operations of our Company. At this time, our Board believes that having a single person serve as Chairman and CEO provides unified and responsible leadership for our Company and, in conjunction with the Lead Director, provides the proper balance to ensure the Board receives the information, experience and direction it needs to effectively govern.

Our Board has and continues to value a high degree of Board independence. As a result, our corporate governance structure and practices promote a strong, independent Board and include several independent oversight mechanisms. Only independent directors serve on our Audit, Compensation and Governance Committees. Our Board believes these practices ensure that experienced and independent directors will continue to effectively oversee management and critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity. All of our Board committees may seek legal, financial or other expert advice from a source independent of management.

Our Board annually appoints an independent Lead Director. John B. Vering is our current Lead Director and has served in this role since March 2016. The responsibilities of Lead Director, as provided in the Corporate Governance Guidelines of the Board of Directors, are to chair executive sessions of the independent directors and communicate the Board’s annual evaluation of the CEO. The Lead Director, together with the independent directors, establishes the agenda for executive sessions, which are held at each regular Board meeting. The Lead Director serves as a liaison between the independent members of the Board and the CEO and discusses, to the extent appropriate, matters raised by the independent directors in executive session. The Lead Director also consults with the Chairman regarding meeting agendas and presides over regular meetings of the Board in the

absence of the Chairman. This leadership structure provides consistent and effective oversight of our management and our Company.

Risk Oversight

Our Board oversees an enterprise approach to risk management that supports our operational and strategic objectives. The Corporate Governance Guidelines of the Board of Directors provide that the Board will review major risks facing our Company and the options for risk mitigation presented by management. Our Board delegates oversight of certain risk considerations to its committees within each of their respective areas of responsibility; however, the full Board monitors risk relating to strategic planning and execution, as well as executive succession. Financial risk oversight falls within the purview of our Audit Committee. Our Compensation Committee oversees compensation and benefit plan risks. Each committee reports to the full Board.

Our Board reviews any material changes in our key enterprise risk management ("ERM") issues, including cyber security, with management at each quarterly Board meeting in conjunction with the presentation of quarterly financial results. In addition, the Board will review a deep dive enterprise risk topic at most quarterly meetings. In so doing, our Board seeks to ensure appropriate risk mitigation strategies are implemented by management on an ongoing basis. Operational and strategic plan presentations by management to our Board include consideration of the challenges and risks to our business. Our Board and management actively engage in discussions of these topics and utilize outside consultants as needed. Our Board oversees the assessment of our strategic plan risks as part of our strategic planning process. In addition, our Board periodically receives safety performance, environmental, legal and compliance reports.

Our Audit Committee oversees management's strategy and performance relative to our significant financial risks. In consultation with management, the independent auditors and the internal auditors, the Audit Committee discusses our risk assessment, risk management and credit policies and reviews significant financial risk exposures, along with steps management has taken to monitor, mitigate and report such exposures. At least twice a year, our Chief Risk Officer provides a Risk and Credit Report to the Audit Committee. We adopted a Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within established risk tolerances.

Our Compensation Committee adopted an executive compensation philosophy that provides the foundation for our executive compensation program. The executive compensation philosophy states that the executive pay program should be market-based and maintain an appropriate and competitive balance between fixed and variable pay elements, short-term and long-term compensation and cash and stock-based compensation. The Compensation Committee establishes company-specific performance goals with potential incentive payouts for our executive officers to motivate and reward performance, consistent with our long-term success. The target compensation for our senior officers is heavily weighted in favor of long-term incentives, aligning performance incentives with long-term results for our shareholders. Our Compensation Committee also sets minimum performance thresholds and maximum payouts in the incentive programs and maintains the discretion to reduce awards if excessive risk is taken. Stock ownership guidelines established for all of our officers require our executives to hold 100 percent of all shares awarded to them (net of share withholding for taxes and, in the case of cashless stock option exercises, net of the exercise price and withholding for taxes) until the established stock ownership guidelines are achieved. Our Compensation Committee also instituted "clawback" provisions in our incentive plans, which may require an executive to return incentives received, if the Compensation Committee determines, in its discretion, that the executive engaged in specified misconduct or wrongdoing or in the event of certain financial restatements.

In addition, in 2017 management conducted and our Compensation Committee reviewed a risk assessment of the Company's compensation policies and practices for all employees. Key members of human resources, legal, risk, finance, audit and operations departments were included in the review to ensure accuracy and completeness of the scope and findings. The assessment demonstrated that our compensation programs are designed to minimize financial and reputational risks and do not create risks that are reasonably likely to have a material adverse effect on the Company.

Our management is responsible for day-to-day risk management and operates under an ERM program that addresses strategic, operational, financial and compliance risks. The ERM program includes practices to identify risks, assesses the impact and probability of occurrence, and develops action plans to prevent the occurrence or mitigate the impact of the risk. The ERM program includes regular reporting to our senior management team and includes monitoring and testing by Risk Management, Compliance and Internal Audit groups. The overall ERM program is reviewed with the Board of Directors on a regular basis.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company.

Director Nominees

The Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Board candidates are considered based upon various criteria, including diverse business, administrative and professional skills or experiences; an understanding of relevant industries, technologies and markets; financial literacy; independence status; the ability and willingness to contribute time and special competence to Board activities; personal integrity and independent judgment; and a commitment to enhancing shareholder value. The Governance Committee considers these and other factors as it deems appropriate, given the needs of the Board. Our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. The Governance Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, the use of third-party executive search firms, members of management and shareholders. Any shareholder may make recommendations for consideration by the Governance Committee for membership on the Board by sending a written statement of the qualifications of the recommended individual to the Corporate Secretary. There are no differences in the manner by which the Committee evaluates director candidates recommended by shareholders from those recommended by other sources.

Shareholders who intend to nominate persons for election to the Board of Directors must provide timely written notice of the nomination in accordance with Article I, Section 9 of our Bylaws. Generally, our Corporate Secretary must receive the written notice at our executive offices at 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. For the 2019 shareholder meeting, those dates are January 24, 2019 and December 25, 2018. The notice must set forth at a minimum the information set forth in Article I, Section 9 of our Bylaws, including the shareholder's identity and status, contingent ownership interests, description of any agreement made with others acting in concert with respect to the nomination, specific information about the nominee and certain representations by the nominee to us.

Communications with the Board

Shareholders and others interested in communicating directly with the Lead Director, with the independent directors as a group, or the Board of Directors may do so in writing to the Lead Director, Black Hills Corporation, 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709.

Corporate Governance Documents

The charters of the Audit, Compensation and Governance Committees, as well as the Corporate Governance Guidelines of the Board of Directors, Policy for Director Independence, Code of Business Conduct and the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, and certain other persons performing similar functions can be found in the "Governance" section of our website (www.blackhillscorp.com/investor-relations/corporate-governance). We intend to disclose any amendments to, or waivers of, the Code of Ethics on our website. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

The Corporate Governance Guidelines include a plurality plus voting policy. Pursuant to the policy, any nominee for election as a director in an uncontested election who receives a greater number of votes "Withheld" from his or her election than votes "For" his or her election will promptly tender his or her resignation as a director to the Chairman of the Board following certification of the election results. Broker non-votes will not be deemed to be votes "For" or "Withheld" from a director's election for purposes of the policy. The Governance Committee (without the participation of the affected director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take the appropriate action on each tendered resignation, taking into account the Governance Committee's recommendation. The Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons why the Governance Committee believes shareholders "Withheld" votes for election from such director and any other circumstances surrounding the "Withheld" votes, any alternatives for curing the underlying cause of the "Withheld" votes, the qualifications of the tendering director, his or her past and expected future contributions to us and the Board, and the overall composition of the Board, including whether accepting the resignation would cause us to fail to meet any applicable SEC or NYSE requirements. The Board will publicly disclose by filing with the SEC on Form 8-K its decision and, if applicable, its rationale within 90 days after receipt of the tendered resignation.

Certain Relationships and Related Party Transactions

We recognize related party transactions can present potential or actual conflicts of interest and create the appearance that decisions are based on considerations other than the best interests of us and our shareholders. Accordingly, as a general matter, it is our preference to avoid related party transactions. Nevertheless, we recognize that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of us and our shareholders, including but not limited to situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when we provide products or services to related parties on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, our Board of Directors has adopted a policy for the review of related party transactions. This policy requires directors and officers to promptly report to our Vice President – Governance all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our Vice President – Governance presents to our Governance Committee those transactions that may require disclosure pursuant to Item 404 of Regulation S-K (typically, those transactions that exceed \$120,000). Our Governance Committee reviews the material facts presented and either approves or disapproves entry into the transaction. In reviewing the transaction, the Governance Committee considers the following factors, among other factors it deems appropriate: (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; (ii) the extent of the related party's interest in the transaction; and (iii) the impact on a director's independence in the event the related party is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of our records and copies of reports on Form 3, 4 and 5 furnished to us, we believe that during and with respect to 2017, all persons subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, filed the required reports on a timely basis.

MEETINGS AND COMMITTEES OF THE BOARD

THE BOARD OF DIRECTORS

Our directors review and approve our strategic plan and oversee our management. Our Board of Directors held four in-person meetings and no telephonic meetings during 2017. Each regularly scheduled meeting of the Board includes an executive session of only independent directors. We encourage our directors to attend the annual shareholders' meeting. During 2017, every director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served and all directors then serving attended the 2017 annual meeting of shareholders.

COMMITTEES OF THE BOARD

Our Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Compensation Committee and the Governance Committee. In accordance with the NYSE listing standards and our Corporate Governance Guidelines, the Audit, Compensation and Governance Committees are comprised solely of independent directors. Each committee operates under a charter, which is available on our website at www.blackhillscorp.com/investor-relations/corporate-governance and is also available in print to any shareholder who requests it. In addition, our Board creates special committees from time to time for specific purposes. Members of the committees are designated by our Board upon recommendation of the Governance Committee.

AUDIT COMMITTEE

Committee Chair:

Steven R. Mills

Additional Committee Members:

Robert P. Otto, Mark A. Schober, John B. Vering

Total Meetings Held

In-Person

Telephonic

4

5

Primary Responsibilities

- © assist the Board in fulfilling its oversight responsibility to our shareholders relating to the quality and integrity of our accounting, auditing and financial reporting practices;
- © oversee the integrity of our financial statements, financial reporting process, systems of internal controls and disclosure controls regarding finance, accounting and legal compliance;
- © review areas of potential significant financial risk to us;
- © review consolidated financial statements and disclosures;
- © appoint an independent registered public accounting firm for ratification by our shareholders;
- © monitor the independence and performance of our independent registered public accountants and internal auditing department;
- © pre-approve all audit and non-audit services provided by our independent registered public accountants;
- © review the scope and results of the annual audit, including reports and recommendations of our independent registered public accountants;
- © review the internal audit plan, results of internal audit work and our process for monitoring compliance with our Code of Business Conduct and other policies and practices established to ensure compliance with legal and regulatory requirements; and
- © periodically meet, in private sessions, with our internal audit group, Chief Financial Officer, Chief Compliance Officer, other management, and our independent registered public accounting firm.

In accordance with the rules of the NYSE, all of the members of the Audit Committee are financially literate. In addition, the Board determined that Messrs. Mills, Schober and Vering have the requisite attributes of an “audit committee financial expert” as provided in regulations promulgated by the SEC, and that such attributes were acquired through relevant education and/or experience.

COMPENSATION COMMITTEE

Committee Chair:

Michael H. Madison

Additional Committee Members:

Linda K. Massman, Rebecca B. Roberts, Teresa A. Taylor, Thomas J. Zeller

	Total Meetings Held	
	In-Person	Telephonic
	2	2

Primary Responsibilities

- © discharge the Board of Directors’ responsibilities related to executive and director compensation philosophy, policies and programs;
- © perform functions required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation;
- © consider and recommend for approval by the Board all executive compensation programs including executive benefit programs and stock ownership plans; and
- © promote an executive compensation program that supports the overall objective of enhancing shareholder value.

The Compensation Committee has authority under its charter to retain and terminate compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee has sole authority to approve related fees and retention terms and may delegate any of its responsibilities to subcommittees as the Committee may deem appropriate. In addition, pursuant to SEC rules and NYSE listing standards regarding the independence of compensation committee advisors, the Committee has the responsibility to consider the independence of any compensation advisor before engaging the advisor.

The Committee engaged Willis Towers Watson, an independent consulting firm, to conduct an annual review of our 2017 total compensation program for executive officers and directors. The Committee reviewed the independence of Willis Towers Watson and the individual representative of Willis Towers Watson who serves as a consultant to the Committee, in accordance with the SEC and NYSE requirements and the specific factors that the requirements cite. The Compensation Committee concluded that Willis Towers Watson is independent and Willis Towers Watson's performance of services raises no conflict of interest. The Committee's conclusion was based in part on a report that Willis Towers Watson provided to the Committee intended to reveal any potential conflicts of interest and a schedule provided by management of the type and amount of non-executive compensation services provided by Willis Towers Watson to the Company. During 2017, the cost of these non-executive compensation services was less than \$25,000.

The Committee annually evaluates the CEO’s performance against Board-established goals and objectives, with input from the other independent directors. Based upon the Committee’s evaluation and recommendation, the independent directors of the Board set the CEO’s annual compensation, including salary, bonus, incentive and equity compensation.

The CEO annually reviews the performance of each of our executive officers and presents a summary of his evaluations to the Committee. Based upon these performance reviews, market analysis conducted by the compensation consultant and discussions with our Sr. Vice President, Chief Human Resources Officer, the CEO recommends the compensation of the executive officers to the Committee. The Committee may exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process.

More information describing the Compensation Committee’s processes and procedures for considering and determining executive compensation, including the role of our CEO and consultants in determining or recommending the amount or form of executive compensation, is included in the Compensation Discussion and Analysis.

In setting non-employee director compensation, the Compensation Committee recommends the form and amount of compensation to the Board of Directors, which makes the final determination. In considering and recommending the compensation of non-employee directors, the Compensation Committee considers such factors as it deems appropriate, including historical compensation information, level of compensation necessary to attract and retain non-employee directors meeting our desired qualifications and market data. In the review of director compensation in 2017, the Compensation Committee reviewed the NACD 2016-2017 Director Compensation Report and proxy peer group data to provide market information on non-employee director compensation, including compensation structure, annual board and committee retainers, committee chair fees and stock-based compensation.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee is comprised entirely of independent directors. In addition, none of our executive officers serve as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board or on our Compensation Committee.

GOVERNANCE COMMITTEE

Committee Chair:

Rebecca B. Roberts

Additional Committee Members:

Michael H. Madison, John B. Vering, Thomas J. Zeller

Total Meetings Held	
In-Person	Telephonic
4	0

Primary Responsibilities

- © assess the size of the Board and membership needs and qualifications for Board membership;
- © identify and recommend prospective directors to the Board to fill vacancies;
- © review and evaluate director nominations submitted by shareholders, including reviewing the qualifications and independence of shareholder nominees;
- © consider and recommend existing Board members to be renominated at our annual meeting of shareholders;
- © consider the resignation of an incumbent director who makes a principal occupation change (including retirement) or who receives a greater number of votes "Withheld" than votes "For" in an uncontested election of directors and recommend to the Board whether to accept or reject the resignation;
- © establish and review guidelines for corporate governance;
- © recommend to the Board for approval committee membership and chairs of the committees;
- © recommend to the Board for approval an independent director to serve as a Lead Director;
- © review the independence of each director and director nominee;
- © administer an annual evaluation of the performance of the Board and facilitate an annual assessment of each committee; and
- © ensure that the Board oversees the evaluation and succession planning of management.

DIRECTOR COMPENSATION

DIRECTOR FEES

Compensation to our non-employee directors consists of cash retainers for Board members, Committee members, the Lead Director and Committee Chairs. In addition, the Board members receive common stock equivalents that are deferred until after they leave the Board. Dividend equivalents accrue on the common stock equivalents. We do not pay meeting fees.

In 2017, the Compensation Committee performed a review of our peer companies' director fees. Based on this review, the Lead Director retainer and the equity component of the directors' fees were increased modestly effective January 1, 2018. The fee structure for director fees in 2017 and the new fees effective January 1, 2018 is as follows:

	2017 Fees		Fees Effective January 1, 2018	
	Cash	Common Stock Equivalents	Cash	Common Stock Equivalents
Board Retainer	\$70,000	\$90,000	\$70,000	\$92,500
Lead Director Retainer	\$20,000		\$25,000	
Committee Chair Retainer				
Audit Committee	\$12,500		\$12,500	
Compensation Committee	\$10,000		\$10,000	
Governance Committee	\$7,500		\$7,500	
Committee Member Retainer				
Audit Committee	\$10,000		\$10,000	
Compensation Committee	\$7,500		\$7,500	
Governance Committee	\$7,500		\$7,500	

DIRECTOR COMPENSATION FOR 2017 AND COMMON STOCK EQUIVALENTS OUTSTANDING AS OF DECEMBER 31, 2017⁽¹⁾

Name ⁽²⁾	Fees Earned or Paid in Cash	Stock Awards ⁽³⁾	Total	Number of Common Stock Equivalents Outstanding at December 31, 2017 ⁽⁴⁾
Michael H. Madison	\$92,500	\$90,000	\$182,500	9,082
Linda K. Massman	\$77,500	\$90,000	\$167,500	4,459
Steven R. Mills	\$92,500	\$90,000	\$182,500	10,388
Robert P. Otto	\$79,166	\$90,000	\$169,166	1,280
Rebecca B. Roberts	\$92,500	\$90,000	\$182,500	11,375
Mark A. Schober	\$80,000	\$90,000	\$170,000	3,317
Teresa A. Taylor	\$77,500	\$90,000	\$167,500	1,738
John B. Vering	\$107,500	\$90,000	\$197,500	23,478
Thomas J. Zeller	\$85,000	\$90,000	\$175,000	28,472

- (1) Our directors did not receive any stock option awards, non-equity incentive plan compensation, pension benefits or perquisites in 2017 and did not have any stock options outstanding at December 31, 2017.
- (2) Mr. Emery, our CEO, is not included in this table because he is our employee and thus receives no compensation for his services as a director. Mr. Emery's compensation received as an employee is shown in the Summary Compensation Table for our Named Executive Officers.
- (3) Each non-employee director received a quarterly award of common stock equivalents with a grant date fair value of \$22,500 per quarter, equivalent to \$90,000 per year. The grant date fair value of a common stock equivalent is the closing price of a share of our common stock on the grant date.
- (4) The common stock equivalents are fully vested in that they are not subject to forfeiture; however, the shares are not issued until after the director ends his or her service on the Board. The common stock equivalents are payable in stock or cash or can be deferred further at the election of the director.

DIRECTOR STOCK OWNERSHIP GUIDELINES

Each member of our Board of Directors is required to apply at least 50 percent of his or her annual cash retainer toward the purchase of shares of common stock until the director has accumulated shares of common stock or common stock equivalents equal to five times the annual cash Board retainer. The ownership guidelines were recently changed from a fixed number of shares to a multiple of base pay to better align our guidelines with market practices. Currently, all of our directors have met the stock ownership guideline except for Ms. Taylor and Messrs. Otto and Schober, who have been on the Board for less than 2.5 years.

SECURITY OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following tables set forth the beneficial ownership of our common stock as of March 1, 2018 for each director, each executive officer named in the Summary Compensation Table, all of our directors and executive officers as a group and each person or entity known by us to beneficially own more than five percent of our outstanding shares of common stock. Beneficial ownership includes shares a director or executive officer has or shares the power to vote or transfer. There were no stock options outstanding for any of our directors or executive officers as of March 1, 2018.

Our directors and executive officers are prohibited from hedging and pledging our stock or holding our stock in a margin account.

Except as otherwise indicated by footnote below, we believe that each individual or entity named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by that individual or entity.

Name of Beneficial Owner ⁽¹⁾	Shares of Common Stock Beneficially Owned ⁽²⁾	Directors Common Stock Equivalents ⁽³⁾	Total	Percentage
<i>Outside Directors</i>				
Michael H. Madison	13,790	9,622	23,412	*
Linda K. Massman	2,182	4,956	7,138	*
Steven R. Mills	13,102	10,940	24,042	*
Robert P. Otto	804	1,747	2,551	*
Rebecca B. Roberts	4,612	11,936	16,548	*
Mark A. Schober	1,816	3,803	5,619	*
Teresa A. Taylor	984	2,210	3,194	*
John B. Vering	10,971	24,152	35,123	*
Thomas J. Zeller	10,153	29,191	39,344	*
<i>Named Executive Officers</i>				
Scott A. Buchholz	35,726	—	35,726	*
David R. Emery	225,880	—	225,880	*
Linden R. Evans	98,283	—	98,283	*
Brian G. Iverson	28,154	—	28,154	*
Richard W. Kinzley	41,819	—	41,819	*
<i>All directors and executive officers as a group (15 persons)</i>	497,360	98,557	595,917	1.1%

* Represents less than one percent of the common stock outstanding.

- (1) Beneficial ownership means the sole or shared power to vote, or to direct the voting of, a security or investment power with respect to a security.
- (2) Includes restricted stock held by the following executive officers for which they have voting power but not investment power: Mr. Buchholz 5,197 shares; Mr. Emery 35,250 shares; Mr. Evans 15,602 shares; Mr. Iverson 7,297 shares; Mr. Kinzley 9,322 shares; and all directors and executive officers as a group 75,382 shares.
- (3) Represents common stock allocated to the directors' accounts in the directors' stock-based compensation plan, of which there are no voting rights.

PRINCIPAL SHAREHOLDERS

Set forth in the table below is information about the number of shares held by persons we know to be the beneficial owners of more than 5% of the issued and outstanding Common Stock.

Name and Address	Shares of Common Stock Beneficially Owned	Percentage
BlackRock, Inc. ⁽¹⁾ 55 East 52nd Street New York, NY 10055	8,276,128	15.5%
State Street Corporation ⁽²⁾ State Street Financial Center One Lincoln Street Boston, MA 02111	6,370,279	11.9%
The Vanguard Group Inc. ⁽³⁾ 100 Vanguard Blvd. Malvern, PA 19355	5,400,878	10.1%

(1) Information is as of December 31, 2017, and is based on a Schedule 13G filed on February 8, 2018.

(2) Information is as of January 31, 2018, and is based on a Schedule 13G-A filed on February 12, 2018.

(3) Information is as of December 31, 2017, and is based on a Schedule 13G-A filed on February 8, 2018.

PROPOSAL 2	RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
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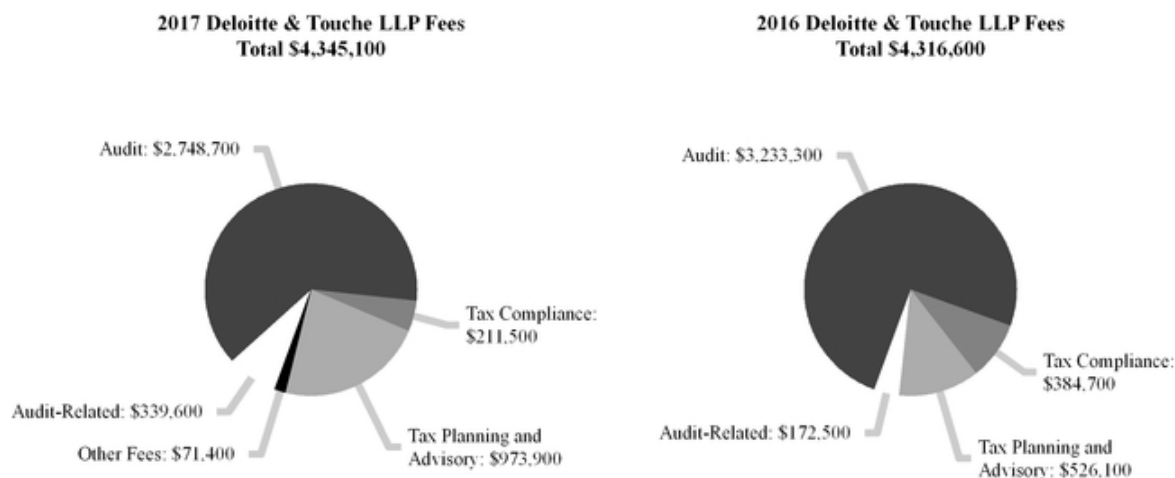
The firm of Deloitte & Touche LLP, independent registered public accountants, conducted the audit of Black Hills Corporation and its subsidiaries for 2017. Representatives of Deloitte & Touche LLP will be present at our annual meeting and will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

Our Audit Committee has appointed Deloitte & Touche LLP to perform an audit of our consolidated financial statements and those of our subsidiaries for 2018 and to render their reports. The Board of Directors recommends ratification of the Audit Committee's appointment of Deloitte & Touche LLP. The appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018 will be ratified if the votes cast "For" exceed the votes cast "Against." Abstentions will have no effect on such vote. If shareholder approval for the appointment of Deloitte & Touche LLP is not obtained, the Audit Committee will reconsider the appointment.

The Board of Directors recommends a vote *FOR* ratification of the appointment of Deloitte & Touche LLP to serve as our independent registered public accounting firm for 2018.

FEES PAID TO THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following chart sets forth the aggregate fees for services provided to us for the years ended December 31, 2017 and 2016 by our independent registered public accounting firm, Deloitte & Touche LLP:



Audit Fees

Fees for professional services rendered for the audits of our financial statements, review of the interim financial statements included in quarterly reports, opinions on the effectiveness of our internal control over financial reporting, and services that generally only the independent auditor can reasonably provide, such as comfort letters, statutory audits, consents and assistance with and review of documents filed with the SEC.

Audit-Related Fees

Fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees." These services include internal control reviews; attest services that are not required by statute or regulation; employee benefit plan audits; due diligence, consultations and audits related to mergers and acquisitions; and consultations concerning financial accounting and reporting standards.

Tax Compliance Fees

Fees for services related to federal and state tax compliance planning and advice and review of tax returns.

Tax Planning and Advisory Fees

Fees for planning and advisory services primarily related to partnership restructuring and jurisdictional simplification and consolidation related to prior acquisitions.

Other Fees

Fees for advising the Company as it defines the Governance, Risk and Compliance ("GRC") requirements for selecting a GRC tool.

The services performed by Deloitte & Touche LLP were pre-approved in accordance with the Audit Committee's pre-approval policy whereby the Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accountants. The Audit Committee will generally pre-approve a list of specific services and categories of services, including audit, audit-related, tax and other services, for the upcoming or current year, subject to a specified cost level. Any service that is not included in the approved list of services must be separately pre-approved by the Audit Committee.

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities to shareholders relating to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements regarding financial reporting, the independent auditors' qualifications and independence, and the performance of the Company's internal and independent auditors.

Management has the primary responsibility for the completeness and accuracy of the Company's financial statements and disclosures, the financial reporting process, and the effectiveness of the Company's internal control over financial reporting.

Our independent auditors, Deloitte & Touche LLP, are responsible for auditing the Company's consolidated financial statements and expressing an opinion as to whether they are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States.

In fulfilling its oversight responsibilities in 2017, the Audit Committee, among other things:

- Reviewed and discussed the audited financial information contained in the Annual Report on Form 10-K with management and our independent auditors prior to public release.
- Reviewed and discussed with our independent auditors their judgments as to the quality, not just the acceptability, of our critical accounting principles and estimates and all other communications required to be discussed with the Audit Committee under generally accepted auditing standards, including the matters required to be discussed by applicable Public Company Accounting Oversight Board Standards.
- Reviewed and discussed with management, our internal auditors and our independent auditors management's report on internal control over financial reporting, including the significance and status of control deficiencies identified by management and the results of remediation efforts undertaken, to determine the effectiveness of internal control over financial reporting at December 31, 2017.
- Reviewed with our independent auditors their report on the Company's internal control over financial reporting at December 31, 2017, including the basis for their conclusions.
- Reviewed and pre-approved all audit and non-audit services and fees provided to the Company by our independent auditors and considered whether the provision of such non-audit services by our independent auditors is compatible with maintaining their independence.
- Discussed with our internal and independent auditors their audit plans, audit scope and identification of audit risks and reviewed the results of internal audit examinations.
- Reviewed and discussed the interim financial information contained in each quarterly earnings announcement and Quarterly Report on Form 10-Q with management and our independent auditors prior to public release.
- Received and reviewed periodic corporate compliance and financial risk reports, including credit and hedging activity.
- Held private sessions with our independent auditors, Director of Internal Audit, Chief Financial Officer and Controller, and Chief Compliance Officer.
- Received the written disclosures and the letter from our independent auditors required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Committee concerning independence and discussed the independence of Deloitte & Touche LLP with them.
- Concluded Deloitte & Touche LLP is independent based upon the above considerations.

Based upon the reviews and discussions referred to above, the Audit Committee recommended to the Board that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC. The Audit Committee also recommended and the Board reappointed Deloitte & Touche LLP as our independent registered public accounting firm for 2018. Shareholders are being asked to ratify that selection at the 2018 Annual Meeting.

THE AUDIT COMMITTEE

Steven R. Mills, Chair
Robert P. Otto
Mark A. Schober
John B. Vering

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

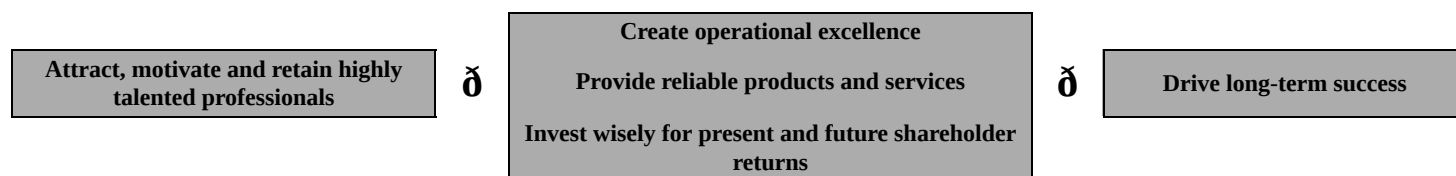
INTRODUCTION

This Compensation Discussion and Analysis describes our overall executive compensation policies and practices and specifically explains the compensation-related actions taken with respect to 2017 compensation for our executive officers included in the Summary Compensation Table (our “Named Executive Officers”). Our Named Executive Officers, based on 2017 positions and compensation levels, are:

Name Executive Officers	Title	Reference
David R. Emery	Chairman and Chief Executive Officer	Emery, CEO
Richard W. Kinzley	Sr. Vice President and Chief Financial Officer	Kinzley, CFO
Linden R. Evans	President and Chief Operating Officer	Evans, COO
Brian G. Iverson	Sr. Vice President and General Counsel	Iverson, GC
Scott A. Buchholz	Sr. Vice President and Chief Information Officer	Buchholz, CIO

The Compensation Committee of the Board of Directors (the “Committee,” for purposes of this Compensation Discussion and Analysis) is composed entirely of independent directors and is responsible for approving and overseeing our executive compensation philosophy, policies and programs.

OVERALL GOAL



EXECUTIVE COMPENSATION PROGRAM DESIGN OBJECTIVES

Attract, retain, motivate and encourage the development of highly qualified executives

Provide competitive compensation

Promote the relationship between pay and performance

Promote corporate performance that is linked to our shareholders' interests

Recognize and reward individual performance

2017 ACCOMPLISHMENTS

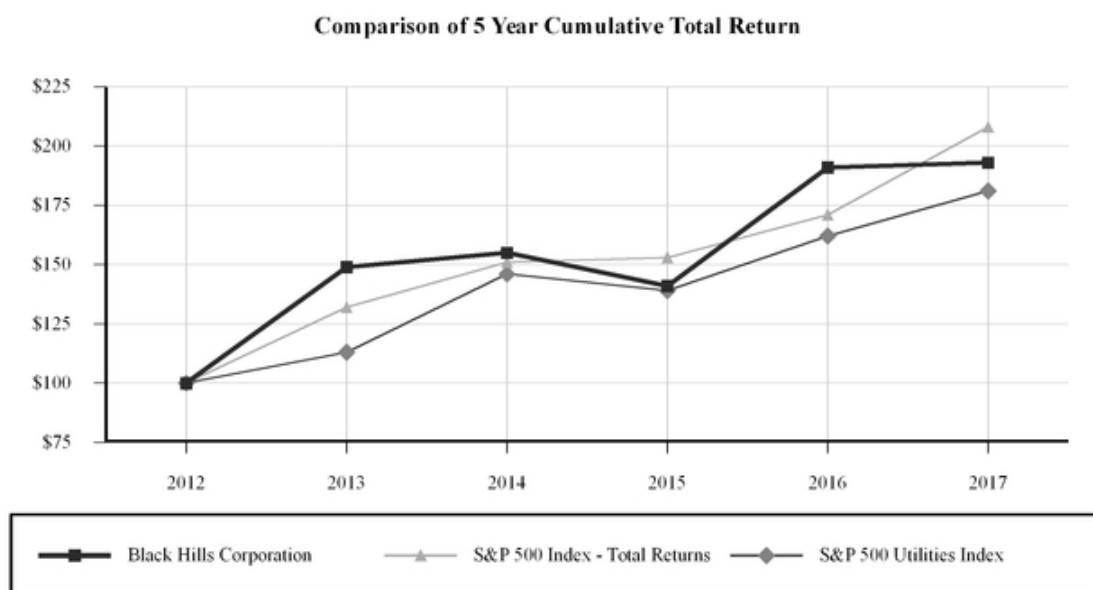
Although 2017 presented some challenges for Black Hills Corporation, substantial progress was made on our strategic initiatives, and we continued to lay a solid foundation for future earnings growth. Significant accomplishments for the year included:

- GAAP Income from continuing operations was \$3.52 per diluted share in 2017 compared to \$2.57 per diluted share in 2016, and earnings per share from continuing operations, as adjusted⁽¹⁾ was \$3.36 per diluted share in 2017 compared to \$3.13 per share in 2016, primarily due to a full year of results from the SourceGas acquisition;
- Achieved 7.3 percent growth in earnings per share from continuing operations, as adjusted⁽¹⁾;
- Increased the annual dividend for the 47th consecutive year, one of the longest records in the utility sector;
- Implemented a commercial paper program in late 2016, reducing short-term borrowing costs. Utilized the favorable short-term rates under this program in 2017 to repay \$100 million of corporate term loan borrowings that were due in 2019;
- Announced the divestiture of our oil and gas assets. As of January 31, 2018 we closed transactions or signed contracts to sell more than 90 percent of our oil and gas properties and plan to divest of all properties by mid-2018;
- Expressed formal interest for our three electric regulated utilities, as members of the Mountain West Transmission Group, to join the Southwest Power Pool regional transmission organization. A decision will likely be made in 2018;
- Invested in our utility infrastructure and systems:
 - * Deployed over \$322 million in electric and gas utility capital projects;
 - Completed construction of the final segment of a 144-mile 230 kV electric transmission line from northeast Wyoming to Rapid City, South Dakota;
 - * Received approval from the Colorado Public Utilities Commission for the settlement agreement related to Colorado Electric's electric resource plan, which provides for an additional 60 MW of renewable energy resources to be in service by 2019;
- Completed construction on a \$70 million corporate headquarters in Rapid City, South Dakota, which will provide efficiencies and replace expenses associated with five existing facilities;
 - * Consolidated 600 employees from five different local sites into our new corporate headquarters;
- Prepared and filed rate review requests for Arkansas Gas, Northwest Wyoming Gas and Rocky Mountain Natural Gas;
- Provided the safe and reliable service our communities and customers depend on and achieved several notable operations performance metrics:
 - * 1st Quartile reliability ranking for our three electric utilities compared to industry averages;
 - * Safety performance total case incident rate of 1.3 compared to an industry average of 2.1;
 - * Power generation fleet availability of 90 percent for our coal-fired generation, 96 percent for our gas-fired generation, 99.5 percent for our diesel-fired generation and 94 percent for our wind-fired generation; all above industry averages with the exception of wind generation, which was slightly below the industry average of 96 percent; and
 - * Completed more than five years with no MSHA reportable injuries at our coal mine; received an award from the State of Wyoming for eight years without a lost-time accident; received the State Mine Inspector's Award for the fourth year in a row for operating as the safest small mine; and received the Mine Safety and Health Administration's Certificate of Achievement for no lost-time accidents.

⁽¹⁾ Earnings per share from continuing operations, as adjusted, is a non-GAAP measure. See Appendix A for a reconciliation of the non-GAAP measure to our results as reported under the GAAP.

RETURN TO SHAREHOLDERS

The following chart shows how a \$100 investment in the Company's common stock on December 31, 2012 would have grown to \$193 on December 31, 2017, with dividends reinvested. The chart also compares the total shareholder return on the Company's common stock to the same investment in the S&P 500 Index and S&P 500 Utilities Index over the same period.



2017 PERFORMANCE RESULTS

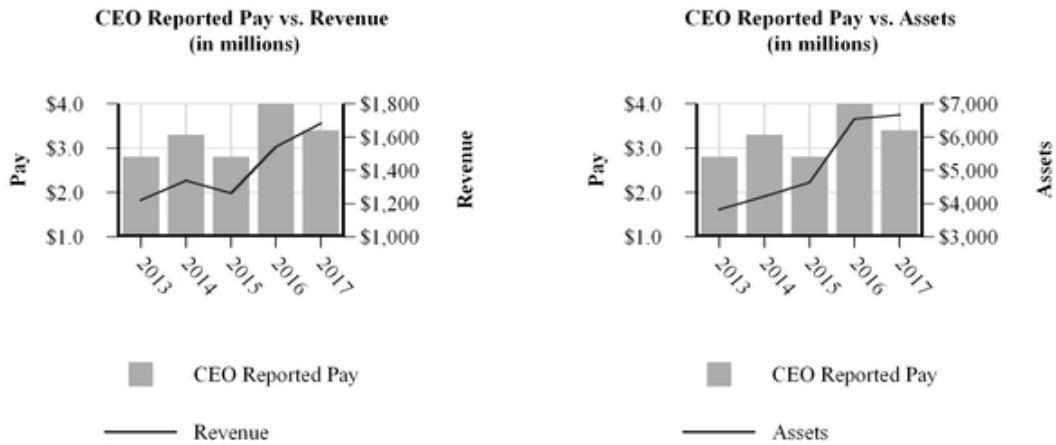
Our corporate financial goals are used as measures to determine awards under our variable pay programs. The following table summarizes our 2017 performance measures and results.

Pay Element	Performance Measure	2017 Results
Short-term Incentive	EPS from ongoing operations, as adjusted, target set at \$3.58; threshold set at \$3.20	\$3.31 per share for incentive plan purposes Payout of 62% of Target
Long-term Incentive - Performance Share Award	Total Shareholder Return (TSR) relative to our Peer Group measured over a three-year period	TSR 21% 11 th Percentile Ranking in Peer Group No Payout

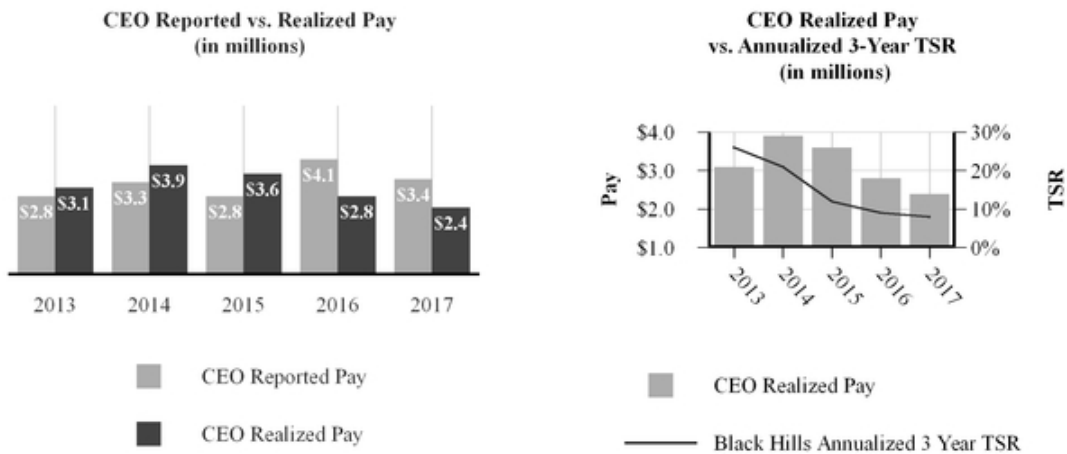
PAY FOR PERFORMANCE

A key component of our executive compensation program is to link pay to performance.

The charts below illustrate the directional relationship between the compensation of our CEO as reported in the Summary Compensation Table (excluding the change in pension value) and the growth in our Company for the last five years.



Since a large percentage of the CEO's pay as reported in the Summary Compensation Table represents potential pay, we believe it is also important to look at pay actually realized each year. In addition, since over 50 percent of our CEO pay is tied to Company performance, it is important to look at his realized pay as it is impacted by Company performance. The following graphics show reported pay and realized pay over the last five years and realized pay as it correlates to the Company's annualized 3-year total shareholder return, its long-term performance metric.



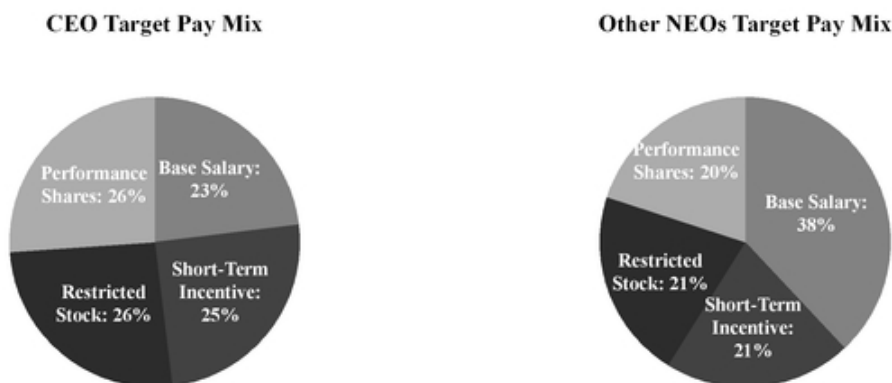
Reported pay includes base salary, actual annual incentive earned, the grant date fair value of long-term equity compensation and all other compensation, excluding the change in pension value, each as reported in the Summary Compensation Table.

Realized pay includes base salary, actual annual incentive earned and all other compensation, each as reported in the Summary Compensation Table, and the value of stock awards released in the applicable year.

KEY EXECUTIVE COMPENSATION OBJECTIVES AND 2017 COMPENSATION DECISIONS

Overall, our goal is to target total direct compensation (the sum of base salary, short-term incentive at target and long-term incentive at target) at the median of the appropriate market when our operating results approximate average performance in relation to our peers.

Our executive compensation is designed to maintain an appropriate and competitive balance between fixed and variable compensation components, short- and long-term compensation, and cash and stock-based compensation.



Variable	77%	Variable	62%
Linked to Share Value	52%	Linked to Share Value	41%

We believe that the performance basis for determining compensation should differ by each reward component – base salary, short-term incentive and long-term incentive. Incentive measures (short-term and long-term) should emphasize objective, quantitative operating measures. The performance measures for our incentive compensation plans are as follows:

Base Salary

Merit increases for our Named Executive Officers' base salary averaged 6.2 percent in 2017. The individual base salaries reflect the individual's performance, tenure, experience and market compensation for comparable positions in our industry and peer group.

Short-Term Incentive

The short-term incentive is based on earnings per share targets. The Committee believes that this performance measure closely aligns the executives' and our shareholders' interests and fosters teamwork and cooperation.

- * The 2017 short-term target incentive as a percent of base pay remained the same as the prior year at 60 percent and 45 percent for our CFO and GC, respectively. It was increased for our CEO from 100 percent to 110 percent, for our COO from 65 percent to 70 percent and for our CIO from 45 percent to 50 percent, adjusting to approximate the market median.
- * Based on the attainment of pre-established performance goals, the actual payout can range from 50 percent to 200 percent of target.
- * The Committee selected an earnings per share goal based on ongoing operations, as adjusted, of \$3.58 as the 2017 corporate target goal.
- * Our 2017 earnings for the Short-Term Incentive Plan were \$3.31 per share, which was 8 percent below our target earnings per share goal, resulting in a payout of 62 percent of target.

Long-Term Incentive

The long-term incentive is delivered 50 percent in performance shares and 50 percent in restricted stock that vests ratably over a three-year service period. Performance share awards are based on our total shareholder return over a three-year performance period compared to our peer group. This performance measure was chosen because it

mirrors the market return of our shareholders and compares our performance to that of our peer group. Target payout occurs if our performance is at the 50th percentile of our peer group.

* 2017 Long-Term Incentive Value

The 2017 long-term target incentive was adjusted for all the Named Executive Officers reflecting the market median compensation level for the increased size of the Company.

* Performance Share Plan Payment

Our total shareholder return under the performance plan criteria for the three-year period, January 1, 2015 through December 31, 2017, was 21 percent, which ranked below the threshold 30th percentile of our peer group resulting in no payout.

* Restricted Stock Grant

Consistent with prior years, the Committee awarded 50 percent of the Named Executive Officers' long-term incentive in restricted stock that ratably vests over three years.

Governance Best Practices

We have several governance programs in place to align our executive compensation with shareholder interests and to mitigate risks in our plans. These programs include stock ownership guidelines, clawback provisions in our short-term and long-term incentive award agreements, and the prohibition of hedging or pledging of Company stock.

Summary

In total, the Committee believes that the 2017 compensation actions, decisions and outcomes strongly reflect and reinforce our compensation philosophy and, in particular, emphasizes the alignment between compensation and both performance and shareholder interests. At our 2017 annual meeting, shareholders owning 94 percent of the shares voted on this matter approved our executive compensation for 2016, which we consider highly supportive of our current compensation philosophy. In connection with establishing the 2017 executive compensation program, the Board reviewed the results of the say on pay vote, as well as market data and performance indicators. No significant design changes were made.

SETTING EXECUTIVE COMPENSATION

Based upon our compensation philosophy, the Committee structures our executive compensation to motivate our officers to achieve specified business goals and to reward them for achieving such goals. The key steps the Committee follows in setting executive compensation are to:

Analyze executive compensation market data to ensure market competitiveness

Review the components of executive compensation, including base salary, short-term incentive, long-term incentive, retirement and other benefits

Review total compensation mix and structure

Review executive officer performance, responsibilities, experience and other factors cited above to determine individual compensation levels

Market Compensation Analysis

The market for our senior executive talent is national in scope and is not focused on any one geographic location, area or region of the country. As such, our executive compensation should be competitive with the national market for senior executives. It should also reflect the executive's responsibilities and duties and align with the compensation of executives at companies or business units of comparable size and complexity. The Committee gathers market information for our corporate executives from the electric and gas utility industry and also reviews general industry data as an additional reference.

The Committee selects and retains the services of an independent consulting firm to periodically:

Provide information regarding practices and trends in compensation programs

Review and evaluate our compensation program as compared to compensation practices of other companies with similar characteristics, including size, complexity and type of business

Review and assist with the establishment of a peer group of companies

Provide a compensation analysis of the executive positions

The Committee used the services of Willis Towers Watson to evaluate 2017 compensation. Willis Towers Watson gathered data from nationally recognized survey providers, as well as specific peer companies through public filings, which included:

- i. Willis Towers Watson's 2016 Compensation Data Bank (energy services and general industry); and
- ii. 23 peer companies representing the utility and energy industry.

The 23 peer companies ranged in annual revenue size from approximately \$560 million to \$6.5 billion, with the median at \$1.9 billion. The survey data was adjusted for our relative revenue size using regression analysis. Our peer companies included in the analysis for 2017 compensation decisions were:

ALLETE Inc.	IDACORP Inc.	Pinnacle West Capital Corp.
Alliant Energy Corporation	MGE Energy Inc.	PNM Resources, Inc.
Ameren Corporation	New Jersey Resources Corp.	Portland General Electric Co.
Avista Corp.	NiSource, Inc.	South Jersey Industries, Inc.
Cleco Corporation	Northwest Natural Gas Co.	Spire, Inc.
CMS Energy	NorthWestern Corp.	Westar Energy Inc.
El Paso Electric Co.	OGE Energy Corp.	WGL Holdings Inc.
Great Plains Energy, Inc.	ONE Gas, Inc.	

The salary surveys are one of several factors the Committee uses in setting appropriate compensation levels. Other factors include Company performance, individual performance and experience, the level and nature of the executive's responsibilities, internal equity considerations and discussions with the CEO related to the other senior executive officers.

Components of Executive Compensation

The components of our executive compensation program consist of a base salary, a short-term incentive plan, and long-term incentives. In addition, we provide income for our officers' retirement and other benefits.

An important component of the executives' total compensation is derived from incentive compensation. Incentive compensation is intended to motivate and encourage our executives to drive performance and achieve superior results for our shareholders. The Committee periodically reviews information provided by the compensation consultant to determine the appropriate level and mix of incentive compensation. Actual income in the form of incentive compensation is realized by the executive as a result of achieving Company goals and overall stock performance. The Committee believes that a significant

portion of total target compensation should be comprised of incentive compensation. In order to reward long-term growth while still encouraging short-term results, the Committee establishes incentive targets that emphasize long-term compensation at a greater level than short-term compensation.

The Committee annually reviews all components of each senior executive officer's compensation, including salary, short-term incentive, equity and other long-term incentive compensation values granted, and the current and potential value of the executive officer's total Black Hills Corporation equity holdings.

Base Salary. Base salaries for all officers are reviewed annually. We also adjust the base salary of our executives at the time of a promotion or change in job responsibility, as appropriate. Evaluation of 2017 base salary adjustments occurred in January 2017. The base salary component of each position was compared to the median of the market data provided by the compensation consultant. The market data indicated the salaries generally aligned with the utility industry median and below comparable general industry levels. The actual base salary of each officer was determined by the executive's performance, the experience level of the officer, the executive's current position in a market-based salary range, and internal pay relationships.

	2016 Base Salary	2017 Base Salary
Emery, CEO	\$772,000	\$820,000
Kinzley, CFO	\$363,000	\$381,000
Evans, COO	\$490,000	\$530,000
Iverson, GC	\$330,000	\$350,000
Buchholz, CIO	\$305,000	\$320,000

Short-Term Incentive. Our Short-Term Incentive Plan is designed to recognize and reward the contributions of individual executives as well as the contributions that group performance makes to overall corporate success. The program's goal for our corporate officers is based on an earnings per share target in order to closely align interests with shareholders and to foster teamwork and cooperation within the officer team. The short-term incentive, after applicable tax withholding, is distributed to the officer in the form of 50 percent stock and 50 percent cash, unless the officer has met his or her stock ownership guideline, in which case he or she may elect to receive the total award in cash, after deductions and applicable tax withholding. Target award levels are established as a percentage of each participant's base salary. A target award is typically comparable to the average short-term incentive target award of the peer group at the 50th percentile level. The actual payout will vary, based on performance, between zero and 200 percent of the individual executive's short-term incentive target award level.

The Committee approves the target level for each officer in January, which applies to performance in the upcoming plan year. Target levels are derived in part from competitive data provided by the compensation consultant and in part by the Committee's judgment regarding internal equity, retention and an individual executive's expected contribution to the achievement of our strategic objectives. The target levels for the positions held by our Named Executive Officers are shown below:

	Short-Term Incentive Target			
	2016		2017	
	<u>% Amount</u>	<u>\$ Amount</u>	<u>% Amount</u>	<u>\$ Amount</u>
Emery, CEO	100%	\$772,000	110%	\$902,000
Kinzley, CFO	60%	\$217,800	60%	\$228,600
Evans, COO	65%	\$318,500	70%	\$371,000
Iverson, GC	45%	\$148,500	45%	\$157,500
Buchholz, CIO	45%	\$137,250	50%	\$160,000

The threshold, target and maximum payout levels for our Named Executive Officers under the 2017 Short-Term Incentive Plan are shown in the Grants of Plan Based Awards in 2017 table on page 40, under the heading “Estimated Future Payouts Under Non-Equity Incentive Plan Awards.”

Early in the first quarter, the Committee meets to establish the goals for the current plan year, to evaluate actual performance in relation to the prior year’s targets and to approve the actual payment of awards related to the prior plan year. The Committee reserves the discretion to adjust any award, and will review and take into account individual performance, level of contribution, and the accomplishment of specific project goals that were initiated throughout the plan year.

The Committee selected an earnings per share goal based on ongoing operations, as adjusted, for 2017. This meets the objectives of the plan, including:

- Aligns the interests of the plan participants and the shareholders with a corporate-wide component
- Motivates employees and supports the corporate compensation philosophy
- Provides an incentive reflective of core operating performance by adjusting for unique one-time events
- Ensures “buy-in” from participants with easily understood metrics
- Meets the performance objectives of the plan to achieve over-time, an average payout equal to market competitive levels

The Committee has defined earnings per share from ongoing operations, as adjusted, to be GAAP earnings per share adjusted for unique one-time non-budgeted events (similar to those items adjusted for when reporting non-GAAP earnings for external purposes), including external acquisition costs, non-cash oil and gas ceiling test impairments, transaction financing costs, unrealized gains or losses on interest rate swaps, and other items the Committee deems not reflective of ongoing operations and the value created for shareholders.

The Committee approved the goals for 2017 for the corporate officers as follows:

Threshold	Earnings Per Share from Ongoing Operations, as Adjusted	Payout % of Target
Minimum	\$3.20	50%
Target	\$3.58	100%
Maximum	\$3.91	200%

On January 30, 2018, the Committee approved a payout of 62 percent of target under the 2017 Short-Term Incentive Plan based on the attainment of \$3.31 Earnings per share from ongoing operations, as adjusted, for incentive plan purposes. Earnings from ongoing operations, as adjusted, for incentive plan purposes were calculated by adjusting Earnings per share from continuing operations, as adjusted, of \$3.36 per share, reported externally to our investors (and reconciled to GAAP earnings per share in Appendix A), for impacts related to the discontinued operations. Because the original targets set in January 2017 include the operations of our oil and gas business, the Committee felt it was prudent to include the net impacts of discontinued operations in the calculation of the payout, as shown below:

Earnings per share from continuing operations, as adjusted	<u>\$3.36</u>
Adjustments for discontinued operations:	
Loss from discontinued operations	(0.25)
Adjust for:	
Impairments, net of depletion benefits	0.17
Severance and retention	<u>0.03</u>
	<u>(0.05)</u>
Earnings per share from ongoing operations, as adjusted, for incentive plan purposes	\$3.31

Payouts under the Short-Term Incentive Plan have varied over the last 10 years as shown in the graph below.



Actual awards made to each of our Named Executive Officers under the Short-Term Incentive Plan for 2017 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 38.

Long-Term Incentive. Long-term incentive compensation is comprised of grants made by the Committee under our 2015 Omnibus Incentive Plan. Long-term incentive compensation is intended to:

Promote corporate goals by linking the personal interests of participants to those of our shareholders

Provide participants with an incentive for excellence in individual performance

Promote teamwork among participants

Motivate, retain, and attract the services of participants who make significant contributions to our success by allowing participants to share in such success

Meet the performance objectives of the plan to achieve over-time, an average payout equal to market competitive levels

The Committee oversees the administration of the Omnibus Incentive Plans with full power and authority to determine when and to whom awards will be granted, along with the type, amount and other terms and conditions of each award. The long-term incentive compensation component is currently composed of performance shares and restricted stock (or restricted stock units if the executive elects to defer the compensation). The Committee chose these components because linking executive compensation to stock price appreciation and total shareholder return is an effective way to align the interests of management with those of our shareholders. The Committee selected total shareholder return as the performance goal for the performance shares because it believes executive pay under a long-term, capital accumulation program should mirror our performance in shareholder return as compared to our peer group of companies.

The value of long-term incentives awarded is based primarily on competitive market-based data presented by the compensation consultant to the Committee, the impact each position has on our shareholder return and internal pay relationships. The actual amount realized will vary from the awarded target amounts. The Committee approved the target long-term incentive compensation level for each officer in January 2017.

NEO Long-Term Incentive Target Compensation		
	<u>2016</u>	<u>2017</u>
Emery, CEO	\$1,600,000	\$1,900,000
Kinzley, CFO	\$300,000	\$455,000
Evans, COO	\$500,000	\$800,000
Iverson, GC	\$260,000	\$350,000
Buchholz, CIO	\$210,000	\$230,000

2017 NEO Long-Term Incentive Compensation as a Percentage of Base Salary					
	Emery, CEO	Kinzley, CFO	Evans, COO	Iverson, GC	Buchholz, CIO
% of Base Salary	232%	119%	151%	100%	72%

The variance in percentage of base salary for the long-term incentive value of our Named Executive Officers reflects our philosophy that certain officers should have more of their total compensation at risk because they hold positions that have a greater impact on our long-term results and is also consistent with market practice.

Performance shares are used to deliver 50 percent of the long-term incentive award amounts, with the remaining 50 percent delivered in the form of restricted stock (or restricted stock units). The actual shares of performance shares and restricted stock granted in 2017 are reflected in the tables in the *Performance Shares and Restricted Stock and Restricted Stock Units* sections that follow.

Performance Shares. Participants are awarded a target number of performance shares based upon the value of the individual performance share component approved by the Committee, divided by the Beginning Stock Price. The Beginning Stock Price is the average of the closing price of our common stock for the 20 trading days immediately preceding the beginning of the plan period. Entitlement to performance shares is based on our total shareholder return over designated performance periods, as measured against our peer group. The final value of the performance shares is based upon the number of shares of common stock that are ultimately granted, based upon our performance in relation to the performance criteria.

The Committee, with the guidance of Willis Towers Watson, periodically conducts a review of the market competitiveness of our performance share plans. In 2016, it was determined that the performance criteria range needed to be modified to align us with our peer group. To provide a balanced range adjustment, the Committee increased the maximum performance level required for payout from the 85th percentile to the 90th percentile and lowered the threshold performance level required for

payout from the 30th percentile to the 25th percentile. A summary of the performance criteria for each plan period is summarized in the tables below.

2016-2018 and 2017-2019 Performance Share Plans			
Percentile Ranking for Threshold Payout of 25% of Target Shares	Percentile Ranking for Target Payout of 100% of Target Shares	Percentile Ranking for Maximum Payout Level	Possible Payout Range of Target
25 th percentile	50 th percentile	90 th percentile	0-200%

2015-2017 Performance Share Plan			
Percentile Ranking for Threshold Payout of 50% of Target Shares	Percentile Ranking for Target Payout of 100% of Target Shares	Percentile Ranking for Maximum Payout Level	Possible Payout Range of Target
30 th percentile	50 th percentile	85 th percentile	0-200%

The performance awards and dividend equivalents, if earned, are paid 50 percent in cash and 50 percent in common stock. All payroll deductions and applicable tax withholding related to the award are withheld from the cash portion. Performance share target grant values for new performance periods are approved in January of each year.

In 2017, due to the merger and acquisition activity in our peer group and its contribution to relative performance volatility, the Committee, with the guidance of Willis Towers Watson, conducted a review of potential peer indices to use in place of an identified peer group and other potential adjustments to the performance plan criteria. The Committee chose to use the companies in the Edison Electric Index as the peer group for financial performance tracking. In addition, two performance criteria were added to the 2017 - 2019 Performance Share Plan, specifically providing a threshold payout if relative TSR performance is below threshold but at 35 percent or higher; and further, if TSR is negative, capping the performance share plan payout at 100 percent of target. The changes are intended to reduce the impact of one peer company's performance on the relative TSR plan, and also increase the accountability and expectations of the Company's performance.

Payouts under the Performance Share Plan have varied significantly over the last 10 years with either no payout or very high payouts, as shown in the graph below.



Each performance share period extends for three years. For the recently completed performance period, January 1, 2105 to December 31, 2017, our total shareholder return was 21 percent, which ranked below the threshold 30th percentile of our peer group, resulting in no payout.

Target shares for each of our Named Executive Officers for the outstanding performance periods are as follows:

	January 1, 2016 to December 31, 2018 Performance Period	January 1, 2017 to December 31, 2019 Performance Period
Emery, CEO	18,349	15,630
Kinzley, CFO	3,440	3,743
Evans, COO	5,734	6,581
Iverson, GC	2,982	2,879
Buchholz, CIO	2,408	1,892

Actual payouts, if any, will be determined based upon our total shareholder return for the plan period in comparison to our peer group.

Restricted Stock and Restricted Stock Units. Restricted stock and restricted stock units awarded as long-term incentives vest one-third each year over a three-year period, and automatically vest in their entirety upon death, disability or a change in control. Dividends are paid on the restricted stock and dividend equivalents accrue on restricted stock units. Unvested restricted stock or units are forfeited if an officer's employment is terminated for any reason other than death, disability or in the event of a change in control. Corporate officers may elect to receive the award in the form of restricted stock, or to defer the payment under the Nonqualified Deferred Compensation Plan in the form of restricted stock units.

The number of shares of restricted stock awarded in 2017 for each of our Named Executive Officers is shown below and is included in the Grants of Plan Based Awards in 2017 table under the heading "All Other Stock Awards: Number of Shares of Stock or Units" and "Grant Date Fair Value of Stock Awards" on page 40.

	Long-Term Incentive
Emery, CEO	15,430
Kinzley, CFO	3,695
Evans, COO	6,497
Iverson, GC	2,842
Buchholz, CIO	1,868

Performance Evaluation

Role of Executive Officers in Compensation Decisions. The CEO annually reviews the performance of each of our executive officers. Based upon these performance reviews, market analysis conducted by compensation consultants and discussions with our Sr. Vice President and Chief Human Resources Officer, the CEO recommends the compensation for this group of officers to the Committee.

Role of the Committee and Board in Setting Executive Compensation. The Committee reviews and establishes the Company's financial targets and the CEO's goals and objectives for the year. After the end of each year, the Committee evaluates the CEO's performance in light of established goals and objectives, with input from the other independent directors. Based upon the Committee's evaluation and recommendation, the independent directors of the Board set the CEO's annual compensation, including salary, short-term incentive, long-term incentive and equity compensation.

The Committee reviews the CEO's recommended compensation levels for our senior officers. The Committee may approve the CEO's compensation recommendations for this group of officers or exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process. The Committee is required to approve all decisions regarding equity awards to our officers.

STOCK OWNERSHIP GUIDELINES

The Committee has implemented stock ownership guidelines that apply to all officers based upon their level of responsibility. We believe it is important for our officers to hold a significant amount of our common stock to further align their performance with the interest of our shareholders. A “retention ratio” approach to stock ownership is incorporated into the guidelines. Officers are required to retain 100 percent of all shares owned, including shares awarded through our incentive plans (net of share withholding for taxes and, in the case of cashless stock option exercises, net of the exercise price and withholding for taxes) until specific ownership goals are achieved.

Ownership guidelines were recently changed from a fixed number of shares to a multiple of base pay to better align our guidelines with market practices. The new guidelines are shown below.

Position	Stock Ownership Value as Multiple of Base Salary
CEO	6X
COO and CFO	4X
Other Senior Officers	3X

At least annually, the Compensation Committee reviews common stock ownership to confirm the officers have met or are progressing toward their stock ownership guidelines. Generally, an officer may not sell common stock unless he or she owns common stock in excess of 110 percent of the applicable stock ownership guideline. All of our Named Executive Officers have exceeded their stock ownership guidelines.

2017 BENEFITS

Retirement Benefits. We maintain a variety of employee benefit plans and programs in which our executive officers may participate. We believe it is important to provide post-employment benefits to our executive officers and the benefits we provide approximate retirement benefits paid by other employers to executives in similar positions. The Committee periodically reviews the benefits provided, with assistance from its compensation consultant, to maintain a market-based benefits package. None of our Named Executive Officers received any pension benefit payments in 2017.

Several years ago, we adopted a defined contribution plan design as our primary retirement plan and amended our Defined Benefit Pension Plan (“Pension Plan”) for all eligible employees to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits. Messrs. Emery and Buchholz are our only Named Executive Officers who met the age and service requirement allowing them to continue to accrue benefits under the Pension Plan. Employees who no longer accrue benefits under the Pension Plan now receive Company Retirement Contributions (“Retirement Contributions”) in the Retirement Savings Plan. The Retirement Contributions are an age and service points-based calculation.

The 401(k) Retirement Savings Plan is offered to all our eligible employees and we provide matching contributions for certain eligible participants. All of our Named Executive Officers are participants in the 401(k) Retirement Savings Plan and received matching contributions in 2017. The matching contributions and the Retirement Contributions are included as “All Other Compensation” in the Summary Compensation Table on page 38.

We also provide nonqualified plans to certain officers because of Internal Revenue Code limitations imposed on the qualified plans. The level of retirement benefits provided by the Pension Plan and Nonqualified Plans for each of our Named Executive Officers is reflected in the Pension Benefits for 2017 table on page 44. Our contributions to the Nonqualified Deferred Compensation Plan are included in the All Other Compensation column of the Summary Compensation Table on page 38 and the aggregate Nonqualified Deferred Compensation balance at December 31, 2017 is reported in the Nonqualified Deferred Compensation for 2017 table on page 47. These retirement benefits are explained in more detail in the accompanying narrative to the tables.

Other Personal Benefits. We provide the personal use of a Company vehicle, executive health services, and limited reimbursement of financial planning services as benefits to our executive officers. The specific amount attributable to these benefits in 2017 is disclosed in the Summary Compensation Table on page 38. The Committee periodically reviews the other

personal benefits provided to our executive officers and believes the current benefits are reasonable and consistent with our overall compensation program.

CHANGE IN CONTROL PAYMENTS

Our Named Executive Officers may also receive severance benefits in the event of a change in control. We have no employment agreements with our Named Executive Officers. However, change in control agreements are common among our peer group and the Committee and our Board of Directors believe providing these agreements to our corporate officers protects our shareholder interests in the event of a change in control by helping assure management focus and continuity. Our change in control agreements have expiration dates and our Board of Directors conducts a thorough review of the change in control agreements at each renewal period. Our current change in control agreements expire November 15, 2019. In general, our change in control agreements provide a severance payment of up to 2.99 times average compensation for our CEO, and up to two times average compensation for the other Named Executive Officers. The change in control agreements do not provide for excise tax gross-ups and contain a “double trigger,” providing benefits in association with:

- (1) a change in control, and
- (2) (i) a termination of employment other than by death, disability or by us for cause, or
(ii) a termination by the employee for good reason.

See the Potential Payments upon Termination or Change in Control table on page 48 and the accompanying narrative for more information regarding our change in control agreements and estimated payments associated with a change in control.

TAX AND ACCOUNTING IMPLICATIONS

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, limits the tax deductibility by a corporation of compensation in excess of \$1 million paid to certain of its officers. Section 162(m) as in effect prior to the enactment of tax reform legislation in December 2017 generally disallowed a tax deduction to public companies for compensation of more than \$1 million paid in any taxable year to each “covered employee,” consisting of the CEO and the three other highest paid executive officers employed at the end of the year (other than the CFO). Performance-based compensation was exempt from this deduction limitation if the Company met specified requirements set forth in the Code and applicable Treasury Regulations.

Recent tax reform legislation retained the \$1 million deduction limit, but repealed the performance-based compensation exemption from the deduction limit and expanded the definition of “covered employees,” effective for taxable years beginning after December 31, 2017. “Covered employees” will now also include any person who served as CEO or CFO at any time during a taxable year, as well as any person who was ever identified as a covered employee in 2017 or any subsequent year. Consequently, compensation paid in 2018 and later years to our Named Executive Officers in excess of \$1 million will not be deductible unless it qualifies for transitional relief applicable to certain binding, written performance-based compensation arrangements that were in place as of November 2, 2017. The Committee continues to believe that shareholder interests are best served if its discretion and flexibility in structuring and awarding compensation is not restricted, even though some past and/or future compensation awards result in non-deductible compensation expenses to the Company. The Committee’s ability to continue to provide a competitive compensation package to attract, motivate and retain the Company’s most senior executives is considered critical to the Company’s success and to advancing the interests of its shareholders.

CLAWBACK POLICY

We have a policy that if an accounting restatement occurs after incentive payments have been made, due to the results of misconduct associated with financial reporting, the Committee will seek repayment of the incentive compensation from our CEO and CFO, and the Committee has the discretion to request repayment of incentive compensation from our other officers, taking into consideration the individual roles and responsibilities prompting the restatement.

In addition, our award agreements for restricted stock and target performance shares include clawback provisions whereby the participant may be required to repay all income or gains previously realized in respect of such awards if his or her employment is terminated for cause, or if, within one year following termination of employment, the Board determines that the participant engaged in conduct prior to his or her termination that would have constituted the basis for a termination of employment for cause.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Michael H. Madison, Chair
Linda K. Massman
Rebecca B. Roberts
Teresa A. Taylor
Thomas J. Zeller

SUMMARY COMPENSATION TABLE

The following table sets forth the total compensation paid or earned by each of our Named Executive Officers for the years ended December 31, 2017, 2016 and 2015. We have no employment agreements with our Named Executive Officers.

Name and Principal Position	Year	Salary	Stock Awards ⁽²⁾	Non-Equity Incentive Plan Compensation ⁽³⁾	Changes in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁴⁾	All Other Compensation ⁽⁵⁾	Total
David R. Emery	2017	\$812,000	\$1,942,843	\$560,232	\$2,155,930	\$92,930	\$5,563,935
Chairman and Chief Executive Officer	2016	\$767,000	\$1,926,358	\$1,283,218	\$1,061,157	\$104,751	\$5,142,484
	2015	\$738,333	\$1,425,200	\$613,241	\$1,283,749	\$70,979	\$4,131,502
Richard W. Kinzley	2017	\$378,000	\$465,256	\$141,983	\$36,599	\$250,572	\$1,272,410
Sr. Vice President and Chief Financial Officer	2016	\$357,500	\$514,297	\$362,027	\$23,493	\$174,154	\$1,431,471
	2015	\$326,241	\$254,490	\$151,520	\$—	\$160,404	\$892,655
Linden R. Evans⁽¹⁾	2017	\$523,333	\$818,045	\$230,428	\$59,631	\$385,948	\$2,017,385
President and Chief Operating Officer	2016	\$485,833	\$773,875	\$529,411	\$37,711	\$299,611	\$2,126,441
	2015	\$462,833	\$458,081	\$277,556	\$—	\$356,843	\$1,555,313
Brian G. Iverson⁽¹⁾	2017	\$346,667	\$357,856	\$97,823	\$17,736	\$145,405	\$965,487
Sr. Vice President and General Counsel	2016	\$325,000	\$422,433	\$246,837	\$11,890	\$111,429	\$1,117,589
Scott A. Buchholz	2017	\$317,500	\$235,193	\$99,376	\$366,235	\$133,407	\$1,151,711
Sr. Vice President and Chief Information Officer	2016	\$302,500	\$370,033	\$228,137	\$366,662	\$112,969	\$1,380,301

- (1) Mr. Evans was named President and Chief Operating Office effective January 1, 2016. Previously, he was Chief Operating Officer of the Utilities. Mr. Iverson was named Sr. Vice President and General Counsel effective April 25, 2016. Previously, he was Sr. Vice President - Regulatory and Government Affairs and Assistant General Counsel.
- (2) Stock Awards represent the grant date fair value related to restricted stock and performance shares that have been granted as a component of long-term incentive compensation and for 2016, include special achievement awards associated with the acquisition of SourceGas. The grant date fair value is computed in accordance with the provisions of accounting standards for stock compensation. Assumptions used in the calculation of these amounts are included in Note 12 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2017.
- (3) Non-Equity Incentive Plan Compensation represents amounts earned under the Short-Term Incentive Plan. The Compensation Committee approved the payout of the 2017 awards at its January 30, 2018 meeting, and the awards were paid on March 9, 2018.
- (4) Change in Pension Value and Nonqualified Deferred Compensation Earnings represents the net positive increase in actuarial value of the Pension Plan, Pension Restoration Benefit (“PRB”) and Pension Equalization Plans (“PEP”) for the respective years. These benefits have been valued using the assumptions disclosed in Note 18 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2017. Because these assumptions sometimes change between measurement dates, the change in value reflects not only the change in value due to additional benefits earned during the period and the passage of time but also reflects the change in value caused by changes in the underlying actuarial assumptions. This has created significant volatility in the past. The large change in pension value in 2017 was due to changes in the applicable mortality table and change in discount rates used to calculate the present value of these benefits. These changes accounted for 46 percent of the increase in Mr. Emery’s pension value.

The Pension Plan and PRB were frozen effective January 1, 2010 for participants who did not satisfy the age 45 and 10 years of service eligibility. Messrs. Kinzley, Evans and Iverson did not meet the eligibility choice criteria and their Defined Pension and PRB benefits were frozen.

The PEP is offered through the Grandfathered Pension Equalization Plan (“Grandfathered PEP”) and 2005 Pension Equalization Plan (“2005 PEP”). Mr. Emery is the only participant in the Grandfathered PEP and 2005 PEP. Messrs. Kinzley, Evans, Iverson and Buchholz are not participants in these plans; instead they receive employer contributions into a Nonqualified Deferred Compensation Plan (“NQDC”). The NQDC employer contributions are reported in the All Other Compensation column.

No Named Executive Officer received preferential or above-market earnings on nonqualified deferred compensation. The change in value attributed to each Named Executive Officer from each plan is shown in the table below.

	Year	Defined Benefit Plan	PRB	PEP	Total Change in Pension Value
David R. Emery	2017	\$235,056	\$1,281,606	\$639,268	\$2,155,930
	2016	\$85,671	\$641,790	\$333,696	\$1,061,157
	2015	\$8,648	\$811,077	\$464,024	\$1,283,749
Richard W. Kinzley	2017	\$34,487	\$2,112	\$—	\$36,599
	2016	\$22,312	\$1,181	\$—	\$23,493
Linden R. Evans	2017	\$33,178	\$26,453	\$—	\$59,631
	2016	\$22,258	\$15,453	\$—	\$37,711
	2015	(\$8,842)	(\$5,919)	\$—	(\$14,761)
Brian G. Iverson	2017	\$17,736	\$—	\$—	\$17,736
	2016	\$11,890	\$—	\$—	\$11,890
Scott A. Buchholz	2017	\$226,019	\$140,216	\$—	\$366,235
	2016	\$161,952	\$204,710	\$—	\$366,662

- (5) All Other Compensation includes amounts allocated under the 401(k) match, defined contributions, NQDC contributions, dividends received on restricted stock and unvested restricted stock units and other personal benefits. The Other Personal Benefits column reflects the personal use of a Company vehicle, executive health and financial planning services.

	Year	401(k) Match	Defined Contributions	NQDC Contributions	Dividends on Restricted Stock/Units	Other Personal Benefits	Total Other Compensation
David R. Emery	2017	\$16,200	\$—	\$—	\$61,046	\$15,684	\$92,930
Richard W. Kinzley	2017	\$16,200	\$13,800	\$185,861	\$16,433	\$18,278	\$250,572
Linden R. Evans	2017	\$16,200	\$13,800	\$311,811	\$26,238	\$17,899	\$385,948
Brian G. Iverson	2017	\$16,200	\$13,800	\$86,044	\$13,061	\$16,300	\$145,405
Scott A. Buchholz	2017	\$16,200	\$—	\$92,735	\$10,590	\$13,882	\$133,407

GRANTS OF PLAN BASED AWARDS IN 2017⁽¹⁾

Name	Grant Date	Date of Compensation Committee Action	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽²⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽³⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽⁴⁾	Grant Date Fair Value of Stock Awards ⁽⁵⁾
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
David R. Emery	1/24/17	1/24/17	\$451,000	\$902,000	\$1,804,000	3,908	15,630	31,260	\$992,818	
	2/3/17	1/24/17								15,430
Richard W. Kinzley	1/24/17	1/24/17	\$114,300	\$228,600	\$457,200	936	3,743	7,486	\$237,755	
	2/3/17	1/24/17								3,695
Linden R. Evans	1/24/17	1/24/17	\$185,500	\$371,000	\$742,000	1,645	6,581	13,162	\$418,025	
	2/3/17	1/24/17								6,497
Brian G. Iverson	1/24/17	1/24/17	\$78,750	\$157,500	\$315,000	720	2,879	5,758	\$182,874	
	2/3/17	1/24/17								2,842
Scott A. Buchholz	1/24/17	1/24/17	\$80,000	\$160,000	\$320,000	473	1,892	3,784	\$120,180	
	2/3/17	1/24/17								1,868

(1) No stock options were granted to our Named Executive Officers in 2017.

(2) The columns under “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” show the range of payouts for 2017 performance under our Short-Term Incentive Plan as described in the Compensation Discussion and Analysis under the section titled “Short-Term Incentive” on page 29. If the performance criteria are met, payouts can range from 50 percent of target at the threshold level to 200 percent of target at the maximum level. The 2018 bonus payment for 2017 performance has been made based on achieving the criteria described in the Compensation Discussion and Analysis, at 62 percent of target, and is shown in the Summary Compensation Table on page 38 in the column titled “Non-Equity Incentive Plan Compensation.”

(3) The columns under “Estimated Future Payouts Under Equity Incentive Plan Awards” show the range of payouts (in shares of stock) for the January 1, 2017 to December 31, 2019 performance period as described in the Compensation Discussion and Analysis under the section titled “Long-Term Incentive – Performance Shares” on page 32. If the performance criteria are met, payouts can range from 25 percent of target to 200 percent of target. If a participant retires, suffers a disability or dies during the performance period, the participant or the participant’s estate is entitled to that portion of the number of performance shares as such participant would have been entitled to had he or she remained employed, prorated for the number of months served. Performance shares are forfeited if employment is terminated for any other reason. During the performance period, dividends and other distributions paid with respect to the shares of common stock accrue for the benefit of the participant and are paid out at the end of the performance period.

(4) The column “All Other Stock Awards” reflects the number of shares of restricted stock granted on February 3, 2017 under our 2015 Omnibus Incentive Plan. The restricted stock vests one-third each year over a three-year period, and automatically vests upon death, disability or a change in control. Unvested restricted stock is forfeited if employment is terminated for any other reason. Dividends are paid on the restricted stock and the dividends that were paid in 2017 are included in the column titled “All Other Compensation” in the Summary Compensation Table on page 38.

(5) The column “Grant Date Fair Value of Stock Awards” reflects the grant date fair value of each equity award computed in accordance with the provisions of accounting standards for stock compensation. The grant date fair value for the performance shares was \$63.52 per share and was calculated using a Monte Carlo simulation model. Assumptions used in the calculation are included in Note 12 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2017. The grant date fair value for the restricted stock was \$61.57 per share for the February 3, 2017 grant, which was the market value of our common stock on the date of grant as reported on the NYSE.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2017⁽¹⁾

Name	Stock Awards			
	Number of Shares or Units of Stock That Have Not Vested ⁽²⁾ (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽²⁾ (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
David R. Emery	33,727	\$2,027,330	22,257	\$1,337,838
Richard W. Kinzley	9,079	\$545,739	4,376	\$263,026
Linden R. Evans	14,496	\$871,355	7,379	\$443,567
Brian G. Iverson	7,216	\$433,754	3,702	\$222,512
Scott A. Buchholz	5,851	\$351,704	2,881	\$173,177

(1) There were no stock options outstanding at December 31, 2017 for our Named Executive Officers.

(2) Vesting dates for restricted stock and performance shares are shown in the table below. The performance shares shown with a vesting date of December 31, 2017 would normally be the actual equivalent shares, including dividend equivalents, earned for the performance period ended December 31, 2017; however, because our total shareholder return was 21 percent, which ranked below the threshold 30th percentile of our peer group, there was no payout. The performance shares with a vesting date of December 31, 2018 and a vesting date of December 31, 2019 are shown at the target and threshold payout levels, respectively, based upon performance as of December 31, 2017.

Name	Unvested Restricted Stock		Unvested and Unearned Performance Shares	
	# of Shares	Vesting Date	# of Shares	Vesting Date
David R. Emery	5,143	02/03/18	—	12/31/17
	11,460	02/04/18	18,349	12/31/18
	5,143	02/03/19	3,908	12/31/19
	6,837	02/04/19		
	5,144	02/03/20		
Richard W. Kinzley	1,231	02/03/18	—	12/31/17
	3,105	02/04/18	3,440	12/31/18
	1,232	02/03/19	936	12/31/19
	2,279	02/04/19		
	1,232	02/03/20		
Linden R. Evans	2,165	02/03/18	—	12/31/17
	4,743	02/04/18	5,734	12/31/18
	2,166	02/03/19	1,645	12/31/19
	3,256	02/04/19		
	2,166	02/03/20		
Brian G. Iverson	947	02/03/18	—	12/31/17
	2,550	02/04/18	2,982	12/31/18
	947	02/03/19	720	12/31/19
	1,824	02/04/19		
	948	02/03/20		
Scott A. Buchholz	622	02/03/18	—	12/31/17
	2,322	02/04/18	2,408	12/31/18
	623	02/03/19	473	12/31/19
	1,661	02/04/19		
	623	02/03/20		

OPTION EXERCISES AND STOCK VESTED DURING 2017⁽¹⁾

Name	Stock Awards ⁽²⁾	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
David R. Emery	15,450	\$951,177
Richard W. Kinzley	3,642	\$224,227
Linden R. Evans	15,944	\$976,667
Brian G. Iverson	3,010	\$185,316
Scott A. Buchholz	2,934	\$180,634

(1) There were no stock options exercised during 2017.

(2) Reflects only restricted stock that vested in 2017, as there was no payout in 2017 of performance shares for the 2014-2016 performance period.

PENSION BENEFITS FOR 2017

Several years ago, we adopted a defined contribution plan design as our primary retirement plan and amended our Pension Plan and Nonqualified Pension Plans for all eligible employees to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits. Employees eligible to elect continued participation were those employees who were at least 45 years old and had at least 10 years of eligible service with us as of January 1, 2010. Messrs. Emery and Buchholz were our only Named Executive Officers who met the age and service requirement and continue to accrue benefits under the Pension Plan and the Pension Restoration Plan. Benefits under the Pension Plan and Pension Restoration Plan were frozen for Messrs. Kinzley, Evans and Iverson. In addition, Mr. Emery received supplemental pension benefits under the Grandfathered Pension Equalization Plan, which was frozen effective December 31, 2004, and the 2005 Pension Equalization Plan. None of our Named Executive Officers received any pension benefit payments during the fiscal year ended December 31, 2017.

The present value accumulated by each Named Executive Officer from each plan is shown in the table below:

Name	Plan Name	Number of Years of Credited Service ⁽¹⁾ (#)	Present Value of Accumulated Benefit ⁽²⁾ (\$)
David R. Emery	Pension Plan	28.33	\$1,148,996
	Pension Restoration Benefit	28.33	\$6,677,290
	Grandfathered Pension Equalization Plan	22.00	\$836,193
	2005 Pension Equalization Plan	22.00	\$3,542,397
Richard W. Kinzley	Pension Plan	11.50	\$248,997
	Pension Restoration Benefit	11.50	\$15,254
Linden R. Evans	Pension Plan	9.58	\$275,567
	Pension Restoration Benefit	9.58	\$219,899
Brian G. Iverson	Pension Plan	6.83	\$146,833
Scott A. Buchholz	Pension Plan	38.17	\$1,487,008
	Pension Restoration Plan	38.17	\$1,138,261

- (1) The number of years of credited service represents the number of years used in determining the benefit for each plan. The Pension Equalization Plans are not directly tied to service but rather the number of years of participation in the plan.
- (2) The present value of accumulated benefits was calculated assuming the participants will work until retirement, benefits commence at age 62 and using the discount rate, mortality rate and assumed payment form assumptions consistent with those disclosed in Note 18 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2017.

DEFINED BENEFIT PENSION PLAN

Our Pension Plan is a qualified pension plan in which all of our Named Executive Officers are included. As discussed above, several years ago we amended our Pension Plan to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits. Messrs. Emery and Buchholz were the only Named Executive Officers who met the age and service requirement and elected to continue with the existing plan.

The Pension Plan provides benefits at retirement based on length of employment service and average compensation levels during the highest five consecutive years of the last ten years of service. For purposes of the benefit calculation, earnings include wages and other cash compensation received from us, including any bonus, commission, unused paid time off or incentive compensation. It also includes any elective before-tax contributions made by the employee to a Company-sponsored cafeteria plan or 401(k) plan. However, it does not include any expense reimbursements, taxable fringe benefits, moving expenses or moving/relocation allowances, nonqualified deferred compensation, non-cash incentives, stock options and any payments of long-term incentive compensation such as restricted stock or payments under performance share plans. The

Internal Revenue Code places maximum limitations on the amount of compensation that may be recognized when determining benefits of qualified pension plans. In 2017, the maximum amount of compensation that could be recognized when determining compensation was \$270,000 (called “covered compensation”). Our employees do not contribute to the plan. The amount of the annual contribution by us to the plan is based on an actuarial determination.

The benefit formula for the Named Executive Officers in the plan is the sum of (a) and (b) below.

(a) Credited Service after January 31, 2000

0.9% of average earnings (up to covered compensation), multiplied by credited service after January 31, 2000 minus the number of years of credited service before January 31, 2000	Plus	1.3% of average earnings in excess of covered compensation, multiplied by credited service after January 31, 2000 minus the number of years of credited service before January 31, 2000
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Plus

(b) Credited Service before January 31, 2000

1.2% of average earnings (up to covered compensation), multiplied by credited service before January 31, 2000	Plus	1.6% of average earnings in excess of covered compensation, multiplied by credited service before January 31, 2000
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Pension benefits are not reduced for social security benefits. The Internal Revenue Code places maximum limitations on annual benefit amounts that can be paid under qualified pension plans. In 2017, the maximum benefit payable under qualified pension plans was \$215,000. Accrued benefits become 100 percent vested after an employee completes five years of service.

Normal retirement is defined as age 65 under the plan. However, a participant may retire and begin taking unreduced benefits at age 62 with five years of service. Participants who have completed at least five years of credited service can retire and receive defined benefit pension benefits as early as age 55. However, the retirement benefit will be reduced by five percent for each year of retirement before age 62. Messrs. Emery, Evans, Iverson and Buchholz are currently age 55 or older and are entitled to early retirement benefits under this provision.

PENSION EQUALIZATION PLANS AND PENSION RESTORATION BENEFIT

We also have a Grandfathered Pension Equalization Plan, a 2005 Pension Equalization Plan and a Pension Restoration Benefit. These are nonqualified supplemental plans, in which benefits are not tax deductible until paid. The plans are designed to provide the higher paid executive employee a retirement benefit which, when added to social security benefits and the pension to be received under the Pension Plan, will approximate retirement benefits being paid by other employers to their employees in similar executive positions. The employee’s pension from the qualified Pension Plan is limited by the Internal Revenue Code. The 2017 pension limit was set at \$215,000 annually and the compensation taken into account in determining contributions and benefits could not exceed \$270,000 and could not include nonqualified deferred compensation. The amount of deferred compensation paid under nonqualified plans is not subject to these limits.

As a result of the change in the Pension Plan discussed above, the benefits for certain officers (including Messrs. Kinzley, Evans, and Iverson) under the Nonqualified Pension Plans were significantly reduced because the nonqualified benefit calculations were linked to the benefits earned in the Pension Plan. The Compensation Committee amended the Nonqualified Deferred Compensation Plan to provide non-elective nonqualified restoration benefits to those affected officers who were not eligible to continue accruing benefits under the Pension Plan and Nonqualified Pension Plans.

Grandfathered Pension Equalization Plan and 2005 Pension Equalization Plan. The Grandfathered Pension Equalization Plan provides the pension equalization benefits to each participant who had earned and vested benefits before January 1, 2005, and is not subject to the provisions of Section 409A of the Internal Revenue Code. The 2005 Pension Equalization Plan provides the pension equalization benefits to each participant that were earned and vested on or after January 1, 2005, and is subject to the provisions of Section 409A.

These plans have been frozen to new participants since 2002. Mr. Emery is a fully vested participant in the Grandfathered and 2005 Pension Equalization Plans. Messrs. Kinzley, Evans, Iverson, and Buchholz are not participants in these plans.

The annual benefit for Mr. Emery is 30 percent of his average earnings multiplied by the vesting percentage. Average earnings are normally an employee’s average earnings for the five highest consecutive full years of employment during the ten full years

of employment immediately preceding the year of calculation. The annual benefit is paid on a monthly basis for 15 years and, if deceased, to the employee's designated beneficiary or estate, commencing at the earliest of death or when the employee is both retired and 62 years of age or more. A participant with vested benefits who is 55 years of age or older and who is no longer our employee may elect to be paid benefits beginning at age 55 or older, subject to a discount, ranging from 60.3 percent of the benefit payable at age 55 to 93 percent of the benefit payable at age 61.

Pension Restoration Benefit. In the event that at the time of a participant's retirement, the participant's salary level exceeds the qualified Pension Plan annual compensation limitation (\$270,000 in 2017) or includes nonqualified deferred compensation, then the participant will receive an additional benefit, called a "Pension Restoration Benefit," which is measured by the difference between (i) the monthly benefit that would have been provided to the participant under the Pension Plan as if there were no annual compensation limitation and no exclusion on nonqualified deferred compensation, and (ii) the monthly benefit to be provided to the participant under the Pension Plan. The Pension Restoration Benefit applies to all of the Named Executive Officers that have a pension benefit.

NONQUALIFIED DEFERRED COMPENSATION FOR 2017

We have a Nonqualified Deferred Compensation Plan for a select group of management or highly compensated employees. Eligibility to participate in the plan is determined by the Compensation Committee and primarily consists of only corporate officers.

A summary of the activity in the plan and the aggregate balance as of December 31, 2017 for our Named Executive Officers is shown in the following table. Our Named Executive Officers received no withdrawals or distributions from the plan in 2017.

Name	Executive Contributions	Company Contributions in Last Fiscal Year ⁽¹⁾	Aggregate Earnings in Last Fiscal Year ⁽²⁾	Aggregate Balance at Last Fiscal Year End ⁽³⁾
David R. Emery	\$—	\$—	\$—	\$—
Richard W. Kinzley	\$—	\$185,861	\$166,770	\$1,065,550
Linden R. Evans	\$—	\$311,811	\$396,654	\$2,457,225
Brian G. Iverson	\$—	\$86,044	\$41,885	\$377,924
Scott A. Buchholz	\$—	\$92,735	\$85,256	\$711,263

- (1) Our contributions represent non-elective Supplemental Matching and Retirement Contributions and Supplemental Target Contributions (defined in the paragraph below) and are included in the All Other Compensation column of the Summary Compensation Table. The value attributed from each contribution type to each Named Executive Officer in 2017 is shown in the table below:

Name	Supplemental Matching Contribution	Supplemental Retirement Contribution	Supplemental Target Contribution	Total Company Contributions
David R. Emery	\$—	\$—	\$—	\$—
Richard W. Kinzley	\$28,132	\$28,426	\$129,303	\$185,861
Linden R. Evans	\$46,811	\$54,964	\$210,036	\$311,811
Brian G. Iverson	\$19,333	\$19,333	\$47,378	\$86,044
Scott A. Buchholz	\$16,480	\$—	\$76,255	\$92,735

- (2) Because amounts included in this column do not include above-market or preferential earnings, none of these amounts are included in the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” column of the Summary Compensation Table.
- (3) Messrs. Kinzley’s, Evans’, Iverson’s and Buchholz’s aggregate balances at December 31, 2017 include \$417,823, \$810,763, \$143,654 and \$161,110, respectively, which are included in the Summary Compensation Table as 2017, 2016 and 2015 compensation.

Eligible employees may elect to defer up to 50 percent of their base salary and up to 100 percent of their Short-Term Incentive Plan award, including Company stock, and elect to defer restricted stock grants in the form of restricted stock units. In addition, the Nonqualified Deferred Compensation Plan was amended to provide certain officers whose Pension Plan benefit and Nonqualified Pension Plans’ benefits were frozen with non-elective supplemental matching contributions equal to 6 percent of eligible compensation in excess of the Internal Revenue Code limit plus matching contributions, if any, lost under the 401(k) Retirement Savings Plan due to nondiscrimination test results and provides non-elective supplemental age and service points-based contributions that cannot be made to the 401(k) Retirement Savings Plan due to the Internal Revenue Code limit (“Supplemental Matching and Retirement Contributions”). It also provides supplemental target contributions equal to a percentage of compensation that may differ by executive, based on the executive’s current age and length of service with us, as determined by the plans’ actuary (“Supplemental Target Contributions”). Messrs. Kinzley, Evans, Iverson and Buchholz received Supplemental Target Contributions of 17.5 percent, 20 percent, 8 percent and 14 percent, respectively.

The deferrals are deposited into hypothetical investment accounts where the participants may direct the investment of the deferrals (except for Company stock and restricted stock unit deferrals) as allowed by the plan. The investment options are the same as those offered to all employees in the 401(k) Retirement Savings Plan except for a fixed rate option, which was set at

2.68 percent in 2017. Investment earnings are credited to the participants' accounts. Upon retirement, we will distribute the account balance to the participant according to the distribution election filed with the Compensation Committee. The participants may elect either a lump sum payment to be paid within 30 days of retirement (requires a six-month deferral for benefits not vested as of December 31, 2004), or annual or monthly installments over a period of years designated by the participant, but not to exceed 15 years. As of January 1, 2018, Messrs. Kinzley, Evans, Iverson and Buchholz are 100 percent vested in the plan.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following table describes the potential payments and benefits under our compensation and benefit plans and arrangements to which our Named Executive Officers would be entitled upon termination of employment. Except for (i) certain terminations following a change in control ("CIC"), as described below, (ii) pro-rata payout of incentive compensation and the acceleration of vesting of equity awards upon retirement, death or disability, and (iii) certain pension and nonqualified deferred compensation arrangements described under Pension Benefits for 2017 and Nonqualified Deferred Compensation for 2017 above, there are no agreements, arrangements or plans that entitle the Named Executive Officers to severance, perquisites, or other enhanced benefits upon termination of their employment. Any agreements to provide other payments or benefits to a terminating executive officer would be in the discretion of the Compensation Committee.

The amounts shown below assume that such termination was effective as of December 31, 2017, and thus include estimates of the amounts that would be paid out to our Named Executive Officers upon their termination. The table does not include amounts such as base salary, short-term incentives and stock awards that the Named Executive Officers earned due to employment through December 31, 2017 and distributions of vested benefits such as those described under Pension Benefits for 2017 and Nonqualified Deferred Compensation for 2017. The table also does not include a value for outplacement services because this would be a de minimis amount. The actual amounts to be paid can only be determined at the time of such Named Executive Officer's separation from us.

	Cash Severance Payment	Incremental Retirement Benefit (present value) ⁽²⁾	Continuation of Medical/Welfare Benefits (present value) ⁽³⁾	Acceleration of Equity Awards ⁽⁴⁾	Total Benefits
David R. Emery					
• Retirement	—	—	—	\$637,362	\$637,362
• Death or disability	—	—	—	\$2,664,692	\$2,664,692
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	\$2,632,417	\$2,632,417
• Involuntary or good reason termination after CIC ⁽¹⁾	\$5,148,780	\$867,400	\$92,600	\$2,632,417	\$8,741,197
Richard W. Kinzley					
• Retirement	—	—	—	\$124,391	\$124,391
• Death or disability	—	—	—	\$670,130	\$670,130
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	\$655,992	\$655,992
• Involuntary or good reason termination after CIC ⁽¹⁾	\$1,219,200	\$384,048	\$113,500	\$655,992	\$2,372,740
Linden R. Evans					
• Retirement	—	—	—	\$209,405	\$209,405
• Death or disability	—	—	—	\$1,080,759	\$1,080,759
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	\$1,628,301	\$1,628,301
• Involuntary or good reason termination after CIC ⁽¹⁾	\$1,802,000	\$612,680	\$61,400	\$1,628,301	\$4,104,381
Brian G. Iverson					
• Retirement	—	—	—	\$105,625	\$105,625
• Death or disability	—	—	—	\$539,379	\$539,379
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	\$542,188	\$542,188
• Involuntary or good reason termination after CIC ⁽¹⁾	\$1,015,000	\$203,000	\$58,100	\$542,188	\$1,818,288
Scott A. Buchholz					
• Retirement	—	—	—	\$82,683	\$82,683
• Death or disability	—	—	—	\$434,387	\$434,387
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	\$495,188	\$495,188
• Involuntary or good reason termination after CIC ⁽¹⁾	\$960,000	\$376,100	\$46,900	\$495,188	\$1,878,188

(1) The amounts reflected for involuntary or good reason termination after a change in control include the benefits a Named Executive Officer would receive in the event of a change in control as a sole event without the involuntary or good reason termination.

(2) Assumes that in the event of a change in control, Mr. Emery will receive an additional three years of credited and vesting service and the other Named Executive Officers will receive an additional two years of credited and vesting service towards the benefit accrual under their applicable retirement plans. For Mr. Emery, this would be the Pension Plan and Nonqualified Pension Plans. For Messrs. Kinzley, Evans, Iverson and Buchholz, this would be the Retirement Contributions and Nonqualified Deferred Compensation contributions. In addition, Mr. Buchholz would also have a Pension Restoration Contribution. The benefits will immediately vest and payments will commence at the earliest eligible date unless the executive has elected a later date for the nonqualified plans. This is age 55 for Mr. Kinzley. Because Messrs. Emery, Evans, Iverson and Buchholz are age 55 or older, they are already retiree eligible.

- (3) Welfare benefits include medical coverage, dental coverage, life insurance, short-term disability coverage and long-term disability coverage. The calculation assumes that the Named Executive Officer does not take employment with another employer following termination, elects continued welfare benefits until age 55 or, if later, the end of the two year benefit continuation period (three years for Mr. Emery) and elects retiree medical benefits thereafter. Retirement is assumed to occur at the earliest eligible date.
- (4) In the event of death or disability, the acceleration of equity awards represents the acceleration of unvested restricted stock/units and the assumed payout of the pro-rata share of the performance shares for the January 1, 2016 to December 31, 2018 and January 1, 2017 to December 31, 2019 performance periods. In the event of retirement, all unvested restricted stock is forfeited and the acceleration of equity awards represents only the pro-rata share of the performance shares. We assumed a 71 percent payout of the performance shares for the January 1, 2016 to December 31, 2018 performance period and a 30 percent payout of target for the January 1, 2017 to December 31, 2019 performance period based on our Monte Carlo valuations at December 31, 2017.

In the event of a change in control or an involuntary or good reason termination after a change in control, the acceleration of equity awards represents the acceleration of unvested restricted stock/units and the payout of the pro-rata share of the performance shares calculated as if the performance period ended on December 31, 2017 for the January 1, 2016 to December 31, 2018 and January 1, 2017 to December 31, 2019 performance periods.

The valuation of the restricted stock was based upon the closing price of our common stock on December 31, 2017, and the valuation of the performance shares was based on the average closing price of our common stock for the last 20 trading days of 2017. Actual amounts to be paid out at the time of separation from us may vary significantly based upon the market value of our common stock at that time.

Payments Made Upon Termination. Regardless of the manner in which a Named Executive Officer's employment terminates, he or his beneficiaries may be entitled to receive amounts earned during his term of employment. These include:

- accrued salary and unused vacation pay;
- amounts vested under the Pension Plan and Nonqualified Pension Plans;
- amounts vested under the Nonqualified Deferred Compensation Plan; and
- amounts vested under the 401(k) Retirement Savings Plan.

Payments Made Upon Retirement. In the event of retirement of a Named Executive Officer, in addition to the items identified above, he will also receive the benefit of the following:

- a pro-rata share of the performance shares for each outstanding performance period upon completion of the performance period; and
- a pro-rata share of the actual payout under the Short-Term Incentive Plan upon completion of the incentive period.

Payments Made Upon Death or Disability. In the event of death or disability of a Named Executive Officer, in addition to the items identified above for payments made upon termination, he will also receive the benefit of the following:

- accelerated vesting of restricted stock and restricted stock units;
- a pro-rata share of the performance shares for each outstanding performance period upon completion of the performance period; and
- a pro-rata share of the actual payout under the Short-Term Incentive Plan upon completion of the incentive period.

Payments Made Upon a Change in Control. Our Named Executive Officers have change in control agreements that terminate November 15, 2019. The renewal of the change in control agreements is at the discretion of the Compensation Committee and the Board of Directors. The change in control agreements provide for certain payments and other benefits to be payable upon a change in control and a subsequent termination of employment, either involuntary or for a good reason. In order to receive any payments under the agreements, the Named Executive Officer must sign a waiver that includes a one-year non-competition clause and two-year non-solicitation and non-disparagement clauses.

A change in control is defined in the agreements as:

- an acquisition of 30 percent or more of our common stock, except for certain defined acquisitions, such as acquisition by employee benefit plans, us, any of our subsidiaries, or acquisition by an underwriter holding the securities in connection with a public offering thereof; or

- members of our incumbent Board of Directors cease to constitute at least two-thirds of the members of the Board of Directors, with the incumbent Board of Directors being defined as those individuals consisting of the Board of Directors on the date the agreement was executed and any other directors elected subsequently whose election was approved by the incumbent Board of Directors; or
- approval by our shareholders of:
 - a merger, consolidation, or reorganization;
 - liquidation or dissolution; or
 - an agreement for sale or other disposition of all or substantially all of our assets, with exceptions for transactions which do not involve an effective change in control of voting securities or Board of Directors membership, and transfers to subsidiaries or sale of subsidiaries; and
- all regulatory approvals required to effect a change in control have been obtained and the transaction constituting the change in control has been consummated.

In the change in control agreements, a good reason for termination that triggers payment of benefits includes:

- a material reduction of the executive's authority, duties or responsibilities;
- a reduction in the executive's annual compensation or any failure to pay the executive any compensation or benefits to which he or she is entitled within seven days of the date due;
- any material breach by us of any provisions of the change in control agreement;
- requiring the executive to be based outside a 50-mile radius from his or her usual and normal place of work; or
- our failure to obtain an agreement, satisfactory to the executive, from any successor company to assume and agree to perform under the change in control agreement.

Upon a change in control, the CEO will have an employment contract for a three-year period and the non-CEO executive will have an employment contract for a two-year period, but not beyond age 65 ("employment term"). During this employment term, the executive will receive annual compensation at least equal to the highest rate in effect at any time during the one-year period preceding the change in control and will also receive employment welfare benefits, pension benefits and supplemental retirement benefits on a basis no less favorable than those received prior to the change in control. Annual compensation is defined to include amounts which are includable in the gross income of the executive for federal income tax purposes, including base salary, targeted short-term incentive, targeted long-term incentive grants and awards, and matching contributions or other benefits payable under the 401(k) Retirement Savings Plan, but exclude restricted stock awards, performance units or stock options that become vested or exercisable pursuant to a change in control.

If a Named Executive Officer's employment is terminated prior to the end of the employment term by us for cause or disability, by reason of the Named Executive Officer's death, or by the Named Executive Officer without good reason, the Named Executive Officer will receive all amounts of compensation earned or accrued through the termination date. If the Named Executive Officer's employment is terminated because of death or disability, the Named Executive Officer or his beneficiaries will also receive a pro rata bonus equal to 100 percent of the target incentive for the portion of the year served.

If the CEO's employment is terminated during the employment term (other than by reason of death) (i) by us other than for cause or disability, or (ii) by the CEO for a good reason, then the CEO is entitled to the following benefits:

- all accrued compensation and a pro-rata bonus (the same as the CEO or the CEO's beneficiaries would receive in the event of death or disability discussed above);
- severance pay equal to 2.99 times the CEO's severance compensation defined as the CEO's base salary and short-term incentive target on the date of the change in control; provided that if the CEO has attained the age of 62 on the termination date, the severance payment will be adjusted for the ratio of the number of days remaining to the CEO's 65th birthday to 1,095 days;
- continuation of employee welfare benefits for three years following the termination date unless the CEO becomes covered under the health insurance coverage of a subsequent employer which does not contain any exclusion or limitation with respect to any preexisting condition of the CEO or the CEO's eligible dependents;
- following the three-year period, the CEO may elect to receive coverage under the employee welfare plans of the successor entity at his then-current level of benefits (or reduced coverage at the CEO's election) by paying the premiums charged to regular full-time employees for such coverage, and is eligible to continue receiving such coverage through the date of his retirement;
- three additional years of service and age will be credited to the CEO's retiree medical savings account and the account balance will become fully vested and he is eligible to use the account balance to offset retiree medical premiums at the later of age 55 or the end of the three year continuation period;

- three years of additional credited service under the 2005 Pension Equalization Plan, Pension Restoration Plan and Pension Plan; and
- outplacement assistance services for up to six months.

If any non-CEO Named Executive Officer's employment is terminated during the employment term (other than by death) (i) by us other than for cause or disability, or (ii) by the non-CEO for a good reason, then the non-CEO is entitled to the following benefits:

- all accrued compensation and a pro-rata bonus (the same as the non-CEO or the non-CEO's beneficiaries would receive in the event of death or disability discussed above);
- severance pay equal to two times the non-CEO's severance compensation defined as the non-CEO's base salary and short-term incentive target on the date of the change in control; provided that if the non-CEO has attained the age of 63 on the termination date, the severance payment shall be adjusted for the ratio of the number of days remaining to the non-CEO's 65th birthday to 730 days;
- continuation of employee welfare benefits for two years following the termination date unless the non-CEO becomes covered under the health insurance coverage of a subsequent employer which does not contain any exclusion or limitation with respect to any preexisting condition of the non-CEO or the non-CEO's eligible dependents;
- following the two-year period, the non-CEO may elect to receive coverage under the employee welfare plans of the successor entity at his then-current level of benefits (or reduced coverage at the non-CEO's election) by paying the premiums charged to regular full-time employees for such coverage, and is eligible to continue receiving such coverage through the date of his retirement;
- two additional years of service and age will be credited to the non-CEO's retiree medical savings account and the account balance will become fully vested and the non-CEO is eligible to use the account balance to offset retiree medical premiums at the later of age 55 or the end of the two year continuation period;
- two years of additional credited service under the executives' applicable retirement plans; and
- outplacement assistance services for up to six months.

The change in control agreements do not contain a benefit to cover any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986. The executive must sign a waiver and release agreement in order to receive the severance payment.

PAY RATIO FOR 2017

We are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. David Emery, our Chief Executive Officer.

Based on the information below for the fiscal year 2017 and calculated in a manner consistent with Item 402(u) of Regulation S-K, we reasonably estimate that the ratio of our CEO's annual total compensation to the annual total compensation of our median employee was 39:1.

Name	Year	Salary	Stock Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value ⁽²⁾	All Other Compensation ⁽³⁾	Total
David R. Emery	2017	\$812,000	\$1,942,843	\$560,232	\$2,155,930	\$92,930	\$5,563,935
Median Employee ⁽¹⁾	2017	\$72,688	\$—	\$2,079	\$60,315	\$6,693	\$141,775

⁽¹⁾ We identified our median employee based on the year-to-date total cash compensation actually paid as of October 3, 2017 to all of our employees, other than our CEO, who were employed on October 3, 2017.

⁽²⁾ See Note 4 to our Summary Compensation Table for a description of how the values in the Change in Pension Value column are calculated. Approximately fifty percent of the Change in Pension Value above is due to changes in the applicable mortality tables and interest rates.

⁽³⁾ All Other Compensation includes 401(k) match, dividends on restricted stock and other personal benefits for Mr. Emery and only the 401(k) match for the median employee.

We are providing shareholders with an annual advisory, non-binding vote on the executive compensation of our Named Executive Officers (commonly referred to as “say on pay”). Accordingly, shareholders will vote on approval of the following resolution:

RESOLVED, that the shareholders approve, on an advisory basis, the compensation of our Named Executive Officers as disclosed in the Compensation Discussion and Analysis section, the accompanying compensation tables and the related narrative disclosure in this proxy statement.

This vote is non-binding. The Board of Directors and the Compensation Committee expect to consider the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results. At our 2017 annual meeting, shareholders owning 94 percent of the shares voted approved our executive compensation.

As described at length in the Compensation Discussion and Analysis section of this proxy statement, we believe our executive compensation program is reasonable, competitive and strongly focused on pay for performance. The compensation of our Named Executive Officers varies depending upon the achievement of pre-established performance goals, both individual and corporate. Our short-term incentive is tied to earnings per share targets that reward our executives when they deliver targeted financial results. Our long-term incentives are tied to market performance with 50 percent delivered in restricted stock and 50 percent delivered in performance shares. Entitlement to the performance shares is based on our total shareholder return over a three-year performance period compared to our peer group. Through stock ownership guidelines, equity incentives and clawback provisions, we align the interests of our executives with those of our shareholders and our long-term interests. Our executive compensation policies have enabled us to attract and retain talented and experienced senior executives who can drive financial and strategic growth objectives that are intended to enhance shareholder value. We believe that the 2017 compensation of our Named Executive Officers was appropriate and aligned with our 2017 results and positions us for long-term growth.

Shareholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosures to better understand the compensation of our Named Executive Officers.

The advisory resolution to approve executive compensation is non-binding. However, our Board of Directors will consider shareholders to have approved our executive compensation if the number of votes cast “For” the proposal exceeds the number of votes cast “Against” the proposal. Abstentions and broker non-votes will have no effect on such vote.

The Board of Directors recommends a vote *FOR* the advisory vote on executive compensation.

TRANSACTION OF OTHER BUSINESS

Our Board of Directors does not intend to present any business for action by our shareholders at the meeting except the matters referred to in this proxy statement. If any other matters should be properly presented at the meeting, it is the intention of the persons named in the accompanying form of proxy to vote thereon in accordance with the recommendations of our Board of Directors.

SHAREHOLDER PROPOSALS FOR 2019 ANNUAL MEETING

Shareholder proposals intended to be presented at our 2019 annual meeting of shareholders and considered for inclusion in our proxy materials must be received by our Corporate Secretary in writing at our executive offices at 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709, on or prior to November 15, 2018. Any proposal submitted must be in compliance with Rule 14a-8 of Regulation 14A of the Securities and Exchange Commission.

Additionally, a shareholder may submit a proposal or director nominee for consideration at our 2019 annual meeting of shareholders, but not for inclusion of the proposal or director nominee in our proxy materials, if the shareholder gives timely written notice of such proposal in accordance with Article I, Section 9 of our Bylaws. In general, Article I, Section 9 provides that, to be timely, a shareholder's notice must be delivered to our Corporate Secretary in writing not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders.

Our 2018 annual meeting is scheduled for April 24, 2018. Ninety days prior to the first anniversary of this date will be January 24, 2019, and 120 days prior to the first anniversary of this date will be December 25, 2018. For business to be properly requested by the shareholder to be brought before the 2019 annual meeting of shareholders, the shareholder must comply with all of the requirements of Article I, Section 9 of our Bylaws, not just the timeliness requirements set forth above.

SHARED ADDRESS SHAREHOLDERS

In accordance with a notice sent to eligible shareholders who share a single address, we are sending only one annual report and proxy statement to that address unless we receive instructions to the contrary from any shareholder at that address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a shareholder of record residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she may contact Shareholder Relations at the below address. Eligible shareholders of record receiving multiple copies of our annual report and proxy statement can request householding by contacting us in the same manner. Shareholders who own shares through a bank, broker or other nominee can request householding by contacting the nominee.

We hereby undertake to deliver promptly, upon written or oral request, a separate copy of the annual report to shareholders, or proxy statement, as applicable, to our shareholders at a shared address to which a single copy of the document was delivered.

Shareholder Relations
Black Hills Corporation
7001 Mount Rushmore Road
P.O. Box 1400
Rapid City, SD 57709
(605) 721-1700

Please vote your shares by telephone, by the Internet or by promptly returning the accompanying form of proxy, whether or not you expect to be present at the annual meeting.

A copy of our Annual Report on Form 10-K (excluding exhibits) for the year ended December 31, 2017, which is required to be filed with the Securities and Exchange Commission, will be made available to shareholders to whom this proxy statement is mailed, without charge, upon written or oral request to Shareholder Relations, Black Hills Corporation, 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, SD 57709, Telephone Number: (605) 721-1700. Our Annual Report on Form 10-K also may be accessed through our website at www.blackhillscorp.com.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 24, 2018**

Shareholders may view this proxy statement, our form of proxy and our 2017 Annual Report to Shareholders over the Internet by accessing our website at www.blackhillscorp.com. Information on our website does not constitute a part of this proxy statement.

By Order of the Board of Directors,



ROXANN R. BASHAM

Vice President – Governance and Corporate Secretary

Dated: March 15, 2018

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APPENDIX A RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	Year Ended	
	Dec. 31, 2017	Dec. 31, 2016
EPS from continuing operations (GAAP)	\$ 3.52	\$ 2.57
Adjustments:		
External acquisition costs	0.08	0.86
Tax reform and other tax items	(0.21)	—
Total adjustments	(0.13)	0.86
Tax on adjustments:		
Acquisition costs	(0.03)	(0.30)
Total adjustments, net of tax	(0.16)	0.56
EPS from continuing operations, as adjusted (Non-GAAP)	\$ 3.36	\$ 3.13

- 7.3 percent growth in earnings per share from continuing operations, as adjusted, from 2016 to 2017.

USE OF NON-GAAP FINANCIAL MEASURE

In addition to presenting our earnings information in conformity with Generally Accepted Accounting Principles (GAAP), the Company has provided non-GAAP earnings data reflecting adjustments for special items as specified in the Reconciliation of Non-GAAP Financial Measures table above. EPS from continuing operations, as adjusted, is defined as EPS from continuing operations adjusted for expenses and other items 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 planning and forecasting future periods. These 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 be unaffected by other income and expenses that are unusual, non-routine or non-recurring.

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BLACK HILLS CORPORATION
ANNUAL MEETING OF SHAREHOLDERS

Tuesday, April 24, 2018

9:30 a.m., Local Time

Horizon Point
Company's Corporate Headquarters
7001 Mount Rushmore Road
Rapid City, SD 57702

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and our 2017 Annual Report to Shareholders are available at www.blackhillscorp.com.

Black Hills Corporation
7001 Mount Rushmore Road, Rapid City, SD 57702

PROXY

This proxy is solicited by the Board of Directors for use at the Annual Meeting on April 24, 2018.

The undersigned hereby appoints David R. Emery, Brian G. Iverson and Richard W. Kinzley, and each of them, with full power of substitution, to vote all shares of the undersigned at the Annual Meeting of Shareholders to be held at 9:30 a.m., local time, April 24, 2018, at Horizon Point, the Company's corporate headquarters, 7001 Mount Rushmore Road, Rapid City, SD 57702, and at any adjournment thereof, upon all subjects that may properly come before the meeting, including the matters described in the Proxy Statement furnished herewith.

Your vote is important! Ensure that your shares are represented at the meeting.

Either (1) submit your proxy by touchtone telephone, (2) submit your proxy by Internet, or (3) mark, date, sign, and return this proxy in the envelope provided. **If no directions are given, properly executed proxies will be voted in accordance with the Board of Directors' recommendation on all matters listed on this proxy, and at their discretion on any other matters that may properly come before the meeting.**

See reverse for voting instructions.

COMPANY #

VOTE BY INTERNET, TELEPHONE OR MAIL
24 HOURS A DAY, 7 DAYS A WEEK

Your phone or Internet vote authorizes the named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

VOTE BY INTERNET/MOBILE — www.proxypush.com/bkh

Use the Internet to vote your proxy until 11:59 p.m. (CT) on April 23, 2018.

VOTE BY PHONE— 1-866-883-3382

Use a touch-tone telephone to vote your proxy until 11:59 p.m. (CT) on April 23, 2018.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

If you vote your proxy by internet or by phone, you do NOT need to mail back your Proxy Card.

The Board of Directors Recommends a Vote FOR the Nominees in Item 1 and FOR Items 2 and 3.

- | | | | |
|---------------------------|-----------------------|-----------------------------------|--|
| | | Vote FOR <input type="checkbox"/> | Vote WITHHELD <input type="checkbox"/> |
| 1. Election of Directors: | 01 Michael H. Madison | all nominees | from all nominees |
| | 02 Linda K. Massman | (except as marked) | |
| | 03 Steven R. Mills | | |

(Instructions: To **cumulate** votes for any indicated nominee, write the number(s) of the nominee(s) and the number of shares for such nominee in the box provided to the right.)

- | | | | | |
|---|--|--------------------------|--------------------------|--------------------------|
| | | For | Against | Abstain |
| 2. Ratification of the appointment of Deloitte & Touche LLP to serve as Black Hills Corporation's independent registered public accounting firm for 2018. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Advisory resolution to approve executive compensation. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR THE NOMINEES IN ITEM 1 AND FOR ITEMS 2 AND 3.

Address change? Mark Box
Indicate changes below:

Date _____

Please sign exactly as your name(s) appear on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.