

# POWERING A **BETTER FUTURE**

## 2022 Fourth Quarter and Full Year Review

Feb. 8, 2023



# Forward-Looking Statements

## COMPANY INFORMATION

### Black Hills Corporation

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This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. This includes, without limitations, our 2023 earnings guidance and long-term growth target. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Item 1A of Part I of our 2021 Annual Report on Form 10-K and other reports that we file with the SEC from time to time, and the following:

- The accuracy of our assumptions on which our earnings guidance and growth target is based;
- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and favorable rulings on periodic applications to recover costs for capital additions, plant retirements and decommissioning, fuel, transmission, purchased power and other operating costs, and the timing in which new rates would go into effect;
- Our ability to complete our capital program in a cost-effective and timely manner;
- Our ability to execute on our strategy;
- Our ability to successfully execute our financing plans;
- The effects of changing interest rates;
- Our ability to achieve our greenhouse gas emissions intensity reduction goals;
- Board of Directors’ approval of any future quarterly dividends;
- The impact of future governmental regulation;
- Our ability to overcome the impacts of supply chain disruptions on availability and cost of materials;
- The effects of inflation and volatile energy prices; and
- Other factors discussed from time to time in our filings with the SEC.

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

# 2022 Review



# Key Takeaways

## Realigned Financial Outlook

- Macroeconomic shift in 2022 magnified carrying costs in 2023 and into 2024; we remain confident in our strategy and long-term growth opportunities

## Consistent Execution of Strategy

- ✓ Delivered excellent team and system performance
- ✓ Achieved earnings within guidance
- ✓ Executed regulatory strategy
- ✓ Progress on resiliency, growth and sustainability initiatives
- ✓ Continued customer growth
- ✓ Committed to strengthening balance sheet in 2023

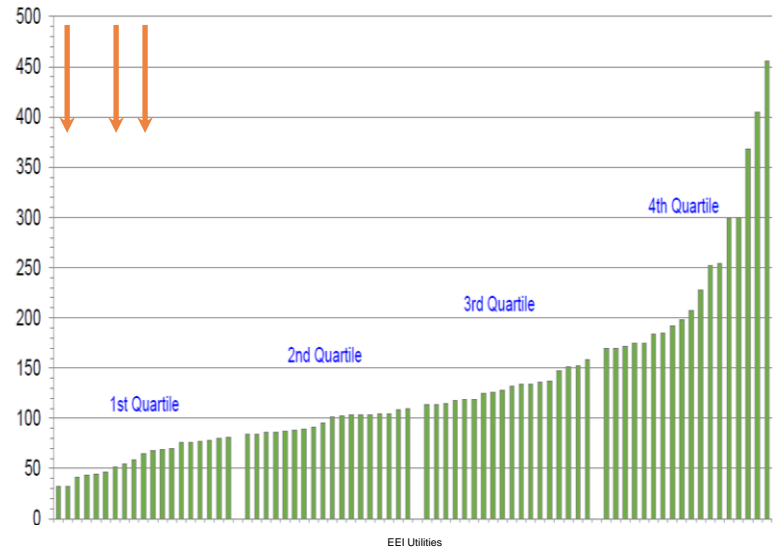


# Excellent Operational Performance

- ✓ Top-quartile reliability for all three electric utilities
- ✓ Served ongoing demand growth
  - 11 new summer or winter electric demand peaks
  - 9 consecutive years of peaks at Wyoming Electric and 53% increase since 2013
  - Winter peaks at all three electric utilities in December
- ✓ Excellent team and system performance through Winter Storm Elliot and other weather challenges
- ✓ Improved customer experience; enhanced call IVR and JD Power recognition for customer bill alerts

## »»» Industry-Leading Reliability

EEI 2021 Overall System SAIDI (Excluding Major Events)



Source: 2021 EEI Reliability Survey based on rankings for SAIDI, or System Average Interruption Duration Index

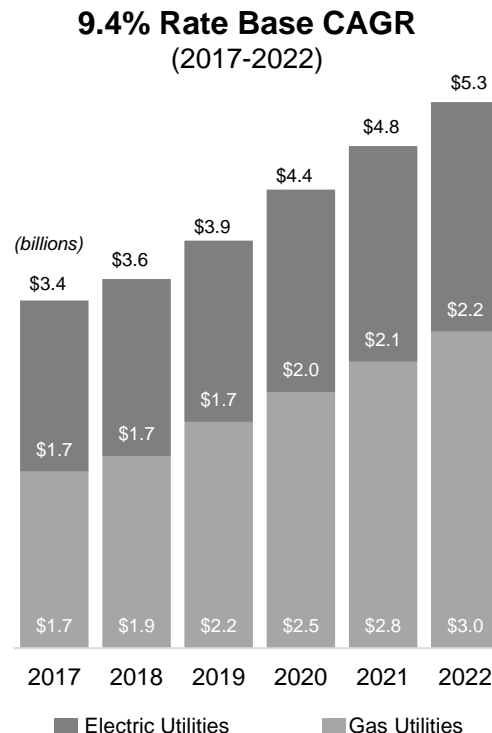
# Financial and Regulatory Execution

## Financial Results

- ✓ 2022 EPS growth of 6.1%
- ✓ Annual dividend increased 5.2%; 52 consecutive years of increases
- ✓ Capital investment in 2022 of \$598 million

## Regulatory Execution

- ✓ Rate reviews and rider requests settled and approved for Arkansas Gas and Wyoming Electric
- ✓ Rate review filed for Rocky Mountain Natural Gas in Colorado
- ✓ All Winter Storm Uri recovery plans approved; more than one-third of \$546 million of fuel costs recovered to date



# Advancing Resiliency, Growth and Sustainability

## Resource Plans for Resilient, Cost-effective and Clean Energy

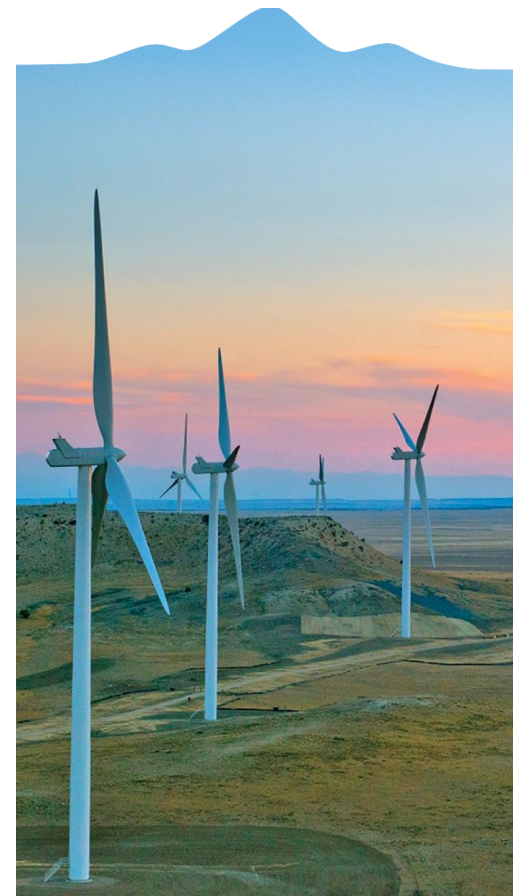
- ✓ Colorado Clean Energy Plan hearing held on settlement; if approved, provides 50% utility ownership of 400 megawatts of new renewable generation and battery storage to reduce emissions 80% by 2030
- ✓ Resource plan in South Dakota progressing; evaluating request for proposals for up to 110 megawatts of new clean energy resources

## Resiliency and Growth

- ✓ Ready Wyoming 260-mile electric transmission project approved
- ✓ Exploring RNG expansion opportunities
- ✓ Customer growth, including data center and blockchain

## Sustainability Progress

- ✓ Net Zero by 2035 target for natural gas utilities announced
- ✓ New TCFD reporting (Task Force on Climate-Related Financial Disclosures)
- ✓ Voluntary renewable natural gas and carbon offset programs approved in Kansas and Nebraska



# Financial Outlook

**2022**

EPS of \$3.97; increased 6% compared to 2021

**2023**

EPS guidance of \$3.65 to \$3.85

**Long-term**

4% to 6% long-term EPS growth target off 2023 base

**Dividend**

55% to 65% payout ratio target \*

**Capital  
Investment**

\$3.5 billion five-year forecast (2023 to 2027)

\* Future dividends subject to board approval

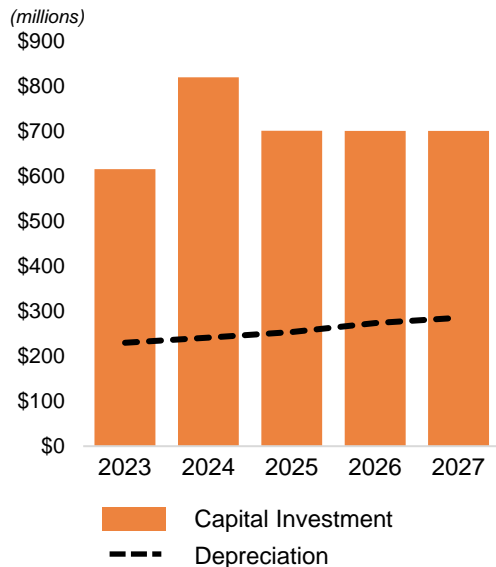


# Disciplined Growth Plan with Upside



## Capital Investment

**\$3.5 billion 2023-2027**



## Incremental Projects

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



## Other Earnings Drivers

**Pursuing Profitable Growth**

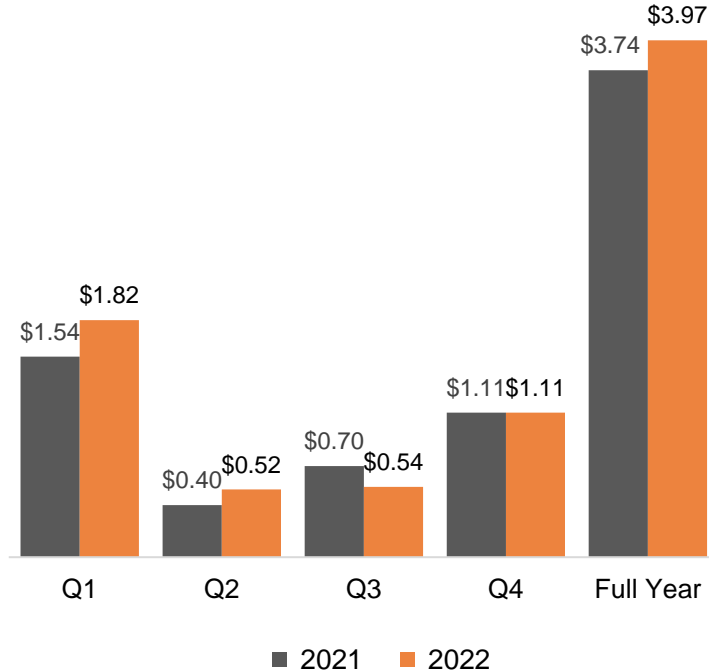
- ▲ Data center, blockchain and technology growth
- ▲ Population migration into our territories
- ▲ Innovative solutions, products and technologies, including renewables
- ▲ Cost discipline and focus on continuous improvement

# 2022 Financial Review



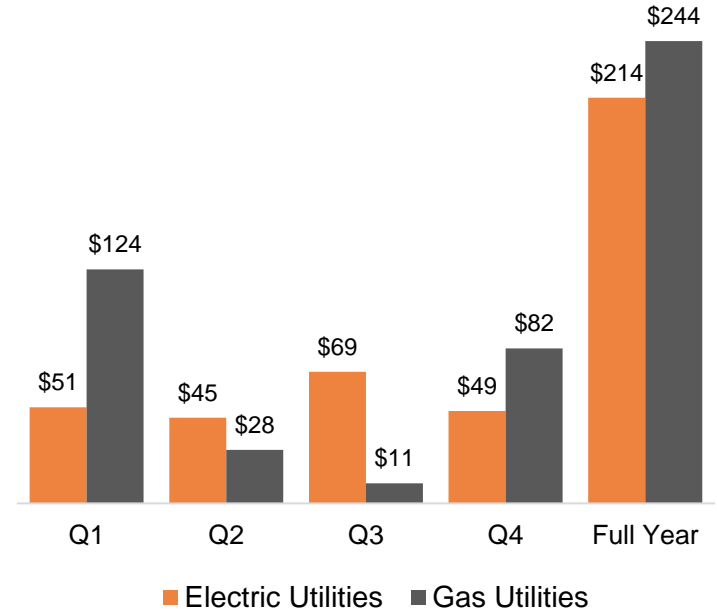
# 2022 Financial Review

## EPS



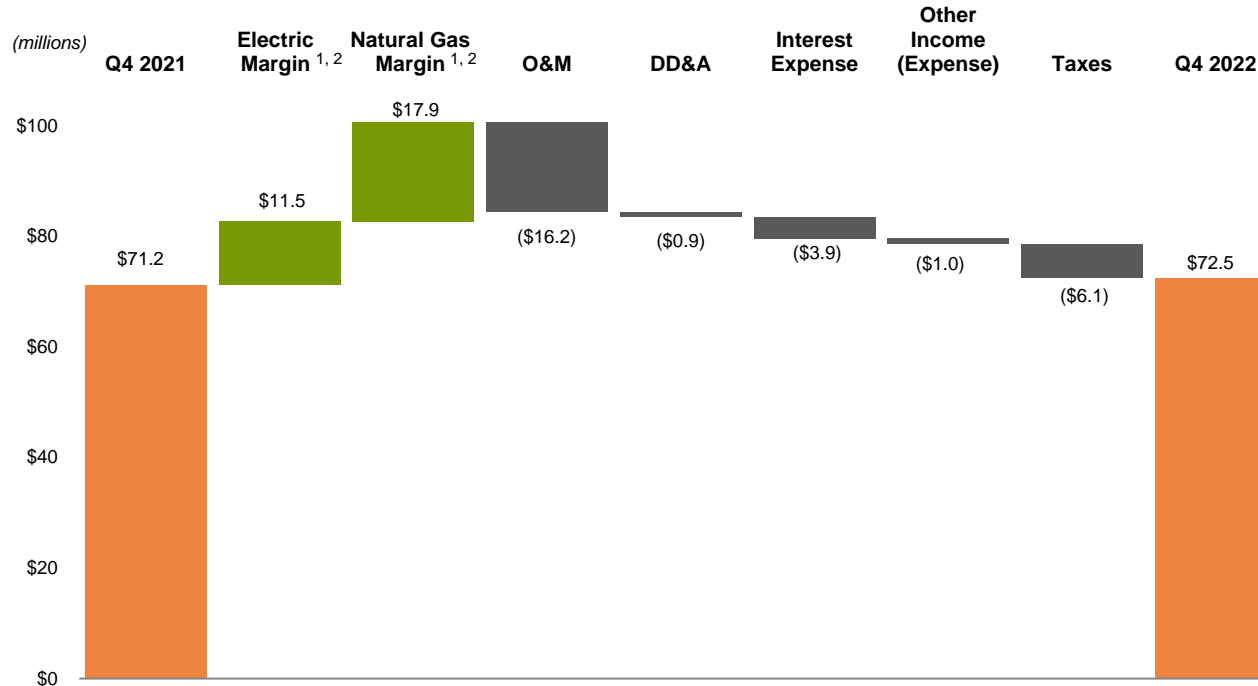
## Operating Income

2022 (millions)



# Q4 2022 Earnings Drivers

## Change in Net Income Available for Common Stock



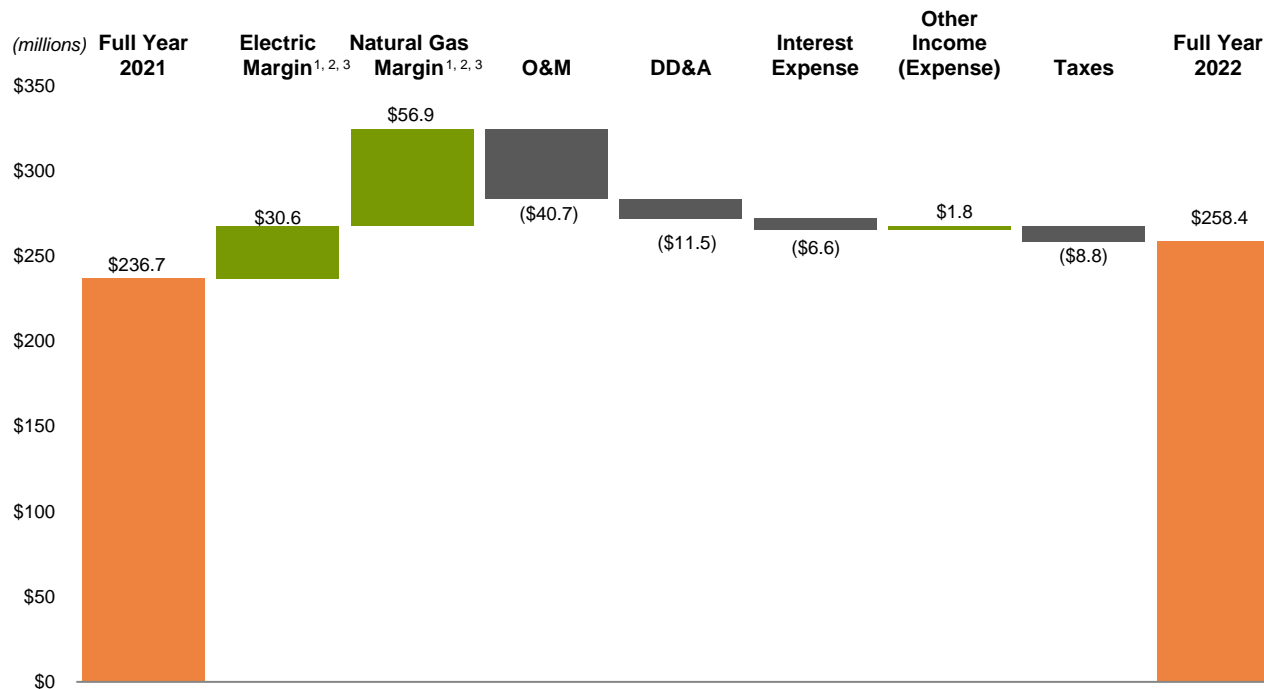
- ▲ New rates and rider recovery
- ▲ Weather
- ▲ Prior year Wygen I outage
- ▼ Higher outside services, employee costs, and property taxes
- ▼ Mark-to-market loss
- ▼ Higher depreciation on larger asset base
- ▼ Higher short-term debt balance and interest rates
- ▼ Prior year flow-through tax benefits

<sup>1</sup> Utility margin, a non-GAAP measure defined in the Appendix

<sup>2</sup> Utility margin positive impact of \$13.7 million (\$1.9 million electric positive impact and \$11.8 million natural gas positive impact), net of tax, related to weather

# 2022 Earnings Drivers

## Change in Net Income Available for Common Stock



- ▲ New rates and rider recovery and Uri carrying cost recovery true-up
- ▲ Weather
- ▲ Off-system sales
- ▲ Customer Growth
- ▼ Higher depreciation on larger asset base
- ▼ Higher outside services, cloud computing and vehicle fuel expense
- ▼ Wygen I contract pricing and Q4 2021 outage
- ▼ Higher debt balance and interest rates

<sup>1</sup> Utility margin, a non-GAAP measure defined in the Appendix

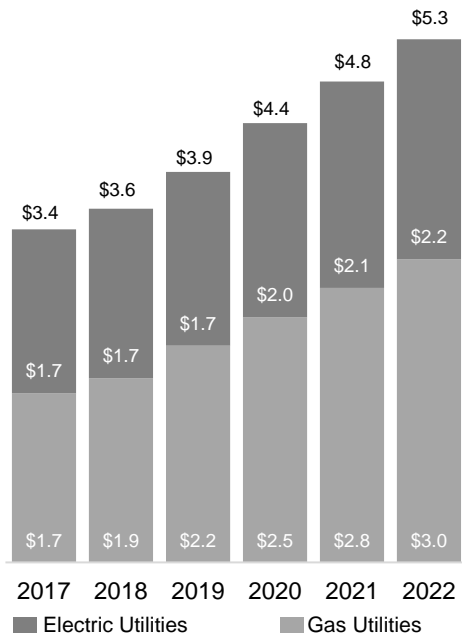
<sup>2</sup> Utility margin positive impact of \$17.0 million (\$2.5 million electric positive impact and \$14.5 million natural gas positive impact), net of tax, related to weather

<sup>3</sup> Natural Gas margins positively impacted by \$10.3 million pre-tax, \$7.9 million after tax, one-time adjustment to reflect commission-authorized rates for Winter Storm Uri costs

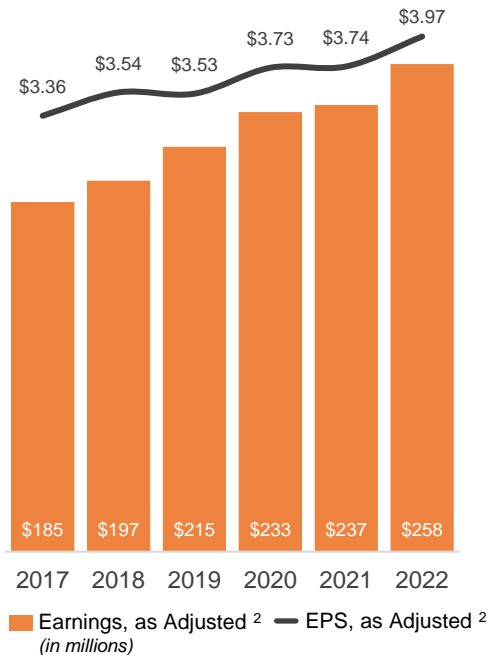


# Strategic Execution Delivers Results

## 9.4% Rate Base<sup>1</sup> CAGR



## 6.9% Earnings CAGR 3.4% EPS CAGR



## 52 Years of Consecutive Increase 5.9% Dividend CAGR



Invest for Customers

Earnings Growth

Dividend Growth

<sup>1</sup> Estimated in billions as of year end

<sup>2</sup> Earnings and EPS, as adjusted from continuing operations are non-GAAP measures; reconciled to GAAP in Appendix; earnings, as adjusted in millions

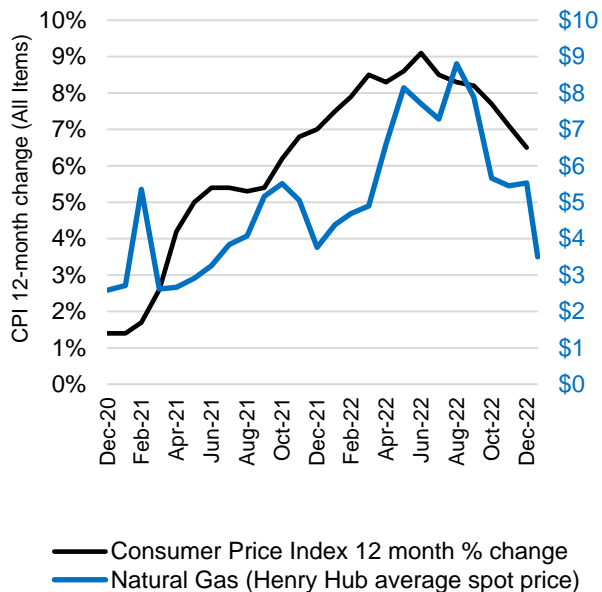
# Financial Outlook



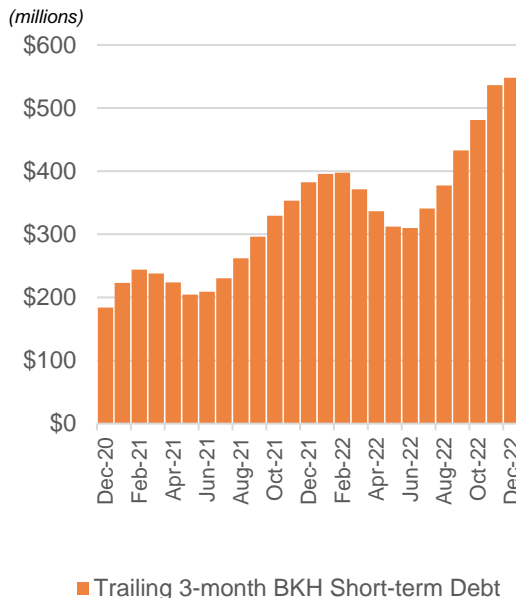
# Macroeconomic Shift Impacts Near-term Outlook

Rapid Increase In Key Factors Magnified Carrying Costs

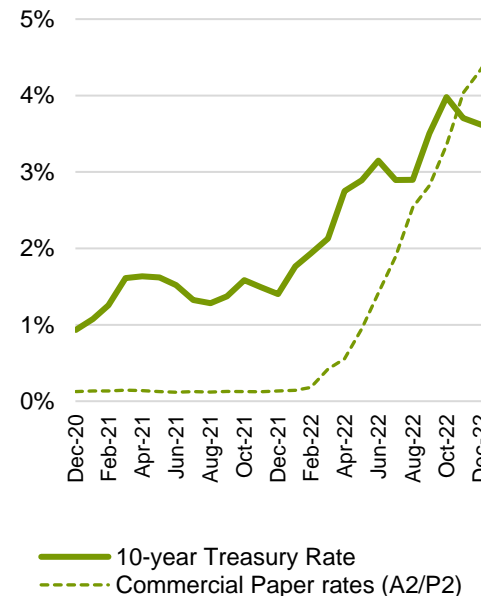
## Elevated Inflation, Natural Gas Price and Volatility



## Higher Deferred Costs and Short-term Debt Needs



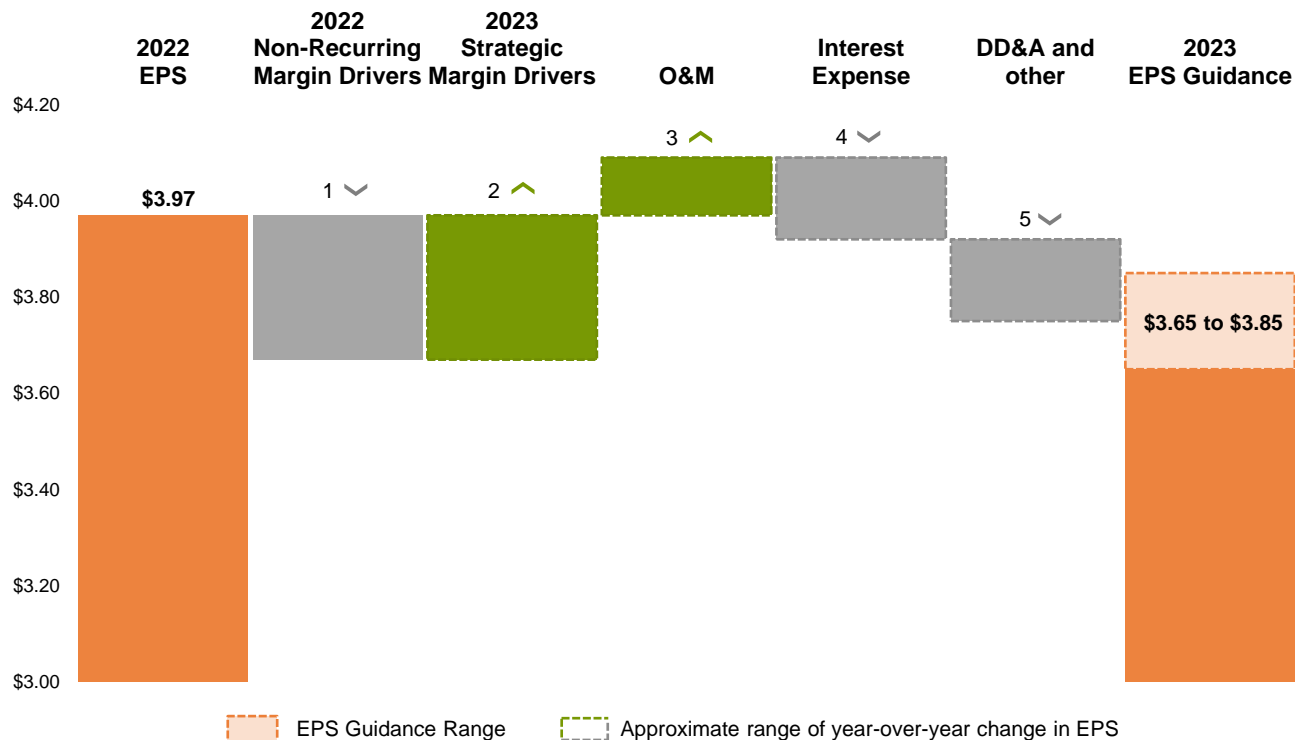
## ~4% Increase in Interest Rates



Note: Consumer Price Index data from bureau of labor and statistics (BLS.gov/cpi), Natural Gas - Henry Hub spot price data from U.S. Energy Information Administration (EIA.gov)

# 2023 Earnings Guidance Drivers

Strategic Growth Offset by Magnified Carrying Costs



- 1) ▼ Non-recurring benefits (Weather and Uri carrying cost true-up)
- 2) ▲ New investment recovery  
▲ Customer Growth
- 3) ▲ O&M management and non-recurring 2022 expenses
- 4) ▲ Higher deferred cost recovery to repay short-term debt  
▼ Higher short-term debt balances driven by elevated deferred costs  
▼ Higher interest rates  
▼ Long-term debt issuances
- 5) ▼ Higher depreciation on larger asset base  
▼ Equity issuance

Note: EPS guidance bridge and ranges represents only expected primary drivers of year-over-year changes. This EPS bridge, interest expense and O&M ranges are being provided due to current volatility in inflation and rising interest rate environments and is not an expected ongoing practice.

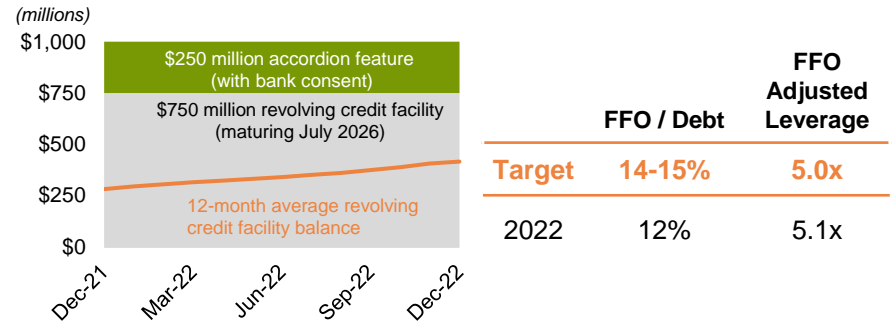
# Solid Financial Position

Committed to Strong Investment-Grade Credit Ratings

## Credit Ratings

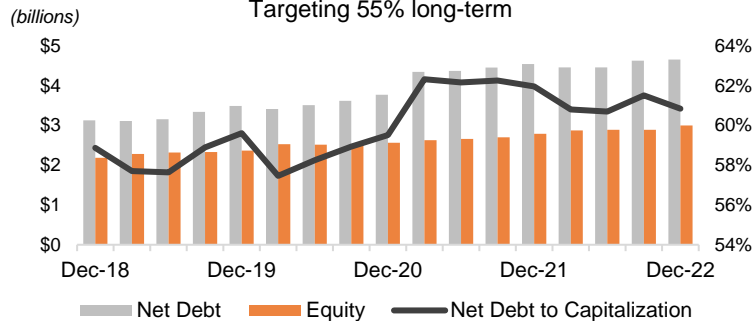
S&P	Moody's	Fitch
<b>BBB+</b>	<b>Baa2</b>	<b>BBB+</b>
Stable outlook	Stable outlook	Stable outlook
(Aug. 26, 2022)	(Dec. 20, 2022)	(Oct. 6, 2022)

## Liquidity and Cashflow



## Capital Structure\*

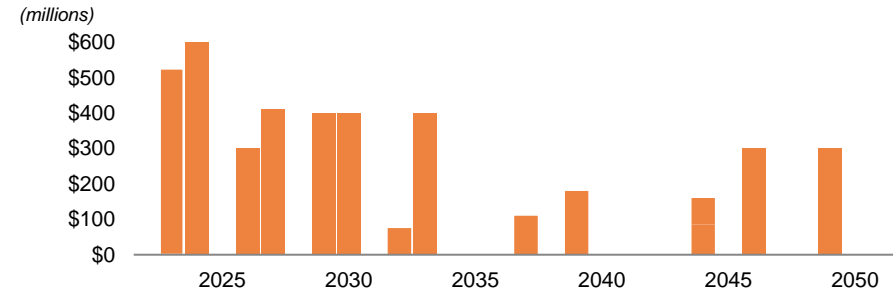
Targeting 55% long-term



Note: information as of Dec. 31, 2022

\* Excludes noncontrolling interest

## Debt Maturities





# Strong Long-term Growth Outlook

**\$3.5** billion

Capital Investment 2023-2027

- Incremental projects likely
- Additional growth opportunities

**4% to 6%**

Long-term EPS growth target \*

**55% to 65%**

Dividend payout target \*\*

- Integrated pure-play utility profile
- Diversified mix of electric and gas businesses
- Stable and growing service territories
- Constructive regulatory jurisdictions
- Solid financial position and liquidity
- Robust capital plan with timely recovery

\* Average annual compound growth rate off 2023 base

\*\* Future dividends subject to board approval

# Questions



# Appendix



# 2023 Earnings Guidance Assumptions

Black Hills revised its guidance for 2023 EPS available for common stock, to be in the range of \$3.65 to \$3.85 from \$4.00 to \$4.20, based on the following update assumptions:

- Normal weather conditions within our utility service territories including temperatures, precipitation levels and wind conditions
- Normal operations and weather conditions for planned construction, maintenance and/or capital investment projects
- Constructive and timely outcomes of utility regulatory dockets
- No significant unplanned outages at any of our generating facilities
- Production tax credits of approximately \$20 million associated with wind generation assets
- Capital investment of approximately \$615 million (previously \$600 million)
- Equity issuance of approximately \$140 million to \$160 million (previously \$130 million to \$150 million) through the at-the-market equity offering program
- Total interest expense of \$180 million to \$185 million (previously \$165 million to \$170 million), including debt refinancing activity \*
- Total operating expense of \$600 million to \$610 million (previously \$595 million to \$605 million) excluding fuel, purchased power, cost of natural gas sold, depreciation, depletion and amortization \*

\* Guidance assumptions for interest expense and O&M are being provided for 2023 only due to ongoing volatility in inflation and rising interest rate environments.

# Rate Review Progress

- In January, Wyoming Electric received approval of a settlement for its rate review and transmission rider request
- In Q4 2022, Arkansas Gas implemented new rates and a consolidated safety and integrity rider
- Rate review for Rocky Mountain Natural Gas intrastate pipeline in Colorado advancing; seeking new rates by Q3 2023

Jurisdiction	Filing Date	Annual Revenue Increase	ROE	Debt / Equity	Comments / Status
Arkansas Gas Docket 21-097-U	Dec. 10, 2021	\$8.8 million	9.6%	55% / 45%	Approved - new rates effective Oct. 21, 2022; new comprehensive safety and integrity rider replaces three former riders
Wyoming Electric Docket 20003-214-ER-22	June 1, 2022	\$8.7 million	9.75%	48% / 52%	Approved - New rates effective March 1, 2023; new transmission investment and expense rider approved
Rocky Mountain Natural Gas Docket 22AL-0426G	Oct. 7, 2022	\$12.3 million*	12.25%*	48% / 52%*	Seeking new rates by Q3 2023

\* As requested in filing; excludes ongoing rider recovery requested to be included in base rates



# Winter Storm Uri Recovery Approved and Progressing

Jurisdiction	Recovery Amount *	Recovery Period	Comments / Status
Arkansas Gas	\$137.5	5 years	Approved - rates effective July 1, 2022; replaces interim rates in place since June 1, 2021
Colorado Electric	\$ 23.2	2 years	Approved - rates effective April 10, 2022
Colorado Gas	\$ 72.7	1-3 years	Approved - rates effective April 10, 2022
Iowa Gas	\$ 95.5	2 years	Approved - rates effective Jan. 1, 2022; replaces interim rates in place since April 9, 2021
Kansas Gas	\$ 87.9	5 years	Approved - rates effective Feb. 1, 2022
Nebraska Gas	\$ 79.8	3 years	Approved - rates effective July 1, 2021
South Dakota Electric	\$ 20.1	1 year	Recovery complete
Wyoming Electric	n/a	1 year	Recovery through normal energy cost adjustment
Wyoming Gas	\$ 29.4	3 years	Approved - rates effective Jan. 1, 2023; replaces interim rates effective Sept. 1, 2021
Total	\$ 546	3.5 years	Weighted average

	2021	2022	2023	2024	2025	2026
Expected Annual Cost Recovery *	\$37	\$161	\$161	\$97	\$56	\$34
Expected Cumulative Recovery * (differences in total due to rounding)	\$37	\$198	\$359	\$457	\$512	\$546

\* Recovery amounts exclude carrying costs; amounts in millions

# Responsibly Reducing GHG Emissions

Achieved Greater than One-third Reduction Since 2005



## ELECTRIC EMISSIONS

↓ **70%** by 2040<sup>1</sup>

- ✓ **33%+ by 2021**
- ✓ Retired 123.3 MW of coal generation
- ✓ Added 288.8 MW of owned renewable wind resources

**40% by 2030<sup>1</sup>**

- Convert 90 MW coal-fired power plant to gas at end of engineered life (*Neil Simpson II in 2025*)
- Add renewable and battery resources

**70% by 2040<sup>1</sup>**

- Convert or retire remaining coal-fired power plants at end of engineered lives<sup>3</sup>
- Add renewable and battery resources



## NATURAL GAS EMISSIONS

↓ **Net Zero** by 2035<sup>2</sup>

- ✓ **33%+ by 2021**  
reduction across mains & service lines

**Net Zero by 2035**  
across entire gas distribution system<sup>2</sup>



- ✓ Replaced at-risk and aging pipeline materials across natural gas system since 2005
- Continue replacing at-risk and aging pipeline materials and cultivate ongoing best practices
- Integrate emission-reducing technologies and processes
- Pursue advanced leak detection systems
- Target best-in-class third-party line hits
- Integrate low carbon fuels such as renewable natural gas and hydrogen

See more information at: [www.blackhillsenergy.com/sustainability](http://www.blackhillsenergy.com/sustainability)

<sup>1</sup> Electric goals are based on greenhouse gas emissions intensity as compared to 2005 levels for Scope 1 emission on our owned electric generation and Scope 3 emissions for purchased power.  
<sup>2</sup> Net Zero goal based on Scope 1 emissions of gas distribution systems, including fugitive emissions from pipeline mains and service lines, meters, transfer stations, system damages and blow downs  
<sup>3</sup> Anticipated retirement or re-powering of coal plants is subject to change based on costs and feasibility of other alternatives.

# Advancing Electric Resource Plans

**Total of  
520 MW  
by 2030**<sup>2,3</sup>

## Colorado Clean Energy Plan

80% by 2030 plan achieves state's legislation goal<sup>1,2</sup>

- Opted in to 80% by 2030 legislation
- Issue "all source" RFP in Q2 2023
- In January, filed unanimous settlement agreement of plan for commission approval
- Colorado legislation allows 50% utility ownership of new resources

200-250 MW solar<sup>2</sup>    100 MW wind<sup>2</sup>    50 MW battery storage<sup>2</sup>

**400 MW of clean energy resources in 2025 to 2030**<sup>2</sup>



## South Dakota and Wyoming Integrated Resource Plan

- Filed integrated resource plan June 30, 2021, for jointly operated electric system
- IRP formally accepted by Wyoming Public Service Commission
- Evaluating next steps for adding renewable resources

- 100 MW renewable generation by 2025<sup>3</sup>
- Evaluate 20 MW battery storage (10 MW South Dakota and 10 MW Wyoming)<sup>3</sup>
- Convert 90 MW coal-fired power plant to gas or dual fuel mix by 2025
- Evaluate and develop transmission opportunities (Ready Wyoming by 2025)
- Support research for emissions-reduction technologies

**120 MW of clean energy resources by 2025**<sup>3</sup>

Enhanced transmission and backup generation resiliency and optionality

1 Emissions reduction target for Colorado Electric from a 2005 baseline  
 2 Based on settlement agreement for plan as submitted to Colorado Public Utilities Commission  
 3 Preferred plan submitted in South Dakota and Wyoming  
 Note: Potential investments from resource plans are not included in current capital forecast

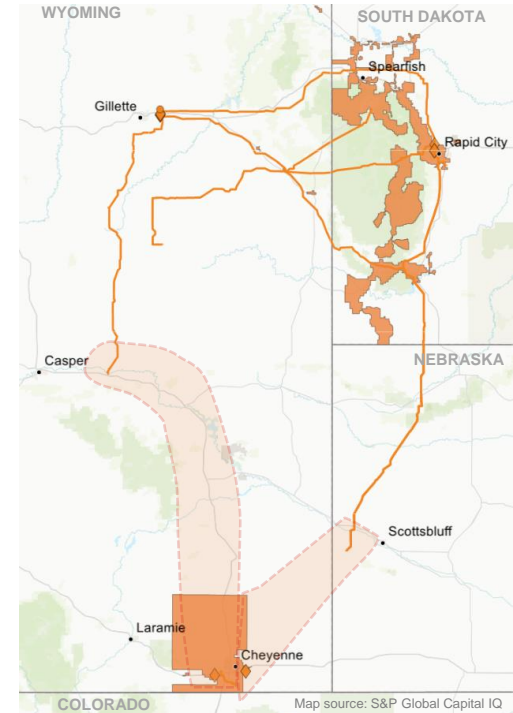
# Ready Wyoming Electric Transmission Initiative

## 260-mile Project to Further Interconnect and Expand Wyoming Electric System

- Maintain long-term cost stability for customers
- Enhance system resiliency to withstand stress events
- Expand access to power markets and provide flexibility as power markets develop in Western states
- Attract and enable customer solutions such as serving data centers, blockchain customers and economic growth in Wyoming
- Expand access to renewable resources and facilitate additional renewable development across wind- and sun-rich resource area with strong natural gas optionality to back up renewables

## CPCN Approved and Preparing for Construction in 2023-2025

- On Oct. 11, received bench approval from Wyoming commission
- Construction expected to commence in 2023 in multiple phases, or segments, through 2025; project included in capital forecast



- Black Hills' SD/WY and Cheyenne electric system and service area
- ▭ Proposed transmission line route

# Income Statement

(in millions, except earnings per share)

	Fourth Quarter		Full Year	
	2021	2022	2021	2022
Revenue	\$ 562.5	\$ 791.4	\$ 1,949.1	\$ 2,551.8
Fuel, purchased power and cost of natural gas sold	(246.3)	(436.9)	(741.9)	(1,230.6)
Operations and maintenance expense	(141.2)	(162.2)	(561.8)	(615.1)
Depreciation, depletion and amortization	(61.1)	(62.3)	(236.0)	(250.9)
<b>Operating income</b>	<b>114.0</b>	<b>130.0</b>	<b>409.4</b>	<b>455.2</b>
Interest expense, net	(38.6)	(43.7)	(152.4)	(161.0)
Other income (expense), net	(0.2)	(1.0)	1.4	1.7
<b>Income before taxes</b>	<b>75.2</b>	<b>85.3</b>	<b>258.4</b>	<b>295.9</b>
Income tax (expense)	(0.8)	(9.3)	(7.2)	(25.2)
<b>Net income before non-controlling interest</b>	<b>\$ 74.3</b>	<b>\$ 76.1</b>	<b>\$ 251.3</b>	<b>\$ 270.8</b>
Net income attributable to non-controlling interest	(3.2)	(3.6)	(14.5)	(12.4)
<b>Net income available to common stock</b>	<b>\$ 71.2</b>	<b>\$ 72.5</b>	<b>\$ 236.7</b>	<b>\$ 258.4</b>
<b>EPS - Net income available for common stock</b>	<b>\$ 1.11</b>	<b>\$ 1.11</b>	<b>\$ 3.74</b>	<b>\$ 3.97</b>
Diluted shares outstanding	64.1	65.4	63.3	65.0
<b>EBITDA*</b>	<b>\$ 174.8</b>	<b>\$ 191.3</b>	<b>\$ 646.8</b>	<b>\$ 707.9</b>

\* Non-GAAP measure defined and reconciled to GAAP on slides 40-43



# Capital Structure

(\$ in millions)

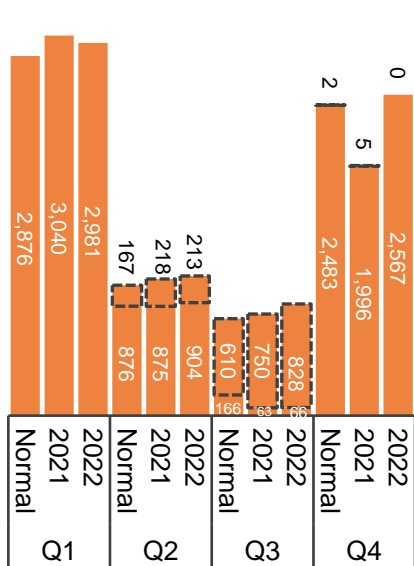
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
<b>Capitalization</b>					
Short-term Debt	\$ 420	\$ 342	\$ 335	\$ 501	\$ 1,061
Long-term Debt	4,127	4,128	4,130	4,131	3,607
<b>Total Debt</b>	<b>4,547</b>	<b>4,470</b>	<b>4,465</b>	<b>4,632</b>	<b>4,668</b>
Equity*	2,787	2,872	2,885	2,887	2,995
<b>Total Capitalization</b>	<b>\$ 7,334</b>	<b>\$ 7,342</b>	<b>\$ 7,350</b>	<b>\$ 7,519</b>	<b>\$ 7,663</b>
<b>Net Debt to Net Capitalization</b>					
Debt	\$ 4,547	\$ 4,470	\$ 4,465	\$ 4,632	\$ 4,668
Cash and Cash Equivalents	(9)	(16)	(10)	(12)	(21)
<b>Net Debt</b>	<b>4,538</b>	<b>4,454</b>	<b>4,455</b>	<b>4,621</b>	<b>4,647</b>
<b>Net Capitalization</b>	<b>\$ 7,325</b>	<b>\$ 7,325</b>	<b>\$ 7,340</b>	<b>\$ 7,507</b>	<b>\$ 7,642</b>
Debt to Capitalization	62.0%	60.9%	60.7%	61.6%	60.9%
Net Debt to Capitalization (Net of Cash)	62.0%	60.8%	60.7%	61.5%	60.8%
Long-term Debt to Total Debt	90.8%	92.4%	92.5%	89.2%	77.3%

\* Excludes noncontrolling interest

# Utility Weather and Demand

## Electric - Degree Days

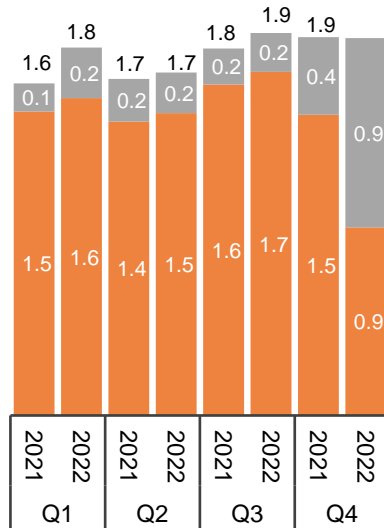
Total for all electric service areas weighted by customer count



## Electric Utility -Total

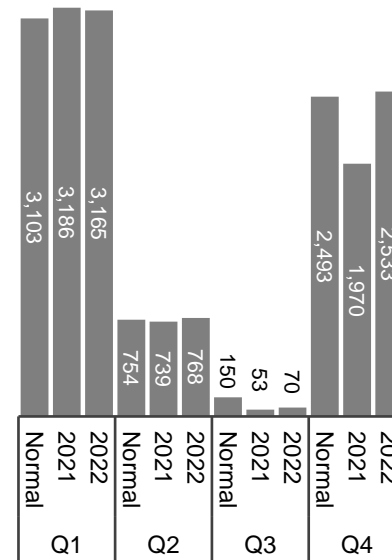
### MWh Sales

(in millions)



## Gas - Degree Days\*

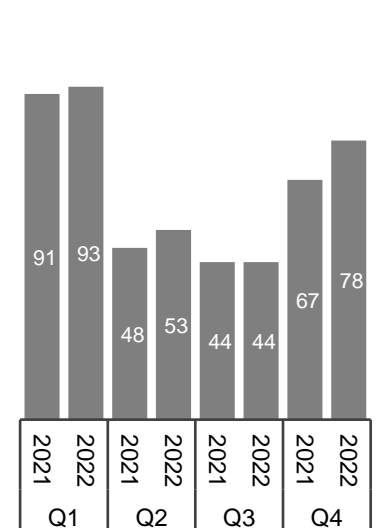
Total for all natural gas service areas weighted by customer count



## Gas Utility - Total

### Dth Sales

(in millions)



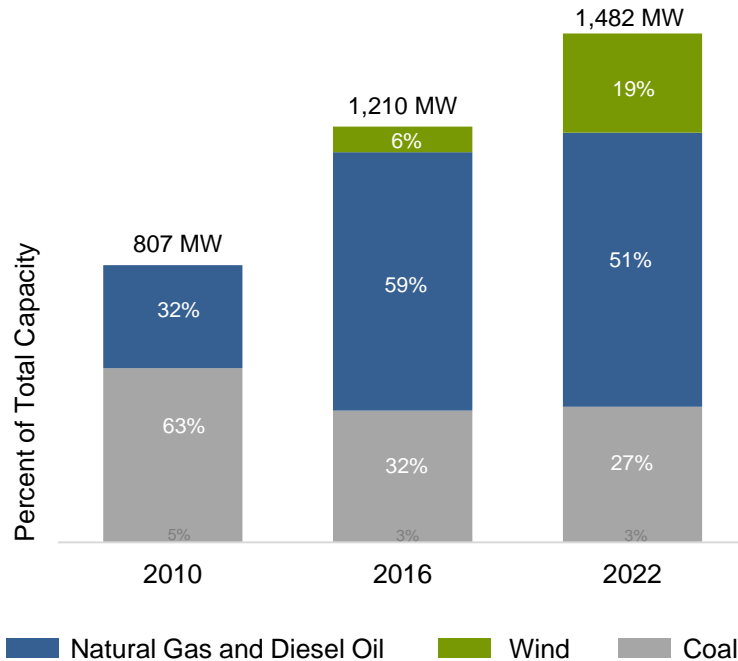
█ Electric heating degree days  
 Electric cooling degree days

█ Utility customer sales  
█ Off-system sales

\* Gas Degree Days excludes Kansas data due to weather normalization in the state. Arkansas is partially excluded based on normalization mechanism in effect from November through April.  
 Note: normal degree days listed for prior quarters based on data as of 2021; current quarter normal based on average of currently available data

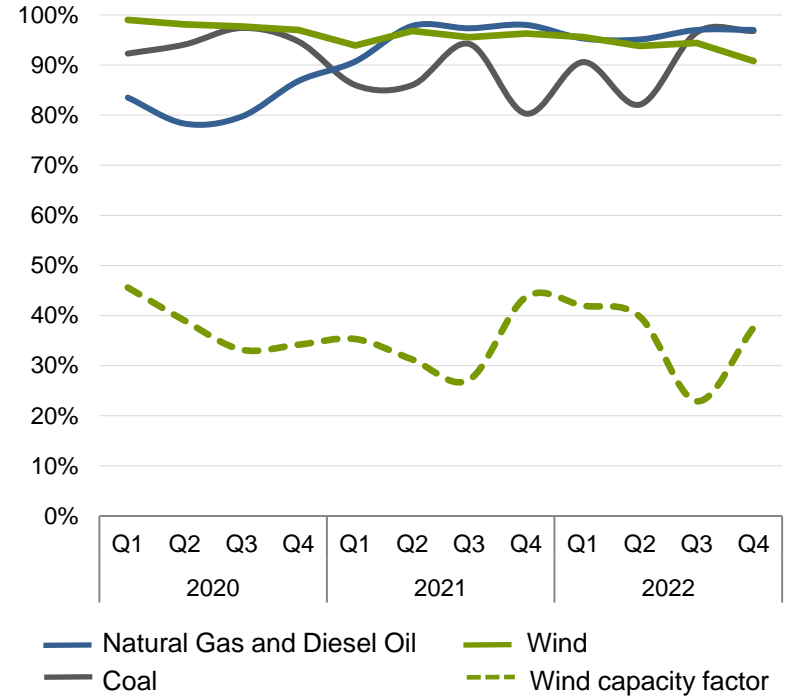
# Electric Generation Capacity and Performance

## Owned Generation Capacity



\* Ownership includes 49.9 percent ownership in a Colorado subsidiary by a third party representing approximately 100 megawatts; excludes power purchase agreements from third parties

## Electric Generation Availability



# Last Approved Utility Rate Review Results by Jurisdiction

Jurisdiction	Utility	Effective Date	Authorized Return on Equity	Authorized Capital Structure	Authorized Rate Base (in millions)
Arkansas	Arkansas Gas	Oct. 2022	9.60%	55% debt / 45% equity	\$674.6
Colorado	Colorado Electric	Jan. 2017	9.37%	47.61% debt / 52.39% equity	\$597.5
Colorado	Colorado Gas	Jan. 2022	9.20%	49.74% debt / 50.26% equity	\$303.0
Colorado	RMNG	June 2018	9.90%	53.4% debt / 46.6% equity	\$118.7
Iowa	Iowa Gas	Jan. 2022	9.60%	50.0% debt / 50.0% equity	\$300.9
Kansas	Kansas Gas	Jan. 2022	Global Settlement	Global Settlement	Global Settlement
Nebraska	Nebraska Gas	March 2021	9.50%	50% debt / 50% equity	\$504.2 *
South Dakota	South Dakota Electric	Oct. 2014	Global Settlement	Global Settlement	\$543.9
Wyoming	South Dakota Electric	Oct. 2014	9.90%	46.68% debt / 53.32% equity	\$46.8
Wyoming	Wyoming Electric	March 2023	9.75%	48% debt / 52% equity	\$506.4
Wyoming	Wyoming Gas	March 2020	9.40%	49.77% debt / 50.23% equity	\$354.4

Note: Information from last approved rate review in each jurisdiction

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

# Estimated Rate Base

	2016	2017	2018	2019	2020	2021	2022
Colorado							\$697
South Dakota (all jurisdictions)							1,012
Wyoming							503
<b>Total Electric Utilities</b>	<b>\$1,570</b>	<b>\$1,650</b>	<b>\$1,706</b>	<b>\$1,747</b>	<b>\$1,954</b>	<b>\$2,077</b>	<b>\$2,212</b>
Arkansas							732
Colorado							577
Iowa							340
Kansas							264
Nebraska							713
Wyoming							423
<b>Total Gas Utilities</b>	<b>\$1,620</b>	<b>\$1,700</b>	<b>\$1,851</b>	<b>\$2,180</b>	<b>\$2,464</b>	<b>\$2,760</b>	<b>\$3,049</b>
<b>Total Utilities</b>	<b>\$3,190</b>	<b>\$3,350</b>	<b>\$3,557</b>	<b>\$3,927</b>	<b>\$4,418</b>	<b>\$4,837</b>	<b>\$5,261</b>

# Optimizing Regulatory Recovery

<b>Electric Utilities</b>	<b>Environmental Cost</b>	<b>DSM/ Energy Efficiency</b>	<b>Transmission Expense</b>	<b>Fuel Cost</b>	<b>Transmission Cap-Ex</b>	<b>Purchased Power</b>	<b>Renewable Energy Standard Adjustment</b>
Colorado Electric		☑	☑	☑	☑	☑	☑
South Dakota Electric (SD)	☑ <sup>1</sup>		☑	☑	☑ <sup>1</sup>	☑	
South Dakota Electric (WY)		☑	☑	☑		☑	
South Dakota Electric (FERC)					☑		
Wyoming Electric		☑	☑	☑	☑	☑	

<b>Gas Utilities</b>	<b>DSM/ Energy Efficiency</b>	<b>Integrity Additions</b>	<b>Bad Debt</b>	<b>Weather Normal</b>	<b>Pension Recovery</b>	<b>Gas Cost</b>	<b>Revenue Decoupling</b>	<b>Fixed Cost Recovery<sup>2</sup></b>
Arkansas Gas	☑	☑		☑		☑	☑	28%
Colorado Gas	☑	☑				☑		52%
Rocky Mountain Natural Gas <sup>3</sup>		☑						
Iowa Gas	☑	☑				☑		67%
Kansas Gas		☑	☑	☑	☑	☑		62%
Nebraska Gas		☑	☑			☑		70%
Wyoming Gas	☑	☑				☑		53%

☑ Commission approved cost adjustment

<sup>1</sup> South Dakota cost adjustments for environmental and transmission capex included in rate moratorium; applies only to non-FERC jurisdictional assets

<sup>2</sup> Fixed cost recovery listed for residential customers is as of last rate review

<sup>3</sup> RMNG, an intrastate transmission pipeline, provides natural gas transmission and wholesale services, has an SSIR recovery mechanism; other cost recovery mechanisms are not applicable to RMNG



# Capital Investment by Segment and Recovery

(in millions)

	2022A	2023F	2024F	2025F	2026F	2027F	2023-2027F
Minimal Lag Capital - Electric Utilities <sup>1</sup>	\$17	\$6	\$47	\$64	\$28	\$18	\$161
Rider Eligible Capital - Electric Utilities <sup>2</sup>	89	88	180	127	30	27	452
Growth Capital - Electric Utilities <sup>3</sup>	22	18	19	15	16	17	85
Other	115	100	102	62	110	101	476
<b>Electric Utilities</b>	<b>\$243</b>	<b>\$212</b>	<b>\$348</b>	<b>\$268</b>	<b>\$184</b>	<b>\$163</b>	<b>\$1,175</b>
Minimal Lag Capital - Gas Utilities <sup>1</sup>	51	60	130	141	84	40	455
Rider Eligible Capital - Gas Utilities <sup>2</sup>	140	141	150	139	133	152	714
Growth Capital - Gas Utilities <sup>3</sup>	85	119	122	109	114	113	576
Other	73	66	50	24	63	140	342
<b>Gas Utilities</b>	<b>\$349</b>	<b>\$386</b>	<b>\$452</b>	<b>\$412</b>	<b>\$393</b>	<b>\$444</b>	<b>\$2,088</b>
<b>Total Utilities</b>	<b>\$592</b>	<b>\$598</b>	<b>\$800</b>	<b>\$680</b>	<b>\$577</b>	<b>\$607</b>	<b>\$3,263</b>
Corporate	5	17	19	20	19	18	93
^ Incremental Projects				0	~104	~75	~179
<b>Total Black Hills Forecast</b>	<b>\$598</b>	<b>\$615</b>	<b>\$819</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$3,535</b>

Incremental projects being evaluated for timing, cost and other factors

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

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

<sup>3</sup> Growth Capital - generates immediate revenue on customer connections

Note: Some totals may differ due to rounding

# Regulated Utility Capital Investment by Type

(in millions)

	2022A	2023F	2024F	2025F	2026F	2027F	2023-2027F
Safety, Reliability and Integrity <sup>1</sup>	\$185	\$157	\$285	\$234	\$148	\$130	\$954
Growth <sup>2</sup>	41	38	41	12	15	15	121
General Plant	18	17	22	22	21	18	101
<b>Electric Utilities</b>	<b>\$243</b>	<b>\$212</b>	<b>\$348</b>	<b>\$268</b>	<b>\$184</b>	<b>\$163</b>	<b>\$1,175</b>
Safety, Reliability and Integrity <sup>1</sup>	237	240	289	268	247	292	1,335
Growth <sup>2</sup>	85	119	122	109	114	113	576
General Plant	27	27	41	36	33	40	176
<b>Gas Utilities</b>	<b>349</b>	<b>386</b>	<b>452</b>	<b>412</b>	<b>393</b>	<b>444</b>	<b>\$2,088</b>
<b>Total Utilities</b>	<b>\$592</b>	<b>\$598</b>	<b>\$800</b>	<b>\$680</b>	<b>\$577</b>	<b>\$607</b>	<b>\$3,263</b>

Incremental projects being evaluated for timing, cost and other factors

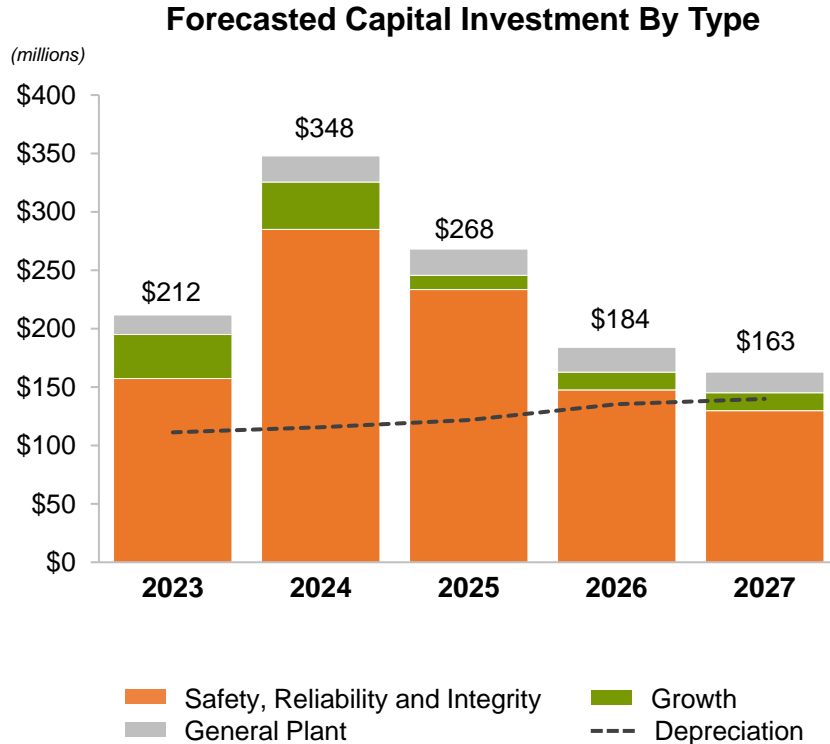
<sup>1</sup> Safety, Reliability and Integrity Capital - capital expenditures related to improving or maintaining system integrity

<sup>2</sup> Growth Capital - generates immediate revenue on customer connections

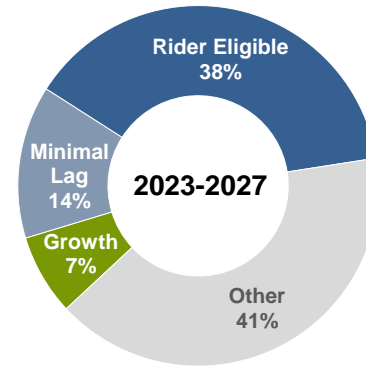
Note: Some totals may differ due to rounding

# Electric Utilities Capital Investment

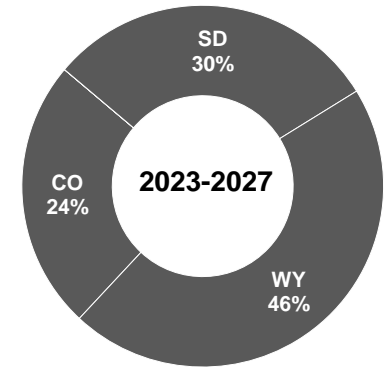
Five-year Forecast of \$1.2 Billion Focused on Safety, System Integrity and Growth



**59% with Timely Recovery\***



**Forecasted Capital by State**

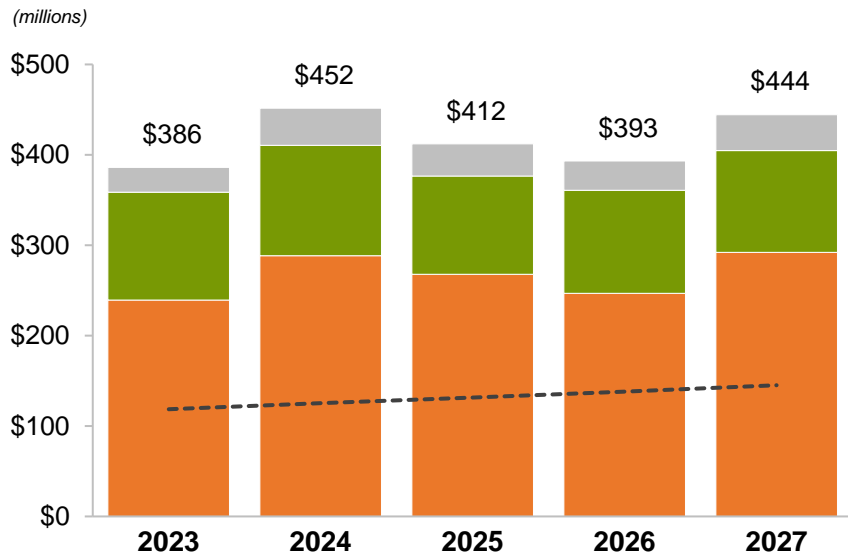


\* Growth Capital - generates immediate revenue upon customer connections  
 Minimal Lag Capital - capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods  
 Rider Eligible Capital - capital expenditures recovered through state specific tariffs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

# Natural Gas Utilities Capital Investment

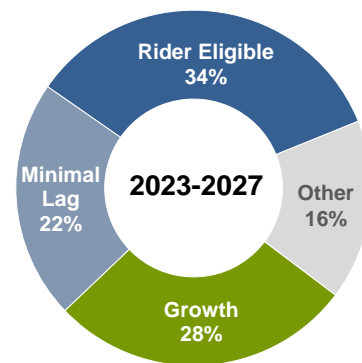
Five-year Forecast of \$2.1 Billion Focused on Safety, System Integrity and Growth

### Forecasted Capital Investment By Type

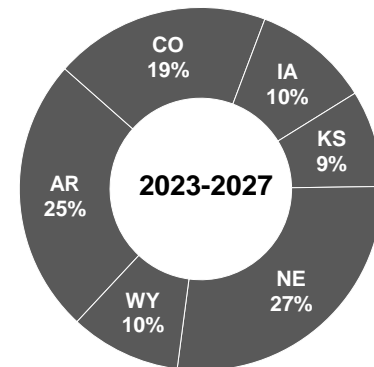


- Safety, Reliability and Integrity
- Growth
- General Plant
- Depreciation

84% with Timely Recovery\*



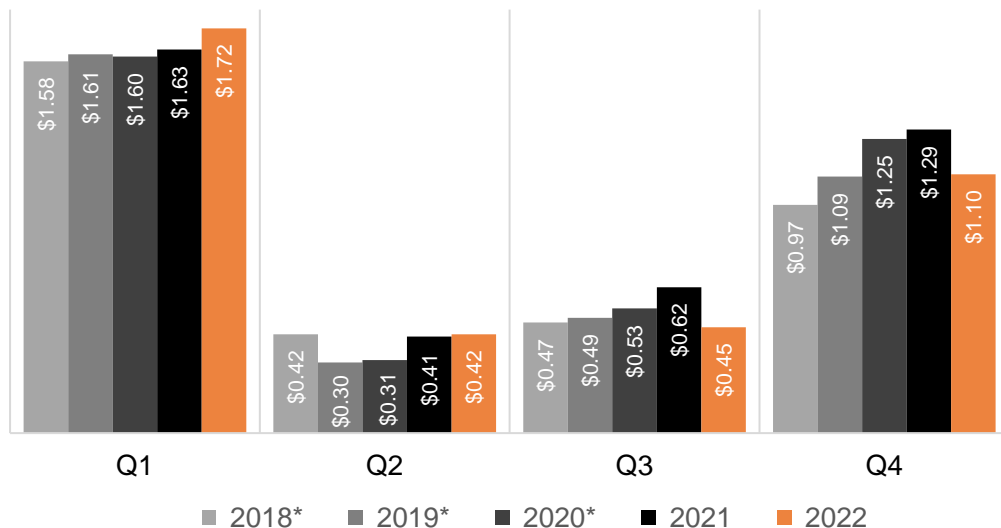
Forecasted Capital by State



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

# Normalized EPS Seasonality

## EPS, as Adjusted, Normalized for Impacts of Weather, Mark-to-Market and Winter Storm Uri\*



- Q1 and Q4 seasonality driven by peak heating demand at gas utilities
- Q2 and Q3 driven by peak cooling demand, off-system energy sales opportunities and agricultural irrigation for gas utilities

\* Earnings per share, as adjusted is a non-GAAP measure and is reconciled to GAAP in the appendix; normalized total excludes weather impact versus normal, Mark-to-Market impacts on energy contracts and one-time Winter Storm Uri impacts

### EPS, as adjusted\*

	Q1	Q2	Q3	Q4	FY / YTD
2018*	\$1.63	\$0.45	\$0.42	\$1.05	\$3.54
2019*	\$1.73	\$0.24	\$0.44	\$1.13	\$3.53
2020*	\$1.59	\$0.33	\$0.58	\$1.23	\$3.73
2021	\$1.54	\$0.40	\$0.70	\$1.11	\$3.74
2022	\$1.82	\$0.52	\$0.54	\$1.11	\$3.97

### Weather impact versus normal

	Q1	Q2	Q3	Q4	FY / YTD
2018*	\$0.05	\$0.02	(\$0.05)	\$0.07	\$0.09
2019*	\$0.12	(\$0.04)	(\$0.05)	\$0.04	\$0.06
2020*	(\$0.04)	\$0.02	\$0.05	(\$0.01)	\$0.03
2021	\$0.07	\$0.01	—	(\$0.16)	(\$0.07)
2022	\$0.06	\$0.01	\$0.07	\$0.05	\$0.19

### Mark-to-Market energy contract impact

	Q1	Q2	Q3	Q4	FY / YTD
2018*	—	\$0.01	—	\$0.01	\$0.02
2019*	—	(\$0.02)	—	—	(\$0.02)
2020*	\$0.03	—	—	(\$0.01)	\$0.02
2021	(\$0.01)	(\$0.02)	\$0.08	(\$0.02)	\$0.03
2022	\$0.04	(\$0.03)	\$0.02	(\$0.04)	(\$0.01)

### Winter Storm Uri one-time impacts

	Q1	Q2	Q3	Q4	FY / YTD
2021	(\$0.15)	—	—	—	(\$0.15)
2022	—	\$0.12	—	—	\$0.12

### Weather, MTM and Uri normalized EPS, as adjusted\*

	Q1	Q2	Q3	Q4	FY / YTD
2018*	\$1.58	\$0.42	\$0.47	\$0.97	\$3.43
2019*	\$1.61	\$0.30	\$0.49	\$1.09	\$3.49
2020*	\$1.60	\$0.31	\$0.53	\$1.25	\$3.68
2021	\$1.63	\$0.41	\$0.62	\$1.29	\$3.93
2022	\$1.72	\$0.42	\$0.45	\$1.10	\$3.67

(differences in totals due to rounding)

# Non-GAAP Financial Measures

## Gas and Electric Utility Margin

Gas and Electric Utility margin (revenue less cost of sales) is considered a non-GAAP financial measure due to the exclusion of operation and maintenance expenses, depreciation and amortization expenses, and property and production taxes from the measure. The presentation of Gas and Electric Utility margin is intended to supplement investors' understanding of operating performance.

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

Our Gas and Electric Utility margin measure may not be comparable to other companies' Gas and Electric Utility margin measures. Furthermore, this measure is not intended to replace operating income as determined in accordance with GAAP as an indicator of operating performance.

## EBITDA

We believe that our presentation of earnings before interest, income taxes, depreciation and amortization (EBITDA), a non-GAAP measure, is an important supplemental measure of operating performance. We believe EBITDA, when considered with measures calculated in accordance with GAAP, gives investors a more complete understanding of operating results before the impact of investing and financing transactions and income taxes. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of past and present operating results and as a means to evaluate the results of core on-going operations. Our presentation of EBITDA may be different from the presentation used by other companies and, therefore, comparability may be limited. Depreciation and amortization expense, interest expense, income taxes and other items have been and will be incurred and are not reflected in the presentation of EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBITDA does not consider capital expenditures and other investing activities and should not be considered a measure of our liquidity. We compensate for these limitations by providing relevant disclosure of our depreciation and amortization, interest and income taxes, capital expenditures and other items both in our reconciliation to the GAAP financial measures and in our consolidated financial statements, all of which should be considered when evaluating our performance.

*Note: continued on next page*



# Non-GAAP Financial Measures

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

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

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

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

## Limitations on the Use of Non-GAAP Measures

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

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

# Non-GAAP Financial Measures

## Earnings before Interest, Income Taxes, Depreciation and Amortization

<i>(in thousands)</i>	Three Months Ended Dec. 31		Twelve Months Ended Dec. 31	
	2021	2022	2021	2022
Net income	\$ 74,324	\$ 76,054	\$ 251,260	\$ 270,758
Depreciation, depletion and amortization	61,082	62,299	235,953	250,909
Interest expense, net	38,584	43,661	152,404	160,989
Income tax expense (benefit)	836	9,285	7,169	25,205
<b>EBITDA</b>	<b>\$ 174,826</b>	<b>\$ 191,299</b>	<b>\$ 646,786</b>	<b>\$ 707,861</b>

# Non-GAAP Financial Measures

Annual Earnings and EPS, as adjusted	Earnings, as adjusted (in millions)							Earnings Per Share, as adjusted						
	2016	2017	2018	2019	2020	2021	2022	2016	2017	2018	2019	2020	2021	2022
Net income (loss) available for common stock (GAAP)	\$ 73.0	\$ 177.0	\$ 258.4	\$ 199.3	\$ 227.6	\$ 236.7	\$ 258.4	\$ 1.37	\$ 3.21	\$ 4.66	\$ 3.28	\$ 3.65	\$ 3.74	\$ 3.97
Loss from discontinued operations (GAAP)	64.2	17.1	6.9	-	-	-	-	1.20	0.31	0.12	-	-	-	-
<b>Net income from continuing operations available for common stock (GAAP)</b>	<b>137.1</b>	<b>194.1</b>	<b>265.3</b>	<b>199.3</b>	<b>227.6</b>	<b>236.7</b>	<b>258.4</b>	<b>2.57</b>	<b>3.52</b>	<b>4.78</b>	<b>3.28</b>	<b>3.65</b>	<b>3.74</b>	<b>3.97</b>
<u>Adjustments, after tax</u>														
Acquisition / integration costs	29.7	2.8	-	-	-	-	-	0.56	0.05	-	-	-	-	-
Tax reform and other tax items	-	(11.7)	4.0	-	-	-	-	-	(0.21)	0.07	-	-	-	-
Legal restructuring - income tax benefit	-	-	(72.8)	-	-	-	-	-	-	(1.31)	-	-	-	-
Impairment of investment	-	-	-	15.2	5.3	-	-	-	-	-	0.25	0.08	-	-
<i>Rounding</i>	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-GAAP adjustments	29.8	(8.8)	(68.8)	15.2	5.3	-	-	0.56	(0.16)	(1.24)	0.25	0.08	-	-
<b>Net income from continuing operations available for common stock, as adjusted (Non-GAAP)</b>	<b>\$ 166.9</b>	<b>\$ 185.3</b>	<b>\$ 196.5</b>	<b>\$ 214.5</b>	<b>\$ 232.9</b>	<b>\$ 236.7</b>	<b>\$ 258.4</b>	<b>\$ 3.13</b>	<b>\$ 3.36</b>	<b>\$ 3.54</b>	<b>\$ 3.53</b>	<b>\$ 3.73</b>	<b>\$ 3.74</b>	<b>\$ 3.97</b>

# Strategic Objectives



## Profitable Growth

Achieve consistent growth that creates value

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

## READY.

## Valued Service

Deliver reliable and highly valued products and services

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



## Better Every Day

Continuously improve to achieve industry-leading results

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



## Great Workplace

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

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

**Vision** Be the energy partner of choice.

**Mission** Improving life with energy.

## Company Values



### Agility

We embrace change and challenge ourselves to adapt quickly to opportunities.



### Customer Service

We are committed to providing a superior customer experience every day.



### Partnership

Our partnerships with shareholders, communities, regulators, customers and each other make us all stronger.



### Communication

Consistent, open and timely communication keeps us focused on our strategy and goals.



### Integrity

We hold ourselves to the highest standards based on a foundation of unquestionable ethics.



### Respect

We respect each other. Our unique talents and diversity anchor a culture of success.



### Creating Value

We are committed to creating exceptional value for our shareholders, employees, customers and the communities we serve ... always.



### Leadership

Leadership is an attitude. Everyone must demonstrate the care and initiative to do things right.



### Safety

We commit to live and work safely every day.



**BH**  
Black Hills Energy

LINE  
SUSTAIN

**BH**  
Black Hills Corporation  
Ready