

2020 Second Quarter Review

August 4, 2020



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 2020 earnings guidance and the impacts of the COVID-19 pandemic on our business. 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 2019 Annual Report on Form 10-K and other reports that we file with the SEC from time to time, and the following:

- The accuracy of our assumptions on which our earnings guidance is based;
- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and favorable rulings 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, including: targeting a 50 to 60 percent dividend payout ratio and continuing our track record of continuous annual dividend increases;
- Our ability to successfully execute our financing plans;
- Board of Directors’ approval of any future quarterly dividends;
- The impact of future governmental regulation; and
- Other factors discussed from time to time in our filings with the SEC.

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

Discussion Agenda

Second Quarter Review

Linn Evans

President and Chief Executive Officer

Financial Update

Rich Kinzley

Senior Vice President and Chief Financial Officer

Strategic Overview

Linn Evans

President and Chief Executive Officer

Q&A

Investment Highlights

- Regulated electric and gas utility businesses
- Strong customer-focused investment opportunities
- Constructive regulatory environment with geographic diversity
- Dividend increased 49 consecutive years with competitive yield
- Committed to solid investment grade ratings; improving balance sheet
- Experienced leadership team with long-term focus

Second Quarter 2020 Review



Electrical engineers like Alyssa, regularly inspect the high voltage equipment needed to maintain our electric transmission and distribution system.

Second Quarter 2020 Overview

Operational Execution for Customers

- Served customers effectively with pandemic response measures
- Capital investment plan on schedule

Financial Position and Results

- Maintained strong liquidity; further enhanced by debt issuance
- Delivered solid quarterly weather-adjusted earnings

Strategic Progress

- Reached settlement for Wyoming Electric 60-megawatt capacity need to be filled by Wygen I power plant through 2032
- Filed Nebraska Gas rate review and regulatory consolidation
- Advanced renewable energy solutions (Renewable Ready and Renewable Advantage programs)
- Received favorable franchise vote in Pueblo, Colorado
- Announced strategic alignment of Colorado leadership structure



Recent Highlights

Natural Gas Utilities

- On July 3, Colorado Gas implemented a small rate decrease of approximately \$600,000 annually
 - Driven by Colorado Public Utilities Commission decision related to February 2019 rate review
 - Planning to file new rate review by year-end 2020
- On June 1, Nebraska Gas filed a rate review application requesting:
 - Consolidation of rate schedules into single, statewide structure
 - \$17.3 million annual revenue increase
 - 10.0% return on equity
 - 50.0% / 50.0% debt to equity capital structure
 - Alignment of riders for safety and integrity investments across consolidated territory

Electric Utilities / Power Generation

- On July 10, Wyoming Electric set new all-time peak load of 271 megawatts
- On June 19, 120-day report was filed outlining the preferred bid for Renewable Advantage program; hearing scheduled for Aug. 18 to review report
- \$79 million, 60-megawatt Corriedale wind project in Wyoming on track for completion by year-end; to be jointly owned by South Dakota and Wyoming Electric utilities and serve Renewable Ready subscription-based program
- On June 1, Wyoming Electric and Black Hills Wyoming filed a settlement agreement with the FERC to continue serving Wyoming Electric from Wygen I power plant through 2032.
 - On July 10, FERC judge certified the settlement and a decision from the FERC is expected by year-end 2020.
- On May 5, citizens in Pueblo, Colorado, voted resoundingly to retain Black Hills Energy as its electric utility provider by 75.6% of votes cast

Corporate

- On Aug. 3, filed shelf registration and dividend reinvestment and direct stock purchase program and renewed At-the-Market equity offering program with an aggregate value of up to \$400 million
- On July 27, quarterly dividend of \$0.535 per share approved
- On June 17, issued \$400 million of 2.50% 10-year notes
- On April 10, S&P reaffirmed its rating of BBB+
- Aligned Colorado natural gas and electric utilities under single state leader

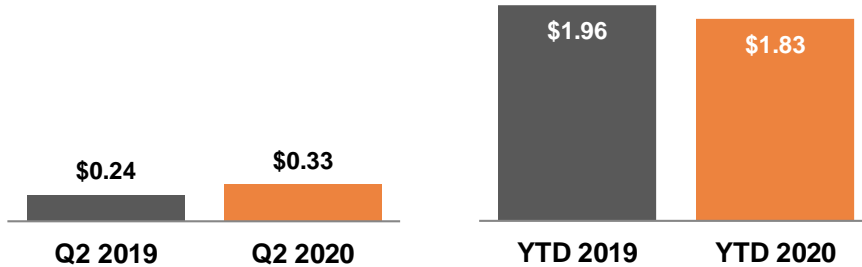
Financial Update



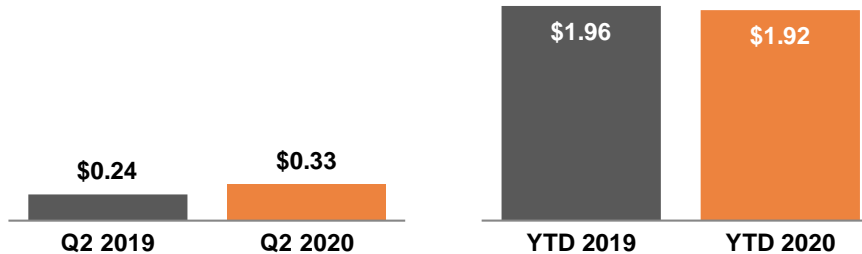
Following historic flooding in the Midwest in 2019, our team worked tirelessly to rebuild critical infrastructure and restore service to our customers.

Financial Overview

EPS available for common stock (GAAP)



EPS, as adjusted (Non-GAAP)*



* EPS from continuing operations available for common stock, as adjusted is a non-GAAP measure; see slide 10 for detail

Financial Highlights

- New rates from investments
- Q2 weather benefit of \$0.02 versus normal and \$0.06 versus prior year
- Q2 COVID-19 impact of (\$0.03)
- Q2 dilution of \$(0.02) per share from new common shares issued
- Reaffirmed EPS guidance range of \$3.45 to \$3.65 per share, as adjusted

Trailing Five Quarters Earnings Per Share

EPS available for common stock (GAAP)

Special Items:

Impairment of investment

Total adjustments (after tax)

EPS, as adjusted (Non-GAAP)*

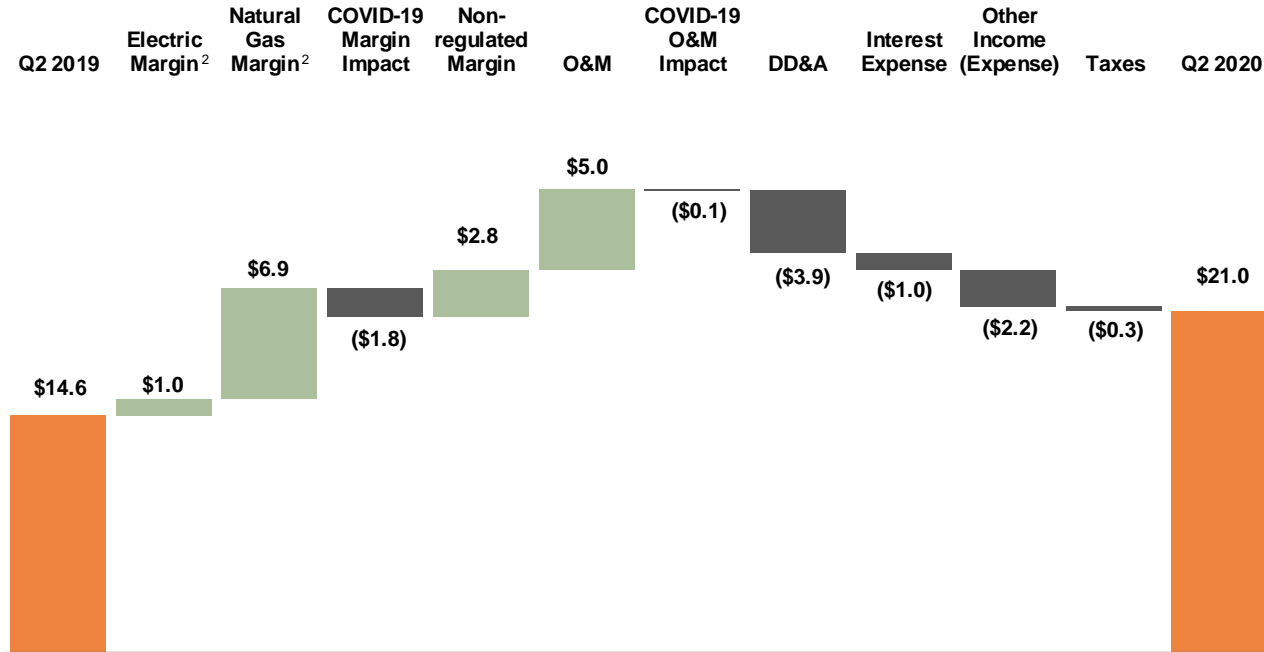
Trailing 12 Months EPS, as adjusted*

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
EPS available for common stock (GAAP)	\$ 0.24	\$ 0.19	\$ 1.13	\$ 1.51	\$ 0.33
Impairment of investment	—	0.25	—	0.08	—
Total adjustments (after tax)	—	0.25	—	0.08	—
EPS, as adjusted (Non-GAAP)*	\$ 0.24	\$ 0.44	\$ 1.13	\$ 1.59	\$ 0.33
Trailing 12 Months EPS, as adjusted*	\$ 3.44				\$ 3.49

* EPS available for common stock, as adjusted is a non-GAAP measure; see Appendix for definition of Non-GAAP measures

Q2 2020 Earnings Drivers

Change in Net Income available for Common Stock, as adjusted¹
(in millions)



Primary Earnings Drivers

- ⬆ New rates on investments
- ⬆ Weather
- ⬆ Lower employee costs and outside services
- ⬆ Customer growth
- ⬆ Strong contribution from non-regulated operations
- ⬇ Higher depreciation on larger asset base
- ⬇ Higher long-term debt balance
- ⬇ Non-qualified benefit plan expense due to market performance

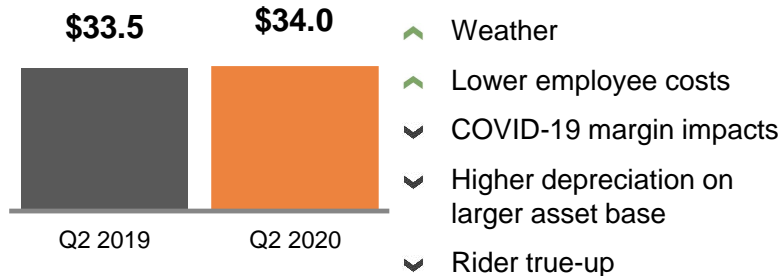
¹ Non-GAAP measure; see Income Statement in Appendix

² Utility margin positive impact of \$4.1 million (\$1.9 million electric positive impact and \$2.2 million natural gas positive impact), net of tax, related to weather

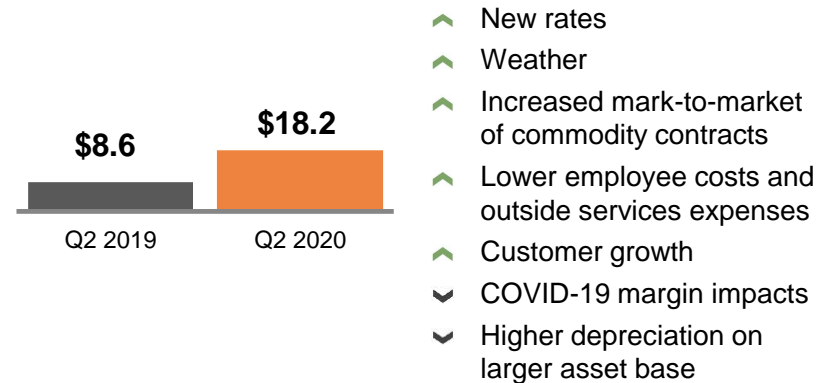
Q2 2020 Operating Income by Segment

(in millions)

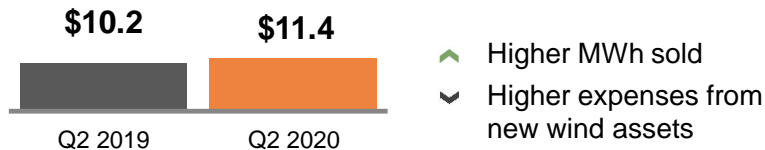
Electric Utilities



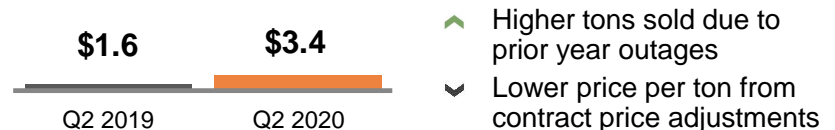
Gas Utilities



Power Generation*



Mining



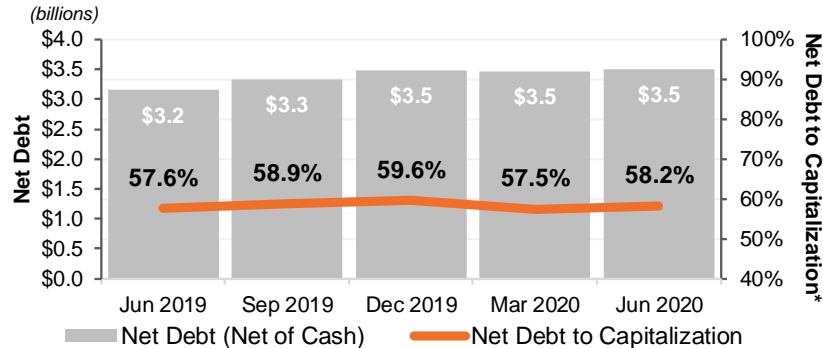
* Power Generation includes 100% of Colorado IPP operations; financial results for the 49.9% minority owner of COIPP reflected through a reduction to net income attributable to noncontrolling interest

Strong Financial Position

Committed to Strong Investment-Grade Credit Ratings

S&P	Moody's	Fitch
BBB+	Baa2	BBB+
Stable outlook	Stable outlook	Stable outlook
Affirmed April 10, 2020	Affirmed Dec. 20, 2019	Affirmed Aug. 29, 2019

Capital Structure

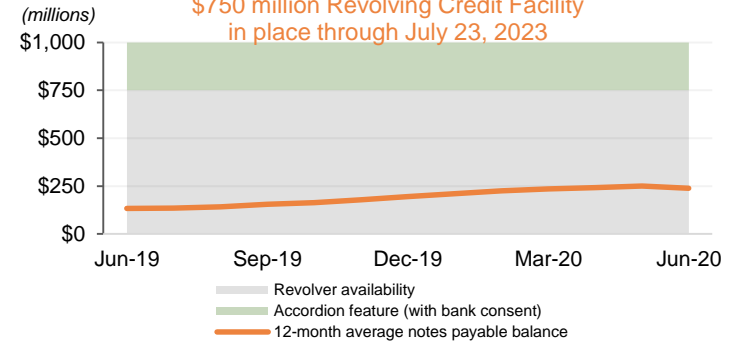


* Excludes noncontrolling interest; see Appendix for detailed capital structure

Strong Liquidity and Debt Profile

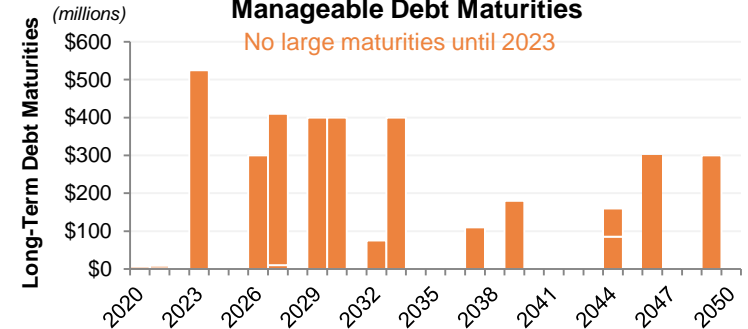
Ample Access to Liquidity

\$750 million Revolving Credit Facility in place through July 23, 2023



Manageable Debt Maturities

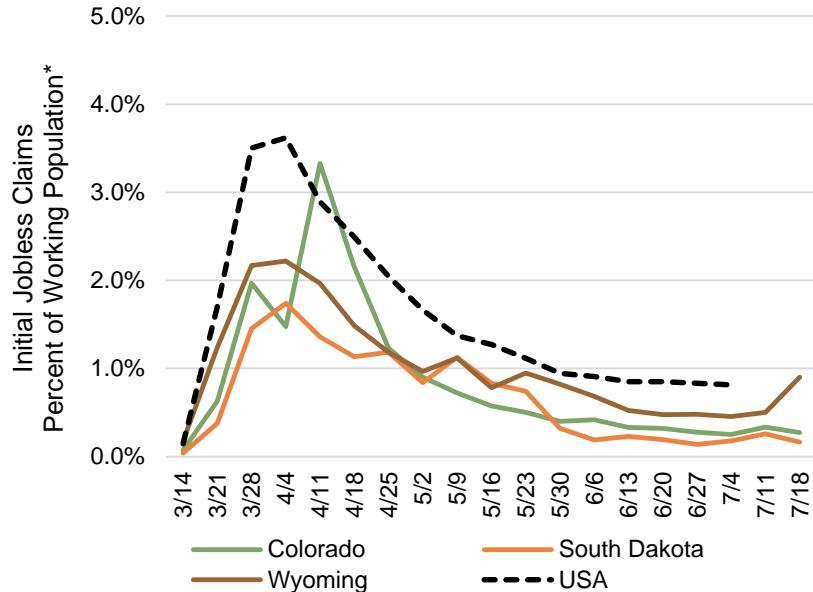
No large maturities until 2023



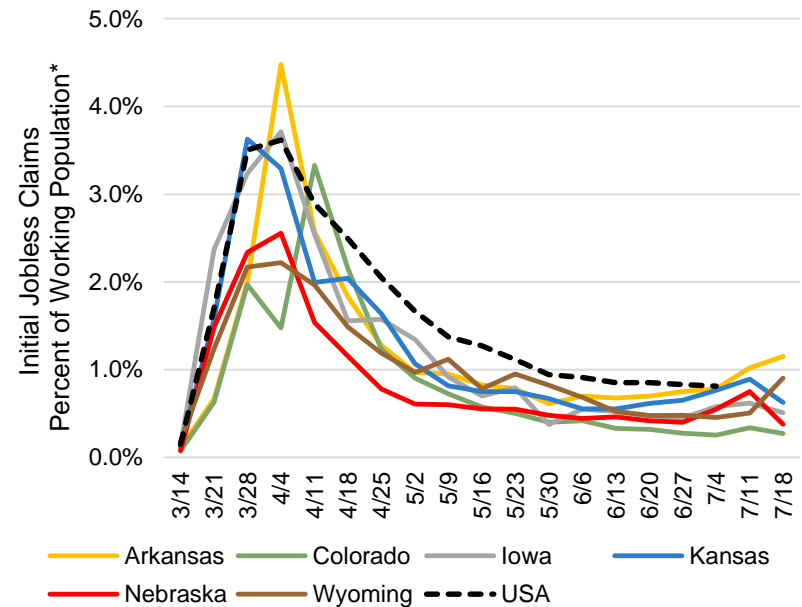
Economic Conditions

Initial Jobless Claims by Electric and Gas Utility State and National Average

Black Hills Electric Utility States



Black Hills Gas Utility States

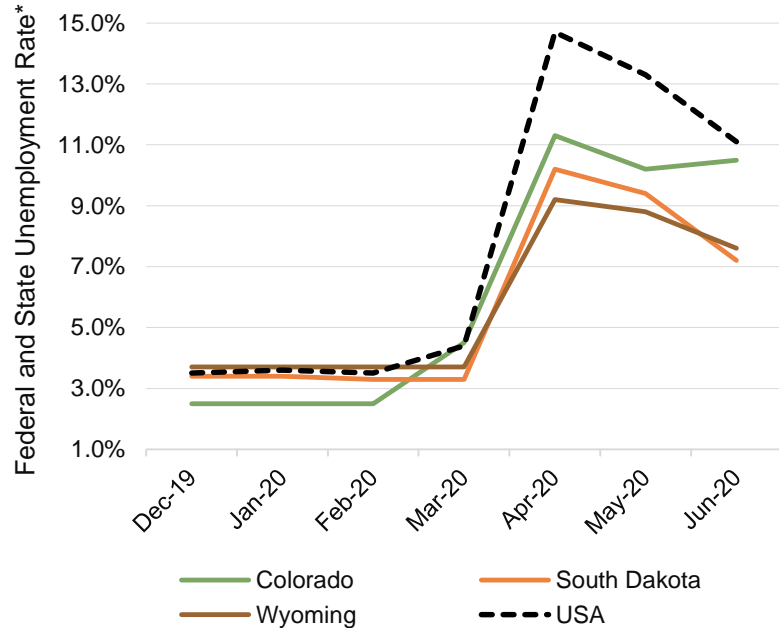


* Data from Bureau of Labor Statistics – Employment Status of the Non-institutional Population

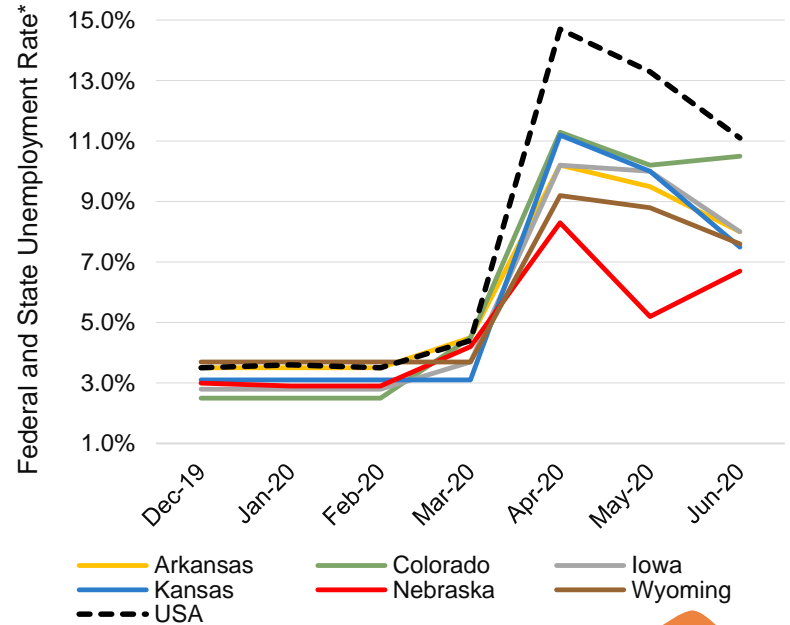
Economic Conditions

Unemployment Rates by Electric and Gas Utility State and National Average

Black Hills Electric Utility States



Black Hills Gas Utility States



* Data from Bureau of Labor Statistics – unemployment rate for population 16 years of age and over

COVID-19 Impacts Trending As Forecasted

Electric Utility Usage – Q2 Pre-tax Margin Impact of \$1.5 million

- Increased usage by residential customers
- Reduced usage by commercial customers
- Expect a return to more normalized levels as 2020 progresses

Natural Gas Utility Usage – Q2 Pre-tax Margin Impact of \$0.9 Million

- Reduced usage by select industrial and transport customers
- Expect a return to more normalized levels as 2020 progresses

Minimal Net Operating Expense Impact

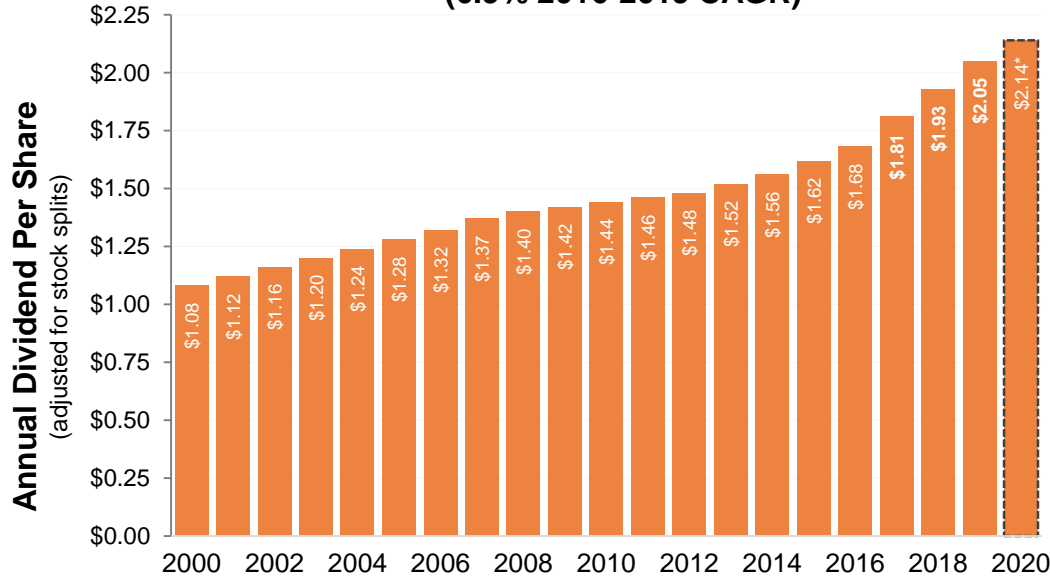
- Sequestration of mission critical and essential employees successfully completed at certain locations
- Higher bad debt expense
- Lower travel, training and outside services costs

Strong Dividend Growth Track Record

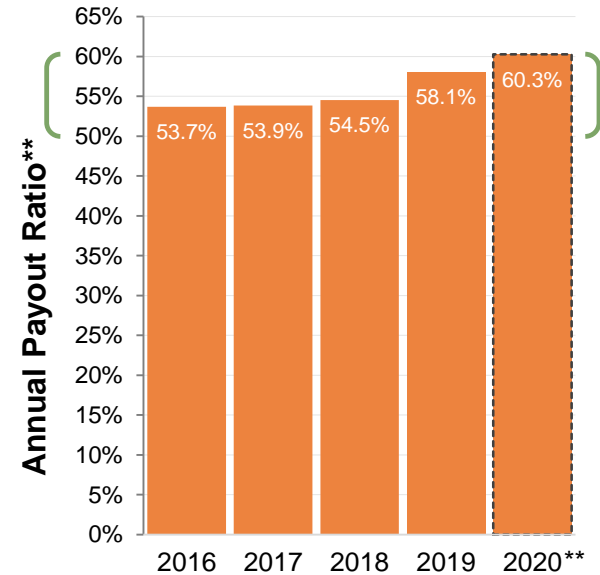
2020 Annual Rate Represents 50 Consecutive Years of Increases*



**\$0.12 increase in both 2018 and 2019
(6.9% 2016-2019 CAGR)**



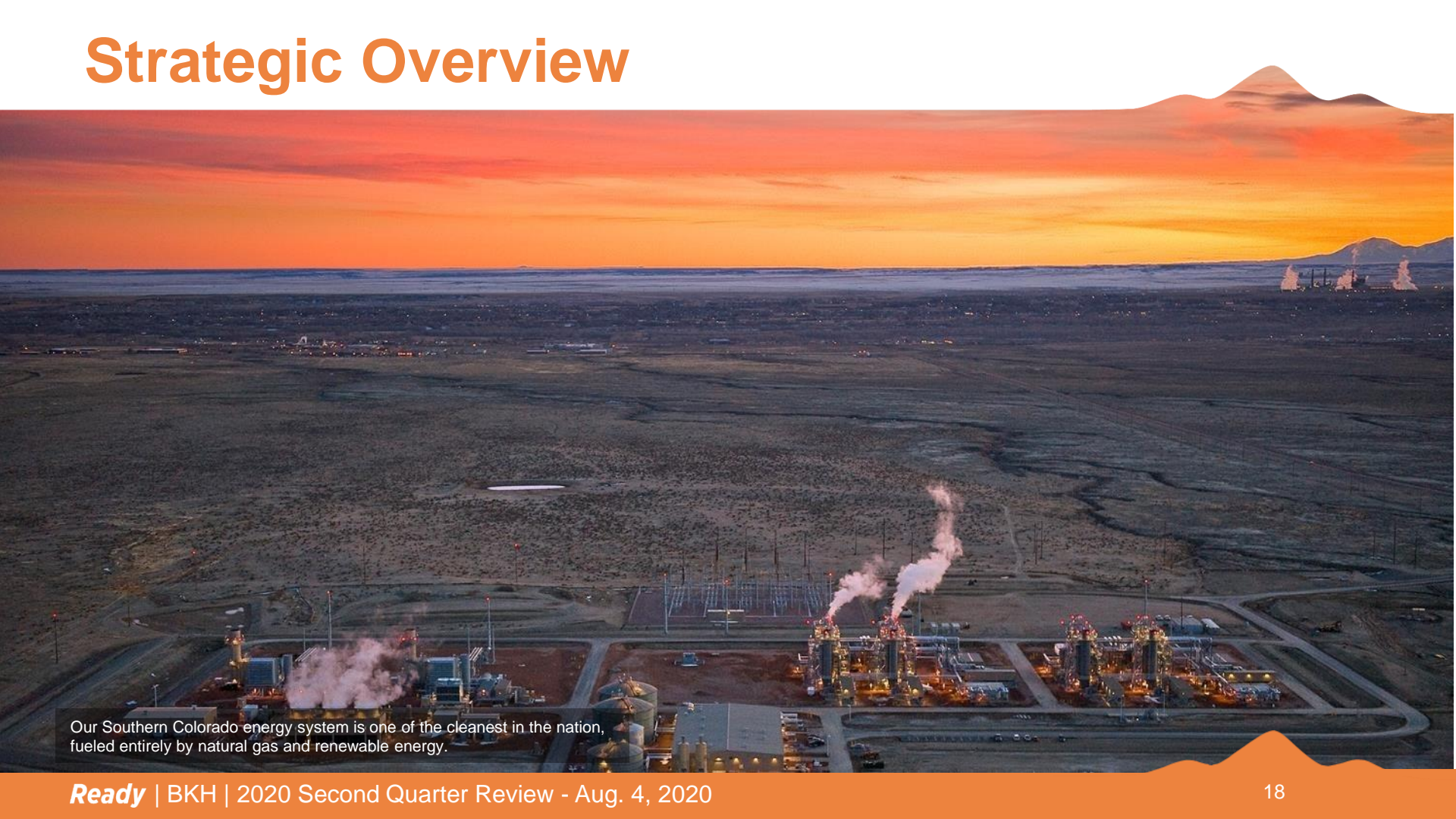
**Target payout ratio of
50% to 60%**



* On July 27, board of directors approved a quarterly dividend of \$0.535 per share; 2020 annualized rate of \$2.14 would represent 50 consecutive years of increases, pending quarterly board approval

** Annual dividend payout ratio is calculated by dividing annual dividend per share by earnings from continuing operations, as adjusted, per share, a non-GAAP measure reconciled to GAAP in Appendix; 2020 payout ratio is based on midpoint of earnings guidance range - see Appendix for guidance range and assumptions

Strategic Overview

An aerial photograph of an industrial facility, likely a power plant or refinery, during a vibrant sunset. The sky is a mix of orange, red, and yellow, with silhouettes of mountains in the distance. The facility in the foreground is illuminated with lights, and several tall smokestacks are emitting thick plumes of white smoke. The surrounding landscape is a flat, open plain with some sparse vegetation and a few scattered buildings in the distance.

Our Southern Colorado energy system is one of the cleanest in the nation, fueled entirely by natural gas and renewable energy.

READY. for Customers

READY. for Shareholders

Safety & Integrity

Customer Experience

Growth

Earnings Growth

Dividend Growth

Strong Total Returns

Aligning People + Processes + Technology + Analytics

Committed to maintaining solid investment-grade credit ratings

- Prioritize capital investment for safe, reliable service
- Program-based approach sets priority, increases transparency and improves planning, financial and regulatory processes

- Know our customers
- Easy to do business with
- Deliver innovative solutions

- Capacity and infrastructure enhancements
- Data centers and blockchain
- Responsible integration of additional renewable energy resources
- Natural gas saturation

- \$2.7 billion capital plan (2020-2024)
- Incremental opportunities likely
- Recurring base of utility investment
- Timely investment recovery

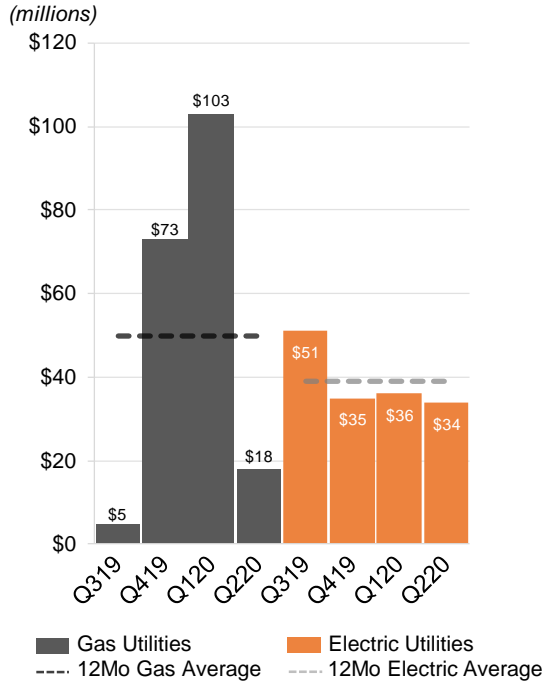
- 50 years of consecutive annual dividend increases*
- Targeting 50% to 60% payout

* On July 27, board of directors approved a quarterly dividend of \$0.535 per share; 2020 annualized rate of \$2.14 would represent 50 consecutive years of increases, pending quarterly board approval

Strategic Diversity

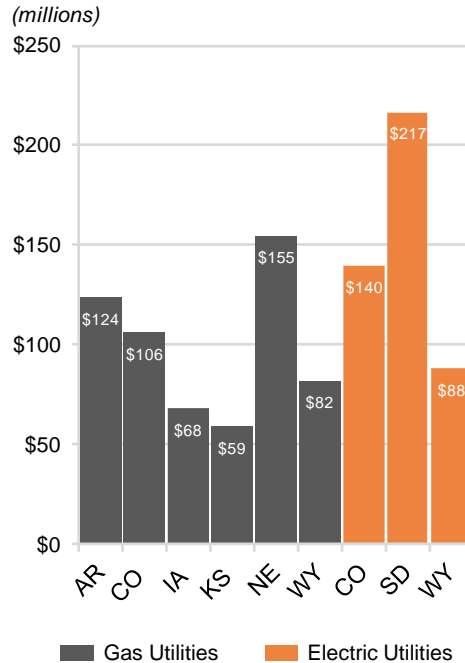
Diversified business risk by type and location

Utility Operating Income

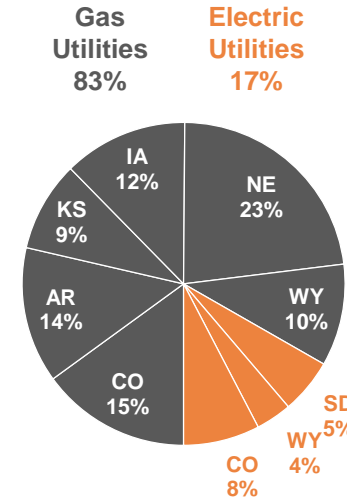


Gross Margin by State*¹

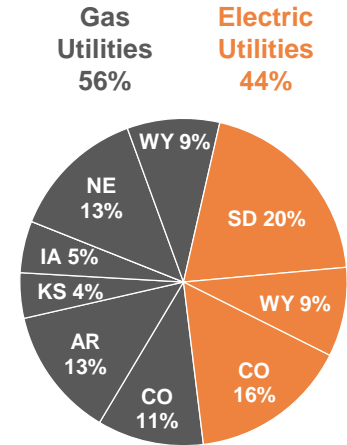
(12 months ending June 30, 2020)



Percent of Customers by State¹



Percent of Utility Rate Base²



* Non-GAAP measure, reconciled to GAAP in Appendix

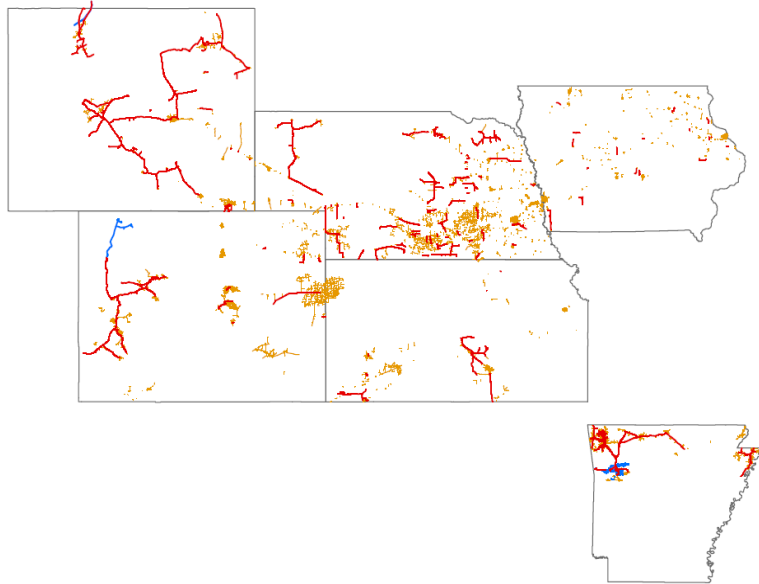
¹ Montana data included in South Dakota totals

² Estimated utility rate base as of Dec. 31, 2019; see Appendix for more detail

Large Systems Require Significant Investment

Eight-state Presence Provides Additional Diversity of Opportunities

46,000-mile natural gas gathering, storage, transmission and distribution system



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



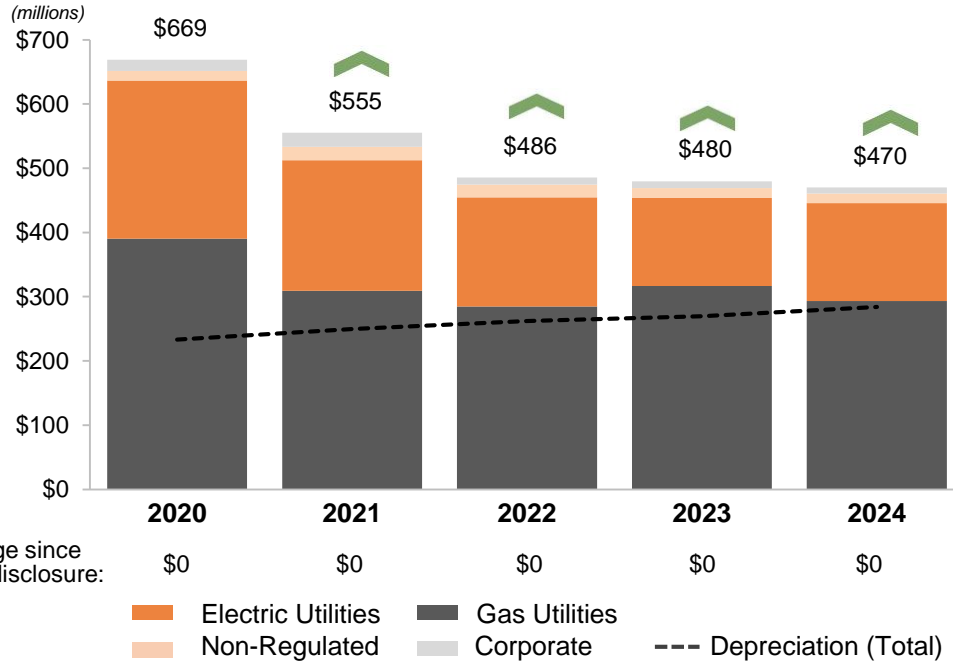
* Includes 49.9 percent ownership in Colorado IPP owned by a third party, representing approximately 100 megawatts

Note: Approximated totals based on information from 2019 Form 10-K Annual Report Filing as of Dec. 31, 2019

Investing for Customer Needs Drives Growth

2020-2024 Forecast of \$2.7 billion

Forecasted Capital Investment



2020 capital plan on schedule



Additional identified capital opportunities likely[^]

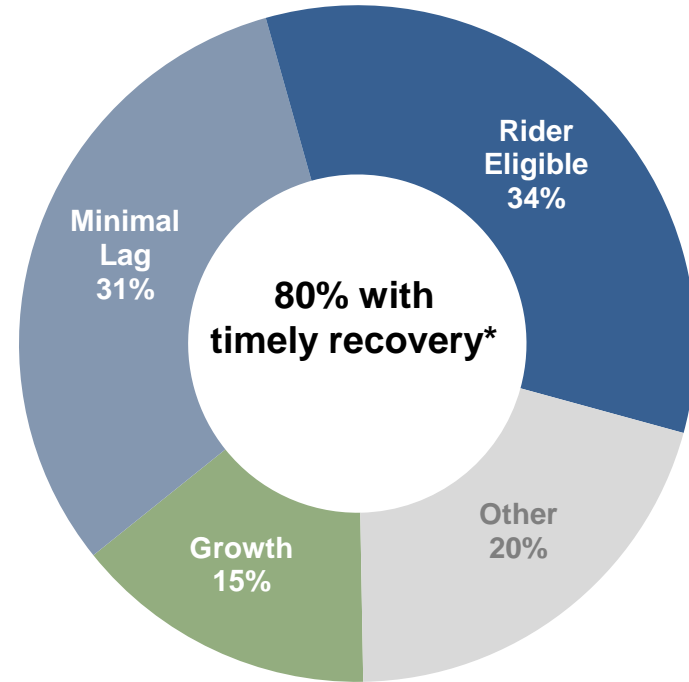
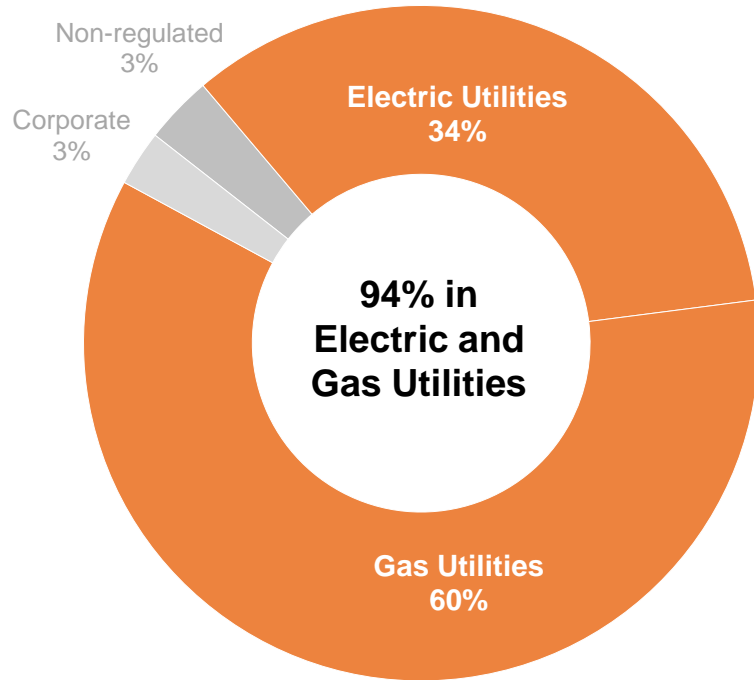


Rate base growth – investment well in excess of depreciation

[^] Excludes additional identified capital investment projects being evaluated and refined for timing and cost

Timely Investment Recovery

2020-2024 Capital Forecast of \$2.7 Billion



* Growth Capital - generates immediate revenue on customer connections

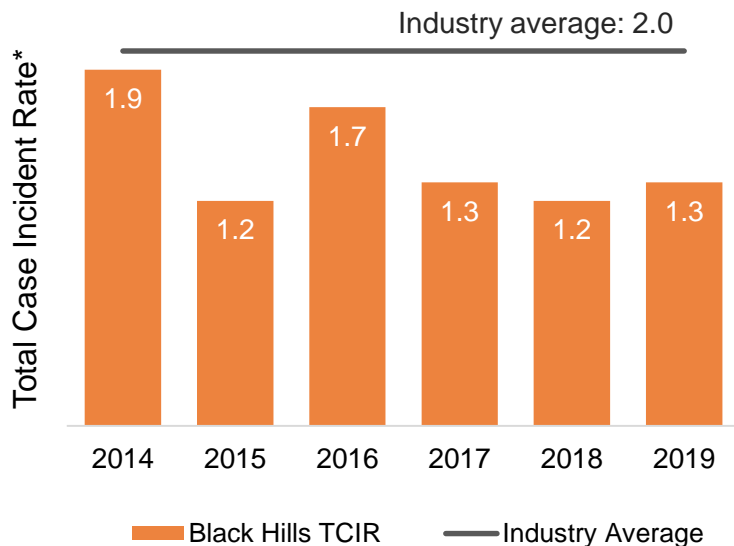
Minimal Lag Capital - capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods

Rider Eligible Capital - capital expenditures recovered through state specific tariffs and meets Minimal Lag Capital definition

Operational Excellence

! Safety Focus

- **TCIR better than industry average**
- **32% improvement since 2014**



* TCIR is defined as the average number of work-related injuries incurred per 200,000 hours worked during a one-year period (represents approximately 100 workers)

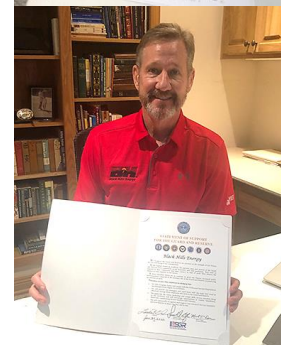


Community Support

Black Hills Signing a Statement of Support

On June 30, our CEO, Linn Evans, signed a statement of support for the United States Army Reserve and Army National Guard, promising to support our employees who are also members of our Nation's Guard and Reserve units in all eight states that we operate in.

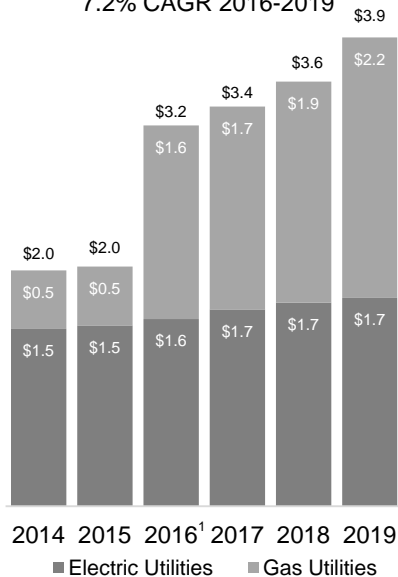
We are proud to partner with Employer Support of the Guard & Reserve (ESGR) in continued recognition of the important contributions our employees make. Our citizen warriors could not defend and protect us at home and abroad without the continued promise of meaningful civilian employment.



Strategic Execution Delivers Results

Estimated Rate Base ¹ (in billions as of year-end)

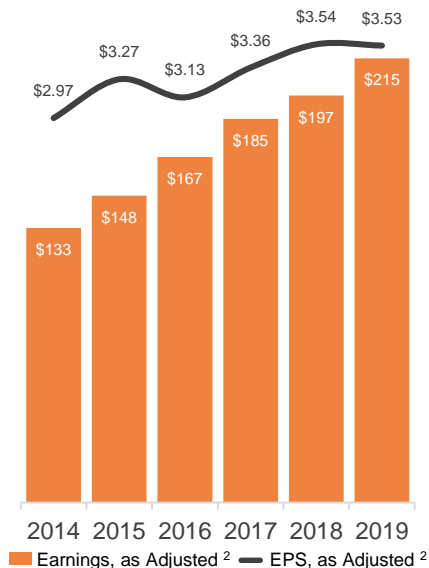
Nearly doubled since 2014
7.2% CAGR 2016-2019



Invest for Customer

EPS, As Adjusted and Earnings, As Adjusted ²

3.5% EPS CAGR 2014-2019
10.1% Earnings CAGR 2014-2019



Earnings Growth

Annual Dividend Per Share

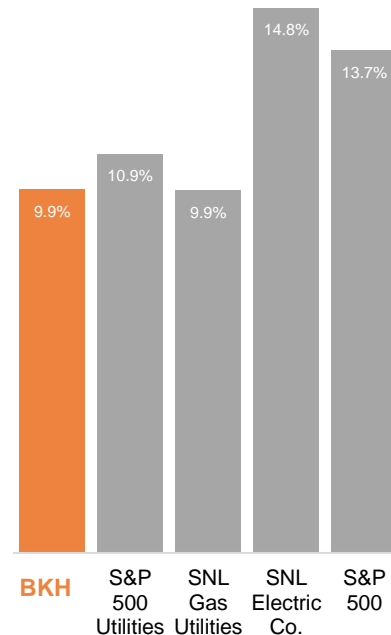
5.6% CAGR 2014-2019



Dividend Growth

Total Shareholder Return ³

(10-year annualized return as of July 28, 2020)



Strong Long-term TSR

¹ Increase in 2016 rate base primarily driven by February 2016 acquisition of SourceGas

² Earnings and EPS from continuing operations available for common stock, as adjusted are non-GAAP measures reconciled to GAAP in Appendix

³ 10-year annualized total shareholder return as of July 28, 2020, based on data from S&P Global Market Intelligence

2020 Scorecard

PROFITABLE GROWTH

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

VALUED SERVICE

- Invest in the replacement of existing utility infrastructure to maintain the safety and reliability of electric and gas systems.
- Cost effectively add renewable resources to energy supply portfolio

BETTER EVERY DAY

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

GREAT WORKPLACE

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

2020 Future Initiatives and Progress

- | | | | |
|--|--|---|--|
| <input type="checkbox"/> Increase annual dividend for 50th consecutive year | <input type="checkbox"/> Improve Net Promoter Scores | <input type="checkbox"/> Improve productivity and efficiency, as measured by: | <input type="checkbox"/> Achieve safety TCIR of 1.19 |
| <input type="checkbox"/> Place Corriedale wind project in service | <input type="checkbox"/> Improve JDP OCSAT scores | <input type="checkbox"/> Non-fuel O&M as a percentage of gross margin | <input type="checkbox"/> Achieve PMVI rate of 2.36 |
| <input type="checkbox"/> Advance jurisdiction consolidation | <input type="checkbox"/> Enhance customer self-service options | <input type="checkbox"/> Utilize robotic process automation | <input type="checkbox"/> Conduct quarterly engagement pulse surveys to measure employee sentiment and organizational culture to continuously improve our employees' experience |
| <input checked="" type="checkbox"/> Complete Nebraska Gas legal consolidation | <input type="checkbox"/> File Colorado Electric Resource Plan | <input type="checkbox"/> Evaluate enterprise data & analytics maturity and design roadmap | <input type="checkbox"/> Achieve 80% employee engagement in BHC Virgin Pulse wellness program |
| <input checked="" type="checkbox"/> File Nebraska Gas rate review | <input type="checkbox"/> Obtain approval to add up to 200MW of cost-effective renewable energy in Colorado (Renewable Advantage) | <input type="checkbox"/> Identify and evaluate investment opportunities for assets that align with our electric and natural gas value chain | <input type="checkbox"/> Continue to expand availability and participation in diversity affinity groups |
| <input checked="" type="checkbox"/> Complete Colorado Gas rate review | <input type="checkbox"/> Advance ESG reporting practices by disclosing industry-aligned metrics | <input type="checkbox"/> Define strategy and opportunities for renewable and liquefied natural gas | |
| <input type="checkbox"/> Execute data center recruitment strategy to support electric utility load growth | <input checked="" type="checkbox"/> Provide incentive to add electric vehicle charging stations in our territories | <input type="checkbox"/> Complete planned plant maintenance to maintain strong long-term generation availability | |
| <input type="checkbox"/> Enhance electric system reliability through implementation of distribution system integrity program | | <input type="checkbox"/> Reduce third-party gas line hits | |
| <input type="checkbox"/> Enhance gas utility system safety and reliability by completing 2020 programmatic capital projects | | | |

Questions



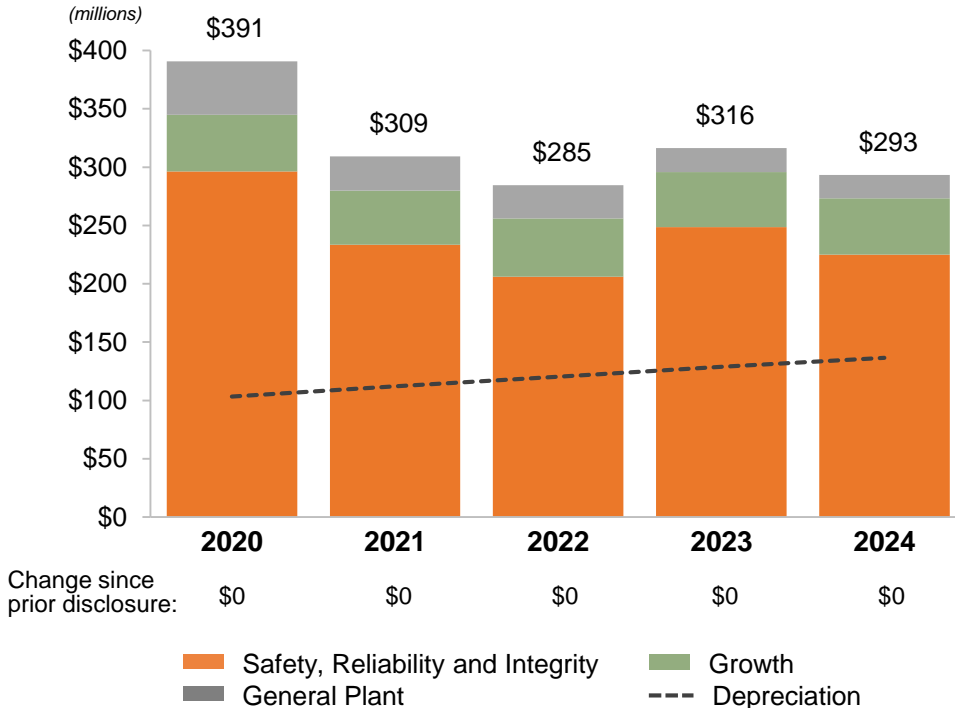
Appendix

- 29-33** Capital Investment
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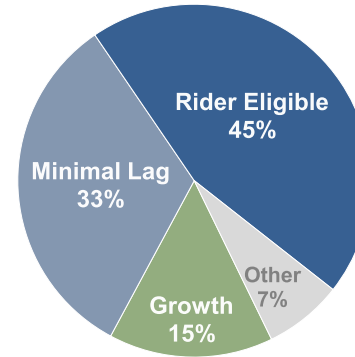
Natural Gas Utilities Capital Investment

2020-2024 Forecast of \$1.6 billion

Forecasted Capital Investment By Type

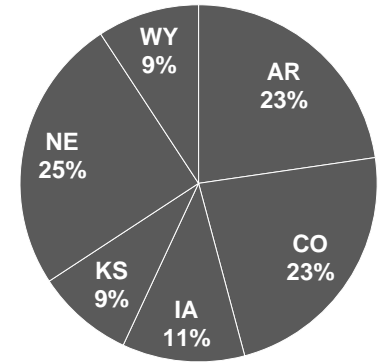


Forecasted Capital Investment Recovery*



2020-2024

Forecasted Capital by State



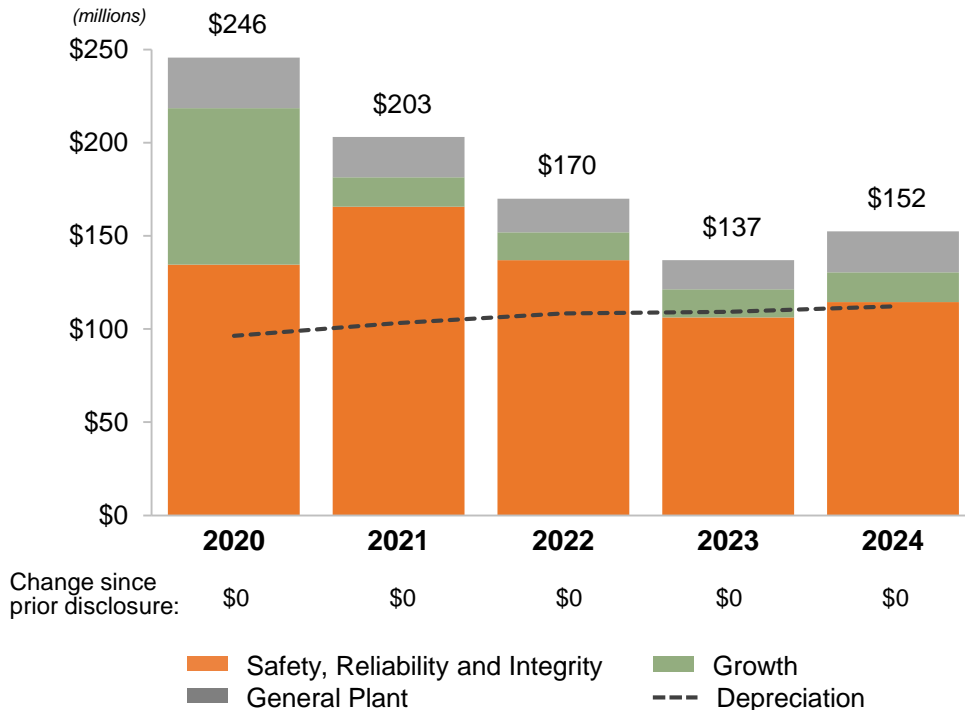
2020-2024

* 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

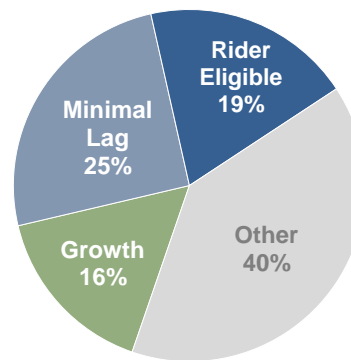
Electric Utilities Capital Investment

2020-2024 Forecast of \$0.9 billion

Forecasted Capital Investment By Type

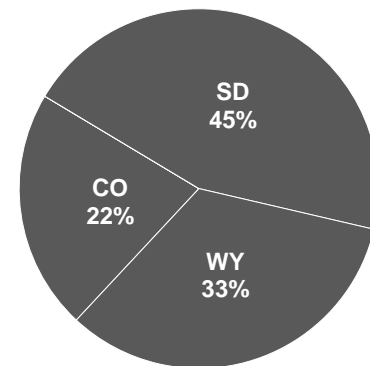


Forecasted Capital Investment Recovery*



2020-2024

Forecasted Capital by State



2020-2024

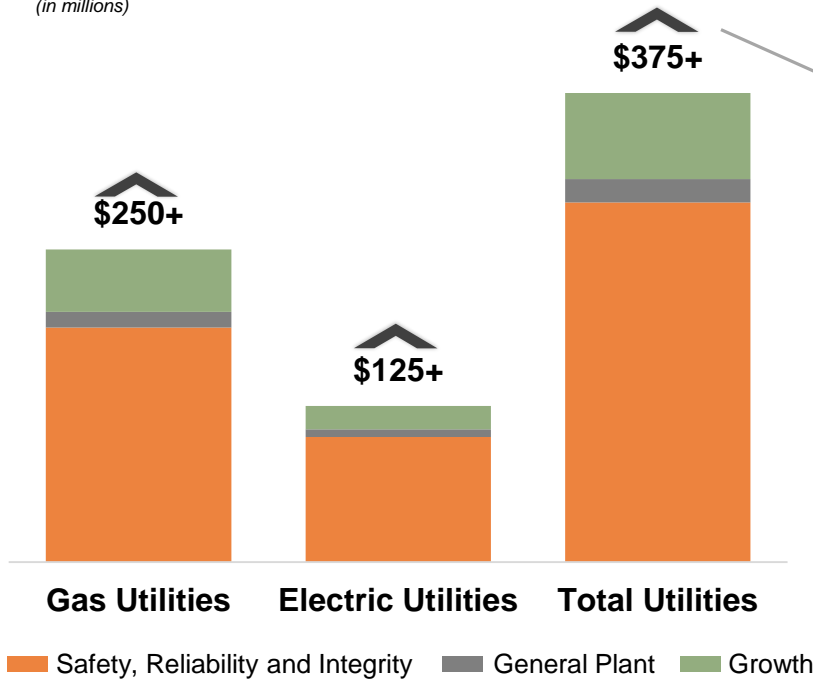
* Growth Capital - generates immediate revenue upon customer connections
 Minimal Lag Capital - capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods
 Rider Eligible Capital - capital expenditures recovered through state specific tariffs or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

Recurring Annual Base Investment

\$375+ million annually provides confidence in long-term growth

Annual Capital Investment Beyond 2024*

(in millions)



+Incremental Opportunities

- Large natural gas pipeline and storage projects for customers
- Large electric generation, renewable and transmission projects
- Additional programmatic investment
- New governmental safety requirements

Capital Investment by Recovery

(in millions)

Capital Investment By Segment and Recovery	2020F	2021F	2022F	2023F	2024F	2020-2024F
Minimal Lag Capital - Electric Utilities ¹	\$38	\$76	\$48	\$0	\$66	\$228
Rider Eligible Capital - Electric Utilities	39	53	43	12	28	175
Growth Capital - Electric Utilities ²	84	16	15	15	16	146
Other	85	58	65	110	42	359
Electric Utilities	\$246	\$203	\$170	\$137	\$152	\$908
Minimal Lag Capital - Gas Utilities ¹	\$189	\$83	\$51	\$113	\$84	\$520
Rider Eligible Capital - Gas Utilities	125	156	150	149	138	719
Growth Capital - Gas Utilities ²	48	47	50	47	48	240
Other	28	24	34	7	22	115
Gas Utilities	\$391	\$309	\$285	\$316	\$293	\$1,594
Total Utilities	\$636	\$512	\$455	\$453	\$446	\$2,503
Power Generation	7	9	11	6	6	40
Mining	8	12	9	9	9	47
Corporate	18	22	11	11	9	71
Total	\$669	\$555	\$486	\$480	\$470	\$2,660

Forecasted capital investment excludes additional opportunities from power generation or other material projects being evaluated for timing.

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

² Growth Capital - generates immediate revenue on customer connections

³ Rider Eligible Capital - capital expenditures recovered through state specific tariffs or FERC formula rates and meets minimal lag capital definition

Note: Some totals may differ due to rounding

Utility Capital Investment by Type

(in millions)

Utility Capital Investment by Type	2020F	2021F	2022F	2023F	2024F	2020-2024F
Safety, Reliability and Integrity ¹	\$135	\$166	\$137	\$106	\$114	\$658
Growth ²	84	16	15	15	16	146
General Plant	27	22	18	16	22	104
Electric Utilities	\$246	\$203	\$170	\$137	\$152	\$908
Safety, Reliability and Integrity ¹	296	233	206	248	225	1,209
Growth ²	48	47	50	47	48	240
General Plant	46	29	29	21	20	144
Gas Utilities	391	309	285	316	293	\$1,594
Total Utilities	\$636	\$512	\$455	\$453	\$446	\$2,503

Forecasted capital investment excludes additional opportunities from power generation or other material projects being evaluated for timing.

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

² Growth Capital - generates immediate revenue on customer connections

Note: Some totals may differ due to rounding

Jurisdiction Consolidation

Wyoming – Completed	Nebraska	Colorado
<ul style="list-style-type: none">Wyoming GasNortheast Wyoming GasNorthwest Wyoming GasWyoming Gas Distribution* <p>➤ Black Hills Wyoming Gas</p>	<ul style="list-style-type: none">Nebraska GasNebraska Gas Distribution* <p>➤ Black Hills Nebraska Gas</p>	<ul style="list-style-type: none">Colorado GasColorado Gas Distribution* <p>➤ Black Hills Colorado Gas</p>
<ul style="list-style-type: none">➤ Legal consolidation filed in Q1 2019; approved and completed in Q2 2019➤ Filed consolidated rate review June 3, 2019; settlement agreement approved Dec. 11, 2019➤ New single statewide rate structure effective March 1, 2020	<ul style="list-style-type: none">➤ Legal consolidation filed in Q1 2019; approved in Q4 2019 and completed Jan. 1, 2020➤ Filed on June 1 consolidated rate review requesting single rate structure and to align safety and integrity investment trackers	<ul style="list-style-type: none">➤ Legal consolidation filed in Q3 2018; approved and completed in Q4 2018➤ Filed consolidated rate review and request for integrity investment tracker on Feb. 1, 2019<ul style="list-style-type: none">• Implemented new rates July 3 reflecting small decrease in rates; planning new rate review by year-end 2020• Rate consolidation and rider denied

* Former SourceGas entity

Current Regulatory Activity

Rate review and consolidation requests

Jurisdiction	Filing Date	Annual Financial Impact	ROE	Debt / Equity	Status
Nebraska Gas	June 1, 2020	\$17.3 million revenue increase requested	10.0%*	50.0% / 50.0%*	Legal consolidation completed Jan. 1, 2020
Colorado Gas	Feb. 1, 2019	Approximately \$0.6 million operating income decrease	9.2%	49.85% / 50.15%	Implemented new rates July 3 reflecting small decrease in rates; planning new rate review by year-end 2020

Other major activity

Description	Filing Date	State	Filing Type	Status
Renewable Advantage	-	Colorado	Request for Proposals	120-day report filed with identified preferred bid; hearing Aug. 18
Renewable Ready Service Tariff	Dec.18, 2018	SD and WY	tariff	Approved June 25 and July 3, 2019
Corriedale Wind Farm (To serve Renewable Ready)	Dec. 18, 2018	Jointly filed in SD, WY	CPCN*	Approved - construction underway; to be completed by year-end 2020
Wyoming Electric / BH Wyoming PPA	Aug. 2, 2019	WY / FERC	PPA approval	Settlement filed; awaiting FERC decision

* As requested

** Certificate of Public Convenience and Necessity

COVID-19 Cost Recovery

State	Disconnect Policy (waived through)*	Late Fee Policy (waived through)	Deferred Accounting Treatment**
Arkansas	August 16	Not waived	Additional costs and bad debt net of savings
Colorado	September 8	September 8	Settlement filed allowing for incremental bad debt over an 18- month period. Expect commission decision in Q3.
Iowa	August 24	August 24	Additional costs, bad debt and lost revenues net of savings
Kansas	August 1	December 31	Additional costs, bad debt and lost revenues net of savings
Nebraska	August 4	August 4	Order pending
South Dakota	July 13	July 13	No request
Wyoming	August 10	August 10	Additional costs, bad debt and lost revenues net of savings

* Identifies date customer communication will be initiated to begin the disconnect process and is subject to change

** Allows for the company to track and record as, a regulatory asset, financial items as noted. Authorization to recover is not included in the approval of deferred accounting treatment

Optimizing Regulatory Recovery

Electric Utility Jurisdiction	Cost Recovery Mechanisms					
	Environmental Cost	DSM/ Energy Efficiency	Transmission Expense	Fuel Cost	Transmission Cap-Ex	Purchased Power
South Dakota Electric (SD)	☑*	☑	☑	☑	☑*	☑
South Dakota Electric (WY)		☑	☑	☑		☑
South Dakota Electric (FERC)					☑	
Wyoming Electric		☑	☑	☑		☑
Colorado Electric		☑	☑	☑	☑	☑

Legend:

☑ Commission approved cost adjustment

* Included in rate moratorium; applies only to non-FERC jurisdictional assets

Optimizing Regulatory Recovery

Gas Utility Jurisdiction	Cost Recovery Mechanisms							
	DSM/ Energy Efficiency	Integrity Additions	Bad Debt	Weather Normal	Pension Recovery	Fuel Cost	Revenue Decoupling	Fixed Cost Recovery*
Arkansas Gas	☑	☑		☑		☑	☑	39%
Colorado Gas	☑					☑		47%
Colorado Gas Dist.	☑					☑		36%
Iowa Gas	☑	☑				☑		70%
Kansas Gas		☑	☑	☑	☑	☑		64%
Nebraska Gas		☑	☑			☑		55%
Nebraska Gas Dist.		☑	☑			☑		80% ²
Rocky Mountain Natural Gas ¹	NA	☑	NA	NA	NA	NA	NA	NA
Wyoming Gas	☑	☑				☑		53%

Legend:

☑ Commission approved cost adjustment

* Residential customers as of last rate base review

¹ Rocky Mountain Natural Gas, an intrastate natural gas pipeline

² Includes first tier of consumption in block rates

Focused on ESG for Sustainable Growth

Environmental

- 16% CO₂ reduction since 2005*
- Responsibly adding renewable generation resources
 - 60MW Busch Ranch II in 2019
 - 52.5MW Renewable Ready in 2020
 - Potentially adding up to 200MW Renewable Advantage in Colorado by year-end 2023
- Coal-free Colorado Electric generation fleet
- 86% of total revenues related to renewables, natural gas and other services**
- 14% of revenues from mining and coal-fired generation / purchase agreements**

Social

- Employee safety performance improved with goal to be industry leader in safety
- 2019 employee engagement survey score above utility average and high-performing companies
- 2019 50 Most Engaged Workplaces award (Achievers)
- 2019 Energy Star Partner of the Year for improving residential efficiency



**In 2019, we donated
\$5.5 million to our communities**
including nearly \$523,000 by employees to 50 United Way
agencies and affiliates across our service territories

Governance

- Diverse and experienced leadership
- Stock ownership requirement and compensation philosophy for officers align interests with stakeholders
- Established succession planning process with Board engagement

* 16% reduction as of Dec. 31, 2018; includes Colorado Electric emissions prior to acquisition by Black Hills in 2008

** Revenue as a percent of total company revenue based on trailing 12 months as of Dec. 31, 2019

Renewable Advantage

Responsibly Expanding Renewable Resources in Colorado

Supporting Emissions Reduction Goals

- Responsibly add renewable energy resources for the benefit of customers and communities
- Request for proposals for up to 200 megawatts of cost-effective, utility-scale renewable resources including wind, solar or battery storage to be in service by year-end 2023

Strong Bid Response with Low Energy Costs

- Preferred 200-megawatt solar project proposed to be constructed in Pueblo County, Colorado, is projected to:
 - Save customers \$66 million over 15 years
 - Provide \$178 million in direct and indirect economic benefits through state and local taxes, federal taxes
 - Increase Colorado renewable energy mix above 50% and significantly reduce carbon emissions by approximately 70%



2020 Earnings Guidance Assumptions

Black Hills reaffirmed its guidance for 2020 EPS available for common stock, as adjusted*, to be in the range of \$3.45 to \$3.65, based on the following assumptions as provided on May 4:

- Net impact from COVID-19 of (\$0.05) to (\$0.10) per share
- Normal weather conditions for the remainder of the year within our utility service territories including temperatures, precipitation levels and wind conditions
- Normal operations and weather conditions for planned construction, maintenance and/or capital investment projects
- Completion of utility regulatory dockets
- Completion of construction and placing in service the Corriedale Wind Energy Project by year-end 2020
- No significant unplanned outages at any of our generating facilities
- Production tax credits of \$14 million to \$15 million associated with wind generation assets
- No additional equity issuances in 2020
- Capital investment of \$669 million in 2020
- No significant acquisitions or divestitures

* EPS available for common stock, as adjusted is a non-GAAP measure; see slide 10 and slide 51 in Appendix for detail

Capital Structure

(in millions, except for ratios)

Capitalization

Short-term Debt

Long-term Debt

Total Debt

Equity*

Total Capitalization

Net Debt to Net Capitalization

Debt

Cash and Cash Equivalents

Net Debt

Net Capitalization

Debt to Capitalization

Net Debt to Capitalization (Net of Cash)

Long-term Debt to Total Debt

	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020
	\$ 108	\$ 301	\$ 355	\$ 325	\$ 4
	3,050	3,049	3,140	3,137	3,533
	3,158	3,350	3,495	3,462	3,537
	2,317	2,329	2,362	2,523	2,513
	\$ 5,475	\$ 5,679	\$ 5,857	\$ 5,985	\$ 6,051
	\$ 3,158	\$ 3,350	\$ 3,495	\$ 3,462	\$ 3,537
	(7)	(13)	(10)	(54)	(32)
	3,151	3,337	3,486	3,408	3,506
	\$ 5,468	\$ 5,666	\$ 5,848	\$ 5,931	\$ 6,019
	57.7%	59.0%	59.7%	57.8%	58.5%
	57.6%	58.9%	59.6%	57.5%	58.2%
	96.6%	91.0%	89.8%	90.6%	99.9%

* Excludes noncontrolling interest

Income Statement

(in millions, except earnings per share)

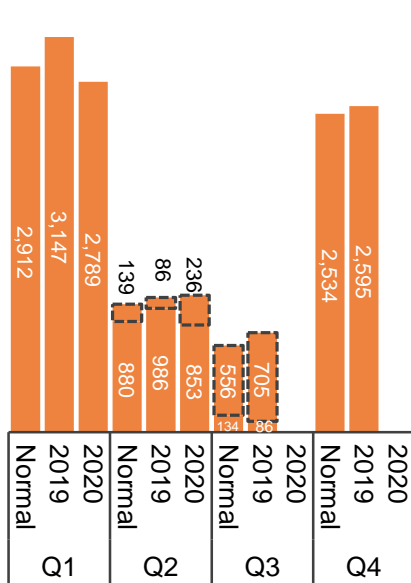
	Second Quarter	
	2019	2020
Revenue	\$ 333.9	\$ 326.9
Gross margin	243.7	255.3
Operating expenses	(138.1)	(131.7)
DD&A	(51.6)	(56.7)
Operating income	54.0	66.9
Interest expense, net	(34.3)	(35.5)
Other income (expense), net	0.3	(1.9)
Income before taxes	20.0	29.5
Income tax (expense)	(2.3)	(4.8)
Net income before non-controlling interest	\$ 17.7	\$ 24.7
Non-controlling interest	(3.1)	(3.7)
Net income available to common stock	\$ 14.6	\$ 21.0
Non-GAAP adjustments	-	-
Net income available to common stock, as adjusted (Non-GAAP)	\$ 14.6	\$ 21.0
EPS - Net income available for common stock	\$ 0.24	\$ 0.33
EPS - Net income available for common stock, as adjusted *	\$ 0.24	\$ 0.33
Diluted shares outstanding (in thousands)	60.6	62.6
EBITDA, as adjusted*	\$ 105.9	\$ 121.7

* Non-GAAP measure; defined and/or reconciled to GAAP in Appendix and on slide 10

Utility Weather and Demand

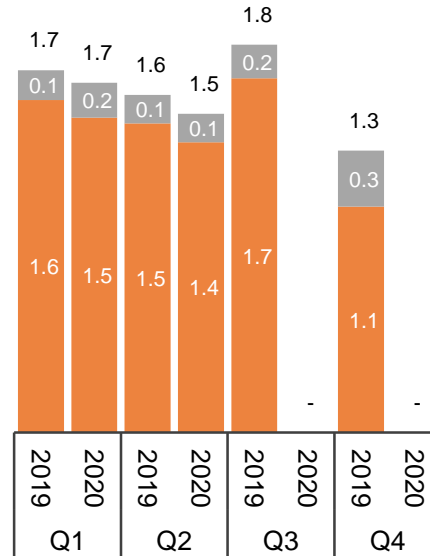
Electric Degree Days

Total for all electric service areas weighted by customer count



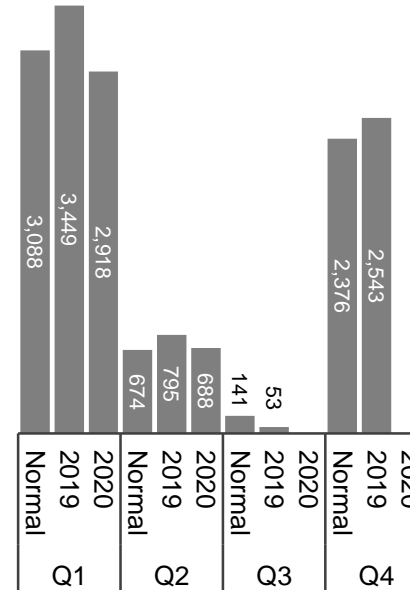
Electric Utility Total MWh Sales

(in millions)



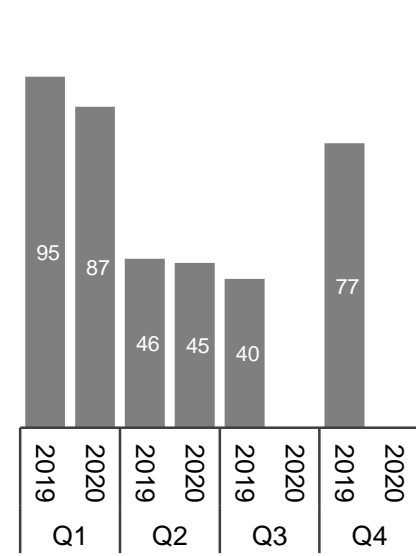
Gas Degree Days*

Total for all natural gas service areas weighted by customer count



Gas Utility Total Dth Sales

(in millions)



Electric HDD
Electric CDD

Utility Customer Sales
Off-system Sales

Natural Gas HDD

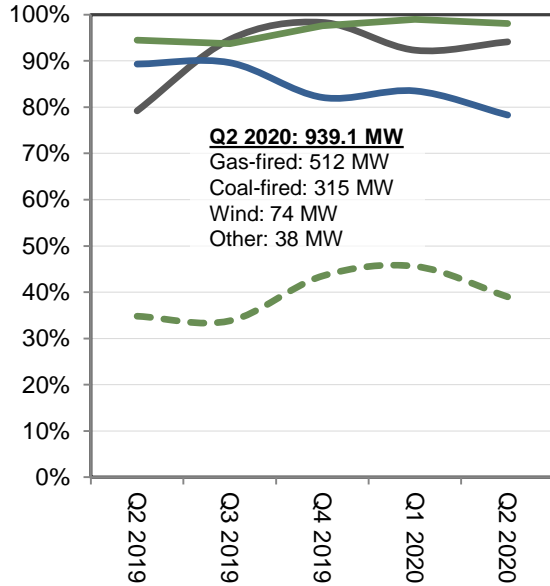
Natural Gas Sales

* Gas Degree Days excludes Kansas data due to weather normalization in the state

Note: normal degree days listed for prior quarters based on data as of 2019; current quarter normal based on average of currently available data

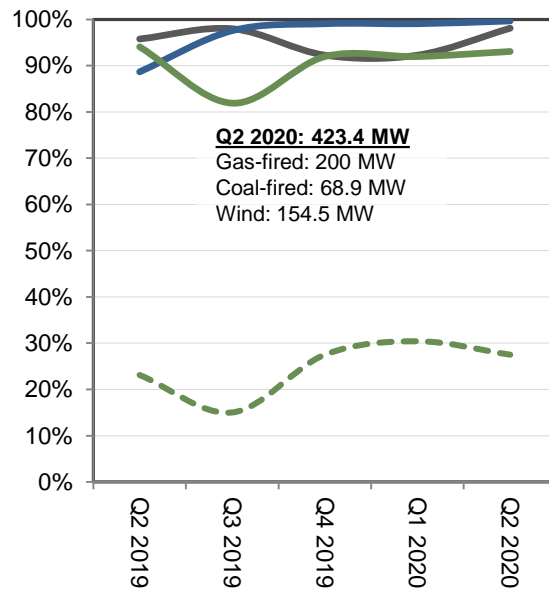
Electric Generation and Mining Performance

Utility-owned Generation Availability

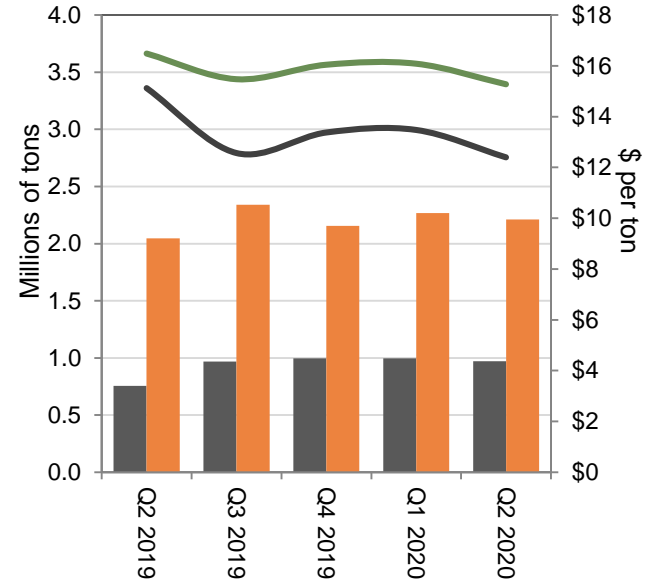


— Gas-fired plants — Coal and other plants
— Wind generation - - - Wind capacity factor

IPP Generation Contract Availability



Mining Revenue and Expense per Ton Sold



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

Non-GAAP Financial Measures

Gross Margin

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

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

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

EBITDA and EBITDA, as adjusted

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

Note: continued on next page

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, as adjusted (in millions)	2014	2015	2016	2017	2018	2019
Net income (loss) available for common stock (GAAP)	\$ 130.9	\$ (32.1)	\$ 73.0	\$ 177.0	\$ 258.4	\$ 199.3
(Income) loss from discontinued operations (GAAP)	1.6	173.7	64.2	17.1	6.9	-
Net income from continuing operations available for common stock (GAAP)	132.5	141.5	137.1	194.1	265.3	199.3
<u>Adjustments (after tax)</u>						
Acquisition / integration costs	-	6.7	29.7	2.8	-	-
Tax reform and other tax items	-	-	-	(11.7)	4.0	-
Legal restructuring - income tax benefit	-	-	-	-	(72.8)	-
Impairment of investment	-	-	-	-	-	15.2
Rounding	-	-	0.1	0.1	-	-
Total Non-GAAP adjustments	-	6.7	29.8	(8.8)	(68.8)	15.2
Net income from continuing operations available for common stock; as adjusted (Non-GAAP)	\$ 132.5	\$ 148.2	\$ 166.9	\$ 185.3	\$ 196.5	\$ 214.5

Non-GAAP Financial Measures

Earnings Per Share, as adjusted	2014	2015	2016	2017	2018	2019
Net income (loss) available for common stock (GAAP)	\$ 2.93	\$ (0.71)	\$ 1.37	\$ 3.21	\$ 4.66	\$ 3.28
(Income) loss from discontinued operations (GAAP)	0.04	3.83	1.20	0.31	0.12	-
Net income from continuing operations available for common stock (GAAP)	2.97	3.12	2.57	3.52	4.78	3.28
<u>Adjustments (after tax)</u>						
Acquisition / integration costs	-	0.15	0.56	0.05	-	-
Tax reform and other tax items	-	-	-	(0.21)	0.07	-
Legal restructuring - income tax benefit	-	-	-	-	(1.31)	-
Impairment of investment	-	-	-	-	-	0.25
Total Non-GAAP adjustments	-	0.15	0.56	(0.16)	(1.24)	0.25
Net income from continuing operations available for common stock; as adjusted (Non-GAAP)	\$ 2.97	\$ 3.27	\$ 3.13	\$ 3.36	\$ 3.54	\$ 3.53

Non-GAAP Financial Measures

EBITDA

<i>(in thousands)</i>	For the Three Months Ended June 30,	
	2019	2020
Net Income	\$ 17,693	\$ 24,694
Depreciation, depletion and amortization	51,595	56,663
Interest expense, net	34,264	35,545
Income tax expense (benefit)	2,307	4,831
EBITDA (a Non-GAAP Measure)	\$ 105,859	\$ 121,733

2020 Guidance Reconciliation

Non-GAAP Earnings Guidance Adjustments

2020 Guidance Reconciliation

	Low	High
Earnings per share (GAAP)	\$ 3.37	\$ 3.57
Adjustments*:		
Impairment of investment	0.11	0.11
Tax on Adjustments*:		
Impairment of investment	(0.03)	(0.03)
Earnings from continuing operations per share, as adjusted (Non-GAAP)	\$ 3.45	\$ 3.65

* Additional adjustments may occur in the third and fourth quarters. Adjustments shown reflect the actual adjustments made year to date through June 30, 2020.

Strategic Objectives

Natural gas and electric utility focused on long-term total shareholder returns

PROFITABLE GROWTH

Achieve consistent growth that creates value.

EARNINGS: Lead industry peers in earnings growth

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

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

ASSET DEVELOPMENT: Grow our core utility businesses through disciplined investments that meet customer needs, exceed our established hurdle rates and are accretive to earnings

VALUED SERVICE

Deliver reliable, highly valued products and services.

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

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

BETTER EVERY DAY

Continuously improve to achieve industry leading results.

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

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

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

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

GREAT WORKPLACE

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

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

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

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

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

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

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.

