



Forward Focused

# Investor Meetings

*May / June 2017*

# Investor Relations Information

## COMPANY INFORMATION

### Black Hills Corporation

625 9th Street  
Rapid City, SD 57701  
NYSE Ticker: **BKH**  
[www.blackhillscorp.com](http://www.blackhillscorp.com)

### Company Contacts

Kimberly F. Nooney  
Vice President Treasurer  
605-721-2370  
[kim.nooney@blackhillscorp.com](mailto:kim.nooney@blackhillscorp.com)

Jerome E. Nichols  
Director of Investor Relations  
605-721-1171  
[jerome.nichols@blackhillscorp.com](mailto:jerome.nichols@blackhillscorp.com)

## FORWARD LOOKING STATEMENTS

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission, or SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Item 1A of Part I of our 2016 Annual Report on Form 10-K and other reports that we file with the SEC from time to time, and the following:

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

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

# Investment Highlights



- Customer-focused, growth oriented utility company
- Committed to continuing strong earnings growth
- 47 consecutive annual dividend increases with solid yield
- Committed to maintaining strong investment grade credit ratings
- Disciplined approach to acquisitions creates additional growth opportunities

# Company Overview



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

# Black Hills Corporation Today

- Legacy company started serving electric customers in Deadwood, South Dakota, in 1883
- Black Hills Power & Light incorporated 1941
- BHC listed on NYSE in 1980 under symbol BKH
- Market capitalization of approximately \$3.6 billion as of May 2, 2017



Period	Stock Price*	Annual Total Return**
5-2-17	\$67.42	
1 Year	\$58.90	14.5%
3 Year	\$52.67	8.6%
10 Year	\$27.30	9.5%
20 Year	\$8.54	10.9%

- Approximately 53.5 million shares outstanding
- Average daily trading volume of approximately 365,000 shares for trailing twelve months as of May 2, 2017
- 47 consecutive years of annual dividend increases

\* Stock prices, volumes and shares outstanding are as reported on Yahoo Finance

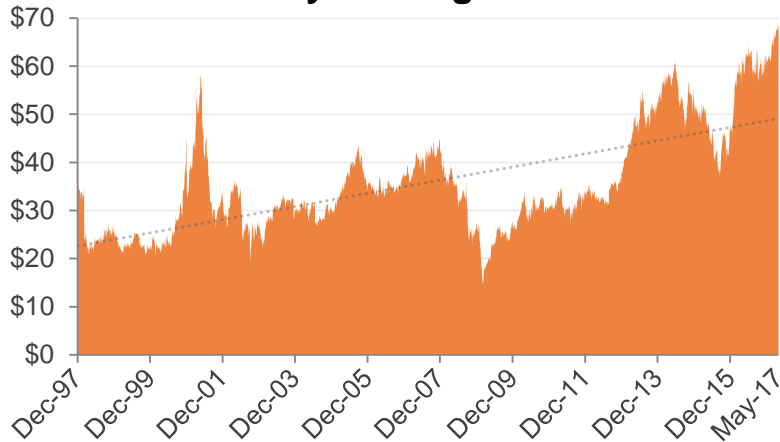
\*\* Total returns calculated for the listed period through May 2, 2017

Notes: Annual total stock returns calculated on [www.buyupside.com](http://www.buyupside.com) using stock return calculator. Total stock return considers dividends paid and stock splits. Black Hills Corporation does not guarantee the accuracy of these calculations, does not suggest our stock price will perform in the future comparable to the past, and does not provide this information as investment advice.

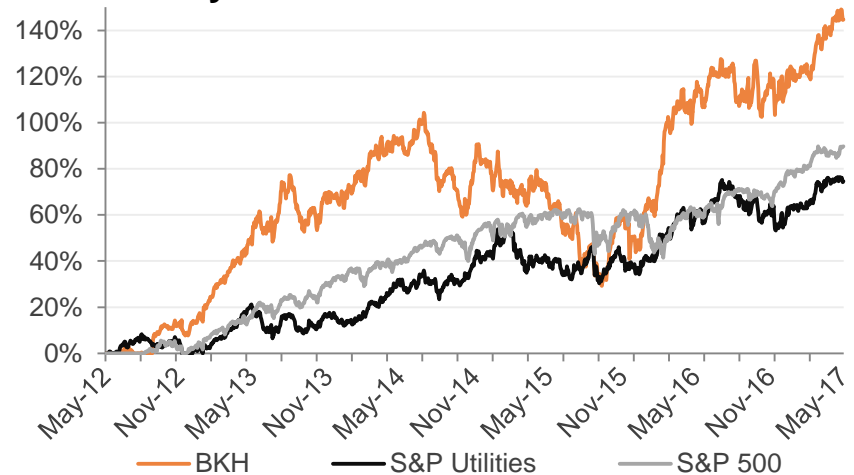
# Delivering for Shareholders

Committed to providing long-term value

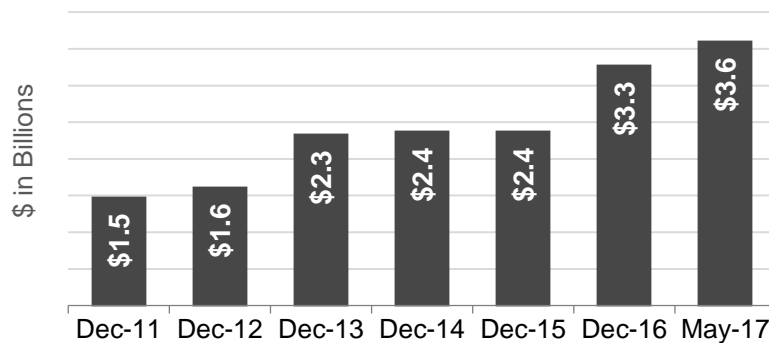
### BKH Daily Closing Stock Price \*



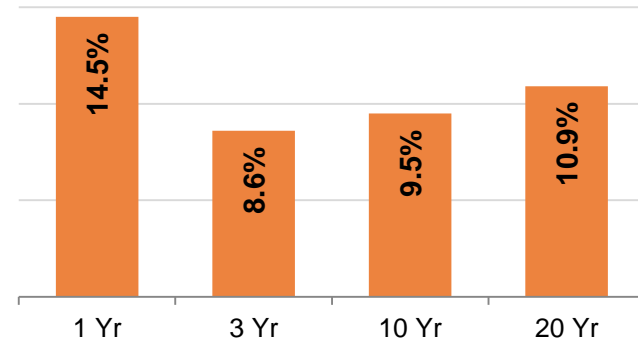
### 5-year Total Shareholder Return \*\*



### Market Capitalization



### Annualized Total Shareholder Return ^



All data represented as of May 2, 2017

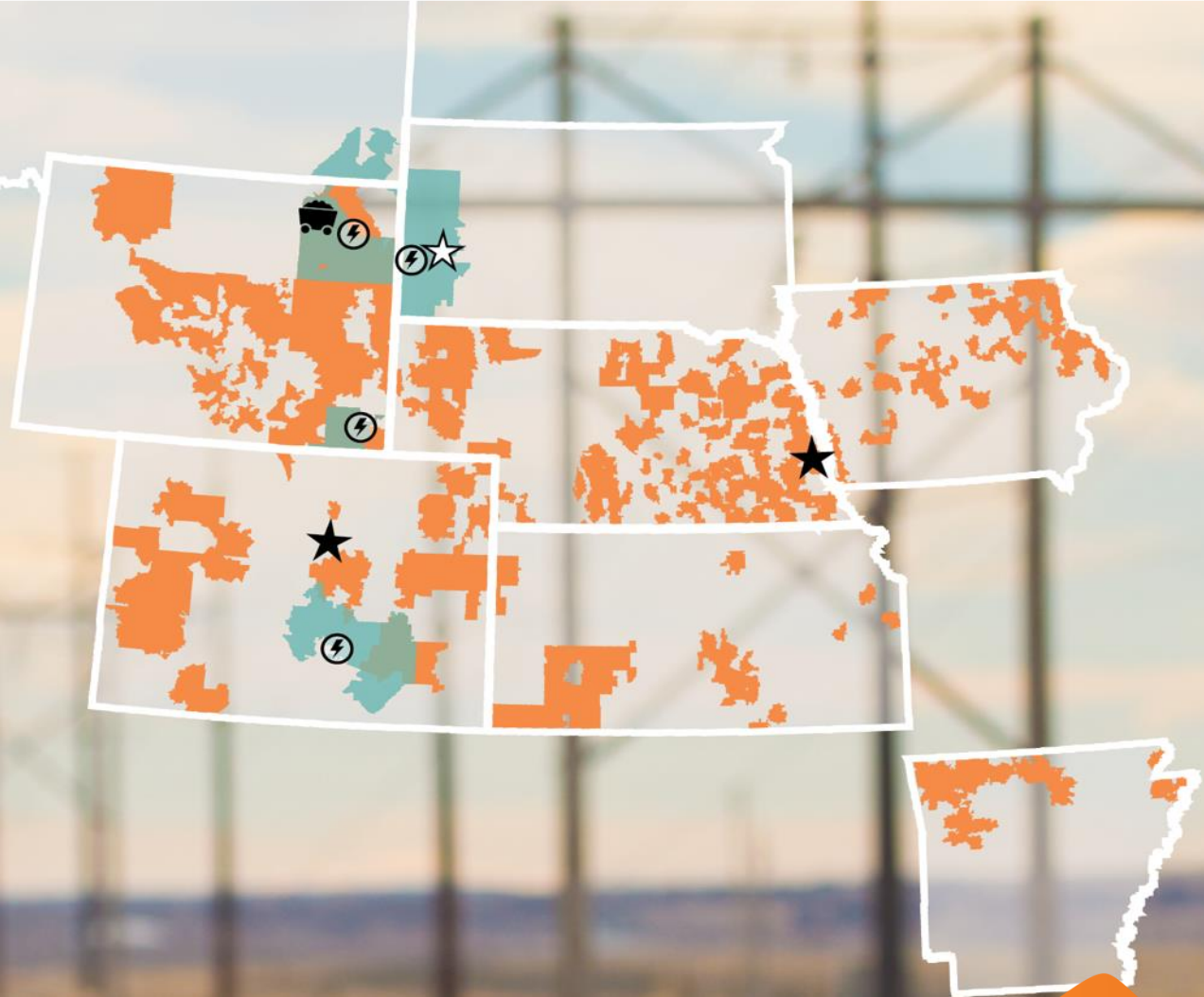
\* BKH closing stock prices from Yahoo Finance

\*\* Total shareholder return data from SNL Financial ^ Annualized total shareholder return data from [www.buyupside.com](http://www.buyupside.com)

# Overview

We are a **customer focused, growth-oriented utility company** with a tradition of exemplary service and a vision to be the energy partner of choice. Based in Rapid City, South Dakota, the company serves over **1.2 million electric and natural gas utility customers in nearly 800 communities** in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. The company generates wholesale electricity and produces natural gas, crude oil and coal. Employees partner to produce results that improve our customers' lives with energy.

- Electric Utilities
- Natural Gas Utilities
- ⚡ Power Generation
- 🚂 Coal Mine
- ☆ Company Headquarters
- ★ Corporate Office



# 2017 First Quarter Highlights

## Utilities

- South Dakota Electric continued construction on \$54 million, 144-mile electric transmission line from northeastern Wyoming to Rapid City, South Dakota; final segment expected to be completed in second quarter of 2017
- On Jan. 17, Colorado Electric received approval from Colorado Public Utilities Commission for a settlement agreement of its electric resource plan which provides for addition of 60 megawatts of renewable energy resources to be in service by 2019
  - Electric resource plan was filed June 3, 2016, to meet requirements under Colorado Renewable Energy Standard
  - Colorado Electric plans to issue request for proposals for new resources in second quarter of 2017 and present results to commission by year-end for approval
- On Dec. 29, 2016, Colorado Electric placed in service \$63 million, 40-megawatt natural-gas fired turbine at Pueblo Airport Generating Station
  - On Dec. 16, 2016, commission issued decision for Colorado Electric's request for a rate review to recover investments in the new turbine
  - On Jan. 9, 2017, Colorado Electric asked for reconsideration of commission's decision



# 2017 First Quarter Highlights

## Oil and Gas

- In 2017, Oil and Gas continued to reduce operating costs and sell non-core properties

## Corporate Activities

- On April 24, declared quarterly dividend of \$0.445 per share, equivalent to an annual dividend rate of \$1.78 per share
- On March 29, Fitch Ratings affirmed its credit rating of Black Hills Corp. at BBB+ with a stable outlook
- During the first quarter, Black Hills began issuing commercial paper under a program implemented in late 2016; net amount borrowed at March 31 was \$51 million with a weighted average interest rate of 1.27 percent
- Effective Feb. 1, Jennifer Landis was appointed senior vice president and chief human resources officer; on April 1, Robert Myers, senior vice president and chief human resources officer, retired
- Effective Jan. 1, Robert P. Otto joined board of directors

# Strategic Overview



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

# Strategic Objectives

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

## PROFITABLE GROWTH

Achieve consistent growth that creates value.

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

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

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

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

## VALUED SERVICE

Deliver reliable, highly valued products and services.

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

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

## BETTER EVERY DAY

Continuously improve to achieve industry leading results.

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

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

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

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

## GREAT WORKPLACE

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

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

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

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

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

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

# Earnings Growth Strategy



PROFITABLE  
GROWTH

- Improve earnings growth and returns while improving services and controlling costs for customers
- Provide earnings growth by improving efficiency and reducing costs through best practices, standardization and continuous improvement
- Focus capital spending to reduce or eliminate regulatory lag to the extent possible
  - Prioritize safe and reliable service to customers
  - Focus on utility investments that generate timely and fair investment returns
  - Pursue additional utility growth opportunities, such as power generation, electric transmission, gas pipelines, gas storage, propane and diesel to gas conversions, new customer connections, etc.
- Continue to pursue additional large and small utility acquisitions

# Capital Investment by Segment

PROFITABLE  
GROWTH

(in millions)	2012	2013	2014	2015	2016	2017F	2018F	2019F
Generation	\$72	\$130	\$75	\$67	\$135	\$13	\$17	\$18
Transmission	38	32	31	36	55	30	46	62
Distribution	44	48	65	54	35	39	41	48
Other	8	1	0	14	34	39	8	10
<b>Subtotal Electric Utilities</b>	<b>162</b>	<b>211</b>	<b>171</b>	<b>171</b>	<b>259</b>	<b>121</b>	<b>112</b>	<b>139</b>
<b>Gas Utilities</b>	<b>51</b>	<b>73</b>	<b>92</b>	<b>100</b>	<b>174</b>	<b>179</b>	<b>169</b>	<b>190</b>
Power Generation	6	14	3	3	5	2	9	18
Mining	13	6	7	6	6	7	7	8
Oil and Gas	108	65	109	169	7	3	5	2
Corporate	7	10	9	10	17	12	3	8
<b>Total</b>	<b>\$347</b>	<b>\$379</b>	<b>\$391</b>	<b>\$459</b>	<b>\$467</b>	<b>\$324</b>	<b>\$305</b>	<b>\$365</b>
Minimal Lag Capital – Elec Utilities*+					\$166	\$29	\$41	\$31
Minimal Lag Capital - Gas Utilities*+					43	58	41	46
Growth Capital - Electric Utilities+					24	18	15	19
Growth Capital - Gas Utilities +					65	43	38	40
Cost of Service Gas (COSG)**					\$ -	\$ -	\$ -	\$ -
<b>Total Minimal Lag and Growth</b>					<b>\$298</b>	<b>\$148</b>	<b>\$135</b>	<b>\$136</b>

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

+ Minimal Lag Capital and Growth Capital included in the subtotals above for electric and gas utilities

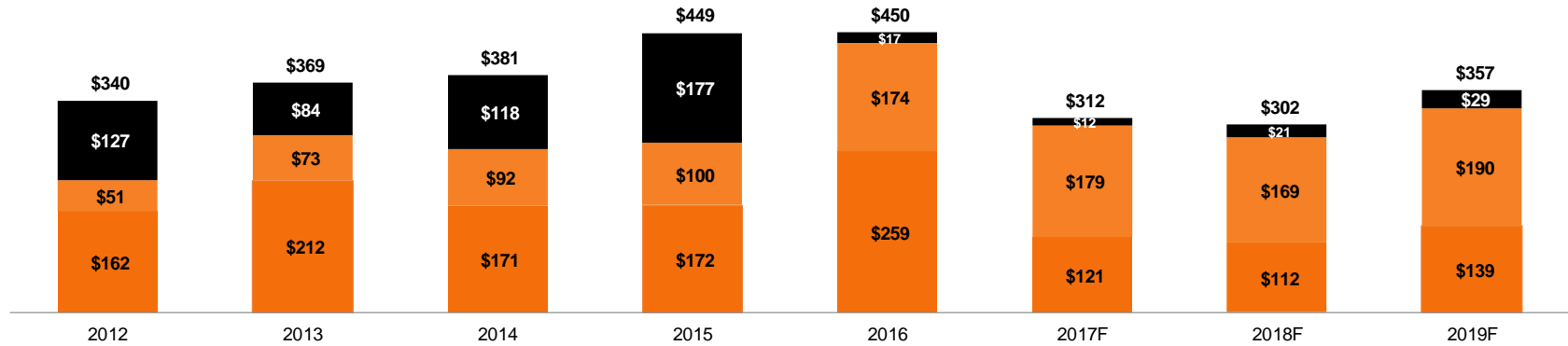
\*\* COSG program not included in guidance or capital expenditure forecast

Note: Minor differences due to rounding

# Capital Expenditures

PROFITABLE  
GROWTH

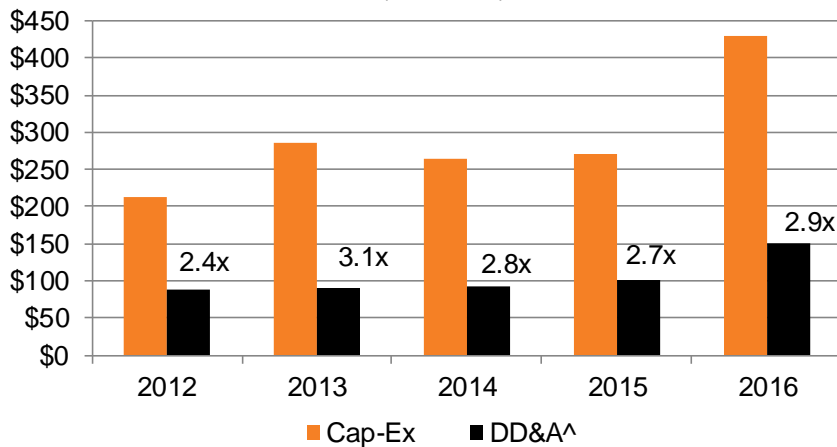
Historical and Forecasted Capital Expenditures  
(in millions)\*



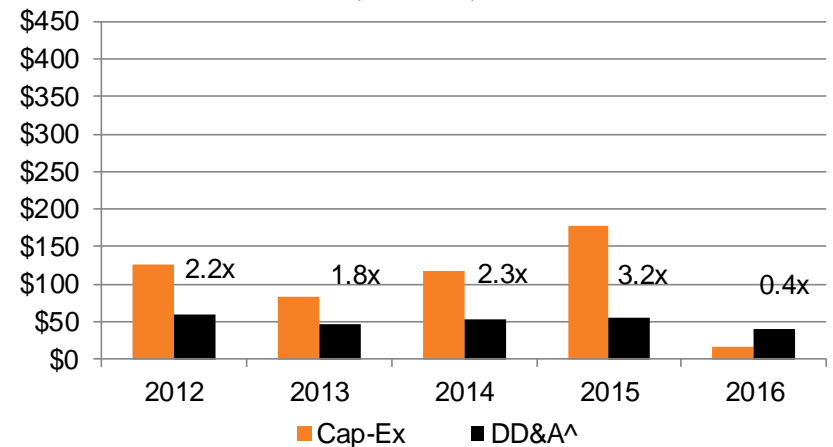
\* Excludes Corporate and discontinued ops

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

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



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



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

# Colorado Electric Resource Plan

PROFITABLE  
GROWTH

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

# Utility Growth Opportunity - COSG

PROFITABLE  
GROWTH

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

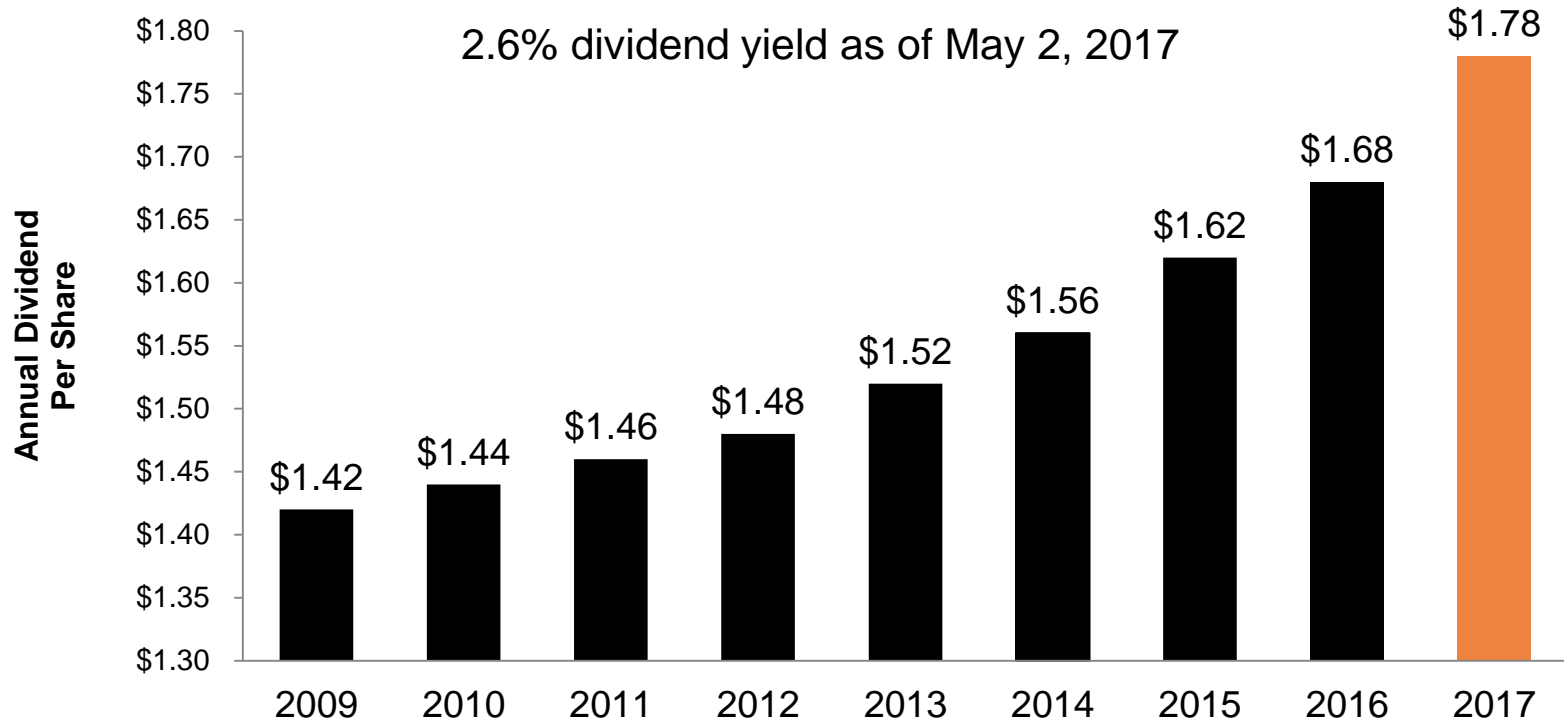
- Evaluating options on how best to proceed, including possibility of having a utility joint ventures partner and filing new applications for approval of specific gas reserve properties
- Filing of new applications anticipated in second or third quarter of 2017



# Dividend Growth

Dividend Increased for 47 Consecutive Years

PROFITABLE  
GROWTH



\* Board of Directors on April 24 declared quarterly dividend of \$0.445 per share, equivalent to an annual rate of \$1.78 per share

# Credit Rating

PROFITABLE  
GROWTH

- Fitch Ratings on March 29, 2017, affirmed its credit rating of Black Hills Corp. at BBB+ with a stable outlook
- Moody's Investor Service on Dec. 9, 2016, changed its corporate credit ratings of Black Hills Corp. to Baa2 with a stable outlook
- Standard and Poor's on Feb. 12, 2016, affirmed its corporate credit ratings of Black Hills Corp. at BBB and maintained its stable outlook

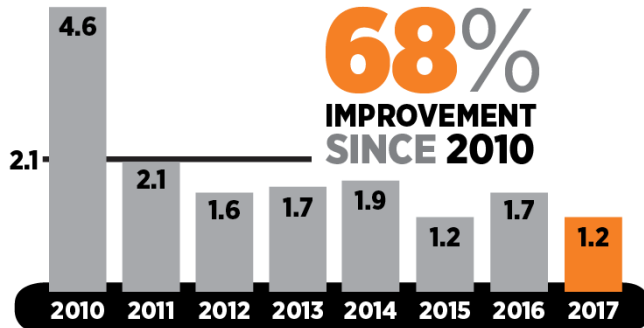
<b>Black Hills Corporation</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>
Corporate Credit Rating	BBB	Baa2	BBB+
Senior Unsecured	BBB	Baa2	BBB+
Outlook	<i>Stable</i>	<i>Stable</i>	<i>Stable</i>

# Operational Excellence

GREAT  
WORKPLACE

## Safety Performance

### Total Case Incident Rate



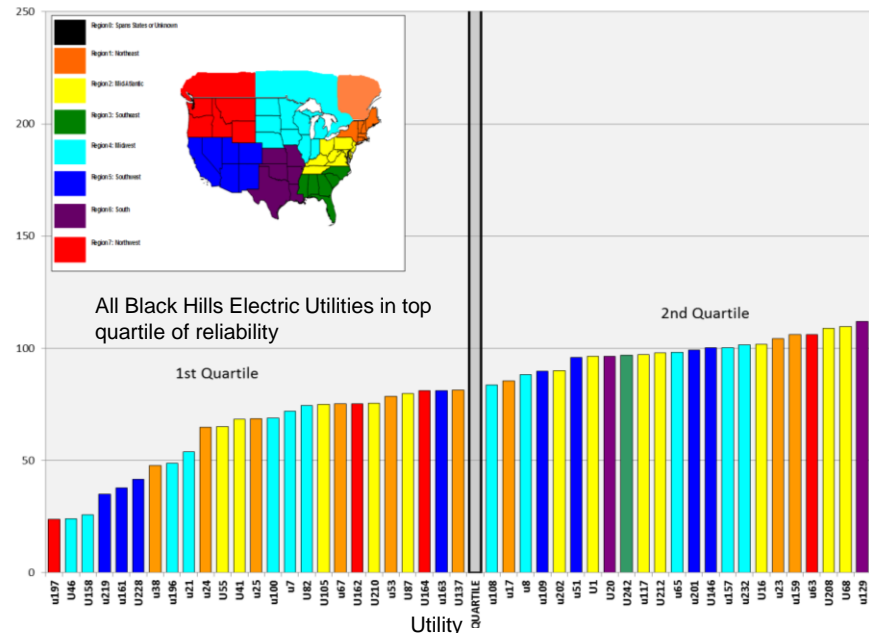
— Industry average

2017 data is YTD through March. 31 (Black Hills and Legacy SourceGas combined). TCIR is defined as the average number of work-related injuries incurred by 100 workers during a one-year period.

### Notable Safety Performance for 1<sup>st</sup> Quarter

- Three of our four business segments achieved a TCIR of zero
  - Electric Utilities
  - Power Generation
  - Mining
- Two of our six Gas Utility jurisdictions achieved a TCIR of zero
  - Iowa Gas
  - Kansas Gas

## 2016 IEEE Reliability Benchmarking Study



Source: 2016 IEEE Reliability Benchmarking Study

## Community Recognition



For efforts in promoting trees and energy savings through the Energy-Saving Trees partnership with the Arbor Day Foundation, Black Hills Energy won the Utility Community Forestry Award from the Nebraska Forest Service. BHE provided more than 3,700 free trees to customers since 2014. Pictured left to right: Jerome Yant, Amy Seiler (Nebraska Forest Service), Kevin Dugan, Alisa Neff

# Financial Update



*We are proud to serve Southern Colorado with safe, reliable energy services and work hard to be engaged, responsible community partners. Pictured from left, Tom Cruz and Ray Loya, line servicemen for our Colorado electric utility.*

# Earnings Per Share Analysis

	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016
<b>Net Income (loss) available for common stock (GAAP)</b>	<b>\$ 1.39</b>	<b>\$ 0.33</b>	<b>\$ 0.26</b>	<b>\$ 0.01</b>	<b>\$ 0.77</b>
<b><u>Adjustments (pre-tax)</u></b>					
Asset impairments (Oil & Gas)	—	1.01	0.23	0.48	0.28
Acquisition costs	0.03	0.15	0.11	0.12	0.48
	<b>0.03</b>	<b>1.16</b>	<b>0.34</b>	<b>0.60</b>	<b>0.76</b>
<b><u>Taxes on adjustments</u></b>					
Asset impairments (Oil & Gas)	—	(0.38)	(0.08)	(0.18)	(0.11)
Acquisition costs	(0.01)	(0.05)	(0.04)	(0.04)	(0.19)
	<b>(0.01)</b>	<b>(0.43)</b>	<b>(0.12)</b>	<b>(0.22)</b>	<b>(0.30)</b>
Rounding	—	0.01	—	—	—
Total adjustments, net of tax	<b>0.02</b>	<b>0.74</b>	<b>0.22</b>	<b>0.38</b>	<b>0.46</b>
<b>Net Income available for common stock, as adjusted* (Non-GAAP)</b>	<b>\$ 1.41</b>	<b>\$ 1.07</b>	<b>\$ 0.48</b>	<b>\$ 0.39</b>	<b>\$ 1.23</b>
<b>Trailing Twelve Months - Net Income, as adjusted</b>	<b>\$ 3.35</b>				<b>\$ 3.14</b>

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

**Note:** Q1 2016 financial results include the acquired SourceGas properties from Feb. 12 through March 31

# Income Statement

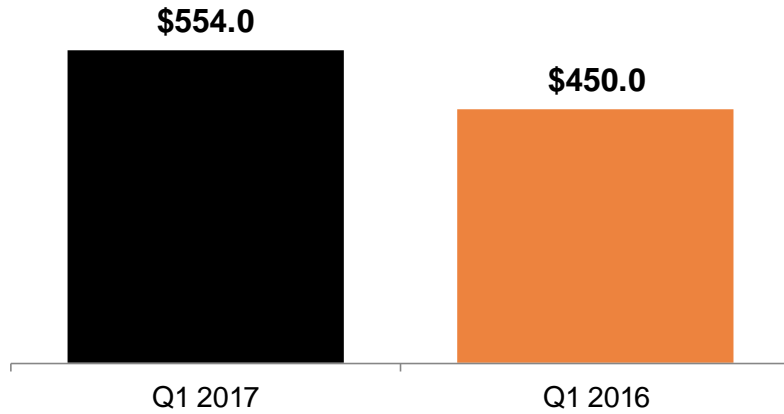
(in millions, except earnings per share)

	1st Qtr	
	<u>2017</u>	<u>2016</u>
Revenue	\$ 554.0	\$ 450.0
Gross margin	334.2	278.1
Operating expenses	(136.7)	(122.0)
DD&A	(48.6)	(44.4)
Subtotal	148.9	111.7
Asset impairments	-	(14.5)
Acquisition costs	(1.4)	(23.6)
<b>Operating income (loss)</b>	<b>147.5</b>	<b>73.6</b>
Interest expense	(34.4)	(29.5)
Bridge financing costs	-	(1.1)
Other income	0.4	1.3
Income (loss) before taxes	<b>113.5</b>	<b>44.3</b>
Income taxes	(33.4)	(4.3)
<b>Net income (loss) before non-controlling interest</b>	<b>\$ 80.1</b>	<b>\$ 40.0</b>
<b>Non-controlling interest</b>	<b>(3.6)</b>	<b>-</b>
<b>Net income (loss) available for common stock</b>	<b>\$ 76.5</b>	<b>\$ 40.0</b>
Non-GAAP adjustments	0.9	23.8
<b>Net income available for common stock, as adjusted *</b>	<b>\$ 77.4</b>	<b>\$ 63.8</b>
EPS - Net income (loss) available for common stock	\$ 1.39	\$ 0.77
<b>EPS - Net income available for common stock, as adjusted *</b>	<b>\$ 1.41</b>	<b>\$ 1.23</b>
Diluted shares outstanding (in thousands)	54.9	51.9
<b>EBITDA, as adjusted*</b>	<b>\$ 197.9</b>	<b>\$ 157.5</b>

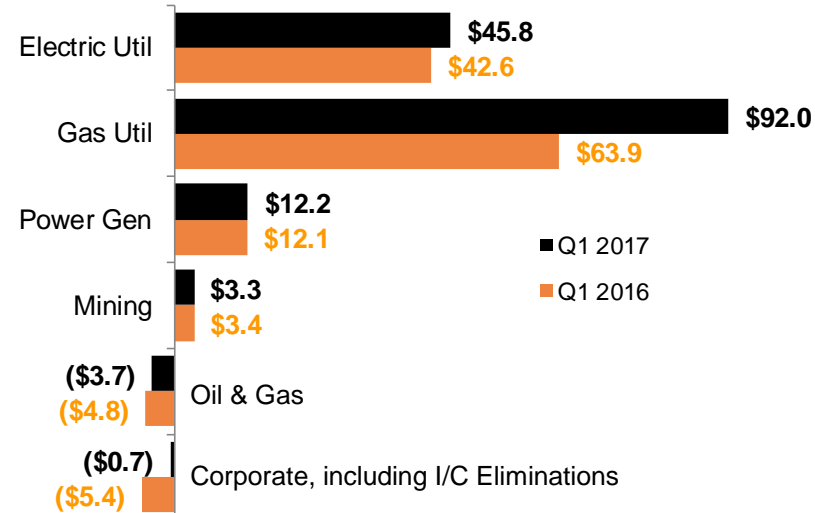
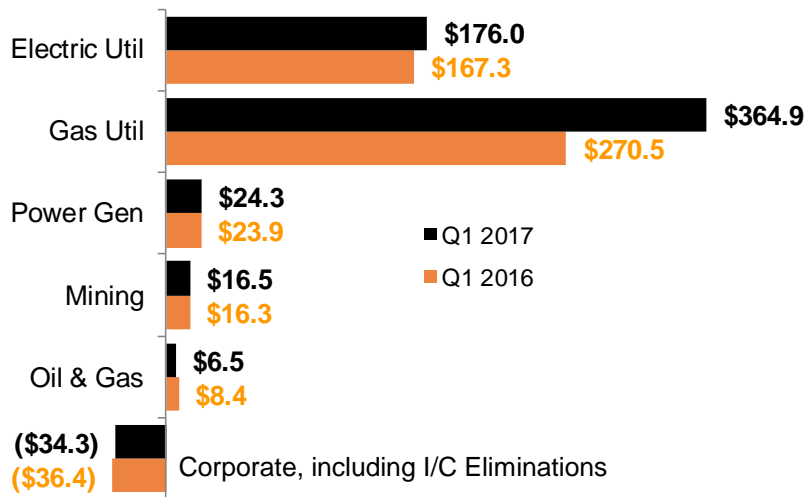
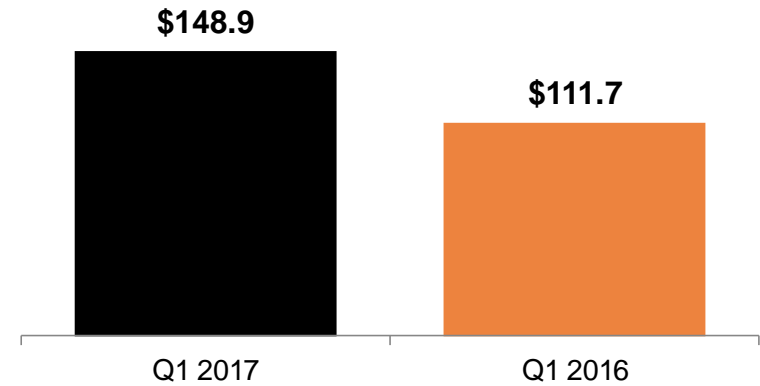
\* Non-GAAP measures, defined and/or reconciled to GAAP in Appendix and on slide 21

# Revenue/Operating Income

Total Revenue, as adjusted\* (in millions)



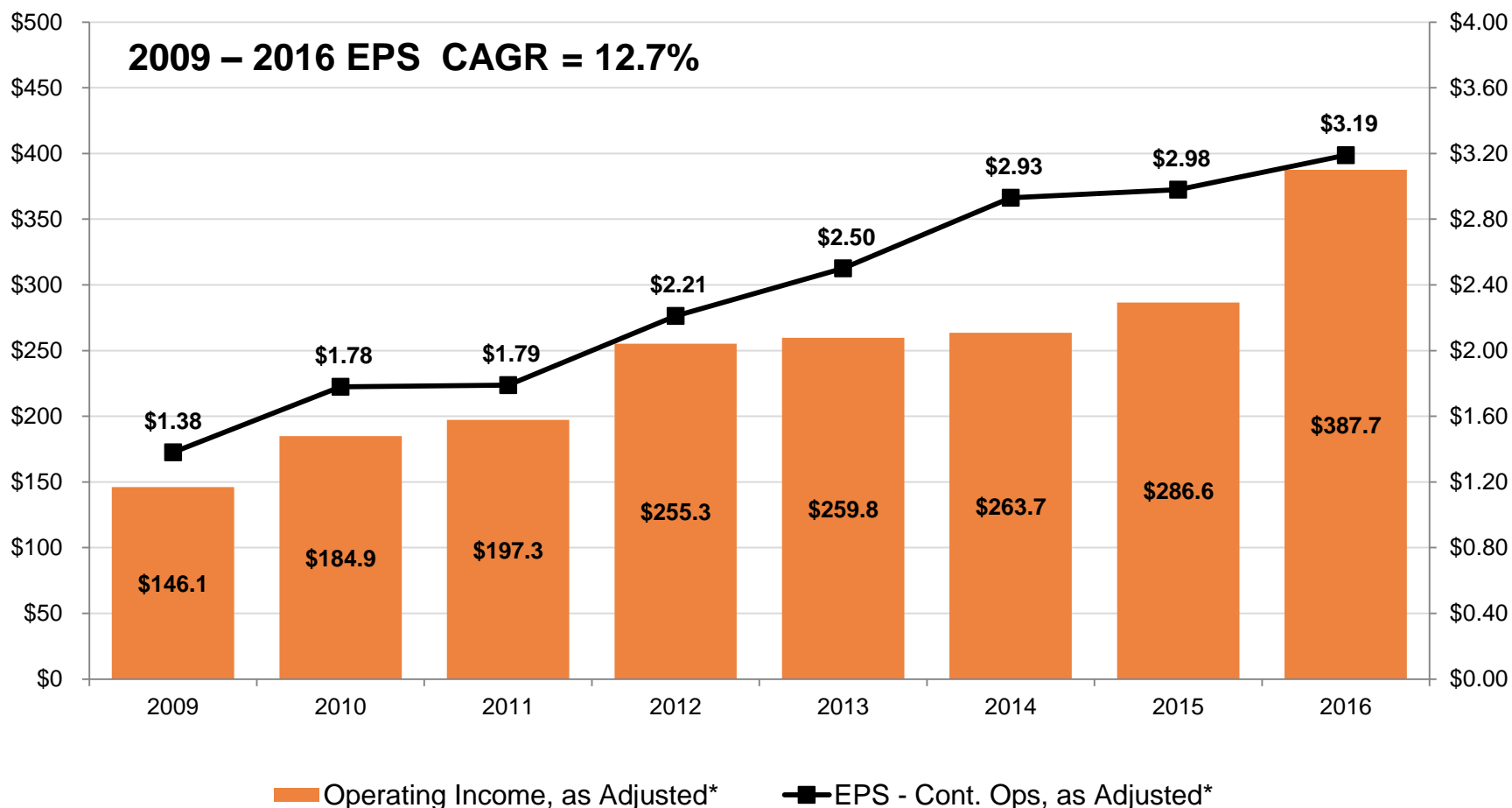
Total Operating Income, as adjusted\* (in millions)



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

# Creating Shareholder Value through Growth

## Operating Income and EPS, as Adjusted



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



# Capital Structure

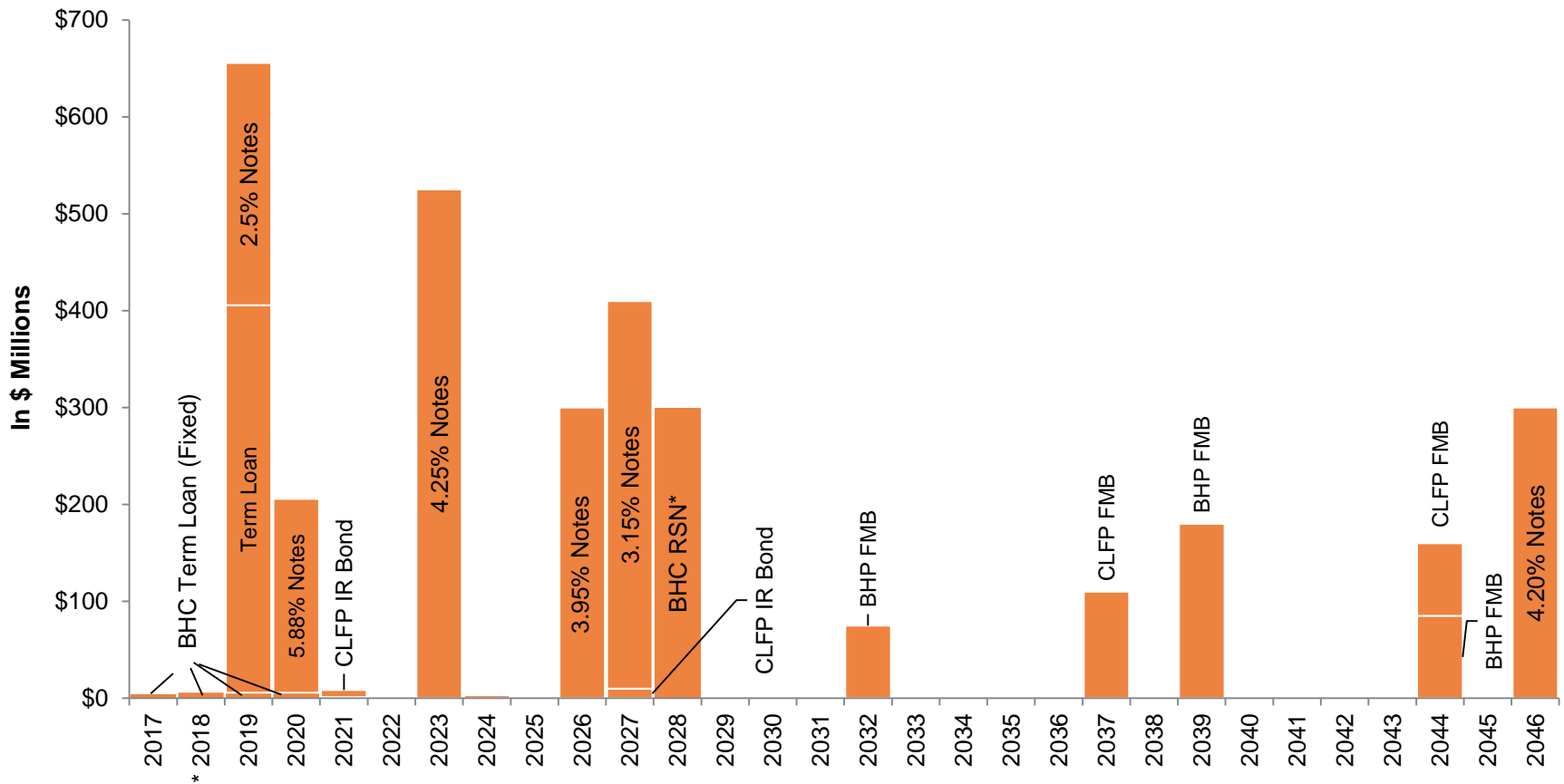
(In millions, except for ratios)

	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
<b>Capitalization</b>					
Short-term Debt	\$ 57	\$ 102	\$ 81	\$ 1,006	\$ 216
Long-term Debt	3,211	3,211	3,212	2,221	3,159
Total Debt	3,267	3,314	3,293	3,227	3,375
Equity*	1,674	1,615	1,605	1,562	1,481
Total Capitalization	\$ 4,942	\$ 4,928	\$ 4,897	\$ 4,790	\$ 4,855
<b>Net Debt to Net Capitalization</b>					
Debt	\$ 3,267	\$ 3,314	\$ 3,293	\$ 3,227	\$ 3,375
Cash and Cash Equivalents	(11)	(14)	(63)	(117)	(26)
Net Debt	3,256	3,300	3,230	3,110	3,349
Net Capitalization	\$ 4,930	\$ 4,915	\$ 4,834	\$ 4,673	\$ 4,829
<b>Debt to Capitalization</b>	66.1%	67.2%	67.2%	67.4%	69.5%
<b>Net Debt to Capitalization (Net of Cash)</b>	66.0%	67.1%	66.8%	66.6%	69.3%
<b>Long-term Debt to Total Debt</b>	98.3%	96.9%	97.5%	68.8%	93.6%

\* Excludes noncontrolling interest

# Long-Term Debt Maturities

\$3.2 Billion Total



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

# 2017 Scorecard



## Strategy

- |                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Construct cost effective rate-base generation and transmission to serve existing utility customers</li> <li>• Acquire regulated utility properties in our geographic region</li> <li>• Advance COSG Program</li> </ul> | <ul style="list-style-type: none"> <li>• Construct additional utility infrastructure that supports growing demand, maintains reliability and enables improved customer satisfaction</li> <li>• Balance integration of alternative and renewable energy with utility customer rate impacts</li> </ul> | <ul style="list-style-type: none"> <li>• Achieve top-tier operational performance in a culture of continuous improvement</li> <li>• Improve efficiencies through continued deployment of technology</li> <li>• Efficiently use coal resources through mine-mouth generation</li> </ul> | <ul style="list-style-type: none"> <li>• Be the safest company in the energy industry</li> <li>• Be one of the best places to work</li> <li>• Improve the wellness of employees</li> <li>• Become a workplace of choice for women and minorities</li> </ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## 2017 Future Initiatives and Progress

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Increase annual dividend for 47<sup>th</sup> consecutive year</li> <li><input type="checkbox"/> Complete construction of Osage to Rapid City 230 kv transmission line</li> <li><input type="checkbox"/> Obtain regulatory approvals necessary to commence COSG program</li> <li><input type="checkbox"/> Pursue satisfactory resolution of Colorado Electric 2016 rate review</li> <li><input type="checkbox"/> Enhance earnings growth by improving efficiency and reducing costs</li> </ul> | <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Complete construction of the Northeast Nebraska Pipeline</li> <li><input checked="" type="checkbox"/> Obtain approval of Colorado Electric's ERP</li> <li><input type="checkbox"/> Issue RFP for 60 MW of renewable energy resources</li> <li><input type="checkbox"/> Present results of RFP for 60 MW of renewable energy resources to Colorado PUC for approval</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> Complete phase I implementation of utility work and asset management project</li> <li><input type="checkbox"/> Divest non-core oil and gas assets</li> <li><input type="checkbox"/> Enhance Field Service Optimization project (iPad and Click software technology)</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> Achieve safety TCIR of 1.2</li> <li><input type="checkbox"/> Complete new corporate headquarters</li> <li><input checked="" type="checkbox"/> Conduct an employee engagement survey to measure our progress and to continue efforts toward being a best place to work</li> <li><input type="checkbox"/> Expand the availability of participation for women's affinity groups into all areas of operations</li> <li><input type="checkbox"/> Further develop programs that develop, retain, and reward top performing employees</li> </ul> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### Legend

- Completed
- Planned in 2017

# Questions



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

# Appendix



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

# Appendix - Table of Contents

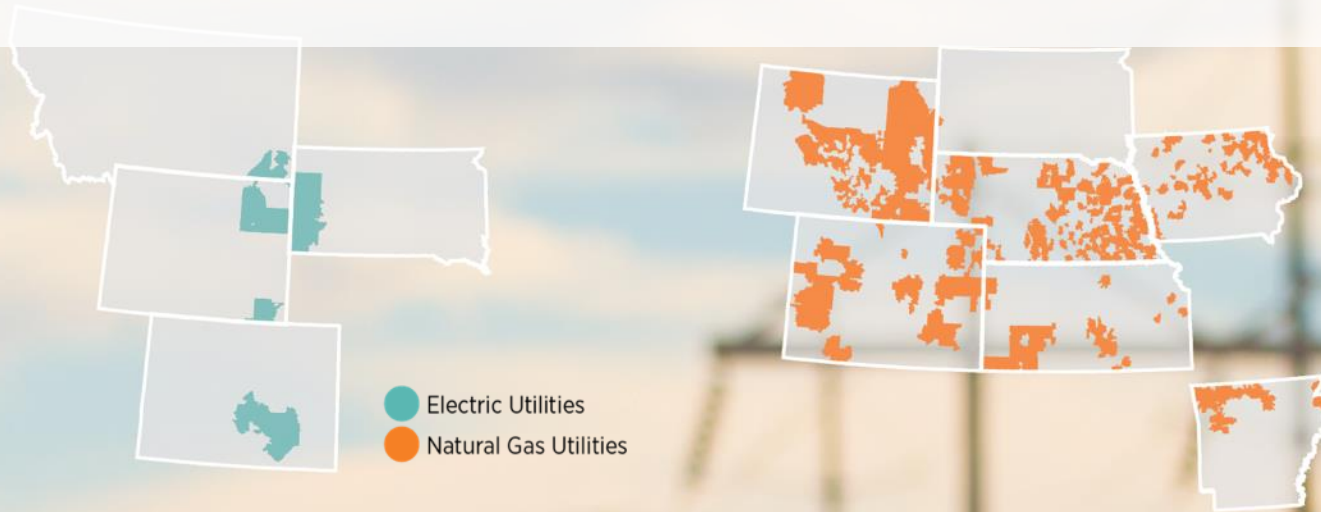
Utilities

Regulatory

Non-Regulated

Non-GAAP Financial Measures

# Electric and Gas Utilities



## Electric Utilities\*

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

## Natural Gas Utilities\*

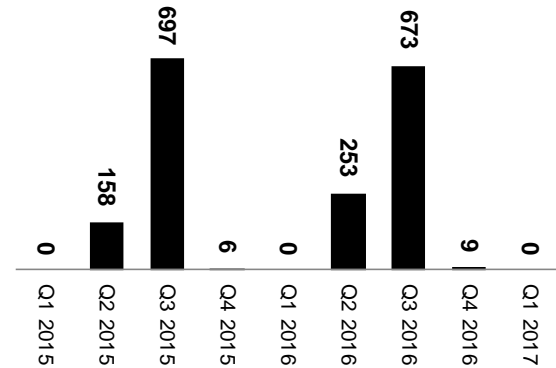
- Operates seven natural gas utilities doing business as Black Hills Energy in AR, CO, IA, KS, NE and WY
- Distributes natural gas to approximately 1,030,800 customers
- Includes 4,585 miles of intrastate gas transmission pipelines and 40,044 miles of gas distribution mains and service lines
- Operates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

\* Information from 2016 Form 10-K

# Utilities Update

## Electric Utility Cooling Degree Days

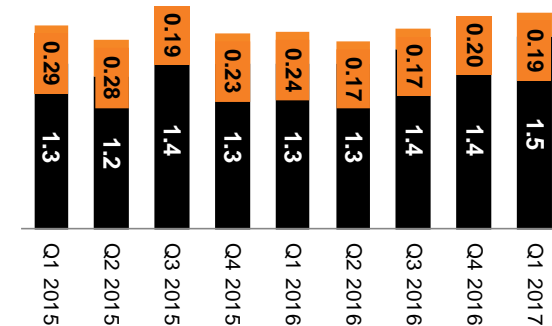
(Total for all electric service areas weighted by customer count)



## Electric Utility Total MWh Sales

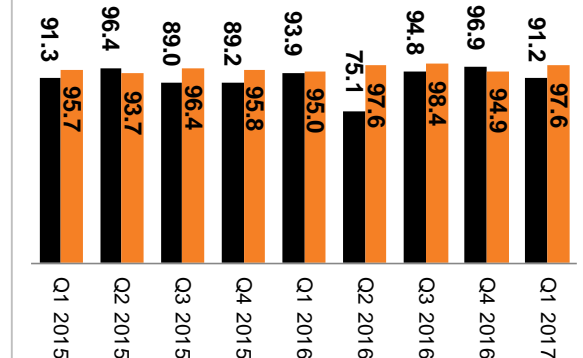
(in millions)

■ Utility Customers  
■ Off-system Sales



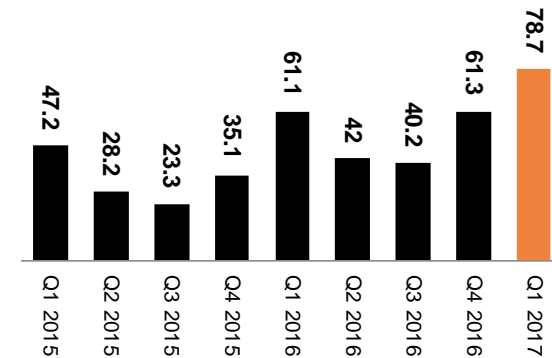
## Electric Utility Generation Availability(%)

■ Coal-fired plants  
■ Other plants



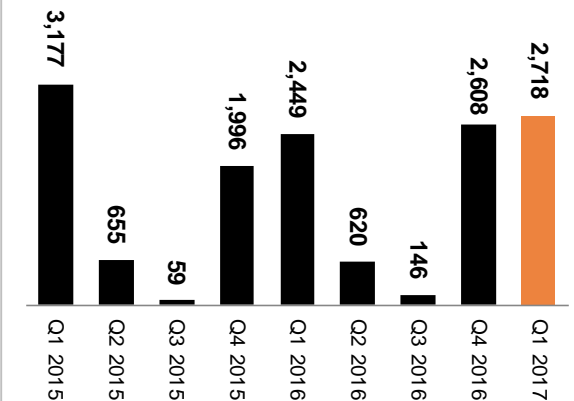
## Gas Utility Total Dth Sales

(in millions)



## Gas Utility Heating Degree Days

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



\* Excludes KS HDD data since state has weather normalization



# Estimated Utility Rate Base

<b>Estimated Rate Base* by Utility Segment (in millions)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Electric Utilities	\$1,007	\$1,272	\$1,248	\$1,487	\$1,515	\$1,570
Gas Utilities	\$443	\$450	\$454	\$489	\$493	\$1,620
<b>Total</b>	<b>\$1,450</b>	<b>\$1,722</b>	<b>\$1,702</b>	<b>\$1,976</b>	<b>\$2,008</b>	<b>\$3,190</b>

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

# Utility Regulatory Results

Jurisdiction	Utility	Effective Date	Return on Equity	Capital Structure	Authorized Rate Base (in millions)
Arkansas	Arkansas Gas	Feb. 2016	9.40%	52% debt / 48% equity	\$299.4
Colorado	Colorado Electric	Jan. 2017	9.37%*	47.61% debt / 52.39% equity*	\$597.5
Colorado	Colorado Gas	Dec. 2012	9.60%	50% debt / 50% equity	\$57.5
Colorado	Colorado Gas Dist	Dec 2010	10.0%	49.52% debt / 50.48% equity	\$127.1
Colorado	RMNG	March 2014	10.60%	49.23% debt / 50.77% equity	\$90.5
Iowa	Iowa Gas	Feb. 2011	Global Settlement	Global Settlement	\$109.2
Kansas	Kansas Gas	Jan. 2015	Global Settlement	Global Settlement	\$127.4
Nebraska	Nebraska Gas	Sept. 2010	10.10%	48% debt / 52% equity	\$161.3
Nebraska	Nebraska Gas Dist	June 2012	9.60%	48.84% debt / 51.16% equity	\$87.6**
South Dakota	South Dakota Electric	Oct. 2014	Global Settlement	Global Settlement	\$543.9
Wyoming	South Dakota Electric	Oct. 2014	9.90%	46.68% debt / 53.32% equity	\$46.8
Wyoming	Wyoming Electric	Oct. 2014	9.90%	46% debt / 54% equity	\$376.8
Wyoming	Wyoming Gas	Oct. 2014	9.90%	46% debt / 54% equity	\$59.6
Wyoming	Wyoming Gas Dist	Jan. 2011	9.92%	49.66% debt / 50.34% equity	\$100.5

Note: Information from last approved rate case in each jurisdiction

\* Includes LM6000 with \$57.9 million of rate base and authorized return on rate base of 6.02%

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

# Optimizing Regulatory Recovery

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

Legend:

- Commission approved cost adjustment
- Pursuing

# Optimizing Regulatory Recovery

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

Legend:

- Commission approved cost adjustment
- Pursuing

\* Residential customers as of last rate base review

<sup>1</sup> Refers to Cheyenne Light only

<sup>2</sup> Rocky Mountain Natural Gas, an intrastate natural gas pipeline

<sup>3</sup> Includes first tier of consumption in block rates

# Other Business Segments



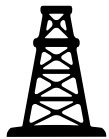
## Power Generation\*

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



## Mining\*

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



## Oil and Gas\*

- Divesting non-core assets while retaining assets best suited for a utility cost of service gas program; professional staff refocused on assisting electric and gas utilities with implementation of the cost of service gas program
- Piceance Mancos shale gas opportunity of 78,000 acres offers upside as a potential cost of service gas resource

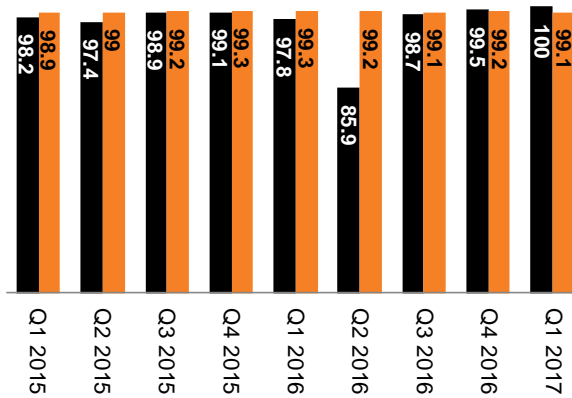
\* Information from 2016 Form 10-K, unless otherwise noted

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

# Power Generation and Mining

## IPP Generation Contract Availability (%)

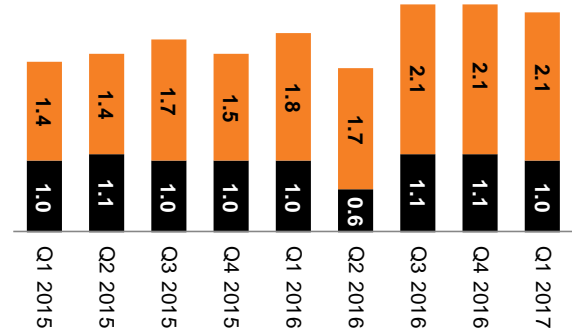
- Coal-fired plants
- Gas-fired plants



## Coal Production

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

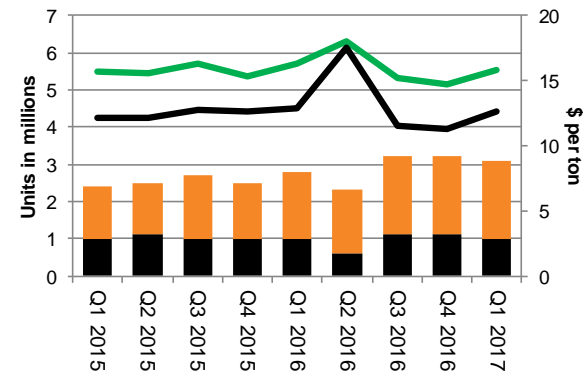
- Coal Production
- Overburden Removed



## Revenue and Expense per Ton Sold

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

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



# Coal Contracts Summary

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

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

\* Adjusts every 5 years

# Use of Non-GAAP Financial Measures

## Gross Margin

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

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

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

## EBITDA and EBITDA, as adjusted

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

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

*Note: continued on next page*



# Use of Non-GAAP Financial Measures

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

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

## Earnings per share, as adjusted

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

## Depreciation, Depletion and Amortization, as adjusted

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

## Limitations on the Use of Non-GAAP Measures

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

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

# Use of Non-GAAP Financial Measures

## Revenue / Gross Margin, as adjusted

(in thousands)

QTD - March 31, 2017

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate - I/C Elim	Total
Revenue	\$ 172,170	\$ 364,901	\$ 2,102	\$ 8,355	\$ 6,475	\$ -	\$ 554,003
Inter-company revenue	3,854	9	21,465	8,191	-	(33,519)	-
Total revenue (GAAP)	176,024	364,910	23,567	16,546	6,475	(33,519)	554,003
Less: - Inter-company capital lease	-	-	733	-	-	(733)	-
<b>Revenue, as adjusted - (Non-GAAP)</b>	<b>\$ 176,024</b>	<b>\$ 364,910</b>	<b>\$ 24,300</b>	<b>\$ 16,546</b>	<b>\$ 6,475</b>	<b>\$ (34,252)</b>	<b>\$ 554,003</b>
Less: Cost of Goods sold	(68,400)	(181,382)	-	-	-	30,005	(219,777)
Less: Inter-company capital lease	(1,425)	-	-	-	-	1,425	-
<b>Gross margin, as adjusted - (Non-GAAP)</b>	<b>\$ 106,199</b>	<b>\$ 183,528</b>	<b>\$ 24,300</b>	<b>\$ 16,546</b>	<b>\$ 6,475</b>	<b>\$ (2,822)</b>	<b>\$ 334,226</b>

QTD - March 31, 2016

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate - I/C Elim	Total
Revenue	\$ 163,531	\$ 268,667	\$ 1,852	\$ 7,534	\$ 8,375	\$ -	\$ 449,959
Inter-company revenue	3,745	1,806	21,456	8,748	-	(35,755)	-
Total revenue (GAAP)	167,276	270,473	23,308	16,282	8,375	(35,755)	449,959
Less: - Inter-company capital lease	-	-	605	-	-	(605)	-
<b>Revenue, as adjusted - (Non-GAAP)</b>	<b>\$ 167,276</b>	<b>\$ 270,473</b>	<b>\$ 23,913</b>	<b>\$ 16,282</b>	<b>\$ 8,375</b>	<b>\$ (36,360)</b>	<b>\$ 449,959</b>
Less: Cost of Goods sold	(66,106)	(137,964)	-	-	-	32,214	(171,856)
Less: Inter-company capital lease	(1,261)	-	-	-	-	1,261	-
<b>Gross margin, as adjusted - (Non-GAAP)</b>	<b>\$ 99,909</b>	<b>\$ 132,509</b>	<b>\$ 23,913</b>	<b>\$ 16,282</b>	<b>\$ 8,375</b>	<b>\$ (2,885)</b>	<b>\$ 278,103</b>

# Use of Non-GAAP Financial Measures

## Operating Income, as adjusted

QTD - March 31, 2017

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 43,980	\$ 91,972	\$ 14,306	\$ 3,287	\$ (3,692)	\$ (2,342)	\$ 147,511
Capital lease adjustment	1,843	—	(2,065)	—	—	222	—
<b>Operating income without capital lease (Non-GAAP)</b>	<b>45,823</b>	<b>91,972</b>	<b>12,241</b>	<b>3,287</b>	<b>(3,692)</b>	<b>(2,120)</b>	<b>147,511</b>
Significant Unique Items:							
Acquisition costs	—	—	—	—	—	1,385	1,385
Total adjustments	—	—	—	—	—	1,385	1,385
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 45,823</b>	<b>\$ 91,972</b>	<b>\$ 12,241</b>	<b>\$ 3,287</b>	<b>\$ (3,692)</b>	<b>\$ (735)</b>	<b>\$ 148,896</b>

QTD - March 31, 2016

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Operating income (loss) (GAAP)	\$ 40,587	\$ 63,850	\$ 14,235	\$ 3,369	\$ (19,269)	\$ (29,182)	\$ 73,590
Capital lease adjustment	2,007	—	(2,178)	—	—	171	—
<b>Operating income without capital lease (Non-GAAP)</b>	<b>42,594</b>	<b>63,850</b>	<b>12,057</b>	<b>3,369</b>	<b>(19,269)</b>	<b>(29,011)</b>	<b>73,590</b>
Significant Unique Items:							
Asset impairment (Oil & Gas)	—	—	—	—	14,496	—	14,496
Acquisition costs	—	—	—	—	—	23,591	23,591
Total adjustments	—	—	—	—	14,496	23,591	38,087
<b>Operating income (loss), as adjusted (Non-GAAP)</b>	<b>\$ 42,594</b>	<b>\$ 63,850</b>	<b>\$ 12,057</b>	<b>\$ 3,369</b>	<b>\$ (4,773)</b>	<b>\$ (5,420)</b>	<b>\$ 111,677</b>

# Use of Non-GAAP Financial Measures

## YTD Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2016

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

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

YTD Dec. 31, 2015

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

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

# Use of Non-GAAP Financial Measures

## Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2014

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

YTD Dec. 31, 2013

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

YTD Dec. 31, 2012

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

# Use of Non-GAAP Financial Measures

## Operating Income, as adjusted

(in thousands, pre-tax)

YTD Dec. 31, 2011

Operating income (loss) (GAAP)

Total adjustments

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

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

YTD Dec. 31, 2010

Operating income (loss) (GAAP)

Significant unique items:

Sale of Elkhorn

Sale of Wygen III to City of Gillette

Total adjustments

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

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

YTD Dec. 31, 2009

Operating income (loss) (GAAP)

Capital lease adjustment

Operating income without capital lease (Non-GAAP)

Significant unique items:

Asset impairment (Oil & Gas)

23.5% of Wygen I to MEAN

Integration expense (Aquila Transaction)

Total adjustments

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

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

# Use of Non-GAAP Financial Measures

## Net Income Available for Common Stock, as adjusted

(in thousands, after-tax)

QTD - March 31, 2017

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

Capital lease adjustment

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

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

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

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Net income (loss) available for common stock (GAAP)	\$22,230	\$ 46,010	\$ 6,530	\$2,890	\$ (2,951)	\$ 1,814	\$ 76,523
Capital lease adjustment	1,163	—	(1,302)	—	—	139	—
<b>Net income (loss) available for common stock without capital lease (Non-GAAP)</b>	<b>23,393</b>	<b>46,010</b>	<b>5,228</b>	<b>2,890</b>	<b>(2,951)</b>	<b>1,953</b>	<b>76,523</b>
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	—	—	—
Acquisition costs	—	—	—	—	—	900	900
Total adjustments	—	—	—	—	—	900	900
<b>Net Income (Loss) available for common stock, as adjusted (Non-GAAP)</b>	<b>\$23,393</b>	<b>\$ 46,010</b>	<b>\$ 5,228</b>	<b>\$2,890</b>	<b>\$ (2,951)</b>	<b>\$ 2,853</b>	<b>\$ 77,423</b>

QTD - March 31, 2016

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

Capital lease adjustment

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

Significant unique items:

Asset impairment (Oil & Gas)

Acquisition costs

Total adjustments

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

	Electric Utilities	Gas Utilities	Power Generation	Mining	Oil and Gas	Corporate	Total
Net income (loss) available for common stock (GAAP)	\$19,215	\$ 31,975	\$ 8,582	\$2,938	\$ (7,024)	\$ (15,684)	\$ 40,002
Capital lease adjustment	1,267	—	(1,375)	—	—	108	—
<b>Net income (loss) available for common stock without capital lease (Non-GAAP)</b>	<b>20,482</b>	<b>31,975</b>	<b>7,207</b>	<b>2,938</b>	<b>(7,024)</b>	<b>(15,576)</b>	<b>40,002</b>
Significant unique items:							
Asset impairment (Oil & Gas)	—	—	—	—	8,792	—	8,792
Acquisition costs	—	—	—	—	—	14,914	14,914
Total adjustments	—	—	—	—	8,792	14,914	23,706
<b>Net Income (Loss) available for common stock, as adjusted (Non-GAAP)</b>	<b>\$20,482</b>	<b>\$ 31,975</b>	<b>\$ 7,207</b>	<b>\$2,938</b>	<b>\$ 1,768</b>	<b>\$ (662)</b>	<b>\$ 63,708</b>

# Use of Non-GAAP Financial Measures

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

(in thousands, pre-tax)

YTD Dec. 31, 2016

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

YTD Dec. 31, 2015

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

YTD Dec. 31, 2014

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

YTD Dec. 31, 2013

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

YTD Dec. 31, 2012

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

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



# Use of Non-GAAP Financial Measures

## EBITDA

For the Three Months Ended March 31,

(in thousands)

	2017	2016
Net Income	\$ 80,146	\$ 40,050
Depreciation, depletion and amortization	48,647	44,407
Asset impairments (Oil & Gas)	—	14,496
Interest expense, net	34,400	30,683
Income tax expense (benefit)	33,355	4,252
Rounding	—	—
<b>EBITDA (a Non-GAAP Measure)</b>	<b>196,548</b>	<b>133,888</b>
Less adjustments for unique items:		
Acquisition costs	1,385	23,591
Impairment of equity investments (Oil and Gas)	—	—
<b>EBITDA, as adjusted</b>	<b>\$ 197,933</b>	<b>\$ 157,479</b>

# Use of Non-GAAP Financial Measures

## Earnings Per Share, as adjusted

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



  To see more ways we're improving life with energy, visit [www.blackhillscorp.com](http://www.blackhillscorp.com).