

2019 CORPORATE SUSTAINABILITY REPORT



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01

SUSTAINABILITY STRATEGY

SUSTAINABILITY AT BLACK HILLS ENERGY

At Black Hills Energy, our mission of improving life with energy means **we must be ready to make tomorrow even better than today.**

That is why we are committed to creating a cleaner energy future which builds upon our responsibility to provide the safe, reliable and affordable energy that improves our customers' lives. By investing in the success of our employees, continually innovating, thoughtfully utilizing resources and keeping people at the core of our decision-making, we are dedicated to the sustainability of our company, communities and planet.

This was a pivotal year for our organization. While sustainability has long been central to our business, in 2020 we reflected on what sustainability meant for our company and where we wanted to be in the future. **We're excited to announce our new greenhouse gas emissions intensity reduction goals of 40% by 2030 and 70% by 2040 for our electric utilities, and 50% by 2035 for our natural gas utilities.** We're issuing our 2019 corporate sustainability report later in the year than usual so we could use this opportunity to tell you more about the goals we recently announced.

Throughout our history, we have been strong environmental stewards. We've pioneered new power plant technology, set the bar for emissions levels and built infrastructure ahead of current standards. Maybe it's our Midwest nature, but as a company we tend to accomplish these things quietly without much fanfare. However, as we look to the future, we know sharing our intentions for improving the climate will help us achieve them. We believe that providing transparency into what we do, and how we do it, makes us stronger.

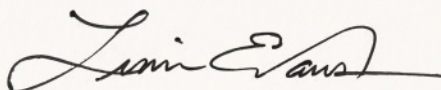
We took a methodical approach to developing our emissions reductions goals, and prioritized making them:

- **People-centered:** We always keep people at the center of our decision making. Keeping our promises to our customers, employees, communities and shareholders demonstrates our integrity and builds the trust that helps move us all forward.
- **Mission-focused:** These goals deliver on our mission to improve life with energy. Our sustainability goals must align with our commitment to ensure long-term returns for our shareholders and provide our customers with affordable, reliable energy.
- **Authentic:** While some companies choose to set goals without a clear path to achieve them, our objective was to create a sustainable approach to sustainability. Our goals are aspirational and innovative but are also achievable.

As you read this report, these themes will be evident. To us, sustainability includes all aspects of our day-to-day and our future. It's in our work to provide clean energy solutions. It's how we value our employees, respect our partners, serve our customers and build our communities. We believe that put together, these efforts to make a positive impact in everything we do will create a better tomorrow.

Thank you for your interest in Black Hills Energy.

Sincerely,



Linden "Linn" R. Evans
President and CEO

OUR STRATEGY

Black Hills Energy is continuously strengthening our sustainability strategy. We are building upon our success of delivering strong returns for investors and affordable energy for customers, by seeking renewable energy growth opportunities, minimizing risk and responding to stakeholders' evolving expectations. To accelerate our progress, we established a sustainability strategy team comprised of leaders from across the company and set greenhouse gas emissions reduction goals.

STAKEHOLDERS

ESG stakeholders are wide-ranging and include our customers, communities, employees, regulators, policymakers and investors. We strive to balance our responsibility to provide safe, reliable and affordable energy, complying with all regulations and delivering returns for shareholders, while improving our communities and planet.

RECENT LEGISLATIVE MATTERS

In 2019, the State of Colorado approved Senate Bill 236, which required qualified retail electric utilities (more than 500,000 customers) to submit a Clean Energy Plan to meet an 80% carbon reduction goal by 2030 based upon 2005 baseline levels. While Black Hills Energy is not required to submit a Clean Energy Plan, the state also passed House Bill 1261 which established state-wide emission goals for greenhouse gas emitting activities and applies to Black Hills Energy. Both House Bill 1261 and Senate Bill 236 include provisions that would allow for Black Hills Energy to submit a voluntary Clean Energy Plan with a goal of 80% reduction by 2030. The Colorado Public Utilities Commission may approve Black Hills Energy's target ownership of up to 50% of the generation resources needed for a Clean Energy Plan.

In Wyoming, Senate File 159 was signed into law in 2019, which only allows utilities to recover the costs of building new power plants to replace retiring coal generators if they first make "a good faith effort" to sell the closing facilities. If a buyer can be found, utilities are directed to purchase power from the plants back from the purchaser.



02

COMPANY PROFILE

BLACK HILLS CORP. COMPANY PROFILE

Black Hills Corp. (NYSE: BKH) is a customer focused, growth-oriented utility company and the parent company of utilities in eight states which do business as Black Hills Energy. Based in Rapid City, S.D., we serve nearly 1.3 million natural gas and electric customers in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. Our mission is to improve life with energy and to deliver upon that, sustainability is at the core of everything we do. We've been here for 136 years, and as we continue to deliver safe, reliable and affordable energy to our customers, consideration of environmental, social and governance (ESG) is connected to our strategy, risk management and execution.

We are composed of regulated natural gas and electric utilities supported by vertically-integrated mining and power generation businesses. We employ nearly 3,000 individuals in communities across our service territory to manage our operations and serve our customers with the highest level of customer service. This is an important part of our company's culture and legacy and we work hard each day to ensure every employee understands his or her role in delivering value and benefit to our customers. With this in mind, we continue to improve our business practices to make it easier for our customers to do business with us.

BLACK HILLS CORP. STATE OVERVIEW

Data as of Dec. 31, 2019

State	Electric Utility Customers	Natural Gas Utility Customers	Communities Served
Arkansas	-	174,447	101
Colorado	97,890	191,950	119
Iowa	-	159,641	133
Kansas	-	115,846	65
Montana	44	-	2
Nebraska	-	293,576	319
South Dakota	70,362	-	29
Wyoming	45,962	130,982	56
TOTAL	214,260	1,066,442	824

OUR BUSINESS SEGMENTS - AT A GLANCE

Regulated electric utilities (as of Dec. 31, 2019)

State	Utility Customers	Total Owned Generation (MW)	Natural Gas (MW)	Coal (MW)	Oil (MW)	Wind (MW)
Colorado Electric	97,890	323	220	0	28	74.5
South Dakota Electric	73,052	444	215	219.6	10	0
Wyoming Electric	43,318	172	77	95	0	0
TOTAL	214,260	939	512	314.6	38	74.5

Energy mix by source - owned and purchased energy (as of Dec. 31, 2019)

Source	2019	2018	2017
Coal	30%	32%	32%
Natural Gas, Oil & Renewables	12%	10%	7%
Total Generated	42%	42%	40%
Total Purchased	58%	58%	60%
TOTAL	100%	100%	100%

TRANSMISSION AND DISTRIBUTION

We invest in transmission and distribution maintenance, upgrades and new construction to meet our customers' needs and to maintain the reliability of our electric system. Through our regulated electric utilities, we own electric transmission systems composed of high voltage transmission lines (greater than 69 kV) and low voltage lines (69 kV or less).

Transmission and distribution miles in operation (as of Dec. 31, 2019)

Regulated Utility	State(s)	Transmission (in Line Miles)	Distribution (in Line Miles)
South Dakota Electric	South Dakota, Wyoming	1,219	2,557
South Dakota Electric - Jointly Owned*	South Dakota, Wyoming	43	-
Wyoming Electric	South Dakota, Wyoming	49	1,306
Colorado Electric	Colorado	598	3,120
TOTAL		1,909	6,983

*South Dakota Electric owns 35% of a DC transmission tie that interconnects the Western and Eastern transmission grids, which are independently operated transmission grids serving the western U.S. and eastern U.S. respectively.

REGULATED NATURAL GAS UTILITIES

- 1,066,000 natural gas utility customers in Arkansas, Colorado, Iowa, Kansas, Nebraska, and Wyoming
- 4,775 miles of intrastate gas transmission pipelines
- 41,210 miles of gas distribution mains and service lines
- Over 500 miles of gathering lines
- Nearly 49,000 horsepower of compression
- 7 natural gas underground storage sites with 16.54 billion cubic feet (Bcf) of working capacity. (Facilities are located in Arkansas, Colorado and Wyoming.)

Natural gas system infrastructure - in line miles (as of Dec. 31, 2019)*

State	Intrastate Gas Transmission Pipelines	Gas Distribution Mains	Gas Distribution Service Lines
Arkansas	877	5,090	1,223
Colorado	692	6,879	2,341
Iowa	165	2,839	2,151
Kansas	330	2,961	1,366
Montana	11	-	-
Nebraska	1,312	8,739	4,177
Wyoming	1,340	3,495	1,528
TOTAL	4,729	30,003	12,786

*Reflects 2019 PHMSA and DOT report data, available as of March 1, 2020.

Regulated underground gas storage facilities (as of Dec. 31, 2019)

in Million cubic feet (Mcf)

State	Working Capacity (Mcf)	Cushion Gas (Mcf)	Total Capacity (Mcf)	Maximum Daily Withdrawal Capacity (Mcf)
Arkansas	8,442,700	13,149,040	21,591,740	196,000
Colorado	2,360,895	6,165,315	8,526,210	30,000
Wyoming	5,733,900	17,145,600	22,879,500	36,000
TOTAL	16,537,495	36,459,955	52,997,450	262,000

NON-REGULATED ENERGY SERVICES

- The Choice Gas Programs provide our customers in Nebraska and Wyoming the opportunity to choose their natural gas provider and the pricing options that best suit their needs. As of Dec. 31, 2019, we had 49,000 Choice Gas Program participants (retail gas distribution customers in Nebraska and Wyoming)
- We provide our residential customers with natural gas appliance repair and protection plans, providing peace of mind from unexpected repair bills. As of Dec. 31, 2019, we had 190,000 active natural gas appliance repair or protection plans delivered through Service Guard and Customer Appliance Protection Plans.

POWER GENERATION

Our power generation segment supports and is vertically integrated into our electric utilities. This segment, which operates through Black Hills Electric Generation and its subsidiaries, acquires, develops and operates our non-regulated power plants. As of Dec. 31, 2019, our power generation segment owned interests in independent power plants with a total net ownership of approximately 423 MW. The majority of this capacity is contracted to our affiliate electric utilities under a combination of mid- to long-term contracts.

Power Plant	Fuel Type	Ownership Interest	Owned Capacity (MW)
Wygen I	Coal	76.5%	68.9
Pueblo Airport Generation	Gas	50.1%	200
Busch Ranch I	Wind	50%	14.5
Busch Ranch II	Wind	100%	60
Top of Iowa	Wind	100%	80



MINING

Our mining segment, consisting of a small coal mine in northeast Wyoming, supports and is vertically integrated into our electric utilities and power generation business. The mine is located near Gillette, Wyo., and adjacent to the only location where Black Hills Energy owns coal-fired power plants, allowing the company to deliver cost-effective energy to customers in Wyoming and South Dakota.

The mining segment operates through Wyodak Resources Development Corp., a direct, wholly owned subsidiary of Black Hills Energy's non-regulated holdings. We surface mine, process and sell primarily low-sulfur sub-bituminous coal to our adjacent coal-fired power plants. This very efficient mine mouth operation delivers coal to the adjacent power plants at \$0.81 per million British thermal units.*

- 3.72 million tons of low-sulfur Powder River Basin coal sold in 2019
- Nearly 100% of coal produced is contracted under long-term supply contracts to our on-site, mine-mouth generation facilities
- Wyodak Mine is the oldest, continuously operated surface coal mine in the United States. We have operated this mine since 1956.
- 50-year supply of coal reserves at current production rates

Learn more: [2019 Annual Report and 10K](#)

**As of December 31, 2019*



UNDERSTANDING THE REGULATORY COMPACT

Our electric and natural gas utilities operate under a set of regulations determined by state public utilities commissions and federal agencies. As a regulated utility company, Black Hills Energy is granted the exclusive right to sell electricity and natural gas in a defined service territory. In exchange, we operate under a set of conditions known as the “regulatory compact:”

- **Duty to serve:** We provide service to any residence or business that requests it within our defined service territory. Utilities cannot pick and choose their customers.
- **Cost of service pricing:** The pricing for electric and natural gas services is regulated and determined by the costs we incur to generate and deliver this energy to our customers. Utilities can only charge customers for investments that have been deemed “used and useful” for providing utility service. We are granted the ability to recover our costs of doing business and the opportunity to earn a reasonable rate of return on our utility capital investments.

AWARDS AND RECOGNITION

2019

- ENERGY STAR Partner of the Year
- National Wild Turkey Federation's Energy for Wildlife National Achievement Award
- State of Colorado's Environmental Leadership Program, Gold Level Leader
- Achievers 50 Most Engaged Workplaces
- InHerSight's 20 Best Utility Companies to Work For
- Occupational Safety and Health Administration's Voluntary Protection Program Star Status

2018

- Most Trusted Utility Brand (Market Strategies International)
- American's Best Midsize Employers List (Forbes)
- Wyoming Governor's Workplace Safety Award (fifth consecutive year)
- South Dakota Governor's Meritorious Achievement Award in Occupational Safety
- ServeNebraska Step Forward Community Volunteer Award
- State of Colorado's Environmental Leadership Program, Gold Level Leader

2017

- Utility Community Forestry Award, Nebraska Forest Service
- Wyoming Governor's Workplace Safety Award
- SourceAmerica Business Partnership Award
- Operation and Maintenance Wastewater Treatment Award, South Dakota Department of Environment and Natural Resources - Lange natural gas generating plant
- State of Colorado's Environmental Leadership Program, Gold Level Leader

2016

- America's Best Midsize Employers List (Forbes)
- Wyoming Governor's Workplace Safety Award
- State of Colorado's Environmental Leadership Program, Gold Level Leader

2015

- Secretary of Defense Employer Support Freedom
- Greater Cheyenne Chamber of Commerce Community Beautification Award
- Top Workplace Award (The Denver Post)
- 24-Karat Gold winner, Colorado Environmental Leadership Program
- Wyoming Governor's Workplace Safety Award

03 GOVERNANCE

Sustainability begins at the highest levels in Black Hills Energy, with direction from our board of directors, leadership from our CEO and executive management team, strategic planning from our cross-functional sustainability strategy team and integration throughout the company.

Strong governance lays the groundwork for sustainable success at Black Hills Energy and provides the foundation for constructive management and strategic oversight, while supporting a rigorous culture of compliance and accountability.

Our Vision: To be the Energy Partner of Choice

Our Mission: Improving Life with Energy

Our Values:



Agility

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



Communication

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



Creating Value

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



Customer Service

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



Integrity

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



Leadership

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



Partnership

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



Respect

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



Safety

We commit to live and work safely every day.

BUSINESS CONDUCT

Our corporate compliance and ethics programs provide the foundation for our business conduct and helps ensure the trust of our customers and communities, our regulators and shareholders, and our employees. We hold ourselves accountable for complying with all company policies, state and federal laws, and the rules and regulations that govern our industry. To facilitate this compliance, employees at all levels of our company, along with contract workers and vendors, are expected to complete annual training on – and adhere to – our Code of Business Conduct.

ETHICS HELPLINE

We strive to provide a workplace environment where employees feel comfortable asking questions or voicing concerns without fear of retaliation. To support this culture, we provide a dedicated and confidential Ethics Helpline that is available 24 hours a day, seven days a week. This service is available to all employees, as well as to anyone outside the company, to report actual or suspected ethical or illegal misconduct. The Ethics Helpline is managed by an independent, third-party operator and all reports are promptly investigated.

LEADERSHIP AND COMPANY OVERSIGHT

BOARD OF DIRECTORS

The members of our board of directors have a fiduciary responsibility to act in the best interests of our company and its shareholders. The board operates according to best practice principles outlined in the “Corporate Governance Guidelines of the Board of Directors.” These principles lay the foundation for the board’s responsibilities and guide their activities for operations, leadership, and organization and committee matters.

Our corporate governance structure promotes a strong, independent board of directors composed of diverse individuals whose backgrounds, abilities, commitment and expertise combine to provide strong oversight and advisement for the company. Our board members are held to the highest standards of personal and professional integrity and judgment.

BOARD LEADERSHIP

The board does not have a policy regarding the roles of chairman and CEO and whether they should be separate or combined. The board can choose the option that it feels best represents the interests of the company and its shareholders. When the chairman and CEO roles are combined, the board shall appoint one of its independent directors to be the lead director. Until May 1, 2020, the CEO and chairman roles were separated, with the executive chairman role held by David R. Emery and the CEO role held by Linden R. Evans. Steven Mills then served as presiding lead director. As of May 1, 2020, Steven Mills was elected as an independent chairman of the board, with Linden R. Evans continuing to serve as CEO and an executive board member.

BOARD COMPOSITION

The bylaws of Black Hills Corp. authorize the oversight of the company through a board of no less than nine members, with discretion to increase its size. As of October 1, 2020, our board was composed of 12 directors, 11 of whom are considered independent within the listing standards of the New York Stock Exchange. The CEO is an inside director and is not deemed independent.

Our collaborative culture encourages differing views and perspectives and we strive to create an inclusive environment, starting with the composition of our board of directors. We intentionally recruit individuals diverse in race, gender and background, and require diversity in both the prospective director pool and interview panel. Consistent application of these practices has made us a leader among our peers for the diversity of our board, with one third of board seats currently held by female or racially diverse directors. The composition of our board is currently as follows:

- 33% gender or ethnically diverse
- Average age: 62
- Average tenure: 5.7 years

For information on our current board of directors, visit [here](#).



BOARD RESPONSIBILITIES

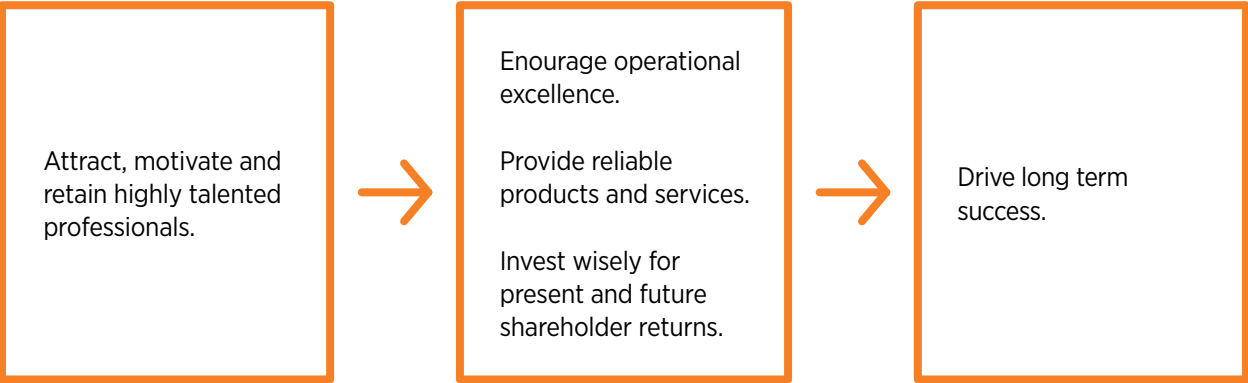
To ensure effective management oversight of the critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity, only independent board members serve on our board committees. The board has three committees to help execute its responsibilities:

- Audit committee
- Compensation committee
- Governance committee

More information about our directors, senior management team, corporate structure, governance documents and board committees and charts can be found at ir.blackhillscorp.com.

EXECUTIVE COMPENSATION

Our board’s compensation committee has an executive compensation philosophy that provides the foundation for our executive compensation program. The philosophy states that the program should be market-based and maintain an appropriate and competitive balance between fixed and variable pay, short-term and long-term compensation and cash and stock-based compensation. The overall goal of our executive compensation is to:



Company financial, safety and employee wellness goals are used as measures to determine variable pay programs. Additional information on our performance in these areas is included later in this report. At our 2020 annual meeting, our executive compensation program received a 97% favorable vote from shareholders.

ACCESS TO SHAREHOLDERS

All shareholders have the ability to nominate a candidate for our board of directors and all candidates are given equal consideration, without regard for the nominating party. Additionally, all shareholders have the opportunity to submit a proposal to be included in our proxy materials.

AUDIT AND RISK MANAGEMENT

RISK MANAGEMENT

Our enterprise risk management program is designed to identify, report and manage all forms of relevant risk and opportunity. Managing all areas of risk, including compliance, operational, regulatory, financial, reputational and environmental risks, are embedded into business processes and key decision making at all levels of the company.

CYBERSECURITY

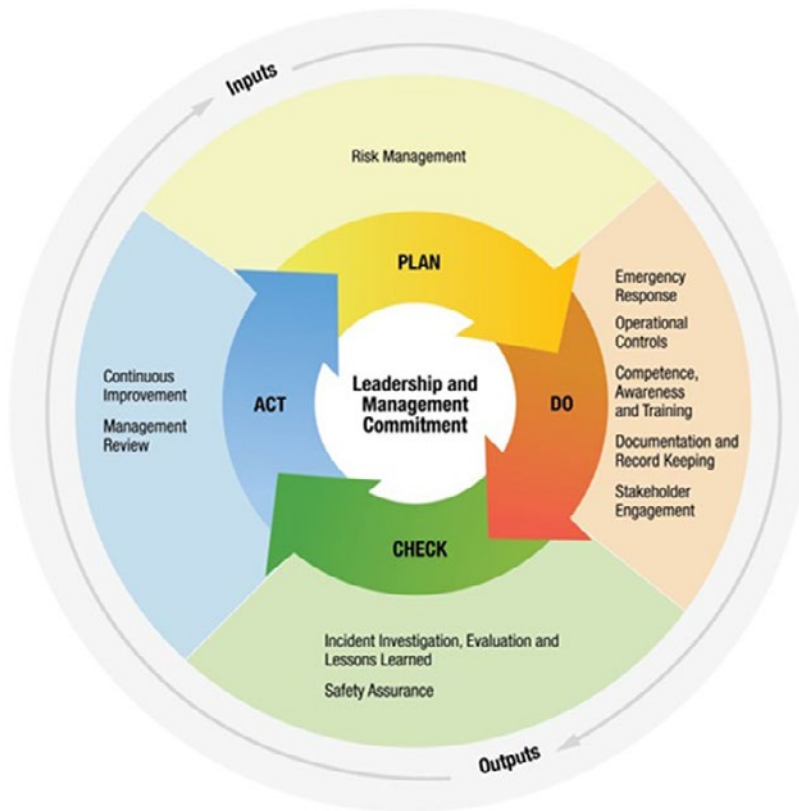
Black Hills Energy applies industry-standard security frameworks in our Corporate and Industrial Control System (ICS) environments as part of our commitment to the delivery of safe and reliable energy to our customers. We apply a standard of continuous improvement to cybersecurity, with ongoing employee training, education and system enhancements. Black Hills Energy is also a member of the Cybersecurity Risk Information Sharing Program (CRISP), a partnership with energy providers and the Department of Energy. As a voluntary participant in the CRISP program, Black Hills Energy shares threat information which could potentially detect and prevent cyber threats directed at Black Hills Energy and other utilities.

At Black Hills Energy, each employee plays a role in security. The overall culture of security and security awareness is embedded in our safety culture. Internal phishing drills are conducted monthly and results show Black Hills Energy scores significantly better than industry benchmarks.

PIPELINE SAFETY MANAGEMENT SYSTEM

In 2018, we voluntarily began the continual implementation of a Pipeline Safety Management System (PSMS). As outlined by API Recommended Practice 1173, a PSMS quantitatively assesses risk to feed into a process to make better decisions. The process approach allows for a deliberate and systematic way of managing interrelated processes and resources leading to consistency, effectiveness and efficiency, while also allowing for identification of areas for improvement. Black Hills Energy uses the 10 elements of the PSMS to comprehensively manage all the many aspects of pipeline safety.





COMPLIANCE

Oversight of compliance begins at the board level, with senior leadership accountability and employee team execution. This includes a comprehensive environmental management system to track performance and ensure compliance with all applicable state and federal regulations. In 2019, we achieved seventh consecutive year goal of zero violations and penalties.

Our high standard of compliance extends to our North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) compliance. We have a history of early adoption of major NERC regulatory changes and employ a vigorous process to identifying issues. Our integrity-driven approach has fostered trust with regulators; of over 300 NERC registered entities in the Western Interconnect, we are one of five who were allowed to self-log violations last year. In 2019, we achieved another consecutive year of no financial penalties.

RELIABILITY AND BUSINESS CONTINUITY

Reliability and business continuity are critical to us and those we serve. Our electric utilities consistently deliver industry top quartile reliability performance for all investor-owned U.S. utilities and have done so for the past 13 years. Across the company, we routinely test our systems and conduct table-top and full-scale mock drills to practice, identify gaps in our response plans and enhance procedures. Drills extend to departments throughout the company and in 2019, included an exercise with our board of directors.

READY TO RESPOND

When a fire alarm sounds at an elementary school, each student knows just what to do. Lines form in classrooms, evacuations begin, and students meet outside at pre-determined meeting places. Those life-saving actions happen almost by second nature thanks to the classic school fire drill.

There's no better way to prepare for an emergency than to practice the steps you'll take when needed.

At Black Hills Energy, our comprehensive approach to emergency planning and management includes mock drills and exercises that simulate emergency responses to natural gas emergencies. These events help us foster a closer working relationship with local emergency responders, and make sure our team is ready to keep our customers and fellow employees safe.

"We want to be prepared," said Bill, manager of compliance, codes and standards at Black Hills Energy. "If we have a big emergency response event, everyone will know his or her job. We will know what to do, and how to do it. You don't want someone in a real emergency pulling out paper plans, wondering what to do next. We practice so if the time comes that we need to act, we don't lose a single moment in responding," he said.

In 2019, employees across Black Hills Energy participated in a mock exercise that centered in the small town of Cass, Ark. Most participants didn't know the mock drill was coming, so it truly tested each team member's knowledge and training.

"This mock drill was of a catastrophic event, on a cold day, and could have impacted up to 160,000 customers," said Bill. "We look at all the different things that can happen from natural disasters like earthquakes, fires, tornados and floods, but also test for other events such as possible human error scenarios," he added.

The drills also help our teams train for how we'll partner with emergency responders and other agencies during a catastrophic event and how Incident Command Systems will be used during an event. "We rotate the drills in different areas of our service territory, and bring in supervisors, managers and external partners like fire chiefs and commissions. If they'd be part of our response in a real emergency, we would like to train with them," said Bill. "That way we're all speaking the same language when the time comes, and we know exactly what the chain of command roles and responsibilities would be," he added.

The mock drill included employees from field operations, pipeline safety and compliance, customer care, corporate communications, community affairs and the Corporate Crisis Response Team.

In addition to the large mock exercise like this, over 1,400 Black Hills Energy employees take an online course "Incident Command System and Major Event Playbook Training" each year.



04 ENVIRONMENTAL STEWARDSHIP



OUR ENVIRONMENTAL COMMITMENT

Throughout our history, we have been strong environmental stewards. We've pioneered new power plant technology, set the bar for emissions levels and built infrastructure ahead of current standards. We *do* more than *talk*, and as we look to the future, we know sharing our intentions for improving the climate will help us achieve them.

ELECTRIC

Our goal is to reduce our electric operations' greenhouse gas emissions intensity

40% by 2030

and

70% by 2040

as compared to 2005.

We have already lowered our emissions intensity by 25% and know we can achieve our goals using the technology available today. We will expand our strategy of investing in cost-effective renewables and new technologies to further reduce our environmental impact across all states, while continuing to deliver safe, reliable and affordable energy to customers.

We operate the cleanest electric utility in Colorado, with an all-renewable and natural gas generation fleet. Our Colorado electric utility has achieved an approximate 50% reduction in greenhouse gas emissions since 2005 and is on track to reach 80% reduction by 2030.

Electric: Based on GHG emissions intensity as compared to 2005 levels for our three electric utilities, power generation and purchased power.

NATURAL GAS

We've cut our emissions intensity by over a third since 2005 and commit to achieving a

50% total reduction by 2035

in our natural gas utilities' greenhouse gas emissions intensity.

With nearly 99% of our natural gas infrastructure comprised of pipeline materials with the lowest emission factors and no cast iron pipe remaining, we operate a system that exceeds industry averages. To achieve our goals, we've committed to the EPA's Methane Challenge and will replace all remaining unprotected steel pipe within the next 15 years. In addition, we're pursuing renewable natural gas and technology advancements to provide even cleaner energy solutions for the future.

Natural gas: Based on fugitive GHG emissions intensity as compared to 2005 levels for our natural gas distribution system, including main and service pipelines.

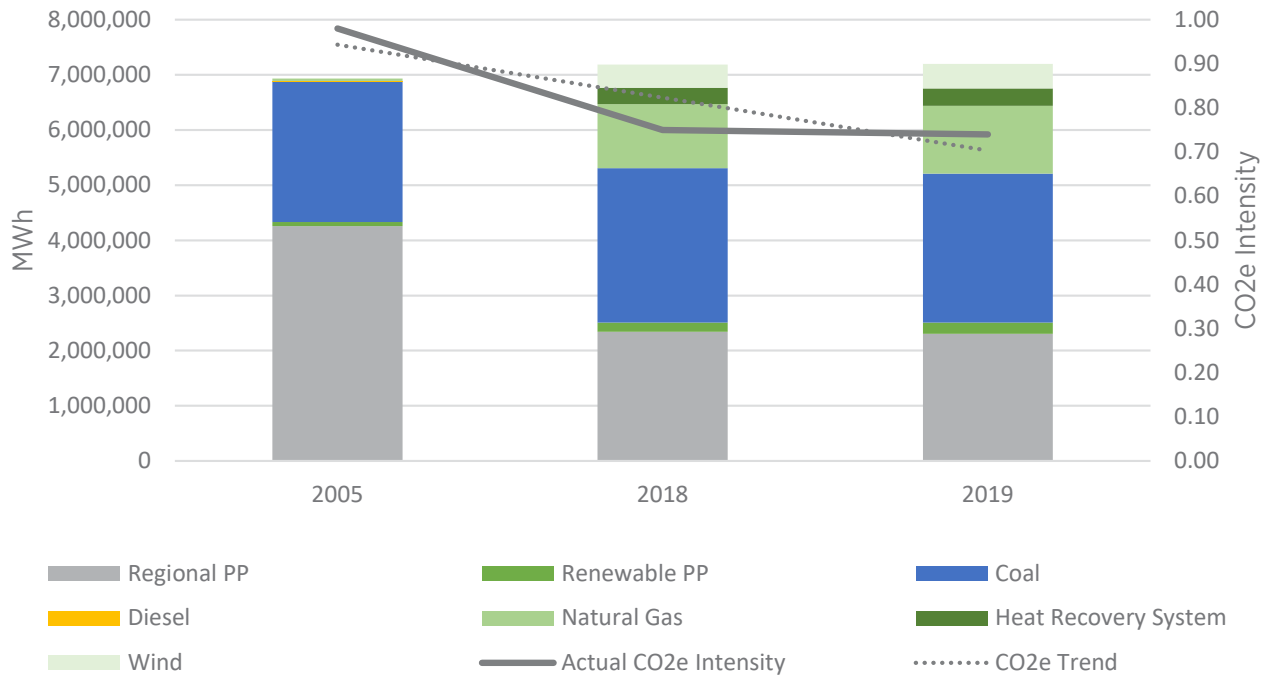
RENEWABLES AND EMISSIONS REDUCTION: ELECTRIC UTILITIES

We operate electric utilities in South Dakota, Wyoming, Colorado and Montana, serving nearly 215,000 customers. **Our electric operations have reduced total GHG emissions intensity by 25% since 2005**, and our utility in Colorado is the cleanest in the state, with an all-renewable and natural gas generation fleet. The State of Colorado has recognized Black Hills Energy as a Gold Level Leader in its Environmental Leadership Program, the highest status awarded in Colorado, a status we have achieved every year since we entered the program in 2013.

We produce energy using a balanced mix of generation sources which include modern baseload coal-fired power plants equipped with some of the most technologically advanced emission controls in the country; advanced, state-of-the-art natural gas-fired generating plants; and cost-effective renewable energy resources. Together, these resources ensure energy reliability and customer affordability while minimizing the impact of our operations on the environment.

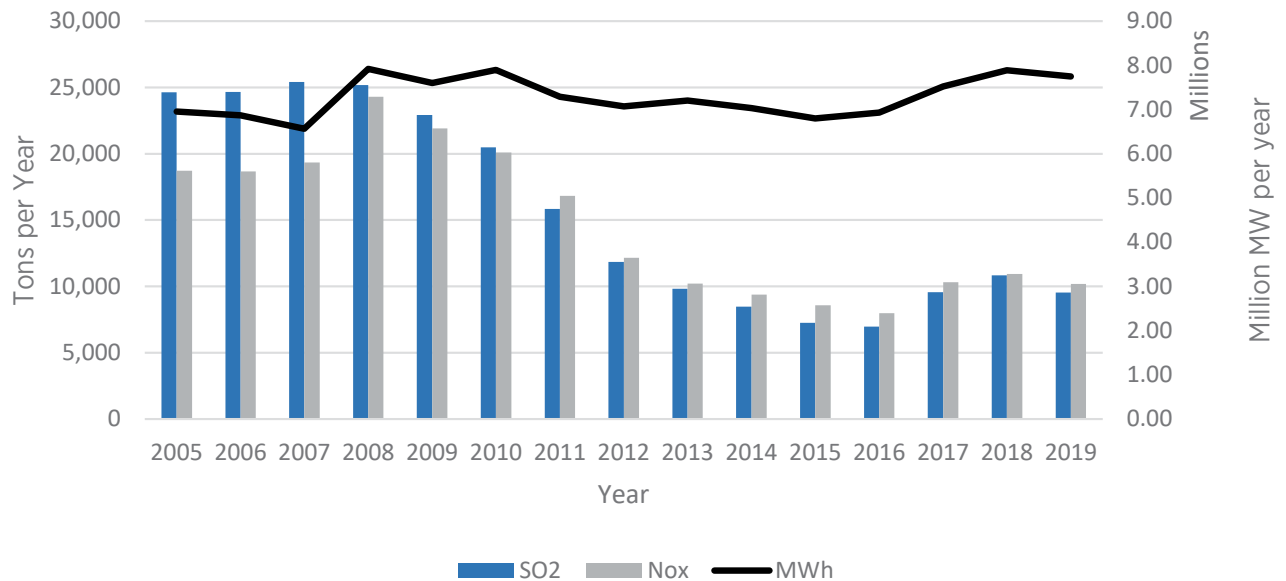
Over the past nine years, we've been a leader in modernizing our electric generating fleet by retiring aging coal plants and constructing new natural gas and renewable energy resources including wind facilities. We've nearly doubled the generating capacity of our system during this period while significantly reducing greenhouse gas emissions from the energy we produce. From 2011 to 2019, we reduced nitrogen oxide and sulfur dioxide emissions by more than 50%.

MWh and CO2e Intensity Over Time



SO2 and NOx Emissions

(Generation and Purchase Power)



WIND AND SOLAR PROJECTS

Our renewable energy portfolio continues to grow and support further greenhouse gas (GHG) emission reductions. Renewable energy projects include three wind generating facilities: Busch Ranch I, commissioned in 2012 (30 MW); Peak View, commissioned in 2016 (60 MW); and Busch Ranch II, commissioned in 2019 (60 MW). We also have a new, 10-year power purchase agreement for 60 MW of wind energy.

Our latest renewable project is a 200 MW solar project called Renewable Advantage. The preferred bid has been approved by the Colorado Public Utilities Commission. As planned, the solar project would be commissioned in 2023 and provide significant environmental benefits, **leading to approximately 70% reduction in GHG emissions by 2024 and over half of our Colorado electric utility's energy coming from renewable generation resources.** This builds upon our current achievement of a nearly 50% emissions reduction since 2005.

In South Dakota and Wyoming, the Renewable Ready program provides our largest customers with an opportunity to advance their business goals and sustainability objectives by choosing cost-effective, utility-scale renewable energy resources to power their businesses. Renewable Ready was approved in 2019 and gives customers the option of subscribing to renewable energy resources for up to 100% of their electric energy needs.

To support the Renewable Ready program, we have nearly completed construction of the 52.5 MW Corriedale Wind Energy Project in Cheyenne, Wyo. Renewable Ready subscribers will pay a rate for the full cost of generating, integrating and delivering the renewable energy produced at the wind project. The wind project is on schedule to be placed into service in late 2020 and will be jointly owned by our electric utilities in South Dakota and Wyoming.

We have 60 MW of wind energy on our Wyoming system available through long-term power purchase agreements at the Happy Jack and Silver Sage wind generation facilities. Under separate inter-company agreements, our Wyoming utility sells 50% of the Happy Jack wind facility's output and 20 MW of energy from Silver Sage to our electric utility in South Dakota. Our South Dakota utility also has a power purchase agreement for an additional 12 MW of energy that is also sourced from Silver Sage Wind Facility.

Our South Dakota electric utility has executed a 20-year power purchase agreement for 80 MW of solar energy. As planned, the solar project would be commissioned in 2022 and energy purchases would begin in December of that year.

Rounding out our renewable fleet is the 80 MW Northern Iowa Wind Facility, purchased in 2018.



**281.5 MW of owned
renewable energy by
the end of 2020**

RENEWABLE READY PAVES THE WAY FOR CUSTOMERS TO MEET SUSTAINABILITY GOALS

“Clean energy is good for the planet and good for our company,” Ron Henley, U.S. Division president for GCC.

It's statements like this that cement Black Hills Energy's commitment to deliver what our customers need.

GCC produces cement, concrete and aggregates for the construction industries in Mexico, the United States, Canada and Latin America. Like many of our large commercial and industrial customers, GCC is committed to environmental responsibility, and our Renewable Ready program helps them meet their sustainability goals.

“By choosing low-cost renewable energy resources to power our business, we're able to advance our business goals and sustainability objectives while also supporting the expansion of affordable, renewable energy development in the region,” said Henley.

Renewable Ready allows subscribers the ability to enter long-term contracts for renewable energy sources to power their businesses. The program is being supported by a new wind generating facility that's nearing completion – the Corriedale Wind Energy Project. The facility, when complete, will generate a total of 52.2 MW of wind energy, to be used exclusively for our South Dakota and Wyoming subscribers of Renewable Ready.

GCC's Rapid City plant will use Renewable Ready to provide about 50% of the cement plant's electricity needs for the next 15 years, a move that GCC says will significantly offset the plant's greenhouse gas emissions each year.



RESEARCH AND TECHNOLOGY

In addition to renewable energy, we're continually evaluating innovative ways to lower emissions, such as hydrogen battery storage, hydrogen fuel usage with combustion turbines and fuel cell technology. We're also partnering with the University of Wyoming on a coal-fired flameless pressurized oxy (FPO) combustion research project. If the proposal is accepted by the U.S. Department of Energy, Black Hills Energy will host a large-scale pilot at our Gillette, Wyo. energy complex, aimed at advancing new technology to cost effectively utilize coal with little to no emissions.

FPO presents a compelling opportunity to lead the development of a promising transformative technology for coal combustion. Successful demonstration of the pilot would set the stage for the first commercialization of FPO in Wyoming, a critical opportunity for transforming Wyoming coal and natural gas fired power plants to address carbon capture needs. The expected start date of the project is May 2021, with pilot conclusion in November of 2024.

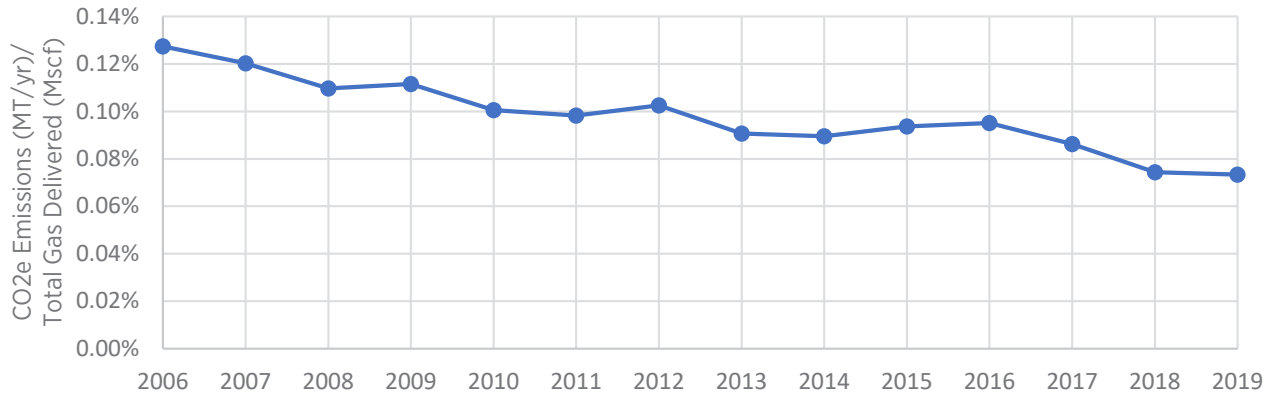
RENEWABLES AND EMISSIONS REDUCTION: GAS UTILITIES

Our natural gas utilities serve over one million customers in six states. We operate a gas system above industry standards, with no cast iron pipe since 2014 and nearly 99% of our infrastructure comprised of protected steel or plastic, materials with the lowest emissions factors. We've cut our emissions intensity by over a third since 2005 and commit to achieving a **50% total reduction in our natural gas utilities' greenhouse gas emissions intensity by 2035.**

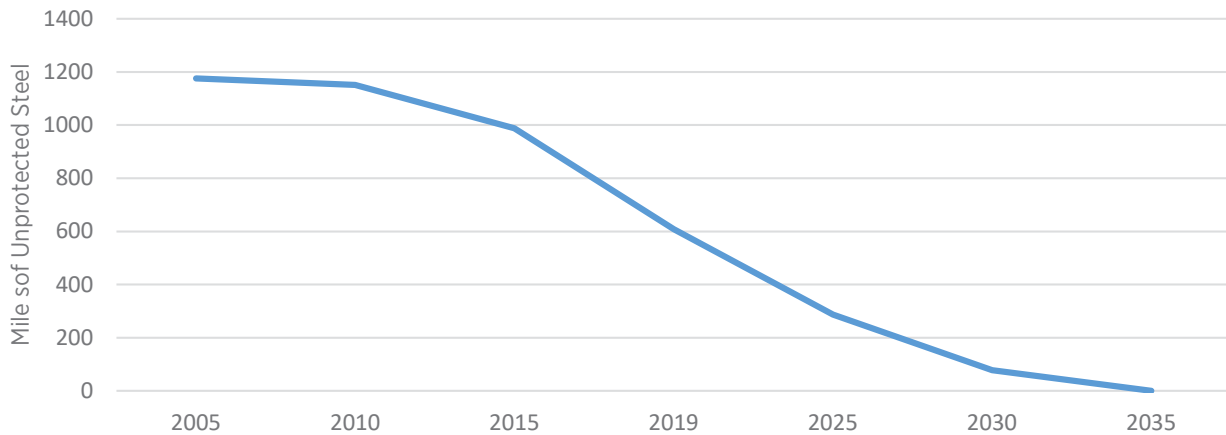
Investing in infrastructure safety and the environment are a priority, with programmatic upgrades of the remaining unprotected steel continuing system wide. **We're committed to completing replacement of all remaining unprotected pipe before 2035.**



Black Hills Energy Percent Carbon Intensity for Fugitive Methane Emissions

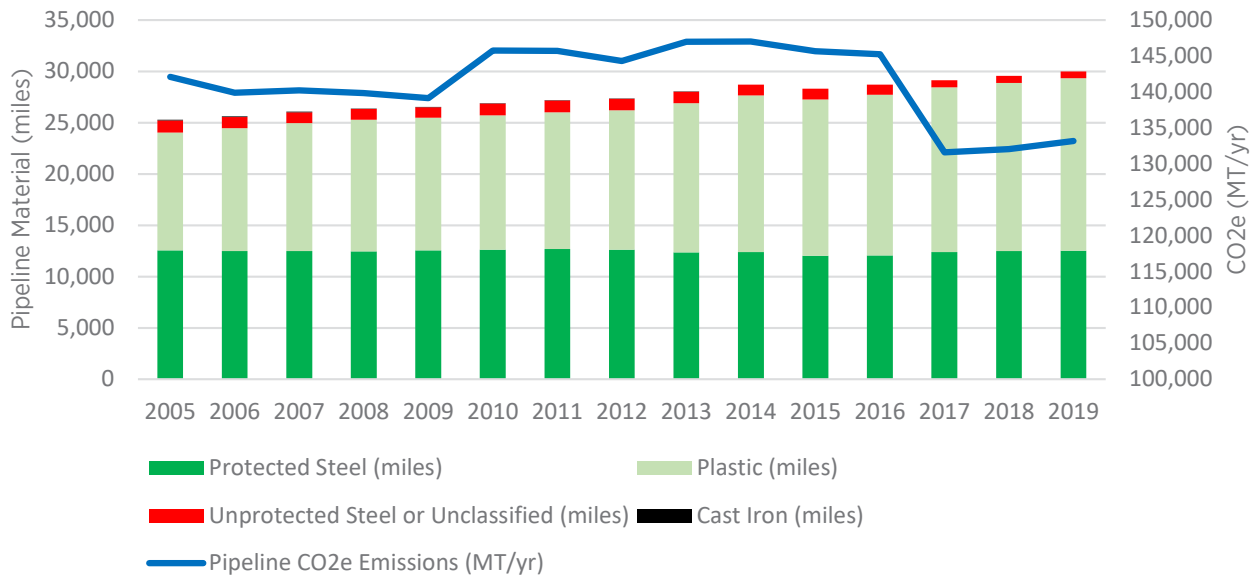


Unprotected Steel Pipe Replacement Efforts

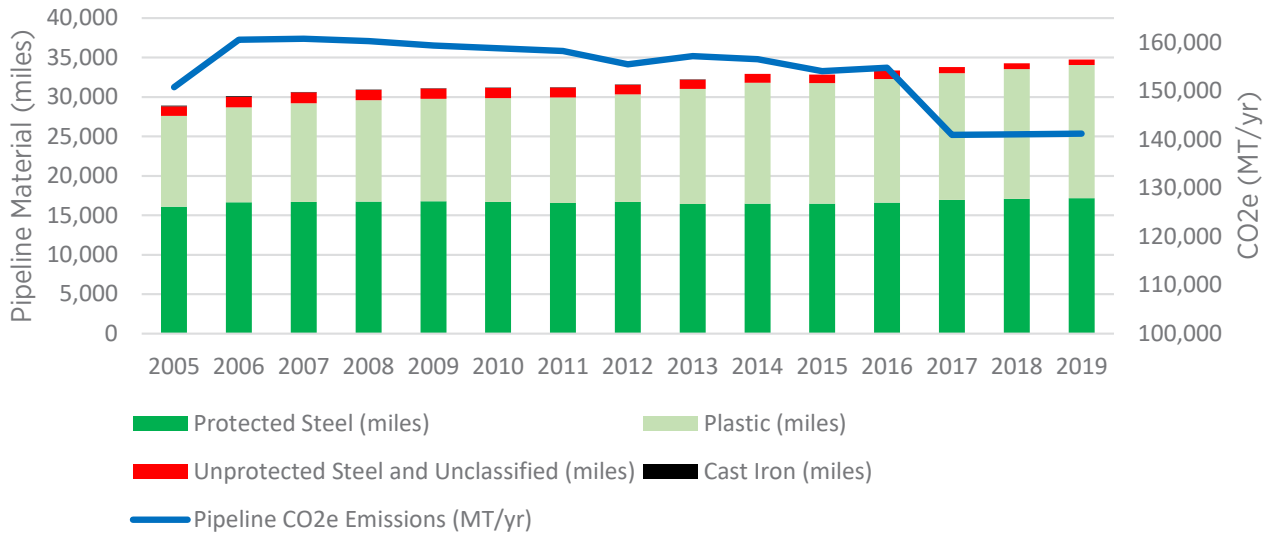


We have developed a comprehensive, programmatic integrity management programs to monitor our natural gas pipeline systems, upgrade our pipeline networks to enhance safety, improve system reliability and reduce or eliminate methane emissions. Our program assess risk and prioritizes the replacement and upgrading of pipeline to proactively replaces vintage and at-risk materials while achieving our GHG emissions reduction goal. Integrity management involves comprehensive evaluations of all pipelines and aboveground equipment, including direct inspection of pipelines for leaks using state of the art technologies.

Black Hills Energy Distribution Pipeline Material vs Pipeline Emissions



Black Hills Energy Distribution and Transmission Pipeline Material vs Pipeline Emissions



Our GHG emissions reduction strategy includes:

- Pipeline replacement: a multi-year capital investment plan to replace aging infrastructure and eliminate higher methane-emitting unprotected steel, obsolete plastic and above-ground pipeline from our natural gas pipeline system. Since 2005, we reduced our annual CO₂e emission by approximately 9,000 tons while increasing pipeline miles by approximately 6,000 miles.
- Services replacement: a multi-year capital investment plan to replace aging natural gas regulators and valves constructed of higher methane-emitting materials such as unprotected steel and obsolete plastic. Since 2005, we increased the number of natural gas distribution services by over 160,000 installations, while also reducing greenhouse gas emissions by over 20,000 tons.
- Damage prevention: Our comprehensive damage prevention strategy increases system safety and lowers the potential for methane to be released from a damaged natural gas pipeline.
- Renewable natural gas (RNG): We currently receive RNG from three facilities and are pursuing additional RNG opportunities. RNG, a potentially carbon negative energy, has the potential to further reduce operational and customer natural gas GHG emissions.

EPA METHANE CHALLENGE



Through the Methane Challenge Program, the EPA encourages partners to make commitments to reduce methane emissions through broad scale implementation of cost-effective technologies and practices. We have recently joined the Methane Challenge and have committed to three Best Management Practices: Distribution Mains Replacement, Distribution Services Replacement and Excavation Damages, which advances us to a position of industry leadership in challenge commitments. By joining this program, we will showcase our planned pipe replacements and associated GHG emissions reductions on a national level.

RENEWABLE NATURAL GAS

Our natural gas supply includes renewable natural gas (RNG) from landfills and wastewater treatment facilities. We receive RNG into our pipelines from two facilities in Nebraska and one in Iowa, capturing methane that would otherwise vent into the atmosphere. With 12 additional projects active and 60 others identified, we see great potential to generate RNG supplies throughout our vast agricultural service area. For example, just one of current RNG projects, a landfill in Sarpy County, N.E., produces enough pipeline quality RNG to fuel nearly 6,000 homes a year. For more information on our RNG projects, visit blackhillsenergy.com/RNG.



“SOMETIMES YOU CAN DO WELL BY DOING GOOD.”

That’s how Dave Lyons, Sustainable Innovations Consultant with the Greater Dubuque Development Corporation, summed up the environmental and economic benefits of the Dubuque Water and Resource Recovery Center (WRRC) in Dubuque, Iowa.

The City of Dubuque has a long-standing history of focusing on sustainability, and in 2013 converted its waste-water systems from one that separated and burned the remaining sludge to one which used anaerobic digestion to create methane. It used a portion of that methane to heat and run the plant, but flared and vented the rest as CO₂, a greenhouse gas. It began searching for a way to reduce that environmental impact.

“Black Hills Energy suggested we consider a renewable natural gas facility and gave us a couple contacts. We reached out to a developer who came on board to clean WRRC’s excess methane to pipeline quality gas. Black Hills Energy provided the equipment to put the gas into the national pipeline, which allowed us to create a new revenue source from renewable natural gas. We’ve been operating successfully for over two years now,” said Lyons.

And now the equation has completely changed.

“What had previously been a waste and a cost and had an environmental impact is now a valuable product generating value for the developer, Black Hills Energy and the people of Dubuque,” said Lyons. “We want people to learn from our successes and also our mistakes.”

Thanks to the lessons learned in Dubuque, more communities will have the information they need to pursue similar projects. “We can’t make these kinds of environmental and economic projects work without the infrastructure and capital investment that’s been made by our local pipeline company and utility. None of this is possible without a partner like Black Hills Energy.”



RESEARCH AND TECHNOLOGY

Energy efficiency and emerging technologies have potential to significantly reduce greenhouse gas emissions from natural gas. We're currently supporting research through the Gas Technology Institute which aims to lower methane emissions from gas purging practices using vacuum technology.

Pipeline leaks are typically spotted in aerial surveys by identifying areas of dead grass and foliage. However, due to Colorado's dry climate and naturally brown scenery, not all the leaks in this area can be detected using the aerial survey method. That's why, in 2018, our natural gas utility in Colorado began using Optical Gas Imaging (OGI) cameras for their pipeline leak surveys. Utilizing the OGI Camera allows us to repair a higher percentage of leaks along our transmission pipeline, leading to greater GHG emissions reduction.

We also achieved a second consecutive annual ENERGY STAR award from the EPA for our energy efficiency program and are exploring ways to advance the adoption of advanced appliances, such as high efficiency natural gas furnaces and combined fuel heat pumps. For more on our energy efficiency efforts, see page 36.

DAMAGE PREVENTION

Our damage prevention strategy includes stakeholder outreach, employee training and education and public awareness. While we've made significant progress in reducing damages, third-party line hits remain the largest contributor to damage of our underground infrastructure. In 2019, we conducted 1,800 excavation audits or site visits to check on the safety of the work being conducted excavation job sites.

We also participated or held 162 events reaching over 10,500 attendees, including complimentary contractor trainings, home improvement store booths and recognition of crews digging safely. In addition, we increased our safe digging social media visibility to nearly 500,000 impressions, with dedicated campaigns for April's Safe Digging Month and 811 Day in August.



EMISSIONS REDUCTION: VEHICLES

Black Hills Energy's goal is to electrify **20% of its on-road fleet by 2030.**

This plan will convert over 400 on-road vehicles to electric, plug-in hybrid electric, or plug-in idle mitigation technology, including approximately 40% of cars and SUVs and 45% of heavy-duty trucks by 2030. In 2019, 70 of our fleet vehicles and 51 pieces of equipment used non-gasoline or diesel fuels, such as electricity and compressed natural gas.

READY EV

Our efforts to reduce GHG emissions from transportation don't stop with our fleet. In 2019, Black Hills Energy launched Ready EV, an electric vehicle charging rebate program, to promote adoption of electric vehicles and make it easier for our electric customers to charge their cars at home or at work.

Residential customers can receive a rebate up to \$500 on a Level 2 charger and installation, covering a majority of the cost of the charger.

Business customers can receive up to \$2,000 per Level 2 charging port, while government and nonprofit organizations can receive up to \$3,000 per port. Most commercial charging stations come with two ports, allowing the station to charge two cars at once. Therefore, if a business installs two charging stations with two ports each, or four ports total, they will receive up to \$8,000. Government and nonprofits can also receive up to \$12,000 to offset charger costs.



**REVOLUTIONIZING
THE FUTURE.**

BLACK HILLS ENERGY PARTNERS WITH PUEBLO TO REV UP ELECTRIC VEHICLES

Pueblo, Colo. is committed to running on 100% renewable energy by 2035. And Black Hills Energy is ready to help.

In addition to providing the community with energy from our all-renewable and natural gas generation fleet, we're partnering with the City of Pueblo to create the electric vehicle infrastructure it needs to reach its goal.

Our Ready EV plan to support the widespread adoption of electric vehicles while addressing the State of Colorado's clean energy policy objectives is pending review by the Colorado Public Utilities Commission. If approved, the plan will provide our customers with rebates to significantly lower the cost of electric vehicle charging equipment, establish rate options that could lead to bill savings, and expand the commercial infrastructure needed to make EV charging more accessible.

In the meantime, we're charging forward with ways to partner with Pueblo. "We're using a two-pronged approach to support Pueblo," said Devin, Black Hills Energy's program manager. "First, we're using the regulatory process to develop an appropriate time of use rate designed specifically to benefit level 3, DC fast charging stations. On a parallel track, we're partnering with the community to install level 2 charging stations for immediate use," he said.

With Black Hills Energy's support, the City of Pueblo secured a grant from the Colorado Energy Office to develop electric vehicle infrastructure. The grant covers 80% of the equipment expenses and requires the city to find a partner to help offset the remaining costs, a role Black Hills Energy fulfilled.

To date, the City of Pueblo and Black Hills Energy have partnered to install three level 2 charging stations downtown, two level 2 stations at Pueblo Community College's main campus, one at the college's Fremont campus, and are currently working on installing level 3 chargers at a local 7-eleven and in a centrally located public parking lot.

"One of the benefits of installing level 2 chargers is the data it gives us to analyze our charging station sites," said Devin. "We can see in real time what the charging needs are, which units are constantly utilized, and where it makes sense to put in level 3 stations down the road."

Black Hills Energy is also working with Pueblo County. The county was awarded a grant to create a comprehensive electric vehicle infrastructure plan that will make the region eligible to apply for additional grants.

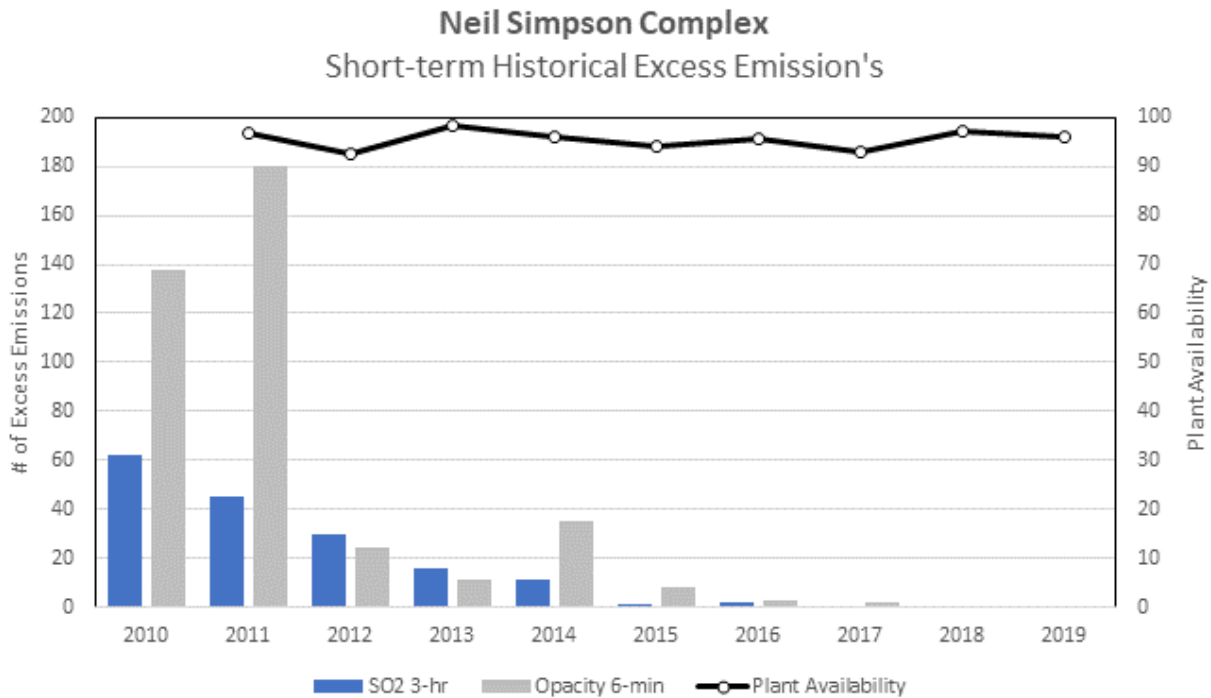


RESOURCE MANAGEMENT

AIR QUALITY

We developed an industry-leading “emissions control logic” program to reduce short-term air quality emission exceedances at our power plants. In fact, we are the only utility company in the nation to deploy this technology on all of its generating units. The emissions control logic, coupled with improved maintenance, has virtually eliminated exceedances without jeopardizing operating availability. The software is programmed to shut down the operating electric generating units should air emissions approach the units’ permitted emission limits, thus preventing the exceedance from occurring. **This pioneering technology significantly reduces our compliance risk, and we are currently the only company in the country employing such a technology approach.**

This technology, coupled with improved plant maintenance, has eliminated air permit exceedances from our generating units, while continuing to sustain high plant availability at each of our units. The graph below illustrates the air quality performance of our coal-fired generating units at our Neil Simpson Complex in Wyoming.



WATER CONSERVATION

Black Hills Energy was the first energy company to use air-cooled condensers in the United States. By using an air conditioner to cool the generation boilers rather than pumping water from a river or lake, we save millions of gallons of water usage daily, a critical benefit in the arid West. This technology also eliminates contaminated water from being discharged into the environment. Air-cooled condensers are utilized on all our power plants at the Neil Simpson Energy Complex in Gillette, Wyo.

Our water conservation technology saves

243 billion gallons of fresh water every year.

COAL ASH MANAGEMENT

Our coal-fired generating plants are located at our energy complex in northeastern Wyoming and fueled by coal produced at our adjacent Wyodak mine. This efficient, mine-mouth operation produces cost-effective fuel for our generating units, creating savings for our customers. Coal ash is a by-product of the process of converting coal to energy. Black Hills Energy uses 100% of its coal ash for backfill reclamation activities at the Wyodak mine in areas previously mined. This use and reclamation plan were approved by the State of Wyoming and the Office of Surface Mining Reclamation and Enforcement.

VEGETATION MANAGEMENT

In 2019, Black Hills Energy enrolled 1,000 acres of electric transmission right of way in the National Wild Turkey Federation's (NWTF) Energy for Wildlife Habitat Endorsement Program. Our vegetation management specialists worked with the NWTF to create a beneficial program, encouraging habitat enhancement on energy corridors including areas within the Black Hills National Forest. We've made significant progress adopting a progressive Integrated Vegetation Management system to both decrease maintenance costs and greatly increase wildlife habitat value.

AVIAN PROTECTION

We are an industry leader in the protection of migratory, threatened or endangered birds, raptors and waterfowl. For over 15 years, we have deployed an avian protection plan and conduct ongoing training for employees. All new power lines are built to raptor-safe standards and proactive retrofits are part of our ongoing maintenance programs. We build manmade nests to replace nests established on our powerline poles and work with local non-profits to provide raptor rehabilitation services. In 2019, we significantly reduced our response time to retrofit structures associated with negative interactions from 149 days to six days, with the average time for most retrofits being within 24 hours. [View our full report on Avian Protection.](#)



WILDFIRE RISK MITIGATION

Our commitment to safety extends far beyond our employees. We care about the communities in which we serve and recognize the important role natural resources play in making our service territory such a desirable place to live. All employees and contractors representing our company have a responsibility to execute on work related activities in a way that supports a “Fire Safe” culture. The following strategies support our commitment to staying engaged in major industry efforts as well as the continuous improvement of internal programs and work activities to mitigate wildfire risk and provide a quality service to our customers:

ENGAGEMENT IN INDUSTRY CONFERENCES AND COMMITTEES

Industry standards supporting Wildfire Risk Mitigation have not yet been developed. Utilities across the country are relying on each other to share best practices and experiences. We frequently participate in industry conferences and have team members engaged on committees as the industry looks to develop best practices.

LEVERAGING THE EXPERIENCES OF THIRD-PARTY CONSULTANTS

In 2019, Black Hills Energy consulted a team of subject matter experts in utility asset management, vegetation management, wildfire behavior modeling, geospatial analysis, linear optimization, remote sensing, software and utility wildfire program management to support the development of strategic, tactical and operational programs aimed at mitigating wildfire threats. The following three phased approach to evaluate and mitigate our current structural, operational and procedural wildfire risks was developed:

- Phase I: Assessment of Wildfire Risks and Mitigation Opportunities
- Phase II: Risk Mitigation – Prioritization, Strategic and Tactical Planning
- Phase III: Program Implementation, Maintenance & Continuous Improvement

We are currently in Phase II of the plan, with Phase I being completed in Q4 of 2019.

ALIGNMENT OF KEY STRATEGIES AND PROGRAMS

Black Hills Energy has a number of key strategies and programs intended to reduce risk and improve reliability. Vegetation management, line patrol and pole inspections make up three of the major asset programs that provide opportunities for us to evaluate the condition of our electric infrastructure. We have partnered with third-party consultants with broad industry experience to develop strong asset programs which allow Black Hills Energy to proactively remediate aging or damaged infrastructure. Our asset programs support a comprehensive approach that factors in the specific needs of our service territory. Improved system reliability and a significant reduction in vegetation caused outages support the approach taken by Black Hills Energy. Although industry standards for these programs do not exist, we apply industry leading approaches to asset programs activities. For example, trim cycles for our vegetation management program are based on the species of trees and anticipated growth rates within our service territories, measures which have reduced vegetation-caused outages and improved system reliability.

Capital projects are prioritized partially based on the overall impact to Wildfire Risk Mitigation. For example, our electric Distribution System Integrity Program (DSIP) projects are heavily influenced by wildfire risk mitigation.

TREE PLANTING

In 2019, we invested almost \$85,000 in planting nearly 1,500 trees which will grow to save energy by blocking the hot summer sun and cold winter winds, as well as filter nearly 7 million gallons of storm water and avoid or sequester over 2.5 million pounds of carbon dioxide. Since beginning our program in 1992, the Arbor Day Foundation and Trees Forever estimate the Black Hills Energy program has avoided over 28 million pounds of carbon, filtered 80 million gallons of stormwater and saved 7 million kWh.

1 COMMUNITY. 2,820 TREES. 23 YEARS.

From clean air to energy savings to their sheer beauty, there's a lot to love about trees. That's why we partner with communities throughout our service territory like Story City, Iowa to plant trees every year.

Story City's landscape is thriving, but it wasn't always that way. The town lost all its elm trees to disease in the 1960s. When it became clear that trees throughout the community would also need to be cut down, citizens took action. A group of volunteers started a Trees Forever group and started planting about 90 trees a year.

Now, every year on the last Saturday in April, Trees Forever holds a tree sale. The group uses matched donations from Black Hills Energy and the City Council to sell trees at a reduced rate so a tree that costs the group \$100 to purchase is only \$45 for local families and businesses to buy and plant.

In addition to the annual sale, Trees Forever orders trees for volunteers to plant for the good of the community. Groups like the Boy Scouts and Girl Scouts help plant the trees and learn the proper way to mulch, water and stake.



FORMER MANUFACTURED GAS PLANTS (FMGP)

Former Manufactured Gas Plants (FMGPs) operated from the 1890s to the 1940s, before natural gas was available as an energy source. These plants used coal and oil to produce gas for lighting, heating and cooking, and created a by-product, waste coal tar, which was typically buried on-site at the FMGP or left in underground tanks at the site. Waste coal tar from FMGPs is a regulated hazardous substance today and subject to remediation. Starting with the Aquila acquisition in 2008, we have managed seven FMGP sites in: Nebraska (Columbus, Norfolk, Blair, Plattsmouth, Beatrice); Iowa (Council Bluffs); and Kansas (Lawrence). All have been remediated with the exception of the Council Bluffs site, which is currently underway. With the SourceGas acquisition in 2016, we acquired three additional FMGP sites for potential mitigation located in: Nebraska (McCook and Scottsbluff); and Colorado (La Junta).

As of Dec. 31, 2019, we have two active FMGP sites—one in Council Bluffs, Iowa and one in McCook, N.E. We are working with the EPA to identify the Potential Responsible Parties, who would be responsible for paying for clean-up of the Council Bluffs site.

RECYCLING

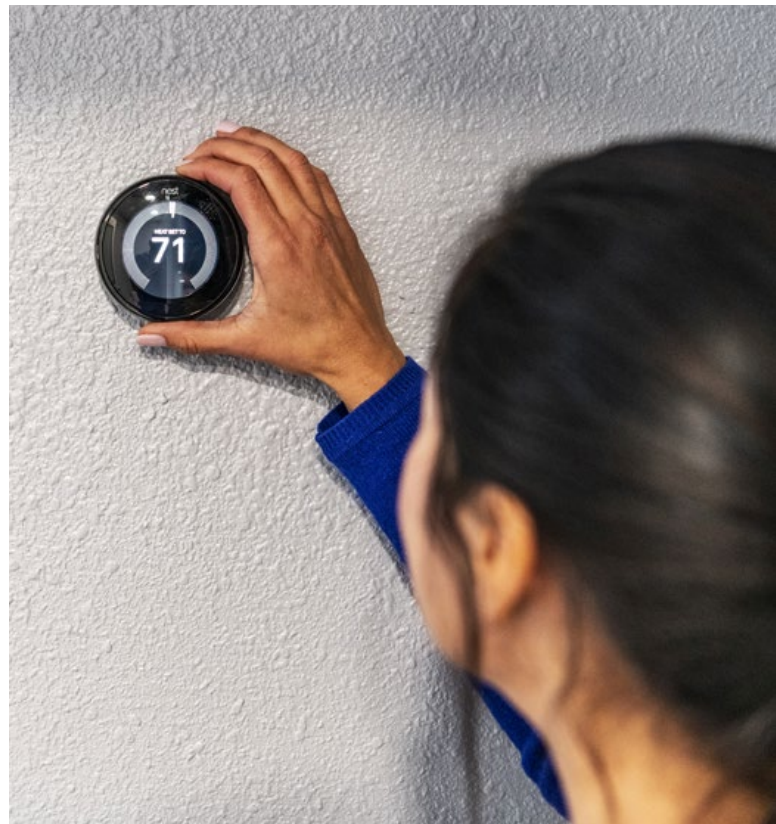
All of Black Hills Energy facilities are designated as Conditionally Exempt Small Quantity Generator status for hazardous waste. Recycling measures are implemented across our corporate footprint which includes designated universal waste collection sites to promote the recycling of common hazardous waste including batteries, pesticides, mercury-containing equipment and lamps. Additionally, scrap metal is recovered at facilities to be introduced as a raw material in the production of new goods through local vendors. Used oil from electrical service activities such as transformer maintenance is commonly accumulated in drums and recycled through an approved vendor.

ENERGY EFFICIENCY AND CONSERVATION

We offer our customers a wide variety of programs and rebates to help them conserve energy and lower their energy costs. We provided nearly \$7 million in energy efficiency rebates in 2019 to residential and business customers, leading to annual energy savings of over 27 million kilowatt-hours of electricity and 312,000 dekatherms of natural gas - enough energy to power nearly 3,500 homes with electricity and over 3,700 homes with natural gas for one year.*

In 2019, we achieved a second consecutive annual ENERGY STAR award from the EPA for our energy efficiency program. In addition to our energy efficiency programs, we educate and engage with customers through multiple channels to promote adoption of energy-saving techniques.

**Assumes annual electricity usage of 7,800 kWh (650 kWh per month) and annual natural gas usage of 84 Dth (7 Dth per month).*



DSM/Energy Efficiency Program Impact* 2019 Program Year

Year	Spending	Rebates Paid	Electricity Savings (kWh)	Natural Gas Savings (Dth)
2019	\$16,800,000	\$6,950,000	27,075,000	312,000
2018	\$21,800,000	\$9,000,000	28,200,000	397,000
2017	\$21,000,000	\$10,000,000	28,849,000	339,000
2016	\$20,000,000	\$10,000,000	26,790,000	377,000

*DSM/Energy Efficiency programs are funded by a surcharge on customers' bills depending on the conditions set forth by state public utilities commissions.

2019 DSM/Energy Efficiency Program Impact by State (rounded)

State	Spending	Rebates paid to customers	Electricity Savings (kWh)	Natural Gas Savings (Dth)
Arkansas	\$3,150,000	\$1,700,000	N/A	127,000
Colorado	\$9,850,000	\$3,400,000	17,700,000	162,000
Iowa*	\$1,450,000	\$500,000	N/A	11,400
South Dakota**	\$950,000	\$550,000	4,825,000	N/A
Wyoming	\$1,400,000	\$800,000	4,550,000	11,700
TOTAL	\$16,800,000	\$6,950,000	27,075,000	312,000

*Due to state legislation, data for Iowa is April 1 - December 31, 2019.

**Program data for period Sept. 1, 2018 through Aug. 31, 2019.



Learn more: blackhillsenergy.com or energy-ready.com

05

SOCIAL RESPONSIBILITY

We keep people at the center of our decision making. From today's nearly 3,000 employees and 1.3 million customers to those we will serve and work with in the future, we recognize our opportunity to positively impact the lives of others and the communities we serve.

OUR TEAM

We are committed to enabling a safe, supportive and inclusive work environment at Black Hills Energy - a workplace culture built on shared values and mutual respect.

Our Team	2019 (rounded)
Total employees (as of Dec. 31, 2019)	2,950
Full-time	99%
Part-time	1%
Gender diversity	26%
Women in executive leadership positions	37%
Ethnic diversity	11%
Veterans	16%
Represented by unions	26%
Average tenure	11.2 years
Turnover rate*	8%
Retirements	3%

*Voluntary and involuntary separations; excludes interns

State	# of employees (rounded)	Percent of total (rounded)
Arkansas	429	15%
Colorado	467	16%
Iowa	168	6%
Kansas	138	5%
Nebraska	500	17%
South Dakota	789	27%
Wyoming	436	15%
Remote workers	23	1%
TOTAL	2,950	100%

INCLUSION, DIVERSITY AND BELONGING

We believe our unique talents and diversity anchor a culture of success. We know that diverse teams and cultures deliver customer and shareholder value. Accordingly, we proactively and intentionally foster an environment that respects all people without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, ancestry, creed, disability, age, veteran status, or any other protected class.

We are committed to a work environment that is free from all forms of harassment - including sexual harassment and bullying. Regardless of the form it may take, harassment is not acceptable and will not be tolerated. This applies to all employees, applicants, vendors, contractors, clients and customers of the company. Our [Harassment Prevention policy](#) has been in place since 2010, and violations of this policy are handled in accordance with the company's disciplinary policies and procedures up to and including termination.

Our company reflects the makeup of the people and places we serve. We are intentional in our recruiting and hiring practices, seeking diverse applicant pools and hiring panels. Creating a sense of inclusion and belonging for all is critical to our success and employee retention. Our employee resource groups (ERGs) encourage connection, with specific programs for women, veterans and new hires. We dedicate time and resources to our ERGs, including in-house produced conferences, workshops, communication and mentoring. Learn more [here](#).



**OUR COMPANY
REFLECTS THE
MAKEUP OF THE
PEOPLE AND
PLACES WE SERVE.**

ASPIRE: FINDING CONNECTION BOOSTS EMPLOYEE'S CONFIDENCE TO FIND HER PATH

April has been part of the Black Hills Energy team for 13 years, but it wasn't until recently that she felt like her career really took off. She attributes that shift to the confidence she developed through Aspire, Black Hills Energy's employee resource group for women.

"Connecting with other people through our Aspire mentoring circles was really nice—to understand that others were going through the same things I was going through," she said.

It was those relationships and connections that gave April the boost she needed to take on new responsibilities on her team.

"The last few years I've moved up quite a bit because I felt confident enough that I could do it. Aspire definitely helped me with that," she said. "I think of how I felt stuck for a long time in my position, and some of that was because I didn't really own my path. I thought someone would tap me on the shoulder and tell me what the path forward should be, but I needed to understand that you need to put your future in your own hands and go for it."

April's "aha" moment came at the company's annual women's conference. "The speaker talked to us about how a lot of times women will not go for a position unless they are fully qualified, while many times men will go for it knowing they will expand their knowledge to fit the position. Understanding that difference was one of the biggest things that helped me. There aren't too many people who are 100% fully qualified for something. Sometimes I might not have the confidence and think I know everything I should, but everyone else is in the same position," she said.

As April continued to grow, others took notice.

"When I started here two years ago, April's reputation, confirmed by my observations, was that she was an outstanding contributor, strong technician and very reliable. One day something stood out. April spoke up at a meeting in a manner she had not before. Generally, she waited to be asked for her input, but this time she confidently initiated the conversation," said Donna Genora, vice president of tax.

"She began sharing her career aspirations directly with her supervisor. There had been a shift. Over a relatively short period of time April became a leader, driving change, bringing measurable value, developing her team, expanding her skills and much more. It was as if there was a penned-up potential just waiting for permission to push through. As I became involved with Aspire mentoring groups, I was able to see exactly how the group's selected topics directly impacted April. Without question, she took these opportunities and put them into action," said Donna.

April is now in a management position and is working to help each of the employees who report to her grow as well. "It's kind of funny—it always seemed like I was receiving advice from others through Aspire, and now I'm the one giving the advice. Things have changed. I feel more confident in my capabilities, and that's helping me develop others now."



BENEFITS AND AWARDS

We offer our employees a Total Rewards package that reflects our company values and recognizes their contributions to our business. We provide market-competitive pay* and comprehensive benefits to help our employees take care of the things that are important to them and their families. Additionally, we employ programs to reward and recognize employees' achievements, such as peer to peer redeemable "Energize" points and our esteemed Chairman's Award, annual awards bestowed upon employees nominated by co-workers and selected by our Chairman.

2019 Benefits Overview

Health and Well-being	Work/Life	Retirement Planning
Medical, dental, vision plans for employees and dependents	Paid Time Off and company-paid holidays	401(k) and Roth 401 (k) retirement savings plans with company match
Flexible spending accounts for health care and dependent care	Parental leave	Company retirement contribution each pay period, up to 9% of total eligible pay
Company-paid basic life and accident insurance	Adoption leave	Defined benefit plan (closed to new entrants)
Voluntary supplemental life and accident insurance	Educational Assistance program In 2019, 62 employees utilized this program and tuition reimbursements over \$174,000.	Retiree Medical Savings Account
Company-paid disability insurance	Energy for Life wellness programs	
Voluntary long-term care insurance	On-site biometric screenings and flu shots	
Employee assistance work/life program	Tobacco cessation program	
Workers compensation insurance	Virgin Pulse wellness program	
Workers compensation insurance		

*Bargaining-unit employees are compensated according to union contracts

CELEBRATING OUR TEAM

The Chairman's Award gives us an opportunity each year to recognize some of the men and women who exemplify our vision, mission and values.

Employees throughout our company nominate their peers and colleagues each year – an activity that supports our development of a culture that recognizes performance, reinforces company values and standards and promotes teamwork.

From the class of 2019 – Lori, gas operations supervisor, Wyoming Gas

Lori exudes positive energy in our Casper office. Whenever there is a question or a situation that needs solving, people know to go to Lori, as she's often the first one to help with a spreadsheet, make a coworker feel appreciated, or lend a hand outside of work. She is known for getting things done.

When it comes to our customers, Lori ensures they are heard and understood. For her fellow employees, she's built a strong team culture and always keeps a level head under pressure. Lori is committed to the Wyoming team safety record and literally walks the walk by completing a 360-degree walk around her vehicle, every time.

Lori is on the board of the local ELKS chapter and every year she helps raise money for meals for families in need during the holiday season. She also volunteers with the local 4-H club, Habitat for Humanity, and helps clean up local trails.

[Watch Lori's video and learn more about other 2019 Chairman's Award winners.](#)



SAFETY

EMPLOYEE SAFETY & WELLNESS

Safety is one of our company values, a top priority in all we do and deeply embedded in our company culture. Every meeting of three or more employees begins with a safety share, a practice which contributes to keeping safety top of mind. Over the past 12 years, we have reduced workplace injuries by more than 73% and continue to see long-term, sustained improvements in our safety practices and performance. In 2019, our Occupational Safety and Health Administration (OSHA) Total Incident Case Rate (incidents per 200,000 hours worked) was 1.25, well below the utility industry average of 1.95. Our Preventable Motor Vehicle Incident Rate (vehicle accidents per 1 million miles driven) was 2.48 in 2019, also well below the industry average of 3.11. Safety extends to employee health and wellness, in and outside of work, with over 80% of employees participating in our proactive safety and wellness program.

ENERGY IN MOTION: HOW SAFETY AND WELLNESS CHANGED ONE EMPLOYEE'S LIFE

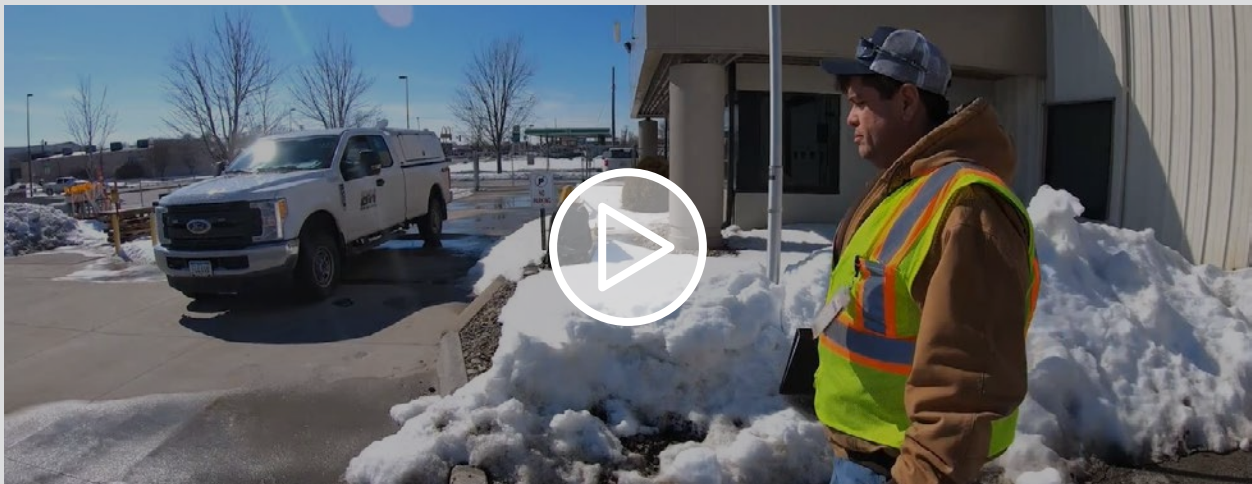
When one of our corrosion technicians, Dave, took out the trash at his home one morning, he never would have guessed that his life was about to change forever.

He hit a small patch of ice, fell, and broke his tibia- taking him off his feet for 13 weeks.

What could have been a major setback instead served as a changing point in Dave's life. His experience gave him a new appreciation for how important safety and wellness are, and he significantly improved his diet, exercise habits, and safety awareness, using tools Black Hills Energy provided.

"I've embraced a healthier and safer life, and I believe the company's behind me on that."

Dave's story reinforces our commitment to make safety and wellness a way of life for each of us at Black Hills Energy - both at work and at home. Learn more about Dave's experience by clicking the play button below.



Year	Total Case Incident Rate (incidents per 200,000 hours worked)	Preventable Motor Vehicle Incident Rate (vehicle accidents per 1 million miles driven)	Proactive Safety and Wellness Participation Rate
2019	1.25	2.48	81%
2018	1.2	2.2	85%
2017	1.3	2	90%
INDUSTRY AVERAGE	2.2	2.3	



Our team at the Pueblo Airport Generating Station in Southern Colorado achieved the highest designation for workplace safety from OSHA in 2019. The path to earning the Voluntary Protection Program Star Status was an employee-driven, multi-year effort with rigorous requirements from OSHA.



EMPLOYEE SAFETY TRAINING

Our safety training is delivered through an online learning management system which track attempts, completion status and completion dates. We review classes to make sure they are in accordance with our procedures and practices. Training occurs throughout the year, with frequency driven by required regulation and assessed need. All online safety training is available in several languages.

All safety training is provided free to our employees and is always completed during working hours. We evaluate the effectiveness of our training using several methods, including:

1. Audits and inspections: We perform field audits to look for items that an online training has covered to see if has been effective. For example, our online ladder training discusses the size and type of ladder we require. During a field audit, we look specifically at ladders to see if the ones being used are the right type, capacity, labeling and under proper use. We then take the audit findings, compile them and evaluate to see if our training is effective.
2. Personal and motor vehicles incidents: When an incident occurs, we complete an investigation to determine the root cause. We compare those findings to see if our online training covered the issue and determine effectiveness of the training.

Required annual safety training for all employees:

- Access to Employee Medical and Exposure Records
- Bloodborne Pathogen Awareness - Refresher
- Decision Driving Principles Module 1: Expand Your Look Ahead Capacity
- Decision Driving Principles Module 2: Sizing Up the Whole Scene
- Decision Driving Principles Module 3: Signal Your Intentions Early
- Decision Driving Principles Module 4: Plan An Escape Route
- Decision Driving Principles Module 5: Take Decisive Action
- Emergency Action Plan Site Specific Acknowledgement
- Ergonomics Program: Computer Workstation, Laptops and Mobile Devices
- Fire Extinguisher/Safety Principles - Refresher
- Incident Intervention with WorkCare
- Ladder Safety
- Slips, Trips, and Falls



Field employees

Field employees are assigned additional required training based on role. For example, in 2019, an electric lineperson was required to complete the following additional safety trainings:

- Compressed gas safety
- Lockout and tagout guidelines
- Electric safety
- Confined spaces
- Trenching and excavation safety

SAFETY IN OUR COMMUNITIES

Our safety culture extends beyond our buildings and into our communities. In 2019, we conducted more than 830 first responder trainings, including emergency response demonstrations. We work each day to help our customers and communities learn how to stay safe around overhead and underground electric and natural gas lines.

Program/Service	About
Training for first responders	In 2019, we provided training sessions to more than 830 first responders on natural gas pipeline and electric safety.
811 - Call Before You Dig	We actively promote 811 - Call Before You Dig - to build awareness about this essential underground utility-marking service.
Pipeline awareness and outreach	We provide detailed instructions to the general public, emergency responders, excavators and public officials to inform them about safety around natural gas pipelines, compressor stations and storage facilities.
Power line safety	We provide information to our customers, community and the general public to help them stay safe around power line.
Pipeline integrity management	We have a comprehensive pipeline integrity management plan to proactively monitor and assess the integrity of our natural gas pipelines through continuous inspections and testing.
Vegetation management	To support the reliability of our electric distribution and transmission system, we perform tree trimming and integrated vegetation management activities to manage power lines' rights-of-way.

Learn more: blackhillsenergy.com/safety

CARING FOR OUR COMMUNITIES

EMPLOYEE INVOLVEMENT

Giving back is a value that is deeply rooted in our company culture. Each year, our employees give generously of their time and talents to support community organizations and nonprofits across our service territory. This support includes personal contributions made to the United Way made through monthly payroll donations and one-time gifts. In 2019, nearly 40% of our workforce participated in the company's annual United Way campaign, contributing at least their Fair Share (one hour of pay per month) for a total of \$524,000. Combined with a 25% matching gift by the Foundation, 2019 giving to the United Way totaled over \$654,000. In addition, at least 985 employees volunteered their time, including nonprofit board service, mentoring to students in STEM education, coaching youth sports teams, and countless service projects - providing support to more than 890 organizations.

POWER OF COMMUNITY OVERCOMES THE FLOODWATERS

Last year we experienced one of the largest natural disasters in Iowa's history.

In 2019, a 500-year flood was the perfect storm that ended in a state of emergency. Despite heroic attempts to fight the floodwaters, the waters rushed in. Some families lost everything. Entire communities were devastated.

And through the storm, our team was there, fighting the floods at work by day and at home by night.

In Hamburg, Iowa, levies failed and soon businesses, homes, and our regulating station were under water. "A much larger portion of the town than even the Corp of Engineers thought would flood, flooded, and we had a decision to make and it was honestly one of the hardest decisions as a group we all had to make," said Chris, utility construction planner. To keep the community safe, the team made the tough call to turn off gas to the entire town.

With cold March temperatures, our crews realized just how vital it would be to build a new town boarder station and restore gas service as soon as possible.

Within 24 hours, a temporary station was nearly up and running. "Normally this would take months, but everyone got together, and it got pulled off within days. It was amazing," said Chris.

"Black Hills Energy was amazing during this whole ordeal," said Dr. Mike Wells, Hamburg Community Schools principal. "In a matter of a few days electricity and gas was restored. They worked endlessly."

That hard work extended beyond traditional customer care. Our teams provided meals and encouragement to people throughout the area.

"To see help like that come into our town and just blanket us with concern and care and getting us back, I mean the whole town was overwhelmed," said Cathy Crain, mayor of Hamburg.

Jim, a community service technician summed it up well: "We're there, and we're taking care of this town. That's what we do. We're not just a gas company."

[Learn more about our community heroes who fought the flood.](#)



CHARITABLE GIVING

The energy of entire Black Hills Energy team goes beyond providing electricity and natural gas. We are committed to improving the communities in which we live and work. In 2019, our charitable giving totaled over \$5.5 million and positively impacted hundreds of organizations and thousands of individuals throughout our service area.

Our energy assistance program, Black Hills Cares, helped over 1,600 families in need last year. We match employee and customer gifts to help our neighbors in need, dollar for dollar. In the past 12 years, Black Hills Cares provided approximately \$6 million in customer, employee and company donations to those in need. Our annual Walk for Warmth fundraiser is just one way we raise awareness and funds.



“Black Hills Energy is a true community asset. Through partnerships and sponsorships to nonprofits and various other organizations, Black Hills Energy exemplifies a philanthropic company with a ‘positive energy’. Their contribution to the growth and development of the City is unmatched and will continue to make a positive impact.”

– Mayor Steve Allender, City of Rapid City

Community Giving Areas	2019 (rounded)
Black Hills Cares/Energy Assistance	\$593,000
Contributions & Sponsorships*	\$3,380,000
Economic Development/Chamber Sponsorships	\$965,000
Employee United Way Contributions	\$524,000
Energy Saving Trees/Power of Trees**	\$85,000
TOTAL	\$5,547,000

*Contributions include BHC Foundation giving, donations, sponsorships, scholarships and in-kind giving

**In 2019, we helped our customers plant 1,500 trees across our service territory through tree giveaway programs administered through the Power of Trees program in Iowa and the Arbor Day Foundation’s Energy Saving Trees program in Arkansas, Colorado, Kansas, Iowa, Nebraska, South Dakota and Wyoming.

Total Charitable Impact by State	2019 (rounded)
Arkansas	\$356,000
Colorado	\$1,065,000
Iowa	\$505,000
Kansas	\$467,000
Nebraska	\$1,224,000
South Dakota	\$1,585,000
Wyoming	\$345,000
TOTAL	\$5,547,000

Economic Development by State*	2019 (rounded)
Arkansas	\$50,000
Colorado	\$96,000
Iowa	\$163,000
Kansas	\$84,000
Nebraska	\$234,000
South Dakota	\$264,000
Wyoming	\$74,000
TOTAL	\$965,000

**Includes chamber sponsorships*

Black Hills Cares/Energy Assistance by State	2019 (rounded)
Arkansas	\$50,000
Colorado	\$136,000
Iowa	\$68,000
Kansas	\$138,000
Nebraska	\$145,000
South Dakota	\$25,000
Wyoming	\$32,000
TOTAL	\$594,000

CARING FOR KIDS IN KANSAS

Our employees are always on the lookout for ways to help the communities we serve. From coat drives to angel trees, giving back is part of who we are.

Last year, we stepped up to provide 40 iPads to CASA of Douglas County, Kan. The nonprofit's trained volunteers advocate for children who have experienced abuse and neglect and give children the attention they deserve on their journey to a safe, nurturing and permanent home.

Our donation was originally intended to be a thoughtful gift for children in the foster care system. What we didn't know was that these devices would soon become used for much more than entertainment. With limitations due to COVID-19, the iPads are now a critical part of mission delivery for CASA, allowing advocates to do virtual social work visits and help students with distance learning.

This donation was part of our companywide initiative to help others with our gently used iPads and iPhones. In total, we donated 1,272 devices to more than 90 organizations last year.



BLACK HILLS CORP. FOUNDATION

The Black Hills Corp. Foundation was established in 2001 to support community organizations across our service territory. Since that time, the Foundation has provided nearly \$5.9 million in funding for long-lasting, “brick-and-mortar” projects and capital funding campaigns. Foundation grants are awarded in the following focus areas: Helping People, Responsible Energy & Environmental Stewardship, Strong Communities, and Workforce/Education. In 2019, the Black Hills Corp. Foundation approved \$509,000 in grants to qualifying 501(c)3 nonprofits across our states.

To apply for an event sponsorship and donation from our state utilities or the Black Hills Corp. Foundation, click [here](#).

06 ECONOMIC IMPACT

DIRECT ECONOMIC IMPACT

Our social impact creates economic value within our local communities. By providing jobs and benefits to our employees, paying taxes, giving to charitable organizations and purchasing goods and services to maintain and upgrade our vast network of electric and natural gas system infrastructure, we play a critical role in our communities' ecosystem. In 2019, our direct economic impact was estimated at \$1.46 billion.



Direct Economic Impact: Summary	2019 (rounded)
City franchise fees*	\$32,220,000
Community impact	\$5,547,000
Employee compensation (wages and benefits**)	\$348,380,000
Payments to suppliers (total spend)	\$928,160,000
Property tax	\$45,794,000
Sales, use and excise taxes***	\$98,840,000
TOTAL	\$1,460,000,000

*Payments made to local governments for use of public rights-of-way.

**Benefits include employer contributions for Health and Welfare benefits as well as 401(k) and retirement contributions.

***Depending on state and local laws, we are required to collect sales tax from customers on taxable sales of goods and services. We also pay taxes on certain purchases we make that have not been previously taxed by the vendor or service provider.

2019 DIRECT ECONOMIC IMPACT BY STATE

ARKANSAS

Direct Economic Impact	2019 (rounded)
City franchise fees*	\$4,940,000
Community impact	\$356,000
Employee compensation (wages and benefits)	\$41,480,000
Payments to suppliers (total spend)	\$35,220,000
Property tax	\$4,750,000
Sales, use and excise taxes	\$16,110,000
TOTAL	\$102,856,000

*Payments made to local governments for use of public rights-of-way.

COLORADO

Direct Economic Impact	2019 (rounded)
City franchise fees*	\$7,610,000
Community impact	\$1,065,000
Employee compensation (wages and benefits)	\$58,620,000
Payments to suppliers (total spend)	\$151,560,000
Property tax	\$16,980,000
Sales and use tax	\$14,710,000
TOTAL	\$250,545,000

*Payments made to local governments for use of public rights-of-way.



IOWA

Direct Economic Impact	2019 (rounded)
City franchise fees*	\$2,150,000
Community impact	\$505,000
Employee compensation (wages and benefits)	\$18,950,000
Payments to suppliers (total spend)	\$21,370,000
Property tax	\$3,050,000
Sales and use tax	\$4,290,000
TOTAL	\$50,315,000

*Payments made to local governments for use of public rights-of-way.

KANSAS

Direct Economic Impact	2019 (rounded)
City franchise fees*	\$4,130,000
Community impact	\$467,000
Employee compensation (wages and benefits)	\$15,710,000
Payments to suppliers (total spend)	\$21,860,000
Property tax	\$4,340,000
Sales and use tax	\$3,590,000
TOTAL	\$50,097,000

*Payments made to local governments for use of public rights-of-way.

NEBRASKA

Direct Economic Impact	2019 (rounded)
City franchise fees*	\$6,880,000
Community impact	\$1,224,000
Employee compensation (wages and benefits)	\$58,120,000
Payments to suppliers (total spend)	\$66,390,000
Property tax	\$3,950,000
Sales and use tax	\$18,990,000
TOTAL	\$155,554,000

*Payments made to local governments for use of public rights-of-way.

SOUTH DAKOTA

Direct Economic Impact	2019 (rounded)
City franchise fees*	\$ -
Community impact	\$1,585,000
Employee compensation (wages and benefits)	\$103,330,000
Payments to suppliers (total spend)	\$50,960,000
Property tax	\$4,820,000
Sale, use and excise taxes	\$11,270,000
TOTAL	\$171,965,000

*Payments made to local governments for use of public rights-of-way.

WYOMING

Direct Economic Impact	2019 (rounded)
City franchise fees*	\$6,510,000
Community impact	\$345,000
Employee compensation (wages and benefits)	\$52,170,000
Payments to suppliers (total spend)	\$47,660,000
Property tax	\$7,370,000
Sale, use and excise taxes	\$29,880,000
TOTAL	\$143,935,000

*Payments made to local governments for use of public rights-of-way.

SUPPLY CHAIN AND DIVERSITY

In 2019, we spent over \$928 million with suppliers to support our utility operations to better serve our customers. Over 40% of that spend was completed with businesses within our 8-state service territory. We also remain committed to supporting the small and diverse local businesses in our communities. In 2019, our spend with small business, women and minority-owned businesses and other diverse suppliers represented 17% of our total dollars spent. We recognize the value of not only supporting diverse businesses, but also integrating that diversity into our organization. For example, we partner with a local non-profit to provide meaningful employment to adults with disabilities while providing the benefit of onsite food service to our employees.

"At Black Hill Energy, we pride ourselves on partnering with the community in ways that can create an important and unique impact. Our partnership with Black Hills Works is core to who we are as a company and having the Black Hills Works team onsite to run our café helps to reinforce values that are dear to us like inclusion, development, and opportunity. Black Hills Works team members have become a part of our Black Hills Energy family. Beyond providing a fantastic onsite option for food service to our employees, this partnership has been particularly impactful for us and we are inspired by the work ethic, joy, and great customer service Black Hills Works provides. It has been a pleasure having them join us at headquarters and we look forward to a long, meaningful partnership."

- Jennifer Landis, senior vice president and chief human resources officer, Black Hills Energy

PARTNERSHIP WITH IMPACT

The onsite food service for our headquarters is operated by [Black Hills Works](#), a Rapid City, S.D.-based nonprofit organization that provides quality, person-centered services and supports to adults with disabilities. They serve over 600 individuals age 16 and older with various disabilities including learning and developmental disabilities, visual and hearing impairments, brain injury, chronic mental illness, physical impairments and others.

Our partnership with Black Hills Works provides more than 10 positions for their persons served, and we're thankful for the value each of them brings to our organization.

David has worked at the Black Hills Energy café since it opened two years ago. He shares more about himself and his work:

Q: What do you do at Black Hills Energy?

I do a variety of things. When I first started, I worked in the deli area. After that I served breakfast on the line in the morning, and then I worked on the registers in the afternoon. I kind of do a little bit of everything. Now I'm doing the deliveries in the building. I enjoy it –I get to know the building and people a little better.

Q: Why did you want to work here?

I was excited when I was offered the job. I heard that the new building was opening, and the person at Black Hills Works who helps out with jobs knew that I had experience at the Safeway bakery and hospital cafeteria with customer service. It was one of the spots that I really wanted to work and get my foot in the door. It's a beautiful building and the people are really nice. And the sunrise here is absolutely beautiful most mornings.

Q: What's your favorite part of working here?

Probably that I get to see people. It's customer service, but it doesn't feel like customer service – more the same people instead of different people. I enjoy the relationships I've created

Q: What do you like to do for fun?

Special Olympics. I have been to Seattle and New Jersey and I was selected for the national team for those. In Seattle I was the pitcher for softball, and we got first place. We played people from different states. In New Jersey I was on the basketball team. We got second there. Those trips are a lot of fun. It's a lot of go, go ,go, - we're always doing something, and we don't get much sleep, but it's a lot of fun.

I also like to travel. My favorite place was when I went to Puerto Rico on a cruise for my birthday. That was a lot of fun. We got to go snorkeling with the stingrays in Stingray Bay and got to go on a zip lining tour.

Q: You have a long history of winning prestigious awards and recognitions. What's been your secret to success?

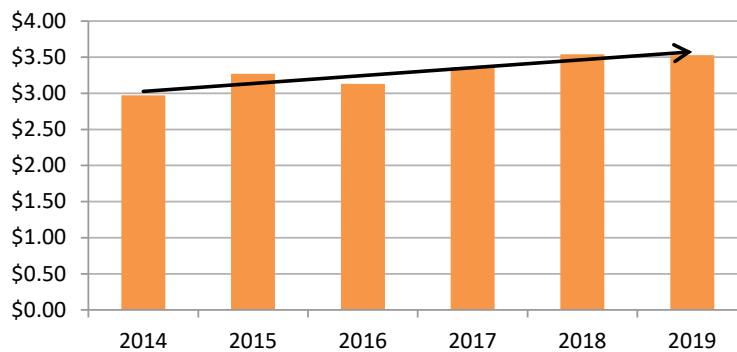
I don't know if it's a secret, but my parents raised me well.



FINANCIAL PERFORMANCE

We celebrated 136 years of delivering energy to customers in 2019, a testament to our long-term strategy and financial strength. Sustaining our company into the future requires solid financial performance to provide the necessary capital to invest in our customers and communities. Our financial results in 2019 reflected our ongoing investments to better serve our customers and support their increased demand for energy. For 2019, we reported earnings per share from continuing operations, as adjusted, of \$3.53*. This was near the upper end of our guidance range for the year. In 2019, we increased our annual dividend payout by 6.2% to \$2.05 per share. In 2020 we will achieve 50 consecutive annual dividend increases—the second longest track record of any electric or gas utility in the country.

Earnings per share, as adjusted*

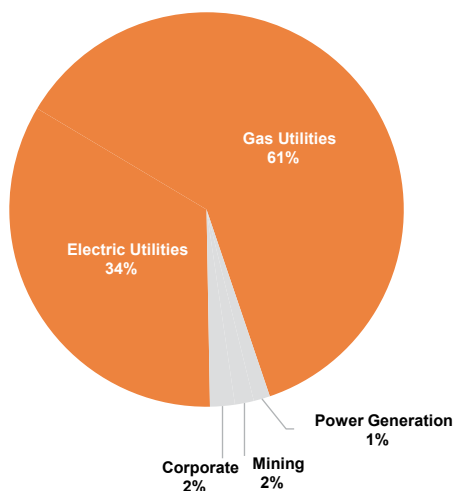


**Non-GAAP measure reconciled to GAAP.*

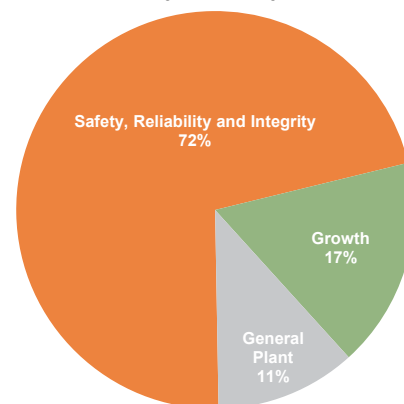
CAPITAL INVESTMENT

In 2019, we deployed \$850 million in customer-focused capital to improve the safety and reliability of our extensive systems, foster customers growth and expand renewable energy offerings. We operate and maintain one of the largest natural gas and electric infrastructure systems in the country—46,000 miles of natural gas lines and nearly 9,000 miles of electric transmission and distribution lines. Our long-term, programmatic approach to planning and prioritizing resources forecasts capital investments of \$2.9 billion from 2020 to 2024.

95% of \$2.9 Billion Forecasted Capital Investment from 2020 to 2024 in Utilities




\$2.8 Billion of Forecasted Utility Investment From 2020 to 2024 Focused on Customer Needs for Safety, Reliability and Growth



Learn more [here](#).

07

ABOUT THIS REPORT



Our corporate sustainability report provides insight and transparency into the social, environmental and economic impacts of Black Hills Energy. This voluntary report is informed by sustainability reporting guidelines and strives to give you a balanced view of our business and how we view sustainability.

ADDITIONAL INFORMATION

Black Hills Energy is committed to sharing information about our business and operations that we know is important to our stakeholders. We are increasing the number and substance of these reports, which can be found at blackhillsenergy.com/sustainability. Additional financial information is posted at ir.blackhillscorp.com.

All information and data in this report are provided on a voluntary basis and could be subject to change.

WE WELCOME YOUR FEEDBACK

As you review our Corporate Sustainability Report, we encourage you to provide us feedback. Please send any comments to investorrelations@blackhillscorp.com. Thank you.

FORWARD LOOKING STATEMENTS

This report 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 report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, are forward-looking statements, which are subject to various risks and uncertainties. Factors that could cause actual results to differ from those in the forward-looking statements may accompany the statements themselves.

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. Our business and any offering may be influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our ability to control. These factors include, but are not limited to, our ability to deliver safe and reliable and affordable energy to our customers.

Whether actual results and developments will conform to our expectations and predictions is subject to a number of risk 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 Items 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.

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.

ADDITIONAL INFORMATION

NON-GAAP RECONCILIATION

Use of Non-GAAP Financial Measures

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.

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

Earnings per share, 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, 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 one-time non-budgeted events, impairment of assets, acquisition and disposition costs, and other adjustments noted in the earnings reconciliation table below. 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.

Earnings Per Share, as adjusted	2019	2018
Net income (loss) available for common stock (GAAP)	\$3.28	\$4.66
(Income) loss from discontinued operations (GAAP)	-	\$0.12
Net income from continuing operations available for common stock (GAAP)	\$3.28	\$4.78
Adjustments (after tax)		
Tax reform and other tax items	-	\$0.07
Legal restructuring - income tax benefit	-	(\$1.31)
Impairment of investment	\$0.25	-
Total Non-GAAP adjustments	\$0.25	(\$1.24)
Net income from continuing operations available for common stock; as adjusted (Non-GAAP)	\$3.53	\$3.54