Company Name: Black Hills Corporation (BKH)
Event: AGA Financial Forum 2015
Date: May 18, 2015

<<David Emery, Chairman, President and Chief Executive Officer>>

All right good afternoon everyone, I'm David Emery, Chairman, President and CEO of Black Hills Corporation. Thanks for joining us today and for those of you on the webcast we appreciate you attending, as well. I have with me today Rich Kinzley, our Senior Vice President and CFO and he will be doing part of the presentation as well.

First, as an always things this presentation does contain some forward-looking statements as defined by the SEC and we encourage you to review all our public filings before making any investment decisions in Black Hills. Black Hills from an investment perspective, I mean, we're a very utility-centered diversified energy company, and we do have some nonutility businesses, really strong earnings growth, we've had some great capital spend in the last several years and expect that to continue for quite a few years to come. We spent a lot of time on how we operate and want to be industry leaders lot of upside growth in our oil and gas, I'll talk about that and we continue to improve our balance sheet and have an excellent dividend track record, one of the longest in the industry.

From an overview of the company perspective, I mean, we started in 1883 in Deadwood, South Dakota serving kind of the gold mining load there, if you will, long time ago. And have been continuing to grow and expand ever since.~~,~~ ~~i~~If you look at our service territory and where we operate today, we operate in two separate divisions, our utilities division, which is both electric and gas utilities in seven contiguous states,~~.~~ ~~A~~and then we have our non-regulated energy group, which is, power generation, coal mining and oil and gas.

Both our power generation and coal mine, sell almost exclusively to our own utilities under commission approved contracts. So when we look at this we really look at it as a fully integrated utility. So coal mine to the light bulb if you will or gas well to the burner tip.~~,~~ ~~o~~Oil and gas does operate as a separate non-regulated entity. We'll talk more about how we're trying to get that more integrated into our utility structure, as well.

Electric and gas utilities, we're again fairly spread out relatively real service territory, couple of hundred thousand electric customers little over that and about 35,000 to 36,000 gas customers at Cheyenne Light, that's our electric utility business. Cheyenne Lights are the only dual fuel utility that we have. So it does have gas distribution, we keep the results of the gas there in our Electric Utility segment just for ease of reporting and otherwise. On the gas side, independent of

Cheyenne Light, little shy of 550,000 customers in Colorado, Kansas, Iowa, and Nebraska. Those utilities where acquired from Aquila back in 2008, along with the Colorado electric utility.

The non-regulated side I talked about already, we really only have two generation facilities left in that business, one in Wyoming, one in Colorado, both are under long-term contracts with our own utilities. So literally that business we have five megawatts of un-contracted capacity, everything else is sold to our own utilities under commission-approved contracts.

Coal mine, as I said before, most of our coal is delivered – essentially all our coal is delivered to mine-mouth power plants, over half of those are our facilities exclusively and then one of the larger plants onside is the Wyodak plant which we co-own with PacifiCorp. Most of the coal there well over half is sold on cost-plus contracts with our own utilities. So it's a return on the capital deployed plus full~~REX~~ reimbursement of expenses, trued-up on annual basis. So again, very much utility type investment, risk profile.

Then finally, on oil and gas, relatively small oil and gas company primarily in three basins, the Powder River ~~and~~in Wyoming, Piceance in the Western slope of Colorado, and the San Juan in New Mexico, about a 100 Bcfe equivalent reserves relatively small from E&P standards. The biggest thing we have in that particular company is we've got a very large shale gas resource which underlies our existing acreage to the tune of two trillion cubic feet to four trillion cubic feet of gas and I'll talk more about that in a little bit that something we're very focused on improving up the value of.

First quarter highlights, we had pretty moderate weather in our territory unlike the Northeast and other parts of the country where we really didn't have a winter or not much of one, impacted results a little bit, we also had obviously very low oil and gas prices through the first part of this year, as well as late last year. So we spent a quite a bit of time on making sure the rest of our operations were running inexpensively and efficiently as possible, watching our cost so we can maintain our earnings which we did and Rich will talk about that a little bit more in here in a little bit.

Highlights for the utilities, we finished up a couple of rate cases and namely one in South Dakota that was related to our Cheyenne Prairie Generating Station which is a new power plant, we built in Wyoming last year, $222 million facility, jointly owned by two of our subsidiaries Black Hills Power and Cheyenne Light. The last case was finished up in South Dakota early this year. We didn't do it~~the~~ last Fall when we put the plant online, I mean, really because we had a commissioner, up for election in South Dakota and really didn't want rate case going on within election. So we wait until after it was over. I'm very happy with the results we got regulatory wise on that plan, so pretty pleased with that.

We have an ongoing RFP process going itself in Colorado, where we have got a renewable mandate there.~~,~~ I think, it's one of those that it takes time to work your way through that process. And I'm not sure where we are going to end up, but we're in the process of kind of re-considering the Utilities Commission said, we do have you use ~~REX~~RECs right now, rather than build resources. It is a little contradictory to what the resource planning rules and other things say in the State of Colorado. So they basically invited us to kind of re-submit those proposals. So we're working our way through that.

And we have a small acquisition pending $17 million from Gas Natural for their Energy West Wyoming territory in Northwest Wyoming, very close to getting approval for that. I mean we have gone through the hearings at both FERC and Wyoming and that is pretty much done. So hopefully we can get that done in close to June 1. On the non-regulated side, I talked a little bit about this Mancos Shale opportunity. But we have a Shale gas opportunity, underneath our acreage, 94,000 acres of leases that are held by production from other zones. So they won't expire, others really no deadlines there.

We've been working on developing the play for several years and this year we're in the middle of kind of a year and a half plus drilling program, where we're going drill and complete a dozen wells or so. The intent is to really prove up the play, what will ~~ever~~ the wells make from production rates, reserves, whether they are going to cost the drilling get real comfortable with the play and play economics. And then really looking to potentially asking for approval to include that as cost of service gas in our utilities for an ongoing drilling program and we've been very busy on that. The three wells we've completed year-to-date have exceeded our expectations, per well reserves are about 25% higher than the wells we drilled year and half ago. So we're very happy with that. A lot going on there, 10 wells in progress, as we speak, but looking forward to kind of finishing that up this year so we can make some decisions and hopefully make some regulatory filings ~~there for~~if were confident~~compliment~~ that this is a good play for our utilities gas supply.

On the corporate side, I mentioned the cost containment efforts, again just trying to manage the low gas price environment and the warm winter managed to do that and be consistent with, I think, expectations for earnings maybe a little bit better than consensus for the quarter. We declared another quarterly dividend in the year and this one matches the one we did in January, which was our 45th consecutive dividend increase, which is one of the longest streaks in the business, something we are very proud of from a shareholder performance standpoint. And then we had one piece of short-term debt that was due to mature here in the near future and we extended that added a little bit to it on a $300 million term loan allows us to kind of take advantage of currently very low interest rates but have flexibility to term it out ~~that terminal~~ whenever we ~~on it~~ really want basically between now and the end of that two year period.

From a forward-looking strategic perspective, we kind of group all of our strategic goals into four major categories and we list those here very focused obviously on growth and performance, but really all of those goals revolve around the central goal and that is we want to be an industry leader in everything we do. So when we benchmark ourselves and almost any metric whether it's customer service, reliability, generation availability, all those things, we want to be top~~tough~~ quartile or better and we've in large been pretty successful at doing that and continue to do it, but that's the goal that we set for our operating folks every year, as we want to be at least top~~tough~~ quartile in literally everything we do.

Primary growth engine obviously is capital spending, we've had a lot of capital spending for quite a few years in a row Rich will talk about, what that's done to earnings, it's obviously had a positive impact. We've had a lot of spending opportunity and a lot of growth in our utilities in particular and that's continued to drive good strong earnings. I mean we look for this year and the next two years again we've got a $1.35 billion~~, $1.5 billion~~ in capital spending for that three year period and about $250 million of that is rider eligible capital in our utilities. So good solid spending, a chunk of it, little bit of money and oil and gas there we've talked about that a little bit, there is also a line here that we call cost of service gas, this is mostly a placeholder for a rate basing of gas reserves. In reality if we go ahead with the a project there, a full project, we probably take some of this money out of this oil and gas category and little bit up and add it to these numbers. We wouldn't expect total spending levels to change much, but we might reallocate that capital. With the product prices where they are now we're not going to spend at that level in our oil and gas company unless we have some improvement.

This talks a little bit about that cost of service gas program. We've made a lot of progress in this over the last several years and really looking at approaching it in almost all of our states.~~,~~ ~~w~~We've got six utility states where it would be worse doing this, the seventh state, which is Montana, actually has programs like this, but we have so few customers there, it's really not even worth the expense and the hearing to get approval for it. So we're pursuing it in the other six we've had multiple rounds of meetings with the various commissions and staffs, continuing to get increasingly more into the details of what it would entail, trying to really make sure we've got all our bases covered before we decide what we want our program to look like and before we file it. I think we've got a pretty good idea of what we want it to look like and we're continuing to have those discussions. I think overall, have been very positive.

We talked about including the Mancos drilling opportunity there, that's one of the properties we really like. We would also consider maybe acquisition of a small producing property, opportunistically if it's available and put that in the program as well, might help jump-start the volumes and the program, something we're continuously looking for.

Oil and gas strategy, I talked about this already, but really what it's all about this year is we want to get those 12 wells drilled and completed in the Mancos Shale in Colorado. We put three on in the first quarter, again met or exceeded our expectations, we're very happy with those results. And then we literally have ongoing operations for ten more wells, three separate drilling rigs on three separate pads and those three pads will literally add up to the remaining ten wells in the program that we're working on. So we will end up probably drilling, and completing and testing hopefully 12 wells, we're actually going to end up drilling a 13th, just because there's four locations on one of the drilling pads and it doesn't make sense to drill three move the rig up and come back several years later and drill one more. So we will probably drill the 13th well instead of just the 12.

This Slide it's a lot of details kind of busy, we show in the screen here, but really this is a well-by-well, drilling pad-by-drilling-pad progress report on what we've been doing in the Mancos. So there's four different drilling pads there and it show the results on each of them that we make and we're going to continue to update this as the year goes on.

Similarly, a map which shows the location of all the wells we're drilling, gives you an idea of where we're drilling relative to some of tests we've done in the past and then where all our current activity is. Most of our activity is in this area up here in this Homer Deep Unit, the three wells here in the green are the three that are producing. We're drilling on this pad, this pad and this Whittaker Flats pad down here, is where our current drilling activity is.

Shifting gears, again to growth for shareholders, I talked about our dividend track record, again the 45 consecutive years is a record we are very proud of, something that is very important to us at Black Hills. Back in the 2008, 2009, 2010 years kind of we are in the depth of the recession right after we purchased Aquila and spent a ton of money on that,~~.~~ ~~W~~we backed off the amount of increase down to just a couple of cents a year, here for a few years because we were spending a lot of capital for growth and thought that was a better driver for shareholder value than increasing our dividend. ~~o~~Over the last couple of years as we've got increasingly confident and the quality of our cash flows continue to finish more generation assets and things that our strong cash flow and earnings producers, we've increased the amount of that, dividend increase a little bit as time has gone on.

Credit rating, we've made great progress there. Several years ago we were BBB- across the board, now we're the equivalent of BBB+ for two of them~~elements~~, BBB flat for the third and really we're kind of where we want to be from a credit rating perspective. This is probably optimal for, when we look at capital structure and how much we want to borrow and how much we want to spend, probably don't really care if we improve too much from here, but we want to maintain this credit rating.

We’re talking about better every day as the goal that gets back to our goal of trying to benchmark our self from the top quartile of everything. This is just a few examples of some of the performance metrics that we use. Safety is a good example, after our merger and combination with Aquila and the territories we bought there, our safety record was above industry average which is something we really did not find acceptable and we’ve made huge strides there improving that. Power plant fleet availability, starting reliability, those literally are our industry leading numbers and they have been for years. So something we’re pretty proud of.

And then certainly being a top workplace as we talk about kind of the ageing workforce in the utility industry, the way you’re more attractive than your peers, this might be in one of the better workplaces. So we focus pretty hard on that. We’ve received several awards in various states over the last several years for our workplace recognition.

With that I will turn it over to Rich Kinzley on the financials. Rich?

<<Richard Kinzley, Senior Vice President and Chief Financial Officer>>

Thanks, Dave. I’m on Slide 22 for those you on the webcast. First quarter earnings flat to~~for~~ last year. As Dave mentioned, we knew that commodity prices are going to challenge us in the first quarter, even headed into the quarter and expected a loss from E&P company. So we instituted real strong cost controls right out of the shoot this year. And then also as Dave mentioned, weather was a bit of challenge for us in the first quarter, comparing to last year because it was more mild this winter than last year, but we did manage to maintain our earnings pretty flat to last year despite those challenges, and I’ll talk about the business units on the next slide.

One thing to note here, with that cost containment we did control our overall operating expenses to a 1% increase from last year. So we’re proud of that effort. You see interest and depreciation jumped a bit from last year, comparing first quarter of last year to this year, that’s really the in-service of Cheyenne Prairie last October, $222 million power plant that Dave mentioned. So EBITDA up about 4%.

Looking at the business units, you see the electric utilities had a great quarter compared to~~the~~ last year, we had rate cases in South Dakota, Wyoming, and Colorado again for South Dakota and Wyoming now was really the Cheyenne Prairie and then kind of the catch up rate case in Colorado related to Busch Ranch Wind Farm and other investment activity we’ve had there.

So a great quarter for the electric utilities, gas utilities were down slightly, weather driven was very cold, remember the polar vortices in 2014. So they had a terrific first quarter last year and really did quite well this year despite the more temperate weather. Power Gen and coal mining continue to perform very well, good first quarter for them. And then of course commodity price is really hurt the operating loss at E&P. Production was up 23% of E&P with those new wells coming on, so headed~~ahead of~~ in the right direction there.

From a capital structure perspective good cash flow in the first quarter you see our debt – net debt to cap is actually down at the end of the first quarter, compared to the end of the year. Balance sheet remains very strong, Dave mentioned our credit ratings and we don’t expect to have to issue equity for the capital program as we see it over the next couple of years.

And then finally, this is our earnings growth track record that we are very proud of. Dave mentioned the capital we’ve deployed over the last few years and you really see how that’s kicked in as we’ve deployed all the capital into our utilities and successfully executed on our regulatory activities to get earnings up, so great track record there.

And then lastly, this is our scorecard that we produce every year to hold ourselves accountable to our shareholders, we put this together at the beginning of every year and updated each quarter and now by the end of the year we like to have all those boxes checked.

With that, I’ll open it up to questions. And then anybody have any questions, we’ve got to stay here I guess because we’re on the webcast. So we’re going to stay by the microphone. Does anyone have any questions on anything, anybody or anyone on the webcast? Good off easy today.

All right. Well thanks again for your time and attention and thanks for your interest in Black Hills, those of you on the webcast. We appreciate your participation as well. Have a great day.