POWERING A BETTER FUTURE

2021 Annual Report | Proxy Statement | Form 10-K

Black Hills Corporation
Ready

Black Hills Corporation
Ready

Dear fellow shareholders,

As the provider of essential electricity and natural gas services to 1.3 million customers across our eight-state service territory, Black Hills Corporation plays a vital role in supporting the safety and well-being of our employees, their families, and our neighbors and communities. During 2021, through another consequential year of global economic challenges, lingering disruptions from the pandemic, and extreme weather events, we worked together to support our customers and deliver value for you, our shareholders. Our success over the year was guided by our shared values of service to our customers, our partnership with our communities, and our vision of powering a better future, which is the theme of this year's letter.

The best developed strategies are tested in years like 2021, when assets, teams, and leadership are on full display. The year affirmed our strategy of an unrelenting focus on customers, investing in infrastructure resiliency and reliability, executing our regulatory strategy, and improving the customer experience. It also reinforced the importance of moving toward a cleaner energy future, as our stakeholders are increasingly looking to us for leadership and for practical and innovative solutions to reduce the impacts of climate change through the decarbonization of the energy system.

Powering a better future

How we produce and deliver energy matters to us and to our customers. That's why we responsibly manage our natural resources and take great care to protect our environment. Throughout our history, we have pioneered technologies to consistently reduce and mitigate the impact of our utility operations on our environment, particularly with our power generating fleet.

Across our electric utilities, we produce energy using a balanced mix of generation sources which include advanced, state-of-the-art natural gas-fired generating plants, modern baseload coal-fired power plants, and cost-effective renewable energy resources. By the end of 2021, we had more than 400 megawatts (MW) of wind resources on our system, or more than 25% of our total energy resources, and we have more wind, solar and battery storage projects under review. Our efforts have led to a 30% reduction in greenhouse gas (GHG) emissions intensity since 2005, putting us well on our way to achieving our emissions reduction targets of 40% by 2030 and 70% by 2040 for our electric operations.

For our natural gas utilities, we have reduced GHG emissions intensity by 33% since 2005, and are on target to achieve our corporate wide GHG emissions reduction goal of 50% by 2035. We will realize this goal through the execution of our customer-centered capital investment plans to improve system safety and integrity, the programmatic replacement of unprotected pipeline, and the continued expansion of our renewable natural gas program.

Laying the groundwork

Among our key, strategic accomplishments in 2021, was the filing of our South Dakota and Wyoming Integrated Resource Plan, a roadmap for how we plan to meet our customers' growing energy needs. Our plan proposes to add 100 MW of new renewable generation to our South Dakota and Wyoming system and convert our 90 MW Neil Simpson II coal-fired power plant to natural gas in 2025, the end of its engineered life. This conversion will maintain system resiliency and support our emissions reduction goals, while demonstrating our continued support of a locally based energy economy.

We continued to advance our Ready Wyoming transmission expansion initiative, a proposed 260-mile project to enhance the resiliency of our electric system, expand access to power markets and renewable energy resources, and create long-term price stability for our customers. We submitted a request seeking approval for the project in early 2022, with construction planned in several segments spanning 2023 through 2025.

On the innovation front, we supported research in 2021 to advance technologies to find more efficient and affordable ways to deliver energy with lower emissions to benefit our customers and communities. We were awarded funding by the Wyoming Energy Authority and the University of Wyoming Energy Research Council to conduct a feasibility study for a hydrogen pilot project at our Cheyenne Prairie Generating Station. We are also supporting the University of Wyoming's research program for turbine-firing technologies that will further reduce emissions.

Improving life with energy

When reflecting on 2021, there is one event that encompassed the full criticality of our work, our service to our customers, and our mission of improving life with energy — Winter Storm Uri. This historic weather event put our team and our systems to the test, as we met extraordinary energy demand to keep our customers safe through life-threatening cold conditions across our operating footprint. Our natural gas utility systems and electric generating fleet performed remarkably well during this unprecedented event, showcasing our relentless focus on meeting customer needs and our ongoing infrastructure investments to support system safety, reliability, and resilience. With our balanced mix of power generation resources, as well as reliable and dispatchable generation capacity, we were able to completely avoid rolling blackouts experienced in other areas of the country.

Delivering value for you

Working together, we delivered solid financial results in 2021, driven by strong operational execution, disciplined cost management and reasonable returns on invested capital. We deployed $680 million of customer-centered capital investment in 2021, the third largest in our history, executing on our strategy to maintain and protect the safety and reliability of our extensive utility systems. We delivered earnings per share of $3.74, overcoming negative earnings impact from the unplanned events of Winter Storm Uri and record warm weather in the fourth quarter. It was through disciplined cost management, beneficial off-system energy sales and positive regulatory outcomes that we finished the year strong and delivered 51 years of consecutive dividend increases, one of the longest track records in the industry.

We made excellent progress executing our regulatory strategy in 2021. We filed and settled three rate reviews during the year for our natural gas utilities in Colorado, Iowa and Kansas. We did this while requesting and obtaining cost recovery for the unusual natural gas costs incurred to serve our customers during Winter Storm Uri. At year-end, we obtained approvals or reached constructive settlements in five states, with interim rates in place in Arkansas and Wyoming. We also prepared and filed a rate review for Arkansas Gas, which we will finalize in 2022. With these strategic and regulatory achievements, we are well-positioned for a strong and productive 2022.

As we close this letter, we would like to recognize our highly engaged teammates who personify the character of this company through their care and compassion for our customers. We are privileged to serve our customers with the essential electricity and natural gas they depend on for the well-being of their families and businesses. Together, we are improving life with energy and our care for our customers runs deep. In 2021, our community support totaled $5.3 million, including over $650,000 in employee giving to United Way agencies and affiliates across our service territory, and more than $768,000 in expanded energy assistance funding through our Black Hills Cares program. Our employees were also quick to lend a hand last year, giving generously of their time — more than 36,000 hours of volunteer time — to support local organizations and nonprofits.

It is our privilege to lead this outstanding team of individuals, who rallied together during a very challenging year. They looked out for each other and went "above and beyond" to meet our customers' needs. They did so by remaining committed to creating a safety culture that is grounded in trust and mutual respect for one another and our safety performance bears this out as we achieved a Total Case Incident Rate well below the utility average.

We are grateful to our team for their hard work and dedication to our customers. Thank you for the confidence and trust you have placed in our company. We are looking forward to a safe and productive year ahead.

Sincerely,

Steven R Mills

Steve Mills,
Chairman, Black Hills Corp. Board of Directors

Linn Evans

Linn Evans,
President and CEO, Black Hills Corp.

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Black Hills Corporation
Ready

BLACK HILLS CORPORATION

Notice of 2022
Annual Meeting of Shareholders
and Proxy Statement

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BLACK HILLS CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

WHEN:	WHERE:
Tuesday, April 26, 2022 9:30 a.m., local time	Horizon Point Company's Corporate Headquarters 7001 Mount Rushmore Road Rapid City, South Dakota 57702

We are pleased to invite you to attend the annual meeting of shareholders of Black Hills Corporation.

In the event it is not possible to attend our annual meeting in person, we encourage you to listen to the webcast of the meeting online at https://blackhillsenergy.zoom.us/j/94414466894. Please note, if you attend online, you will not be able to vote your shares or submit questions. Accordingly, it is important that you vote your shares as instructed below.

Proposals:

1. Election of three directors in Class I: Kathleen S. McAllister, Robert P. Otto, and Mark A. Schober.
2. Ratification of Deloitte & Touche LLP to serve as our independent registered public accounting firm for 2022.
3. Adoption of an advisory, non-binding resolution to approve our executive compensation.
4. Approval of the Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan.
5. Any other business that properly comes before the annual meeting.

Record Date:

The Board of Directors set March 7, 2022 as the record date for the meeting. This means that our shareholders as of the close of business on that date are entitled to receive this notice of the meeting and vote at the meeting and any adjournments or postponements of the meeting.

How to Vote:

Your vote is very important. You may vote your shares by telephone, by the Internet or by returning the enclosed proxy. If you own shares of common stock other than the shares shown on the enclosed proxy, you will receive a proxy in a separate envelope for each such holding. Please vote each proxy received. To make sure that your vote is counted if voting by mail, you should allow enough time for the postal service to deliver your proxy before the meeting.

Sincerely,

/s/ AMY K. KOENIG
Amy K. Koenig
Vice President - Governance, Corporate Secretary and Deputy General Counsel

PROXY SUMMARY

BLACK HILLS CORPORATION OVERVIEW

We are a customer-focused energy solution provider that invests in our communities' safety, sustainability and growth with a mission of *Improving Life with Energy* and a vision to be the *Energy Partner of Choice*. The Company's core mission – and our primary focus – is to provide safe, reliable and cost-effective electric and natural gas service to 1.3 million utility customers in over 800 communities in eight states, including Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming.

Items of Business to be Considered at the Annual Meeting

Proposal		Board Recommendation	Page
1	Election of Directors	☑ FOR each Director Nominee	6
2	Ratification of Deloitte & Touche LLP to Serve as Independent Registered Public Accounting Firm for 2022	☑ FOR	22
3	Advisory Non-Binding Resolution to Approve Executive Compensation	☑ FOR	25
4	Approval of the Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan	☑ FOR	52

BOARD OF DIRECTORS

Director Nominees

Our Board of Directors is committed to oversight that promotes the long-term interests of our shareholders and other stakeholders. We believe this is best achieved with directors who bring a diverse and relevant set of skills, expertise, experiences and perspectives. Our Board is nominating three individuals for election at this annual meeting. The following table provides summary information about the nominees:

Name	Age	Director Since	Independent	Committee Membership	Other Public Boards
Kathleen S. McAllister	57	2019	X	Audit	Hoegh LNG Partners LP TMC The Metals Company Inc.
Robert P. Otto	62	2017	X	Audit	None
Mark A. Schober	66	2015	X	Audit (Chair)	None

Director Skills and Demographics

	Evans	Granger	Jensen	McAllister	Mills	Otto	Prochazka	Roberts	Schober	Taylor	Vering
Skills and Experience											
Business Operations	X	X	X	X	X		X	X		X	X
Customer Service	X						X			X	
Cybersecurity/Technology				X		X					
ESG/Sustainability	X			X				X			
Financial Acumen		X	X	X	X	X	X	X	X		X
Government/Regulatory		X				X	X		X	X	
Health and Safety	X	X	X	X		X	X	X			X
Human Capital Management/ Compensation			X				X	X		X	
Legal/Governance/ Compliance	X	X		X							
Mergers and Acquisitions			X		X					X	
Risk Management	X	X	X	X	X	X	X	X	X	X	X
Strategic Planning	X	X	X	X	X	X	X	X	X	X	X
Utility Industry	X						X		X		
Board Tenure											
Years	3	1	2	2	10	5	1	10	6	5	16
Age											
Years Old	59	62	59	57	66	62	56	69	66	58	72
Gender											
Female				X				X		X	
Male	X	X	X		X	X	X		X		X
Race/Ethnicity											
African American/Black		X									
White/Caucasian	X		X	X	X	X	X	X	X	X	X

OUR COMMITMENT TO SUSTAINABILITY

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 cost-effective 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.

Environmental, Social and Governance (ESG) Strategy and Oversight

We are continuously strengthening our sustainability strategy. We are building upon our success of delivering cost-effective energy for customers and strong returns for investors by seeking renewable energy growth opportunities, minimizing risk and responding to stakeholders' evolving expectations. ESG and sustainability are inherently connected throughout our business and our ESG management is structured accordingly. Our Board of Directors oversees ESG, with management leadership from our CEO and executive steering committee, our dedicated department and our cross functional sustainability working group.

Responsibly Reducing Greenhouse Gas Emissions

Last year, we announced the following climate goals to reduce greenhouse gas emissions intensity:

Electric Utilities	Natural Gas Utilities
✓ 30% by 2020	✓ 33% by 2020
↓ 40% by 2030	↓ 50% by 2035
↓ 70% by 2040	

* These goals are based on reduction in greenhouse gas emissions intensity since 2005.

We are well on our way to achieving these goals, with a 30 percent reduction - an additional 5 percent reduction since announcing our goal - in electric emissions and a 33 percent reduction in natural gas emissions to date.

Commitment to the Energy Transition

We are proud of our sustainability efforts and continue to pursue initiatives to enable the transition to a cleaner energy future, including:

- We formed, along with several other utilities in the western United States, the Western Markets Exploratory Group. The group plans to identify market solutions that can help achieve carbon reduction goals while supporting reliable, cost-effective service for customers.
- We submitted an integrated resource plan to the regulatory commissions in South Dakota and Wyoming. The preferred options for near-term planning through 2026 propose the following:
    - the conversion of our Neil Simpson II coal-fired power plant to natural gas in 2025;
    - the addition of up to 100 megawatts of new renewable generation; and
    - the consideration of up to 20 megawatts of battery storage.
- We joined Our Nation's Energy Future, an industry coalition committed to reducing methane emissions to 1% or less of the natural gas value chain.
- We continue to advance our goal to electrify 20 percent of our on-road fleet by 2030.
- Horizon Point, our company headquarters in Rapid City, South Dakota, holds an EPA ENERGY STAR Certification indicating it meets strict energy performance standards set by the EPA.

We will continue executing our strategy of investing in cost-effective renewables and new technologies to further reduce our environmental impact across all states in which we operate, while continuing to deliver safe, reliable and cost effective energy to customers.

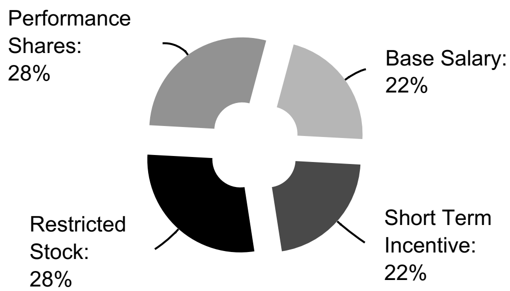
For additional information on our commitment to sustainability, you can review the following 2020 ESG reports on our website at www.blackhillsenergy.com/our-company/sustainability:

2020 Corporate Sustainability Report
2020 Edison Electric Institute ESG Disclosure
2020 American Gas Association ESG Disclosure
2020 Natural Gas Sustainability Initiative Disclosure
2020 Sustainability Accounting Standards Board Disclosure

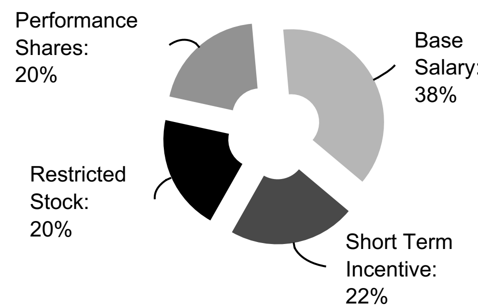
EXECUTIVE COMPENSATION

We have an Executive Compensation Philosophy that establishes the framework our Compensation Committee applies in structuring compensation for our executive officers ("Named Executive Officers" or "NEOs"). The components of our executive pay program consist of a base salary, a short-term incentive plan, and long-term incentives. Our executive pay program aligns the interest of our Named Executive Officers with our stakeholders by tying incentive pay to achievement of performance metrics.

CEO Target Pay Mix



NEOs' Target Pay Mix (Average)



Variable	78 %	Variable	63 %
Linked to Share Value	57 %	Linked to Share Value	40 %

*Percentages may differ from above due to rounding.

The performance measures for our incentive compensation plans are discussed in greater detail on page 28 of the Proxy Statement. We also require our executive officers to hold a significant amount of our common stock (between 3 and 6 times the base salary) to further align their performance with the interest of our shareholders.

Our compensation practices and policies demonstrate the alignment between executive compensation and the interests of our stakeholders. Our shareholders share our confidence in our compensation philosophy as reflected by the support of shareholders owning 98 percent of the shares voted to approve our 2020 executive compensation at last year's annual meeting.

BLACK HILLS CORPORATION

7001 Mount Rushmore Road
Rapid City, South Dakota 57702

PROXY STATEMENT

✓ A proxy in the accompanying form is solicited by the Board of Directors of Black Hills Corporation, a South Dakota corporation, to be voted at the annual meeting of our shareholders to be held Tuesday, April 26, 2022, and at any adjournment of the annual meeting.

✓ The enclosed form of proxy, when executed and returned, will be voted as set forth in the proxy. Any shareholder signing a proxy has the power to revoke the proxy in writing, addressed to our secretary, or in person at the meeting at any time before the proxy is exercised.

✓ We will bear all costs of the solicitation. In addition to solicitation by mail, our officers and employees may solicit proxies by telephone, fax, or in person. We have retained Georgeson LLC to assist us in the solicitation of proxies at an anticipated cost of $11,000.00, plus out-of-pocket expenses. Also, we will, upon request, reimburse brokers or other persons holding stock in their names or in the names of their nominees for reasonable expenses in forwarding proxies and proxy materials to the beneficial owners of stock.

✓ This proxy statement and the accompanying form of proxy are to be first mailed on or about March 17, 2022. Our 2021 annual report to shareholders is being mailed to shareholders with this proxy statement.

VOTING RIGHTS AND PRINCIPAL HOLDERS

✓ Only our shareholders of record at the close of business on March 7, 2022 are entitled to vote at the meeting. Our outstanding voting stock as of the record date consisted of 64,831,433 shares of our common stock.

✓ Each outstanding share of our common stock is entitled to one vote. Cumulative voting is permitted in the election of directors in the same class.

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COMMONLY ASKED QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING PROCESS

Who is soliciting my proxy?

The Board of Directors of Black Hills Corporation is soliciting your proxy.

Where and when is the annual meeting?

The annual meeting is at 9:30 a.m., local time, April 26, 2022 at Horizon Point, the Company's corporate headquarters, 7001 Mount Rushmore Road, Rapid City, South Dakota.

Who can vote?

Holders of our common stock as of the close of business on the record date, March 7, 2022, can vote at our annual meeting. Each share of our common stock has one vote for Proposals 2, 3, and 4. Related to Proposal 1, Election of Directors, cumulative voting is permitted in the election of directors in the same class.

How do I vote?

There are three ways to vote by proxy:

- by calling the toll free telephone number on the enclosed proxy;
- by going to the website identified on the enclosed proxy; or
- by returning the enclosed proxy in the envelope provided.

You *may* be able to vote by telephone or over the Internet if your shares are held in the name of a bank or broker. If this is the case, you will need to follow their instructions.

What constitutes a quorum?

Shareholders representing at least 50 percent of our common stock issued and outstanding as of the record date must be present at the annual meeting, either in person or by proxy, for there to be a quorum. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

What am I voting on and what is the required vote for the proposals to be adopted?

The required vote and method of counting votes for the various business matters to be considered at the annual meeting are described in the table below. If you sign and return your proxy card without indicating your vote, your shares will be voted in accordance with the Board recommendations as set forth below.

Item of Business	Board Recommendation	Voting Approval Standard	Effect of Abstention	Effect of Broker Non-Vote
Proposal 1: Election of Directors	FOR election of each director nominee	The three nominees with the most "FOR" votes are elected to their respective classes. If a nominee receives more "WITHHOLD AUTHORITY" votes than "FOR" votes, the nominee must submit a resignation for consideration by the Governance Committee and final Board decision.	No effect	No effect
Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm	FOR	The votes cast "FOR" must exceed the votes cast "AGAINST".	No effect	Not applicable; broker may vote shares without instruction
Proposal 3: Advisory Vote to Approve Executive Compensation	FOR	The votes cast "FOR" must exceed the votes cast "AGAINST". This advisory vote is not binding on the Board, but the Board will consider the vote results when making future executive compensation decisions.	No effect	No effect
Proposal 4: Approval of the Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan	FOR	The majority of votes present in person or represented by proxy and entitled to vote.	No effect	No effect

Is cumulative voting permitted for the election of directors?

In the election of directors, you may cumulate your vote. Cumulative voting allows you to allocate among the director nominees in the same class, as you see fit, the total number of votes equal to the number of director positions to be filled multiplied by the number of shares you hold. For example, if you own 100 shares of stock, and there are three directors to be elected in a class at the annual meeting, you could allocate 300 “For” votes (three times 100) among as few or as many of the three nominees to be voted on at the annual meeting as you choose.

If you choose to cumulate your votes, you will need to submit a proxy card or a ballot and make an explicit statement of your intent to cumulate your votes, either by indicating in writing on the proxy card or by indicating in writing on your ballot when voting at the annual meeting. If you hold shares beneficially in street name and wish to cumulate votes, you should contact your broker, trustee or nominee.

How will my shares be voted if they are held in a broker’s name?

If you hold your shares through an account with a bank or broker, the bank or broker may vote your shares on some matters even if you do not provide voting instructions. Brokerage firms have the authority under the New York Stock Exchange ("NYSE") rules to vote shares on certain matters (such as the ratification of auditors) when their customers do not provide voting instructions. However, on most other matters when the brokerage firm has not received voting instructions from its customers, the brokerage firm cannot vote the shares on that matter and a “broker non-vote” occurs. **This means that brokers may not vote your shares on the election of directors, the “say on pay” advisory vote and the vote to approve the Amended and Restated 2015 Omnibus Incentive Plan if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.**

What should I do now?

You should vote your shares by telephone, over the Internet or by returning your signed and dated proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the annual meeting.

Who will count the vote?

Representatives of our transfer agent, Equiniti Trust Company, will count the votes and serve as judges of the election.

Who conducts the proxy solicitation and how much will it cost?

We are asking for your proxy for the annual meeting and will pay all the costs of asking for shareholder proxies. We have hired Georgeson LLC to help us send out the proxy materials and ask for proxies. Georgeson LLC's fee for these services is anticipated to be $11,000 plus out-of-pocket expenses. We can ask for proxies through the mail, by telephone or in person. We can use our directors, officers and employees to ask for proxies. These people do not receive additional compensation for these services. We will reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of our common stock.

Can I revoke my proxy?

Yes. You can change your vote in one of four ways at any time before your proxy is used. First, you can enter a new vote by telephone or Internet. Second, you can revoke your proxy by written notice. Third, you can send a later dated proxy changing your vote. Fourth, you can attend the meeting and vote in person.

Who should I call with questions?

If you have questions about the annual meeting, you should call Amy K. Koenig, Vice President - Governance, Corporate Secretary and Deputy General Counsel, at (605) 721-1700.

When are the shareholder proposals due for the 2023 annual meeting?

In order to be considered for inclusion in our proxy materials, you must submit proposals for next year's annual meeting in writing to our Corporate Secretary at our corporate headquarters at 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709, on or prior to November 17, 2022.

A shareholder who intends to submit a proposal for consideration, but not for inclusion in our proxy materials, must provide written notice to our Corporate Secretary in accordance with Article I, Section 9 of our Bylaws. In general, our Bylaws provide that the written notice must be delivered not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of shareholders. Our 2023 annual meeting is scheduled for April 25, 2023. Ninety days prior to the first anniversary of this date will be January 26, 2023, and 120 days prior to the first anniversary of this date will be December 27, 2022.

PROPOSAL 1	ELECTION OF DIRECTORS

Our Board is nominating three individuals for election as directors at this annual meeting. All of the nominees are currently serving as our directors. In accordance with our Bylaws and Article VI of our Articles of Incorporation, members of our Board of Directors are elected to three classes of staggered terms consisting of three years each, and until their successors are duly elected and qualified. At this annual meeting, three directors will be elected to Class I for a term of three years until our annual meeting in 2025.

Nominees for director at the annual meeting are Kathleen S. McAllister, Robert P. Otto, and Mark A. Schober. Our Bylaws require a minimum of nine directors. The Board has set the size of the Board at 10 directors effective at the annual meeting in connection with one director retirement occurring at that time.

Pursuant to our Bylaws, directors must resign from the Board at the annual meeting after attaining 72 years of age. Accordingly, Mr. Vering, who turned 72 in 2021, will resign effective at this annual meeting.

If, at the time of the annual meeting, any nominees are unable to stand for election, the Board of Directors may designate a substitute or reduce the number of directors to no less than nine. In that case, shares represented by proxies may be voted for a substitute director nominated by the Board. We do not expect that any nominee will be unavailable or unable to serve.

The Board and the Governance Committee believe that the combination of the various qualifications, skills and experiences of the directors contribute to an effective and well-functioning Board, and that, individually and as a whole, the directors possess the necessary qualifications to provide effective oversight of the business and quality advice to the Company's management. Included in each director's biography below is an assessment of the specific qualifications, attributes, skills and experience that have led to the conclusion that each individual should serve as a director in light of our current business and structure.

The Board of Directors recommends a vote *FOR* the election of the following nominees:

Director Nominee	Class	Year Term Expiring
Kathleen S. McAllister	I	2025
Robert P. Otto	I	2025
Mark A. Schober	I	2025

DIRECTOR SKILLS AND EXPERIENCE

Linden R. Evans

President and Chief Executive Officer of the Company

Director since: 2018

Director Class: III, term expiring in 2024

Age: 59

Outside Directorships:

None

Summary:

Mr. Evans has been President and Chief Executive Officer of the Company since January 1, 2019. He previously served as President and Chief Operating Officer from 2016 to 2018, and President and Chief Operating Officer – Utilities from 2004 to 2015. He began his career with Black Hills Corporation in 2001 as Corporate Counsel. Prior to joining the Company, Mr. Evans was a mining engineer and an attorney specializing in environmental and corporate legal matters.

Skills and Qualifications:

business operations, customer service, ESG/sustainability, health and safety, legal/governance/compliance, risk management, strategic planning, utility industry

Barry M. Granger

Managing Partner and Co-Founder of B3 Technology Investments

Director since: 2020

Director Class: III, term expiring in 2024

Age: 62

Standing Board Committees:

Audit Committee

Outside Directorships:

None

Summary:

Mr. Granger has over 35 years of experience in the chemical, materials and industrial markets. He is the Managing Partner of B3 Technology Investments, a consulting firm he founded in 2018. He held roles as Vice President of Government Marketing and Government Affairs at DuPont from 2010 to 2017 and Vice President and General Manager, Tyvek® from 2007 to 2010. Early in his career, he served as the Executive Assistant to the Chairman and CEO of DuPont. He has held a variety of leadership positions with increasing responsibilities in operations, product management, sales and marketing.

Skills and Qualifications:

business operations, financial acumen, government/regulatory, health and safety, legal/governance/compliance, risk management, strategic planning

PROXY

Tony A. Jensen

Retired Director, President and Chief Executive Officer of Royal Gold, Inc.

Director since: 2019

Director Class: III, term expiring in 2024

Age: 59

Standing Board Committees:

Compensation Committee

Outside Directorships:

None

Summary:

Mr. Jensen has over 35 years of experience in the mining and mining finance industries. From 2003 until his retirement in 2019, Mr. Jensen served in several leadership roles at Royal Gold, Inc., a public precious metals company, including Director, President and Chief Executive Officer from 2006 to 2019, and Chief Operating Officer from 2003 to 2006. Prior to 2003, he held progressively more responsible roles in engineering, finance, strategic growth, safety, environmental excellence, and operational efficiency.

Skills and Qualifications:

business operations, financial acumen, health and safety, human capital management/compensation, mergers and acquisitions, risk management, strategic planning

Kathleen S. McAllister

Retired Director, President and Chief Executive Officer of Transocean Partners LLC

Director since: 2019

Director Nominee Class: I, term expiring in 2025

Age: 57

Standing Board Committees:

Audit Committee

Outside Directorships:

Hoegh LNG Partners LP (since 2017)
TMC The Metals Company Inc. (since 2022)

Summary:

Ms. McAllister has over 30 years of experience in diverse leadership roles with global, capital intensive companies in the energy value chain. She served as Director, President and Chief Executive Officer from 2014 to 2016 and as Chief Financial Officer in 2016 of Transocean Partners LLC, an international provider of offshore contract drilling services for oil and gas wells. She held the roles of Vice President and Treasurer from 2011 to 2014 of Transocean Ltd. Prior to 2011, she served in roles with increasing responsibility in finance, information technology, tax and treasury. Ms. McAllister is a National Association of Corporate Directors Board Fellow and a Certified Public Accountant. She is a Board Member of Hoegh LNG Partners LP and TMC The Metals Company Inc., and was previously a Board Member of Maersk Drilling (2017 to 2019), where she chaired the Audit and Risk Committee.

Skills and Qualifications:

business operations, cybersecurity/technology, ESG/sustainability, financial acumen, health and safety, legal/governance/compliance, risk management, strategic planning

PROXY

Steven R. Mills

Chairman of the Board
Retired Public Company Financial Executive

Director since: 2011

Director Class: III, term expiring in 2024

Age: 66

Standing Board Committees:

Governance Committee

Outside Directorships:

Amyris, Inc. (since 2018)

Summary:

Mr. Mills has more than 40 years of experience in the fields of accounting, corporate finance, strategic planning, risk management, and mergers and acquisitions. He is a member of the Board of Directors of Amyris, Inc., a renewable products company, where he serves as Chair of the Audit Committee and as a member of the Leadership, Development, Inclusion and Compensation Committee. Mr. Mills is also a consultant and advisor to Arianna S.A., a European-based specialized investment fund. Previously, Mr. Mills served as Chief Financial Officer of Amyris, Inc. from 2012 to 2013. Prior to joining Amyris, he had a 33-year career at Archer Daniels Midland Company, one of the world's largest agricultural processors and food ingredient providers, where he held various senior executive roles, including Senior Executive Vice President Performance and Growth, Chief Financial Officer, Controller, and Senior Vice President Strategic Planning.

Skills and Qualifications:

financial acumen, mergers and acquisitions, risk management, strategic planning

Robert P. Otto

Owner of Bob Otto Consulting LLC

Director since: 2017

Director Nominee Class: I, term expiring in 2025

Age: 62

Standing Board Committees:

Audit Committee

Outside Directorships:

None

Summary:

Since 2017, Mr. Otto has provided strategic planning and advisory services in cybersecurity and intelligence. With 34 years of U.S. Air Force service, he served as a general officer from 2008 to 2016, culminating as lieutenant general and the Deputy Chief of Staff for Intelligence. He was directly responsible for intelligence policy, planning, implementation, oversight, and leadership of a 27,000-person workforce.

Skills and Qualifications:

cybersecurity/technology, financial acumen, risk management, strategic planning

Scott M. Prochazka

Former Board Member, President and Chief Executive Officer of CenterPoint Energy

Director since: 2020

Director Class: II, term expiring in 2023

Age: 56

Standing Board Committees:

Compensation Committee

Outside Directorships:

Peridot Acquisition Corp. II (since January 2021)
Li-Cycle Holdings Corp. (since August 2021)

Summary:

Mr. Prochazka served as Board Member, President and Chief Executive Officer of CenterPoint Energy, a public energy delivery company with electric transmission and distribution, power generation and natural gas distribution operations, from 2014 until his retirement in 2020. Prior to that he was Chief Operating Officer from 2012 to 2013, Senior Vice President of Electric Business from 2011 to 2012, and Vice President of Gas Business Unit from 2009 to 2011. He held other management positions including Vice President Customer Care and Support Services and Vice President Texas Gas Region. Before his time at CenterPoint Energy, Mr. Prochazka held roles of increasing responsibility at Dow Chemical. Mr. Prochazka was a Board Member of Enable Midstream Partners, LP from 2014 through 2020, and Chairman from 2015 through 2017. Mr. Prochazka was previously a Board Member of Peridot Acquisition Corporation where he served on the Audit and Compensation Committees. He was recently appointed to the Board of Directors of Peridot Acquisition Corp. II where he serves on the Audit and Compensation Committees, and Li-Cycle Holdings Corp.(successor to Peridot Acquisition Corporation) where he chairs the Audit Committee and serves on the Health, Safety, Environmental, Quality & Technical Committee.

Skills and Qualifications:

business operations, customer service, financial acumen, government/regulatory, health and safety, human capital management/compensation, risk management, strategic planning, utility industry

Rebecca B. Roberts

Retired President of Chevron Pipe Line Company

Director since: 2011

Director Class: II, term expiring in 2023

Age: 69

Standing Board Committees:

Compensation Committee
Governance Committee (Chair)

Outside Directorships:

AbbVie, Inc. (since 2018)
MSA Safety, Inc. (since 2013)

Summary:

Ms. Roberts has over 35 years of experience in the energy industry, including managing pipelines in North America and global pipeline projects, and managing a portfolio of power plants in the United States, Asia, and the Middle East. From 2006 until her retirement in 2011, Ms. Roberts served as the President of Chevron Pipe Line Company, a pipeline company transporting crude oil, refined petroleum products, liquefied petroleum gas, natural gas, and chemicals within the United States. From 2003 until 2006, she was the President of Chevron Global Power Generation. She has also served on the Board of Enbridge, Inc., from 2015 to 2018. Ms. Roberts is a member of the Board of Directors of Abbvie, Inc. and MSA Safety, Inc., where she serves as the Chair of the Compensation Committee.

Skills and Qualifications:

business operations, ESG/sustainability, financial acumen, health and safety, human capital management/compensation, risk management, strategic planning

Mark A. Schober

Retired Senior Vice President and Chief Financial Officer of ALLETE, Inc.

Director since: 2015

Director Nominee Class: I, term expiring in 2025

Age: 66

Standing Board Committees:

Audit Committee (Chair)

Outside Directorships:

None

Summary:

Mr. Schober has more than 35 years of experience in the utility and energy industry. Beginning in 2006 and concluding with his retirement in 2014, Mr. Schober served as the Senior Vice President and Chief Financial Officer of ALLETE, Inc. His extensive industry experience in the upper Midwest provides expertise in the regulated business model and the unique challenges of the geographic and regulatory environment in which we operate.

Skills and Qualifications:

financial acumen, government/regulatory, risk management, strategic planning, utility industry

Teresa A. Taylor

Chief Executive Officer of Blue Valley Advisors, LLC

Director since: 2016

Director Class: II, term expiring in 2023

Age: 58

Standing Board Committees:

Compensation Committee (Chair)
Governance Committee

Outside Directorships:

T-Mobile USA, Inc. (since 2013)

Summary:

Ms. Taylor has over 30 years of experience in technology, media, and the telecom sectors. She has been the Chief Executive Officer of Blue Valley Advisors, LLC, a consulting firm that she founded, since 2011. She was the Chief Operating Officer of Qwest Communications, Inc., a telecommunications carrier, from 2009 to 2011, where she led the daily operations and a senior management team responsible for 30,000 employees in field support, technical development, sales, marketing, customer support and information technology systems. She is a member of the Board of Directors of T-Mobile USA, Inc. She previously served on the Board of NiSource, a public utility company from 2012 to 2015, Columbia Pipeline Group, Inc. from 2015 to 2016, and First Interstate BancSystem, Inc. from 2012 to 2020.

Skills and Qualifications:

business operations, customer service, cybersecurity/technology, human capital management/compensation, risk management, strategic planning

John B. Vering

Partner of Vering Feed Yards LLC
Retired Managing Director of Lone Mountain Investments, Inc.

Director since: 2005

Director Class: II, term expiring in 2023

Age: 72

Standing Board Committees:

Audit Committee
Governance Committee

Outside Directorships:

None

Summary:

Mr. Vering has over 30 years of experience in the oil and gas industry, including direct operating experience in oil and gas transportation and marketing. From 2002 until his retirement in 2019, Mr. Vering was the Managing Director of Lone Mountain Investments, Inc., an oil and gas investment firm. Prior to this role, Mr. Vering had a 23-year career with Union Pacific Resource Company in several positions of increasing responsibility including Vice President of Canadian Operations. Mr. Vering has been a partner in Vering Feed Yards, LLC, a privately-owned agricultural company, since 2010.

Skills and Qualifications:

business operations, financial acumen, health and safety, risk management, strategic planning

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our Board of Directors has adopted “Corporate Governance Guidelines of the Board of Directors,” which guide the operation of our Board and assist the Board in fulfilling its obligations to shareholders and other constituencies. The guidelines lay the foundation for the Board’s responsibilities, operations, leadership, organization and committee matters. The Governance Committee reviews the guidelines annually, and the guidelines may be amended at any time, upon recommendation by the Governance Committee and approval of the Board. These guidelines can be found in the “Governance” section of our website (www.blackhillscorp.com/investor-relations/corporate-governance).

Board Leadership Structure

Following the May 1, 2020 retirement of our former Executive Board Chairman David R. Emery, Steven R. Mills, an independent director, was appointed Chairman of the Board. As Chairman, Mr. Mills leads our Board in the performance of its duties by working with the CEO to establish meeting agendas, facilitating board meetings and executive sessions, and collaborating with the Board to annually evaluate the performance of the CEO.

As provided in our Corporate Governance Guidelines, the Board does not have a policy on whether or not the roles of Chairman and CEO should be separate or combined. The Governance Committee annually reviews the appropriate leadership structure for the Company and recommends a Chairman for Board approval. While our Bylaws and Corporate Governance Guidelines do not require that our Chairman and CEO positions be held by separate individuals, the Board of Directors believes that having separate positions and having an independent director serve as Chairman is the appropriate leadership structure for the Company at this time.

Risk Oversight

Our Board oversees an enterprise risk management ("ERM") approach to risk management that supports our operational and strategic objectives. It fulfills its oversight responsibilities through receipt of quarterly reports from management regarding material risks involving strategic planning and execution, operations, physical and cybersecurity, environmental, social and governance ("ESG"), financial, legal, safety, regulatory, and human resources risks. While our full Board retains responsibility for risk oversight, it delegates oversight of certain risk considerations to its committees within each of their respective areas of responsibility as defined in the charter for each committee.

Our management is responsible for day-to-day risk management and operates under our ERM program that addresses enterprise risks. The ERM program includes practices to identify risks, assess the impact and likelihood of occurrence, and develop action plans to prevent the occurrence or mitigate the impact of the risk. The ERM program includes regular reporting to our senior management team, quarterly reporting to our Board of Directors, and monitoring and testing by the Risk Management, Compliance and Internal Audit groups.

Sustainability Oversight

We are committed to creating a cleaner energy future that builds upon our responsibility to provide the safe, reliable and economic energy that improves our customers' lives. The Board oversees management's execution of our sustainability objectives and receives quarterly updates from management regarding sustainability matters. Under the oversight of the Board, we published our 2020 Corporate Sustainability Report in the third quarter of 2021. In addition to highlighting numerous ESG initiatives underway, the Report showcased the Company's progress on its 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 (as compared to 2005). Also in the third quarter, we issued updated Edison Electric Institute and American Gas Association ESG disclosures, Natural Gas Sustainability Initiative (NGSI) disclosures, and Sustainability Accounting Standards Board (SASB) disclosures.

Cyber and Physical Security Oversight

Our Board retains oversight of cyber and physical security. Our Chief Information Officer provides the Board quarterly reports that summarize material security risks and the measures that have been put in place to mitigate the associated risks. These reports address a variety of topics including updates on strategic initiatives, industry trends, threat vulnerability assessments, and efforts to prevent, detect and respond to internal and external critical threats.

Human Capital Management Oversight

Primary responsibility for oversight of human capital management rests with our Compensation Committee. As part of its oversight, the Committee reviews regular reports from management regarding diversity and inclusion, pay equity, strategic workforce planning, talent retention, employee benefits programs, and employee engagement.

Succession Planning Oversight

Our Board is actively engaged in succession planning for our key executive positions to ensure a strong bench of future leaders. To assist the Board, our CEO and our Senior Vice President - Chief Human Resources Officer perform talent reviews and discuss succession planning and leadership development. Semi-annually, their assessment of senior executive talent, including potential of such talent to succeed our CEO or other executive officers, readiness for succession and development opportunities are presented to our Board.

Director Nominees

The Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Board candidates are considered based upon various criteria, including diversity of gender, race and ethnicity; business, administrative and professional skills or experiences; an understanding of relevant industries, technologies and markets; financial literacy; independence status; the ability and willingness to contribute time and special competence to Board activities; personal integrity and independent judgment; and a commitment to enhancing shareholder value. The Governance Committee considers these and other factors as it deems appropriate, given the needs of the Board.

Our goal is a diverse, talented, and highly engaged Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business currently and in the future. The Governance Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, the use of third-party executive search firms, members of management, and shareholders. Any shareholder may make recommendations for consideration by the Governance Committee for membership on the Board by sending a written statement of the qualifications of the recommended individual to the Corporate Secretary. The Committee evaluates all director candidates in the same manner using the same criteria regardless of who recommends them.

Shareholders who intend to nominate persons for election to the Board of Directors must provide timely written notice of the nomination in accordance with Article I, Section 9 of our Bylaws. Generally, our Corporate Secretary must receive the written notice at our executive offices at 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. For the 2023 shareholder meeting, those dates are January 26, 2023 and December 27, 2022. The notice must include at a minimum the information set forth in Article I, Section 9 of our Bylaws, including the shareholder's identity, contingent ownership interests, description of any agreement made with others acting in concert with respect to the nomination, specific information about the nominee and certain representations by the nominee to us.

Board Independence

In accordance with NYSE rules, the Board of Directors through its Governance Committee, affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the NYSE listing standards. These guidelines are contained in our Policy for Director Independence, which can be found in the "Governance" section of our website (www.blackhillscorp.com/investor-relations/corporate-governance). Based on these standards, the Governance Committee determined that each of the following non-employee directors is independent and has no relationship with us, except as a director and shareholder: Barry M. Granger, Tony A. Jensen, Kathleen S. McAllister, Steven R. Mills, Robert P. Otto, Scott M. Prochazka, Rebecca B. Roberts, Mark A. Schober, Teresa A. Taylor, and John B. Vering. In addition, based upon these standards, the Governance Committee determined that Mr. Evans is not independent because he is an officer of the Company.

Director Resignation Policies

The Corporate Governance Guidelines require members of the Board to submit a letter of resignation for consideration by the Board in certain circumstances. The Guidelines include a plurality plus voting policy. Pursuant to the policy, any nominee for election as a director in an uncontested election who receives a greater number of votes "Withheld" from his or her election than votes "For" his or her election will promptly tender his or her resignation as a director to the Chairman of the Board following certification of the election results. Broker non-votes will not be deemed to be votes "For" or "Withheld" from a director's election for purposes of the policy. The Governance Committee (without the participation of the affected director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take the appropriate action on each tendered resignation, taking into account the Governance Committee's recommendation. The Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons why the Governance Committee believes shareholders "Withheld" votes for election from such director and any other circumstances surrounding the "Withheld" votes, any alternatives for curing the underlying cause of the "Withheld" votes, the qualifications of the tendering director, his or her past and expected future contributions to us and the Board, and the overall composition of the Board, including whether accepting the resignation would cause us to fail to meet any applicable SEC or NYSE requirements. The Board will publicly disclose its decision and rationale by filing a Form 8-K with the SEC within 90 days after receipt of the tendered resignation.

The Corporate Governance Guidelines also require members of the Board to tender a letter of resignation in the event of a change in professional responsibilities that may directly or indirectly impact that Board member's ability to fulfill directorship obligations. The Board is not obligated to accept that resignation. The Governance Committee will review the affected member's service and qualifications and recommend to the Board the continued appropriateness of Board membership under the circumstances.

Code of Business Conduct and Ethics

The Code of Business Conduct and the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, and certain other persons performing similar functions can be found in the "Corporate Governance" section of our website (www.blackhillscorp.com/investor-relations/corporate-governance). We intend to disclose any amendments to, or waivers of, the Code of Ethics on our website. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

Certain Relationships and Related Party Transactions

We recognize related party transactions can present potential or actual conflicts of interest and create the appearance that decisions are based on considerations other than the best interests of us and our shareholders. Accordingly, as a general matter, it is our preference to avoid related party transactions. Nevertheless, we recognize that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of us and our shareholders, including but not limited to situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when we provide products or services to related parties on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, our Board of Directors has adopted a policy for the review of related party transactions. This policy requires directors and officers to promptly report to our Vice President - Governance all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our Vice President - Governance presents those transactions to our Governance Committee. Our Governance Committee reviews the material facts presented and either approves or disapproves entry into the transaction. In reviewing the transaction, the Governance Committee considers the following factors, among other factors it deems appropriate: (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; (ii) the extent of the related party's interest in the transaction; and (iii) the impact on a director's independence in the event the related party is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer. There were no reportable related party transactions in 2021.

Communications with the Board

We value the views and input of our shareholders and believe that fostering productive dialogue with our shareholders contributes to our long-term success. Shareholders and others interested in communicating directly with the Chairman, with the independent directors as a group, or the Board of Directors may do so in writing to the Chairman, Black Hills Corporation, 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709.

MEETINGS AND COMMITTEES OF THE BOARD

THE BOARD OF DIRECTORS

Our Board of Directors held five meetings during 2021. Each regularly scheduled meeting of the Board includes an executive session of only independent directors. We encourage our directors to attend the annual shareholders' meeting. During 2021, each current director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served. In addition, all directors attended the 2021 annual meeting of shareholders either in person or virtually.

COMMITTEES OF THE BOARD

Our Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. Those standing committees are the Audit Committee, the Compensation Committee and the Governance Committee. Each committee operates under a charter, which is available on our website at www.blackhillscorp.com/investor-relations/corporate-governance and is also available in print to any shareholder who requests it. In addition, our Board creates special committees from time to time for specific purposes. Members of the committees are designated by our Board upon recommendation of the Governance Committee.

Audit Committee	Primary Responsibilities
9 Meetings in 2021 Members: Mark A. Schober (Chair) Barry M. Granger Kathleen S. McAllister Robert P. Otto John B. Vering Independence: 100%	⅄ Assist the Board in fulfilling its oversight responsibility to our shareholders relating to the quality and integrity of our accounting, auditing and financial reporting processes; ⅄ Oversee the integrity of our financial statements, financial reporting systems of internal controls and disclosure controls regarding finance, accounting and legal compliance; ⅄ Review areas of potential significant financial risk to us; ⅄ Review consolidated financial statements and disclosures; ⅄ Appoint an independent registered public accounting firm for ratification by our shareholders; ⅄ Monitor the independence and performance of our independent registered public accountants and internal auditing department; ⅄ Pre-approve all audit and non-audit services provided by our independent registered public accountants; ⅄ Review the scope and results of the annual audit, including reports and recommendations of our independent registered public accountants; ⅄ Review the internal audit plan results of internal audit work and our process for monitoring compliance with our Code of Business Conduct and other policies and practices established to ensure compliance with legal and regulatory requirements; and ⅄ Periodically meet, in private sessions, with our VP - Internal Audit, Chief Financial Officer, Chief Compliance Officer, other management, and our independent registered public accounting firm.
Committee Report: Page 24 of this Proxy Statement	In accordance with the rules of the NYSE, all of the members of the Audit Committee are financially literate. In addition, the Board determined that Ms. McAllister and Messrs. Schober and Vering have the requisite attributes of an "audit committee financial expert" as provided in regulations promulgated by the SEC, and that such attributes were acquired through relevant education and/or experience.

Compensation Committee 5 Meetings in 2021 Members: Teresa A. Taylor (Chair) Tony A. Jensen Scott M. Prochazka Rebecca B. Roberts Independence: 100% Committee Report: Page 39 of this Proxy Statement	**Primary Responsibilities** ⅄ Discharge the Board of Directors' responsibilities related to executive and director compensation philosophy, policies and programs; ⅄ Perform functions required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation; ⅄ Consider and recommend for approval by the Board all executive compensation programs including executive benefit programs and stock ownership plans; ⅄ Promote an executive compensation program that supports the overall objective of enhancing shareholder value; and ⅄ Provide oversight of Company diversity and inclusion. The Compensation Committee has authority under its charter to retain compensation consultants and other advisors as the Committee may deem appropriate in its sole discretion. The Committee engaged Meridian Compensation Partners, LLC (Meridian), an independent consulting firm, to conduct an annual review of our 2021 total compensation program for executive officers. The Committee reviewed the independence of Meridian and the individual representatives of Meridian who served as consultants to the Committee, in accordance with the SEC and NYSE requirements. The Compensation Committee concluded that Meridian was independent and Meridian's performance of services raised no conflict of interest. The Committee's conclusions were based in part on a report that Meridian provided to the Committee intended to reveal any potential conflicts of interest and a schedule of the type and amount of non-executive compensation services provided by Meridian to the Company. During 2021, the cost of these non-executive compensation services was less than $25,000.

Compensation Committee Interlocks. None of our executive officers serve as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board or on our Compensation Committee.

Governance Committee 4 Meetings in 2021 Members: Rebecca B. Roberts (Chair) Steven R. Mills Teresa A. Taylor John B. Vering Independence: 100%	**Primary Responsibilities** ⅄ Assess the size of the Board and qualifications for Board membership; ⅄ Identify and recommend prospective directors to the Board to fill vacancies; ⅄ Review and evaluate director nominations submitted by shareholders, including reviewing the qualifications and independence of shareholder nominees; ⅄ Consider and recommend existing Board members to be renominated at our annual meeting of shareholders; ⅄ Consider the resignation of an incumbent director who makes a principal occupation change (including retirement) or who receives a greater number of votes "Withheld" than votes "For" in an uncontested election of directors and recommend to the Board whether to accept or reject the resignation; ⅄ Establish and review guidelines for corporate governance; ⅄ Recommend to the Board for approval committee membership and chairs of the committees; ⅄ Recommend to the Board for approval a Chairman or an independent director to serve as a Lead Director; ⅄ Review the independence of each director and director nominee; ⅄ Administer an annual evaluation of the performance of the Board and each Committee and a biennial evaluation of each individual director; ⅄ Ensure that the Board oversees the evaluation and succession planning of management; and ⅄ Oversee the reporting framework the Company utilizes to track and monitor progress associated with ESG activities.

DIRECTOR COMPENSATION

DIRECTOR FEES

Compensation to our non-employee directors consists of cash retainers for Board members, Committee members, the Board Chairman and Committee Chairs. In addition, through 2021, the Board members received their equity compensation in the form of common stock equivalents that are deferred until after they leave the Board. Effective January 1, 2022, the Board adopted a new Non-Employee Director Equity Compensation Plan that provides equity compensation to our Board members in the form of restricted stock units. For the period of January 1, 2022 through April 30, 2022, the Board members received a pro rata amount of equity compensation in the form of restricted stock units. Under the new Plan, beginning with the 2022 annual meeting, Board members will receive an annual equity award of restricted stock units that will vest at the next annual meeting. Dividend equivalents accrue on the common stock equivalents and the restricted stock units. We do not pay meeting fees.

In setting non-employee director compensation, the Compensation Committee recommends the form and amount of compensation to the Board of Directors, which makes the final determination. In considering and recommending the compensation of non-employee directors, the Compensation Committee considers such factors as it deems appropriate, including historical compensation information, level of compensation necessary to attract and retain non-employee directors meeting our desired qualifications and market data. In the review of director compensation in 2022, Meridian completed a market compensation review of our peer companies' director fees. Based on this review, the cash retainer and equity pay were increased effective May 1, 2022 to more closely align with the median director compensation for our peer utility companies. The fee structure for director fees in 2021 and 2022 are as follows:

	2021 Fees		Fees Effective January 1, 2022		Fees Effective May 1, 2022	
	Cash	Common Stock Equivalents	Cash	Restricted Stock Units	Cash	Restricted Stock Units
Board Retainer	$85,000	$105,000	$85,000	$105,000	$95,000	$120,000
Board Chairman	$100,000		$100,000		$100,000	
Committee Chair Retainer						
Audit Committee	$15,000		$15,000		$15,000	
Compensation Committee	$12,500		$12,500		$12,500	
Governance Committee	$10,000		$10,000		$10,000	
Committee Member Retainer						
Audit Committee	$10,000		$10,000		$10,000	
Compensation Committee	$7,500		$7,500		$7,500	
Governance Committee	$7,500		$7,500		$7,500	

DIRECTOR COMPENSATION FOR 2021 AND COMMON STOCK EQUIVALENTS OUTSTANDING AS OF DECEMBER 31, 2021[(1)]

Name[(2)]	Fees Earned or Paid in Cash	Stock Awards[(3)]	Total	Number of Common Stock Equivalents Outstanding at December 31, 2021[(4)]
Barry M. Granger	$91,667	$105,000	$196,667	2,147
Tony A. Jensen	$92,500	$105,000	$197,500	10,057
Michael H. Madison[(5)]	$33,333	$35,000	$68,333	—
Kathleen A. McAllister	$95,000	$105,000	$200,000	8,440
Steven R. Mills	$195,833	$105,000	$300,833	36,702
Robert P. Otto	$95,000	$105,000	$200,000	11,146
Scott M. Prochazka	$90,000	$105,000	$195,000	2,147
Rebecca B. Roberts	$110,000	$105,000	$215,000	24,505
Mark A. Schober	$110,000	$105,000	$215,000	15,660
Teresa A. Taylor	$110,000	$105,000	$215,000	11,065
John B. Vering	$102,500	$105,000	$207,500	44,574

(1) Our directors did not receive any stock option awards, non-equity incentive plan compensation, pension benefits or perquisites in 2021 and did not have any stock options outstanding at December 31, 2021.

(2) Mr. Evans, our President and CEO, is not included in this table because he is our employee and thus receives no compensation for his services as director. Mr. Evans' compensation received as an employee is shown in the Summary Compensation Table for our Named Executive Officers.

(3) Each non-employee director received a quarterly award of common stock equivalents with a grant date fair value of $26,250 per quarter, equivalent to $105,000 per year. The grant date fair value of a common stock equivalent is the closing price of a share of our common stock on the grant date.

(4) The common stock equivalents are fully vested in that they are not subject to forfeiture; however, the shares are not issued until after the director ends his or her service on the Board. The common stock equivalents are payable in stock or cash or can be deferred further at the election of the director.

(5) Mr. Madison's retirement from our Board of Directors was effective at our 2021 Annual Meeting.

DIRECTOR STOCK OWNERSHIP GUIDELINES

Each member of our Board of Directors is required to hold shares of common stock, common stock equivalents, or restricted stock units equal to five times the annual cash Board retainer. Currently, all of our directors have met the stock ownership guideline except for Messrs. Granger and Prochazka, who have been on the Board for less than two years.

SECURITY OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets forth the beneficial ownership of our common stock as of February 14, 2022 for each director, each executive officer named in the Summary Compensation Table, all of our directors and executive officers as a group and each person known by us to beneficially own more than five percent of our outstanding shares of common stock. Beneficial ownership includes shares a director or executive officer has or shares the power to vote or transfer. There were no stock options outstanding for any of our directors or executive officers as of February 14, 2022.

Except as otherwise indicated by footnote below, we believe that each individual named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by that individual.

Name of Beneficial Owner(1)	Shares of Common Stock Beneficially Owned(2)	Directors Common Stock Equivalents(3)	Total	Percentage
Outside Directors				
Barry M. Granger	681	1,962	2,643	*
Tony A. Jensen	6,981	3,572	10,553	*
Kathleen S. McAllister	5,365	3,572	8,937	*
Steven R. Mills	18,623	18,575	37,198	*
Robert P. Otto	3,437	8,206	11,643	*
Scott M. Prochazka	681	1,962	2,643	*
Rebecca B. Roberts	5,302	19,699	25,001	*
Mark A. Schober	5,632	10,525	16,157	*
Teresa A. Taylor	2,834	8,727	11,561	*
John B. Vering	11,592	33,479	45,071	*
Named Executive Officers				
Linden R. Evans	145,949	—	145,949	*
Brian G. Iverson	37,559	—	37,559	*
Erik D. Keller	7,200	—	7,200	*
Richard W. Kinzley	54,014	—	54,014	*
Stuart A. Wevik	24,387	—	24,387	*
All directors and executive officers as a group (16 persons)	348,772	110,279	459,051	*

* Represents less than one percent of the common stock outstanding.

(1) Beneficial ownership means the sole or shared power to vote, or to direct the voting of, a security or investment power with respect to a security.

(2) Includes restricted stock held by the following executive officers for which they have voting power but not investment power: Mr. Evans - 29,203 shares; Mr. Iverson - 7,131 shares; Mr. Keller - 6,714 shares; Mr. Kinzley - 8,245 shares; Mr. Wevik - 3,865 shares and all directors and executive officers as a group 60,118 shares.

(3) Represents common stock allocated to the directors' accounts prior to January 1, 2022, under our former directors' stock-based compensation plan, of which there are no voting rights, and restricted stock units.

PRINCIPAL SHAREHOLDERS

Set forth in the table below is information about the number of shares held by persons we know to be the beneficial owners of more than 5% of the issued and outstanding Common Stock:

Name and Address	Shares of Common Stock Beneficially Owned	Percentage
BlackRock, Inc.[1] 55 East 52nd Street New York, NY 10055	9,242,515	14.5
The Vanguard Group Inc.[2] 100 Vanguard Blvd. Malvern, PA 19355	6,535,371	10.2
State Street Corporation[3] State Street Financial Center One Lincoln Street Boston, MA 02111	5,220,662	8.2

(1) Information is as of December 31, 2021, and is based on a Schedule 13G/A filed on January 28, 2022. BlackRock, Inc. has sole voting power with respect to 8,873,032 shares and sole investment power with respect to 9,242,515 shares.

(2) Information is as of December 31, 2021, and is based on a Schedule 13G/A filed on February 9, 2022. The Vanguard Group Inc. has shared voting power with respect to 80,186 shares and sole investment power with respect to 6,403,738 shares.

(3) Information is as of December 31, 2021, and is based on a Schedule 13G filed on February 10, 2022. State Street Corporation has shared voting power with respect to 5,052,473 shares and shared investment power with respect to 5,220,662 shares.

PROPOSAL 2	RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of Deloitte & Touche LLP, independent registered public accountants, conducted the audit of Black Hills Corporation and its subsidiaries for 2021. Representatives of Deloitte & Touche LLP will be present at our annual meeting and will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

Our Audit Committee has appointed Deloitte & Touche LLP to perform an audit of our consolidated financial statements and those of our subsidiaries for 2022 and to render their reports. In determining whether to recommend to the full Board the reappointment of Deloitte & Touche LLP as our independent auditor, the Audit Committee considered the following:

- Technical expertise and knowledge of the Company's business and industry
- The quality and candor of communications with the Audit Committee
- Deloitte & Touche LLP's independence
- Public Company Accounting Oversight Board inspection reports on the firm
- Input from management on Deloitte & Touche LLP's performance, objectivity and professional judgment
- The appropriateness of fees for audit and non-audit services

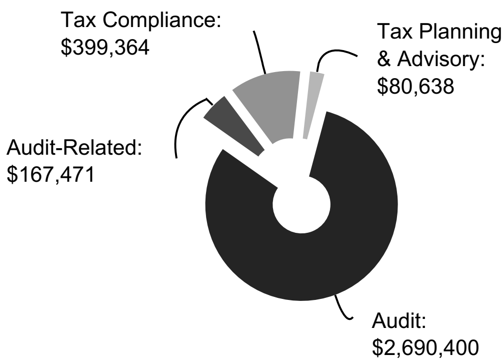
The Board of Directors recommends ratification of the Audit Committee's appointment of Deloitte & Touche LLP. The appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2022 will be ratified if the votes cast "For" exceed the votes cast "Against." Abstentions will have no effect on such vote. If shareholder approval for the appointment of Deloitte & Touche LLP is not obtained, the Audit Committee will reconsider the appointment.

The Board of Directors recommends a vote *FOR* ratification of the appointment of Deloitte & Touche LLP to serve as our independent registered public accounting firm for 2022.

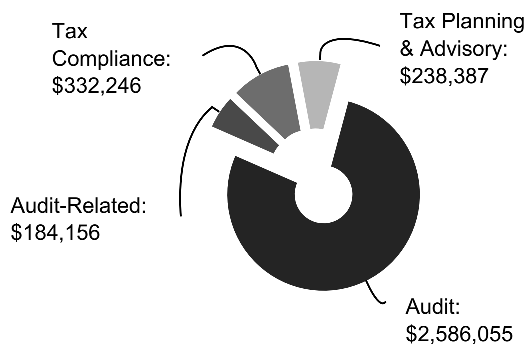
FEES PAID TO THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following charts set forth the aggregate fees for services provided to us for the years ended December 31, 2021 and 2020 by our independent registered public accounting firm, Deloitte & Touche LLP:

2021 Deloitte & Touche LLP Fees
Total $3,337,873



2020 Deloitte & Touche LLP Fees
Total $3,340,844



Audit Fees
Fees for professional services rendered for the audits of our financial statements, review of the interim financial statements included in quarterly reports, opinions on the effectiveness of our internal control over financial reporting, and services that generally only the independent auditor can reasonably provide, such as comfort letters, statutory audits, consents and assistance with and review of documents filed with the SEC.

Audit-Related Fees
Fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.” These services include employee benefit plan audits.

Tax Compliance Fees
Fees for services related to federal and state tax compliance planning and advice and preparation of tax returns.

Tax Planning and Advisory Fees
Fees for planning and advisory services primarily related to partnership restructuring and jurisdictional simplification and consolidation related to prior acquisitions.

The services performed by Deloitte & Touche LLP were pre-approved in accordance with the Audit Committee’s pre-approval policy whereby the Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accountants. The Audit Committee will generally pre-approve a list of specific services and categories of services, including audit, audit-related, tax and other services, for the upcoming or current year, subject to a specified cost level. Any service that is not included in the approved list of services must be separately pre-approved by the Audit Committee.

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities to shareholders relating to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements regarding financial reporting, the independent auditors' qualifications and independence, and the performance of the Company's internal and independent auditors.

Management has the primary responsibility for the completeness and accuracy of the Company's financial statements and disclosures, the financial reporting process, and the effectiveness of the Company's internal control over financial reporting.

Our independent auditors, Deloitte & Touche LLP, are responsible for auditing the Company's consolidated financial statements and expressing an opinion as to whether they are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States.

In fulfilling its oversight responsibilities for 2021, the Audit Committee, among other things:

- Reviewed and discussed the audited financial information contained in the Annual Report on Form 10-K with management and our independent auditors prior to public release.
- Reviewed and discussed with our independent auditors their judgments as to the quality, not just the acceptability, of our critical accounting principles and estimates and all other communications required to be discussed with the Audit Committee under generally accepted auditing standards, including the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC.
- Reviewed and discussed with management, our internal auditors and our independent auditors management's report on internal control over financial reporting, including the significance and status of control deficiencies identified by management and the results of remediation efforts undertaken, to determine the effectiveness of internal control over financial reporting at December 31, 2021.
- Reviewed with our independent auditors their report on the Company's internal control over financial reporting at December 31, 2021, including the basis for their conclusions.
- Reviewed and pre-approved all audit and non-audit services and fees provided to the Company by our independent auditors and considered whether the provision of such non-audit services by our independent auditors is compatible with maintaining their independence.
- Discussed with our internal and independent auditors their audit plans, audit scope and identification of audit risks and reviewed the results of internal audit examinations.
- Reviewed and discussed the interim financial information contained in each quarterly earnings announcement and Quarterly Report on Form 10-Q with management and our independent auditors prior to public release.
- Received and reviewed periodic corporate compliance and financial risk reports, including credit and hedging activity.
- Held private sessions with our independent auditors, Vice President - Internal Audit, Chief Financial Officer and Controller, and Chief Compliance Officer.
- Received the written disclosures and the letter from our independent auditors required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Committee concerning independence and discussed the independence of Deloitte & Touche LLP with them.
- Concluded Deloitte & Touche LLP is independent based upon the above considerations.

Based upon the reviews and discussions referred to above, the Audit Committee recommended to the Board that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC. The Audit Committee also recommended and the Board reappointed Deloitte & Touche LLP as our independent registered public accounting firm for 2022. Shareholders are being asked to ratify that selection at the 2022 Annual Meeting.

THE AUDIT COMMITTEE

Mark A. Schober, Chair
Barry M. Granger
Kathleen S. McAllister
Robert P. Otto
John B. Vering

PROPOSAL 3	ADVISORY VOTE ON OUR EXECUTIVE COMPENSATION

We are providing shareholders with an annual advisory, non-binding vote on the executive compensation of our Named Executive Officers (commonly referred to as “say on pay”). Accordingly, shareholders will vote on approval of the following resolution:

> RESOLVED, that the shareholders approve, on an advisory basis, the compensation of our Named Executive Officers as disclosed in the Compensation Discussion and Analysis section, the accompanying compensation tables and the related narrative disclosure in this proxy statement.

This vote is non-binding. The Board of Directors and the Compensation Committee expect to consider the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results. At our 2021 annual meeting, shareholders owning 98 percent of the shares that were voted in this matter approved our executive compensation.

As described at length in the Compensation Discussion and Analysis section of this proxy statement, we believe our executive compensation program is reasonable, competitive and strongly focused on pay for performance. The compensation of our Named Executive Officers varies depending upon the achievement of pre-established performance goals, both individual and corporate. Our short-term incentive is tied to earnings per share, safety performance targets, and employee wellness targets that reward our executives when they deliver targeted financial and safety results. Our long-term incentives are delivered 50 percent in restricted stock and 50 percent in performance shares or performance share units. The performance shares or units vest based upon the level of achievement of certain pre-established performance goals over a three-year performance period. Entitlement to the performance shares or units is based on our total shareholder return over a three-year performance period compared to our Performance Peer Group. Through stock ownership guidelines, equity incentives and clawback provisions, we align the interests of our executives with those of our shareholders and our long-term interests. Our executive compensation policies have enabled us to attract and retain talented and experienced senior executives who can drive financial and strategic growth objectives that are intended to enhance shareholder value. We believe that the 2021 compensation of our Named Executive Officers was appropriate and aligned with our 2021 results and positions us for long-term growth.

Shareholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosures to better understand the compensation of our Named Executive Officers.

The advisory resolution to approve executive compensation is non-binding. However, our Board of Directors will consider shareholders to have approved our executive compensation if the number of votes cast “For” the proposal exceeds the number of votes cast “Against” the proposal. Abstentions and broker non-votes will have no effect on such vote.

The Board of Directors recommends a vote *FOR* the advisory vote on executive compensation.

EXECUTIVE COMPENSATION

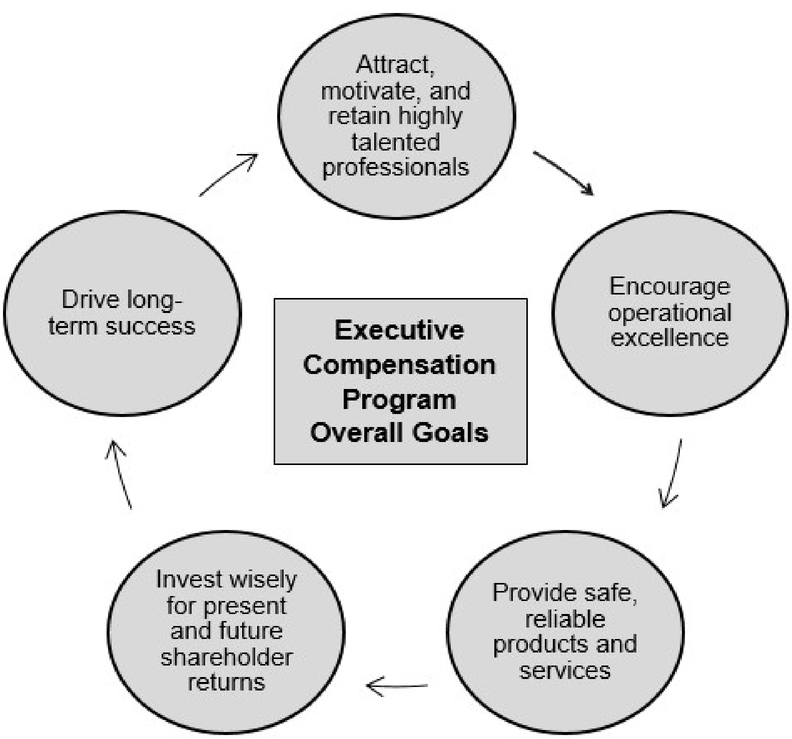
COMPENSATION DISCUSSION AND ANALYSIS

INTRODUCTION

This Compensation Discussion and Analysis describes our overall executive compensation policies and practices and specifically explains the compensation-related actions taken with respect to 2021 compensation for our Named Executive Officers included in the Summary Compensation Table. We did not make any modifications to our executive pay program as a result of the COVID-19 pandemic. Our Named Executive Officers, based on 2021 positions and compensation levels, are:

Named Executive Officers	Title	Reference
Linden R. Evans	President and Chief Executive Officer	Evans, CEO
Richard W. Kinzley	Sr. Vice President and Chief Financial Officer	Kinzley, CFO
Brian G. Iverson	Sr. Vice President, General Counsel and Chief Compliance Officer	Iverson, GC
Stuart A. Wevik	Sr. Vice President - Utility Operations	Wevik, UOO
Erik D. Keller	Sr. Vice President - Chief Information Officer	Keller, CIO

The Compensation Committee of the Board of Directors (the "Committee," for purposes of this Compensation Discussion and Analysis) is composed entirely of independent directors and is responsible for approving and overseeing our executive compensation philosophy, policies and programs.



EXECUTIVE COMPENSATION PROGRAM DESIGN OBJECTIVES				
✶ Attract, retain, motivate, and encourage the development of highly qualified executives	✶ Provide competitive compensation	✶ Promote the relationship between pay and performance	✶ Promote corporate performance that is linked to our shareholders' interests	✶ Recognize and reward individual performance

2021 ACCOMPLISHMENTS

Black Hills Corporation reported strong operational performance and significant regulatory progress in 2021. We overcame the 2021 earnings impact from the unplanned events of Winter Storm Uri and an outage at our Wygen I power plant through disciplined cost management, strong off-system energy sales and regulatory outcomes. Significant accomplishments for the year included:

- Provided the safe and reliable service our communities and customers depend on and achieved several notable operations performance metrics:
  - Achieved top-quartile reliability metrics by our three electric utilities
  - Achieved first quartile safety performance total case incident rate of 1.06 compared to an industry average of 2.2
  - Achieved a safety performance preventable motor vehicle incident rate of 1.81 compared to a 2020 American Gas Association reported second quartile average of 2.44
  - South Dakota Electric received the Governor's Meritorious Achievement Award from the South Dakota Safety Council
  - Cheyenne Prairie Generating Station achieved Voluntary Protection Program Gold Star Status
- Completed significant financing activity, to accomplish our long-term objective of investing to meet the needs of our customers, including:
  - Issued $600 million of 1.037 percent 3-year senior notes due 2024
  - Issued 1.8 million shares of new common stock for net proceeds of $119 million under our at-the-market equity offering program
  - Grew our dividend for the 51st consecutive year, with a 5.5 percent increase in calendar year 2021 over 2020
- Invested in our utility infrastructure and systems:
  - Deployed $680 million in capital projects
  - Secured liquidity to cover Winter Storm Uri costs
- Executed a number of regulatory accomplishments:
  - Successfully completed rate review requests for Colorado Gas, Iowa Gas and Kansas Gas
  - Obtained regulatory approval or reached constructive settlements in five of our states for recovery of Winter Storm Uri costs, with interim rates in place in Arkansas and Wyoming
  - South Dakota Electric and Wyoming Electric submitted an integrated resource plan which outlines a range of options for the two electric utilities over a 20-year planning horizon to meet long-term forecasted energy needs while strengthening reliability and resiliency of the grid and achieving emission targets
- Continued our focus on sustainability, including:
  - Issued an updated sustainability report and EEI/AGA disclosures, as well as new SASB and NGSI disclosures
  - Joined ONE Future Coalition to advance methane emissions reduction goal opportunities
  - Placed our fifth RNG interconnect project into service
- Formed, with several other utilities, the Western Markets Exploratory Group to research the potential for an organized wholesale market in the western interconnect, including expanding transmission systems and other grid-related services

2021 PERFORMANCE RESULTS

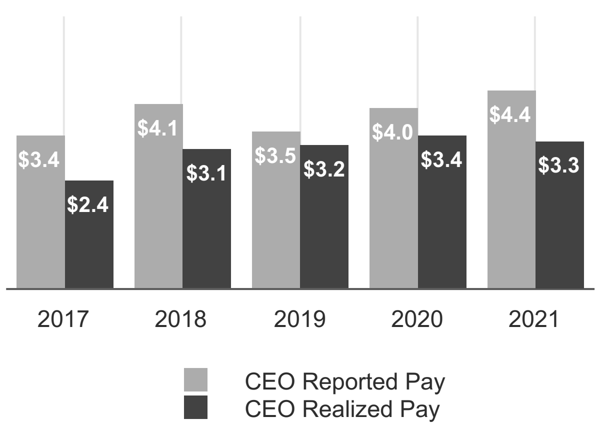
Our corporate financial, safety and wellness performance goals are used as measures to determine awards under our variable pay programs. The following table summarizes our 2021 performance measures and results:

Pay Element	Performance Measure	2021 Results
Short-term Incentive: Payout of 86.46% of Target		
70 Percent	EPS from ongoing operations, as adjusted, target set at $3.909; threshold set at $3.636	$3.739 per share for incentive plan purposes
10 Percent	Total Case Incident Rate (TCIR), target set at 1.00; threshold set at 1.25	TCIR: 1.06
10 Percent	Preventable Motor Vehicle Incident (PMVI), target set at 2.26; threshold set at 2.60	PMVI: 1.81
10 Percent	Employee Safety & Wellness Engagement, target set at 12,500 points; threshold set at 10,000 points	Points: 12,201
Long-term Incentive (2019-2021 Plan): Payout of 40.17% of Target		
Performance Share Award	Total Shareholder Return (TSR) relative to our Performance Peer Group measured over a three-year period	TSR: 15.23% 30th Percentile Ranking in Performance Peer Group

PAY FOR PERFORMANCE

A key component of our executive compensation program is to link pay to performance. Since a large percentage of the CEO's pay as reported in the Summary Compensation Table represents at-risk potential pay, we believe it is also important to look at pay actually realized each year. The chart below illustrates the directional relationship between the compensation of our CEO (David R. Emery for 2017 through 2018, and Mr. Evans for 2019 through 2021), as reported in the Summary Compensation Table (excluding the change in pension value).

CEO Reported vs. Realized Pay
(in millions)



Reported pay includes base salary, actual annual incentive earned, the grant date fair value of long-term equity compensation and all other compensation, excluding the change in pension value, each as reported in the Summary Compensation Table.

Realized pay includes base salary, actual annual incentive earned and all other compensation, each as reported in the Summary Compensation Table, and the value of long-term performance compensation paid and stock awards vested in the applicable year.

KEY EXECUTIVE COMPENSATION OBJECTIVES

Overall, our goal is to target total direct compensation (the sum of base salary, short-term incentive at target and long-term incentive at target) to be around the median of the appropriate market. Our executive compensation is designed to maintain an appropriate and competitive balance between fixed and variable compensation components including short-and long-term compensation, and cash and stock-based compensation. We believe that the performance basis for determining compensation should differ by each reward component – base salary, short-term incentive and long-term incentive. Incentive measures (short-term and long-term) should emphasize objective, quantitative operating measures. The performance measures for our incentive compensation plans are discussed below.

SETTING EXECUTIVE COMPENSATION

Based upon our compensation philosophy, the Committee structures executive compensation to motivate our executives to achieve specified business goals and to reward them for achieving such goals. The key steps the Committee follows in setting executive compensation are to:

- ★ Analyze executive compensation market data to ensure market competitiveness
- ★ Review the components of executive compensation, including base salary, short-term incentive, long-term incentive, retirement, and other benefits
- ★ Review total compensation and structure
- ★ Review executive officer performance, responsibilities, experience, and other factors cited above to determine individual compensation levels

<u>Market Compensation Analysis</u>

The market for our executive talent is national in scope and is not focused on any one geographic location, area or region of the country. As such, our executive compensation should be competitive with the national market for executives. It should also reflect the executive’s responsibilities and duties and align with the compensation of executives at companies or business units of comparable size and complexity. The Committee gathers market information for our executives from the electric and gas utility industry and general industry.

The Committee selects and retains the services of an independent consulting firm to periodically:

- ★ Provide information regarding practices and trends in compensation programs
- ★ Review and evaluate our compensation program as compared to compensation practices of other companies with similar characteristics, including size, complexity, and type of business
- ★ Review and assist with the establishment of a peer group of companies
- ★ Provide a compensation analysis of the executive positions

The Committee used the services of Meridian Compensation Partners, LLC to evaluate 2021 compensation. It gathered data from nationally recognized survey providers, as well as specific peer companies through public filings, which included:

i. Willis Towers Watson’s Compensation Data Bank (energy services and general industry); and
ii. 20 peer companies representing the utility and energy industry.

The 20 peer companies ranged in annual revenue size from approximately $529 million to $6.7 billion, with the median at $2.0 billion. The Company's 2021 revenue was $1.9 billion. The survey data was adjusted for our relative revenue size using regression analysis. Our compensation peer companies included in the analysis for 2021 compensation decisions were:

ALLETE Inc.	IDACORP Inc.	ONE Gas, Inc.
Alliant Energy Corporation	MGE Energy Inc.	Pinnacle West Capital Corp.
Ameren Corporation	New Jersey Resources Corp.	PNM Resources, Inc.
Atmos Energy Corp.	NiSource, Inc.	Portland General Electric Co.
Avista Corp.	Northwest Natural Holding Co.	South Jersey Industries, Inc.
CMS Energy Corp.	NorthWestern Corp.	Spire, Inc.
Hawaiian Electric Ind., Inc.	OGE Energy Corp.	

Meridian validated that the above Compensation Peer Group remains credible, includes size-appropriate peers, and reflects the Company's industry, complexity and market for executive talent. Approximately 70 percent of the above companies are a subset of the Edison Electric Institute (EEI) Index, our Performance Peer Group, and were chosen because they were within our revenue range of 0.3x - 4.0x our size and market capitalization range of 0.40x - 2.5x our size. The EEI Index is comprised of electric utilities and combination gas and electric utilities. The remaining approximately 30 percent of the peer companies above were included in the Compensation Peer Group to provide a mix of gas utilities.

The salary surveys are one of several factors the Committee uses in setting appropriate compensation levels. Other factors include Company performance, individual performance and experience, the level and nature of the executive's responsibilities, internal equity considerations and discussions with the CEO related to the other senior executive officers.

Components of Executive Compensation

The primary components of our executive compensation program consist of a base salary, a short-term incentive plan, and long-term incentives. In addition, we provide retirement and other benefits.

The majority of the executives' total compensation is granted as incentive compensation. Incentive compensation is intended to motivate and encourage our executives to drive performance and achieve superior results for our shareholders and align realized pay with stock performance. The Committee periodically reviews information provided by its compensation consultant to inform its determination of the appropriate level and mix of total compensation. The Committee believes that a significant portion of total target compensation should be comprised of variable compensation. In order to reward long-term growth while still encouraging focus on short-term results, the Committee establishes incentive targets that emphasize long-term compensation at a greater level than short-term compensation.

The Committee reviews all components of each executive officer's compensation, including salary, short-term incentive, equity and other long-term incentive compensation values granted, and the current and potential value of the executive officer's total Black Hills Corporation equity holdings.

Base Salary. Base salaries for all executives are reviewed annually. The base salary of our executives is also adjusted at the time of a promotion or material change in job responsibility, as appropriate. Evaluation of 2021 base salary adjustments occurred in January 2021. The base salary component of each position was compared to the median of the market data provided by the compensation consultant. The actual base salary of each officer was determined by the executive's performance, the experience level of the officer, the current position in a market-based salary range, and internal pay relationships.

	Base Salary	
	2020	2021
Evans, CEO	$790,000	$825,000
Kinzley, CFO	$454,000	$454,000
Iverson, GC	$386,000	$400,000
Wevik, UOO	$407,000	$425,000
Keller, CIO	$330,000	$340,000

Short-Term Incentive. Our Short-Term Incentive Plan is designed to recognize and reward the contributions of individual executives as well as the contributions that group performance makes to overall corporate success. The 2021 short-term incentive was based 70 percent on earnings per share targets, 20 percent on safety performance targets, and 10 percent on health and wellness targets.

The Committee has defined earnings per share from ongoing operations, as adjusted, to be GAAP earnings per share adjusted for unique one-time non-budgeted events (similar to those items adjusted for when reporting non-GAAP earnings for external purposes), including external acquisition costs, impairments, transaction financing costs, unique tax transactions, and other items the Committee deems not reflective of ongoing operations and the value created for shareholders. The safety goals include: (1) Total Case Incident Rate (TCIR) which is generally defined as injuries per 200,000 hours worked; and (2) Preventable Motor Vehicle Incident rate which is defined as the total vehicle incidents times 1 million divided by business use miles driven. The Employee Safety & Wellness Engagement goal is based on the average participation points achieved by all employees in the enterprise health and wellness application.

The Committee believes that these performance measures closely align interests with shareholders and foster teamwork and cooperation within the executive team.

These goals meet the objectives of the plan, including:

★ Align the interests of the plan participants and the shareholders

★ Motivate employees to strive to achieve superior operating results

★ Provide an incentive reflective of core operating performance

★ Ensure “buy-in” from participants with easily understood metrics

★ Meet the performance objectives of the plan to achieve over time an average payout equal to market competitive levels

The short-term incentive, after applicable tax withholding, is distributed to the officer in the form of cash. Target award levels are established as a percentage of each participant’s base salary. A target award is typically set around the benchmark 50th percentile short-term incentive target award for comparable positions. The actual payout, if any, will vary, based on attainment of pre-established performance goals, between 50 and 200 percent of the individual executive’s short-term incentive target award level.

The Committee approves the target level for each officer in January, which applies to performance in the upcoming plan year. Target levels are derived in part from market data provided by the compensation consultant and in part by the Committee’s judgment regarding internal equity, retention and an individual executive’s expected contribution to the achievement of our strategic objectives. The target levels for our Named Executive Officers are shown below:

Short-Term Incentive Target

	2020		2021	
	% Amount	$ Amount	% Amount	$ Amount
Evans, CEO	100%	$790,000	100%	$825,000
Kinzley, CFO	65%	$295,100	70%	$317,800
Iverson, GC	60%	$231,600	60%	$240,000
Wevik, UOO	70%	$284,900	70%	$297,500
Keller, CIO	50%	$165,000	50%	$170,000

The threshold, target and maximum payout levels for our Named Executive Officers under the 2021 Short-Term Incentive Plan are shown in the Grants of Plan-Based Awards in 2021 table on page 42, under the heading "Estimated Future Payouts Under Non-Equity Incentive Plan Awards."

The Committee approved the goals for 2021 for the senior officers as follows:

2021 Short-Term Incentive Metrics

		Performance Goals		
Incentive	Value	Threshold	Target	Maximum
EPS from ongoing operations, as adjusted	70%	$3.64	$3.91	$4.18
Total Case Incident Rate (TCIR)	10%	1.25	1.00	0.85
Preventable Motor Vehicle Incidents (PMVI)	10%	2.60	2.26	1.92
Employee Safety & Wellness Engagement	10%	10,000 points	12,500 points	15,000 points
Payout percentage of target for each metric		50%	100%	200%

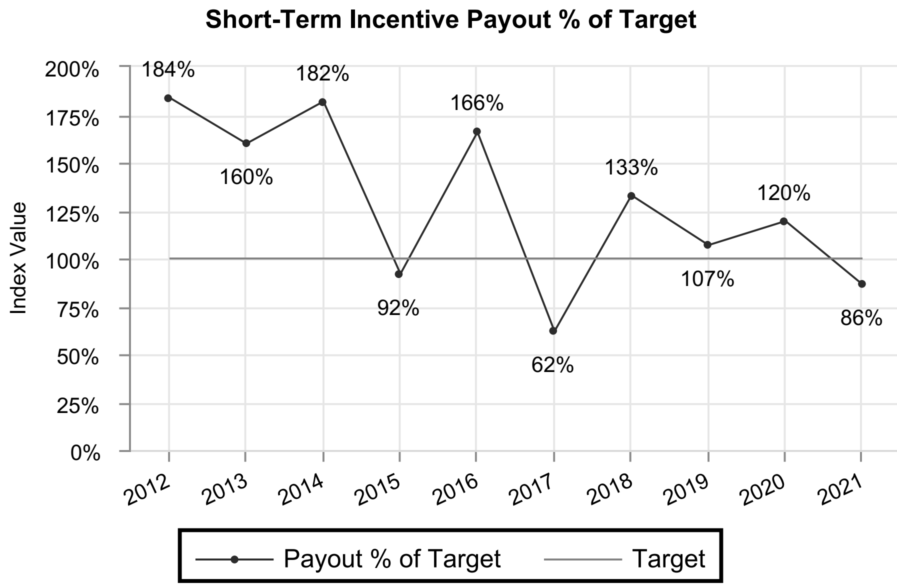
Early in the first quarter, the Committee evaluates actual performance in relation to the prior year's targets and approves the actual payment of awards related to the prior plan year. The Committee reserves the discretion to adjust any award, and will review and take into account individual performance, level of contribution, and the accomplishment of specific project goals that were initiated throughout the plan year. The Committee also reserves discretion with respect to any payout related to safety goals if we experience an employee or contractor fatality during the plan period. Discretion was not exercised to adjust awards for 2021.

On January 25, 2022, the Committee approved a payout of 86.46 percent of target under the 2021 Short-Term Incentive Plan. The incentive plan payout was based on attainment of the following:

- Our 2021 earnings per share were $3.739 per share, which was better than our threshold earnings per share goal, resulting in a payout of 68.94 percent for 70 percent of the target incentive.
- Our 2021 TCIR was 1.06, which was better than our threshold resulting in a payout of 88.0 percent for 10 percent of the target incentive.
- Our 2021 PMVI was 1.81, which was better than our maximum and resulted in a payout of 200 percent for 10 percent of the target incentive.
- Our 2021 average employee safety & wellness engagement points for all employees was 12,201 points, which was better than our threshold resulting in a payout of 94 percent for 10 percent of the target incentive.

Earnings per share from ongoing operations, as adjusted, for incentive plan purposes were the same as earnings per share from continuing operations, as adjusted, reported externally to our investors (and reconciled to GAAP earnings per share in Appendix A). For 2021, no adjustments were made to our earnings per share from ongoing operations.

Payouts under the Short-Term Incentive Plan have varied over the last 10 years as shown in the graph below.



Actual awards made to each of our Named Executive Officers under the Short-Term Incentive Plan for 2021 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 40.

Long-Term Incentive. Long-term incentive compensation is comprised of grants made by the Committee under our 2015 Omnibus Incentive Plan. Long-term incentive compensation is intended to:

★ Promote achievement of corporate goals by linking the interests of participants to those of our shareholders

★ Provide participants with an incentive for excellence in individual performance

★ Promote teamwork among participants

★ Motivate, retain, and attract the services of participants who make significant contributions to our success by allowing participants to share in such success

★ Meet the performance objectives of the plan to achieve an average payout equal to market competitive levels over time

The Committee oversees the administration of the 2015 Omnibus Incentive Plan with full power and authority to determine when and to whom awards will be granted, along with the type, amount and other terms and conditions of each award. The long-term incentive compensation component is composed of performance shares and restricted stock. The Committee chose these components because linking executive compensation to stock price appreciation and total shareholder return is an effective way to align the interests of management with those of our shareholders. For the 2019-2021 and 2020-2022 Plans, the Committee selected total shareholder return as the goal for the performance shares because it believes executive pay under a long-term, capital accumulation program should mirror our performance in shareholder return as compared to our Performance Peer Group of companies.

For the 2021-2023 Performance Plan, the Committee added two additional performance metrics: earnings per share from on-going operations, as adjusted (EPS), and average cost to serve. The Committee included these two additional metrics to update the plan design to better align with prevalent market practice and shareholder and customer interests. Relative total shareholder return was retained as the primary metric to ensure tight alignment with shareholder value creation. EPS was selected as it is a prevalent metric in peer long-term performance plans and aligns our management team with long-term earnings growth. EPS is defined as diluted earnings per share calculated in accordance with GAAP, adjusted for material, non-recurring events that are approved by the Company's Audit Committee. Cost to serve was chosen for its ability to drive behaviors to achieve the Company's growth goals while balancing capital deployment with increasing customer rates. The Committee defined average cost to serve as non-fuel operations and maintenance (O&M) expense divided by gross margin calculated in accordance with GAAP, adjusted for material, non-recurring events that are approved by the Company's Audit Committee (such as impairment charges, one-time tax events, changes to accounting rules, etc.).

The value of long-term incentives awarded is based primarily on competitive market-based data presented by the compensation consultant to the Committee, the impact each position has on our shareholder return, executive performance, and internal pay relationships. The actual amount realized will vary from the target award amounts. The Committee approved the target long-term incentive compensation level for each officer in January 2021. The 2021 long-term incentive was adjusted from 2020 levels for the majority of the Named Executive Officers to increase competitiveness within the market.

NEO Long-Term Incentive Target Compensation

	2020	2021	As % of Base Salary 2021
Evans, CEO	$ 1,775,000	$ 2,150,000	261%
Kinzley, CFO	$ 525,000	$ 625,000	138%
Iverson, GC	$ 415,000	$ 490,000	123%
Wevik, UOO	$ 400,000	$ 475,000	112%
Keller, CIO	$ 240,000	$ 250,000	74%

The variance in percentage of base salary as compared to long-term incentive value of our Named Executive Officers reflects our philosophy that certain officers should have more of their total compensation at risk because they hold positions that have a greater impact on our long-term results. This is also consistent with market practice.

Performance share units are used to deliver 50 percent of the long-term incentive award opportunity, with the remaining 50 percent delivered in the form of restricted stock that vests ratably over three years. The performance share units and restricted stock granted in 2021 are reflected in the tables in the *Performance Share Units* and *Restricted Stock* sections that follow.

Performance Share Units. Participants are awarded a target number of performance shares units. The target number of performance share units is determined by dividing the Committee approved target performance value for the participant by the average closing price for the first 20 trading days of the performance period. Vesting of performance share units is based on our total shareholder return over designated performance periods, as measured against our Performance Peer Group. The final value of the performance shares is based upon the number of shares of common stock that are ultimately earned, based upon our performance in relation to the performance criteria.

The Committee, with the guidance of its independent compensation consultant, periodically conducts a review of the market competitiveness of our performance share plans. A summary of the TSR performance criteria for each three-year plan period is summarized in the table below:

Performance Share Plans

Percentile Ranking for Threshold Payout of 25% of Target Shares	Percentile Ranking for Target Payout of 100% of Target Shares	Percentile Ranking for Maximum Payout Level	Possible Payout Range of Target
25th percentile	50th percentile	90th percentile	0-200%

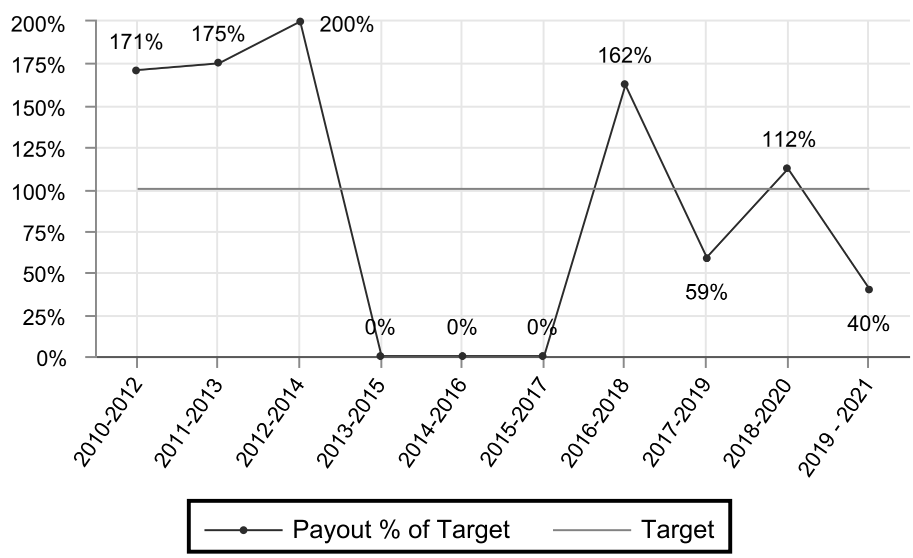
Our plans provide: (i) a threshold payout if relative TSR performance is below threshold but our TSR is at least 35 percent for the performance period; and (ii) the performance share plan payout is capped at 100 percent of target if TSR is negative. The additional provisions are intended to reduce the impact of one peer company's performance on the relative TSR plan, and also increase accountability and expectations related to the Company's performance.

The performance awards and dividend equivalents, if earned, are paid 50 percent in cash and 50 percent in common stock. All payroll deductions and applicable tax withholding related to the award are withheld from the cash portion.

The Committee, with the guidance of its independent compensation consultant, periodically conducts a review of our Performance Peer Group to which our performance should be compared. Due to the extensive merger and acquisition activity in the industry and its contribution to relative performance volatility, the Committee chose to use the companies in the EEI Index as the Performance Peer Group.

Payouts under the Performance Share Plan have varied significantly over the last 10 years, as shown in the graph below:

Performance Share Payout % of Target



Each performance period extends for three years. For the recently completed performance period, January 1, 2019 to December 31, 2021, our total shareholder return was 15.23 percent, which ranked at the 30th percentile of our Performance Peer Group, resulting in a payout at 40.17 percent of target.

Restricted Stock. Restricted stock awarded as long-term incentives vests one-third each year over a three-year period, and automatically vests in its entirety upon death, disability or a change in control. Dividends are paid on the restricted stock. Unvested restricted stock is forfeited if an officer's employment is terminated for any reason other than death, disability or in the event of a change in control.

The number of shares of restricted stock awarded in 2021 for each of our Named Executive Officers is shown below and is included in the Grants of Plan-Based Awards in 2021 table under the heading "All Other Stock Awards: Number of Shares of Stock or Units" and "Grant Date Fair Value of Stock Awards" on page 42.

	Restricted Stock Shares
Evans, CEO	17,848
Kinzley, CFO	5,188
Iverson, GC	4,068
Wevik, UOO	3,943
Keller, CIO	2,075

Board and Management Roles in Compensation Decisions

Role of Executive Officers in Compensation Decisions. In 2021, the Senior Vice President - Chief Human Resources Officer, with the support of an external compensation consultant, reviewed all compensation programs to ensure that the programs do not encourage unnecessary risk-taking and instead encourage behaviors that support the values and operations of the Company. This review determined that the compensation programs of the Company do not encourage excessive risk-taking or have an adverse effect on the Company.

The CEO annually reviews the performance of each of our senior executive officers. Based upon these performance reviews, market analysis conducted by compensation consultants and discussions with our Senior Vice President - Chief Human Resources Officer, the CEO recommends the compensation for this group of officers to the Committee.

Role of the Committee and Board in Setting Executive Compensation. The Committee reviews and establishes the Company's financial targets and the CEO's goals and objectives for the year. After the end of each year, the Committee evaluates the CEO's performance in light of established goals and objectives, with input from the other independent directors. Based upon the Committee's evaluation and recommendation, the independent directors of the Board set the CEO's annual compensation, including salary, short-term incentive, long-term incentive and equity compensation.

The Committee reviews the CEO's recommended compensation for our senior executive officers. The Committee may approve the CEO's compensation recommendations for this group of officers or exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process. The Committee is required to approve all decisions regarding equity awards to our officers.

Summary

In total, the Committee believes that the 2021 compensation actions, decisions and outcomes strongly reflect and reinforce our compensation philosophy and, in particular, emphasize the alignment between compensation and both performance and shareholder interests. At our 2021 annual meeting, shareholders owning 98 percent of the shares that were voted on this matter approved our executive compensation for 2020, which we consider highly supportive of our current compensation philosophy. In connection with establishing the 2021 executive compensation program, the Board reviewed the results of the say on pay vote, as well as market data and performance indicators.

Governance Best Practices

We have several governance programs in place to align our executive compensation with shareholder interests and to mitigate risks in our plans. These programs include stock ownership guidelines, clawback provisions in our short-term and long-term incentive award agreements, and the prohibition of hedging or pledging of Company stock.

STOCK OWNERSHIP GUIDELINES

The Committee has implemented stock ownership guidelines that apply to all officers based upon their level of responsibility. We believe it is important for our officers to hold a significant amount of our common stock to further align their interests with the interests of our shareholders. A “retention ratio” approach to stock ownership is incorporated into the guidelines. Officers are required to retain 100 percent of all shares owned, including shares awarded through our incentive plans (net of share withholding for taxes and, in the case of cashless stock option exercises, net of the exercise price and withholding for taxes) until specific ownership goals are achieved.

The guidelines are shown below.

Position	Stock Ownership Value as Multiple of Base Salary
CEO	6X
CFO	4X
Other Senior Officers	3X

At least annually, the Compensation Committee reviews common stock ownership to confirm the officers have met or are progressing toward their stock ownership guidelines. Generally, an officer may not sell common stock unless he or she owns common stock in excess of 110 percent of the applicable stock ownership guideline. With the exception of Mr. Keller, who has been in his role less than two years, all of our Named Executive Officers have exceeded their stock ownership guidelines.

CLAWBACK POLICY

We have a policy that if an accounting restatement occurs after incentive payments have been made, due to the results of misconduct associated with financial reporting, the Committee will seek repayment of the incentive compensation from our CEO and CFO, and the Committee has the discretion to request repayment of incentive compensation from our other officers, taking into consideration the individual roles and responsibilities prompting the restatement.

In addition, our award agreements for restricted stock and performance shares include clawback provisions whereby the participant may be required to repay all income or gains previously realized in respect of such awards if his or her: (1) employment is terminated for cause; (2) if within one year following termination of employment, the Board determines that the participant engaged in conduct prior to his or her termination that would have constituted the basis for a termination of employment for cause; (3) if the participant makes a public statement that is materially detrimental to the interests or reputation of the Company; (4) if the employee violates in any material respect any policy or any code of ethics; or (5) if the participant engages in any fraudulent, illegal or other misconduct.

HEDGING POLICY

Our directors, executive officers, and employees are prohibited from engaging in hedging transactions involving, and from pledging, Company stock, including holding our stock in a margin account. This prohibition extends to all hedging transactions, including zero cost collars and forward sale contracts.

2021 BENEFITS

Retirement Benefits. We maintain a variety of employee benefit plans and programs in which our executive officers may participate. We believe it is important to provide post-employment benefits to our executive officers and the benefits we provide approximate retirement benefits paid by other employers to executives in similar positions. The Committee periodically reviews the benefits provided, with assistance from its compensation consultant, to maintain a market-based benefits package. None of our Named Executive Officers received any pension benefit payments in 2021.

Several years ago, we adopted a defined contribution plan design as our primary retirement plan and amended our Defined Benefit Pension Plan ("Pension Plan") for all eligible employees to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits. Mr. Wevik is our only Named Executive Officer who met the age and service requirements allowing him to continue to accrue benefits under the Pension Plan. Employees who no longer accrue benefits under the Pension Plan now receive Company Retirement Contributions ("Retirement Contributions") in the Retirement Savings Plan. The Retirement Contributions are an age and service points-based calculation.

The 401(k) Retirement Savings Plan is offered to all our eligible employees and we provide matching contributions for certain eligible participants. All of our Named Executive Officers are participants in the 401(k) Retirement Savings Plan and received matching contributions in 2021. The matching contributions and the Retirement Contributions are included as "All Other Compensation" in the Summary Compensation Table on page 40.

We also provide nonqualified plans to certain executives as approved by the Compensation Committee. The level of retirement benefits provided by the Pension Plan and Nonqualified Plans for each of our Named Executive Officers is reflected in the Pension Benefits for 2021 table on page 44. Our contributions to the Nonqualified Deferred Compensation Plan are included in the All Other Compensation column of the Summary Compensation Table on page 40 and the aggregate Nonqualified Deferred Compensation balance at December 31, 2021 is reported in the Nonqualified Deferred Compensation for 2021 table on page 46. These retirement benefits are explained in more detail in the accompanying narrative to the tables.

Other Personal Benefits. We provide the personal use of a Company vehicle, executive health services, and limited reimbursement of financial planning services as benefits to our executive officers. The specific amount attributable to these benefits in 2021 is disclosed in the Summary Compensation Table on page 40. The Committee periodically reviews the other personal benefits provided to our executive officers and believes the current benefits are reasonable and consistent with our overall compensation program.

CHANGE IN CONTROL PAYMENTS

Our Named Executive Officers may also receive severance benefits in the event of a change in control. We have no employment agreements with our Named Executive Officers. However, change in control agreements are common among our Compensation Peer Group and the Committee and our Board of Directors believe providing these agreements to our corporate officers protects our shareholder interests in the event of a change in control by helping assure management focus and continuity. Our change in control agreements have expiration dates and our Board of Directors conducts a thorough review of the change in control agreements at each renewal period. Our current change in control agreements expire November 15, 2022. In general, our change in control agreements provide a severance payment of up to 2.99 times average compensation for Mr. Evans, and up to two times average compensation for the other Named Executive Officers. The change in control agreements do not provide for excise tax gross-ups and contain a "double trigger," providing benefits in association with:

(1) a change in control, and

(2) (i) a termination of employment other than by death, disability or by us for cause, or

(ii) a termination by the employee for good reason.

See the Potential Payments upon Termination or Change in Control table on page 47 and the accompanying narrative for more information regarding our change in control agreements and estimated payments associated with a change in control.

TAX AND ACCOUNTING IMPLICATIONS

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, places a limit of $1 million in compensation per year on the amount public companies may deduct with respect to certain executive officers. The Committee continues to believe that shareholder interests are best served if its discretion and flexibility in structuring and awarding compensation is not restricted, even though some past and/or future compensation awards result in non-deductible compensation expenses to the Company. The Committee's ability to continue to provide a competitive compensation package to attract, motivate and retain the Company's most senior executives is considered critical to the Company's success and to advancing the interests of its shareholders.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Teresa A. Taylor, Chair
Tony A. Jensen
Scott M. Prochazka
Rebecca B. Roberts

SUMMARY COMPENSATION TABLE

The following table sets forth the total compensation paid or earned by each of our Named Executive Officers for the years ended December 31, 2021, 2020 and 2019. We have no employment agreements with our Named Executive Officers:

Name and Principal Position	Year	Salary	Stock Awards[(1)]	Non-Equity Incentive Plan Compensation[(2)]	Changes in Pension Value and Nonqualified Deferred Compensation Earnings [(3)]	All Other Compensation[(4)]	Total
Linden R. Evans President and Chief Executive Officer	2021	$ 819,167	$ 2,238,529	$ 708,252	$ —	$ 674,960	$ 4,440,908
	2020	$ 783,333	$ 1,820,599	$ 936,632	$ 79,100	$ 601,450	$ 4,221,114
	2019	$ 713,333	$ 1,541,811	$ 800,400	$ 110,158	$ 473,600	$ 3,639,302
Richard W. Kinzley Sr. Vice President and Chief Financial Officer	2021	$ 454,000	$ 650,687	$ 274,770	$ —	$ 282,323	$ 1,661,780
	2020	$ 448,333	$ 538,547	$ 348,447	$ 51,945	$ 263,528	$ 1,650,800
	2019	$ 413,500	$ 524,220	$ 291,346	$ 68,631	$ 254,366	$ 1,552,063
Brian G. Iverson Sr. Vice President, General Counsel and Chief Compliance Officer	2021	$ 397,667	$ 510,213	$ 206,294	$ —	$ 170,934	$ 1,285,108
	2020	$ 384,167	$ 425,583	$ 275,609	$ 23,339	$ 157,216	$ 1,265,914
	2019	$ 370,833	$ 400,825	$ 240,120	$ 31,927	$ 156,990	$ 1,200,695
Stuart A. Wevik Sr. Vice President - Utility Operations [(5)]	2021	$ 422,000	$ 494,536	$ 255,403	$ 149,812	$ 114,904	$ 1,436,655
	2020	$ 398,601	$ 410,333	$ 333,625	$ 371,933	$ 121,870	$ 1,636,362
Erik D. Keller Sr. Vice President - Chief Information Officer [(5)]	2021	$ 338,333	$ 260,251	$ 146,261	$ —	$ 146,667	$ 891,512

(1) Stock Awards represent the grant date fair value related to restricted stock, performance shares and performance share units that have been granted as a component of long-term incentive compensation. The grant date fair value is computed in accordance with the provisions of accounting standards for stock compensation. Assumptions used in the calculation of these amounts are included in Note 14 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2021. The amounts shown for the performance shares and performance share units represent the values that are based on the achievement of 100% of the target performance. Assuming achievement of the maximum 200% of target performance, the value of the performance share units would be: $2,268,904 for Mr. Evans, $659,514 for Mr. Kinzley, $517,135 for Mr. Iverson, $501,244 for Mr. Wevik, and $263,782 for Mr. Keller.

(2) Non-Equity Incentive Plan Compensation represents amounts earned under the Short-Term Incentive Plan. The Compensation Committee approved the payout of the 2021 awards on January 25, 2022 and the awards were paid on March 4, 2022.

(3) Change in Pension Value and Nonqualified Deferred Compensation Earnings represents the net positive increase in actuarial value of the Pension Plan and Pension Restoration Benefit ("PRB") for the respective years. These benefits have been valued using the assumptions disclosed in Note 13 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2021. Because these assumptions sometimes change between measurement dates, the change in value reflects not only the change in value due to additional benefits earned during the period and the passage of time but also reflects the change in value caused by changes in the underlying actuarial assumptions. This has created significant volatility in the last three years with the change in discount rates used to calculate the present value of these benefits contributing significantly to the large increases in 2020 and 2019 and decreases in 2021.

The Pension Plan and PRB were frozen effective January 1, 2010 for participants who did not satisfy the age 45 and 10 years of service eligibility. Messrs. Evans, Kinzley and Iverson did not meet the eligibility choice criteria and their Defined Pension and PRB benefits were frozen.

Our Named Executive Officers receive employer contributions into a Nonqualified Deferred Compensation Plan ("NQDC"). The NQDC employer contributions are reported in the All Other Compensation column. No Named Executive Officer received preferential or above-market earnings on nonqualified deferred compensation. The change in value attributed to each Named Executive Officer from each plan is shown in the table below:

	Year	Defined Benefit Plan	PRB	Total Change in Pension Value
Linden R. Evans	2021	$ (7,574)	$ (7,745)	$ (15,319)
	2020	$ 43,576	$ 35,524	$ 79,100
	2019	$ 59,664	$ 50,494	$ 110,158
Richard W. Kinzley	2021	$ (11,125)	$ (833)	$ (11,958)
	2020	$ 48,872	$ 3,073	$ 51,945
	2019	$ 64,428	$ 4,203	$ 68,631
Brian G. Iverson	2021	$ (4,089)	$ —	$ (4,089)
	2020	$ 23,339	$ —	$ 23,339
	2019	$ 31,927	$ —	$ 31,927
Stuart A. Wevik	2021	$ 149,812	$ —	$ 149,812
	2020	$ 371,933	$ —	$ 371,933
Erik D. Keller	2021	$ —	$ —	$ —

(4) All Other Compensation includes amounts allocated under the 401(k) match, defined contributions, Company contributions to defined benefit and deferred compensation plans, dividends received on restricted stock and unvested restricted stock units and other personal benefits. The Other Personal Benefits column reflects the personal use of a Company vehicle, executive health, moving expenses, and financial planning services for each NEO and relocation benefits in the amount of $52,532 for Mr. Keller.

	Year	401(k) Match	Defined Contributions	NQDC Contributions	Dividends on Restricted Stock	Other Personal Benefits	Total Other Compensation
Linden R. Evans	2021	$15,300	$ 23,200	$ 555,649	$ 65,057	$ 15,754	$ 674,960
Richard W. Kinzley	2021	$17,400	$ 21,100	$ 211,957	$ 19,394	$ 12,472	$ 282,323
Brian G. Iverson	2021	$17,400	$ 21,100	$ 107,397	$ 15,185	$ 9,852	$ 170,934
Stuart A. Wevik	2021	$ 8,250	$ —	$ 65,044	$ 15,277	$ 26,333	$ 114,904
Erik D. Keller	2021	$17,400	$ 11,600	$ 39,427	$ 12,835	$ 65,405	$ 146,667

(5) Mr. Wevik and Mr. Keller became NEOs in 2020 and 2021, respectively.

GRANTS OF PLAN BASED AWARDS IN 2021[1]

Name	Grant Date	Date of Compensation Committee Action	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[2] Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[3] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units[4] (#)	Grant Date Fair Value of Stock Awards[5] ($)
Linden R. Evans			$412,500	$825,000	$1,650,000					
	1/26/21	1/26/21				4,462	17,848	35,696		$1,134,452
	2/11/21	1/26/21							17,848	$1,104,077
Richard W. Kinzley			$158,900	$317,800	$ 635,600					
	1/26/21	1/26/21				1,297	5,188	10,376		$ 329,757
	2/11/21	1/26/21							5,188	$ 320,930
Brian G. Iverson			$120,000	$240,000	$ 480,000					
	1/26/21	1/26/21				1,017	4,068	8,136		$ 258,567
	2/11/21	1/26/21							4,068	$ 251,646
Stuart A. Wevik			$148,750	$297,500	$ 595,000					
	1/26/21	1/26/21				986	3,943	7,886		$ 250,622
	2/11/21	1/26/21							3,943	$ 243,914
Erik D. Keller			$ 85,000	$170,000	$ 340,000					
	1/26/21	1/26/21				519	2,075	4,150		$ 131,891
	2/11/21	1/26/21							2,075	$ 128,360

(1) No stock options were granted to our Named Executive Officers in 2021.

(2) The columns under “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” show the range of payouts for 2021 performance under our Short-Term Incentive Plan as described in the Compensation Discussion and Analysis under the section titled “Short-Term Incentive” on page 31. If the performance criteria are met, payouts can range from 50 percent of target at the threshold level to 200 percent of target at the maximum level. The non-equity incentive payment for 2021 performance, paid in 2022, has been made based on achieving the criteria described in the Compensation Discussion and Analysis, at 86.46 percent of target, and is shown in the Summary Compensation Table on page 40 in the column titled “Non-Equity Incentive Plan Compensation.”

(3) The columns under “Estimated Future Payouts Under Equity Incentive Plan Awards” show the range of payouts (in shares of stock) for the January 1, 2021 to December 31, 2023 performance period as described in the Compensation Discussion and Analysis under the section titled “Long-Term Incentive” on page 33. If the performance criteria are met, payouts can range from 25 percent of target to 200 percent of target. If a participant retires, suffers a disability or dies during the performance period, the participant or the participant’s estate is entitled to that portion of the number of performance shares as such participant would have been entitled to had he or she remained employed through the end of the performance period, prorated for the number of months served. Performance shares and performance share units are forfeited if employment is terminated for any other reason. During the performance period, dividends and other distributions paid with respect to the shares of common stock accrue for the benefit of the participant and are paid out at the end of the performance period.

(4) The column “All Other Stock Awards” reflects the number of shares of restricted stock granted on February 11, 2021 under our 2015 Omnibus Incentive Plan. The restricted stock vests one-third each year over a three-year period, and automatically vests upon death, disability or a change in control. Unvested restricted stock is forfeited if employment is terminated for any other reason. Dividends are paid on the restricted stock and the dividends that were paid in 2021 are included in the column titled “All Other Compensation” in the Summary Compensation Table on page 40.

(5) The column “Grant Date Fair Value of Stock Awards” reflects the grant date fair value of each equity award computed in accordance with the provisions of accounting standards for stock compensation. The grant date fair value for the performance share units was $63.56 per share and was calculated on a weighted average basis considering the results of a Monte Carlo simulation model and the market value of our common stock as of the beginning of the performance period. Assumptions used in the calculation are included in Note 14 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2021. The grant date fair value for the restricted stock was $61.86 per share for the February 11, 2021 grant, which was the market value of our common stock on the date of grant as reported on the NYSE.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2021[(1)]

	Stock Awards			
Name	Number of Shares or Units of Stock That Have Not Vested[(2)] (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[(2)] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Linden R. Evans	28,409	2,004,823	25,782	1,808,859
Richard W. Kinzley	8,469	597,657	7,759	543,949
Brian G. Iverson	6,631	467,950	6,056	424,593
Stuart A. Wevik	6,561	463,010	5,434	381,695
Erik D. Keller	5,605	395,545	2,075	146,433

(1) There were no stock options outstanding at December 31, 2021 for our Named Executive Officers.

(2) Vesting dates for restricted stock, performance shares, and performance share units are shown in the table below. The performance shares shown with a vesting date of December 31, 2021, are the actual equivalent shares, including dividend equivalents, earned for the performance period ended December 31, 2021. On January 25, 2022, the Compensation Committee confirmed that the performance criteria were met and there would be a payout of 40.17 percent of target. The performance shares with a vesting date of December 31, 2022 and the performance share units with a vesting date of December 31, 2023 are shown at the threshold and target payout levels, respectively, based upon performance as of December 31, 2021.

	Unvested Restricted Stock		Unvested and Unearned Performance Shares	
Name	# of Shares	Vesting Date	# of Shares	Vesting Date
Linden R. Evans	3,502	02/10/22	5,069	12/31/21
	3,556	02/11/22	2,865	12/31/22
	5,949	02/11/22	17,848	12/31/23
	3,503	02/10/23		
	5,949	02/11/23		
	5,950	02/11/24		
Richard W. Kinzley	1,036	02/10/22	1,723	12/31/21
	1,209	02/11/22	848	12/31/22
	1,729	02/11/22	5,188	12/31/23
	1,036	02/10/23		
	1,729	02/11/23		
	1,730	02/11/24		
Brian G. Iverson	819	02/10/22	1,318	12/31/21
	925	02/11/22	670	12/31/22
	1,356	02/11/22	4,068	12/31/23
	819	02/10/23		
	1,356	02/11/23		
	1,356	02/11/24		
Stuart A. Wevik	789	02/10/22	845	12/31/21
	593	02/11/22	646	12/31/22
	1,314	02/11/22	3,943	12/31/23
	446	05/06/22		
	790	02/10/23		
	1,314	02/11/23		
	1,315	02/11/24		
Erik D. Keller	691	02/11/22	2,075	12/31/23
	692	02/11/23		
	3,530	08/05/23		
	692	02/11/24		

OPTION EXERCISES AND STOCK VESTED DURING 2021[1]

	Stock Awards[2]	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Linden R. Evans	18,535	$ 1,129,576
Richard W. Kinzley	8,803	$ 534,740
Brian G. Iverson	6,866	$ 417,058
Stuart A. Wevik	4,903	$ 301,638
Erik D. Keller	—	$ —

(1) There were no stock options exercised during 2021.

(2) Reflects restricted stock that vested in 2021 and performance shares earned for the January 1, 2018 to December 31, 2020 performance period. The performance share payout was approved by the Compensation Committee on January 26, 2021 and paid out on February 5, 2021.

PENSION BENEFITS FOR 2021

Several years ago, we adopted a defined contribution plan design as our primary retirement plan and amended our Pension Plan and Nonqualified Pension Plans for all eligible employees to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits. Employees eligible to elect continued participation were those employees who were at least 45 years old and had at least 10 years of eligible service with us as of January 1, 2010. Mr. Wevik is our only Named Executive Officer who met the age and service requirement and continues to accrue benefits under the Pension Plan. Benefits under the Pension Plan and Pension Restoration Plan were frozen for Messrs. Evans, Kinzley and Iverson. Mr. Keller joined the Company after the plans were frozen and therefore does not participate in the plans. None of our Named Executive Officers received any pension benefit payments during the fiscal year ended December 31, 2021.

The present value accumulated by each Named Executive Officer from each plan is shown in the table below:

Name	Plan Name	Number of Years of Credited Service[1] (#)	Present Value of Accumulated Benefit[2] ($)
Linden R. Evans	Pension Plan	8.58	351,626
	Pension Restoration Benefit	8.58	283,098
Richard W. Kinzley	Pension Plan	10.50	327,630
	Pension Restoration Benefit	10.50	20,303
Brian G. Iverson	Pension Plan	5.83	187,487
Stuart A. Wevik	Pension Plan	35.59	2,019,167
Erik D. Keller	Pension Plan	NA	—
	Pension Restoration Plan	NA	—

(1) The number of years of credited service represents the number of years used in determining the benefit for each plan.

(2) The present value of accumulated benefits was calculated assuming the participants will work until retirement, benefits commence at age 62 and using the discount rate, mortality rate and assumed payment form assumptions consistent with those disclosed in Note 13 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

DEFINED BENEFIT PENSION PLAN

Our Pension Plan is a qualified pension plan. As discussed above, several years ago we amended our Pension Plan to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits.

The Pension Plan provides benefits at retirement based on length of employment service and average compensation levels during the highest five consecutive years of the last ten years of service. For purposes of the benefit calculation, earnings include wages and other cash compensation received from us, including any bonus, commission, unused paid time off or incentive compensation. It also includes any elective before-tax contributions made by the employee to a Company-sponsored cafeteria plan or 401(k) plan. However, it does not include any expense reimbursements, taxable fringe benefits, moving expenses or moving/relocation allowances, nonqualified deferred compensation, non-cash incentives, stock options and any payments of long-term incentive compensation such as restricted stock or payments under performance share plans. The Internal Revenue Code places maximum limitations on the amount of compensation that may be recognized when determining benefits of qualified pension plans. In 2021, the maximum amount of compensation that could be recognized when determining compensation was $290,000 (called “covered compensation”). Our employees do not contribute to the plan. The amount of the annual contribution by us to the plan is based on an actuarial determination.

The benefit formula for the Named Executive Officers in the plan is the sum of (a) and (b) below:

(a) Credited Service after January 31, 2000

0.9% of average earnings (up to covered compensation), multiplied by credited service after January 31, 2000 minus the number of years of credited service before January 31, 2000	Plus	1.3% of average earnings in excess of covered compensation, multiplied by credited service after January 31, 2000 minus the number of years of credited service before January 31, 2000

Plus

(b) Credited Service before January 31, 2000

1.2% of average earnings (up to covered compensation), multiplied by credited service before January 31, 2000	Plus	1.6% of average earnings in excess of covered compensation, multiplied by credited service before January 31, 2000

Pension benefits are not reduced for social security benefits. The Internal Revenue Code places maximum limitations on annual benefit amounts that can be paid under qualified pension plans. In 2021, the maximum benefit payable under qualified pension plans was $230,000. Accrued benefits become 100 percent vested after an employee completes five years of service.

Normal retirement is defined as age 65 under the plan. However, a participant may retire and begin taking unreduced benefits at age 62 with five years of service. Participants who have completed at least five years of credited service can retire and receive defined benefit pension benefits as early as age 55. However, the retirement benefit will be reduced by five percent for each year of retirement before age 62. All our Named Executive Officers who are eligible for pension benefits are currently age 55 or older and are entitled to early retirement benefits under this provision.

PENSION RESTORATION BENEFIT

We also have a Pension Restoration Benefit. This is a nonqualified supplemental plan, in which benefits are not tax deductible until paid. The plan is designed to provide the higher paid executive employee a retirement benefit which, when added to social security benefits and the pension to be received under the Pension Plan, will approximate retirement benefits being paid by other employers to their employees in similar executive positions. The employee's pension from the qualified Pension Plan is limited by the Internal Revenue Code. The 2021 pension limit was set at $230,000 annually and the compensation taken into account in determining contributions and benefits could not exceed $290,000 and could not include nonqualified deferred compensation. The amount of deferred compensation paid under nonqualified plans is not subject to these limits.

As a result of the change in the Pension Plan discussed above, the benefits for certain officers (including Messrs. Evans and Kinzley) under the Nonqualified Pension Plans were significantly reduced because the nonqualified benefit calculations were linked to the benefits earned in the Pension Plan. The Compensation Committee amended the Nonqualified Deferred Compensation Plan to provide non-elective nonqualified restoration benefits to those affected officers who were not eligible to continue accruing benefits under the Pension Plan and Nonqualified Pension Plans.

Pension Restoration Benefit. In the event that at the time of a participant's retirement, the participant's salary level exceeds the qualified Pension Plan annual compensation limitation ($290,000 in 2021) or includes nonqualified deferred compensation, then the participant will receive an additional benefit, called a "Pension Restoration Benefit," which is measured by the difference between (i) the monthly benefit that would have been provided to the participant under the Pension Plan as if there were no annual compensation limitation and no exclusion on nonqualified deferred compensation, and (ii) the monthly benefit to be provided to the participant under the Pension Plan. The Pension Restoration Benefit applies to all of the Named Executive Officers that have a pension benefit, with the exception of Messrs. Iverson and Wevik.

NONQUALIFIED DEFERRED COMPENSATION FOR 2021

We have a Nonqualified Deferred Compensation Plan for a select group of management or highly compensated employees. Eligibility to participate in the plan is determined by the Compensation Committee and primarily consists of corporate officers.

A summary of the activity in the plan and the aggregate balance as of December 31, 2021 for our Named Executive Officers is shown in the following table. Our Named Executive Officers received no withdrawals or distributions from the plan in 2021.

Name	Executive Contributions	Company Contributions in Last Fiscal Year(1)	Aggregate Earnings in Last Fiscal Year(2)	Aggregate Balance at Last Fiscal Year End(3)
Linden R. Evans	$ —	$ 555,649	$ 516,169	$ 5,605,245
Richard W. Kinzley	$ —	$ 211,957	$ 287,485	$ 2,619,212
Brian G. Iverson	$ —	$ 107,397	$ 179,826	$ 1,154,034
Stuart A. Wevik	$ —	$ 65,044	$ 69,346	$ 957,302
Erik D. Keller	$ 33,808	$ 39,427	$ 2,040	$ 80,011

(1) Our contributions represent non-elective Supplemental Matching and Retirement Contributions and Supplemental Target Contributions (defined in the paragraph below) and are included in the All Other Compensation column of the Summary Compensation Table. The value attributed from each contribution type to each Named Executive Officer in 2021 is shown in the table below:

Name	Supplemental Matching Contribution	Supplemental Retirement Contribution	Supplemental Target Contribution	Total Company Contributions
Linden R. Evans	$ 87,821	$ 117,093	$ 350,735	$ 555,649
Richard W. Kinzley	$ 30,706	$ 40,941	$ 140,310	$ 211,957
Brian G. Iverson	$ 22,963	$ 30,617	$ 53,817	$ 107,397
Stuart A. Wevik	$ 17,933	$ —	$ 47,111	$ 65,044
Erik D. Keller	$ 5,409	$ 3,606	$ 30,412	$ 39,427

(2) Because amounts included in this column do not include above-market or preferential earnings, none of these amounts are included in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table.

(3) Messrs. Evans', Kinzley's, Iverson's, Wevik's, and Keller's aggregate balances at December 31, 2021 include $1,433,805, $591,029, $303,194, $134,930 and $39,427, respectively, which are included in the Summary Compensation Table as 2021, 2020 and 2019 compensation.

Eligible employees may elect to defer up to 50 percent of their base salary, up to 100 percent of their Short-Term Incentive Plan award, and up to 100 percent of the cash portion of their Performance Share Plan award. In addition, the Nonqualified Deferred Compensation Plan was amended to provide certain officers whose Pension Plan benefit and Nonqualified Pension Plans benefits were frozen with non-elective supplemental matching contributions equal to 6 percent of eligible compensation in excess of the Internal Revenue Code limit plus matching contributions, if any, lost under the 401(k) Retirement Savings Plan due to nondiscrimination test results and provides non-elective supplemental age and service points-based contributions that cannot be made to the 401(k) Retirement Savings Plan due to the Internal Revenue Code limit ("Supplemental Matching and Retirement Contributions"). It also provides supplemental target contributions equal to a percentage of compensation that may differ by executive, based on the executive's current age and length of service with us, as determined by the plans' actuary ("Supplemental Target Contributions"). Messrs. Evans, Kinzley, Iverson, Wevik and Keller received Supplemental Target Contributions of 20 percent, 17.5 percent, 8 percent, 8 percent and 8 percent, respectively.

The deferrals are deposited into hypothetical investment accounts where the participants may direct the investment of the deferrals as allowed by the plan. The investment options are the same as those offered to all employees in the 401(k) Retirement Savings Plan except for a fixed rate option, which was set at 1.56 percent in 2021. Investment earnings are credited to the participants' accounts. Upon retirement, we will distribute the account balance to the participant according to the participant's distribution election. The participants may elect either a lump sum payment or annual or monthly installments over a period of years designated by the participant, but not to exceed 10 years. As of January 1, 2022, Messrs. Evans, Kinzley, Iverson, and Wevik are 100 percent vested in the plan.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following table describes the potential payments and benefits under our compensation and benefit plans and arrangements to which our Named Executive Officers would be entitled upon termination of employment. Except for (i) certain terminations following a change in control ("CIC"), as described below, (ii) pro-rata payout of incentive compensation and the acceleration of vesting of equity awards upon retirement, death or disability, and (iii) certain pension and nonqualified deferred compensation arrangements described under Pension Benefits for 2021 and Nonqualified Deferred Compensation for 2021 above, there are no agreements, arrangements or plans that entitle the Named Executive Officers to severance, perquisites, or other enhanced benefits upon termination of their employment. Any agreements to provide other payments or benefits to a terminating executive officer would be in the discretion of the Compensation Committee.

The amounts shown below assume that such termination was effective as of December 31, 2021, and thus includes estimates of the amounts that would be paid out to our Named Executive Officers upon their termination. The table does not include amounts such as base salary, short-term incentives and stock awards that the Named Executive Officers earned due to employment through December 31, 2021 and distributions of vested benefits such as those described under Pension Benefits for 2021 and Nonqualified Deferred Compensation for 2021. The table also does not include a value for outplacement services because this would be a de minimis amount. The actual amounts to be paid can only be determined at the time of such Named Executive Officer's separation from us.

	Cash Severance Payment	Incremental Retirement Benefit (present value)(2)	Continuation of Medical/ Welfare Benefits (present value)(3)	Acceleration of Equity Awards(4)	Total Benefits
Linden R. Evans					
• Retirement	$ —	$ —	$ —	$ 588,877	$ 588,877
• Death or disability	$ —	$ —	$ —	$ 2,593,700	$ 2,593,700
• Involuntary termination	$ —	$ —	$ —	$ —	$ —
• CIC	$ —	$ —	$ —	$ 2,532,279	$ 2,532,279
• Involuntary or good reason termination after CIC(1)	$ 4,898,619	$ 1,683,000	$ 121,100	$ 2,532,279	$ 9,234,998
Richard W. Kinzley					
• Retirement	$ —	$ —	$ —	$ 171,494	$ 171,494
• Death or disability	$ —	$ —	$ —	$ 769,152	$ 769,152
• Involuntary termination	$ —	$ —	$ —	$ —	$ —
• CIC	$ —	$ —	$ —	$ 750,971	$ 750,971
• Involuntary or good reason termination after CIC(1)	$ 1,543,600	$ 486,234	$ 43,700	$ 750,971	$ 2,824,505
Brian G. Iverson					
• Retirement	$ —	$ —	$ —	$ 134,585	$ 134,585
• Death or disability	$ —	$ —	$ —	$ 602,535	$ 602,535
• Involuntary termination	$ —	$ —	$ —	$ —	$ —
• CIC	$ —	$ —	$ —	$ 588,164	$ 588,164
• Involuntary or good reason termination after CIC(1)	$ 1,272,534	$ 281,600	$ 39,400	$ 588,164	$ 2,181,698
Stuart A. Wevik					
• Retirement	$ —	$ —	$ —	$ 130,375	$ 130,375
• Death or disability	$ —	$ —	$ —	$ 593,385	$ 593,385
• Involuntary termination	$ —	$ —	$ —	$ —	$ —
• CIC	$ —	$ —	$ —	$ 579,530	$ 579,530
• Involuntary or good reason termination after CIC(1)	$ 1,434,800	$ 202,300	$ 40,000	$ 579,530	$ 2,256,630
Erik D. Keller					
• Retirement	$ —	$ —	$ —	$ 61,187	$ 61,187
• Death or disability	$ —	$ —	$ —	$ 456,731	$ 456,731
• Involuntary termination	$ —	$ —	$ —	$ —	$ —
• CIC	$ —	$ —	$ —	$ 456,867	$ 456,867
• Involuntary or good reason termination after CIC(1)	$ 1,014,999	$ 217,547	$ 56,800	$ 456,867	$ 1,746,213

(1) The amounts reflected for involuntary or good reason termination after a change in control include the benefits a Named Executive Officer would receive in the event of a change in control as a sole event without the involuntary or good reason termination.

(2) Assumes that in the event of a change in control, Mr. Evans will receive an additional three years of credited and vesting service and the other Named Executive Officers will receive an additional two years of credited and vesting service towards the benefit accrual under their applicable retirement plans. For Messrs. Evans, Kinzley, Iverson, Wevik, this would be the Retirement Contributions and Nonqualified Deferred Compensation contributions. The benefits will immediately vest and payments will commence at the earliest eligible date unless the executive has elected a later date for the nonqualified plans. Because our Named Executive Officers are age 55 or older, they are already retiree eligible.

(3) Welfare benefits include medical coverage, dental coverage, life insurance, short-term disability coverage and long-term disability coverage. The calculation assumes that the Named Executive Officer does not take employment with another employer following termination, elects continued welfare benefits until age 55 or, if later, the end of the two year benefit continuation period (three years for Mr. Evans) and elects retiree medical benefits thereafter. Retirement is assumed to occur at the earliest eligible date.

(4) In the event of death or disability, the acceleration of equity awards represents the acceleration of unvested restricted stock and the assumed payout of the pro-rata share of the performance shares for the January 1, 2020 to December 31, 2022 and January 1, 2021 to December 31, 2023 performance periods. In the event of retirement, all unvested restricted stock is forfeited and the acceleration of equity awards represents only the pro-rata share of the performance shares and performance share units. We assumed a 45 percent payout of the performance shares for the January 1, 2020 to December 31, 2022 performance period and a 125 percent payout of target for the January 1, 2021 to December 31, 2023 performance period based on assumed target achievement of performance metrics for EPS and average cost to serve and, for relative total shareholder return, our Monte Carlo valuations at December 31, 2021.

In the event of a change in control or an involuntary or good reason termination after a change in control, the acceleration of equity awards represents the acceleration of unvested restricted stock and the payout of the pro-rata share of the performance share units calculated as if the performance period ended on December 31, 2021 for the January 1, 2020 to December 31, 2022, and January 1, 2021 to December 31, 2023 performance periods.

The valuation of the restricted stock was based upon the closing price of our common stock on December 31, 2021, and the valuation of the performance share units was based on the average closing price of our common stock for the last 20 trading days of 2021. Actual amounts to be paid out at the time of separation from us may vary significantly based upon the market value of our common stock at that time.

Payments Made Upon Termination. Regardless of the manner in which a Named Executive Officer's employment terminates, he or his beneficiaries may be entitled to receive amounts earned during his term of employment. These include:

- accrued salary and unused vacation pay;
- amounts vested under the Pension Plan and Nonqualified Pension Plans;
- amounts vested under the Nonqualified Deferred Compensation Plan; and
- amounts vested under the 401(k) Retirement Savings Plan.

Payments Made Upon Retirement. In the event of retirement of a Named Executive Officer, in addition to the items identified above, he will also receive the benefit of the following:

- a pro-rata share of the performance shares for each outstanding performance period upon completion of the performance period; and
- a pro-rata share of the actual payout under the Short-Term Incentive Plan upon completion of the incentive period.

Payments Made Upon Death or Disability. In the event of death or disability of a Named Executive Officer, in addition to the items identified above for payments made upon termination, he will also receive the benefit of the following:

- accelerated vesting of restricted stock and restricted stock units;
- a pro-rata share of the performance shares for each outstanding performance period upon completion of the performance period; and
- a pro-rata share of the actual payout under the Short-Term Incentive Plan upon completion of the incentive period.

Payments Made Upon a Change in Control. Our Named Executive Officers have change in control agreements that terminate November 15, 2022. The renewal of the change in control agreements is at the discretion of the Compensation Committee and the Board of Directors. The change in control agreements provide for certain payments and other benefits to be payable upon a change in control and a subsequent termination of employment, either involuntary or for a good reason. In order to receive any payments under the agreements, the Named Executive Officer must sign a waiver and release of claims that includes a one-year non-competition clause and two-year non-solicitation and non-disparagement clauses.

A change in control is defined in the agreements as:

- an acquisition of 30 percent or more of our common stock, except for certain defined acquisitions, such as acquisition by employee benefit plans, us, any of our subsidiaries, or acquisition by an underwriter holding the securities in connection with a public offering thereof; or
- members of our incumbent Board of Directors cease to constitute at least a majority of the members of the Board of Directors, with the incumbent Board of Directors being defined as those individuals consisting of the Board of Directors on the date the agreement was executed and any other directors elected subsequently whose election was approved by the incumbent Board of Directors; or
- approval by our shareholders of:
  - a merger, consolidation, or reorganization;
  - liquidation or dissolution; or
  - an agreement for sale or other disposition of all or substantially all of our assets, with exceptions for transactions which do not involve an effective change in control of voting securities or Board of Directors membership, and transfers to subsidiaries or sale of subsidiaries; and
- all regulatory approvals required to effect a change in control have been obtained and the transaction constituting the change in control has been consummated.

In the change in control agreements, a good reason for termination that triggers payment of benefits includes:

- a material reduction of the executive's authority, duties or responsibilities;
- a reduction in the executive's annual compensation or any failure to pay the executive any compensation or benefits to which he or she is entitled;
- any material breach by us of any provisions of the change in control agreement;
- requiring the executive to be based outside a 50-mile radius from his or her usual and normal place of work; or
- our failure to obtain an agreement, satisfactory to the executive, from any successor company to assume and agree to perform under the change in control agreement.

Upon a change in control, an employment contract with Mr. Evans will become effective for a three-year period and for a two-year period for the other Named Executive Officers. During this time, the executive will receive annual compensation at least equal to the highest rate in effect at any time during the one-year period preceding the change in control and will also receive employment welfare benefits, pension benefits and supplemental retirement benefits on a basis no less favorable than those received prior to the change in control. Annual compensation is defined to include amounts which are includable in the gross income of the executive for federal income tax purposes, including base salary, targeted short-term incentive, targeted long-term incentive grants and awards, and matching contributions or other benefits payable under the 401(k) Retirement Savings Plan, but exclude restricted stock awards, performance units or stock options that become vested or exercisable pursuant to a change in control.

If a Named Executive Officer's employment is terminated prior to the end of the covered time by us for cause or disability, by reason of the Named Executive Officer's death, or by the Named Executive Officer without good reason, the Named Executive Officer will receive all amounts of compensation earned or accrued through the termination date. If the Named Executive Officer's employment is terminated because of death or disability, the Named Executive Officer or his beneficiaries will also receive a pro rata bonus equal to 100 percent of the target incentive for the portion of the year served.

If Mr. Evans' employment is terminated during the employment term (other than by reason of death) (i) by us other than for cause or disability, or (ii) by Mr. Evans for a good reason, then Mr. Evans is entitled to the following benefits:

- all accrued compensation and a pro-rata bonus (the same as Mr. Evans or Mr. Evans' beneficiaries would receive in the event of death or disability discussed above);
- severance pay equal to 2.99 times Mr. Evans' severance compensation defined as his base salary and short-term incentive target on the date of the change in control;
- continuation of employee welfare benefits for three years following the termination date unless Mr. Evans becomes covered under the health insurance coverage of a subsequent employer which does not contain any exclusion or limitation with respect to any preexisting condition of Mr. Evans or his eligible dependents;

- following the three-year period, Mr. Evans may elect to receive coverage under the employee welfare plans of the successor entity at his then-current level of benefits (or reduced coverage at his election) by paying the premiums charged to regular full-time employees for such coverage, and is eligible to continue receiving such coverage through the date of his retirement;
- three additional years of service and age will be credited to Mr. Evans' retiree medical savings account and the account balance will become fully vested and he is eligible to use the account balance to offset retiree medical premiums at the later of age 55 or the end of the three year continuation period;
- three years of additional credited service under the Pension Restoration Plan and Pension Plan; and
- outplacement assistance services for up to six months.

If any other NEO's employment is terminated during the employment term (other than by death) (i) by us other than for cause or disability, or (ii) by the NEO for a good reason, then the NEO is entitled to the following benefits:

- all accrued compensation and a pro-rata bonus (the same as the NEO or the NEO's beneficiaries would receive in the event of death or disability discussed above);
- severance pay equal to two times the NEO's severance compensation defined as the NEO's base salary and short-term incentive target on the date of the change in control;
- continuation of employee welfare benefits for two years following the termination date unless the NEO becomes covered under the health insurance coverage of a subsequent employer which does not contain any exclusion or limitation with respect to any preexisting condition of the NEO or the NEO's eligible dependents;
- following the two-year period, the NEO may elect to receive coverage under the employee welfare plans of the successor entity at his then-current level of benefits (or reduced coverage at the NEO's election) by paying the premiums charged to regular full-time employees for such coverage, and is eligible to continue receiving such coverage through the date of his retirement;
- two additional years of service and age will be credited to the NEO's retiree medical savings account and the account balance will become fully vested and the NEO is eligible to use the account balance to offset retiree medical premiums at the later of age 55 or the end of the two year continuation period;
- two years of additional credited service under the executives' applicable retirement plans; and
- outplacement assistance services for up to six months.

The change in control agreements do not contain a benefit to cover any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986.

PAY RATIO FOR 2021

We are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Evans, our Chief Executive Officer, in 2021.

Based on the information below for the fiscal year 2021 and calculated in a manner consistent with Item 402(u) of Regulation S-K, we reasonably estimate that the ratio of our CEO's annual total compensation to the annual total compensation of our median employee was 42:1.

Name	Year	Salary	Stock Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value(2)	All Other Compensation(3)	Total
Linden R. Evans	2021	$819,167	$2,238,529	$ 708,252	$ —	$ 674,960	$ 4,440,908
Median Employee (1)	2021	$ 93,242	$ —	$ 2,619	$ —	$ 14,079	$ 109,940

(1) We identified our median employee based on the year-to-date total cash compensation actually paid as of October 4, 2020 to all of our employees, other than our CEO, who were employed on October 4, 2020. We are using the same median employee for 2021 because there has been no significant changes in our employee population or employee compensation arrangements.

(2) See Note 4 to our Summary Compensation Table for a description of how the values in the Change in Pension Value column are calculated.

(3) All Other Compensation includes 401(k) match, defined contributions, NQDC contributions, dividends on restricted stock and other personal benefits for Mr. Evans and the 401(k) match and defined contributions for the median employee.

PROPOSAL 4	APPROVAL OF THE BLACK HILLS CORPORATION AMENDED AND RESTATED 2015 OMNIBUS INCENTIVE PLAN

We are asking you to approve the proposed the Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan, as further amended and restated as described below (the “Amended Plan”). The Black Hills Corporation 2015 Omnibus Incentive Plan (the “2015 Plan”) was adopted effective April 28, 2015 and last amended and restated on January 26, 2021. Our Board of Directors adopted, subject to shareholder approval, the Amended Plan, on February 24, 2022. If shareholder approval is obtained, the Amended Plan will become effective as of the date that the Board adopted the Amended Plan.

The Amended Plan makes the following material changes to the current 2015 Plan:

- Increases the number of shares of our Common Stock available for issuance under the Plan by 1,700,000 shares, to a total of 2,900,000 shares of Common Stock.
- Adds service providers such as consultants and advisors as eligible participants for enhanced flexibility in incentivizing service providers.
- Adds a limit on equity awards to any nonemployee director of $500,000 in grant date fair value in any year.
- Imposes, with certain limited exceptions, a vesting limitation, such that awards or portions of an award granted under the Amended Plan may vest no earlier than the first anniversary of the award’s grant date.
- Imposes vesting requirements on dividends and dividend equivalents for all awards other than for restricted stock.
- Sets forth default provisions for the treatment of awards in the event of a change in control, including automatic acceleration of vesting of awards other than performance-based awards. Vesting of performance-based awards will be pro-rated based on the number of months of the applicable performance period which have elapsed prior to the change in control and will be awarded at target level for all metrics other than total shareholder return, which will use the date of the change in control as the last day of the performance period.
- Prohibits the transferability of awards, other than by will, or by the laws of descent and distribution.
- Extends the term of the Amended Plan to February 24, 2032.

Equity-based incentive compensation is an important element of our executive compensation program. The purpose of the Amended Plan is to continue to provide a means whereby our employees, consultants, advisors and directors develop a sense of proprietorship and personal involvement in the development and financial success of Black Hills Corporation, and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. It also provides a means through which we may attract and retain qualified employees upon whom the successful administration and management of the Company depends, and provide a means where they can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company.

The Amended Plan will amend and restate the 2015 Plan. Since the prior approval of the 2015 Plan, no further awards could be made under the 2005 Omnibus Incentive Plan (the "Prior Plan"), which remains in effect until all awards granted under the Prior Plan have been exercised, forfeited, canceled, or have otherwise expired or terminated.

In addition to certain best practices newly incorporated in the Amended Plan as described above, the Amended Plan continues to maintain the following best practices for equity-based compensation plans:

- **No Liberal Share Counting** - The Amended Plan expressly requires that: (i) settlement of a stock-settled stock appreciation rights (SARs) or “cashless” exercise of a stock option (or a portion thereof) shall reduce the number of shares available for grant by the entire number of shares subject to the award (or applicable portion thereof), even though a smaller number of shares will be issued upon such exercise; (ii) shares tendered or withheld to pay the exercise price of an option or tendered or withheld to satisfy a tax withholding obligation in connection with an award shall not again become available for grant; and (iii) shares purchased on the open market with cash proceeds generated by the exercise of an option shall not increase or replenish the number of shares available for grant.
- **Limitations on Repricing** - The Amended Plan expressly prohibits the Compensation Committee from repricing stock options and SARs, including through cancellation, exchange or buyout, without prior shareholder approval.
- **No Discounted Stock Options or SARs** - The Amended Plan expressly requires that all stock options and SARs be granted at an exercise price that is at least equal to 100 percent of the fair market value of the shares on the date of grant.

- **No Liberal Change in Control Definition** - The Amended Plan contains a definition of change in control whereby acceleration of awards will only occur in the event of a qualifying change in control transaction.
- **Clawback Provision** - The award agreement for any award granted under the Amended Plan will provide for the recapture or clawback of all or any portion of the award to comply with Company policy or applicable law in effect on the date of the award agreement, including, but not limited to, the final rules issued under the Dodd-Frank Act.
- **No Evergreen Provision** - The Amended Plan does not have an evergreen or similar provision, which provides for an automatic replenishment of shares available for grant.

The following is a summary of the principal features of the Amended Plan. The summary is qualified by reference to the full text of the Amended Plan which is attached to this proxy statement as Appendix A.

Summary of the Plan

Administration

The Amended Plan provides for administration by a Committee designated by the Board of Directors whose members meet the definition of non-employee director and outside director. Administration of the Amended Plan may be delegated to attorneys, consultants, accountants, agents, and other individuals, any of whom may be an employee.

Shares Available

Shares to be issued under the Amended Plan may be authorized but unissued shares of common stock or treasury stock. The maximum number of shares reserved for issuance under the Amended Plan is 2,900,000, subject to certain share counting provisions described below. The Committee will make appropriate adjustments to these limits in the event of certain changes in the capitalization of the Company.

The closing price of a share of the Company's common stock on February 18, 2022 was $69.01.

As of February 18, 2022, awards for 289,796 shares are outstanding under the 2015 Plan, comprised of full value shares. In addition, there are 215,733 shares of restricted stock outstanding that are already issued and are included in our total shares of common stock outstanding.

Share Counting

Any shares related to awards, including awards outstanding under the 2015 Plan [or the Prior Plan] after February 18, 2022, which terminate by expiration, forfeiture or cancellation may be reused for subsequent awards. If the option price of any option granted under the Amended Plan or the tax withholding requirements with respect to any award granted under the Amended Plan is satisfied by tendering shares, the tendered shares shall not again become available for grant under the Amended Plan. If a SAR is settled in stock, the full number of shares subject to the award will be counted against the Amended Plan.

Eligibility

Persons eligible to participate in this Plan include all employees, consultants, advisors and Directors. We currently have approximately 2,800 employees and ten non-management Directors. The selection of participants from eligible employees, consultants, advisors and Directors is within the discretion of the Committee.

Term

The Amended Plan has a term of ten years from the date of Board approval of the amendment and restatement unless terminated earlier by the Committee.

Grants Limits under the Plan

(a) *Incentive Stock Options.* The maximum aggregate number of shares that may be granted in the form of Incentive Stock Options is 2,900,000 shares.

(b) *Non-Employee Director Awards.* The grant date value of awards granted to an outside director may not exceed $500,000 per year.

Awards

Subject to the limits in the Amended Plan, the Committee has the authority to set the size and type of award and any vesting or performance conditions.

Stock Options. A stock option is the right to purchase shares of common stock at a future date at a specified price per share called the exercise price. The Committee may grant incentive stock options as defined in Section 422 of the Code and nonqualified stock options. Options shall be exercisable for such prices, shall expire at such times and shall have such other terms and conditions as the Committee may determine at the time of grant and as set forth in the award agreement, however the exercise price must be at least equal to 100 percent of the fair market value at the date of grant and the term shall not be longer than ten years, except in limited circumstances. The option price is payable in cash, by tendering previously acquired shares having an aggregate fair market value at the time of exercise equal to the total option price, by cashless exercise or any combination of the foregoing. No option may be repriced, replaced, or regranted through cancellation without shareholder approval (except in connection with a corporate event or transaction that changes the Company's capitalization, such as a stock dividend or a stock split).

Stock Appreciation Rights. A Stock Appreciation Right (SAR) is the right to receive payment of an amount equal to the excess of the fair market value of a share of common stock on the date of exercise of the SAR over the exercise price. The Committee may grant SARs with such terms and conditions as the Committee may determine at the time of grant and as set forth in the award agreement. SARs granted under the Plan may be in the form of freestanding SARs, tandem SARs, or any combination of these forms of SARs. The grant price of a freestanding SAR shall be determined by the Committee and shall be specified in the award agreement, however, the grant price must be at least equal to 100 percent of the fair market value of a share on the date of grant and the term shall not be longer than ten years, except in limited circumstances. The grant price of tandem SARs shall equal the option price of the related option. SARs issued under the Plan may not be repriced, replaced, or regranted through cancellation without shareholder approval (except in connection with a corporate event or transaction that changes the Company's capitalization, such as a stock dividend or a stock split).

Freestanding SARs may be exercised upon such terms and conditions as are imposed by the Committee and as set forth in the SAR award agreement. A tandem SAR may be exercised only with respect to the shares of our common stock for which its related option is exercisable.

Upon exercise of a SAR, a participant will receive the product of (a) the difference between the fair market value of a share on the date of exercise over the grant price and (b) the number of shares with respect to which the SAR is exercised. Payment upon exercise shall be in shares.

Restricted Stock or Restricted Stock Units. Restricted Stock or Restricted Stock Units may be granted in such amounts and subject to the terms and conditions as determined by the Committee at the time of grant and as set forth in the award agreement. A Restricted Stock award is an award of actual shares of common stock which are subject to certain restrictions for a period of time determined by the Committee. A Restricted Stock Unit is an award of hypothetical common stock units having a value equal to the fair market value of an identical number of shares of common stock. No shares of common stock are issued at the time an RSU is granted, and the Company is not required to set aside any funds for the payment of any RSU award. Because no shares are outstanding, the participant does not have any rights as a shareholder such as voting rights. The Committee may impose performance goals for Restricted Stock or Restricted Stock Units. The Committee may authorize the payment of dividends on the Restricted Stock and the accrual of dividends on the Restricted Stock Units during the restricted period.

Performance Units, Performance Shares and Cash-Based Awards. A performance-based award is an award of shares of common stock or units that are only earned if certain conditions are met. Performance Units, Performance Shares and Cash-Based Awards may be granted in such amounts and subject to such terms and conditions as determined by the Committee at the time of grant and as set forth in the award agreement. The Committee shall set performance goals, which, depending on the extent to which they are met, will determine the number and/or value of the Performance Units/Shares and Cash-Based Awards that will be paid out to the participant.

Participants shall receive payment of the value of Performance Units/Shares earned after the end of the performance period. Payment of Performance Units/Shares shall be made in cash, shares or a combination thereof that have an aggregate fair market value equal to the value of the earned Performance Units/Shares and Cash-Based Awards at the close of the applicable performance period as the Committee determines. Shares may be granted subject to any restrictions deemed appropriate by the Committee and the Committee may authorize the payment of dividend units with respect to dividends declared with respect to the shares.

The performance goals upon which the payment or vesting of an award to a covered employee that is intended to qualify as performance-based compensation may be based on one or more of the following:

(a) Net earnings or net income (before or after taxes);
(b) Earnings per share;
(c) Net sales or revenue growth;
(d) Net operating profit;
(e) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);
(f) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);
(g) Earnings before or after taxes, interest, depreciation, and/or amortization;
(h) Gross or operating margins;
(i) Productivity ratios;
(j) Share price (including, but not limited to, growth measures and total shareholder return);
(k) Expense targets;
(l) Average cost to serve
(m) Margins;
(n) Operating efficiency;
(o) Market share;
(p) Customer satisfaction;
(q) Working capital targets;
(r) Internal rate of return or increase in net present value;
(s) Dividends paid;
(t) Price earnings ratio;
(u) Economic value added or EVA® (net operating profit after tax minus the sum of capital multiplied by the cost of capital); and
(v) Any other measure of performance as determined by the Committee.

Any performance measure(s) may be used to measure the performance of the Company, subsidiary, and/or affiliate as a whole or any business unit of the Company, subsidiary, and/or affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above performance measures as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Company may select performance measure (j) above as compared to various stock market indices. The Committee may provide for accelerated vesting of performance-based awards.

Other Awards. The Committee may grant other types of equity-based or equity-related awards not otherwise described by the terms of the Plan, in such amounts and subject to such terms and conditions, as the Committee shall determine. Such awards may be based upon attainment of performance goals established by the Committee and may involve the transfer of actual shares to participants, or payment in cash or otherwise of amounts based on the value of shares.

Termination of Service

Each award agreement shall set forth the participant's rights with respect to each award following termination of employment with us or service on our Board of Directors; provided that a transfer of status to, or from, that of an employee, director, consultant or advisor shall not be considered a termination of service.

Change in Control

The Amended Plan provides for the automatic acceleration of vesting of awards other than performance-based awards, unless otherwise provided in an award agreement, upon a change in control. Unless otherwise provided in an award agreement, vesting of performance-based awards will be pro-rated based on the number of months of the applicable performance period which have elapsed prior to the change in control and will be awarded at target level for all metrics other than total shareholder return, which will use the date of the change in control as the last day of the performance period.

Minimum Vesting

The Amended Plan contains a minimum vesting requirement, subject to limited exceptions, that awards made pursuant to the Amended Plan may not vest earlier than the date that is one year following the grant date of the award. The limited exceptions allow the issuance of awards in an aggregate of up to 5% of the shares available to be granted without minimum vesting provisions, as well as the issuance of substitute awards. The Compensation

Committee has the authority to waive the one-year vesting restrictions upon the participant's termination of service.

Transferability

Awards may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, and a participant's rights shall be exercisable only by the participant. Notwithstanding the foregoing, an award may never be transferred for value.

Tax and Accounting Implications

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, limits the tax deductibility by a corporation of compensation in excess of $1 million paid to certain of its officers. Section 162(m) as in effect prior to the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act") generally disallowed a tax deduction to public companies for compensation of more than $1 million paid in any taxable year to each "covered employee," consisting of the CEO and the three other highest paid executive officers employed at the end of the year (other than the CFO). Performance-based compensation was exempt from this deduction limitation if the Company met specified requirements set forth in the Code and applicable Treasury Regulations. The Tax Reform Act changed the definition of "covered employees" to also include any person who served as CEO or CFO at any time during a taxable year, as well as any person who was ever identified as a covered employee in 2017 or any subsequent year.

For years beginning January 1, 2018, all compensation to covered employees has been subject to the $1,000,000 deduction limit unless it qualifies for transitional relief applicable to certain binding, written performance-based compensation arrangements that were in place as of November 2, 2017. No assurance can be given that any compensation to covered employees will qualify for the transitional relief.

Section 409A of the Internal Revenue Code also affects the payments of certain types of deferred compensation to key employees and includes requirements relating to when payments under such arrangements can be made, acceleration of benefits, and timing of elections under such arrangements. Failure to satisfy these requirements will generally lead to an acceleration of the timing for including deferred compensation in an employee's income, as well as certain penalties and interest.

Federal Income Tax Consequences

The following is a brief description of the principal federal income tax consequences, as of the date of this proxy statement, associated with the grant of awards under the Amended Plan. This summary is based on our understanding of present income tax law and regulations. The summary does not purport to be complete or applicable to every specific situation. Furthermore, the following discussion does not address state or local tax consequences.

As a general rule, a participant will not recognize taxable income with respect to any award at the time of grant. If the participant receives a stock grant that is not subject to a substantial risk of forfeiture or if a participant who receives a restricted stock grant makes the election permitted by Section 83(b) of the Code, the participant will recognize income on the award at the time of grant.

Upon exercise of a nonqualified stock option, the participant will recognize ordinary taxable income in an amount equal to the difference between the amount paid for the award, if any, and the fair market value of the stock or amount received on the date of exercise, lapse of restriction or payment. The Company will be entitled to a concurrent income tax deduction equal to the ordinary income recognized by the participant.

A participant who is granted an incentive stock option will not recognize taxable income at the time of exercise. However, the excess of the stock's fair market value over the stock option price could be subject to the alternative minimum tax in the year of exercise (assuming the stock received is not subject to a substantial risk of forfeiture or is transferable). If stock acquired upon exercise of an incentive stock option is held for a minimum of two years from the date of grant and one year from the date of exercise, the gain or loss (in an amount equal to the difference between the sales price and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and the Company will not be entitled to any income tax deduction. If the holding period requirements are not met, the incentive stock option will not meet the requirements of the Code and the tax consequences described for nonqualified stock options will apply.

An award of restricted stock results in income recognition by a participant in an amount equal to the fair market value of the shares received at the time the restrictions lapse and the shares vest, unless the participant elects under Code Section 83(b) to accelerate income recognition and the taxability of the award to the date of grant.

Performance units and restricted stock unit awards generally result in income recognition by a participant at the time settlement of such an award is made in an amount equal to the amount paid in cash or the then-current fair market value of the shares received, as applicable. Stock appreciation right awards result in income recognition by a participant at the time such an award is exercised in an amount equal to the amount paid in cash or the then-current fair market value of the shares received by the participant, as applicable. For each of these types of awards, the Company will generally have a corresponding deduction at the time the participant recognizes ordinary income.

The Patient Protection and Affordable Care Act, which became effective in 2010, introduced a new net investment income tax. Effective January 1, 2013, dividends paid to and capital gains recognized by individuals with incomes over certain threshold amounts may be subject to an additional 3.8 percent tax on net investment income.

Tax Consequences to the Company or Its Subsidiaries

To the extent that an employee recognizes ordinary income in the circumstances described above, the Company or the subsidiary for which the employee performs services will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness and is an ordinary and necessary business expense.

Award Information

The amount, type and terms of grants to be made under the Amended Plan after the date of this proxy statement are not determinable at this time as they are within the discretion of Compensation Committee; however, information about grants made to our Named Executive Officers under the 2015 Plan in 2021 are set forth above in Grants of Plan-Based Awards Table for 2021, and similar information for prior years is included in the same table in prior years' proxy statements.

EQUITY COMPENSATION PLAN INFORMATION

The following table includes information as of December 31, 2021 with respect to our equity compensation plans. These plans include the 2005 Omnibus Incentive Plan and 2015 Omnibus Incentive Plan.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	194,591 (1)	$ — (1)	416,325 (2)
Equity compensation plans not approved by security holders	—	$ —	—
Total	194,591	$ —	416,325

(1) 194,591 full value awards outstanding as of December 31, 2021, comprised of restricted stock units, performance shares, short-term incentive plan (STIP) units and Director common stock units. In addition, 218,453 shares of unvested restricted stock were outstanding as of December 31, 2021, which are not included in the above table because they have already been issued. We do not have any outstanding options, warrants and rights.

(2) Shares available for issuance are from the 2015 Omnibus Incentive Plan. The 2015 Omnibus Incentive Plan permits the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock based awards.

The Board of Directors recommends a vote *FOR* the approval of the Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan.

TRANSACTION OF OTHER BUSINESS

Our Board of Directors does not intend to present any business for action by our shareholders at the meeting except the matters referred to in this proxy statement. If any other matters should be properly presented at the meeting, it is the intention of the persons named in the accompanying form of proxy to vote thereon in accordance with the recommendations of our Board of Directors.

SHAREHOLDER PROPOSALS FOR 2023 ANNUAL MEETING

Shareholder proposals intended to be presented at our 2023 annual meeting of shareholders and considered for inclusion in our proxy materials must be received by our Corporate Secretary in writing at our executive offices at 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, South Dakota 57709, on or prior to November 17, 2022. Any proposal submitted must be in compliance with Rule 14a-8 of Regulation 14A of the Securities and Exchange Commission.

Additionally, a shareholder may submit a proposal or director nominee for consideration at our 2023 annual meeting of shareholders, but not for inclusion of the proposal or director nominee in our proxy materials, if the shareholder gives timely written notice of such proposal in accordance with Article I, Section 9 of our Bylaws. In general, Article I, Section 9 provides that, to be timely, a shareholder's notice must be delivered to our Corporate Secretary in writing not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders.

Our 2023 annual meeting is scheduled for April 25, 2023. Ninety days prior to the first anniversary of this date will be January 26, 2023, and 120 days prior to the first anniversary of this date will be December 27, 2022. For business to be properly requested by the shareholder to be brought before the 2023 annual meeting of shareholders, the shareholder must comply with all of the requirements of Article I, Section 9 of our Bylaws, not just the timeliness requirements set forth above.

SHARED ADDRESS SHAREHOLDERS

In accordance with a notice sent to eligible shareholders who share a single address, we are sending only one annual report and proxy statement to that address unless we receive instructions to the contrary from any shareholder at that address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a shareholder of record residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she may contact Shareholder Relations at the below address.

Shareholder Relations
Black Hills Corporation
7001 Mount Rushmore Road
P.O. Box 1400
Rapid City, SD 57709
(605) 721-1700

Eligible shareholders of record receiving multiple copies of our annual report and proxy statement can request householding by contacting us in the same manner. Shareholders who own shares through a bank, broker or other nominee can request householding by contacting the nominee.

We hereby undertake to deliver promptly, upon written or oral request, a separate copy of the annual report to shareholders, or proxy statement, as applicable, to our shareholders at a shared address to which a single copy of the document was delivered.

Please vote your shares by telephone, by the Internet or by promptly returning the accompanying form of proxy, whether or not you expect to be present at the annual meeting.

ANNUAL REPORT ON FORM 10-K

A copy of our Annual Report on Form 10-K (excluding exhibits) for the year ended December 31, 2021, which is required to be filed with the Securities and Exchange Commission, will be made available to shareholders to whom this proxy statement is mailed, without charge, upon written or oral request to Shareholder Relations, Black Hills Corporation, 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, SD 57709, Telephone Number: (605) 721-1700. Our Annual Report on Form 10-K also may be accessed through our website at www.blackhillscorp.com.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 26, 2022

Shareholders may view this proxy statement, our form of proxy and our 2021 Annual Report to Shareholders over the Internet by accessing our website at www.blackhillscorp.com. Information on our website does not constitute a part of this proxy statement.

By Order of the Board of Directors,

/s/ AMY K. KOENIG
Amy K. Koenig
Vice President - Governance, Corporate Secretary and Deputy General Counsel

Dated: March 17, 2022

APPENDIX A

Amended and Restated 2015 Omnibus Incentive Plan
Black Hills Corporation

(as amended and restated February 24, 2022)

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Black Hills Corporation
Amended and Restated 2015 Omnibus Incentive Plan

Article 1 Establishment, Purpose, and Duration

1.1 Establishment. Black Hills Corporation, a South Dakota corporation (hereinafter referred to as the “Company”), established an incentive compensation plan known as the Black Hills Corporation 2015 Omnibus Incentive Plan effective April 28, 2015 (the “Original Effective Date”), as amended and restated, which is hereby further amended and restated as set forth in this document as of February 24, 2022 (hereinafter referred to as the “Plan”). The Plan, as amended and restated hereby, shall be effective upon approval of the Plan by the Company’s shareholders at the 2022 annual meeting of shareholders (the “Restatement Effective Date”).

This Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards, and Other Stock-Based Awards.

This Plan shall remain in effect as provided in Section 1.3 hereof.

1.2 Purpose of this Plan. The purpose of this Plan is to provide a means whereby Employees and Directors of the Company develop a sense of proprietorship and personal involvement in the development and financial success of the Company, and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. A further purpose of this Plan is to provide a means through which the Company may attract able individuals to become Employees or serve as Directors of the Company and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company.

1.3 Duration of this Plan. Unless sooner terminated as provided herein, this Plan shall terminate ten (10) years from the Restatement Effective Date. After this Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and this Plan’s terms and conditions. Notwithstanding the foregoing, no Incentive Stock Options may be granted more than ten (10) years after the earlier of (a) adoption of this Plan by the Board, or (b) the Restatement Effective Date.

1.4 Prior Plan. No further grants shall be made under the Prior Plan from and after the Original Effective Date of this Plan.

Article 2 Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 “Affiliate” shall mean any corporation or other entity (including, but not limited to, a partnership or a limited liability company), that is affiliated with the Company through stock or equity ownership or otherwise, and is designated as an Affiliate for purposes of this Plan by the Committee.

2.2 “Annual Award Limit” or **“Annual Award Limits”** have the meaning set forth in Section 4.3.

2.3 “Award” means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards, or Other Stock-Based Awards, in each case subject to the terms of this Plan.

2.4 “Award Agreement” means either (i) an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan, or (ii) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of such Award, including any amendment or modification thereof. The Committee may provide for the use of electronic, internet or other non-paper Award Agreements, and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

2.5 **"Beneficial Owner"** or **"Beneficial Ownership"** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.6 **"Board"** or **"Board of Directors"** means the Board of Directors of the Company.

2.7 **"Cash-Based Awards"** means an Award granted to a Participant as described in Article 9 herein.

2.8 **"Change in Control"** or **"Change of Control"** maybe used interchangeably and shall mean, unless provided otherwise in an Award Agreement, any of the following events:

(a) The acquisition in a transaction or series of transactions by any Person of Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the then outstanding shares of common stock of the Company; provided, however, that for purposes of this Plan, the following acquisitions will not constitute a Change in Control: (A) any acquisition by the Company; (B) any acquisition of common stock of the Company by an underwriter holding securities of the Company in connection with a public offering thereof; and (C) any acquisition by any Person pursuant to a transaction which complies with subsections (c)(i), (ii) and (iii);

(b) Individuals who, as of December 31, 2014 are members of the Board (the "**Incumbent Board**"), cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common shareholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened proxy contest involving the solicitation of proxies or consents by or on behalf of a Person other than the Board, including by reason of any agreement intended to avoid or settle any actual or threatened proxy contest;

(c) Consummation, following shareholder approval, of a reorganization, merger, or consolidation of the Company, or a sale or other disposition of all or substantially all of the assets of the Company (each a "**Business Combination**"), unless, in each case, immediately following such Business Combination, all of the following have occurred: (i) all or substantially all of the individuals and entities who were beneficial owners of shares of the common stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding shares of the entity resulting from the Business Combination or any direct or indirect parent corporation thereof (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one (1) or more subsidiaries) (the "**Successor Entity**"); (ii) no Person (excluding any Successor Entity or any employee benefit plan or related trust, of the Company or such Successor Entity) owns, directly or indirectly, thirty percent (30%) or more of the combined voting power of the then outstanding shares of common stock of the Successor Entity, except to the extent that such ownership existed prior to such Business Combination; and (iii) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination or any direct or indirect parent corporation thereof were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with subsections (c)(i), (ii), and (iii) above.

(e) A Change in Control shall not be deemed to occur solely because any Person (the "**Subject Person**") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Common Stock as a result of the acquisition of Common Stock by the Company which, by reducing the number of shares of Common stock then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Common Stock by the Company, and after such stock acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Common Stock which increases the percentage of the then outstanding Common Stock Beneficially Owned by the Subject Person, then a Change in Control shall occur.

(f) A Change in Control shall not be deemed to occur unless and until all regulatory approvals required in order to effectuate a Change in Control of the Company have been obtained and the transaction constituting the Change in Control has been consummated.

Notwithstanding the foregoing, to the extent that any Award constitutes a deferral of compensation subject to Code Section 409A, and if that Award provides for a change in the time or form of payment upon a Change in Control, then no Change in Control shall be deemed to have occurred upon an event described in this Section 2.8 unless the event would also constitute a change in ownership or effective control of, or a change in the ownership of a substantial portion of the assets of, the Company under Code Section 409A.

2.9 "Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time. For purposes of this Plan, references to sections of the Code shall be deemed to include references to any applicable regulations thereunder and any successor or similar provision.

2.10 "Committee" means the Compensation Committee of the Board or a subcommittee thereof, or any other committee designated by the Board to administer this Plan. The members of the Committee shall be appointed from time to time by and shall serve at the discretion of the Board. All members of the Committee shall be independent in accordance with any applicable standards and/or regulations adopted by the New York Stock Exchange (or, if not listed on such exchange, on any other national securities exchange on which the Shares are listed). If the Committee does not exist or cannot function for any reason, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee. With respect to any decision relating to an Insider, the Committee shall consist of two or more Directors who are disinterested within the meaning of Rule 16b-3.

2.11 "Company" means Black Hills Corporation, a South Dakota corporation, and any successor thereto as provided in Article 21 herein; provided, however, that in the event the Company reincorporates to another jurisdiction, all references to the term "Company" shall refer to the Company in such new jurisdiction.

2.12 "Director" means any individual who is a member of the Board of Directors of the Company.

2.13 "Employee" means any person designated as an employee of the Company, its Affiliates, and/or its Subsidiaries on the payroll records thereof. An Employee shall not include any individual during any period he or she is classified or treated by the Company, Affiliate, and/or Subsidiary as an independent contractor, a consultant, or any employee of an employment, consulting, or temporary agency or any other entity other than the Company, Affiliate, and/or Subsidiary, without regard to whether such individual is subsequently determined to have been, or is subsequently retroactively reclassified as a common-law employee of the Company, Affiliate, and/or Subsidiary during such period.

2.14 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.15 "Fair Market Value" or **"FMV"** shall be determined on the basis of the closing sale price on the principal securities exchange on which the Shares are traded or, if there is no such sale on the relevant date, then on the last previous day on which a sale was reported.

2.16 "Freestanding SAR" means an SAR that is granted independently of any Options, as described in Article 7.

2.17 "Full Value Award" means an Award other than in the form of an ISO, NQSO, or SAR, and which is settled by the issuance of Shares.

2.18 "Grant Price" means the price established at the time of grant of a SAR pursuant to Article 7, used to determine whether there is any payment due upon exercise of the SAR.

2.19 "Incentive Stock Option" or "ISO" means an Option to purchase Shares granted under Article 6 to an Employee and that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422, or any successor provision.

2.20 "Insider" shall mean an individual who is, on the relevant date, an officer, or Director of the Company, or a more than ten percent (10%) Beneficial Owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board in accordance with Section 16 of the Exchange Act.

2.21 "Nonemployee Director" means a Director who is not an Employee.

2.22 "Nonemployee Director Award" means any NQSO, SAR, or Full Value Award granted, whether singly, in combination, or in tandem, to a Participant who is a Nonemployee Director pursuant to such applicable terms, conditions, and limitations as the Board or Committee may establish in accordance with this Plan.

2.23 "Nonqualified Stock Option" or **"NQSO"** means an Option that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

2.24 "Option" means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6.

2.25 "Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.26 "Original Effective Date" has the meaning set forth in Section 1.1.

2.27 "Other Stock-Based Award" means an equity-based or equity-related Award not otherwise described by the terms of this Plan, granted pursuant to Article 10.

2.28 "Participant" means any eligible individual as set forth in Article 5 to whom an Award is granted.

2.29 "Performance-Based Compensation" means any Award for which the vesting, or value of which at the time it is payable, is determined as a function of achievement of performance goals, including any such Cash-Based Award, Performance Share or Performance Unit.

2.30 "Performance Measures" means measures as described in Article 12 on which the performance goals are based.

2.31 "Performance Period" means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.

2.32 "Performance Share" means an Award under Article 9 herein and subject to the terms of this Plan, denominated in Shares, the value of which at the time it is payable is determined as a function of the extent to which corresponding performance criteria have been achieved.

2.33 "Performance Unit" means an Award under Article 9 herein and subject to the terms of this Plan, denominated in Units, the value of which at the time it is payable is determined as a function of the extent to which corresponding performance criteria have been achieved.

2.34 "Period of Restriction" means the period when Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, in its discretion), as provided in Article 8.

2.35 "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

2.36 "Plan" means the Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan.

2.37 "Plan Year" means the calendar year.

2.38 "Prior Plan" means the Black Hills Corporation 2005 Omnibus Incentive Compensation Plan dated May 25, 2005.

2.39 "Restatement Effective Date" has the meaning set forth in Section 1.1.

2.40 "Restricted Stock" means an Award granted to a Participant pursuant to Article 8.

2.41 "Restricted Stock Unit" means an Award granted to a Participant pursuant to Article 8, except no Shares are actually awarded to the Participant on the date of grant.

2.42 "Service-Provider" means an Employee, a Nonemployee Director, or any natural person who is a consultant or advisor, or is employed by a consultant or advisor retained by the Company or any Affiliate and/or Subsidiary, and who provides services (other than in connection with (i) a capital-raising transaction or (ii) promoting or maintaining a market in Company securities) to the Company or any Affiliate and/or Subsidiary.

2.43 "Share" means a Share of common stock of the Company, $1.00 par value per Share.

2.44 "Stock Appreciation Right" or **"SAR"** means an Award, designated as a SAR, pursuant to the terms of Article 7 herein.

2.45 "Subsidiary" means any corporation or other entity, whether domestic or foreign, in which the Company has or obtains, directly or indirectly, a proprietary interest of more than fifty percent (50%) by reason of stock ownership or otherwise.

2.46 "Substitute Awards" means an Award granted upon the assumption of, or in substitution or exchange for, outstanding awards granted by a company or other entity acquired by the Company or any Affiliate or with which the Company or any Affiliate combines. The terms and conditions of a Substitute Award may vary from the terms and conditions set forth in the Plan to the extent that the Committee at the time of the grant may deem appropriate to conform, in whole or in part, to the provisions of the award in substitution for which it has been granted.

2.47 "Tandem SAR" means a SAR that is granted in connection with a related Option pursuant to Article 7 herein, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

2.48 "Units" means a unit of measurement equivalent to one share of Common Stock, with none of the attendant rights of a shareholder of such share, (including among the rights which the holder of a Unit does not have are the right to vote such share and the right to receive dividends thereon), except to the extent otherwise specifically provided herein.

Article 3 Administration

3.1 General. The Committee shall be responsible for administering this Plan, subject to this Article 3 and the other provisions of this Plan. The Committee may employ attorneys, consultants, accountants, agents, and other individuals, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such individuals. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested individuals.

3.2 Authority of the Committee. The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of this Plan and any Award Agreement or other agreement or document ancillary to or in connection with this Plan, to determine eligibility for Awards and to adopt such rules, regulations, forms, instruments, and guidelines for administering this Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions, including the terms and conditions set forth in Award Agreements, granting Awards as an alternative to or as the form of payment for grants or rights earned or due under compensation plans or arrangements of the Company, and, subject to Article 17, adopting modifications and amendments to this Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries and other jurisdictions in which the Company, its Affiliates, and/or its Subsidiaries operate.

3.3 Delegation. The Committee may delegate to one or more of its members or to one or more officers of the Company, and/or its Subsidiaries and Affiliates or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or any individuals to whom it has delegated duties or powers as aforesaid may employ one or more individuals to render advice with respect to any responsibility the Committee or such individuals may have under this Plan. The Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as can the Committee: (a) designate Employees to be recipients of Awards; and (b) determine the size of any such Awards; provided, however, (i) the Committee shall not delegate such responsibilities to any such officer for Awards granted to an Employee who is considered an Insider; (ii) the resolution providing such authorization sets forth the total number of Awards such officer(s) may grant; and (iii) the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

Article 4 Shares Subject to this Plan and Maximum Awards

4.1 Number of Shares Available for Awards.

(a) **Maximum Shares Available Under the Plan.** Subject to adjustment as provided in Section 4.3 herein, the maximum number of Shares available for issuance to Participants under this Plan is 2,900,000. The Shares to be delivered under the Plan may consist, in whole or in part, of authorized, but unissued Shares or treasury stock not reserved for any other purpose.

(b) **Limit on ISOs.** Subject to the limit set forth in Section 4.1(a) on the number of Shares that may be issued in the aggregate under this Plan, the maximum number of Shares that may be issued pursuant to ISOs shall be 2,900,000 Shares.

(c) **Limit on Non-Employee Director Compensation.** Subject to adjustment in Section 4.3 and subject to the limit set forth in Section 4.1(a) on the number of Shares that may be issued in the aggregate under the Plan, no Nonemployee Director may be granted Awards having a grant date fair value (as determined in accordance with generally accepted accounting principles applicable in the United States) in excess of $500,000 in any Plan Year.

(d) **Minimum Vesting Period.** Awards that vest solely on the satisfaction by the Participant of service-based vesting conditions shall be subject to a vesting period of not less than one year (during which no portion of the Award may be scheduled to vest), and Awards whose grant or vesting is subject to the satisfaction of performance goals over a Performance Period shall be subject to a Performance Period of not less than one year. The foregoing minimum vesting and Performance Periods will not, however, apply in connection with (i) a Substitute Award that does not reduce the vesting period of the award being replaced, (ii) Awards made in payment of or exchange for other compensation already earned and payable, and (iii) outstanding, exercised and settled Awards involving an aggregate number of Shares not in excess of 5% of the Plan's share reserved specified in Section 4.1(a). For purposes of Awards to Nonemployee Directors, a vesting period will be deemed to be one year if it runs from the date of one annual meeting of the Company's shareholders to the date of the next annual meeting of the Company's shareholders, provided that such vesting period may not be less than 50 weeks after grant. This Section 4.1(d) shall not restrict the right of the Committee to provide in an Award Agreement that such minimum vesting restrictions may lapse or be waived upon a Change in Control or a Participant's termination of Service due to death, Disability, or retirement. Furthermore, this Section shall not restrict the right of the Committee to provide for the acceleration or continuation of the vesting or exercisability of an Award upon termination of Service, including, without limitation, due to death, Disability, retirement or a termination without cause.

4.2 Share Counting.

(a) If an Award (or any award outstanding under the Prior Plan after February 28, 2015) terminates, expires, or lapses for any reason, the number of Shares subject to such Award shall again become available for the grant under the Plan.

(b) If an Award is settled in cash, the Shares used to measure the value of the award, if any, shall not reduce the Shares available for grant under the Plan.

(c) The exercise of a stock-settled SAR or broker-assisted "cashless" exercise of a stock option (or a portion thereof) shall reduce the Shares available for grant by the entire number of Shares subject to the Award (or applicable portion thereof), even though a smaller number of Shares will be issued upon such an exercise.

(d) Dividend equivalents paid in stock shall reduce the number of Shares available for grant by the number of Shares used to satisfy such dividend equivalent.

(e) Shares tendered or withheld to pay the exercise price of an Option or tendered or withheld to satisfy a tax withholding obligation arising in connection with an Award shall not again become available for grant under the Plan.

(f) Shares purchased on the open market with cash proceeds generated by the exercise of an Option shall not increase or replenish the number of Shares available for grant under the Plan.

(g) Shares subject to Substitute Awards shall not be counted against the Shares available for grant under the Plan.

4.3 Adjustments in Authorized Shares. In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under this Plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under this Plan or under particular forms of Awards, the number and kind of Shares subject to outstanding Awards, the Option Price or Grant Price applicable to outstanding Awards, the Annual Award Limits, and other value determinations applicable to outstanding Awards.

Subject to the provisions of Article 17, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with the ISO rules under Code Section 422, where applicable.

Article 5 Eligibility and Participation

5.1 Eligibility. Individuals eligible to participate in this Plan include all Service-Providers.

5.2 Actual Participation. Subject to the provisions of this Plan, the Committee may, from time to time, select from all eligible individuals, those individuals to whom Awards shall be granted and shall determine, in its sole discretion, the nature of, any and all terms permissible by law, and the amount of each Award.

5.3 Status as Service-Provider. A Service-Provider's service shall be deemed to have terminated either upon an actual cessation of providing services to the Company or any Affiliate and/or Subsidiary or upon the entity to which the Service Provider provides services ceasing to be an Affiliate and/or Subsidiary. Except as otherwise provided in this Plan or any Award Agreement, status as a Service-Provider shall not be deemed terminated for purposes of determining continued vesting or other rights in Awards in the case of (i) any approved leave of absence; (ii) transfers among the Company and any Affiliates and/or Subsidiaries in any Service-Provider capacity; or (iii) any change in status so long as the individual remains in the service of the Company or any Affiliate and/or Subsidiary in any Service-Provider capacity.

Article 6 Stock Options

6.1 Grant of Options. Subject to the terms and provisions of this Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion; provided that ISOs may be granted only to eligible Employees of the Company or of any parent or subsidiary corporation (as permitted under Code Section 422). However, an Employee who is employed by an Affiliate and/or Subsidiary and is subject to Code Section 409A, may only be granted Options to the extent the Affiliate and/or Subsidiary is part of the Company's consolidated group for United States federal tax purposes.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the maximum duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or a NQSO.

6.3 Option Price. The Option Price for each grant of an Option under this Plan shall be determined by the Committee, in its discretion, and shall be specified in the Award Agreement; provided, however, the Option Price on the date of grant must be at least equal to one hundred percent (100%) of the FMV of the Shares on the date of grant, except in the case of Substitute Awards (to the extent consistent with Code Section 409A and, in the case of ISOs, Code Section 424).

6.4 Term of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable later than the tenth (10th) anniversary date of its grant. Notwithstanding the foregoing, the Committee may provide in the terms of a NQSO (either at grant or by subsequent modification) that, to the extent consistent with Code Section 409A, in the event that on the last business day of the term of a NQSO (i) the exercise of the NQSO is prohibited by applicable law or (ii) Shares may not be purchased or sold by certain employees or directors of the Company due to the "black-out period" of a Company policy or a "lock-up" agreement undertaken in connection with an issuance of securities by the Company, the term of the NQSO shall be extended for a period of not more than thirty (30) days following the end of the legal prohibition, black-out period or lock-up agreement. Notwithstanding the foregoing, for NQSOs granted to Participants outside the United States, the Committee has the authority to grant NQSOs that have a term greater than ten (10) years.

6.5 Exercise of Options. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant.

6.6 Payment. Options granted under this Article 6 shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures which may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Option Price. The Option Price of any Option shall be payable to the Company in full either:

(a) in cash or its equivalent;

(b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price and are free and clear of any and all claims, pledges, liens and encumbrances, or any restrictions which would in any manner restrict the transfer of such shares;

(c) by a combination of (a) and (b); or

(d) any other method approved or accepted by the Committee in its sole discretion, including, without limitation, if the Committee so determines, a cashless (broker-assisted) exercise.

Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

6.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such Shares.

6.8 Termination of Employment. Each Participant's Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination.

6.9 Notification of Disqualifying Disposition. If any Participant shall make any disposition of Shares issued pursuant to the exercise of an ISO under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

Article 7 Stock Appreciation Rights

7.1 Grant of SARs. Subject to the terms and conditions of this Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs. However, an Employee who is employed by an Affiliate and/or Subsidiary and is subject to Code Section 409A, may only be granted SARs to the extent the Affiliate and/or Subsidiary is part of the Company's consolidated group for United States federal tax purposes.

Subject to the terms and conditions of this Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of this Plan, in determining the terms and conditions pertaining to such SARs.

The Grant Price for each grant of a Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement; provided, however, the Grant Price on the date of grant must be at least equal to one hundred percent (100%) of the FMV of the Shares on the date of grant, except in the case of Substitute Awards (to the extent consistent with Code Section 409A and, in the case of ISOs, Code Section 424). The Grant Price of Tandem SARs shall be equal to the Option Price of the related Option.

7.2 SAR Agreement. Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and such other provisions as the Committee shall determine.

7.3 **Term of SAR**. The term of a SAR granted under this Plan shall be determined by the Committee, in its sole discretion, and except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth (10th) anniversary date of its grant. Notwithstanding the foregoing, for SARs granted to Participants outside the United States, the Committee has the authority to grant SARs that have a term greater than ten (10) years.

7.4 **Exercise of Freestanding SARs.** Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes.

7.5 **Exercise of Tandem SARs.** Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the excess of the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised over the Option Price of the underlying ISO; and (c) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

7.6 **Settlement of SAR Amount.** Upon the exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price; by

(b) The number of Shares with respect to which the SAR is exercised.

The payment upon SAR exercise shall be in Shares.

7.7 **Termination of Employment.** Each Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to this Plan, and may reflect distinctions based on the reasons for termination.

7.8 **Other Restrictions.** The Committee shall impose such other conditions and/or restrictions on any Shares received upon exercise of a SAR granted pursuant to this Plan as it may deem advisable or desirable. These restrictions may include, but shall not be limited to, a requirement that the Participant hold the Shares received upon exercise of a SAR for a specified period of time.

Article 8 **Restricted Stock and Restricted Stock Units**

8.1 **Grant of Restricted Stock or Restricted Stock Units.** Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Committee shall determine.

8.2 **Restricted Stock or Restricted Stock Unit Agreement.** Each Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

8.3 **Other Restrictions.** The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to this Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock or Restricted Stock Units.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse (including satisfaction of any applicable tax withholding obligations), and Restricted Stock Units shall be paid in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion shall determine.

8.4 Certificate Legend. In addition to any legends placed on certificates pursuant to Section 8.3, each certificate representing Shares of Restricted Stock granted pursuant to this Plan may bear a legend such as the following or as otherwise determined by the Committee in its sole discretion:

The sale or transfer of Shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in this Plan and in the associated Award Agreement. A copy of this Plan and such Award Agreement may be obtained from Black Hills Corporation.

8.5 Voting Rights. Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

8.6 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Restricted Stock and/or Restricted Stock Units following termination of the Participant's employment with or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock or Restricted Stock Units issued pursuant to this Plan, and may reflect distinctions based on the reasons for termination.

8.7 Section 83(b) Election. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Code Section 83(b). If a Participant makes an election pursuant to Code Section 83(b) concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

Article 9 Performance Units, Performance Shares and Cash-Based Awards

9.1 Grant of Performance Units, Performance Shares, and Cash-Based Awards. Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may grant Performance Units, Performance Shares, and/or Cash-Based Awards to Participants in such amounts and upon such terms as the Committee shall determine.

9.2 Value of Performance Units, Performance Shares, and Cash-Based Awards. Each Performance Unit shall be expressed as a number of Units based on Shares, each Performance Share shall be expressed as a number of Shares and each Cash-Based Award shall be expressed as a dollar value, in each case as determined by the Committee. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the value and/or number of Performance Units, Performance Shares or Cash-Based Awards that will be paid out to the Participant.

9.3 Earning of Performance Units, Performance Shares and Cash-Based Awards. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units, Performance Shares or Cash-Based Awards shall be entitled to receive payout on the value and number of Performance Units, Performance Shares or Cash-Based Awards earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

9.4 Form and Timing of Payment of Performance Units, Performance Shares, and Cash-Based Awards. Payment of earned Performance Units, Performance Shares or Cash-Based Awards shall be as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Units, Performance Shares or Cash-Based Awards in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance Units, Performance Shares, or Cash-Based Awards at the close of the applicable Performance Period, or as soon as practicable after the end of the Performance Period. Any Shares may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

9.5 Termination of Employment. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Performance Units, Performance Shares, and/or Cash-Based Awards following termination of the Participant's employment with or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Performance Units, Performance Shares, or Cash-Based Awards issued pursuant to this Plan, and may reflect distinctions based on the reasons for termination.

Article 10 Other Stock-Based Awards

10.1 Other Stock-Based Awards. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

10.2 Value of Other Stock-Based Awards. Each Other Stock-Based Award shall be expressed in terms of Shares or Units based on Shares, as determined by the Committee. The Committee may establish performance goals in its discretion. If the Committee exercises its discretion to establish performance goals, the number and/or value of Other Stock-Based Awards that will be paid out to the Participant will depend on the extent to which the performance goals are met.

10.3 Payment of Other Stock-Based Awards. Payment, if any, with respect to an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash or Shares as the Committee determines.

10.4 Termination of Employment. The Committee shall determine the extent to which the Participant shall have the right to receive Other Stock-Based Awards following termination of the Participant's employment with or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, such provisions may be included in an Award Agreement entered into with each Participant, but need not be uniform among all Awards of Other Stock-Based Awards issued pursuant to this Plan, and may reflect distinctions based on the reasons for termination.

Article 11 Transferability of Awards

Awards may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant. Notwithstanding the foregoing, an Award may never be transferred for value (as defined in the General Instructions to Form S-8).

Article 12 Performance Awards

12.1 Performance Measures**.** For each Award of Performance-Based Compensation, the Committee shall, not later than 90 days after the beginning of each performance period, (i) designate all Participants for such performance period and (ii) establish the objective performance factors for each Participant for that performance period on the basis of one or more of the performance goals, the outcome of which is substantially uncertain at the time the Committee actually establishes the performance goal. The Committee shall have sole discretion to determine the applicable performance period, provided that in the case of a performance period less than 12 months, in no event shall a performance goal be considered to be pre-established if it is established after 25 percent of the performance period (as scheduled in good faith at the time the performance goal is established) has elapsed.

The performance goals upon which the payment or vesting of an Award may be based on one or more of the following:

(a) Net earnings or net income (before or after taxes);

(b) Earnings per share;

(c) Net sales or revenue growth;

(d) Net operating profit;

(e) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);

(f) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);

(g) Earnings before or after taxes, interest, depreciation, and/or amortization;

(h) Gross or operating margins;

(i) Productivity ratios;

(j) Share price (including, but not limited to, growth measures and total shareholder return);

(k) Expense targets;

(l) Average cost to serve;

(m) Margins;

(n) Operating efficiency;

(o) Market share;

(p) Customer satisfaction;

(q) Working capital targets;

(r) Internal rate of return or increase in net present value;

(s) Dividends paid;

(t) Price earnings ratio;

(u) Economic value added or EVA® (net operating profit after tax minus the sum of capital multiplied by the cost of capital); and

(v) Any other measure of performance as determined by the Committee.

Any Performance Measure(s) may be used to measure the performance of (i) the Company, Subsidiary, and/or Affiliate as a whole, (ii) any business unit of the Company, Subsidiary, and/or Affiliate, or (iii) the individual Participant, or any combination thereof, as the Committee may deem appropriate, or any of the Performance Measures expressed in absolute amounts or as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Company may select Performance Measure (j) above as compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 11.

12.2 Evaluation of Performance. The Committee may provide in any such Award that any evaluation of performance may include or exclude any specified unusual or nonrecurring events that occur during a Performance Period, such as:

(a) Asset write-downs;

(b) Litigation or claim judgments or settlements;

(c) The effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results;

(d) Any reorganization and restructuring programs;

(e) Extraordinary, nonrecurring, or other items that are not indicative of on-going operations;

(f) Acquisitions or divestitures; and

(g) Foreign exchange gains and losses.

Following the close of each Performance Period and prior to payment of any amount to a Participant with respect to an Award, the Committee shall certify in writing as to the attainment of all factors (including the performance factors for a Participant) upon which any payments to a Participant for that performance period are to be based.

12.3 Adjustment of Performance-Based Compensation Payments and Committee Discretion. The Committee may adjust any Award payments upward or downward, either on a formula or discretionary basis or any combination, as the Committee determines. In addition, the Committee shall have sole discretion to alter the Performance Measures.

Article 13 Nonemployee Director Awards

Nonemployee Directors may only be granted Awards under the Plan in accordance with this Article 13 and which shall not be subject to management's discretion. From time to time, the Board shall set the amount(s) and type(s) of equity awards that shall be granted to all Nonemployee Directors on a periodic, nondiscriminatory basis pursuant to the Plan, as well as any additional amount(s), if any, to be awarded, also on a periodic, nondiscriminatory basis. In determining Awards for any Nonemployee Directors, the Board may consider, among other things: the number of committees of the Board on which a Nonemployee Director serves, service of a Nonemployee Director as the chair of a Committee of the Board, service of a Nonemployee Director as Chairman of the Board, or the first selection or appointment of an individual to the Board as a Nonemployee Director. Subject to the limits set forth in Section 4.1(c) and the foregoing, the Board shall grant such Awards to Nonemployee Directors and any Nonemployee Chairman of the Board, and grant New Nonemployee Director Awards, as it shall from time to time determine.

Article 14 Dividends and Dividend Equivalents

The Committee may grant dividends or dividend equivalents based on the dividends declared on Shares that are subject to any Award except for Options and SARs. The dividends or dividend equivalents may be credited as of the dividend payment dates, during the period between the date the Award is granted and the date the Award vests; provided, however, any dividend or dividend equivalent awarded in connection with an Award other than an Award of Restricted Stock, shall be subject to the same restrictions and risk of forfeiture as the Units, Shares or other Share equivalents to which such dividends or dividend equivalents relate and shall not be paid unless and until the Award is earned. The dividends or dividend equivalents may be subject to any additional limitations and/or restrictions determined by the Committee. Dividend equivalents shall be converted to cash or additional Shares by such formula and at such time as may be determined by the Committee.

Article 15 Beneficiary Designation

Each Participant under this Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Plan is to be paid in case of his death before he receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such beneficiary designation, benefits remaining unpaid or rights remaining unexercised at the Participant's death shall be paid or exercised by the Participant's executor, administrator, or legal representative.

Article 16 Rights of Participants

16.1 Employment. Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company, its Affiliates, and/or its Subsidiaries, to terminate any Participant's employment or service on the Board at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his employment or service as a Director for any specified period of time.

Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company, its Affiliates, and/or its Subsidiaries and, accordingly, subject to Articles 3 and 17, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company, its Affiliates, and/or its Subsidiaries.

16.2 Participation. No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

16.3 Rights as a Shareholder. Except as otherwise provided herein, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

Article 17 Change in Control

17.1 Acceleration. Unless otherwise provided in an applicable Award Agreement, the following provisions shall apply to outstanding Awards in the event of a Change in Control. All outstanding Awards, other than Performance Shares and Performance Units, shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights, immediately prior to the effective time of the Change in Control, provided that the Participant's service has not terminated prior to such date. Performance Shares and Performance Units shall vest in the number of Shares determined as follows, immediately prior to the effective time of the Change in Control: (i) the number of Units earned under the Award, which shall be determined by (A) assuming that the performance goals, other than for a relevant total shareholder return goal, are achieved at the target level as set forth in the Award Agreement, and (B) calculating the relevant total shareholder return goal achievement by using the date of the Change in Control instead of the date of the end of the Performance Period as reference for determining the average closing price on the applicable stock exchange for the applicable number trading days immediately prior to the end of the Performance Period; multiplied by (ii) a fraction, the numerator of which is the number of full months of employment during the Performance Period (ending on the effective date of the Change in Control) and the denominator is the total number of months in the applicable Performance Period. The exercise of any Option or SAR Award whose exercisability is accelerated as provided in this Section 17.1 shall be conditioned upon the consummation of the Change in Control and shall be effective only immediately before such consummation.

17.2 Termination of Awards. Effective upon the consummation of a Change in Control, all outstanding Awards under the Plan shall terminate. However, all such Awards shall not terminate to the extent they are assumed or continued in connection with the Change in Control.

17.3 Continuation, Assumption or Replacement of Awards. In the event of a Change in Control, the surviving or successor entity (or its corporate parent) may continue, assume or replace Awards outstanding as of the date of the Change in Control (with such adjustments as may be required or permitted by Section 4.3), and such Awards or replacements therefor shall remain outstanding and be governed by their respective terms. A surviving or successor entity may elect to continue, assume or replace only some Awards or portions of Awards. For purposes of this Section 17.3, an Award shall be considered assumed or replaced if, in connection with the Change in Control and in a manner consistent with Code Section 409A (and Code Section 424 if the Award is an ISO), either (i) the contractual obligations represented by the Award are expressly assumed by the surviving or successor entity (or its Parent) with appropriate adjustments to the number and type of securities subject to the Award and the exercise price thereof that preserves the intrinsic value of the Award existing at the time of the Change in Control, or (ii) the Participant has received a comparable equity-based award that preserves the intrinsic value of the Award existing at the time of the Change in Control and contains terms and conditions that are substantially similar to those of the Award.

17.4 Dissolution or Liquidation. Unless otherwise provided in an applicable Award Agreement, in the event of a proposed dissolution or liquidation of the Company, the Committee will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. An Award will terminate immediately prior to the consummation of such proposed action.

17.5 Discretion. The Committee will not be required to treat all Awards similarly in the event of a Change in Control, and may include such further provisions and limitations in any Award Agreement as it may deem equitable and in the best interests of the Company.

Article 18 Amendment, Modification, Suspension, and Termination

18.1 Amendment, Modification, Suspension, and Termination. Subject to Section 18.3, the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate this Plan and any Award Agreement in whole or in part; provided, however, that, without the prior approval of the Company's shareholders and except as provided in Section 4.3, the terms of outstanding awards may not be amended to reduce the exercise price of outstanding Options or SARs or cancel, exchange, buyout or surrender outstanding Options or SARS in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs.

18.2 Adjustment of Awards upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.3 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under this Plan.

18.3 Awards Previously Granted. Notwithstanding any other provision of this Plan to the contrary (other than Section 18.4), no termination, amendment, suspension, or modification of this Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under this Plan, without the written consent of the Participant holding such Award.

18.4 Amendment to Conform to Law. Notwithstanding any other provision of this Plan to the contrary, the Board of Directors may amend the Plan or an Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or an Award Agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Code Section 409A), and to the administrative regulations and rulings promulgated thereunder.

Article 19 Withholding

19.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount equal to the tax withholding obligations to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld (but not to exceed the maximum individual statutory tax rate in each applicable jurisdiction) with respect to any taxable event arising as a result of this Plan.

19.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, or upon the achievement of performance goals related to Performance Shares, or any other taxable event arising as a result of an Award granted hereunder, Participants may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined. All such elections shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

Article 20 Successors

All obligations of the Company under this Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 21 General Provisions

21.1 Forfeiture Events and Clawbacks.

(a) The Committee may specify in an Award Agreement that the Participant’s rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, clawback or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of employment for cause, termination of the Participant’s provision of services to the Company, Affiliate, and/or Subsidiary, violation of material Company, Affiliate, and/or Subsidiary policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company, its Affiliates, and/or its Subsidiaries.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, if the Participant knowingly or grossly negligently engaged in the misconduct, or knowingly or grossly negligently failed to prevent the misconduct, or if the Participant is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, the Participant shall reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever just occurred) of the financial document embodying such financial reporting requirement.

Notwithstanding any provision of the Plan to the contrary, the Committee shall include provisions calling for the recapture or clawback of all or any portion of an Award to the extent necessary to comply with Company policy or applicable law in effect on the date of the Award Agreement, including, but not limited to, the final rules issued by the Securities and Exchange Commission and the NYSE pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumers Protection Act. The Committee also may include other clawback provisions in the Award Agreement as it determines to be appropriate. By accepting an Award, each Participant agrees to be bound by, and comply with, the terms of any such recapture or clawback provisions and with any Company request or demand for recapture or clawback.

21.2 Legend. The certificates for Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

21.3 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

21.4 Severability. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

21.5 Requirements of Law. The granting of Awards and the issuance of Shares under this Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

21.6 Delivery of Title. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under this Plan prior to:

(a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and

(b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

21.7 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

21.8 Investment Representations. The Committee may require any individual receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the individual is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

21.9 Employees Based Outside of the United States. Notwithstanding any provision of this Plan to the contrary, in order to comply with the laws in other countries in which the Company, its Affiliates, and/or its Subsidiaries operate or have Employees or Directors, the Committee, in its sole discretion, shall have the power and authority to:

(a) Determine which Affiliates and Subsidiaries shall be covered by this Plan;

(b) Determine which Employees and/or Directors outside the United States are eligible to participate in this Plan;

(c) Modify the terms and conditions of any Award granted to Employees and/or Directors outside the United States to comply with applicable foreign laws;

(d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 21.9 by the Committee shall be attached to this Plan document as appendices; and

(e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate applicable law.

21.10 Uncertificated Shares. To the extent that this Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be affected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

21.11 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company, and/or its Subsidiaries, and/or its Affiliates may make to aid it in meeting its obligations under this Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other individual. To the extent that any person acquires a right to receive payments from the Company, its Subsidiaries, and/or its Affiliates under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company, a Subsidiary, or an Affiliate, as the case may be. All payments to be made hereunder shall be paid from the general funds of the Company, a Subsidiary, or an Affiliate, as the case may be and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in this Plan.

21.12 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

21.13 Retirement and Welfare Plans. Neither Awards made under this Plan nor Shares or cash paid pursuant to such Awards, except pursuant to Covered Employee Annual Incentive Awards, may be included as “compensation” for purposes of computing the benefits payable to any Participant under the Company’s or any Subsidiary’s or Affiliate’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant’s benefit.

21.14 No Deferred Compensation. No deferral of compensation (as defined under Code Section 409A or guidance thereto) shall be permitted under this Plan. However, the Committee may permit deferrals of compensation pursuant to a separate plan or a subplan which meets the requirements of Code Section 409A and the regulations thereunder. Additionally, to the extent any Award is subject to Code Section 409A, notwithstanding any provision herein to the contrary, the Plan does not permit the acceleration of the time or schedule of any distribution related to such Award, except as permitted by Code Section 409A, the regulations thereunder, and/or the Secretary of the United States Treasury.

21.15 Nonexclusivity of this Plan. The adoption of this Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

21.16 No Constraint on Corporate Action. Nothing in this Plan shall be construed to: (i) limit, impair, or otherwise affect the Company’s or a Subsidiary’s or an Affiliate’s right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or, (ii) limit the right or power of the Company or a Subsidiary or an Affiliate to take any action which such entity deems to be necessary or appropriate.

21.17 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of South Dakota, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under this Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of South Dakota, to resolve any and all issues that may arise out of or relate to this Plan or any related Award Agreement.

21.18 Indemnification. Subject to requirements of South Dakota law, each individual who is or shall have been a member of the Board, or a Committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Article 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by the individual in connection with or resulting from any claim, action, suit, or proceeding to which the individual may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by the individual in settlement thereof, with the Company’s approval, or paid by the individual in satisfaction of any judgment in any such action, suit, or proceeding against the individual, provided the individual shall give the Company an opportunity, at its own expense, to handle and defend the same before the individual undertakes to handle and defend it on the individuals own behalf, unless such loss, cost, liability, or expense is a result of the individuals own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individual may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021
Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota **IRS Identification Number 46-0458824**

7001 Mount Rushmore Road
Rapid City, South Dakota 57702
Registrant's telephone number (605) 721-1700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock of $1.00 par value	BKH	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2021, was $4,135,954,577

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 31, 2022
Common stock, $1.00 par value	64,738,725 shares

Documents Incorporated by Reference
Portions of the registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2022 Annual Meeting of Stockholders to be held on April 26, 2022, are incorporated by reference in Part III of this Form 10-K.

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GLOSSARY OF TERMS AND ABBREVIATIONS

The following terms and abbreviations appear in the text of this report and have the definitions described below:

AC	Alternating Current
AFUDC	Allowance for Funds Used During Construction
AOCI	Accumulated Other Comprehensive Income (Loss)
APSC	Arkansas Public Service Commission
Arkansas Gas	Black Hills Energy Arkansas, Inc., an indirect, wholly-owned subsidiary of Black Hills Utility Holdings, providing natural gas services to customers in Arkansas (doing business as Black Hills Energy).
ARO	Asset Retirement Obligations
ASC	Accounting Standards Codification
ASU	Accounting Standards Update as issued by the FASB
ATM	At-the-market equity offering program
Availability	The availability factor of a power plant is the percentage of the time that it is available to provide energy.
BHC	Black Hills Corporation; the Company
BHSC	Black Hills Service Company, LLC, a direct, wholly-owned subsidiary of Black Hills Corporation (doing business as Black Hills Energy)
Black Hills Colorado IPP	Black Hills Colorado IPP, LLC, a 50.1% owned subsidiary of Black Hills Electric Generation
Black Hills Electric Generation	Black Hills Electric Generation, LLC, a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings, providing wholesale electric capacity and energy primarily to our affiliate utilities.
Black Hills Energy	The name used to conduct the business of our utility companies
Black Hills Energy Services	Black Hills Energy Services Company, an indirect, wholly-owned subsidiary of Black Hills Utility Holdings, providing natural gas commodity supply for the Choice Gas Programs (doing business as Black Hills Energy).
Black Hills Non-regulated Holdings	Black Hills Non-regulated Holdings, LLC, a direct, wholly-owned subsidiary of Black Hills Corporation
Black Hills Power	Black Hills Power, Inc., a direct, wholly-owned subsidiary of Black Hills Corporation (doing business as Black Hills Energy). Also known as South Dakota Electric.
Black Hills Utility Holdings	Black Hills Utility Holdings, Inc., a direct, wholly-owned subsidiary of Black Hills Corporation (doing business as Black Hills Energy)
Black Hills Wyoming	Black Hills Wyoming, LLC, a direct, wholly-owned subsidiary of Black Hills Electric Generation
Btu	British thermal unit
Busch Ranch I	The 29 MW wind farm near Pueblo, Colorado, jointly owned by Colorado Electric and Black Hills Electric Generation. Colorado Electric and Black Hills Electric Generation each have a 50% ownership interest in the wind farm. Black Hills Electric Generation provides its share of energy from the wind farm to Colorado Electric through a PPA, which expires in October 2037.
Busch Ranch II	The 59.4 MW wind farm near Pueblo, Colorado owned by Black Hills Electric Generation to provide wind energy to Colorado Electric through a PPA expiring in November 2044.
CARES Act	Coronavirus Aid, Relief, and Economic Security Act, signed on March 27, 2020, which is a tax and spending package intended to provide additional economic relief and address the impact of the COVID-19 pandemic.
CFTC	United States Commodity Futures Trading Commission
Cheyenne Light	Cheyenne Light, Fuel and Power Company, a direct, wholly-owned subsidiary of Black Hills Corporation, providing electric service in the Cheyenne, Wyoming area (doing business as Black Hills Energy). Also known as Wyoming Electric.
Cheyenne Prairie	Cheyenne Prairie Generating Station serves the utility customers of South Dakota Electric and Wyoming Electric. The facility includes one simple-cycle, 40 MW combustion turbine that is wholly-owned by Wyoming Electric and one combined-cycle, 100 MW unit that is jointly-owned by Wyoming Electric (42 MW) and South Dakota Electric (58 MW).
Chief Operating Decision Maker (CODM)	Chief Executive Officer
Choice Gas Program	Regulator-approved programs in Wyoming and Nebraska that allow certain utility customers to select their natural gas commodity supplier, providing the unbundling of the commodity service from the distribution delivery service.
City of Colorado Springs	Colorado Springs, Colorado
City of Gillette	Gillette, Wyoming

Colorado Electric	Black Hills Colorado Electric, LLC, a direct, wholly-owned subsidiary of Black Hills Utility Holdings, providing electric service to customers in Colorado (doing business as Black Hills Energy).
Colorado Gas	Black Hills Colorado Gas, Inc., an indirect, wholly-owned subsidiary of Black Hills Utility Holdings, providing natural gas services to customers in Colorado (doing business as Black Hills Energy).
Common Use System	The Common Use System is a jointly operated transmission system we participate in with Basin Electric Power Cooperative and Powder River Energy Corporation. The Common Use System provides transmission service over these utilities' combined 230-kilovolt (kV) and limited 69-kV transmission facilities within areas of southwestern South Dakota and northeastern Wyoming.
Consolidated Indebtedness to Capitalization Ratio	Any Indebtedness outstanding at such time, divided by capital at such time. Capital being consolidated net-worth (excluding non-controlling interest) plus consolidated indebtedness (including letters of credit and certain guarantees issued) as defined within the current Revolving Credit Facility.
Cooling Degree Day	A cooling degree day is equivalent to each degree that the average of the high and low temperature for a day is above 65 degrees. The warmer the climate, the greater the number of cooling degree days. Cooling degree days are used in the utility industry to measure the relative warmth of weather and to compare relative temperatures between one geographic area and another. Normal degree days are based on the National Weather Service data for selected locations.
Corriedale	The 52.5 MW wind farm near Cheyenne, Wyoming, jointly owned by South Dakota Electric (32.5 MW) and Wyoming Electric (20 MW), serving as the dedicated wind energy supply to the Renewable Ready program.
COVID-19	The official name for the 2019 novel coronavirus disease announced on February 11, 2020, by the World Health Organization, that is causing a global pandemic.
CP Program	Commercial Paper Program
CPUC	Colorado Public Utilities Commission
CT	Combustion Turbine
CTII	The 40 MW Gillette CT, a simple-cycle, gas-fired combustion turbine owned by the City of Gillette.
Cushion Gas	The portion of natural gas necessary to force saleable gas from a storage field into the transmission system and for system balancing, representing a permanent investment necessary to use storage facilities and maintain reliability.
CVA	Credit Valuation Adjustment
DC	Direct Current
Dividend Payout Ratio	Annual dividends paid on common stock divided by net income from continuing operations available for common stock
DRSPP	Dividend Reinvestment and Stock Purchase Plan
DSM	Demand Side Management
Dth	Dekatherm. A unit of energy equal to 10 therms or one million British thermal units (MMBtu).
EBITDA	Earnings before interest, taxes, depreciation and amortization, a non-GAAP measure.
ECA	Energy Cost Adjustment is an adjustment that allows us to pass the prudently-incurred cost of fuel and purchased energy through to customers.
Economy Energy	Purchased energy that costs less than that produced with the utilities’ owned generation.
EECR	Energy Efficiency Cost Recovery is an adjustment mechanism that allows us to recover from customers the costs associated with providing energy efficiency programs.
EIA	Environmental Improvement Adjustment is an annual adjustment mechanism that allows us to recover from customers eligible investments in, and expense related to, new environmental measures.
Energy Transition	The global energy sector’s shift from fossil-based systems of energy production and consumption, including oil, natural gas and coal to renewable energy sources like wind and solar, as well as battery storage solutions.
EPA	United States Environmental Protection Agency
EWG	Exempt Wholesale Generator
FASB	Financial Accounting Standards Board
FERC	United States Federal Energy Regulatory Commission
Fitch	Fitch Ratings Inc.
GAAP	Accounting principles generally accepted in the United States of America
GCA	Gas Cost Adjustment is an adjustment that allows us to pass the prudently-incurred cost of gas and certain services through to customers.

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GHG	Greenhouse gases
Global Settlement	Settlement with a utility's commission where the revenue requirement is agreed upon, but the specific adjustments used by each party to arrive at the amount are not specified in public rate orders.
Happy Jack	Happy Jack Wind Farm, LLC, owned by Duke Energy Generation Services
Heating Degree Day	A heating degree day is equivalent to each degree that the average of the high and the low temperatures for a day is below 65 degrees. The colder the climate, the greater the number of heating degree days. Heating degree days are used in the utility industry to measure the relative coldness of weather and to compare relative temperatures between one geographic area and another. Normal degree days are based on the National Weather Service data for selected locations.
HomeServe	We offer HomeServe products to our natural gas residential customers interested in purchasing additional home repair service plans.
Integrated Generation	Non-regulated power generation and mining businesses that are vertically integrated within our Electric Utilities segment.
Iowa Gas	Black Hills Iowa Gas Utility Company, LLC, a direct, wholly-owned subsidiary of Black Hills Utility Holdings, providing natural gas services to customers in Iowa (doing business as Black Hills Energy).
IPP	Independent Power Producer
IRC	Internal Revenue Code
IRP	Integrated Resource Plan
IRS	United States Internal Revenue Service
ITC	Investment Tax Credit
IUB	Iowa Utilities Board
Kansas Gas	Black Hills Kansas Gas Utility Company, LLC, a direct, wholly-owned subsidiary of Black Hills Utility Holdings, providing natural gas services to customers in Kansas (doing business as Black Hills Energy).
KCC	Kansas Corporation Commission
kV	Kilovolt
LIBOR	London Interbank Offered Rate
Mcf	Thousand cubic feet
Mcfd	Thousand cubic feet per day
MDU	Montana-Dakota Utilities Co., a subsidiary of MDU Resources Group, Inc.
MEAN	Municipal Energy Agency of Nebraska
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British thermal units
Moody's	Moody's Investors Service, Inc.
MSHA	United States Department of Labor's Mine Safety and Health Administration
MW	Megawatts
MWh	Megawatt-hours
N/A	Not Applicable
NAV	Net Asset Value
Nebraska Gas	Black Hills Nebraska Gas, LLC, an indirect, wholly-owned subsidiary of Black Hills Utility Holdings, providing natural gas services to customers in Nebraska (doing business as Black Hills Energy).
Neil Simpson II	A mine-mouth, coal-fired power plant owned and operated by South Dakota Electric with a total capacity of 90 MW located at our Gillette, Wyoming energy complex.
NERC	North American Electric Reliability Corporation
NO_x	Nitrogen oxide
NOL	Net Operating Loss
NPSC	Nebraska Public Service Commission
OCI	Other Comprehensive Income
OPEB	Other Post-Employment Benefits
OSHA	United States Department of Labor's Occupational Safety & Health Administration
OSM	United States Department of the Interior's Office of Surface Mining
PacifiCorp	PacifiCorp, a wholly owned subsidiary of MidAmerican Energy Holdings Company, itself an affiliate of Berkshire Hathaway.

PCA	Power Cost Adjustment is an annual adjustment mechanism that allows us to pass a portion of prudently-incurred delivered power costs, including fuel, purchased capacity and energy, and transmission costs, through to customers.
PCCA	Power Capacity Cost Adjustment is an annual adjustment that allows us to pass the prudently-incurred purchased capacity costs, incremental to costs included in base rates, through to customers.
Peak View	The 60.8 MW wind farm owned by Colorado Electric.
PPA	Power Purchase Agreement
PRPA	Platte River Power Authority
PSA	Power Sales Agreement
PTC	Production Tax Credit
Pueblo Airport Generation	The 440 MW combined cycle gas-fired power generation plants jointly owned by Colorado Electric (240 MW) and Black Hills Colorado IPP (200 MW). Black Hills Colorado IPP owns and operates this facility. The plants commenced operation on January 1, 2012.
PUHCA 2005	Public Utility Holding Company Act of 2005
Ready	The Company's branding platform which emphasizes that we will 1) prioritize our customers; 2) act as a thoughtful, responsible leader; 3) listen first and lead with a focus on relationships; and 4) be creative in our approach to solutions.
Ready Wyoming	A 285-mile, multi-phase transmission expansion project in Wyoming. This transmission project will serve the growing needs of customers by enhancing resiliency of Wyoming Electric's overall electric system and expanding access to power markets and renewable resources. The project will help Wyoming Electric maintain top-quartile reliability and enable economic development in the Cheyenne, Wyoming region.
Renewable Ready	Voluntary renewable energy subscription program for large commercial, industrial and governmental customers in South Dakota and Wyoming.
RESA	Renewable Energy Standard Adjustment is an incremental retail rate limited to 2% for Colorado Electric customers that provides funding for renewable energy projects and programs to comply with Colorado's Renewable Energy Standard.
Revolving Credit Facility	Our $750 million credit facility used to fund working capital needs, letters of credit and other corporate purposes, which was amended and restated on July 19, 2021, and now terminates on July 19, 2026.
RMNG	Rocky Mountain Natural Gas LLC, an indirect, wholly-owned subsidiary of Black Hills Utility Holdings, providing natural gas transmission and wholesale services in western Colorado (doing business as Black Hills Energy).
RTO	Regional Transmission Organization
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
Service Guard Comfort Plan	Appliance protection plan that provides home appliance repair services through on-going monthly service agreements to residential utility customers.
Silver Sage	Silver Sage Windpower, LLC, owned by Duke Energy Generation Services
SO_2	Sulfur dioxide
S&P	S&P Global Ratings, a division of S&P Global Inc.
SourceGas Transaction	On February 12, 2016, Black Hills Utility Holdings acquired SourceGas pursuant to a purchase and sale agreement executed on July 12, 2015 for approximately $1.89 billion, which included the assumption of $760 million in debt at closing.
South Dakota Electric	Black Hills Power, Inc., a direct, wholly-owned subsidiary of Black Hills Corporation, providing electric service to customers in Montana, South Dakota and Wyoming (doing business as Black Hills Energy).
SPP	Southwest Power Pool, a regional transmission organization (RTO) that oversees the bulk electric grid and wholesale power market in the central United States.
SSIR	System Safety and Integrity Rider
System Peak Demand	Represents the highest point of retail customer usage for a single hour.
TCA	Transmission Cost Adjustment is an annual adjustment mechanism that allows us to recover from customers eligible transmission investments prior to the next rate review.
TCJA	Tax Cuts and Jobs Act enacted on December 22, 2017
Tech Services	Non-regulated product lines delivered by our Utilities that 1) provide electrical system construction services to large industrial customers of our electric utilities, and 2) serve gas transportation customers throughout its service territory by constructing and maintaining customer-owned gas infrastructure facilities, typically through one-time contracts.
Top of Iowa	Northern Iowa Windpower, LLC, a 87.1 MW wind farm located near Joice, Iowa, owned by Black Hills Electric Generation and operated by a third-party. We sell the wind energy generated in the MISO market.

TFA	Transmission Facility Adjustment is an annual adjustment mechanism that allows us to recover charges for qualifying new and modified transmission facilities from customers.
Transmission Tie	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 and eastern United States, respectively. Basin Electric Power Cooperative owns the remaining ownership percentage. This transmission tie allows us to buy and sell energy in the Eastern grid without having to isolate and physically reconnect load or generation between the two transmission grids, thus enhancing the reliability of our system. It accommodates scheduling transactions in both directions simultaneously, provides additional opportunities to sell excess generation or to make economic purchases to serve our native load and contract obligations, and enables us to take advantage of power price differentials between the two grids. The total transfer capacity of the tie is 400 MW, including 200 MW from West to East and 200 MW from East to West.
TSA	United States Department of Homeland Security's Transportation Security Administration
Utilities	Black Hills' Electric and Gas Utilities
VEBA	Voluntary Employee Benefit Association
VIE	Variable Interest Entity
Wind Capacity Factor	Measures the amount of electricity a wind turbine produces in a given time period relative to its maximum potential
Winter Storm Uri	February 2021 winter weather event that caused extreme cold temperatures in the central United States and led to unprecedented fluctuations in customer demand and market pricing for natural gas and energy.
Working Capacity	Total gas storage capacity minus cushion gas
WPSC	Wyoming Public Service Commission
WRDC	Wyodak Resources Development Corp., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings, providing coal supply primarily to five on-site, mine-mouth generating facilities (doing business as Black Hills Energy).
Wygen I	A mine-mouth, coal-fired generating facility with a total capacity of 90 MW located at our Gillette, Wyoming energy complex. Black Hills Wyoming owns 76.5% of the facility and Municipal Energy Agency of Nebraska (MEAN) owns the remaining 23.5%.
Wygen II	A mine-mouth, coal-fired power plant owned by Wyoming Electric with a total capacity of 95 MW located at our Gillette, Wyoming energy complex.
Wygen III	A mine-mouth, coal-fired power plant operated by South Dakota Electric with a total capacity of 116 MW located at our Gillette, Wyoming energy complex. South Dakota Electric owns 52% of the power plant, MDU owns 25% and the City of Gillette owns the remaining 23%.
Wyodak Plant	The 402.3 MW mine-mouth, coal-fired generating facility located at our Gillette, Wyoming energy complex, jointly owned by PacifiCorp (80%) and South Dakota Electric (20%). Our WRDC mine supplies all of the fuel for the facility.
Wyoming Electric	Cheyenne Light, Fuel and Power Company, a direct, wholly-owned subsidiary of Black Hills Corporation, providing electric service to customers in the Cheyenne, Wyoming area (doing business as Black Hills Energy).
Wyoming Gas	Black Hills Wyoming Gas, LLC, an indirect, wholly-owned subsidiary of Black Hills Utility Holdings, providing natural gas services to customers in Wyoming (doing business as Black Hills Energy).

WEBSITE ACCESS TO REPORTS

The reports we file with the SEC are available free of charge at our website www.blackhillscorp.com as soon as reasonably practicable after they are filed. In addition, the charters of our Audit, Governance and Compensation Committees are located on our website along with our Code of Business Conduct, Code of Ethics for our Chief Executive Officer and Senior Finance Officers, Corporate Governance Guidelines of the Board of Directors and Policy for Director Independence. The information contained on our website is not part of this document.

FORWARD-LOOKING INFORMATION

This Form 10-K contains forward-looking statements as defined by the SEC. Forward-looking statements are all statements other than statements of historical fact, including, without limitation, those statements that are identified by the words “anticipates,” “estimates,” “expects,” “intends,” “plans,” “predicts” and similar expressions and include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements that are other than statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature, including statements contained within Item 7 - Management’s Discussion & Analysis of Financial Condition and Results of Operations.

Forward-looking statements involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed. The Company’s expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including, without limitation, management’s examination of historical operating trends, data contained in the Company’s records and other data available from third parties. Nonetheless, the Company’s expectations, beliefs or projections may not be achieved or accomplished.

Any forward-looking statement contained in this document speaks only as of the date on which the statement is made and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, such as the COVID-19 pandemic or Winter Storm Uri, and it is not possible for management to predict all of the factors, nor can it assess the effect of each factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are expressly qualified by the risk factors and cautionary statements in this Annual Report on Form 10-K, including statements contained within Item 1A - Risk Factors.

PART I

ITEM 1. BUSINESS

History and Organization

Black Hills Corporation, a South Dakota corporation (together with its subsidiaries, referred to herein as the "Company," "we," "us" or "our"), is a customer-focused, growth-oriented utility company headquartered in Rapid City, South Dakota (incorporated in South Dakota in 1941).

We operate our business in the United States, reporting our operating results through our Electric Utilities and Gas Utilities segments. Certain unallocated corporate expenses that support our operating segments are presented as Corporate and Other. In the fourth quarter of 2021, we integrated our power generation and mining businesses within the Electric Utilities segment. The alignment is consistent with the current way our CODM evaluates the performance of the business and makes decisions related to the allocation of resources. Comparative periods presented reflect this change. See further segment information in Note 16 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Our Electric Utilities segment generates, transmits and distributes electricity to approximately 218,000 electric utility customers in Colorado, Montana, South Dakota and Wyoming. We also own and operate non-regulated power generation and mining assets that are vertically integrated into our Electric Utilities. Our Electric Utilities own 1,481.5 MW of generation and 8,899 miles of electric transmission and distribution lines.

Our Gas Utilities segment serves approximately 1,094,000 natural gas utility customers in Arkansas, Colorado, Iowa, Kansas, Nebraska, and Wyoming. Our Gas Utilities own and operate 4,732 miles of intrastate gas transmission pipelines and 41,644 miles of gas distribution mains and service lines, six natural gas storage sites, more than 50,000 horsepower of compression and over 515 miles of gathering lines.

Electric Utilities

We conduct electric utility operations through our Colorado, South Dakota and Wyoming subsidiaries. Our electric generating facilities and power purchase agreements provide for the supply of electricity principally to our retail customers. Additionally, we sell excess power to other utilities and marketing companies, including our affiliates. We also provide non-regulated services to our retail customers under the Service Guard Comfort Plan and Tech Services.

Additionally, we own and operate non-regulated power generation and mining assets that are vertically integrated into and primarily support our Electric Utilities. Nearly all of these operations are located at our electric generating complexes and are physically integrated into our Electric Utilities' operations.

	As of December 31,		
Retail Customers	2021	2020	2019
Residential	186,852	184,872	183,232
Commercial	30,326	30,225	29,921
Industrial	81	83	83
Other	1,010	1,017	1,024
Total Electric Retail Customers at End of Year	218,269	216,197	214,260

	As of December 31,		
Retail Customers	2021	2020	2019
Colorado Electric	99,709	98,735	97,890
South Dakota Electric	74,509	73,700	73,052
Wyoming Electric	44,051	43,762	43,318
Total Electric Retail Customers at End of Year	218,269	216,197	214,260

Capacity and Demand. System Peak Demand for the Electric Utilities' retail customers for each of the last three years are listed below:

	System Peak Demand (in MW)					
	2021		2020		2019	
	Summer	Winter	Summer	Winter	Summer	Winter
Colorado Electric	407	279	401	297	422	297
South Dakota Electric	397	299	378	304	335	320
Wyoming Electric	274	246	271	246	265	247

As of December 31, 2021, our Electric Utilities' ownership interests in electric generating plants were as follows:

Unit	Fuel Type	Location	Ownership Interest % [d]	Owned Nameplate Capacity (MW)	In Service Date
Colorado Electric:					
Busch Ranch I [a]	Wind	Pueblo, Colorado	50%	14.5	2012
Peak View [b]	Wind	Pueblo, Colorado	100%	60.8	2016
Pueblo Airport Generation #1-2	Gas	Pueblo, Colorado	100%	200.0	2011
Pueblo Airport Generation CT #6	Gas	Pueblo, Colorado	100%	40.0	2016
AIP Diesel	Oil	Pueblo, Colorado	100%	10.0	2001
Diesel #1 and #3-5	Oil	Pueblo, Colorado	100%	8.0	1964
Diesel #1-5	Oil	Rocky Ford, Colorado	100%	10.0	1964
South Dakota Electric:					
Cheyenne Prairie	Gas	Cheyenne, Wyoming	58%	58.0	2014
Corriedale [c]	Wind	Cheyenne, Wyoming	62%	32.5	2020
Wygen III	Coal	Gillette, Wyoming	52%	60.3	2010
Neil Simpson II	Coal	Gillette, Wyoming	100%	90.0	1995
Wyodak Plant	Coal	Gillette, Wyoming	20%	80.5	1978
Neil Simpson CT	Gas	Gillette, Wyoming	100%	40.0	2000
Lange CT	Gas	Rapid City, South Dakota	100%	40.0	2002
Ben French Diesel #1-5	Oil	Rapid City, South Dakota	100%	10.0	1965
Ben French CTs #1-4	Gas/Oil	Rapid City, South Dakota	100%	100.0	1977-1979
Wyoming Electric:					
Cheyenne Prairie	Gas	Cheyenne, Wyoming	42%	42.0	2014
Cheyenne Prairie CT	Gas	Cheyenne, Wyoming	100%	40.0	2014
Corriedale [c]	Wind	Cheyenne, Wyoming	38%	20.0	2020
Wygen II	Coal	Gillette, Wyoming	100%	95.0	2008
Integrated Generation:					
Wygen I	Coal	Gillette, Wyoming	76.5%	68.9	2003
Pueblo Airport Generation #4-5	Gas	Pueblo, Colorado	50.1% [e]	200.0	2012
Busch Ranch I [a]	Wind	Pueblo, Colorado	50%	14.5	2012
Busch Ranch II [c]	Wind	Pueblo, Colorado	100%	59.4	2019
Top of Iowa [c]	Wind	Joice, Iowa	100%	87.1	2019
Total MW Capacity				1,481.5	

(a) In 2013, Busch Ranch I was awarded a one-time cash grant in lieu of ITCs under the Section 1603 program created under the American Recovery and Reinvestment Act.
(b) The Peak View facility qualifies for PTCs at $25/MWh under IRC 45 during the 10-year period beginning November 2016. The PTCs for this facility flow back to customers through a rider mechanism as a reduction to Colorado Electric's margins.
(c) This facility qualifies for PTCs at $25/MWh under IRC 45 during the 10-year period beginning on the date the facility was originally placed in service.
(d) Jointly owned facilities are discussed in Note 6 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.
(e) In 2016, Black Hills Electric Generation sold a 49.9% non-controlling interest in Black Hills Colorado IPP to a third party. See Note 12 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

Our Electric Utilities' power supply by resource as a percent of the total power supply for our energy needs for the years ended December 31 was as follows:

Power Supply	2021	2020	2019
Coal	34.2 %	40.3 %	40.0 %
Natural Gas and Diesel Oil [(a)]	24.4	25.0	22.2
Wind	11.3	8.8	5.8
Total Generated	69.9	74.1	68.0
Coal, Natural Gas, Oil and Other Market Purchases	25.1	21.1	29.1
Wind Purchases	5.0	4.8	2.9
Total Purchased	30.1	25.9	32.0
Total	100.0 %	100.0 %	100.0 %

(a) The diesel-fueled generating units are generally used as supplemental peaking units. Power generated from these units, as a percentage of total power supply, was 0.0%, 0.0% and 0.1% for the years ended December 31, 2021, 2020, and 2019, respectively.

Our Electric Utilities' weighted average cost of fuel utilized to generate electricity and the average price paid for purchased power (excluding contracted capacity) per MWh for the years ended December 31 were as follows:

Fuel and Purchased Power (dollars per MWh)	2021	2020	2019
Coal	$ 11.55	$ 11.38	$ 12.42
Natural Gas and Diesel Oil [(a)]	33.65	8.59	11.04
Total Generated Weighted Average Fuel Cost	17.40	9.09	12.48
Coal, Natural Gas, Oil and Other Market Purchases [(a)]	64.85	40.80	44.16
Wind Purchases	34.69	42.06	49.19
Total Purchased Power Weighted Average Cost	59.84	41.03	44.62
Total Weighted Average Fuel and Purchased Power Cost	$ 30.17	$ 17.36	$ 22.76

(a) The 2021 increase in prices paid for fuel and purchased power was primarily driven by unforeseeable and unprecedented market prices for natural gas and electricity during Winter Storm Uri. See further information in the Recent Developments section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Power Purchase and Power Sales Agreements. We have executed various PPAs to support our Electric Utilities' capacity and energy needs beyond our regulated power plants' generation, which include long-term related party agreements with our non-regulated power generation businesses. We also have various long-term PSAs. Key contracts are disclosed in Note 3 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Coal Mining. We own and operate a single coal mine through our WRDC subsidiary. We surface mine, process and sell low-sulfur sub-bituminous coal at our mine located immediately adjacent to our Gillette energy complex in the Powder River Basin in northeastern Wyoming, where our five coal-fired power plants are located. We produced approximately 3.5 million tons of coal in 2021.

The mine provides low-sulfur coal directly to these five power plants via a conveyor belt system, minimizing transportation costs. On average, the fuel can be delivered to the adjacent power plants at less than $1.00 per MMBtu, providing very cost competitive fuel to our power plants when compared to alternatives. Nearly all of the mine's production is sold to our on-site generation facilities under long-term supply contracts.

As of December 31, 2021, we estimated our recoverable reserves to be approximately 178 million tons, based on a life-of-mine engineering study utilizing currently available drilling data and geological information prepared by internal engineering studies. The recoverable reserve life is equal to approximately 51 years at the current production levels.

Transmission and Distribution. Through our Electric Utilities, we own electric transmission and distribution systems composed of high voltage lines (greater than 69 kV) and low voltage lines (69 kV or less). We also jointly operate an electric transmission system, referred to as the Common Use System, with Basin Electric Power Cooperative and Powder River Energy Corporation. Each participant in the Common Use System individually owns assets that are operated together for a single system. The Common Use System also provides transmission service to our Transmission Tie. South Dakota Electric owns 35% of the Transmission Tie. The Transmission Tie is further discussed in Note 6 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

At December 31, 2021, our Electric Utilities owned the electric transmission and distribution lines shown below:

Utility	State	Transmission [(a)] (in Line Miles)	Distribution (in Line Miles)
Colorado Electric	Colorado	598	3,157
South Dakota Electric [(b)]	South Dakota, Wyoming	1,192	2,566
Wyoming Electric	Wyoming	59	1,327
		1,849	7,050

(a) Electric transmission line miles include voltages of 69 kV and above.
(b) South Dakota Electric transmission line miles include 43 miles within the Common Use System.

Material transmission services agreements are disclosed in Note 3 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Seasonal Variations of Business. Our Electric Utilities are seasonal businesses and weather patterns may impact their operating performance. Demand for electricity is sensitive to seasonal cooling, heating and industrial load requirements, as well as market price. In particular, cooling demand is often greater in the summer and heating demand in often greater in the winter.

Competition. We generally have limited competition for the retail generation and distribution of electricity in our service areas. Various legislative or regulatory restructuring and competitive initiatives have been discussed in several of the states in which our utilities operate. These initiatives would be aimed at increasing competition or providing for distributed generation. To date, these initiatives have not had a material impact on our utilities. In Colorado, our electric utility is subject to rules which may require competitive bidding for generation supply. Because of these rules, we face competition from other utilities and non-affiliated IPPs for the right to supply electric energy and capacity for Colorado Electric when resource plans require additional resources. Additionally, electrification initiatives in our service territories could increase demand for electricity and increase customer growth.

The independent power industry consists of many strong and capable competitors, some of which may have more extensive operations or greater financial resources than we possess. With respect to the merchant power sector, FERC has taken steps to increase access to the national transmission grid by utility and non-utility purchasers and sellers of electricity to foster competition within the wholesale electricity markets. Our non-regulated power generation businesses could face greater competition if utilities are permitted to robustly invest in power generation assets. Conversely, state regulatory rules requiring utilities to competitively bid generation resources may provide opportunity for IPPs in some regions. To date, these initiatives have not had a material impact on our non-regulated power generation businesses.

Our strategy for our mining business is to sell nearly all of our production to on-site generation facilities under long-term supply contracts. Historically, any off-site sales have been to consumers within close proximity to the WRDC mine. Rail transport market opportunities for WRDC are limited due to the lower heating value (Btu) of the coal, combined with the fact that the WRDC mine is served by only one railroad, resulting in less competitive transportation rates. Additionally, coal competes with other energy sources, such as natural gas, wind, solar and hydropower. Costs and other factors relating to these alternative fuels, such as safety, environmental and availability considerations affect the overall demand for coal as a fuel.

Rates and Regulation. Our Electric Utilities are subject to the jurisdiction of the public utilities commissions in the states where they operate and the FERC for certain assets and transactions. These commissions oversee services and facilities, rates and charges, accounting, valuation of property, depreciation rates and various other matters. Rate decisions are influenced by many factors, including the cost of providing service, capital expenditures, the prudence of costs we incur, views concerning appropriate rates of return, general economic conditions and the political environment. Certain commissions also have jurisdiction over the issuance of debt or securities and the creation of liens on property located in their states to secure bonds or other securities.

The following table provides regulatory information for each of our Electric Utilities:

Subsidiary	Jurisdic-tion	Authorized Rate of Return on Equity	Authorized Return on Rate Base	Authorized Capital Structure Debt/Equity	Authorized Rate Base (in millions)	Effective Date	Additional Regulatory Mechanisms	Percentage of Power Marketing Profit Shared with Customers
Colorado Electric [(a)]	CO	9.37%	7.43%	48%/52%	$539.6	1/2017	ECA, TCA, PCCA, EECR/ DSM, RESA	90%
	CO	9.37%	6.02%	67%/33%	$57.9	1/2017	Clean Air Clean Jobs Act Adjustment Rider	N/A
South Dakota Electric	WY	9.90%	8.13%	47%/53%	$46.8	10/2014	ECA	65%
	SD	Global Settlement	7.76%	Global Settlement	$543.9	10/2014	ECA, TFA, EIA	70%
	FERC	10.80%	8.76%	43%/57%	$148.4 [(b)]	2/2009	FERC Transmission Tariff	N/A
Wyoming Electric [(a)]	WY	9.90%	7.98%	46%/54%	$376.8	10/2014	PCA, EECR/DSM, Rate Base Recovery on Acquisition Adjustment	N/A

(a) For both Colorado Electric and Wyoming Electric, transmission investments are recovered through retail rates rather than FERC Transmission Tariffs.

(b) Includes $131.3 million in 2021 rate base for the 2021 Projected Common Use System formula rate that is updated annually and $17.1 million in rate base for the Transmission Tie that is based on the approved stated rate from 2005.

The regulatory provisions for recovering the costs to supply electricity vary by state. We have cost adjustment mechanisms for our Electric Utilities that allow us to pass the prudently-incurred cost of fuel and purchased power to customers. These mechanisms allow the utility operating in that state to collect, or refund the difference between the cost of commodities and certain services embedded in our base rates and the actual cost of the commodities and certain services without filing a general rate review. In addition, some states allow for recovery of new capital investment placed in service between base rate reviews through approved rider tariffs. These tariffs allow the utility a return on the investment.

A summary of mechanisms we have in place are shown in the table below:

Electric Utility Jurisdiction	Cost Recovery Mechanisms						
	Environmental Cost	Energy Efficiency	Transmission Expense	Fuel Cost	Transmission Capital	Purchased Power	RESA
Colorado Electric		☑	☑	☑	☑	☑	☑
South Dakota Electric (SD) [(a)]	☑		☑	☑	☑	☑	
South Dakota Electric (WY) [(b)]		☑	☑	☑		☑	
South Dakota Electric (FERC) [(c)]					☑		
Wyoming Electric		☑	☑	☑		☑	

(a) South Dakota Electric's Environmental Cost (EIA) and Transmission Capital (TFA) tariffs were suspended for a six-year moratorium period effective July 1, 2017. On January 7, 2020, South Dakota Electric received approval from the SDPUC to extend the 6-year moratorium period by an additional 3 years whereby these recovery mechanisms will not be effective prior to July 1, 2026.

(b) South Dakota Electric has WPSC authorization to accumulate certain Energy Efficiency costs in a regulatory asset with determination of recovery to be made in the next rate review.

(c) South Dakota Electric has an approved FERC Transmission Tariff based on a formulaic approach that determines the revenue component of South Dakota Electric's open access transmission tariff.

Tariff Filings. See Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for tariff filings and additional information regarding current electric regulatory activity.

Operating Statistics. See a summary of key operating statistics in the Electric Utilities segment operating results within Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K.

Gas Utilities

We conduct natural gas utility operations through our Arkansas, Colorado, Iowa, Kansas, Nebraska and Wyoming subsidiaries. Our Gas Utilities transport and distribute natural gas through our distribution network to approximately 1,094,000 customers. Additionally, we sell contractual pipeline capacity and gas commodities to other utilities and marketing companies, including our affiliates, on an as-available basis.

We also provide non-regulated services to our regulated customers. Black Hills Energy Services provides natural gas supply to approximately 52,400 retail distribution customers under the Choice Gas Program in Nebraska and Wyoming. Additionally, we provide services under the Service Guard Comfort Plan, Tech Services and HomeServe.

	As of December 31,		
Retail Customers	2021	2020	2019
Residential	853,908	844,999	831,351
Commercial	84,234	83,135	82,912
Industrial	2,158	2,235	2,208
Transportation	153,929	152,568	149,971
Total Natural Gas Retail Customers at End of Year	1,094,229	1,082,937	1,066,442

	As of December 31,		
Retail Customers	2021	2020	2019
Arkansas	180,216	178,281	174,447
Colorado	202,747	197,817	191,950
Iowa	161,905	160,952	159,641
Kansas	117,862	116,973	115,846
Nebraska	298,832	296,778	293,576
Wyoming	132,667	132,136	130,982
Total Natural Gas Retail Customers at End of Year	1,094,229	1,082,937	1,066,442

We procure natural gas for our distribution customers from a diverse mix of producers, processors and marketers and generally use hedging, physical fixed-price purchases and market-based price purchases to achieve dollar-cost averaging within our natural gas portfolio. The majority of our procured natural gas is transported in interstate pipelines under firm transportation service agreements.

In addition to company-owned natural gas storage assets in Arkansas, Colorado and Wyoming, we also contract with third-party transportation providers for natural gas storage service to provide gas supply during the winter heating season and to meet peak day customer demand for natural gas.

The following table summarizes certain information regarding our company-owned regulated underground gas storage facilities as of December 31, 2021:

State	Working Capacity (Mcf)	Cushion Gas (Mcf)	Total Capacity (Mcf)	Maximum Daily Withdrawal Capability (Mcfd)
Arkansas	9,273,700	12,318,040	21,591,740	196,000
Colorado	2,361,495	6,164,715	8,526,210	30,000
Wyoming	5,733,900	17,145,600	22,879,500	36,000
Total	17,369,095	35,628,355	52,997,450	262,000

The following table summarizes certain information regarding our system infrastructure as of December 31, 2021:

State	Intrastate Gas Transmission Pipelines (in line miles)	Gas Distribution Mains (in line miles)	Gas Distribution Service Lines (in line miles)
Arkansas	874	4,972	1,275
Colorado	693	6,990	2,303
Iowa	172	2,863	2,486
Kansas	330	2,980	1,374
Nebraska	1,311	8,443	2,773
Wyoming	1,352	3,532	1,653
Total	4,732	29,780	11,864

Seasonal Variations of Business. Our Gas Utilities are seasonal businesses and weather patterns may impact their operating performance. Demand for natural gas is sensitive to seasonal heating and industrial load requirements, as well as market price. In particular, demand is often greater in the winter months for heating. Natural gas is used primarily for residential and commercial heating, and demand for this product can depend heavily upon weather throughout our service territories. As a result, a significant amount of natural gas revenue is normally recognized in the heating season consisting of the first and fourth quarters. Demand for natural gas can also be impacted by summer temperatures and precipitation, which can affect demand for irrigation.

Competition. We generally have limited competition for the retail distribution of natural gas in our service areas. Various restructuring and competitive initiatives have been discussed in several of the states in which our utilities operate. These initiatives are aimed at increasing competition. Additionally, electrification initiatives in our service territories could negatively impact demand for natural gas and decrease customer growth. To date, these initiatives have not had a material impact on our utilities. Although we face competition from independent marketers for the sale of natural gas to our industrial and commercial customers, in instances where independent marketers displace us as the seller of natural gas, we still collect a charge for transporting the gas through our distribution network.

Rates and Regulation. Our Gas Utilities are subject to the jurisdiction of the public utility commissions in the states where they operate. These commissions oversee services and facilities, rates and charges, accounting, valuation of property, depreciation rates and various other matters. The public utility commissions determine the rates we are allowed to charge for our utility services. Rate decisions are influenced by many factors, including the cost of providing service, capital expenditures, the prudence of costs we incur, views concerning appropriate rates of return, general economic conditions and the political environment. Certain commissions also have jurisdiction over the issuance of debt or securities and the creation of liens on property located in their states to secure bonds or other securities.

Our Gas Utilities are authorized to use natural gas cost recovery mechanisms allowing rate adjustments reflecting changes in the wholesale cost of natural gas and recovery of all the costs prudently incurred in purchasing gas for customers. In addition to natural gas cost recovery mechanisms, other recovery mechanisms, which vary by utility, allow us to recover certain costs or earn a return on capital investments, such as energy efficiency plan costs and system safety and integrity investments.

The following table provides regulatory information for each of our natural gas utilities:

Subsidiary	Jurisdic-tion	Authorized Rate of Return on Equity	Authorized Return on Rate Base	Authorized Capital Structure Debt/Equity	Authorized Rate Base (in millions)	Effective Date	Additional Regulatory Mechanisms
Arkansas Gas [c]	AR	9.61%	6.82% [a]	51%/49%	$451.5 [b]	10/2018	GCA, Main Replacement Program, At-Risk Meter Relocation Program, Legislative or Regulatory Mandated Expenditures, EECR, Weather Normalization Adjustment, Billing Determinant Adjustment
Colorado Gas [c]	CO	9.20%	6.56%	50%/50%	$303.2	1/2022	GCA, SSIR, EECR/DSM
RMNG	CO	9.90%	6.71%	53%/ 47%	$118.7	6/2018	SSIR, Liquids/Off-system/Market Center Services Revenue Sharing
Iowa Gas [c]	IA	9.60%	6.75%	50%/50%	$300.9	1/2022	GCA, EECR, System Safety and Maintenance Adjustment Rider, Gas Supply Optimization revenue sharing
Kansas Gas [c]	KS	Global Settlement	Global Settlement	Global Settlement	Global Settlement	1/2022	GCA, Weather Normalization Tariff, Gas System Reliability Surcharge, Ad Valorem Tax Surcharge, Cost of Bad Debt Collected through GCA, Pension Levelized Adjustment, Tax Adjustment Rider, Gas Supply Optimization revenue sharing
Nebraska Gas [d]	NE	9.50%	6.71%	50%/50%	$504.2	3/2021	GCA, Cost of Bad Debt Collected through GCA, Infrastructure System Replacement Cost Recovery Surcharge, Choice Gas Program, SSIR, Bad Debt expense recovered through Choice Supplier Fee, Line Locate Surcharge
Wyoming Gas [d]	WY	9.40%	6.98%	50%/50%	$354.4	3/2020	GCA, EECR, Rate Base Recovery on Acquisition Adjustment, Wyoming Integrity Rider, Choice Gas Program

(a) Arkansas Gas return on rate base is adjusted to remove certain liabilities from rate review capital structure for comparison with other subsidiaries.
(b) Arkansas Gas rate base is adjusted to include certain liabilities for comparison with other subsidiaries.
(c) For additional information regarding recent rate review updates, see Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.
(d) The Choice Gas Program mechanisms are applicable to only a portion of Nebraska Gas and Wyoming Gas customers.

All of our Gas Utilities, except where the Choice Gas Program is the only option, have GCAs that allow us to pass the prudently-incurred cost of gas and certain services through to the customer between rate reviews. Some of the mechanisms we have in place include the following:

Gas Utility Jurisdiction	Cost Recovery Mechanisms						
	DSM/Energy Efficiency	Integrity Additions	Bad Debt	Weather Normal	Pension Recovery	Gas Cost	Revenue Decoupling
Arkansas Gas	☑	☑		☑		☑	☑
Colorado Gas	☑	☑				☑	
RMNG [a]		☑					
Iowa Gas	☑	☑				☑	
Kansas Gas		☑	☑	☑	☑	☑	
Nebraska Gas		☑	☑			☑	
Wyoming Gas	☑	☑				☑	

(a) RMNG, which is an intrastate transmission pipeline that provides natural gas transmission and wholesale services in western Colorado, has an SSIR recovery mechanism. The other cost recovery mechanisms are not applicable to RMNG.

Tariff Filings. See Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for information regarding current natural gas regulatory activity.

Operating statistics. See a summary of key operating statistics in the Gas Utilities segment operating results within Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K.

Utility Regulation Characteristics

Federal Regulation

Energy Policy Act. The Energy Policy Act of 2005 included provisions to create an Electric Reliability Organization, which is required to promulgate mandatory reliability standards governing the operation of the bulk power system in the U.S. FERC certified NERC as the Electric Reliability Organization and also issued an initial order approving many reliability standards that went into effect in 2007. Entities that violate standards can be subject to fines and can also be assessed non-monetary penalties, depending upon the nature and severity of the violation.

Federal Power Act. The Federal Power Act gives FERC exclusive rate-making jurisdiction over wholesale sales of electricity and the transmission of electricity in interstate commerce. Pursuant to the Federal Power Act, all public utilities subject to FERC's jurisdiction must maintain tariffs and rate schedules on file with FERC that govern the rates, and terms and conditions for the provision of FERC-jurisdictional wholesale power and transmission services. Public utilities are also subject to accounting, record-keeping and reporting requirements administered by FERC. FERC also places certain limitations on transactions between public utilities and their affiliates. Our public Electric Utility subsidiaries provide FERC-jurisdictional services subject to FERC's oversight.

Our Electric Utilities entities are authorized by FERC to make wholesale sales of electric capacity and energy at market-based rates under tariffs on file with FERC. As a condition of their market-based rate authority, Electric Quarterly Reports are filed with FERC. Our Electric Utilities own and operate FERC-jurisdictional interstate transmission facilities and provide open access transmission service under tariffs on file with FERC. Our Electric Utilities are subject to routine audit by FERC with respect to their compliance with FERC's regulations.

PUHCA 2005. PUHCA 2005 provides FERC authority with respect to the books and records of a utility holding company. As a utility holding company whose assets consist primarily of investments in our subsidiaries, including subsidiaries that are public utilities and also a centralized service company subsidiary, BHSC, we are subject to FERC's authority under PUHCA 2005.

PUHCA 2005 reiterated the definition and benefits of EWG status. Under PUHCA 2005, an EWG is an entity or generator engaged, directly or indirectly through one or more affiliates, exclusively in the business of owning, operating or both owning and operating all or part of one or more eligible facilities and selling electric energy at wholesale. Though EWGs are public utilities within the definition set forth in the Federal Power Act and are subject to FERC regulation of rates and charges, they are exempt from other FERC requirements. Through its subsidiaries, Black Hills Corporation is affiliated with three EWGs, Wygen I, Pueblo Airport Generation (facilities #4-5) and Top of Iowa. Each of these three EWGs have been granted market-based rate authority.

Environmental Matters

In November 2020, we announced clean energy goals to reduce GHG emissions that are based on prudent and proven solutions while minimizing cost impacts to our customers. See more information in Key Elements of our Business Strategy within Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K.

We are subject to significant state and federal environmental regulations that encourage the use of clean energy technologies and regulate emissions of GHGs. We have undertaken initiatives to meet current requirements and to prepare for anticipated future regulations, reduce GHG emissions, and respond to state renewable and energy efficiency goals. Compliance with future environmental regulations could result in substantial cost.

In July of 2019, the EPA adopted the Affordable Clean Energy rule, which requires states to develop plans by 2022 for GHG reductions from coal-fired power plants. In a January 2021 decision, the U.S. Court of Appeals for the D. C. Circuit issued a decision vacating and remanding the Affordable Clean Energy rule. That decision, if not successfully appealed or reconsidered, would allow the EPA to proceed with alternate regulation of coal-fired power plants, either reviving the Clean Power Plan or proposing additional regulation. Compliance could result in significant investment.

Environmental risk changes constantly with the implementation of new or modified regulations, changing stakeholder interests and needs, and through the introduction of innovative work practices and technologies. We continually assess risk and develop mitigation strategies to manage and ensure compliance across the enterprise successfully and responsibly. For additional information on environmental matters, see Item 1A and Note 3 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Human Capital Resources

Overview

Black Hills Corporation is committed to supporting operational excellence by attracting, motivating, retaining and encouraging the development of a highly qualified and diverse employee team. Our employees' drive and dedication to their work, and their commitment to the safety of our customers and their fellow employees, allows Black Hills Corporation to successfully grow and manage our business year over year. The impacts of COVID-19 to our businesses and employees are discussed in the Recent Developments within Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K.

10-K

Our Team	As of December 31, 2021	As of December 31, 2020
Total employees	2,884	3,011
Women in executive leadership positions [(a)]	30%	31%
Gender diversity (women as a % of total employees)	26%	26%
Represented by a union	25%	25%
Military veterans	14%	16%
Ethnic diversity (non-white employees as a % of total)	12%	11%
	For the year ended December 31, 2021	For the year ended December 31, 2020
Number of external hires	214	299
External hires gender diversity (as a % of total external hires)	25%	29%
External hires ethnic diversity (as a % of total external hires)	20%	16%
Turnover rate [(b)]	11%	8%
Retirement rate	3%	3%

(a) Executive leadership positions are defined as positions with Vice President, Senior Vice President or Chief in their title.
(b) Includes voluntary and involuntary separations, but excludes internships.

Total Employees

	Number of Employees As of December 31, 2021
Electric Utilities	420
Gas Utilities	1,191
Corporate and Other	1,273
Total	2,884

At December 31, 2021, approximately 20% of our total employees and 22% of our Electric and Gas Utilities employees were eligible for retirement (age 55 with at least 5 years of service).

Collective Bargaining Agreements

At December 31, 2021, certain employees of our Electric Utilities and Gas Utilities were covered by the collective bargaining agreements as shown in the table below. We have not experienced any labor stoppages in decades.

Utility	Number of Employees	Union Affiliation	Expiration Date of Collective Bargaining Agreement
Colorado Electric	94	IBEW Local 667	April 15, 2023
South Dakota Electric	128	IBEW Local 1250	March 31, 2022
Wyoming Electric	25	IBEW Local 111	June 30, 2024
Total Electric Utilities	247		
Iowa Gas	132	IBEW Local 204	January 31, 2026
Kansas Gas	16	Communications Workers of America, AFL-CIO Local 6407	December 31, 2024
Nebraska Gas	92	IBEW Local 244	March 13, 2022
Nebraska Gas	140	CWA Local 7476	October 30, 2023
Wyoming Gas	15	IBEW Local 111	June 30, 2024
Wyoming Gas	78	CWA Local 7476	October 30, 2023
Total Gas Utilities	473		
Total	720		

Attraction

Continuous attraction of qualified team members is critical to our ability to serve our 1.3 million customers safely and efficiently. We actively recruit qualified candidates and continuously evaluate our interviewing and hiring practices to ensure equitable pay and processes. Our attraction efforts include the use of multiple nation-wide job boards, local college and high school outreach programs, a robust college internship program and participation in national and local job fairs. We have targeted diversity initiatives specific to recruiting groups, such as women, minorities and veterans, to fulfill our vision of continuing to build a thriving workforce, which is best able to support our communities, our customers and our shareholders.

Diversity & Inclusion

At Black Hills Corporation, we believe in the benefits of diversity, equity and inclusion. We believe that a diverse workforce will assist us in executing our strategic business plans, including our growth strategy. Workforce diversity trends, including diverse new hires, promotions and turnover, are monitored at regular intervals.

Development and Retention

Retaining and developing team members is critical to our continued success. Our retention efforts include competitive compensation programs, monitoring employee engagement, career development resources for all employees and internal training programs. Our compensation programs are designed to be strategically aligned, externally competitive, internally equitable, personally motivating, cost effective and legally compliant. We continuously monitor employee engagement through bi-annual engagement surveys and quarterly pulse surveys. Every leader is responsible for creating and implementing an action plan based on their team's engagement survey results. Our career development resources include management onboarding, leadership development programs, mentoring programs, individual development assessments and more. Internal training opportunities include corporate-wide trainings and specialized training opportunities for different job functions. Our Field Career Path Program (FCPP) promotes career growth through established standards of knowledge, skills, abilities and performance.

Employee Safety and Wellness

Safety is one of our company values, a top priority in all we do and deeply embedded in our culture. We are committed to consistently outperforming utility industry averages in key safety metrics. Meetings of three or more employees begin with a safety share, a practice which contributes to keeping safety top of mind. Since 2009, we have reduced workplace injuries by more than 75% and continue to see long-term, sustained improvements in our safety practices and performance.

	For the year ended December 31, 2021
Total Case Incident Rate (incidents per 200,000 hours worked)	1.06
Preventable Motor Vehicle Incident Rate (vehicle accidents per 1 million miles driven)	1.81
Proactive Safety and Wellness Participation Rate [(a)]	71%

(a) Measures the employee engagement rate in a fitness tracking system used for the Company's well-being program.

ITEM 1A. RISK FACTORS

The nature of our business subjects us to a number of uncertainties and risks. Risks that may adversely affect our business operations, financial condition, results of operations or cash flows are described below. These risk factors, along with other risk factors that we discuss in our periodic reports filed with the SEC should be considered for a better understanding of our Company.

STRATEGIC RISKS

Our continued success is dependent on execution of our strategic business plans including our growth strategy.

Our success depends, in significant part, on our ability to execute our strategic business plans, including our growth strategy. Our plans and strategy include building sustainable operations and supporting the Energy Transition; consistently outperforming utility industry averages in key safety metrics; modernizing utility infrastructure; transforming the customer experience; growing our electric and natural gas customer load; and pursuing operating efficiencies. Our current plans and strategy may be negatively impacted by disruptive forces and innovations in the marketplace, changing political, business or regulatory conditions and technology advancements.

In addition, we have significant capital investment programs planned for the next five years that are key to our strategic business plans. The successful execution of our capital investment program depends on, or could be affected by, a variety of factors that include, but are not limited to: weather conditions, effective management of projects, availability of qualified construction personnel including contractors, changes in commodity and other prices, availability and inflationary cost of materials, governmental approvals and permitting, regulatory cost recovery and return on investment.

An inability to successfully and timely adapt to changing conditions and execute our strategic plans could materially affect our financial operating results including earnings, cash flow and liquidity.

Customer growth and usage in our service territories may fluctuate with economic conditions, emerging technologies, political influences or responses to price increases.

Our financial operating results are impacted by energy demand in our service territories. Customer growth and usage may be impacted by a number of factors, including the voluntary reduction in consumption of electricity and natural gas by our customers in response to increases in prices and energy efficiency programs, electrification initiatives that could negatively impact the demand for natural gas, economic conditions impacting customers' disposable income and the use of distributed generation resources or other emerging technologies. Continued technological improvements may make customer and third-party distributed generation and energy storage systems, including fuel cells, micro-turbines, wind turbines, solar cells and batteries, more cost effective and feasible for our customers. If more customers utilize their own generation, demand for energy from us could decline. Such developments could affect the price of energy and delivery of energy, require further improvements to our distribution systems to address changing load demands and could make portions of our electric system power supply and transmission and/or distribution facilities obsolete prior to the end of their useful lives. Each of these factors could materially affect our financial operating results including earnings, cash flow and liquidity.

REGULATORY, LEGISLATIVE AND LEGAL RISKS

We may be subject to future laws, regulations or actions associated with climate change, including those relating to fossil-fuel generation and GHG emissions, which could increase our operating costs or restrict our market opportunities.

We own and operate regulated and non-regulated electric power plants that burn fossil fuels (natural gas and coal) and a surface mine that extracts and sells coal. We also purchase, store and deliver natural gas to our customers. These business activities are subject to evolving public concern regarding fossil fuels, GHG emissions (such as carbon dioxide and methane) and their impact on the climate.

There is uncertainty surrounding climate regulation due to legal challenges to some current regulations and anticipated new federal and/or state climate legislation and regulation. New or more stringent regulations or other energy efficiency requirements could require us to incur significant additional costs relating to, among other things, the installation of additional emission control equipment, the acceleration of capital expenditures, the purchase of additional emissions allowances or offsets, the acquisition or development of additional energy supply from renewable resources, the closure or capacity reductions of coal-fired power generation facilities or conversion to natural gas, and potential increased production from our combined cycle natural gas-fired generating units. Additional rules and regulations associated with fossil fuels and GHG emissions could result in the impairment or retirement of some of our existing or future transmission, distribution, generation and natural gas storage facilities or our coal mine. Further, these rules could create the need to purchase or build clean-energy fuel sources to fulfill obligations to our customers. These actions could also result in increased operating costs which could adversely impact customers and our financial operating results including earnings, cash flow and liquidity. We cannot definitively estimate the effect of GHG legislation or regulation on our results of operations, financial condition or cash flows.

Future GHG constraints designed to minimize emissions from natural gas could likewise result in increased costs and affect the demand for natural gas as well as the prices charged to customers and the competitive position of natural gas among fuel alternatives. Certain cities in our operational footprint are focused on electrification and are considering initiatives that may restrict the direct use of natural gas in homes and businesses. Any such initiatives and legislation could have a negative impact on our results of operations, financial condition and cash flows.

We may be subject to unfavorable or untimely federal and state regulatory outcomes.

Our regulated Electric and Gas Utilities are subject to cost-of-service/rate-of-return regulation and earnings oversight from federal and eight state utility commissions. This regulatory treatment does not provide any assurance as to achievement of desired earnings levels. Our customer rates are regulated based on an analysis of our costs and investments, as reviewed and approved in regulatory proceedings. While rate regulation is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that our various regulatory authorities will judge all of our costs to have been prudently incurred or that the regulatory process in which rates are determined will result in full or timely recovery of our costs with a reasonable return on invested capital. In addition, adverse rate decisions, including rate moratoriums, rate refunds, limits on rate increases, lower allowed returns on investments or rate reductions, could be influenced by competitive, economic, political, legislative, public perception and regulatory pressures and adversely impact results of operations, financial condition and cash flows.

Each of our Electric and Gas Utilities are permitted to recover certain costs (such as increased fuel and purchased power costs, including incremental costs from Winter Storm Uri, or integrity capital investments) outside of a base rate review in order to stabilize customer rates and reduce regulatory lag. If regulators decide to discontinue these tariff-based recovery mechanisms, it could negatively impact results of operations, financial condition and cash flows.

Costs could significantly increase to achieve or maintain compliance with existing or future environmental laws, regulations or requirements.

Our business segments are subject to numerous environmental laws and regulations affecting many aspects of present and future operations, including air emissions (i.e. SO_2, NO_x, volatile organic compounds, particulate matter and GHG), water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations may result in increased capital, operating and other costs. These laws and regulations generally require the business segments to obtain and comply with a wide variety of environmental licenses, permits, inspections and other government approvals. Compliance with environmental laws and regulations may require significant expenditures, including expenditures for cleanup costs and damages arising from contaminated properties. Failure or inability to comply with evolving environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets.

Our business segments may not be successful in recovering increased capital and operating costs incurred to comply with new environmental regulations through existing regulatory rate structures and contracts with customers. More stringent environmental laws or regulations could result in additional costs of operation for existing facilities or impede the development of new facilities. Although it is not expected that the costs to comply with current environmental regulations will have a material adverse effect on our business segments' financial position, results of operations or cash flows, future environmental compliance costs could have a significant negative impact.

Legislative and regulatory requirements may result in compliance penalties.

Business activities in the energy sector are heavily regulated, primarily by agencies of the federal government. Many agencies employ mandatory civil penalty structures for regulatory violations. The FERC, NERC, CFTC, EPA, OSHA, SEC, TSA and MSHA may impose significant civil and criminal penalties to enforce compliance requirements relative to our business, which could have a material adverse effect on our financial operating results including earnings, cash flow and liquidity.

Municipal governments may seek to limit or deny our franchise privileges.

Municipal governments within our utility service territories possess the power of condemnation and could establish a municipal utility within a portion of our current service territories by limiting or denying franchise privileges for our operations and exercising powers of condemnation over all or part of our utility assets within municipal boundaries. We regularly engage in negotiations on renewals of franchise agreements with our municipal governments. We have from time to time faced challenges or ballot initiatives on franchise renewals. To date, we have been successful in resolving or defending each of these challenges. Although condemnation is a process that is subject to constitutional protections requiring just and fair compensation, as with any judicial procedure, the outcome is uncertain. If a municipality sought to pursue this course of action, we cannot assure that we would secure adequate recovery of our investment in assets subject to condemnation. We also cannot quantify the impact that such action would have on the remainder of our business operations.

Changes in Federal tax law may significantly impact our business.

We are subject to taxation by the various taxing authorities at the federal, state and local levels where we operate. Similar to the TCJA, sweeping legislation or regulation could be enacted by any of these governmental authorities which may affect our tax burden. Changes may include numerous provisions that affect businesses, including changes to corporate tax rates, business-related exclusions, and deductions and credits. The outcome of regulatory proceedings regarding the extent to which a change in corporate tax rate will affect our utility customers and the time period over which that change will occur could significantly impact future earnings and cash flows. Separately, a challenge by a taxing authority, changes in taxing authorities' administrative interpretations, decisions, policies and positions, our ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax-related assumptions may cause actual financial results to deviate from previous estimates.

OPERATING RISKS

Our financial performance depends on the successful operation of electric generating facilities, electric and natural gas transmission and distribution systems, natural gas storage facilities and a coal mine.

The risks associated with managing these operations include:

- Inherent dangers. Electricity and natural gas can be dangerous to employees and the general public. Failures of or contact with power lines, natural gas pipelines or service facilities and equipment may result in fires, explosions, property damage and personal injuries, including death. While we maintain liability and property insurance coverage, such policies are subject to certain limits and deductibles. The occurrence of any of these events may not be fully covered by our insurance;

- Weather, natural conditions and disasters including impacts from climate change. Severe weather events, such as snow and ice storms (e.g., Winter Storm Uri), fires, tornadoes, strong winds, significant thunderstorms, flooding and drought, could negatively impact operations, including our ability to provide energy safely, reliably and profitably and our ability to complete construction, expansion or refurbishment of facilities as planned. Climate change may intensify these events or increase the frequency of occurrence;

- Acts of sabotage, terrorism or other malicious attacks. Damage to our facilities due to deliberate acts could lead to outages or other adverse effects;

- Operating hazards. Operating hazards such as leaks, mechanical problems and accidents, including fires or explosions, could impact employee and public safety, reliability and customer confidence;

- Equipment and processes. Breakdown or failure of equipment or processes, unavailability or increased cost of equipment, and performance below expected levels of output or efficiency could negatively impact our results of operations;

- Disrupted transmission and distribution. We depend on transmission and distribution facilities, including those operated by unaffiliated parties, to deliver the electricity and natural gas that we sell to our retail and wholesale customers. If transmission is interrupted physically, mechanically or with cyber means, our ability to sell or deliver utility services and satisfy our contractual obligations may be hindered;

- Natural gas supply for generation and distribution. Our regulated utilities and non-regulated entities purchase natural gas from a number of suppliers for our generating facilities and for distribution to our customers. Our results of operations could be negatively impacted by the lack of availability and cost of natural gas, and disruptions in the delivery of natural gas due to various factors, including but not limited to, transportation delays, labor relations, weather, sabotage, cyber-attacks and environmental regulations;

- Replacement power. The cost of supplying or securing replacement power during scheduled and unscheduled outages of generation facilities could negatively impact our results of operations;

- Governmental permits. The inability to obtain required governmental permits and approvals along with the cost of complying with or satisfying conditions imposed upon such approvals could negatively impact our ability to operate and our results of operations;

- Operational limitations. Operational limitations imposed by environmental and other regulatory requirements and contractual agreements, including those that restrict the timing of generation plant scheduled outages, could negatively impact our results of operations;

- Increased costs. Increased capital and operating costs to comply with increasingly stringent laws and regulations, unexpected engineering, environmental and geological problems, and unanticipated cost overruns could negatively impact our results of operations;

- Supply chain disruptions. We rely on various suppliers in our supply chain for the materials necessary to execute on our capital investment program. Our supply chain, material costs, and capital investment program may be negatively impacted by unanticipated price increases due to factors exacerbated by the COVID-19 pandemic, such as inflation, including wage inflation, or due to supply restrictions beyond our control or the control of our suppliers;

- Labor and labor relations. The cost of recruiting and retaining skilled technical labor or the unavailability of such resources could have a negative impact on our operations. There is competition and a tightening market for skilled employees. During the COVID-19 pandemic and subsequent recovery, there is a national trend of increased employee turnover. Our ability to transition and replace our retirement-eligible utility employees is a risk; at December 31, 2021, approximately 22% of our Electric Utilities and Gas Utilities employees were eligible for retirement. Our ability to avoid or minimize supply interruptions, work stoppages and labor disputes is also a risk with approximately 25% of our employees are represented by unions; and

- Public opposition. Opposition by members of public or special-interest groups could negatively impact our ability to operate our businesses.

The ongoing operation of our business involves the risks described above, in addition to risks associated with threats to our overall business model, such as electrification initiatives. Any of these risks could cause us to experience negative financial results and damage to our reputation and public confidence. These risks could cause us to incur significant costs or be unable to deliver energy and/or operate below expected capacity levels, which in turn could reduce revenues or cause us to incur higher operating and maintenance costs and penalties. While we maintain insurance, obtain warranties from vendors and obligate contractors to meet certain performance levels, the proceeds of such insurance and our rights under contracts, warranties or performance guarantees may not be timely or adequate to cover lost revenues, increased expenses, liability or liquidated damage payments.

Cyberattacks, terrorism, or other malicious acts targeting our key technology systems could disrupt our operations, or lead to a loss or misuse of confidential and proprietary information.

To effectively operate our business, we rely upon a sophisticated electronic control system, information and operation technology systems and network infrastructure to generate, distribute and deliver energy, and collect and retain sensitive information including personal information about our customers and employees. Cyberattacks, terrorism or other malicious acts targeting electronic control systems could result in a full or partial disruption of our electric and/or natural gas operations. Attacks targeting other key technology systems, including our third-party vendors' information systems, could further add to a full or partial disruption of our operations. Any disruption of these operations could result in a loss of service to customers and associated revenues, as well as significant expense to repair damages and remedy security breaches. In addition, any theft, loss and/or fraudulent use of customer, shareowner, employee or proprietary data could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others. We maintain cyber risk insurance to mitigate a portion, but not all, or these risks and losses.

In May and July 2021, the TSA issued security directives that included several new cybersecurity requirements for critical pipeline owners and operators. Among these requirements is the implementation of specific mitigation measures to protect against ransomware attacks and other known threats to information and operational technology systems; development and implementation of a cybersecurity contingency and recovery plan; and performance of a cybersecurity architecture design review. We are currently implementing several of these directives and evaluating the potential effect of several others on our operations and facilities, as well as the potential cost of implementation, and will continue to monitor for any clarifications or amendments to these directives.

We have instituted security measures and safeguards to protect our operational systems and information technology assets, including certain safeguards required by FERC. Despite our implementation of security measures and safeguards, all of our technology systems may still be vulnerable to disability, failures or unauthorized access.

Weather conditions, including the impacts of climate change, may cause fluctuation in customer usage.

Our utility businesses are seasonal businesses and weather conditions and patterns can have a material impact on our operating performance. To the extent weather conditions are affected by climate change, customers' energy use could increase or decrease. Demand for electricity is typically greater in the summer and winter months associated with cooling and heating, respectively. Demand for natural gas depends heavily upon winter-weather patterns throughout our service territory and a significant amount of natural gas revenues are recognized in the first and fourth quarters related to the heating season. Accordingly, our utility operations have historically generated lower revenues and income when weather conditions are cooler than normal in the summer and warmer than normal in the winter. Demand for natural gas is also impacted by summer weather patterns that are cooler than normal and provide higher than normal precipitation; both of which can reduce natural gas demand for irrigation. Unusually mild summers and winters, therefore, could have an adverse effect on our financial operating results, including earnings, cash flow and liquidity.

FINANCIAL RISKS

A sub-investment grade credit rating could impact our ability to access capital markets.

Our senior unsecured debt rating is Baa2 (Stable outlook) by Moody's; BBB+ (Stable outlook) by S&P; and BBB+ (Stable outlook) by Fitch. Reduction of our investment grade credit ratings could impair our ability to refinance or repay our existing debt and complete new financings on reasonable terms, if at all. A credit rating downgrade, particularly to sub-investment grade, could also result in counterparties requiring us to post additional collateral under existing or new contracts. In addition, a ratings downgrade would increase our interest expense under some of our existing debt obligations, including borrowings under our credit facilities, potentially significantly increasing our cost of capital and other associated operating costs which may not be recoverable through existing regulatory rate structures and contracts with customers.

Our use of derivative financial instruments as hedges against commodity prices and financial market risks could result in material financial losses.

We use various financial and physical derivatives, including futures, forwards, options and swaps, to manage commodity price and interest rate risks. The timing of the recognition of gains or losses on these economic hedges in accordance with GAAP may not consistently match up with the gains or losses on the commodities being hedged. For Black Hills Energy Services under the Choice Gas Program, and in certain instances within our regulated Utilities where unrealized and realized gains and losses from derivative instruments are not approved for regulatory accounting treatment, fluctuating commodity prices may cause fluctuations in reported financial results due to mark-to-market accounting treatment.

To the extent that we hedge our commodity price and interest rate exposures, we forgo the benefits we would otherwise experience if commodity prices or interest rates were to change in our favor. In addition, even though they are closely monitored by management, our hedging activities can result in losses. Such losses could occur under various circumstances, including if a counterparty does not perform its obligations under the hedge arrangement, the hedge is economically imperfect, commodity prices or interest rates move unfavorably related to our physical or financial positions, or hedging policies and procedures are not followed.

Additionally, our exchange-traded futures contracts are subject to futures margin posting requirements. To the extent we are unable to meet these requirements, this could have a significant impact on our business by reducing our ability to execute derivative transactions to reduce commodity price uncertainty and to protect cash flows. Requirements to post collateral may cause significant liquidity issues by reducing our ability to use cash for investment or other corporate purposes, or may require us to increase our level of debt. Further, a requirement for our counterparties to post collateral could result in additional costs being passed on to us, thereby decreasing our profitability.

We have a holding company corporate structure with multiple subsidiaries. Corporate dividends and debt payments are dependent upon cash distributions to the holding company from the subsidiaries.

As a holding company, our investments in our subsidiaries are our primary assets. Our operating cash flow and ability to service our indebtedness depend on the operating cash flow of our subsidiaries and the payment of funds by them to us in the form of dividends or advances. Our subsidiaries are separate legal entities that have no obligation to make any funds available for that purpose, whether by dividends or otherwise. In addition, each subsidiary's ability to pay dividends to us depends on any applicable contractual or regulatory restrictions that may include requirements to maintain minimum levels of cash, working capital, equity or debt service funds.

There is no assurance as to the amount, if any, of future dividends to the holding company because these subsidiaries depend on future earnings, capital requirements and financial conditions to fund such dividends. See "Liquidity and Capital Resources" within Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and Note 8 of the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for further information regarding these restrictions and their impact on our liquidity.

We may be unable to obtain financing on reasonable terms needed to refinance debt, fund planned capital expenditures or otherwise execute our operating strategy.

Our ability to execute our operating strategy is highly dependent upon our access to capital. Historically, we have addressed our liquidity needs (including funds required to make scheduled principal and interest payments, refinance debt, pay dividends and fund working capital and planned capital expenditures) with operating cash flow, borrowings under credit facilities, proceeds of debt and equity offerings and proceeds from asset sales. Our ability to access the capital markets and the costs and terms of available financing depend on many factors, including changes in our credit ratings, changes in the federal or state regulatory environment affecting energy companies, volatility in commodity or electricity prices and general economic and market conditions.

In addition, because we are a holding company and our utility assets are owned by our subsidiaries, if we are unable to adequately access the credit markets, we could be required to take additional measures designed to ensure that our utility subsidiaries are adequately capitalized to provide safe and reliable service. Possible additional measures would be evaluated in the context of then-prevailing market conditions, prudent financial management and any applicable regulatory requirements.

National and regional economic conditions may cause increased counterparty credit risk, late payments and uncollectible accounts.

A future recession or pandemic, if one occurs, may lead to an increase in late payments or non-payment from retail residential, commercial and industrial utility customers, as well as from our non-utility customers. If late payments and uncollectible accounts increase, earnings and cash flows from our continuing operations may be reduced.

We may be unable to obtain insurance coverage, and the coverage we currently have may not apply or may be insufficient to cover a significant loss.

Our ability to obtain insurance, as well as the cost of such insurance, could be impacted by developments affecting the insurance industry and the financial condition of insurers. Additionally, insurance providers could deny coverage or decline to extend coverage under the same or similar terms that are presently available to us. A loss for which we are not adequately insured could materially affect our financial results. The coverage we currently have in place may not apply to a particular loss, or it may not be sufficient to cover all liabilities to which the Company may be subject, including liability and losses associated with climate change, wildfire, natural gas and storage field explosions, cyber-security breaches, environmental hazards and natural disasters.

Market performance or changes in key valuation assumptions could require us to make significant unplanned contributions to our pension plan and other postretirement benefit plans.

Assumptions related to interest rates, expected return on investments, mortality and other key actuarial assumptions have a significant impact on our funding requirements and the expense recognized related to our pension and other postretirement benefit plans. An adverse change to key assumptions associated with our defined benefit retirement plans may require significant unplanned contributions to the plans which could adversely affect our financial operating results including earnings, cash flow and liquidity.

Costs associated with our healthcare plans and other benefits could increase significantly.

The costs of providing healthcare benefits to our employees and retirees have increased substantially in recent years. We believe that our employee benefit costs, including costs related to healthcare plans for our employees and former employees, will continue to rise. Significant regulatory developments have required, and likely will continue to require, changes to our current employee benefit plans and supporting administrative processes. Our electric and natural gas utility rates are regulated on a state-by-state basis by the relevant state regulatory authorities based on an analysis of our costs, as reviewed and approved in a regulatory proceeding. Within our utility rates, we have generally recovered the cost of providing employee benefits. As benefit costs continue to rise, however, there is no assurance that the utility commissions will allow recovery of these increased costs. The rising employee benefit costs, or inadequate recovery of such costs, may adversely affect our financial operating results including earnings, cash flow, or liquidity.

PANDEMIC RISK

The ongoing COVID-19 pandemic, including its variants, or any other pandemic and the associated impact on business and economic conditions could negatively affect our business operations, results of operations, financial condition and cash flows.

The scale and scope of the COVID-19 outbreak, the resulting pandemic or any other future pandemic, and the associated impact on the economy and financial markets could adversely affect the Company's business, results of operations and financial condition. As a provider of essential services, the Company has an obligation to provide electric and natural gas services to our customers. The Company remains focused on protecting the health of our customers, employees and the communities in which we operate while assuring the continuity of our business operations.

Although the impact of the COVID-19 pandemic and its variants to our 2021 results of operation was not significant, we cannot ultimately predict whether it will have a material impact on our future liquidity, financial condition or results of operations. We also cannot predict the impact of COVID-19 on the health of our employees, our supply chain or our ability to mitigate higher costs associated with managing through the COVID-19 pandemic.

As recovery from the COVID-19 pandemic continues, additional uncertainties have emerged, including the impacts of:

- vaccine mandates and testing requirements on our workforce;
- inflation increasing prices of commodities and materials, outside services, employee costs and interest rates;
- supply chain disruptions on the availability and cost of materials; and
- labor shortages and increased turnover on costs of retaining and attracting employees.

The situation remains fluid and it is difficult to predict with certainty the potential impact of the COVID-19 pandemic, or any other future pandemic, on our financial operating results including earnings, cash flows and liquidity.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

See Item 1 for a description of our principal business properties.

In addition to the properties disclosed in the Item 1, we own or lease several facilities throughout our service territories including a corporate headquarters building and various office, service center, storage, shop and warehouse space. Substantially all of the tangible utility properties of South Dakota Electric and Wyoming Electric are subject to liens securing first mortgage bonds issued by South Dakota Electric and Wyoming Electric, respectively.

ITEM 3. LEGAL PROCEEDINGS

Information regarding our legal proceedings is incorporated herein by reference to the “Legal Proceedings” sub-caption within Item 8, Note 3, “Commitments, Contingencies and Guarantees”, of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Information concerning mine safety violations or other regulatory matters required by Sections 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act is included in Exhibit 95 of this Annual Report.

10-K

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Linden R. Evans, age 59, has been President and Chief Executive Officer since January 1, 2019, President and Chief Operating Officer from 2016 through 2018, and President and Chief Operating Officer - Utilities from 2004 through 2015. Mr. Evans served as the Vice President and General Manager of our former communication subsidiary in 2003 and 2004, and Associate Counsel from 2001 to 2003. Mr. Evans has 20 years of experience with the Company.

Brian G. Iverson, age 59, has been Senior Vice President, General Counsel and Chief Compliance Officer since August 26, 2019. He served as Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary from February 1, 2019 to August 26, 2019, Senior Vice President, General Counsel and Chief Compliance Officer from 2016 to February 2019, Senior Vice President - Regulatory and Governmental Affairs and Assistant General Counsel from 2014 to 2016, Vice President and Treasurer from 2011 to 2014, Vice President - Electric Regulatory Services from 2008 to 2011 and as Corporate Counsel from 2004 to 2008. Mr. Iverson has 18 years of experience with the Company.

Erik D. Keller, age 58, joined the Company as Senior Vice President and Chief Information Officer on July 27, 2020. Prior to joining the company, he was an Information Technology consultant to Ontic Inc., a global provider of parts and services for legacy aerospace platforms, from January 2020 to July 2020, and Chief Information Officer for BBA Aviation, a global aviation support and aftermarket services provider, from February 2012 to January 2020.

Richard W. Kinzley, age 56, has been Senior Vice President and Chief Financial Officer since 2015. He served as Vice President - Corporate Controller from 2013 to 2014, Vice President - Strategic Planning and Development from 2008 to 2013, and as Director of Corporate Development from 2000 to 2008. Mr. Kinzley has 22 years of experience with the Company.

Jennifer C. Landis, age 47, has been Senior Vice President - Chief Human Resources Officer since February 1, 2017. She served as Vice President of Human Resources from April 2016 through January 2017, Director of Corporate Human Resources and Talent Management from 2013 to April 2016, and Director of Organization Development from 2008 to 2013. Ms. Landis has 20 years of experience with the Company.

Stuart A. Wevik, age 60, has been Senior Vice President - Utility Operations since August 26, 2019. He served as Group Vice President - Electric Utilities from 2016 to August 2019, Vice President - Utility Operations from 2008 to 2016, Vice President - Operations from 2004 to 2008 and Vice President and General Manager from 2003 to 2004. Mr. Wevik has 36 years of experience with the Company. Mr. Wevik intends to retire on June 1, 2022.

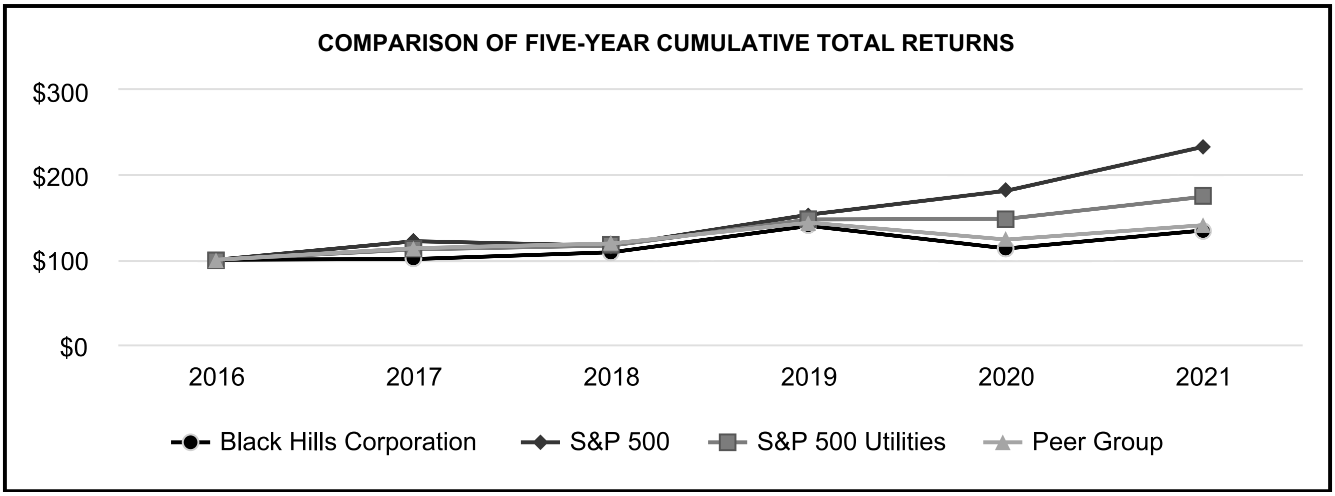
PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol BKH. As of January 31, 2022, we had 3,475 common shareholders of record and 60,937 beneficial owners, representing all 50 states, the District of Columbia and 7 foreign countries.

COMPARATIVE STOCK PERFORMANCE

The following performance graph compares the cumulative total stockholder return from Black Hills Corporation common stock, as compared with the S&P 500 Index, S&P 500 Utilities index, and our performance peer group for the past five years. The graph assumes an initial investment of $100 on December 31, 2016, and assumes all dividends were reinvested. The stockholder return shown below for the five-year historical period may not be indicative of future performance. The information in this "Comparative Stock Performance" section shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934.



	Years ended December 31,					
	2016	2017	2018	2019	2020	2021
Black Hills Corporation	$ 100.00	$ 100.77	$ 108.81	$ 139.91	$ 113.21	$ 134.59
S&P 500	100.00	121.83	116.49	153.17	181.35	233.41
S&P 500 Utilities	100.00	112.11	116.71	147.46	148.18	174.36
Performance Peer Group [(a)]	100.00	113.59	119.17	143.70	123.74	140.78

(a) Performance Peer Group represents the list of 20 utility and energy industry companies used in our 2021 Proxy Statement which was filed with the SEC on March 18, 2021.

DIVIDENDS

For information concerning dividends, our dividend policy and factors that may limit our ability to pay dividends, see “Key Elements of our Business Strategy” and “Liquidity and Capital Resources” under Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K.

UNREGISTERED SECURITIES ISSUED

There were no unregistered securities sold during 2021.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

See Item 12 in this Annual Report on Form 10-K for information regarding Securities Authorized for Issuance Under Equity Compensation Plans.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table contains monthly information about our acquisitions of equity securities for the three months ended December 31, 2021:

Period	Total Number of Shares Purchased [(a)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
October 1, 2021 - October 31, 2021	1	$ 63.15	—	—
November 1, 2021 - November 30, 2021	777	66.10	—	—
December 1, 2021 - December 31, 2021	8,680	68.40	—	—
Total	9,458	$ 68.21	—	—

(a) Shares were acquired under the share withholding provisions of the Omnibus Incentive Plan for payment of taxes associated with the vesting of various equity compensation plans.

ITEM 6. (RESERVED)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

We are a customer-focused energy solutions provider that invests in our communities' safety, sustainability and growth with a mission of *Improving Life with Energy* and a vision to be the *Energy Partner of Choice*. The Company's core mission— and our primary focus — is to provide safe, reliable and cost-effective electric and natural gas service to 1.3 million utility customers in over 800 communities in eight states, including Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming.

We conduct our business operations through two operating segments: Electric Utilities and Gas Utilities. Certain unallocated corporate expenses that support our operating segments are presented as Corporate and Other. The Company conducts its utility operations under the name Black Hills Energy predominantly in rural areas of the Rocky Mountains and Midwestern states. The Company considers itself a domestic electric and natural gas utility company.

The Company has provided energy and served customers for 138 years, since the 1883 gold rush days in Deadwood, South Dakota. Throughout our history, the common thread that unites the past to the present is our commitment to serve our customers and communities. By being responsive and service focused, we can help our customers and communities thrive while meeting rapidly changing customer expectations.

An important component of our strategy involves sustainable operations and supporting the Energy Transition. How we operate our company for the social good has never been more important. We are committed to cleaner energy and a low carbon future, integrating the Energy Transition and more renewable energy into our overall strategy and decision making. For this important work, we are *Ready* to serve. In addition, we are committed to a more sustainable future by better managing our impacts to the planet, whether that is water usage, recycling, biodiversity, or other important measures, and remaining focused on our human capital through diversity and inclusion.

Our emphasis is on consistently outperforming utility industry averages in key safety metrics; modernizing utility infrastructure; transforming the customer experience; growing our electric and natural gas customer load; and pursuing operating efficiencies. These areas of focus will present the company with significant investment needs as we harden our infrastructure systems, meet customer growth and fulfill customer expectations for cleaner energy services. It will also allow us to better understand our customer and community needs while providing more intuitive and cost-effective solutions.

Key Elements of our Business Strategy

Modernize and operate utility infrastructure to provide customers with safe, reliable, cost-effective electric and natural gas service. Our utilities own and operate large electric and natural gas infrastructure systems with a geographic footprint that spans nearly 1,600 miles. Our Electric Utilities own and operate 1,481.5 MW of generation capacity and 8,900 miles of transmission and distribution lines and our Gas Utilities own and operate 47,000 miles of natural gas transmission and distribution pipelines.

A key strategic focus is to modernize and harden our utility infrastructure to meet customers' and communities' varied energy needs, ensure the continued delivery of safe, reliable and cost-effective energy and reduce GHG emissions intensity. In addition, we invest in the expansion, capacity and integrity of our systems to meet customer growth.

We rigorously comply with all applicable federal, state and local regulations and strive to consistently meet industry best practice standards. A key component of our modernization effort is the development of programs by our Electric and Gas Utilities to systematically and proactively replace aging infrastructure on a system-wide basis.

To meet our electric customers' continued expectations of high levels of reliability, a key strength of the Company, our Electric Utilities utilize an integrity program to ensure the timely repair and replacement of aging infrastructure. In alignment with this program, in November 2021, Wyoming Electric announced its Ready Wyoming electric transmission expansion initiative. The 285-mile, multi-phase transmission expansion project will serve the growing needs of customers enhancing the resiliency of its overall electric system and expanding access to power markets and renewable energy resources. The project will enable Wyoming Electric to maintain top-quartile reliability and support further economic growth in the Cheyenne area. Wyoming Electric plans to file an application with the WPSC seeking approval for the project in the first quarter of 2022. Following approval, construction would commence in early 2023.

Our Gas Utilities utilize a programmatic approach to system-wide pipeline replacement, particularly in high consequence areas. Under the programmatic approach, obsolete, at-risk and vintage materials are replaced in a proactive and systematic time frame. We have removed all cast- and wrought-iron from our natural gas transmission and distribution systems and continue to replace aging infrastructure through programs that prioritize safety and reliability for our customers. Our Gas Utilities are authorized to use system safety, integrity and replacement cost recovery mechanisms that provide for customer rate adjustments, between rate reviews, which allow timely recovery of costs incurred in repairing and replacing the gas delivery systems with a return on the investment.

As of December 31, 2021, we estimate our five-year capital investment to be approximately $3.2 billion, with most of that investment targeted toward upgrading existing utility infrastructure supporting customer and community growth needs, and complying with safety requirements. Our actual 2021 and forecasted capital expenditures for the next five years from 2022 through 2026 are as follows (in millions):

	Actual [(a)]	Forecasted				
Capital Expenditures By Segment:	2021	2022	2023	2024	2025	2026
(in millions)						
Electric Utilities	$ 286	$ 239	$ 205	$ 285	$ 231	$ 155
Gas Utilities	383	363	383	386	349	346
Corporate and Other	11	9	12	13	13	13
Incremental projects [(b)]	—	—	—	—	60	140
Total	$ 680	$ 611	$ 600	$ 684	$ 653	$ 654

(a) Includes accruals for property, plant and equipment as disclosed as supplemental cash flow information in the Consolidated Statements of Cash Flows in the Consolidated Financial Statements in this Annual Report on Form 10-K.
(b) These represent projects that are being evaluated by our segments for timing, cost and other factors.

Efficiently plan, construct and operate power generation facilities to serve our Electric Utilities. We best serve customers and communities when generation is vertically integrated into our Electric Utilities. This business model remains a core strength and strategy today as we invest in and operate efficient power generation resources to supply cost-effective electricity to our customers. These generation assets can be rate-based or non-regulated assets within our Electric Utilities segment. However, we believe that generation assets that are rate-based provide long-term benefits to customers. In the fourth quarter of 2021, we revised our operating segments to align with our vertically integrated business model for our Electric Utilities. Our power generation and mining businesses, which were previously presented as separate operating segments, are now part of our vertically integrated Electric Utilities segment.

Our power production strategy focuses on low-cost construction and efficient operation of our generating facilities. Our low power production costs result from a variety of factors including low fuel costs (operations located near energy hubs), efficiency in converting fuel into energy and low per unit operating and maintenance costs. In addition, we operate our plants with high levels of Availability as compared to industry benchmarks.

Rate Base Generation: We continue to believe that customers are best served when the power generation facilities are owned and rate-based by our Electric Utilities. Rate-based generation assets offer several advantages for customers and shareholders, including:

- When generating assets are included in the utility rate base and reviewed and approved by government authorities, customer rates are more stable and predictable, and typically less expensive in the long run; especially when compared to power otherwise purchased from the open market through wholesale contracts or PPAs that are periodically re-priced to reflect current and varying market conditions;
- Regulators participate in a planning process where long-term investments are designed to match long-term energy demand;
- The lower-risk profile of rate-based generation assets contributes to stronger credit ratings which, in turn, can benefit both customers and investors by lowering the cost of capital; and
- Investors are provided a long-term and stable return on their investment.

Integrated Generation: Our Electric Utilities segment also contains a power generation business that owns non-regulated generating facilities that are contracted through long-term power purchase agreements with our electric utilities. Our power generation business has an experienced staff with significant expertise in planning, building and operating power plants. This team also provides shared services to our Electric Utilities' generation facilities, resulting in efficient management of all of the company's generation assets. This business competitively bids for energy and capacity through requests for proposals by our Electric Utilities for energy resources necessary to serve customers. This business can bid competitively due to construction expertise, fuel supply advantages and by co-locating new plants at our existing Electric Utilities' energy complexes, reducing infrastructure and operating costs. All power plants within this business, except Top of Iowa, are contracted to our Electric Utilities under long-term contracts and are located at our utility-generating complexes, including Busch Ranch, Pueblo Airport Generation, and the Gillette, Wyoming energy complex, and are physically integrated into our Electric Utilities' operations.

Generation Fuel Supply: Our generating facilities are strategically located close to energy hubs that help reduce fuel supply costs. Our Colorado and Wyoming gas-fired generating facilities are located close to major natural gas energy hubs that provide trading liquidity and transparent pricing. Due to their location in the resource rich areas of Colorado and Wyoming, natural gas supply to fuel our gas-fired generation can be sourced at competitive prices. Our only coal-fired power plants, all located at the Gillette energy complex in northeastern Wyoming, are supplied by our adjacent coal mine. We operate and own majority interests in four of the five power plants and own 20% of the fifth power plant. The small coal mine provides approximately 3.5 million tons of low-sulfur coal directly to these power plants via a conveyor belt system, minimizing transportation costs. On average, the fuel can be delivered to the adjacent power plants at less than $1.00 per MMBtu, providing very cost competitive fuel to our power plants when compared to alternatives. Nearly all the mine's production is sold to these on-site generation facilities under long-term supply contracts. Approximately one-half of our production is sold under cost-plus contracts with affiliates. A small portion of the mine's production is sold to off-site industrial customers and delivered by truck.

Supporting the Energy Transition by proactively integrating alternative and renewable energy into our utility energy supply while mitigating customer rate impacts. In November 2020, we announced clean energy goals to reduce GHG emissions intensity for our Electric Utilities of 40% by 2030 and 70% by 2040 and achieve GHG reductions of 50% by 2035 for our Gas Utilities. Our goals are based on existing technology and computed from 2005 baseline levels of GHG emissions intensity for our electric operations and natural gas distribution system. Since 2005, we have reduced GHG emissions intensity from our Gas Utilities by more than 33% and achieved a 30% reduction from our Electric Utilities (an additional 5% reduction since announcing our goal in 2020 for our Electric Utilities). Additionally, our Electric Utilities have reduced nitrogen oxide and sulfur dioxide emissions by more than 75% since 2005. Our electric utility in Colorado has achieved a nearly 50% reduction in GHG emissions since 2005 and is on track to reach the State of Colorado's 80% carbon reduction goal by 2030. Our goals are based on prudent and proven solutions to reduce our emissions while minimizing cost impacts to our customers. This keeps our customers at the forefront of our decision-making, which is central to our values.

More of our customers, particularly our larger customers, are demanding cleaner sources of energy to meet their sustainability goals. In addition, there is more interest from consumers, regulators and legislators to increase the use of renewable and other alternative energy sources. To support this interest:

- We created the Renewable Ready program for South Dakota and Wyoming customers. In support of this program, we created and received approvals for new, voluntary renewable energy tariffs to serve certain commercial, industrial and governmental customer requests for renewable energy resources. To meet the renewable energy commitments under the new tariffs, on November 30, 2020, we completed construction and placed into service the Corriedale wind project, a 52.5 MW wind energy project near Cheyenne, Wyoming.

- In June 2021, South Dakota Electric and Wyoming Electric submitted an IRP to the SDPUC and WPSC. The IRP outlines a range of options for the two electric utilities over a 20-year planning horizon to meet long-term forecasted energy needs while strengthening reliability and resiliency of the grid. The analysis focused on the least-cost resource needs to best meet customers' future peak energy needs while maintaining system flexibility and achieving the Company's generation emissions reduction goals. The IRP's preferred options for the near-term planning period through 2026 propose the addition of 100 MW of renewable generation, the conversion of Neil Simpson II to natural gas in 2025 and consideration of up to 20 MW of battery storage.

Many states have enacted, and others are considering, mandatory renewable energy standards, requiring utilities to meet certain thresholds of renewable energy generation. In addition, some states have either enacted or are considering legislation setting GHG emission reduction targets. Federal legislation for renewable energy standards and GHG emission reductions has been considered and may be implemented in the future. Mandates for the use of renewable energy or the reduction of GHG emissions will likely drive the need for significant investment in our Electric Utilities and Gas Utilities segments. These mandates will also likely increase prices for electricity and/or natural gas for our utility customers. As a regulated utility we are responsible for providing safe, reliable and cost-effective sources of energy to our customers. Accordingly, we employ a customer-focused strategy for complying with standards and regulations that balances our customers' rate concerns with environmental considerations and administrative and legislative mandates. We attempt to strike this balance by prudently and proactively incorporating renewable energy into our resource supply, while seeking to minimize the magnitude and frequency of rate increases for our utility customers.

Explore opportunities as an energy solutions provider. Another strategic initiative is to grow our business through creative energy solutions with new customers and partnerships. We see value creation by recruiting new customers and expanding existing partnerships with data centers, crypto miners and other blockchain opportunities; exploring energy markets such as RTOs; and expanding our transmission capabilities. As an example, we have supported enabling legislation in Wyoming for the growing blockchain and digital currency businesses while implementing our own Blockchain Interruptible Service Tariff to serve these customers. We are also re-focusing on our product and services offerings to our natural gas customers.

Additionally, we are pursuing two important initiatives in the form of sustainable energy solutions for electric vehicles and renewable natural gas. These two programs support our near-term sustainable strategy and contribute to the achievement of our aspirational greenhouse gas emissions reduction goals.

- Electric Vehicles (EV): We expect EV market share to increase over the next one to three years, commensurate with a significant uptick in vehicle range and product offerings and marked decrease in EV purchase prices. In addition to future load growth opportunities, we will investigate behind-the-meter solutions for customers. In January 2022, the CPUC approved a transportation electrification plan for Colorado Electric including the implementation of EV and charger rebates and EV rates.

- Renewable Natural Gas (RNG): Our teams are developing RNG/carbon offset offerings for our retail customers, evaluating multiple RNG investment opportunities and exploring value generation with our natural gas storage assets. We also continue to expand our RNG interconnections, with several projects actively injecting RNG into our natural gas system.

Execute disciplined capital allocation and explore small strategic opportunities. We are planning a disciplined capital investment program of approximately $600 million annually over the next two years to improve our cash flows and reduce our debt to total capitalization ratio. By carefully managing capital, we plan to continue to strengthen our balance sheet and enhance our liquidity. With this goal in mind, we will continue to evaluate smaller scale acquisitions of private utility infrastructure systems and small municipal systems that can be easily incorporated into our existing utility systems.

Deliver a competitive total return to investors and maintain an investment grade credit rating. We are proud of our track record of annual dividend increases for shareholders. 2021 represented our 51st consecutive year of increasing dividends. In January 2022, our Board of Directors declared a quarterly dividend of $0.595 per share, equivalent to an annual dividend of $2.38 per share. We intend to continue our record of annual dividend increases with a targeted dividend payout ratio of 50% to 60%.

We require access to the capital markets to fund our planned capital investments or acquire strategic assets that support prudent and earnings-accretive business growth. We have demonstrated our ability to cost-effectively access the debt and equity markets, while maintaining our investment-grade issuer credit rating.

Recent Developments

Winter Storm Uri

In February 2021, a prolonged period of historic cold temperatures across the central United States covered all of our Utilities' service territories, caused a substantial increase in heating and energy demand and contributed to unforeseeable and unprecedented market prices for natural gas and electricity. As a result of Winter Storm Uri, we incurred significant incremental natural gas and fuel costs.

On February 24, 2021, we entered into a nine-month, $800 million unsecured term loan to provide additional liquidity and to meet our cash needs related to the incremental fuel, purchased power and natural gas costs from Winter Storm Uri. Proceeds from the August 26, 2021 debt transaction were used to repay amounts outstanding under this term loan. See Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further information.

During the second quarter, our Utilities submitted cost recovery applications with the utility commissions in our state jurisdictions to recover incremental costs associated with Winter Storm Uri. To date, several of our Utilities have received interim or final Commission Orders and have begun recovering costs from customers. See Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further information on our regulatory activity.

COVID-19 Pandemic

For the year ended December 31, 2021, we did not experience significant impacts to our financial results, liquidity or operational activities due to COVID-19. We continue to monitor loads, customers' ability to pay, the potential for supply chain disruption or inflation that may impact our capital and maintenance project plans, the availability of third-party resources to execute our business plans and the capital markets to ensure we have the liquidity necessary to support our financial needs. State Orders lifting temporarily suspended disconnections have been issued in all of our jurisdictions.

As we look forward, our operating results could be affected by COVID-19 as discussed in detail in our Risk Factors.

Business Segment Highlights and Corporate Activity

Electric Utilities

- On January 26, 2022, Colorado Electric agreed to join SPP's Western Energy Imbalance Service Market. Colorado Electric, PRPA, and the Colorado subsidiary of Xcel Energy Inc. will join the market in April 2023 and will continue to study long-term solutions for joining or developing an organized wholesale market. The expansion allows the utilities to participate in a real-time market to dispatch energy at lower costs.

- On January 5, 2022, South Dakota Electric and Wyoming Electric set new winter peak loads. This is the fourth new winter peak for Wyoming Electric since 2015. Wyoming Electric's new winter peak load of 253 MW surpasses the previous peak of 247 MW set in December 2019. South Dakota Electric's new winter peak of 327 MW surpasses the previous winter peak of 326 MW set in February 2021.

- In November 2021, Wyoming Electric announced its *Ready Wyoming* electric transmission expansion initiative. See Key Elements of our Business Strategy above for further information.

- On October 5, 2021, our Electric Utilities and several other utilities in the western United States formed the Western Markets Exploratory Group to research the potential for an organized wholesale market in the western interconnect, including expanding transmission systems and other grid-related services. The group plans to identify market solutions that can help achieve carbon reduction goals while supporting reliable, cost-effective services for customers.

- On September 19, 2021, Wygen I experienced an unplanned outage that continued until mid-December 2021. For the year ended December 31, 2021, the outage had an $11 million negative impact to Operating income. We are currently assessing insurance recovery opportunities.

- On August 24, 2021, Wyoming Electric issued a request for proposals under its Blockchain Interruptible Service tariff. We have narrowed the bidder's list and selected finalists for contract negotiations.

- On July 28, 2021, Wyoming Electric set a new all-time and summer peak load of 274 MW, exceeding the previous peak of 271 MW set in July 2020.

- On July 27, 2021, South Dakota Electric set a new all-time and summer peak load of 397 MW, exceeding the previous peak of 378 MW set in August 2020.

- On June 30, 2021, South Dakota Electric and Wyoming Electric submitted an IRP to the SDPUC and WPSC. See Key Elements of our Business Strategy above for further information.

- On February 19, 2021, Colorado Electric entered into a PPA with TC Colorado Solar, LLC (TC Solar) to purchase up to 200 MW of renewable energy upon construction of a new solar facility, to be owned by TC Solar. On January 31, 2022, TC Solar provided termination notice of the PPA to Colorado Electric. Colorado Electric has disputed TC Solar's right to termination and pursuant to the agreement, has initiated discussions with TC Solar.

Gas Utilities

- See Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for recent regulatory activity for our Gas Utilities in Arkansas, Colorado, Iowa, Kansas and Nebraska.

Corporate and Other

- On August 26, 2021, we completed a public debt offering which consisted of $600 million, 1.037% 3-year senior unsecured notes due August 23, 2024. The proceeds from the offering were used to repay amounts outstanding under our term loan entered into on February 24, 2021. See Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further information.

- On July 19, 2021, we amended and restated our corporate Revolving Credit Facility. See Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further information.

Results of Operations

Our discussion and analysis for the year ended December 31, 2021 compared to 2020 as well as discussion and analysis of the results of operations for the year ended December 31, 2020 compared to 2019, is included herein. For further discussion and analysis that remains unchanged for the year ended December 31, 2020 compared to 2019, please refer to Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 26, 2021.

In the fourth quarter of 2021, we integrated our power generation and mining businesses within the Electric Utilities segment. The alignment is consistent with the current way our CODM evaluates the performance of the business and makes decisions related to the allocation of resources. Comparative periods presented reflect this change. See further segment information in Note 16 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Segment information does not include intercompany eliminations and all amounts are presented on a pre-tax basis unless otherwise indicated. Minor differences in amounts may result due to rounding.

Consolidated Summary and Overview

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands, except per share amounts)		
Operating income (loss):			
Electric Utilities	$ 202,676	$ 210,974	$ 217,677
Gas Utilities	211,157	215,889	189,971
Corporate and Other	(4,404)	1,440	(1,606)
Operating Income	409,429	428,303	406,042
Interest expense, net	(152,404)	(143,470)	(137,659)
Impairment of investment	—	(6,859)	(19,741)
Other income (expense), net	1,404	(2,293)	(5,740)
Income tax (expense)	(7,169)	(32,918)	(29,580)
Net income	251,260	242,763	213,322
Net income attributable to non-controlling interest	(14,516)	(15,155)	(14,012)
Net income available for common stock	$ 236,744	$ 227,608	$ 199,310
Total earnings per share of common stock, Diluted	$ 3.74	$ 3.65	$ 3.28

2021 Compared to 2020

The variance to the prior year included the following:

- Electric Utilities' operating income decreased $8.3 million primarily due to Colorado Electric's TCJA-related bill credits to customers (which is offset by reduced tax expense), unfavorable impacts from an unplanned outage at Wygen I and higher depreciation as a result of additional plant placed in service, partially offset by increased power marketing and wholesale revenues, increased rider revenues, increased commercial and industrial demand, a prior year expense related to the early retirement of certain non-regulated generation assets, residential customer growth and increased usage, and prior year COVID-19 impacts;
- Gas Utilities' operating income decreased $4.7 million primarily due to Winter Storm Uri costs incurred by Black Hills Energy Services, lower heating demand from milder weather (primarily in the fourth quarter of 2021), Nebraska Gas TCJA-related bill credits to customers and higher operating expenses partially offset by new rates and customer growth;
- Corporate and Other expenses increased $5.8 million primarily due to higher employee costs driven by a prior year favorable true-up;
- Interest expense increased $8.9 million primarily due to higher debt balances partially offset by lower rates;
- A prior year $6.9 million pre-tax non-cash impairment in 2020 of our investment in equity securities of a privately held oil and gas company;
- Other income increased $3.7 million primarily due to lower non-service pension costs driven by a lower discount rate, lower costs for our non-qualified benefit plans which were driven by market performance and recognition of death benefits from Company-owned life insurance; and

- Income tax expense decreased $26 million primarily due to lower pre-tax income and a lower effective tax rate driven primarily by tax benefits from Colorado Electric and Nebraska Gas TCJA-related bill credits (which is offset by reduced revenue), flow-through tax benefits related to repairs and gain deferral and increased tax benefits from federal production tax credits associated with new wind assets.

2020 Compared to 2019

The variance to the prior year included the following:

- COVID-19 related impacts to consolidated results included $3.6 million of lower Electric and Gas Utility margin driven primarily by lower volumes and waived customer late payment fees, $2.6 million of costs due to sequestration of essential employees and $3.3 million of additional bad debt expense which were partially offset by $3.8 million of lower travel, training, and outside services related expenses;
- Electric Utilities' operating income decreased $6.7 million due to higher depreciation and amortization expense as a result of additional plant placed in service including new wind assets, expense from the early retirement of certain non-regulated assets, lower commercial and industrial demand and COVID-19 impacts partially offset by increased revenue from our non-regulated power generation and mining businesses, benefits from the release of TCJA revenue reserves and increased rider revenues;
- Gas Utilities' operating income increased $26 million primarily due to new customer rates in Wyoming and Nebraska and increased rider revenues, customer growth, mark-to-market gains on non-utility natural gas commodity contracts and a 2019 amortization of excess deferred income taxes partially offset by higher depreciation and amortization expense as a result of additional plant placed in service, COVID-19 impacts and unfavorable weather;
- Corporate and Other expenses decreased $3.0 million primarily due to an unallocated favorable true-up of employee costs;
- A $6.9 million pre-tax non-cash impairment in 2020 of our investment in equity securities of a privately held oil and gas company compared to a similar $20 million impairment in 2019;
- Interest expense increased $5.8 million primarily due to higher debt balances partially offset by lower rates;
- Other expense decreased $3.4 million due to the 2019 expensing of $5.4 million of development costs related to projects we no longer intend to construct partially offset by increased pension non-service costs in 2020; and
- Income tax expense increased $3.3 million primarily due to higher pre-tax income partially offset by a lower effective tax rate.

Segment Operating Results

A discussion of operating results from our business segments follows.

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as another financial measure, Electric and Gas Utility margin, that is considered a “non-GAAP financial measure.” Generally, a non-GAAP financial measure is a numerical measure of a company’s financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Electric and Gas Utility margin (revenue less cost of sales) is a non-GAAP financial measure due to the exclusion of operation and maintenance expenses, depreciation and amortization expenses, and property and production taxes from the measure.

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

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

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Electric Utilities

Operating results for the years ended December 31 for the Electric Utilities were as follows (in thousands):

	2021	2020	2021 vs 2020 Variance	2019	2020 vs 2019 Variance
Revenue:					
Electric - regulated	$ 800,747	$ 699,712	$ 101,035	$ 698,807	$ 905
Other - non-regulated	41,511	39,145	2,366	40,548	(1,403)
Total revenue	842,258	738,857	103,401	739,355	(498)
Fuel and Purchased Power:					
Electric - regulated	244,504	136,374	108,130	143,668	(7,294)
Other - non-regulated	3,514	2,198	1,316	2,305	(107)
Total fuel and purchased power	248,018	138,572	109,446	145,973	(7,401)
Electric Utility margin (non-GAAP)	594,240	600,285	(6,045)	593,382	6,903
Operations and maintenance	260,036	265,679	(5,643)	259,167	6,512
Depreciation and amortization	131,528	123,632	7,896	116,538	7,094
Total operating expenses	391,564	389,311	2,253	375,705	13,606
Operating income	$ 202,676	$ 210,974	$ (8,298)	$ 217,677	$ (6,703)

2021 Compared to 2020

Electric Utility margin decreased over the prior year as a result of:

	(in millions)
TCJA-related bill credits [(a)]	$ (10.2)
Wygen I unplanned outage	(8.5)
Prior year release of TCJA revenue reserves	(2.2)
Weather	(1.2)
Winter Storm Uri impacts [(b)]	(0.4)
Power marketing and wholesale	5.9
Residential customer growth and increased usage per customer	5.1
Rider recovery	4.2
Prior year COVID-19 impacts	1.8
Other	(0.5)
Total decrease in Electric Utility margin	$ (6.0)

(a) In February and April 2021, Colorado Electric delivered TCJA-related bill credits to its customers. These bill credits were offset by a reduction in income tax expense and resulted in a minimal impact to Net income.
(b) As a result of Winter Storm Uri, our Electric Utilities incurred $2.1 million of incremental fuel costs that are not recoverable through our fuel cost recovery mechanisms which were mostly offset by $1.7 million of increased Electric Utility margin realized under Black Hills Wyoming's Economy Energy PSA.

Operations and maintenance expense decreased primarily due to a $3.1 million prior year expense related to the early retirement of certain non-regulated generation assets, $2.7 million of lower overburden, production taxes and other operating expenses on decreased mining volumes, $2.0 million of prior year COVID-19 expenses and $1.7 million of decreased bad debt expense associated with lower expected credit losses, partially offset by $2.7 million of increased expenses related to planned and unplanned outages at our generation facilities and $1.0 million of increased operating expenses from new wind assets.

Depreciation and amortization increased primarily due to higher asset base driven by prior and current year capital expenditures.

2020 Compared to 2019

Electric Utility margin increased in 2020 over 2019 as a result of:

	(in millions)
Integrated Generation [(a)]	$ 3.3
Rider recovery	2.3
Release of TCJA revenue reserves [(b)]	2.2
Transmission services	1.4
Residential customer growth	0.9
Lower commercial and industrial demand	(2.7)
COVID-19 impacts [(c)]	(1.8)
Weather	(0.3)
Other	1.6
Total increase in Electric Utility margin	$ 6.9

(a) Primarily driven by revenue from Busch Ranch II, which was placed in service in November 2019.
(b) In July 2020, regulatory proceedings resolved the last of the Company's open dockets seeking approval of its TCJA plans. As a result, the Company reversed certain TCJA-related liabilities, which resulted in an increase to Electric Utility margin of $2.2 million. See Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional details.
(c) The impacts to Electric Utility margin from COVID-19 were primarily driven by reduced commercial volumes and waived customer late payment fees partially offset by higher residential usage.

Operations and maintenance expense increased primarily due to a $3.1 million expense related to the early retirement of certain non-regulated assets, $2.0 million of higher maintenance expense from new wind assets and $2.0 million of unfavorable net impacts from COVID-19 which included $2.6 million of expenses related to the sequestration of essential employees and $0.8 million of additional bad debt expense which were partially offset by $1.4 million of lower travel, training and outside services related expenses. Additionally, lower employee costs of $1.9 million were partially offset by $1.0 million of higher property taxes due to a higher asset base driven by capital expenditures.

Depreciation and amortization increased primarily due to higher asset base driven by capital expenditures.

Operating Statistics

	Revenue (in thousands)			Quantities Sold (MWh)		
For the year ended December 31,	2021	2020	2019	2021	2020	2019
Residential	$ 244,589	$ 221,530	$ 216,108	1,494,028	1,477,515	1,440,551
Commercial	275,998	239,166	246,704	2,075,690	1,974,043	2,055,253
Industrial	149,040	131,154	131,831	1,751,344	1,794,795	1,787,412
Municipal	19,092	16,860	17,206	162,903	158,222	157,298
Subtotal Retail Revenue - Electric	688,719	608,710	611,849	5,483,965	5,404,575	5,440,514
Contract Wholesale	16,128	17,847	19,078	574,137	492,637	368,360
Off-system/Power Marketing Wholesale	41,682	15,511	17,886	638,923	437,288	507,042
Other [(a)]	54,218	57,644	49,994	—	—	—
Total Regulated	800,747	699,712	698,807	6,697,025	6,334,500	6,315,916
Non-Regulated [(b)]	41,511	39,145	40,548	269,558	258,399	238,415
Total Revenue and Quantities Sold	842,258	738,857	739,355	6,966,583	6,592,899	6,554,331
Other Uses, Losses or Generation, net [(c)]				475,280	406,422	393,573
Total Energy				7,441,863	6,999,321	6,947,904

(a) Primarily related to transmission revenues from the Common Use System.
(b) Includes Integrated Generation and non-regulated services to our retail customers under the Service Guard Comfort Plan and Tech Services.
(c) Includes company uses and line losses.

For the year ended December 31,	Electric Revenue (in thousands) 2021	2020	2019	Quantities Sold (MWh) 2021	2020	2019
Colorado Electric	$ 302,896	$ 252,094	$ 246,197	2,574,016	2,243,034	2,046,728
South Dakota Electric	319,362	280,431	288,120	2,389,407	2,363,776	2,519,448
Wyoming Electric	180,413	169,179	167,345	1,733,602	1,727,690	1,749,740
Integrated Generation	39,587	37,153	37,693	269,558	258,399	238,415
Total Revenue and Quantities Sold	$ 842,258	$ 738,857	$ 739,355	6,966,583	6,592,899	6,554,331

Quantities Generated and Purchased by Fuel Type (MWh)	For the year ended December 31, 2021	2020	2019
Generated:			
Coal	2,546,926	2,817,846	2,783,147
Natural Gas and Oil	1,817,133	1,753,568	1,535,999
Wind	842,616	614,236	406,295
Total Generated	5,206,675	5,185,650	4,725,441
Purchased:			
Coal, Natural Gas, Oil and Other Market Purchases	1,866,382	1,478,536	2,019,359
Wind	368,806	335,135	203,104
Total Purchased	2,235,188	1,813,671	2,222,463
Total Generated and Purchased	7,441,863	6,999,321	6,947,904

Quantities Generated and Purchased (MWh)	For the year ended December 31, 2021	2020	2019
Generated:			
Colorado Electric	412,127	265,552	443,770
South Dakota Electric	1,980,660	1,901,009	1,768,456
Wyoming Electric	883,596	851,522	852,803
Integrated Generation	1,842,377	2,085,042	1,660,412
Total Generated	5,118,760	5,103,125	4,725,441
Purchased:			
Colorado Electric	1,027,728	714,139	741,666
South Dakota Electric	563,603	489,457	896,901
Wyoming Electric	643,857	610,075	509,697
Integrated Generation	87,915	82,525	74,199
Total Purchased	2,323,103	1,896,196	2,222,463
Total Generated and Purchased	7,441,863	6,999,321	6,947,904

Degree Days	2021		2020		2019	
	Actual	Variance from Normal	Actual	Variance from Normal	Actual	Variance from Normal
Heating Degree Days:						
Colorado Electric	5,023	(11)%	5,103	(9)%	5,453	(3)%
South Dakota Electric	6,819	(5)%	6,910	(3)%	8,284	16%
Wyoming Electric	6,702	(6)%	6,771	(5)%	7,406	1%
Combined [(a)]	5,974	(7)%	6,056	(6)%	6,813	5%
Cooling Degree Days:						
Colorado Electric	1,245	39%	1,384	54%	1,226	37%
South Dakota Electric	827	30%	682	7%	404	(36)%
Wyoming Electric	604	74%	594	71%	462	33%
Combined [(a)]	973	40%	985	41%	791	14%

For the year ended December 31,

(a) Degree days are calculated based on a weighted average of total customers by state.

Contracted generating facilities Availability by fuel type[(a)]	For the year ended December 31, 2021	2020	2019
Coal [(b)]	86.7%	94.3%	92.4%
Natural gas and diesel oil [(c)]	95.5%	84.6%	90.5%
Wind	95.8%	95.1%	89.5%
Total availability	93.2%	89.2%	90.9%
Wind Capacity Factor	34.0%	31.8%	30.9%

(a) Availability and Wind Capacity Factor are calculated using a weighted average based on capacity of our generating fleet.
(b) 2021 included planned outages at Neil Simpson II, Wygen II, and Wygen III and unplanned outages at Wygen I, Neil Simpson II and Wyodak Plant.
(c) 2020 included a planned outage at Cheyenne Prairie and unplanned outages at Pueblo Airport Generation and Lange CT. 2019 included planned outages at Neil Simpson CT and Lange CT.

Gas Utilities

Operating results for the years ended December 31 for the Gas Utilities were as follows (in thousands):

	2021	2020	2021 vs 2020 Variance	2019	2020 vs 2019 Variance
Revenue:					
Natural gas - regulated	$ 1,051,610	$ 900,637	$ 150,973	$ 932,111	$ (31,474)
Other - non-regulated services	73,255	74,033	(778)	77,919	(3,886)
Total revenue	1,124,865	974,670	150,195	1,010,030	(35,360)
Cost of natural gas sold:					
Natural gas - regulated	480,293	347,611	132,682	406,643	(59,032)
Other - non-regulated services	14,445	7,034	7,411	19,255	(12,221)
Total cost of natural gas sold	494,738	354,645	140,093	425,898	(71,253)
Gas Utility margin (non-GAAP)	630,127	620,025	10,102	584,132	35,893
Operations and maintenance	314,810	303,577	11,233	301,844	1,733
Depreciation and amortization	104,160	100,559	3,601	92,317	8,242
Total operating expenses	418,970	404,136	14,834	394,161	9,975
Operating income	$ 211,157	$ 215,889	$ (4,732)	$ 189,971	$ 25,918

2021 Compared to 2020

Gas Utility margin increased over the prior year as a result of:

	(in millions)
New rates	$ 20.5
Carrying costs on Winter Storm Uri regulatory asset [(a)]	4.0
Increased transport and transmission	2.2
Prior year COVID-19 impacts	1.8
Mark-to-market on non-utility natural gas commodity contracts	0.9
Black Hills Energy Services Winter Storm Uri costs [(b)]	(8.2)
Weather	(6.8)
TCJA-related bill credits [(c)]	(2.9)
Other	(1.4)
Total increase in Gas Utility margin	$ 10.1

(a) In certain jurisdictions, we have Commission approval to recover carrying costs on Winter Storm Uri regulatory assets which offset increased interest expense.
(b) Black Hills Energy Services offers fixed contract pricing for non-regulated gas supply services to our regulated natural gas customers. The increased cost of natural gas sold during Winter Storm Uri is not recoverable through a regulatory mechanism.
(c) In June 2021, Nebraska Gas delivered TCJA-related bill credits to its customers. These bill credits were offset by a reduction in income tax expense and resulted in a minimal impact to Net income.

Operations and maintenance expense increased primarily due to $9.6 million of higher employee costs, $3.3 million of higher property taxes due to a higher asset base driven by prior and current year capital expenditures and $2.0 million of higher outside services expenses. The increase in expense was partially offset by $4.4 million of decreased bad debt expense associated with lower expected credit losses.

Depreciation and amortization increased primarily due to a higher asset base driven by prior and current year capital expenditures partially offset by lower depreciation rates approved in the Nebraska Gas and Colorado Gas rate reviews.

2020 Compared to 2019

Gas Utility margin increased in 2020 over 2019 as a result of:

		(in millions)
New rates	$	25.4
Customer growth - distribution		5.6
Mark-to-market on non-utility natural gas commodity contracts		3.3
Amortization of excess deferred income taxes in 2019		2.6
Weather		(1.8)
COVID-19 impacts [(a)]		(1.8)
Other		2.6
Total increase in Gas Utility margin	$	35.9

(a) The impacts to Gas Utility margin from COVID-19 were primarily driven by reduced volumes from certain transport customers and waived customer late payment fees.

Operations and maintenance expense increased primarily due to higher property taxes due to a higher asset base driven by capital expenditures. Lower employee costs were mostly offset by various other 2020 expenses. COVID-19 impacts to operations and maintenance expense included $2.5 million of additional bad debt expense which was partially offset by $2.4 million of lower travel, training, and outside services related expenses.

Depreciation and amortization increased primarily due to a higher asset base driven by capital expenditures.

Operating Statistics

	Revenue (in thousands)			Quantities Sold and Transported (Dth)		
	For the year ended December 31,			For the year ended December 31,		
	2021	2020	2019	2021	2020	2019
Residential	$ 613,475	$ 527,518	$ 551,701	60,080,805	61,962,171	66,956,080
Commercial	242,115	193,017	212,229	29,091,657	28,784,319	32,241,441
Industrial	33,368	24,014	24,832	6,260,235	6,881,354	6,548,023
Other	3,816	582	(1,361)	—	—	—
Total Distribution	892,774	745,131	787,401	95,432,697	97,627,844	105,745,544
Transportation and Transmission	158,836	155,506	144,710	154,570,280	149,062,476	153,101,264
Total Regulated	1,051,610	900,637	932,111	250,002,977	246,690,320	258,846,808
Non-regulated Services [(a)]	73,255	74,033	77,919	—	—	—
Total Revenue and Quantities Sold	$ 1,124,865	$ 974,670	$ 1,010,030	250,002,977	246,690,320	258,846,808

(a) Includes Black Hills Energy Services and non-regulated services under the Service Guard Comfort Plan, Tech Services and HomeServe.

	Revenue (in thousands)			Quantities Sold and Transported (Dth)		
	For the year ended December 31,			For the year ended December 31,		
	2021	2020	2019	2021	2020	2019
Arkansas	$ 218,497	$ 184,849	$ 185,201	31,478,303	28,572,621	30,496,243
Colorado	208,019	186,085	199,369	32,247,042	32,077,083	33,908,529
Iowa	171,673	137,982	151,619	38,022,801	36,824,548	41,795,729
Kansas	121,603	101,118	105,906	34,475,799	33,732,897	32,650,854
Nebraska	273,361	246,381	255,622	81,035,572	80,202,783	81,481,192
Wyoming	131,712	118,255	112,313	32,743,460	35,280,388	38,514,261
Total Revenue and Quantities Sold	$ 1,124,865	$ 974,670	$ 1,010,030	250,002,977	246,690,320	258,846,808

	For the year ended December 31,					
	2021		2020		2019	
Heating Degree Days	Actual	Variance From Normal	Actual	Variance From Normal	Actual	Variance From Normal
Arkansas [a]	3,565	(12)%	3,442	(15)%	3,897	(4)%
Colorado	5,866	(11)%	6,068	(8)%	6,672	1%
Iowa	6,239	(8)%	6,504	(4)%	7,200	6%
Kansas [a]	4,508	(8)%	4,648	(5)%	5,190	6%
Nebraska	5,599	(9)%	5,853	(5)%	6,578	7%
Wyoming	7,074	(7)%	7,289	(4)%	8,010	7%
Combined [b]	5,948	(8)%	6,038	(6)%	6,840	5%

(a) Arkansas and Kansas have weather normalization mechanisms that mitigate the weather impact on Gas Utility margins.
(b) Heating degree days are calculated based on a weighted average of total customers by state excluding Kansas due to its weather normalization mechanism. Arkansas Gas is partially excluded based on the weather normalization mechanism in effect from November through April.

Corporate and Other

Corporate and Other operating results for the years ended December 31 were as follows (in thousands):

(in thousands)	2021	2020	2021 vs 2020 Variance	2019	2020 vs 2019 Variance
Operating income (loss)	$ (4,404)	$ 1,440	$ (5,844)	$ (1,606)	$ 3,046

2021 Compared to 2020

The variance in Operating income (loss) was primarily due to a prior year favorable true-up of employee costs which was allocated to our subsidiaries in the current year. This allocation was offset in our business segments and had no impact to consolidated results.

2020 Compared to 2019

The variance in Operating income (loss) was primarily due to a 2020 unallocated favorable true-up of employee costs.

Consolidated Interest Expense, Impairment of Investment, Other Income (Expense) and Income Tax Benefit (Expense)

(in thousands)	2021	2020	2021 vs 2020 Variance	2019	2020 vs 2019 Variance
Interest expense, net	$ (152,404)	$ (143,470)	$ (8,934)	$ (137,659)	$ (5,811)
Impairment of investment	—	(6,859)	6,859	(19,741)	12,882
Other income (expense), net	1,404	(2,293)	3,697	(5,740)	3,447
Income tax benefit (expense)	(7,169)	(32,918)	25,749	(29,580)	(3,338)

2021 Compared to 2020

Interest expense, net

The increase in Interest expense, net was due to higher debt balances driven by the August 2021 senior unsecured notes and February 2021 term loan, partially offset by lower interest rates.

Impairment of investment

In the prior year, we recorded a pre-tax non-cash write-down of $6.9 million in our investment in equity securities of a privately held oil and gas company. The impairment was triggered by continued adverse changes in future natural gas prices and liquidity concerns at the privately held oil and gas company.

Other income (expense), net

The variance in Other income (expense), net was primarily due to lower non-service pension costs driven by a lower discount rate, lower costs for our non-qualified benefit plans which were driven by market performance and recognition of death benefits from Company-owned life insurance.

Income tax benefit (expense)

For the year ended December 31, 2021, the effective tax rate was 2.8% compared to 11.9% in 2020. The lower effective tax rate is primarily due to $10 million of increased tax benefits from Colorado Electric and Nebraska Gas TCJA-related bill credits to customers (which is offset by reduced revenue), $6.6 million of increased flow-through tax benefits related to repairs and gain deferral, $4.6 million of increased tax benefits from federal production tax credits associated with new wind assets, $2.9 million of increased tax benefits from amortization of excess deferred income taxes and $2.6 million from various statutory rate changes. These current year tax benefits were greater than prior year tax benefits from one-time research and development tax credits and the reversal of accrued excess deferred income taxes as part of resolving the last of the Company's open dockets seeking approval of its TCJA plans. See Note 15 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional details.

2020 Compared to 2019

Interest expense, net

The increase in Interest expense, net was driven by higher debt balances partially offset by lower interest rates.

Impairment of investment

In 2020, we recorded a pre-tax non-cash write-down of $6.9 million in our investment in equity securities of a privately held oil and gas company, compared to a $20 million write-down in 2019. The impairments in both years were triggered by continued adverse natural gas prices and liquidity concerns at the privately held oil and gas company.

Other income (expense), net

The variance in Other income (expense), net was primarily due to the 2019 expensing of $5.4 million of development costs related to projects we no longer intend to construct which was partially offset by higher 2020 non-service defined benefit plan costs primarily driven by lower discount rates.

Income tax benefit (expense)

For the year ended December 31, 2020, the effective tax rate was 11.9% compared to 12.2% in 2019. The lower effective tax rate is primarily due to increased tax benefits from federal production tax credits associated with new wind assets and one-time research and development tax credits partially offset by a 2019 tax benefit from a federal tax loss carry-back claim including interest. See Note 15 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional details.

Liquidity and Capital Resources

OVERVIEW

Our company requires significant cash to support and grow our businesses. Our primary sources of cash are generated from our operating activities, five-year Revolving Credit Facility, CP Program, ATM and ability to access the public and private capital markets through debt and equity securities offerings when necessary. This cash is used for, among other things, working capital, capital expenditures, dividends, pension funding, investments in or acquisitions of assets and businesses, payment of debt obligations and redemption of outstanding debt and equity securities when required or financially appropriate.

We experience significant cash requirements during peak months of the winter heating season due to higher natural gas consumption, during periods of high natural gas prices, and during the construction season which typically peaks in spring and summer.

We believe that our cash on hand, operating cash flows, existing borrowing capacity and ability to complete new debt and equity financings, taken in their entirety, provide sufficient capital resources to fund our ongoing operating requirements, regulatory liabilities, debt maturities, anticipated dividends, and anticipated capital expenditures discussed in this section.

In response to Winter Storm Uri, we took steps to maintain adequate liquidity to operate our businesses and fund our capital investment program as discussed in the Recent Developments section above.

The following table provides an informational summary of our financial position as of December 31 (dollars in thousands):

Financial Position Summary	2021	2020
Cash and cash equivalents	$ 8,921	$ 6,356
Restricted cash and equivalents	$ 4,889	$ 4,383
Notes payable	$ 420,180	$ 234,040
Current maturities of long-term debt	$ —	$ 8,436
Long-term debt [(a)]	$ 4,126,923	$ 3,528,100
Stockholders' equity	$ 2,787,094	$ 2,561,385
Ratios		
Long-term debt ratio	60 %	58 %
Total debt ratio	62 %	60 %

(a) Carrying value of long-term debt is net of deferred financing costs.

CASH FLOW ACTIVITIES

The following table summarizes our cash flows for the years ended December 31 (in thousands):

	2021	2020	2019
Cash provided by (used in)			
Operating activities	$ (64,565)	$ 541,863	$ 505,513
Investing activities	$ (664,230)	$ (761,664)	$ (816,210)
Financing activities	$ 731,866	$ 216,882	$ 300,210

2021 Compared to 2020

Operating Activities:

Net cash used in operating activities was $606 million higher than in 2020. The variance to the prior year was primarily attributable to:

- Cash earnings (income from continuing operations plus non-cash adjustments) were $21 million lower than prior year driven primarily by negative impacts from the unplanned outage at Wygen I, lower Electric and Gas Utility margin from Winter Storm Uri and unfavorable weather, higher operating expenses and higher interest expenses;

- Net outflows from changes in certain operating assets and liabilities were $593 million higher than prior year, primarily attributable to:
  - Cash outflows increased by approximately $508 million primarily as a result of changes in our regulatory assets and liabilities primarily driven by incremental fuel, purchased power and natural gas costs due to Winter Storm Uri;
  - Cash inflows decreased by approximately $71 million primarily as a result of changes in accounts receivable and other current assets driven by decreased collections of accounts receivable and increased purchases of natural gas in storage;
  - Cash inflows decreased by approximately $14 million as a result of changes in accounts payable and other current liabilities driven by payment timing related to payroll taxes;
- Cash outflows decreased by $13 million due to pension contributions made in the prior year; and
- Cash inflows decreased $4.5 million for other operating activities.

Investing Activities:

Net cash used in investing activities was $97 million lower than in 2020. This variance to the prior year was primarily attributable to:

- Capital expenditures of approximately $677 million in 2021 compared to $767 million in 2020. Lower current year expenditures are driven by lower programmatic safety, reliability and integrity spending at our Gas Utilities segments and the prior year Corriedale wind project at our Electric Utilities segment; and
- Cash inflows increased $7.5 million for other investing activities primarily driven by the sales of transmission assets and facilities, none of which were individually significant.

Financing Activities:

Net cash provided by financing activities was $515 million higher than in 2020. This variance to the prior year was primarily attributable to:

- Cash inflows increased $502 million due to long and short-term borrowings in excess of repayments;
- Cash inflows increased $20 million due to higher issuances of common stock;
- Cash outflows increased $10 million due to increased dividends paid on common stock; and
- Cash outflows decreased by $3.0 million for other financing activities.

CAPITAL RESOURCES

Short-term Debt

<u>Revolving Credit Facility and CP Program</u>

We have a $750 million Revolving Credit Facility that matures on July 19, 2026 with two one-year extension options (subject to consent from lenders). This facility includes an accordion feature that allows us to increase total commitments up to $1.0 billion with the consent of the administrative agent, the issuing agents and each bank increasing or providing a new commitment. We also have a $750 million, unsecured CP Program that is backstopped by the Revolving Credit Facility. Amounts outstanding under the Revolving Credit Facility and the CP Program, either individually or in the aggregate, cannot exceed $750 million.

The Revolving Credit Facility prohibits us from paying cash dividends if a default or an event of default exists prior to, or would result after, paying a dividend. Although these contractual restrictions exist, we do not anticipate triggering any default measures or restrictions.

The Revolving Credit Facility contains cross-default provisions that could result in a default under such agreements if BHC or its material subsidiaries failed to 1) make timely payments of debt obligations; or 2) triggered other default provisions under any debt agreement totaling, in the aggregate principal amount of $50 million or more that permit the acceleration of debt maturities or mandatory debt prepayment.

Our Revolving Credit Facility and CP Program had the following borrowings, outstanding letters of credit, and available capacity (in millions):

Credit Facility	Expiration	Current Capacity	Short-term borrowings at December 31, 2021	Letters of Credit [a] at December 31, 2021	Available Capacity at December 31, 2021
Revolving Credit Facility and CP Program	July 19, 2026	$ 750	$ 420	$ 27	$ 303

(a) Letters of credit are off-balance sheet commitments that reduce the borrowing capacity available on our corporate Revolving Credit. For more information on these letters of credit, see Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

The weighted average interest rate on short-term borrowings at December 31, 2021 was 0.30%. Short-term borrowing activity for the year ended December 31, 2021 was:

	(dollars in millions)
Maximum amount outstanding (based on daily outstanding balances)	$ 440
Average amount outstanding (based on daily outstanding balances)	$ 258
Weighted average interest rate	0.22 %

See Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for more information on our Revolving Credit Facility and CP Program.

Term Loan

See Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for more information related to our term loan.

Utility Money Pool

As a utility holding company, we are required to establish a cash management program to address lending and borrowing activities between our utilities and the Company. We have established utility money pool agreements which address these requirements. These agreements are on file with the FERC and appropriate state regulators. Under the utility money pool agreements, our utilities may, at their option, borrow and extend short-term loans to our other utilities via a utility money pool at market-based rates. While the utility money pool may borrow funds from the Company (as ultimate parent company), the money pool arrangement does not allow loans from our utility subsidiaries to the Company (as ultimate parent company) or to non-regulated affiliates.

Long-term Debt

Our Long-term debt and associated interest payments due by year are shown below (in thousands). For more information on our long-term debt, see Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

	Payments Due by Period						
	2022	2023	2024	2025	2026	Thereafter	Total
Principal payments on Long-term debt including current maturities [a]	$ —	$ 525,000	$ 600,000	$ —	$ 300,000	$ 2,735,000	$ 4,160,000
Interest payments on Long-term debt [a]	147,720	147,772	125,460	119,238	113,313	1,095,879	1,749,382

(a) Long-term debt amounts do not include deferred financing costs or discounts or premiums on debt. Estimated interest payments on variable rate debt are calculated by utilizing the applicable rates as of December 31, 2021.

Covenant Requirements

The Revolving Credit Facility and Wyoming Electric's financing agreements contain covenant requirements. We were in compliance with these covenants as of December 31, 2021. See additional information in Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Equity

Shelf Registration

We have a shelf registration statement on file with the SEC under which we may issue, from time to time, senior debt securities, subordinated debt securities, common stock, preferred stock, warrants and other securities. Although the shelf registration statement does not limit our issuance capacity, our ability to issue securities is limited to the authority granted by our Board of Directors, certain covenants in our financing arrangements and restrictions imposed by federal and state regulatory authorities. The shelf registration expires in August 2023. Our articles of incorporation authorize the issuance of 100 million shares of common stock and 25 million shares of preferred stock. As of December 31, 2021, we had approximately 65 million shares of common stock outstanding and no shares of preferred stock outstanding.

ATM

Our ATM allows us to sell shares of our common stock with an aggregate value of up to $400 million. The shares may be offered from time to time pursuant to a sales agreement dated August 4, 2020. Shares of common stock are offered pursuant to our shelf registration statement filed with the SEC. During the twelve months ended December 31, 2021, we issued a total of 1,812,197 shares of common stock under the ATM for $119 million, net of $1.1 million in issuance costs.

For additional information regarding equity, see Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Future Financing Plans

We will continue to assess debt and equity needs to support our capital investment plans and other key strategic objectives. In 2022, we expect to fund our capital plan and strategic objectives by using cash generated from operating activities, our Revolving Credit Facility and CP Program, and issuing $100 million to $120 million of common stock under the ATM.

CREDIT RATINGS

Financing for operational needs and capital expenditure requirements, not satisfied by operating cash flows, depends upon the cost and availability of external funds through both short and long-term financing. In order to operate and grow our business, we need to consistently maintain the ability to raise capital on favorable terms. Access to funds is dependent upon factors such as general economic and capital market conditions, regulatory authorizations and policies, the Company's credit ratings, cash flows from routine operations and the credit ratings of counterparties. After assessing the current operating performance, liquidity and credit ratings of the Company, management believes that the Company will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. We note that credit ratings are not recommendations to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

The following table represents the credit ratings, outlook and risk profile of BHC at December 31, 2021:

Rating Agency	Senior Unsecured Rating	Outlook
S&P (a)	BBB+	Stable
Moody's (b)	Baa2	Stable
Fitch (c)	BBB+	Stable

(a) On October 20, 2021, S&P reported BBB+ rating and maintained a Stable outlook.
(b) On December 20, 2021, Moody's reported Baa2 rating and maintained a Stable outlook.
(c) On September 17, 2021, Fitch reported BBB+ rating and maintained a Stable outlook.

Certain fees and interest rates under our Revolving Credit Facility are based on our credit ratings at all three rating agencies. If all of our ratings are at the same level, or if two of our ratings are the same level and one differs, these fees and interest rates will be based on the ratings that are at the same level. If all of our ratings are at different levels, these fees and interest rates will be based on the middle level. Currently, our Fitch and S&P ratings are at the same level, and our Moody's rating is one level below. Therefore, if Fitch or S&P downgrades our senior unsecured debt, we will be required to pay higher fees and interest rates under our Revolving Credit Facility.

The following table represents the credit ratings of South Dakota Electric at December 31, 2021:

Rating Agency	Senior Secured Rating
S&P [(a)]	A
Fitch [(b)]	A

(a) On July 1, 2021, S&P reported A rating.
(b) On September 17, 2021, Fitch reported A rating.

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We do not have any trigger events (i.e., an acceleration of repayment of outstanding indebtedness, an increase in interest costs, or the posting of additional cash collateral) tied to our stock price and have not executed any transactions that require us to issue equity based on our credit ratings.

CAPITAL REQUIREMENTS

Capital Expenditures

Capital expenditures are a substantial portion of our cash requirements each year and we continue to forecast a robust capital expenditure program during the next five years. See above in Key Elements of our Business Strategy for forecasted capital expenditure requirements. A significant portion of our capital expenditures are for safety, reliability and integrity of our system and is included in utility rate base and eligible for recovery from our utility customers with regulatory approval. Those capital expenditures also earn a rate of return authorized by the commissions in the jurisdictions in which we operate.

Our capital expenditures for the three years ended December 31 were as follows (in thousands):

	2021	2020	2019
Capital Expenditures By Segment [(a)]:			
Electric Utilities	$ 285,770	$ 288,683	$ 316,687
Gas Utilities	383,320	449,209	512,366
Corporate and Other	10,500	17,500	20,702
Total capital expenditures	$ 679,590	$ 755,392	$ 849,755

(a) Includes accruals for property, plant and equipment as disclosed as supplemental cash flow information in the Consolidated Statements of Cash Flows in the Consolidated Financial Statements in this Annual Report on Form 10-K.

Repayments of Indebtedness

For information relating to repayments of our short- and long-term debt and associated interest payments, see the Capital Resources section above and Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Unconditional Purchase Obligations

We have unconditional purchase obligations which include the energy and capacity costs associated with our PPAs, transmission services agreements, and natural gas capacity, transportation and storage agreements. Additionally, our Gas Utilities have commitments to purchase physical quantities of natural gas under contracts indexed to various forward natural gas price curves. For additional information. see Note 3 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Defined Benefit Pension Plan

We have one defined benefit pension plan, the Black Hills Retirement Plan (Pension Plan). The unfunded status of the Pension Plan is defined as the amount the projected benefit obligation exceeds the plan assets. The unfunded status of the plan is $20 million as of December 31, 2021, compared to $40 million as of December 31, 2020. While we do not have required contributions, we expect to make $3.9 million in contributions to our Pension Plan in 2022. See further information in Note 13 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Common Stock Dividends

Future cash dividends, if any, will be dependent on our results of operations, financial position, cash flows, reinvestment opportunities and other factors, and will be evaluated and approved by our Board of Directors.

Additionally, there are certain statutory limitations that could affect future cash dividends paid. Federal law places limits on the ability of public utilities within a holding company structure to declare dividends. Specifically, under the Federal Power Act, a public utility may not pay dividends from any funds properly included in a capital account. The utility subsidiaries' dividends may be limited directly or indirectly by state regulatory commissions or bond indenture covenants. See additional information in Note 8 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

On January 26, 2022, our Board of Directors declared a quarterly dividend of $0.595 per share, equivalent to an annual dividend rate of $2.38 per share. The table below provides our dividends paid (in thousands), dividend payout ratio and dividends paid per share for the three years ended December 31:

	2021	2020	2019
Common Stock Dividends Paid	$ 145,023	$ 135,439	$ 124,647
Dividend Payout Ratio	61 %	60 %	63 %
Dividends Per Share	$ 2.29	$ 2.17	$ 2.05

Our three-year compound annualized dividend growth rate was 5.9%.

Collateral Requirements

Our Utilities maintain wholesale commodity contracts for the purchases and sales of electricity and natural gas which have performance assurance provisions that allow the counterparty to require collateral postings under certain conditions, including when requested on a reasonable basis due to a deterioration in our financial condition or nonperformance. A significant downgrade in our credit ratings, such as a downgrade to a level below investment grade, could result in counterparties requiring collateral postings under such adequate assurance provisions. The amount of credit support that we may be required to provide at any point in the future is dependent on the amount of the initial transaction, changes in the market price, open positions and the amounts owed by or to the counterparty. At December 31, 2021, we had sufficient liquidity to cover collateral that could be required to be posted under these contracts. The cash collateral we were required to post at December 31, 2021 was not material.

Guarantees

We provide various guarantees, which represent off-balance sheet commitments, supporting certain of our subsidiaries under specified agreements or transactions. For more information on these guarantees, see Note 3 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with GAAP. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in application. There are also areas which require management's judgment in selecting among available GAAP alternatives. We are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. We continue to closely monitor the impacts of COVID-19 and Winter Storm Uri on our critical accounting estimates including, but not limited to, collectibility of customer receivables, recoverability of regulatory assets, impairment risk of goodwill and long-lived assets, valuation of pension assets and liabilities and contingent liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results may differ from our estimates and to the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. We believe the following accounting estimates are the most critical in understanding and evaluating our reported financial results. We have reviewed these critical accounting estimates and related disclosures with our Audit Committee.

The following discussion of our critical accounting estimates should be read in conjunction with Note 1, "Business Description and Significant Accounting Policies" of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Regulation

Our regulated Electric and Gas Utilities are subject to cost-of-service regulation and earnings oversight from federal and state utility commissions. This regulatory treatment does not provide any assurance as to achievement of desired earnings levels. Our retail electric and gas utility rates are regulated on a state-by-state basis by the relevant state regulatory commissions based on an analysis of our costs, as reviewed and approved in a regulatory proceeding. The rates that we are allowed to charge may or may not match our related costs and allowed return on invested capital at any given time.

Management continually assesses the probability of future recoveries associated with regulatory assets and future obligations associated with regulatory liabilities. Factors such as the current regulatory environment, recently issued rate orders and historical precedents are considered. As a result, we believe that the accounting prescribed under rate-based regulation remains appropriate and our regulatory assets are probable of recovery in current rates or in future rate proceedings.

To some degree, each of our Electric and Gas Utilities are permitted to recover certain costs (such as increased fuel and purchased power costs) outside of a base rate review. To the extent we are able to pass through such costs to our customers, and a state regulatory commission subsequently determines that such costs should not have been paid by the customers, we may be required to refund such costs.

As of December 31, 2021 and 2020, we had total regulatory assets of $797 million and $278 million, respectively, and total regulatory liabilities of $503 million and $533 million, respectively. See Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for further information.

Goodwill

We perform a goodwill impairment test on an annual basis or upon the occurrence of events or changes in circumstances that indicate that the asset might be impaired. Our annual goodwill impairment testing date is as of October 1, which aligns with our financial planning process.

Accounting standards for testing goodwill for impairment require the application of either a qualitative or quantitative assessment to analyze whether or not goodwill has been impaired. Goodwill is tested for impairment at the reporting unit level. Under either the qualitative or quantitative assessment, the estimated fair value of a reporting unit is compared with its carrying amount, including goodwill. If the carrying amount exceeds fair value, then an impairment loss would be recognized in an amount equal to that excess, limited to the amount of goodwill allocated to that reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units and determining the fair value of the reporting unit. We have determined that the reporting units for goodwill impairment testing are our operating segments, or components of an operating segment, that constitute a business for which discrete financial information is available and for which the Chief Operating Decision Maker (CODM) regularly reviews the operating results. We estimate the fair value of our reporting units using a combination of an income approach, which estimates fair value based on discounted future cash flows, and a market approach, which estimates fair value based on market comparables within the utility and energy industries. These valuations require significant judgments, including, but not limited to: 1) estimates of future cash flows, based on our internal five-year business plans and adjusted as appropriate for our view of market participant assumptions, with long range cash flows estimated using a terminal value calculation; 2) estimates of long-term growth rates for our businesses; 3) the determination of an appropriate weighted-average cost of capital or discount rate; and 4) the utilization of market information such as recent sales transactions for comparable assets within the utility and energy industries. Varying by reporting unit, weighted average cost of capital in the range of 4.9% to 5.1% and long-term growth rate projections of 1.75% were utilized in the goodwill impairment test performed as of October 1, 2021. Although 1.75% was used for a long-term growth rate projection, the short-term projected growth rate is higher with planned recovery of capital investments through rider mechanisms and rate reviews. Under the market approach, we estimate fair value using multiples derived from comparable sales transactions and enterprise value to EBITDA for comparative peer companies for each respective reporting unit. These multiples are applied to operating data for each reporting unit to arrive at an indication of fair value. In addition, we add a reasonable control premium when calculating fair value utilizing the peer multiples, which is estimated as the premium that would be received in a sale in an orderly transaction between market participants.

The estimates and assumptions used in the impairment assessments are based on available market information and we believe they are reasonable. However, variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated. For the years ended December 31, 2021, 2020, and 2019, there were no impairment losses recorded. At December 31, 2021, the fair value substantially exceeded the carrying value at all reporting units.

Pension and Other Postretirement Benefits

As described in Note 13 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, we have one defined benefit pension plan, one defined post-retirement healthcare plan and several non-qualified retirement plans. A Master Trust holds the assets for the pension plan. A VEBA trust for the funded portion of the post-retirement healthcare plan has also been established.

Accounting for pension and other postretirement benefit obligations involves numerous assumptions, the most significant of which relate to the discount rates, healthcare cost trend rates, expected return on plan assets, compensation increases, retirement rates and mortality rates. The determination of our obligation and expenses for pension and other postretirement benefits is dependent on the assumptions determined by management and used by actuaries in calculating the amounts. Although we believe our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension and other postretirement obligations and our future expense.

The 2022 pension benefit cost for our non-contributory funded pension plan is expected to be $2.2 million compared to $0.8 million in 2021. The increase in the expected 2022 pension benefit cost is driven primarily by lower expected asset returns and a higher discount rate.

The effect of hypothetical changes to selected assumptions on the pension and other postretirement benefit plans would be as follows in thousands of dollars:

		December 31,	
Assumptions	Percentage Change	2021 Increase/(Decrease) PBO/APBO [(a)]	2022 Increase/(Decrease) Expense - Pretax
Pension			
Discount rate [(b)]	+/- 0.5	(27,101)/29,688	(1,883)/2,389
Expected return on assets	+/- 0.5	N/A	(2,180)/2,180
OPEB			
Discount rate [(b)]	+/- 0.5	(2,839)/3,097	47/107
Expected return on assets	+/- 0.5	N/A	(37)/37

(a) Projected benefit obligation (PBO) for the pension plan and accumulated postretirement benefit obligation (APBO) for OPEB plans.
(b) Impact on service cost, interest cost and amortization of gains or losses.

Income Taxes

The Company and its subsidiaries file consolidated federal income tax returns. Each entity records income taxes as if it were a separate taxpayer for both federal and state income tax purposes and consolidating adjustments are allocated to the subsidiaries based on separate company computations of taxable income or loss.

The Company uses the asset and liability method in accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities as well as operating loss and tax credit carryforwards. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and provides any necessary valuation allowances as required. If we determine that we will be unable to realize all or part of our deferred tax assets in the future, an adjustment to the deferred tax asset would be made in the period such determination was made. These adjustments may increase or decrease earnings. Although we believe our assumptions, judgments and estimates are reasonable, changes in tax laws or our interpretations of tax laws and the resolution of current and any future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements.

See Note 15 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our activities in the regulated and non-regulated energy sectors expose us to a number of risks in the normal operations of our businesses. Depending on the activity, we are exposed to varying degrees of market risk and credit risk.

Market risk is the potential loss that may occur as a result of an adverse change in market price, rate or supply. We are exposed, but not limited to, the following market risks:

- Commodity price risk associated with our retail natural gas services, wholesale electric power marketing activities and fuel procurement for several of our gas-fired generation assets. Market fluctuations may occur due to unpredictable factors such as weather (Winter Storm Uri), market speculation, inflation, pipeline constraints, and other factors that may impact natural gas and electric energy supply and demand; and

- Interest rate risk associated with future debt, including reduced access to liquidity during periods of extreme capital markets volatility, such as the 2008 financial crisis and the COVID-19 pandemic.

Credit risk is associated with financial loss resulting from non-performance of contractual obligations by a counterparty.

To manage and mitigate these identified risks, we have adopted the Black Hills Corporation Risk Policies and Procedures. The Black Hills Corporation Risk Policies and Procedures have been approved by our Executive Risk Committee. These policies relate to numerous matters including governance, control infrastructure, authorized commodities and trading instruments, prohibited activities and employee conduct. We report any issues or concerns pertaining to the Risk Policies and Procedures to the Audit Committee of our Board of Directors. The Executive Risk Committee, which includes senior level executives, meets at least quarterly and as necessary, to review our business and credit activities and to ensure that these activities are conducted within the authorized policies.

Commodity Price Risk

Electric and Gas Utilities

Our utilities have various provisions that allow them to pass the prudently-incurred cost of energy through to the customer. To the extent energy prices are higher or lower than amounts in our current billing rates, adjustments are made on a periodic basis to reflect billed amounts to match the actual energy cost we incurred. In Colorado, South Dakota and Wyoming, we have ECA or PCA provisions that adjust electric rates when energy costs are higher or lower than the costs included in our tariffs. In Arkansas, Colorado, Iowa, Kansas, Nebraska and Wyoming, we have GCA provisions that adjust natural gas rates when our natural gas costs are higher or lower than the energy cost included in our tariffs. These adjustments are subject to periodic prudence reviews by the state regulatory commissions.

The operations of our utilities, including natural gas sold by our Gas Utilities and natural gas used by our Electric Utilities' generation plants or those plants under PPAs where our Electric Utilities must provide the generation fuel (tolling agreements), expose our utility customers to natural gas price volatility. Therefore, as allowed or required by state regulatory commissions, we have entered into commission-approved hedging programs utilizing natural gas futures, options, over-the-counter swaps and basis swaps to reduce our customers' underlying exposure to these fluctuations.

For our regulated Utilities' hedging plans, unrealized and realized gains and losses, as well as option premiums and commissions on these transactions are recorded as Regulatory assets or Regulatory liabilities in the accompanying Consolidated Balance Sheets in accordance with the state utility commission guidelines. When the related costs are recovered through our rates, the hedging activity is recognized in the Consolidated Statements of Income. See additional information in Note 9 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Wholesale Power

We periodically have wholesale power purchase and sale contracts used to manage purchased power costs and load requirements associated with serving our electric customers that are considered derivative instruments and do not qualify for the normal purchase and normal sales exception for derivative accounting. Changes in the fair value of these commodity derivatives are recognized in the Consolidated Statements of Income.

A potential risk related to wholesale power sales is the price risk arising from the sale of power that exceeds our generating capacity. These potential short positions can arise from unplanned plant outages or from unanticipated load demands. To manage such risk, we restrict wholesale off-system sales to amounts by which our anticipated generating capabilities and purchased power resources exceed our anticipated load requirements plus a required reserve margin.

Black Hills Energy Services

We buy and sell natural gas at competitive prices by managing commodity price risk. As a result of these activities, this area of our business is exposed to risks associated with changes in the market price of natural gas. We manage our exposure to such risks using over-the-counter and exchange traded options and swaps with counterparties in anticipation of forecasted purchases and sales. A portion of our over-the-counter swaps have been designated as cash flow hedges to mitigate the commodity price risk associated with fixed price forward contracts to supply gas to our Choice Gas Program customers. The gain or loss on these designated derivatives is reported in AOCI in the accompanying Consolidated Balance Sheets and reclassified into earnings in the same period that the underlying hedged item is recognized in earnings.

At December 31, 2021 and 2020, a 10% change in market prices for our derivative instruments would not materially impact pre-tax income, the fair values of our derivative assets and liabilities, or OCI.

See additional commodity risk and derivative information in Note 9 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Interest Rate Risk

Periodically, we have engaged in activities to manage risks associated with changes in interest rates. We have utilized pay-fixed interest rate swap agreements to reduce exposure to interest rate fluctuations associated with floating rate debt obligations and anticipated debt refinancings. At December 31, 2021, we had no interest rate swaps in place. Further details of past swap agreements are set forth in Note 9 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

At December 31, 2021, 91% of our debt is fixed rate debt, which limits our exposure to variable interest rate fluctuations. A hypothetical 100 basis point increase in the benchmark rate on our variable rate debt would have increased annual pretax interest expense by approximately $2.7 million and $2.1 million for the years ended December 31, 2021 and 2020, respectively. See Note 8 for further information on cash amounts outstanding under short- and long-term variable rate borrowings.

We are subject to interest rate risk associated with our pension and post-retirement benefit obligations. Changes in interest rates impact the liabilities associated with these benefit plans as well as the amount of income or expense recognized for these plans. Declines in the value of the plan assets could diminish the funded status of the pension plans and potentially increase the requirements to make cash contributions to these plans. See additional information in Critical Accounting Estimates in Item 7 and Note 13 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Credit Risk

We have adopted the Black Hills Corporation Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within risk tolerances established by the Board of Directors. We attempt to mitigate our credit exposure by conducting business primarily with high credit quality entities, setting tenor and credit limits commensurate with counterparty financial strength, obtaining master netting agreements and mitigating credit exposure with less creditworthy counterparties through parental guarantees, cash collateral requirements, letters of credit and other security agreements.

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer’s current creditworthiness, as determined by review of their current credit information. We maintain a provision for estimated credit losses based upon historical experience, changes in current market conditions, expected losses and any specific customer collection issue that is identified. Our credit exposure at December 31, 2021 was concentrated primarily among retail utility customers, investment grade companies, cooperative utilities and federal agencies.

See more information in Notes 1 and 9 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021, based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission "COSO". This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on our evaluation, we have concluded that our internal control over financial reporting was effective as of December 31, 2021.

Deloitte & Touche LLP, an independent registered public accounting firm, as auditors of Black Hills Corporation's financial statements, has issued an attestation report on the effectiveness of Black Hills Corporation's internal control over financial reporting as of December 31, 2021. Deloitte & Touche LLP's report on Black Hills Corporation's internal control over financial reporting is included herein.

Black Hills Corporation

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Black Hills Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Black Hills Corporation and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Accounting - Impact of Rate Regulation on the Financial Statements — Refer to Notes 1 and 2 to the Financial Statements.

Critical Audit Matter Description

The Company is subject to cost-of-service regulation and earnings oversight by state and federal utility commissions (collectively, the “Commissions”), which have jurisdiction over the Company’s electric rates in Colorado, Montana, South Dakota and Wyoming and natural gas rates in Arkansas, Colorado, Iowa, Kansas, Nebraska and Wyoming. Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; revenue; operating expenses; and income tax benefit (expense).

Rates are regulated on a state-by-state basis by the relevant state regulatory commissions based on an analysis of the costs, as reviewed and approved in a regulatory proceeding. Rate regulation is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Decisions to be made by the Commissions in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While the Company has indicated its regulatory assets are probable of recovery in current rates or in future proceedings, there is a risk that the Commissions will not judge all costs to have been prudently incurred or that the rate regulation process in which rates are determined will not always result in rates that produce a full recovery of costs and the return on invested capital.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, and (2) a refund or future rate reduction to be provided to customers. Given the uncertainty of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) refunds or future reductions in rates that should be reported as regulatory liabilities. We tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We read relevant regulatory orders issued by the Commissions, procedural memorandums, filings made by the Company, and other publicly available information, as appropriate, to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedence of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to the Company's recorded regulatory asset and liability balances for completeness and for any evidence that might contradict management's assertions.
- We obtained and evaluated an analysis from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or of a future reduction in rates.
- We inspected minutes of the board of directors to identify any evidence that may contradict management's assertions regarding probability of recovery or refunds. We also inquired of management regarding current year rate filings and new regulatory assets or liabilities.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 15, 2022

We have served as the Company's auditor since 2002.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Black Hills Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Black Hills Corporation and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 15, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 15, 2022

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

Year ended	December 31, 2021	December 31, 2020	December 31, 2019
	(in thousands, except per share amounts)		
Revenue	$ 1,949,102	$ 1,696,941	$ 1,734,900
Operating expenses:			
Fuel, purchased power and cost of natural gas sold	741,934	492,404	570,829
Operations and maintenance	501,690	495,404	495,994
Depreciation, depletion and amortization	235,953	224,457	209,120
Taxes - property and production	60,096	56,373	52,915
Total operating expenses	1,539,673	1,268,638	1,328,858
Operating income	409,429	428,303	406,042
Other income (expense):			
Interest expense incurred net of amounts capitalized (including amortization of debt issuance costs, premiums and discounts)	(154,112)	(144,931)	(139,291)
Interest income	1,708	1,461	1,632
Impairment of investment	—	(6,859)	(19,741)
Other income (expense), net	1,404	(2,293)	(5,740)
Total other income (expense)	(151,000)	(152,622)	(163,140)
Income before income taxes	258,429	275,681	242,902
Income tax (expense)	(7,169)	(32,918)	(29,580)
Net income	251,260	242,763	213,322
Net income attributable to non-controlling interest	(14,516)	(15,155)	(14,012)
Net income available for common stock	$ 236,744	$ 227,608	$ 199,310
Earnings per share of common stock:			
Earnings per share, Basic	$ 3.74	$ 3.65	$ 3.29
Earnings per share, Diluted	$ 3.74	$ 3.65	$ 3.28
Weighted average common shares outstanding:			
Basic	63,219	62,378	60,662
Diluted	63,325	62,439	60,798

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Net income	$ 251,260	$ 242,763	$ 213,322
Other comprehensive income (loss), net of tax:			
Benefit plan liability adjustments - net gain (loss) (net of tax of $(664), $191 and $1,886, respectively)	1,959	(1,062)	(6,253)
Benefit plan liability adjustments - prior service costs (net of tax of $0, $0 and $2 respectively)	—	—	(8)
Reclassification adjustment of benefit plan liability - net loss (net of tax of $(665), $(958) and $434, respectively)	1,726	1,429	1,179
Reclassification adjustment of benefit plan liability - prior service cost (net of tax of $27, $23 and $19, respectively)	(71)	(80)	(58)
Derivative instruments designated as cash flow hedges:			
Reclassification of net realized (gains) losses on settled/amortized interest rate swaps (net of tax of $(677), $(287) and $(666), respectively)	2,174	2,564	2,185
Net unrealized gains (losses) on commodity derivatives (net of tax of $(980), $14 and $126, respectively)	3,023	(47)	(422)
Reclassification of net realized (gains) losses on settled commodity derivatives (net of tax of $502, $(96) and $55, respectively)	(1,549)	505	(362)
Other comprehensive income (loss), net of tax	7,262	3,309	(3,739)
Comprehensive income	258,522	246,072	209,583
Less: comprehensive income attributable to non-controlling interest	(14,516)	(15,155)	(14,012)
Comprehensive income available for common stock	$ 244,006	$ 230,917	$ 195,571

See Note 11 for additional disclosures related to Comprehensive Income.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS

	As of	
	December 31, 2021	December 31, 2020
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,921	$ 6,356
Restricted cash and equivalents	4,889	4,383
Accounts receivable, net	321,652	265,961
Materials, supplies and fuel	150,979	117,400
Derivative assets, current	4,373	1,848
Income tax receivable, net	18,017	19,446
Regulatory assets, current	270,290	51,676
Other current assets	29,012	26,221
Total current assets	808,133	493,291
Property, plant and equipment	7,856,573	7,305,530
Less accumulated depreciation and depletion	(1,407,397)	(1,285,816)
Total property, plant and equipment, net	6,449,176	6,019,714
Other assets:		
Goodwill	1,299,454	1,299,454
Intangible assets, net	10,770	11,944
Regulatory assets, non-current	526,309	226,582
Other assets, non-current	38,054	37,801
Total other assets, non-current	1,874,587	1,575,781
TOTAL ASSETS	$ 9,131,896	$ 8,088,786

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Continued)

	As of	
	December 31, 2021	December 31, 2020
	(in thousands, except share amounts)	
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 217,761	$ 183,340
Accrued liabilities	244,759	243,612
Derivative liabilities, current	1,439	2,044
Regulatory liabilities, current	17,574	25,061
Notes payable	420,180	234,040
Current maturities of long-term debt	—	8,436
Total current liabilities	901,713	696,533
Long-term debt, net of current maturities	4,126,923	3,528,100
Deferred credits and other liabilities:		
Deferred income tax liabilities, net	465,388	408,624
Regulatory liabilities, non-current	485,377	507,659
Benefit plan liabilities	123,925	150,556
Other deferred credits and other liabilities	141,447	134,667
Total deferred credits and other liabilities	1,216,137	1,201,506
Commitments, contingencies and guarantees (Note 3)		
Equity:		
Stockholders' equity -		
Common stock $1.00 par value; 100,000,000 shares authorized; issued: 64,793,095 and 62,827,179, respectively	64,793	62,827
Additional paid-in capital	1,783,436	1,657,285
Retained earnings	962,458	870,738
Treasury stock at cost - 54,078 and 32,492, respectively	(3,509)	(2,119)
Accumulated other comprehensive income (loss)	(20,084)	(27,346)
Total stockholders' equity	2,787,094	2,561,385
Non-controlling interest	100,029	101,262
Total equity	2,887,123	2,662,647
TOTAL LIABILITIES AND TOTAL EQUITY	$ 9,131,896	$ 8,088,786

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Operating activities:			
Net income	$ 251,260	$ 242,763	$ 213,322
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	235,953	224,457	209,120
Deferred financing cost amortization	6,968	7,883	7,838
Impairment of investment	—	6,859	19,741
Stock compensation	9,655	5,373	12,095
Deferred income taxes	7,261	38,091	38,020
Employee benefit plans	9,590	11,997	12,406
Other adjustments, net	7,018	11,669	16,485
Change in certain operating assets and liabilities:			
Materials, supplies and fuel	(35,707)	2,755	2,052
Accounts receivable and other current assets	(43,170)	(10,843)	7,578
Accounts payable and other current liabilities	10,660	24,659	(34,906)
Regulatory assets	(514,687)	(5,047)	23,619
Regulatory liabilities	(9,533)	(10,706)	(15,158)
Contributions to defined benefit pension plans	—	(12,700)	(12,700)
Other operating activities, net	167	4,653	6,001
Net cash provided by (used in) operating activities	(64,565)	541,863	505,513
Investing activities:			
Property, plant and equipment additions	(677,492)	(767,404)	(818,376)
Other investing activities	13,262	5,740	2,166
Net cash (used in) investing activities	(664,230)	(761,664)	(816,210)
Financing activities:			
Dividends paid on common stock	(145,023)	(135,439)	(124,647)
Common stock issued	118,979	99,278	101,358
Term Loan - borrowings	800,000	—	—
Term Loan - repayments	(800,000)	—	—
Net borrowings (payments) of Revolving Credit Facility and CP Program	186,140	(115,460)	163,880
Long-term debt - issuance	600,000	400,000	1,100,000
Long-term debt - repayments	(8,436)	(8,597)	(905,743)
Distributions to non-controlling interests	(15,749)	(15,839)	(17,901)
Other financing activities	(4,045)	(7,061)	(16,737)
Net cash provided by financing activities	731,866	216,882	300,210
Net change in cash, restricted cash and cash equivalents	3,071	(2,919)	(10,487)
Cash, restricted cash and cash equivalents beginning of year	10,739	13,658	24,145
Cash, restricted cash and cash equivalents end of year	$ 13,810	$ 10,739	$ 13,658
Supplemental cash flow information:			
Cash (paid) refunded during the period:			
Interest (net of amounts capitalized)	$ (142,685)	$ (136,549)	$ (131,774)
Income taxes	$ 1,521	$ 2,172	$ 4,682
Non-cash investing and financing activities:			
Accrued property, plant and equipment purchases at December 31	$ 68,758	$ 72,215	$ 91,491
Increase in capitalized assets associated with asset retirement obligations	$ 2,109	$ 4,774	$ 5,044

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY

(in thousands except share amounts)	Common Stock Shares	Common Stock Value	Treasury Stock Shares	Treasury Stock Value	Additional Paid in Capital	Retained Earnings	AOCI	Non controlling Interest	Total
Balance at December 31, 2018	60,048,567	$ 60,049	44,253	$ (2,510)	$ 1,450,569	$ 700,396	$ (26,916)	$ 105,835	$ 2,287,423
Net income	—	—	—	—	—	199,310	—	14,012	213,322
Other comprehensive (loss), net of tax	—	—	—	—	—	—	(3,739)	—	(3,739)
Dividends on common stock ($2.05 per share)	—	—	—	—	—	(124,647)	—	—	(124,647)
Share-based compensation	103,759	104	(40,297)	2,243	4,729	—	—	—	7,076
Issuance of common stock	1,328,332	1,328	—	—	98,672	—	—	—	100,000
Issuance costs	—	—	—	—	(1,182)	—	—	—	(1,182)
Other	—	—	—	—	—	327	—	—	327
Implementation of ASU 2016-02 Leases	—	—	—	—	—	3,390	—	—	3,390
Distributions to non-controlling interest	—	—	—	—	—	—	—	(17,901)	(17,901)
Balance at December 31, 2019	61,480,658	$ 61,481	3,956	$ (267)	$ 1,552,788	$ 778,776	$ (30,655)	$ 101,946	$ 2,464,069
Net income	—	—	—	—	—	227,608	—	15,155	242,763
Other comprehensive income, net of tax	—	—	—	—	—	—	3,309	—	3,309
Dividends on common stock ($2.17 per share)	—	—	—	—	—	(135,439)	—	—	(135,439)
Share-based compensation	123,578	123	28,536	(1,852)	6,923	—	—	—	5,194
Issuance of common stock	1,222,943	1,223	—	—	98,777	—	—	—	100,000
Issuance costs	—	—	—	—	(1,203)	—	—	—	(1,203)
Implementation of ASU 2016-13 Financial Instruments - - Credit Losses	—	—	—	—	—	(207)	—	—	(207)
Distributions to non-controlling interest	—	—	—	—	—	—	—	(15,839)	(15,839)
Balance at December 31, 2020	62,827,179	$ 62,827	32,492	$ (2,119)	$ 1,657,285	$ 870,738	$ (27,346)	$ 101,262	$ 2,662,647
Net income	—	—	—	—	—	236,744	—	14,516	251,260
Other comprehensive income, net of tax	—	—	—	—	—	—	7,262	—	7,262
Dividends on common stock ($2.29 per share)	—	—	—	—	—	(145,023)	—	—	(145,023)
Share-based compensation	153,719	154	21,586	(1,390)	9,256	—	—	—	8,020
Issuance of common stock	1,812,197	1,812	—	—	118,112	—	—	—	119,924
Issuance costs	—	—	—	—	(1,217)	—	—	—	(1,217)
Other	—	—	—	—	—	(1)	—	—	(1)
Distributions to non-controlling interest	—	—	—	—	—	—	—	(15,749)	(15,749)
Balance at December 31, 2021	64,793,095	$ 64,793	54,078	$ (3,509)	$ 1,783,436	$ 962,458	$ (20,084)	$ 100,029	$ 2,887,123

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

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BLACK HILLS CORPORATION
Notes to Consolidated Financial Statements
December 31, 2021, 2020 and 2019

(1) BUSINESS DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

Business Description

Black Hills Corporation is a customer-focused, growth-oriented utility company headquartered in Rapid City, South Dakota. We are a holding company that, through our subsidiaries, conducts our operations through the following reportable segments: Electric Utilities and Gas Utilities. Certain unallocated corporate expenses that support our operating segments are presented as Corporate and Other.

Segment Reporting

Our reportable segments are based on our method of internal reporting, which is generally segregated by differences in products and services. All of our operations and assets are located within the United States.

Our Electric Utilities segment includes the operating results of the regulated electric utility operations of Colorado Electric, South Dakota Electric, and Wyoming Electric, which supply regulated electric utility services to areas in Colorado, Montana, South Dakota and Wyoming. We also own and operate non-regulated power generation and mining businesses that are vertically integrated with our Electric Utilities.

In the fourth quarter of 2021, we integrated our power generation and mining businesses within the Electric Utilities segment. The alignment is consistent with the current way our CODM evaluates the performance of the business and makes decisions related to the allocation of resources. Comparative periods presented reflect this change.

Our Gas Utilities segment consists of the operating results of our regulated natural gas utility subsidiaries in Arkansas, Colorado, Iowa, Kansas, Nebraska and Wyoming.

For further information regarding our segment reporting, see Note 16.

Use of Estimates and Basis of Presentation

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Changes in facts and circumstances or additional information may result in revised estimates and actual results could differ materially from those estimates.

COVID-19 Pandemic

In March 2020, the World Health Organization categorized COVID-19 as a pandemic and the President of the United States declared the outbreak a national emergency. The U.S. government has deemed electric and natural gas utilities to be critical infrastructure sectors that provide essential services during this emergency. As a provider of essential services, the Company has an obligation to provide services to our customers. The Company remains focused on protecting the health of our customers, employees and the communities in which we operate while assuring the continuity of our business operations.

The Company’s Consolidated Financial Statements reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting periods presented. The Company considered the impacts of COVID-19 on the assumptions and estimates used and determined that, for the years ended December 31, 2021 and 2020, there were no material adverse impacts on the Company’s results of operations.

Principles of Consolidation

The consolidated financial statements include the accounts of Black Hills Corporation and its wholly-owned and majority-owned and controlled subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. For additional information on intercompany revenues, see Note 16.

Our Consolidated Statements of Income include operating activity of acquired companies beginning with their acquisition date. We use the proportionate consolidation method to account for our ownership interest in any jointly-owned electric utility generation facility, wind farm or transmission tie. See Note 6 for additional information.

Variable Interest Entities

We evaluate arrangements and contracts with other entities to determine if they are VIEs and if we are the primary beneficiary. GAAP provides a framework for identifying VIEs and determining when a company should include the assets, liabilities, non-controlling interest and results of activities of a VIE in its consolidated financial statements.

A VIE should be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and non-controlling interests at fair value and subsequently account for the VIE as if it were consolidated.

Our evaluation of whether our interest qualifies as the primary beneficiary of a VIE involves significant judgments, estimates and assumptions and includes a qualitative analysis of the activities that most significantly impact the VIE's economic performance and whether the Company has the power to direct those activities, the design of the entity, the rights of the parties and the purpose of the arrangement. Black Hills Colorado IPP is a VIE. See additional information in Note 12.

Cash, Cash Equivalents and Restricted Cash

We consider all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. We maintain cash accounts for various specified purposes, which are classified as restricted cash.

Revenue Recognition

Our revenue contracts generally provide for performance obligations that are fulfilled and transfer control to customers over time, represent a series of distinct services that are substantially the same, involve the same pattern of transfer to the customer and provide a right to consideration from our customers in an amount that corresponds directly with the value to the customer for the performance completed to date. Therefore, we recognize revenue in the amount to which we have a right to invoice. Our primary types of revenue contracts are:

- Regulated natural gas and electric utility services tariffs - Our Utilities have regulated operations, as defined by ASC 980, *Regulated Operations,* that provide services to regulated customers under tariff rates, charges, terms and conditions of service and prices determined by the jurisdictional regulators designated for our service territories. Our regulated services primarily encompass single performance obligations for delivery of either commodity natural gas, commodity electricity, natural gas transportation or electric transmission services. These service revenues are variable based on quantities delivered, influenced by seasonal business and weather patterns. Tariffs are only permitted to be changed through a rate-setting process involving the state or federal regulatory commissions to establish contractual rates between the utility and its customers. All of our Utilities' regulated sales are subject to regulatory-approved tariffs.

- Power sales agreements - Our Electric Utilities segment has long-term wholesale power sales agreements with other load-serving entities, including affiliates, for the sale of excess power from owned generating units. These agreements include a combination of "take or pay" arrangements, where the customer is obligated to pay for the energy regardless of whether it actually takes delivery, as well as "requirements only" arrangements, where the customer is only obligated to pay for the energy the customer needs. In addition to these long-term contracts, we also sell excess energy to other load-serving entities on a short-term basis. The pricing for all of these arrangements is included in the executed contracts or confirmations, reflecting the standalone selling price and is variable based on energy delivered. Certain energy sale and purchase transactions with the same counterparty and at the same delivery point are netted to reflect the economic substance of the arrangement.

- Coal supply agreements - Our WRDC mine sells coal primarily under long-term contracts to affiliates for use at their generation facilities. The contracts include a single promise to supply coal necessary to fuel the customers' facilities during the contract term. The transaction price is established in the supply agreements, including cost-based agreements with the affiliated regulated utilities, and is variable based on tons delivered.

- Other non-regulated services - Our Utilities segments also provide non-regulated services primarily comprised of appliance repair service and protection plans, electric and natural gas technical infrastructure construction and maintenance services, and in Nebraska and Wyoming, an unbundled natural gas commodity offering under the regulatory-approved Choice Gas Program. Revenue contracts for these services generally represent a single performance obligation with the price reflecting the standalone selling price stated in the agreement and a variable revenue based on the units delivered or services provided.

The majority of our revenue contracts are based on variable quantities delivered. Any fixed consideration contracts with an expected duration of one year or more are immaterial to our consolidated revenues. Variable consideration constraints in the form of discounts, rebates, credits, price concessions, incentives, performance bonuses, penalties or other similar items are not material for our revenue contracts. We are the principal in our revenue contracts, as we have control over the services prior to those services being transferred to the customer.

Revenue Not in Scope of ASC 606

Other revenues included in the tables in Note 4 include our revenue accounted for under separate accounting guidance, including lease revenue under ASC 842, *Leases,* derivative revenue under ASC 815, *Derivatives and Hedging,* and alternative revenue programs revenue under ASC 980, *Regulated Operations*.

Significant Judgments and Estimates

Unbilled Revenue

To the extent that deliveries have occurred but a bill has not been issued, our Utilities accrue an estimate of the revenue since the latest billing. This estimate is calculated based upon several factors including billings through the last billing cycle in a month and prices in effect in our jurisdictions. Each month, the estimated unbilled revenue amounts are trued-up and recorded in Accounts receivable, net on the accompanying Consolidated Balance Sheets.

Contract Balances

The nature of our primary revenue contracts provides an unconditional right to consideration upon service delivery; therefore, no customer contract assets or liabilities exist. The unconditional right to consideration is represented by the balance in our Accounts receivable, which is further discussed below.

Additional information is included in Note 4.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable for our Electric and Gas Utilities business segments primarily consists of sales to residential, commercial, industrial, transportation and other customers, all of which do not bear interest. These accounts receivable are stated at billed and estimated unbilled amounts, net of allowance for credit losses. Accounts receivable for our power generation and mining businesses consists of amounts due from sales of electric energy and capacity and coal primarily to affiliates or regional utilities.

We maintain an allowance for credit losses which reflects our estimate of uncollectible trade receivables. We regularly review our trade receivable allowance by considering such factors as historical experience, credit worthiness, the age of the receivable balances and current economic conditions that may affect collectability.

In specific cases where we are aware of a customer’s inability or reluctance to pay, we record an allowance for credit losses to reduce the net receivable balance to the amount we reasonably expect to collect. However, if circumstances change, our estimate of the recoverability of accounts receivable could be affected. Circumstances which could affect our estimates include, but are not limited to, customer credit issues, expected losses, the level of commodity prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible or the time allowed for dispute under the contract has expired.

We utilize master netting agreements which consist of an agreement between two parties who have multiple contracts with each other that provide for the net settlement of all contracts in the event of default on or termination of any one contract. When the right of offset exists, accounting standards permit the netting of receivables and payables under a legally enforceable master netting agreement between counterparties. Accounting standards also permit offsetting of fair value amounts recognized for the right to reclaim, or the obligation to return, cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty.

Following is a summary of accounts receivable as of December 31 (in thousands):

	2021	2020
Billed Accounts Receivable	$ 181,027	$ 146,899
Unbilled Revenue	$ 142,738	$ 126,065
Less Allowance for Credit Losses	$ (2,113)	$ (7,003)
Accounts Receivable, net	$ 321,652	$ 265,961

Changes to allowance for credit losses for the years ended December 31, were as follows (in thousands):

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Recoveries and Other Additions	Write-offs and Other Deductions	Balance at End of Year
2021	$ 7,003	$ 2,444 (a)	$ 3,560	$ (10,894)	$ 2,113
2020	$ 2,444	$ 8,927 (a)	$ 4,728	$ (9,096)	$ 7,003
2019	$ 3,209	$ 5,795	$ 3,942	$ (10,502)	$ 2,444

(a) Due to the COVID-19 pandemic, all of our jurisdictions temporarily suspended disconnections due to non-payment for a period of time, which increased our accounts receivable arrears balances. As a result, we increased our allowance for credit losses and bad debt expense for the year ended December 31, 2020 by an incremental $3.3 million. All jurisdiction disconnect moratoriums ended on or before May 3, 2021.

Materials, Supplies and Fuel

The following amounts by major classification are included in Materials, supplies and fuel on the accompanying Consolidated Balance Sheets as of December 31 (in thousands):

	2021	2020
Materials and supplies	$ 86,400	$ 85,250
Fuel	1,267	1,531
Natural gas in storage	63,312	30,619
Total materials, supplies and fuel	$ 150,979	$ 117,400

Materials and supplies represent parts and supplies for business segments. Fuel represents diesel oil and gas used by our Electric Utilities to produce power. Natural gas in storage primarily represents gas purchased for use by our gas customers. All of our Materials, supplies and fuel are recorded using the weighted-average cost method and are valued at the lower-of-cost or net realizable value. The value of our natural gas in storage fluctuates with seasonal volume requirements of our business and the commodity price of natural gas.

Investments

In February 2018, we made a contribution of $28 million of assets in exchange for equity securities in a privately held oil and gas company as we divested of our Oil and Gas segment. The carrying value of our investment in the equity securities was recorded at cost. We review this investment on a periodic basis to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the value of the investment.

During the third quarter of 2019, we assessed our investment for impairment as a result of a deterioration in earnings performance of the privately held oil and gas company and an adverse change in future natural gas prices. Based on the estimated fair value of our investment, we concluded that the carrying value of the investment exceeded fair value. As a result, we recorded a pre-tax impairment loss of $20 million for the three months ended September 30, 2019, which was the difference between the carrying amount and the fair value of the investment at that time.

During the first quarter of 2020, we assessed our investment for impairment as a result of continued adverse changes in future natural gas prices and liquidity concerns at the privately held oil and gas company. Based on the estimated fair value of our investment, we concluded that the carrying value of the investment exceeded fair value. As a result, we recorded a pre-tax impairment loss of $6.9 million for the three months ended March 31, 2020, which was the difference between the carrying value and the fair value of the investment at that time.

The following table presents the carrying value of our investments (in thousands), which are included in Other assets, non-current on the Consolidated Balance Sheets, as of December 31:

	2021	2020
Investment in privately held oil and gas company	$ 1,500	$ 1,500
Cash surrender value of life insurance contracts	12,365	13,628
Other investments	1,616	682
Total investments	$ 15,481	$ 15,810

Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost. Included in the cost of regulated construction projects is AFUDC, when applicable, which represents the approximate composite cost of borrowed funds and a return on equity used to finance a regulated utility project. The following table presents AFUDC amounts (in thousands) for the years ended December 31:

	Income Statement Location	2021	2020	2019
AFUDC Borrowed	Interest expense incurred net of amounts capitalized (including amortization of debt issuance costs, premiums and discounts)	$ 4,068	$ 5,617	$ 6,556
AFUDC Equity	Other income (expense), net	593	318	472

We also capitalize interest, when applicable, on undeveloped leasehold costs and certain non-regulated construction projects. In addition, asset retirement costs associated with tangible long-lived regulated utility assets are recognized as liabilities with an increase to the carrying amounts of the related long-lived regulated utility assets in the period incurred. The amounts capitalized are included in Property, plant and equipment on the accompanying Consolidated Balance Sheets. We also classify our Cushion Gas as property, plant and equipment.

The cost of regulated utility property, plant and equipment retired, or otherwise disposed in the ordinary course of business, less salvage plus retirement costs, is charged to accumulated depreciation. Estimated removal costs related to our regulated properties that do not have legal retirement obligations are reclassified from accumulated depreciation and reflected as regulatory liabilities. Retirement or disposal of all other assets result in gains or losses recognized as a component of operating income. Ordinary repairs and maintenance of property, except as allowed under rate regulations, are charged to operations as incurred.

Depreciation provisions for property, plant and equipment are generally computed on a straight-line basis based on the applicable estimated service life of the various classes of property. The composite depreciation method is applied to regulated utility property. Capitalized mining costs and coal leases are amortized on a unit-of-production method based on volumes produced and estimated reserves. For certain non-regulated power plant components, depreciation is computed on a unit-of-production methodology based on plant hours run.

See Note 5 for additional information.

Asset Retirement Obligations

Accounting standards for AROs associated with long-lived assets require that the present value of retirement costs for which we have a legal obligation be recorded as liabilities with an equivalent amount added to the asset cost and depreciated over an appropriate period. The associated ARO accretion expense for our non-regulated operations is included within Depreciation, depletion and amortization on the accompanying Consolidated Statements of Income. The accounting for the obligation for regulated operations has no income statement impact due to the deferral of the adjustments through the establishment of a regulatory asset or a regulatory liability.

We initially record liabilities for the present value of retirement costs for which we have a legal obligation, with an equivalent amount added to the asset cost. The asset is then depreciated or depleted over the appropriate useful life and the liability is accreted over time by applying an interest method of allocation. Any difference in the actual cost of the settlement of the liability and the recorded amount is recognized as a gain or loss in the results of operations at the time of settlement for our non-regulated operations. Additional information is included in Note 7.

Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite lives are not amortized, but the carrying values are reviewed upon an indicator of impairment or at least annually. Intangible assets with a finite life are amortized over their estimated useful lives.

We perform a goodwill impairment test on an annual basis or upon the occurrence of events or changes in circumstances that indicate that the asset might be impaired. Our annual goodwill impairment testing date is as of October 1, which aligns our testing date with our financial planning process.

The Company has determined that the reporting units for its goodwill impairment test are its operating segments, or components of an operating segment.

Our goodwill impairment analysis includes an income approach and a market approach to estimate the fair value of our reporting units. This analysis requires the input of several critical assumptions, including future growth rates, cash flow projections, operating cost escalation rates, rates of return, a risk-adjusted discount rate, timing and level of success in regulatory rate proceedings, the cost of debt and equity capital, long-term earnings and merger multiples for comparable companies.

We believe that goodwill reflects the inherent value of the relatively stable, long-lived cash flows of our Utilities businesses, considering the regulatory environment, and the long-lived cash flow and rate base growth opportunities at our Utilities, and those businesses vertically integrated. Goodwill amounts have not changed since 2016. As of December 31, 2021 and 2020, Goodwill balances were as follows (in thousands):

	Electric Utilities	Gas Utilities	Total
Goodwill	$ 257,244	$ 1,042,210	$ 1,299,454

Our intangible assets represent contract intangibles, easements, rights-of-way, customer listings and trademarks. The finite-lived intangible assets are amortized using a straight-line method based on estimated useful lives; these assets are currently being amortized from 2 years to 40 years. Changes to intangible assets for the years ended December 31, were as follows (in thousands):

	2021	2020	2019
Intangible assets, net, beginning balance	$ 11,944	$ 13,266	$ 14,337
Amortization expense [(a)]	(1,174)	(1,322)	(1,071)
Intangible assets, net, ending balance	$ 10,770	$ 11,944	$ 13,266

(a) Amortization expense for existing intangible assets is expected to be $1.2 million for each year of the next five years.

Accrued Liabilities

The following amounts by major classification are included in Accrued liabilities on the accompanying Consolidated Balance Sheets as of December 31 (in thousands):

	2021	2020
Accrued employee compensation, benefits and withholdings	$ 74,387	$ 77,806
Accrued property taxes	50,874	47,105
Customer deposits and prepayments	48,814	52,185
Accrued interest	33,680	31,520
Other (none of which is individually significant)	37,004	34,996
Total accrued liabilities	$ 244,759	$ 243,612

Fair Value Measurements

Financial Instruments

We use the following fair value hierarchy for determining inputs for our financial instruments. Our assets and liabilities for financial instruments are classified and disclosed in one of the following fair value categories:

Level 1 — Unadjusted quoted prices available in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities. Level 1 instruments primarily consist of highly liquid and actively traded financial instruments with quoted pricing information on an ongoing basis.

Level 2 — Pricing inputs include quoted prices for identical or similar assets and liabilities in active markets other than quoted prices in Level 1, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Pricing inputs are generally less observable from objective sources. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. We record transfers, if necessary, between levels at the end of the reporting period for all of our financial instruments.
Transfers into Level 3, if any, occur when significant inputs used to value the derivative instruments become less observable, such as a significant decrease in the frequency and volume in which the instrument is traded, negatively impacting the availability of observable pricing inputs. Transfers out of Level 3, if any, occur when the significant inputs become more observable, such as when the time between the valuation date and the delivery date of a transaction becomes shorter, positively impacting the availability of observable pricing inputs.

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Valuation Methodologies for Derivatives

The wholesale electric energy and natural gas commodity contracts for our Utilities are valued using the market approach and include forward strip pricing at liquid delivery points, exchange-traded futures, options, basis swaps and over-the-counter swaps and options (Level 2). For exchange-traded futures, options and basis swap assets and liabilities, fair value was derived using broker quotes validated by the exchange settlement pricing for the applicable contract. For over-the-counter instruments, the fair value is obtained by utilizing a nationally recognized service that obtains observable inputs to compute the fair value, which we validate by comparing our valuation with the counterparty. The fair value of these swaps includes a CVA based on the credit spreads of the counterparties when we are in an unrealized gain position or on our own credit spread when we are in an unrealized loss position.

Additional information on fair value measurements is included in Notes 10 and 13.

Derivatives and Hedging Activities

All our derivatives are measured at fair value and recognized as either assets or liabilities on the Consolidated Balance Sheets, except for derivative contracts that qualify for and are elected under the normal purchase and normal sales exception. Normal purchases and normal sales are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable amount of time and pricing is clearly and closely related to the asset being purchased or sold. Normal purchase and sales contracts are recognized when the underlying physical transaction is completed under the accrual basis of accounting.

In addition, certain derivative contracts approved by regulatory authorities are either recovered or refunded through customer rates. Any changes in the fair value of these approved derivative contracts are deferred as a regulatory asset or regulatory liability pursuant to ASC 980, *Regulated Operations*.

We also have some derivatives that qualify for hedge accounting and are designated as cash flow hedges. The gain or loss on these designated derivatives is deferred in AOCI and reclassified into earnings when the corresponding hedged transaction is recognized in earnings. Changes in the fair value of all other derivative contracts are recognized in earnings.

We utilize master netting agreements which consist of an agreement between two parties who have multiple contracts with each other that provide for the net settlement of all contracts in the event of default on or termination of any one contract. When the right of offset exists, accounting standards permit the netting of receivables and payables under a legally enforceable master netting agreement between counterparties. Accounting standards also permit offsetting of fair value amounts recognized for the right to reclaim, or the obligation to return, cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty. We reflect the offsetting of net derivative positions with fair value amounts for cash collateral with the same counterparty when a legal right of offset exists. Therefore, the gross amounts are not indicative of either our actual credit or net economic exposures.

See additional information in Notes 9, 10 and 11.

Deferred Financing Costs

Deferred financing costs include loan origination fees, underwriter fees, legal fees and other costs directly attributable to the issuance of debt. Deferred financing costs are amortized over the estimated useful life of the related debt. These costs are presented on the balance sheet as an adjustment to the related debt liabilities. See additional information in Note 8.

Regulatory Accounting

Our regulated Electric Utilities and Gas Utilities are subject to cost-of-service regulation and earnings oversight from federal and state regulatory commissions. Our Electric and Gas Utilities account for income and expense items in accordance with accounting standards for regulated operations. These accounting policies differ in some respects from those used by our non-regulated businesses. Under these regulated operations accounting standards:

- Certain costs, which would otherwise be charged to expense or OCI, are deferred as regulatory assets based on the expected ability to recover the costs in future rates.
- Certain credits, which would otherwise be reflected as income or OCI, are deferred as regulatory liabilities based on the expectation the amounts will be returned to customers in future rates, or because the amounts were collected in rates prior to the costs being incurred.

Management continually assesses the probability of future recoveries and obligations associated with regulatory assets and liabilities. Factors such as the current regulatory environment, recently issued rate orders, and historical precedents are considered. As a result, we believe that the accounting prescribed under rate-based regulation remains appropriate and our regulatory assets are probable of recovery in current rates or in future rate proceedings.

If changes in the regulatory environment occur, we may no longer be eligible to apply this accounting treatment, and may be required to eliminate regulatory assets and liabilities from our balance sheet. Such changes could adversely affect our results of operations, financial position or cash flows.

As of December 31, 2021 and 2020, we had total regulatory assets of $797 million and $278 million respectively, and total regulatory liabilities of $503 million and $533 million respectively. See Note 2 for further information.

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Income Taxes

The Company and its subsidiaries file consolidated federal income tax returns. Each entity records both federal and state income taxes as if it were a separate taxpayer and consolidating expense adjustments are allocated to the subsidiaries based on separate company computations of taxable income or loss.

We use the asset and liability method in accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities as well as operating loss and tax credit carryforwards. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements.

It is our policy to apply the flow-through method of accounting for ITCs. Under the flow-through method, ITCs are reflected in net income as a reduction to income tax expense in the year they qualify. An exception to this general policy is the deferral method, which applies to our regulated businesses. Such a method results in the ITC being amortized as a reduction to income tax expense over the estimated useful lives of the underlying property that gave rise to the credit.

We recognize interest income or interest expense and penalties related to income tax matters in Income tax benefit (expense) on the Consolidated Statements of Income.

We account for uncertainty in income taxes recognized in the financial statements in accordance with the accounting standards for income taxes. The unrecognized tax benefit is classified in Other deferred credits and other liabilities or in Deferred income tax liabilities, net on the accompanying Consolidated Balance Sheets. See Note 15 for additional information.

Earnings per Share of Common Stock

Basic earnings per share is computed by dividing Net income available for common stock by the weighted average number of common shares outstanding during each year. Diluted earnings per share is computed by including all dilutive common shares outstanding during each year. Diluted common shares are primarily due to equity units, outstanding stock options, restricted stock and performance shares under our equity compensation plans.

A reconciliation of share amounts used to compute earnings per share is as follows for the years ended December 31 (in thousands):

	2021	2020	2019
Net income available for common stock	$ 236,744	$ 227,608	$ 199,310
Weighted average shares - basic	63,219	62,378	60,662
Dilutive effect of:			
Equity compensation	106	61	136
Weighted average shares - diluted	63,325	62,439	60,798
Net income available for common stock, per share - Diluted	$ 3.74	$ 3.65	$ 3.28

The following securities were excluded from the diluted earnings per share computation for the years ended December 31 because of their anti-dilutive nature (in thousands):

	2021	2020	2019
Equity compensation	13	60	1
Anti-dilutive shares excluded from computation of earnings per share	13	60	1

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Non-controlling Interests

We account for changes in our controlling interests of subsidiaries according to ASC 810*, Consolidation.* ASC 810 requires that the Company record such changes as equity transactions, recording no gain or loss on such a sale. GAAP requires that non-controlling interests in subsidiaries and affiliates be reported in the equity section of a company's balance sheet. In addition, the amounts attributable to the non-controlling interest net income (loss) of those subsidiaries are reported separately in the consolidated statements of income and comprehensive income. See Note 12 for additional detail on non-controlling interests.

Share-Based Compensation

We account for our share-based compensation arrangements in accordance with ASC 718, *Compensation-Stock Compensation*, by recognizing compensation costs for all share-based awards over the respective service period for employee services received in exchange for an award of equity or equity-based compensation. Awards that will be settled in stock are accounted for as equity and the compensation expense is based on the grant date fair value. Awards that are settled in cash are accounted for as liabilities and the compensation expense is re-measured each period based on the current market price and performance achievement measures. See additional information in Note 14.

Recently Issued Accounting Standards

Facilitation of the Effects of Reference Rate Reform on Financial Reporting, ASU 2020-04

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which was subsequently amended by ASU 2021-01. The standard provides relief for companies preparing for discontinuation of interest rates, such as LIBOR, and allows optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update are elective and are effective upon the ASU issuance through December 31, 2022. We are currently evaluating if we will apply the optional guidance as we assess the impact of the discontinuance of LIBOR on our current arrangements and the potential impact on our financial position, results of operations and cash flows.

Recently Adopted Accounting Standards

Simplifying the Accounting for Income Taxes, ASU 2019-12

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* as part of its overall simplification initiative to reduce costs and complexity in applying accounting standards while maintaining or improving the usefulness of the information provided to users of the financial statements. Amendments include removal of certain exceptions to the general principles of ASC 740, *Income Taxes*, and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. We adopted this standard prospectively on January 1, 2021. Adoption of this standard did not have an impact on our financial position, results of operations or cash flows.

(2) REGULATORY MATTERS

We had the following regulatory assets and liabilities as of December 31 (in thousands):

	2021	2020
Regulatory assets		
Winter Storm Uri [a]	$ 509,025	$ —
Deferred energy and fuel cost adjustments [b]	59,973	39,035
Deferred gas cost adjustments [b]	9,488	3,200
Gas price derivatives [b]	2,584	2,226
Deferred taxes on AFUDC [b]	7,457	7,491
Employee benefit plans and related deferred taxes [c]	88,923	116,598
Environmental [b]	1,385	1,413
Loss on reacquired debt [b]	21,011	22,864
Deferred taxes on flow-through accounting [b]	63,243	47,515
Decommissioning costs [b]	5,961	8,988
Gas supply contract termination [b]	—	2,524
Other regulatory assets [b]	27,549	26,404
Total regulatory assets	796,599	278,258
Less current regulatory assets	(270,290)	(51,676)
Regulatory assets, non-current	$ 526,309	$ 226,582
Regulatory liabilities		
Deferred energy and gas costs [b]	$ 6,113	$ 13,253
Employee benefit plan costs and related deferred taxes [c]	32,241	40,256
Cost of removal [b]	179,976	172,902
Excess deferred income taxes [c]	264,042	285,259
Other regulatory liabilities [c]	20,579	21,050
Total regulatory liabilities	502,951	532,720
Less current regulatory liabilities	(17,574)	(25,061)
Regulatory liabilities, non-current	$ 485,377	$ 507,659

(a) Timing of Winter Storm Uri incremental cost recovery and associated carrying costs vary by jurisdiction and some jurisdictions are still subject to pending applications with the respective utility commission. See further information below.
(b) Recovery of costs, but we are not allowed a rate of return.
(c) In addition to recovery or repayment of costs, we are allowed a return on a portion of this amount or a reduction in rate base.

Regulatory assets represent items we expect to recover from customers through probable future rates.

Winter Storm Uri - See discussion below for Winter Storm Uri regulatory asset information.

Deferred Energy and Fuel Cost Adjustments - Deferred energy and fuel cost adjustments represent the cost of electricity delivered to our Electric Utilities' customers that is either higher or lower than the current rates and will be recovered or refunded in future rates. Deferred energy and fuel cost adjustments are recorded and recovered or amortized as approved by the appropriate state regulatory commission. Our Electric Utilities file periodic quarterly, semi-annual and/or annual filings to recover these costs based on the respective cost mechanisms approved by their applicable state regulatory commissions. The recovery period for these costs is less than a year.

Deferred Gas Cost Adjustments - Our regulated Gas Utilities have GCA provisions that allow them to pass the cost of gas on to their customers. The GCA is based on forecasts of the upcoming gas costs and recovery or refund of prior under-recovered or over-recovered costs. To the extent that gas costs are under-recovered or over-recovered, they are recorded as a regulatory asset or liability, respectively. Our Gas Utilities file periodic estimates of future gas costs based on market forecasts with state regulatory commissions. The recovery period for these costs is less than a year.

Gas Price Derivatives - Our regulated Gas Utilities, as allowed or required by state regulatory commissions, have entered into certain exchange-traded natural gas futures and options to reduce our customers' underlying exposure to fluctuations in gas prices. Gas price derivatives represent our unrealized positions on our commodity contracts supporting our utilities. Gas price derivatives at December 31, 2021 are hedged over a maximum forward term of two years.

Deferred Taxes on AFUDC - The equity component of AFUDC is considered a permanent difference for tax purposes with the tax benefit being flowed through to customers as prescribed or allowed by regulators. If, based on a regulator's action, it is probable the utility will recover the future increase in taxes payable represented by this flow-through treatment through a rate revenue increase, a regulatory asset is recognized. This regulatory asset is a temporary difference for which a deferred tax liability must be recognized. Accounting standards for income taxes specifically address AFUDC-equity and require a gross-up of such amounts to reflect the revenue requirement associated with a rate-regulated environment.

Employee Benefit Plans and Related Deferred Taxes - Employee benefit plans include the unrecognized prior service costs and net actuarial loss associated with our defined benefit pension plan and post-retirement benefit plans in regulatory assets rather than in AOCI. In addition, this regulatory asset includes the income tax effect of the adjustment required under accounting for compensation - defined benefit plans, to record the full pension and post-retirement benefit obligations. Such income tax effect has been grossed-up to account for the revenue requirement associated with a rate regulated environment.

Environmental - Environmental costs associated with certain former manufactured gas plant sites. These costs are first offset by recognition of insurance proceeds and settlements with other third parties. Any remaining cost will be requested for recovery in future rate filings. Recovery for these specific environmental costs has not yet been approved by the applicable state regulatory commission and therefore, the recovery period is unknown at this time.

Loss on Reacquired Debt - Loss on reacquired debt is recovered over the remaining life of the original issue or, if refinanced, over the life of the new issue.

Deferred Taxes on Flow-Through Accounting - Under flow-through accounting, the income tax effects of certain tax items are reflected in our cost of service for the customer and result in lower utility rates in the year in which the tax benefits are realized. A regulatory asset was established to reflect that future increases in income taxes payable will be recovered from customers as the temporary differences reverse. As a result of this regulatory treatment, we continue to record a tax benefit for costs considered currently deductible for tax purposes, but are capitalized for book purposes.

Decommissioning Costs - South Dakota Electric and Colorado Electric received approval in 2014 for recovery of the remaining net book values and decommissioning costs of their decommissioned coal plants. In 2018, Arkansas Gas received approval to record Liquefied Natural Gas Plant decommissioning costs as a regulatory asset and received approval in 2020 to begin recovering those costs over three years.

Gas Supply Contract Termination - With the 2016 SourceGas acquisition, we assumed agreements requiring the Company to purchase all of the natural gas produced over the productive life of specific leaseholds in the Bowdoin Field in Montana. The prices to be paid under these agreements exceeded market prices at the time of acquisition. We received state utility commission approvals to terminate these agreements and Orders allowing us to create a regulatory asset for the net contract buyout costs with recovery over five years. We terminated the contract and settled the liability on April 29, 2016.

Regulatory liabilities represent items we expect to refund to customers through probable future decreases in rates.

Deferred Energy and Gas Costs **-** Deferred energy and gas costs that have been over-recovered through customer rates and will be returned to customers in future periods.

Employee Benefit Plan Costs and Related Deferred Taxes **-** Employee benefit plans represent the cumulative excess of pension and retiree healthcare costs recovered in rates over pension expense recorded in accordance with accounting standards for compensation - retirement benefits. In addition, this regulatory liability includes the income tax effect of the adjustment required under accounting for compensation - defined benefit plans, to record the full pension and post-retirement benefit obligations. Such income tax effect has been grossed-up to account for the revenue requirement associated with a rate regulated environment.

Cost of Removal **-** Cost of removal represents the estimated cumulative net provisions for future removal costs for which there is no legal obligation for removal included in depreciation expense.

Excess Deferred Income Taxes - The revaluation of the regulated utilities' deferred tax assets and liabilities due to the passage of the TCJA was recorded as an excess deferred income tax to be refunded to customers primarily using the normalization principles as prescribed in the TCJA. See Note 15 for additional information.

Recent Regulatory Activity

Winter Storm Uri

In February 2021, a prolonged period of historic cold temperatures across the central United States covered all of our Utilities' service territories, caused a substantial increase in heating and energy demand and contributed to unforeseeable and unprecedented market prices for natural gas and electricity. As a result of Winter Storm Uri, we incurred significant incremental fuel, purchased power and natural gas costs.

Our Utilities submitted Winter Storm Uri cost recovery applications in our state jurisdictions seeking to recover $546 million of these incremental costs through separate tracking mechanisms over a weighted-average recovery period of 3.5 years. These incremental cost estimates are subject to adjustments as final decisions are issued by the respective utility commissions. In these applications, we sought approval to recover carrying costs. For the year ended December 31, 2021, $4.1 million of carrying costs were accrued and recorded to a regulatory asset. We are also seeking recovery of $13 million of previously disclosed Winter Storm Uri incremental costs through our existing regulatory mechanisms.

To date, Iowa Gas, Kansas Gas, Nebraska Gas and South Dakota Electric received commission approval for Winter Storm Uri cost recovery. Additionally, Arkansas Gas and Wyoming Gas received approval for interim cost recovery subject to a final decision on carrying costs and recovery periods at a later date. Colorado Gas and Colorado Electric filed settlement agreements for their applications with final rates to be implemented in 2022. These settlements are subject to final approval by the CPUC. For the year ended December 31, 2021, our Utilities collected $40 million of Winter Storm Uri incremental costs and carrying costs from customers.

TCJA

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the TCJA. The TCJA reduced the U.S. federal corporate tax rate from 35% to 21%. As such, the Company remeasured our deferred income taxes at the 21% federal tax rate as of December 31, 2017. In 2018 and 2019, the Company successfully delivered several of these tax benefits from the TCJA to its utility customers.

In 2020, regulatory proceedings resolved the last of the Company's open dockets seeking approval of its TCJA plans. As a result, the Company relieved certain TCJA-related liabilities, which resulted in an increase to net income for the year ended December 31, 2020 of $4.0 million.

On December 30, 2020, an administrative law judge approved a settlement of Colorado Electric's plan to provide $9.3 million of TCJA-related bill credits to its customers. The bill credits, which represent a disposition of excess deferred income tax benefits resulting from the TCJA, were delivered to customers in February 2021. The settlement agreement further provided for Colorado Electric to deliver annual bill credits to customers, starting in April 2021, until remaining excess deferred income tax regulatory liabilities associated with the TCJA are fully amortized. In April 2021, Colorado Electric delivered $0.9 million of TCJA-related bill credits to customers.

On January 26, 2021, the NPSC approved Nebraska Gas's plan to provide $2.9 million of TCJA-related bill credits to its customers. The bill credits, which represent a disposition of excess deferred income tax benefits resulting from the TCJA, were delivered to customers in June 2021.

These Colorado Electric and Nebraska Gas bill credits, which resulted in a reduction in revenue, were offset by a reduction in income tax expense and resulted in a minimal impact to Net income for the year ended December 31, 2021.

As part of the 2021 rate review settlement agreement discussed further below, Kansas Gas will deliver $3.0 million of TCJA and state tax reform benefits to customers, annually, for each of the next three years starting in 2022 (approximately $9.1 million of total benefits expected to be delivered).

Arkansas Gas

On December 10, 2021, Arkansas Gas filed a rate review with the APSC seeking recovery of significant infrastructure investments in its 7,200-mile natural gas pipeline system. The rate review requests $22 million in new annual revenue with a capital structure of 50.9% equity and 49.1% debt and a return on equity of 10.2%. The request seeks to finalize rates in the fourth quarter of 2022.

Colorado Gas

Rate Reviews and SSIR

On June 1, 2021, Colorado Gas filed a rate review with the CPUC seeking recovery of significant infrastructure investments in its 7,000-mile natural gas pipeline system. In the fourth quarter of 2021, Colorado Gas reached a settlement agreement with the CPUC staff and various intervenors for a general rate increase, which was subsequently approved by an administrative law judge. New rates were effective January 1, 2022, and the settlement is expected to generate $6.5 million of new annual revenue. The new revenue is based on a return on equity of 9.2% and a capital structure of 50.3% equity and 49.7% debt.

On September 11, 2020, in accordance with the final Order from the rate review filed on February 1, 2019, Colorado Gas filed a SSIR proposal with the CPUC that would recover safety and integrity focused investments in its system for five years. On July 6, 2021, Colorado Gas received approval from the CPUC for its SSIR proposal to recover these investments for three years effective January 1, 2022. The return on SSIR investments will be the current weighted-average cost of long-term debt.

Iowa Gas

Rate Review

On June 1, 2021, Iowa Gas filed a rate review with the IUB seeking recovery of significant infrastructure investments in its 5,000-mile natural gas pipeline system. On December 28, 2021, the IUB approved a settlement agreement with all intervening parties for a general rate increase. The settlement will shift $2.2 million of rider revenue to base rates and is expected to generate $3.7 million in new annual revenue with a capital structure of 50% equity and 50% debt and a return on equity of 9.6%. Final rates were enacted on January 1, 2022, and replaced interim rates effective June 11, 2021.

Kansas Gas

Rate Review

On May 7, 2021, Kansas Gas filed a rate review and rider renewal with the KCC seeking recovery of significant infrastructure investments in its 4,600-mile natural gas pipeline system. On December 30, 2021, Kansas Gas received approval from the KCC on its Global Settlement agreement with KCC staff and various intervenors for a general rate increase and renewal of its safety and integrity rider. The settlement shifted $6.6 million of rider revenue to base rates, effective January 1, 2022, and also allowed rider renewal for at least five more years.

Nebraska Gas

Jurisdictional Consolidation and Rate Review

On January 26, 2021, Nebraska Gas received approval from the NPSC to consolidate rate schedules into a new, single statewide structure and recover significant infrastructure investments in its 13,000-mile natural gas pipeline system. Final rates were enacted on March 1, 2021, which replaced interim rates effective September 1, 2020. The approval shifted $4.6 million of SSIR revenue to base rates and is expected to generate $6.5 million in new annual revenue with a capital structure of 50% equity and 50% debt and a return on equity of 9.5%. The approval also included an extension of the SSIR for five years and an expansion of this mechanism across the consolidated jurisdictions.

South Dakota Electric

FERC Formula Rate

The annual rate determination process is governed by the FERC formula rate protocols established in the filed FERC joint-access transmission tariff. Effective January 1, 2021, the annual revenue requirement for the FERC Transmission Formula Rate was $26 million and included estimated weighted average capital additions of $5.0 million for 2020 and 2021 combined.

Black Hills Wyoming and Wyoming Electric

Wygen I FERC Filing

On October 15, 2020, the FERC approved a settlement agreement that represents a resolution of all issues in the joint application filed by Wyoming Electric and Black Hills Wyoming on August 2, 2019 for approval of a new 60 MW PPA. Under the terms of the settlement, Wyoming Electric will continue to receive 60 MW of capacity and energy from the Wygen I power plant. The new agreement commenced on January 1, 2022, replaced the existing PPA and will continue for 11 years.

(3) COMMITMENTS, CONTINGENCIES AND GUARANTEES

Power Purchase and Transmission Services Agreements

Through our subsidiaries, we have the following significant long-term power purchase contracts and transmission services agreement with non-affiliated third-parties:

Subsidiary	Contract Type	Counterparty	Fuel Type	Quantity (MW)	Expiration Date
Colorado Electric [a]	PPA	PRPA	Wind	60	May 31, 2030
Colorado Electric	PPA	PRPA	Coal	25	June 30, 2024
Colorado Electric	PPA	TC Colorado Solar, LLC	Solar	200	Pending Completion [b]
South Dakota Electric	PPA	PacifiCorp	Coal	50	December 31, 2023
South Dakota Electric [c]	Transmission Services Agreement	PacifiCorp	N/A	50	December 31, 2023
South Dakota Electric	PPA	PRPA	Wind	12	September 30, 2029
South Dakota Electric	PPA	Fall River Solar, LLC	Solar	80	Pending Completion [d]
Wyoming Electric [e]	PPA	Happy Jack	Wind	30	September 3, 2028
Wyoming Electric [f]	PPA	Silver Sage	Wind	30	September 30, 2029

(a) Colorado Electric sells the wind energy purchased under this PPA to City of Colorado Springs as discussed below.
(b) On January 31, 2022, TC Colorado Solar, LLC (TC Solar) provided termination notice of the PPA to Colorado Electric. Colorado Electric has disputed TC Solar's right to termination and pursuant to the agreement, has initiated discussions with TC Solar. This agreement relates to a new solar facility to be constructed and would expire 15 years after construction completion.
(c) This is a firm point-to-point transmission service agreement providing the ability to deliver a maximum of 50 MW of capacity and associated energy.
(d) This agreement relates to a new solar facility currently being constructed and will expire 20 years after construction completion, which is expected by the end of 2022.
(e) Under a separate intercompany PSA, Wyoming Electric sells 50% of the facility output to South Dakota Electric.
(f) Under a separate intercompany PSA, Wyoming Electric sells 67% of the facility output to South Dakota Electric.

Costs under these agreements for the years ended December 31 were as follows (in thousands):

Subsidiary	Contract Type	Counterparty	Fuel Type	2021	2020	2019
Colorado Electric	PPA	PRPA	Wind	$ 4,246	$ 2,791	$ —
Colorado Electric	PPA	PRPA	Coal	$ 4,447	$ 4,524	$ 1,802
South Dakota Electric	PPA	PacifiCorp	Coal	$ 8,923	$ 5,897	$ 7,477
South Dakota Electric	Transmission Services Agreement	PacifiCorp	N/A	$ 1,783	$ 1,776	$ 1,741
South Dakota Electric	PPA	PRPA	Wind	$ 596	$ 715	$ 688
Wyoming Electric	PPA	Happy Jack	Wind	$ 3,544	$ 4,531	$ 3,936
Wyoming Electric	PPA	Silver Sage	Wind	$ 4,717	$ 6,203	$ 5,366

Power Purchase Agreements - Related Parties

Wyoming Electric had a PPA with Black Hills Wyoming scheduled to expire on December 31, 2022, which provided 60 MW of unit-contingent capacity and energy from Black Hills Wyoming's Wygen I facility. On October 15, 2020, the FERC approved a settlement agreement in the joint application filed by Wyoming Electric and Black Hills Wyoming on August 2, 2019 for approval of a new 60 MW PPA. Under the terms of the settlement, Wyoming Electric will continue to receive 60 MW of capacity and energy from the Wygen I facility. The new agreement commenced on January 1, 2022, replaced the existing PPA and will continue for 11 years.

Black Hills Electric Generation provides the wind energy generated from Busch Ranch II to Colorado Electric through a PPA, which expires in November 2044.

Black Hills Electric Generation provides its 14.5 MW share of energy generated from Busch Ranch I to Colorado Electric through a PPA, which expires in October 2037.

Colorado Electric's PPA with Black Hills Colorado IPP, expiring on December 31, 2031, provides 200 MW of power to Colorado Electric from Black Hills Colorado IPP's combined-cycle turbines.

Purchase Commitments

We maintain natural gas supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated baseload gas volumes are established prior to the beginning of the month under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month based on requirements in accordance with the terms of the individual contract.

Our Gas Utilities segment has commitments to purchase physical quantities of natural gas under contracts indexed to various forward natural gas price curves. A portion of our gas purchases are purchased under evergreen contracts and are therefore, for purposes of this disclosure, carried out for 60 days. At December 31, 2021, the long-term commitments to purchase quantities of natural gas under contracts indexed to the following forward indices were as follows (in MMBtus):

	2022	2023	2024	2025	2026	Thereafter
El Paso - Bondad Station	31,000	—	—	—	—	—
Kern River - Opal	9,300	—	—	—	—	—
El Paso - San Juan Basin	182,550	—	—	—	—	—
Enable East Pipeline	1,825,000	450,000	—	—	—	—
Northern Natural Gas - Demarc	1,614	—	—	—	—	—
Northern Natural Gas - Ventura	1,810,000	1,840,000	1,820,000	—	—	—
Northwest Pipeline - Wyoming	1,531,700	1,510,000	910,000	—	—	—
ONEOK - Oklahoma	5,475,000	5,475,000	5,490,000	4,560,000	—	—
Southern Star Central Gas Pipeline	113,130	—	—	—	—	—
Panhandle Eastern Pipe Line	1,609,680	2,737,500	—	—	—	—
	12,588,974	12,012,500	8,220,000	4,560,000	—	—

Purchases under these contracts totaled \$61 million, \$25 million and \$7 million for 2021, 2020 and 2019, respectively.

Other Gas Supply Agreements

Our Utilities also purchase natural gas, including transportation and storage capacity to meet customers' needs, under short-term and long-term purchase contracts. These contracts extend to 2044.

The following is a schedule of unconditional purchase obligations required under the power purchase, transmission services and natural gas transportation and storage agreements (in thousands):

	Power purchase and transmission services agreements [(a)]	Natural gas transportation and storage agreements
2022	$ 23,985	$ 143,750
2023	$ 11,678	$ 119,923
2024	$ 2,738	$ 82,428
2025	$ —	$ 58,669
2026	$ —	$ 36,503
Thereafter	$ —	$ 60,429

(a) This schedule does not reflect renewable energy PPA obligations since these agreements vary based on weather conditions.

Power Sales Agreements

Through our subsidiaries, we have the following significant long-term power sales contracts with non-affiliated third-parties:

- On July 1, 2020, Colorado Electric entered into a PSA with the City of Colorado Springs to sell up to 60 MW of wind energy purchased from PRPA under a separate 60 MW PPA discussed above. This PSA with the City of Colorado Springs expires June 30, 2025.

- During periods of reduced production at Wygen III in which MDU owns a portion of the capacity, or during periods when Wygen III is off-line, South Dakota Electric will provide MDU with 25 MW from our other generation facilities or from system purchases with reimbursement of costs by MDU. This agreement expires January 31, 2023.

- South Dakota Electric has an agreement to provide MDU capacity and energy up to a maximum of 50 MW in excess of Wygen III ownership. This agreement expires December 31, 2023.

- During periods of reduced production at Wygen III in which the City of Gillette owns a portion of the capacity, or during periods when Wygen III is off-line, South Dakota Electric will provide the City of Gillette with its first 23 MW from its other generating facilities or from system purchases with reimbursement of costs by the City of Gillette. Under this agreement, which has an initial term through September 3, 2034 and would be renewed annually on September 3 thereafter, South Dakota Electric will also provide the City of Gillette their operating component of spinning reserves.

- South Dakota Electric has an amended agreement, effective January 1, 2019, to supply up to 20 MW of energy and capacity to MEAN under a contract that expires May 31, 2028. The contract terms are from June 1 through May 31 for each interval listed below. This contract is unit-contingent based on the availability of our Neil Simpson II and Wygen III plants, with decreasing capacity purchased over the term of the agreement. The unit-contingent capacity amounts from Wygen III and Neil Simpson II are as follows:

Contract Years	Total Contract Capacity	Contingent Capacity Amounts on Wygen III	Contingent Capacity Amounts on Neil Simpson II
2020-2022	15 MW	7 MW	8 MW
2022-2023	15 MW	8 MW	7 MW
2023-2028	10 MW	5 MW	5 MW

- South Dakota Electric had an agreement that expired December 31, 2021 to provide 50 MW of energy to Macquarie Energy, LLC during heavy and light load timing intervals.

- Black Hills Wyoming sold its CTII 40 MW natural gas-fired generating unit to the City of Gillette, Wyoming on September 3, 2014. Under the terms of the sale, Black Hills Wyoming entered into ancillary agreements to operate CTII, provide use of shared facilities including a ground lease and dispatch generation services. In addition, the agreement includes a 20-year Economy Energy PSA that contains a sharing arrangement in which the parties share the savings of wholesale power purchases made when market power prices are less than the cost of operating the generating unit.

Lease Agreements

Lessee

We lease from third parties certain office and operation center facilities, communication tower sites, equipment and materials storage. Our leases have remaining terms ranging from less than one year to 34 years, including options to extend that are reasonably certain to be exercised. Our operating and finance leases were not material to the Company's Consolidated Financial statements.

Lessor

We lease to third parties certain generating station ground leases, communication tower sites and a natural gas pipeline. These leases have remaining terms ranging from less than one year to 34 years. Lease revenue was not material for the years ended December 31, 2021, 2020 and 2019.

As of December 31, 2021, scheduled maturities of operating lease payments to be received in future years were as follows (in thousands):

	Operating Leases
2022	$ 2,173
2023	2,204
2024	2,125
2025	2,070
2026	1,881
Thereafter	51,233
Total lease receivables	$ 61,686

Environmental Matters

We are subject to costs resulting from a number of federal, state and local laws and regulations which affect future planning and existing operations. Laws and regulations can result in increased capital expenditures, operating and other costs as a result of compliance, remediation and monitoring obligations. Due to the environmental issues discussed below, we may be required to modify, curtail, replace or cease operating certain facilities or operations to comply with statutes, regulations and other requirements of regulatory bodies.

Reclamation Liability

For our Pueblo Airport Generation site, we posted a bond of $4.1 million with the State of Colorado to cover the costs of remediation for a waste water containment pond permitted to provide wastewater storage and processing for this zero discharge facility. The reclamation liability is recorded at the present value of the estimated future cost to reclaim the land.

Under our land leases for our wind generation facilities, we are required to reclaim land where we have placed wind turbines. The reclamation liabilities are recorded at the present value of the estimated future cost to reclaim the land.

Under its mining permit, WRDC is required to reclaim all land where it has mined reserves. The reclamation liability is recorded at the present value of the estimated future cost to reclaim the land.

See Note 7 for additional information.

Manufactured Gas Processing

In 2008, we acquired whole and partial liabilities for former manufactured gas processing sites in Nebraska and Iowa, which were previously used to convert coal to natural gas. The acquisition provided for an insurance recovery, now valued at $1.2 million recorded in Other assets, non-current on our Consolidated Balance Sheets, which will be used to help offset remediation costs. We also have a $1.4 million regulatory asset for manufactured gas processing sites; see Note 2 for additional information.

As of December 31, 2021, we had $2.6 million accrued for remediation of Iowa's manufactured gas processing site as the landowner. As of December 31, 2021, we had $0.6 million accrued for remediation of Nebraska's manufactured gas processing site as the land owner. These liabilities are included in Other deferred credits and other liabilities on our Consolidated Balance Sheets. The remediation cost estimate could change materially due to results of further investigations, actions of environmental agencies or the financial viability of other responsible parties.

Legal Proceedings

In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations. We believe the amounts provided in the consolidated financial statements to satisfy alleged liabilities are adequate in light of the probable and estimable contingencies. However, there can be no assurance that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims and other matters discussed, and to comply with applicable laws and regulations will not exceed the amounts reflected in the consolidated financial statements.

We record gain contingencies when realized, and expected recoveries under applicable insurance contracts when we are assured of recovery.

In the normal course of business, we enter into agreements that include indemnification in favor of third parties, such as information technology agreements, purchase and sale agreements and lease contracts. We have also agreed to indemnify our directors, officers and employees in accordance with our articles of incorporation, as amended. Certain agreements do not contain any limits on our liability and therefore, it is not possible to estimate our potential liability under these indemnifications. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we maintain insurance policies that may provide coverage against certain claims under these indemnities.

Guarantees

We have entered into various parent company-level guarantees providing financial or performance assurance to third parties on behalf of certain of our subsidiaries. These guarantees do not represent incremental consolidated obligations, but rather, represent guarantees of subsidiary obligations to allow those subsidiaries to conduct business without posting other forms of assurance. The agreements, which are off-balance sheet commitments, include support for business operations, indemnification for reclamation and surety bonds. The guarantees were entered into in the normal course of business. To the extent liabilities are incurred as a result of activities covered by these guarantees, such liabilities are included in our Consolidated Balance Sheets.

See Note 8 for additional information on our off-balance sheet Letters of Credit commitment.

We had the following guarantees in place as of (in thousands):

Nature of Guarantee	Maximum Exposure at December 31, 2021
Indemnification for reclamation/surety bonds	$ 55,867
Guarantees supporting business transactions	$ 370,558
	$ 426,425

(4) REVENUE

The following tables depict the disaggregation of revenue, including intercompany revenue, from contracts with customers by customer type and timing of revenue recognition for each of the reportable segments, for the years ended December 31, 2021, 2020 and 2019. Sales tax and other similar taxes are excluded from revenues.

Year ended December 31, 2021	Electric Utilities	Gas Utilities	Inter-company Revenues	Total
Customer types:		(in thousands)		
Retail	$ 711,448	$ 913,725	$ —	$ 1,625,173
Transportation	—	158,053	(428)	157,625
Wholesale	30,848	—	—	30,848
Market - off-system sales	41,682	396	—	42,078
Transmission/Other	52,945	39,365	(17,200)	75,110
Revenue from contracts with customers	836,923	1,111,539	(17,628)	1,930,834
Other revenues	5,335	13,326	(393)	18,268
Total revenues	$ 842,258	$ 1,124,865	$ (18,021)	$ 1,949,102
Timing of revenue recognition:				
Services transferred at a point in time	$ 27,141	$ —	$ —	$ 27,141
Services transferred over time	809,782	1,111,539	(17,628)	1,903,693
Revenue from contracts with customers	$ 836,923	$ 1,111,539	$ (17,628)	$ 1,930,834

Year ended December 31, 2020	Electric Utilities	Gas Utilities	Inter-company Revenues	Total
Customer types:		(in thousands)		
Retail	$ 636,902	$ 765,922	$ —	$ 1,402,824
Transportation	—	154,581	(526)	154,055
Wholesale	24,845	—	—	24,845
Market - off-system sales	15,512	260	—	15,772
Transmission/Other	55,422	43,658	(15,772)	83,308
Revenue from contracts with customers	732,681	964,421	(16,298)	1,680,804
Other revenues	6,176	10,249	(288)	16,137
Total revenues	$ 738,857	$ 974,670	$ (16,586)	$ 1,696,941
Timing of revenue recognition:				
Services transferred at a point in time	$ 27,089	$ —	$ —	$ 27,089
Services transferred over time	705,592	964,421	(16,298)	1,653,715
Revenue from contracts with customers	$ 732,681	$ 964,421	$ (16,298)	$ 1,680,804

Year ended December 31, 2019	Electric Utilities	Gas Utilities	Inter-company Revenues	Total
Customer types:		(in thousands)		
Retail	$ 632,936	$ 817,840	$ —	$ 1,450,776
Transportation	—	143,390	(1,042)	142,348
Wholesale	28,464	—	—	28,464
Market - off-system sales	16,081	691	—	16,772
Transmission/Other	53,750	47,725	(13,443)	88,032
Revenue from contracts with customers	731,231	1,009,646	(14,485)	1,726,392
Other revenues	8,124	384	—	8,508
Total revenues	$ 739,355	$ 1,010,030	$ (14,485)	$ 1,734,900
Timing of revenue recognition:				
Services transferred at a point in time	$ 27,180	$ —	$ —	$ 27,180
Services transferred over time	704,051	1,009,646	(14,485)	1,699,212
Revenue from contracts with customers	$ 731,231	$ 1,009,646	$ (14,485)	$ 1,726,392

(5) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31 consisted of the following (dollars in thousands):

	2021		2020		Lives (in years)	
Electric Utilities	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Minimum	Maximum
Electric plant:						
Production	$ 1,452,055	41	$ 1,417,951	40	32	45
Electric transmission	546,126	49	517,794	49	43	50
Electric distribution	1,000,619	47	959,453	46	45	49
Integrated Generation	720,490	30	716,479	31	2	59
Plant acquisition adjustment [(a)]	4,870	32	4,870	32	32	32
General	266,935	28	259,010	28	25	31
Total electric plant in service	3,991,095		3,875,557			
Construction work in progress	181,451		95,266			
Total electric plant	4,172,546		3,970,823			
Less accumulated depreciation and depletion	(1,016,738)		(960,993)			
Electric plant net of accumulated depreciation and depletion	$ 3,155,808		$ 3,009,830			

(a) The plant acquisition adjustment is included in rate base and is being recovered with 9 years remaining.

	2021		2020		Lives (in years)	
Gas Utilities	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Minimum	Maximum
Gas plant:						
Production	$ 14,841	40	$ 15,603	40	24	46
Gas transmission	645,550	58	578,278	54	22	71
Gas distribution	2,394,352	53	2,115,082	53	45	59
Cushion gas - depreciable [(a)]	3,539	28	3,539	28	28	28
Cushion gas - not depreciable [(a)]	42,478	N/A	39,184	N/A	N/A	N/A
Storage	56,289	38	55,481	38	27	52
General	474,964	21	438,217	19	3	23
Total gas plant in service	3,632,013		3,245,384			
Construction work in progress	37,860		67,229			
Total gas plant	3,669,873		3,312,613			
Less accumulated depreciation	(389,115)		(323,679)			
Gas plant net of accumulated depreciation	$ 3,280,758		$ 2,988,934			

(a) Depreciation of Cushion Gas is determined by the respective regulatory jurisdiction in which the Cushion Gas resides.

	2021						Lives (in years)	
	Property, Plant and Equipment	Construction Work in Progress	Total Property Plant and Equipment	Less Accumulated Depreciation	Net Property, Plant and Equipment	Weighted Average Useful Life	Minimum	Maximum
Corporate	$ 5,694	$ 8,460	$ 14,154	$ (1,544)	$ 12,610	10	10	22

	2020						Lives (in years)	
	Property, Plant and Equipment	Construction Work in Progress	Total Property Plant and Equipment	Less Accumulated Depreciation	Net Property, Plant and Equipment	Weighted Average Useful Life	Minimum	Maximum
Corporate	$ 5,692	$ 16,402	$ 22,094	$ (1,144)	$ 20,950	10	10	22

(6) JOINTLY OWNED FACILITIES

Our consolidated financial statements include our share of several jointly-owned facilities as described below. Our share of the facilities' expenses are reflected in the appropriate categories of operating expenses in the Consolidated Statements of Income. Each owner of the facility is responsible for financing its investment in the jointly-owned facilities.

Wyodak Plant

South Dakota Electric owns a 20% interest in the Wyodak Plant while PacifiCorp owns the remaining ownership interest and operates the Wyodak Plant. South Dakota Electric receives its proportionate share of the Wyodak Plant's capacity and is committed to pay its proportionate share of its additions, replacements and operating and maintenance expenses. In addition to supplying South Dakota Electric with coal for its share of the Wyodak Plant, our mine supplies PacifiCorp's share of the coal under a separate long-term agreement. This coal supply agreement is collateralized by a mortgage on and a security interest in some of WRDC's coal reserves.

Transmission Tie

South Dakota Electric owns a 35% interest in, and is the operator of, the Converter Station Site and South Rapid City Interconnection (the Transmission Tie), an AC-DC-AC transmission tie. Basin Electric Power Cooperative owns the remaining 65% interest in the Transmission Tie. South Dakota Electric is committed to pay its proportionate share of the additions and replacements and operating and maintenance expenses of the Transmission Tie.

Wygen III

South Dakota Electric owns 52% of the Wygen III generation facility. MDU and the City of Gillette each own an undivided ownership interest in Wygen III and are obligated to make payments for costs associated with administrative services and their proportionate share of the costs of operating the plant for the life of the facility. South Dakota Electric retains responsibility for plant operations. Our mine supplies fuel to Wygen III for the life of the plant.

Wygen I

Black Hills Wyoming owns 76.5% of the Wygen I plant while MEAN owns the remaining ownership interest. MEAN is obligated to make payments for its share of the costs associated with administrative services, plant operations and coal supply provided by our mine during the life of the facility. Black Hills Wyoming retains responsibility for plant operations.

At December 31, 2021, our interests in jointly-owned generating facilities and transmission systems were (in thousands):

	Plant in Service	Construction Work in Progress	Less Accumulated Depreciation	Plant Net of Accumulated Depreciation
Wyodak Plant	$ 118,637	$ 882	$ (70,468)	$ 49,051
Transmission Tie	$ 24,544	$ 287	$ (6,922)	$ 17,909
Wygen III	$ 142,199	$ 635	$ (26,598)	$ 116,236
Wygen I	$ 120,565	$ 399	$ (53,784)	$ 67,180

Jointly Owned Facilities - Related Party

Busch Ranch I

Colorado Electric owns 50% of Busch Ranch I while Black Hills Electric Generation owns the remaining 50% ownership interest. Each company is obligated to make payments for costs associated with their proportionate share of the costs of operating the wind farm over the life of the facility. Colorado Electric retains responsibility for operations of the wind farm. Black Hills Electric Generation provides its share of energy from the wind farm to Colorado Electric through a PPA, which expires in October 2037.

Cheyenne Prairie

Cheyenne Prairie serves the utility customers of South Dakota Electric and Wyoming Electric. The facility includes one simple-cycle, 40 MW combustion turbine that is wholly-owned by Wyoming Electric and one combined-cycle, 100 MW unit that is jointly-owned by South Dakota Electric (58 MW) and Wyoming Electric (42 MW). BHSC is responsible for plant operations.

Corriedale

Corriedale serves as the dedicated wind energy supply for Renewable Ready customers in South Dakota and Wyoming. The 52.5 MW wind farm is jointly-owned by South Dakota Electric (32.5 MW) and Wyoming Electric (20 MW). BHSC is responsible for operations of the wind farm.

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(7) ASSET RETIREMENT OBLIGATIONS

We have identified legal obligations related to reclamation of mining sites; removal of fuel tanks, transformers containing polychlorinated biphenyls, and an evaporation pond; and reclamation of wind turbine sites at our Electric Utilities segment. In addition, we have identified legal obligations related to retirement of gas pipelines and wells at our Gas Utilities and removal of asbestos at our Utilities. We periodically review and update estimated costs related to these AROs. The actual cost may vary from estimates due to regulatory requirements, changes in technology and increased labor, materials and equipment costs.

The following tables present the details of AROs which are included on the accompanying Consolidated Balance Sheets in Other deferred credits and other liabilities (in thousands):

	December 31, 2020	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates	December 31, 2021
Electric Utilities	$ 29,157	$ —	$ (978)	$ 1,315	$ 595	$ 30,089
Gas Utilities [(a)]	42,274	—	(66)	1,733	1,514	45,455
Total	71,431	$ —	$ (1,044)	$ 3,048	$ 2,109	$ 75,544

	December 31, 2019	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates	December 31, 2020
Electric Utilities [(b) (c)]	$ 28,120	$ 1,217	$ (185)	$ 1,230	$ (1,225)	$ 29,157
Gas Utilities [(d)]	36,085	4,782	(132)	1,539	—	42,274
Total	$ 64,205	$ 5,999	$ (317)	$ 2,769	$ (1,225)	$ 71,431

(a) The Revisions to Prior Estimates were primarily driven by changes in estimates associated with natural gas wells.
(b) Liabilities incurred were related to new wind assets.
(c) The Revisions to Prior Estimates were primarily driven by changes in estimated costs associated with back-filling the pit with overburden removed during the mining process.
(d) Liabilities incurred were driven by an increase in gas pipeline miles; which increases our legal liability for retirement of gas pipelines, specifically to purge and cap these lines in accordance with federal regulations.

We also have legally required AROs related to certain assets within our electric transmission and distribution systems. These retirement obligations are pursuant to an easement or franchise agreement and are only required if we discontinue our utility service under such easement or franchise agreement. Accordingly, it is not possible to estimate a time period when these obligations could be settled, and therefore, a liability for the cost of these obligations cannot be measured at this time.

(8) FINANCING

Short-term debt

We had the following Notes payable outstanding at the Consolidated Balance Sheets date (in thousands):

	December 31, 2021		December 31, 2020	
	Balance Outstanding	Letters of Credit [a]	Balance Outstanding	Letters of Credit [a]
Revolving Credit Facility	$ —	$ 27,209	$ —	$ 24,730
CP Program	420,180	—	234,040	—
Total	$ 420,180	$ 27,209	$ 234,040	$ 24,730

(a) Letters of credit are off-balance sheet commitments that reduce the borrowing capacity available on our corporate Revolving Credit Facility.

Revolving Credit Facility and CP Program

On July 19, 2021, we amended and restated our corporate Revolving Credit Facility, maintaining total commitments of $750 million and extending the term through July 19, 2026 with two one year extension options (subject to consent from lenders). This Revolving Credit Facility is similar to the former revolving credit facility, which includes an accordion feature that allows us to increase total commitments up to $1.0 billion with the consent of the administrative agent, the issuing agents and each bank increasing or providing a new commitment. Borrowings continue to be available under a base rate or various Eurodollar rate options. The interest costs associated with the letters of credit or borrowings and the commitment fee under the Revolving Credit Facility are determined based upon our Corporate credit rating from S&P, Fitch and Moody's for our senior unsecured long-term debt. Based on our current credit ratings, the margins for base rate borrowings, Eurodollar borrowings and letters of credit were 0.125%, 1.125% and 1.125%, respectively, at December 31, 2021. Based on our credit ratings, a 0.175% commitment fee was charged on the unused amount at December 31, 2021.

We have a $750 million, unsecured CP Program that is backstopped by the Revolving Credit Facility. Amounts outstanding under the Revolving Credit Facility and the CP Program, either individually or in the aggregate, cannot exceed $750 million. The notes issued under the CP Program may have maturities not to exceed 397 days from the date of issuance and bear interest (or are sold at par less a discount representing an interest factor) based on, among other things, the size and maturity date of the note, the frequency of the issuance and our credit ratings. Under the CP Program, any borrowings rank equally with our unsecured debt. Notes under the CP Program are not registered and are offered and issued pursuant to a registration exemption.

Our net short-term borrowings (payments) during 2021 were $186 million. As of December 31, 2021, the weighted average interest rate on short-term borrowings was 0.30%.

Total accumulated deferred financing costs on the Revolving Credit Facility of $8.9 million are being amortized over its estimated useful life and were included in Interest expense on the accompanying Consolidated Statements of Income. See below for additional details.

Term Loan

On February 24, 2021, we entered into a nine-month, $800 million unsecured term loan to provide additional liquidity and to meet our cash needs related to the incremental fuel, purchased power and natural gas costs from Winter Storm Uri. The term loan, carried no prepayment penalty and was subject to the same covenant requirements as our Revolving Credit Facility. We repaid $200 million of this term loan in the first quarter of 2021. Proceeds from the August 26, 2021 public debt offering (discussed below) were used to repay the remaining balance on this term loan.

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Long-term debt

Long-term debt outstanding was as follows (dollars in thousands):

	Due Date	Interest Rate at December 31, 2021	Balance Outstanding December 31, 2021	Balance Outstanding December 31, 2020
Corporate				
Senior unsecured notes due 2023	November 30, 2023	4.25%	$ 525,000	$ 525,000
Senior unsecured notes due 2024	August 23, 2024	1.04%	600,000	—
Senior unsecured notes due 2026	January 15, 2026	3.95%	300,000	300,000
Senior unsecured notes due 2027	January 15, 2027	3.15%	400,000	400,000
Senior unsecured notes, due 2029	October 15, 2029	3.05%	400,000	400,000
Senior unsecured notes, due 2030	June 15, 2030	2.50%	400,000	400,000
Senior unsecured notes due 2033	May 1, 2033	4.35%	400,000	400,000
Senior unsecured notes, due 2046	September 15, 2046	4.20%	300,000	300,000
Senior unsecured notes, due 2049	October 15, 2049	3.88%	300,000	300,000
Corporate term loan due 2021	June 7, 2021	N/A	—	1,436
Total Corporate debt			3,625,000	3,026,436
Less unamortized debt discount			(6,125)	(7,013)
Total Corporate debt, net			3,618,875	3,019,423
South Dakota Electric				
First Mortgage Bonds due 2032	August 15, 2032	7.23%	75,000	75,000
First Mortgage Bonds due 2039	November 1, 2039	6.13%	180,000	180,000
First Mortgage Bonds due 2044	October 20, 2044	4.43%	85,000	85,000
Total South Dakota Electric debt			340,000	340,000
Less unamortized debt discount			(74)	(78)
Total South Dakota Electric debt, net			339,926	339,922
Wyoming Electric				
Industrial development revenue bonds due 2021[(a)]	September 1, 2021	N/A	—	7,000
Industrial development revenue bonds due 2027[(a) (b)]	March 1, 2027	0.15%	10,000	10,000
First Mortgage Bonds due 2037	November 20, 2037	6.67%	110,000	110,000
First Mortgage Bonds due 2044	October 20, 2044	4.53%	75,000	75,000
Total Wyoming Electric debt			195,000	202,000
Less unamortized debt discount			—	—
Total Wyoming Electric debt, net			195,000	202,000
Total long-term debt			4,153,801	3,561,345
Less current maturities			—	8,436
Less unamortized deferred financing costs [(c)]			26,878	24,809
Long-term debt, net of current maturities and deferred financing costs			$ 4,126,923	$ 3,528,100

(a) Variable interest rate.
(b) A reimbursement agreement is in place with Wells Fargo on behalf of Wyoming Electric for the 2009A bonds of $10 million due March 1, 2027. In the case of default, we hold the assumption of liability for drawings on Wyoming Electric's Letter of Credit attached to these bonds.
(c) Includes deferred financing costs associated with our Revolving Credit Facility of $2.5 million and $1.0 million as of December 31, 2021 and December 31, 2020, respectively.

Scheduled maturities of long-term debt, excluding amortization of premiums or discounts, for future years are (in thousands):

2022	$	—
2023	$	525,000
2024	$	600,000
2025	$	—
2026	$	300,000
Thereafter	$	2,735,000

Our debt securities contain certain restrictive financial covenants, all of which the Company and its subsidiaries were in compliance with at December 31, 2021. See below for additional information.

Substantially all of the tangible utility property of South Dakota Electric and Wyoming Electric is subject to the lien of indentures securing their first mortgage bonds. First mortgage bonds of South Dakota Electric and Wyoming Electric may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures.

Amortization of Deferred Financing Costs

Our deferred financing costs and associated amortization expense included in Interest expense on the accompanying Consolidated Statements of Income were as follows (in thousands):

Deferred Financing Costs Remaining at December 31, 2021	Amortization Expense for the years ended December 31, 2021	2020	2019
$ 26,878	$ 3,769	$ 3,272	$ 3,242

Debt Transactions

On August 26, 2021, we completed a public debt offering which consisted of $600 million, 1.037% three-year senior unsecured notes due August 23, 2024. The notes include an optional redemption provision and may be redeemed, in whole or in part, without premium, on or after February 23, 2022. The proceeds from the offering, which were net of $3.7 million of deferred financing costs, were used to repay amounts outstanding under our term loan entered into on February 24, 2021.

On June 17, 2020, we completed a public debt offering which consisted of $400 million of 2.50% 10-year senior unsecured notes due June 15, 2030. The proceeds were used to repay short-term debt and for working capital and general corporate purposes.

Debt Covenants

Revolving Credit Facility

Under our Revolving Credit Facility, we are required to maintain a Consolidated Indebtedness to Capitalization Ratio not to exceed 0.65 to 1.00. Subject to applicable cure periods, a violation of any of these covenants would constitute an event of default that entitles the lenders to terminate their remaining commitments and accelerate all principal and interest outstanding.

We were in compliance with our covenants at December 31, 2021 as shown below:

	As of December 31, 2021	Covenant Requirement
Consolidated Indebtedness to Capitalization Ratio	62.1%	Less than 65%

Wyoming Electric

Covenants within Wyoming Electric's financing agreements require Wyoming Electric to maintain a debt to capitalization ratio of no more than 0.60 to 1.00. As of December 31, 2021, we were in compliance with these financial covenants.

Dividend Restrictions

Our Revolving Credit Facility and other debt obligations contain restrictions on the payment of cash dividends when a default or event of default occurs.

Due to our holding company structure, substantially all of our operating cash flows are provided by dividends paid or distributions made by our subsidiaries. The cash to pay dividends to our shareholders is derived from these cash flows. As a result, certain statutory limitations or regulatory or financing agreements could affect the levels of distributions allowed to be made by our subsidiaries.

Our Utilities are generally limited to the amount of dividends allowed to be paid to our utility holding company under the Federal Power Act and settlement agreements with state regulatory jurisdictions. As of December 31, 2021, the amount of restricted net assets at our Utilities that may not be distributed to our utility holding company in the form of a loan or dividend was approximately $155 million.

South Dakota Electric and Wyoming Electric are generally limited to the amount of dividends allowed to be paid to our utility holding company under certain financing agreements.

Equity

At-the-Market Equity Offering Program

On August 3, 2020, we filed a shelf registration and DRSPP with the SEC. In conjunction with these shelf filings, we renewed the ATM. The renewed ATM program, which allows us to sell shares of our common stock, is the same as the prior program other than the aggregate value increased from $300 million to $400 million and a forward sales option was incorporated. This forward sales option allows us to sell our shares through the ATM program at the current trading price without actually issuing any shares to satisfy the sale until a future date. Under the ATM, shares may be offered from time to time pursuant to a sales agreement dated August 3, 2020. Shares of common stock are offered pursuant to our shelf registration statement filed with the SEC.

During the twelve months ended December 31, 2021, we issued a total of 1,812,197 shares of common stock under the ATM for $119 million, net of $1.1 million in issuance costs. We did not issue any shares of common stock under the ATM during the twelve months ended December 31, 2020. During the twelve months ended December 31, 2019, we issued a total of 1,328,332 shares of common stock under the ATM for $99 million, net of $1.2 million in issuance costs.

February 2020 Equity Issuance

On February 27, 2020, we issued 1.2 million shares of common stock to a single investor through an underwritten registered transaction at a price of $81.77 per share for proceeds of $99 million, net of $1.0 million of issuance costs. The shares of common stock were offered pursuant to our shelf registration statement filed with the SEC.

Shareholder Dividend Reinvestment and Stock Purchase Plan

We have a DRSPP under which shareholders may purchase additional shares of common stock through dividend reinvestment and/or optional cash payments at 100% of the recent average market price. We have the option of issuing new shares or purchasing the shares on the open market. We issued new shares until March 1, 2018, after which we began purchasing shares on the open market. At December 31, 2021, there were 116,306 shares of unissued stock available for future offering under the DRSPP.

Preferred Stock

Our articles of incorporation authorize the issuance of 25 million shares of preferred stock of which we had no shares of preferred stock outstanding as of December 31, 2021 and 2020.

(9) RISK MANAGEMENT AND DERIVATIVES

Market and Credit Risk Disclosures

Our activities in the energy industry expose us to a number of risks in the normal operations of our businesses. Depending on the activity, we are exposed to varying degrees of market risk and credit risk. To manage and mitigate these identified risks, we have adopted the Black Hills Corporation Risk Policies and Procedures. Valuation methodologies for our derivatives are detailed within Note 1.

Market Risk

Market risk is the potential loss that may occur as a result of an adverse change in market price, rate or supply. We are exposed, but not limited to, the following market risks:

- Commodity price risk associated with our retail natural gas and wholesale electric power marketing activities and our fuel procurement for several of our gas-fired generation assets, which include market fluctuations due to unpredictable factors such as the COVID-19 pandemic, weather (Winter Storm Uri), market speculation, inflation, pipeline constraints, and other factors that may impact natural gas and electric supply and demand; and

- Interest rate risk associated with future debt, including reduced access to liquidity during periods of extreme capital markets volatility, such as the 2008 financial crisis and the COVID-19 pandemic.

Credit Risk

Credit risk is the risk of financial loss resulting from non-performance of contractual obligations by a counterparty.

We attempt to mitigate our credit exposure by conducting business primarily with high credit quality entities, setting tenor and credit limits commensurate with counterparty financial strength, obtaining master netting agreements and mitigating credit exposure with less creditworthy counterparties through parental guarantees, cash collateral requirements, letters of credit and other security agreements.

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer’s current creditworthiness, as determined by review of their current credit information. We maintain a provision for estimated credit losses based upon historical experience, changes in current market conditions, expected losses and any specific customer collection issue that is identified. Our credit exposure at December 31, 2021 was concentrated primarily among retail utility customers, investment grade companies, cooperative utilities and federal agencies.

Derivatives and Hedging Activity

Our derivative and hedging activities included in the accompanying Consolidated Balance Sheets, Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Loss) are detailed below and within Note 10.

The operations of our Utilities, including natural gas sold by our Gas Utilities and natural gas used by our Electric Utilities’ generation plants or those plants under PPAs where our Electric Utilities must provide the generation fuel (tolling agreements), expose our utility customers to natural gas price volatility. Therefore, as allowed or required by state utility commissions, we have entered into commission approved hedging programs utilizing natural gas futures, options, over-the-counter swaps and basis swaps to reduce our customers’ underlying exposure to these fluctuations. These transactions are considered derivatives, and in accordance with accounting standards for derivatives and hedging, mark-to-market adjustments are recorded as Derivative assets or Derivative liabilities on the accompanying Consolidated Balance Sheets, net of balance sheet offsetting as permitted by GAAP.

For our regulated Utilities’ hedging plans, unrealized and realized gains and losses, as well as option premiums and commissions on these transactions are recorded as Regulatory assets or Regulatory liabilities in the accompanying Consolidated Balance Sheets in accordance with state regulatory commission guidelines. When the related costs are recovered through our rates, the hedging activity is recognized in the Consolidated Statements of Income.

We periodically have wholesale power purchase and sale contracts used to manage purchased power costs and load requirements associated with serving our electric customers that are considered derivative instruments due to not qualifying for the normal purchase and normal sales exception to derivative accounting. Changes in the fair value of these commodity derivatives are recognized in the Consolidated Statements of Income.

We buy, sell and deliver natural gas at competitive prices by managing commodity price risk. As a result of these activities, this area of our business is exposed to risks associated with changes in the market price of natural gas. We manage our exposure to such risks using over-the-counter and exchange traded options and swaps with counterparties in anticipation of forecasted purchases and sales during time frames ranging from January 2022 through October 2024. A portion of our over-the-counter swaps have been designated as cash flow hedges to mitigate the commodity price risk associated with deliveries under fixed price forward contracts to deliver gas to our Choice Gas Program customers. The gain or loss on these designated derivatives is reported in AOCI in the accompanying Consolidated Balance Sheets and reclassified into earnings in the same period that the underlying hedged item is recognized in earnings. Effectiveness of our hedging position is evaluated at least quarterly.

The contract or notional amounts and terms of the natural gas derivative commodity instruments held by our utilities are comprised of both short and long positions. We had the following net long positions as of:

	December 31, 2021		December 31, 2020	
	Notional (MMBtus)	Maximum Term (months) [(a)]	Notional (MMBtus)	Maximum Term (months) [(a)]
Natural gas futures purchased	590,000	3	620,000	3
Natural gas options purchased, net	3,100,000	3	3,160,000	3
Natural gas basis swaps purchased	870,000	3	900,000	3
Natural gas over-the-counter swaps, net [(b)]	4,570,000	34	3,850,000	17
Natural gas physical commitments, net [(c)]	16,416,677	24	17,513,061	22
Electric wholesale contracts [(c)]	—	0	219,000	12

(a) Term reflects the maximum forward period hedged.
(b) As of December 31, 2021, 1,830,000 of natural gas over-the-counter swaps purchased were designated as cash flow hedges.
(c) Volumes exclude derivative contracts that qualify for the normal purchase, normal sales exception permitted by GAAP.

We have certain derivative contracts which contain credit provisions. These credit provisions may require the Company to post collateral when credit exposure to the Company is in excess of a negotiated line of unsecured credit. At December 31, 2021, the Company posted $2.1 million related to such provisions, which is included in Other current assets on the Consolidated Balance Sheets.

Derivatives by Balance Sheet Classification

As required by accounting standards for derivatives and hedges, fair values within the following tables are presented on a gross basis aside from the netting of asset and liability positions. Netting of positions is permitted in accordance with accounting standards for offsetting and under terms of our master netting agreements that allow us to settle positive and negative positions.

The following tables present the fair value and balance sheet classification of our derivative instruments as of December 31, (in thousands):

	Balance Sheet Location	2021	2020
Derivatives designated as hedges:			
Asset derivative instruments:			
Current commodity derivatives	Derivative assets - current	$ 2,017	$ 181
Noncurrent commodity derivatives	Other assets, non-current	18	43
Liability derivative instruments:			
Current commodity derivatives	Derivative liabilities - current	—	(108)
Total derivatives designated as hedges		$ 2,035	$ 116
Derivatives not designated as hedges:			
Asset derivative instruments:			
Current commodity derivatives	Derivative assets - current	$ 2,356	$ 1,667
Noncurrent commodity derivatives	Other assets, non-current	804	151
Liability derivative instruments:			
Current commodity derivatives	Derivative liabilities - current	(1,439)	(1,936)
Noncurrent commodity derivatives	Other deferred credits and other liabilities	(20)	—
Total derivatives not designated as hedges		$ 1,701	$ (118)

Derivatives Designated as Hedge Instruments

The impact of cash flow hedges on our Consolidated Statements of Income is presented below for the years ended December 31, 2021, 2020 and 2019. Note that this presentation does not reflect the gains or losses arising from the underlying physical transactions; therefore, it is not indicative of the economic profit or loss we realized when the underlying physical and financial transactions were settled.

	2021	2020	2019		2021	2020	2019
Derivatives in Cash Flow Hedging Relationships	Amount of Gain/(Loss) Recognized in OCI			Income Statement Location	Amount of Gain/(Loss) Reclassified from AOCI into Income		
	(in thousands)				(in thousands)		
Interest rate swaps	$ 2,851	$ 2,851	$ 2,851	Interest expense	$ (2,851)	$ (2,851)	$ (2,851)
Commodity derivatives	1,952	540	(965)	Fuel, purchased power and cost of natural gas sold	2,051	(601)	417
Total	$ 4,803	$ 3,391	$ 1,886		$ (800)	$ (3,452)	$ (2,434)

As of December 31, 2021, $0.9 million of net losses related to our interest rate swaps and commodity derivatives are expected to be reclassified from AOCI into earnings within the next 12 months. As market prices fluctuate, estimated and actual realized gains or losses will change during future periods.

Derivatives Not Designated as Hedge Instruments

The following table summarizes the impacts of derivative instruments not designated as hedge instruments on our Consolidated Statements of Income for the years ended December 31, 2021, 2020 and 2019. Note that this presentation does not reflect the expected gains or losses arising from the underlying physical transactions; therefore, it is not indicative of the economic gross profit we realized when the underlying physical and financial transactions were settled.

		2021	2020	2019
Derivatives Not Designated as Hedging Instruments	Income Statement Location	Amount of Gain/(Loss) on Derivatives Recognized in Income		
		(in thousands)		
Commodity derivatives - Electric	Fuel, purchased power and cost of natural gas sold	$ (144)	$ 144	$ —
Commodity derivatives - Natural Gas	Fuel, purchased power and cost of natural gas sold	2,599	1,640	(1,100)
		$ 2,455	$ 1,784	$ (1,100)

As discussed above, financial instruments used in our regulated Gas Utilities are not designated as cash flow hedges. However, there is no earnings impact because the unrealized gains and losses arising from the use of these financial instruments are recorded as Regulatory assets or Regulatory liabilities. The net unrealized losses included in our Regulatory assets or Regulatory liability accounts related to these financial instruments in our Gas Utilities were $2.6 million and $2.2 million at December 31, 2021 and 2020, respectively. For our Electric Utilities, the unrealized gains and losses arising from these derivatives are recognized in the Consolidated Statements of Income.

(10) FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

Derivatives

The following tables set forth, by level within the fair value hierarchy, our gross assets and gross liabilities and related offsetting as permitted by GAAP that were accounted for at fair value on a recurring basis for derivative instruments.

	As of December 31, 2021				
	Level 1	Level 2	Level 3	Cash Collateral and Counterparty Netting [(a)]	Total
	(in thousands)				
Assets:					
Commodity derivatives - Gas Utilities	$ —	$ 7,569	$ —	$ (2,374)	$ 5,195
Commodity derivatives - Electric Utilities	—	—	—	—	—
Total	$ —	$ 7,569	$ —	$ (2,374)	$ 5,195
Liabilities:					
Commodity derivatives - Gas Utilities	$ —	$ 3,273	$ —	$ (1,814)	$ 1,459
Commodity derivatives - Electric Utilities		$ —		$ —	$ —
Total	$ —	$ 3,273	$ —	$ (1,814)	$ 1,459

(a) As of December 31, 2021, $2.4 million of our commodity derivative gross assets and $1.8 million of our commodity derivative gross liabilities, as well as related gross collateral amounts, were subject to master netting agreements.

	As of December 31, 2020				
	Level 1	Level 2	Level 3	Cash Collateral and Counterparty Netting [(a)]	Total
			(in thousands)		
Assets:					
Commodity derivatives - Gas Utilities	$ —	2,504	$ —	$ (1,527)	$ 977
Commodity derivatives - Electric Utilities	—	1,065	—	—	1,065
Total	$ —	$ 3,569	$ —	$ (1,527)	$ 2,042
Liabilities:					
Commodity derivatives - Gas Utilities	$ —	$ 2,675	$ —	$ (1,552)	$ 1,123
Commodity derivatives - Electric Utilities	—	921	—	—	921
Total	$ —	$ 3,596	$ —	$ (1,552)	$ 2,044

(a) As of December 31, 2020, $1.5 million of our commodity derivative assets and $1.6 million of our commodity derivative liabilities, as well as related gross collateral amounts, were subject to master netting agreements.

Pension and Postretirement Plan Assets

A discussion of the fair value of our Pension and Postretirement Plan assets is included in Note 13.

Nonrecurring Fair Value Measurement

A discussion of the fair value of our investment in equity securities of a privately held oil and gas company, a Level 3 asset, is included in Note 1.

Other Fair Value Measurements

The carrying amount of cash and cash equivalents, restricted cash and equivalents and short-term borrowings approximates fair value due to their liquid or short-term nature. Cash, cash equivalents and restricted cash are classified in Level 1 in the fair value hierarchy. Notes payable consist of commercial paper borrowings and are not traded on an exchange; therefore, they are classified as Level 2 in the fair value hierarchy.

The following table presents the carrying amounts and fair values of financial instruments not recorded at fair value on the Consolidated Balance Sheets at December 31 (in thousands):

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities [(a)]	$ 4,126,923	$ 4,570,619	$ 3,536,536	$ 4,208,167

(a) Long-term debt is valued based on observable inputs available either directly or indirectly for similar liabilities in active markets and therefore is classified in Level 2 in the fair value hierarchy. Carrying amount of long-term debt is net of deferred financing costs.

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(11) OTHER COMPREHENSIVE INCOME

We record deferred gains (losses) in AOCI related to interest rate swaps designated as cash flow hedges, commodity contracts designated as cash flow hedges and the amortization of components of our defined benefit plans. Deferred gains (losses) for our commodity contracts designated as cash flow hedges are recognized in earnings upon settlement, while deferred gains (losses) related to our interest rate swaps are recognized in earnings as they are amortized.

The following table details reclassifications out of AOCI and into Net income. The amounts in parentheses below indicate decreases to Net income in the Consolidated Statements of Income for the period, net of tax (in thousands):

	Location on the Consolidated Statements of Income	Amount Reclassified from AOCI December 31, 2021	December 31, 2020
Gains and (losses) on cash flow hedges:			
Interest rate swaps	Interest expense	$ (2,851)	$ (2,851)
Commodity contracts	Fuel, purchased power and cost of natural gas sold	2,051	(601)
		(800)	(3,452)
Income tax	Income tax benefit (expense)	175	383
Total reclassification adjustments related to cash flow hedges, net of tax		$ (625)	$ (3,069)
Amortization of components of defined benefit plans:			
Prior service cost	Operations and maintenance	$ 98	$ 103
Actuarial gain (loss)	Operations and maintenance	(2,391)	(2,387)
		(2,293)	(2,284)
Income tax	Income tax benefit (expense)	638	935
Total reclassification adjustments related to defined benefit plans, net of tax		$ (1,655)	$ (1,349)
Total reclassifications		$ (2,280)	$ (4,418)

Balances by classification included within AOCI, net of tax on the accompanying Consolidated Balance Sheets were as follows (in thousands):

	Derivatives Designated as Cash Flow Hedges			
	Interest Rate Swaps	Commodity Derivatives	Employee Benefit Plans	Total
As of December 31, 2020	$ (12,558)	$ 2	$ (14,790)	$ (27,346)
Other comprehensive income (loss)				
before reclassifications	—	3,023	1,959	4,982
Amounts reclassified from AOCI	2,174	(1,549)	1,655	2,280
As of December 31, 2021	$ (10,384)	$ 1,476	$ (11,176)	$ (20,084)

	Derivatives Designated as Cash Flow Hedges			
	Interest Rate Swaps	Commodity Derivatives	Employee Benefit Plans	Total
As of December 31, 2019	$ (15,122)	$ (456)	$ (15,077)	$ (30,655)
Other comprehensive income (loss)				
before reclassifications	—	(47)	(1,062)	(1,109)
Amounts reclassified from AOCI	2,564	505	1,349	4,418
As of December 31, 2020	$ (12,558)	$ 2	$ (14,790)	$ (27,346)

(12) VARIABLE INTEREST ENTITY

Black Hills Colorado IPP owns and operates a 200 MW, combined-cycle natural gas generating facility located in Pueblo, Colorado. In 2016, Black Hills Electric Generation sold a 49.9%, non-controlling interest in Black Hills Colorado IPP to a third-party buyer. Black Hills Electric Generation is the operator of the facility, which is contracted to provide capacity and energy through 2031 to Colorado Electric.

The accounting for a partial sale of a subsidiary in which control is maintained and the subsidiary continues to be consolidated is specified under ASC 810, *Consolidation*. The partial sale is required to be recorded as an equity transaction with no resulting gain or loss on the sale. GAAP requires that non-controlling interests in subsidiaries and affiliates be reported in the equity section of a company's balance sheet.

Net income available for common stock for the years ended December 31, 2021, 2020 and 2019 was reduced by $15 million, $15 million, and $14 million, respectively, attributable to this non-controlling interest. The net income allocable to the non-controlling interest holder is based on ownership interest with the exception of certain agreed upon adjustments. Distributions of net income attributable to this non-controlling interest are due within 30 days following the end of a quarter, but may be withheld as necessary by Black Hills Electric Generation.

Black Hills Colorado IPP has been determined to be a VIE in which the Company has a variable interest. Black Hills Electric Generation has been determined to be the primary beneficiary of the VIE as Black Hills Electric Generation is the operator and manager of the generation facility and, as such, has the power to direct the activities that most significantly impact Black Hills Colorado IPP's economic performance. Black Hills Electric Generation, as the primary beneficiary, continues to consolidate Black Hills Colorado IPP. Black Hills Colorado IPP has not received financial or other support from the Company outside of pre-existing contractual arrangements during the reporting period. Black Hills Colorado IPP does not have any debt and its cash flows from operations are sufficient to support its ongoing operations.

We have recorded the following assets and liabilities on our consolidated balance sheets related to the VIE described above as of December 31 (in thousands):

	2021	2020
Assets:		
Current assets	$ 13,220	$ 13,604
Property, plant and equipment of variable interest entities, net	$ 189,079	$ 190,637
Liabilities:		
Current liabilities	$ 5,841	$ 5,318

(13) EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

We sponsor a 401(k) retirement savings plan (the 401(k) Plan). Participants in the 401(k) Plan may elect to invest a portion of their eligible compensation in the 401(k) Plan up to the maximum amounts established by the IRS. The 401(k) Plan provides employees the opportunity to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis.

The 401(k) Plan provides a Company matching contribution for all eligible participants. Certain eligible participants who are not currently accruing a benefit in the Pension Plan also receive a Company retirement contribution based on the participant's age and years of service. Vesting of all Company and matching contributions occurs at 20% per year with 100% vesting when the participant has 5 years of service with the Company.

Defined Benefit Pension Plan

We have one defined benefit pension plan, the Black Hills Retirement Plan (Pension Plan). The Pension Plan covers certain eligible employees of the Company. The benefits for the Pension Plan are based on years of service and calculations of average earnings during a specific time period prior to retirement. The Pension Plan is closed to new employees and frozen for certain employees who did not meet age and service based criteria.

The Pension Plan assets are held in a Master Trust. Our Board of Directors has approved the Pension Plan's investment policy. The objective of the investment policy is to manage assets in such a way that will allow the eventual settlement of our obligations to the Pension Plan's beneficiaries. To meet this objective, our pension assets are managed by an outside adviser using a portfolio strategy that will provide liquidity to meet the Pension Plan's benefit payment obligations. The Pension Plan's assets consist primarily of equity, fixed income and hedged investments.

The expected rate of return on the Pension Plan assets is determined by reviewing the historical and expected returns of both equity and fixed income markets, taking into account asset allocation, the correlation between asset class returns and the mix of active and passive investments. The Pension Plan utilizes a dynamic asset allocation where the target range to return-seeking and liability-hedging assets is determined based on the funded status of the Plan. As of December 31, 2021, the expected rate of return on pension plan assets was based on the targeted asset allocation range of 22% to 30% return-seeking assets and 70% to 78% liability-hedging assets.

Our Pension Plan is funded in compliance with the federal government's funding requirements.

Plan Assets

The percentages of total plan asset by investment category for our Pension Plan at December 31 were as follows:

	2021	2020
Equity	15%	21%
Real estate	7	3
Fixed income	74	69
Cash	1	3
Hedge funds	3	4
Total	100%	100%

Supplemental Non-qualified Defined Benefit Plans

We have various supplemental retirement plans for key executives of the Company. The plans are non-qualified defined benefit and defined contribution plans (Supplemental Plans). The Supplemental Plans are subject to various vesting schedules and are funded on a cash basis as benefits are paid.

Non-pension Defined Benefit Postretirement Healthcare Plan

BHC sponsors a retiree healthcare plan (Healthcare Plan) for employees who meet certain age and service requirements at retirement. Healthcare Plan benefits are subject to premiums, deductibles, co-payment provisions and other limitations. A portion of the Healthcare Plan for participating business units are pre-funded via VEBA trusts. Pre-65 retirees as well as a grandfathered group of post-65 retirees receive their retiree medical benefits through the Black Hills self-insured retiree medical plans. Healthcare coverage for post-65 Medicare-eligible retirees is provided through an individual market healthcare exchange.

We fund the Healthcare Plan on a cash basis as benefits are paid. The Healthcare Plan provides for partial pre-funding via VEBA trusts. Assets related to this pre-funding are held in trust and are for the benefit of the union and non-union employees located in the states of Arkansas, Iowa and Kansas. We do not pre-fund the Healthcare Plan for those employees outside Arkansas, Iowa and Kansas.

Plan Contributions

Contributions to the Pension Plan are cash contributions made directly to the Master Trust. Healthcare and Supplemental Plan contributions are made in the form of benefit payments. Healthcare benefits include company and participant paid premiums. Contributions for the years ended December 31 were as follows (in thousands):

	2021	2020
Defined Contribution Plan		
Company retirement contributions	$ 11,332	$ 10,455
Company matching contributions	$ 15,938	$ 15,240

	2021	2020
Defined Benefit Plans		
Defined Benefit Pension Plan	$ —	$ 12,700
Non-Pension Defined Benefit Postretirement Healthcare Plan	$ 6,432	$ 6,058
Supplemental Non-Qualified Defined Benefit Plans	$ 2,576	$ 2,674

While we do not have required contributions, we expect to make $3.9 million in contributions to our Pension Plan in 2022.

Fair Value Measurements

The following tables set forth, by level within the fair value hierarchy, the assets that were accounted for at fair value on a recurring basis (in thousands):

Pension Plan	December 31, 2021					
	Level 1	Level 2	Level 3	Total Investments Measured at Fair Value	NAV [(a)]	Total Investments
Common Collective Trust - Cash and Cash Equivalents	$ —	$ 6,009	$ —	$ 6,009	$ —	$ 6,009
Common Collective Trust - Equity	—	70,262	—	70,262	—	70,262
Common Collective Trust - Fixed Income	—	339,219	—	339,219	—	339,219
Common Collective Trust - Real Estate	—	—	—	—	30,407	30,407
Hedge Funds	—	—	—	—	12,490	12,490
Total investments measured at fair value	$ —	$ 415,490	$ —	$ 415,490	$ 42,897	$ 458,387

Pension Plan	December 31, 2020					
	Level 1	Level 2	Level 3	Total Investments Measured at Fair Value	NAV [(a)]	Total Investments
Common Collective Trust - Cash and Cash Equivalents	—	16,810	—	16,810	—	16,810
Common Collective Trust - Equity	—	100,311	—	100,311	—	100,311
Common Collective Trust - Fixed Income	—	324,845	—	324,845	—	324,845
Common Collective Trust - Real Estate	—	—	—	—	14,301	14,301
Hedge Funds	—	—	—	—	17,454	17,454
Total investments measured at fair value	$ —	$ 441,966	$ —	$ 441,966	$ 31,755	$ 473,721

(a) Certain investments that are measured at fair value using NAV per share (or its equivalent) for practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables for these investments are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the reconciliation of changes in the plan's benefit obligations and fair value of plan assets above.

Non-pension Defined Benefit Postretirement Healthcare Plan	December 31, 2021				
	Level 1	Level 2	Level 3	Total Investments Measured at Fair Value	Total Investments
Cash and Cash Equivalents	$ 7,972	$ —	$ —	$ 7,972	$ 7,972
Total investments measured at fair value	$ 7,972	$ —	$ —	$ 7,972	$ 7,972

Non-pension Defined Benefit Postretirement Healthcare Plan	December 31, 2020				
	Level 1	Level 2	Level 3	Total Investments Measured at Fair Value	Total Investments
Cash and Cash Equivalents	$ 8,165	$ —	$ —	$ 8,165	$ 8,165
Total investments measured at fair value	$ 8,165	$ —	$ —	$ 8,165	$ 8,165

Additional information about assets of the benefit plans, including methods and assumptions used to estimate the fair value of these assets, is as follows:

Pension Plan

Common Collective Trust Funds: These funds are valued based upon the redemption price of units held by the Pension Plan, which is based on the current fair value of the common collective trust funds' underlying assets. Unit values are determined by the financial institution sponsoring such funds by dividing the fund's net assets at fair value by its units outstanding at the valuation dates. The Pension Plan's investments in common collective trust funds, with the exception of shares of the common collective trust-real estate are categorized as Level 2.

Common Collective Trust-Real Estate Funds: These funds are valued based on various factors of the underlying real estate properties, including market rent, market rent growth, occupancy levels, etc. As part of the trustee's valuation process, properties are externally appraised generally on an annual basis. The appraisals are conducted by reputable independent appraisal firms and signed by appraisers that are members of the Appraisal Institute, with professional designation of Member, Appraisal Institute. All external appraisals are performed in accordance with the Uniform Standards of Professional Appraisal Practices. We receive monthly statements from the trustee, along with the annual schedule of investments and rely on these reports for pricing the units of the fund. Some of the funds without participant withdrawal limitations are categorized as Level 2.

The following investments are measured at NAV and are not classified in the fair value hierarchy, in accordance with accounting guidance:

> *Common Collective Trust-Real Estate Fund*: This is the same fund as above except that certain of the funds' assets contain participant withdrawal policies with restrictions on redemption and are therefore not included in the fair value hierarchy.
>
> *Hedge Funds:* These funds represent investments in other investment funds that seek a return utilizing a number of diverse investment strategies. The strategies, when combined, aim to reduce volatility and risk while attempting to deliver positive returns under all market conditions. Amounts are reported on a one-month lag. The fair value of hedge funds is determined using net asset value per share based on the fair value of the hedge fund's underlying investments. 10% of the shares may be redeemed at the end of each month with a 15-day notice and full redemptions are available at the end of each quarter with 60-day notice and is limited to a percentage of the total net assets value of the fund. The net asset values are based on the fair value of each fund's underlying investments. There are no unfunded commitments related to these hedge funds.

Non-pension Defined Benefit Postretirement Healthcare Plan

Cash and Cash Equivalents: This represents an investment in Northern Institutional Government Assets Portfolio, which is a government money market fund. As shares held reflect quoted prices in an active market, they are categorized as Level 1.

Other Plan Information

The following tables provide a reconciliation of the employee benefit plan obligations and fair value of employee benefit plan assets, amounts recognized in the Consolidated Balance Sheets, accumulated benefit obligation, and reconciliation of components of the net periodic expense and elements of AOCI (in thousands):

Employee Benefit Plan Obligations

	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan	
As of December 31,	2021	2020	2021	2020	2021	2020
Change in benefit obligation:						
Projected benefit obligation at beginning of year	$ 514,008	$ 485,376	$ 55,054	$ 54,088	$ 70,238	$ 65,277
Service cost [(a)]	5,038	5,411	3,149	1,579	2,237	2,056
Interest cost	9,313	13,426	706	1,099	1,058	1,649
Actuarial (gain) loss	(14,037)	47,064	(1,073)	962	(5,165)	5,804
Amendments	(561)	—	—	—	—	—
Benefits paid	(35,499)	(37,269)	(2,576)	(2,674)	(6,432)	(6,058)
Plan participants' contributions	—	—	—	—	1,548	1,510
Projected benefit obligation at end of year	$ 478,262	$ 514,008	$ 55,260	$ 55,054	$ 63,484	$ 70,238

(a) For the year ended December 31, 2020, Service Cost for the Supplemental Non-qualified Defined Benefit Plans includes a $1.4 million correction of a prior year overstatement of Projected benefit obligation.

Fair Value Employee Benefit Plan Assets

	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan [(a)]	
As of December 31,	2021	2020	2021	2020	2021	2020
Change in fair value of plan assets:						
Beginning fair value of plan assets	$ 473,721	$ 434,284	$ —	$ —	$ 8,165	$ 8,305
Investment income (loss)	20,165	64,006	—	—	(35)	33
Employer contributions	—	12,700	2,576	2,674	4,726	4,374
Retiree contributions	—	—	—	—	1,548	1,511
Benefits paid	(35,499)	(37,269)	(2,576)	(2,674)	(6,432)	(6,058)
Ending fair value of plan assets	$ 458,387	$ 473,721	$ —	$ —	$ 7,972	$ 8,165

(a) Assets of VEBA trusts.

In 2012, we froze our Pension Plan and closed it to new participants. Since then, we have implemented various de-risking strategies including lump sum buyouts, the purchase of annuities and the reduction of return-seeking assets over time to a more liability-hedged portfolio. As a result, capital markets volatility driven by the COVID-19 pandemic did not materially affect our unfunded status.

Amounts Recognized in the Consolidated Balance Sheets

	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan	
As of December 31,	2021	2020	2021	2020	2021	2020
Regulatory assets	$ 67,403	$ 86,677	$ —	$ —	$ 11,660	$ 16,102
Current liabilities	$ —	$ —	$ 2,156	$ 1,927	$ 4,584	$ 4,931
Non-current liabilities	$ 19,872	$ 40,287	$ 53,104	$ 53,127	$ 50,949	$ 57,142
Regulatory liabilities	$ 3,830	$ 3,607	$ —	$ —	$ 2,447	$ 2,140

Accumulated Benefit Obligation

	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan	
As of December 31,	2021	2020	2021	2020	2021	2020
Accumulated Benefit Obligation	$ 466,505	$ 498,815	$ 55,260	$ 54,779	$ 63,484	$ 70,238

Components of Net Periodic Expense

	Defined Benefit Pension Plan			Supplemental Non-qualified Defined Benefit Plans			Non-pension Defined Benefit Postretirement Healthcare Plan		
For the years ended December 31,	2021	2020	2019	2021	2020	2019	2021	2020	2019
Service cost [(a)]	$ 5,038	$ 5,411	$ 5,383	$ 3,149	$ 1,579	$ 4,995	$ 2,237	$ 2,056	$ 1,815
Interest cost	9,313	13,426	17,374	706	1,099	1,295	1,058	1,649	2,247
Expected return on assets	(20,876)	(22,591)	(24,401)	—	—	—	(136)	(182)	(230)
Net amortization of prior service cost	—	—	26	—	2	2	(434)	(546)	(398)
Recognized net actuarial loss (gain)	7,315	8,372	3,763	1,754	1,702	535	466	20	—
Net periodic expense	$ 790	$ 4,618	$ 2,145	$ 5,609	$ 4,382	$ 6,827	$ 3,191	$ 2,997	$ 3,434

(a) For the year ended December 31, 2020, Service Cost for the Supplemental Non-qualified Defined Benefit Plans includes a $1.4 million correction of a prior year overstatement of Projected benefit obligation.

For the years ended December 31, 2021, 2020 and 2019, Service costs were recorded in Operations and maintenance expense while non service costs were recorded in Other expense on the Consolidated Statements of Income.

AOCI Amounts (After-Tax)

	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan	
As of December 31,	2021	2020	2021	2020	2021	2020
Net (gain) loss	$ 4,398	$ 5,511	$ 7,159	$ 9,323	$ (308)	$ 100
Prior service cost (gain)	(46)	—	—	—	(27)	(144)
Total amounts included in AOCI, after-tax not yet recognized as components of net periodic expense	$ 4,352	$ 5,511	$ 7,159	$ 9,323	$ (335)	$ (44)

Assumptions

	Defined Benefit Pension Plan			Supplemental Non-qualified Defined Benefit Plans			Non-pension Defined Benefit Postretirement Healthcare Plan		
Weighted-average assumptions used to determine benefit obligations:	2021	2020	2019	2021	2020	2019	2021	2020	2019
Discount rate	2.88 %	2.56 %	3.27 %	2.77 %	2.41 %	3.14 %	2.79 %	2.41 %	3.15 %
Rate of increase in compensation levels	3.08 %	3.34 %	3.49 %	5.00 %	5.00 %	5.00 %	N/A	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for plan year:	Defined Benefit Pension Plan			Supplemental Non-qualified Defined Benefit Plans			Non-pension Defined Benefit Postretirement Healthcare Plan		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Discount rate [(a)]	2.56 %	3.27 %	4.40 %	2.41 %	3.14 %	4.34 %	2.41 %	3.15 %	4.28 %
Expected long-term rate of return on assets [(b)]	4.50 %	5.25 %	6.00 %	N/A	N/A	N/A	1.80 %	2.35 %	3.00 %
Rate of increase in compensation levels	3.34 %	3.49 %	3.52 %	5.00 %	5.00 %	5.00 %	N/A	N/A	N/A

(a) The estimated discount rate for the Defined Benefit Pension Plan is 2.88% for the calculation of the 2022 net periodic pension costs.
(b) The expected rate of return on plan assets is 4.25% for the calculation of the 2022 net periodic pension cost.

The healthcare benefit obligation at December 31 was determined as follows:

	2021	2020
Trend Rate - Medical		
Pre-65 for next year - All Plans	6.05%	6.10%
Pre-65 Ultimate trend rate - Black Hills Corp	4.50%	4.50%
Trend Year	2030	2027
Post-65 for next year - All Plans	5.10%	4.92%
Post-65 Ultimate trend rate - Black Hills Corp	4.50%	4.50%
Trend Year	2030	2029

The following benefit payments to employees, which reflect future service, are expected to be paid (in thousands):

	Defined Benefit Pension Plan	Supplemental Non-qualified Defined Benefit Plans	Non-pension Defined Benefit Postretirement Healthcare Plan
2022	$ 26,249	$ 2,156	$ 5,806
2023	$ 27,133	$ 2,224	$ 5,334
2024	$ 27,683	$ 2,410	$ 5,042
2025	$ 28,650	$ 2,757	$ 4,865
2026	$ 28,968	$ 2,782	$ 4,752
2027-2031	$ 144,422	$ 12,553	$ 21,615

(14) SHARE-BASED COMPENSATION PLANS

Our 2015 Omnibus Incentive Plan allows for the granting of stock, restricted stock, restricted stock units, stock options, performance shares and performance share units. We had 416,325 shares available to grant at December 31, 2021.

Compensation expense is determined using the grant date fair value estimated in accordance with the provisions of accounting standards for stock compensation and is recognized over the vesting periods of the individual awards. As of December 31, 2021, total unrecognized compensation expense related to non-vested stock awards was approximately $14 million and is expected to be recognized over a weighted-average period of two years. Stock-based compensation expense, which is included in Operations and maintenance on the accompanying Consolidated Statements of Income, was as follows for the years ended December 31 (in thousands):

	2021	2020	2019
Stock-based compensation expense	$ 9,655	$ 5,373	$ 12,095

Restricted Stock

The fair value of restricted stock and restricted stock unit awards equals the market price of our stock on the date of grant.

The shares carry a restriction on the ability to sell the shares until the shares vest. The shares substantially vest over three years, contingent on continued employment. Compensation expense related to the awards is recognized over the vesting period.

A summary of the status of the restricted stock and restricted stock units at December 31, 2021, was as follows:

	Restricted Stock	Weighted-Average Grant Date Fair Value
	(in thousands)	
Balance at January 1, 2021	196	$ 69.05
Granted	118	65.64
Vested	(83)	67.85
Forfeited	(12)	69.59
Balance at December 31, 2021	219	$ 67.64

The weighted-average grant-date fair value of restricted stock granted and the total fair value of shares vested during the years ended December 31, were as follows:

	Weighted-Average Grant Date Fair Value	Total Fair Value of Shares Vested
		(in thousands)
2021	$ 65.64	$ 5,400
2020	$ 69.49	$ 6,722
2019	$ 73.66	$ 8,438

As of December 31, 2021, there was $11 million of unrecognized compensation expense related to non-vested restricted stock that is expected to be recognized over a weighted-average period of 2.2 years.

Performance Share Plan

Prior to 2021, certain officers of the Company and its subsidiaries became participants in a market-based performance share award plan. Performance shares are awarded based on our total shareholder return over designated performance periods as measured against a selected peer group. In addition, certain stock price performance must be achieved for a payout to occur. The final value of the performance shares will vary according to the number of shares of common stock that are ultimately granted based upon the actual level of attainment of the performance criteria.

These performance awards are paid 50% in cash and 50% in common stock. The cash portion accrued is classified as a liability and the stock portion is classified as equity. In the event of a change-in-control, performance awards are paid 100% in cash. If it is determined that a change-in-control is probable, the equity portion of $2.1 million at December 31, 2021 would be reclassified as a liability.

The outstanding performance periods at December 31, 2021 were as follows (shares in thousands):

Grant Date	Performance Period	Target Grant of Shares	Possible Payout Range of Target: Minimum	Possible Payout Range of Target: Maximum
January 1, 2020	January 1, 2020 - December 31, 2022	36	0%	200%
January 1, 2019	January 1, 2019 - December 31, 2021	36	0%	200%

A summary of the status of the Performance Share Plan at December 31, 2021 was as follows:

	Equity Portion		Liability Portion	
	Shares	Weighted-Average Grant Date Fair Value [(a)]	Shares	Weighted-Average Fair Value at December 31, 2021
	(in thousands)		(in thousands)	
Performance Shares balance at beginning of period	61	$ 69.71	61	
Granted	—	—	—	
Forfeited	—	—	—	
Vested	(25)	61.82	(25)	
Performance Shares balance at end of period	36	$ 68.14	36	$ 31.51

(a) The grant date fair values for the performance shares granted in 2020 and 2019 were determined by Monte Carlo simulation using a blended volatility of 18% and 21%, respectively, comprised of 50% historical volatility and 50% implied volatility and the average risk-free interest rate of the three-year United States Treasury security rate in effect as of the grant date.

The weighted-average grant-date fair value of performance share awards granted was as follows in the years ended:

	Weighted Average Grant Date Fair Value
December 31, 2020	$ 81.42
December 31, 2019	$ 68.72

Performance plan payouts have been as follows (in thousands):

Performance Period	Year Paid	Stock Issued	Cash Paid	Total Intrinsic Value
January 1, 2018 to December 31, 2020	2021	28	$ 1,647	$ 3,294
January 1, 2017 to December 31, 2019	2020	14	$ 1,100	$ 2,199
January 1, 2016 to December 31, 2018	2019	44	$ 2,860	$ 5,720

On January 25, 2022, the Compensation Committee of our Board of Directors determined that the Company’s total shareholder return for the January 1, 2018 to December 31, 2020 performance period was at the 30th percentile of its peer group and confirmed a payout equal to 40.17% of target shares, valued at $1.0 million. The payout was fully accrued at December 31, 2021.

Performance Share Units

Beginning in 2021, certain officers of the Company, and its subsidiaries, were granted performance share units which have a three-year vesting period, do not have voting rights until vested, and are subject to three specified conditions. A market condition of relative total shareholder return, and two equally weighted performance metrics of average earnings per share and the average cost to serve. The units are paid 100% in common stock should conditions be met and can range from 0% to 200% of the target award. Dividend equivalents are accrued during the vesting period and paid out based on the final number of shares awarded. In the event of participant’s death or retirement at age 55 or older, awarded vest on a pro-rata basis over the three-year period.

Performance Share Units - Market Condition

The fair value of each share unit is based on the Company''s closing price at December 31 of the year prior to the award and a Monte Carlo simulation. The Monte Carlo simulation is used to estimate expected share payout based on the Company's TSR for a three-year performance period relative to the designated peer group beginning January 1 of the award year.

	2021
Fair value of share units award	$64.97
Three-year risk-free rate	0.17%
Black Hills Corporation's common stock volatility	33%
Volatility range for the peer group	25 % - 76%

Performance Share Units - Performance Condition

A performance condition share unit vests at the end of the three-year performance period if the specified performance conditions are achieved. The conditions are based on the Company's average earnings per share and the average cost to serve. The grant-date fair value for an individual outcome of a performance condition is determined by the closing common share price on the grant date.

The following table summarizes the performance share unit activity for the year ended December 31, 2021:

	Performance Share Units - Market Condition		Performance Share Units - Performance Condition	
	Share Units	Weighted-Average Fair Value per Share Unit	Share Units	Weighted-Average Fair Value per Share Unit
Nonvested at January 1, 2021	—	$ —	—	$ —
Granted	32,903	64.97	21,948	61.45
Nonvested at December 31, 2021	32,903	$ 64.97	21,948	$ 61.45

As of December 31, 2021, there was $2.9 million of unrecognized compensation expense related to outstanding performance share/unit plans that is expected to be recognized over a weighted-average period of 1.8 years.

(15) INCOME TAXES

Winter Storm Uri

As discussed in Note 2 above, our Utilities submitted cost recovery applications which seek to recover incremental costs from Winter Storm Uri through a regulatory mechanism. We expect to recover these costs from customers over several years. Winter Storm Uri costs, which will be deductible in our 2021 tax return, created a net deferred tax liability which had a balance of $124 million as of December 31, 2021. The deferred tax liability will reverse with the same timing as the costs are recovered from our customers.

The income tax deduction recognized from Winter Storm Uri will create a $509 million NOL in our 2021 federal income tax return and a $375 million NOL in our state income tax returns. Our federal NOL carryforwards related to Winter Storm Uri and other recent adjustments no longer expire due to the TCJA; however, our state NOL carryforwards expire at various dates from 2022 to 2041. We do not anticipate material changes to our valuation allowance against the state NOL carryforwards from Winter Storm Uri. Therefore, we did not record an additional valuation allowance against the state NOL carryforwards as of December 31, 2021.

CARES Act

On March 27, 2020, President Trump signed the CARES Act, which contained, in part, an allowance for deferral of the employer portion of Social Security employment tax liabilities until 2021 and 2022, as well as a COVID-19 employee retention tax credit of up to $5,000 per eligible employee.

During the year ended December 31, 2020, we utilized the payroll tax deferral provision which allowed us to defer payment of approximately $10 million of Social Security employment tax liabilities, of which $4.8 million was subsequently paid in 2021 and the remaining portion will be paid in 2022. During the year ended December 31, 2021, we completed our study of the CARES Act employee retention tax credits and recognized $1.2 million of gross payroll tax credits.

TCJA

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the TCJA. The TCJA reduced the U.S. federal corporate tax rate from 35% to 21%. As such, the Company remeasured the deferred income taxes at the 21% federal tax rate as of December 31, 2017. The entities subject to regulatory construct have made their best estimate regarding the probability of settlements of net regulatory liabilities established pursuant to the TCJA. The amount of the settlements may change based on decisions and actions by the federal and state utility commissions, which could have a material impact on the Company's future results of operations, cash flows or financial position. A majority of the excess deferred taxes are subject to the average rate assumption method, as prescribed by the IRS, and will generally be amortized as a reduction of customer rates over the remaining lives of the related assets. As of December 31, 2021, the Company has amortized, or provided bill credits for, $23 million of the regulatory liability. The portion that was eligible for amortization under the average rate assumption method in 2021 but is awaiting resolution of the treatment of these amounts in future regulatory proceedings has not been recognized, and may be refunded in customer rates at any time in accordance with the resolution of pending or future regulatory proceedings.

Income Tax Expense (Benefit)

Income tax expense (benefit) from continuing operations for the years ended December 31 was (in thousands):

	2021	2020	2019
Current:			
Federal	$ 574	$ (6,020)	$ (8,578)
State	(666)	847	138
Current income tax (benefit)	(92)	(5,173)	(8,440)
Deferred:			
Federal	2,170	35,672	34,551
State	5,091	2,419	3,469
Deferred income tax expense	7,261	38,091	38,020
Income tax expense	$ 7,169	$ 32,918	$ 29,580

Effective Tax Rates

The effective tax rate differs from the federal statutory rate for the years ended December 31, as follows:

	2021	2020	2019
Federal statutory rate	21.0 %	21.0 %	21.0 %
State income tax (net of federal tax effect)	1.2	2.4	1.5
Non-controlling interest [(a)]	(1.2)	(1.2)	(1.2)
Tax credits[(b)]	(8.4)	(9.2)	(3.9)
Flow-through adjustments [(c)]	(3.2)	(1.6)	(2.4)
Uncertain Tax Benefits	0.3	1.5	—
Valuation Allowance	—	0.7	—
Other tax differences	(0.2)	0.6	(1.6)
Amortization of excess deferred income tax expense [(d)]	(3.1)	(2.3)	(1.2)
TCJA bill credits [(e)]	(3.6)	—	—
Effective Tax Rate	2.8 %	11.9 %	12.2 %

(a) The effective tax rate reflects the income attributable to the non-controlling interest in Black Hills Colorado IPP for which a tax provision was not recorded.

(b) In 2020, the Company completed a research and development study which encompassed tax years from 2013 to 2019.

(c) Flow-through adjustments related primarily to accounting method changes for tax purposes that allow us to take a current tax deduction for repair costs, certain indirect costs and gain deferral. We recorded a deferred income tax liability in recognition of the temporary difference created between book and tax treatment and flowed the tax benefit through to tax expense. A regulatory asset was established to reflect the recovery of future increases in taxes payable from customers as the temporary differences reverse. As a result of this regulatory treatment, we continue to record tax benefits consistent with the flow-through method.

(d) Primarily TCJA - see above.

(e) As discussed in Note 2 above, Colorado Electric and Nebraska Gas bill credits, which represent a disposition of excess deferred income tax benefits resulting from the TCJA, were delivered to customers in 2021. These bill credits, which resulted in a reduction in revenue, were offset by a reduction in income tax expense and resulted in a minimal impact to Net income for the year ended December 31, 2021.

Deferred Tax Assets and Liabilities

The temporary differences, which gave rise to the net deferred tax liability, for the years ended December 31 were as follows (in thousands):

	2021	2020
Deferred tax assets:		
Regulatory liabilities	$ 77,099	$ 90,535
State tax credits	23,342	23,339
Federal NOL [a]	227,535	96,155
State NOL [a]	33,639	9,914
Partnership	13,395	15,601
Credit Carryovers	68,646	51,445
Other deferred tax assets	31,996	40,143
Less: Valuation allowance	(14,719)	(13,943)
Total deferred tax assets	460,933	313,189
Deferred tax liabilities:		
Accelerated depreciation, amortization and other property-related differences	(597,284)	(551,137)
Regulatory assets [a]	(124,582)	(28,007)
Goodwill	(45,471)	(30,590)
State deferred tax liability [a]	(109,136)	(73,910)
Other deferred tax liabilities	(49,848)	(38,169)
Total deferred tax liabilities	(926,321)	(721,813)
Net deferred tax liability	$ (465,388)	$ (408,624)

(a) Increase primarily driven by Winter Storm Uri — see above.

Net Operating Loss Carryforwards

At December 31, 2021, we have federal and state NOL carryforwards that will expire at various dates as follows (in thousands):

	Amounts	Expiration Dates		
Federal NOL Carryforward	$ 476,033	2022	to	2037
Federal NOL Carryforward	$ 607,465	No expiration		
State NOL Carryforward [a]	$ 572,203	2022	to	2041

(a) The carryforward balance is reflected on the basis of apportioned tax losses to jurisdictions imposing state income taxes.

As of December 31, 2021, we had a $1.1 million valuation allowance against the state NOL carryforwards. Our 2021 analysis of the ability to utilize such NOLs resulted in no increase in the valuation allowance. If the valuation allowance is adjusted due to higher or lower than anticipated utilization of the NOLs, the offsetting amount will affect tax expense.

Unrecognized Tax Benefits

The following table reconciles the total amounts of unrecognized tax benefits, without interest, at the beginning and end of the period included in Other deferred credits and other liabilities on the accompanying Consolidated Balance Sheets (in thousands):

Changes in Uncertain Tax Positions:	2021	2020	2019
Beginning balance	$ 8,383	$ 4,165	$ 3,583
Additions for prior year tax positions	448	3,788	446
Reductions for prior year tax positions	(732)	(1,313)	(862)
Additions for current year tax positions	2,455	1,743	998
Ending balance	$ 10,554	$ 8,383	$ 4,165

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $5.1 million.

We recognized no interest expense associated with income taxes for the years ended December 31, 2021, December 31, 2020 and December 31, 2019. We had no accrued interest (before tax effect) associated with income taxes at December 31, 2021 and December 31, 2020.

The Company is subject to federal income tax as well as income tax in various state and local jurisdictions. Black Hills Gas, Inc. and subsidiaries, which filed a separate consolidated tax return from BHC and subsidiaries through March 31, 2018, is under examination by the IRS for 2014. BHC is no longer subject to examination for tax years prior to 2017.

As of December 31, 2021, we do not have any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease on or before December 31, 2022.

State tax credits have been generated and are available to offset future state income taxes. At December 31, 2021, we had the following state tax credit carryforwards (in thousands):

State Tax Credit Carryforwards	Amounts	Expiration Year
ITC	$ 23,060	2023 to 2041
Research and development	$ 282	No expiration

As of December 31, 2021, we had a $13.6 million valuation allowance against the state ITC carryforwards. Our 2021 analysis of the ability to utilize such ITC resulted in a $0.8 million increase in the valuation allowance, which resulted in an increase to tax expense of $0.8 million. The valuation allowance adjustment was primarily attributable to changes in forecasted future state taxable income.

(16) BUSINESS SEGMENT INFORMATION

Our chief operating decision maker (CODM) reviews financial information presented on an operating segment basis for purposes of making decisions and assessing financial performance. Our CODM assesses the performance of our operating segments based on operating income.

In the prior year, we had reported four operating segments: Electric Utilities, Gas Utilities, Power Generation and Mining. In the fourth quarter of 2021, we changed our operating segments to align with the revised manner in which our CODM reviews our financial performance and allocates resources. Our power generation and mining businesses, which were previously presented as separate operating segments, are now part of our Electric Utilities segment. This change aligns with our vertically integrated business model for our Electric Utilities. Comparative periods presented reflect this change.

Our operating segments are equivalent to our reportable segments.

Segment information was as follows (in thousands):

Total Assets (net of intercompany eliminations) as of December 31,	2021	2020
Electric Utilities	$ 3,796,662	$ 3,602,233
Gas Utilities	5,246,370	4,376,204
Corporate and Other	88,864	110,349
Total assets	$ 9,131,896	$ 8,088,786

Capital Expenditures [a] for the years ended December 31,	2021	2020	2019
Electric Utilities	$ 285,770	$ 288,683	$ 316,687
Gas Utilities	383,320	449,209	512,366
Corporate and Other	10,500	17,500	20,702
Total capital expenditures	$ 679,590	$ 755,392	$ 849,755

(a) Includes accruals for property, plant and equipment as disclosed in the Supplemental Cash Flow Information to the Consolidated Statement of Cash Flows.

	Consolidating Income Statement				
Year ended December 31, 2021	Electric Utilities	Gas Utilities	Corporate	Inter-Company Eliminations	Total
Revenue -					
Contracts with customers	$ 825,404	$ 1,105,430	$ —	$ —	$ 1,930,834
Other revenues	5,336	12,932	—	—	18,268
	830,740	1,118,362	—	—	1,949,102
Inter-company operating revenue -					
Contracts with customers	11,518	6,110	196	(17,824)	—
Other revenues	—	393	356,151	(356,544)	—
	11,518	6,503	356,347	(374,368)	—
Total revenue	842,258	1,124,865	356,347	(374,368)	1,949,102
Fuel, purchased power and cost of natural gas sold	248,018	494,738	96	(918)	741,934
Operations and maintenance, including taxes	260,036	314,810	293,265	(306,325)	561,786
Depreciation, depletion and amortization	131,528	104,160	26,838	(26,573)	235,953
Operating income (loss)	$ 202,676	$ 211,157	$ 36,148	$ (40,552)	$ 409,429
Interest expense, net					(152,404)
Impairment of investment					—
Other income (expense), net					1,404
Income tax benefit (expense)					(7,169)
Net income					251,260
Net income attributable to non-controlling interest					(14,516)
Net income available for common stock					$ 236,744

Year ended December 31, 2020	Consolidating Income Statement Electric Utilities	Gas Utilities	Corporate	Inter-Company Eliminations	Total
Revenue -					
Contracts with customers	$ 721,108	$ 959,696	$ —	$ —	$ 1,680,804
Other revenues	6,175	9,962	—	$ —	16,137
	727,283	969,658	—	—	1,696,941
Inter-company operating revenue -					
Contracts with customers	11,574	4,724	167	(16,465)	—
Other revenues	—	288	352,976	(353,264)	—
	11,574	5,012	353,143	(369,729)	—
Total revenue	738,857	974,670	353,143	(369,729)	1,696,941
Fuel, purchased power and cost of natural gas sold	138,572	354,645	83	(896)	492,404
Operations and maintenance, including taxes	265,679	303,577	284,501	(301,980)	551,777
Depreciation, depletion and amortization	123,632	100,559	25,150	(24,884)	224,457
Operating income (loss)	210,974	215,889	43,409	(41,969)	428,303
Interest expense, net					(143,470)
Impairment of investment					(6,859)
Other income (expense), net					(2,293)
Income tax benefit (expense)					(32,918)
Net income					242,763
Net income attributable to non-controlling interest					(15,155)
Net income available for common stock					$ 227,608

Year ended December 31, 2019	Consolidating Income Statement Electric Utilities	Gas Utilities	Corporate	Inter-Company Eliminations	Total
Revenue -					
Contracts with customers	$ 719,205	$ 1,007,187	$ —	$ —	$ 1,726,392
Other revenues	8,124	384	—	—	8,508
	727,329	1,007,571	—	—	1,734,900
Inter-company operating revenue -					
Contracts with customers	12,026	2,459	230	(14,715)	—
Other revenues	—	—	343,974	(343,974)	—
	12,026	2,459	344,204	(358,689)	—
Total revenue	739,355	1,010,030	344,204	(358,689)	1,734,900
Fuel, purchased power and cost of natural gas sold	145,972	425,898	269	(1,310)	570,829
Operations and maintenance, including taxes	259,167	301,844	286,800	(298,902)	548,909
Depreciation, depletion and amortization	116,539	92,317	22,065	(21,801)	209,120
Operating income (loss)	217,677	189,971	35,070	(36,676)	406,042
Interest expense, net					(137,659)
Impairment of investment					(19,741)
Other income (expense), net					(5,740)
Income tax benefit (expense)					(29,580)
Net income					213,322
Net income attributable to non-controlling interest					(14,012)
Net income available for common stock					$ 199,310

(17) SUBSEQUENT EVENTS

Except as described below and in Note 3, there have been no events subsequent to December 31, 2021 which would require recognition in the consolidated financial statements or disclosures.

Winter Storm Uri

On January 27, 2022, Kansas Gas received approval from the KCC for their Winter Storm Uri cost recovery settlement with final rates to be implemented in 2022. See Note 2 for additional information.

Transmission Service Agreements

On January 1, 2022, Colorado Electric entered into a firm point-to-point transmission service agreement with Tri-State Generation and Transmission Association Inc. that provides a maximum of 58 MW of capacity and associated energy. This agreement expires December 31, 2024.

On January 1, 2022, South Dakota Electric entered into a firm point-to-point transmission service agreement with MEAN that provides a maximum of 20 MW of capacity and associated energy. This agreement expires December 31, 2023.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act)) as of December 31, 2021. Based on their evaluation, they have concluded that our disclosure controls and procedures are effective.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, as amended, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2021, there were no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting is presented on Page 56 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required under this item with respect to directors and information required by Items 401, 405, 406, 407(c)(3), 407(d)(4) and 407(d)(5) of Regulation S-K, is set forth in the Proxy Statement for our 2022 Annual Meeting of Shareholders, which is incorporated herein by reference. Information about our Executive Officers is reported in Part 1 of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required under this item is set forth in the Proxy Statement for our 2022 Annual Meeting of Shareholders, which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding the security ownership of certain beneficial owners and management is set forth in the Proxy Statement for our 2022 Annual Meeting of Shareholders, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence is set forth in the Proxy Statement for our 2022 Annual Meeting of Shareholders, which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding principal accounting fees and services billed to us by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34) is set forth in the Proxy Statement for our 2022 Annual Meeting to Shareholders, which is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report

1. Consolidated Financial Statements

Financial statements required under this item are included in Item 8 of Part II

2. Schedules

All other schedules have been omitted because of the absence of the conditions under which they are required or because the required information is included in our consolidated financial statements and notes thereto. Consolidated valuation and qualifying accounts are detailed within Note 1 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

3. Exhibits

Exhibits filed herewithin are designated by an asterisk (*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting a board of director or management compensatory plan are designated by a cross (†).

Exhibit Number	Description
2.1	Purchase and Sale Agreement by and among Alinda Gas Delaware LLC, Alinda Infrastructure Fund I, L.P. and Aircraft Services Corporation, as Sellers, and Black Hills Utility Holdings, Inc., as Buyer, dated as of July 12, 2015 (filed as Exhibit 2.1 to the Registrant's Form 8-K filed on July 14, 2015).

2.2	First Amendment to Purchase and Sale Agreement effective December 10, 2015, by and among, Alinda Gas Delaware LLC, Alinda Infrastructure Fund I, L.P. and Aircraft Services Corporation, as Sellers, and Black Hills Utility Holdings, Inc., as Buyer (filed as Exhibit 2.2 to the Registrant's Form 10-K for 2015).
2.3	Option Agreement, by and among, Aircraft Services Corporation, as ASC, SourceGas Holdings LLC, as the Company and Black Hills Utility Holdings, Inc., as Buyer (filed as Exhibit 2.2 to the Registrant's Form 8-K filed on July 14, 2015).
3.1	Restated Articles of Incorporation of the Registrant (filed as Exhibit 3 to the Registrant's Form 8-K filed on February 5, 2018).
3.2	Amended and Restated Bylaws of the Registrant dated April 24, 2017 (filed as Exhibit 3 to the Registrant's Form 8-K filed on April 28, 2017).
4.1	Indenture dated as of May 21, 2003 between the Registrant and Wells Fargo Bank, National Association (as successor to LaSalle Bank National Association), as Trustee (filed as Exhibit 4.1 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2003).
4.1.1	First Supplemental Indenture dated as of May 21, 2003 (filed as Exhibit 4.2 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2003).
4.1.2	Second Supplemental Indenture dated as of May 14, 2009 (filed as Exhibit 4 to the Registrant's Form 8-K filed on May 14, 2009).
4.1.3	Third Supplemental Indenture dated as of July 16, 2010 (filed as Exhibit 4 to Registrant's Form 8-K filed on July 15, 2010).
4.1.4	Fourth Supplemental Indenture dated as of November 19, 2013 (filed as Exhibit 4 to the Registrant's Form 8-K filed on November 18, 2013).
4.1.5	Fifth Supplemental Indenture dated as of January 13, 2016 (filed as Exhibit 4.1 to the Registrant's Form 8-K filed on January 13, 2016).
4.1.6	Sixth Supplemental Indenture dated as of August 19, 2016 (filed as Exhibit 4.1 to the Registrant's Form 8-K filed on August 19, 2016).
4.1.7	Seventh Supplemental Indenture dated as of August 17, 2018 (filed as Exhibit 4.2 to the Registrant's Form 8-K filed on August 17, 2018).
4.1.8	Eighth Supplemental Indenture dated as of October 3, 2019 (filed as Exhibit 4.1 to the Registrant's Form 8-K filed on October 4, 2019).
4.1.9	Ninth Supplemental Indenture dated as of June 17, 2020 (filed as Exhibit 4.1 to the Registrant's Form 8-K filed on June 17, 2020).
4.1.10	Tenth Supplemental Indenture dated as of August 26, 2021 (filed as Exhibit 4.1 to the Registrant's Form 8-K filed on August 26, 2021).
4.2	Restated and Amended Indenture of Mortgage and Deed of Trust of Black Hills Corporation (now called Black Hills Power, Inc.) dated as of September 1, 1999 (filed as Exhibit 4.19 to the Registrant's Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-3 (No. 333-150669)).
4.2.1	First Supplemental Indenture, dated as of August 13, 2002, between Black Hills Power, Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank), as Trustee (filed as Exhibit 4.20 to the Registrant's Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-3 (No. 333-150669)).
4.2.2	Second Supplemental Indenture, dated as of October 27, 2009, between Black Hills Power, Inc. and The Bank of New York Mellon (filed as Exhibit 4.21 to the Registrant's Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-3 (No. 333-150669)).
4.2.3	Third Supplemental Indenture, dated as of October 1, 2014, between Black Hills Power, Inc. and The Bank of New York Mellon (filed as Exhibit 10.1 to the Registrant's Form 8-K filed on October 2, 2014).
4.3	Restated Indenture of Mortgage, Deed of Trust, Security Agreement and Financing Statement, amended and restated as of November 20, 2007, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.2 to the Registrant's Form 8-K filed on October 2, 2014).
4.3.1	First Supplemental Indenture, dated as of September 3, 2009, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.3 to the Registrant's Form 8-K filed on October 2, 2014).
4.3.2	Second Supplemental Indenture, dated as of October 1, 2014, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.4 to the Registrant's Form 8-K filed on October 2, 2014).
4.4	Form of Stock Certificate for Common Stock, Par Value $1.00 Per Share (filed as Exhibit 4.2 to the Registrant's Form 10-K for 2000).

4.5	Description of Securities (filed as Exhibit 4.5 to the Registrant's Form 10-K for 2019)
10.1†	Amended and Restated Pension Equalization Plan of Black Hills Corporation dated November 6, 2001 (filed as Exhibit 10.11 to the Registrant’s Form 10-K/A for 2001).
10.1.1†	First Amendment to Pension Equalization Plan (filed as Exhibit 10.10 to the Registrant’s Form 10-K for 2002).
10.1.2†	Grandfather Amendment to the Amended and Restated Pension Equalization Plan of Black Hills Corporation (filed as Exhibit 10.2 to the Registrant’s Form 10-K for 2008).
10.2†	2005 Pension Equalization Plan of Black Hills Corporation (filed as Exhibit 10.3 to the Registrant’s Form 10-K for 2008).
10.3†	Restoration Plan of Black Hills Corporation (filed as Exhibit 10.5 to the Registrant’s Form 10-K for 2008).
10.3.1†	First Amendment to the Restoration Plan of Black Hills Corporation dated July 24, 2011 (filed as Exhibit 10.2 to the Registrant’s Form 10-Q for the quarterly period ended June 30, 2011).
10.4†	Black Hills Corporation Non-qualified Deferred Compensation Plan as Amended and Restated effective January 1, 2011 (filed as Exhibit 10.4 to the Registrant’s Form 10-K for 2010).
10.4.1†	First Amendment to the Black Hills Corporation Nonqualified Deferred Compensation Plan as Amended and Restated effective January 1, 2011 (filed as Exhibit 10.5 to the Registrant’s Form 10-K for 2018).
10.5†	Black Hills Corporation Post-2018 Nonqualified Deferred Compensation Plan (filed as Exhibit 10.6 to the Registrant’s Form 10-K for 2018).
10.6†	Black Hills Corporation 2005 Omnibus Incentive Plan (”Omnibus Plan”) (filed as Appendix A to the Registrant’s Proxy Statement filed April 13, 2005).
10.6.1†	First Amendment to the Omnibus Plan (filed as Exhibit 10.11 to the Registrant’s Form 10-K for 2008).
10.6.2†	Second Amendment to the Omnibus Plan (filed as Exhibit 10 to the Registrant’s Form 8-K filed on May 26, 2010).
10.7*†	Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan effective January 26, 2021 (filed as Exhibit 10.7 to the Registrant's Form 10-K for 2020)
10.8†	Form of Stock Option Agreement for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.7 to the Registrant’s Form 10-K for 2013).
10.9†	Form of Stock Option Agreement effective for awards granted on or after April 28, 2015 (filed as Exhibit 10.8 to Registrant’s Form 10-K for 2015).
10.10†	Form of Restricted Stock Award Agreement for 2015 Omnibus Incentive Plan effective for awards granted on or after April 28, 2015 (filed as Exhibit 10.10 to Registrant’s Form 10-K for 2015).
10.11*†	Form of Restricted Stock Award Agreement for 2015 Omnibus Incentive Plan effective for awards granted on or after January 26, 2021. (filed as Exhibit 10.11 to the Registrant's Form 10-K for 2020)
10.12†	Form of Restricted Stock Unit Award Agreement for 2015 Omnibus Plan effective for awards granted on or after April 28, 2015 (filed as Exhibit 10.12 to the Registrant’s Form 10-K for 2015).
10.13†	Form of Performance Share Award Agreement effective for awards granted on or after January 1, 2016 (filed as Exhibit 10.6 to the Registrant’s Form 10-Q for the quarterly period ended March 31, 2016).
10.14†	Form of Performance Share Award Agreement effective for awards granted on or after January 1, 2017 (filed as Exhibit 10.12 to the Registrant's Form 10-K for 2019).
10.15*†	Form of Short-term Incentive Plan for Officers Award Agreement effective for awards granted on or after January 1, 2021 (filed as Exhibit 10.16 to the Registrant's Form 10-K for 2020).
10.16*†	Form of Performance Unit Award Agreement for 2015 Omnibus Incentive Plan effective for awards granted on or after January 1, 2021. (filed as Exhibit 10.17 to the Rigistrant's Form 10-K for 2020)
10.17†	Form of Indemnification Agreement (filed as Exhibit 10.5 to the Registrant’s Form 8-K filed on September 3, 2004).
10.18†	Change in Control Agreement dated November 15, 2019 between Black Hills Corporation and Linden R. Evans (filed as Exhibit 10.15 to the Registrant's Form 10-K for 2019).
10.19†	Change in Control Agreements between Black Hills Corporation and its non-CEO Senior Executive Officers (filed as Exhibit 10.16 to the Registrant's Form 10-K for 2019).
10.20†	Outside Directors Stock Based Compensation Plan as Amended and Restated effective January 1, 2009 (filed as Exhibit 10.23 to the Registrant’s Form 10-K for 2008).

10.20.1†	First Amendment to the Outside Directors Stock Based Compensation Plan effective January 1, 2011 (filed as Exhibit 10.16 to the Registrant's Form 10-K for 2010).
10.20.2†	Second Amendment to the Outside Director's Stock Based Compensation Plan effective January 1, 2013 (filed as Exhibit 10.15 to the Registrant's Form 10-K for 2012).
10.20.3†	Third Amendment to the Outside Director's Stock Based Compensation Plan effective January 1, 2015 (filed as Exhibit 10.16 to the Registrant's Form 10-K for 2014).
10.20.4†	Fourth Amendment to the Outside Director's Stock Based Compensation Plan effective January 1, 2017 (filed as Exhibit 10.4 to the Registrant's Form 10-Q for the quarterly period ended September 30, 2016).
10.20.5†	Fifth Amendment to the Outside Director's Stock Based Compensation Plan effective January 1, 2018 (filed as Exhibit 10.16 to the Registrant's Form 10-K for 2017).
10.20.6†	Sixth Amendment to the Outside Director's Stock Based Compensation Plan effective January 1, 2019 (filed as Exhibit 10.18 to the Registrant's Form 10-K for 2018).
10.21†	Form of Non-Disclosure and Non-Solicitation Agreement for Certain Employees (filed as Exhibit 10.8 to the Registrant's Form 10-Q for the quarterly period ended March 31, 2016).
10.22	Equity Distribution Sales Agreement dated August 4, 2020 among Black Hills Corporation and the several Agents named therein (filed as Exhibit 1.1 to the Registrant's Form 8-K filed on August 4, 2020).
10.23	Fourth Amended and Restated Credit Agreement dated as of July 19, 2021 (relating to $750 million Revolving Credit Facility), among Black Hills Corporation, as Borrower, the financial institutions party thereto, as Banks, and U.S. Bank, National Association, as Administrative Agent (filed as Exhibit 10.1 to the Registrant's Form 8-K filed on July 19, 2021).
10.24	Credit Agreement dated as of February 24, 2021 among Black Hills Corporation, as Borrower, the financial institutions party thereto, as Banks, and U.S. Bank National Association, as Administrative Agent (filed as Exhibit 10.1 to the Registrant's Form 8–K filed on February 25, 2021).
10.25	Non-Employee Director Equity Compensation Plan effective January 1, 2022.
10.26	Form of Restricted Stock Unit Award Agreement (Non-Employee Director) effective for awards granted on or after January 1, 2022.
10.27	Coal Leases between WRDC and the Federal Government -Dated May 1, 1959 (filed as Exhibit 5(i) to the Registrant's Form S-7, File No. 2-60755) -Modified January 22, 1990 (filed as Exhibit 10(h) to the Registrant's Form 10-K for 1989) -Dated April 1, 1961 (filed as Exhibit 5(j) to the Registrant's Form S-7, File No. 2-60755) -Modified January 22, 1990 (filed as Exhibit 10(i) to Registrant's Form 10-K for 1989) -Dated October 1, 1965 (filed as Exhibit 5(k) to the Registrant's Form S-7, File No. 2-60755) -Modified January 22, 1990 (filed as Exhibit 10(j) to the Registrant's Form 10-K for 1989).
10.28	Assignment of Mining Leases and Related Agreement effective May 27, 1997, between WRDC and Kerr-McGee Coal Corporation (filed as Exhibit 10(u) to the Registrant's Form 10-K for 1997).
21*	List of Subsidiaries of Black Hills Corporation.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95*	Mine Safety and Health Administration Safety Data
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document

101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLACK HILLS CORPORATION

By: /S/ LINDEN R. EVANS

Linden R. Evans, President and Chief Executive Officer

Dated: February 15, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/S/ STEVEN R. MILLS Steven R. Mills	Director and Chairman	February 15, 2022
/S/ LINDEN R. EVANS Linden R. Evans, President and Chief Executive Officer	Director and Principal Executive Officer	February 15, 2022
/S/ RICHARD W. KINZLEY Richard W. Kinzley, Senior Vice President and Chief Financial Officer	Principal Financial and Accounting Officer	February 15, 2022
/S/ BARRY M. GRANGER Barry M. Granger	Director	February 15, 2022
/S/ TONY A. JENSEN Tony A. Jensen	Director	February 15, 2022
/S/ KATHLEEN S. MCALLISTER Kathleen S. McAllister	Director	February 15, 2022
/S/ ROBERT P. OTTO Robert P. Otto	Director	February 15, 2022
/S/ SCOTT M. PROCHAZKA Scott M. Prochazka	Director	February 15, 2022
/S/ REBECCA B. ROBERTS Rebecca B. Roberts	Director	February 15, 2022
/S/ MARK A. SCHOBER Mark A. Schober	Director	February 15, 2022
/S/ TERESA A. TAYLOR Teresa A. Taylor	Director	February 15, 2022
/S/ JOHN B. VERING John B. Vering	Director	February 15, 2022

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Black Hills Corporation
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