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### **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, 2020, 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, 2020, 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, 2020, of the Company and our report dated February 26, 2021, 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 26, 2021

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**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

Year ended	December 31, 2020	December 31, 2019	December 31, 2018
(in thousands, except per share amounts)			
Revenue	\$ 1,696,941	\$ 1,734,900	\$ 1,754,268
Operating expenses:			
Fuel, purchased power and cost of natural gas sold	492,404	570,829	625,610
Operations and maintenance	495,404	495,994	481,706
Depreciation, depletion and amortization	224,457	209,120	196,328
Taxes - property and production	56,373	52,915	51,746
Other operating expenses	—	—	1,841
Total operating expenses	1,268,638	1,328,858	1,357,231
Operating income	428,303	406,042	397,037
Other income (expense):			
Interest expense incurred net of amounts capitalized (including amortization of debt issuance costs, premiums and discounts)	(144,931)	(139,291)	(141,616)
Interest income	1,461	1,632	1,641
Impairment of investment	(6,859)	(19,741)	—
Other income (expense), net	(2,293)	(5,740)	(1,180)
Total other income (expense)	(152,622)	(163,140)	(141,155)
Income before income taxes	275,681	242,902	255,882
Income tax benefit (expense)	(32,918)	(29,580)	23,667
Income from continuing operations	242,763	213,322	279,549
Net (loss) from discontinued operations	—	—	(6,887)
Net income	242,763	213,322	272,662
Net income attributable to noncontrolling interest	(15,155)	(14,012)	(14,220)
Net income available for common stock	\$ 227,608	\$ 199,310	\$ 258,442
Amounts attributable to common shareholders:			
Net income from continuing operations	\$ 227,608	\$ 199,310	\$ 265,329
Net (loss) from discontinued operations	—	—	(6,887)
Net income available for common stock	\$ 227,608	\$ 199,310	\$ 258,442
Earnings (loss) per share of common stock, Basic -			
Earnings from continuing operations	\$ 3.65	\$ 3.29	\$ 4.88
(Loss) from discontinued operations	—	—	(0.13)
Total earnings per share of common stock, Basic	\$ 3.65	\$ 3.29	\$ 4.75
Earnings (loss) per share of common stock, Diluted -			
Earnings from continuing operations	\$ 3.65	\$ 3.28	\$ 4.78
(Loss) from discontinued operations	—	—	(0.12)
Total earnings per share of common stock, Diluted	\$ 3.65	\$ 3.28	\$ 4.66
Weighted average common shares outstanding:			
Basic	62,378	60,662	54,420
Diluted	62,439	60,798	55,486

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these Consolidated Financial Statements.



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**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Year ended	December 31, 2020	December 31, 2019	December 31, 2018
	(in thousands)		
Net income	\$ 242,763	\$ 213,322	\$ 272,662
Other comprehensive income (loss), net of tax:			
Benefit plan liability adjustments - net gain (loss) (net of tax of \$191, \$1,886 and \$(660), respectively)	(1,062)	(6,253)	2,155
Benefit plan liability adjustments - prior service costs (net of tax of \$0, \$2 and \$0 respectively)	—	(8)	—
Reclassification adjustment of benefit plan liability - net loss (net of tax of \$(958), \$434 and \$(586), respectively)	1,429	1,179	1,901
Reclassification adjustment of benefit plan liability - prior service cost (net of tax of \$23, \$19 and \$43, respectively)	(80)	(58)	(135)
Derivative instruments designated as cash flow hedges:			
Reclassification of net realized (gains) losses on settled/amortized interest rate swaps (net of tax of \$(287), \$(666) and \$(599), respectively)	2,564	2,185	2,252
Net unrealized gains (losses) on commodity derivatives (net of tax of \$14, \$126 and \$(228), respectively)	(47)	(422)	755
Reclassification of net realized (gains) losses on settled commodity derivatives (net of tax of \$(96), \$55 and \$(31), respectively)	505	(362)	99
Other comprehensive income (loss), net of tax	3,309	(3,739)	7,027
Comprehensive income	246,072	209,583	279,689
Less: comprehensive income attributable to non-controlling interest	(15,155)	(14,012)	(14,220)
Comprehensive income available for common stock	\$ 230,917	\$ 195,571	\$ 265,469

See [Note 13](#) for additional disclosures related to Comprehensive Income.

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these Consolidated Financial Statements.

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**BLACK HILLS CORPORATION  
CONSOLIDATED BALANCE SHEETS**

	As of	
	December 31, 2020	December 31, 2019
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,356	\$ 9,777
Restricted cash and equivalents	4,383	3,881
Accounts receivable, net	265,961	255,805
Materials, supplies and fuel	117,400	117,172
Derivative assets, current	1,848	342
Income tax receivable, net	19,446	16,446
Regulatory assets, current	51,676	43,282
Other current assets	26,221	26,479
Total current assets	493,291	473,184
Property, plant and equipment	7,305,530	6,784,679
Less accumulated depreciation and depletion	(1,285,816)	(1,281,493)
Total property, plant and equipment, net	6,019,714	5,503,186
Other assets:		
Goodwill	1,299,454	1,299,454
Intangible assets, net	11,944	13,266
Regulatory assets, non-current	226,582	228,062
Other assets, non-current	37,801	41,305
Total other assets, non-current	1,575,781	1,582,087
TOTAL ASSETS	\$ 8,088,786	\$ 7,558,457

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these Consolidated Financial Statements.

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**BLACK HILLS CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(Continued)**

	As of	
	December 31, 2020	December 31, 2019
	(in thousands, except share amounts)	
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 183,340	\$ 193,523
Accrued liabilities	243,612	226,767
Derivative liabilities, current	2,044	2,254
Regulatory liabilities, current	25,061	33,507
Notes payable	234,040	349,500
Current maturities of long-term debt	8,436	5,743
Total current liabilities	696,533	811,294
Long-term debt, net of current maturities	3,528,100	3,140,096
Deferred credits and other liabilities:		
Deferred income tax liabilities, net	408,624	360,719
Regulatory liabilities, non-current	507,659	503,145
Benefit plan liabilities	150,556	154,472
Other deferred credits and other liabilities	134,667	124,662
Total deferred credits and other liabilities	1,201,506	1,142,998
Commitments, contingencies and guarantees (Note 3)		
Equity:		
Stockholders' equity -		
Common stock \$1.00 par value; 100,000,000 shares authorized; issued: 62,827,179 and 61,480,658, respectively	62,827	61,481
Additional paid-in capital	1,657,285	1,552,788
Retained earnings	870,738	778,776
Treasury stock at cost - 32,492 and 3,956, respectively	(2,119)	(267)
Accumulated other comprehensive income (loss)	(27,346)	(30,655)
Total stockholders' equity	2,561,385	2,362,123
Noncontrolling interest	101,262	101,946
Total equity	2,662,647	2,464,069
TOTAL LIABILITIES AND TOTAL EQUITY	\$ 8,088,786	\$ 7,558,457

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these Consolidated Financial Statements.

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**BLACK HILLS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year ended	December 31, 2020	December 31, 2019	December 31, 2018
	(in thousands)		
Operating activities:			
Net income	\$ 242,763	\$ 213,322	\$ 272,662
Loss from discontinued operations, net of tax	—	—	6,887
Income from continuing operations	242,763	213,322	279,549
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	224,457	209,120	196,328
Deferred financing cost amortization	7,883	7,838	7,845
Impairment of investment	6,859	19,741	—
Stock compensation	5,373	12,095	12,390
Deferred income taxes	38,091	38,020	(24,239)
Employee benefit plans	11,997	12,406	14,068
Other adjustments, net	11,669	16,485	5,836
Change in certain operating assets and liabilities:			
Materials, supplies and fuel	2,755	2,052	(2,919)
Accounts receivable and other current assets	(10,843)	7,578	(45,966)
Accounts payable and other current liabilities	24,659	(34,906)	5,305
Regulatory assets - current	(5,047)	23,619	33,608
Regulatory liabilities - current	(10,706)	(15,158)	18,533
Contributions to defined benefit pension plans	(12,700)	(12,700)	(12,700)
Other operating activities, net	4,653	6,001	6,689
Net cash provided by operating activities of continuing operations	541,863	505,513	494,327
Net cash provided by (used in) operating activities of discontinued operations	—	—	(5,516)
Net cash provided by operating activities	541,863	505,513	488,811
Investing activities:			
Property, plant and equipment additions	(767,404)	(818,376)	(457,524)
Purchase of investment	—	—	(24,429)
Other investing activities	5,740	2,166	(4,281)
Net cash (used in) investing activities of continuing operations	(761,664)	(816,210)	(486,234)
Net cash provided by investing activities of discontinued operations	—	—	20,385
Net cash (used in) investing activities	(761,664)	(816,210)	(465,849)
Financing activities:			
Dividends paid on common stock	(135,439)	(124,647)	(106,591)
Common stock issued	99,278	101,358	300,834
Net (payments) borrowings of short-term debt	(115,460)	163,880	(25,680)
Long-term debt - issuance	400,000	1,100,000	700,000
Long-term debt - repayments	(8,597)	(905,743)	(854,743)
Distributions to noncontrolling interests	(15,839)	(17,901)	(19,617)
Other financing activities	(7,061)	(16,737)	(11,260)
Net cash provided by (used in) financing activities	216,882	300,210	(17,057)
Net change in cash, restricted cash and cash equivalents	(2,919)	(10,487)	5,905
Cash, restricted cash and cash equivalents beginning of year	13,658	24,145	18,240
Cash, restricted cash and cash equivalents end of year	\$ 10,739	\$ 13,658	\$ 24,145
Supplemental cash flow information:			
Cash (paid) refunded during the period for continuing operations:			
Interest (net of amounts capitalized)	\$ (136,549)	\$ (131,774)	\$ (137,965)
Income taxes	\$ 2,172	\$ 4,682	\$ (14,730)
Non-cash investing and financing activities from continuing operations:			
Accrued property, plant and equipment purchases at December 31	\$ 72,215	\$ 91,491	\$ 69,017
Increase in capitalized assets associated with asset retirement obligations	\$ 4,774	\$ 5,044	\$ 2,625

The accompanying [Notes to Consolidated Financial Statements](#) are an integral part of these Consolidated Financial Statements.

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**BLACK HILLS CORPORATION  
CONSOLIDATED STATEMENTS OF EQUITY**

(in thousands except share amounts)	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	AOCI	Non controlling Interest	Total
	Shares	Value	Shares	Value					
<b>Balance at December 31, 2017</b>	53,579,986	\$ 53,580	39,064	\$ (2,306)	\$ 1,150,285	\$ 548,617	\$ (41,202)	\$ 111,232	\$ 1,820,206
Net income available for common stock	—	—	—	—	—	258,442	—	14,220	272,662
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	7,027	—	7,027
Reclassification of certain tax effects from AOCI	—	—	—	—	—	—	740	—	740
Reclassification to regulatory asset	—	—	—	—	—	—	6,519	—	6,519
Dividends on common stock (\$1.93 per share)	—	—	—	—	—	(106,591)	—	—	(106,591)
Share-based compensation	92,830	93	5,189	(204)	7,301	—	—	—	7,190
Issuance of common stock	6,371,690	6,372	—	—	292,628	—	—	—	299,000
Issuance costs	—	—	—	—	(15)	—	—	—	(15)
Dividend reinvestment and stock purchase plan	4,061	4	—	—	216	—	—	—	220
Other stock transactions	—	—	—	—	154	(72)	—	—	82
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(19,617)	(19,617)
<b>Balance at December 31, 2018</b>	60,048,567	\$ 60,049	44,253	\$ (2,510)	\$ 1,450,569	\$ 700,396	\$ (26,916)	\$ 105,835	\$ 2,287,423
Net income available for common stock	—	—	—	—	—	199,310	—	14,012	213,322
Other comprehensive income (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 noncontrolling interest	—	—	—	—	—	—	—	(17,901)	(17,901)
<b>Balance at December 31, 2019</b>	61,480,658	\$ 61,481	3,956	\$ (267)	\$ 1,552,788	\$ 778,776	\$ (30,655)	\$ 101,946	\$ 2,464,069
Net income available for common stock	—	—	—	—	—	227,608	—	15,155	242,763
Other comprehensive income (loss), 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 noncontrolling interest	—	—	—	—	—	—	—	(15,839)	(15,839)
<b>Balance at December 31, 2020</b>	62,827,179	\$ 62,827	32,492	\$ (2,119)	\$ 1,657,285	\$ 870,738	\$ (27,346)	\$ 101,262	\$ 2,662,647

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, 2020, 2019 and 2018**

**(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, Gas Utilities, Power Generation and Mining. 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, services and regulation. 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. Our Gas Utilities segment consists of the operating results of our regulated natural gas utility subsidiaries in Arkansas, Colorado, Iowa, Kansas, Nebraska and Wyoming.

Both of our non-utility business segments support our Electric Utilities. Our Power Generation segment, which is conducted through Black Hills Electric Generation and its subsidiaries, engages in independent power generation activities in Colorado, Iowa and Wyoming. Our Mining segment, which is conducted through WRDC, engages in coal mining activities located near Gillette, Wyoming. For further descriptions of our reportable business segments, see [Note 18](#).

On November 1, 2017, our Board of Directors approved a complete divestiture of our Oil and Gas segment. We completed the divestiture of our Oil and Gas segment in 2018. The Oil and Gas segment results of operations were shown in income (loss) from discontinued operations, other than certain general and administrative costs and interest expense which did not meet the criteria for income (loss) from discontinued operations. Unless otherwise noted, the amounts presented in the accompanying Notes to Consolidated Financial Statements relate to the Company's continuing operations.

**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 year ended December 31, 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 18](#).

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.



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### **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, noncontrolling 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 noncontrolling 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 14](#).

### **Cash and 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.

### **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 business segments 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 collectibility.

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.

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Following is a summary of accounts receivable as of December 31 (in thousands):

<b>2020</b>	Billed Accounts Receivable	Unbilled Revenue	Less Allowance for Credit Losses	Accounts Receivable, net
Electric Utilities	\$ 45,841	\$ 32,915	\$ (1,269)	\$ 77,487
Gas Utilities	95,592	93,150	(5,734)	183,008
Power Generation	1,837	—	—	1,837
Mining	2,511	—	—	2,511
Corporate	1,118	—	—	1,118
Total	\$ 146,899	\$ 126,065	\$ (7,003)	\$ 265,961

  

<b>2019</b>	Billed Accounts Receivable	Unbilled Revenue	Less Allowance for Credit Losses	Accounts Receivable, net
Electric Utilities	\$ 41,428	\$ 33,886	\$ (592)	\$ 74,722
Gas Utilities	97,607	79,616	(1,683)	175,540
Power Generation	2,164	—	—	2,164
Mining	2,277	—	—	2,277
Corporate	1,271	—	(169)	1,102
Total	\$ 144,747	\$ 113,502	\$ (2,444)	\$ 255,805

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
2020	\$ 2,444	\$ 8,927 <sup>(a)</sup>	\$ 4,728	\$ (9,096)	\$ 7,003
2019	\$ 3,209	\$ 5,795	\$ 3,942	\$ (10,502)	\$ 2,444
2018	\$ 3,081	\$ 6,859	\$ 4,092	\$ (10,823)	\$ 3,209

(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. The ongoing credit evaluation of our customers during the COVID-19 pandemic is further discussed in the Credit Risk section of [Note 11](#).

**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):

	2020	2019
Materials and supplies	\$ 85,250	\$ 82,809
Fuel	1,531	2,425
Natural gas in storage	30,619	31,938
Total materials, supplies and fuel	\$ 117,400	\$ 117,172

Materials and supplies represent parts and supplies for all of our 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.

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### 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. We engaged a third-party valuation consultant to estimate the fair value of our investment. The valuation was primarily based on an income approach but also considered a market valuation approach. The significant inputs used to estimate the fair value were the oil and gas reserve quantities and values utilizing forward market price curves, industry standard reserve adjustment factors and a discount rate of 10%. Based on the results of the valuation, 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. We performed an internal analysis to compute the fair value of our investment, utilizing a consistent methodology as applied during the third quarter of 2019. Based on the results of the valuation, 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:

	2020	2019
Investment in privately held oil and gas company	\$ 1,500	\$ 8,359
Cash surrender value of life insurance contracts	13,628	13,056
Other investments	682	514
Total investments	\$ 15,810	\$ 21,929

We changed the classification of our investments on the Consolidated Balance Sheets as of December 31, 2019 to conform with current year presentation. The prior year reclassification of \$22 million from Investments to Other assets, non-current did not impact previously reported current or total assets.

### 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. 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 stored natural gas base or Cushion Gas as property, plant and equipment.

The cost of regulated utility property, plant and equipment retired, or otherwise disposed of 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-utility power plant components, depreciation is computed on a unit-of-production methodology based on plant hours run.

See [Note 5](#) for additional information.

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### 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, which are also its reportable segments.

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 the regulated electric and gas utility businesses, considering the regulatory environment, and the long-lived cash flow and rate base growth opportunities at our utilities. Goodwill amounts have not changed since 2016. As of December 31, 2020 and 2019, Goodwill balances were as follows (in thousands):

	Electric Utilities	Gas Utilities	Power Generation	Total
Goodwill	\$ 248,479	\$ 1,042,210	\$ 8,765	\$ 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):

	2020	2019	2018
Intangible assets, net, beginning balance	\$ 13,266	\$ 14,337	\$ 7,559
Additions	—	—	7,602
Amortization expense <sup>(a)</sup>	(1,322)	(1,071)	(824)
Intangible assets, net, ending balance	\$ 11,944	\$ 13,266	\$ 14,337

(a) Amortization expense for existing intangible assets is expected to be \$1.3 million for each year of the next five years.



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### 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):

	2020	2019
Accrued employee compensation, benefits and withholdings	\$ 77,806	\$ 62,837
Accrued property taxes	47,105	44,547
Customer deposits and prepayments	52,185	54,728
Accrued interest	31,520	31,868
Other (none of which is individually significant)	34,996	32,787
Total accrued liabilities	\$ 243,612	\$ 226,767

### 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.

#### Valuation Methodologies for Derivatives

The wholesale electric energy and natural gas commodity contracts for our Utilities segments 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 12](#) and [15](#).

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### **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 price is not tied to an unrelated underlying derivative. 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 11, 12 and 13](#).

### **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 9](#).

### **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, 2020 and 2019, we had total regulatory assets of \$278 million and \$271 million respectively, and total regulatory liabilities of \$533 million and \$537 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 17](#) for additional information.

**Earnings per Share of Common Stock**

Basic earnings per share from continuing and discontinued operations is computed by dividing Net income (loss) from continuing and discontinued operations 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):

	2020	2019	2018
Net income available for common stock	\$ 227,608	\$ 199,310	\$ 258,442
Weighted average shares - basic	62,378	60,662	54,420
Dilutive effect of:			
Equity Units	—	—	898
Equity compensation	61	136	168
Weighted average shares - diluted	62,439	60,798	55,486
Net income available for common stock, per share - Diluted	\$ 3.65	\$ 3.28	\$ 4.66

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):

	2020	2019	2018
Equity compensation	60	1	16
Anti-dilutive shares excluded from computation of earnings per share	60	1	16

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### **Noncontrolling 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 noncontrolling interests in subsidiaries and affiliates be reported in the equity section of a company's balance sheet. In addition, the amounts attributable to the noncontrolling interest net income (loss) of those subsidiaries are reported separately in the consolidated statements of income and comprehensive income. See [Note 14](#) for additional detail on noncontrolling 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 16](#).

### **Change in Accounting Principle - Pension Accounting Asset Method**

Effective January 1, 2020, we changed our method of accounting for net periodic benefit cost. Prior to the change, the Company used a calculated value for determining market-related value of plan assets which amortized the effects of gains and losses over a five-year period. Effective with the accounting change, the Company will continue to use a calculated value for the return-seeking assets (equities) in the portfolio but was changed to fair value for the liability-hedging assets (fixed income). See [Note 15](#) for additional information.

### **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.

#### **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. The new guidance is effective for interim and annual periods beginning after December 15, 2020 with early adoption permitted. Adoption of this standard is not anticipated to have a material impact on our financial position, results of operations and cash flows.

### **Recently Adopted Accounting Standards**

#### **Financial Instruments -- Credit Losses: Measurement of Credit Losses on Financial Instruments, ASU 2016-13**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments -- Credit Losses: Measurement of Credit Losses on Financial Instruments*, which was subsequently amended by ASU 2018-19, ASU 2019-04, 2019-05, 2019-10, and 2019-11. The standard introduces new accounting guidance for credit losses on financial instruments within its scope, including trade receivables. This new guidance adds an impairment model that is based on expected losses rather than incurred losses.

We adopted this standard on January 1, 2020 with prior year comparative financial information remaining as previously reported when transitioning to the new standard. On January 1, 2020, we recorded an increase to our allowance for credit losses, primarily associated with the inclusion of expected losses on unbilled revenue. The cumulative effect of the adoption, net of tax impact, was \$0.2 million, which was recorded as an adjustment to retained earnings.

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Simplifying the Test for Goodwill Impairment, ASU 2017-04

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment* by eliminating step 2 from the goodwill impairment test. Under the new guidance, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the amount of goodwill allocated to that reporting unit. We adopted this standard prospectively on January 1, 2020. Adoption of this guidance did not have any impact on our financial position, results of operations or cash flows.

Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, ASU 2018-15

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for recording implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. As a result, certain categories of implementation costs that previously would have been charged to expense as incurred are now capitalized as prepayments and amortized over the term of the arrangement. We adopted this standard prospectively on January 1, 2020. Adoption of this guidance did not have a material 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):

	2020	2019
<b>Regulatory assets</b>		
Deferred energy and fuel cost adjustments <sup>(a)</sup>	\$ 39,035	\$ 34,088
Deferred gas cost adjustments <sup>(a)</sup>	3,200	1,540
Gas price derivatives <sup>(a)</sup>	2,226	3,328
Deferred taxes on AFUDC <sup>(b)</sup>	7,491	7,790
Employee benefit plans and related deferred taxes <sup>(c)</sup>	116,598	115,900
Environmental <sup>(a)</sup>	1,413	1,454
Loss on reacquired debt <sup>(a)</sup>	22,864	24,777
Renewable energy standard adjustment <sup>(a)</sup>	—	1,622
Deferred taxes on flow-through accounting <sup>(c)</sup>	47,515	41,220
Decommissioning costs <sup>(a)</sup>	8,988	10,670
Gas supply contract termination <sup>(a)</sup>	2,524	8,485
Other regulatory assets <sup>(a)</sup>	26,404	20,470
Total regulatory assets	278,258	271,344
Less current regulatory assets	(51,676)	(43,282)
Regulatory assets, non-current	\$ 226,582	\$ 228,062
<b>Regulatory liabilities</b>		
Deferred energy and gas costs <sup>(a)</sup>	\$ 13,253	\$ 17,278
Employee benefit plan costs and related deferred taxes <sup>(c)</sup>	40,256	43,349
Cost of removal <sup>(a)</sup>	172,902	166,727
Excess deferred income taxes <sup>(c)</sup>	285,259	285,438
Other regulatory liabilities <sup>(c)</sup>	21,050	23,860
Total regulatory liabilities	532,720	536,652
Less current regulatory liabilities	(25,061)	(33,507)
Regulatory liabilities, non-current	\$ 507,659	\$ 503,145

(a) Recovery of costs, but we are not allowed a rate of return.

(b) In addition to recovery of costs, we are 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.

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Regulatory assets represent items we expect to recover from customers through probable future rates.

**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, 2020 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.

**Renewable Energy Standard Adjustment** - The renewable energy standard adjustment provides funding for various renewable energy projects and programs to comply with Colorado's Renewable Energy Standard. These programs include incentives for our Colorado Electric customers to install renewable energy equipment at their location. These project costs and program incentives are recovered over time through the Renewable Energy Standard Adjustment charged on customers' bills.

**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.

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**Gas Supply Contract Termination** - As part of our acquisition of SourceGas in 2016, we acquired agreements that required the Company to purchase all of the natural gas produced over the productive life of specific leaseholds in the Bowdoin Field in Montana. The majority of these purchases were committed to certain customers in Colorado, Nebraska, and Wyoming, which are subject to cost recovery mechanisms. The prices to be paid under these agreements varied, ranging from \$6 to \$8 per MMBtu at the time of acquisition, which exceeded market prices. We recorded a liability for this contract in our SourceGas Transaction purchase price allocation. We were granted approval to terminate these agreements from the CPUC, NPSC and WPSC on the basis that these agreements were not beneficial to customers over the long term. We received written orders allowing us to create a regulatory asset for the net buyout costs associated with the contract termination, and recover the majority of costs from customers over a period of 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 17 for additional information.

## **Regulatory Activity**

### **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 customer billing credits to its customers. The billing credits, which represent a disposition of excess deferred income tax benefits resulting from the TCJA, will be delivered to customers in February 2021. These billing credits will be offset by a reduction in income tax expense and will result in a minimal impact to Net income.

On January 26, 2021, NPSC approved Nebraska Gas's plan to provide \$2.9 million of TCJA-related customer billing credits to its customers. The billing credits, which represent a disposition of excess deferred income tax benefits resulting from the TCJA, is expected to be delivered to customers in the second quarter of 2021. These billing credits will be offset by a reduction in income tax and will result in a minimal impact to Net income.

## **Electric Utilities Regulatory Activity**

### **South Dakota Electric**

#### **Settlement**

On January 7, 2020, South Dakota Electric received approval from the SDPUC on a settlement agreement to extend the 6-year moratorium period by an additional 3 years to June 30, 2026. Also, as part of the settlement, we withdrew our application for deferred accounting treatment and expensed \$5.4 million of development costs in 2019 related to projects we no longer intend to construct. This settlement amends a previous agreement approved by the SDPUC on June 16, 2017, whereby South Dakota Electric would not increase base rates, absent an extraordinary event, for a 6 year moratorium period effective July 1, 2017. The moratorium period also includes suspension of both the TFA and EIA.



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### *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, 2020 the annual revenue requirement was \$27 million and included estimated weighted average capital additions of \$33 million for 2019 and 2020 combined. The annual transmission revenue requirement has a true-up mechanism that is recorded in June of each year.

#### Black Hills Wyoming and Wyoming Electric

### *Wygen 1 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 1 power plant. The new agreement will commence on January 1, 2022, replace the existing PPA and continue for 11 years.

## **Gas Utilities Regulatory Activity**

### Colorado Gas

#### *Jurisdictional Consolidation and Rate Reviews*

On September 11, 2020, Colorado Gas filed a rate review with the CPUC seeking recovery on significant infrastructure investments in its 7,000-mile natural gas pipeline system. The rate review requests \$13.5 million in new annual revenue with a capital structure of 50% equity and 50% debt and a return on equity of 9.95%. The request seeks to implement new rates in the second quarter of 2021. On January 6, 2021 the CPUC issued an order dismissing the rate review. On January 26, 2021, Colorado Gas filed an application for rehearing, reargument or reconsideration in response to the Commission's January 6 order.

On September 11, 2020, in accordance with the final order from the earlier rate review discussed below, Colorado Gas also filed a new SSIR proposal that would recover safety and integrity focused investments in its system over five years. A decision from the CPUC is expected by mid-2021.

On February 1, 2019, Colorado Gas filed a rate review with the CPUC requesting \$2.5 million in new revenue to recover investments in safety, reliability and system integrity and approval to consolidate rates, tariffs, and services of its two existing gas distribution territories. Colorado Gas also requested a new rider mechanism to recover future safety and integrity investments in its system. On May 19, 2020, the CPUC issued a final order which denied the system integrity recovery mechanism and consolidation of rate territories. In addition, the order resulted in an annual revenue decrease of \$0.6 million and a return on equity of 9.2%. New rates were effective July 3, 2020.

### *RMNG SSIR*

On October 30, 2020, RMNG filed the tariff adjusting rates to include 2021 projects with an expected capital investment of \$33 million under the current SSIR. The new tariff rates went into effect January 1, 2021 and the current approved SSIR expires December 31, 2021.

### 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 will be enacted on March 1, 2021, to replace interim rates enacted September 1, 2020. The approval will shift \$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 includes an extension of the SSIR for five years and an expansion of this mechanism for consolidated utility alignment.



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Wyoming Gas

*Jurisdictional Consolidation and Rate Review*

Wyoming Gas's new single statewide rate structure became effective March 1, 2020. Wyoming Gas received approval from the WPSC on December 11, 2019, to consolidate the rates, tariffs and services of its four existing gas distribution territories. New rates are expected to generate \$13 million in new annual revenue based on a return on equity of 9.40% and a capital structure of 50.23% equity and 49.77% debt. The approval also allows for a rider to recover integrity investments for system safety and reliability.

**(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 (TSA) with non-affiliated third-parties:

Subsidiary	Contract Type	Counterparty	Fuel Type	Quantity (MW)	Expiration Date
Colorado Electric <sup>(a)</sup>	PPA	PRPA	Wind	60	May 31, 2030
Colorado Electric	PPA	PRPA	Coal	25	June 30, 2024
South Dakota Electric	PPA	PacifiCorp	Coal	50	December 31, 2023
South Dakota Electric <sup>(b)</sup>	TSA	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 <sup>(c)</sup>
Wyoming Electric <sup>(d)</sup>	PPA	Happy Jack	Wind	30	September 3, 2028
Wyoming Electric <sup>(e)</sup>	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) This is a firm point-to-point transmission service agreement that provides 50 MW of capacity and energy to be transmitted annually.

(c) 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.

(d) Under a separate intercompany PSA, Wyoming Electric sells 50% of the facility output to South Dakota Electric.

(e) 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	2020	2019	2018
Colorado Electric	PPA	PRPA	Wind	\$ 2,791	\$ —	\$ —
Colorado Electric	PPA	PRPA	Coal	\$ 4,524	\$ 1,802	\$ —
South Dakota Electric	PPA	PacifiCorp	Coal	\$ 5,897	\$ 7,477	\$ 13,681
South Dakota Electric	TSA	PacifiCorp	N/A	\$ 1,776	\$ 1,741	\$ 1,742
South Dakota Electric	PPA	PRPA	Wind	\$ 715	\$ 688	\$ 223
Wyoming Electric	PPA	Happy Jack	Wind	\$ 4,531	\$ 3,936	\$ 3,884
Wyoming Electric	PPA	Silver Sage	Wind	\$ 6,203	\$ 5,366	\$ 5,376

**Power Purchase Agreements - Related Parties**

Wyoming Electric currently has a PPA with Black Hills Wyoming expiring on December 31, 2022, which provides 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 will commence on January 1, 2022, replace the existing PPA and continue for 11 years.

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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. At the segment level, we recognize the associated revenues, costs and assets on an accrual basis, rather than as a finance lease. See [Note 18](#) for additional information.

**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, 2020, the long-term commitments to purchase quantities of natural gas under contracts indexed to the following forward indices were as follows (in MMBtus):

	Northern Natural Gas - Ventura	Northwest Pipeline - Wyoming	ONEOK - Oklahoma	Southern Star Central Gas Pipeline	Panhandle Eastern Pipe Line
2021	3,650,000	1,510,000	5,475,000	113,130	4,680
2022	1,810,000	1,510,000	5,475,000	—	—
2023	1,840,000	1,510,000	5,475,000	—	—
2024	1,820,000	910,000	5,490,000	—	—
2025	—	—	4,560,000	—	—
Thereafter	—	—	—	—	—

Purchases under these contracts totaled \$25 million, \$6.7 million and \$27 million for 2020, 2019 and 2018, 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 <sup>(a)</sup>	Natural gas transportation and storage agreements
2021	\$ 24,452	\$ 116,563
2022	\$ 11,678	\$ 121,819
2023	\$ 11,678	\$ 100,282
2024	\$ 2,738	\$ 67,089
2025	\$ —	\$ 50,709
Thereafter	\$ —	\$ 167,100

(a) This schedule does not reflect renewable energy PPA obligations since these agreements vary based on weather conditions.

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### **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 has an agreement that expires 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.

### **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.

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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, 2020, we had \$2.6 million accrued for remediation of Iowa's manufactured gas processing site as the landowner. As of December 31, 2020, 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.

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 agreements providing financial or performance assurance to third parties on behalf of certain of our subsidiaries. The agreements, which are off-balance sheet commitments, include 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 the surety bonds, such liabilities are included in our Consolidated Balance Sheets.

We had the following guarantees in place as of (in thousands):

Nature of Guarantee	Maximum Exposure at December 31, 2020	Expiration
Indemnification for subsidiary reclamation/surety bonds	\$ 53,769	Ongoing

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### (4) REVENUE

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 and Power Generation segments have 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 Mining segment sells coal primarily under long-term contracts to utilities for use at their power generating plants, including affiliate Electric Utilities, and an affiliate non-regulated Power Generation entity. 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 Electric and Gas 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 the revenue is variable based on the units delivered or services provided.

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, 2020, 2019 and 2018. Sales tax and other similar taxes are excluded from revenues.

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Year ended December 31, 2020	Electric Utilities	Gas Utilities	Power Generation	Mining	Inter-company Revenues	Total
(in thousands)						
<b>Customer types:</b>						
Retail	\$ 610,721	\$ 765,922	\$ —	\$ 58,567	\$ (31,478)	\$ 1,403,732
Transportation	—	154,581	—	—	(526)	154,055
Wholesale	17,848	—	103,258	—	(97,169)	23,937
Market - off-system sales	24,309	260	—	—	(8,797)	15,772
Transmission/Other	58,965	43,658	—	—	(19,315)	83,308
Revenue from contracts with customers	711,843	964,421	103,258	58,567	(157,285)	1,680,804
Other revenues	2,201	10,249	1,789	2,508	(610)	16,137
<b>Total revenues</b>	<b>\$ 714,044</b>	<b>\$ 974,670</b>	<b>\$ 105,047</b>	<b>\$ 61,075</b>	<b>\$ (157,895)</b>	<b>\$ 1,696,941</b>
<b>Timing of revenue recognition:</b>						
Services transferred at a point in time	\$ —	\$ —	\$ —	\$ 58,567	\$ (31,478)	\$ 27,089
Services transferred over time	711,843	964,421	103,258	—	(125,807)	1,653,715
Revenue from contracts with customers	\$ 711,843	\$ 964,421	\$ 103,258	\$ 58,567	\$ (157,285)	\$ 1,680,804
<b>Year ended December 31, 2019</b>						
	Electric Utilities	Gas Utilities	Power Generation	Mining	Inter-company Revenues	Total
(in thousands)						
<b>Customer types:</b>						
Retail	\$ 605,756	\$ 817,840	\$ —	\$ 59,233	\$ (32,053)	\$ 1,450,776
Transportation	—	143,390	—	—	(1,042)	142,348
Wholesale	20,884	—	99,157	—	(91,577)	28,464
Market - off-system sales	23,817	691	—	—	(7,736)	16,772
Transmission/Other	57,104	47,725	—	—	(16,797)	88,032
Revenue from contracts with customers	707,561	1,009,646	99,157	59,233	(149,205)	1,726,392
Other revenues	5,191	384	2,101	2,396	(1,564)	8,508
<b>Total revenues</b>	<b>\$ 712,752</b>	<b>\$ 1,010,030</b>	<b>\$ 101,258</b>	<b>\$ 61,629</b>	<b>\$ (150,769)</b>	<b>\$ 1,734,900</b>
<b>Timing of revenue recognition:</b>						
Services transferred at a point in time	\$ —	\$ —	\$ —	\$ 59,233	\$ (32,053)	\$ 27,180
Services transferred over time	707,561	1,009,646	99,157	—	(117,152)	1,699,212
Revenue from contracts with customers	\$ 707,561	\$ 1,009,646	\$ 99,157	\$ 59,233	\$ (149,205)	\$ 1,726,392



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Year ended December 31, 2018	Electric Utilities	Gas Utilities	Power Generation	Mining	Inter-company Revenues	Total
<u>Customer types:</u>						
	(in thousands)					
Retail	\$ 594,329	\$ 833,379	\$ —	\$ 65,803	\$ (32,194)	\$ 1,461,317
Transportation	—	140,705	—	—	(1,348)	139,357
Wholesale	33,687	—	90,791	—	(84,957)	39,521
Market - off-system sales	24,799	866	—	—	(8,102)	17,563
Transmission/Other	56,209	49,402	—	—	(14,827)	90,784
Revenue from contracts with customers	709,024	1,024,352	90,791	65,803	(141,428)	1,748,542
Other revenues	2,427	955	1,660	2,230	(1,546)	5,726
Total revenues	\$ 711,451	\$ 1,025,307	\$ 92,451	\$ 68,033	\$ (142,974)	\$ 1,754,268
<u>Timing of revenue recognition:</u>						
Services transferred at a point in time	\$ —	\$ —	\$ —	\$ 65,803	\$ (32,194)	\$ 33,609
Services transferred over time	709,024	1,024,352	90,791	—	(109,234)	1,714,933
Revenue from contracts with customers	\$ 709,024	\$ 1,024,352	\$ 90,791	\$ 65,803	\$ (141,428)	\$ 1,748,542

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 table above 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 further discussed in [Note 1](#).

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**(5) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment at December 31 consisted of the following (dollars in thousands):

	2020		2019		Lives (in years)	
	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Minimum	Maximum
Electric Utilities						
Electric plant:						
Production	\$ 1,417,951	40	\$ 1,348,049	41	32	46
Electric transmission	517,794	49	483,640	51	44	51
Electric distribution	959,453	46	861,042	47	46	48
Plant acquisition adjustment <sup>(a)</sup>	4,870	32	4,870	32	32	32
General	259,010	28	259,266	28	26	29
Total electric plant in service	3,159,078		2,956,867			
Construction work in progress	89,402		102,268			
Total electric plant	3,248,480		3,059,135			
Less accumulated depreciation	(666,669)		(670,861)			
Electric plant net of accumulated depreciation	<u>\$ 2,581,811</u>		<u>\$ 2,388,274</u>			

(a) The plant acquisition adjustment is included in rate base and is being recovered with 10 years remaining.

	2020		2019		Lives (in years)	
	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Minimum	Maximum
Gas Utilities						
Gas plant:						
Production	\$ 15,603	40	\$ 13,000	35	24	46
Gas transmission	578,278	54	516,172	50	22	71
Gas distribution	2,115,082	53	1,857,233	43	45	59
Cushion gas - depreciable <sup>(a)</sup>	3,539	28	3,539	28	28	28
Cushion gas - not depreciable <sup>(a)</sup>	39,184	N/A	44,443	N/A	N/A	N/A
Storage	55,481	38	46,977	31	24	52
General	438,217	19	437,054	20	12	23
Total gas plant in service	3,245,384		2,918,418			
Construction work in progress	67,229		63,080			
Total gas plant	3,312,613		2,981,498			
Less accumulated depreciation	(323,679)		(336,721)			
Gas plant net of accumulated depreciation	<u>\$ 2,988,934</u>		<u>\$ 2,644,777</u>			

(a) Depreciation of Cushion Gas is determined by the respective regulatory jurisdiction in which the Cushion Gas resides.

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2020							Lives (in years)	
	Property, Plant and Equipment	Construction Work in Progress	Total Property Plant and Equipment	Less Accumulated Depreciation and Depletion	Net Property, Plant and Equipment	Weighted Average Useful Life	Minimum	Maximum
Power Generation	\$ 529,927	\$ 4,876	\$ 534,803	\$ (167,787)	\$ 367,016	31	2	40
Mining	\$ 186,552	\$ 988	\$ 187,540	\$ (126,537)	\$ 61,003	14	2	59

  

2019							Lives (in years)	
	Property, Plant and Equipment	Construction Work in Progress	Total Property Plant and Equipment	Less Accumulated Depreciation and Depletion	Net Property, Plant and Equipment	Weighted Average Useful Life	Minimum	Maximum
Power Generation	\$ 532,397	\$ 2,121	\$ 534,518	\$ (154,362)	\$ 380,156	31	2	40
Mining	\$ 179,198	\$ 1,275	\$ 180,473	\$ (118,585)	\$ 61,888	13	2	59

  

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

  

2019							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	\$ 5,721	\$ 23,334	\$ 29,055	\$ (964)	\$ 28,091	10	3	30

**(6) JOINTLY OWNED FACILITIES**

Our consolidated financial statements include our share of several jointly-owned utility and non-regulated 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, a coal-fired electric generating station located in Campbell County, Wyoming. PacifiCorp owns the remaining ownership percentage 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 Mining subsidiary, WRDC, supplies PacifiCorp's share of the coal to the Wyodak Plant 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 also 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 ownership percentage. South Dakota Electric is committed to pay its proportionate share of the additions and replacements and operating and maintenance expenses of the transmission tie.

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### **Wygen III**

South Dakota Electric owns 52% of the Wygen III generation facility. MDU and the City of Gillette each owns 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 Mining subsidiary 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 percentage. MEAN is obligated to make payments for its share of the costs associated with administrative services, plant operations and coal supply provided by our Mining subsidiary during the life of the facility. Black Hills Wyoming retains responsibility for plant operations.

At December 31, 2020, 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	\$ 116,074	\$ 2,249	\$ (67,762)	\$ 50,561
Transmission Tie	\$ 26,176	\$ 509	\$ (7,103)	\$ 19,582
Wygen III	\$ 142,739	\$ 582	\$ (24,783)	\$ 118,538
Wygen I	\$ 114,975	\$ 318	\$ (49,459)	\$ 65,834

## **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, 37 MW combustion turbine that is wholly-owned by Wyoming Electric and one combined-cycle, 100.4 MW unit that is jointly-owned by South Dakota Electric (58 MW) and Wyoming Electric (42.4 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.

**(7) ASSET RETIREMENT OBLIGATIONS**

We have identified legal retirement obligations related to reclamation of mining sites in the Mining segment, removal of fuel tanks, transformers containing polychlorinated biphenyls, and an evaporation pond at our Electric Utilities, wind turbines at our Electric Utilities and Power Generation segments, retirement of gas pipelines at our Gas Utilities and removal of asbestos at our Electric and Gas Utilities. We periodically review and update estimated costs related to these AROs. The actual cost may vary from estimates because of regulatory requirements, changes in technology and increased costs of labor, materials and equipment.

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, 2019	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates	December 31, 2020
Electric Utilities <sup>(a)</sup>	\$ 9,329	\$ 1,217	\$ —	\$ 407	\$ —	\$ 10,953
Gas Utilities <sup>(b)</sup>	36,085	4,782	(132)	1,539	—	42,274
Power Generation	4,739	—	—	206	—	4,945
Mining <sup>(c)</sup>	14,052	—	(185)	617	(1,225)	13,259
<b>Total</b>	<b>64,205</b>	<b>\$ 5,999</b>	<b>\$ (317)</b>	<b>\$ 2,769</b>	<b>\$ (1,225)</b>	<b>\$ 71,431</b>

  

	December 31, 2018	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates	December 31, 2019
Electric Utilities <sup>(d)</sup>	\$ 6,258	\$ —	\$ —	\$ 385	\$ 2,686	\$ 9,329
Gas Utilities	34,627	—	—	1,458	—	36,085
Power Generation <sup>(a)</sup>	300	3,445	—	158	836	4,739
Mining <sup>(c)</sup>	15,615	—	(380)	740	(1,923)	14,052
<b>Total</b>	<b>\$ 56,800</b>	<b>\$ 3,445</b>	<b>\$ (380)</b>	<b>\$ 2,741</b>	<b>\$ 1,599</b>	<b>\$ 64,205</b>

(a) Liabilities incurred were related to new wind assets.

(b) 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.

(c) The Mining 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) The Electric Utilities Revisions to Prior Estimates was primarily driven by an increase in the estimated cost to decommission certain regulated wind farm assets.

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) LEASES****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 1 year to 35 years, including options to extend that are reasonably certain to be exercised. We have one immaterial finance lease for communication equipment at the WRDC mine.

Most of our leases do not contain a readily determinable discount rate. Therefore, the present value of future lease payments is generally calculated using our applicable subsidiaries' incremental borrowing rate (weighted-average of 4.24% as of December 31, 2020).

Leases with an initial term of 12 months or less are classified as short-term leases and are not recognized on the accompanying Consolidated Balance Sheets.



Lease expense for the year ended December 31 were as follows (in thousands):

	Income Statement Location	2020	2019
Operating lease cost	Operations and maintenance	\$ 978	\$ 1,456

Supplemental balance sheet information related to leases as of December 31 was as follows (in thousands):

	Balance Sheet Location	2020	2019
<b>Assets:</b>			
Operating lease assets	Other assets, non-current	\$ 4,188	\$ 4,629
Total lease assets		<u>\$ 4,188</u>	<u>\$ 4,629</u>
<b>Liabilities:</b>			
<b>Current:</b>			
Operating leases	Accrued liabilities	\$ 736	\$ 1,179
<b>Noncurrent:</b>			
Operating leases	Other deferred credits and other liabilities	3,807	3,821
Total lease liabilities		<u>\$ 4,543</u>	<u>\$ 5,000</u>

Supplemental cash flow information related to leases for the year ended December 31 was as follows (in thousands):

	2020	2019
<b>Cash paid included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 1,023	\$ 1,263
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ 161	\$ 2,801

Weighted average remaining terms and discount rates related to leases as of December 31 were as follows:

	2020	2019
<b>Weighted average remaining lease term:</b>		
Operating leases	8 years	8 years
<b>Weighted average discount rate:</b>		
Operating leases	4.24 %	4.27 %

As of December 31, 2020, scheduled maturities of lease liabilities for future years were as follows (in thousands):

	Operating Leases
2021	\$ 907
2022	804
2023	779
2024	776
2025	529
Thereafter	1,643
Total lease payments	<u>\$ 5,438</u>
Less imputed interest	895
Present value of lease liabilities	<u>\$ 4,543</u>

## **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 for the year ended December 31 were as follows (in thousands):

	Income Statement Location	2020	2019
Operating lease income	Revenue	\$ 2,534	\$ 2,306

As of December 31, 2020, scheduled maturities of operating lease payments to be received in future years were as follows (in thousands):

	Operating Leases
2021	\$ 2,383
2022	2,122
2023	2,130
2024	2,074
2025	2,090
Thereafter	58,829
Total lease receivables	\$ 69,628

## **(9) DEBT AND CREDIT FACILITIES**

### **Short-term debt**

We had the following Notes payable outstanding at the Consolidated Balance Sheets date (in thousands):

	December 31, 2020		December 31, 2019	
	Balance Outstanding	Letters of Credit <sup>(a)</sup>	Balance Outstanding	Letters of Credit <sup>(a)</sup>
Revolving Credit Facility	\$ —	\$ 24,730	\$ —	\$ 30,274
CP Program	234,040	—	349,500	—
Total	\$ 234,040	\$ 24,730	\$ 349,500	\$ 30,274

(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 30, 2018, we amended and restated our corporate Revolving Credit Facility, maintaining total commitments of \$750 million and extending the term through July 30, 2023 with two one year extension options (subject to consent from lenders). This facility includes an accordion feature that allows us, with the consent of the administrative agent, the issuing agents and each bank increasing or providing a new commitment, to increase total commitments up to \$1.0 billion. 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 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, 2020. Based on our credit ratings, a 0.175% commitment fee was charged on the unused amount at December 31, 2020.

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 2020 were \$(115) million. As of December 31, 2020, the weighted average interest rate on short-term borrowings was 0.27%.

Total accumulated deferred financing costs on the Revolving Credit Facility of \$6.7 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.

### Long-term debt

Long-term debt outstanding was as follows (dollars in thousands):

	Due Date	Interest Rate at December 31, 2020	Balance Outstanding December 31, 2020	December 31, 2019
<b>Corporate</b>				
Senior unsecured notes due 2023	November 30, 2023	4.25%	\$ 525,000	\$ 525,000
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	—
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	2.32%	1,436	7,178
Total Corporate debt			3,026,436	2,632,178
Less unamortized debt discount			(7,013)	(6,462)
Total Corporate debt, net			3,019,423	2,625,716
<b>South Dakota Electric</b>				
Series 94A Debt, variable rate <sup>(a)</sup>	June 1, 2024	N/A	—	2,855
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	342,855
Less unamortized debt discount			(78)	(82)
Total South Dakota Electric debt, net			339,922	342,773
<b>Wyoming Electric</b>				
Industrial development revenue bonds due 2021 <sup>(a)</sup> <sup>(b)</sup>	September 1, 2021	0.12%	7,000	7,000
Industrial development revenue bonds due 2027 <sup>(a)</sup> <sup>(b)</sup>	March 1, 2027	0.12%	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			202,000	202,000
Less unamortized debt discount			—	—
Total Wyoming Electric debt, net			202,000	202,000
Total long-term debt			3,561,345	3,170,489
Less current maturities			8,436	5,743
Less unamortized deferred financing costs <sup>(c)</sup>			24,809	24,650
Long-term debt, net of current maturities and deferred financing costs			\$ 3,528,100	\$ 3,140,096

(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 and the 2009B bonds of \$7.0 million due September 1, 2021. 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 \$1.0 million and \$1.7 million as of December 31, 2020 and December 31, 2019, respectively.

Scheduled maturities of long-term debt, excluding amortization of premiums or discounts, for future years are (in thousands):

2021	\$	8,436
2022	\$	—
2023	\$	525,000
2024	\$	—
2025	\$	—
Thereafter	\$	3,035,000

Our debt securities contain certain restrictive financial covenants, all of which the Company and its subsidiaries were in compliance with at December 31, 2020. 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, 2020	Amortization Expense for the years ended December 31,		
	2020	2019	2018
\$ 24,809	\$ 3,272	\$ 3,242	\$ 2,829

#### Debt Transactions

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.

On March 24, 2020, South Dakota Electric paid off its \$2.9 million, Series 94A variable rate notes due June 1, 2024. These notes were tendered by the sole investor on March 17, 2020.

On October 3, 2019, we completed a public debt offering of \$700 million principal amount in senior unsecured notes. The debt offering consisted of \$400 million of 3.05% 10-year senior notes due October 15, 2029 and \$300 million of 3.875% 30-year senior notes due October 15, 2049 (together the "Notes"). The proceeds of the Notes were used for the following:

- Repay the \$400 million Corporate term loan under the Amended and Restated Credit Agreement due June 17, 2021;
- Retire the \$200 million 5.875% senior notes due July 15, 2020; and
- Repay a portion of short-term debt.

On June 17, 2019, we amended our Corporate term loan due July 30, 2020. This amendment increased total commitments to \$400 million from \$300 million, extended the term through June 17, 2021, and had substantially similar terms and covenants as the amended and restated Revolving Credit Facility. The net proceeds from the increase in total commitments were used to pay down short-term debt. Proceeds from the October 3, 2019 public debt offering were used to repay this term loan.

#### **Debt Covenants**

##### Revolving Credit Facility

Under our Revolving Credit Facility and term loan agreements we are required to maintain a Consolidated Indebtedness to Capitalization Ratio not to exceed 0.65 to 1.00. Our Consolidated Indebtedness to Capitalization Ratio is calculated by dividing (i) Consolidated Indebtedness, which includes letters of credit and certain guarantees issued by (ii) Capital, which includes Consolidated Indebtedness plus Net Worth, which excludes noncontrolling interest in subsidiaries. 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, 2020 as shown below:

	As of December 31, 2020	Covenant Requirement
Consolidated Indebtedness to Capitalization Ratio	59.9%	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, 2020, we were in compliance with these covenants.

#### **Dividend Restrictions**

Our 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. The following restrictions on distributions from our subsidiaries existed at December 31, 2020:

- 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, 2020, the restricted net assets at our Electric and Gas Utilities were 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.

### **(10) STOCKHOLDERS' EQUITY**

#### **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.

#### **At-the-Market Equity Offering Program**

On August 3, 2020, we filed a shelf registration and DRSP 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.

We did not issue any common shares 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. We did not issue any common shares under the ATM during the twelve months ended December 31, 2018.

#### **Shareholder Dividend Reinvestment and Stock Purchase Plan**

We have a DRSP 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, 2020, there were 163,962 shares of unissued stock available for future offering under the DRSP.

#### **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.



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### **(11) RISK MANAGEMENT AND DERIVATIVES**

#### **Market and Credit Risk Disclosures**

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. 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, market speculation, 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, 2020 was concentrated primarily among retail utility customers, investment grade companies, cooperative utilities and federal agencies.

We continue to monitor COVID-19 impacts and changes to customer load, consistency in customer payments, requests for deferred or discounted payments, and requests for changes to credit limits to quantify estimated future financial impacts to the allowance for credit losses. During the year ended December 31, 2020, the potential economic impact of the COVID-19 pandemic was considered in forward looking projections related to write-off and recovery rates, and resulted in increases to the allowance for credit losses and bad debt expense of \$3.3 million. See Note 1 for further information.

#### **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 12.

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.

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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 2021 through May 2022. 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, 2020		December 31, 2019	
	Notional (MMBtus)	Maximum Term (months) <sup>(a)</sup>	Notional (MMBtus)	Maximum Term (months) <sup>(a)</sup>
Natural gas futures purchased	620,000	3	1,450,000	12
Natural gas options purchased, net	3,160,000	3	3,240,000	3
Natural gas basis swaps purchased	900,000	3	1,290,000	12
Natural gas over-the-counter swaps, net <sup>(b)</sup>	3,850,000	17	4,600,000	24
Natural gas physical commitments, net <sup>(c)</sup>	17,513,061	22	13,548,235	12
Electric wholesale contracts <sup>(c)</sup>	219,000	12	—	0

(a) Term reflects the maximum forward period hedged.

(b) As of December 31, 2020, 914,600 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, 2020, the Company posted \$1.5 million related to such provisions, which is included in Other current assets on the Consolidated Balance Sheets.

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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	2020	2019
Derivatives designated as hedges:			
Asset derivative instruments:			
Current commodity derivatives	Derivative assets - current	\$ 181	\$ 1
Noncurrent commodity derivatives	Other assets, non-current	43	3
Liability derivative instruments:			
Current commodity derivatives	Derivative liabilities - current	(108)	(490)
Noncurrent commodity derivatives	Other deferred credits and other liabilities	—	(29)
Total derivatives designated as hedges		<u>\$ 116</u>	<u>\$ (515)</u>
Derivatives not designated as hedges:			
Asset derivative instruments:			
Current commodity derivatives	Derivative assets - current	\$ 1,667	\$ 341
Noncurrent commodity derivatives	Other assets, non-current	151	2
Liability derivative instruments:			
Current commodity derivatives	Derivative liabilities - current	(1,936)	(1,764)
Noncurrent commodity derivatives	Other deferred credits and other liabilities	—	(63)
Total derivatives not designated as hedges		<u>\$ (118)</u>	<u>\$ (1,484)</u>

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, 2020, 2019 and 2018. 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.

Derivatives in Cash Flow Hedging Relationships	2020	2019	2018	Income Statement Location	2020	2019	2018
	Amount of Gain/(Loss) Recognized in OCI				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	540	(965)	1,113	Fuel, purchased power and cost of natural gas sold	(601)	417	(130)
Total	\$ 3,391	\$ 1,886	\$ 3,964		\$ (3,452)	\$ (2,434)	\$ (2,981)

As of December 31, 2020, \$2.8 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.

[Table of Contents](#)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, 2020, 2019 and 2018. 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.

Derivatives Not Designated as Hedging Instruments	Income Statement Location	2020	2019	2018
		Amount of Gain/(Loss) on Derivatives Recognized in Income		
		(in thousands)		
Commodity derivatives - Electric	Fuel, purchased power and cost of natural gas sold	\$ 144	\$ —	\$ —
Commodity derivatives - Natural Gas	Fuel, purchased power and cost of natural gas sold	1,640	(1,100)	1,101
		<u>\$ 1,784</u>	<u>\$ (1,100)</u>	<u>\$ 1,101</u>

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 \$2.2 million and \$3.3 million at December 31, 2020 and 2019, respectively. For our Electric Utilities, the unrealized gains and losses arising from these derivatives are recognized in the Consolidated Statements of Income.

**(12) 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, 2020				
	Level 1	Level 2	Level 3	Cash Collateral and Counterparty Netting <sup>(a)</sup>	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 gross assets and \$1.6 million of our commodity derivative gross liabilities, as well as related gross collateral amounts, were subject to master netting agreements.

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	As of December 31, 2019					
	Level 1	Level 2	Level 3	Cash Collateral and Counterparty Netting <sup>(a)</sup>	Total	
Assets:						
Commodity derivatives - Gas Utilities	\$ —	1,433	\$ —	\$ (1,085)	\$	348
Total	\$ —	\$ 1,433	\$ —	\$ (1,085)	\$	348
Liabilities:						
Commodity derivatives - Gas Utilities	\$ —	\$ 5,254	\$ —	\$ (2,909)	\$	2,345
Total	\$ —	\$ 5,254	\$ —	\$ (2,909)	\$	2,345

(a) As of December 31, 2019, \$1.1 million of our commodity derivative assets and \$2.9 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 15](#).

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 since these borrowings are not traded on an exchange, they are classified in 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):

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities <sup>(a)</sup>	\$ 3,536,536	\$ 4,208,167	\$ 3,145,839	\$ 3,479,367

(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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**(13) 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, 2020	December 31, 2019
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	(601)	417
		(3,452)	(2,434)
Income tax	Income tax benefit (expense)	383	611
Total reclassification adjustments related to cash flow hedges, net of tax		\$ (3,069)	\$ (1,823)
Amortization of components of defined benefit plans:			
Prior service cost	Operations and maintenance	\$ 103	\$ 77
Actuarial gain (loss)	Operations and maintenance	(2,387)	(745)
		(2,284)	(668)
Income tax	Income tax benefit (expense)	935	(453)
Total reclassification adjustments related to defined benefit plans, net of tax		\$ (1,349)	\$ (1,121)
Total reclassifications		\$ (4,418)	\$ (2,944)

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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		Employee Benefit Plans	Total
	Interest Rate Swaps	Commodity Derivatives		
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)

  

	Derivatives Designated as Cash Flow Hedges		Employee Benefit Plans	Total
	Interest Rate Swaps	Commodity Derivatives		
As of December 31, 2018	\$ (17,307)	\$ 328	\$ (9,937)	\$ (26,916)
Other comprehensive income (loss)				
before reclassifications	—	(422)	(6,261)	(6,683)
Amounts reclassified from AOCI	2,185	(362)	1,121	2,944
As of December 31, 2019	\$ (15,122)	\$ (456)	\$ (15,077)	\$ (30,655)

**(14) 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%, noncontrolling 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 noncontrolling 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, 2020, 2019 and 2018 was reduced by \$15 million, \$14 million, and \$14 million, respectively, attributable to this noncontrolling interest. The net income allocable to the noncontrolling interest holder is based on ownership interest with the exception of certain agreed upon adjustments. Distributions of net income attributable to this noncontrolling 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.

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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):

	2020	2019
<b>Assets:</b>		
Current assets	\$ 13,604	\$ 13,350
Property, plant and equipment of variable interest entities, net	\$ 190,637	\$ 193,046
<b>Liabilities:</b>		
Current liabilities	\$ 5,318	\$ 6,013

**(15) 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, 2020, the expected rate of return on pension plan assets was based on the targeted asset allocation range of 28% to 36% return-seeking assets and 64% to 72% 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:

	2020	2019
Equity	21%	20%
Real estate	3	3
Fixed income	69	71
Cash	3	1
Hedge funds	4	5
Total	100%	100%

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**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):

	2020	2019
<u>Defined Contribution Plan</u>		
Company retirement contributions	\$ 10,455	\$ 9,714
Company matching contributions	\$ 15,240	\$ 14,558
	2020	2019
<u>Defined Benefit Plans</u>		
Defined Benefit Pension Plan	\$ 12,700	\$ 12,700
Non-Pension Defined Benefit Postretirement Healthcare Plan	\$ 6,058	\$ 7,033
Supplemental Non-Qualified Defined Benefit Plans	\$ 2,674	\$ 2,344

We do not have required 2021 contributions and currently do not expect to contribute to our Pension Plan.

**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, 2020						
	Level 1	Level 2	Level 3	Total Investments Measured at Fair Value	NAV <sup>(a)</sup>	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		



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Pension Plan	December 31, 2019					
	Level 1	Level 2	Level 3	Total Investments Measured at Fair Value	NAV <sup>(a)</sup>	Total Investments
AXA Equitable General Fixed Income	\$ —	\$ 60	\$ —	\$ 60	\$ —	\$ 60
Common Collective Trust - Cash and Cash Equivalents	—	7,054	—	7,054	—	7,054
Common Collective Trust - Equity	—	87,106	—	87,106	—	87,106
Common Collective Trust - Fixed Income	—	306,275	—	306,275	—	306,275
Common Collective Trust - Real Estate	—	—	—	—	14,239	14,239
Hedge Funds	—	—	—	—	19,550	19,550
Total investments measured at fair value	\$ —	\$ 400,495	\$ —	\$ 400,495	\$ 33,789	\$ 434,284

(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, 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

Non-pension Defined Benefit Postretirement Healthcare Plan				December 31, 2019	
	Level 1	Level 2	Level 3	Total Investments Measured at Fair Value	Total Investments
Cash and Cash Equivalents	\$ 8,305	\$ —	\$ —	\$ 8,305	\$ 8,305
Total investments measured at fair value	\$ 8,305	\$ —	\$ —	\$ 8,305	\$ 8,305

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 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 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.



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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

As of December 31,	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan	
	2020	2019	2020	2019	2020	2019
Change in benefit obligation:						
Projected benefit obligation at beginning of year	\$ 485,376	\$ 445,381	\$ 54,088	\$ 43,010	\$ 65,277	\$ 60,817
Service cost <sup>(a)</sup>	5,411	5,383	1,579	4,995	2,056	1,815
Interest cost	13,426	17,374	1,099	1,295	1,649	2,247
Actuarial (gain) loss	47,064	56,384	962	7,132	5,804	5,976
Benefits paid	(37,269)	(39,146)	(2,674)	(2,344)	(6,058)	(7,033)
Plan participants' contributions	—	—	—	—	1,510	1,455
Projected benefit obligation at end of year	\$ 514,008	\$ 485,376	\$ 55,054	\$ 54,088	\$ 70,238	\$ 65,277

(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. Due to the immaterial nature of this correction, the prior year information was not revised.

#### Fair Value Employee Benefit Plan Assets

As of December 31,	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan <sup>(a)</sup>	
	2020	2019	2020	2019	2020	2019
Change in fair value of plan assets:						
Beginning fair value of plan assets	\$ 434,284	\$ 390,796	\$ —	\$ —	\$ 8,305	\$ 8,162
Investment income (loss)	64,006	69,934	—	—	33	260
Employer contributions	12,700	12,700	2,674	2,344	4,374	5,461
Retiree contributions	—	—	—	—	1,511	1,455
Benefits paid	(37,269)	(39,146)	(2,674)	(2,344)	(6,058)	(7,033)
Ending fair value of plan assets	\$ 473,721	\$ 434,284	\$ —	\$ —	\$ 8,165	\$ 8,305

(a) Assets of VEBA trusts.

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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, recent capital markets volatility driven by the COVID-19 pandemic did not materially affect our unfunded status.

### Amounts Recognized in the Consolidated Balance Sheets

As of December 31,	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan	
	2020	2019	2020	2019	2020	2019
Regulatory assets	\$ 86,677	\$ 88,471	\$ —	\$ —	\$ 16,102	\$ 11,670
Current liabilities	\$ —	\$ —	\$ 1,927	\$ 1,420	\$ 4,931	\$ 4,802
Non-current liabilities	\$ 40,287	\$ 51,093	\$ 53,127	\$ 51,243	\$ 57,142	\$ 52,136
Regulatory liabilities	\$ 3,607	\$ 3,524	\$ —	\$ —	\$ 2,140	\$ 4,088

### Accumulated Benefit Obligation

As of December 31,	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan	
	2020	2019	2020	2019	2020	2019
Accumulated Benefit Obligation	\$ 498,815	\$ 470,615	\$ 54,779	\$ 49,241	\$ 70,238	\$ 65,277

### Components of Net Periodic Expense

For the years ended December 31,	Defined Benefit Pension Plan			Supplemental Non-qualified Defined Benefit Plans			Non-pension Defined Benefit Postretirement Healthcare Plan		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Service cost <sup>(a)</sup>	\$ 5,411	\$ 5,383	\$ 6,834	\$ 1,579	\$ 4,995	\$ 1,764	\$ 2,056	\$ 1,815	\$ 2,291
Interest cost	13,426	17,374	15,470	1,099	1,295	1,170	1,649	2,247	2,085
Expected return on assets	(22,591)	(24,401)	(24,741)	—	—	—	(182)	(230)	(315)
Net amortization of prior service cost	—	26	58	2	2	2	(546)	(398)	(398)
Recognized net actuarial loss (gain)	8,372	3,763	8,632	1,702	535	1,000	20	—	216
Net periodic expense	\$ 4,618	\$ 2,145	\$ 6,253	\$ 4,382	\$ 6,827	\$ 3,936	\$ 2,997	\$ 3,434	\$ 3,879

(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. Due to the immaterial nature of this correction, the prior year information was not revised.

For the years ended December 31, 2020, 2019 and 2018, Service costs were recorded in Operations and maintenance expense while non service costs were recorded in Other expense on the Consolidated Statements of Income.

### Change in Accounting Principle - Pension Accounting Asset Method

Effective January 1, 2020, the Company changed its method of accounting for net periodic benefit cost. Prior to the change, the Company used a calculated value for determining market-related value of plan assets which amortized the effects of gains and losses over a five-year period. Effective with the accounting change, the Company used a calculated value for the return-seeking assets (equities) in the portfolio and fair value for the liability-hedging assets (fixed income). The Company considers the fair value method for determining market-related value of liability-hedging assets to be a preferable method of accounting because asset-related gains and losses are subject to amortization into pension cost immediately. Additionally, the fair value for liability-hedging assets allows for the impact of gains and losses on this portion of the asset portfolio to be reflected in tandem with changes in the liability which is linked to changes in the discount rate assumption for re-measurement.

We evaluated the effect of this change in accounting method and deemed it immaterial to the historical and current financial statements and therefore did not account for the change retrospectively. Accordingly, the Company calculated the cumulative difference using a calculated value versus fair value to determine market-related value for liability-hedging assets of the portfolio. The cumulative effect of this change, as of January 1, 2020, resulted in a decrease to prior service costs, as recorded in Other income (expense), net, of \$0.6 million, an increase in Income tax expense of \$0.2 million and an increase to Net income of \$0.4 million within the accompanying Consolidated Statements of Income for the year ended December 31, 2020.

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**AOCl Amounts (After-Tax)**

As of December 31,	Defined Benefit Pension Plan		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plan	
	2020	2019	2020	2019	2020	2019
Net (gain) loss	\$ 5,511	\$ 5,322	\$ 9,323	\$ 9,893	\$ 100	\$ 90
Prior service cost (gain)	—	—	—	2	(144)	(230)
Total amounts included in AOCl, after-tax not yet recognized as components of net periodic expense	\$ 5,511	\$ 5,322	\$ 9,323	\$ 9,895	\$ (44)	\$ (140)

**Assumptions**

Weighted-average assumptions used to determine benefit obligations:	Defined Benefit Pension Plan			Supplemental Non-qualified Defined Benefit Plans			Non-pension Defined Benefit Postretirement Healthcare Plan		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Discount rate	2.56 %	3.27 %	4.40 %	2.41 %	3.14 %	4.34 %	2.41 %	3.15 %	4.28 %
Rate of increase in compensation levels	3.34 %	3.49 %	3.52 %	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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Discount rate <sup>(a)</sup>	3.27 %	4.40 %	3.71 %	3.14 %	4.34 %	3.67 %	3.15 %	4.28 %	3.60 %
Expected long-term rate of return on assets <sup>(b)</sup>	5.25 %	6.00 %	6.25 %	N/A	N/A	N/A	2.35 %	3.00 %	3.93 %
Rate of increase in compensation levels	3.49 %	3.52 %	3.43 %	5.00 %	5.00 %	5.00 %	N/A	N/A	N/A

(a) The estimated discount rate for the Defined Benefit Pension Plan is 2.56% for the calculation of the 2021 net periodic pension costs.

(b) The expected rate of return on plan assets is 4.50% for the calculation of the 2021 net periodic pension cost.

The healthcare benefit obligation at December 31 was determined as follows:

	2020	2019
<b>Trend Rate - Medical</b>		
Pre-65 for next year - All Plans	6.10%	6.40%
Pre-65 Ultimate trend rate - Black Hills Corp	4.50%	4.50%
Trend Year	2027	2027
Post-65 for next year - All Plans	4.92%	4.92%
Post-65 Ultimate trend rate - Black Hills Corp	4.50%	4.50%
Trend Year	2029	2028

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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
2021	\$ 25,842	\$ 1,927	\$ 6,108
2022	\$ 26,658	\$ 1,968	\$ 5,965
2023	\$ 27,581	\$ 2,033	\$ 5,725
2024	\$ 28,284	\$ 2,231	\$ 5,532
2025	\$ 29,062	\$ 2,690	\$ 5,244
2026-2030	\$ 144,273	\$ 13,117	\$ 22,872

**(16) 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 561,073 shares available to grant at December 31, 2020.

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, 2020, total unrecognized compensation expense related to non-vested stock awards was approximately \$12 million and is expected to be recognized over a weighted-average period of 2 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):

	2020	2019	2018
Stock-based compensation expense	\$ 5,373	\$ 12,095	\$ 12,390

Stock Options

The Company has not issued any stock options since 2014 and has 5,000 stock options outstanding at December 31, 2020. The amount of stock options granted and related exercise activity are not material to the Company's consolidated financial statements.

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.



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A summary of the status of the restricted stock and restricted stock units at December 31, 2020, was as follows:

	Restricted Stock (in thousands)	Weighted-Average Grant Date Fair Value
Balance at January 1, 2020	192	\$ 65.66
Granted	116	69.49
Vested	(90)	63.30
Forfeited	(22)	65.30
Balance at December 31, 2020	196	\$ 69.05

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)
2020	\$ 69.49	\$ 6,722
2019	\$ 73.66	\$ 8,438
2018	\$ 57.31	\$ 6,776

As of December 31, 2020, there was \$10.3 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

Certain officers of the Company and its subsidiaries are participants in a performance share award plan, a market-based 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.

The 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 \$2.7 million at December 31, 2020 would be reclassified as a liability.

Outstanding performance periods at December 31, 2020 were as follows (shares in thousands):

Grant Date	Performance Period	Target Grant of Shares	Possible Payout Range of Target	
			Minimum	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%
January 1, 2018	January 1, 2018 - December 31, 2020	49	0%	200%



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A summary of the status of the Performance Share Plan at December 31, 2020 was as follows:

	Equity Portion		Liability Portion	
	Shares	Weighted-Average Grant Date <sup>(a)</sup> Fair Value	Shares	Weighted-Average Fair Value at December 31, 2020
	(in thousands)		(in thousands)	
Performance Shares balance at beginning of period	67	\$ 64.32	67	
Granted	19	81.42	19	
Forfeited	(2)	73.89	(2)	
Vested	(23)	63.52	(23)	
Performance Shares balance at end of period	61	\$ 69.71	61	\$ 52.42

(a) The grant date fair values for the performance shares granted in 2020, 2019 and 2018 were determined by Monte Carlo simulation using a blended volatility of 18%, 21% 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
December 31, 2018	\$ 61.82

Performance plan payouts have been as follows (in thousands):

Performance Period	Year Paid	Stock Issued	Cash Paid	Total Intrinsic Value
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
January 1, 2015 to December 31, 2017	2018	—	—	—

On January 27, 2021, the Compensation Committee of our Board of Directors determined that the Company's total shareholder return for the January 1, 2018 through December 31, 2020 performance period was at the 55th percentile of its peer group and confirmed a payout equal to 112.35% of target shares, valued at \$3.3 million. The payout was fully accrued at December 31, 2020.

As of December 31, 2020, there was \$2.0 million of unrecognized compensation expense related to outstanding performance share plans that is expected to be recognized over a weighted-average period of 1.7 years.

## (17) INCOME TAXES

### 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.

Eligible employers are taxpayers experiencing either: (1) a full or partial suspension of business operations stemming from a government COVID-19 related order or (2) a more than 50% drop in gross receipts compared to the corresponding calendar quarter in 2019. This 50% employee retention tax credit applies up to \$10,000 in qualified wages paid between March 13, 2020 through December 31, 2020, and is refundable to the extent it exceeds the employer portion of payroll tax liability.

Eligible wages or employer-paid health benefits must be paid for the period of time during which an employee did not provide services. However, employees do not need to stop providing all services to the employer for the credit to potentially apply.

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Additionally, the CARES Act accelerates the amount of alternative minimum tax ("AMT") credits that can be refunded for the 2018 and 2019 annual tax returns. In 2020, we filed for, and received, a refund of approximately \$2.4 million of AMT credit carryforwards under this provision.

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. We are currently reviewing the potential future benefits of the CARES Act related to employee retention tax credits to assess the impact on our financial position, results of operations and cash flows.

## **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. As a result of the revaluation at December 31, 2017, deferred tax assets and liabilities were reduced by approximately \$309 million. Of the \$309 million, approximately \$301 million is related to our regulated utilities and is reclassified to a regulatory liability. During the year ended December 31, 2018, we recorded approximately \$11 million of additional regulatory liability associated with TCJA related items primarily related to property, completing the revaluation of deferred taxes pursuant to the TCJA. 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, 2020, the Company has amortized \$13.3 million of the regulatory liability. The portion that was eligible for amortization under the average rate assumption method in 2020, 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.

[Table of Contents](#)**Income Tax Expense (Benefit)**

Income tax expense (benefit) from continuing operations for the years ended December 31 was (in thousands):

	2020	2019	2018
Current:			
Federal	\$ (6,020)	\$ (8,578)	\$ 325
State	847	138	247
Current income tax expense (benefit)	(5,173)	(8,440)	572
Deferred:			
Federal	35,672	34,551	(25,022)
State	2,419	3,469	783
Deferred income tax expense (benefit)	38,091	38,020	(24,239)
Income tax expense (benefit)	\$ 32,918	\$ 29,580	\$ (23,667)

**Effective Tax Rates**

The effective tax rate differs from the federal statutory rate for the years ended December 31, as follows:

	2020	2019	2018
Federal statutory rate	21.0 %	21.0 %	21.0 %
State income tax (net of federal tax effect)	2.4	1.5	2.3
Non-controlling interest <sup>(a)</sup>	(1.2)	(1.2)	(1.3)
Tax credits <sup>(b) (c)</sup>	(9.2)	(3.9)	(2.0)
Flow-through adjustments <sup>(d)</sup>	(1.6)	(2.4)	(1.6)
Jurisdictional consolidation project <sup>(e)</sup>	—	—	(28.5)
Uncertain Tax Benefits	1.5	—	—
Valuation Allowance	0.7	—	—
Other tax differences	0.6	(1.6)	(0.1)
TCJA corporate rate reduction <sup>(f)</sup>	—	—	1.6
Amortization of excess deferred income tax expense <sup>(g)</sup>	(2.3)	(1.2)	(0.7)
Effective Tax Rate	11.9 %	12.2 %	(9.3) %

(a) The effective tax rate reflects the income attributable to the noncontrolling interest in Black Hills Colorado IPP for which a tax provision was not recorded.

(b) The current year increase of PTCs reflect full year production of two wind facilities that were acquired/ placed into service during 2019; Top of Iowa purchased February 2019 and Busch Ranch II with an in-service date of November 2019. Additionally, in November 2020, the Corriedale qualifying wind facility was placed in service.

(c) In 2020, the Company completed a research and development study which encompassed tax years from 2013 to 2019.

(d) Flow-through adjustments related primarily to accounting method changes for tax purposes that allow us to take a current tax deduction for repair costs and certain indirect costs. 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.

(e) In 2018, the Company restructured certain legal entities from earlier acquisitions, which resulted in additional deferred income tax assets of \$73 million, related to goodwill that is amortizable for tax purposes, and deferred tax benefits of \$73 million.

(f) On December 22, 2017, the TCJA was signed into law reducing the federal corporate rate from 35% to 21% effective January 1, 2018. During the year ended December 31, 2018, we recorded \$4.0 million of additional tax expense associated with changes in the prior estimated impacts of TCJA related items.

(g) Primarily TCJA - see above.

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**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):

	2020	2019
Deferred tax assets:		
Regulatory liabilities	\$ 90,535	\$ 89,754
State tax credits	23,339	23,261
Federal NOL	96,155	120,624
State NOL	9,914	13,537
Partnership	15,601	14,030
Credit Carryovers	51,445	27,139
Other deferred tax assets	40,143	33,395
Less: Valuation allowance	(13,943)	(12,063)
Total deferred tax assets	313,189	309,677
Deferred tax liabilities:		
Accelerated depreciation, amortization and other property-related differences	(551,137)	(533,292)
Regulatory assets	(28,007)	(23,586)
Goodwill	(30,590)	(15,875)
State deferred tax liability	(73,910)	(72,911)
Other deferred tax liabilities	(38,169)	(24,732)
Total deferred tax liabilities	(721,813)	(670,396)
Net deferred tax liability	\$ (408,624)	\$ (360,719)

**Net Operating Loss Carryforwards**

At December 31, 2020, we have federal and state NOL carryforwards that will expire at various dates as follows (in thousands):

	Amounts	Expiration Dates
Federal NOL Carryforward	\$ 378,236	2022 to 2037
Federal NOL Carryforward	\$ 79,644	No expiration
State NOL Carryforward <sup>(a)</sup>	\$ 173,867	2021 to 2040

(a) The carryforward balance is reflected on the basis of apportioned tax losses to jurisdictions imposing state income taxes.

As of December 31, 2020, we had a \$1.1 million valuation allowance against the state NOL carryforwards. Our 2020 analysis of the ability to utilize such NOLs resulted in a \$0.8 million increase in the valuation allowance reduced by previously reserved expiring NOL of \$0.2 million, which results in an increase to tax expense of \$0.8 million net of federal income tax and a decrease to the state NOL deferred tax asset of \$0.2 million. The valuation allowance adjustment was primarily attributable to statutory rate reduction for years beyond 2020.

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**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
Beginning balance at January 1, 2018	\$ 3,263
Additions for prior year tax positions	251
Reductions for prior year tax positions	(417)
Additions for current year tax positions	486
Settlements	—
Ending balance at December 31, 2018	3,583
Additions for prior year tax positions	446
Reductions for prior year tax positions	(862)
Additions for current year tax positions	998
Settlements	—
Ending balance at December 31, 2019	4,165
Additions for prior year tax positions	3,788
Reductions for prior year tax positions	(1,313)
Additions for current year tax positions	1,743
Settlements	—
Ending balance at December 31, 2020	\$ 8,383

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately \$4.3 million.

We recognized no interest expense associated with income taxes for the years ended December 31, 2020, December 31, 2019 and December 31, 2018. We had no accrued interest (before tax effect) associated with income taxes at December 31, 2020 and December 31, 2019.

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, 2020, 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, 2021.

State tax credits have been generated and are available to offset future state income taxes. At December 31, 2020, we had the following state tax credit carryforwards (in thousands):

State Tax Credit Carryforwards	Expiration Year
ITC	2023 to 2041
Research and development	No expiration

As of December 31, 2020, we had a \$12.8 million valuation allowance against the state ITC carryforwards. Our 2020 analysis of the ability to utilize such ITC resulted in a \$1.3 million increase in the valuation allowance, which resulted in an increase to tax expense of \$1.3 million. The valuation allowance adjustment was primarily attributable to changes in forecasted future state taxable income.



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**(18) BUSINESS SEGMENT INFORMATION**

Our reportable segments are based on our method of internal reporting, which is generally segregated by differences in products, services and regulation. All of our operations and assets are located within the United States.

Accounting standards for presentation of segments require an approach based on the way we organize the segments for making operating decisions and how the Chief Operating Decision Maker (CODM) assesses performance. The CODM assesses the performance of our segments using adjusted operating income, which recognizes intersegment revenues, costs, and assets for Colorado Electric's PPA with Black Hills Colorado IPP on an accrual basis rather than as a finance lease. This presentation of segment information does not impact consolidated financial results.

Segment information was as follows (in thousands):

Total Assets (net of intercompany eliminations) as of December 31,	2020	2019
Electric Utilities	\$ 3,120,928	\$ 2,900,983
Gas Utilities	4,376,204	4,032,339
Power Generation	404,220	417,715
Mining	77,085	77,175
Corporate and Other	110,349	130,245
Total assets	<u>\$ 8,088,786</u>	<u>\$ 7,558,457</u>

Capital Expenditures <sup>(a)</sup> for the years ended December 31,	2020	2019
Electric Utilities	\$ 271,104	\$ 222,911
Gas Utilities	449,209	512,366
Power Generation	9,329	85,346
Mining	8,250	8,430
Corporate and Other	17,500	20,702
Total capital expenditures	<u>\$ 755,392</u>	<u>\$ 849,755</u>

(a) Includes accruals for property, plant and equipment as disclosed in the Supplemental Cash Flow Information to the [Consolidated Statement of Cash Flows](#).

Property, Plant and Equipment as of December 31,	2020	2019
Electric Utilities	\$ 3,248,480	\$ 3,059,135
Gas Utilities	3,312,613	2,981,498
Power Generation	534,803	534,518
Mining	187,540	180,473
Corporate and Other	22,094	29,055
Total property, plant and equipment	<u>\$ 7,305,530</u>	<u>\$ 6,784,679</u>

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Consolidating Income Statement							
Year ended December 31, 2020	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Inter-Company Eliminations	Total
Revenue -							
Contracts with customers	\$ 687,929	\$ 959,696	\$ 6,090	\$ 27,089	\$ —	\$ —	\$ 1,680,804
Other revenues	2,201	9,962	1,566	2,408	—	—	16,137
	690,130	969,658	7,656	29,497	—	—	1,696,941
Inter-company operating revenue -							
Contracts with customers	23,914	4,724	97,169	31,478	167	(157,452)	—
Other revenues	—	288	222	100	352,976	(353,586)	—
	23,914	5,012	97,391	31,578	353,143	(511,038)	—
Total revenue	714,044	974,670	105,047	61,075	353,143	(511,038)	1,696,941
Fuel, purchased power and cost of natural gas sold	267,045	354,645	8,993	—	83	(138,362)	492,404
Operations and maintenance, including taxes	196,794	303,577	33,695	39,033	284,501	(305,823)	551,777
Depreciation, depletion and amortization	94,150	100,559	20,247	9,235	25,150	(24,884)	224,457
Adjusted operating income (loss)	\$ 156,055	\$ 215,889	\$ 42,112	\$ 12,807	\$ 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)
Income from continuing operations							242,763
(Loss) from discontinued operations, net of tax							—
Net income							242,763
Net income attributable to noncontrolling interest							(15,155)
Net income available for common stock							\$ 227,608

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Consolidating Income Statement							
Year ended December 31, 2019	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Inter-Company Eliminations	Total
Revenue -							
Contracts with customers	\$ 684,445	\$ 1,007,187	\$ 7,580	\$ 27,180	\$ —	\$ —	\$ 1,726,392
Other revenues	5,191	384	1,859	1,074	—	—	8,508
	689,636	1,007,571	9,439	28,254	—	—	1,734,900
Inter-company operating revenue -							
Contracts with customers	23,116	2,459	91,577	32,053	230	(149,435)	—
Other revenues	—	—	242	1,322	343,975	(345,539)	—
	23,116	2,459	91,819	33,375	344,205	(494,974)	—
Total revenue	712,752	1,010,030	101,258	61,629	344,205	(494,974)	1,734,900
Fuel, purchased power and cost of natural gas sold	268,297	425,898	9,059	—	268	(132,693)	570,829
Operations and maintenance, including taxes	195,581	301,844	28,429	40,032	286,799	(303,776)	548,909
Depreciation, depletion and amortization	88,577	92,317	18,991	8,970	22,065	(21,800)	209,120
Adjusted operating income (loss)	160,297	189,971	44,779	12,627	35,073	(36,705)	406,042
Interest expense, net							(137,659)
Impairment of investment							(19,741)
Other income (expense), net							(5,740)
Income tax benefit (expense)							(29,580)
Income from continuing operations							213,322
(Loss) from discontinued operations, net of tax							—
Net income							213,322
Net income attributable to noncontrolling interest							(14,012)
Net income available for common stock							\$ 199,310

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Year ended December 31, 2018	Consolidating Income Statement						Total
	Electric Utilities	Gas Utilities	Power Generation	Mining	Corporate	Inter-Company Eliminations	
Revenue -							
Contracts with customers	\$ 686,272	\$ 1,022,828	\$ 5,833	\$ 33,609	\$ —	\$ —	\$ 1,748,542
Other revenues	2,427	955	1,413	931	—	—	5,726
	688,699	1,023,783	7,246	34,540	—	—	1,754,268
Inter-company operating revenue -							
Contracts with customers	22,752	1,524	84,959	32,194	148	(141,577)	—
Other revenues	—	—	246	1,299	379,775	(381,320)	—
	22,752	1,524	85,205	33,493	379,923	(522,897)	—
Total revenue	711,451	1,025,307	92,451	68,033	379,923	(522,897)	1,754,268
Fuel, purchased power and cost of natural gas sold	283,840	462,153	8,592	—	44	(129,019)	625,610
Operations and maintenance, including taxes	186,175	291,481	25,135	43,728	324,916	(336,142)	535,293
Depreciation, depletion and amortization	85,567	86,434	16,110	7,965	21,161	(20,909)	196,328
Adjusted operating income (loss)	155,869	185,239	42,614	16,340	33,802	(36,827)	397,037
Interest expense, net							(139,975)
Other income (expense), net							(1,180)
Income tax benefit (expense)							23,667
Income from continuing operations							279,549
(Loss) from discontinued operations, net of tax							(6,887)
Net income							272,662
Net income attributable to noncontrolling interest							(14,220)
Net income available for common stock							\$ 258,442

**(19) SUBSEQUENT EVENT**

In February 2021, a prolonged period of historic cold temperatures across the central United States, which covered all of our Utilities' service territories, caused a significant increase in heating and energy demand and contributed to unforeseeable and unprecedented market prices for natural gas and electricity.

Our Utilities have regulatory mechanisms to recover the increased energy costs from this record-breaking cold weather event. However, given the extraordinary impact of these higher costs to our customers, we expect our regulators to undertake a heightened review. We are engaged with our regulators to identify appropriate recovery periods over which to recover costs associated with this event as we continue to address the impacts to our customers' bills.

As a result of this historic event, our natural gas purchases increased by approximately \$600 million compared to forecasted base load for the month of February. This amount is a preliminary estimate through February 24, 2021, and does not include certain pipeline transportation charges that remain subject to settlement and payable in late March 2021. To fund February natural gas purchases and pipeline transportation charges and provide additional liquidity, we entered into a nine-month Credit Agreement on February 24, 2021, that provides for an \$800 million unsecured term loan facility. The term loan, which matures on November 23, 2021, has an interest rate based on LIBOR plus 75 basis points, carries no prepayment penalty and is subject to the same covenant requirements as our Revolving Credit Facility. We expect to repay a portion of this term loan prior to maturity and refinance the remaining portion in longer-term debt. In the event we are unable to refinance the remaining obligation under the \$800 million term loan, we believe it is probable that our current plans to manage liquidity would be sufficient to meet our obligations.

Except as described above and the [Note 2](#) disclosures surrounding Colorado Gas' and Nebraska Gas' jurisdictional consolidation and rate reviews, there have been no events subsequent to December 31, 2020 which would require recognition in the consolidated financial statements or disclosures.

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**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, 2020. 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, 2020, 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 62 of this Annual Report on Form 10-K.

**ITEM 9B. OTHER INFORMATION**

None.



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**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 2021 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 2021 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 2021 Annual Meeting of Shareholders, which is incorporated herein by reference.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table includes information as of December 31, 2020 with respect to our equity compensation plans. These plans include the 2005 Omnibus Incentive Plan and 2015 Omnibus Incentive Plan.

Equity Compensation Plan Information			
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	154,354 <sup>(1)</sup>	\$ 54.29 <sup>(1)</sup>	561,073 <sup>(2)</sup>
Equity compensation plans not approved by security holders	—	\$ —	—
<b>Total</b>	<b>154,354</b>	<b>\$ 54.29</b>	<b>561,073</b>

(1) Includes 149,354 full value awards outstanding as of December 31, 2020, comprised of restricted stock units, performance shares, short-term incentive plan (STIP) units and Director common stock units. The weighted average exercise price does not include the restricted stock units, performance shares, STIP or common stock units. In addition, 195,875 shares of unvested restricted stock were outstanding as of December 31, 2020, which are not included in the above table because they have already been issued.

(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.

**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 2021 Annual Meeting of Shareholders, which is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Information regarding principal accounting fees and services is set forth in the Proxy Statement for our 2021 Annual Meeting to Shareholders, which is incorporated herein by reference.

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**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	<a href="#">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).</a>
2.2	<a href="#">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).</a>
2.3	<a href="#">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).</a>
3.1	<a href="#">Restated Articles of Incorporation of the Registrant (filed as Exhibit 3 to the Registrant's Form 8-K filed on February 5, 2018).</a>
3.2	<a href="#">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).</a>
4.1	<a href="#">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).</a>
4.1.1	<a href="#">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).</a>
4.1.2	<a href="#">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).</a>
4.1.3	<a href="#">Third Supplemental Indenture dated as of July 16, 2010 (filed as Exhibit 4 to Registrant's Form 8-K filed on July 15, 2010).</a>
4.1.4	<a href="#">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).</a>
4.1.5	<a href="#">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).</a>
4.1.6	<a href="#">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).</a>
4.1.7	<a href="#">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).</a>
4.1.8	<a href="#">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).</a>

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4.1.9	<a href="#">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).</a>
4.2	<a href="#">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)).</a>
4.2.1	<a href="#">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)).</a>
4.2.2	<a href="#">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)).</a>
4.2.3	<a href="#">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).</a>
4.3	<a href="#">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).</a>
4.3.1	<a href="#">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).</a>
4.3.2	<a href="#">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).</a>
4.4	<a href="#">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).</a>
4.5	<a href="#">Description of Securities (filed as Exhibit 4.5 to the Registrant's Form 10-K for 2019)</a>
10.1†	<a href="#">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).</a>
10.1.1†	<a href="#">First Amendment to Pension Equalization Plan (filed as Exhibit 10.10 to the Registrant's Form 10-K for 2002).</a>
10.1.2†	<a href="#">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).</a>
10.2†	<a href="#">2005 Pension Equalization Plan of Black Hills Corporation (filed as Exhibit 10.3 to the Registrant's Form 10-K for 2008).</a>
10.3†	<a href="#">Restoration Plan of Black Hills Corporation (filed as Exhibit 10.5 to the Registrant's Form 10-K for 2008).</a>
10.3.1†	<a href="#">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).</a>
10.4†	<a href="#">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).</a>
10.4.1†	<a href="#">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).</a>
10.5†	<a href="#">Black Hills Corporation Post-2018 Nonqualified Deferred Compensation Plan (filed as Exhibit 10.6 to the Registrant's Form 10-K for 2018).</a>
10.6†	<a href="#">Black Hills Corporation 2005 Omnibus Incentive Plan ("Omnibus Plan") (filed as Appendix A to the Registrant's Proxy Statement filed April 13, 2005).</a>
10.6.1†	<a href="#">First Amendment to the Omnibus Plan (filed as Exhibit 10.11 to the Registrant's Form 10-K for 2008).</a>
10.6.2†	<a href="#">Second Amendment to the Omnibus Plan (filed as Exhibit 10 to the Registrant's Form 8-K filed on May 26, 2010).</a>
10.7*†	<a href="#">Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan effective January 26, 2021.</a>
10.8†	<a href="#">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).</a>
10.9†	<a href="#">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).</a>
10.10†	<a href="#">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).</a>



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10.11*†	<a href="#">Form of Restricted Stock Award Agreement for 2015 Omnibus Incentive Plan effective for awards granted on or after January 26, 2021.</a>
10.12†	<a href="#">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).</a>
10.13†	<a href="#">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).</a>
10.14†	<a href="#">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).</a>
10.15†	<a href="#">Form of Short-term Incentive Plan for Officers Award Agreement effective for awards granted on or after January 1, 2016 (filed as Exhibit 10.7 to the Registrant's Form 10-Q for the quarterly period ended March 31, 2016).</a>
10.16*†	<a href="#">Form of Short-term Incentive Plan for Officers Award Agreement effective for awards granted on or after January 1, 2021.</a>
10.17*†	<a href="#">Form of Performance Unit Award Agreement for 2015 Omnibus Incentive Plan effective for awards granted on or after January 1, 2021.</a>
10.18†	<a href="#">Form of Indemnification Agreement (filed as Exhibit 10.5 to the Registrant's Form 8-K filed on September 3, 2004).</a>
10.19†	<a href="#">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).</a>
10.20†	<a href="#">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).</a>
10.21†	<a href="#">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).</a>
10.21.1†	<a href="#">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).</a>
10.21.2†	<a href="#">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).</a>
10.21.3†	<a href="#">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).</a>
10.21.4†	<a href="#">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).</a>
10.21.5†	<a href="#">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).</a>
10.21.6†	<a href="#">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).</a>
10.22†	<a href="#">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).</a>
10.23	<a href="#">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).</a>
10.24	<a href="#">Third Amended and Restated Credit Agreement dated as of July 30, 2018 (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 31, 2018).</a>
10.25	<a href="#">Amended and Restated Credit Agreement dated as of July 30, 2018 (relating to \$300 million, two-year term loan), among Black Hills Corporation, as Borrower, the financial institutions party thereto, as Banks, and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.2 to the Registrant's Form 8-K filed on July 31, 2018).</a>
10.25.1	<a href="#">First Amendment dated as of June 17, 2019 to Amended and Restated Credit Agreement dated as of July 30, 2018, among Black Hills Corporation, as Borrower, the financial institutions party thereto, as Banks, and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Registrant's Form 8-K filed on June 17, 2019).</a>

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10.26	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).
10.27	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*	<a href="#">List of Subsidiaries of Black Hills Corporation.</a>
23.1*	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>
31.1*	<a href="#">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.</a>
31.2*	<a href="#">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.</a>
32.1*	<a href="#">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.</a>
32.2*	<a href="#">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.</a>
95*	<a href="#">Mine Safety and Health Administration Safety Data</a>
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.



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**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 26, 2021

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.

<u>/S/ STEVEN R. MILLS</u> Steven R. Mills	Director and Chairman	February 26, 2021
<u>/S/ LINDEN R. EVANS</u> Linden R. Evans, President and Chief Executive Officer	Director and Principal Executive Officer	February 26, 2021
<u>/S/ RICHARD W. KINZLEY</u> Richard W. Kinzley, Senior Vice President and Chief Financial Officer	Principal Financial and Accounting Officer	February 26, 2021
<u>/S/ BARRY M. GRANGER</u> Barry M. Granger	Director	February 26, 2021
<u>/S/ TONY A. JENSEN</u> Tony A. Jensen	Director	February 26, 2021
<u>/S/ MICHAEL H. MADISON</u> Michael H. Madison	Director	February 26, 2021
<u>/S/ KATHLEEN S. MCALLISTER</u> Kathleen S. McAllister	Director	February 26, 2021
<u>/S/ ROBERT P. OTTO</u> Robert P. Otto	Director	February 26, 2021
<u>/S/ SCOTT M. PROCHAZKA</u> Scott M. Prochazka	Director	February 26, 2021
<u>/S/ REBECCA B. ROBERTS</u> Rebecca B. Roberts	Director	February 26, 2021
<u>/S/ MARK A. SCHOBER</u> Mark A. Schober	Director	February 26, 2021
<u>/S/ TERESA A. TAYLOR</u> Teresa A. Taylor	Director	February 26, 2021
<u>/S/ JOHN B. VERING</u> John B. Vering	Director	February 26, 2021

**Amended and Restated 2015 Omnibus Incentive Plan**

**Black Hills Corporation**

Effective January 26, 2021

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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”), which is hereby and restated as set forth in this document as of January 26, 2021 (the “Restatement Effective Date”) (hereinafter referred to as the “Plan”).

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 Original 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 Original 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 of Control**” shall mean 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 “Election Contest” (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a “**Proxy Contest**”) including by reason of any agreement intended to avoid or settle any Election Contest or 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.



- 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.
- 2.21 **“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.
- 2.22 **“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.
- 2.23 **“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.
- 2.24 **“Nonemployee Director”** means a Director who is not an Employee.
- 2.25 **“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.
- 2.26 **“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.

- 2.27 **“Option”** means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6.
- 2.28 **“Option Price”** means the price at which a Share may be purchased by a Participant pursuant to an Option.
- 2.29 **“Original Effective Date”** has the meaning set forth in Section 1.1.
- 2.30 **“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.
- 2.31 **“Participant”** means any eligible individual as set forth in Article 5 to whom an Award is granted.
- 2.32 **“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.
- 2.33 **“Performance Measures”** means measures as described in Article 11 on which the performance goals are based.
- 2.34 **“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.
- 2.35 **“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.
- 2.36 **“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.
- 2.37 **“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.
- 2.38 **“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.
- 2.39 **“Plan”** means the Black Hills Corporation Amended and Restated 2015 Omnibus Incentive Plan.
- 2.40 **“Plan Year”** means the calendar year.
- 2.41 **“Prior Plan”** means the Black Hills Corporation 2005 Omnibus Incentive Compensation Plan dated May 25, 2005.
- 2.42 **“Restatement Effective Date”** has the meaning set forth in Section 1.1.
- 2.43 **“Restricted Stock”** means an Award granted to a Participant pursuant to Article 8.
- 2.44 **“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.
- 2.45 **“Share”** means a Share of common stock of the Company, \$1.00 par value per Share.
- 2.46 **“Stock Appreciation Right”** or **“SAR”** means an Award, designated as a SAR, pursuant to the terms of Article 7 herein.
- 2.47 **“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.

- 2.48 “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).
- 2.49 “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 18, 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 1,200,000. The 1,200,000 Shares include the number of Shares that were authorized but unissued under the Prior Plan as of February 28, 2015 (namely, 417,692 Shares<sup>1</sup>). 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 one million two hundred thousand (1,200,000) Shares.

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<sup>1</sup> Note that these shares were not registered as part of the 2015 Omnibus Incentive Plan S-8.

- (c) 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, the maximum number of Shares that may be issued to Nonemployee Directors shall be two hundred thousand (200,000) Shares, and no Nonemployee Director may be granted an award covering more than ten thousand (10,000) Shares in any Plan Year, except that this annual limit on Nonemployee Director Awards shall be increased to twenty-five thousand (25,000) Shares for any Nonemployee Director serving as Chairman of the Board; provided, however, that in the Plan Year in which an individual is first appointed or elected to the Board as a Nonemployee Director, such individual may be granted an Award covering up to an additional ten thousand (10,000) Shares (a “New Nonemployee Director Award”).
- (d) Except with respect to a maximum of five percent (5%) of the Shares authorized in Section 4.1(a), any Full Value Awards which vest on the basis of the Employee’s continued employment with or provision of service to the Company shall not provide for vesting which is any more rapid than annual pro rata vesting over a three (3) year period and any Full Value Awards which vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months. Notwithstanding the foregoing, Full Value Awards that are accelerated due to death, disability, retirement or upon a Change in Control shall not be included and/or subject to the five percent (5%) limit outlined above.

#### **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.

**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 18, 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 Employees and Directors.

**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.

## **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.

**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 (10<sup>th</sup>) 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 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. 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 (10<sup>th</sup>) 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. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Participant on the date of grant.

**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 the Black Hills Corporation 2005 Omnibus Incentive 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 have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. Each Cash-Based Award shall have a value 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

**Transferability.** Except as otherwise provided in a Participant's Award Agreement, 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 Measures

**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 12.

**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, a dividend or dividend equivalent awarded in connection with an award that vests based on the achievement of performance goals shall not be paid unless and until the award is earned by satisfaction of the applicable performance goals. The dividends or dividend equivalents may be subject to any 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 18, 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 of Control**

The treatment of an Award upon the occurrence of a Change in Control shall be set forth in the Participant's Award Agreement. If however, such treatment is not set forth in a Participant's Award Agreement, the Board shall determine the treatment of all outstanding Awards upon a Change in Control 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 individual’s own behalf, unless such loss, cost, liability, or expense is a result of the individual’s 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.

**Black Hills Corporation**  
**2015 Omnibus Incentive Plan**  
**Restricted Stock Award Agreement**  
**(Effective for Awards granted on or after January 26, 2021)**

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Dear \_\_\_\_\_:

Congratulations on your selection as a Participant under Black Hills Corporation's 2015 Omnibus Incentive Plan (the "Plan"). This Agreement and the Plan together govern your rights to the Award and set forth all of the conditions and limitations affecting such rights. All capitalized terms shall have the meanings ascribed to them in the Plan unless specifically set forth otherwise herein. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall supersede and replace the conflicting terms of this Agreement. By signing below, you agree to be bound by all the provisions of the Plan and this Agreement.

**Overview of Your Award**

1. **Number of Restricted Shares Granted.** \_\_\_\_\_ Shares
2. **Date of Grant.** \_\_\_\_\_
3. **Date of Lapse of Restrictions.**

Shares

Date

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. **Employment by the Company.** This Restricted Stock is awarded on the condition that the Participant remain in the employ of Black Hills Corporation and its Affiliates (the "Company") from the Date of Grant through (and including) the Dates of Lapse of Restrictions. The Award of this Restricted Stock, however, shall not impose upon the Company any obligations to retain the Participant in its employ for any given period or upon any specific terms of employment.



5. **Certificate Legend.** Shares of Restricted Stock granted pursuant to the Plan shall be held by the Company in book entry form and shall be designated to have the following legend:

“The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer set forth in the Black Hills Corporation 2015 Omnibus Incentive Plan and in a Restricted Stock Award Agreement. A copy of the Plan and such Restricted Stock Agreement may be obtained from the Secretary of Black Hills Corporation.”

6. **Removal of Restrictions.** Except as otherwise provided in the Plan, each of the Shares of Restricted Stock granted under this Agreement shall become freely transferable by the Participant on each of the “Dates of Lapse of Restrictions” set forth on Paragraph 3 herein.

Once the Shares are released from the restrictions, the Participant shall be entitled to receive certificates representing the Shares of stock which have been vested, without the restrictive legend required by Paragraph 5 of this Agreement.

Notwithstanding the terms of this Agreement, no stock shall be issued by the Corporation while its stock transfer books are closed.

7. **Voting Rights and Dividends.** During the Period of Restriction, the Participant may exercise full voting rights and is entitled to receive all dividends and other distributions paid with respect to the Shares of Restricted Stock while they are held. If any such dividends or distributions are paid in Shares of common stock of the Company, the Shares shall be subject to the same restrictions on transferability as the Shares of Restricted Stock with respect to which they were paid.

8. **Termination of Employment By Reasons of Death or Disability, and Vesting in Connection with a Change in Control.** In the event the Participant’s employment is terminated by reason of Death or Disability, or in the event of a Change in Control prior to the Dates of Lapse of Restrictions, all Shares of Restricted Stock then outstanding shall immediately vest one hundred percent (100%), and as soon as is administratively practicable, the common stock representing the Shares of Restricted Stock without any restrictions or legend thereon, shall be delivered to the Participant’s beneficiary or estate.

"Change in Control" of the Company shall be deemed to have occurred (as of a particular day, as specified by the Board) upon the occurrence of 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; provided, however, that for purposes of this Agreement, the following acquisitions will not constitute a Change in Control: (A) any acquisition by the Company; (B) any acquisition of Shares 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, 2020 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 "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or 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 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 Shares as a result of the acquisition of Shares by the Company which, by reducing the number of Shares 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 Shares by the Company, and after such stock acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares which increases the percentage of the then outstanding Shares 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 above provisions of this definition, to the extent that any payment under the Agreement due to a Change in Control is subject to Code Section 409A for deferred compensation, then the term "Change in Control" shall be construed in a manner that is consistent with Code Section 409A(a)(2)(A)(v), but only to the extent inconsistent with the above provisions as determined by the Board.

- 9. **Beneficiary Designation.** The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of his or her death prior to the Dates of Lapse of Restrictions. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, 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 designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.
- 10. **Forfeiture and Repayment.**
  - (a) In the event the Participant's employment is terminated for reasons other than those described in Section 8 herein prior to the Dates of the Lapse of Restrictions, all outstanding Shares of unvested Restricted Stock granted hereunder shall immediately be forfeited by the Participant.
  - (b) Without limiting the generality of Section 10(a), the Company reserves the right to cancel all Restricted Stock awarded hereunder, whether or not vested, and require the Participant to repay all income or gains previously realized in respect of such Restricted Stock, in the event of the occurrence of any of the following events:
    - (i) termination of Participant's employment for Cause;
    - (ii) within one year following any termination of Participant's employment, the Board determines that the Participant engaged in conduct before the Participant's termination date that would have constituted the basis for a termination of employment for Cause;
    - (iii) at any time during the Participant's employment or the twelve month period immediately following any termination of employment, Participant:
      - (x) publicly disparages the Company, any of its affiliates or any of its or their officers, directors or senior executive employees or otherwise makes any public statement that is materially detrimental to the interests or reputation of the Company, any of its affiliates or such individuals; or
      - (y) violates in any material respect any policy or any code of ethics or standard of behavior or conduct generally applicable to Participant, including the Code of Conduct; or

- (iv) Participant engages in any fraudulent, illegal or other misconduct involving the Company or any of its affiliates, including but not limited to any breach of fiduciary duty, breach of a duty of loyalty, or interference with contract or business expectancy.
- (c) If the Committee determines that the Participant's conduct, activities or circumstances constitute events described in Section 10(b), in addition to any other remedies the Company has available to it, the Company may in its sole discretion:
  - (i) cancel any Shares of Restricted Stock awarded hereby, whether or not vested; and/or
  - (ii) require the Participant to repay an amount equal to all income or gain realized in respect of all such Restricted Stock. The amount of repayment shall include, without limitation, amounts received in connection with the delivery or sale of Shares of such Restricted Stock or cash paid in respect of any Restricted Stock.

There shall be no forfeiture or repayment under Section 10(b) following a Change-in-Control.

- (d) The Committee, in its discretion, shall determine whether a Participant's conduct, activities or circumstances constitute events described in Section 10(b) and whether and to what extent the Shares of Restricted Stock awarded hereby shall be forfeited by Participant and/or a Participant shall be required to repay an amount pursuant to Section 10(c). The Committee shall have the authority to suspend the payment, delivery or settlement of all or any portion of such Participant's outstanding Shares of Restricted Stock pending an investigation of a bona fide dispute regarding Participant's eligibility to receive a payment under the terms of this Agreement as determined by the Committee in good faith.
- (e) For purposes of applying this provision:
  - (i) "Cause" means any of the following:
    - (u) a Participant's violation of his or her material duties to the Company or any of its affiliates, which continues after written notice from the Company or any affiliate to cure such violation;
    - (v) Participant's willful failure to follow the lawful written directives of the Company in any material respect;

- (w) Participant's willful misconduct in connection with the performance of any of his or her duties, including but not limited to falsifying or attempting to falsify documents, books or records of the Company or any of its affiliates, making or delivering a false representation, statement or certification of compliance to the Company, misappropriating or attempting to misappropriate funds or other property of the Company or any of its Affiliates, or securing or attempting to secure any personal profit in connection with any transaction entered into on behalf of the Company or any of its Affiliates;
  - (x) Participant's breach of any material provisions of this Agreement or any other non-competition, non-interference, non-disclosure, confidentiality or other similar agreement executed by Participant with the Company or any of its Affiliates;
  - (y) conviction (or plea of *nolo contendere*) of the Participant of any felony, or a misdemeanor involving false statement, in connection with conduct involving the Company or any of its Subsidiaries or Affiliates; or
  - (z) intentional engagement in any activity which would constitute or cause a breach of duty of loyalty, or any fiduciary duty to the Company or any of its Subsidiaries or Affiliates.
- (ii) "Code of Conduct" means any code of ethics or code of conduct now or hereafter adopted by the Company or any of its Affiliates, including to the extent applicable the Company's Code of Business Conduct, as amended or supplemented from time to time, and the Company's or subsidiary Risk Management Policies and Procedures, as amended, supplemented or replaced from time to time.
- (f) Participant agrees that the provisions of this Section 10 are entered into in consideration of, and as a material inducement to, the agreements by the Company herein as well as an inducement for the Company to enter into this Agreement, and that, but for Participant's agreement to the provisions of this Section 10, the Company would not have entered into this Agreement.
11. **Transferability.** This Restricted Stock is not transferable by the Participant, whether voluntarily or involuntarily, by operation of laws or otherwise, during the Restriction Period, except as provided in the Plan. If any assessment, pledge, transfer, or other disposition, voluntary or involuntary, of this Restricted Stock shall be made, or if any attachment, execution, garnishment, or claim shall be issued against or placed upon the Restricted Stock, then the Participant's right to the Restricted Stock shall immediately cease and terminate and the Participant shall promptly forfeit to the Company all Restricted Stock awarded under this Agreement.



12. **Tax Treatment.** The following is a brief summary of the principal federal income tax consequences related to grants of restricted stock. This summary is based on the Company's understanding of present federal income tax law and regulations. The summary does not purport to be complete or applicable to every specific situation.

The value of restricted stock granted to the Participant will be taxable to the Participant in the year in which it is no longer subject to substantial risk of forfeiture (i.e., when the restrictions lapse). When the restrictions lapse, there is an ordinary income tax event to the Participant equal to the number of shares multiplied by the market price of the shares at the time the restrictions lapse. The Participant must satisfy federal and state withholding requirements and may do so by having the Company sell sufficient shares to meet the withholding requirements.

The Participant has the option to make a Code Section 83(b) election on a grant of restricted stock. Code Section 83(b) allows the Participant to choose to be taxed immediately on the amounts received in connection with a substantially "nonvested" right (i.e., compensation that has not been constructively received). This is accomplished by the Participant filing an election with the IRS stating that he or she will pay ordinary income on the value as measured at the time of grant. Any future appreciation in the stock property will be treated as capital gain when sold. This election must be made within 30 days of the Date of Grant.

If the Participant elects Section 83(b) treatment and later forfeits the subject stock, he or she will not be entitled to any refund for the taxes paid; however, he or she will be entitled to treat the forfeiture as a sale of the stock at a loss (i.e., capital loss) *(limited to the amount paid for shares--typically zero)*.

13. **Tax Withholding.**

Neither the Company nor any of its Affiliates shall be liable or responsible in any way for the tax consequences relating to the award of Units, their vesting and the settlement of vested Units in Shares. The Participant agrees to determine and be responsible for any and all tax consequences to the Participant relating to the award, vesting and settlement of Units hereunder. If the Company is obligated to withhold an amount on account of any tax imposed as a result of the grant, vesting or settlement of the Units, the provisions of Section 19.2 of the Plan regarding the satisfaction of tax withholding obligations shall apply (including any required payments by the Participant).

14. **Requirements of Law.** The issuance of Shares under the 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.
15. **Inability to Obtain Authorization.** 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 of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained.

16. **Severability.** In the event any provision of this Agreement shall be held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.
17. **Continuation of Employment.** This Agreement shall not confer upon the Participant any right to continuation of employment by the Company, nor shall this Agreement interfere in any way with the Company's right to terminate the Participant's employment at any time, for any reason. Participant further agrees that awards made pursuant to this Agreement are discretionary, and do not constitute a benefit which the Company is obligated to make available to Participant, and therefore, nothing in this Agreement shall be deemed to constitute a contract of employment, or otherwise alter the at-will employment relationship between Participant and the Company.
18. **Applicable Laws and Consent to Jurisdiction.** The validity, construction, interpretation and enforceability of this Agreement shall be determined and governed by the laws of the State of South Dakota without giving effect to the principles of conflicts of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in South Dakota and agree that such litigation shall be conducted in the courts of Pennington County or the federal courts of the United States for the District of South Dakota, Western Division.
19. **Miscellaneous.** The Plan may be amended by the Committee pursuant to Article 18 of the Plan. No termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award, except as required by law.

The Plan and this Agreement are binding upon Participant, as well as his/her heirs, executors, personal representatives, trustees, attorneys, agents, administrators, and successors.

Please refer any questions you may have regarding your restricted stock to Amy K. Koenig, Vice President - Governance, Corporate Secretary and Deputy General Counsel. Once again, congratulations on receipt of your restricted stock.

Sincerely,

Amy K. Koenig  
Vice President - Governance, Corporate Secretary  
and Deputy General Counsel

Please acknowledge your agreement to participate in the Plan and this Agreement, and to abide by all of the governing terms and provisions, by signing the following representation:

**Agreement to Participate**

By signing a copy of this Agreement and returning it to Amy K. Koenig, Vice President - Governance, Corporate Secretary and Deputy General Counsel of Black Hills Corporation, I acknowledge that I have read the Plan, and that I fully understand all of my rights under the Plan, as well as all of the terms and conditions which may limit my eligibility to exercise this Award. Without limiting the generality of the preceding sentence, I understand that my right to exercise this Award is conditioned upon my continued employment with Black Hills Corporation or its Subsidiaries.

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**Black Hills Corporation**  
**Short- Term Incentive Plan for Officers**  
**Award Agreement**  
(Effective for Plan Years Beginning on or after January 1, 2021)

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## **Black Hills Corporation Short-Term Incentive Plan for Officers Award Agreement**

(Effective for Plan Years Beginning on or after January 1, 2021)

You have been selected to be a Participant in the Black Hills Corporation Short-Term Incentive Plan (the “STIP”). The STIP is granted under the cash-based awards provisions of the Black Hills Corporation 2015 Omnibus Incentive Plan (the “Plan”).

**Participant:**           Name

**Target STIP Award:**       X (XX) percent of Eligible Earnings

**Performance Period:**   January 1, 2021 to December 31, 2021

**Performance Measure:**   Earnings Per Share (“EPS”) Seventy (70) percent weight  
                                  Safety TCIR Ten (10) percent weight  
                                  Safety PMVI Ten (10) percent weight  
                                  Virgin Pulse Safety and Wellness Engagement Ten (10) percent weight

THIS AGREEMENT (the “Agreement”) effective January 1, 2021, represents the award opportunity under the STIP provided by Black Hills Corporation, a South Dakota corporation (the “Company”), to the Participant named above, pursuant to the provisions of the Plan.

All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein.

The parties hereto agree as follows:

### **Article 1. Effective Date and Purpose of Plan**

The Performance Period commences on January 1, 2021 and ends on December 31, 2021.

### **Article 2. Definitions**

Unless the context otherwise specifically requires, the following words as used herein shall have the following meanings:

**Eligible Earnings** means the Participant’s regular compensation such as base salary and lump sum in lieu of merit increase. Eligible Earnings exclude, but are not limited to, non-cash compensation, payments-in-kind, incentive compensation, bonus payments, allowances, and deferred compensation.

**Board** means the Board of Directors of the Company.

**Committee** means the Compensation Committee of the Board.

**Company** means Black Hills Corporation, a South Dakota corporation with principal offices in the state of South Dakota.

**Employee** means any person who is in the regular full-time employment of the Company or a Subsidiary, as determined by the personnel rules and practices of the Company or a Subsidiary. The term does not include persons who are retained by the Company or a Subsidiary solely as consultants.

**Incentive Award** means the incentive compensation to be awarded to a Participant as determined under Article 5.

**Participants** means those eligible Employees to whom an Incentive Award is granted.

**Performance Period** means the period of time selected by the Committee over which the attainment of one or more performance goals will be measured.

**Plan** means the 2015 Omnibus Incentive Plan.

**Plan Year** means the 12 months beginning on January 1 and ending on the following December 31.

**Retirement** or **Retires** means a Separation from Service by a Participant on or after (i) attaining the age of 55 with at least 5 years of service, or (ii) attaining the age of 65.

**Separation of Service** (as defined in Treasury Regulation Section 1.409A-1(h)) during the Performance Period other than (i) due to Retirement, disability or death, or (ii) following a change in control shall require forfeiture of this entire award, with no payment to the Participant.

**Subsidiary** shall mean any business organization in which Company, directly or indirectly, owns a majority of its voting power or voting equity securities or equity interest.

### **Article 3. Eligibility and Participants**

Employees eligible to participate under this Agreement will be designated by the Committee.

### **Article 4. Administration of the Plan**

This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended, modified, suspended or terminated from time to time by the Committee, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, in its sole discretion, all of which shall be binding upon the Participant.

Any inconsistency between the Agreement and the Plan shall be resolved in favor of the Plan.

### **Article 5. Target Incentive Award and Performance Measures**

Participant was assigned a target Incentive Award determined as a percent of a Participant's Eligible Earnings. Participant shall have the opportunity to earn various percentages of the target Incentive Award. The percentage of the target Incentive Award to be earned by the Participant shall be determined by the application of objective performance measurements determined by the Committee, such as earnings per share. The application of the Participant's target Incentive Award to actual performance results creates the actual award for each Participant ("Incentive Award").

If Participant is promoted, transferred or demoted during the Plan Year, determination of the target Incentive Award and performance measures are based on the target Incentive Award and performance measures in place for the Employee as of September 30 or their termination date for eligible Participants as described in Article 6.

#### **Article 6. Termination Provisions**

Except as provided below in this Article 6 and in Article 7, a Participant shall be eligible for payment of the Incentive Award, as determined in Article 5, only if the Participant's employment with the Company or a Subsidiary continues through the date of payment.

If Participant Retires, suffers a disability, or dies during the Performance Period, the Participant (or the Participant's estate) shall be entitled to that proportion of the Incentive Award as such Participant is entitled to under Article 5 for such Performance Period. The form and timing of the payment of such Performance Shares shall be as set forth in Article 9.

#### **Article 7. Change in Control**

Notwithstanding anything herein to the contrary, in the event of a Change in Control, the Participant shall be entitled to that proportionate target Incentive Award as such Participant is entitled to under Article 5 for such Performance Period (as of the effective date of the Change in Control).

Change in Control of the Company shall be deemed to have occurred (as of a particular day, as specified by the Board) upon the occurrence of 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; provided, however, that for purposes of this Agreement, the following acquisitions will not constitute a Change in Control: (A) any acquisition by the Company; (B) any acquisition of Shares 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, 2020 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 "Election Contest" (as described in Rule 14a11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or 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 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 Shares as a result of the acquisition of Shares by the Company which, by reducing the number of Shares 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 Shares by the Company, and after such stock acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares which increases the percentage of the then outstanding Shares 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 above provisions of this definition, to the extent that any payment under the Agreement due to a Change in Control is subject to Code Section 409A for deferred compensation, then the term "Change in Control" shall be construed in a manner that is consistent with Code Section 409A (a) (2)(A)(v), but only to the extent inconsistent with the above provisions as determined by the Board.

#### **Article 8. Forfeiture and Repayment.**

- (a) In the event the Participant incurs a separation from service for a reason other than those described in Article 6 herein during the Performance Period this entire award will be forfeited.
- (b) Without limiting the generality of Article 8(a), the Committee reserves the right to cancel the Incentive Award awarded hereunder, whether or not earned, and require