

# 2020 CORPORATE SUSTAINABILITY REPORT



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01

INTRODUCTION







## ***SUSTAINABILITY AT BLACK HILLS ENERGY***

Over the course of our 138-year history, Black Hills Energy has been guided by our values and our mission of improving life with energy. By providing essential energy services, we help advance the well-being of our customers and communities. We are humbled and motivated by this responsibility and consider it a privilege to provide electricity and natural gas to nearly 1.3 million businesses and families across our eight-state service territory.

Our work has never been more important, nor more urgent than during the shared crisis of COVID-19. I am extremely grateful for the way our Black Hills Energy team worked together over the past year, adapting quickly to the uncertainty and challenges of 2020, to safely serve our customers and support one another.

The pandemic also highlighted the critical role businesses play in the world today. Whether delivering energy to homes and businesses, helping customers in times of financial need, providing resources to our employees or partnering with communities, we recognize we are much more than a utility; we are an engaged corporate citizen.

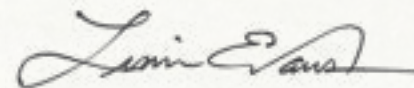
It's because of this role that we dedicate time and resources to reporting on environmental, social and governance (ESG). Our 2020 corporate sustainability report and accompanying ESG disclosures provide transparency and insight into our performance and actions on issues that are important to our business and stakeholders.

Last year, we announced meaningful and achievable climate goals, dedicated to the sustainability of our company, communities and planet. We are pleased to share our progress on these goals and other ESG achievements over the past year which include:

- Reaching a 30% reduction in our corporate electric greenhouse gas emissions. This achievement makes the company well-positioned to achieve a 40% reduction by 2030 and 70% by 2040.
- The successful construction and on-time delivery of our Corriedale Wind Energy Project in Cheyenne, Wyoming. With the addition of 52.5-megawatts of renewable energy on our system, 25% of the company's total owned or contracted generation is now made up of renewable wind energy.
- Bringing our fourth renewable natural gas interconnection project into service, a wastewater recovery facility in Lincoln, Nebraska, which adds up to 400 more MMBtu per day of biogas into our natural gas supply.
- Committing to and executing on multiple diversity, inclusion and belonging goals.
- Providing our stakeholders with increased transparency and data through new disclosures like [Sustainability Accounting Standards Board \(SASB\)](#) and [Natural Gas Sustainability Initiative \(NGSI\)](#).

This report provides a thorough look at how all of us at Black Hills Energy are constantly pursuing our mission of improving life with energy and we are ready to make tomorrow even better than today. We look forward to continuing the journey with you.

Sincerely,



Linden "Linn" R. Evans • President and CEO



02

ABOUT THIS  
REPORT

Our corporate responsibility report provides insight and transparency into the social, environmental and economic impacts of Black Hills Corporation. This voluntary report is informed by sustainability reporting guidelines and strives to provide relevant insights into our business and how we view sustainability.

## REPORTING FRAMEWORK

This report was developed using guidance from the Edison Electric Institute (EEI) and the American Gas Association (AGA) ESG quantitative disclosure and the Global Reporting Initiative (GRI). In addition to our corporate sustainability report, we also disclose through the following ESG frameworks, which can be found at [blackhillsenergy.com/sustainability](https://blackhillsenergy.com/sustainability):

- Sustainability Accounting Standards Board (SASB) electric and natural gas standards
- EEI quantitative report
- AGA quantitative report
- Natural Gas Sustainability Initiative (NGSI) protocol

## ADDITIONAL INFORMATION

Black Hills Energy is committed to sharing information about our business and operations that we know is important to our stakeholders. We have issued new and updated reports, which can be found at [blackhillsenergy.com/sustainability](https://blackhillsenergy.com/sustainability). Additional financial information is posted at [ir.blackhillscorp.com](https://ir.blackhillscorp.com).

## WE WELCOME YOUR FEEDBACK

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

## FORWARD LOOKING STATEMENTS

This report includes “forward-looking statements” as defined by the Securities and Exchange Commission, or SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All

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

These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. Our business and any offering may be influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our ability to control. These factors include, but are not limited to, our ability to deliver safe and reliable and affordable energy to our customers.

Whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Items 1A of our 2020 Annual Report on Form 10-K and other reports that we file with the SEC from time to time.

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



03

SUSTAINABILITY  
STRATEGY

## COMMITMENT TO SUSTAINABILITY

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

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

## GOALS AND PROGRESS

Last year, we announced climate goals to reduce electric emissions intensity 40% by 2030 and 70% by 2040 and reduce natural gas emissions intensity 50% by 2035. We're well on our way to achieving these goals, **with 30% reduction in electric emissions and 33% reduction in natural gas emissions to date.**

## ESG STRATEGY AND MANAGEMENT

Black Hills Energy is continuously strengthening our sustainability strategy. We are building upon our success of delivering cost-effective energy for customers and strong returns for investors, by seeking renewable energy growth opportunities, minimizing risk and responding to stakeholders' evolving expectations. Environmental, social and governance (ESG) and sustainability are inherently connected throughout our business and our ESG management is structured accordingly. Our board of directors oversees ESG, with management leadership from our CEO and executive ESG Steering Committee, our dedicated ESG and sustainability department and our cross functional sustainability working group.

# WE ARE COMMITTED TO CREATING A CLEANER ENERGY FUTURE.



ELECTRIC EMISSIONS

↓ 30%



NATURAL GAS EMISSIONS

↓ 33%

*Electric: Based on carbon intensity as compared to 2005 levels for our electric generation, including owned generation and purchased power.*

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



## STAKEHOLDER ENGAGEMENT

We value our stakeholders and the diverse perspectives they offer. We engage with our stakeholders in a variety of methods and frequencies to both share information and receive feedback. The table below outlines engagement channels by stakeholder group.

Our stakeholders include:	Engagement channels:	
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Websites</li> <li>• Market research</li> <li>• Customer feedback (surveys, online comments, web chat, phone calls, email)</li> <li>• Billings statements, inserts and messages</li> <li>• Direct mail and letters</li> <li>• Emails</li> </ul>	<ul style="list-style-type: none"> <li>• Text messaging</li> <li>• Social media</li> <li>• Paid media placement</li> <li>• Citizen advisory councils</li> <li>• Energy efficiency programs</li> <li>• Business account representatives</li> <li>• J.D. Power survey</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Support of community events and programs</li> <li>• First responder training</li> <li>• Volunteerism</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing dialogue</li> <li>• Infrastructure project planning</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Company huddles</li> <li>• Intranet</li> <li>• Training events</li> <li>• Team meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Surveys</li> <li>• Employee resource groups</li> <li>• Performance reviews</li> </ul>
<b>Investors and shareholders</b>	<ul style="list-style-type: none"> <li>• Earnings calls and presentations</li> <li>• Annual meeting</li> <li>• News releases</li> </ul>	<ul style="list-style-type: none"> <li>• Investor/industry conferences</li> <li>• Investor relations website</li> <li>• Analyst meetings</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• Direct communication with staff</li> <li>• Routine outreach</li> </ul>	<ul style="list-style-type: none"> <li>• Filing applications</li> </ul>
<b>Local, state and federal government</b>	<ul style="list-style-type: none"> <li>• Franchise agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Public meetings/hearings</li> </ul>
<b>Unions</b>	<ul style="list-style-type: none"> <li>• Benefits meetings</li> <li>• Ongoing dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Annual meetings</li> <li>• Total Rewards statements</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Supplier meetings and onboarding</li> <li>• Supplier portal communication</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Business Conduct</li> <li>• Surveys</li> </ul>
<b>Banks and rating agencies</b>	<ul style="list-style-type: none"> <li>• Ongoing dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly updates</li> </ul>
<b>Non-governmental organizations</b>	<ul style="list-style-type: none"> <li>• Presentation at, and participation in, organizations' meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Direct outreach</li> </ul>

## ESG PRIORITIES

We have four ESG pillars that form the basis of our reporting strategy and business execution. Each section of this report explores issues in each pillar that are material to our company and stakeholders.



## RISKS AND OPPORTUNITIES

We recognize the inherent role our business plays in the well-being of our planet and communities. Please see [Black Hills Corp's 2020 Form 10-K](#) for a discussion on ESG risks and opportunities, including climate, policy and regulatory developments, emerging technology and customer growth.





04

COMPANY  
PROFILE



## ***BLACK HILLS CORP. COMPANY PROFILE***

Black Hills Corp. (NYSE: BKH) is a customer focused, growth-oriented natural gas and electric utility company and the parent company of utilities in eight states which conduct business as Black Hills Energy. Based in Rapid City, South Dakota, we serve 1.3 million natural gas and electric customers in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. We employ approximately 3,000 individuals in communities across our service territory.

We are composed of regulated natural gas utilities and electric utilities which are supported by vertically integrated mining and power generation businesses. We operate one of the largest natural gas and electric infrastructure systems in the country, with 47,000 miles of natural gas lines and 9,000 miles of electric transmission and distribution lines spanning 1,600 miles across eight geographically diverse states.



OUR VISION



**To be the Energy Partner of Choice**

OUR MISSION



**Improving Life with Energy**

OUR VALUES



**Agility**

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

**Communication**

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

**Creating Value**

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

**Customer Service**

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

**Integrity**

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

**Leadership**

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

**Partnership**

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

**Respect**

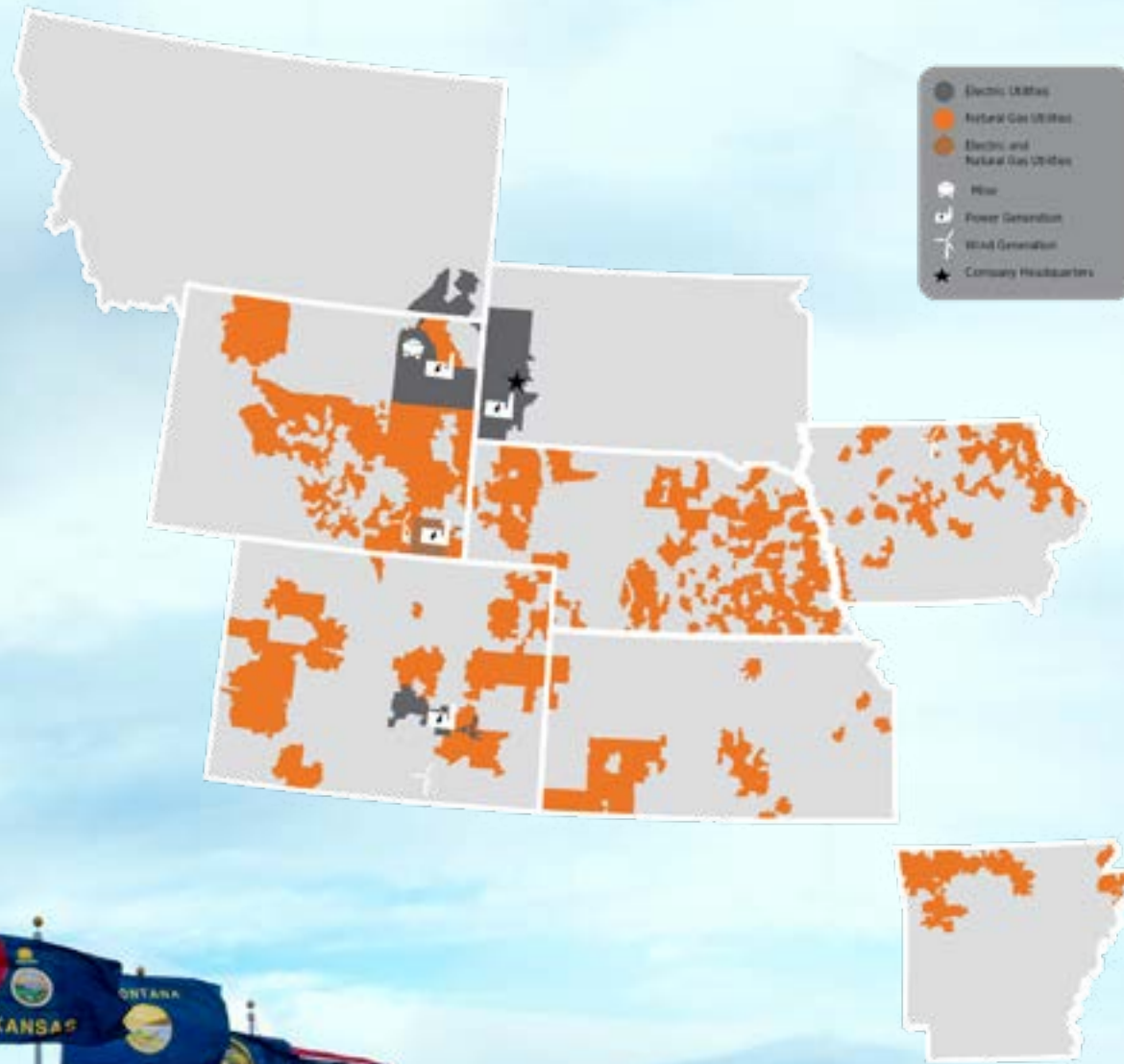
*We respect each other. Our unique talents and diversity anchor a culture of success.*

**Safety**

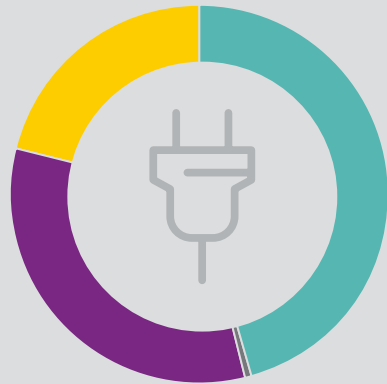
*We commit to live and work safely every day.*



# **BLACK HILLS CORP. STATE OVERVIEW** (AS OF DEC. 31, 2020)

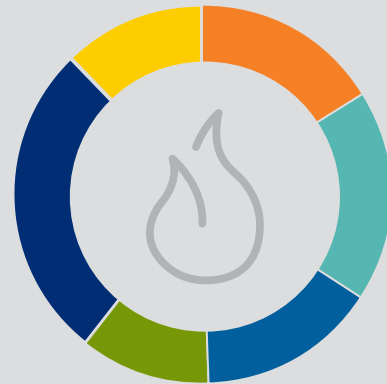


### ELECTRIC UTILITY CUSTOMERS



<b>COLORADO</b> 98,735 customers	<b>MONTANA</b> 47 customers
<b>SOUTH DAKOTA</b> 71,011 customers	<b>WYOMING</b> 46,404 customers

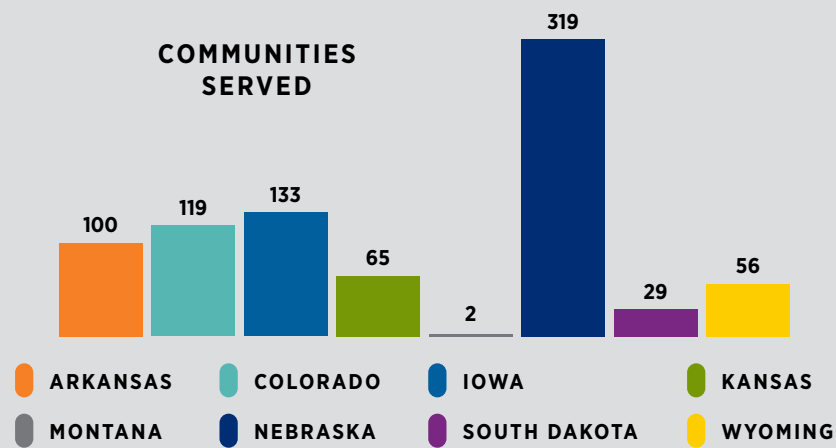
### NATURAL GAS UTILITY CUSTOMERS



<b>ARKANSAS</b> 178,281 customers	<b>COLORADO</b> 197,817 customers
<b>IOWA</b> 160,952 customers	<b>KANSAS</b> 116,973 customers
<b>NEBRASKA</b> 296,778 customers	<b>WYOMING</b> 132,136 customers

Customers are listed by state, rather than by state utility as referenced in Black Hills Corp.'s 2020 10-K.

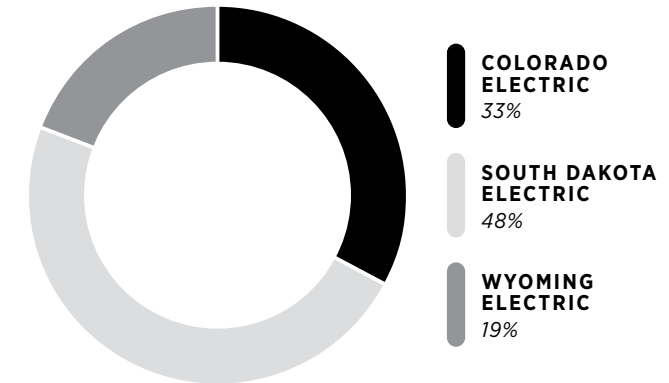
### COMMUNITIES SERVED



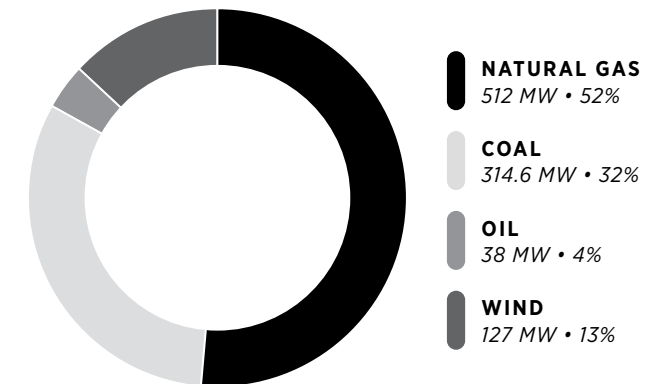
## OUR BUSINESS SEGMENTS - AT A GLANCE

### REGULATED ELECTRIC UTILITIES (AS OF DEC. 31, 2020)

#### ELECTRIC GENERATION CAPACITY



#### OWNED CAPACITY BY TYPE



## TRANSMISSION AND DISTRIBUTION

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

### TRANSMISSION AND DISTRIBUTION MILES IN OPERATION\* (AS OF DEC. 31, 2020)

Utility	Transmission (in line miles)	Distribution (in line miles)
Colorado Electric	572	3,135
South Dakota Electric	1,242	2,565
Wyoming Electric	58	1,320
<b>TOTAL</b>	<b>1,872</b>	<b>7,020</b>

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

## REGULATED NATURAL GAS UTILITIES\*\*

- Approximately 1,083,000 natural gas utility customers in Arkansas, Colorado, Iowa, Kansas, Nebraska and Wyoming (as of Dec. 31, 2020)
- 4,732 miles of intrastate gas transmission pipelines
- 41,644 miles of gas distribution mains and service lines
- Over 560 miles of gathering lines
- Nearly 49,000 horsepower of compression
- 7 natural gas storage sites

## NATURAL GAS SYSTEM INFRASTRUCTURE - IN LINE MILES\*\*

State	Intrastate Gas Transmission Pipelines (in line miles)	Gas Distribution Mains (in line miles)	Gas Distribution Service Lines (in line miles)
Arkansas	874	4,972	1,275
Colorado	693	6,990	2,303
Iowa	172	2,863	2,486
Kansas	330	2,980	1,374
Montana	11	-	-
Nebraska	1,311	8,443	2,773
Wyoming	1,341	3,532	1,654
<b>TOTAL</b>	<b>4,732</b>	<b>29,780</b>	<b>11,864</b>

\*\*Reflects 2020 PHMSA and DOT report data, available as of March 1, 2021.

## UNDERSTANDING THE REGULATORY COMPACT

Our electric and natural gas utilities operate under a set of regulations determined by state public utilities commissions and federal agencies. As regulated entities, our gas and electric utilities are granted the exclusive right to sell electricity and natural gas in a defined service territory. In exchange, we operate under a set of conditions known as the "regulatory compact:"

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



## NON-REGULATED ENERGY SERVICES

- Our Choice Gas Programs provide our customers in areas of Nebraska and Wyoming the opportunity to choose their natural gas provider with the pricing options that best suit their needs. As of Dec. 31, 2020, we had approximately 52,000 Choice Gas Program participants (retail gas distribution customers in Nebraska and Wyoming).
- We provide our residential customers with natural gas appliance repair and protection plans, providing peace of mind from unexpected repair bills. As of Dec. 31, 2020, we had 190,000 active natural gas appliance repair or protection plans delivered through Service Guard and Customer Appliance Protection Plans.

## POWER GENERATION

Our power generation segment supports and is vertically integrated into our electric utilities. This segment, which operates through Black Hills Electric Generation and its subsidiaries, acquires, develops and operates our non-regulated power plants. As of Dec. 31, 2020, our power generation segment held varying interests in independent power plants with a total net ownership of approximately 423 MW. The majority of this capacity is contracted to our affiliate electric utilities under a combination of mid- to long-term contracts.

### POWER PLANT OWNERSHIP INTERESTS HELD BY OUR POWER GENERATION SEGMENT (AS OF DEC. 31, 2020)

Power Plant	Fuel Type	Ownership Interest	Owned Capacity (MW)
Wygen I	Coal	76.5%	68.9
Pueblo Airport Generation	Gas	50.1%	200
Busch Ranch I	Wind	50%	14.5
Busch Ranch II	Wind	100%	60
Top of Iowa	Wind	100%	80
<b>TOTAL</b>			<b>423.4</b>

## MINING

Our mining segment operates a coal mine in northeast Wyoming. The mine is located near Gillette, Wyo., and adjacent to the only location where Black Hills Energy owns coal-fired power plants, allowing the company to deliver cost-effective energy to customers in Wyoming, South Dakota and Montana.

The mining segment operates through Wyodak Resources Development Corp., a direct, wholly owned subsidiary of Black Hills Energy Non-regulated Holdings, LLC. We surface mine, process and sell primarily low-sulfur sub-bituminous coal to our adjacent coal-fired power plants. This very efficient mine mouth operation delivers coal to the adjacent power plants at less than \$1.00 per million British thermal units.

- Produced approximately 3.7 million tons of coal in 2020
- Substantially all of the coal produced is sold under contract, with the majority serving our on-site, mine-mouth generation facilities
- Wyodak Mine is the oldest, continuously operated surface coal mine in the United States. It has been operated by Black Hills Energy since 1956
- 49-year supply of coal reserves at current production levels



# AWARDS AND RECOGNITION

## 2020

- State of Colorado's Environmental Leadership Program, Gold Level Leader
- ENERGY STAR Partner of the Year
- Gold Medallion Award for exemplary efforts in recruiting, employing and retaining our nation's veterans
- InHerSight's 20 Best Utility Companies to Work For
- Occupational Safety and Health Administration's Voluntary Protection Program Star Status
- Outstanding Philanthropic Corporation Award
- South Dakota Community Foundation Hometown Hero Award

## 2019

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



## 2018

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

## 2017

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



05

COVID-19  
RESPONSE





From the very beginning of the pandemic, Black Hills Energy's response kept safety at the core of every decision and every action taken to keep our workforce healthy and safe so we could sustain business operations and provide essential energy to our customers.

When the World Health Organization categorized COVID-19 as a global pandemic in March 2020, it triggered a response from the natural gas and electric utility sectors as classified critical infrastructure providers. From the very beginning of the pandemic, Black Hills Energy's response kept safety at the core of every decision and every action taken to keep our workforce healthy and safe so we could sustain business operations and provide essential energy to our customers.

To further support the safety of our Black Hills Energy team, we implemented two critical initiatives: the Ready2Work and Ready2Return plans.

**Ready2Work plan** – a proactive defense strategy to protect our electric and gas grids from disruption and maintain reliability for our customers. Our Ready2Work plan allowed our team to continue to deliver energy to our customers by taking measures to safeguard our employees who provide critical services. This included taking action to ensure adequate staffing levels to maintain safe and reliable services for our customers. During times of high risk and community spread, arrangements were made to sequester employees who were regarded as critical to energy delivery systems and energy marketing services during the peak levels of the pandemic.

Black Hills Energy had developed capabilities for office staff to work remotely, which was used to allow the organization to support a near 100% remote work

standard for office staff for over a year. This included all customer service personnel from both call center locations. The remote work capability was established without compromising either physical or cyber security practices, enabling our employees to continue their work supporting our business and customer needs.

**Ready2Return plan** – a re-entry plan for employees who had been working remotely during the year to support them in their return to the office. With a safety-focused approach and an emphasis on change management, we responded to widely varying perspectives around employee safety and health, and supported work-life balance and situations impacting our employees due to COVID-19.

The plan included:

- Pandemic paid leave
- Training on workplace safety and health expectations and how to navigate the changes in the workplace
- All-employee calls with the CEO and managers to share impacts of COVID-19 on our workforce, updates on the Ready2Return plan, and changes in health and safety guidance from the Centers for Disease Control (CDC).
- Phased re-entry plan for office employees
- Company-provided safety kits and supplies
- Employee surveys to obtain feedback on the company's response



## WHEN COVID-19 HIT, BLACK HILLS ENERGY WAS READY.

From the very start of the pandemic, planning and communication were key for a company that serves 823 communities across eight states. Early in January 2020, CEO Linn Evans and Stephanie Dowling, director of strategic communications, brand management and public relations made the decision to develop a pandemic plan to complement Black Hills Energy's existing crisis plan. A team convened and began meeting on a regular basis, following CDC guidelines and communicating with peer utilities, local hospitals and other organizations. "We had our team meet every morning and afternoon because things were starting to rapidly change," says Dowling.

On March 16, 2020, the first big change took place—senior leadership made the decision to send office workers home to work virtually. At that point, the crisis team established its Ready2Work response plan. A short time later, a Ready2Return team also began planning for the return to work, which occurred June 2021.

Communication with employees remained a huge component of the Ready2Work plan. Evans launched weekly corporate-wide virtual "huddles" for the entire employee population. The huddles allowed leadership to share the latest information during the uncertain days of the pandemic.

While most employees began working remotely, essential staff—those responsible for the direct management of power and gas operations—continued to work onsite but with COVID-19 safety protocols in place. "These were critical operations employees," says Stuart Wevik, senior vice president of utility operations. "The company cannot serve customers without these operators."

Black Hills Energy provided essential employees with onsite mobile living arrangements (RV campers) adjacent to their worksites. Employees worked shifts of two weeks on, living safely in individual RVs to ensure the continuation of services to our customers. During this time, we also provided additional resources to the families of employees sequestered onsite.

Our crisis team also established a contact tracing team for reported employee cases. Team members were certified in contact tracing following completion of training from Johns Hopkins Bloomberg School of Public Health.

Val Simpson, regional manager of community affairs, says the company's emphasis on supporting its communities through employee volunteerism was especially put to the test

during the COVID-19 pandemic. Early in the pandemic, the company shifted its approach and emphasis to have more impact with our charitable giving. "We have a long history of giving back," she says. "We really made a concerted effort in 2020 to make sure the dollars we donate went where they were most needed in light of COVID."

Our team coordinated our efforts across all our communities, with \$375,000 earmarked to address food insecurity and emergency pandemic efforts of United Way organizations. "We knew our communities and customers were impacted in a significant way," Simpson says. "And we wanted to be among the first to help."

Another \$225,000 went to the energy assistance program, Black Hills Cares, which helped 2,500 families in need. In total, Black Hills Energy's 2020 charitable giving totaled \$5.6 million, directed at local organizations supporting individuals and businesses impacted by COVID-19.

Through it all, Black Hills Energy looked out for our customers. We temporarily suspended late payment charges and nonpayment disconnections. Customer service made calls to customers who were past due to share information about assistance programs. Customers were offered payment plans and assistance programs.

From customer communications to employee support to supply chain, Black Hills Energy pivoted to make it all work. Simpson says the phrase that best fits the past 15 months is "COVID forced us to get creative." She believes the company succeeded, finding new ways to do what it's always done—take care of its people, its communities and its customers.



006

CORPORATE  
GOVERNANCE



Sustainability begins at the highest levels in Black Hills Energy, with oversight from our board of directors and full support from our CEO and ESG Steering Committee. Guidance from a cross-functional sustainability strategy team helps to ensure our commitment to sustainability is integrated throughout the company.

We believe that strong governance lays the groundwork for sustainable success and provides the foundation for constructive management and strategic oversight. It also supports a rigorous culture of compliance and accountability.

## BUSINESS CONDUCT

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

## HUMAN RIGHTS

Our respect for human rights is reflected in our corporate values. We support the principles outlined in the United Nations Universal Declaration of Human Rights. Our [Human Rights Policy](#) outlines support for standards including ethical and lawful practices concerning human rights, diversity, nondiscrimination and harassment, labor standards, collective bargaining and supplier relationships.

## ETHICS HELPLINE

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

operator and all reports are promptly investigated. Our ethics program is reviewed both internally and externally on a regular basis and employee understanding of the program is periodically assessed.

## POLITICAL CONTRIBUTIONS

The Company stays informed about public policy issues that impact our business. The Company follows all federal, state, and local laws, rules, and regulations related to policy development and the political process.

As with all corporations, Black Hills Corporation is prohibited from contributing directly or indirectly in support of political candidates for elected federal offices in the United States. Additionally, the Company does not make direct contributions to candidates to state or local-level offices.

The employee-supported Black Hills Corporation Political Action Committee allows employees to engage voluntarily in the political process and in accordance with all federal, state and local laws. The PAC's board, which is comprised of employee representatives from across the company, is responsible for reviewing and approving state and federal political contribution requests.

## LEADERSHIP AND COMPANY OVERSIGHT

### BOARD OF DIRECTORS

The members of our board of directors have a fiduciary responsibility to act in the best interests of Black Hills Corp. and its shareholders. The board operates according to best practice principles outlined in the “Corporate Governance Guidelines of the Board of Directors.” These principles lay the foundation for the board’s oversight responsibilities.

Our corporate governance structure promotes a strong, independent board of directors composed of diverse individuals whose backgrounds, abilities, commitment and expertise combine to provide strong oversight for the company.

### BOARD LEADERSHIP

The board does not have a position regarding whether the roles of Chairman and CEO should be separate or combined. The board can choose the leadership structure it feels best represents the interests of the company and its shareholders. When the Chairman and CEO roles are combined, the board shall appoint one of its independent directors to be the lead director. The Board of Directors believes that having separate positions and having an independent director serve as Chairman is currently the appropriate leadership structure of the company. Following the May 1, 2020, retirement of our former Executive Board Chairman David Emery, Steven Mills, an independent director, was appointed Chairman of the Board.

### BOARD COMPOSITION

The bylaws of Black Hills Corp. authorize the oversight of the company through a board of no less than nine members, with discretion to increase its size. As of April 27, 2021, our board was composed of 11 directors, 10 of whom are considered independent within the listing standards of the New York Stock Exchange. The CEO is an inside director and is not deemed independent.

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

### THE CURRENT COMPOSITION OF OUR BOARD IS CURRENTLY AS FOLLOWS:

(AS OF APR. 27, 2021)



GENDER DIVERSITY

27%



RACIAL OR ETHNIC DIVERSITY

9%



AVERAGE AGE

57



AVERAGE TENURE

6 YEARS

For information on our current board of directors, visit

[ir.blackhillscorp.com/corporate-governance/board-of-directors/default.aspx](https://ir.blackhillscorp.com/corporate-governance/board-of-directors/default.aspx).

## BOARD RESPONSIBILITIES

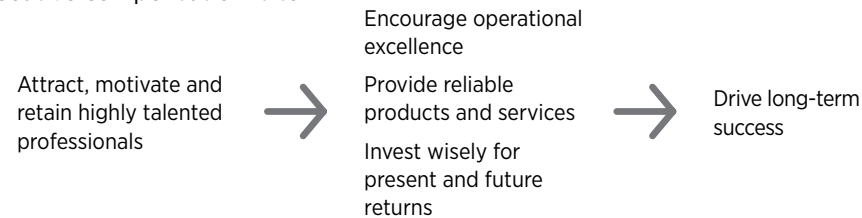
To ensure effective management oversight of the critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity, only independent board members serve on our board committees. The board has three committees to help execute its responsibilities:

- Audit committee
- Compensation committee
- Governance committee

A full description of committee responsibilities can be found in our committee charters and in our proxy statement. Notably, the Board oversees ESG and the governance committee oversees the reporting framework we use to track and monitor ESG progress. The compensation committee provides oversight of the company's diversity and inclusion. Our audit committee oversees financial risk and the process used to monitor compliance with our Code of Business Conduct. More information about our directors, governance documents and committee charters can be found at [ir.blackhillscorp.com](http://ir.blackhillscorp.com).

## EXECUTIVE COMPENSATION

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



Company financial, safety and employee wellness goals are used as measures to determine incentive programs. Additional information on our performance in these areas is included later in this report. At our 2021 annual meeting, our executive compensation program received a 98% favorable vote from shareholders.

## ACCESS TO SHAREHOLDERS

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

## RISK MANAGEMENT AND COMPLIANCE

### RISK MANAGEMENT

Our enterprise risk management program is designed to identify, report, and manage all forms of relevant risk and opportunity. Managing all areas of risk, including ESG, cybersecurity, compliance, human resources, operational, regulatory, financial and reputational risks, are embedded into business processes and key decision making at all levels of the company. Our enterprise risk management program includes regular reporting to our senior management team and quarterly reporting to our board of directors.

### CYBERSECURITY

Black Hills Energy applies industry-standard security frameworks in our Corporate and Industrial Control System (ICS) environments as part of our commitment to the delivery of safe and reliable energy to our customers. We apply a standard of continuous improvement to cybersecurity, with ongoing employee training, education, and system enhancements. Security assessments are regularly conducted through internal threat hunting as well as external penetration testing. The company is subject to regular compliance audits which are conducted by outside audit firms and regulatory bodies. Our Chief Information Officer provides quarterly reports to the Board of Directors.

Black Hills Energy is also a member of the Cybersecurity Risk Information Sharing Program (CRISP), a partnership with energy providers and the Department of Energy. As a voluntary participant in the CRISP program, we share threat information which could potentially detect and prevent cyber threats directed at Black Hills Energy and other utilities.

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



## PIPELINE SAFETY MANAGEMENT SYSTEM

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

PSMS is an extension of our values and as a public stewards and prudent operator of natural gas pipelines, implementing a management system is the right thing to do for our shareholders, our employees and the public. The PSMS is intended to help anticipate problems and proactively solve them before they occur, in addition to improving the consistency, effectiveness, and efficiency of existing processes and resources.



## RELIABILITY AND OPERATIONAL CONTINUITY

Reliability and operational continuity are critical to us and those we serve. We evaluate our systems to identify opportunities to support a fire safe culture. We also routinely test our systems and conduct table-top drills and large event mock exercises to identify gaps in our response plans and enhance operating procedures.

## ENVIRONMENTAL

Our [environmental policy](#) outlines our commitment to protecting the planet and applies to our suppliers, vendors and contractors, as well as our company. Our comprehensive environmental management system (EMS) is used to track performance and ensure compliance with all applicable state and federal regulations. In 2020, we achieved eight consecutive years of zero violations and penalties. Our EMS undergoes regular internal and external audits. Our last external audit found that our EMS follows the ISO 14001 requirements.

## REGULATORY

Our culture of compliance includes engagement with the North American Electric Reliability Corporation (NERC), Western Electricity Coordinating Council (WECC), and Midwest Reliability Organization (MRO) regulatory bodies. We have a history of early adoption of major NERC regulatory changes and strive to self-identify, assess and correct issues. Our goal is an integrity-driven approach that seeks to build trust with our regulators.

07

ENVIRONMENTAL  
STEWARDSHIP



## **ELECTRIC\***

Last year, we announced a goal to **reduce our electric operations' greenhouse gas emissions intensity 40% by 2030 and 70% by 2040** as compared to 2005.

We're well on our way to achieving this goal, having already reached a 30% reduction—an additional 5% reduction since announcing our goal. We'll continue our strategy of investing in cost-effective renewables and new technologies to further reduce our environmental impact across all states, while continuing to deliver safe, reliable and cost effective energy to customers.

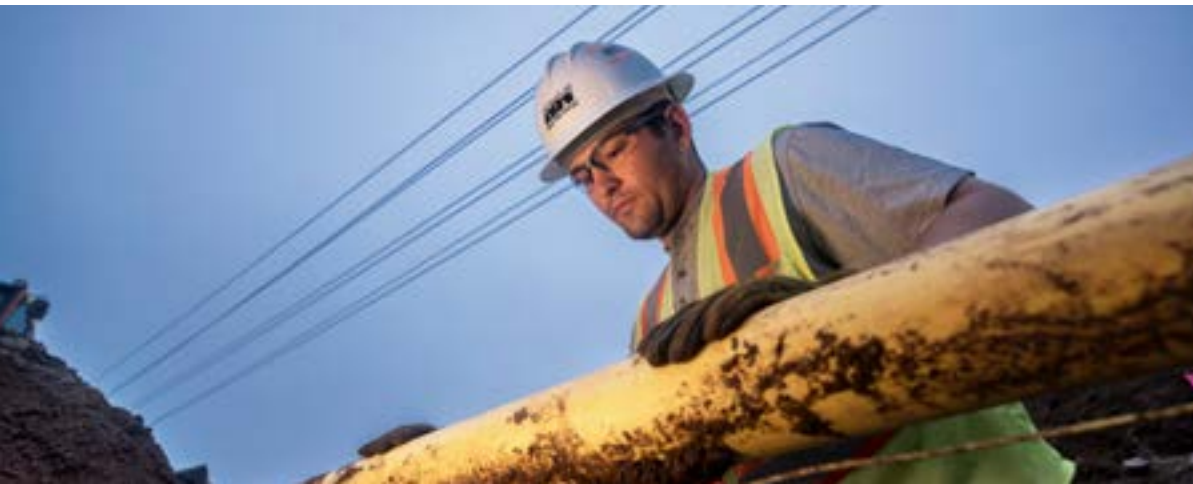
## **NATURAL GAS\*\***

We're committed to achieving a **50% total reduction in our natural gas utilities' greenhouse gas emissions intensity by 2035**.

We've cut our emissions intensity by 33% since 2005 with nearly 99% of our natural gas infrastructure comprised of pipeline materials with the lowest emission factors and no cast iron pipe remaining. We're proud to operate a system that exceeds industry averages. Natural gas is a part of a clean energy future, which is why we are participating in the EPA's Methane Challenge and ONE Future.

*\*Electric: Based on carbon intensity as compared to 2005 levels for our electric generation, including owned generation and purchased power.*

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



## **RENEWABLES AND EMISSIONS REDUCTION: ELECTRIC UTILITIES**

We serve over 216,000 electric customers in South Dakota, Wyoming, Colorado and Montana. We have reduced total electric GHG emissions intensity by 30% since 2005. Our electric fleet in Colorado is one of the cleanest in the state, comprised exclusively of renewable and natural gas generation. Our Colorado utility has achieved a nearly 50% GHG emissions reduction since 2005.

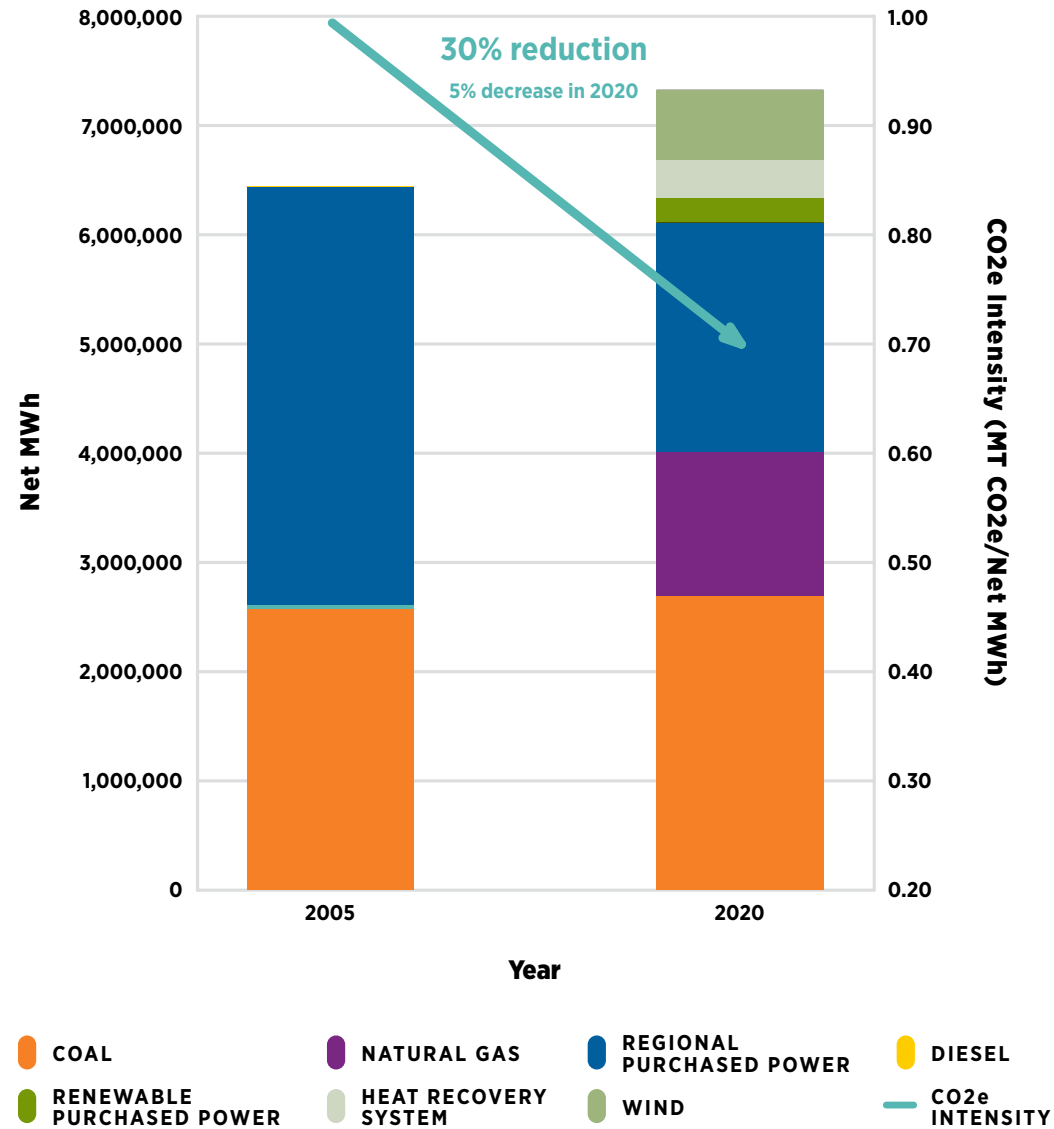
### **HIGHLIGHTS:**

- Brought our latest renewable asset, Corriedale Wind Energy Project, into service in November of 2020. Corriedale is expected to serve our customers with over 225,000 carbon-free MWhs every year.
- Announced our intention to file a Clean Energy Plan in 2022, an energy resource plan to achieve an 80% emissions reduction in Colorado by 2030.
- Received approval for Renewable Advantage, a new 200 MW solar farm, anticipated to be placed in service in 2023 and begin serving energy through a power purchase agreement.
- Realized our first full operating year of the 60 MW Busch Ranch II Wind Project.
- Submitted an integrated resource plan in South Dakota and Wyoming. The preferred South Dakota plan recommends the conversion of our Neil Simpson II coal-fired power plant to natural gas, the addition of up to 100 MW of new renewable energy, and the exploration of battery storage.



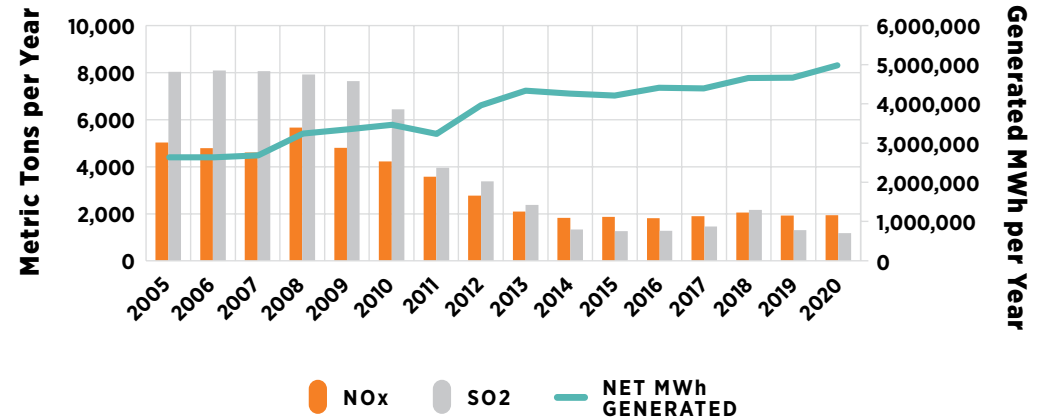
# ELECTRIC GHG EMISSIONS REDUCTION

MWh AND CO2e INTENSITY OVER TIME



Over the last decade, we've been a leader in modernizing our electric generating fleet by retiring aging coal plants and constructing new natural gas and renewable energy resources, including wind facilities. We've nearly doubled the generating capacity of our system during this period while significantly reducing greenhouse gas emissions from the energy we produce. **We've reduced nitrogen oxide and sulfur dioxide emissions by more than 75% since 2005.**

NOx AND SO2 EMISSIONS  
(OWNED GENERATION BASED ON % OWNERSHIP)



## WIND AND SOLAR PROJECTS

Our renewable energy portfolio continues to grow and support further greenhouse gas (GHG) emission reductions. We own and operate 281.5 megawatts of renewable wind generation with an additional 132 megawatts of wind energy under contract, representing 25% of the company's total owned or contracted generation.

In Colorado, our renewable energy portfolio includes three wind generating facilities: Busch Ranch I, commissioned in 2012 (30 megawatts); Peak View, commissioned in 2016 (60 megawatts); and Busch Ranch II, commissioned in 2019 (60 megawatts). Additionally, our Colorado electric utility has a 10-year power purchase agreement for 60 megawatts of wind energy.

Our latest renewable project for our Colorado electric utility is a 200 MW solar project called Renewable Advantage, approved by the Colorado PUC and projected to come online in 2023. With the addition of 200 MW of solar energy on our system through a power purchase agreement, more than half of Black Hills Energy's generation mix in Colorado is forecasted to come from clean, renewable energy sources, leading to a nearly 70% reduction in carbon emissions by 2024.

In addition to its environmental benefits, our Renewable Advantage plan will deliver significant economic benefits including an estimated \$66 million in customer cost savings over 15 years, a projected \$178 million in direct and indirect economic impact to the region through state, local and federal taxes, and 250 construction jobs.

Last November, we completed construction on our 52.5 MW Corriedale Wind Energy Project, located just west of Cheyenne, Wyoming. The Corriedale wind project provides the energy to our Renewable Ready customers who contracted with the company for up to 100% of their electricity needs. Renewable Ready customers pay a rate for the full cost of generating, integrating and delivering the renewable energy produced from Corriedale. Corriedale is jointly owned by our electric utilities in South Dakota and Wyoming.

In South Dakota and Wyoming, we recognize that the demand for renewable energy is growing, especially among our large commercial and industrial customers and businesses. This customer demand is driving the market for renewable generation. With our voluntary green tariff program, we are providing our Renewable Ready customers with a clean energy solution that supports their sustainability goals and objectives.

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

Our latest renewable project for our South Dakota electric utility is an 80 MW solar project. This project provides solar energy available through a 20-year power purchase agreement with a qualified facility. This solar project is planned to be commissioned in 2022 with energy purchases beginning in the fourth quarter of that year.

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

## RESEARCH AND TECHNOLOGY

In addition to renewable energy, we are continually evaluating new opportunities to lower emissions, such as hydrogen battery storage, hydrogen fuel usage with combustion turbines and fuel cell technology.

In partnership with a team of industry-leading experts, Black Hills Energy was awarded a grant from the Wyoming Energy Authority for a hydrogen demonstration pilot project at the Cheyenne Prairie Generating Station (CPGS), a 132 MW combined cycle natural gas-fired power generation facility located in Cheyenne. We will lead a team of experts from General Electric (GE), Black & Veatch, and Tallgrass Energy, LP, in the development of a feasibility study and cost estimate for a hydrogen use demonstration project for the Wyoming Energy Authority. The project will consider the generation of blue hydrogen (natural gas fed) and green hydrogen (renewable and water fed) for fuel feedstock for the combustion turbines. Additionally, the project will include conceptual engineering for equipment modifications to the existing combustion turbines to accommodate a blended mix of hydrogen and methane.

Black Hills Energy and its partners will begin the project in Fall 2021 and issue a final report by early 2022. If the project is determined to be feasible, a second phase would commence in 2023 and include a hydrogen fuel cofiring demonstration using one of Black Hills Energy's GE LM6000 turbines.

## GROWING SUSTAINABILITY WITH SOLAR GARDENS

At Black Hills Energy, we're committed to supporting and growing sustainability in our communities. And we're providing innovative solutions to deliver renewable energy to our customers on a subscription basis. In Colorado, this commitment has resulted in six community solar gardens with five additional gardens to be added in the next 18 months.

Individual solar garden customers can reap the benefits of scale from the addition of new solar gardens, with a decrease of up to 10% each year on their energy costs throughout the 20-year subscription. Currently there are 350 individual solar garden subscriptions in the six Colorado gardens, which are located across five counties in Colorado.

A solar garden is a plot of land where solar PV panels are arranged in a sunny location. The panels track the path of the sun, generating electricity from the sun and feeding it to the utility grid. Black Hills Energy contracts the construction of the gardens with specialty companies and then monitors the electricity that comes onto the grid through the solar gardens, applying it to customers' bills.

Solar garden subscribers receive the clean energy they desire without the hassle of managing construction to install solar panels on their homes, or dealing with ongoing maintenance and repair costs. Gardens like these make it possible for people and businesses who cannot install panels—perhaps because they are renters rather than owners—to benefit from solar power.

"They are unique ... and quite progressive," says Devin Moeller, marketing program manager in Colorado. "The community solar garden program is part of our renewable energy standards plan. The six current gardens produce 7.12 megawatts annually."

The Colorado gardens are developed specifically for customers who have multiple meters or residents living in multi-family dwelling units. "We also use community solar gardens to reduce the energy spend for low-income customers," says Moeller. "In our most recent project, half of the energy was pledged to a low-income organization housing authority in Pueblo."

These solar gardens are just one more way that Black Hills Energy has committed to sustainability and energy efficiency in Colorado.





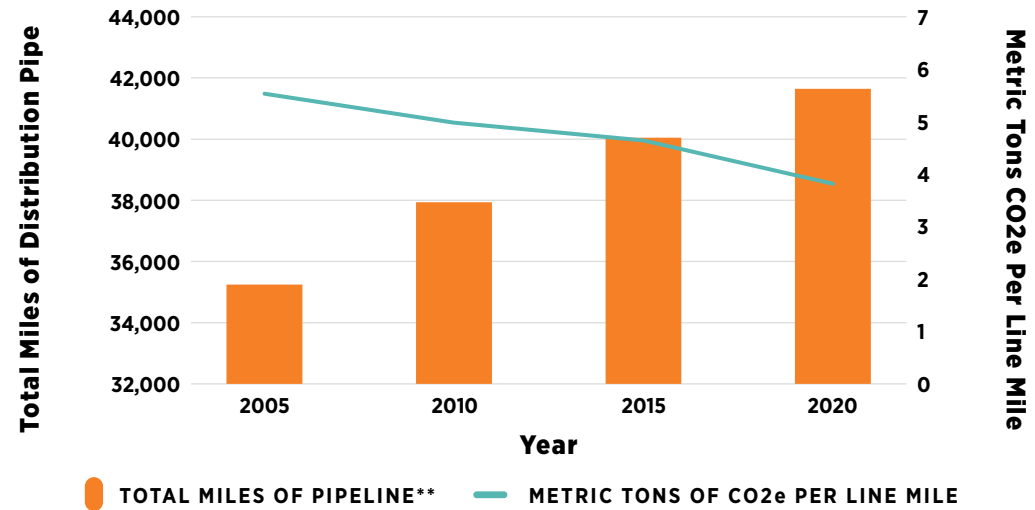
## RENEWABLES AND EMISSIONS REDUCTION: GAS UTILITIES

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

### HIGHLIGHTS:

- Joined Our Nation's Energy (ONE) Future, a coalition of natural gas companies committed to reducing methane emissions to 1% or less of the natural gas value chain.
- Began disclosing through the new Natural Gas Sustainability Initiative (NGSI), providing improved calculations and transparency of emissions from our natural gas distribution and gathering & boosting systems.
- Brought our fourth renewable natural gas (RNG) interconnection project into service, adding up to 400 MMBtu per day of RNG into our natural gas supply.
- Replaced over 50 miles of unprotected pipe and 2,500 unprotected services lines, lowering fugitive emissions by more than 3,500 metric tons since 2019.

## NATURAL GAS DISTRIBUTION FUGITIVE GREENHOUSE GAS EMISSIONS\*

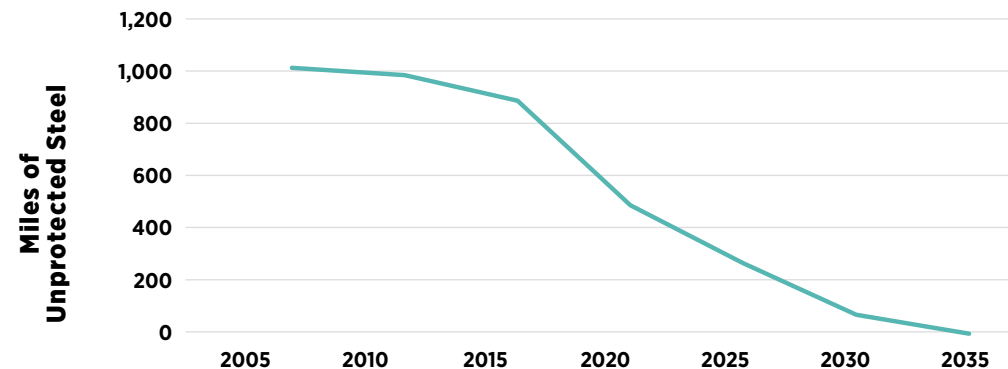


\*Reflects 2020 PHMSA and DOT report data, available as of March 1, 2021

\*\*Total miles of pipeline includes distribution mains and services

Through unprotected steel pipeline and service replacement, our metric tons of CO2e per line mile has steadily decreased since 2005, while we continue to expand our natural gas infrastructure to serve more customers.

## UNPROTECTED STEEL PIPE REPLACEMENT EFFORTS



Includes pipeline categorized as "Other"

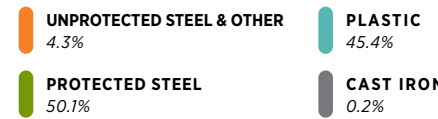
Corporate wide historic and future pipeline replacement efforts to remove unprotected steel pipe from service. Over 90% of existing unprotected steel pipeline material will be replaced with lower emissions materials by 2030, with 100% replacement by 2035.

Our comprehensive, programmatic integrity management program monitors our natural gas pipeline systems and plans upgrades to our pipeline networks to enhance safety, improve system reliability and reduce or eliminate methane emissions. The program assesses risk and prioritizes the replacement and upgrading of pipeline to proactively replace vintage and at-risk materials while achieving our GHG emissions reduction goal. Integrity management involves comprehensive evaluations of all pipelines and aboveground equipment, including direct inspection of pipelines for leaks using state of the art technologies.

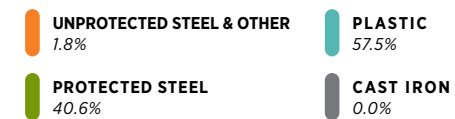
Our GHG emissions reduction strategy includes:

- Pipeline replacement:** We're continuing our multi-year investment plan to update older infrastructure with lower emissions pipeline and service line materials. Since 2005, we reduced our distribution system's greenhouse gas emissions by approximately 33,000 metric tons (CO2e) while expanding our system by over 6,000 miles to serve more customers.
- Damage prevention:** Our comprehensive damage prevention strategy increases system safety and lowers the potential for methane to be released from a damaged natural gas pipeline. By conducting outreach and education, we can help prevent pipeline hits and mitigate emissions.
- Renewable natural gas (RNG):** We currently receive RNG from four facilities and are pursuing additional RNG opportunities. RNG, a carbon negative or neutral energy, has the potential to further reduce operational and customer natural gas GHG emissions.
- Expanded leak detection and surveying:** By collecting detailed emissions data from our system, we can identify new opportunities for reductions. In addition to our regular system-wide leak surveying, we conduct additional leak surveys of our aboveground natural gas equipment to help determine fugitive emissions from our system. In 2020 we began surveying two additional states, Colorado and Nebraska, which joined Arkansas in our surveying program as required by the EPA Greenhouse Gas reporting program. The additional surveys we conducted helped us identify fugitive emissions from our system that otherwise would not have been found as quickly.

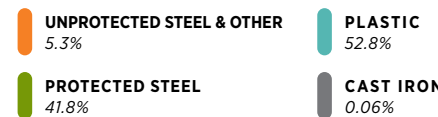
**2005 PIPELINE MATERIAL PERCENTAGES**



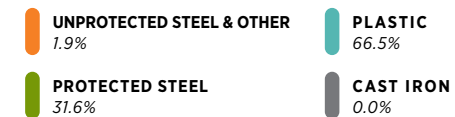
**2020 PIPELINE MATERIAL PERCENTAGES**



**2005 SERVICES MATERIAL PERCENTAGES**



**2020 SERVICES MATERIAL PERCENTAGES**



Over 99% of our natural gas distribution system is now comprised of materials with the lowest emissions factors. The transition to a safer and cleaner operating pipeline system is reflected from 2005 to 2020.



## EPA METHANE CHALLENGE

Through the [Methane Challenge Program](#), the EPA encourages partners to make commitments to reduce methane emissions through broad scale implementation of cost-effective technologies and practices. We joined the Methane Challenge in 2020 and are committed to three Best Management Practices: Distribution Mains Replacement, Distribution Services Replacement and Excavation Damages, which advances us to a position of industry leadership in challenge commitments. By participating in this program, we detail our planned pipe replacement, damage prevention efforts and associated GHG emissions reductions on a national level.

## ONE FUTURE

The [ONE Future Coalition](#) is a group of natural gas companies working together to voluntarily reduce methane emissions across the natural gas value chain to 1% (or less) by 2025 and is comprised of some of the largest natural gas production, gathering and boosting, processing, transmission & storage and distribution companies in the US. The coalition represents more than 15% of the U.S. natural gas value chain. Black Hills Energy joined ONE Future in April of 2021 and as a member, will report its 2020 methane results within the distribution sector and holds a seat on the board of directors.

Through the efforts of coalition members, ONE Future has surpassed its one percent goal in each of the three years that it has reported its methane intensity. The [2019 Methane Intensity Report](#), released in November 2020, registered a 2019 methane intensity number of 0.334%, beating its one percent goal by 67%. This means that methane emissions by coalition members across the natural gas value chain consisted of only about one-third of one percent of all natural gas produced and delivered, demonstrating that the natural gas industry can minimize methane emissions and increase production and throughput while supplying much needed energy to the U.S. and around the globe for years to come.

## RENEWABLE NATURAL GAS

Our natural gas supply includes renewable natural gas (RNG) from landfills and wastewater treatment facilities. We receive RNG into our pipelines from three facilities in Nebraska and one in Iowa, capturing methane that would otherwise vent into the atmosphere. In addition, we are actively pursuing 28 RNG projects and have identified more than 60 potential RNG projects across our service territories. We see great potential to generate RNG supplies throughout our vast agricultural service area. For example, two of our current RNG Projects, the Lincoln Water Resource Recovery Facility project and the Sarpy County Landfill Gas Project N.E., produces enough pipeline quality RNG to fuel about 8,000 homes a year. For more information on our RNG projects, visit [blackhillsenergy.com/RNG](https://blackhillsenergy.com/RNG).





## PARTNERING WITH COMMUNITIES FOR A MORE SUSTAINABLE FUTURE

Black Hills Energy's commitment to sustainability has led to a number of partnerships with businesses and municipalities in the communities we serve.

Recently, our company helped the city of Lincoln, Nebraska, upgrade its Water Resource Recovery Facility. The municipal wastewater treatment plant recovers about 20 million gallons of water each day. In 2017, officials decided to upgrade their system to start producing renewable natural gas for transportation, including powering the growing fleet of the city's mass transit buses, StarTran.

Lincoln's upgraded facility will produce 100 billion British thermal units of renewable natural gas each year—the equivalent of about 875,000 gallons of gasoline.

The city of Lincoln owns and operates the facility, including the renewable natural gas purification equipment. Black Hills Energy quality tests the renewable natural gas before

injecting it into the gas distribution system and purchases "brown gas" (i.e., molecules of methane) for gas supply. This is the second such partnership with a city—the other with the city of Dubuque, Iowa.

We also donated a \$250,000 compressed natural gas fueling station to StarTran, a donation that includes two natural gas compressors, three storage tanks and other equipment.

In another move to partner with innovators, we provided incentives to Gretna Sanitation, a company in Nebraska, to switch its vehicle fleet to compressed natural gas.

It's these types of partnerships with businesses and governments that help Black Hills Energy meet its commitment to sustainability and a cleaner energy future.



## RESEARCH AND TECHNOLOGY

Energy efficiency and emerging technologies have potential to significantly reduce greenhouse gas emissions from natural gas. We're currently supporting research through the Gas Technology Institute which aims to lower methane emissions from gas purging practices using vacuum technology and have piloted this technology on our own gas lines. Rather than release gas into the atmosphere, when a section of pipeline needs to be serviced, the gas is rerouted to another section using the vacuum technology.

Pipeline leaks are typically spotted in aerial surveys by identifying areas of dead grass and foliage. However, Colorado's dry climate and naturally brown scenery make detecting leaks this way more challenging. That's why our natural gas utility in Colorado uses Optical Gas Imaging (OGI) cameras for their pipeline leak surveys. Utilizing the OGI Camera allows us to repair a higher percentage of leaks along our transmission pipeline, leading to greater GHG emissions reduction.

We also achieved a third consecutive annual ENERGY STAR award from the EPA for our energy efficiency program and are exploring ways to advance the adoption of advanced appliances, such as high efficiency natural gas furnaces and combined fuel heat pumps. For more on our energy efficiency efforts, see page 41.

## DAMAGE PREVENTION

Our damage prevention strategy includes stakeholder outreach, employee training and education and public awareness. Safely digging around natural gas pipelines and preventing third-parties from hitting our lines has multiple benefits, including safety and emissions reduction. In 2020, we conducted over 6,000 excavation audits or site visits to check on the safety of the work being conducted on excavation job sites. We also participated in or held more than 250 events reaching nearly 58,000 attendees, including complimentary contractor trainings, home improvement store booths and recognition of crews digging safely. In addition, we increased our safe digging social media visibility to nearly 500,000 impressions, with dedicated campaigns for April's Safe Digging Month and 811 Day in August.

FEATURE

## EXPLORING PATHS TO A CLEANER ENERGY FUTURE IN COLORADO

In a move toward decreasing methane emissions, Black Hills Energy's Colorado natural gas utility recently piloted the innovative new process, ZEVAC, used to clear gas pipelines.

"Usually, when a gas pipeline needs to be replaced or repaired, technicians depressurize it and do a "blow down" on the pipe, releasing the gas into the atmosphere," says Carly, Colorado community affairs manager. Instead, the ZEVAC technology pushes the gas into another section of pipe, avoiding a release of GHG emissions.

The trial run of ZEVAC was done in Delta, Colorado, and went well, says West. Utilizing ZEVAC on the pilot project was the equivalent of taking 6.8 cars off the road for a year or 78,000 miles not driven.

"It's a great example of the opportunities for technological advances to make a significant difference in emissions," she says.

Black Hills Energy contracted with a company for this trial run of ZEVAC but we're now looking into purchasing its own system in the future.





## ***EMISSIONS REDUCTION: VEHICLES***

**Black Hills Energy's goal is to electrify 20% of its on-road fleet by 2030.** This plan will convert over 400 on-road vehicles to electric, plug-in hybrid electric, or plug-in idle mitigation technology, including approximately 40% of cars and SUVs and 45% of heavy-duty trucks by 2030. In 2020, 91 of our fleet vehicles and 53 pieces of equipment used non-gasoline or diesel fuels, such as electricity and compressed natural gas. We also added an all-electric car and six bucket trucks with plug-in idle mitigation systems to our fleet.

### **READY EV**

Our Ready EV rebate program, launched in late 2019 in South Dakota and Wyoming, is making electric vehicle charging more convenient and more affordable for our customers. With more than 40 different types of electric vehicles on the market today, we believe customer demand will keep growing as technology continues to improve and more charging options become available.

Residential customers can receive a rebate up to \$500 on a Level 2 charger and installation, covering a majority of the cost of the charger. Business customers can receive up to \$2,000 per Level 2 charging port, while government and nonprofit organizations can receive up to \$3,000 per port. Level 2 chargers support charge rates of about twenty-five miles of range per hour and provide customers with flexibility due to their faster charging speed.

In May 2020, we submitted our Colorado Ready EV plan to the Colorado PUC for review, and initial approval was obtained in August 2021. Our plan addresses clean energy policy objectives that call on public utilities to support the widespread adoption of electric vehicles through the electrification of the transportation sector. Pending approval, our Colorado Ready EV plan will provide customer rebates to significantly lower the cost of electric vehicle charging equipment, establish rate options that could lead to bill savings, and expand the commercial infrastructure needed to make EV charging more accessible to drivers.

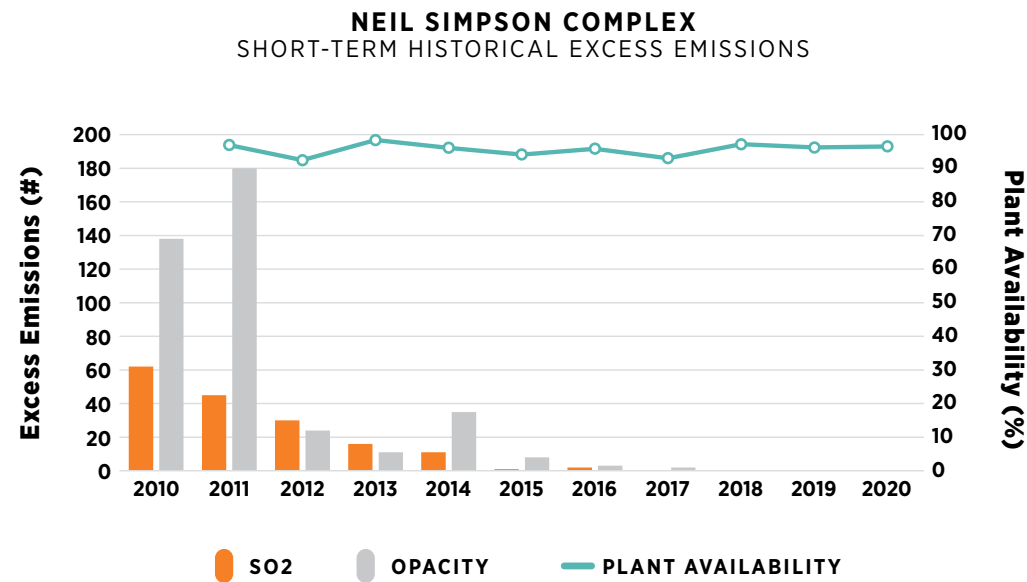




# RESOURCE MANAGEMENT

## AIR QUALITY

We developed an industry-leading “emissions control logic” program to reduce short-term air quality emission exceedances at our power plants. The emissions control logic, coupled with improved maintenance, has virtually eliminated exceedances while continuing to sustain high plant availability at each of our units. The software is programmed to shut down the operating electric generating units should air emissions approach the unit’s permitted emission limits, thus preventing the exceedance from occurring. The graph below illustrates the air quality performance of our coal-fired generating units at our Neil Simpson Complex in Wyoming.



Number of times the SO2 and opacity short-term emissions permit limits are exceeded each year.

## WATER CONSERVATION

We have a long and successful track record of environmental leadership and innovation in our utility operations, starting with our pioneering efforts in 1969, when we introduced the first use of industrial air-cooled condensers in the western hemisphere at our energy complex in Wyoming. Using air-cooled condensing technology saves billions of gallons of water per year in this arid region with limited water resources.

The U.S. Energy Information Agency lists that the average conventional coal power plant using water to cool the boilers consumes 78 gal/kwh. Black Hills Energy’s water consumption rate at its coal-fired power plants using the air-cooled condensing technology consumes 0.097 gal/kwh resulting in an annual water savings of 248 billion gallons. This provides cost benefits by not having to manage and discharge significant amounts of processed water to the environment and leaves this natural resource in place.

Our natural gas combustion turbine fleet uses minimal amounts of water, and we have implemented additional innovative and protective water management measures. At the Pueblo Airport Generating Station, we manage wastewater with an evaporation pond. Rather than treat and discharge treated water to the Arkansas River, pollutants in the water settle out in the pond and evaporate in the atmosphere, returning our wastewater to the Earth’s natural water cycle form.

At the Cheyenne Prairie Generating Station, discharge water is sent to the City’s wastewater treatment plant. This plant is located adjacent to our generation facility and requires adherence to stringent water limits set in the Industrial Pretreatment Water discharge permit issued to us. The discharge water goes through further treatment at the wastewater treatment plant before it is discharged to Cow Creek for downstream use.

## **COAL ASH MANAGEMENT**

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

## **AVIAN PROTECTION**

We dedicate resources to the protection of migratory, threatened or endangered birds, raptors and waterfowl. For over 15 years, we have deployed an avian protection plan and conducted ongoing training for employees. All new power lines are built to raptor-safe standards and proactive retrofits are part of our ongoing maintenance programs. We build manmade nests to replace nests established on our powerline poles and work with local non-profits to provide raptor rehabilitation services. We have developed Avian Protection Plans for all applicable company operations groups to provide guidance to mitigate the impact our equipment has on protected bird species.

We are developing an electronic reporting and tracking system for negative avian interactions which will help us to identify areas of the system to focus proactive retrofitting of our power poles. By using GIS mapping we can easily identify areas of our system that are not compliant with the newest avian-safe standards and where most interactions with birds occur. All negative avian interactions on our system are reported to the U.S. Fish and Wildlife Service.

## **ENVIRONMENTAL IMPACT ASSESSMENTS**

Prior to all construction projects, we complete an environmental review checklist to determine if environmental permitting may be necessary. If any of the pre-determined permitting thresholds are triggered, the project is reviewed for impacts to water, air, wildlife, and land. Projects are viewed holistically, including the long-term impact to the environment.

### *WATER*

Projects are typically designed to either be bored under or spanned across any Waters of the United States (WOTUS) to minimize impacts to ecosystems and to reduce permitting requirements. If water resources are impacted, coordination with Army Corps of Engineers and other state or local permitting agencies is often required. Reclamation efforts are also considered upfront. All projects that disturb over one acre of land (or less in some local jurisdictions) require state stormwater permitting. Vegetation provides an important natural

erosion control feature. When vegetation is removed for construction of a natural gas pipeline or electric pole structure, we create stormwater plans to identify potential areas of erosion or stormwater pollution. Within these plans, control measures are used to minimize stormwater pollution from construction activities. Permits typically require inspections throughout active and post-construction until vegetation is reestablished.

### *WILDLIFE*

Our environmental professionals work closely with U.S. Fish and Wildlife and state wildlife agencies. We ensure compliance with the Migratory Bird Treaty Act and the Endangered Species Act, as well as many other regulations. Prior to construction, we research project areas to identify which species may have suitable habitat in the area during the time of construction and organize surveys to determine the presence or absence of wildlife. Results are used in project planning to minimize impact and can result in timing or spatial buffers during construction.

### *LAND*

Projects on public lands can require significant permitting requirements. Projects involving federal lands typically require additional permitting to comply with the National Environmental Policy Act, which can include a requirement to complete an Environmental Assessment or Environmental Impact Statement.

## **VEGETATION MANAGEMENT**

Black Hills Energy manages powerline rights-of-way to avoid vegetation/powerline conflicts. We follow industry standards and regulations to ensure safe and reliable power can be delivered to our customers. Black Hills Energy uses an Integrated Vegetation Management strategy to reduce tall growing vegetation and retain low growing vegetation in its place, which aims to decrease maintenance costs and increase wildlife habitat.

## **TREE PLANTING**

In 2020, we invested \$113,000 in planting nearly 1,900 trees which will grow to save energy by blocking the hot summer sun and cold winter winds, as well as filter over 9 million gallons of storm water and avoid or sequester 3 million pounds of carbon dioxide. Since beginning our program in 1992, the Arbor Day Foundation and Trees Forever estimate the Black Hills Energy program has avoided 31 million pounds of carbon, filtered 90 million gallons of stormwater and saved about 7.7 million kWh of energy—the equivalent of taking 1,187 cars off the road each year.

## PLANTING HOPE AFTER DEVASTATING WIND STORM IN IOWA

When Mike Jensen, mayor of Story City, Iowa, saw the damage caused by the August 2020 derecho, he was devastated. “We lost so many beautiful trees,” he says.

At Black Hills Energy, we understand the importance of trees to a community. Strategically planted trees not only make our communities beautiful, but also provide energy savings by blocking cold winter winds and providing shade during hot summer months.

So, when the derecho swept through central Iowa in 2020, we stepped alongside the organization Trees Forever to provide funding for replacement trees in our Iowa communities, including Story City.

The derecho produced sustained, widespread winds of more than 100 mph. It destroyed crops, structures and trees in Iowa. After cleanup in Story City, the tree debris pile measured 310 feet long, 70 feet wide and 12 foot high. “It was thousands of cubic yards,” Jensen says. “That’s a lot of shade and energy efficiency around our homes lost.”

Luckily, Black Hills Energy already had a 28-year relationship with Trees Forever, a nonprofit that helps communities plant and care for trees in Iowa and Illinois. Each year, Trees Forever and Black Hills Energy partner to assist Story City in its vibrant tree planting program. With our help, the community has planted 3,200 trees over the years.

Lynn, senior community relations program manager in Council Bluffs, Iowa, said it seemed a perfect time to connect with Trees Forever once again. “We talked to Trees Forever and asked, ‘How can we help our communities manage this crisis?’”

The answer? The Planting Hope project.

Planting Hope is a fundraising program developed by Trees Forever to replace trees destroyed by the derecho. Under Planting Hope, communities apply for grants to replace trees and Trees Forever works with communities to plan and complete a successful project, guiding communities in the right type of trees and appropriate maintenance.

Black Hills Energy in Iowa made a \$20,000 contribution to Planting Hope. The Black Hills Corp Foundation matched that with another \$20,000 for a total donation of \$40,000.

“Now we are working with communities that are applying for these grants,” Porter says. “It’s very methodical - a long-term process of planting the correct tree in the correct place ... so it may be a year before we really know the impact and how many communities we were able to help.”

For Jensen, the continued support from Black Hills Energy has meant the world to the city of Story City. The next year will see the grant money put to good use replacing the city’s lost trees,

“Black Hills Energy has been awfully good to us over the years,” he says. “They’re a great partner to our community ... just good people.”





## FORMER MANUFACTURED GAS PLANTS (FMGP)

Former Manufactured Gas Plants (FMGPs) operated from the 1890s to the 1940s, before natural gas was available as an energy source. These plants used coal and oil to produce gas for lighting, heating and cooking but also created a by-product, waste coal tar, which was typically buried on-site at the FMGP or left in underground tanks at the site. Waste coal tar from FMGPs is a regulated hazardous substance today and subject to remediation. Starting with the Aquila acquisition in 2008, Black Hills Energy has managed seven FMGP sites in: Nebraska (Columbus, Norfolk, Blair, Plattsmouth, Beatrice); Iowa (Council Bluffs); and Kansas (Lawrence). All have been remediated with the exception of the Council Bluffs site, which is currently underway. With the SourceGas acquisition in 2016, we acquired three additional FMGP sites for potential mitigation located in: Nebraska (McCook and Scottsbluff); and Colorado (La Junta). As of Dec. 31, 2020, we have two active FMGP sites—one in Council Bluffs, Iowa and one in McCook, N.E. All other sites have been remediated.

## WASTE AND RECYCLING

All Black Hills Energy facilities are designated by the EPA as Conditionally Exempt Small Quantity Generators status. To attain this status, facilities must generate no more than 220 pounds of hazardous waste per month and must implement rigorous recycling programs.

Recycling measures are implemented across our corporate footprint which includes designated universal waste collection sites to collect common hazardous waste including batteries, pesticides, mercury-containing equipment and lamps for recycling. Additionally, scrap metal is recovered at facilities to be introduced as a raw material in the production of new goods through local vendors. Used oil from electrical service activities such as transformer maintenance is commonly accumulated in drums and recycled through an approved vendor. All electronic waste is reused or recycled with no materials going to landfills.

## ESTIMATED TOTAL WASTE AND RECYCLING DATA

(2020 CALENDAR YEAR)



MANIFESTED  
**4,419 LBS**  
OF HAZARDOUS WASTE  
FOR DISPOSAL



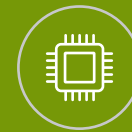
RECYCLED  
**13,875 GAL**  
OF USED OIL



RECYCLED  
**62 LBS**  
OF MERCURY-CONTAINING  
EQUIPMENT



RECYCLED  
**6,188 LBS**  
OF BATTERIES



RECYCLED  
**15,314 LBS**  
OF ELECTRONIC WASTE



RECYCLED  
**1,448 LBS**  
OF LAMPS

## E-RECYCLING PARTNERSHIP WITH NONPROFIT A WIN-WIN FOR EVERYONE

In 2020, Black Hills Energy saw an opportunity to deepen our partnership with Black Hills Works by utilizing the Rapid City, South Dakota, nonprofit's e-recycling services. It was an easy decision to make.

"It takes our normal course of business and provides that added value and meaning. It's a win-win for our organization and Black Hills Works," says Katie Fleming, director of sustainability & ESG at Black Hills Energy in Rapid City.

A nonprofit providing support and services to adults with disabilities, Black Hills Works has a long relationship with Black Hills Energy. People supported by Black Hills Works are employed in the cafe at our Horizon Point location in Rapid City, and we support the nonprofit through volunteerism, donations and more.

"Without Black Hills Works, we would have a very big hole in the community," says Fleming, who serves on the nonprofit's board. "It's such a benefit to this area."

Black Hills Works launched EchoWorks—its e-recycling program—in January 2020. EchoWorks employs two people with disabilities and recycles electronic equipment such as computers, tablets, cell phones and flat screen monitors. It's a much-needed service as many landfills are unable to collect those items.

At Black Hills Energy, we have long recycled our electronic equipment; but doing so meant shipping the Rapid City materials to e-recycling centers in other parts of the country.

In January 2021, we agreed to begin using EchoWorks for all e-recycling needs in Rapid City. "Adding this is one more layer in the relationship between Black Hills Energy and Black Hills Works," says Fleming. "It's just one more way we can support their mission and their work."

To date, EchoWorks has collected 5,700 pounds of e-recycling from Black Hills Energy, more than any other business partner. Since 2020, EchoWorks has diverted more than 50,000 pounds of electronics from the Rapid City landfill.

Tamie Hopp, director of philanthropy with the Black Hills Works Foundation, says having such partnerships means EchoWorks can continue to provide work opportunities for those served by Black Hills Works, while also being a good environmental steward for the community.

"Having business relationships is really important for EchoWorks," Hopp says. "In particular, our partnership with Black Hills Energy is very impactful given our history of working together and the quantity it recycles. We have long enjoyed a wonderful partnership with the company, and we are honored to be working with them now to recycle electronic waste."



## ENERGY EFFICIENCY AND CONSERVATION

We offer our customers a wide variety of programs and rebates to help them conserve energy and lower their energy bills. Black Hills Energy provided over \$12 million in energy efficiency rebates in 2020 to residential and business customers, leading to annual energy savings of about 30 million kilowatt-hours of electricity and 324,000 dekatherms of natural gas - enough energy to power nearly 3,800 homes with electricity and about 3,900 homes with natural gas for one year.\*

In 2020, we achieved a third consecutive annual ENERGY STAR award from the EPA for our energy efficiency programs. In addition to our energy efficiency programs, we educate and engage with customers through multiple channels to promote adoption of energy-saving techniques. Learn more: [blackhillsenergy.com/Energy-Ready.com](https://blackhillsenergy.com/Energy-Ready.com).

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



### 2020 Demand Side Management (DSM)/Energy Efficiency Program Impact by Year (in thousands)\*

Year	Spending (\$)	Rebates Paid (\$)	Electricity Savings (kWh)	Natural Gas Savings (Dth)
2020	20,260	12,372	29,735	324
2019	16,800	6,950	27,075	312
2018	21,800	9,000	28,200	397
2017	21,000	10,000	28,849	339

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

### 2020 Demand Side Management (DSM)/Energy Efficiency Program Impact by State (in thousands)

State	Spending (\$)	Rebates paid to customers (\$)	Electricity Savings (kWh)	Natural Gas Savings (Dth)
Arkansas	3,651	1,805	N/A	141
Colorado	12,332	8,447	17,960	145
Iowa*	1,976	873	N/A	28
South Dakota**	1,051	633	4,723	N/A
Wyoming	1,250	614	7,051	10
<b>TOTAL</b>	<b>20,260</b>	<b>12,372</b>	<b>29,734</b>	<b>324</b>

*\*Due to state legislation, data for Iowa is April 1 - December 31, 2020.*

*\*\*Program data for period September 1, 2019, through August 31, 2020.*



## COMPANY FACILITY ENERGY EFFICIENCY

In addition to helping our customers save energy and reduce emissions, we also implement energy efficiency and sustainability into the design of our facilities.

### *HORIZON POINT HEADQUARTERS (RAPID CITY, SD)*

Our Horizon Point headquarters building was designed and constructed following LEED Gold standards. Investments in specific systems include:

- Geothermal heating and cooling system using system-wide variable refrigerant flow technology to transfer surplus heat within the building envelope and using a geothermal ground source for heat sink/source.
- Full heat recovery for all building exhaust air streams.
- High performance building envelope employing a continuous exterior insulation system.
- Materials were sourced locally/regionally to reduce carbon footprint of construction.
- On-site rainwater capture and impoundment supports landscape irrigation systems with a rehabilitated on-site water well providing backup water source for landscaping.
- On-site electric vehicle parking/charging stalls for company/employee/visitor use.
- Rooftop structural systems designed to support future rooftop solar field.
- Hands-free, low flow water fixtures for all lavatories, water closets and urinals.
- Open office layouts maximize daylighting contributions.
- All lighting systems use LED technology and automated controls for maximum performance at lowest energy consumption.
- All parking lot lighting uses dual-level LED lighting with motion activated high-level illumination when activity is present.
- Automated window shades to prevent solar heat gain.
- On-site services include childcare, fitness center, dry cleaning services and food services, to encourage and reduce employee travel upon arrival.
- On-site storage & collection of recyclables.
- MERV 13 Filters at ducted systems with regular service.
- Automated building controls to maximize HVAC system efficiency and user comfort.
- Site and building orientation designed to maximize natural light at interior of building.

Our Horizon Point headquarters holds an EPA ENERGY STAR Certification. To be certified as ENERGY STAR, a building must meet strict energy performance standards set by the EPA. Once in operation, ENERGY STAR certified buildings use, on average, 35% less energy than similar buildings nationwide, resulting in reduced GHG emissions.



### *OPERATIONS CENTERS (NEW FACILITIES BUILT THROUGHOUT OUR SERVICE AREA)*

- All lighting systems use LED technology and automated controls for maximum performance at lowest energy consumption.
- Full heat recovery for all building exhaust air streams.
- Hands-free, low flow water fixtures for all lavatories, water closets and urinals.
- High performance building envelope exterior insulation system.
- MERV 13 Filters at ducted systems with regular service.
- Automated building controls to maximize HVAC system efficiency and user comfort.



We consider it a privilege to serve as an integral partner to our customers and communities, delivering safe and reliable energy to nearly 1.3 million businesses, households and families across our expansive 8-state service territory. Our approximately 3,000 employees work together as one team, committed to making a positive impact on the lives of our customers and in the communities we call home.

## OUR TEAM

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

Our Team	As of December 31, 2020
<b>Total employees</b>	3,011
<b>Gender diversity (women as a % of total employees)</b>	26%
<b>Women in executive leadership positions*</b>	31%
<b>Ethnic or racial diversity (non-white employees as a % of total)</b>	11%
<b>Military veterans</b>	16%
<b>Represented by a union</b>	25%
	For the year ended December 31, 2020
<b>Number of external hires</b>	299
<b>External hires gender diversity (as a % of total external hires)</b>	29%
<b>External hires ethnic or racial diversity (as a % of total external hires)</b>	16%
<b>Turnover rate**</b>	8%
<b>Retirement rate</b>	3%

\*Executive leadership positions are defined as positions with Vice President, Senior Vice President or Chief in their title.

\*\*Voluntary and involuntary separations; excludes interns

State	Number of employees (rounded)	Percent of total (rounded)
<b>Arkansas</b>	456	15%
<b>Colorado</b>	474	16%
<b>Iowa</b>	244	8%
<b>Kansas</b>	144	5%
<b>Nebraska</b>	440	15%
<b>South Dakota</b>	798	27%
<b>Wyoming</b>	433	14%
<b>Remote workers</b>	22	1%
<b>TOTAL</b>	<b>3,011</b>	<b>100%</b>





## DIVERSITY, EQUITY, INCLUSION AND BELONGING

We're committed to building a diverse workforce representative of the communities we serve, and an equitable and inclusive culture for all. We recognize that each of our team members brings unique and valuable experiences, perspectives, and talents to the organization. With our value of respect as a guiding force, we strive to engage all employees to help create a culture of belonging where every team member can bring the best parts of themselves to work while contributing to business outcomes.

Some of the ways we are working to build a more diverse workforce and culture of belonging for all include:

- Exploring opportunities to recruit diverse individuals and forming strategic partnerships within the communities we serve to increase our pipeline of diverse talent.
- Evaluating our internal systems and processes to ensure an equitable and inclusive experience for all. Providing a variety of career development resources and tools for employees. These include tuition assistance, a college partnership program which allows employees to achieve college degrees at an advanced pace and/or discounted price, mentoring opportunities, book clubs, and an annual career development challenge.
- Encouraging participation in employee resource groups (ERGs). Our ERGs are employee-led and encourage connection and belonging for their members while also providing education and outreach to the organization. Our ERGs include:
  - Aspire, a women's resource group
  - New Connections, a resource group for new employees within their first year of service
  - The Multicultural Team, a resource group for racially/ethnically diverse employees
  - The Veterans Engagement Team (VET), a resource group for military personnel and Veterans
  - Hosting an annual employee resource group (ERG) conference which provides opportunities for all employees to connect and focus on personal and professional development

## DIVERSITY GOALS

EEL's member companies—America's investor-owned electric companies—have made diversity, equity, and inclusion (DEI) a strategic imperative for years. Now, and as the next step in this journey, EEL's member companies have joined together to align their DEI and workforce development initiatives and are pledging to take meaningful action to:

- Promote racial justice
- Advance DEI goals and diversify the workforce at all levels
- Provide more equitable access to employment opportunities for underrepresented and underserved members of their communities
- Create a workforce that is more representative and responsive to people of all backgrounds
- Take measurable actions that can address the racial and gender gaps within the industry and accelerate the ability to reach and support those suffering from systemic racism, poverty, and economic disadvantages.



As an EEI member, Black Hills Energy has committed to specific actions within EEI's industry goals for diversity, equity and inclusion:

**Industry Goal: Ensure That Diversity, Equity, and Inclusion (DEI) Are Driven From the Top**

**EEI-Recommended Action:**

Share Your Diversity and Inclusion Strategic Roadmap: Create a diversity council or leader within the organization who is responsible for advancing the DEI agenda and who will work closely with the CEO, the C-suite, and the board of directors in driving action to cultivate inclusive culture and talent and to provide updates on progress.

**What Black Hills Energy is doing:**

In support of our DEI efforts, our chief HR officer (CHRO) is responsible for advancing the DEI agenda and works closely with the CEO, C-Suite, and the board of directors. The Compensation Committee of the board of directors has direct oversight of our DEI strategy. We also created a new Manager of Diversity position to provide dedicated support and have developed a "Diversity Roadmap" of strategies, objectives and actions to guide and strengthen our diversity efforts for the next three years.



**Industry Goal: Remove Barriers to Entry by Expanding and Broadening the Pool of Diverse Candidates**

**EEI-Recommended Action:**

Eliminate Biases and Provide a More Inclusive Work Environment: Adopt policies and practices that address unconscious bias in hiring, interviewing, and training with the goal of promoting broader representation of diverse genders and people of color within the workforce. Focus efforts on development, mentoring, and sponsorship programs to retain and advance diverse talent.

**What Black Hills Energy is doing:**

To help attract, retain and develop diverse employees, we created additional Employee Resource Groups (ERGs) that provide support and development tools for diverse employees. Our ERGs work to foster inclusion and belonging and provide programming (e.g., a company-sponsored development conference, mentoring circles, career development workshops, among others).

**EEI-Recommended Action:**

Reassess Job Requirements: Identify a common industry set of critical skills for the future lineworker. Rethink how roles and responsibilities are defined using a DEI lens. Use these efforts to better inform position descriptions and to define physical requirements, critical skills, and knowledge needed for the current and future workforce.

**What Black Hills Energy is doing:**

We are updating job descriptions to identify and remove language that may be a barrier to diverse applicants and creating a stronger focus on transferrable skills when evaluating candidates for all jobs.

## FROM MILITARY TO MANAGEMENT, VETERAN'S TEAM PROVIDES CONNECTION

When Black Hills Energy recruited Marine John Norris to apply for a senior security analyst position in Rapid City, he didn't exactly jump at the opportunity.

"When I saw South Dakota, I was like okay let's pump the brakes on that. I didn't know anything at all, nothing about South Dakota," he says.

Recently retired after 20 years with the US Marine Corp, Norris was looking for a company with meaning and a community where his family could thrive. To get a better feel for whether Black Hills Energy and Rapid City ticked those boxes, Norris needed advice. So, he turned to Brett Anderson with the Black Hills Energy Veterans Engagement Team.

The two veterans talked insurance, culture of the company, culture of the community and more. "As far as my first impression, Bret gave me a really good indicator for the kind of people who work for this organization," Norris says. "It's more than just a power company."

When Norris was eventually offered the position, he didn't hesitate to accept.

Formed in July 2019, the Veterans Engagement Team works to "recruit, retain and advocate for military members and veterans across Black Hills Energy ..." "We're passionate about veterans and we care about their success," says Anderson, director of supply chain with Black Hills Energy Rapid City.

One of the first members of the team, Anderson served in both the U.S. Army and the Marines. He knows from experience that having mentorship and someone to guide you counts when choosing an employer.

"It's not easy to transition from the military to the private sector," he says. When he arrived at Black Hills Energy, a fellow vet offered him advice and counsel, just as he does to newcomers like Norris. "It's taking care of each other."

The team has become so successful in helping veterans that in 2020, it was awarded the Gold Medallion Award from the U.S. Department of Labor for its commitment to recruiting, employing and retaining veterans. Anderson says the team is hoping for a platinum - the highest honor - next year.

"The company is very supportive," Anderson says. "It starts with Linn (Evans, CEO) and I think it trickles down. Black Hills Energy is very values-focused, much like the military. It comes back to those shared values."

As far as Norris is concerned, Anderson's guidance and insight made a huge decision much easier to make. Even today, he reaches out to Anderson from time to time with questions and advice. And he's grateful he took the time to explore what the company and the state has to offer.





## WORKPLACE PRACTICES

Our respect for human rights is reflected in our values and impacts every aspect of our company. We abide by all laws and regulations and support the principles outlined in the United Nations' Universal Declaration of Human Rights. See our [Human Rights Policy](#) for more information.

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

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

## EMPLOYEE RECOGNITION

Employee recognition is an important part of our culture at Black Hills Energy. We value the many contributions of our employees, and intentionally recognize our employees who are passionate about Improving Life with Energy. Some of the ways we recognize employees include:

- **Energ!ze** - Our Energ!ze Program is a unique online rewards and recognition program. With Energ!ze, employees have the opportunity to recognize colleagues for contributions that impact their work every day. The points employees receive through recognition can be redeemed for rewards such as electronics, weekend getaways and thousands of other items available in the online rewards catalog.
- **Service Awards** - Our Service Awards celebrate employee service anniversaries and are provided to employees at five-year intervals beginning at five years of service. The sealed presentation packet includes a congratulatory letter from our CEO, personalized acrylic service award, and catalog for the employee to order an anniversary gift.
- **CEO Summit Award** - The CEO Summit Award, our top recognition program, is an annual opportunity to honor employees who stand out within our Black Hills Energy family and in their communities. The award supports and reinforces Black Hills Energy's vision, mission, values and standards.

## BENEFITS AND AWARDS

We offer our employees a Total Rewards package that reflects our company values and recognizes their contributions to our business. We provide market-competitive pay\* and comprehensive benefits to help our employees take care of what is important to them and their families.

*\*Bargaining-unit employees are compensated according to union contracts*

### 2020 benefits overview

Health and Well-being	Work/Life	Retirement Planning
Medical, dental, vision plans for employees and dependents	Paid Time Off and company-paid holidays	401(k) and Roth 401 (k) retirement savings plans with company match
Flexible spending accounts for health care and dependent care; Health Savings Account (HSA) for health care	Parental leave / adoption leave	401(k) Company retirement contribution, up to 9% of total eligible pay
Company-paid basic life and accident insurance	Life Cycle Leave - additional leave when experiencing a substantial life event	Defined benefit plan (closed to new entrants)
Voluntary employee supplemental life and accident insurance	Tuition Reimbursement program	Retiree Medical Savings Account
Company-paid short-term disability program and long-term disability insurance	Energy in Motion safety and wellness programs	Pre-65 retiree medical
Voluntary long-term care insurance	On-site biometric screenings and flu shots	
Employee assistance work/life program	Virgin Pulse wellness program	

## STUDYING FOR SUCCESS

Benjamin Franklin famously said that an investment in knowledge pays the best interest.

Andrew Abu Hamda, a project manager with our Customer Service Support team, has seen the truth of that in his own life. Andrew earned his degree through our Black Hills Energy's college partnerships and tuition reimbursement program which allows our employees to get lower tuition rates, have more control over their schedule, and take more online classes.

Those degrees, and the experiences that came with them, have helped Andrew advance his career and grow as a person.

"Having the degrees and the knowledge helps when going into new situations. There are skills that you learn in getting a degree – things like research skills, communications skills, how to write papers and give presentations."

Andrew's hard work paid off, giving him the skills he needed to succeed. He started as a customer service agent, and as he's been in the college partnership program has risen to supervisor and now project manager.

"It's a lot of give and take. As I'm reading through things for class, I'm relating them to things from work," said Andrew. "There were instances where I would be working on an ROI analysis for work one week, and the next week we would be studying it in class."

Andrew represents one of the many ways our team members live our culture to be better every day and provide value for our customers. That's an investment we believe in.



## WORKFORCE DEVELOPMENT AND TRAINING

We're committed to investing in our employees, so they have the knowledge and skills needed to do their jobs safely and effectively, and to continuously grow and develop. Some of the ways we support our employees' training and development efforts include:

- Our Management Essentials program, which equips new people leaders to effectively manage people, processes, and performance. The program features an interactive multi-day classroom session followed by a structured mentoring circle curriculum which connects diverse groups of leaders for one year to study and discuss a variety of leadership topics.
- Our Leading People Program, which focuses on improving our full-time employee's leadership skills and industry acumen. The 12-month program features a mix of classroom and project work and is split into four modules. Topics discussed include financial acumen, employee relations, continuous improvement, and more.
- Our technical training program, which allows full-time and part-time employees to learn and become qualified in everything from the fundamentals of natural gas utility work, to more specialized topics, and appliance repair coursework. The program objective is focused on competence-based training; preparing properly trained field employees to confidently perform critical work tasks for Black Hills Energy.
- Our Education Assistance Program and College Partnerships Program, which provides avenues for full-time employees to receive their degree at a discounted and/or accelerated rate. In 2020, 62 employees utilized this program and tuition reimbursements totaled nearly \$200,000.
- A robust onboarding training program for full-time and part-time employees to help individuals live and work safely and understand our values, culture and industry.

## EMPLOYEE ENGAGEMENT

We're dedicated to creating an exceptional employee experience and creating a culture where all individuals can thrive. As part of this commitment, we conduct quarterly employee pulse surveys to understand what our employees believe is working and where we can continuously improve. Additionally, we conduct regular employee engagement surveys every 18-24 months where we've maintained strong scores in both safety and employee engagement, as well as employee participation rates at or exceeding 85%.

# SAFETY

## EMPLOYEE SAFETY AND WELLNESS

Safety is one of our company values, a top priority in all we do and deeply embedded in our company culture. We are committed to being the safest utility company in the nation and this requires persistent, daily attention in all we do. Every meeting of three or more employees begins with a safety share, a practice which contributes to keeping safety top of mind. Since 2009, we have reduced workplace injuries by more than 82% and continue to see long-term, sustained improvements in our safety practices and performance. In 2020, our Occupational Safety and Health Administration (OSHA) Total Incident Case Rate (incidents per 200,000 hours worked) was 1.0, well below the utility industry average of 2.2. Our Preventable Motor Vehicle Incident Rate (vehicle accidents per 1 million miles driven) was 2.38 in 2020, also well below the industry average of 3.3. Safety extends to employee health and wellness, in and outside of work, with 76% of employees participating in our proactive safety and wellness program.

Year	Total Case Incident Rate (incidents per 200,000 hours worked)	Preventable Motor Vehicle Incident Rate (vehicle accidents per 1 million miles driven)	Proactive Safety and Wellness Participation Rate
2020	1.0	2.38	76%
2019	1.25	2.48	81%
2018	1.2	2.2	85%
2017	1.3	2	90%





## EMPLOYEE SAFETY TRAINING

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

All safety training is provided at no cost to our employees and may be completed during working hours. We evaluate the effectiveness of our training using several methods, including:

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



### Required annual safety training for new employees:

- Decision Driving Principles Module 1: Expand Your Look Ahead Capacity
- Decision Driving Principles Module 2: Sizing Up the Whole Scene
- Decision Driving Principles Module 3: Signal Your Intentions Early
- Decision Driving Principles Module 4: Plan An Escape Route
- Decision Driving Principles Module 5: Take Decisive Action

### Required annual safety training for all employees:

- Access to Employee Medical and Exposure Records
- Bloodborne Pathogen Awareness - Refresher
- Emergency Action Plan Site Specific Acknowledgement
- Ergonomics Program: Computer Workstation, Laptops and Mobile Devices
- Fire Extinguisher/Safety Principles - Refresher
- Incident Intervention with WorkCare
- Ladder Safety
- Slips, Trips, and Falls

### Required annual safety training for field employees:

Field employees are assigned additional required training based on role.

For example, in 2020, an electric lineperson was required to complete the following additional safety trainings:

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

**HANDS ON TRAINING**

Last autumn, the first of our new hands on training centers opened, this one in Council Bluffs, Iowa. This facility is a huge step forward, as it brings significant new training capabilities to Black Hills Energy employees and in return, benefits to customers.

The main training center building boasts three large, high-technology classrooms for employees to train both in-person and from remote locations. Multiple indoor labs provide hands-on training and operator qualification opportunities. An appliance repair training lab will be used for technicians to hone their service and repair skills.

The six outdoor training sheds have gas appliances and various gas piping, venting and make-up air configurations. Each shed has unique challenges and scenarios for employees to work through in training. The training sheds together make up the Training Town, complete with streets, curbs, and underground utilities, to be used for leak detection and classification.

The Training Town is setup as a neighborhood to create opportunities for employees to practice their response to gas emergency situations safely, in close to real-world conditions.

Future plans for Council Bluffs include hands-on excavation equipment operator training and live natural gas fire training. A backhoe simulator will be installed in the Simulator Lab, along with virtual reality and augmented reality training applications.



**SAFETY IN OUR COMMUNITIES**

Our safety culture extends beyond our buildings and into our communities. In 2020, we conducted nearly 520 public safety trainings to first responders and excavators. We work each day to help our customers and communities learn how to stay safe around overhead and underground electric and natural gas lines.

<b>Program/Service</b>	<b>About</b>
<b>Public safety training</b>	Despite the challenges of COVID, we hosted emergency response and public awareness trainings for almost 520 first responders and excavators serving our communities.
<b>811 - Call Before You Dig</b>	We actively promote 811 - Call Before You Dig - to build awareness about this essential underground utility-marking service.
<b>Pipeline awareness and outreach</b>	We provide pipeline safety information to the public, emergency responders, excavators, and public officials to inform them about safe digging and recognizing pipeline emergencies in and around pipelines, compressor stations, LNG facilities and underground storage facilities. Various media messaging methods are used such as mailing of brochures, bill stuffers, email campaigns, online training website and participation in a variety of industry trade groups.
<b>Power line safety</b>	We provide information to our customers, community and the general public to help them stay safe around power line.
<b>Pipeline integrity management</b>	We have a comprehensive pipeline integrity management plan to anticipate, proactively monitor, and assess risks to the integrity of our natural gas pipelines through continuous inspections and testing.
<b>Vegetation management</b>	To support the reliability of our electric distribution and transmission system, we perform tree trimming and integrated vegetation management activities to manage power lines' rights-of-way.

Learn more: [blackhillsenergy.com/safety](https://blackhillsenergy.com/safety)

## CARING FOR OUR COMMUNITIES



## 2020 COMPANY-WIDE COMMUNITY IMPACT



*Even with the unique challenges caused by COVID-19, we continued to share our energy with the communities we serve through charitable giving, outreach and employee volunteerism.*



**\$1.38 BIL**  
DIRECT ECONOMIC  
IMPACT

Serving 1.3 million natural gas and electric utility customers in 823 communities across eight states, our direct economic impact in 2020 totaled \$1.38 billion. This included charitable giving, compensation for more than 3,000 employees, franchise fees, payments to suppliers, and property, sales and use taxes paid to our communities.



**\$5.6 MIL**  
CHARITABLE  
GIVING

Our charitable giving included contributions and sponsorships for nonprofits, chambers and economic development organizations, United Way, energy assistance, in-kind donations, and investments in trees.



**\$2.3 MIL**  
CONTRIBUTIONS  
& SPONSORSHIPS

Nearly \$2.3 million invested by our state utilities and the Black Hills Corp. Foundation in the great work of hundreds of worthy local organizations and nonprofits.



**\$1.3 MIL**  
ECONOMIC  
DEVELOPMENT

Aided local organizations and Chambers of Commerce working to support businesses impacted by COVID-19.





**\$813,000**

**ENERGY ASSISTANCE**

Responding to increased needs due to the impact of COVID-19, our energy assistance program, Black Hills Cares, helped more than 2,500 families in need.



**\$780,000**

**UNITED WAY PLEDGES**

Employees gave almost \$628,000, plus a 25% match from Black Hills Corp. Foundation to benefit nearly 50 United Way organizations across eight states.



**\$263,000**

**IN-KIND OR OTHER DONATIONS**

Supported our communities with basic needs during unprecedented emergencies, including challenges presented by COVID-19. We also stepped up in unique ways, like hanging holiday lights, trimming trees and repairing flag poles.



**\$113,000**

**STEWARDSHIP THROUGH TREES**

Invested \$113,000 in planting more than 1,850 trees which will grow to filter nearly 10 million gallons of storm water and avoid almost three million pounds of pollutants. Additionally, the Black Hills Corp. Foundation committed \$20,000 to replace trees destroyed by the Iowa derecho.



**32,500+**

**CUSTOMERS IMPROVED THEIR ENERGY EFFICIENCY**

More than 32,500 customers participated in energy efficiency programs and benefited from energy savings.



**632+**

**VOLUNTEERS**

At least 632 employees shared their energy with over 1,000 community organizations.



**520**

**PUBLIC SAFETY PERSONNEL TRAINED**

Despite the challenges of COVID-19, hosted emergency response and public awareness trainings for almost 520 first responders and excavators serving our communities.

## EMPLOYEE INVOLVEMENT

Each year, our employees give generously of their time and talents to support community organizations and nonprofits across our service territory. This support includes personal contributions to the United Way through monthly payroll donations and one-time gifts. In 2020, nearly 44% of our workforce participated in the company's annual United Way campaign, contributing at least their Fair Share (one hour of pay per month) for a total of \$627,926. Combined with a 25% matching gift by the Foundation, 2020 giving to the United Way totaled over \$780,000. In addition, at least 632 employees volunteered their time, including nonprofit board service, mentoring to students in STEM education, coaching youth sports teams, and countless service projects - providing support to more than 1,000 organizations.



## AMBASSADOR PROGRAM

The Ambassador 2.0 program is a corporate initiative that began in 2008, providing employees opportunities to serve and lead. Ambassadors serve as positive representatives of our company in both internal and external settings, connecting people with concepts and information on a personal and relevant level – the essence of a grassroots program. Ambassadors are nominated and selected to serve two-year terms that involve volunteering, coordinating initiatives at a local level and participate in key community events. Ambassadors are located in every state in our service area and help represent Black Hills Energy in community engagement, community service and corporate citizenship.

FEATURE

### BLUE JEANS GO GREEN

Black Hills Energy Ambassadors across all our states collected almost two tons of denim this fall to send to Blue Jeans Go Green™ a trademark of Cotton Incorporated. This program collects denim (made from cotton) so that it can be recycled back to its natural fiber state and transformed into something new, like insulation.

Timing of the fall project coincided with America Recycles Day on Nov. 15, 2020, encouraging employees and communities to make a difference by stacking their denim and sharing it on Instagram. Recycled insulation is available through application for Habitat for Humanity affiliates or civic buildings with a licensed architect, contractor or builder through the Blue Jeans Go Green™ UltraTouch™ Denim Insulation Grant Program.



## COMMUNITY ENGAGEMENT

In addition to our Ambassador program, we also regularly engage with our customers and communities. Our community affairs team, who leads this engagement, is embedded within each state of our service area. Each state has a formal community engagement plan, unique to the makeup and needs of that area. Multiple tools are used for engagement, both formal and informal, including citizen advisory councils, community technician programs, periodic elected officials surveys and direct outreach.

In advance of and during construction projects that may impact stakeholders, we conduct outreach as part of the project plan. Depending on the project scope, size and the need to acquire easements, community engagement may entail the following:

- Landowner open houses in multiple locations along the project site
- Project open houses to the general public or affected neighbors/associations
- Media relations/news releases
- Dedicated project website
- Tours of the project site with local leaders, elected officials or regulators
- Comprehensive landowner outreach communications
- Outreach to businesses and coordination to reduce impacts to traffic flow/access
- Local signage displayed along the route to notify area residents of work/project
- Paid advertising as appropriate

## CHARITABLE GIVING

We are committed to improving the communities in which we live and work. In 2020, our community support totaled \$5.6 million, including over \$628,000 in employee giving to United Way chapters and affiliates across our service territory and more than \$812,000 in expanded energy assistance funding through our Black Hills Cares program, which matches customers' and employees' charitable contributions dollar-for-dollar.

In 2020, our Black Hills Cares program provided critical energy assistance funding to over 2,500 families. In the past 13 years, Black Hills Cares provided approximately \$6.8 million in customer, employee and company donations to those in need.

## FEATURE

### CARE OUR CUSTOMERS CAN COUNT ON

Energy is more than a nice-to-have. It's a critical service that people's lives rely on. That's why we have our Black Hills Cares program to support our neighbors who are struggling to pay their energy bills.

One customer who recently experienced this is Angelina. Angelina is a single mother of two children, who lives in a mobile home that was built in 1964. She lives paycheck to paycheck on a fixed income that does not account for unforeseen expenses.

Angelina had been putting off repairs that her home energy systems needed for a long time because of the expense. When she called Black Hills Energy for help, our technician Harold discovered that both her furnace and water heater had gas leaks and the furnace's heat exchanger was cracked.

The appliances had to be turned off to ensure the family's safety, leaving the family without heat or water. Harold knew he had to do something to help. That's when he turned to our Black Hills Cares and energy efficiency programs to make sure the family wasn't left in the cold.

"I grew up in a single-parent household, so I understood what the struggles can be. Once I heard that we had a program to help people with lower incomes who might be struggling, I jumped at the opportunity," said Harold.

Our team determined that the home's electric service was insufficient to support a new high efficiency natural gas furnace, so Black Hills Cares helped fund an electric service upgrade to protect the new natural gas equipment. Our energy efficiency program was able to help provide a new natural gas furnace and natural gas water heater along with duct insulation and air sealing, keeping the family warm at no cost to the household.

If we've learned anything over the years, it's that we all need a little extra help now and then. And we're always ready to help our neighbors like Angelina - just one of the 2,500 recipients whose lives were made better by Black Hills Cares this year.

"I'm so happy we have a program to help people in need. With COVID and everything going on in this world, it's nice to know that we are trying to make life better for people in need," said Harold.



Community Giving Areas	2020 (in thousands)
Black Hills Cares/Energy Assistance	813
Contributions & Sponsorships*	2,291
In-Kind or Other Donations	263
Economic Development/Chamber Sponsorships	1,318
Employee United Way Contributions	780
Energy Saving Trees/Power of Trees**	113
<b>TOTAL</b>	<b>\$5,578</b>

\*Contributions include charitable giving funded by our state utility budgets and corporate foundation.

\*\*In 2020, we helped our customers plant 1,852 trees across our service territory through tree giveaway programs administered through the Power of Trees program in Iowa and the Arbor Day Foundation's Energy Saving Trees program in Arkansas, Colorado, Kansas, Iowa, Nebraska, South Dakota and Wyoming

Charitable Impact by State	2020 (in thousands)
Arkansas	344
Colorado	1,164
Iowa	535
Kansas	378
Nebraska	1,001
South Dakota	1,645
Wyoming	509
Other	2
<b>TOTAL</b>	<b>\$5,578</b>



Economic Development by State	2020 (in thousands)
Arkansas	77
Colorado	75
Iowa	182
Kansas	75
Nebraska	211
South Dakota	547
Wyoming	151
<b>TOTAL</b>	<b>\$1,318</b>

Black Hills Cares/Energy Assistance by State	2020 (in thousands)
Arkansas	80
Colorado	154
Iowa	80
Kansas	129
Nebraska	179
South Dakota	90
Wyoming	101
<b>TOTAL</b>	<b>\$813</b>

## BLACK HILLS CORP. FOUNDATION

The Black Hills Corp. Foundation was established in 2001 to support community organizations across our service territory. Since that time, the Foundation has provided nearly \$5.9 million in funding for long-lasting, “brick-and-mortar” projects and capital funding campaigns. Foundation grants are awarded in the following focus areas: Helping People, Responsible Energy & Environmental Stewardship, Strong Communities, and Workforce/Education. In 2020, the Black Hills Corp. Foundation approved \$616,030 in grants to qualifying nonprofits across our states.

To apply for an event sponsorship and donation from our state utilities or the Black Hills Corp. Foundation, click here: [blackhillsenergy.com/your-community/sponsorship-and-donation-application](https://blackhillsenergy.com/your-community/sponsorship-and-donation-application)

Learn more about all our 2020 community efforts in our [Community Impact Report](#).







# SUSTAINABLE GROWTH

OPEN



## ***DIRECT ECONOMIC IMPACT***

Our social impact creates economic value within our local communities. By providing jobs and benefits to our employees, by paying taxes, community giving and purchasing goods and services to maintain and upgrade our vast network of electric and natural gas system infrastructure, we play a critical role in our communities' ecosystem. In 2020 our direct economic impact was estimated at \$1.38 billion.

<b>Direct Economic Impact: Summary</b>	<b>2020 (in thousands)</b>
<b>City franchise fees*</b>	31,328
<b>Charitable Impact</b>	5,578
<b>Employee compensation (wages and benefits**)</b>	356,768
<b>Payments to suppliers (total spend)</b>	841,785
<b>Property tax</b>	47,282
<b>Sales tax***</b>	74,775
<b>Use tax</b>	3,745
<b>Coal tax</b>	16,100
<b>TOTAL</b>	<b>\$1,377,361</b>

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

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

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



## 2020 DIRECT ECONOMIC IMPACT BY STATE

### ARKANSAS

Direct Economic Impact	2020 (in thousands)
City franchise fees	4,926
Charitable impact	344
Employee compensation (wages and benefits)	42,137
Payments to suppliers (total spend)	33,653
Property tax	5,059
Sales tax	15,824
Use tax	93
<b>TOTAL</b>	<b>\$102,036</b>

### IOWA

Direct Economic Impact	2020 (in thousands)
City franchise fees	1,732
Charitable impact	535
Employee compensation (wages and benefits)	21,161
Payments to suppliers (total spend)	17,868
Property tax	3,122
Sales tax	3,184
Use tax	237
<b>TOTAL</b>	<b>\$47,839</b>

### COLORADO

Direct Economic Impact	2020 (in thousands)
City franchise fees	7,269
Charitable impact	1,164
Employee compensation (wages and benefits)	60,120
Payments to suppliers (total spend)	166,457
Property tax	17,539
Sales tax	12,066
Use tax	548
<b>TOTAL</b>	<b>\$265,163</b>

### KANSAS

Direct Economic Impact	2020 (in thousands)
City franchise fee	3,944
Charitable impact	378
Employee compensation (wages and benefits)	16,414
Payments to suppliers (total spend)	29,763
Property tax	4,624
Sales tax	3,096
Use tax	0
<b>TOTAL</b>	<b>\$58,219</b>

## NEBRASKA

Direct Economic Impact	2020 (in thousands)
City franchise fees	6,747
Charitable impact	1,001
Employee compensation (wages and benefits)	55,855
Payments to suppliers (total spend)	56,677
Property tax	4,422
Sales tax	16,766
Use tax	424
<b>TOTAL</b>	<b>\$141,892</b>

## SOUTH DAKOTA

Direct Economic Impact	2020 (in thousands)
City franchise fees	0
Charitable impact	1,645
Employee compensation (wages and benefits)	104,873
Payments to suppliers (total spend)	44,562
Property tax	5,137
Sales tax	9,363
Use tax	1,681
<b>TOTAL</b>	<b>\$167,261</b>

## WYOMING

Direct Economic Impact	2020 (in thousands)
City franchise fees	6,710
Charitable impact	509
Employee compensation (wages and benefits)	54,469
Payments to suppliers (total spend)	58,688
Property tax	7,379
Sales tax	14,476
Use tax	762
Coal tax	16,100
<b>TOTAL</b>	<b>\$159,093</b>

## SUPPLY CHAIN AND DIVERSITY

Every day, we strive to improve life with energy by strengthening our communities through growth and development opportunities. Realizing this goal means building strong partnerships with diverse businesses.

In 2020, we spent approximately \$842 million with suppliers to support our utility operations to better serve our customers. Over 48% of that spend was completed with businesses within our 8-state service territory. We also remain committed to supporting the small and diverse local businesses in our communities. In 2020, our spend with small business, women and minority-owned businesses and other diverse suppliers represented 16% of our total dollars spent. We recognize the value of not only supporting diverse businesses, but also integrating that diversity into our organization. For example, we partner with a local non-profit to provide meaningful employment to adults with disabilities while providing the benefit of onsite food service to our employees.

Black Hills Corporation is committed to safety, diversity, environmental leadership, social responsibility and ethical business practices. These fundamental values ensure that the decisions we make today are the right decisions for tomorrow. We expect our suppliers of goods and services to adhere to these fundamental values and apply them to how they do business. Our [Supplier Code of Conduct](#) describes our expectations in more detail.



## INVESTING IN INFRAREDS HELPS LOCAL BUSINESSES PUSH THROUGH THE PANDEMIC

When Colorado restaurant owner Ryan Elmore learned about the Black Hills Energy rebate program, he jumped at the chance to add infrared heating to an outdoor space to increase pandemic business.

“It was a no-brainer for us,” he says. “It allows us to have 50 people sit out there versus this past winter when we had no capacity”

The pandemic posed challenges for all businesses, but the restaurant business faced a particularly hard blow as indoor dining was closed or severely restricted in some states. This was especially true in Colorado, where cold temperatures during winter months make outdoor dining less of an option. That reality left restaurants like Elmore’s Peppers Fireside Grill in Firestone, Colorado, with few options to maintain customer numbers while adhering to state pandemic restrictions.

Black Hills Energy in Colorado was happy to support its community businesses by offering an energy rebate, and many business owners took advantage of it, says Amy, energy efficiency program coordinator in Colorado. “The infrared program has gone gangbusters,” she says. “I couldn’t be happier that we were able to help so many folks.”

Our program offers business owners rebate options if they add infrared heating in outdoor spaces. Providing outdoor dining has been shown to increase revenue by up to 30% for restaurants.

Elmore says Peppers Fireside Grill faced the same challenges as other restaurants—limited seating indoors and outdoor seating that became less appealing as temperatures dropped. Elmore decided to install two infrared heaters to Peppers’ outdoor dining area as well as a covered patio portion. The change added about 50 more seats that can be enjoyed year-round.

The business received a rebate of \$1,050. The addition will save them 1,749 therms per year for an annual savings of \$857.

Elmore says the infrared heaters came in handy during one of the toughest times in his restaurant career. It not only helped keep his business open, but Elmore was able to seat more customers and keep more of his employees employed. He also expects to see this benefit continue into the summer months when evening temperatures in Colorado can drop. “With the new infrareds, I’ll be able to utilize them all year long.”

Peppers is not the only restaurant to take advantage of our rebate program. The popular brewery Pagosa Brewing & Grill in Pagosa Springs, Colorado, also took advantage, receiving a \$6,300 rebate. The payback period on the Pagosa project was less than one month.

Vicco’s Charcoalburger Drive-In in Glenwood Springs, Colorado, also added infrared heating to the outdoor seating area, which increased the winter business. That project earned the business a \$3,150 rebate. Payback is expected to be about three years.

Elmore isn’t sure how long before he recoups all of his costs, but he feels certain that the rebate helped keep his business solvent during the pandemic and will continue to benefit it as customers enjoy the outdoor heated dining year-round.

“People absolutely love it ... nighttime, when it’s snowing, all the time. People want to sit out there,” he says. “I want to believe that it’s made a big difference.”



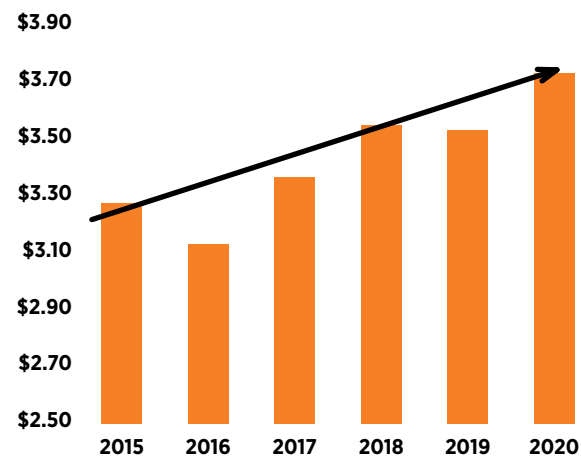
## FINANCIAL PERFORMANCE

We celebrated 137 years of delivering energy to customers in 2020, a testament to our long-term strategy and financial strength. Sustaining Black Hills Energy into the future requires solid financial performance to provide the necessary capital to invest in our customers and communities. Our financial results in 2020 reflected our ongoing investments to better serve our customers and support their increased demand for energy. For 2020, we reported earnings per share from continuing operations, as adjusted, of \$3.73,\* near the upper end of our guidance range for the year. Results were driven by strong operational execution, disciplined cost management and fair returns on invested capital.

We celebrated a major milestone with our shareholders in 2020 when we completed the 50th consecutive year of dividend increases after we increased our dividend by \$0.12, or 5.9%, to \$2.17 per share. This is the second longest track record in the natural gas and electric utility sector and speaks to the leadership, vision and perseverance of our company. We are equally proud that the company has paid dividends to our shareholders every year since 1942, or 78 years, another illustration of our resiliency and commitment to creating sustainable value for our shareholders.

*\*Non-GAAP measure reconciled to GAAP.*

### EARNINGS PER SHARE, AS ADJUSTED



## CAPITAL INVESTMENT

In a year challenged by the pandemic, our team successfully executed our customer-focused capital investment program, prudently deploying \$755 million in 2020 to improve the safety, reliability and resiliency of our extensive electric and natural gas infrastructure systems, while also expanding our renewable energy offerings.

Our long-term, programmatic approach to planning and prioritizing resources forecasts capital investments of more than \$3 billion in 2021 through 2025 to further enhance the safety and reliability of our infrastructure and meet our customers' growing energy needs.



**Base Capital Investment by Segment and Recovery (in millions)**

	2020A	2021F	2022F	2023F	2024F	2025F	2021-2025F
<b>Minimal Lag Capital - Electric Utilities<sup>1</sup></b>	\$0	\$37	\$23	\$0	\$0	\$0	\$61
<b>Rider Eligible Capital - Electric Utilities<sup>2</sup></b>	27	89	51	41	51	35	267
<b>Growth Capital - Electric Utilities<sup>3</sup></b>	91	30	21	18	23	22	114
<b>Other<sup>4</sup></b>	154	83	85	84	82	97	431
<b>Electric Utilities</b>	<b>\$271</b>	<b>\$240</b>	<b>\$180</b>	<b>\$143</b>	<b>\$156</b>	<b>\$154</b>	<b>\$872</b>
<b>Minimal Lag Capital - Gas Utilities<sup>1</sup></b>	\$201	\$106	\$81	\$76	\$105	\$42	\$410
<b>Rider Eligible Capital - Gas Utilities<sup>2</sup></b>	113	178	169	164	161	161	833
<b>Growth Capital - Gas Utilities<sup>3</sup></b>	79	52	55	57	58	58	279
<b>Other<sup>4</sup></b>	58	42	43	43	7	65	199
<b>Gas Utilities</b>	<b>\$449</b>	<b>\$377</b>	<b>\$347</b>	<b>\$339</b>	<b>\$330</b>	<b>\$326</b>	<b>\$1,720</b>
<b>Total Utilities</b>	<b>\$720</b>	<b>\$617</b>	<b>\$528</b>	<b>\$482</b>	<b>\$486</b>	<b>\$480</b>	<b>\$2,593</b>
<b>Power Generation</b>	9	10	9	6	4	5	34
<b>Mining</b>	8	9	9	9	9	10	47
<b>Corporate</b>	18	11	5	13	13	13	54
<b>Total Black Hills Energy</b>	<b>\$755</b>	<b>\$647</b>	<b>\$550</b>	<b>\$510</b>	<b>\$512</b>	<b>\$508</b>	<b>\$2,727*</b>

<sup>1</sup> Minimal Lag Capital - investment with regulatory lag of less than one year or incurred during expected regulatory test periods

<sup>2</sup> Rider Eligible Capital - capital expenditures recovered through state specific tariffs or FERC formula rates and meets minimal lag capital definition.

<sup>3</sup> Growth Capital - generates immediate revenue on customer connections.

\*Incremental projects being evaluated for timing, cost, and other factors. Expecting total investment of \$600+ million annually, or \$3+ billion 2021-2025

[Read the 2020 Annual Report to learn more.](#)



# **NON-GAAP RECONCILIATION**

## **USE OF NON-GAAP FINANCIAL MEASURES**

### **LIMITATIONS ON THE USE OF NON-GAAP MEASURES**

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

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

### **EARNINGS PER SHARE, AS ADJUSTED AND EARNINGS FROM CONTINUING OPERATIONS, PER SHARE, AS ADJUSTED**

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



## Non-GAAP Financial Measures Chart

### Earnings, as adjusted (in millions)

	2016	2017	2018	2019	2020
Net income (loss) available for common stock (GAAP)	\$73.0	\$177.0	\$258.4	\$199.3	\$227.6
Loss from discontinued operations (GAAP)	64.2	17.1	6.9	-	-
Net income from continuing operations available for common stock (GAAP)	137.1	194.1	265.3	199.3	227.6
Adjustments (after tax)					
Acquisition/integration costs	29.7	2.8	-	-	-
Tax reform and other tax items	-	(11.7)	4.0	-	-
Legal restructuring - income tax benefit	-	-	(72.8)	-	-
Impairment of investment	-	-	-	15.2	5.3
Rounding	0.1	0.1	-	-	-
Total Non-GAAP adjustments	29.8	(8.8)	(68.8)	15.2	5.3
Net income from continuing operations available for common stock, as adjusted (Non-GAAP)	\$166.9	\$185.3	\$196.5	\$214.5	\$232.9

### Earnings Per Share, as adjusted

	2016	2017	2018	2019	2020
Net income (loss) available for common stock (GAAP)	\$1.37	\$3.21	\$4.66	\$3.28	\$3.65
Loss from discontinued operations (GAAP)	1.2	0.31	0.12	-	-
Net income from continuing operations available for common stock (GAAP)	2.57	3.52	4.78	3.28	3.65
Adjustments (after tax)					
Acquisition/integration costs	0.56	0.05	-	-	-
Tax reform and other tax items	-	(0.21)	0.07	-	-
Legal restructuring - income tax benefit	-	-	(1.31)	-	-
Impairment of investment	-	-	-	0.25	0.08
Total Non-GAAP adjustments	0.56	(0.16)	(1.24)	0.25	0.08
Net income from continuing operations available for common stock, as adjusted (Non-GAAP)	\$3.13	\$3.36	\$3.54	\$3.53	\$3.73



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