BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

IN THE MATTER OF THE JOINT APPLICATION OF SOURCEGAS DISTRIBUTION LLC, SOURCEGAS LLC, SOURCEGAS HOLDINGS LLC, AND BLACK HILLS UTILITY HOLDINGS, INC. FOR ALL NECESSARY AUTHORIZATIONS AND APPROVALS FOR BLACK HILLS UTILITY HOLDINGS, INC. TO ACQUIRE SOURCEGAS HOLDINGS LLC	**)))))))))**	**Application No. NG-0084**

PREFILED DIRECT TESTIMONY OF

MICHAEL NOONE

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michael Noone. My business address is 600 12th Street, Suite 300, Golden, Colorado 80401.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the President and Chief Executive Officer ("CEO") of SourceGas LLC ("SourceGas" or the "Company"). I oversee all aspects of SourceGas' business, including the natural gas distribution and related services to more than 425,000 residential, commercial and agricultural customers in Nebraska, Arkansas, Colorado, and Wyoming.

Q. WHAT ARE YOUR RESPONSIBILITIES AS PRESIDENT AND CEO OF SOURCEGAS?

A. As President and CEO of SourceGas, I am responsible for establishing the goals and objectives of SourceGas and its affiliates, including SourceGas Distribution LLC's utility business which is regulated by the Nebraska Public Service Commission (the "Commission"). These goals and objectives include ensuring the safe, reliable and efficient delivery of natural gas to our customers; the safety, training, and overall welfare of our workforce; providing excellent customer service; prudently growing and expanding our infrastructure; and delivering a good return for the equity owners of our Company.

Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE, QUALIFICATIONS, AND EDUCATIONAL BACKGROUND.

A. I became President and CEO of SourceGas in 2013. Prior to that, I was the Executive Vice President for a short transitional period. Previously, I served as Senior Vice President and General Counsel of SourceGas. I have been employed by SourceGas since its inception in 2007. I currently serve on the board of directors of the American Gas Association and the Southern Gas Association.

Prior to my joining SourceGas in 2007, I was an oil and gas lawyer in private practice and handled litigation and regulatory matters for numerous clients, including those related to the natural gas utility operations of SourceGas' predecessor, Kinder Morgan, in Nebraska, Colorado, and Wyoming. I have more than 20 years of experience in a variety of complex commercial and regulatory matters involving the production, transportation, transmission and distribution of natural gas.

I graduated from Villanova University with a Bachelor of Arts degree in Economics, and graduated from Temple University – Beasley School of Law with a Juris Doctor degree.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of SourceGas and its affiliated companies identified in the Joint Application, specifically, SourceGas Holdings LLC ("SourceGas Holdings") and SourceGas Distribution LLC ("SourceGas Distribution") (collectively with SourceGas, the "SourceGas Companies"). SourceGas Holdings is the parent of SourceGas, which in turn is the parent entity of SourceGas Distribution.

Q. HAVE YOU PREVIOUSLY TESTIFIED OR FILED TESTIMONY BEFORE THE COMMISSION OR COMMISSIONS IN OTHER JURISDICTIONS?

A. I have not testified before the Commission, but I filed testimony before the Wyoming Public Service Commission in Docket No. 30022-219-GA-13 (Record No. 13646). I also have appeared as counsel before the Commission for SourceGas and its predecessor company and as counsel for clients before various state commissions and the Federal Energy Regulatory Commission.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will provide background information regarding SourceGas Distribution's operations and current ownership. Then I will discuss the proposed change in ownership of the SourceGas Companies (the "Transaction") and explain why the sale and transfer will not adversely affect SourceGas Distribution's customers. In this regard, I explain why the sale and transfer of SourceGas Holdings will result in SourceGas Distribution's customers continuing to receive safe and reliable gas service, will provide continued financial strength to the benefit of our customers, the Company, and our utility system in Nebraska, and overall, will serve the public interest.

Q. ARE YOU PROVIDING ANY EXHIBITS TO YOUR TESTIMONY?

A. No, but I discuss exhibits that were included as part of the Application; specifically, Joint Application Exhibit 1 is a map of SourceGas Distribution's system. Joint Application Exhibit 2 is an organizational chart reflecting the relationship among the SourceGas Companies and the SourceGas Owners (as defined later in my testimony) prior to the Transaction.

Q. WERE YOUR TESTIMONY AND THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

III. BACKGROUND INFORMATION REGARDING SOURCEGAS DISTRIBUTION

Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF SOURCEGAS DISTRIBUTION'S OPERATIONS.

A. SourceGas Distribution owns and operates jurisdictional natural gas utility assets in Nebraska and provides retail natural gas distribution service to approximately 88,000 customers in about 180 Nebraska municipalities, located primarily in the western two-thirds of the state. A map of SourceGas Distribution's Nebraska system is attached to the Joint Application as Joint Application Exhibit 1.

Q. HOW MANY PEOPLE DOES SOURCEGAS EMPLOY IN NEBRASKA?

A. SourceGas employs approximately 200 people in Nebraska.

Q. PLEASE BRIEFLY DESCRIBE THE MANAGEMENT STRUCTURE OF THE SOURCEGAS COMPANIES AS IT RELATES TO THE TRANSACTION.

A. I am President and CEO of SourceGas, and in this capacity oversee all operations of SourceGas Distribution. In addition to me, SourceGas Distribution's management team is comprised of managers responsible for the following areas: distribution operations, finance/accounting, gas supply, risk management, transportation services/business development, and communications.

Q. PLEASE SUMMARIZE SOURCEGAS DISTRIBUTION'S FINANCIAL CONDITION.

A. SourceGas Distribution is financially sound. SourceGas Distribution files annual reports with the Commission presenting its financial condition.

IV. CURRENT OWNERSHIP OF SOURCEGAS DISTRIBUTION

Q. TURNING NOW TO THE CURRENT CORPORATE STRUCTURE OF SOURCEGAS DISTRIBUTION AND ITS AFFILIATED COMPANIES, PLEASE SUMMARIZE THE ORGANIZATION OF THE SOURCEGAS COMPANIES AFFECTED BY THE TRANSACTION.

A. SourceGas Distribution is 100% owned and controlled by its parent company, SourceGas. SourceGas is 100% owned and controlled by its parent, SourceGas Holdings. Fifty percent of the membership interest in SourceGas Holdings is owned by Alinda Gas I, Inc., and Alinda Investments LLC (collectively, "Alinda"), and the other 50% is owned by Aircraft Services Corporation, a subsidiary of General Electric Company and its affiliate GE Energy Financial Services (collectively, "GE"). Alinda and GE (collectively, the "SourceGas Owners") are jointly selling up to 100% of the membership interests of SourceGas Holdings to Black Hills Utility Holdings, Inc. ("BHUH") in the Transaction. An organizational chart illustrating the relationship among SourceGas Distribution and its affiliated entities is attached to the Joint Application as Joint Application Exhibit 2.

Q. WHEN DID THE SOURCEGAS OWNERS ACQUIRE SOURCEGAS DISTRIBUTION?

A. The SourceGas Owners acquired operational control and the assets of SourceGas Distribution after seeking the Commission's approval with Application No. NG-0039. The Commission granted the relief requested by Application No. NG-0039 on February 27, 2007, including approval of the requested transfer of Certificates of Convenience and operational control of SourceGas Distribution from the predecessor owner to the SourceGas Owners.

Q. DO YOU HAVE ANY COMMENT ON THE PERFORMANCE OF THE SOURCEGAS COMPANIES UNDER THE SOURCEGAS OWNERS?

A. Yes. Under the SourceGas Owners, the SourceGas Companies have maintained their financial integrity and independence, and overall commitment to transparency and cooperation. For example, SourceGas Distribution, with input from stakeholders, prepared and filed its cost assignment and allocation manual with the Commission. SourceGas Distribution also has maintained its books and records in accordance with industry standards, and has provided the Commission and interested parties with access to the books and records.

V. IMPACT OF THE TRANSACTION ON SOURCEGAS DISTRIBUTION

Q. ARE YOU GENERALLY FAMILIAR WITH THE TRANSACTION THAT IS BEFORE THE COMMISSION IN THE APPLICATION?

A. Yes, I am. By way of background, the SourceGas Owners decided to sell their investment in the SourceGas Companies and, as a result of a competitive bidding process, have entered into an agreement with BHUH for the conveyance of up to 100% of the membership interests in SourceGas Holdings. Because SourceGas Distribution is a jurisdictional utility subject to the Commission's authority, the agreement requires Commission approval of the proposed change of control for SourceGas Distribution as a condition to closing. The Joint Application is intended to obtain the Commission's approval of the Transaction.

Q. PLEASE DESCRIBE THE OVERALL IMPACT YOU EXPECT BHUH'S ACQUISITION OF SOURCEGAS HOLDINGS TO HAVE ON SOURCEGAS DISTRIBUTION'S OPERATIONS.

A. We expect SourceGas Distribution's current customers will continue receiving safe and reliable gas utility service. Black Hills Corporation has a long history of providing utility service to customers. It is a financially strong company, which will benefit the local distribution system in Nebraska, our customers, and the SourceGas Companies. As explained in the testimony of BHUH witness Mr. Richard Kinzley, Senior Vice President and Chief Financial Officer, Black Hills Corporation brings with it a solid financial foundation and access to substantial capital resources for the benefit of the local distribution system in Nebraska and its customers. For these reasons among others, I believe the transfer will serve the public interest.

Q. WHAT IMPACT, IF ANY, WILL THE TRANSACTION HAVE ON THE REGULATORY OVERSIGHT OF SOURCEGAS DISTRIBUTION IN NEBRASKA?

A. SourceGas Distribution will continue to operate as a jurisdictional utility in Nebraska and will retain its Commission-approved Certificate of Convenience.

Q. ARE OTHER COMMISSIONS REVIEWING SIMILAR APPLICATIONS SUBMITTED BY THE PARTIES?

A. Yes. Joint applications for commission approval of the sale and transfer of control of SourceGas Holdings have been filed, along with supporting testimony, before the Arkansas Public Service Commission, the Colorado Public Utilities Commission, and the Wyoming Public Service Commission.

Q. IN YOUR OPINION, WILL THE TRANSACTION ADVERSELY IMPACT SOURCEGAS DISTRIBUTION'S CUSTOMERS?

A. No. For all of the reasons stated in my testimony, the testimony of the BHUH witnesses, and the Joint Application, there will be no adverse impact on our customers.

Q. WHAT IS YOUR RECOMMENDATION?

A. I recommend that the Commission approve the Joint Application.

Q. DOES THAT CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

A. Yes, thank you.

BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

IN THE MATTER OF THE JOINT APPLICATION OF SOURCEGAS DISTRIBUTION LLC, SOURCEGAS LLC, SOURCEGAS HOLDINGS LLC, AND BLACK HILLS UTILITY HOLDINGS, INC. FOR ALL NECESSARY AUTHORIZATIONS AND APPROVALS FOR BLACK HILLS UTILITY HOLDINGS, INC. TO ACQUIRE SOURCEGAS HOLDINGS LLC	)	Application No. _____

State of Colorado County of Jefferson	)))	Affidavit Adopting Prefiled Direct Testimony and Exhibits

Michael Noone being first duly sworn on oath, states that he is the Michael Noone whose Prefiled Direct Testimony and Exhibits in the above-captioned proceeding accompanies this Affidavit.

Michael Noone further states that such Prefiled Direct Testimony is a true and accurate statement of his answers to the questions contained therein, and that he does adopt those answers as his sworn Testimony in this proceeding. Michael Noone further states that such Exhibits that accompany his Prefiled Direct Testimony are true and accurate.

Michael Noone

Michael Noone

SUBSCRIBED AND SWORN TO before me, the undersigned Notary Public, this 4TH day of August, 2015.

Shalifa A. Williamson

Notary Public

Address of Notary:
600 12th Street, Suite 300
Golden, CO 80401
My commission expires:
9/6/15

SHALIFA A. WILLIAMSON
NOTARY
PUBLIC
STATE OF COLORADO

BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

IN THE MATTER OF THE JOINT APPLICATION OF SOURCEGAS DISTRIBUTION LLC, SOURCEGAS LLC, SOURCEGAS HOLDINGS LLC, AND BLACK HILLS UTILITY HOLDINGS, INC. FOR ALL NECESSARY AUTHORIZATIONS AND APPROVALS FOR BLACK HILLS UTILITY HOLDINGS, INC. TO ACQUIRE SOURCEGAS HOLDINGS LLC	**)))))))))**	**Application No. NG-0084**

<u>PREFILED DIRECT TESTIMONY OF</u>

<u>LINDEN R. EVANS</u>

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SECTION **PAGE**

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Linden R. Evans. My business address is 625 9th Street, Rapid City, South Dakota 57701.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Black Hills Corporation ("Black Hills"), as President and Chief Operating Officer – Utilities. I am the executive responsible for managing and implementing the strategic objectives for Black Hills' utility businesses. My responsibilities include ensuring the retail utility companies are managed efficiently and in a manner to provide safe, reliable, and reasonably-priced natural gas and electric service to customers, and long term value to our shareholders. This responsibility includes maintaining open and quality relationships with our stakeholders – including customers, regulators, the communities we serve, employees and shareholders.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of one of the Joint Applicants, Black Hills Utility Holdings, Inc. ("BHUH"). BHUH is a subsidiary of Black Hills.

II. STATEMENT OF QUALIFICATIONS

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS BACKGROUND.

A. I graduated from the University of Missouri – Rolla in 1984 with a Bachelor of Science degree in Mining Engineering, and received my Juris Doctorate degree from the Northwestern School of Law of the Lewis & Clark College in Portland, Oregon in 1992. From 1984 to 1988 I was employed as a mining engineer with St. Joe Minerals

Corporation. From 1988 to 1990 I was employed as a mining engineer with Homestake Mining Company of California. I was in the private practice of law from 1993 to 2001, primarily in South Dakota. From May 2001 to December 2003 I served as Associate Counsel in the Office of the General Counsel for Black Hills. From December 2003 to October 2004 I served as the Vice President and General Manager of Black Hills FiberCom, a former communications subsidiary of Black Hills. I was appointed to my current position as President and Chief Operating Officer – Utilities of Black Hills in October of 2004.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, I have previously testified before this Commission.

III. <u>PURPOSE AND SUMMARY OF TESTIMONY</u>

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. My testimony supports the Joint Application seeking all necessary approvals from the Commission for BHUH to acquire SourceGas Holdings LLC ("SourceGas Holdings"), the indirect parent of SourceGas Distribution LLC ("SourceGas Distribution"), a regulated gas utility in Nebraska, and direct parent of SourceGas LLC (the "Transaction"). I provide background regarding Black Hills, and describe this Transaction, our reasons for acquiring SourceGas Distribution, and the benefits that will follow by adding SourceGas Distribution's operations and customers to Black Hills' existing utility operations. I begin by describing Black Hills' background, corporate structure, and experience in utility operations. (Section IV) I provide a high level overview of the acquisition, explaining how SourceGas Distribution's utility operations fit well with Black Hills' core strategy and complement Black Hills' existing operations.

(Section V) I provide background on Black Hills' experience in integrating newly acquired utility operations based on its experience in past acquisitions. (Section VI) I summarize the benefits that will follow from the Transaction. (Section VII) Finally, I summarize the regulatory approvals that will be required in order to close this Transaction. (Section VIII)

Q. WAS YOUR TESTIMONY PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

IV. BLACK HILLS CORPORATION AND ITS OPERATING SUBSIDIARIES

Q. PLEASE PROVIDE A BASIC OVERVIEW OF BLACK HILLS AND ITS SUBSIDIARIES.

A. Black Hills is a diversified energy company based in Rapid City, South Dakota with corporate offices in Denver, Colorado, and Papillion, Nebraska. Joint Application Exhibit 3 to the Joint Application is the current organizational chart of Black Hills. Black Hills was formed as a "holding company" under the Public Utility Holding Company Act of 2005, and maintains that structure today. Black Hills has approximately 2,100 employees, with assets totaling approximately $4.3 billion. Black Hills, through its subsidiaries, provides regulated natural gas and electric utility service to approximately 785,000 customers in Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota, and Wyoming. The Black Hills companies operate in two major business groups: 1) Utilities – which deliver retail electric and natural gas service; and 2) Non-regulated Energy – which is involved in various wholesale energy businesses.

Q. PLEASE PROVIDE AN OVERVIEW OF BLACK HILLS' UTILITY OPERATIONS.

A. Beginning with Black Hills Power, Inc. ("Black Hills Power") and its predecessors, Black Hills companies have been serving the Black Hills region since 1883. Black Hills companies have a long and well-established history of providing safe and reliable utility service. Black Hills conducts its regulated electric and gas utility businesses through three subsidiaries: BHUH, Black Hills Power, Inc. ("Black Hills Power") and Cheyenne Light, Fuel and Power Company ("Cheyenne Light"). BHUH is the entity acquiring SourceGas Holdings in the Transaction. Cheyenne Light, as well as a number of operating utility entities under BHUH, provide both electric and gas utility service. Black Hills Power provides electric utility service. Black Hills has proven expertise in operating utilities, as well as its nonregulated assets, and is committed to providing safe, reliable, and high quality utility service at just and reasonable rates.

Q. PLEASE DESCRIBE BLACK HILLS' NATURAL GAS UTILITY OPERATIONS.

A. Through its various subsidiaries, Black Hills provides natural gas utility service to over 550,000 customers in five states. In Wyoming, Black Hills provides gas utility service through Cheyenne Light and its divisions and subsidiaries. In Colorado, Nebraska, Kansas, and Iowa, Black Hills' regulated utility providers are subsidiaries of BHUH, and these utilities -- including Black Hills/Nebraska Gas Utility Company, LLC -- conduct business as "Black Hills Energy" (hereafter "Black Hills/Nebraska Gas Utility"). In addition, BHUH holds shared resources and assets, including resources and assets related to gas supply services, information technology, customer information, billing and collections, and call centers. In each of these states, the cost of the goods and services provided by BHUH to operating utilities (including Black Hills/Nebraska Gas Utility) for the use of these shared resources are allocated through a service agreement applying cost allocations consistent with applicable state requirements. Mr. Kyle White, Black Hills' Vice President of Regulatory Affairs, explains these shared resources and associated cost allocation issues in more detail in his direct testimony.

Q. WHAT ARE THE COMPANIES INCLUDED IN THE NON-REGULATED ENERGY GROUP OF BLACK HILLS?

A. Black Hills' non-regulated energy businesses include: Wyodak Resources Development Corporation, which is engaged in the production and sale of coal; Black Hills Exploration and Production, Inc., which is engaged in the exploration, production and sale of crude oil and natural gas; and Black Hills Electric Generation, LLC and its subsidiaries, which are engaged in independent power production.

Q. WHAT IS BLACK HILLS' PHILOSOPHY IN SERVING ITS CUSTOMERS?

A. We believe customers want safe and reliable gas and electric service at a fair and stable price from a company that cares about them and their communities. This is what we strive for and this is the standard upon which we judge our efforts. We work hard at building beneficial relationships because we recognize that the best results come from effective partnership. This is our belief and our experience supports it. Black Hills is qualified by its experience and financial strength to meet all of the demands associated with operating SourceGas Distribution's gas utility business and continuing to provide superior service to SourceGas Distribution's customers.

V. THE TRANSACTION

Q. PLEASE EXPLAIN THE TRANSACTION THAT IS THE SUBJECT OF THE JOINT APPLICATION.

A. Pursuant to the Purchase and Sale Agreement dated July 12, 2015 ("Agreement") (Joint Application Exhibit 5), BHUH will acquire SourceGas Holdings, the indirect owner of SourceGas Distribution. Black Hills, through BHUH, will thereby become the indirect owner of SourceGas Distribution. SourceGas Distribution and its affiliates provide gas utility service to approximately 425,000 customers in Arkansas, Colorado, Nebraska, and Wyoming. At closing of the Transaction, BHUH will acquire a 99.5% ownership interest in SourceGas Holdings. The Joint Applicants would like to complete this closing by February 1, 2016. Thereafter, BHUH will have an option to acquire the remaining 0.5% interest in SourceGas Holdings. Mr. Richard Kinzley, Senior Vice-President and Chief Financial Officer of Black Hills, explains the mechanics of and the reason for this 0.5% option in his testimony.

Q. HOW WILL SOURCEGAS DISTRIBUTION BE INTEGRATED INTO BLACK HILLS' CORPORATE STRUCTURE?

A. Following closing, Black Hills will continue to operate SourceGas Distribution as a jurisdictional utility in Nebraska under a new name: Black Hills Gas Distribution, LLC, d/b/a Black Hills Energy. Initially, Black Hills will adopt all of SourceGas Distribution's existing tariffs setting forth the rates, charges, rules and regulations on file with the Commission, and anticipates changing only the provider name for these tariffs. The Transaction will not affect, in the near term, the functions of SourceGas Distribution's retail business, such as gas supply contracting and management, system operation and maintenance activities, safety and service reliability, customer service functions, billing operations, and regulatory relationships.

Q. HOW WILL SOURCEGAS DISTRIBUTION'S GAS UTILITY OPERATIONS FIT WITH BLACK HILLS' EXISTING GAS UTILITY OPERATIONS?

A. Black Hills is a well-established owner and operator of regulated electric and natural gas utilities, and SourceGas Distribution's gas utility operations will be an excellent fit with Black Hills' existing operations. This Transaction is consistent with our strategy to grow our customer base by acquiring utilities near our existing operations, and SourceGas Distribution's service territory is a logical extension of those existing operations. The Transaction will expand Black Hills' existing footprint in our core region, including Colorado, Nebraska, and Wyoming, and will add operations in a new state, Arkansas. In addition, SourceGas Distribution's customers are similar to Black Hills' existing customers, as they are located in comparable, predominantly rural areas. Black Hills' ownership of SourceGas Distribution will also provide enhanced operating scale, and bring a solid financial foundation and access to substantial capital resources for the benefit of the local distribution system in Nebraska and its customers. Financial information relative to Black Hills and this Transaction is provided in more detail in Mr. Kinzley's direct testimony.

VI. <u>BLACK HILLS' EXPERIENCE IN ACQUIRING AND INTEGRATING NEW UTILITY OPERATIONS</u>

Q. PLEASE SUMMARIZE BLACK HILLS' EXPERIENCE IN ACQUIRING AND INTEGRATING NEW UTILITY OPERATIONS.

A. As I previously indicated, Black Hills, initially through Black Hills Power and its predecessors, has been providing safe and reliable utility service since 1883. In 2004, Black Hills had approximately 62,000 gas and electric utility customers, but we have grown considerably since that time. Providing gas and electric utility service is our core business and, while Black Hills over time has divested various other business units, we have never divested any gas or electric utility operating company or subsidiary. Our focus has been to grow our utility operations, and our recent history demonstrates our commitment in that regard. In the past decade, Black Hills has acquired and successfully integrated the utility operations of:

- Cheyenne Light, a gas and electric utility in Wyoming;
- Aquila, Inc., a gas and electric utility in Colorado and a gas utility in Iowa, Kansas and Nebraska;
- Several municipal gas utility operations in Kansas;
- MGTC, Inc., a gas utility in Wyoming; and
- Energy West Wyoming, Inc., a gas utility in Wyoming.

Following these successful integrations, Black Hills today serves approximately 785,000 utility customers. After acquiring and integrating SourceGas Distribution and its affiliates through this Transaction, Black Hills will have grown its customer base to more than 1,200,000 customers. Throughout these acquisitions and integrations, Black Hills continued to provide safe and reliable utility service.

Q. EXPLAIN HOW BLACK HILLS' EXPERIENCE IN INTEGRATING ACQUIRED UTILITY OPERATIONS WILL BE BENEFICIAL IN THIS TRANSACTION.

A. Black Hills' past acquisition and integration experience will be of significant benefit in allowing Black Hills to smoothly integrate SourceGas Distribution's utility operations into Black Hills' existing operations. Black Hills' customer-focused service philosophy, in particular, has made for successful integrations in prior acquisitions. To illustrate, when Black Hills acquired Cheyenne Light in 2005, Cheyenne Light was suffering from customer service and billing problems, challenges with regulators, and exposure to volatile purchased power and natural gas costs. Black Hills undertook construction of new generation capacity, and also successfully implemented an aggressive plan that dramatically improved customer service and satisfaction, improved relations with regulators, and improved natural gas procurement and supply.

Q. HOW WILL BLACK HILLS APPROACH THIS INTEGRATION OF SOURCEGAS DISTRIBUTION, AND WHAT STEPS WILL BLACK HILLS TAKE TO ENSURE A SMOOTH TRANSITION?

A. Black Hills has established a pre-closing transition team to provide for a smooth transition of operations. I am heading the Black Hills transition team. We will pursue regional meetings with SourceGas Distribution's and its affiliates' management and operations teams in all four states to familiarize ourselves with each state's operations, pending regulatory matters, and issues that need to be addressed both in the short term and long term. The Black Hills transition team is making assessments and developing specific plans for each state to ensure a smooth transition. Black Hills will draw upon its utility operations experience and its prior integration experiences – both of which are considerable – to address specific issues that it identifies in each state. Mr. White further discusses in his testimony specific steps Black Hills will take to ensure a seamless integration of the SourceGas Distribution operations in this Transaction, including infrastructure integrity investment plans and ring-fencing protections to insulate SourceGas Distribution from any adverse impacts from unregulated affiliates.

Q. WHAT ARE BLACK HILLS' PLANS WITH REGARD TO SOURCEGAS DISTRIBUTION'S LOCAL MANAGEMENT TEAMS AND EMPLOYEES?

A. Black Hills has no current plans to change the local management of SourceGas Distribution. Thus, following the Transaction, Black Hills will combine the existing managerial expertise now located in the SourceGas Distribution retail business operations with Black Hills' own managerial expertise. Black Hills is fully committed to attracting, maintaining, and supporting highly qualified employees needed to continue the level of customer service, accounting, billing, and system support currently provided to SourceGas Distribution customers.

VII. <u>BENEFITS OF THE TRANSACTION</u>

Q. PLEASE DESCRIBE THE BENEFITS OF THIS TRANSACTION.

A. *First*, the Transaction will benefit the local communities where SourceGas Distribution provides service. Black Hills, like SourceGas Distribution, understands what it means to serve utility customers located in rural areas and in small towns and will continue to deliver the high quality of service that customers expect and deserve.

Second, Black Hills will also bring its long history of active partnership and dedication to the local communities that Black Hills will serve. Black Hills believes strongly in supporting the communities in which it provides utility service and takes part in regional economic and community development through active participation in local organizations. Its employees participate in many civic groups, leadership activities, and local fund-raising efforts. Black Hills will continue these efforts for the betterment of the people and communities it serves.

Third, the combination of SourceGas Distribution's operations with Black Hills' existing operations will enhance operating scale, drive more efficient service delivery to the benefit of customers, and bring a solid financial foundation and access to substantial capital resources for the benefit of the local distribution system and customers.

VIII. REQUIRED APPROVALS

Q. WHAT REGULATORY APPROVALS WILL BE REQUIRED FOR BLACK HILLS TO ACQUIRE SOURCEGAS HOLDINGS?

A. Black Hills is contemporaneously seeking the approval of this Transaction from the state commissions in Arkansas, Colorado, Nebraska, and Wyoming. In addition, Black Hills will need to comply with the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR Act), which requires that parties to certain proposed mergers or acquisitions provide information for Federal Trade Commission and Department of Justice review. Under the HSR Act, the parties may not close their deal until the waiting period outlined in the HSR Act has passed, or the government has granted early termination of the waiting period.

IX. CONCLUSION

Q. DO YOU HAVE A RECOMMENDATION TO THIS COMMISSION?

A. Yes. I urge the Commission to approve the Joint Application as I believe it is in the public interest to do so for the reasons set forth in the Joint Application and supporting testimony.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

AFFIDAVIT OF LINDEN R. EVANS

STATE OF SOUTH DAKOTA)
) SS:
COUNTY OF PENNINGTON)

I, **Linden R. Evans**, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing prepared testimony and I am familiar with its contents, and that the facts set forth are true to the best of my knowledge, information and belief.

Linden R. Evans

Linden R. Evans

SUBSCRI BED AND SWORN to before me on this 5th day of August, 2015.

SEAL LYNN E. BROWN NOTARY PUBLIC State of South Dakota SEAL

Lynn E. Brown

Notary Public

My Appointment Expires: 6-27-2018

BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

IN THE MATTER OF THE JOINT APPLICATION OF SOURCEGAS DISTRIBUTION LLC, SOURCEGAS LLC, SOURCEGAS HOLDINGS LLC, AND BLACK HILLS UTILITY HOLDINGS, INC. FOR ALL NECESSARY AUTHORIZATIONS AND APPROVALS FOR BLACK HILLS UTILITY HOLDINGS, INC. TO ACQUIRE SOURCEGAS HOLDINGS LLC	**))))))))))**	**Application No. NG-0084**

<u>PREFILED DIRECT TESTIMONY OF</u>

<u>RICHARD KINZLEY</u>

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I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Richard Kinzley. My business address is 625 9th Street, Rapid City, South Dakota 57701.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Black Hills Corporation ("Black Hills" or "Black Hills Corporation") as Senior Vice President and Chief Financial Officer.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of one of the Joint Applicants, Black Hills Utility Holdings, Inc. ("BHUH").

II. STATEMENT OF QUALIFICATIONS

Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES IN YOUR CURRENT POSITION?

A. I am responsible for the Accounting, Finance, Tax, Risk and Treasury functions at Black Hills and all of its subsidiaries. I oversee the managers and other employees responsible for preparing all accounting, tax, finance, and investment documents, and advise our senior leadership and the Board of Directors on decisions made for Black Hills and all of its subsidiaries.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS BACKGROUND.

A. I graduated from the University of South Dakota in May 1988 with a Bachelor of Science in Business Administration degree. I am also a certified public accountant (non-active). I joined Black Hills in 1999. From April 2000 to September 2008, I was the Director of Corporate Development. My responsibilities in that role included oversight of the financial modeling relating to, and assisting in negotiating and integrating, various acquisitions and divestitures by Black Hills and its subsidiaries. From September 2008 to March 2013, I was Vice President, Strategic Planning and Development. In that role, I led Black Hills' strategic planning efforts and all acquisition and divestiture activities, and was involved in Black Hills' asset development activities. From March 2013 to December 2014, I was Vice President – Corporate Controller. I became Senior Vice President and Chief Financial Officer in January 2015.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, I have provided written testimony.

III. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. My testimony supports the Joint Application seeking all necessary approvals from the Commission for BHUH to acquire SourceGas Holdings LLC ("SourceGas Holdings"), the indirect parent of SourceGas Distribution LLC ("SourceGas Distribution"), a regulated gas utility in Nebraska, and direct parent of SourceGas LLC (the "Transaction"). I will provide information on financial and tax issues related to BHUH's acquisition of SourceGas Holdings.

Specifically, I explain how BHUH's acquisition of SourceGas Holdings will be financed. (Section IV) I also summarize an option agreement resulting from the Transaction, whereby BHUH may acquire the remaining 0.5% interest in SourceGas Holdings at a later date, and explain the reason for this option agreement. I also explain why the Transaction was structured so that BHUH will acquire only 99.5% of SourceGas Holdings at closing. (Section V) I then summarize the sound financial condition of Black Hills, and the expected positive impact of the Transaction on Black Hills' ratings and long-term financial outlook. (Section VI) I also provide background regarding other tax issues associated with this Transaction. (Section VII) Finally, I summarize Black Hills' position on potential future ratemaking issues associated with this Transaction, including transaction costs, transition costs, and rate treatment of the acquisition premium represented in the purchase price. (Section VIII)

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes. I am sponsoring the following exhibits:

- Exhibit No. RK-1: August 6, 2015 Bridge Term Loan Agreement
- Exhibit No. RK-2: Black Hills Corporation Form 10-K/A

Q. WERE YOUR TESTIMONY AND EXHIBITS PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

IV. BLACK HILLS' PLAN TO FINANCE THE ACQUISITION

Q. WHAT ARE THE FINANCIAL TERMS OF THE ACQUISITION?

A. BHUH agreed to purchase up to 100% of the ownership interests in SourceGas Holdings in the Purchase and Sale Agreement ("Purchase Agreement"), which is Joint Application Exhibit 5 to the Joint Application.. The Purchase Agreement provides that, upon closing, BHUH will own 99.5% of SourceGas Holdings, the indirect parent of the jurisdictional utility SourceGas Distribution. The sale price is estimated to be $1.89 billion, including reimbursement of an estimated $200 million in capital expenditures through closing of the Transaction and the assumption of $720 million of projected debt at closing. This consideration will be subject to a customary post-closing adjustment for cash, capital expenditures, indebtedness, and working capital.

Q. WHICH BLACK HILLS CORPORATE ENTITY WILL ASSUME THE PROJECTED $720 MILLION IN DEBT AT CLOSING?

A. Black Hills Corporation will assume this debt at closing. In particular, Black Hills Corporation will assume certain tranches of existing SourceGas debt, and will refinance other tranches of debt that will become due upon the closing of the Transaction.

Q. DOES THE PURCHASE AGREEMENT INCLUDE ANY OTHER PROVISIONS REGARDING BLACK HILLS' FINANCIAL RESPONSIBILITIES PERTAINING TO THIS TRANSACTION?

A. Yes, as described in Article 12.16 ("Parent Guaranty"**)** of the Purchase Agreement, Black Hills guaranteed the obligations of BHUH under the Purchase Agreement. The Parent Guaranty is Exhibit D to the Purchase Agreement. (Joint Application Exhibit 5) It provides that Black Hills irrevocably, absolutely, and unconditionally guarantees prompt and faithful payment and performance by BHUH of the Guaranteed Obligations (as defined in the Parent Guaranty), which includes all liabilities and obligations of BHUH under the Purchase Agreement.

Q. HOW WILL THE PROPOSED TRANSACTION BE FINANCED?

A. Black Hills Corporation plans to finance its acquisition of SourceGas Holdings by assumption of the aforementioned debt and new, permanent financing consisting of: (1) $575 million to $675 million of equity and equity-linked securities; (2) $450 million to $550 million of debt; and (3) cash on hand or revolver draw as needed. As part of its financing plan, Black Hills Corporation entered into a Bridge Term Loan Agreement dated August 6,, 2015 which may be drawn upon in the event permanent financing is not complete at the time of closing. A copy of the Bridge Term Loan Agreement is attached to my testimony as Exhibit No. RK-1. At closing, it is expected that Black Hills will then provide BHUH, through equity infusion or loan arrangements, the cash necessary to fund BHUH's purchase of SourceGas Holdings.

V. THE OPTION AGREEMENT

Q. WILL BHUH ACQUIRE A 100% OWNERSHIP INTEREST IN SOURCEGAS HOLDINGS WHEN THIS TRANSACTION CLOSES?

A. No. Pursuant to the Purchase Agreement, at closing BHUH will acquire a 99.5% ownership interest in SourceGas Holdings. However, BHUH may acquire the final 0.5% interest in SourceGas Holdings at a later date, as I describe. This transactional structure was determined by the sellers and agreed to by Black Hills in the Purchase Agreement, and is fundamentally based on the fact that there are two different 50% owners of SourceGas Holdings. These two current owners structured the sale of their respective 50% interests in different ways.

Specifically SourceGas Holdings currently has 100% of its equity interests held in two classes of member units: 50 Class A Units and 50 Class B Units. All 50 Class A Units are held by Aircraft Services Corporation, a subsidiary of General Electric Company ("GE"). All 50 Class B Units are owned by Alinda Gas Delaware LLC and Alinda Infrastructure Fund I, L.P., through a number of subsidiaries, ultimately through two entities, Alinda Gas I, Inc. and Alinda Investments LLC (collectively "Alinda"). At closing, BHUH will acquire all of the 50 Class B Units from Alinda, but only 49.5 of Class A Units from GE. Thus, BHUH will acquire a 99.5% total ownership interest in

SourceGas Holdings at closing. As I describe below, BHUH may acquire the remaining 0.5% ownership interest in SourceGas Holdings by acquiring the final 0.5 Class A Units from GE pursuant to an option agreement.

Q. PLEASE SUMMARIZE THE OPTION AGREEMENT.

A. At closing, the parties will enter into an option agreement in the form attached as Exhibit A to the Purchase Agreement ("Option Agreement"). Under this Option Agreement, BHUH may acquire the remaining 0.5% interest in SourceGas Holdings (*i.e.*, the remaining 0.5 Class A Units retained by GE) through a call option. The opportunity for BHUH to acquire the remaining 0.5% of SourceGas Holdings (or "Call Period") begins on the earlier of: (i) the termination of SourceGas Holdings for federal income tax purposes; or (ii) the 366th day following the date of execution of the Option Agreement (which is contemplated to be the same date as the closing of the Transaction). The Call Period ends on the 90th day after the earlier of these two events occurs. Certain events could also trigger the possibility of BHUH acquiring the remaining 0.5% interest in SourceGas Holdings through a put option under the agreement.

Q. WHY IS THE PROPOSED ACQUISITION STRUCTURED TO INCLUDE THIS 0.5% OPTION?

A. As I indicated, BHUH may ultimately acquire 100% of SourceGas Holdings. However, in order to preserve certain beneficial tax attributes, the Transaction was structured in two stages. As explained further below, the primary rationale for the two state Transaction structure is to avoid a technical termination for tax purposes of SourceGas Holdings. A technical termination of an LLC occurs when 50% or more of a partnership's member interests are sold during a one year period.

Q. YOU REFERENCE A PARTNERSHIP'S MEMBER INTERESTS, BUT SOURCEGAS HOLDINGS IS AN LLC, NOT A PARTNERSHIP, CORRECT?

A. That is correct, but for federal incomes tax purposes a domestic LLC with at least two members is classified and treated as a partnership unless it affirmatively elects to be treated as a corporation. SourceGas Holdings has not affirmatively elected to be treated as a corporation, and thus is treated as a partnership for federal income tax purposes.

Q. HOW IS THIS 50% TRIGGER FOR TECHNICAL TERMINATION AVOIDED BY THE 0.5% OPTION?

A. The sale of Alinda's 50 Class B Units in SourceGas Holdings cannot cause a technical termination of SourceGas Holdings because this will <u>not</u> be a direct sale of a partnership interest. Instead, Alinda's Class B Units are held by the Alinda Gas I, Inc. and Alinda Investments LLC entities I discussed previously. These entities are being conveyed in their entirety through this Transaction. Specifically, Alinda Gas I, Inc. is conveyed directly by a transfer of its stock and Alinda Investments LLC is conveyed indirectly through the transfer of the stock to its immediate parent corporation Alinda Gas II, Inc. The only partnership interests being transferred directly are GE's 50 Class A Units in SourceGas Holdings. If all 50 of those Class A Units were directly conveyed at closing, this would represent a sale of 50% of SourceGas Holdings "partnership" interests and would cause a technical termination of SourceGas Holdings. That is why BHUH will acquire only 49.5 of GE's Class A Units at closing, and may not acquire GE's remaining 0.5 Class A Units until 366 days later, at the earliest.

Q. IF BHUH ACQUIRES THE REMAINING 0.5% INTEREST IN SOURCEGAS HOLDINGS UNDER THE OPTION AGREEMENT, HOW WILL THE PURCHASE PRICE FOR THAT 0.5% INTEREST BE DETERMINED?

A. If the option is exercised, the purchase price for that 0.5% interest will essentially be based, pro-rata, on the original base purchase price, with a 10% premium and adjustments for capital expenditures and capital contributions made in the intervening period. Details regarding the purchase price for the 0.5% interest are set forth more specifically in the Option Agreement.

Q. WHAT TAX BENEFITS RESULT FROM PRESERVING SOURCEGAS HOLDINGS POST-CLOSING AND NOT CAUSING AN IMMEDIATE TECHNICAL TERMINATION OF THAT LLC?

A. By avoiding a technical termination, BHUH will step into the shoes of the existing tax depreciation schedules in use for SourceGas Holdings, or more particularly for the regulated operating utility SourceGas Distribution.

To illustrate, an existing five year old asset that falls into a fifteen year life tax class can then be fully depreciated over the remaining ten years if the SourceGas Holdings entity is preserved in this fashion, as opposed to having its remaining value depreciated over 15 years. Preserving shorter depreciation lives under this two-step transactional structure will generate increased income tax deductions and generate additional deferred taxes. This in turn will benefit SourceGas Distribution's customers as the associated increase in the accumulated deferred income tax balance will serve to offset (reduce) rate base for SourceGas Distribution. However, this preservation of existing depreciation lives applies only to the Alinda 50% ownership interest in

SourceGas Holdings, and therefore applies only on a 50% basis to depreciation of SourceGas Distribution assets. The 50% portion of SourceGas Distribution's regulatory assets represented by the GE 50% interest in SourceGas Holdings instead receive a "step up" in their basis, as I describe later.

Q. SHOULD THE EXERCISE OF BHUH'S OPTION RESULT IN A SUBSEQUENT CHANGE OF CONTROL OF THE NEBRASKA JURISDICTIONAL UTILITY?

A. No, it should not. If the Commission approves the Joint Application, BHUH will become the controlling owner of SourceGas Holdings and the jurisdictional public utility entity, SourceGas Distribution, and would remain so regardless of whether it exercises its option to acquire the remaining 0.5% interest in SourceGas Holdings.

VI. FINANCIAL CONDITION OF BLACK HILLS

Q. PLEASE SUMMARIZE THE FINANCIAL CONDITION OF BLACK HILLS.

A. Black Hills and its subsidiaries are financially sound. Black Hills' 2014 consolidated financial results showed continuing growth reflecting solid operational performance. Black Hills reported that its retail utilities are in excellent operational and strong financial condition. A copy of Black Hills' 2014 Annual Report on Form 10-K/A to the Securities and Exchange Commission is attached to my testimony as Exhibit No. RK-2. In addition, Black Hills has solid, investment grade credit ratings from each of the three major credit rating agencies, as depicted in the chart below. Each of the agencies reaffirmed its rating for Black Hills after it announced the acquisition of SourceGas Holdings, and each of Black Hills' ratings are also a level or two above the comparable ratings for SourceGas LLC, SourceGas Distribution's indirect parent:

Agency	Black Hills Corp	SourceGas LLC
Moody's	Baa1	Baa2
S&P	BBB	BB+
Fitch	BBB+	BBB-

Black Hills is well positioned to finance the acquisition and the ongoing operations of SourceGas Distribution on a favorable basis, allowing Black Hills to grow and invest in its business operations, and provide safe and reliable service to customers.

Q. HOW WILL THE PROPOSED ACQUISITION AFFECT BLACK HILLS' LONG-TERM FINANCIAL OUTLOOK?

A. The acquisition of SourceGas Holdings should enhance Black Hills' long-term financial outlook. Black Hills' long-term investment philosophy, coupled with its significant financial resources, will create a favorable environment in which capital for growth and expansion across its service area is readily accessible. In addition, the combination of Black Hills' and SourceGas Distribution's existing gas utility operations provides an enhanced operating scale, the potential for more efficient delivery of services, and the potential for lower cost of debt. Finally, the acquisition of SourceGas should strengthen Black Hills' excellent business risk profile.

Q. HOW WILL THE PROPOSED ACQUISITION IMPACT BLACK HILLS' CREDIT RATINGS?

A. I expect that BHUH's acquisition of SourceGas Holdings will support the continuation of Black Hills' solid investment grade credit ratings. We are committed to arranging permanent financing for the Transaction in a manner that will sustain our solid investment grade ratings.

Q. PLEASE EXPLAIN.

A. All three credit rating agencies of Black Hills have opined on the Transaction announcement and all three affirmed Black Hills' strong investment grade rating. The S&P rating agency also maintained its outlook on Black Hills' debt as stable. Moody's and Fitch did lower Black Hills' outlook from stable to negative primarily as a result of uncertainties around regulatory approval and potential cost savings, and the need for greater clarity on post-acquisition financing structure. Although lowering a company's outlook upon the announcement of a large acquisition is commonplace in the industry, Moody's also commented that the deal would create anticipated improvement in the risk profile of Black Hills due to the scale and diversity brought about by the Transaction. Thus, Black Hills is well positioned to finance the acquisition and the ongoing operations of SourceGas Distribution on a favorable basis that will allow Black Hills to grow and invest in the business. Moreover, Black Hills' investment grade credit rating will continue to allow it access to capital markets at reasonable cost.

VII. <u>OTHER TAX ISSUES</u>

Q. HOW WILL THE TRANSACTION IMPACT THE EXISTING SOURCEGAS DISTRIBUTION ACCUMULATED DEFERRED INCOME TAX ACCOUNT?

A. The Transaction will result in a partial reset of SourceGas Distribution's Accumulated Deferred Income Tax ("ADIT") account, as I will explain, specific to the 50% GE ownership interest in SourceGas Holdings.

Q. WHAT DOES THE ADIT ACCOUNT REPRESENT?

A. By legislating the allowance of accelerated depreciation, the government provides businesses (whether regulated or not) a cost-free source of funds. These funds are the cash deferrals resulting from the temporary reduction of a company's tax liability by these legislatively granted tax benefits. The government provides these funds to encourage investment in plant. The benefit comes from the ability to keep cash in corporate bank accounts (or use the cash to pay down debt) until some future date, rather than paying it to the government in the form of taxes. Utility customers receive the benefit from all cost-free capital financing through the inclusion of ADIT as a reduction to utility rate base.

Q. HOW DOES THE ADIT BALANCE TYPICALLY GROW AND REVERSE?

A. The major driver of ADIT in the utility industry is regulatory book versus tax differences with respect to depreciation lives and methods. Generally speaking, ADIT grows in the early life of an asset when accelerated tax depreciation exceeds straight-line regulatory depreciation. It reverses in later years when regulatory depreciation begins to exceed tax depreciation. As noted below, ADIT can completely reverse to zero when the tax basis is made equal to the book basis due to the buy-in to a partnership under an election made pursuant to Internal Revenue Code Section 754. As I mentioned previously, SourceGas Holdings is classified as a partnership for federal income tax purposes.

Q. WHAT DOES INTERNAL REVENUE CODE SECTION 754 PROVIDE AND WHAT ARE THE BENEFITS OF THE ELECTION?

A. Section 754 allows a partnership to make an election to "step-up" the basis of the assets within a partnership when a transfer of an interest by a partner occurs. This "step-up" in basis is used to make the outside basis (basis of the partnership interest in the hands of the owner) equal to the inside basis (the basis of the assets in the partnership) for tax purposes. This equalization of basis can be beneficial to an owner when, as is the case in this Transaction, the "step-up" is deemed to be related to depreciable or amortizable property. It will allow for depreciation and amortization deductions, starting in the year the election is made.

Q. HOW WILL THE SECTION 754 ELECTION BE MADE?

A. The election will be made by filing a written statement with the partnership tax return in the year of the transfer of the partnership interests. The election is common among tax partnerships.

Q. WHAT BENEFITS ARE OBTAINED IN THIS TRANSACTION BY VIRTUE OF THE SECTION 754 ELECTION TO STEP UP THE TAX BASIS?

A. The tax treatment pursuant to the Section 754 election will result in positive cash flow through lower outflows of tax payments to the government, due to the combination of a step-up in tax basis and accelerated depreciation of depreciable base. The resulting enhanced cash flow will improve the financial viability of Black Hills and its operating utilities, including SourceGas Distribution, going forward.

Q. DOES THIS SECTION 754 ELECTION MEAN THAT THE SALE OF SOURCEGAS HOLDINGS WILL STEP UP BHUH'S BASIS IN SOURCEGAS HOLDINGS IN ITS ENTIRETY?

A. No. The tax basis step-up will only apply to GE's ownership interest in SourceGas Holdings that BHUH is acquiring, because this aspect of the Transaction is a direct transfer of a partnership interest.

Q. WHY DOESN'T THE SECTION 754 ELECTION AND STEP-UP BASIS APPLY TO BHUH'S ACQUISITION OF ALINDA'S 50% INTEREST IN SOURCEGAS HOLDINGS?

A. The 50% interest in SourceGas Holdings that BHUH is acquiring through Alinda is not a direct transfer of a partnership interest, thus the Section 754 election and associated step-up tax basis does not apply. Instead, as previously described, Alinda is transferring its 50% interest in SourceGas Holdings by selling the equity interest of two entities, Alinda Gas I, Inc. (directly through a stock transfer) and Alinda Investments LLC (indirectly through the transfer of its corporate parent Alinda Gas II, Inc. stock), that together own Alinda's 50% interest in SourceGas Holdings. For that reason, BHUH's purchase of Alinda's 50% interest in SourceGas Holdings is a "carryover basis" transaction, meaning that BHUH will inherit Alinda's tax basis for this 50% portion of BHUH's ownership interest in SourceGas Holdings.

Q. WHAT DOES THIS MEAN WITH REGARD TO THE ADIT "RE-SET" ISSUE FOR SOURCEGAS DISTRIBUTION, THE REGULATED UTILITY OWNED BY SOURCEGAS HOLDINGS?

A. This means that the Transaction will result in only a partial "re-set" of SourceGas Distribution's ADIT balance to zero, while the Alinda portionof the ADIT balance will carry over unchanged. While GE's share of the ADIT balance will be reset to zero upon transfer, that portion of the ADIT balance will be rebuilt quickly under Black Hills' ownership. This is due to accelerated depreciation applied to the tax depreciable basis in the SourceGas Distribution assets that will be "stepped-up" to the purchase price allocable to the assets from the lower tax basis of the prior owner.

VIII. RATEMAKING ISSUES

Q. WHAT IS BLACK HILLS' POSITION WITH REGARD TO RATE IMPACTS AND COST RECOVERY ASSOCIATED WITH BLACK HILLS' PURCHASE OF SOURCEGAS DISTRIBUTION FOR MORE THAN BOOK VALUE?

A. At this time, BHUH is not seeking a Commission determination regarding its ability to recover in rates any portion of the purchase price that exceeds the book value of SourceGas Distribution. This is commonly referred to in the industry as an "acquisition premium." Rather, BHUH reserves the right to seek recovery of this acquisition premium, or a portion thereof, in a future general rate filing, and appreciates and acknowledges that it will need to accomplish measurable qualitative and/or quantitative customer benefits associated with its acquisition of SourceGas Distribution to justify such recovery.

Q. WHAT IS BLACK HILLS' POSITION WITH REGARD TO RATE IMPACTS AND COST RECOVERY ASSOCIATED WITH TRANSACTION COSTS AND TRANSITION COSTS?

A. Let me begin by defining "transaction" and "transition" costs. "Transaction costs" refer to those costs incurred to complete the acquisition of the stock or membership interest and are incurred prior to the signing of the purchase agreement except for those costs necessary to finalize the documentation of the purchase and sale and close the Transaction. Transaction costs are costs that would not have occurred absent the transaction. "Transition costs" are generally expenditures resulting from the preparation and implementation of activities necessary to merge and integrate the purchased entity into the acquiring entity. BHUH will track and manage both transaction costs and transition costs, but does not seek authorization to recover any of those costs in this proceeding. BHUH will not seek approval for recovery of transaction costs in any future proceeding. BHUH does, however, reserve the right to seek recovery of transition costs in conjunction with its post-acquisition rate filings. To that end, the Joint Application in this matter requests that the Commission enter an appropriate accounting order to allow for these transition costs to be deferred and recorded as a regulatory asset on the books of Black Hills Gas Distribution, LLC (the renamed SourceGas Distribution). If and when recovery is requested, a detailed accounting will be provided to ensure that all costs included can be reviewed.

IX. <u>CONCLUSION</u>

Q. DO YOU HAVE A RECOMMENDATION TO THIS COMMISSION?

A. Yes. I urge the Commission to approve the Joint Application as I believe it is in the public interest to do so for the reasons set forth within the Joint Application and supporting testimony.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

IN THE MATTER OF THE JOINT APPLICATION OF SOURCEGAS DISTRIBUTION LLC, SOURCEGAS LLC, SOURCEGAS HOLDINGS LLC, AND BLACK HILLS UTILITY HOLDINGS, INC. FOR ALL NECESSARY AUTHORIZATIONS AND APPROVALS FOR BLACK HILLS UTILITY HOLDINGS, INC. TO ACQUIRE SOURCEGAS HOLDINGS LLC	)	Application No._______

State of South Dakota	)	Affidavit Adopting Prefiled Direct Testimony and Exhibits
County of Pennington	)	

Richard Kinzley being first duly sworn on oath, states that he is the Richard Kinzley Whose Prefiled Direct Testimony and Exhibits in the above-captioned proceeding accompanies this Affidavit.

Richard Kinzley further states that such Prefiled Direct Testimony is a true and accurate statement of his answers to the questions contained therein, and that he does adopt those answers as his sworn Testimony in this proceeding. Richard Kinzley further states that such Exhibits that accompany his Prefiled Direct Testimony are true and accurate.

Richard Kinzley

Richard Kinzley

SUBSCRIBED AND SWORN TO before me, the undersigned Notary Public, this 6th day of August, 2015.

Lynn E. Brown

Notary Public

SEAL LYNN E. BROWN NOTARY PUBLIC State of South Dakota SEAL

Address of Notary:
925 Ninth Street
Rapid City, SD 57701

My Commission Expires:
6-27-2018

EXECUTION VERSION

BRIDGE TERM LOAN AGREEMENT

DATED AS OF

August 6, 2015

AMONG

BLACK HILLS CORPORATION,
as the Borrower,

THE FINANCIAL INSTITUTIONS PARTY HERETO,
as Banks,

and

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Administrative Agent

CREDIT SUISSE SECURITIES (USA) LLC,
as Sole Lead Arranger and Sole Bookrunner

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EXHIBITS

SCHEDULES

BRIDGE TERM LOAN CREDIT AGREEMENT

BRIDGE TERM LOAN CREDIT AGREEMENT, dated as of August 6, 2015, among BLACK HILLS CORPORATION, a South Dakota corporation (the "Borrower"), the financial institutions from time to time party hereto (each, a "Bank", and, collectively, the "Banks") and CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, in its capacity as administrative agent for the Banks hereunder (in such capacity, the "Administrative Agent").

WITNESSETH THAT:

WHEREAS, the Borrower has requested that the Banks provide a bridge term loan facility for the purposes set forth herein, and the Banks are willing to extend commitments in respect of such bridge term loan facility subject to all of the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth.

NOW, THEREFORE, in consideration of the recital set forth above and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS; INTERPRETATION

Section 1.1. *Definitions.* The following terms when used herein have the following meanings:

"**Acquisition**" means the acquisition of all of the outstanding equity interests of Alinda Gas I, Inc., a Delaware corporation, and Alinda Gas II, Inc., a Delaware corporation, and 49.5% of the outstanding equity interests of the Target by Black Hills Utility Holdings pursuant to the Acquisition Agreement.

"**Acquisition Agreement**" means that certain Purchase and Sale Agreement, dated as of July 12, 2015, among Alinda Gas Delaware LLC, a Delaware limited liability company, Alinda Infrastructure Fund I, L.P., a Delaware limited partnership, and Aircraft Services Corporation, a Nevada corporation, as sellers (the "**Sellers**"), and Black Hills Utility Holdings, as buyer.

"**Acquisition Agreement Representations**" means such of the representations made by or on behalf of the Sellers and their subsidiaries in the Acquisition Agreement as are material to the interests of the Banks, but only to the extent that the Borrower (or an Affiliate of the Borrower) has the right to terminate its obligations under the Acquisition Agreement or to decline to consummate the Acquisition as a result of a breach of such representations in the Acquisition Agreement.

"**Adjusted LIBOR**" is defined in Section 2.3(b) hereof.

"**Administrative Questionnaire**" means an administrative questionnaire in a form supplied by the Administrative Agent.

"**Affiliate**" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with their correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); *provided* that, in any event for purposes of this definition: (i) any Person which owns directly or indirectly twenty percent (20%) or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or twenty percent (20%) or more of the partnership or other ownership interests of any other Person will be deemed to control such corporation or other Person; and (ii) each director and executive officer of the Borrower or any Subsidiary of the Borrower shall be deemed an Affiliate of the Borrower and each of its Subsidiaries.

"**Administrative Agent**" is defined in the first paragraph of this Agreement and includes any successor Administrative Agent pursuant to Section 10.7 hereof.

"**Agreement**" means this Bridge Term Loan Credit Agreement, including all Exhibits and Schedules hereto, as it may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"**Anti-Corruption Laws**" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery, corruption or money laundering.

"**Applicable Margin**" means, at any time (i) with respect to Base Rate Loans, the Base Rate Margin and (ii) with respect to Eurodollar Loans, the Eurodollar Margin.

"**Approved Fund**" means any Fund that is administered or managed by (a) a Bank, (b) an Affiliate of a Bank or (c) an entity or an Affiliate of an entity that administers or manages a Bank.

"**Arranger**" means Credit Suisse Securities (USA) LLC.

"**Asset Sale**" means a sale, transfer, license, lease or other disposition (including as a result of a Casualty Event) on or after the Effective Date by the Borrower or any of its Subsidiaries of any property, the Net Cash Proceeds of which are in excess of $50,000,000 in the aggregate for all such Net Cash Proceeds received during any fiscal year of the Borrower (other than (i) the sale of inventory or the disposition of other assets in the ordinary course of business and (ii) a sale, transfer, license, lease or other disposition to the Borrower and/or any of its Subsidiaries).

"**Assignment and Assumption**" means an assignment and assumption entered into by a Bank and an Eligible Assignee (with the consent of any party whose consent is required by the terms hereof), and accepted by the Administrative Agent, in substantially the form of **Exhibit C** or any other form approved by the Administrative Agent.

"**Authorized Representative**" means those persons whose specimen signatures are included in the incumbency certificate provided by the Borrower pursuant to Section 6.1(c) hereof, or any further or different officer of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Administrative Agent.

"**Availability Termination Date**" shall mean the earliest of (i) the Outside Date, (ii) the Closing Date and (iii) the date on which the Commitments are terminated in full or reduced to zero pursuant to Section 2.8(a) or Section 2.12(b)(i) hereof.

"**Bank**" and "**Banks**" are defined in the first paragraph of this Agreement.

"**Base Rate**" is defined in Section 2.3(a) hereof.

"**Base Rate Loan**" means a Loan bearing interest prior to maturity at a rate specified in Section 2.3(a) hereof.

"**Base Rate Margin**" means, during any time period, the applicable percentage set forth in **Schedule 1** hereto beside such corresponding time period and beneath the then applicable Level.

"**BHP**" means Black Hills Power, Inc., a South Dakota corporation.

"**BHP Indenture**" means that certain Restated and Amended Indenture of Mortgage and Deed of Trust dated as of September 1, 1999 between BHP and The Chase Manhattan Bank, as trustee (and any successor trustee thereunder).

"**Black Hills Utility Holdings**" means Black Hills Utility Holdings, Inc., a South Dakota Corporation and a wholly owned subsidiary of the Borrower.

"**Borrower**" is defined in the first paragraph of this Agreement.

"**Borrowing**" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by the Banks on a single date and for a single Interest Period. Borrowings of Loans are made by and maintained ratably for each of the Banks according to their Percentages. A Borrowing is "advanced" on the day Banks advance funds comprising such Borrowing to the Borrower, is "continued" on the date a new Interest Period for the same type of Loans commences for such Borrowing and is "converted" when such Borrowing is changed from one type of Loan to the other, all as requested by the Borrower pursuant to Section 2.5(a) hereof.

"**Borrowing Notice**" is defined in Section 2.5(a) hereof.

"**Business Day**" means any day other than a Saturday or Sunday on which Banks are not authorized or required to close in New York, New York, Chicago, Illinois or Rapid City, South Dakota and, if the applicable Business Day relates to the borrowing or payment of a Eurodollar Loan, on which banks are dealing in U.S. Dollars in the interbank market in London, England.

"**Capital**" means, as of any date of determination thereof, without duplication, the sum of (A) Consolidated Net Worth *plus* (B) all Recourse Indebtedness.

"**Capital Lease**" means at any date any lease of Property which, in accordance with GAAP, would be required to be capitalized on the balance sheet of the lessee.

"**Capitalized Lease Obligations**" means, for any Person, the amount of such Person's liabilities under Capital Leases determined at any date in accordance with GAAP.

"**Casualty Event**" means any loss, damage or destruction of the Borrower's or its Subsidiaries' property that is insured or the condemnation of the Borrower's or its Subsidiaries' property.

"**Change in Law**" means the occurrence, after the date of this Agreement (or with respect to any Bank, if later, the date on which such Bank becomes a Bank), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any governmental authority, or (c) the making or issuance of any request, rules, guideline, requirement or directive (whether or not having the force of law) by any governmental authority; *provided however*, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law" regardless of the date enacted, adopted, issued or implemented.

"**Change of Control Event**" means one or more of the following events:

(a) less than a majority of the members of the Board of Directors of the Borrower shall be persons who either were (i) approved by the Board of Directors of the Borrower serving as of the Effective Date or (ii) appointed by directors so approved; or

(b) the stockholders of the Borrower shall approve any plan or proposal for the liquidation or dissolution of the Borrower; or

(c) a Person or group of Persons acting in concert (other than the direct or indirect beneficial owners of the Voting Stock of the Borrower as of the Effective Date) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the direct or indirect beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time) of Voting Stock of the Borrower representing more than twenty percent (20%) of the combined voting power of the outstanding Voting Stock or other ownership interests for the election of directors or shall have the right to elect a majority of the Board of Directors of the Borrower; or

(d) except as permitted by Section 7.12 hereof, the Borrower ceases at any time to own one hundred percent (100%) of the Voting Stock and other equity interests of any Material Subsidiary (or such lower percentage that the Borrower owns at the time of organization or acquisition of such Material Subsidiary).

"**CLF&P**" means Cheyenne Light, Fuel & Power Company, a Wyoming corporation.

"**CLF&P Indenture**" means that certain Restated Indenture of Mortgage, Deed of Trust, Security Agreement and Financing Statement, dated as of November 20, 2007, between CLF&P and Wells Fargo Bank, National Association, as Trustee, together with all amendments and supplemental indentures thereto, and the first mortgage bonds issued in connection therewith.

"**Closing Date**" means the date on which the conditions specified in Section 6.2 are satisfied (or waived in accordance with Section 11.11).

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Commitment**" and "**Commitments**" are defined in Section 2.1 hereof.

"**Commitment Fee**" is defined in Section 3.1(a) hereof.

"**Commitment Letter**" means that certain Commitment Letter dated as of July 12, 2015 by and between the Arranger, the Administrative Agent and the Borrower.

"**Compliance Certificate**" means a certificate in the form of **Exhibit B** hereto.

"**Consolidated Assets**" means all assets which should be listed on the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"**Consolidated Net Worth**" means, as of any time the same is to be determined, the total shareholders' equity (including capital stock, additional paid-in-capital and retained earnings after deducting treasury stock, but excluding (to the extent otherwise included in calculating shareholders' equity), minority interests in Subsidiaries) which would appear on the consolidated balance sheet of the Borrower determined on a consolidated basis in accordance with GAAP.

"**Consolidated Subsidiary**" means, as to any Person, each subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated, with the financial statements of such Person in accordance with GAAP, including principles of consolidation.

"**Contractual Obligation**" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its Property is bound.

"**Controlled Group**" means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control that, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"**Conversion/Continuation Notice**" is defined in Section 2.5(a) hereof.

"**Credit Documents**" means this Agreement, the Notes, the Fee Letter and all other documents executed in connection herewith or therewith.

"**Debt Issuance**" means the borrowing or other incurrence of indebtedness for borrowed money (including the sale or issuance of debt securities) by the Borrower or its Subsidiaries, other than Excluded Debt.

"**Default**" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"**Defaulting Bank**" means any Bank, as reasonably determined by the Administrative Agent, that has (a) failed to fund any portion of its Loans on or prior to the date required to be funded by it hereunder, (b) notified the Borrower or the Administrative Agent in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Bank's good faith determination that a condition precedent (specifically identified and including the condition precedent, together with any applicable default) to funding under this Agreement cannot be satisfied), (c) failed, within five (5) Business Days after written request by the Administrative Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans, provided that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon receipt of such certification in form and substance satisfactory to the Administrative Agent, (d) otherwise failed to pay over to the Administrative Agent or any other Bank any other amount required to be paid by it hereunder within three (3) Business Days after the date when due, unless the subject of a good faith dispute, or (e) become (i) or is insolvent or has a parent company that has become or is insolvent or (ii) the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it or has taken any corporate or board or other action seeking or agreeing to the appointment of any such Person; *provided*, a Bank shall not become a Defaulting Bank solely as the result of the acquisition or maintenance of an ownership interest in such Bank or Person controlling such Bank or the exercise of control over a Bank or Person controlling such Bank by a governmental authority or an instrumentality thereof.

"**Derivative Arrangement**" means any agreement (including any master agreement and any agreement, whether or not in writing, relating to any single transaction) that is an interest rate swap agreement, basis swap, forward rate agreement, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, forward foreign exchange agreement, rate cap, collar or floor agreement, future agreement, currency swap agreement, cross-currency rate swap agreement, swaption, currency option, that relates to fluctuations in raw material prices or utility or energy prices or other costs, or any other similar agreement, including any option to enter into any of the foregoing, or any combination of any of the foregoing. "Derivative Arrangements" shall include all such agreements or arrangements made or entered into at any time, or in effect at any time, whether or not related to a Loan.

"**Derivative Obligations**" means, with respect to any Person, all liabilities of such Person under any Derivative Arrangement (including but not limited to obligations and liabilities arising in connection with or as a result of early or premature termination of a Derivative Arrangement, whether or not occurring as a result of a default thereunder), absolute or contingent, now or hereafter existing or incurred or due or to become due.

"**Designated Persons**" means a person or entity (a) listed in the annex to any Executive Order, (b) named as a "Specially Designated National and Blocked Person" ("SDN") on the most current list published by OFAC at its official website or any replacement website or other replacement official publication of such list (the "SDN List"), (c) located, organized or resident in a country that is itself the subject of any Sanctions Laws and Regulations, (d) owned 50 percent or more by one or more persons or entities described in clause (a) or (b), or (e) that is otherwise the subject of any Sanctions Laws and Regulations.

"**Effective Date**" means the date on which the conditions specified in Section 6.1 are satisfied (or waived in accordance with Section 11.11).

"**Electronic System**" means any electronic system, including e-mail, e-fax, Intralinks®, ClearPar®, DebtX® and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent and any of its respective Related Parties or any other Person, providing for access to data protected by passcodes or other security system.

"**Eligible Assignee**" means (a) a Bank, (b) an Affiliate of a Bank, (c) an Approved Fund, (d) a Permitted Assignee and (e) any other Person (other than a natural person) approved by (i) the Administrative Agent and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that, notwithstanding the foregoing, "Eligible Assignee" shall not include any Ineligible Institution.

"**Environmental Claim**" means any claim, action, investigation or written notice by any Person alleging potential liability (including, without limitation, potential liability for investigation, cleanup, removal, remediation, post-remedial activities, restoration, oversight, site security or costs thereof or related thereto, natural resources damages, property damages, personal injuries, fines or penalties) arising out of, based on or resulting from (a) the presence, or Release of any Hazardous Materials at any location, whether or not owned, leased or operated by the Borrower or any of its Subsidiaries, or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental and Health Laws.

"**Environmental and Health Laws**" means any and all federal, state, regional, county, local and foreign statutes, laws, common law, regulations, ordinances, judgments, orders (including, without limitation, administrative orders), permits, licenses and governmental rules or restrictions relating to human health, safety (including without limitation occupational safety and health standards), pollution, natural resources, conservation or the environment, or to emissions, discharges, Releases or threatened Releases of pollutants, contaminants, Hazardous Materials or wastes into the environment, (including without limitation ambient air, surface water, ground water or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Materials or wastes, or the removal, investigation or clean-up (including but not limited to oversight, security and relocation) or other remediation thereof.

"**Environmental Law**" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j; and all similar Laws of any court, tribunal, arbitrator, authority, agency, or official instrumentality of any Federal, state, county, city, municipal, district, tribal or other political subdivision or similar governing entity, in each case having jurisdiction over the assets in question addressing pollution, occupational health and safety, or protection of the environment, each as amended on or prior to the Closing Date.

"**Environmental Liabilities**" means all liabilities, obligations or responsibilities to conduct or pay for any type of removal, investigation, cleanup, remediation, post-remedial activities, restoration, oversight, site security pertaining to Hazardous Materials, pollutants, contaminants or any other substance regulated under Environmental and Health Laws, or take any other action at any location (including without limitation the reserve or expenditure of monies) to address actual or potential liability under Environmental and Health Laws or to comply or assure continued compliance with Environmental and Health Laws, and all Environmental Claims pending or threatened against the Borrower or its Subsidiaries or against any Person whose liability for any Environmental Claim the Borrower or its Subsidiaries may have retained or assumed, either contractually or by operation of law.

"**Environmental Review Documents**" is defined in Section 5.11(b) hereof.

"**Equity Issuance**" means the issuance of any equity interests (including equity-linked securities) in the Borrower or any of its Subsidiaries, other than (i) pursuant to any employee stock or other compensation plans and grants to employees made in the ordinary course of business, (ii) by the Borrower's subsidiaries to the Borrower or any of its Subsidiaries and (iii) directors' qualifying shares and/or other nominal amounts required to be held by persons other than the Borrower or its Subsidiaries under any applicable Requirement of Law.

"**ERISA**" is defined in Section 5.8 hereof.

"**Eurodollar Loan**" means a Loan bearing interest prior to its maturity at the rate specified in Section 2.3(b) hereof.

"**Eurodollar Margin**" means, during any time period, the applicable percentage set forth in **Schedule 1** hereto beside such corresponding time period and beneath the then applicable Level.

"**Eurodollar Reserve Percentage**" is defined in Section 2.3(b) hereof.

"**Event of Default**" means any of the events or circumstances specified in Section 8.1 hereof.

"**Excluded Debt**" means (i) intercompany Indebtedness between the Borrower and/or its Subsidiaries, (ii) credit extensions under the Existing Credit Agreement (including pursuant to refinancings, extensions, modifications or replacements thereof, in each case that are permitted under the ensuing clause (iii)), (iii) refinancings, extensions, modifications or replacements of the Existing Credit Agreement (*provided* that after giving effect thereto, the aggregate principal amount of commitments under the Existing Credit Agreement or any such refinancing, extension, modification or replacement shall in no event exceed $750,000,000), (iv) refinancings or replacements of the Term Loan Credit Agreement that do not cause the aggregate principal amount of commitments and loans thereunder to exceed the aggregate principal amount of commitments and loans outstanding under the Term Loan Credit Agreement as of the Effective Date, (v) Derivative Obligations entered into in connection with any of the Indebtedness described in (ii) through (iv) above, (vi) Indebtedness of any regulated Subsidiary of the Borrower that is not Guaranteed by the Borrower, the proceeds of which are used for capital additions or improvements for such regulated Subsidiary, including, without limitation, Indebtedness pursuant to the CLF&P Indenture and the BHP Indenture the proceeds of which are used for capital additions or improvements for such regulated Subsidiary, (vii) refinancings, extensions, modifications or replacements of any Indebtedness described in (vi) above, and (viii) purchase money Indebtedness or Capital Lease Obligations incurred to finance the acquisition of equipment or real property in the ordinary course of business.

"**Executive Order**" has the meaning assigned to such term in the definition of Sanctions Laws and Regulations.

"**Existing Credit Agreement**" means the Amended and Restated Credit Agreement, dated as of May 29, 2014 and as amended, restated, amended and restated, supplement or otherwise modified from time to time, among the Borrower, the financial institutions from time to time party thereto, as lenders, and U.S. Bank National Association, as administrative agent.

"**FATCA**" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

"**Federal Funds Rate**" means, for any period, a fluctuating interest rate per annum equal for each day during such period to:

(a) the weighted average of the rates on overnight federal funds transactions with members of the United States Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the United States Federal Reserve Bank of New York; or

(b) if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it;

provided, that if the Federal Funds Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"**Fee Letter**" means that certain letter dated as of July 12, 2015 by and between the Arranger, the Administrative Agent and the Borrower pertaining to fees to be paid by the Borrower to the Arranger and the Administrative Agent thereunder.

"**Foreign Bank**" means a Bank that is not a U.S. Person.

"**Fund**" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"**GAAP**" means generally accepted accounting principles as in effect in the United States from time to time, applied by the Borrower and its Subsidiaries on a basis consistent with the preparation of the Borrower's financial statements furnished to the Banks as described in Section 5.4 hereof.

“**Governmental Authority**” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions or pertaining to government (including supra-national bodies such as the European Union or the European Central Bank).

“**Granting Bank**” has the meaning specified in Section 11.10(h) hereof.

“**Guarantee**” means, in respect of any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligations of another Person, including, without limitation, by means of an agreement to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to maintain financial covenants, or to assure the payment of such Indebtedness by an agreement to make payments in respect of goods or services regardless of whether delivered, or otherwise, provided, that the term “**Guarantee**” shall not include endorsements for deposit or collection in the ordinary course of business; and such term when used as a verb shall have a correlative meaning.

“**Hazardous Material**” means any chemical, substance or material, the generation, use, storage, transportation or disposal of which, is prohibited, limited or regulated by any Environmental and Health Law, and includes, without limitation, (a) asbestos, polychlorinated biphenyls, dioxins and petroleum or its by-products or derivatives (including crude oil or any fraction thereof), lead-based paint, mold and radon, and (b) any material or substance the exposure to, or manufacture, possession, presence, use, generation, storage, transportation, treatment, Release, disposal, abatement, cleanup, removal, remediation or handling of which, is prohibited, controlled or regulated pursuant to any Environmental and Health Law.

“**ICE LIBOR**” has the meaning assigned to such term in the definition of Base Rate.

“**Immaterial Subsidiary**” shall mean, any direct or indirect subsidiary of the Borrower (i) whose total assets (as determined in accordance with GAAP) do not represent at least ten percent (10%) of the total assets (as determined in accordance with GAAP) of the Borrower and its subsidiaries on a consolidated basis or (ii) whose total revenues (as determined in accordance with GAAP) do not represent at least ten percent (10%) of the total revenues (as determined in accordance with GAAP) of the Borrower and its subsidiaries on a consolidated basis, *provided* that no subsidiary shall be deemed an Immaterial Subsidiary to the extent (a) the total assets of such subsidiary, when combined with the total assets of other subsidiaries which are Immaterial Subsidiaries, represent at least twenty percent (20%) of the total assets (as determined in accordance with GAAP) of the Borrower and its subsidiaries on a consolidated basis or (ii) the total revenues of such subsidiary, when combined with the total revenues of other Immaterial Subsidiaries, (as determined in accordance with GAAP) represent at least twenty percent (20%) of the total revenues (as determined in accordance with GAAP) of the Borrower and its subsidiaries on a consolidated basis. As used in this definition “**subsidiary**” shall mean any Person whose financial statements are consolidated into the financial statements of the Borrower in accordance with GAAP.

"**Impacted Bank**" means any Bank that fails promptly to provide the Administrative Agent, upon the Administrative Agent's reasonable request therefor, reasonably satisfactory assurance that such Bank will not become a Defaulting Bank.

"**Indebtedness**" means, as to any Person, without duplication: (i) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (ii) all obligations of such Person for the deferred purchase price of property or services (other than in respect of trade accounts payable arising in the ordinary course of business which are not past-due); (iii) all Capitalized Lease Obligations of such Person; (iv) all Indebtedness of others secured by a Lien on any properties, assets or revenues of such Person (other than stock, partnership interests or other equity interests of the Borrower or any Subsidiary of the Borrower in other entities) to the extent of the lesser of the value of the property subject to such Lien or the amount of such Indebtedness; (v) all Guarantees issued by such Person, *provided* that Long-Term Guaranties shall not be deemed "**Indebtedness**" for purposes of calculating the Borrower's compliance with the financial covenants set forth in Section 7.17 hereof; (vi) all obligations of such Person, contingent or otherwise, in respect of any letters or credit (whether commercial or standby) or bankers' acceptances, (vii) all Derivative Obligations of such Person, provided that for purposes of determining the Borrower's compliance with the financial covenants set forth in Section 7.17 hereof, only the Borrower's Derivative Obligations under Derivative Arrangements which must be marked-to-market in accordance with GAAP shall be included as Indebtedness of the Borrower, and (viii) all obligations of such Person under synthetic (and similar type) lease arrangements, provided that for purposes of calculating such Person's Indebtedness under such synthetic (or similar type) lease arrangements, such lease arrangement shall be treated as if it were a Capital Lease.

"**Ineligible Institution**" means (i) a natural person, (ii) a Defaulting Bank, (iii) the Borrower, any of its Subsidiaries or any of its Affiliates, or (iv) a company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or relative(s) thereof.

"**Interest Period**" is defined in Section 2.6 hereof.

"**Interpolated Rate**" has the meaning assigned to such term in the definition of LIBOR.

"**Investments**" is defined in Section 7.14 hereof.

"**Laws**" means all laws, statutes, rules, regulations, ordinances, and other pronouncements having the effect of law of any Governmental Authority.

"**Lending Office**" is defined in Section 9.4 hereof.

"**Level**" refers, at any time, to whether Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status, as the case may be, is in effect at such time.

"**Level I Status**" means the Borrower's S&P Rating is A- or higher and its Moody's Rating is A3 or higher.

"**Level II Status**" means Level I Status does not apply, but the Borrower's S&P Rating is BBB+ or higher and its Moody's Rating is Baa1 or higher.

"**Level III Status**" means neither Level I Status nor Level II Status applies, but the Borrower's S&P Rating is BBB or higher and its Moody's Rating is Baa2 or higher.

"**Level IV Status**" means neither Level I Status, Level II Status nor Level III Status applies, but the Borrower's S&P Rating is BBB- or higher and its Moody's Rating is Baa3 or higher.

"**Level V Status**" means neither Level I Status, Level II Status, Level III Status nor Level IV Status applies.

"**LIBOR**" is defined in Section 2.3(b) hereof.

"**LIBOR Screen Rate**" is defined in Section 2.3(b) hereof.

"**Lien**" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a "**Lien.**"

"**Loans**" means the loans made by the Banks to the Borrower pursuant to this Agreement.

"**Long-Term Guarantee**" means (i) any Guarantee issued by the Borrower or its Subsidiaries under which the holder or beneficiary of such Guarantee is not permitted under any circumstance or contingency to make demand or exercise any other remedies under such Guarantee prior to the Termination Date, as extended from time to time in accordance with the terms hereof and (ii) any coal mining reclamation bonds or contingent indemnity or reimbursement obligations with respect to such reclamation bonds (so long as such reclamation bonds have not been called upon).

"**Material Adverse Effect**" means a material adverse effect on (i) the business, financial position or results of operations of the Borrower or the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its material obligations under the Credit Documents, (iii) the validity or enforceability of the material obligations of the Borrower under any Credit Document, (iv) the rights and remedies of the Banks or the Administrative Agent against the Borrower; or (v) the timely payment of the principal of and interest on the Loans or other amounts payable by the Borrower hereunder, provided that a downgrade of the Borrower's S&P Rating and/or Moody's Rating and/or any other credit rating of Borrower from any other credit rating agency shall not, in and of itself, be deemed a "Material Adverse Effect" for purposes of this Agreement.

"**Material Subsidiaries**" means any Subsidiary of the Borrower which is not either an Immaterial Subsidiary or a Project Finance Subsidiary; all Material Subsidiaries are designated as such in **Schedule 5.2**, as updated from time to time in accordance with the terms of this Agreement.

"**Moody's Rating**" means the rating assigned by Moody's Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term indebtedness of a Person (or if neither Moody's Investors Service, Inc. nor any such successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the United States of America as mutually agreed between the Required Banks and the Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as defined as of the date hereof by Moody's Investors Service, Inc. (or such a successor) and shall be deemed to refer to the equivalent rating if such rating system changes.

"**Net Cash Proceeds**" means, with respect to any Asset Sale, Debt Issuance or Equity Issuance, (a) the proceeds in cash or cash equivalents (including, in the case of any Casualty Event, insurance, condemnation or similar proceeds) actually received (and, prior to the Closing Date only, any such proceeds received into escrow (and the term "receives" as used with respect to Section 2.12(b)(ii) shall be construed accordingly)) by the Borrower or any of its Subsidiaries in respect of such event (to the extent, if received by a Subsidiary of the Borrower, such proceeds may be distributed to the Borrower pursuant to applicable Law), including any cash received in respect of any non-cash proceeds (but only as and when received), in each case, net of (b) the sum, without duplication, of (i) all fees and out-of-pocket expenses, including attorney, accountant, auditor, printer, SEC filing, brokerage, consultant, investment banking, advisory, placement, arranger or underwriting fees and expenses and any other customary fees and expenses actually incurred by the Borrower and its Subsidiaries in connection with such event, (ii) survey costs, title insurance premiums, and search and recording charges, (iii) the amount of all Taxes, including sales, transfer, deed or mortgage recording taxes, paid or payable by the Borrower and its Subsidiaries as a result thereof, and any other payment required by applicable law, rule or regulation as a result of such event, and (iv) in the case of an Asset Sale, (A) the amount of all payments required to be made by the Borrower and its Subsidiaries as a result of such event to repay indebtedness or pay other obligations in each case secured by such assets and (B) the amount of any reserves established by the Borrower and its Subsidiaries, in accordance with GAAP, to fund purchase price adjustment, indemnification and similar contingent liabilities in connection therewith; *provided* that if the Borrower or any of its Subsidiaries receives proceeds that would otherwise constitute Net Cash Proceeds from any Casualty Event, then the Borrower or its applicable Subsidiary may use, or commit to use, any portion of such proceeds (the "**Reinvestment Amount**") to acquire, construct, improve, upgrade or repair assets used or useful in the business of the Borrower or such Subsidiary, and in each case, the Reinvestment Amount shall not constitute Net Cash Proceeds until, and except to the extent (but shall then be deemed to have been received to such extent and shall constitute Net Cash Proceeds and not be covered by this proviso), not so used within the 180-day period following receipt of such proceeds (unless committed (pursuant to a binding agreement) within such 180-day period to be so used and so used within 180 days following the end of such 180-day period). For purposes of this definition, in the event any contingent liability reserve established with respect to any event as described in clause (b)(iv)(B) above shall be reduced, the amount of such reduction shall, except to the extent such reduction is made as a result of a payment having been made in respect of the contingent liabilities with respect to which such reserve has been established, be deemed to be receipt, on the date of such reduction, of Net Cash Proceeds in respect of such event.

“**Non-Defaulting Bank**” means a Bank that is not a Defaulting Bank.

“**Non-Recourse Indebtedness**” means, without duplication, all Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP incurred in connection with project financings and refinancings (including project financings and refinancings of existing assets) as to which the holder of such Indebtedness has recourse solely against the assets of the Project Finance Subsidiary that incurs such Indebtedness and not against the Borrower or a Consolidated Subsidiary of the Borrower other than a Project Finance Subsidiary or any of their other assets (whether directly, through a Guarantee or otherwise), other than the pledge of the stock (or similar equity interest) of the Project Finance Subsidiary which incurred such Indebtedness. For purposes of clarification, any Indebtedness of a Project Finance Subsidiary which would otherwise constitute Non-Recourse Indebtedness but for the issuance by the Borrower or a Consolidated Subsidiary of the Borrower of a Guarantee or other document which provides recourse with respect to such Indebtedness, such Indebtedness shall for all purposes of this Agreement be deemed Non-Recourse Indebtedness so long as (i) the Borrower’s or such Consolidated Subsidiary’s obligations under such Guarantee or other document are treated for all purposes as Recourse Indebtedness hereunder, (ii) such Recourse Indebtedness of the Borrower or such Consolidated Subsidiary pursuant to such Guaranty is unsecured and is otherwise permitted by this Agreement, and (iii) such Recourse Indebtedness of the Borrower or such Consolidated Subsidiary pursuant to all such Guaranties does not in the aggregate exceed $100,000,000 at any one time outstanding.

“**Note**” is defined in Section 2.10(a) hereof.

“**Obligations**” means all fees payable hereunder, all obligations of the Borrower to pay principal of or interest on Loans, fees, expenses, indemnities, and all other payment obligations of the Borrower arising under or in relation to any Credit Document.

“**OFAC**” has the meaning assigned to such term in the definition of Sanctions Laws and Regulations.

"**Outside Date**" means the earliest of (a) 5:00 p.m., New York City time, July 12, 2016 (or such later date not later than October 12, 2016 to which the Outside Date (as defined in the Acquisition Agreement) shall have been extended in accordance with the Acquisition Agreement, (b) the date that the Acquisition Agreement is terminated or expires, (c) the date that the Borrower informs the Administrative Agent in writing, or makes a public announcement, that the Borrower has abandoned its pursuit of the Acquisition and (d) the date on which the Commitments are terminated in full or reduced to zero pursuant to Section 2.8(a) or Section 2.12(b)(i) hereof.

"**Participant**" is defined in Section 11.10(d) hereof.

"**Paydown Notice**" is defined in Section 2.8(a) hereof.

"**Percentage**" means, for each Bank, the percentage of the Commitments represented by such Bank's Commitment or, if the Commitments have been terminated, the percentage held by such Bank of the aggregate principal amount of all outstanding Obligations.

"**Permitted Assignee**" means any bank, financial institution or other institutional lender identified by the Arranger that (x) is reasonably acceptable to the Borrower or (y) has been identified on a list mutually agreed in writing between the Arranger and the Borrower prior to July 12, 2015.

"**Permitted Derivative Obligations**" means all Derivative Obligations as to which the Derivative Arrangements giving rise to such Derivative Obligation are entered into in the ordinary course of business to hedge interest rate risk, currency risk, commodity price risk or the production of the Borrower or its Subsidiaries (and not for speculative purposes) and if such Derivative Obligation is an obligation of the Borrower, such Derivative Obligation ranks no greater than *pari passu* to the Obligations.

"**Person**" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"**Plan**" means at any time an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"**PBGC**" is defined in Section 5.8 hereof.

"**Prime Rate**" means the rate of interest per annum determined from time to time by Credit Suisse AG as its prime rate in effect at its principal office in New York City and notified to the Borrower. The prime rate is a rate set by Credit Suisse AG based upon various factors including Credit Suisse AG's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such rate.

"**Proceeding**" means any complaint, lawsuit, action, suit, claim (including claim of a violation of Law), administrative enforcement, judgment, order or other proceeding at Law or in equity or order or ruling, in each case by or before any Governmental Authority or arbitral tribunal.

"**Project Finance Subsidiary**" means any Subsidiary of the Borrower as to which the creditors and other holders of Indebtedness of such Subsidiary have recourse solely against the assets of such Subsidiary and not against the Borrower or any other Subsidiary of the Borrower or any of their other assets (whether directly, through a Guarantee or otherwise) other than (i) pursuant to a Guarantee permitted hereunder and (ii) the stock of such Subsidiary (or similar equity interest).

"**Property**" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"**PUHCA**" means the Public Utility Holding Company Act of 2005, as amended.

"**Recourse Indebtedness**" means, without duplication, all Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP other than Non-Recourse Indebtedness, but including first mortgage bond debt.

"**Recourse Leverage Ratio**" means, as of any time the same is to be determined, the ratio of the amount of (A) Recourse Indebtedness outstanding at such time to (B) the amount of Capital at such time.

"**Reference Rating**" is the rating for the Borrower's senior, unsecured long-term indebtedness for borrowed money that is not guaranteed by any other person or entity.

"**Reinvestment Amount**" has the meaning assigned to such term in the definition of Net Cash Proceeds.

"**Related Parties**" means, with respect to any specified Person, such Person's controlled Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's controlled Affiliates.

"**Release**" means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Materials into the indoor or outdoor environment (including, without limitation, the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Materials), or into or out of any property, including the movement of any Hazardous Material through the air, soil, surface water, groundwater or property.

"**Required Banks**" means, as of the date of determination thereof, any Banks holding in the aggregate more than fifty percent (50%) of the Percentages, *provided*, that at any time there are two (2) or fewer Banks, Required Banks shall mean Banks holding one hundred percent (100%) of the Percentages.

"**Requirement of Law**" means, with respect to any Person, (a) the charter, articles or certificate of organization or incorporation and bylaws or other organizational or governing documents of such Person and (b) any statute, law, treaty, rule, regulation, order, decree, writ, injunction or determination of any arbitrator or court or other Governmental Authority (including Environmental Laws), in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Responsible Officer**" means any of the president, chief executive officer, chief financial officer, treasurer, assistant treasurer, controller or chief accounting officer of the Borrower but, in any event, with respect to financial matters, the foregoing person that is responsible for preparing the financial statements and reports delivered hereunder.

"**S&P Rating**" means the rating assigned by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term indebtedness of a Person (or, if neither such division nor any successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the United States as mutually agreed between the Required Banks and the Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as defined as of the date hereof by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (or such a successor), and shall be deemed to refer to the equivalent rating if such rating system changes.

"**Sanctions Laws and Regulations**" means (a) any sanctions, prohibitions or requirements imposed by any executive order (an "**Executive Order**") or by any sanctions program administered by the U.S. Department of the Treasury Office of Foreign Assets Control ("**OFAC**") or the U.S. Department of State and (b) any sanctions measures imposed by the United Nations Security Council, European Union or the United Kingdom.

"**SEC**" means the United States Securities and Exchange Commission.

"**Security**" has the same meaning as in Section 2(l) of the Securities Act of 1933, as amended.

"**Sellers**" has the meaning assigned to such term in the definition of Acquisition Agreement.

"**Solvency Certificate**" means a certificate from the chief financial officer or other officer of equivalent duties of the Borrower demonstrating the solvency (on a consolidated basis) of the Borrower and its Subsidiaries as of the Closing Date, on a pro forma basis for the Transactions, substantially in the form of **Exhibit F** hereto.

"**Solvent**" means that (a) the fair value of a Person's assets is in excess of the total amount of such Person's debts, as determined in accordance with the United States Bankruptcy Code, and (b) the present fair saleable value of a Person's assets is in excess of the amount that will be required to pay such Person's debts as they become absolute and matured. As used in this definition, the term "debts" includes any legal liability, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent, as determined in accordance with the United States Bankruptcy Code.

"**SPC**" has the meaning specified in Section 11.10(h) hereof.

"**Specified Representations**" means the representations and warranties set forth in Section 5.1, Section 5.3, Section 5.9, Section 5.10, Section 5.15, Section 5.16 and Section 5.17 hereof.

"**Subsidiary**" means, as to the Borrower, any corporation or other entity (i) which is consolidated into the financial statements of the Borrower in accordance with GAAP or (ii) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the Board of Directors of such corporation or similar governing body in the case of a non-corporation (irrespective of whether or not, at the time, stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by the Borrower or by one or more of its Subsidiaries.

"**Target**" means SourceGas Holdings LLC, a Delaware limited liability company.

"**Target Company**" means each of the Target and the Target Subsidiaries, and "**Target Companies**" means the Target and the Target Subsidiaries, collectively.

"**Target LLC**" means SourceGas LLC, a Delaware limited liability company.

"**Target Material Adverse Effect**" means any occurrence, condition, change, development, event or effect that materially adversely affects the business, properties, financial condition or results of operations on the Target Companies, taken as a whole; *provided*, *however,* in no event shall any of the following, either alone or in combination with any other occurrence, condition, change, development, event or effect, constitute a Target Material Adverse Effect: any occurrence, condition, change, development, event or effect directly or indirectly resulting from (a) any change in economic conditions generally, including any change in markets for, or prices of, natural gas, electric power or capacity, or other commodities or supplies; (b) any change in general regulatory, social or political conditions, including any acts of war, sabotage or terrorist activities; (c) any change affecting any of the natural gas transportation, distribution, storage or sales industries, generally, or the target markets or systems of the Target Companies in particular; (d) any change in the financial, banking, credit, securities or capital markets (including any suspension of trading in, or limitation on prices for, securities on any stock exchange or any changes in interest rates) or any change in the general national or regional economic or financial conditions; (e) any continuation of an adverse trend or condition; (f) any proposed or actual change in any Laws (including Environmental Laws) or generally accepted accounting principles in the United States as in effect as of July 12, 2015; (g) any effects of weather (including any impact on customer use patterns), geological or meteorological events or other natural disaster; (h) strikes, work stoppages or other labor disturbances; (i) any change caused by the pending Acquisition including changes due to the credit rating of Borrower or its Affiliates; (j) any actions to be taken pursuant to or in accordance with the Acquisition Agreement, or taken at the request of or with the consent of Black Hills Utility Holdings; (k) the announcement or pendency of the transactions contemplated by the Acquisition Agreement, including the impact thereof on the relationships, contractual or otherwise, of the Target Companies with employees, labor unions, customers, suppliers or partners, and including any lawsuit, action or other Proceeding with respect to the transactions contemplated by the Acquisition Agreement; (l) any failure by any Target Company to meet internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (*provided* that the exception in this clause (l) shall not prevent or otherwise affect a determination that any event, change, effect, development, occurrence or condition underlying such failure has resulted in, or contributed to, a Target Material Adverse Effect), and (m) any matter disclosed in the schedules to the Acquisition Agreement.

"**Target Subsidiary**" means each of, and *"Target Subsidiaries"* means, collectively, Target LLC, SourceGas Inc., a Delaware corporation, SourceGas International, Inc., a Delaware corporation, SourceGas Arkansas Inc., an Arkansas corporation, SourceGas Gas Supply Services Inc., a Colorado corporation, SourceGas Energy Services Company, a Colorado corporation, SourceGas Distribution LLC, a Delaware limited liability company, Rocky Mountain Natural Gas LLC, a Colorado limited liability company, and SourceGas Storage LLC, a Colorado limited liability company.

"**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including interest, additions to tax or penalties applicable thereto.

"**Termination Date**" means the date that is one year following the Closing Date or, if such date is not a Business Day, then the immediately preceding Business Day.

"**Term Loan Credit Agreement**" means that certain Credit Agreement dated as of April 13, 2015 among the Borrower, the financial institutions party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

"**Transactions**" means, collectively, the Acquisition; the negotiation and entry into this Agreement by the parties hereto; the payment of fees and expenses incurred in connection with the Acquisition, this Agreement and the other transactions contemplated in connection herewith; and any replacement or refinancing of the Commitments and/or the Loans with permanent financing.

"**Unfunded Vested Liabilities**" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"**Unguaranteed Non-Recourse Indebtedness**" means, without duplication, Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP incurred in connection with project financings (including project financings of existing assets) as to which the holder of such Indebtedness has recourse solely against the assets of the Project Finance Subsidiary that incurs such Indebtedness and not against the Borrower or a Consolidated Subsidiary of the Borrower other than a Project Finance Subsidiary or any of their other assets (whether directly, through a Guarantee or otherwise), other than the pledge of the stock (or similar equity interest) of the Project Finance Subsidiary which incurred such Indebtedness; provided, for purposes of clarification of this definition, any Indebtedness of a Project Finance Subsidiary in which the Borrower or a Consolidated Subsidiary of the Borrower has issued a Guarantee or is a party to any other document which provides recourse with respect to such Indebtedness, such Indebtedness shall for all purposes of this Agreement not be deemed Unguaranteed Non-Recourse Indebtedness.

"**U.S. Dollars**" and "**$**" each means the lawful currency of the United States of America.

"**U.S. Person**" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"**U.S. Tax Compliance Certificate**" is defined in Section 11.1(b).

"**Voting Participant**" is defined in Section 11.10(i) hereof.

"**Voting Participant Notification**" is defined in Section 11.10(i) hereof.

"**Voting Stock**" of any Person means capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person.

"**Welfare Plan**" means a "**welfare plan,**" as defined in Section 3(l) of ERISA.

"**Wholly-Owned**" when used in connection with any Subsidiary means a Subsidiary of which all of the issued and outstanding shares of stock or other equity interests (other than directors' qualifying shares as required by law) shall be owned by the Borrower and/or one or more of its Wholly-Owned Subsidiaries.

Section 1.2. *Interpretation.* The foregoing definitions shall be equally applicable to both the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to New York, New York time unless otherwise specifically provided. The word "including" means including without limiting the generality of any description preceding such term. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP in effect on the Effective Date, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement. Whether any obligations of the Borrower or any Subsidiary are "pari passu" with the Obligations shall be determined based on contractual rights and shall not take into consideration structural seniority or subordination. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), and (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws). Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made without giving effect to (i) any election under Accounting Standards Codification Section 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any of its Subsidiaries at "fair value", as defined therein, or (ii) any treatment of Indebtedness in respect of convertible debt instruments under Financial Accounting Standards Codification Subtopic 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof.

ARTICLE 2
THE CREDITS

Section 2.1. *The Commitments and the Loans.* Subject to the terms and conditions hereof (including Sections 6.1 and 6.2 hereof), each Bank, by its acceptance hereof, severally agrees to make a single Loan to the Borrower in U.S. Dollars on the Closing Date in an aggregate outstanding amount up to the amount of its commitment set forth opposite the name of such Bank on **Schedule 2.1** hereto (such amount, as reduced pursuant to Section 2.8 or Section 2.12 hereof or changed as a result of one or more assignments under Section 11.10 hereof, its "**Commitment**" and, cumulatively for all the Banks, the "**Commitments**"). As provided in Section 2.5(a) hereof, the Borrower may elect that each Borrowing of Loans be either Base Rate Loans or Eurodollar Loans. Loans may not be reborrowed once repaid. The Commitment of each Bank to lend to the Borrower shall automatically expire on the Availability Termination Date after giving effect to any Loans made pursuant to this Section 2.1 on such date. Unless an earlier maturity is provided for hereunder, all Loans shall mature and be due and payable on the Termination Date.

Section 2.2. *[Reserved]*.

Section 2.3. *Applicable Interest Rates.*

(a) *Base Rate Loans*. Each Base Rate Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed (x) at all times the Base Rate is based on the rate described in clause (i) of the definition thereof, on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed or (y) at all times the Base Rate is based on the rate described in clause (ii) or (iii) of the definition thereof, on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Eurodollar Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect, payable on the last day of its Interest Period and at maturity (whether by acceleration or otherwise) and no less frequently than quarterly.

"**Base Rate**" means, for any day, a rate of interest per annum equal to the highest of (i) the Prime Rate for such day, (ii) the sum of the Federal Funds Rate for such day plus 1/2% per annum and (iii) the Adjusted LIBOR for a one-month Interest Period denominated in U.S. Dollars on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1.00% per annum, *provided* that, for the avoidance of doubt, the rate for any day shall be based on the rate determined on such day at approximately 11:00 a.m. (London time) by reference to the ICE Benchmark Administration Interest Settlement Rates (as set forth by any service selected by the Administrative Agent that has been nominated by the ICE Benchmark Administration Limited (or any Person which takes over the administration of that rate) as an authorized information vendor for the purpose of displaying such rates) (the "**ICE LIBOR**") as published by Reuters (or such other commercially available source providing quotations of ICE LIBOR as may be designated by the Administrative Agent from time to time). Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Rate or the Adjusted LIBOR shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Rate or the Adjusted LIBOR, respectively.

(b) *Eurodollar Loans*. Each Eurodollar Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued, or created by conversion from a Base Rate Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period.

"**Adjusted LIBOR**" means, for any Borrowing of Eurodollar Loans, a rate per annum determined by multiplying LIBOR *times* the Eurodollar Reserve Percentage.

"**LIBOR**" means, with respect to any Eurodollar Borrowing for any applicable Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for U.S. Dollars for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen or, in the event such rate does not appear on either of such Reuters pages, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion (in each case the "**LIBOR Screen Rate**") at approximately 11:00 a.m. (London time) two (2) Business Days prior to the commencement of such Interest Period; provided that, if the LIBOR Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; *provided further*, that if a LIBOR Screen Rate shall not be available at such time for such Interest Period, then LIBOR for such Interest Period shall be the rate (the "**Interpolated Rate**") which results from interpolating on a linear basis between: (a) the rate appearing on Reuters Screen LIBOR01 Page (or otherwise on the Reuters screen) for the longest period (for which that rate is available) which is less than the Interest Period and (b) the rate appearing on Reuters Screen LIBOR01 Page (or otherwise on the Reuters screen) for the shortest period (for which that rate is available) which exceeds the Interest Period, each as of approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.; provided, that, if the Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. It is understood and agreed that all of the terms and conditions of this definition of "LIBOR" shall be subject to Section 2.3 hereof.

"Eurodollar Reserve Percentage" means for a Borrowing of Eurodollar Loans from any Bank, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board of Governors of the Federal Reserve System to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D of the Board of Governors of the Federal Reserve System. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Bank under such Regulation D of the Board of Governors of the Federal Reserve System or any comparable regulation. The Eurodollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

(c) *Rate Determinations*. The Administrative Agent shall determine each interest rate applicable to Obligations, and a determination thereof by the Administrative Agent shall be conclusive and binding except in the case of manifest error.

Section 2.4. *[Reserved].*

Section 2.5. *Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans.*

(a) *Notice to the Administrative Agent*. The Borrowing under Section 2.1 shall be made upon the Borrower's notice to the Administrative Agent in the form of **Exhibit E-1** (a "**Borrowing Notice**") by no later than 1:00 p.m. (New York time) (i) in the case of a Borrowing consisting of Eurodollar Loans, at least three (3) Business Days before the date on which the Borrower requests the Banks to advance such Borrowing or (ii) in the case of a Borrowing consisting of Base Rate Loans, on the date on which the Borrower requests the Banks to advance such Borrowing. Such Borrowing Notice delivered by the Borrower shall be irrevocable. The Loans shall bear interest initially at the type of rate specified in such Borrowing Notice. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to the minimum amount requirement for each outstanding Borrowing set forth in Section 2.4 hereof, a portion thereof, as follows: (i) if such Borrowing is of Eurodollar Loans, on the last day of the Interest Period applicable thereto, the Borrower may continue part or all of such Borrowing as Eurodollar Loans for an Interest Period or Interest Periods specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans, and (ii) if such Borrowing is of Base Rate Loans, on any Business Day, the Borrower may convert all or part of such Borrowing into Eurodollar Loans for an Interest Period or Interest Periods specified by the Borrower. The Borrower shall give all such notices requesting the advance, continuation, or conversion of a Borrowing to the Administrative Agent by telephone, telecopy or email of a properly executed pdf (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing). Notices of the continuation of a Borrowing of Eurodollar Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of Eurodollar Loans into Base Rate Loans or of Base Rate Loans into Eurodollar Loans shall be in the form of **Exhibit E-2** (a "**Conversion/Continuation Notice**") and must be given by no later than 1:00 p.m. (New York time) at least three (3) Business Days before the date of the requested continuation or conversion. All such Conversion/Continuation Notices shall be irrevocable once given and shall specify the date of the requested advance, continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurodollar Loans, the Interest Period applicable thereto. The Borrower agrees that the Administrative Agent may rely on any such telephonic or telecopy notice given by any person it in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon. There may be no more than eight (8) different Interest Periods in effect at any one time, provided that for purposes of determining the number of Interest Periods in effect at any one time, all Base Rate Loans shall be deemed to have one and the same Interest Period.

(b) *Notice to the Banks*. The Administrative Agent shall give prompt telephonic or telecopy notice to each Bank of any Borrowing Notice or Conversion/Continuation Notice from the Borrower received pursuant to Section 2.5(a) hereof. The Administrative Agent shall give notice to the Borrower and each Bank by like means of the interest rate applicable to each Borrowing of Eurodollar Loans.

(c) *Borrower's Failure to Notify*. Any outstanding Borrowing of Base Rate Loans shall, subject to Section 6.2 hereof, automatically be continued for an additional Interest Period on the last day of its then current Interest Period unless the Borrower has notified the Administrative Agent within the period required by Section 2.5(a) hereof that it intends to convert such Borrowing into a Borrowing of Eurodollar Loans or notifies the Administrative Agent within the period required by Section 2.8(a) hereof that it intends to prepay or repay such Borrowing. If the Borrower fails to give notice pursuant to Section 2.5(a) hereof of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurodollar Loans before the last day of its then current Interest Period within the period required by Section 2.5(a) hereof and has not notified the Administrative Agent within the period required by Section 2.8(a) hereof that it intends to prepay such Borrowing, such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans, subject to Section 6.2 hereof. The Administrative Agent shall promptly notify the Banks of the Borrower's failure to so give a notice under Section 2.5(a) hereof.

(d) *Disbursement of Loans*. Not later than 12:00 noon (New York time) on the specified date of a Borrowing of Eurodollar Loans, and not later than 2:00 p.m. (New York time) on the specified date of a Borrowing of Base Rate Loans, subject to Article 6 hereof, each Bank shall make available its Loan comprising part of such Borrowing in funds immediately available at the principal office of the Administrative Agent. The Administrative Agent shall make available to the Borrower Loans in the type of funds received by the Administrative Agent from the Banks.

(e) *Administrative Agent Reliance on Bank Funding*. Unless the Administrative Agent shall have been notified by a Bank (i) with respect to Eurodollar Loans, before the date on which such Bank is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) or (ii) with respect to Base Rate Loans, no later than 2:00 p.m. (New York time) on the due date thereof, that such Bank does not intend to make such payment, the Administrative Agent may assume that such Bank has made such payment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Bank and, if any Bank has not in fact made such payment to the Administrative Agent, such Bank shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Bank pays such amount to the Administrative Agent at a rate per annum equal to (i) from the date the related payment was made by the Administrative Agent to the date two (2) Business Days after payment by such Bank is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Bank to the date such payment is made by such Bank, the Base Rate in effect for each such day. If such amount is not received from such Bank by the Administrative Agent immediately upon demand, the Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan.

Section 2.6. *Interest Periods*. As provided in Section 2.5(a) hereof, at the time of each request for a Borrowing of Eurodollar Loans, the Borrower shall select an Interest Period applicable to such Loans from among the available options. The term "Interest Period" means the period commencing on the date a Borrowing of Loans is advanced, continued, or created by conversion and ending: (a) in the case of Base Rate Loans, on the last Business Day of the calendar quarter in which such Borrowing is advanced, continued, or created by conversion (or on the last day of the following calendar quarter if such Loan is advanced, continued or created by conversion on the last Business Day of a calendar quarter) and (b) in the case of Eurodollar Loans, 1, 2, 3 or 6 months thereafter; provided, however, that:

(c) any Interest Period for a Borrowing of Base Rate Loans that otherwise would end after the Termination Date shall end on the Termination Date;

(d) for any Borrowing of Eurodollar Loans, the Borrower may not select an Interest Period that extends beyond the Termination Date;

(e) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, provided that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurodollar Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(f) for purposes of determining an Interest Period for a Borrowing of Eurodollar Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; *provided, however*, that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.7. *Maturity of Loans*. Unless an earlier maturity is provided for hereunder (whether by acceleration or otherwise), all Obligations (including principal and interest on all outstanding Loans) shall mature and become due and payable by the Borrower on the Termination Date.

Section 2.8. *Optional Termination or Reduction of Commitments and Prepayments of Loans*.

(a) *Optional Termination or Reduction of Commitments*. The Borrower shall have the right, upon three (3) Business Days' prior written notice to the Administrative Agent, to terminate the Commitments in full, or from time to time permanently reduce the Commitments in part, in each case without premium or penalty, any such reduction to be (i) in an amount not less than $2,000,000 and integral multiples of $1,000,000 in excess thereof (or, if less, the entire amount of the Commitments then outstanding), and (ii) allocated ratably among the Banks in proportion to their respective Percentages. The Administrative Agent shall give prompt notice to each Bank of any such termination or reduction of Commitments. Any termination or reduction of Commitments pursuant to this Section 2.8(a) shall be permanent. Any termination or reduction of Commitments pursuant to this Section 2.8(a) may be conditioned upon the occurrence of one or more events, in which case the written notice by the Borrower required pursuant to this Section 2.8(a) may be revoked by the Borrower (by written notice to the Administrative Agent on or prior to the specified date of such termination or reduction) if such condition is not satisfied.

(b) From and after the Closing Date, the Borrower may prepay any Borrowing of Eurodollar Loans or Base Rate Loans without premium or penalty and in whole or in part (but, if in part, then in an amount not less than $2,000,000 and integral multiples of $1,000,000 in excess thereof (or, if less, the entire principal amount of the Loans then outstanding)) upon written notice to the Administrative Agent in the form of **Exhibit E-3** (a "**Paydown Notice**") (i) in the case of a Borrowing of Eurodollar Loans, three (3) Business Days prior to such prepayment, or (ii) in the case of a Borrowing of Base Rate Loans, no later than 2:00 p.m. (New York time) on the date of prepayment, such prepayment to be made by the payment of the principal amount to be prepaid and accrued interest thereon to the date fixed for prepayment. In the case of Eurodollar Loans, any amounts owing under Section 2.11 hereof as a result of such prepayment shall be paid contemporaneously with such prepayment. The Administrative Agent will promptly advise each Bank of any such prepayment notice it receives from the Borrower. Each Paydown Notice delivered by the Borrower pursuant to this Section 2.8(b) shall be irrevocable; *provided* that such Paydown Notice may state that such Paydown Notice is conditioned upon the occurrence of one or more events specified therein, in which case such Paydown Notice may be revoked by the Borrower (by written notice to the Administrative Agent on or prior to the specified date of prepayment) if such condition is not satisfied. Amounts prepaid under this Section 2.8(b) may not be reborrowed.

Section 2.9. *Default Rate*. If any payment of principal or interest on any Loan, or payment of any other Obligation, is not made when due (whether by acceleration or otherwise), such principal, interest or other Obligation shall bear interest (computed on the basis of a year of 360 days and actual days elapsed or, if based on the rate described in clause (i) of the definition of Base Rate, on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed) from the date such payment was due until paid in full, payable on demand, at a rate per annum equal to:

(a) for any Obligation other than a Eurodollar Loan (including principal and interest relating to Base Rate Loans and interest on Eurodollar Loans), the sum of two percent (2.00%) plus the Applicable Margin plus the Base Rate from time to time in effect; and

(b) for the principal of any Eurodollar Loan, the sum of two percent (2.00%) plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the sum of two percent (2.00%) plus the Applicable Margin plus the Base Rate from time to time in effect.

Section 2.10. *The Notes.*

(a) The Loans made to the Borrower by each Bank shall, upon the written request of any such Bank, be evidenced by a single promissory note of the Borrower issued to such Bank in the form of **Exhibit A** hereto. Each such promissory note is hereinafter referred to as a "**Note**" and collectively such promissory notes are referred to as the "**Notes**."

(b) Each Bank shall record on its books and records or on a schedule to its Note (if any) the amount of each Loan advanced, continued, or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan, and, for any Eurodollar Loan, the Interest Period and the interest rate applicable thereto. The record thereof, whether shown on such books and records of a Bank or on a schedule to any Note, shall be prima facie evidence of the same; provided, however, that the failure of any Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans made hereunder together with accrued interest thereon. At the written request of any Bank and upon such Bank tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such Bank to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.11. *Funding Indemnity.* If any Bank shall incur any loss, cost or expense (including, without limitation, any loss, cost or expense (excluding loss of margin) incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Eurodollar Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

(a) any payment (whether by acceleration or otherwise), prepayment or conversion of a Eurodollar Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Article 6 hereof or otherwise) by the Borrower to borrow or continue a Eurodollar Loan, or to convert a Base Rate Loan into a Eurodollar Loan, on the date specified in a notice given pursuant to Section 2.5(a) hereof or established pursuant to Section 2.5(c) hereof,

(c) any failure by the Borrower to make any payment or prepayment of principal on any Eurodollar Loan when due (whether by acceleration or otherwise), or

(d) any acceleration of the maturity of a Eurodollar Loan as a result of the occurrence of any Event of Default hereunder, then, upon the demand of such Bank, the Borrower shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense. If any Bank makes such a claim for compensation, it shall provide to the Borrower, with a copy to the Administrative Agent, a certificate executed by an officer of such Bank setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) and the amounts shown on such certificate if reasonably calculated shall be prima facie evidence of the amount of such loss, cost or expense.

Section 2.12. *Mandatory Termination or Reduction of Commitments and Prepayments of Loans*.

(a) *Mandatory Termination of Commitments*. The Commitments shall automatically terminate on the Availability Termination Date (after giving effect to any Loans made pursuant to Section 2.1 on such date).

(b) *Mandatory Reductions of Commitments and Prepayments of Loans*. In the event that the Borrower or any of its Subsidiaries receives any Net Cash Proceeds arising from any Asset Sale, Debt Issuance or Equity Issuance (i) during the period commencing on the Effective Date and ending on the date immediately prior to the Closing Date, then the Commitments shall be automatically reduced in an amount equal to 100% of such Net Cash Proceeds on the date of receipt by the Borrower or such Subsidiary of such Net Cash Proceeds and (ii) on the Closing Date or thereafter, then 100% of such Net Cash Proceeds shall be applied by the Borrower to prepay the Loans not later than five Business Days following the receipt by the Borrower or such Subsidiary of such Net Cash Proceeds until repaid in full.

(c) *Mandatory Prepayments Generally*. The Borrower shall notify the Administrative Agent by telephone (confirmed by facsimile or by other electronic transmission) of any prepayment under this Section 2.12 (i) in the case of prepayment of a Eurocurrency Borrowing, not later than 2:00 p.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 2:00 p.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of Loans to be prepaid and set forth a reasonably detailed calculation of the amount of such mandatory prepayment. Promptly following receipt of any such notice, the Administrative Agent shall advise the Banks of the contents thereof. Each prepayment under this Section 2.12 shall be applied ratably to the Loans then outstanding and shall be accompanied by accrued interest. Amounts prepaid under this Section 2.12 shall not be reborrowed. Any termination or reduction of the Commitments pursuant to this Section 2.12 shall be permanent.

Section 2.13. *Interest Rate Limitation*. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "**Charges**"), shall exceed the maximum lawful rate (the "**Maximum Rate**") which may be contracted for, charged, taken, received or reserved by the Bank holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Bank in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Bank.

Section 2.14. *Defaulting Banks*. Notwithstanding any provision of this Agreement to the contrary, if any Bank becomes a Defaulting Bank, then the following provisions shall apply for so long as such Bank is a Defaulting Bank:

(a) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Bank pursuant to Section 3.1 hereof; and

(b) any amount payable to such Defaulting Bank hereunder (whether on account of principal, interest, fees or otherwise and including any amount that would otherwise be payable to such Defaulting Bank pursuant to this Agreement) shall, in lieu of being distributed to such Defaulting Bank, subject to any applicable Requirements of Law, be applied (i) first, to the payment of any amounts owing by such Defaulting Bank to the Administrative Agent hereunder and (ii) second, to such Defaulting Bank, or, in each case, as otherwise directed by a court of competent jurisdiction.

In the event that the Administrative Agent and the Borrower each agree in writing that a Defaulting Bank has adequately remedied all matters that caused such Bank to be a Defaulting Bank, then the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, such Bank shall cease to be a Defaulting Bank; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Bank was a Defaulting Bank; and *provided*, *further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Bank to Bank will constitute a waiver or release of any claim of any party hereunder arising from that Bank's having been a Defaulting Bank.

Notwithstanding anything set forth herein to the contrary, a Defaulting Bank shall not have any voting or consent rights under or with respect to any Credit Documents or constitute a "Bank" for any voting or consent rights under or with respect to any Credit Document, in any matter requiring the consent of Required Banks. Moreover, for the purposes of determining Required Banks, the Loans and Commitments held by Defaulting Banks shall be excluded from the total Loans and Commitments outstanding. For purposes of clarification, a Defaulting Bank shall not lose its right to vote with respect to matters set forth in clauses (i) and (ii) of Section 11.11 hereof.

ARTICLE 3
FEES

Section 3.1. *Fees.*

(a) *Commitment Fee*. From and after the Effective Date, the Borrower shall pay to the Administrative Agent for the ratable account of the Banks in accordance with their Percentages an amount equal to 0.175% per annum on the actual daily undrawn portion of the aggregate principal amount of the Commitments (as such amount shall be adjusted to give effect to any reduction of Commitments pursuant to Section 2.8 or Section 2.12 hereof) (the "**Commitment Fee**"). The Commitment Fee shall be payable on the Availability Termination Date.

(b) *Duration Fees*. The Borrower shall pay to the Administrative Agent for the ratable account of the Banks in accordance with their Percentages an amount equal to (i) 0.50% of the aggregate principal amount of the Loans outstanding on the date that is 90 days after the Closing Date, due and payable in cash on such 90th day (or if such day is not a Business Day, the next Business Day); (ii) 0.75% of the aggregate principal amount of the Loans outstanding on the date that is 180 days after the Closing Date, due and payable in cash on such 180th day (or if such day is not a Business Day, the next Business Day); and (iii) 1.00% of the aggregate principal amount of the Loans outstanding on the date that is 270 days after the Closing Date, due and payable in cash on such 270th day (or if such day is not a Business Day, the next Business Day).

(c) *Other Fees*. The Borrower shall pay to each of the Arranger and the Administrative Agent the applicable fees agreed to between the Arranger and the Borrower in the Fee Letter or as otherwise agreed in writing between them.

(d) *Fee Calculations*. All fees payable under this Agreement shall be payable in U.S. Dollars and shall be computed on the basis of a year of 360 days, for the actual number of days elapsed. All determinations of the amount of fees owing hereunder (and the components thereof) shall be made by the Administrative Agent and shall be prima facie evidence of the amount of such fee, absent manifest error.

ARTICLE 4
PLACE AND APPLICATION OF PAYMENTS

Section 4.1. *Place and Application of Payments*. All payments of principal of and interest on the Loans, and of all other Obligations and other amounts payable by the Borrower under the Credit Documents, shall be made by the Borrower in U.S. Dollars to the Administrative Agent by no later than 2:00 p.m. (New York time) on the due date thereof at the principal office of the Administrative Agent pursuant to the payment instructions communicated in writing to the Borrower by the Administrative Agent (or such other location in the United States as the Administrative Agent may designate to the Borrower). Any payments received after such time shall be deemed to have been received by the Administrative Agent on the next Business Day. All such payments shall be made free and clear of, and without deduction for, any set-off, defense, counterclaim, levy, or any other deduction of any kind in immediately available funds at the place of payment. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans or applicable fees ratably (except as otherwise specifically required hereunder) to the Banks and like funds relating to the payment of any other amount payable to any Person to such Person, in each case to be applied in accordance with the terms of this Agreement.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants on the Effective Date and on the Closing Date to each Bank as to itself and, where the following representations and warranties apply to its Subsidiaries, as to each Subsidiary of the Borrower, as follows:

Section 5.1. *Corporate Organization and Authority*. The Borrower is duly organized and existing in good standing under the laws of the state of South Dakota; has all necessary corporate power to carry on its present business; and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing, qualification or good standing necessary and in which the failure to be so licensed, qualified or in good standing would have a Material Adverse Effect.

Section 5.2. *Subsidiaries*. **Schedule 5.2** hereto (as updated from time to time pursuant to Section 7.1 hereof) identifies each Subsidiary of the Borrower, the jurisdiction of organization, the percentage of issued and outstanding equity securities owned by the Borrower and its Subsidiaries and, if such percentage is not one hundred percent (100%) (excluding directors' qualifying shares as required by law), a description of each class of its equity securities and the number of securities issued and outstanding. Each Subsidiary is duly organized and existing in good standing under the laws of the jurisdiction of its organization, has all necessary corporate or equivalent power to carry on its present business, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing or qualification necessary and in which the failure to be so licensed or qualified would have a Material Adverse Effect. All of the issued and outstanding securities of each Subsidiary owned directly or indirectly by the Borrower are validly issued and outstanding and fully paid and nonassessable except as set forth on **Schedule 5.2** hereto (as updated from time to time pursuant to Section 7.1 hereof). All such securities owned by the Borrower are owned beneficially, and of record, free of any Lien, except as permitted in Section 7.9 hereof.

Section 5.3. *Corporate Authority and Validity of Obligations*. The Borrower has full right and authority to enter into this Agreement and the other Credit Documents to which it is a party, to make the borrowings herein provided for, to issue its Notes in evidence thereof and to perform all of its obligations under the Credit Documents to which it is a party. Each Credit Document to which it is a party has been duly authorized, executed and delivered by the Borrower and constitutes valid and binding obligations of the Borrower enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law). No Credit Document, nor the performance or observance by the Borrower of any of the matters or things therein provided for, contravenes any provision of law or any charter or by-law provision of the Borrower or any material Contractual Obligation of or affecting the Borrower or any of the Borrower's Properties or results in or requires the creation or imposition of any Lien on any of the Properties or revenues of the Borrower; *provided* that the representations in this sentence as they pertain to provisions of the Existing Credit Agreement and the Term Loan Credit Agreement shall be deemed to have been made solely as of the Closing Date and not as of the Effective Date.

Section 5.4. *Financial Statements.* All financial statements delivered to the Banks showing historical performance of the Borrower (x) with respect to the representations under this Section 5.4 made as of the Effective Date, for the Borrower's fiscal years ending on or before December 31, 2014 and (y) with respect to the representations under this Section 5.4 as of the Closing Date, for each other applicable fiscal period described in Section 6.2(f)(i) hereof, in each case have been prepared in accordance with generally accepted accounting principles applied on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year. The unaudited balance sheet and income statements (x) with respect to the representations under this Section 5.4 made as of the Effective Date, for the three-month period ended March 31, 2015 and (y) with respect to the representations under this Section 5.4 made as of the Closing Date, for each other applicable fiscal period described in Section 6.2(f)(ii) hereof, in each case have been prepared in accordance with generally accepted accounting principles applicable to interim financial statements applied on a basis consistent, except as otherwise noted therein, with the previous same fiscal period of the Borrower in the prior fiscal year (subject to normal year-end adjustments). Each of such financial statements fairly presents on a consolidated basis the financial condition of the Borrower and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby. The Borrower and its Subsidiaries have no material contingent liabilities other than those disclosed in such financial statements referred to in this Section 5.4 or in comments or footnotes thereto, or in any report supplementary thereto, heretofore furnished to the Banks. Since December 31, 2014, there has been no event or series of events which has resulted in, or reasonably could be expected to result in, a Material Adverse Effect.

Section 5.5. *No Litigation; No Labor Controversies.*

(a) Except as disclosed on **Schedule 5.5** (as amended from time to time in accordance with the provisions hereof), there is no litigation or governmental proceeding pending, or to the knowledge of the Borrower, threatened, against the Borrower or any Subsidiary of the Borrower in which there is a reasonable possibility of an adverse decision which, if adversely determined, could (individually or in the aggregate) have a Material Adverse Effect.

(b) There are no labor controversies pending or, to the best knowledge of the Borrower, threatened against the Borrower or any Subsidiary of the Borrower which could (individually or in the aggregate) have a Material Adverse Effect.

Section 5.6. *Taxes*. The Borrower and its Subsidiaries have timely filed all United States federal Tax returns, and all other foreign, state, local and other Tax returns, required to be filed and have timely paid all Taxes due from the Borrower and its Subsidiaries (whether or not pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary of the Borrower), except such Taxes, if any, as are being contested in good faith and for which adequate reserves have been provided. No notices of Tax liens have been filed and no claims are being asserted concerning any such Taxes, which liens or claims are material to the financial condition of the Borrower or any of its Subsidiaries (individually or in the aggregate). The charges, accruals and reserves on the books of the Borrower and its Subsidiaries for any Taxes or other governmental charges are adequate and in conformance with GAAP.

Section 5.7. *Approvals*. No authorization, consent, approval, license, exemption, filing or registration with any court or governmental department, agency or instrumentality which have not already been obtained, nor any approval or consent of the stockholders of the Borrower or any Subsidiary of the Borrower or from any other Person, is necessary to the valid execution, delivery or performance by the Borrower or any Subsidiary of the Borrower of any Credit Document to which it is a party.

Section 5.8. *ERISA*. With respect to each Plan, the Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and with the Code to the extent applicable to it and has not incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") or a Plan under Title IV of ERISA other than (a) a liability incurred in the ordinary course of business related to the ongoing funding requirements of a Plan or (b) a liability to the PBGC for premiums under Section 4007 of ERISA. Neither the Borrower nor any Subsidiary of the Borrower has any contingent liabilities for any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA and Section 4980B of the Code or similar state statute.

Section 5.9. *Investment Company Act*. Neither the Borrower nor any Subsidiary of the Borrower is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.10. *Margin Stock; Use of Proceeds*. Neither the Borrower nor any Subsidiary of the Borrower is engaged principally, or as one of its primary activities, in the business of extending credit for the purpose of purchasing or carrying margin stock ("margin stock" to have the same meaning herein as in Regulation U of the Board of Governors of the Federal Reserve System). The proceeds of the Loans are to be used solely (i) to pay a portion of the cash consideration for the Acquisition and (ii) to pay the fees and expenses incurred in connection with the Acquisition, this Agreement and the other transactions contemplated in connection herewith. The Borrower will not use the proceeds of any Loan in a manner that violates any provision of Regulation U or X of the Board of Governors of the Federal Reserve System.

Section 5.11. *Licenses and Authorizations; Compliance with Laws.*

(a) The Borrower and each of its Subsidiaries has all necessary licenses, permits and governmental authorizations to own and operate its Properties and to carry on its business as currently conducted and contemplated except for any such licenses, permits and governmental authorizations which, the failure to have, could not, either individually or in the aggregate, reasonably expected to have a Material Adverse Effect. The Borrower and each of its Subsidiaries is in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities except for any such law, regulation, ordinance or order which, the failure to comply therewith, could not reasonably expected to have a Material Adverse Effect.

(b) In the ordinary course of its business, the Borrower and each of its Subsidiaries conduct annual reviews of the effect of Environmental and Health Laws on the Properties and all aspects of the business and operations of the Borrower and its Subsidiaries in the course of which the Borrower identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or contemplated closure of Properties currently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with standards imposed by law and any actual or reasonably likely liabilities to third parties, including employees or governmental entities, and any related costs and expenses). The Borrower regularly documents the results of these reviews in periodic environmental compliance audit or assessment reports (collectively, "**Environmental Review Documents**"). On the basis of this review, the Borrower has reasonably concluded that Environmental and Health Laws do not, and for the reasonably foreseeable future will not have, any Material Adverse Effect.

(c) Except as set forth on **Schedule 5.11** (as amended from time to time in accordance with the provisions hereof): (i) the Borrower and each Subsidiary (including, without limitation, all operations and conditions at or in the Property) are and have been in compliance with all applicable Environmental and Health Laws (which compliance includes, but is not limited to, the possession by the Borrower and each of its Subsidiaries of all permits and other governmental authorizations required under applicable Environmental and Health Laws, and compliance with the terms and conditions thereof), except where failure to be in compliance could not reasonably be expected to have a Material Adverse Effect; (ii) there is no Environmental Claim pending or, to the Borrower's knowledge, threatened against the Borrower or any of its Subsidiaries or against any Person whose liability for any Environmental Claim the Borrower or any of its Subsidiaries has retained or assumed either contractually or by operation of law, in each such case which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; (iii) from and after the date on which the Borrower acquired title to the Property, there have been and are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, the Release or presence of any Hazardous Material, and prior to the date on which the Borrower acquired title to the Property, to the Borrower's knowledge, there have been and are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, the Release or presence of any Hazardous Material, which, in each case, could reasonably be expected to form the basis of any Environmental Claim against the Borrower or any of its Subsidiaries, or against any Person whose liability for any Environmental Claim the Borrower or any of its Subsidiaries has retained or assumed either contractually or by operation of law, in each such case which could reasonably be expected to have a Material Adverse Effect; (iv) the Borrower and its Subsidiaries have not, and to the Borrower's knowledge, no other Person has placed, stored, deposited, discharged, buried, dumped or disposed of Hazardous Materials on, beneath or adjacent to any property currently or formerly owned, operated or leased by the Borrower or any of its Subsidiaries, in each case, which, individually or in the aggregate, which could reasonably be expected to have a Material Adverse Effect; and (v) no Lien in favor of any Person relating to or in connection with any Environmental Claim has been filed or has been attached to any Property.

Section 5.12. *Ownership of Property; Liens*. The Borrower and each Subsidiary of the Borrower has good title to or valid leasehold interests in all its Property. None of the Borrower's or any Subsidiary's Property is subject to any Lien, except as permitted in Section 7.9 hereof.

Section 5.13. *No Burdensome Restrictions; Compliance with Agreements*. Neither the Borrower nor any Subsidiary of the Borrower is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement to which it is a party (including any Contractual Obligation), which default could materially adversely affect the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries (individually or in the aggregate).

Section 5.14. *Full Disclosure*. All information heretofore furnished by the Borrower to the Administrative Agent or any Bank for purposes of or in connection with the Credit Documents or any transaction contemplated thereby is, and all such information hereafter furnished by the Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects and not misleading.

Section 5.15. *Solvency*. The Borrower and each of its Subsidiaries on a consolidated basis, is Solvent. The Borrower and each of its Material Subsidiaries, individually, is Solvent.

Section 5.16. *Sanctions Laws and Regulations; Anti-Corruption Laws; Patriot Act*. The Borrower, its Subsidiaries and their respective officers and employees and, to the knowledge of the Borrower, their respective directors and agents, are in compliance with Sanctions Laws and Regulations, Anti-Corruption Laws and applicable anti-money laundering laws, including the Patriot Act, in all material respects, and none of the Borrower, its Subsidiaries or any of their respective officers, directors or employees, or to the knowledge of the Borrower, their respective agents, is a Designated Person. No

Borrowing, use of proceeds or other Transactions will violate any Sanctions Laws and Regulations.

Section 5.17. *No Default or Event of Default.* No Default or Event of Default has occurred and is continuing.

ARTICLE 6
CONDITIONS PRECEDENT

Section 6.1. *Conditions to Effectiveness*. This Agreement shall become effective upon the satisfaction (or waiver in accordance with Section 11.11 hereof) of the following conditions precedent:

(a) The Administrative Agent (or its counsel) shall have received from each party hereto a counterpart of this Agreement, signed on behalf of each party hereto (or written evidence reasonably satisfactory to the Administrative Agent (which may include a facsimile or other electronic transmission of a signed signature page) that such party has signed a counterpart of this Agreement);

(b) The Administrative Agent shall have received for each Bank copies of the Borrower's (i) Articles of Incorporation, together with all amendments, and (ii) bylaws (or comparable constituent documents) and any amendments thereto, certified in each instance by its Secretary or an Assistant Secretary as of the Effective Date;

(c) The Administrative Agent shall have received for each Bank copies of resolutions of the Borrower's Board of Directors authorizing the execution and delivery of the Credit Documents and the consummation of the transactions contemplated thereby together with specimen signatures of the persons authorized to execute such documents on the Borrower's behalf, all certified in each instance by its Secretary or Assistant Secretary; and

(d) The Administrative Agent and the Arranger shall have received all fees and other amounts payable to them pursuant to this Agreement or the Fee Letter on or prior to the Effective Date, including, to the extent invoiced three Business Days prior to the Effective Date, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

Section 6.2. *Conditions to Closing*. The obligation of each Bank to make a Loan in an amount equal to its Commitment hereunder on the Closing Date is subject to the satisfaction (or waiver in accordance with Section 11.11 hereof) of solely the following conditions precedent:

(a) The Effective Date shall have occurred;

(b) Since July 12, 2015, there shall not have occurred any change or event that has had or would reasonably be expected to have a Target Material Adverse Effect;

(c) The Administrative Agent shall have received from the Borrower:

(i) a Borrowing Notice in accordance with Section 2.5(a) hereof;

(ii) for each Bank which has requested the same, such Bank's duly executed Note of the Borrower dated the Closing Date and otherwise in compliance with the provisions of Section 2.10(a) hereof;

(iii) a favorable written opinion of each of (A) Faegre Baker Daniels LLP, counsel to the Borrower and (B) General Counsel to the Borrower, in each case addressed to the Administrative Agent and the Banks and dated the Closing Date in substantially the forms attached hereto as **Exhibits H-1 and H-2**, respectively; *provided* that the opinion of General Counsel to the Borrower shall include a legal opinion to the effect that the Borrower has obtained all necessary approvals under PUHCA in connection with its obligations under the Credit Documents, and such other related matters as the Administrative Agent may reasonably request;

(iv) a Compliance Certificate, duly executed by a Responsible Officer of the Borrower and dated the Closing Date, containing financial information as of the most recent fiscal quarter ended at least 45 days before the Closing Date;

(v) a Solvency Certificate, dated the Closing Date; and

(vi) an officer's certificate, signed by a Responsible Officer of the Borrower and dated the Closing Date, certifying (A) that there has been no change to the matters previously certified pursuant to Section 6.1(b) and Section 6.1(c) (or otherwise providing updates to such certifications) and (B) that each of the conditions precedent set forth in Section 6.2(b), Section 6.2(d) and Section 6.2(e) hereof has been satisfied as of the Closing Date;

(d) The Specified Representations shall be true and correct in all material respects and the Acquisition Agreement Representations shall be true and correct, in each case as of the Closing Date;

(e) The Acquisition shall have been consummated substantially concurrently with the Borrowing under Section 2.1 hereof in accordance with the Acquisition Agreement on or prior to the Outside Date, and the Acquisition Agreement shall not have been amended or modified, and no condition shall have been waived or consent granted, in any respect that is materially adverse to the Banks or the Arranger without the Arranger's prior written consent (it being understood and agreed that (a) any modification, amendment, supplement, consent, waiver or request that results in a reduction of the purchase price in respect of the Acquisition (other than pursuant to any purchase price adjustment provided in Article II of the Acquisition Agreement) that (x) exceeds 10% in the aggregate or (y) is less than or equal to 10% and is not applied to reduce the Commitments on a dollar-for-dollar basis shall be deemed to be materially adverse to the Banks and the Arranger and (b) any modification, amendment, supplement, consent, waiver or request that results in an increase in the purchase price in respect of the Acquisition that exceeds 5% in the aggregate (other than pursuant to any purchase price adjustment provided in Article II of the Acquisition Agreement) shall be deemed to be materially adverse to the Banks and the Arranger except to the extent funded with equity);

(f) The Administrative Agent shall have received (i) if the Closing Date is on or after March 31, 2016, U.S. GAAP audited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of each of the Borrower and the Target for the fiscal year ended December 31, 2015 and (ii) U.S. GAAP unaudited consolidated and (to the extent available) consolidating balance sheets and related statements of income, stockholders' equity and cash flows of each of the Borrower and the Target for each fiscal quarter ended after March 31, 2015 and at least 45 days before the Closing Date; *provided* that the financial statements required to be delivered by this Section 6.2(f) shall meet the requirements of Regulation S-X under the Securities Act of 1933, as amended, and all other accounting rules and regulations of the SEC promulgated thereunder applicable to a registration statement under the Securities Act of 1933 on Form S-1;

(g) The Administrative Agent shall have received a pro forma consolidated balance sheet and related pro forma consolidated statement of income of the Borrower as of and for the 12-month period ending on the last day of the most recently completed four-fiscal quarter period for which financial statements have been delivered pursuant to Section 6.2(f) above (together with such other pro forma financial statements as shall be required in connection with a registered offering) prepared after giving effect to the Transactions as if the Transactions had occurred as of such date (in the case of such balance sheet) or at the beginning of such period (in the case of the income statement), which pro forma financial statements shall meet the requirements of Regulation S-X under the Securities Act of 1933, as amended, and all other accounting rules and regulations of the SEC promulgated thereunder applicable to a registration statement under such the Securities Act of 1933 on Form S-1;

(h) The Arranger and the Banks shall have received (or shall simultaneously receive) all fees and invoiced expenses required to be paid on or prior to the Closing Date pursuant to the Fee Letter or hereunder;

(i) The Administrative Agent shall have received, at least five business days prior to the Closing Date, all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act;

(j) All principal amounts due or outstanding in respect of the following shall have been repaid, in each case along with any refinancings, extensions, modifications or replacements thereof: (i) that certain Five Year Term Loan Credit Agreement, dated as of September 29, 2014, as amended, by and among Target, the lenders party thereto, and CoBank, ACB as administrative agent and as collateral agent; and (ii) that certain Five Year Revolving Credit Agreement, dated as of November 15, 2011, as amended, by and among Target LLC, Wells Fargo Bank, National Association, as administrative agent, issuing lender and swingline lender, JPMorgan Chase Bank, N.A., as syndication agent and documentation agent, and Union Bank, N.A., as documentation agent; and

(k) Each of the Existing Credit Agreement and the Term Loan Credit Agreement shall have been amended to permit the financing contemplated by this Agreement, and the Administrative Agent shall have received copies of the final documentation effecting such amendments.

ARTICLE 7
COVENANTS

The Borrower covenants and agrees that, so long as any Note or Loan is outstanding hereunder, or any Commitment is available to or in use by the Borrower hereunder, except to the extent compliance in any case is waived in writing by the Required Banks:

Section 7.1. *Corporate Existence; Subsidiaries*. The Borrower shall, and shall cause each of its Subsidiaries to, preserve and maintain its corporate existence, subject to the provisions of Section 7.12 hereof. Together with any financial statements delivered pursuant to Section 7.6 hereof, the Borrower shall deliver an updated **Schedule 5.2** to reflect any changes from the existing **Schedule 5.2**.

Section 7.2. *Maintenance*. The Borrower will maintain, preserve and keep its plants, Properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such plants, Properties and equipment shall be reasonably preserved and maintained, and the Borrower will cause each of its Subsidiaries to do so in respect of Property owned or used by it; *provided, however,* that nothing in this Section 7.2 shall prevent the Borrower or a Subsidiary of the Borrower from discontinuing the operation or maintenance of any such Properties if such discontinuance is not disadvantageous to the Banks or the holders of the Notes, does not materially impair the operations of the Borrower or any Subsidiary of the Borrower and is, in the judgment of the Borrower, desirable in the conduct of its business or the business of its Subsidiaries.

Section 7.3. *Taxes*. The Borrower will duly pay and discharge, and will cause each of its Subsidiaries duly to pay and discharge, all Taxes, rates, assessments, fees and governmental charges upon or against it or against its Properties, in each case before the same becomes delinquent and before penalties accrue thereon, unless and to the extent that the same is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of the Borrower.

Section 7.4. *ERISA*. The Borrower will, and will cause each of its Subsidiaries to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which, if unpaid or unperformed, might result in the imposition of a Lien against any of its properties or assets and will promptly notify the Administrative Agent of (i) the occurrence of any reportable event (as defined in ERISA) affecting a Plan, other than any such event of which the PBGC has waived notice by regulation, (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its or any of its Subsidiaries' intention to completely or partially terminate or withdraw from any Plan, (iv) with respect to any Plan that is a multiemployer plan (as defined in Section 4001(a)(3) of ERISA), the filing of a notice of reorganization, insolvency or termination under Section 4041 of ERISA, (v) the failure of a Plan or related trust intended to qualify for tax exempt status under Section 401(a) or 501 of the Code to qualify thereunder, and (vi) the occurrence of any event affecting any Plan which could result in the incurrence by the Borrower or any of its Subsidiaries of any material liability, fine or penalty, or any material increase in the contingent liability of the Borrower or any of its Subsidiaries under any post-retirement Welfare Plan benefit. The Administrative Agent will promptly distribute to each Bank any notice it receives from the Borrower pursuant to this Section 7.4.

Section 7.5. *Insurance*. The Borrower will insure, and keep insured, and will cause each of its Subsidiaries to insure, and keep insured, with good and responsible insurance companies, all insurable Property owned by it of a character usually insured by companies similarly situated and operating like Property. To the extent usually insured by companies similarly situated and conducting similar businesses, the Borrower will also insure, and cause each of its Subsidiaries to insure, employers' and public and product liability risks with good and responsible insurance companies. The Borrower will, upon request of any Bank, furnish to such Bank a summary setting forth the nature and extent of the insurance maintained pursuant to this Section 7.5.

Section 7.6. *Financial Reports and Other Information.*

(a) The Borrower will maintain a system of accounting in accordance with GAAP and will furnish to the Banks and their respective duly authorized representatives such information respecting the business and financial condition of the Borrower and its Subsidiaries as any Bank may reasonably request; and without any request, the Borrower shall deliver to the Administrative Agent, which in turn will deliver to each Bank, in form and detail satisfactory to the Administrative Agent, each of the following:

(i) within 90 days after the end of each fiscal year of the Borrower, commencing with the fiscal year ending December 31, 2015, a copy of the Borrower's financial statements for such fiscal year, including the consolidated balance sheet of the Borrower and its Subsidiaries for such year and the related statements of income and statements of cash flow, each as certified by independent public accountants of recognized national standing selected by the Borrower in accordance with GAAP with such accountants' opinion to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in all material respects in accordance with GAAP the consolidated financial position of the Borrower and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances, provided that such opinion shall not contain a "going concern" or like qualification or exception or a qualification arising out of the scope of the audit, and provided, further, that if the Borrower publicly files with the SEC its annual report on Form 10-K for the applicable annual period, and such annual report contains the financial statements and accountants' certifications, opinions and statements described above, the Borrower may satisfy the requirements of this Section 7.6(a)(i) by such filing, subject to Section 7.6(b) hereof. Together with such information the Borrower shall provide to the Administrative Agent such consolidating information as may be necessary for the Banks to determine the Borrower's compliance with Section 7.17 hereof;

(ii) within 60 days after the end of each of the first three quarterly fiscal periods of each fiscal year of the Borrower, commencing with the fiscal quarter ending June 30, 2015, a consolidated unaudited balance sheet of the Borrower and its Subsidiaries, and the related statements of income and statements of cash flow, as of the close of such period, all of the foregoing prepared by the Borrower in reasonable detail in accordance with GAAP and certified by the Borrower's chief executive officer, chief financial officer or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby, provided that if the Borrower publicly files with the SEC a Form 10-Q for the applicable quarterly period, and such quarterly report contains the financial statements and certifications described above, the Borrower may satisfy the requirements of this Section 7.6(a)(ii) by such filing, subject to Section 7.6(b) hereof. Together with such information the Borrower shall provide to the Administrative Agent such consolidating information as may be necessary for the Banks to determine the Borrower's compliance with Section 7.17 hereof;

(iii) within the period provided in subsection (i) above, the written statement of the accountants who certified the audit report thereby required consistent with past practices that in the course of their audit they have obtained no knowledge of certain Defaults or Events of Default, or, if such accountants have obtained knowledge of any such Default or Event of Default, they shall disclose in such statement the nature and period of the existence thereof; and

(iv) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports the Borrower or any of its non-Wholly-Owned Subsidiaries that are Material Subsidiaries sends to its (or their, as applicable) shareholders, and subject to Section 7.6(b) hereof, copies of all other regular, periodic and special reports and all registration statements the Borrower or any of its Subsidiaries file with the SEC or any successor thereto, or with any national securities exchanges.

(b) Any financial statement, report or registration statement required to be furnished pursuant to Section 7.6(a)(i), (ii) or (iv) hereof shall be deemed to have been furnished on the date on which the Administrative Agent receives notice that the

Borrower has filed such financial statement, report or registration statement with the SEC and it is available on the EDGAR website on the Internet at www.sec.gov or any successor government website that is freely and readily available to the Administrative Agent and the Banks without charge; provided that the Borrower shall give notice of any such filing to the Administrative Agent (which shall then give notice of any such filing to the Banks). Notwithstanding the foregoing, the Borrower shall deliver paper copies of any such financial statement, report or registration statement to the Administrative Agent if the Administrative Agent requests the Borrower to furnish such paper copies until written notice to cease delivering such paper copies is given by the Administrative Agent. The Borrower hereby acknowledges and agrees that, unless the Borrower notifies the Administrative Agent in advance, all financial statements and certificates furnished pursuant to Section 7.6(a)(i), (ii) and (iv) and Section 7.6(c) are hereby deemed to be suitable for distribution, and to be made available, to all Banks and may be treated by the Administrative Agent and the Banks as not containing any material nonpublic information.

(c) Each financial statement furnished to the Administrative Agent pursuant to Section 7.6(a)(i) or (ii) hereof shall be accompanied by (A) a written certificate signed by the Borrower's chief executive officer, chief financial officer or corporate controller to the effect that (1) no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, (2) the representations and warranties contained in Article 5 hereof are true and correct in all material respects as though made on the date of such certificate (other than those made solely as of an earlier date, which need only remain true as of such date), except as otherwise described therein, (B) a Compliance Certificate in the form of **Exhibit B** hereto showing the Borrower's compliance with the covenants set forth in Sections 7.9, 7.11, 7.12 and 7.14 through 7.18 hereof, and (C) a reasonably detailed description of any material change in any of the material information set forth on **Schedules 5.2**, **5.5** and **5.11** since the date of the last certificate delivered pursuant clause (A) above.

(d) The Borrower will promptly (and in any event within three (3) Business Days after an officer of the Borrower has knowledge thereof) give notice to the Administrative Agent and each Bank:

(i) of the occurrence of any Default or Event of Default;

(ii) any event or condition which could reasonably be expected to have a Material Adverse Effect;

(iii) of any (x) litigation or governmental proceeding of the type described in Section 5.5 hereof or (y) environmental or other matters of the type described in Section 5.11 hereof;

(iv) of the entering into of any Long-Term Guaranties, and the Borrower shall promptly provide the Administrative Agent with a copy of any such Guarantee and any modification to such Guarantee; and

(v) promptly, but within five (5) days after such change, written notice to the Administrative Agent of each change to the Reference Rating.

Section 7.7. *Bank Inspection Rights*. For purposes of confirming compliance with the Credit Documents or after the occurrence and during the continuance of an Event of Default, upon reasonable notice from the Administrative Agent or the Required Banks, the Borrower will, at the Borrower's expense, permit such Banks (and such Persons as any Bank may designate) during normal business hours to visit and inspect, under the Borrower's guidance, any of the Properties of the Borrower or any of its Subsidiaries, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and with their independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Banks (and such Persons as any Bank may designate) the finances and affairs of the Borrower and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested; provided, however, that except upon the occurrence and during the continuation of any Default or Event of Default, not more than one such visit and inspection may be conducted each calendar quarter.

Section 7.8. *Conduct of Business*. Neither the Borrower nor any Subsidiary of the Borrower will engage in any line of business other than business activities in the field of (i) cogeneration and related thermal uses, (ii) energy production, (iii) energy development, (iv) energy recovery, (v) utility ownership, operation and management, including the provision of services reasonably ancillary thereto, such as gas services and call centers, (vi) demand side management services, (vii) management of investment funds which invest in energy related businesses and investments in such funds, (viii) hedging (but not speculative activities relating to any of the foregoing lines of business described in clauses (i) through (viii)), (ix) telecommunications, (x) management and operating services related to any of the foregoing lines of business, and (xi) other businesses not described in the foregoing so long as the Investments and expenses made in such other businesses do not exceed $50,000,000.

Section 7.9. *Liens*. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, permit to exist or to be incurred any Lien of any kind on any Property owned by the Borrower or any Subsidiary of the Borrower; provided, however, that this Section 7.9 shall not apply to or operate to prevent:

(a) Liens arising by operation of law in respect of Property of the Borrower or any of its Subsidiaries which are incurred in the ordinary course of business which do not in the aggregate materially detract from the value of such Property or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries;

(b) Liens securing (i) Non-Recourse Indebtedness of any Subsidiary of the Borrower or (ii) the obligations of a Project Finance Subsidiary under a power purchase agreement or under Non-Recourse Indebtedness of such Project Finance Subsidiary, *provided* that in the case of clause (i) above any such Lien is limited to the Property being financed or refinanced by such Non-Recourse Indebtedness and the stock (or similar equity interest) of the Subsidiary which incurred such Non-Recourse Indebtedness, and in the case of clause (ii) above any such Lien is limited to the Property and the stock (or similar equity interest) of such Subsidiary or Project Finance Subsidiary, as applicable;

(c) Liens for Taxes or assessments or other government charges or levies on the Borrower or any Subsidiary of the Borrower or their respective Properties which are being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of the Borrower; *provided* that the aggregate amount of liabilities (including interest and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed $50,000,000 at any one time outstanding;

(d) Liens arising out of judgments or awards against the Borrower or any Subsidiary of the Borrower, or in connection with surety or appeal bonds in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or with respect to which the Borrower or such Subsidiary shall be prosecuting an appeal or proceeding for review, and with respect to which it shall have obtained a stay of execution pending such appeal or proceeding for review; *provided* that the aggregate amount of liabilities (including interest and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed $50,000,000 at any one time outstanding;

(e) Survey exceptions or encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties which are necessary for the conduct of the activities of the Borrower and any Subsidiary of the Borrower or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of the Borrower or any Subsidiary of the Borrower;

(f) Liens existing on the date hereof and listed on **Schedule 7.9** hereto;

(g) Liens securing (i) Indebtedness evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of the Borrower or a Subsidiary of the Borrower used in the ordinary course of business of the Borrower or a Subsidiary of the Borrower, so long as such Liens are limited to the property being financed or acquired and proceeds thereof, (ii) Capitalized Lease Obligations, so long as such Liens are limited to the property subject to the related Capital Lease and proceeds thereof, and (iii) the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds; *provided*, that such Liens shall only be permitted to the extent the aggregate amount of Indebtedness and other obligations secured by all such Liens does not exceed five percent (5%) of Consolidated Assets as reflected on the most recent balance sheet delivered by the Borrower pursuant to Section 7.6 hereof;

(h) Liens in favor of carriers, warehousemen, mechanics, materialmen and landlords granted in the ordinary course of business for amounts not overdue or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(i) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits;

(j) Liens relating to synthetic lease arrangements of the Borrower or a Subsidiary of the Borrower, *provided* that (i) such Lien is limited to the Property being leased, and (ii) to the extent the lessor or any other Person has recourse to the Borrower, any Subsidiary or any of their Property (other than the Property being so leased), through a Guarantee (including a residual guarantee) or otherwise, such Lien shall be permitted if the Borrower has included the recourse portion of such obligations as Indebtedness for all purposes (including financial covenant calculations) under the Credit Documents;

(k) [Reserved];

(l) Liens securing Indebtedness issued pursuant to (i) the BHP Indenture, together with all amendments and supplemental indentures thereto, (ii) the CLF&P Indenture, together with all amendments and supplemental indentures thereto, and (iii) Indebtedness of the type described in Section 7.15(c)(C) hereof that is issued or incurred by Black Hills Utility Holdings or any of its direct or indirect Subsidiaries to finance the design, permitting, construction, ownership, operation or maintenance of utility properties; and

(m) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing paragraphs (a) through (j), inclusive, *provided, however*, that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to the Property which was subject to the Lien so extended, renewed or replaced or in the case of a Project Finance Subsidiary, all of the assets of such Project Finance Subsidiary;

(n) Liens (i) of a collecting bank arising under the UCC on items in the course of collection, (ii) in favor of a banking institution arising as a matter of law, or which arise under the documents governing the deposit relationship, encumbering deposits (including the right of set-off, charge-back rights, and refund rights) and which are within the general parameters customary in the banking industry, or (iii) encumbering customary deposits and margin deposits and other Liens attaching to brokerage accounts or arising under or in connection with Derivative Arrangements or Derivative Obligations, in each case incurred in the ordinary course of business; and

(o) Other Liens made in the ordinary course of business of the Borrower or its Subsidiaries so long as the aggregate amount of Indebtedness or other obligations secured by such Liens does not exceed, in the aggregate, $50,000,000.

provided, that the foregoing paragraphs shall not be deemed under any circumstance to permit a Lien to exist on any capital stock or other equity interests of the Material Subsidiaries.

Section 7.10. *Use of Proceeds; Regulation U.* The proceeds of each Borrowing will be used by the Borrower solely (i) to fund the Borrower's working capital needs, and (ii) for general corporate purposes of the Borrower. The Borrower will not use any part of the proceeds of any of the Borrowings directly or indirectly to purchase or carry any margin stock (as defined in Section 5.10 hereof) or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

Section 7.11. *Sales and Leasebacks*. The Borrower will not, nor will it permit any of its Subsidiaries to, enter into any arrangement with any bank, insurance company or other lender or investor providing for the leasing by the Borrower or any Subsidiary of the Borrower of any Property theretofore owned by it and which has been or is to be sold or transferred by such owner to such lender or investor if the total amount of rent and other obligations of the Borrower and its Subsidiaries under such lease, when combined with all rent and other obligations of the Borrower and its Subsidiaries under all such leases, would exceed $50,000,000 in the aggregate, provided that the Borrower and its Subsidiaries may engage in synthetic lease transactions so long as the Borrower's or such Subsidiary's, as applicable, obligations under such synthetic leases are included as Indebtedness for all purposes (including financial covenant calculations) under the Credit Documents.

Section 7.12. *Mergers, Consolidations, Acquisitions and Sales of Assets.*

(a) The Borrower will not, and will not permit any of its Material Subsidiaries to, consolidate with or be a party to merger with any other Person or sell, lease or otherwise dispose of all or a "**substantial part**" of the assets of the Borrower and its Subsidiaries; *provided, however*, that

(i) the foregoing shall not prohibit any sale, lease, transfer or disposition of assets, other than equity interests in or the assets of BHP and CLF&P, solely to the extent and so long as (A) such transaction does not result in a downgrade of the Borrower's S&P Rating below BBB- or the Borrower's Moody's Rating below Baa3, (B) such transaction is for cash consideration (or other consideration acceptable to the Required Banks) in an amount not less than the fair market value of the applicable assets, and (C) such transaction, when combined with all other such transactions, would not have a Material Adverse Effect, taken as a whole;

(ii) the foregoing shall not prohibit any sale, lease, transfer or disposition to which the Required Banks have consented, such consent not to be unreasonably withheld if (A) such transaction does not result in a downgrade of either the Borrower's S&P Rating below BBB- or the Borrower's Moody's Rating below Baa3, (B) such transaction is for cash consideration (or other consideration acceptable to the Required Banks) in an amount not less than the fair market value of the applicable assets, and (C) such transaction, when combined with all other such transactions, would not have a Material Adverse Effect, taken as a whole;

(iii) any Subsidiary of the Borrower may merge or consolidate with or into or sell, lease or otherwise convey all or a substantial part of its assets to the Borrower or any Subsidiary of which the Borrower holds (directly or indirectly) at least the same percentage equity ownership; *provided that* in any such merger or consolidation involving the Borrower, the Borrower shall be the surviving or continuing corporation;

(iv) the Borrower and its Subsidiaries may sell inventory, reserves and electricity in the ordinary course of business;

(v) the Borrower and its Subsidiaries may sell the assets of or equity interest in any Immaterial Subsidiary;

(vi) the Borrower may enter into a merger with, or acquisition of all or substantially all of the capital stock or assets of, another Person so long as:

(A) if a merger, the Borrower or such Subsidiary is the surviving entity;

(B) unless consented to by the Required Banks, no downgrade in the Borrower's S&P Rating below BBB- or the Borrower's Moody's Rating below Baa3 would occur as a result of the consummation of such a transaction;

(C) if such transaction is an acquisition, the Board of Directors (or similar governing body) of the Person being acquired has approved being so acquired; and

(D) no Default or Event of Default has occurred and is continuing at the time of, or would occur as a result of, such transaction.

As used in this Section 7.12(a), a sale, lease, transfer or disposition of assets during any fiscal year shall be deemed to be of a "**substantial part**" of the Consolidated Assets of the Borrower and its Subsidiaries if the net book value of such assets, when added to the net book value of all other assets sold, leased, transferred or disposed of by the Borrower and its Subsidiaries during such fiscal year (other than inventory, reserves and electricity in the ordinary course of business) exceeds ten percent (10%) of the total assets of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of the last day of the immediately preceding fiscal year.

(b) Except as permitted pursuant to Section 7.12(a) or Section 7.14 hereof, the Borrower will not sell, transfer or otherwise dispose of, or permit any of its Subsidiaries to issue, sell, transfer or otherwise dispose of, any shares of stock of any class (including as "stock" for purposes of this Section, any warrants, rights or options to purchase or otherwise acquire stock or other Securities exchangeable for or convertible into stock) of any Subsidiary of the Borrower, except to the Borrower or a Wholly-Owned Subsidiary of the Borrower or except for the purpose of qualifying directors.

Section 7.13. *Use of Property and Facilities; Environmental and Health and Safety Laws.*

(a) The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with the requirements of all Environmental and Health Laws applicable to or pertaining to the Properties or business operations of the Borrower or any Subsidiary of the Borrower. Without limiting the foregoing, the Borrower will not, and will not permit any Person to, except in accordance with applicable law, dispose of any Hazardous Material into, onto or upon any real property owned or operated by the Borrower or any of its Subsidiaries.

(b) (i) The Borrower will promptly provide the Administrative Agent with copies of Environmental Review Documents as defined in Section 5.11(b) hereof that disclose any Environmental Claim or Environmental Liability that could potentially result in a Material Adverse Effect, and in no event later than five (5) Business Days after an officer of the Borrower or a Subsidiary of the Borrower finalizes such Environmental Review Document; and (ii) the Borrower will also promptly provide the Administrative Agent with all notices and other information placing the Borrower or any of its Subsidiaries on notice of actual or potential Environmental Claims or Environmental Liabilities that could potentially result in a Material Adverse Effect.

(c) The Borrower shall promptly take, and shall cause each of its Subsidiaries promptly to take, any and all necessary remedial action in connection with the presence, handling, storage, use, disposal, transportation or Release or threatened Release of any Hazardous Materials on, under or affecting any Property in order to comply in all material respects with all applicable Environmental and Health Laws. In the event the Borrower or any of its Subsidiaries undertakes any action with respect to the presence, Release or threatened Release of any Hazardous Materials on or affecting any Property, the Borrower or such Subsidiaries shall conduct and complete such action in material compliance with all applicable Environmental and Health Laws, and in accordance with the policies, orders and directives of all federal, state and local governmental authorities except when, and only to the extent that, the Borrower's or such Subsidiary's liability for such presence, handling, storage, use, disposal, transportation or Release or threatened Release of any Hazardous Materials is being diligently contested in the proper legal forum and any failure to comply during such contest will not cause a Material Adverse Effect.

(d) The Borrower agrees that the Banks may, from time to time, retain, at the Borrower's expense for actual and reasonable out-of-pocket costs directly related thereto, an independent professional consultant reasonably acceptable to the Borrower to review the Environmental Review Documents and to conduct their own investigation (the scope of which investigation shall be reasonable based upon the circumstances) of any Property currently owned, leased, operated or used by the Borrower or any of its Subsidiaries, if (x) a Default or an Event of Default shall have occurred and be continuing, or (y) the Banks reasonably believe (1) that an occurrence relating to such Property is likely to give rise to an Environmental Liability, or (2) that a violation of an Environmental or Health Law on or around such Property has occurred or is likely to occur, which could, in the case of subclauses (1)-(2) above, reasonably be expected to have a Material Adverse Effect. The Borrower shall use its commercially reasonable efforts to obtain for the Banks and their agents, employees, consultants and contractors the right, upon reasonable notice to the Borrower, to enter into or on to the Property currently owned, leased, operated or used by the Borrower or any of its Subsidiaries to perform such tests on such property as are reasonably necessary to conduct such a review and/or investigation; provided, however, that no invasive or destructive environmental testing shall be undertaken without the Borrower's approval, not to be unreasonably withheld, conditioned, or delayed or if recommended by the Banks' independent consultant (except during the continuation of an Event of Default when no such approval of the Borrower shall be required). Without limiting the generality of the foregoing, any such investigation of any Property shall be conducted, unless otherwise agreed to by the Borrower and the Banks, during normal business hours and, shall be conducted so as not to unreasonably interfere with the ongoing operations at any such Property or to cause any damage or loss to any property at such Property. The Borrower and the Banks hereby acknowledge and agree that any report of any investigation conducted at the request of the Banks pursuant to this Section 7.13 will be obtained and shall be used by the Banks for the purposes of the Banks' internal credit decisions, to monitor and police the Obligations and to protect the Banks' security interests, if any, created by the Credit Documents, and the Banks hereby acknowledge and agree any such report will be kept confidential by them to the extent permitted by law, except that upon request, the Banks agree to deliver a copy of any such report to the Borrower. The Borrower acknowledges and agrees that (i) it will indemnify and hold harmless the Banks and their agents from any costs, losses or liabilities relating to the Borrower's or its Subsidiaries' use of or reliance on such report, (ii) the Banks make no representation or warranty with respect to such report, and (iii) by delivering such report to the Borrower, the Banks are not requiring or recommending the implementation of any suggestions or recommendations contained in such report.

(e) The Borrower shall promptly notify the Banks of (i) any proposed acquisition of stock, assets, or property by the Borrower or any of its Subsidiaries; or (ii) any other proposed actions, omissions or events by or affecting the Borrower or any of its Subsidiaries, that could reasonably be expected to expose the Borrower or any of its Subsidiaries to, or otherwise result in, Environmental Liability that could reasonably be expected to have a Material Adverse Effect.

(f) The Borrower shall, at its own expense, provide copies of such documents or information as the Banks may reasonably request in relation to any matters disclosed pursuant to this Section 7.13.

Section 7.14. *Investments, Acquisitions, Loans, Advances and Guaranties*. The Borrower will not, nor will it permit any Subsidiary of the Borrower to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to, any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof, or be or become liable as endorser, guarantor, surety or otherwise (such as liability as a general partner) for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person (cumulatively, all of the foregoing "**Investments**"); *provided, however*, that the foregoing provisions shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America, provided that (i) any such obligation matures within ten years from the date it is acquired by the Borrower or Subsidiary, (ii) on any day, the aggregate amount of all such investments maturing beyond one year from such date shall not exceed $100,000,000 and (iii) on any day, the aggregate amount of all such investments does not exceed five percent (5%) of Consolidated Assets as reflected on the most recent balance sheet delivered by the Borrower pursuant to Section 7.6 hereof;

(b) investments in (i) commercial paper rated P-1 by Moody's Investors Services, Inc. or A-1 by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business maturing within one year of its date of issuance, and (ii) debt and auction preferred securities rated Aaa by Moody's Investors Services, Inc. or AAA by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business maturing within one year of their respective dates of purchase;

(c) investments in certificates of deposit issued by any Bank or any United States commercial bank having capital and surplus of not less than $200,000,000 maturing within one year from the date of issuance thereof or in banker's acceptances endorsed by any Bank or other such commercial bank and maturing within six months of the date of acceptance;

(d) investments in repurchase obligations with a term of not more than seven (7) days for underlying securities of the types described in subsection (a) above entered into with any bank meeting the qualifications specified in subsection (c) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System;

(e) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in the immediately preceding subsections (a), (b), (c) and (d) above;

(f) ownership of stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any Subsidiary;

(g) endorsements of negotiable instruments for collection in the ordinary course of business;

(h) loans and advances to employees in the ordinary course of business for travel, relocation, and similar purposes;

(i) Investments (i) existing on the Effective Date in Subsidiaries of the Borrower, (ii) existing on the Effective Date and identified in **Schedule 7.14** hereof, or (iii) consisting of intercompany loans permitted pursuant to Section 7.15(e) hereof;

(j) Investments constituting (i) accounts receivable arising, (ii) trade debt granted, or (iii) deposits made in connection with the purchase price of goods or services, in each case in the ordinary course of business;

(k) Investments in Persons engaged in lines of business related to the lines of business described in Section 7.8 hereof so long as (i) both before and after giving effect to such Investment no Default of Event of Default shall have occurred and be continuing, (ii) such Investments do not permit any creditor of such Person recourse to the Borrower or any other Subsidiary of the Borrower or any of their assets (other than the assets and/or the stock or similar equity interest of such Person and except as permitted pursuant to Sections 7.14(i) and (n) hereof) and (iii) if such Investments are in Persons engaged in the lines of business described in clause (xi) of Section 7.8 hereof, such Investments and expenses in the aggregate do not exceed $50,000,000 outstanding at any time;

(l) Guaranties, other than Long-Term Guaranties, so long as such Indebtedness is permitted pursuant to Section 7.15 hereof;

(m) transactions permitted pursuant to Section 7.12(a) hereof;

(n) Investments constituting Long-Term Guaranties;

(o) [Reserved]; and

(p) Investments consisting of promissory notes issued in consideration for the sale by the Borrower or a Subsidiary of a portion of the stock (or similar equity interests) of a Subsidiary where (i) such note is secured by the stock (or similar equity interest) sold, and (ii) one of the purposes of such sale is to ensure that such Subsidiary qualifies as a “qualifying facility” under the Public Utility Regulatory Policies Act of 1978, as amended

Any Investment which when made complies with the requirements of paragraphs (a) through (e) may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements;

In determining the amount of investments, acquisitions, loans, advances and guarantees permitted under this Section 7.14, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), loans and advances shall be taken at the principal amount thereof then remaining unpaid, and guarantees shall be taken at the amount of obligations guaranteed thereby.

Section 7.15. *Restrictions on Indebtedness*. The Borrower will not, nor will it permit any Subsidiary of the Borrower to, issue, incur, assume, create, become liable for, contingently or otherwise, or have outstanding any Indebtedness; provided, however, that the foregoing provisions shall not restrict nor operate to prevent the following Indebtedness:

(a) the Obligations;

(b) Non-Recourse Indebtedness of any Project Finance Subsidiary;

(c) so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving effect to, the incurrence of such Indebtedness), secured Indebtedness (excluding Indebtedness of the type described in (e) below but including the pledge of stock or similar equity interest of any Project Finance Subsidiary or any Subsidiary which is an entity whose sole purpose and extent of business activities is to own the stock or similar equity interest of such Project Finance Subsidiary) (A) set forth on **Schedule 7.15(c)** hereto, (B)(i) of BHP or CLF&P, (ii) evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of the Borrower or a Subsidiary of the Borrower used in the ordinary course of business of the Borrower or Subsidiary, (iii) constituting Capitalized Lease Obligations or with respect to synthetic (or similar type) lease arrangements, or (iv) incurred in connection with the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds; provided, that the aggregate amount of Indebtedness permitted by clause (B)(iv) of this Section 7.15(c) at any time outstanding shall not exceed 5% of Consolidated Assets as reflected on the most recent balance sheet delivered by the Borrower pursuant to Section 7.6 hereof and (C) constituting first mortgage bond debt which is issued or incurred by Black Hills Utility Holdings or any of its direct or indirect Subsidiaries to finance the design, permitting, construction, ownership, operation or maintenance of utility properties which does not mature prior to the Termination Date, as extended from time to time in accordance with the terms hereof, and is not in excess of an amount equal to fifty percent (50%) of the net book value of the property, plant and equipment of Black Hills Utility Holdings (as reported in the most recent quarterly financial statements which were prepared in accordance with GAAP); provided, the Borrower shall promptly provide the Administrative Agent with a copy of any documentation evidencing such Indebtedness in excess of $25,000,000 and any modification to such Indebtedness;

(d) so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving effect to, the incurrence of such Indebtedness), other Indebtedness (excluding Indebtedness of the type described in (e) below) which is unsecured and either junior in right of payment to the Obligations or *pari passu* to the Obligations or is equally and ratably secured with the Obligations, provided that the Borrower shall promptly provide the Administrative Agent with a copy of any documentation evidencing such Indebtedness in excess of $25,000,000 and any modification to such Indebtedness;

(e) intercompany loans (i) from (x) any Subsidiary of the Borrower to the Borrower so long as such loans are subordinated to the Obligations on terms reasonably satisfactory to the Administrative Agent, and (y) the Borrower to a Subsidiary of the Borrower and (ii) among Wholly-Owned Subsidiaries;

(f) if the Borrower consummates the Acquisition, the following Indebtedness of Target, Target LLC or any of their respective Affiliates that are acquired in connection with the Acquisition: (i) up to $95,000,000 principal amount of 3.98% Senior Secured Notes, Series A, due September 29, 2019, of Target issued pursuant to that certain Note Purchase Agreement dated September 29, 2014 among Target and each of the purchasers party thereto, (ii) up to $325,000,000 principal amount of 5.90% Senior Notes due 2017 of Target LLC issued pursuant to that certain Indenture dated as of April 16, 2007 between Target LLC and U.S. Bank National Association, as trustee, and (iii) up to $300,000,000 of other secured or unsecured Indebtedness incurred after the date hereof and prior to the consummation of the Acquisition;

(g) [Reserved];

(h) Permitted Derivative Obligations; and

(i) Indebtedness pursuant to Long-Term Guaranties.

Indebtedness shall only be permitted under (d), (e), (h), and (i) above to the extent such Indebtedness will have a priority of payment with the Obligations which is no greater than *pari passu* (and with respect to clause (e), to the extent such Indebtedness is subordinated to the Obligations as set forth in such clause).

Section 7.16. *[Reserved].*

Section 7.17. *Recourse Leverage Ratio*. The Borrower will not permit the Recourse Leverage Ratio to exceed 0.75 to 1.00 at the end of any fiscal quarter.

Section 7.18. *Dividends and Other Shareholder Distributions.*

(a) The Borrower shall not (i) declare or pay any dividends or make a distribution of any kind (including by redemption or purchase) on or relating to its outstanding capital stock, or (ii) repay (directly, through sinking fund payments or otherwise) any Indebtedness or other obligations owing to a shareholder (other than publicly-traded Indebtedness or obligations) unless in either circumstance no Default or Event of Default exists prior to or would result after giving effect to such action.

(b) Except (i) to the extent such an encumbrance or restriction is imposed by PUHCA, the rules and regulations promulgated thereunder or any order of the SEC issued pursuant thereto, (ii) as set forth on **Schedule 7.18**, or (iii) in connection with Non-Recourse Indebtedness of a Project Finance Subsidiary, the Borrower will not, and will not permit any of its Subsidiaries, directly or indirectly to create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to: (1) pay dividends or make any other distribution on any of such Subsidiary's capital stock owned by the Borrower or any Subsidiary of the Borrower; (2) pay any Indebtedness owed to the Borrower or any other Subsidiary; (3) make loans or advances to the Borrower or any other Subsidiary; or (4) transfer any of its property or assets to the Borrower or any other Subsidiary.

Section 7.19. *[Reserved]*.

Section 7.20. *Transactions with Affiliates*. Except as is required by PUHCA or the rules and regulations promulgated thereunder, the Borrower will not, and will not permit any of its Subsidiaries to, enter into or be a party to any material transaction or arrangement with any Affiliate of such Person (other than the Borrower), including without limitation, the purchase from, sale to or exchange of Property with, any merger or consolidation with or into, or the rendering of any service by or for, any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon terms no less favorable to the Borrower or such Subsidiary than could be obtained in a similar transaction involving a third-party.

Section 7.21. *Compliance with Laws*. Without limiting any of the other covenants of the Borrower in this Article 7, the Borrower will, and will cause each of its Subsidiaries to, conduct its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities; provided, however, that neither the Borrower nor any Subsidiary of the Borrower shall be required to comply with any such law, regulation, ordinance or order if the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 7.22. *Pari-Passu*. The Borrower will at all times cause the Obligations to rank at least *pari passu* with all other senior unsecured Indebtedness of the Borrower.

Section 7.23. *Certain Subsidiaries*. Unless pursuant to Indebtedness which is authorized pursuant to this Agreement, the Borrower will not, and the Subsidiaries of the Borrower will not, permit any creditor of a Project Finance Subsidiary to have recourse to the Borrower or any Subsidiary of the Borrower (other than such Project Finance Subsidiary) or any of their assets (other than (i) the stock or similar equity interest of the applicable Subsidiary or any Subsidiary which is an entity whose sole purpose and extent of business activities is to own the stock or similar equity interest of a Project Finance Subsidiary and (ii) with respect to a Permitted Derivative Obligation) other than recourse under Guaranties permitted pursuant to Section 7.15(i) hereof.

Section 7.24. *Ratings*. The Borrower will at all times this Agreement is in effect maintain a S&P Rating and a Moody's Rating (or if one or both of such ratings are unavailable, rating(s) from such other recognized national rating agency or agencies as may be acceptable to the Administrative Agent and the Required Banks).

Section 7.25. *Material Obligations*. The Borrower (i) will duly pay and discharge, and cause each of its Subsidiaries to duly pay and discharge, at or before maturity, all of their respective obligations and liabilities, including tax liabilities, except for such obligations and/or liabilities (A) that may be the subject of a contest maintained in good faith by appropriate proceedings and with respect to which such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made; provided that compliance with the obligation that is the subject of such contest is effectively stayed during such challenge and (B) the nonpayment or nondischarge of which could not reasonably be expected to have a Material Adverse Effect, (ii) will maintain, and cause each Subsidiary to maintain, in accordance with GAAP, appropriate reserves for the accrual of all of their respective obligations and liabilities, and (iii) will not breach or permit any Subsidiary to breach, or permit to exist any default under, the terms of any lease, commitment, contract, instrument or obligation to which it is a party, or by which its properties or assets are bound, except for such breaches or defaults which could not reasonably be expected to have a Material Adverse Effect.

Section 7.26. *Sanctions Laws and Regulations.*

(a) The Borrower shall not request any Loans, and the Borrower shall not use, and shall procure that its Subsidiaries and its and their respective directors, officers and employees shall not, directly or indirectly, use the proceeds of the Loans, (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) to fund any activities or business of or with any Designated Person, or in any country, region or territory, that at the time of such funding is the subject of any sanctions under any Sanctions Laws and Regulations, or (iii) in any other manner that would result in a violation of any Sanctions Laws and Regulations by any party to this Agreement.

(b) The Borrower shall not knowingly permit any of the funds or assets of the Borrower that are used to pay any amount due pursuant to this Agreement to constitute funds obtained from transactions with or relating to Designated Persons or countries which are the subject of sanctions under any Sanctions Laws and Regulations.

ARTICLE 8
EVENTS OF DEFAULT AND REMEDIES

Section 8.1. *Events of Default*. Any one or more of the following shall constitute an Event of Default:

(a) (i) default in the payment when due of any fees, interest or of any other Obligation not covered by clause (ii) below and such payment default continues for three (3) days or (ii) default in the payment when due of the principal amount of any Loan;

(b) default by the Borrower or any Subsidiary in the observance or performance of any covenant set forth in Section 7.1, Section 7.6(d), Section 7.9 through Section 7.12, Sections 7.14 through 7.20, and Sections 7.22, 7.23, 7.24 and 7.26 hereof;

(c) default by the Borrower or any Subsidiary in the observance or performance of any provision hereof or of any other Credit Document not mentioned in Section 8.1(a) or (b) above, which is not remedied within thirty (30) days after notice thereof shall have been given to the Borrower by the Administrative Agent;

(d) (i) failure to pay when due Indebtedness in an aggregate principal amount of $50,000,000 or more of the Borrower or any Material Subsidiary (other than any such Indebtedness which is Unguaranteed Non-Recourse Indebtedness) or (ii) default shall occur under one or more indentures, agreements or other instruments under which any Indebtedness of the Borrower or any of its Material Subsidiaries in an aggregate principal amount of $50,000,000 or more, and such default shall continue for a period of time sufficient to permit the holder or beneficiary of such Indebtedness or a trustee therefor to cause the acceleration of the maturity of any such Indebtedness or any mandatory unscheduled prepayment, purchase or funding thereof;

(e) any representation or warranty made herein or in any other Credit Document by the Borrower or any Subsidiary of the Borrower, or in any statement or certificate furnished pursuant hereto or pursuant to any other Credit Document by the Borrower or any Subsidiary of the Borrower, or in connection with any Credit Document, proves untrue in any material respect as of the date of the issuance or making, or deemed making or issuance, thereof;

(f) the Borrower or any Material Subsidiary shall (i) fail to pay its debts generally as they become due or admit in writing its inability to pay its debts generally as they become due, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (iv) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it or any analogous action is taken under any other applicable law relating to bankruptcy or insolvency, (v) take any corporate action (such as the passage by its board of directors of a resolution) in furtherance of any matter described in parts (i)-(iv) above, or (vi) fail to contest in good faith any appointment or proceeding described in Section 8.1(g) hereof;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any Material Subsidiary, or any substantial part of any of their Property, or a proceeding described in Section 8.1(f)(iv) hereof shall be instituted against the Borrower or any Material Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days;

(h) the Borrower or any Material Subsidiary shall fail within thirty (30) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $50,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution thereon;

(i) the Borrower or any other member of the Controlled Group shall (i) fail to pay when due an amount or amounts which it shall have become liable to the PBGC or to a Plan under Title IV of ERISA, or (ii) file notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of $50,000,000 (collectively, a "**Material Plan**") under Title IV of ERISA, or (iii) take any action with respect to a Plan that could result in the requirement of the Borrower or any of its Subsidiaries to furnish a bond to the PBGC or such Plan; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the Borrower or any other member of the Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or the occurrence of any event with respect to any Plan that could result in the incurrence by the Borrower or any other member of its Controlled Group of any material liability, fine or penalty; or any notice from any Plan that is a multiemployer plan that (i) such Plan is in reorganization, (ii) increased contributions may be required to avoid a reduction in Plan benefits or the imposition of an excise tax, (ii) any such Plan has been funded at a rate less than that required by the Code and ERISA, (iii) any such Plan is or may be terminated, or (iv) any such Plan is or may become insolvent;

(j) the Borrower or any Subsidiary of the Borrower or any Person acting on behalf of the Borrower, a Subsidiary or any governmental authority challenges the validity of any Credit Document or the Borrower's or one of its Subsidiary's obligations thereunder or any Credit Document ceases to be in full force and effect or is modified other than in accordance with the terms thereof and hereof;

(k) a Change of Control Event shall have occurred; or

(l) The Borrower shall for any reason cease to be wholly liable for the full amount of the Obligations.

Section 8.2. *Non-Bankruptcy Defaults*. When any Event of Default other than those described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, the Administrative Agent shall, if so directed by the Required Banks, by written notice to the Borrower: (a) declare the principal of and the accrued interest on all outstanding Loans to be forthwith due and payable and thereupon all outstanding Loans, including both principal and interest thereon, and all other Obligations, shall be and become immediately due and payable together with all other amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind; and (b) automatically convert each Eurodollar Loan to a Base Rate Loan at the end of the Interest Period then in effect for such Eurodollar Rate Loan. The Administrative Agent, after giving notice to the Borrower pursuant to Section 8.1(c) hereof or this Section 8.2, shall also promptly send a copy of such notice to the other Banks, but the failure to do so shall not impair or annul the effect of such notice.

Section 8.3. *Bankruptcy Defaults*. When any Event of Default described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, then all Commitments and all other obligations of the Banks hereunder shall immediately be terminated and all outstanding Loans, including both interest and principal thereon, and all other Obligations shall immediately become due and payable together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind.

Section 8.4. *Preservation of Certain Rights and Remedies*. The parties hereto agree that the absence of a right on the part of the Administrative Agent or the Banks to terminate the Commitments prior to the funding of the Loans on the Closing Date except as specified in Section 8.3 hereof as a result of the existence of an Event of Default shall not be construed as a waiver of (a) any condition precedent to the making of the Loans set forth in Article 6 or (b) any right on the part of the Administrative Agent or the Banks to accelerate the maturity of the Loans as provided in Section 8.2 or to exercise any other remedy provided for herein or available under applicable law, it being the intent of the parties hereto that all such conditions, rights and remedies remain fully available to the Administrative Agent and the Banks.

Section 8.5. *Expenses*. The Borrower agrees to pay to the Administrative Agent and each Bank, and any other holder of any Note outstanding hereunder, all reasonable and properly documented out-of-pocket costs and expenses incurred or paid by the Administrative Agent or such Bank or any such holder, including attorneys' fees (including allocable fees of in house counsel) and court costs, in connection with (i) any amendment or waiver to the Credit Documents requested by the Borrower, (ii) any Default or Event of Default by the Borrower hereunder, or (iii) the enforcement of any of the Credit Documents.

ARTICLE 9
CHANGE IN CIRCUMSTANCES

Section 9.1. *Change of Law.* Notwithstanding any other provisions of this Agreement or any Note, if at any time after the date hereof any Change in Law makes it unlawful for any Bank to make or continue to maintain Eurodollar Loans or to perform its obligations as contemplated hereby, such Bank shall promptly give notice thereof to the Borrower and such Bank's obligations to make or maintain Eurodollar Loans under this Agreement shall be suspended until it is no longer unlawful for such Bank to make or maintain Eurodollar Loans. The Borrower shall prepay on demand the outstanding principal amount of any such affected Eurodollar Loans, together with all interest accrued thereon at a rate per annum equal to the interest rate applicable to such Loan; provided, however, subject to all of the terms and conditions of this Agreement, the Borrower may then elect to borrow the principal amount of the affected Eurodollar Loans from such Bank by means of Base Rate Loans from such Bank, which Base Rate Loans shall not be made ratably by the Banks but only from such affected Bank.

Section 9.2. *Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR.* If on or prior to the first day of any Interest Period for any Borrowing of Eurodollar Loans:

(a) the Administrative Agent determines that deposits in U.S. Dollars (in the applicable amounts) are not being offered to major banks in the eurodollar interbank market for such Interest Period, or that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(b) Banks having thirty-three percent (33%) or more of the aggregate amount of the Commitments reasonably determine and so advise the Administrative Agent that LIBOR as reasonably determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks of funding their Eurodollar Loans for such Interest Period,

then the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make Eurodollar Loans shall be suspended.

Section 9.3. *Increased Cost and Reduced Return.*

(a) If, on or after the date hereof, any Change in Law:

(i) shall subject any Bank (or its Lending Office) or the Administrative Agent to any Tax, duty or other charge with respect to its Loans, its Notes or its obligation to make Loans, or shall change the basis of taxation of payments to any Bank (or its Lending Office) or the Administrative Agent of the principal of or interest on its Loans or any other amounts due under this

Agreement in respect of its Loans or its obligation to make Loans (except for changes in the rate of tax on the overall net income or profits of such Bank or its Lending Office or the Administrative Agent imposed by the jurisdiction in which such Bank or its Lending Office or the Administrative Agent is incorporated or in which such Bank's principal executive office or Lending Office or the Administrative Agent is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit, liquidity or similar requirement (including, without limitation, any compulsory loan requirement, insurance charge or other assessment or any other such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurodollar Loans any such requirement included in an applicable Eurodollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurodollar Loans, its Notes or its obligation to make Eurodollar Loans;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) or the Administrative Agent of making or maintaining any Loan or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) or the Administrative Agent under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank or the Administrative Agent to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent) or the Administrative Agent, the Borrower shall be obligated to pay to such Bank or the Administrative Agent such additional amount or amounts as will compensate such Bank or the Administrative Agent for such increased cost or reduction. In the event any law, rule, regulation or interpretation described above is revoked, declared invalid or inapplicable or is otherwise rescinded, and as a result thereof a Bank or the Administrative Agent is determined to be entitled to a refund from the applicable authority for any amount or amounts which were paid or reimbursed by the Borrower to such Bank or the Administrative Agent hereunder, such Bank or the Administrative Agent shall refund such amount or amounts to the Borrower without interest.

(b) If, after the date hereof, any Bank or the Administrative Agent shall have determined that any Change in Law regarding capital adequacy or liquidity requirements, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital or liquidity rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy or liquidity (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the applicable jurisdiction) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such Change in Law (taking into consideration such Bank's policies with respect to capital adequacy and liquidity) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank that determines to seek compensation under this Section 9.3 shall notify the Borrower and the Administrative Agent of the circumstances that entitle the Bank to such compensation pursuant to this Section 9.3 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 9.3 and setting forth the additional amount or amounts to be paid to it hereunder submitted to the Borrower and the Administrative Agent by such Bank in good faith shall be prima facie evidence of the amount of such compensation. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4. *Lending Offices*. Each Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified in its respective Administrative Questionnaire or in the assignment agreement which any assignee bank executes pursuant to Section 11.10 hereof (each a "Lending Office") for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent, so long as such election does not increase costs or other amounts payable by the Borrower to such Bank hereunder.

Section 9.5. *Discretion of Bank as to Manner of Funding*. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit; it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Bank had actually funded and maintained each Eurodollar Loan through the purchase of deposits in the eurodollar interbank market having a maturity corresponding to such Loan's Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

ARTICLE 10
THE AGENT

Section 10.1. *Appointment and Authorization of Administrative Agent*. Each Bank hereby appoints Credit Suisse AG, Cayman Islands Branch as the Administrative Agent under the Credit Documents and hereby authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The Administrative

Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Credit Documents. The Administrative Agent is acting pursuant to a contractual relationship on an arm's length basis and the duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank, the holder of any Note or any other Person; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

Section 10.2. *Administrative Agent and its Affiliates*. The Administrative Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as if it were not the Administrative Agent under the Credit Documents.

Section 10.3. *Action by Administrative Agent*. If the Administrative Agent receives from the Borrower a written notice of an Event of Default pursuant to Section 7.6(d)(i) hereof, the Administrative Agent shall promptly give each of the Banks written notice thereof. The obligations of the Administrative Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Sections 8.2 and 8.3 hereof. In no event, however, shall the Administrative Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default exists unless notified to the contrary in writing by a Bank or the Borrower. In all cases in which this Agreement and the other Credit Documents do not require the Administrative Agent to take certain actions, the Administrative Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

Section 10.4. *Consultation with Experts*. The Administrative Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 10.5. *Liability of Administrative Agent; Credit Decision*. Neither the Administrative Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks, or (ii) in the absence of its own gross negligence or willful misconduct (as proven by the final, non-appealable judgment of a court of competent jurisdiction). Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any other party contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 6 hereof; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectability hereof or of any other Credit Document or of any other documents or writing furnished in connection with any Credit Document; and the Administrative Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Administrative Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, the Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by it under the Credit Documents. The Administrative Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Administrative Agent signed by such payee in form satisfactory to the Administrative Agent. Each Bank acknowledges that it has independently and without reliance on the Administrative Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of the Borrower and any other relevant Person, and the Administrative Agent shall have no liability to any Bank with respect thereto.

Section 10.6. *Indemnity*. The Banks shall ratably, in accordance with their respective Percentages, indemnify and hold the Administrative Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent the Administrative Agent is promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Banks under this Section 10.6 shall survive termination of this Agreement.

Section 10.7. *Resignation of Administrative Agent and Successor Administrative Agent*. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation of the Administrative Agent, the Required Banks shall have the right to appoint a successor Administrative Agent with the consent of the Borrower. If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be any Bank or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $200,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent under the Credit Documents, and the retiring Administrative Agent shall be discharged from its duties and obligations thereunder; *provided*, if the Administrative Agent shall notify the Borrower and the Banks that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder, (2) all payments (other than agency fees (as defined in the Fee Letters), communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Bank directly, until such time as the Required Banks appoint a successor Administrative Agent as provided for above and (3) the agency fees shall be waived for the period from the effective date of the resignation of the resigning Administrative Agent until the effective date of the appointment of its successor. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 10 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent.

ARTICLE 11
MISCELLANEOUS

Section 11.1. *Withholding Taxes.*

(a) *Payments Free of Withholding*. Subject to Section 11.1(b) hereof, each payment by the Borrower under this Agreement or the other Credit Documents shall be made without withholding for or on account of any present or future Taxes (other than overall net income taxes on the recipient imposed by the jurisdiction in which the recipient is organized or conducts business (other than any jurisdiction in which the recipient is deemed to conduct business solely as the result of entering into this Agreement or any other Credit Document or receiving any payment or taking any action thereunder) and Taxes imposed by FATCA). If any such withholding is required by applicable law, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and, except with respect to Taxes imposed by FATCA, forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Administrative Agent free and clear of such Taxes (including such Taxes on such additional amount) is equal to the amount which that Bank or the Administrative Agent (as the case may be) would have received had such withholding not been made. If the Administrative Agent or any Bank pays any amount in respect of any such Taxes, penalties or interest (other than Taxes, penalties or interest imposed by FATCA), the Borrower shall, within ten (10) days after demand therefor, reimburse the Administrative Agent or that Bank for that payment on demand in the currency in which such payment was made. If the Borrower pays any such Taxes, penalties or interest, it shall deliver official Tax receipts evidencing that payment or certified copies thereof to the Bank or the Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Administrative Agent determines it has received or been granted a credit against or relief or remission for, or repayment of, any Taxes paid or payable by it because of any Taxes, penalties or interest paid by the Borrower and evidenced by such a Tax receipt, such Bank or the Administrative Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as such Bank or the Administrative Agent determines is attributable to such deduction or withholding and which will leave such Bank or the Administrative Agent (after such payment) in no better or worse position than it would have been in if the Borrower had not been required to make such deduction or withholding. Nothing in this Agreement shall interfere with the right of each Bank and the Administrative Agent to arrange its Tax affairs in whatever manner it thinks fit nor obligate any Bank or the Administrative Agent to disclose any information relating to its Tax affairs or any computations in connection with such Taxes, other than the information required to be disclosed pursuant to Section 11.1(d) hereof.

(b) *U.S. Withholding Tax Exemptions.*

(i) Any Bank that is a U.S. Person shall submit to the Borrower and the Administrative Agent on or before the date of the initial Borrowing hereunder (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Bank is exempt from U.S. federal backup withholding tax.

(ii) Each Foreign Bank shall submit to the Borrower and the Administrative Agent on or before the date of the initial Borrowing hereunder two duly completed and signed copies, as applicable, of either (A) Form W-8BEN or Form W-8BEN-E or (B) Form W-8ECI of the United States Internal Revenue Service.

(iii) Each Foreign Bank that is claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code shall submit to the Borrower and the Administrative Agent on or before the date of the initial Borrowing hereunder (x) a certificate substantially in the form of Exhibit G-1 to the effect that such Foreign Bank is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "<u>U.S. Tax Compliance Certificate</u>") and (y) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E.

(iv) Each Foreign Bank that is not the beneficial owner shall submit to the Borrower and the Administrative Agent on or before the date of the initial Borrowing hereunder executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit G-2 or Exhibit G-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if such Foreign Bank is a partnership and one or more direct or indirect partners of such Foreign Bank are claiming the portfolio interest exemption, such Foreign Bank may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit G-4 on behalf of each such direct and indirect partner.

(v) Thereafter and from time to time, each such Bank shall submit to the Borrower and the Administrative Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (A) requested by the Borrower in a written notice, directly or through the Administrative Agent, to such Bank and (B) required under then current United States law or regulations to avoid or reduce United States federal withholding taxes on payments in respect of all amounts to be received by such Bank, including fees, pursuant to the Credit Documents or the Loans.

(c) *Inability of Bank to Submit Forms*. If any Bank determines, as a result of any Change in Law, that it is unable to submit to the Borrower or the Administrative Agent any form or certificate that such Bank is obligated to submit pursuant to subsection (b) or (d) of this Section 11.1 or that such Bank is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Bank shall promptly notify the Borrower and the Administrative Agent of such fact and the Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

(d) *FATCA Forms*. If a payment made to a Bank under any Credit Document would be subject to U.S. federal withholding tax imposed by FATCA if such Bank were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Bank shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Bank has complied with such Bank's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this subsection (d), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(e) *Indemnification by the Banks*. Each Bank shall severally indemnify the Administrative Agent, within ten (10) Business Days after demand therefor, for (i) any Taxes attributable to such Bank (but only to the extent that Borrower has not already indemnified the Administrative Agent for such Taxes and without limiting the obligation of Borrower to do so), and (ii) any Taxes attributable to such Bank's failure to comply with the provisions of Section 11.10(d)) relating to the maintenance of a Participant Register, in each case, that are payable or paid by the Administrative Agent in connection with any Credit Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Bank by the Administrative Agent shall be conclusive absent manifest error. Each Bank hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Bank under any Credit Document or otherwise payable by the Administrative Agent to the Bank from any other source against any amount due to the Administrative Agent under this subsection (e).

(f) *FATCA*. For purposes of determining withholding Taxes imposed under FATCA, from and after the Effective Date, the Borrower and the Administrative Agent shall treat (and the Banks hereby authorize the Administrative Agent to treat) this Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

Section 11.2. *No Waiver of Rights*. No delay or failure on the part of the Administrative Agent or any Bank or on the part of the holder or holders of any Note in the exercise of any power or right under any Credit Document shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power or right, and the rights and remedies hereunder of the Administrative Agent, the Banks and the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 11.3. *Non-Business Day*. If any payment of principal or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to and including the next succeeding Business Day, on which the same shall be payable.

Section 11.4. *Documentary Taxes*. The Borrower agrees that it will pay any documentary, stamp, intangible, recording, filing or similar taxes payable in respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 11.5. *Survival of Representations*. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 11.6. *Survival of Indemnities*. All indemnities and all other provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Loans, including, but not limited to, Section 2.11, Section 9.3 and Section 11.13 hereof, shall survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations.

Section 11.7. *Set-Off*.

(a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, or otherwise fully matured, and in whatever currency denominated) and any other Indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the obligations and liabilities of the Borrower to that Bank or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (a) that Bank or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 8 hereof and although said obligations and liabilities, or any of them, may be contingent or unmatured.

(b) Each Bank agrees with each other Bank a party hereto that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans in excess of its ratable share of payments on all such obligations then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Loans held by each such other Banks (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 11.8. *Notices.*

(a) Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including facsimile or by using Electronic Systems) and shall be given to a party hereunder at its address or facsimile number set forth below or such other address or facsimile number as such party may hereafter specify by notice to the Administrative Agent and the Borrower, given by courier, by United States certified or registered mail, by other telecommunication device capable of creating a written record of such notice and its receipt or, to the extent permitted in (b) hereof, Electronic Systems. Notices under the Credit Documents to the Banks shall be addressed to their respective addresses, facsimile or telephone numbers set forth on their respective Administrative Questionnaires or in the assignment agreement which any assignee bank executes pursuant to Section 11.10 hereof, and to the Borrower and to the Administrative Agent to:

If to the Borrower:

Black Hills Corporation
PO Box 1400
625 9th Street
Rapid City, South Dakota 57709
Attention: Kimberly Nooney
Facsimile: 605.721.2597
Telephone: 605.721.2370

with copies to:

Black Hills Corporation
PO Box 1400
625 9th Street
Rapid City, South Dakota 57709
Attention: Steven J. Helmers
Facsimile: 605.721.2550
Telephone: 605.721.2303

If to the Administrative Agent:

Credit Suisse AG, Cayman Islands Branch
Attention: Loan Operations – Agency Manager
Eleven Madison Avenue, 6th Floor
New York, New York 10010
Facsimile: 212-322-2291
Telephone: 919-994-6369
Email: agency.loanops@credit-suisse.com

Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section 11.8 or in the applicable Administrative Questionnaire and a confirmation of receipt of such facsimile has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, three (3) Business Days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified or referred to in this Section 11.8; provided that any notice given pursuant to Section 2 hereof shall be effective only upon receipt during the recipient's normal business hours. Notices delivered through Electronic Systems, to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Notices and other communications to the Banks hereunder may be delivered or furnished by using Electronic Systems pursuant to procedures approved by the Administrative Agent; *provided* that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Bank. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; *provided* that approval of such procedures may be limited to particular notices or communications.

Section 11.9. *Counterparts*. This Agreement may be executed in any number of counterpart signature pages, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart hereof via facsimile or electronic means shall for all purposes be as effective as delivery of an original counterpart.

Section 11.10. *Successors and Assigns.*

(a) *Successors and Assigns Generally*. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign any of its rights or obligations under any Credit Document unless such assignation occurs in connection with a merger or acquisition by the Borrower which is otherwise permitted under the terms of this Agreement and the appropriate Credit Documents, if applicable, and the Borrower obtains the prior written consent of all of the Banks, which consent shall be in form and substance satisfactory to the Administrative Agent. No Bank may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (g) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Banks) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Assignments by Banks*. Any Bank may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment or the Loans at the time owing to it); *provided* that

(i) except in the case of an assignment of the entire remaining amount of the assigning Bank's Commitment or the Loans at the time owing to it or in the case of an assignment to a Bank or an Affiliate of a Bank or an Approved Fund with respect to a Bank, the aggregate amount of the Commitment or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loan of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $2,500,000 and shall be in increments of $1,000,000 in excess thereof, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower, otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Bank's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned;

(iii) prior to the Closing Date, any assignment of a Commitment must be approved by (i) the Administrative Agent (not to be unreasonably withheld or delayed) and (ii) unless the Person that is the proposed assignee is a Permitted Assignee or a Bank with a Commitment or a controlled Affiliate of a Bank with a Commitment (whether or not such proposed assignee would otherwise qualify as an Eligible Assignee), the Borrower (not to be unreasonably withheld or delayed);

(iv) from and after the Closing Date, any assignment of a Loan must be approved by (i) the Administrative Agent (not to be unreasonably withheld or delayed) and (ii) unless the Person that is the proposed assignee is itself a Bank with a Loan or is an Affiliate of a Bank (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee) and/or an Event of Default has occurred and is continuing, the Borrower (not to be unreasonably withheld or delayed); *provided* in the case of this Section 11.10(b)(iv) that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof; and

(v) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500 (which fee may be waived in the sole and absolute discretion of the Administrative Agent), and the Eligible Assignee, if it shall not be a Bank, shall deliver to the Administrative Agent an Administrative Questionnaire and any relevant tax forms.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and

Assumption, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 9.3 and 9.4 hereof with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Bank of a participation in such rights and obligations in accordance with paragraph (d) of this Section. The Borrower shall execute and deliver to the assignee a Note upon written request from such assignee. The assignor shall promptly return to the Borrower its Note if after giving effect to such assignment such assignor has no Commitment and no Obligations are owing to such assignor.

(c) *Register*. The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices in the United States a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Banks, and the Commitments of, and principal amounts of the Loans owing to, each Bank pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Banks may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and, as to its commitments only, any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(d) *Participations*. Any Bank may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than an Ineligible Institution) (each, a "**Participant**") in all or a portion of such Bank's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); <u>provided</u> that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Each Bank that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in such Bank's Loans or other obligations under this Agreement (the "**Participant Register**"); provided that no Bank shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans or its other obligations under any this Agreement) except to the extent that such disclosure is necessary to establish that such Commitment, Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such

Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Any agreement or instrument pursuant to which a Bank sells such a participation shall provide that such Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Bank will not, without the consent of the Participant, agree to any amendment, modification or waiver of the type described in Section 11.11(i) hereof that affects such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 9.3 and 9.4 hereof to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.7(a) hereof as though it were a Bank, provided such Participant agrees to be subject to Section 11.7(b) hereof as though it were a Bank.

(f) *Limitations upon Participant Rights*. A Participant shall not be entitled to receive any greater payment under Sections 9.3 and 9.4 hereof than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Bank if it were a Bank shall not be entitled to the benefits of Section 9.4 hereof unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 9.4 hereof as though it were a Bank.

(g) *Certain Pledges*. Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or any other central banking authority; provided that no such pledge or assignment shall release such Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

(h) *Certain Funding Arrangements*. Notwithstanding anything to the contrary contained herein, any Bank (a "Granting Bank") may grant to a special purpose funding vehicle which is an Affiliate of such Bank (a "SPC"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Bank shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Loan were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 11.10, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Bank or to any financial institutions (consented to by the Borrower and the Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section may not be amended without the written consent of the SPC.

(i) *Farm Credit System*. Notwithstanding anything in this Section to the contrary, any bank that is a member of the Farm Credit System that: (x) has purchased a participation in the minimum amount of $10,000,000 on or after the Effective Date, (y) is, by written notice to the Borrower and the Administrative Agent ("**Voting Participant Notification**"), designated by the selling Bank as being entitled to be accorded the rights of a Voting Participant hereunder (any bank that is a member of the Farm Credit System so designated being called a "**Voting Participant**") and (z) receives the prior written consent of the Borrower and the Administrative Agent to become a Voting Participant, shall be entitled to vote (and the voting rights of the selling Bank shall be correspondingly reduced), on a dollar for dollar basis, as if such participant were a Bank, on any matter requiring or allowing a Bank to provide or withhold its consent, or to otherwise vote on any proposed action. To be effective, each Voting Participant Notification shall, with respect to any Voting Participant: (i) state the full name, as well as all contact information required of an Assignee as set forth in **Exhibit D** hereto and (ii) state the dollar amount of the participation purchased. The Borrower and the Administrative Agent shall be entitled to conclusively rely on information contained in notices delivered pursuant to this paragraph.

Section 11.11. *Amendments*. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Banks and (c) if the rights or duties of the Administrative Agent are affected thereby, the Administrative Agent; *provided* that no amendment or waiver pursuant to this Section 11.11 shall:

(i) (A) increase, decrease or extend any Commitment of any Bank without the consent of such Bank, (B) reduce the amount of or postpone any fixed date for payment of any principal of or interest on any Loan (including the Termination Date) or of any fee or other Obligation payable hereunder without the consent of each Bank, (C) modify or waive any condition precedent to the Effective Date or the Closing Date set forth in Article 6 hereof or (D) impose restrictions on assignments of, or participations, in Commitments or Loans in addition to those set forth in Section 11.10 hereof; or

(ii) unless signed by each Bank, change this Section 11.11, or the definition of Required Banks, or affect the number of Banks required to take any action under the Credit Documents or, with respect to the pro rata sharing of payments, amend Section 4.1 hereof or any other provision hereof relating to the pro rata sharing of payments.

Section 11.12. *Headings*. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 11.13. *Legal Fees, Other Costs and Indemnification*. The Borrower agrees to indemnify the Arranger, the Administrative Agent, the Banks, their respective Affiliates, successors and assigns and the officers, directors, employees, agents, advisors, controlling persons and members of each of the foregoing (each, an "**Indemnified Person**") and hold them harmless from and against all reasonable and documented or invoiced out-of-pocket costs, expenses (including legal expenses) and liabilities of such Indemnified Person arising out of or relating to any claim or any litigation or other proceeding (regardless of whether such Indemnified Person is a party thereto and regardless of whether such matter is initiated by a third party or by the Borrower, the Sellers or any of their respective Affiliates or equity holders) that relates to the Transactions, including the financing contemplated by this Agreement, the Acquisition or any transactions in connection therewith; *provided* that no Indemnified Person will be indemnified for any claim, loss, damage, liability or expense to the extent the same resulted from (i) the gross negligence, bad faith or willful misconduct of such Indemnified Person, (ii) a material breach of the obligations of any Indemnified Person or any Related Party thereof under the Commitment Letter, the Fee Letter, the Transactions or this Agreement (in the case of each of the preceding clause (i) and this clause (ii), as determined by a court of competent jurisdiction in a final and non-appealable judgment) or (iii) any claim, litigation, investigation or proceeding solely between or among Indemnified Persons other than actions against the Administrative Agent, the Arranger or other persons acting in an agency or similar role in their capacity as such (and which does not involve an act or omission of the Borrower or any of its Affiliates). The Borrower shall pay all reasonable and documented or invoiced out-of-pocket expenses (including legal expenses (but limited to expenses of one legal counsel and, if reasonably necessary or advisable, of one regulatory counsel and a single local counsel in any relevant jurisdiction for all Indemnified Persons unless, in the reasonable opinion of an Indemnified Person, representation of all Indemnified Persons by such counsel would be inappropriate due to the existence of an actual or potential conflict of interest)) of (a) the Arranger and the Administrative Agent in connection with the syndication of the Commitments and the preparation and administration of the Credit Documents and amendments, modifications and waivers thereto and (b) the Arranger, the Administrative Agent and the Banks for enforcement costs associated with this Agreement.

Section 11.14. *Entire Agreement*. The Credit Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or contemporaneous agreements, whether written or oral, with respect thereto are superseded thereby.

Section 11.15. *Construction*. The parties hereto acknowledge and agree that neither this Agreement nor the other Credit Documents shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement and the other Credit Documents.

Section 11.16. *Governing Law*. This Agreement and the other Credit Documents, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of New York.

Section 11.17. *SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL*. THE BORROWER HEREBY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 11.18. *Replacement of Bank*. Each Bank agrees that, upon the occurrence of any event set forth in Sections 9.1, 9.3 and Section 11.1 hereof, such Bank will use reasonable efforts to book and maintain its Loans through a different Lending Office or to transfer its Loans to an Affiliate with the objective of avoiding or minimizing the consequences of such event; *provided* that such booking or transfer is not otherwise disadvantageous to such Bank as determined by such Bank in its sole and absolute discretion. If any Bank has demanded to be paid additional amounts pursuant to Sections 9.1, 9.3 and Section 11.1 hereof, and the payment of such additional amounts are, and are likely to continue to be, more onerous in the reasonable judgment of the Borrower than with respect to the other Banks, then the Borrower shall have the right at any time when no Default or Event of Default shall have occurred and be continuing to seek one or more financial institutions which are not Affiliates of the Borrower (each, a "**Replacement Bank**") to purchase with the written consent of the Administrative Agent (which consent shall not be (x) required if such proposed Replacement Bank is already a Bank, or an Affiliate of a Bank, or (y) unreasonably delayed or withheld) the outstanding Loans and Commitments of such Bank (the "**Affected Bank**"), and if the Borrower locates a Replacement Bank, the Affected Bank shall, upon

(i) prior written notice to the Administrative Agent,

(ii) (i) payment to the Affected Bank of the purchase price agreed between it and the Replacement Bank (or, failing such agreement, a purchase price in the amount of the outstanding principal amount of the Affected Bank's Loans and accrued interest thereon to the date of payment) by the Replacement Bank plus (ii) payment by the Borrower of all Obligations (other than principal and interest with respect to Loans) then due to the Affected Bank or accrued for its account hereunder or under any other Credit Document,

(iii) satisfaction of the provisions set forth in Section 11.10 hereof, and

(iv) payment by the Borrower to the Affected Bank and the Administrative Agent of all reasonable out-of-pocket expenses in connection with such assignment and assumption (including the recordation fee described in Section 11.10 hereof),

be deemed without any further action to have assigned and delegated all its rights and obligations under this Agreement and any other Credit Document to which it is a party (including its outstanding Loans) to the Replacement Bank (such assignment to be made without recourse, representation or warranty), and the Replacement Bank shall assume such rights and obligations, whereupon the Replacement Bank shall in accordance with Section 11.10 hereof become a party to each Credit Document to which the Affected Bank is a party and shall have the rights and obligations of a Bank thereunder and the Affected Bank shall be released from its obligations hereunder and each other Credit Document to the extent of such assignment and delegation.

Notwithstanding the foregoing, with respect to a Bank that is a Defaulting Bank or an Impacted Bank, the Borrower or the Administrative Agent may obtain a Replacement Bank and execute an Assignment on behalf of such Defaulting Bank or an Impacted Bank at any time and without prior notice to such Defaulting Bank or an Impacted Bank and cause its Loans and Commitments to be sold and assigned at par. Upon any such assignment and payment and compliance with the other provisions of Section 11.10 hereof, such replaced Bank shall no longer constitute a "Bank" for purposes hereof; provided, any rights of such replaced Bank to indemnification hereunder shall survive.

Section 11.19. *Confidentiality.* The Administrative Agent and the Banks shall hold all non-public information provided to them by the Borrower pursuant to or in connection with this Agreement in accordance with their customary procedures for handling confidential information of this nature, but may make disclosure to any of their agents, attorneys-in-fact, examiners, regulators, non-governmental self-regulatory authorities, Affiliates, outside auditors, counsel and other professional advisors and any numbering, administration or settlement service providers in connection with this Agreement or any other Credit Document or as reasonably required by any potential *bona fide* transferee, participant or assignee, or in connection with the exercise of remedies under a Credit Document, or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 11.19), or to any nationally recognized rating agency that requires access to information about a Bank's investment portfolio in connection with ratings issued with respect to such Bank, or as requested by any governmental agency, non-governmental self-regulatory authority or representative thereof or pursuant to legal or regulatory process; *provided, however*, that unless specifically prohibited by applicable law or court order, or in connection with any supervising examination, the Administrative Agent and each Bank shall use reasonable efforts to promptly notify the Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of the Administrative Agent or such Bank by such governmental agency) for disclosure of any such non-public information and, where practicable, prior to disclosure of such information. Prior to any such disclosure pursuant to this Section 11.19, the Administrative Agent and each Bank shall require any such *bona fide* transferee, participant and assignee receiving a disclosure of non-public information to agree, for the benefit of the Borrower, in writing to be bound by this Section 11.19; and to require such Person to require any other Person to whom such Person discloses such non-public information to be similarly bound by this Section 11.19.

Notwithstanding anything herein to the contrary, "confidential information" shall not include, and the Administrative Agent and each Bank may disclose to any and all persons, without limitation of any kind, (i) any information with respect to the U.S. federal income tax treatment and U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or such Bank relating to such tax treatment and tax structure, (ii) information that has been publicly disclosed or has become public without breach of this Section 11.19 and (iii) information that now or hereafter becomes available to such Bank on a non-confidential basis from a source other than the Borrower.

Section 11.20. *Rights and Liabilities of Co-Syndication Agents, Co-Documentation Agents and Arrangers*. Neither any Co-Syndication Agent, any Co-Documentation Agent nor any Arranger has any special rights, powers, obligations, liabilities, responsibilities or duties under this Agreement as a result of acting in the capacity of Co-Syndication Agent, Co-Documentation Agent or Arranger, as applicable, other than those applicable to them in their capacity as Banks hereunder (if any). Without limiting the foregoing, neither any Co-Syndication Agent, any Co-Documentation Agent nor any Arranger shall have or be deemed to have a fiduciary relationship with any Bank. Each Bank hereby makes the same acknowledgments and undertakings with respect to each Co-Syndication Agent, each Co-Documentation Agent and each Arranger as it makes with respect to the Administrative Agent and any directors, officers, agents and employees of the Administrative Agent in Section 10.5 hereof.

Section 11.21. *Relationship*. Neither the Administrative Agent nor any Bank has any fiduciary relationship or duty to the Borrower or any of its Subsidiaries arising out of or in connection with, and there is no agency, tenancy or joint venture relationship between the Administrative Agent or any Bank, on the one hand, and the Borrower or any of its Subsidiaries, on the other hand, by virtue of, any Credit Document or any transaction contemplated therein. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against each of the Banks and their Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

The Borrower and each of its Subsidiaries understand that the Administrative Agent, each Bank and their respective affiliates (the Administrative Agent or such Bank, as the case may be, together with its affiliates, each referred to herein as a "**Group**") are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research). Members of each Group and businesses within each Group generally act independently of each other, both for their own account and for the account of clients. Accordingly, there may be situations where parts of a Group and/or their clients either now have or may in the future have interests, or take actions, that may conflict with the interests of the Borrower or one of its Subsidiaries. For example, a Group may, in the ordinary course of business, engage in trading in financial products or undertake other investment businesses for their own account or on behalf of other clients, including without limitation, trading in or holding long, short or derivative positions in securities, loans or other financial products of the Borrower, its Subsidiaries or its affiliates or other entities connected with the Loans or the transactions contemplated hereby.

In recognition of the foregoing, the Borrower, for itself and on behalf of its Subsidiaries, agrees no Group is required to restrict its activities as a result of this Agreement and that each Group may undertake any business activity without further consultation with or notification to the Borrower or any of its Subsidiaries. Neither this Agreement nor the receipt by the Administrative Agent or any Bank of confidential information nor any other matter will give rise to any fiduciary, equitable or contractual duties (including but not limited to any duty of trust or confidence) that would prevent or restrict a Group from acting on behalf of other customers or for its own account. Furthermore, the Borrower, for itself and on behalf of its Subsidiaries, agrees that no Group and no member or business of a Group is under a duty to disclose to the Borrower or any of its Subsidiaries or use on behalf of the Borrower or any of its Subsidiaries any information whatsoever about or derived from those activities or to account for any revenue or profits obtained in connection with such activities. However, consistent with each Group's long-standing policy to hold in confidence the affairs of its customers, no Group will use confidential information obtained from the Borrower or any of its Subsidiaries except in connection with its services to, and its relationship with, the Borrower and its Subsidiaries; provided, that each Group will be free to disclose information in any manner as required by law, regulation, regulatory authority or other applicable judicial or government order.

Section 11.22. *[Reserved]*.

Section 11.23. *Severability of Provisions*. Any provision in this Agreement or any other Credit Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Agreement and the other Credit Documents are declared to be severable.

Section 11.24. *Patriot Act Notice*. Each Bank that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Bank) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**Patriot Act**"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act.

[*Remainder of Page Intentionally Left Blank; Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their duly authorized representatives as of the day and year first above written.

BLACK HILLS CORPORATION
as the Borrower

By: KF Mooney

Name: Kimberly F. Mooney
Title: Vice President – Treasurer

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH
as the Administrative Agent and as a Bank

By: ______________________________
Name: MIKHAIL FAYBUSOVICH
Title: AUTHORIZED SIGNATORY

By: ______________________________
Name: Gregory Fantoni
Title: Authorized Signatory

Bank of America, N.A.
as a Bank

By: Carlos Morales

Name: Carlos Morales
Title: SVP

ROYAL BANK OF CANADA as a Bank

By: ______________________________
Name: Frank Lambrinos
Title: Authorized Signatory

WELLS FARGO BANK, NATIONAL ASSOCIATION
as a Bank

By: ______________________________
Name: Nick Brokke
Title: Vice President

BMO HARRIS FINANCING, INC.,
as a Bank

By: ______________________________
Name: Kevin Utsey
Title: Director

JPMorgan Chase Bank, N.A.,
as a Bank

By: ______________________________
Name: Justin Martin
Title: Authorized Officer

Morgan Stanley Bank, N.A.
as a Bank

By: ______________________________
Name: Anish Shah
Title: Authorized Signatory

MUFG Union Bank, N.A.
as a Bank

By: Maria Ferradas
Name: Maria Ferradas
Title: Vice President

The Bank of Nova Scotia,
as a Bank

By: ______________________________
Name: Thane Rattew
Title: Managing Director

U.S. Bank N.A.
as a Bank

By: ______________________________
Name: Eric J. Cosgrove
Title: Vice President

COBANK, ACB
as a Bank

By: ______________________________
Name: John H. Kemper
Title: Vice President

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K/A
(Amendment No. 1)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ___________________

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota	625 Ninth Street	IRS Identification Number
	Rapid City, South Dakota 57701	46-0458824

Registrant's telephone number, including area code
(605) 721-1700

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

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

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

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

State the aggregate market value of the voting stock held by non-affiliates of the Registrant.

At June 30, 2014 $2,696,775,649

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

Class	Outstanding at January 31, 2015
Common stock, $1.00 par value	44,676,072 shares

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2015 Annual Meeting of Stockholders to be held on April 28, 2015, are incorporated by reference in Part III of this Form 10-K.

Explanatory Note

This Amendment No. 1 (this "Amendment") amends the Annual Report on Form 10-K for the annual period ended December 31, 2014 originally filed by Black Hills Corporation on February 25, 2015 (the "Original Filing").

In preparing our consolidated financial statements for the quarter ended June 30, 2015, we identified immaterial errors that impacted our previously issued consolidated financial statements. The prior period errors originated in the year ended December 31, 2008 and related to our oil and gas full cost ceiling impairment calculation to determine whether the net book value of the our oil and gas properties exceeded the ceiling. Specifically, the errors related to evaluating and correctly accounting for the treatment of tax related amounts associated with the calculation. The original errors identified caused an understatement of 2008, 2009, 2012 and Q1 2015 noncash ceiling test impairment calculations, which resulted in an overstatement of depletion expense from 2009 through March 31, 2015, and an understatement of the 2012 gain on sale of oil and gas properties, further described in Note 1 to the consolidated financial statements filed in this Annual Report on Form 10-K/A.

As a result of these immaterial errors, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we re-evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, using the criteria in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this re-evaluation, we have determined that a material weakness in internal control over financial reporting relating to our oil and gas full-cost ceiling, non-cash impairment calculation existed as of December 31, 2014. As a result, we have revised Management's Report on Internal Control Over Financial Reporting for the year ended December 31, 2014, included herein.

Notwithstanding the material weakness described above, we have concluded that our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 as previously filed with the Securities and Exchange Commission ("SEC"), are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented and that they may still be relied upon. Given this Amendment, we have revised our previously issued consolidated financial statements for the effects of immaterial errors included in this Annual Report on Form 10-K/A for the year ended December 31, 2014.

The following items have been amended as a result of the revision of Management's Report on Internal Control Over Financial Reporting and to correct immaterial errors:

- Item 6 - Selected Financial Data
- Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 8 - Financial Statements and Supplementary Data
- Item 9A - Controls and Procedures
- Item 15 - Exhibits

In accordance with applicable SEC rules, this Annual Report on Form 10-K/A includes certifications from our Chief Executive Officer and Chief Financial Officer dated as of the date of this filing.

Except for the impact of the items discussed above, no other changes have been made to the Original Filing. This Annual Report on Form 10-K/A continues to describe conditions as of the date of the Original Filing, and the disclosures contained herein have not been updated to reflect events, results or developments that have occurred after the Original Filing date, or to modify or update those disclosures affected by subsequent events.

Concurrently with the filing of this Annual Report on Form 10-K/A, we are also filing an amendment to our Form 10-Q for the quarterly period ended March 31, 2015.

Website Access to Reports

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

Forward-Looking Information

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

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

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

PART II

ITEM 6. SELECTED FINANCIAL DATA

Years Ended December 31, (dollars in thousands, except per share amounts)	2014	2013	2012	2011	2010
Total Assets	$ 4,245,902	$ 3,837,936	$ 3,688,335	$ 4,053,216	$ 3,631,412
Property, Plant and Equipment					
Total property, plant and equipment	$ 4,563,400	$ 4,259,445	$ 3,930,772	$ 3,724,016	$ 3,353,509
Accumulated depreciation and depletion	$(1,357,929)	$(1,306,390)	$(1,229,159)	$(1,008,307)	$ (941,872)
Capital Expenditures	$ 391,267	$ 379,534	$ 347,980	$ 431,707	$ 496,990
Capitalization					
Current maturities of long-term debt	$ 275,000	$ —	$ 103,973	$ 2,473	$ 5,181
Notes payable	75,000	82,500	277,000	345,000	249,000
Long-term debt, net of current maturities	1,267,589	1,396,948	938,877	1,280,409	1,186,050
Common stock equity	1,353,884	1,283,500	1,205,800	1,161,715	1,048,642
Total capitalization	$ 2,971,473	$ 2,762,948	$ 2,525,650	$ 2,789,597	$ 2,488,873
Capitalization Ratios					
Short-term debt, including current maturities	12%	3%	15%	12%	10%
Long-term debt, net of current maturities	42%	51%	37%	46%	48%
Common stock equity	46%	46%	48%	42%	42%
Total	100%	100%	100%	100%	100%
Total Operating Revenues	$ 1,393,570	$ 1,275,852	$ 1,173,884	$ 1,272,188	$ 1,219,691
Net Income Available for Common Stock					
Utilities	$ 101,421	$ 84,841	$ 79,588	$ 81,860	$ 74,563
Non-regulated Energy	30,443	20,864 (1)	45,637 (1)	4,875	14,410
Corporate and intersegment eliminations	(975)	12,602 (2)	(15,808) (2)	(42,361) (2)	(21,611) (2)
Income (loss) from continuing operations	130,889	118,307	109,417	44,374	67,362
Income (loss) from discontinued operations, net of tax [3]	—	(884)	(6,977)	9,365	5,544
Net income available for common stock	$ 130,889	$ 117,423	$ 102,440	$ 53,739	$ 72,906

SELECTED FINANCIAL DATA continued

Years Ended December 31, (dollars in thousands, except per share amounts)	2014	2013	2012	2011	2010
Dividends Paid on Common Stock	$ 69,636	$ 67,587	$ 65,262	$ 59,202	$ 56,467
Common Stock Data(4) (in thousands)					
Shares outstanding, average basic	44,394	44,163	43,820	39,864	38,916
Shares outstanding, average diluted	44,598	44,419	44,073	40,081	39,091
Shares outstanding, end of year	44,672	44,499	44,206	43,925	39,269
Earnings (Loss) Per Share of Common Stock (in dollars) (4)					
Basic earnings (loss) per average share -					
Continuing operations	$ 2.95	$ 2.68	$ 2.50	$ 1.11	$ 1.73
Discontinued operations	—	(0.02)	(0.16)	0.24	0.14
Total	$ 2.95	$ 2.66	$ 2.34	$ 1.35	$ 1.87
Diluted earnings (loss) per average share -					
Continuing operations	$ 2.93	$ 2.66	$ 2.48	$ 1.11	$ 1.73
Discontinued operations	—	(0.02)	(0.16)	0.23	0.14
Non-controlling interest	—	—	—	—	—
Total	$ 2.93	$ 2.64	$ 2.32	$ 1.34	$ 1.87
Dividends Declared per Share	$ 1.56	$ 1.52	$ 1.48	$ 1.46	$ 1.44
Book Value Per Share, End of Year	$ 30.31	$ 28.84	$ 27.28	$ 26.45	$ 26.70
Return on Average Common Stock Equity (full year)	9.9%	9.4%	8.7%	4.9%	6.8%

SELECTED FINANCIAL DATA continued

Years ended December 31,	2014	2013	2012	2011	2010
Operating Statistics:					
Generating capacity (MW):					
Electric Utilities (owned generation)	841	790	859	865	687
Electric Utilities (purchased capacity)	210	150	150	450	440
Power Generation (owned generation)	269	309	309	309	120
Total generating capacity	1,320	1,249	1,318	1,624	1,247
Electric Utilities:					
MWh sold:					
Retail electric	4,775,808	4,642,254	4,598,080	4,590,800	4,532,191
Contracted wholesale	340,871	357,193	340,036	349,520	468,782
Wholesale off-system	1,118,641	1,456,762	1,652,949	1,788,005	1,749,524
Total MWh sold	6,235,320	6,456,209	6,591,065	6,728,325	6,750,497
Gas Utilities: (5)					
Gas sold (Dth)	60,323,416	59,097,493	47,358,505	55,764,154	55,265,630
Transport volumes (Dth)	67,463,143	63,821,546	60,480,822	59,216,132	59,879,450
Power Generation Segment:					
MWh Sold	1,760,160	1,564,789	1,304,637	556,577	519,057
MWh Purchased	38,237	5,481	8,011	402	27,734
Oil and Gas Segment:					
Oil and gas production sold (MMcfe)	9,986	9,529	12,544	11,762	11,300
Oil and gas reserves (MMcfe) (1)	101,416	86,713	80,683	133,242	131,096
Coal Mining Segment:					
Tons of coal sold (thousands of tons) (6)	4,317	4,285	4,246	5,692	5,931
Coal reserves (thousands of tons)	208,231	212,595	232,265	256,170	261,860

(1) 2013 includes $6.6 million after-tax expense relating to the settlement of interest rate swaps in conjunction with the prepayment of Black Hills Wyoming's project financing and write-off of deferred financing costs. 2012 includes a non-cash after-tax ceiling test impairment charge to our crude oil and natural gas properties of $32 million offset by an after-tax gain on sale of $49 million related to our Williston Basin assets. Reserves reflect the sale of the Williston Basin assets (see Notes 12 and 21 of the Notes to the Consolidated Financial Statements of this Annual Report on Form 10-K/A).

(2) 2011 and 2010 include a $27 million and $9.9 million non-cash after-tax unrealized mark-to-market loss, respectively, related to certain interest rate swaps; while 2013 and 2012 include a $20 million and $1.2 million non-cash after-tax unrealized mark-to-market gain, respectively, related to certain interest rate swaps. 2013 also includes $7.6 million after-tax expense for a make-whole premium, write-off of deferred financing costs relating to the early redemption of our $250 million notes and interest expense on new debt, while 2012 includes an after-tax make-whole provision of $4.6 million for early redemption of our $225 million notes.

(3) Discontinued operations include post-closing adjustments and operations relating to our Energy Marketing segment in 2013, 2012, 2011 and 2010.

(4) During November 2011, we issued 4.4 million shares of common stock, which diluted our earnings per share in subsequent periods.

(5) Excludes Cheyenne Light.

(6) Tons of coal decreased in 2012 due to the expiration of an unprofitable train load-out contract.

	December 31, 2014			December 31, 2013		
(in thousands, except per share and percentages)	As Reported	Adjustments	As Revised	As Reported	Adjustments	As Revised
Net Income Available for Common Stock						
Non-regulated Energy (in thousands)	$ 28,335	$ 2,108	$ 30,443	$ 18,403	$ 2,461	$ 20,864

(in thousands, except per share and percentages)	December 31, 2012 As Reported	Adjustments	As Revised
Total Assets	$ 3,729,471	$ (41,136)	$ 3,688,335
Property, Plant and Equipment			
Accumulated depreciation and depletion	$ (1,188,023)	$ (41,136)	$ (1,229,159)
Common stock equity	$ 1,232,509	$ (26,709)	$ 1,205,800
Net Income Available for Common Stock			
Non-regulated Energy	$ 24,725	$ 20,912	$ 45,637

(in thousands, except per share and percentages)	December 31, 2011 As Reported	Adjustments	As Revised	December 31, 2010 As Reported	Adjustments	As Revised
Total Assets	$ 4,127,083	$ (73,867)	$ 4,053,216	$ 3,711,509	$ (80,097)	$ 3,631,412
Property, Plant and Equipment						
Accumulated depreciation and depletion	$ (934,441)	$ (73,866)	$ (1,008,307)	$ (861,775)	$ (80,097)	$ (941,872)
Common stock equity	$ 1,209,336	$ (47,621)	$ 1,161,715	$ 1,100,270	$ (51,628)	$ 1,048,642
Net Income Available for Common Stock						
Non-regulated Energy	$ 866	$ 4,009	$ 4,875	$ 10,189	$ 4,221	$ 14,410
Earnings (Loss) Per Share of Common Stock						
Basic earnings (loss) per share per average share -						
Continuing Operations	$ 1.01	$ 0.10	$ 1.11	$ 1.62	$ 0.11	$ 1.73
Discontinued Operations	$ 0.24	$ —	$ 0.24	$ 0.14	$ —	$ 0.14
Total	$ 1.25	$ 0.10	$ 1.35	$ 1.76	$ 0.11	$ 1.87
Diluted earnings (loss) per share per average share -						
Continuing Operations	$ 1.01	$ 0.10	$ 1.11	$ 1.62	$ 0.11	$ 1.73
Discontinued Operations	$ 0.23	$ —	$ 0.23	$ 0.14	$ —	$ 0.14
Total	$ 1.24	$ 0.10	$ 1.34	$ 1.76	$ 0.11	$ 1.87

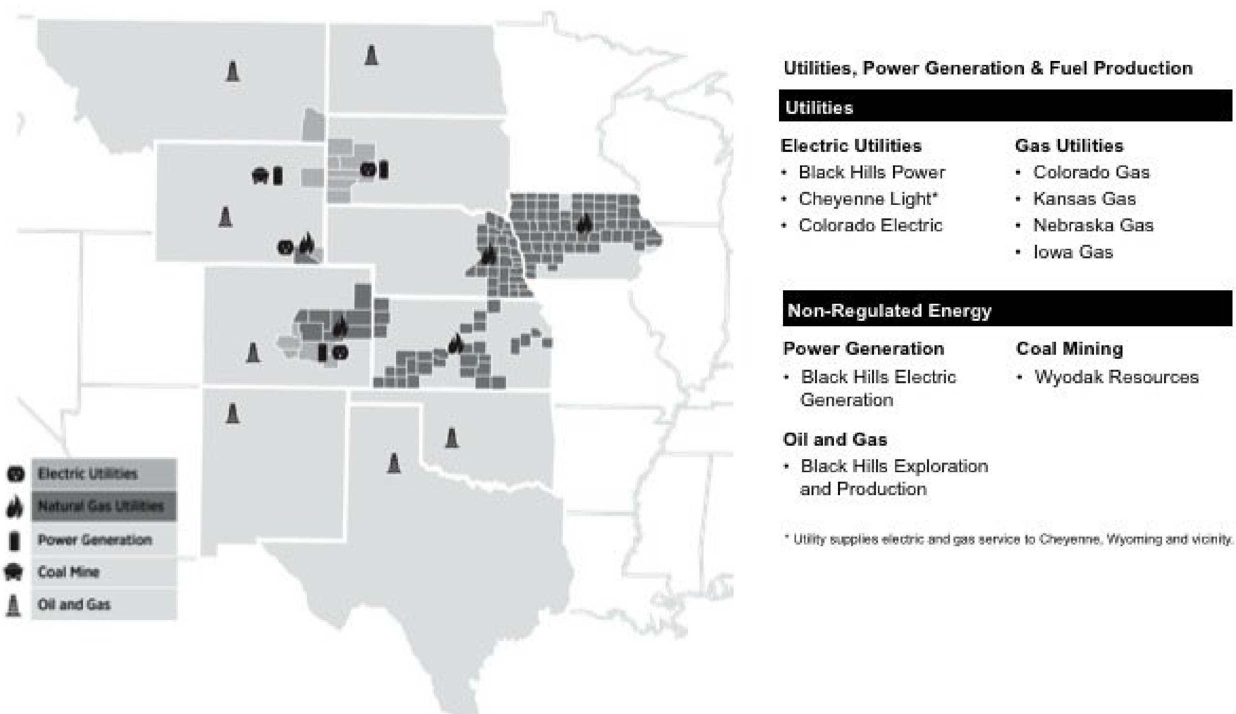
For additional information on our business segments see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7A, Quantitative and Qualitative Disclosures about Market Risk and Note 4 to the Consolidated Financial Statements in this Annual Report on Form 10-K/A.

ITEMS 7 & and 7A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a customer-focused integrated energy company operating principally in the United States with two major business groups - Utilities and Non-regulated Energy. We report our business groups in the following financial segments:

Business Group	Financial Segment
Utilities	Electric Utilities
	Gas Utilities
Non-regulated Energy	Power Generation
	Coal Mining
	Oil and Gas

Overview: Our customer focus provides opportunities to expand our business by constructing additional rate base assets to serve our utility customers and expanding our non-regulated energy products and services to our wholesale customers.



The diversity of our energy operations reduces reliance on any single business segment to achieve our strategic objectives. Our emphasis on our utility business with diverse geography and fuel mix, combined with a conservative approach to our non-regulated energy operations, mitigates our overall corporate risk and enhances our ability to earn stronger returns for shareholders over the long-term. Our long-term strategy focuses on growing both our utility and non-regulated energy businesses, primarily by increasing our customer base and providing superior service.

Our objective is to be best-in-class relative to certain operational performance metrics, such as safety, power plant availability, electric and gas system reliability, efficiency, customer service and cost management. Our notable operational performance metrics for 2014 include:

- Our three electric utilities achieved 1st quartile reliability ranking with 74 customer minutes of outage time (SAIDI) in 2014 compared to industry averages (IEEE 2013 1st quartile is less than 85 minutes);
- Our JD Power Customer Satisfaction Survey indicated our Electric and Gas Utilities were favorable to our peers in the Midwest;
- Our power generation fleet achieved a forced outage factor of 2.7% for coal-fired plants, 2.8% for natural gas plants in 2014 and 0.1% for diesel plants, compared to an industry average* of 3.5%, 4.6% and 1.7%, respectively (*NERC GADS 2013 data);
- Our power generation fleet availability was 94% for coal-fired plants, 95% for gas-fired plants, 96% for diesel-fired plants and 99% for wind generation in 2014 while the industry averages^ were 90%, 90%, 96% and 96%, respectively (^NERC GADS Data Base, 2013 most recent industry information);
- Our safety TCIR of 2.0 compares well to an industry average of 2.8* and our DART rate of 1.1 compares to an industry average of 1.4+ (+ Most recent industry averages are 2012);
- Our OSHA TCIR rate during construction of our generating facilities is also significantly better than industry average with a TCIR rate of 2 during the construction of the Wygen III coal-fired plant compared to an industry average of 5.1 for coal-fired plants, 1.3 during the construction of the Pueblo Airport Generating Station natural-gas fired plant compared to an industry average of 4.4 for natural-gas fired plants, 0 during construction of the Busch Ranch wind farm compared to an industry average of 4.4 for wind construction and 0 during the construction of the Cheyenne Prairie Generating Station natural-gas fired plant compared to an industry average of 2.1 for fossil fuel electric power generation; and
- Our coal mine completed three years with favorable MSHA safety results compared to other mines located in the Powder River Basin and received an award from the State of Wyoming for five years without a lost time accident.

The electric utility industry is facing requirements to upgrade aging infrastructure, deploy smart grid technology and comply with new state and federal environmental regulations and renewable portfolio standards. Increased energy efficiency, and smart grid technologies suppress demand in many areas of the United States. These competing considerations present challenges to energy companies' approach of balancing capital spending and obtaining satisfactory rate recovery on investments.

State regulatory commissions have lowered authorized returns and implemented other regulatory mechanisms for cost recovery due to the slow-growing economy and concerns that utility rate increases may further harm local economies. The average awarded return on equity for investor-owned utilities over the past year has been averaging around 10%. The average regulatory lag is less than 12 months, according to the Edison Electric Institute. Falling interest rates account for much of the lower rates of return, along with actions by state commissions to moderate rate increases during a period of economic recovery.

In our gas and electric utilities' service territories, we will continue to work with regulators to ensure we meet our obligations to serve projected customer demand and to comply with environmental mandates by constructing the infrastructure necessary to provide safe, reliable energy. By maintaining our high customer service and reliability standards in a cost-efficient manner, our goal is to secure appropriate rate recovery that provides fair economic returns on our utility investments.

The proliferation of domestic crude oil and natural gas production from shale plays in recent years has provided the domestic market an abundant new supply of both commodities, which has decreased the dependence on foreign resources of these commodities. The increased worldwide supply of crude oil caused WTI prices to decline from June 2014 highs of over $105 per Bbl, to January 2015 lows in the mid-$40s per Bbl. Natural gas prices have fallen from NYMEX prices exceeding $8.00 per MMbtu in February 2014 to below $3.00 per MMbtu in January 2015. Crude oil and natural gas prices are very difficult to predict. We will continue to evaluate the economics for oil or gas projects and investments to exceed our cost of capital. We strive to maintain strong relationships with mineral owners, landowners and regulatory authorities. As prudent, we will continue to grow and develop our existing inventory of crude oil and natural gas reserves. We intend to focus our near-term efforts on proving up the substantial Mancos shale gas potential of our Piceance Basin properties. Given increased regulatory emphasis on wind and solar power resources and environmental regulations and legislation that will limit construction of new coal-fired power plants, we believe that natural gas will be the fuel of choice for power generation. Additional gas-fired peaking resources will also be required to provide critical back-up for renewable technologies.

Currently approximately 40% of electricity generated in the United States is from coal-fired power plants. It will take significant time and expense before this generation can be replaced with alternative technologies. As a result, coal-fired resources will remain a necessary component of the nation's electric supply for the foreseeable future. The current regulatory climate, combined with the EPA's proposed and expected GHG regulations, have limited construction of new conventional coal-fired power plants, but, if technologies such as carbon capture and sequestration become more proven and less expensive, they could provide for the long-term economic use of coal. We have investigated and will continue to investigate the possible deployment of these technologies at our mine site in Wyoming.

We have expertise in permitting, constructing and operating power generation facilities. These skills, combined with our understanding of electric resource planning and regulatory procedures, provide a significant opportunity for us to add long-term shareholder value. We intend to grow our non-regulated power generation business by continuing to focus on long-term contractual relationships with our affiliates and other load-serving utilities.

Key Elements of our Business Strategy

Provide stable long-term rates for customers and increase earnings by efficiently planning, constructing and operating rate-base power generation facilities needed to serve our electric utilities. Our Company began as a vertically-integrated electric utility. This business model remains a core strength and strategy today, as we invest in and operate efficient power generation resources to cost effectively transmit and distribute electricity to our customers. We strive to provide power at reasonable rates to our customers and earn competitive returns for our investors.

We have a competitive power production strategy focused on low cost construction and operation of our generating facilities. Access to our own coal and third-party natural gas reserves allows us to be competitive as a power generator. Low production costs can result from a variety of factors including low fuel costs, efficiency in converting fuel into energy and low per unit operation and maintenance costs. We leverage our mine-mouth coal-fired generating capacity which strengthens our position as a low-cost producer by eliminating fuel transportation costs which often represent the largest component of the delivered cost of coal for many other utilities. In addition, we typically operate our plants with high levels of availability, compared to industry benchmarks. We aggressively manage each of these factors with the goal of achieving low production costs.

Rate-base generation assets offer several advantages including:

- Since the generating assets are included in the utility rate base and reviewed and approved by government authorities, customer rates are more stable and predictable, and typically less expensive in the long run, than if the power was purchased from the open market through wholesale contracts that are re-priced over time;
- Regulators participate in a planning process where long-term investments are designed to match long-term energy demand;
- Investors are provided a long-term, reasonable, stable return on their investment; and
- The lower risk profile of rate based generation assets may enhance credit ratings which, in turn, can benefit both consumers and investors by lowering our cost of capital.

Our actions to provide power at reasonable rates to our customers was exemplified in our successful request to secure the construction financing riders in Wyoming and South Dakota during the construction of Cheyenne Prairie. These riders reduced the total cost of the plant ultimately passed along to our customers while we constructed this plant to accommodate growth and replace plants that were closed prematurely due to environmental regulations.

Provide stable long-term rates for customers and increase earnings by efficiently planning and implementing a cost of service gas program to serve our electric and natural gas utilities. To further enhance our vertically integrated utility business model, we are evaluating the implementation of a program supporting our natural gas and electric utilities that can provide longer-term rate stability for our customers by enhancing our current gas supply portfolio through the addition of utility or affiliate-owned gas production and reserves. In addition to providing our customers the benefits associated with more predictable long-term commodity prices, it also provides increased earnings opportunity for our shareholders. We are discussing the concept with state regulatory commissioners, staff and consumer advocates. Prior to proceeding, we will need to obtain regulatory approval from our state utility commissions for the program. Several utilities have cost of service gas programs in place in various states, including both Wyoming and Montana.

We have a competitive advantage related to cost of service gas in that our existing non-regulated oil and gas subsidiary could assist in drilling/acquiring and operating the gas reserves required to meet the needs of our electric and gas utilities.

Expand utility operations through selective acquisitions of electric and gas utilities consistent with our regional focus and strategic advantages. For more than 130 years we have provided reliable utility services, delivering quality and value to our customers. Utility operations contribute substantially to the stability of our long-term cash flows, earnings and dividend policy. Our tradition of accomplishment supports efforts to expand our utility operations into other markets, most likely in areas that permit us to take advantage of our intrinsic competitive advantages, such as baseload power generation, system reliability, superior customer service, community involvement and a relationship-based approach to regulatory matters. Utility operations also enhance other important business development opportunities, including gas transmission pipelines and storage infrastructure, which could promote other non-regulated energy operations.

We have and will continue to pursue the purchase of not only large utility properties, but also smaller, private or municipal utility systems, which can be easily integrated into our operations. We purchased several small natural gas distribution systems in Kansas, Iowa and Wyoming in the past several years. We have a scalable platform of systems and processes, which simplifies the integration of our utility acquisitions. Merger and acquisition activity has continued in the utility industry and we expect to consider such opportunities if they advance our long-term strategy and add shareholder value.

Build and maintain strong relationships with wholesale power customers of both our utilities and non-regulated power generation business. We strive to build strong relationships with other utilities, municipalities and wholesale customers. We believe we will continue to be a primary provider of electricity to wholesale utility customers, who will continue to need products, such as capacity, in order to reliably serve their customers. By providing these products under long-term contracts, we help our customers meet their energy needs. We also earn more stable revenues and greater returns over the long term than we could by selling energy into more volatile spot markets. In addition, relationships that we have established with wholesale power customers have developed into other opportunities. MEAN, MDU and the City of Gillette, Wyoming were wholesale power customers that are now joint owners in two of our power plants, Wygen I and Wygen III.

Proactively integrate alternative and renewable energy into our utility energy supply while mitigating and remaining mindful of customer rate impacts. The energy and utility industries face tremendous uncertainty related to the potential impact of legislation and regulation intended to reduce GHG emissions and increase the use of renewable and other alternative energy sources. To date, many states have enacted and others are considering some form of mandatory renewable energy standard, requiring utilities to meet certain thresholds of renewable energy generation. Some states have either enacted or are considering legislation setting GHG emissions reduction targets. Federal legislation for both renewable energy standards and GHG emission reductions is also under consideration.

Mandates for the use of renewable energy or the reduction of GHG emissions will likely produce substantial increases in the prices for electricity and natural gas. At the same time, as a regulated utility we are responsible for providing safe, reasonably priced, reliable sources of energy to our customers. As a result, we employ a customer-centered strategy for complying with renewable energy standards and GHG emission regulations that balances our customers' rate concerns with environmental considerations and administrative and legislative mandates. We attempt to strike this balance by prudently and proactively incorporating renewable energy into our resource supply, while seeking to minimize the magnitude and frequency of rate increases for our utility customers.

- Colorado legislative mandates apply to our electric utility segment regarding the use of renewable energy. Therefore, we pursue cost-effective initiatives that allow us to meet our renewable energy requirements. Where permitted, we seek to construct renewable generation resources as rate base assets, which helps mitigate the long-term customer rate impact of adding renewable energy supplies. For example, the Busch Ranch Wind site, a 29 MW wind turbine project, was completed in the fourth quarter of 2012, as part of our plan to meet Colorado's Renewable Energy Standard. This site also has expansion potential;

- In states such as South Dakota and Wyoming that currently have no legislative mandate on the use of renewable energy, we have proactively integrated cost-effective renewable energy into our generation supply based upon our expectation that there will be mandatory renewable energy standards in the future. For example, under two 20-year PPAs we purchase a total of 60 MW of wind energy from wind farms located near Cheyenne, Wyoming for use at Black Hills Power and Cheyenne Light; and

- In all states in which we conduct electric utility operations, we are exploring other cost-effective potential biomass, solar and wind energy projects, particularly wind generation sites located near our utility service territories.

Increase the value of our oil and gas properties by prudently growing our reserves and increasing our production of natural gas and crude oil. Our strategy is to cost-effectively grow our reserves and increase our production of natural gas and crude oil through both organic growth and acquisitions. While consistent growth remains our objective, we emphasize managing for value creation over managing for growth as follows:

- Perform detailed reservoir analysis and apply proven technologies to our existing assets to maximize value;
- Participate in a limited number of selective and meaningful exploration prospects;
- Focus primarily on the Rocky Mountain region, where we can more easily integrate new opportunities with our existing crude oil and natural gas operations as well as our power generation activities. Specifically, we intend to focus our near term efforts on fully developing the substantial shale gas potential of our San Juan and Piceance Basin properties and participating in select oil exploration prospects with substantial upside opportunities;
- Support the future capital requirements of our drilling program by stabilizing cash flows with a hedging program that mitigates commodity price risk for up to three years of future production; and
- Enhance our crude oil and natural gas production activities with the construction or acquisition of mid-stream gathering, compression and treating facilities in a manner that maximizes the economic value of our operations.

Selectively grow our non-regulated power generation business in targeted regional markets by developing assets and selling most of the capacity and energy production through mid- and long-term contracts primarily to load-serving utilities. While much of our recent power plant development has been for our regulated utilities, we seek to expand our non-regulated power generation business by developing and operating power plants in regional markets based on prevailing supply and demand fundamentals, in a manner that complements our existing fuel assets and marketing capabilities. We seek to grow this business through the development of new power generation facilities and disciplined acquisitions primarily in the western region, where we believe our detailed knowledge of market and electric transmission fundamentals provides us a competitive advantage and, consequently, increases our ability to earn attractive returns. We prioritize small-scale facilities that serve incremental growth or provide critical back up to renewable resources and are typically easier to permit and construct than large-scale generation projects.

Most of the energy and capacity from our non-regulated power facilities is sold under mid- and long-term contracts. When possible, we structure long-term contracts as tolling arrangements, whereby the contract counterparty assumes the fuel risk. Going forward, we will continue to focus on selling a majority of our non-regulated capacity and energy primarily to load-serving utilities under long-term agreements that have been reviewed or approved by state utility commissions. An example of this strategy is the 200 MW of combined-cycle gas-fired generation constructed by our non-regulated power generation subsidiary to serve our Colorado Electric utility subsidiary. The plant commenced operations on January 1, 2012, under a 20-year tolling agreement.

Diligently manage the credit, price and operational risks inherent in buying and selling energy commodities. All of our operations require effective management of counterparty credit risk. We mitigate this risk by conducting business with a diverse group of creditworthy counterparties. In certain cases where creditworthiness merits security, we require prepayment, secured letters of credit or other forms of financial collateral. We establish counterparty credit limits and employ continuous credit monitoring, with regular review of compliance under our credit policy by our Executive Risk Committee. Our oil and gas and power generation operations require effective management of price and operational risks related to adverse changes in commodity prices and the volatility and liquidity of the commodity markets. To mitigate these risks, we implemented risk management policies and procedures. Our oversight committees monitor compliance with these policies.

Maintain an investment grade credit rating and ready access to debt and equity capital markets. Access to capital has been and will continue to be critical to our success. We have demonstrated our ability to access the debt and equity markets, resulting in sufficient liquidity. We require access to the capital markets to fund our planned capital investments or acquire strategic assets that support prudent business growth. Our access to adequate and cost-effective financing depends upon our ability to maintain our investment-grade issuer credit rating.

Moody's and Fitch each upgraded our corporate credit rating during 2014, which enhanced our capacity to extend our revolving credit facility, and place permanent financing for Cheyenne Prairie through the sale of $160 million of first mortgage bonds in a private placement at favorable terms.

Prospective Information

We expect to generate long-term growth through the expansion of integrated and diverse energy operations. Sustained growth requires continued capital deployment. Our diversified energy portfolio with an emphasis on regulated utilities provides growth opportunities, yet avoids concentrating business risk. We expect much of our growth in the next few years will come from major capital investments at our existing business segments. During 2014, we put permanent financing in place for Cheyenne Prairie and during 2013, we refinanced much of our highest cost debt on favorable terms. Although dependent on market conditions, we are confident in our ability to obtain additional financing, as necessary, to continue our growth plans. We remain focused on prudently managing our operations and maintaining our overall liquidity to meet our operating, capital and financing needs, as well as executing our long-term strategic plan.

Utilities Group

Electric Utilities

On October 1, 2014, Black Hills Power and Cheyenne Light placed into commercial service their jointly-owned Cheyenne Prairie generating station, a 132 MW generating facility located in Cheyenne, Wyoming. Cheyenne Prairie was constructed on time and on budget. Black Hills Power and Cheyenne Light sold $160 million of first mortgage bonds in a private placement to provide permanent financing for Cheyenne Prairie. Cheyenne Light and Black Hills Power received approval for increased rates in Wyoming effective October 1, 2014. Black Hills Power also implemented interim rates in South Dakota on October 1, 2014. Hearings for the South Dakota rate case were held on January 27-28, 2015 and the commission's final decision is expected in first quarter 2015.

Residential MWh sold decreased in 2014 due to milder weather resulting from lower cooling degree days. Industrial loads increased primarily at Cheyenne Light and Colorado Electric. Cheyenne Light recorded an all-time peak load of 198 MW in July 2014.

BHC continued its efforts to acquire smaller public and municipal gas distribution systems adjacent to our existing service territories. On October 14, 2014, we announced an agreement to acquire Energy West Wyoming, Inc., a Wyoming gas utility, and pipeline assets of Gas Natural, Inc. for $17 million. The gas utility serves approximately 6,700 customers, including service to Cody, Ralston and Meeteetse, Wyoming. The pipeline assets include a 30 mile gas transmission pipeline and a 42 mile gas gathering pipeline, both located near the utility service territory. In January 2015, Cheyenne Light also closed on the acquisition of assets serving approximately 400 customers in northeast Wyoming.

Cheyenne Light received FERC approval to establish rates for transmission services under their Open Access Transmission Tariff, effective May 3, 2014.

Colorado Electric received a final order from the CPUC approving a CPCN for the retirement of Pueblo Units #5 and #6, effective December 31, 2013.

Pursuant to prior approved resource plans and pending electric rate increase requests, the Electric Utilities engaged in the following regulatory requests related to construction activities:

- On July 22, 2014, Black Hills Power filed a CPCN with the WPSC to construct the Wyoming portion of a $54 million, 230-kV, 144 mile-long transmission line that would connect the Teckla Substation in northeast Wyoming, to the Lange Substation near Rapid City, South Dakota. Approval by the WPSC is anticipated in the second quarter of 2015. Black Hills Power has received approval from the SDPUC for a permit to construct the line.

- On May 5, Colorado Electric issued an all-source generation request, including up to 60 megawatts of eligible renewable energy resources to serve its customers in southern Colorado. Our power generation segment submitted solar and wind bids in response to the request. On December 23, 2014 the independent evaluator submitted a report to the Colorado Public Utilities Commission confirming the ranking of the bids. The report's results indicate that our standalone bids were not among the highest ranked bids. However, two of the highest ranked bids provide an opportunity for Colorado Electric or our power generation segment to be partial or full owners of the facilities. At its deliberation in February 2015, the Commission determined none of the alternatives was acceptable, because of potential short-term rate impacts. The Commission discussed the possibility that Colorado Electric could more economically comply with the renewable energy standard by purchasing renewable energy credits. The purchase of renewable energy credits will be considered in a separate proceeding. After review of the Commission's decision regarding the all source solicitation (which has not yet been issued), Colorado Electric will determine whether to seek reconsideration.

- On December 19, 2014, Colorado Electric received approval from the CPUC for an annual electric revenue increase of $3.1 million with a return on equity of 9.83% and a capital structure of 49.83% equity and 50.17% debt. The CPUC also authorized the implementation of a rider for a return on capital expenditures for a $65 million natural gas-fired combustion turbine that will replace the retired W.N. Clark power plant.

Gas Utilities

Weather was colder than normal in the first quarter of 2014, which drove an increase in natural gas sales. Our Gas Utilities invested in our gas distribution network and related technology such as advanced metering infrastructure and mobile data terminals. We continually monitor our investments and costs of operations in all states to determine the appropriateness of additional rate case or other rate filings. As part of our growth strategy, we continue to look for opportunities to purchase municipal and privately-owned gas infrastructure and distribution systems. We acquired a small gas system during 2014 with a total of approximately 70 customers.

Non-regulated Energy Group

Power Generation

Black Hills Wyoming closed the sale of its 40 MW CTII natural gas-fired generating unit to the City of Gillette for approximately $22 million, upon expiration of the PPA with Cheyenne Light in August 2014. As part of the sale, Black Hills Wyoming will provide services to the City of Gillette through an economy energy PPA. We recognized approximately $0.5 million of margin under the new economy PPA, which became effective in September 2014. We plan to continue evaluating opportunities to bid on the construction of generation resources, both new and existing, for our affiliate electric utilities and other regional electric utilities for their energy and capacity needs.

Coal Mining

Production from the Coal Mining segment primarily serves mine-mouth generation plants and select regional customers with long-term fuel needs. Total annual production was approximately 4.3 million tons for 2014, which was consistent with 2013. Mining operations moved to an area with lower overburden ratios in 2013, which reduced mining costs, but in 2014, our overburden ratios increased as we mined areas with a higher stripping ratio. Stripping ratios are expected to increase again in 2015 to approximately 1.5 as the areas planned for mining contain higher overburden.

Our strategy is to sell the majority of our coal production to on-site, mine-mouth generation facilities under long-term supply contracts. Historically our off-site sales have been to consumers within a close proximity to our mine, including off-site sales contracts served by truck. In January 2014, we received State of Wyoming permit approval for Black Hills Power to acquire a stock pile of approximately 75,000 tons of coal near the mine mouth power plants to ensure adequate emergency back-up of coal supply. We continue to pursue new opportunities to market our coal despite limitations inherent to transporting our lower-heat content coal.

Oil and Gas

During 2014, BHEP continued to prove up the value of our existing properties, primarily our Mancos formation shale gas assets in the Piceance and San Juan Basins, while conserving capital and strictly controlling costs. After drilling and completing two Mancos formation exploration wells in the southern Piceance Basin and one exploration well in the San Juan Basin in 2011, the appraisal program was deferred in 2012 due to low natural gas prices. The program continued in 2013 with the drilling of two additional Piceance wells. Three more Piceance wells were drilled in 2014, which will be placed on production during the first quarter of 2015. We plan to continue our efforts in 2015 to prove up the value of our oil and gas properties.

Corporate

Our consolidated interest expense decreased in 2014, primarily due to the refinancing of higher cost debt in 2013 as well as upgrades to our corporate credit ratings by S&P, Moody's and Fitch during 2014 and 2013. We executed a 10-year $525 million note offering in November 2013 at an interest rate of 4.25%, which we used to repay higher cost debt and settle interest rate swaps. Our interest expense was unfavorably impacted in 2013 by costs related to early retirement of $250 million senior unsecured notes due in 2014 and the settlement of interest rate swaps.

A portion of the proceeds from the $525 million notes in late 2013 were used for the termination of the de-designated interest rate swaps, which did not qualify for "hedge accounting" treatment provided by accounting standards for derivatives and hedges. With the termination of these swaps, our income statement will no longer reflect the volatility associated with fluctuations in the fair value of these swaps caused by interest rate changes.

Results of Operations

Executive Summary and Overview

	For the Years Ended December 31,				
	2014	Variance	2013	Variance	2012
	(in thousands)				
Revenue					
Utilities	$ 1,315,079	$ 110,082	$ 1,204,997	$ 123,950	$ 1,081,047
Non-regulated Energy	206,030	11,481	194,549	(21,690)	216,239
Inter-company eliminations	(127,539)	(3,845)	(123,694)	(292)	(123,402)
	$ 1,393,570	$ 117,718	$ 1,275,852	$ 101,968	$ 1,173,884
Income (loss) from continuing operations					
Electric Utilities	$ 59,552	$ 7,418	$ 52,134	$ 536	$ 51,598
Gas Utilities	41,869	9,162	32,707	4,717	27,990
Utilities	101,421	16,580	84,841	5,253	79,588
Power Generation [(a)]	28,516	12,228	16,288	(5,040)	21,328
Coal Mining	10,452	4,125	6,327	701	5,626
Oil and Gas[(b)]	(8,525)	(6,774)	(1,751)	(20,434)	18,683
Non-regulated Energy	30,443	9,579	20,864	(24,773)	45,637
Corporate and Eliminations[(c)(d)(e)]	(975)	(13,577)	12,602	28,410	(15,808)
Income from continuing operations	130,889	12,582	118,307	8,890	109,417
Income (loss) from discontinued operations, net of tax[(f)]	—	884	(884)	6,093	(6,977)
Net income (loss)	$ 130,889	$ 13,466	$ 117,423	$ 14,983	$ 102,440

(a) Income (loss) from continuing operations in 2013 includes a $6.6 million after-tax expense relating to the settlement of interest rate swaps in conjunction with the prepayment of Black Hills Wyoming's project financing and write-off of deferred financing costs.

(b) Income (loss) from continuing operations in 2012 includes a $32 million non-cash after-tax ceiling test impairment loss and a $49 million after-tax gain on sale of our Williston Basin assets. See Notes 12 and 21 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K/A.

(c) Financial results of Enserco, our Energy Marketing segment, have been reclassified as discontinued operations in accordance with GAAP. When preparing this reclassification, certain indirect corporate costs and inter-segment interest expenses previously charged to our Energy Marketing segment could not be reclassified to discontinued operations of $0.6 million for 2012 and accordingly have been presented within Corporate. See Note 21 of the Consolidated Financial Statements in this Annual Report on Form 10-K/A.

(d) 2013 includes a $7.6 million after-tax make-whole premium and write-off of deferred financing costs relating to the early redemption of our $250 million notes and interest expense on new debt, while 2012 includes a $4.6 million after-tax make-whole premium for the early redemption of our $225 million notes and a $1.0 million write-off of deferred financing costs relating to early renewal of our Revolving Credit Facility.

(e) 2013 and 2012 include a $20 million and a $1.2 million non-cash after-tax mark-to-market gain, respectively, related to certain interest rate swaps.

(f) Income (loss) from discontinued operations, net of tax includes the activities of Enserco, our Energy Marketing segment. See Note 21 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K/A.

On February 29, 2012, we sold our Energy Marketing segment, which resulted in this segment being classified as discontinued operations. Additionally, the following business group and segment information does not include inter-company eliminations and all amounts are presented on a pre-tax basis unless otherwise indicated. Per share information references diluted shares unless otherwise noted.

2014 Compared to 2013

Income from continuing operations was $131 million, or $2.93 per share, in 2014 compared to $118 million, or $2.66 per share, in 2013. The 2014 Income from continuing operations did not include any expenses, gains, or losses that we believe are not representative of our core operating performance. The 2013 Income from continuing operations includes a $20 million non-cash after-tax mark-to-market gain on certain interest rate swaps, $6.6 million after-tax interest expense related to the early settlement of interest rate swaps and write-off of deferred financing costs associated with the prepayment of Black Hills Wyoming's project financing and $7.6 million after-tax expense for a make-whole premium and write-off of deferred financing costs relating to the early redemption of our $250 million notes.

Net income was $131 million, or $2.93 per share, in 2014 compared to $117 million, or $2.64 per share, in 2013 and includes the same items described above and losses from our Energy Marketing segment sold in February 2012.

Business Group highlights for 2014 include:

Utilities Group

Highlights of the Utilities Group include the following:

- Gas Utilities were favorably impacted by colder than normal weather during the first quarter of 2014, which was 14% colder than normal and 7% colder than the first quarter of 2013. This led to an increase in retail natural gas sold and offset unfavorable weather experienced through the remainder of 2014 when compared to 2013. Our service territories reported colder than normal winter weather as measured by heating degree days, compared to the 30-year average, but not as cold as 2013. Heating degree days for the full year in 2014 were 7% colder than normal but 2% less than the same period in 2013.

- Mild weather was a contributing factor for our Electric Utilities during the year. Weather related demand during the peak summer months was tempered by significantly cooler temperatures within our service territories. Cooling degree days for the full year of 2014 were 29% lower than the same period in the prior year and 12% lower than normal.

- On December 19, 2014, Colorado Electric received approval from the CPUC for an annual electric revenue increase of $3.1 million. The approval also allowed a 9.83% return on equity and a capital structure of 49.83% equity and 50.17% debt. The CPUC also authorized the implementation of a rider for a return on capital expenditures for a $65 million natural gas-fired combustion turbine that will replace the retired W.N. Clark power plant.

- On December 16, Kansas Gas received approval from the Kansas Corporation Commission to increase annual base revenue by an estimated $5.2 million, effective Jan. 1, 2015.

- On October 1, 2014, Black Hills Power and Cheyenne Light placed into commercial service their jointly-owned Cheyenne Prairie generating station. Cheyenne Prairie is a 132 MW, $222 million natural gas-fired generating facility built to serve Black Hills Power and Cheyenne Light customers. Cheyenne Prairie was constructed on time and on budget. Construction financing costs were recovered through construction financing riders.

    - On October 1, 2014, Black Hills Power and Cheyenne Light sold $160 million of first mortgage bonds in a private placement to provide permanent financing for Cheyenne Prairie. Black Hills Power issued $85 million of 4.43% coupon first mortgage bonds due October 20, 2044 and Cheyenne Light issued $75 million of 4.53% coupon first mortgage bonds due October 20, 2044. Proceeds from Black Hills Power's bond sale also funded the early redemption of its 5.35%, $12 million pollution control revenue bonds, originally due October 1, 2024.

    - Black Hills Power and Cheyenne Light each received approval from the WPSC on rate cases associated with Cheyenne Prairie. On August 21, 2014, the WPSC approved rate case settlement agreements authorizing an increase for Black Hills Power of approximately $2.2 million for annual electric revenue, effective October 1, 2014. The settlement also included a return on equity of 9.9% and a capital structure of 53.3% equity and 46.7% debt. On July 31, 2014, the WPSC approved rate case settlement agreements authorizing an increase for Cheyenne Light of $8.4 million and $0.8 million for annual electric and natural gas revenue, respectively, effective October 1, 2014. The settlement also included a return on equity of 9.9% and a capital structure of 54% equity and 46% debt.

  - On March 31, 2014, Black Hills Power filed a rate request with the SDPUC to increase annual revenue by $14.6 million to recover operating expenses and infrastructure investments, primarily for Cheyenne Prairie. The filing seeks a return on equity of 10.25% and a capital structure of approximately 53.3% equity and 46.7% debt. Interim rates were implemented on October 1, 2014 when Cheyenne Prairie commenced commercial operations. A final ruling from the SDPUC is expected in the first quarter of 2015.

- On July 22, 2014, Black Hills Power filed a CPCN with the WPSC to construct the Wyoming portion of a $54 million, 230-kV, 144 mile-long transmission line that would connect the Teckla Substation in northeast Wyoming, to the Lange Substation near Rapid City, South Dakota. Approval by the WPSC is anticipated in the second quarter of 2015. On June 30, 2014, Black Hills Power filed an application with the SDPUC, for a permit to construct the South Dakota portion of this line, and received approval on November 6, 2014.

- On May 5, 2014, Colorado Electric issued an all-source generation request, including up to 60 megawatts of eligible renewable energy resources to serve its customers in southern Colorado. Our power generation segment submitted solar and wind bids in response to the request. On December 23, 2014 the independent evaluator submitted a report to the Colorado Public Utilities Commission confirming the ranking of the bids. The report's results indicate that our standalone bids were not among the highest ranked bids. However, two of the highest ranked bids provide an opportunity for Colorado Electric or our power generation segment to be partial or full owners of the facilities. At its deliberation in February 2015, the Commission determined none of the alternatives was acceptable, because of potential short-term rate impacts. The Commission discussed the possibility that Colorado Electric could more economically comply with the renewable energy standard by purchasing renewable energy credits. The purchase of renewable energy credits will be considered in a separate proceeding. After review of the Commission's decision regarding the all source solicitation (which has not yet been issued), Colorado Electric will determine whether to seek reconsideration.

- On April 25, 2014, Cheyenne Light received FERC approval to establish rates for transmission services under their Open Access Transmission Tariff, effective May 3, 2014. The approval includes a return on equity of 10.6% and a capital structure of 54% equity and 46% debt.

- On March 21, 2014, Black Hills Power retired the Ben French, Neil Simpson I and Osage coal-fired power plants. These three plants totaling 81 MW were closed because of federal environmental regulations. These plants were largely replaced by Black Hills Power's share of Cheyenne Prairie.

- On February 25, 2014, the CPUC issued a final order after rehearing, approving a CPCN for the retirement of Pueblo Unit #5 and #6, effective December 31, 2013.

- BHC continued its efforts to acquire smaller public and municipal gas distribution systems adjacent to our existing service territories.

  - On January 1, 2015, we closed a $6 million transaction to acquire the natural gas utility assets of MGTC, Inc., a northeast Wyoming system serving more than 400 customers. This system will be operated by and consolidated into the results of Cheyenne Light.

  - On October 14, 2014, we announced an agreement to acquire Energy West Wyoming, Inc., a Wyoming gas utility, and pipeline assets of Gas Natural, Inc. for $17 million. The gas utility serves approximately 6,700 customers, including service to Cody, Ralston and Meeteetse, Wyoming. The pipeline assets include a 30 mile gas transmission pipeline and a 42 mile gas gathering pipeline, both located near the utility service territory.

  - During the first quarter of 2014, we acquired an additional gas system in Kansas, adding approximately 70 customers.

<u>Non-regulated Energy Group</u>

- Coal Mining completed negotiations on the coal contract price increase with the third-party operator of the Wyodak plant. The new coal price of $18.25 per ton, an increase of approximately $4.75, was effective July 1, 2014.

- On September 3, 2014, Black Hills Wyoming closed the sale of its 40 MW CTII natural-gas fired generating unit to the City of Gillette, Wyoming for approximately $22 million, upon expiration on August 31, 2014 of the PPA with

Cheyenne Light. As part of the sale, Black Hills Wyoming will provide services to the City of Gillette through ancillary agreements, including an operating agreement and an economy energy PPA. The sale resulted in a deferred gain of $4.9 million which Black Hills Wyoming will recognize equally over the twenty-year term of the operating agreement.

- Our southern Piceance Basin drilling program continued in 2014. During the third quarter, three Mancos Shale wells were drilled, cased and cemented. On March 6, 2014, the Summit Midstream cryogenic gas processing plant with a capacity of 20,000 Mcf per day started serving the company's gas production in the southern Piceance Basin, including two Mancos Shale wells placed on production during the first quarter.

Corporate Activities

- The company recently announced that Anthony Cleberg, executive vice president and chief financial officer, will retire at the end of March 2015. Richard Kinzley, previously vice president and controller and a 15-year veteran of the company, was appointed senior vice president and chief financial officer, effective January 1, 2015. In addition, the senior leadership team was expanded when Brian Iverson, previously vice president and treasurer and 11-year veteran of the company, was appointed senior vice president regulatory and government affairs and assistant general counsel.

- Consolidated interest expense decreased by approximately $41 million in 2014, compared to 2013, due primarily to the refinancing activities occurring during the fourth quarter of 2013 and the extension of our Revolving Credit Facility under favorable terms on May 29, 2014.

- On June 13, 2014, Fitch upgraded the BHC credit rating to BBB+ with a stable outlook.

- On May 29, 2014, we amended our $500 million corporate Revolving Credit Facility agreement to extend the term through May 29, 2019. This facility is substantially similar to the former agreement, which includes an accordion feature that allows us, with the consent of the administrative agent and issuing agents, to increase the capacity of the facility to $750 million. Borrowings continue to be available under a base rate or various Eurodollar rate options for which the borrowing rates were reduced under the amended agreement.

- On January 30, 2014, Moody's upgraded the BHC credit rating to Baa1 from Baa2 with a stable outlook.

2013 Compared to 2012

Income from continuing operations was $118 million, or $2.66 per share, in 2013 compared to $109 million, or $2.48 per share, in 2012. The 2013 Income from continuing operations includes a $20 million non-cash after-tax mark-to-market gain on certain interest rate swaps, $6.6 million after-tax interest expense related to the early settlement of interest rate swaps and write-off of deferred financing costs associated with the prepayment of Black Hills Wyoming's project financing and $7.6 million after-tax expense for a make-whole premium and write-off of deferred financing costs relating to the early redemption of our $250 million notes and interest expense on new debt. The 2012 Income from continuing operations includes a $49 million after-tax gain on sale related to the Williston Basin asset sale, a $32 million non-cash after-tax ceiling test impairment, a $1.0 million non-cash after-tax write-off of deferred financing costs related to our previous Revolving Credit Facility, a $4.6 million after-tax make-whole premium for the early redemption of our $225 million corporate notes and a $1.2 million non-cash after-tax mark-to-market gain on certain interest rate swaps.

Net income was $117 million, or $2.64 per share, in 2013 compared to $102 million, or $2.32 per share, in 2012 and includes the same items described above and losses from our Energy Marketing segment sold in February 2012.

Business Group highlights for 2013 included:

Utilities Group

Highlights of the Utilities Group include the following:

- On September 17, 2013, the South Dakota Public Utilities Commission approved a general rate case settlement agreement authorizing an increase for Black Hills Power of $8.8 million, or 6.4%, in annual electric revenues effective June 16, 2013. The settlement agreement was confidential and certain terms were not disclosed.

- On September 17, 2013, the SDPUC approved the construction financing rider in lieu of traditional AFUDC with an effective date of April 1, 2013. The rider allowed Black Hills Power to earn and collect a rate of return during the construction period on its approximately 40% share of the total Cheyenne Prairie project cost that relates to South Dakota customers, while also saving customers money over the long-term. Cheyenne Light and Black Hills Power received approval from the WPSC for a similar construction financing rider in 2012 which allowed Cheyenne Light and Black Hills Power to earn and collect a rate of return during the construction period on approximately a 60% share of the project costs related to serving Wyoming customers, while also lowering the overall cost of the project to customers.

- Utility results for 2013 were favorably impacted by cold weather while 2012 utility results were unfavorably impacted by warm weather, particularly at the Gas Utilities. Our service territories reported colder winter weather, as measured by heating degree days, compared to the 30-year average and the prior year. Heating degree days for the full year in 2013 were 9% higher than weighted average norms for our Gas Utilities and 25% higher than the same period in 2012.

- During 2013, Cheyenne Light and Black Hills Power commenced construction on Cheyenne Prairie. Project costs for plant construction and associated transmission were estimated at $222 million, of which approximately $156 million was spent as of December 31, 2013.

- In April 2013, Colorado Electric filed an Energy Resource Plan with the CPUC addressing its projected resource requirements through 2019. The resource plan identified a 40 MW, simple-cycle, natural gas-fired turbine as the replacement of W.N. Clark. On January 6, 2014, the CPUC issued its initial written decision approving construction of the turbine.

- On April 15, 2013, the IUB approved a Capital Infrastructure Automatic Adjustment Mechanism effective April 25, 2013, for $0.2 million. This adjustment mechanism requires an annual filing, therefore, subsequent filings will vary in size based on eligible infrastructure replacements and the timing of future general rate case filings.

- On November 25, 2013, the NPSC approved an Infrastructure System Replacement Cost Recovery Charge that provided for an annual revenue increase of $1.4 million.

- On December 31, 2013, Colorado Electric retired W.N. Clark and Pueblo Units #5 and #6. These facilities, and certain Black Hills Power generating facilities, are being permanently retired primarily due to state and federal environmental regulations. The affected plants are listed in the table below with their operations suspension date and their ultimate retirement date:

Plant	Company	MW	Type of Plant	Date Suspended	Actual Retirement Date	Age of Plant (in years)
Osage	Black Hills Power	34.5	Coal	October 1, 2010	March 21, 2014	64
Ben French	Black Hills Power	25.0	Coal	August 31, 2012	March 21, 2014	52
Neil Simpson I	Black Hills Power	21.8	Coal	NA	March 21, 2014	43
W.N. Clark	Colorado Electric	42.0	Coal	December 31, 2012	December 31, 2013	57
Pueblo Unit #5	Colorado Electric	9.0	Gas	December 31, 2012	December 31, 2013	71
Pueblo Unit #6	Colorado Electric	20.0	Gas	December 31, 2012	December 31, 2013	63
	Total MW	152.3				

- Gas Utilities continued efforts to acquire small gas distribution systems adjacent to their existing gas utility service territories. During 2013, five small gas systems with a total of approximately 900 customers were acquired.

Non-regulated Energy Group

Highlights of the Non-regulated Energy Group include the following:

- In 2013, our Oil and Gas segment drilled and completed two horizontal wells in the Mancos Shale formation in the Piceance Basin. These wells are part of a transaction in which we earned approximately 20,000 net acres of Mancos Shale leasehold in the Piceance Basin in exchange for drilling and completing the two wells.

- Black Hills Wyoming entered into an agreement to sell its 40 MW CTII natural-gas fired generating unit to the City of Gillette for approximately $22 million upon expiration on August 31, 2014 of the PPA with Cheyenne Light. As part of the sale, Black Hills Wyoming will provide services to the City of Gillette through ancillary agreements, including a 20-year operating agreement and a 20 year economy energy PPA. The sale closed in September 2014.

- On September 27, 2012, our Oil and Gas segment sold approximately 85% of its Williston Basin assets, including approximately 73 gross wells and 28,000 net leasehold acres, for net cash proceeds of approximately $228 million. We recognized a gain of $76 million on the sale. The portion of the sale amount not recognized as gain reduced the full-cost pool and had the effect of reducing the depreciation, depletion and amortization rate after the sale.

- Coal Mining continued operations under its revised mine plan. Mining operations moved in August 2012, to an area with lower overburden ratios, which reduced mining costs in 2013.

- In the second quarter of 2012, our Oil and Gas segment recorded a $50 million non-cash ceiling test impairment loss as a result of continued low natural gas prices.

Corporate

Activities at Corporate include the following:

- On November 19, 2013, we completed a public debt offering of $525 million in senior unsecured debt at 4.25% due November 30, 2023. Proceeds were used to redeem our $250 million, 9% senior unsecured notes, pay off the Black Hills Wyoming project financing and related interest rate swaps, settle the de-designated interest rate swaps, partially pay down our Revolving Credit Facility and the remainder was used for other corporate purposes.

- On September 25, 2013, Moody’s raised our corporate credit rating to Baa2 from Baa3 with continued positive outlook. On July 24, 2013, S&P raised our corporate credit rating to BBB from BBB- with a stable outlook. They also raised our senior unsecured rating to BBB from BBB-. On May 10, 2013, Fitch Ratings raised our Issuer Default Rating to BBB from BBB- with a positive outlook. Subsequently on January 30, 2014, Moody’s upgraded our corporate credit rating to Baa1 and changed their outlook to stable.

- On June 21, 2013, we replaced our $150 million and $100 million term loans with a two-year term loan for $275 million at an interest rate of 1.125% over LIBOR.

- We recognized a non-cash unrealized mark-to-market gain related to certain interest rate swaps of $30 million in 2013 compared to a $1.9 million unrealized mark-to-market loss on these swaps in 2012. These swaps were settled in November 2013.

Operating Results

A discussion of operating results from our business segments follows.

All amounts are presented on a pre-tax basis unless otherwise indicated.

<u>Utilities Group</u>

Non-GAAP Financial Measure

The following discussion includes financial information prepared in accordance with GAAP, as well as another financial measure, gross margin, that is considered a "non-GAAP financial measure." Generally, a non-GAAP financial measure is a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Gross margin (revenue less cost of sales) is a non-GAAP financial measure due to the exclusion of depreciation from the measure. The presentation of gross margin is intended to supplement investors' understanding of our operating performance.

In our Management Discussion and Analysis of Results of Operations, gross margin for our Electric Utilities is calculated as operating revenue less cost of fuel, purchased power and cost of gas sold. Gross margin for our Gas Utilities is calculated as operating revenues less cost of gas sold. Our gross margin is impacted by the fluctuations in power purchases and natural gas and other fuel supply costs. However, while these fluctuating costs impact gross margin as a percentage of revenue, they only impact total gross margin if the costs cannot be passed through to our customers.

Our gross margin measure may not be comparable to other companies' gross margin measure. Furthermore, this measure is not intended to replace operating income as determined in accordance with GAAP as an indicator of operating performance.

Electric Utilities

Operating results for the years ended December 31 for the Electric Utilities were as follows (in thousands):

	2014	Variance	2013	Variance	2012
Revenue - electric	$ 657,556	$ 29,511	$ 628,045	$ 32,503	$ 595,542
Revenue - Cheyenne Light gas	39,754	2,491	37,263	5,839	31,424
Total revenue	697,310	32,002	665,308	38,342	626,966
Fuel and purchased power - electric	291,645	16,682	274,963	17,921	257,042
Purchased gas - Cheyenne Light	22,928	3,843	19,085	2,653	16,432
Total fuel and purchased power	314,573	20,525	294,048	20,574	273,474
Gross margin - electric	365,911	12,829	353,082	14,582	338,500
Gross margin - Cheyenne Light gas	16,826	(1,352)	18,178	3,186	14,992
Total gross margin	382,737	11,477	371,260	17,768	353,492
Operations and maintenance	165,640	5,679	159,961	13,434	146,527
Depreciation and amortization	79,424	1,720	77,704	2,460	75,244
Total operating expenses	245,064	7,399	237,665	15,894	221,771
Operating income	137,673	4,078	133,595	1,874	131,721
Interest expense, net	(48,787)	7,473	(56,260)	(5,219)	(51,041)
Other income, net	1,164	531	633	(549)	1,182
Income tax expense	(30,498)	(4,664)	(25,834)	4,430	(30,264)
Income from continuing operations	$ 59,552	$ 7,418	$ 52,134	$ 536	$ 51,598

	2014	2013	2012
Regulated power plant fleet availability:			
Coal-fired plants [(a)]	93.8%	96.7%	90.8%
Other plants [(b)]	90.2%	96.5%	96.9%
Total availability	91.5%	96.6%	93.9%

(a) 2014 reflects a planned overhaul on Neil Simpson II for emissions controls upgrades.
(b) 2014 reflects planned overhauls for control system upgrades to meet NERC cyber security regulations on the Ben French CT's 1-4.

2014 Compared to 2013

Gross margin increased primarily due to a return on additional investments which increased base electric margins by $9.0 million, and increased rider margins from Cheyenne Prairie by $5.5 million. Industrial megawatt hours sold increased by approximately 15%, primarily due to load growth at Cheyenne Light resulting in increased margins of $1.7 million. Facility improvements at one of our large industrial customers drove a $1.8 million increase in technical service revenues. These increases were partially offset by a $3.5 million decrease from lower demand and residential megawatt hours sold driven by a 29% decrease in cooling degree days compared to the same period in the prior year, a $1.6 million decrease from the TCA, and a $0.8 million decrease from a construction savings incentive recognized in the prior year. Our Cheyenne Light gas utility experienced a decrease in heating degree days, resulting in a $1.4 million decrease in retail natural gas sales.

Operations and maintenance increased primarily due to property taxes, regulatory support and legal fees, generation maintenance, and employee costs.

Depreciation and amortization increased primarily due to a higher asset base driven by the addition of Cheyenne Prairie.

Interest expense, net decreased primarily due to lower interest rates from refinancing higher cost debt in the fourth quarter of 2013, and extending our revolving credit facility under favorable terms during the second quarter of 2014.

Income tax benefit (expense): The effective tax rate was comparable to the same period in the prior year.

2013 Compared to 2012

Gross margin increased primarily due to a return on additional investments which increased base electric margins by $5.9 million, increased rider margins by $9.4 million and a $2.2 million increase at our gas utility due to an increase in volumes driven by a 17% increase in heating degree days. These are partially offset by a $2.1 million construction savings incentive received by Colorado Electric in 2012 compared to $0.7 million received in 2013.

Operations and maintenance increased primarily due to property taxes, vegetation management and employee costs. Prior year included a $2.1 million reduction of major maintenance accruals related to plant suspensions and retirements.

Depreciation and amortization increased primarily due to a higher asset base.

Interest expense, net increased primarily due to lower AFUDC.

Income tax benefit (expense): The effective tax rate decreased primarily due to an unfavorable income tax true-up adjustment that impacted 2012.

Gas Utilities

Operating results for the years ended December 31 for the Gas Utilities were as follows (in thousands):

	2014	Variance	2013	Variance	2012
Revenue:					
Natural gas - regulated	$ 587,378	$ 77,123	$ 510,255	$ 84,987	$ 425,268
Other - non-regulated	30,390	956	29,434	621	28,813
Total revenue	617,768	78,079	539,689	85,608	454,081
Cost of natural gas sold:					
Natural gas - regulated	365,034	69,609	295,425	64,163	231,262
Other - non-regulated	15,818	780	15,038	951	14,087
Total cost of natural gas sold	380,852	70,389	310,463	65,114	245,349
Gross margin:					
Natural gas - regulated	222,344	7,514	214,830	20,824	194,006
Other - non-regulated	14,572	176	14,396	(330)	14,726
Total gross margin	236,916	7,690	229,226	20,494	208,732
Operations and maintenance	132,635	6,562	126,073	8,683	117,390
Depreciation and amortization	26,499	118	26,381	1,218	25,163
Total operating expenses	159,134	6,680	152,454	9,901	142,553
Operating income	77,782	1,010	76,772	10,593	66,179
Interest expense, net	(15,284)	8,974	(24,258)	(277)	(23,981)
Other expense (income), net	34	94	(60)	(165)	105
Income tax expense	(20,663)	(916)	(19,747)	(5,434)	(14,313)
Income from continuing operations	$ 41,869	$ 9,162	$ 32,707	$ 4,717	$ 27,990

2014 Compared to 2013

Gross margin increased primarily due to higher transport volumes which increased transport margins by $1.7 million. Rider margins increased $2.9 million primarily due to additional capital investments, and $1.6 million of additional margin was attributed to year over year customer growth. Higher retail volumes sold, driven mostly by a 7 percent increase in heating degree days realized in the first quarter of 2014 resulted in a $1.2 million increase. Heating degree days for the twelve months ended December 31, 2014, were 2% lower than the same period in the prior year, and 7% higher than normal.

Operations and maintenance increased primarily due to employee costs, property taxes, outside services, and uncollectible accounts attributed to increased revenue.

Depreciation and amortization was comparable to the same period in the prior year.

Interest expense, net decreased primarily due to lower interest rates from refinancing higher cost debt in the fourth quarter of 2013.

Income tax: The effective tax rate for 2014 was lower primarily due to a favorable true-up adjustment to the filed 2013 income tax return, in addition to an increase in flow-through tax adjustments.

2013 Compared to 2012

Gross margin increased primarily due to a $12 million increase resulting from higher retail volumes driven by a 25% increase in heating degree days. Transport margins increased $2.9 million, surcharge revenue increased $1.9 million primarily due to additional capital investments and $1.3 million of additional margin was attributed to year over year customer growth.

Operations and maintenance increased primarily due to employee costs, property taxes and uncollectible accounts attributed to increased revenue.

Depreciation and amortization increased primarily due to a higher asset base.

Interest expense, net was comparable to the same period in the prior year.

Income tax: The effective tax rate for 2013 increased primarily as a result of favorable flow-through tax adjustment that benefited 2012.

Non-regulated Energy Group

Power Generation

Our Power Generation segment operating results for the years ended December 31 were as follows (in thousands):

	2014	Variance	2013	Variance	2012
Revenue	$ 87,558	$ 4,521	$ 83,037	$ 3,648	$ 79,389
Operations and maintenance	33,126	2,940	30,186	195	29,991
Depreciation and amortization	4,540	(551)	5,091	492	4,599
Total operating expenses	37,666	2,389	35,277	687	34,590
Operating income	49,892	2,132	47,760	2,961	44,799
Interest expense, net	(3,669)	16,724	(20,393)	(5,636)	(14,757)
Other income (expense), net	(6)	(7)	1	(6)	7
Income tax expense	(17,701)	(6,621)	(11,080)	(2,359)	(8,721)
Income from continuing operations	$ 28,516	$ 12,228	$ 16,288	$ (5,040)	$ 21,328

	2014	2013	2012
Contracted fleet plant availability:			
Gas-fired plants	99.0%	99.0%	99.4%
Coal-fired plants [(a)]	94.7%	94.5%	99.6%
Total	97.8%	97.9%	99.4%

(a) Wygen I experienced planned outages in 2014 and 2013.

2014 Compared to 2013

Revenue increased primarily due to an increase in megawatt hours delivered at higher prices, an increase in fired hours, and an increase from the new economy energy PPA with the City of Gillette, partially offset by the expiration of the CTII capacity contract with Cheyenne Light.

Operations and maintenance increased primarily due to increased outside services and materials, and additional maintenance costs on the Wygen I outage, partially offset by decreased employee costs.

Depreciation and amortization decreased primarily due to lower depreciation at Black Hills Wyoming. The generating facility located in Pueblo, Colo. is accounted for as a capital lease under GAAP; as such, depreciation expense for the original cost of the facility is recorded at Colorado Electric for segment reporting purposes.

Interest expense, net decreased primarily due to refinancing higher cost project debt and settling associated interest rate swaps in the fourth quarter of 2013. The fourth quarter of 2013 included $7.7 million relating to the cost to settle the interest rate swaps associated with Black Hills Wyoming's project financing and a $2.4 million write-off of related deferred financing costs.

Income tax expense: The effective tax rate was comparable to the same period in the prior year.

2013 Compared to 2012

Revenue increased primarily due to $2.1 million relating to increased MWh delivered at higher prices and $2.3 million related to increased volumes and pricing for off-system sales at Black Hills Wyoming.

Operations and maintenance increased primarily due to two Wygen I outages, partially offset by decreased property taxes at Black Hills Colorado IPP.

Depreciation and amortization were comparable to the same period in the prior year. The generating facility located in Pueblo, Colorado is accounted for as a capital lease under GAAP; as such, depreciation expense for the original cost of the facility is recorded at Colorado Electric for segment reporting purposes.

Interest expense, net increased primarily due to $7.7 million relating to the cost to settle the interest rate swaps associated with Black Hills Wyoming's project financing and a $2.4 million write-off of related deferred financing costs, partially offset by lower inter-company debt.

Income tax expense: The effective tax rate in 2013 increased as a result of an unfavorable tax true-up adjustment.

Coal Mining

Coal Mining operating results for the years ended December 31 were as follows (in thousands):

	2014	Variance	2013	Variance	2012
Revenue	$ 63,358	$ 6,730	$ 56,628	$ (1,150)	$ 57,778
Operations and maintenance	41,172	1,653	39,519	(3,034)	42,553
Depreciation, depletion and amortization	10,276	(1,247)	11,523	(1,537)	13,060
Total operating expenses	51,448	406	51,042	(4,571)	55,613
Operating income (loss)	11,910	6,324	5,586	3,421	2,165
Interest (expense) income, net	(434)	197	(631)	(1,561)	930
Other income, net	2,275	(29)	2,304	(312)	2,616
Income tax benefit (expense)	(3,299)	(2,367)	(932)	(847)	(85)
Income (loss) from continuing operations	$ 10,452	$ 4,125	$ 6,327	$ 701	$ 5,626

The following table provides certain operating statistics for the Coal Mining segment (in thousands):

	2014	2013	2012
Tons of coal sold	4,317	4,285	4,246
Cubic yards of overburden moved	4,646	3,192 [(a)]	8,329
Coal reserves at year-end	208,231	212,595 [(b)]	232,265

(a) Reduction in overburden was due to relocating mining operations in the second half of 2012 to an area of the mine with lower overburden.

(b) Reduction in coal reserves was due to revisions in coal modeling based upon engineering data, changes in coal limit boundaries and current coal production.

2014 Compared to 2013

Revenue increased primarily due to an 11% increase in the price per ton sold driven primarily by a coal price increase with the third-party operator of the Wyodak plant. Price per ton also increased as a result of an increase in pricing on contracts containing price adjustments based on actual mining costs. Approximately 50% of our coal production is sold under contracts that include price adjustments based on actual mining costs, including income taxes. Our mining costs have increased due to higher operations and maintenance costs driven by mining in areas with a higher stripping ratio than the prior year, thereby increasing our price per ton for these customers.

Operations and maintenance increased primarily due to mining in areas with higher overburden, materials and outside services on major maintenance projects, and an increase in royalties and revenue related taxes driven by increased revenue, partially offset by lower employee costs.

Depreciation, depletion and amortization decreased primarily due to lower depreciation on mine assets driven by a reduction in equipment run hours from changes in the mine plan design, and lower depreciation of mine reclamation costs.

Interest (expense) income, net is comparable to the same period in the prior year.

Income tax: The effective tax rate in 2014 is higher due to the reduced impact of the tax benefit of percentage depletion.

2013 Compared to 2012

Revenue decreased primarily due to a 9% decrease in the average price per ton charged on coal sold under contracts containing price adjustments, partially offset by a 1% increase in tons sold. Approximately 50% of our coal production is sold under contracts that include price adjustments based on actual mining costs, including income taxes. Our mining costs have trended down due to lower operations and maintenance costs, thereby decreasing our price per ton for these customers.

Operations and maintenance decreased primarily due to mining in areas with lower overburden, resulting in decreased fuel costs and reduced employee costs, partially offset by materials and outside services related to major maintenance projects.

Depreciation, depletion and amortization decreased primarily due to lower depreciation on mine assets and lower depreciation of mine reclamation costs.

Interest (expense) income, net reflects decreased interest income primarily due to a decrease in the inter-company notes receivable, reduced by payment of a dividend to our parent.

Income tax benefit (expense): The effective tax rate increased in 2013 as a result of lower percentage depletion. In addition, the effective tax rate in 2012 was impacted by a favorable true-up adjustment that was primarily driven by an increased percentage depletion deduction reported on the 2011 tax return.

Oil and Gas

Oil and Gas operating results for the years ended December 31 were as follows (in thousands):

	2014	Variance	2013	Variance	2012
Revenue	$ 55,114	$ 230	$ 54,884	$ (24,188)	$ 79,072
Operations and maintenance	42,659	2,294	40,365	(2,902)	43,267
Gain on sale of assets	—	—	—	75,854	(75,854)
Depreciation, depletion and amortization	24,246	6,369	17,877	(11,908)	29,785
Impairment of long-lived assets	—	—	—	(49,571)	49,571
Total operating expenses	66,905	8,663	58,242	11,473	46,769
Operating income (loss)	(11,791)	(8,433)	(3,358)	(35,661)	32,303
Interest expense, net	(1,685)	(1,071)	(614)	3,321	(3,935)
Other income (expense), net	183	75	108	(99)	207
Income tax benefit (expense)	4,768	2,655	2,113	12,005	(9,892)
Income (loss) from continuing operations	$ (8,525)	$ (6,774)	$ (1,751)	$ (20,434)	$ 18,683

The following tables provide certain operating statistics for the Oil and Gas segment:

Crude Oil and Natural Gas Production	2014	2013	2012
Bbls of oil sold	337,196	336,140	559,971
Mcf of natural gas sold	7,155,076	6,983,104	8,686,191
Bbls of NGL sold	134,555	88,205	82,989
Mcf equivalent sales	9,985,584	9,529,178	12,543,948

Average Price Received [(a)]	2014	2013	2012
Gas/Mcf	$ 2.91	$ 2.69	$ 3.33
Oil/Bbl	$ 79.39	$ 89.34	$ 83.27
NGL/Bbl	$ 35.53	$ 33.15	$ 32.41

(a) Net of hedge settlement gains/losses

	2014	2013	2012
Depletion expense/Mcfe*	$ 1.84	$ 1.40	$ 2.11

* The average depletion rate per Mcfe is a function of capitalized costs, future development costs and the related underlying reserves in the periods presented. The decreased depletion rate in 2013 is primarily driven by the Williston Basin sale and ceiling test impairment in 2012. See Note 21 of Notes to the Consolidated Financial Statements included in this Annual Report filed on Form 10-K/A.

The following is a summary of certain annual average costs per Mcfe at December 31:

	2014			
	LOE	Gathering, Compression, Processing and Transportation	Production Taxes	Total
San Juan	$ 1.52	$ 1.11	$ 0.56	$ 3.19
Piceance	0.31	3.74	0.38	4.43
Powder River	1.77	—	1.26	3.03
Williston	1.46	—	1.24	2.70
All other properties	1.43	—	0.43	1.86
Average	$ 1.24	$ 1.37	$ 0.68	$ 3.29

	2013			
	LOE	Gathering, Compression, Processing and Transportation	Production Taxes	Total
San Juan	$ 1.33	$ 0.96	$ 0.45	$ 2.74
Piceance	0.69	1.68	0.04	2.41
Powder River	1.66	—	1.18	2.84
Williston	1.06	—	1.38	2.44
All other properties	0.86	—	0.18	1.04
Average	$ 1.22	$ 0.66	$ 0.60	$ 2.48

	2012			
	LOE	Gathering, Compression, Processing and Transportation	Production Taxes	Total
San Juan	$ 1.22	$ 0.71	$ 0.35	$ 2.28
Piceance	0.30	1.29	0.17	1.76
Powder River	1.57	—	1.18	2.75
Williston	0.35	—	1.35	1.70
All other properties	1.91	—	0.34	2.25
Average	$ 1.05	$ 0.49	$ 0.64	$ 2.18

In the Piceance and San Juan Basins, our natural gas is transported through our own and third-party gathering systems and pipelines, for which we incur processing, gathering, compression and transportation fees. The sales price for natural gas, condensate and NGLs is reduced for these third-party costs, and the cost of operating our own gathering systems is included in operations and maintenance. The gathering, compression, processing and transportation costs shown in the tables above include amounts paid to third parties, as well as costs incurred in operations associated with our own gas gathering, compression, processing and transportation.

We revised our presentation of these costs in 2014 to include both third-party costs and operations costs, and have restated the 2013 and 2012 amounts accordingly. Our 2014 amounts were impacted by a ten-year gas gathering and processing contract for natural gas production in our Piceance Basin in Colorado that became effective in 2014. This take or pay contract requires us to pay the fee on a minimum of 20,000 Mcf per day, regardless of the volume delivered. In 2014 our delivery of production did not meet the minimum requirement; therefore our cost per Mcfe increased as illustrated in the table above.

The following is a summary of our proved oil and gas reserves at December 31:

	2014	2013	2012
Bbls of oil (in thousands)	4,276	3,921	4,116
MMcf of natural gas	65,440	63,190	55,985
Bbls of NGLs (in thousands) [(a)]	1,720	—	—
Total MMcfe	101,416	86,713	80,683

(a) NGL reserves for 2013 and 2012 are not available and were included with MMcf of natural gas in 2013 and 2012.

Reserves are based on reports prepared by an independent consulting and engineering firm. The reports were prepared by CG&A. Reserves were determined using SEC-defined product prices. Such reserve estimates are inherently imprecise and may be subject to revisions as a result of numerous factors including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. The current estimate takes into account 2014 production of approximately 10.0 Bcfe, additions from extensions, discoveries and acquisitions (sales) of 16.2 Bcfe and positive revisions to previous estimates of 8.5 Bcfe, primarily due to oil and natural gas pricing.

Reserves reflect SEC-defined pricing held constant for the life of the reserves, as follows:

	2014		2013		2012	
	Oil	Gas	Oil	Gas	Oil	Gas
NYMEX prices	$ 94.99	$ 4.35	$ 96.94	$ 3.67	$ 94.71	$ 2.76
Well-head reserve prices	$ 85.80	$ 3.33	$ 89.79	$ 3.45	$ 85.31	$ 2.24

2014 Compared to 2013

Revenue increased primarily due to a 5% increase in volumes sold and an 8% increase in average price received for natural gas sold, partially offset by an 11% decrease in the average price received for crude oil sold.

Operations and maintenance increased primarily due to increased employee costs, higher lease operating and field operation expense, and higher production taxes and ad valorem taxes on higher revenue.

Depreciation, depletion and amortization increased primarily due to a higher depletion rate applied to increased production.

Interest expense, net increased primarily due to third-party interest received on non-operated well revenue in the prior year that offset 2013 expense.

Income tax (expense) benefit: Each period presented reflects a tax benefit. The tax benefit for 2014 was impacted by an unfavorable true-up adjustment to the filed 2013 income tax return.

2013 Compared to 2012

Revenue decreased primarily due to a 24% decrease in volumes sold as a result of the sale of our Williston Basin assets in 2012, a natural production decline in our gas wells and a 19% decrease in average price received for natural gas sold, partially offset by a 7% increase in the average price received for crude oil sold.

Operations and maintenance decreased primarily due to lower non-operated well costs and lower production taxes and ad valorem taxes on reduced revenue.

Gain on sale of operating assets represents the gain on the sale of our Williston Basin assets in 2012. We follow the full-cost method of accounting for oil and gas activities, which typically does not allow for gain on sale recognition unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves. The remainder of the sale amount not recognized as gain reduced the full-cost pool and had the effect of reducing the depreciation, depletion and amortization rate.

Depreciation, depletion and amortization decreased primarily due to a lower proportion of our total reserves being from crude oil in 2013, resulting from the sale of our Williston Basin assets in 2012.

Impairment of long-lived assets represents a write-down in the value of our natural gas and crude oil properties driven by low natural gas prices in the second quarter of 2012. The write-down reflected a 12-month average NYMEX price of $3.15 per Mcf, adjusted to $2.66 per Mcf at the wellhead, for natural gas and $95.67 per barrel, adjusted to $85.36 per barrel at the wellhead, for crude oil.

Interest expense, net reflects lower interest expense primarily due to decreased debt as a result of proceeds from the sale of our Williston Basin assets in 2012.

Income tax (benefit) expense: 2013 produced a pre-tax net loss that resulted in an income tax benefit. The impact of the tax benefit from percentage depletion had a greater effect in 2013 when compared to the prior year.

Corporate

Corporate results represent certain unallocated costs for administrative activities that support the business segments. Corporate also includes business development activities that do not fall under the two business groups as well as allocated costs associated with discontinued operations that could not be included in discontinued operations.

2014 Compared to 2013

Loss from continuing operations for the twelve months ended December 31, 2014, was $1 million compared to income from continuing operations of $13 million for the same period in the prior year. Results for the year ended December 31, 2014 increased primarily due to refinancing activity that took place during the fourth quarter of 2013. Results for the twelve months ended December 31, 2013 reflect a $30 million non-cash unrealized mark-to-market gain related to certain interest rate swaps. Corporate results for 2013 also include $10 million of costs related to early retirement of $250 million senior unsecured notes including a make-whole premium, write-off of deferred financing costs and interest expense on new debt.

2013 Compared to 2012

Corporate results for 2013 include costs of $10 million for a make-whole premium and write-off of deferred financing costs related to early retirement of our $250 million senior unsecured notes and interest expenses on new debt, compared to $7.1 million for a make-whole premium related to the early retirement of our $225 million senior unsecured notes in 2012. We also had an unrealized, non-cash mark-to-market gain on certain interest rate swaps of approximately $30 million in 2013, compared to an unrealized, non-cash mark-to-market gain of $1.9 million on these interest rate swaps for the year ended December 31, 2012.

2012 includes costs of $0.9 million previously allocated to our Energy Marketing segment were reclassified to the Corporate activities consistent with accounting for discontinued operations.

Discontinued Operations

On February 29, 2012, we sold the outstanding stock of Enserco, our Energy Marketing segment. Net cash proceeds at date of sale were approximately $165 million, subject to final post-closing adjustments.

The buyer asserted certain purchase price adjustments, some that we accepted, and several that we disputed. The disputed claims were substantially resolved through a binding arbitration decision dated January 17, 2014. We expensed an additional $1.1 million in 2013 related to the claims assigned to arbitration from purchase price adjustments we accepted through a partial settlement agreement with the buyer. Loss from discontinued operations was $0.9 million for the twelve months ended December 31, 2013. Results for 2013 include the resolution of all previously unresolved purchase price adjustments.

Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with GAAP. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in application. There are also areas which require management's judgment in selecting among available GAAP alternatives. We are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results may differ from our estimates and to the extent there are material differences between these estimates, judgments, or assumptions and actual results, our financial statements will be affected. We believe the following accounting estimates are the most critical in understanding and evaluating our reported financial results. We have reviewed these critical accounting estimates and related disclosures with our Audit Committee.

The following discussion of our critical accounting estimates should be read in conjunction with Note 1, "Business Description and Significant Accounting Policies" of our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K/A.

Goodwill

We perform our goodwill impairment test as of November 30 each year or upon the occurrence of events or changes in circumstances that indicate that the asset might be impaired. Accounting standards for testing goodwill for impairment require a two-step process be performed to analyze whether or not goodwill has been impaired. Goodwill is tested for impairment at the reporting unit level. Our reporting units have been determined to be at the subsidiary level. The first step of this test, used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount exceeds fair value under the first step, then the second step of the impairment test is performed to measure the amount of any impairment loss.

Application of the goodwill impairment test requires judgment, including the identification of reporting units and determining the fair value of the reporting unit. We estimate the fair value of our reporting units using a combination of an income approach, which estimates fair value based on discounted future cash flows, and a market approach, which estimates fair value based on market comparables within the utility and energy industries. These valuations require significant judgments, including, but not limited to: 1) estimates of future cash flows, based on our internal five-year business plans with long range cash flows estimated using a terminal value calculation and adjusted as appropriate for our view of market participant assumptions, 2) estimates of long-term growth rates for our businesses, 3) the determination of an appropriate weighted-average cost of capital or discount rate, and 4) the utilization of market information such as recent sales transactions for comparable assets within the utility and energy industries.

We have $353 million in goodwill as of December 31, 2014. The results of our November 30, 2014, annual impairment test indicated that our goodwill was not impaired, since the estimated fair value of all reporting units exceeded their carrying value.

Although an impairment did not exist as of November 30, 2014, we determined that one reporting unit, Colorado Electric with goodwill of $245 million, had an estimated fair value that exceeded its carrying value by 24%, which we do not consider a substantial excess. The result of our valuation analysis estimates Colorado Electric's fair value at $860 million, compared to a carrying value of $694 million as of November 30, 2014. The result of the income approach was sensitive to the 2% long-term cash flow growth rate applicable to periods beyond our internal five-year business plan financial forecast and the 5.04% weighted-average cost of capital assumptions. As an illustration of this sensitivity, an increase of 0.25% in the cost of capital combined with a growth rate reduction of 0.25% would result in an estimated fair value in excess of carrying value of $99 million, or 14%, as of November 30, 2014.

Full Cost Method of Accounting for Oil and Gas Activities

Accounting for oil and gas activities is subject to special, unique rules. Two generally accepted methods of accounting for oil and gas activities are available - successful efforts and full cost. We account for our oil and gas activities under the full cost method, whereby all productive and nonproductive costs related to acquisition, exploration, development, abandonment and reclamation activities are capitalized. These costs are amortized using a unit-of-production method based on volumes produced and proved reserves. Any conveyances of properties, including gains or losses on abandonments of properties, are generally treated as adjustments to the cost of the properties with no gain or loss recognized. Net capitalized costs are subject to a ceiling test that limits such costs to the aggregate of the present value of future net revenues of proved reserves and the lower of cost or fair value of unproved properties. This method values the reserves based upon SEC-defined prices for oil and gas as of the end of each reporting period adjusted for contracted price changes. The prices, as well as costs and development capital, are assumed to remain constant for the remaining life of the properties. If the net capitalized costs exceed the full-cost ceiling, then a permanent non-cash write-down is required to be charged to earnings in that reporting period. Under these SEC-defined product prices, our net capitalized costs were more than the full cost ceiling at June 30, 2012, which required a write-down of $32 million after-tax. We've taken no further write-downs related to our oil and gas full-cost pool since then and under the SEC-defined product prices at December 31, 2014, no write-down was required. Reserves in 2014 and 2013 were determined consistent with SEC requirements using a 12-month average price calculated using the first-day-of-the-month price for each of the 12 months in the reporting period held constant for the life of the properties. Because of the fluctuations in natural gas and oil prices, we can provide no assurance that future write-downs will not occur. However, if the current low price environment continues, it is probable that we will have an impairment in 2015.

As noted, we utilize the full-cost method of accounting for our oil and gas activities in accordance with SEC Rule 4-10 of Regulation S-X (Rule 4-10). Under the full-cost method, sales of oil and gas properties generally are recorded as an adjustment to capitalized costs, with no gain or loss recognized, unless such adjustments would significantly alter the relationship between the capitalized costs and proved oil and gas reserves. The Company's sale of oil and gas properties in the Williston Basin of North Dakota in 2012 was significant as defined by Rule 4-10 and, accordingly, a $49 million after-tax gain on sale was recorded. Total net cash proceeds from the sale were approximately $228 million.

Under the guidance of Rule 4-10, if a gain or loss is recognized on such a sale, total capitalized costs shall be allocated between the reserves sold and the reserves retained on the same basis used to compute amortization, unless there are substantial economic differences between the properties sold and those retained, in which case capitalized costs shall be allocated on the basis of the relative fair value of the properties in the cost center. Because of the substantial differences between the Williston Basin crude oil properties we sold and those properties retained, which were predominantly natural gas, we allocated based on relative fair values.

If a different method of allocating the capitalized costs was chosen, the gain recorded on our transaction could vary substantially. For example, if the allocation was made on the same basis used to compute amortization as noted within Rule 4-10 and we utilized the ratio of proven reserve quantities from the properties sold compared to total proven reserve quantities in our cost center, we would have recorded a gain on sale of approximately $180 million. Because of the value associated with the undeveloped acreage sold, we did not believe this was an appropriate methodology for allocation. If the amount of gain were recorded differently, it would impact the amount of adjustment to our capitalized costs therefore impacting future depletion expense recorded within our consolidated financial statements.

Oil, Natural Gas, and Natural Gas Liquids Reserve Estimates

Estimates of our proved oil, natural gas and NGL reserves are based on the quantities of each that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. An independent petroleum engineering company prepares reports that estimate our proved oil, natural gas and NGL reserves annually. The accuracy of any oil, natural gas and NGL reserve estimate is a function of the quality of available data, engineering judgment and geological interpretation. For example, we must estimate the amount and timing of future operating costs, severance taxes, development costs and work over costs, all of which may in fact vary considerably from actual results. In addition, as oil, natural gas and NGL prices and cost levels change from year to year, the estimate of proved reserves may also change. Any significant variance in these assumptions could materially affect the estimated quantity and value of our reserves.

Despite the inherent imprecision in estimating our oil, natural gas and NGL reserves, the estimates are used throughout our financial statements. For example, since we use the unit-of-production method of calculating depletion expense, the amortization rate of our capitalized oil and gas properties incorporates the estimated unit-of-production attributable to the estimates of proved reserves. The net book value of our oil and gas properties is also subject to a "ceiling" limitation based in large part on the value of our proved reserves. Finally, these reserves are the basis for our supplemental oil and gas disclosures.

Risk Management Activities

In addition to the information provided below, see Note 8, "Risk Management Activities" and Note 9, "Fair Value Measurement," of our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K/A.

Derivatives

Accounting standards for derivatives require the recognition of all derivative instruments as either assets or liabilities on the balance sheet and their measurement at fair value. Our policy for recognizing the changes in fair value of derivatives varies based on the designation of the derivative. The changes in fair value of derivatives that are not designated as hedges are recognized currently in earnings. Derivatives may be designated as hedges of expected future cash flows or fair values. The effective portion of changes in fair values of derivatives designated as cash flow hedges is recorded as a component of other comprehensive income (loss) until it is reclassified into earnings in the same period that the hedged item is recognized in earnings. The ineffective portion of changes in fair value of derivatives designated as cash flow hedges is recorded in current earnings. Changes in fair value of derivatives designated as fair value hedges are recognized in current earnings along with fair value changes of the underlying hedged item.

We currently use derivative instruments, including options, swaps, and futures, for non-trading (hedging) purposes. Our typical hedging transactions relate to contracts we enter into to fix the price received for anticipated future production at our Oil and Gas segment, or to fulfill the natural gas hedging plans for gas and electric utilities and for interest rate swaps we enter into to convert a portion of our variable rate debt, or associated variable rate interest payments, to a fixed rate.

Fair values of derivative instruments contracts are based on actively quoted market prices or other external source pricing information, where possible. If external market prices are not available, fair value is determined based on other relevant factors and pricing models that consider current market and contractual prices for the underlying financial instruments or commodities, as well as time value and yield curve or volatility factors underlying the positions.

Pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recorded and the use of different pricing models or assumptions could produce different financial results.

Pension and Other Postretirement Benefits

As described in Note 17 to the Consolidated Financial Statements in this Annual Report on Form 10-K/A, we have two defined benefit pension plans, three defined post-retirement healthcare plans and several non-qualified retirement plans. A Master Trust holds the assets for the Pension Plans. Each Pension Plan has an undivided interest in the Master Trust. Trusts for the funded portion of the post-retirement healthcare plans have also been established.

Accounting for pension and other postretirement benefit obligations involves numerous assumptions, the most significant of which relate to the discount rate for measuring the present value of future plan obligations; expected long-term rates of return on plan assets; rate of future increases in compensation levels; and healthcare cost projections. The determination of our obligation and expenses for pension and other postretirement benefits is dependent on the assumptions determined by management and used by actuaries in calculating the amounts. Although we believe our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension and other postretirement obligations and our future expense.

The pension benefit cost for 2015 for our non-contributory funded pension plan is expected to be $13.2 million compared to $8.1 million in 2014. The estimated discount rate used to determine annual benefit cost accruals will be 4.20% in 2015; the discount rate used in 2014 was 5.05%. In selecting the discount rate, we consider cash flow durations for each plan's liabilities and returns on high credit quality fixed income yield curves for comparable durations.

We do not pre-fund our non-qualified pension plans. One of the three postretirement benefit plans is partially funded. The table below shows the expected impacts of an increase or decrease to our healthcare trend rate for our three Retiree Healthcare Plans (in thousands):

Change in Assumed Trend Rate	Impact on December 31, 2014 Accumulated Postretirement Benefit Obligation	Impact on 2014 Service and Interest Cost
Increase 1%	$ 2,635	$ 168
Decrease 1%	$ (2,166)	$ (136)

Contingencies

When it is probable that an environmental or other legal liability has been incurred, a loss is recognized when the amount of the loss can be reasonably estimated. Estimates of the probability and the amount of loss are made based on currently available facts. Accounting for contingencies requires significant judgment regarding the estimated probabilities and ranges of exposure to potential liability. Our assessment of our exposure to contingencies could change to the extent there are additional future developments, or as more information becomes available. If actual obligations incurred are different from our estimates, the recognition of the actual amounts could have a material impact on our financial position, results of operations and cash flows.

Income Taxes

The Company and its subsidiaries file consolidated federal income tax returns. Each tax paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the subsidiaries based on separate company computations of taxable income or loss.

We use the liability method in accounting for income taxes. Under the liability method, deferred income taxes are recognized at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities as well as operating loss and tax credit carryforwards. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements. We classify deferred tax assets and liabilities into current and non-current amounts based on the nature of the related assets and liabilities.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and provides any necessary valuation allowances as required. If we determine that we will be unable to realize all or part of our deferred tax assets in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made. Although we believe our assumptions, judgments and estimates are reasonable, changes in tax laws or our interpretations of tax laws and the resolution of current and any future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. With respect to changes in tax law, the TIPA, which was enacted December 19, 2014, did not have a material impact on the amounts provided for income taxes including our ability to realize deferred tax assets. Certain provisions of the TIPA involving primarily the extension of 50% bonus depreciation resulted in the generation of a NOL for federal and state income tax purposes in 2014. In September 2013, the U.S. Treasury issued final regulations addressing the tax consequences associated with amounts paid to acquire, produce, or improve tangible property. The regulations had the effect of a change in law and as a result the impact was taken into account in the period of adoption. In general, such regulations apply to tax years beginning on or after January 1, 2014, with early adoption permitted. We implemented all of the provisions of the final regulations with the filing of the 2013 federal income tax return in September 2014. The adoption of the final regulations did not have a material impact on our consolidated financial statements.

See Note 14 in our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K/A for additional information.

Liquidity and Capital Resources

OVERVIEW

BHC and its subsidiaries require significant cash to support and grow our business. Our predominant source of cash is supplied by our operations and supplemented with corporate borrowings. This cash is used for, among other things, working capital, capital expenditures, dividends, pension funding, investments in or acquisitions of assets and businesses, payment of debt obligations and redemption of outstanding debt and equity securities when required or financially appropriate.

The most significant uses of cash are our capital expenditures, the purchase of natural gas for our Gas Utilities and our Power Generation segment, as well as the payment of dividends to our shareholders. We experience significant cash requirements during peak months of the winter heating season due to higher natural gas consumption and during periods of high natural gas prices.

We believe that our cash on hand, operating cash flows, existing borrowing capacity and ability to complete new debt and equity financings, taken in their entirety, provide sufficient capital resources to fund our ongoing operating requirements, debt maturities, anticipated dividends and anticipated capital expenditures discussed in this section.

The following table provides an informational summary of our financial position as of December 31 (dollars in thousands):

Financial Position Summary	2014	2013
Cash and cash equivalents	$ 21,218	$ 7,841
Restricted cash and equivalents	$ 2,056	$ 2
Short-term debt, including current maturities of long-term debt	$ 350,000	$ 82,500
Long-term debt	$ 1,267,589	$ 1,396,948
Stockholders' equity	$ 1,353,884	$ 1,283,500
Ratios		
Long-term debt ratio	48%	53%
Total debt ratio	54%	54%

As described below in the Debt and Liquidity section, in 2014, we amended and extended our corporate Revolving Credit Facility through May 29, 2019 and completed the sale of $160 million of first mortgage bonds in a private placement providing permanent financing for Cheyenne Prairie. Additionally, during 2013, we issued $800 million in long-term debt and repaid approximately $640 million in short-term and long-term borrowings.

Significant Factors Affecting Liquidity

Although we believe we have sufficient resources to fund our cash requirements, there are many factors with the potential to influence our cash flow position, including seasonality, commodity prices, significant capital projects and acquisitions, requirements imposed by state and federal agencies and economic market conditions. We have implemented risk mitigation programs, where possible, to stabilize cash flow; however, the potential for unforeseen events affecting cash needs will continue to exist.

Weather Seasonality, Commodity Pricing and Associated Hedging Strategies

We manage liquidity needs through hedging activities, primarily in connection with seasonal needs of our utility operations (including seasonal peaks in fuel requirements), interest rate movements and commodity price movements.

Utility Factors

Our cash flows, and in turn liquidity needs in many of our regulated jurisdictions, can be subject to fluctuations in weather and commodity prices. Since weather conditions are uncontrollable, we have implemented commission-approved natural gas hedging programs in many of our regulated jurisdictions to mitigate significant changes in natural gas commodity pricing. We target hedging approximately 50% to 70% of our forecasted natural gas supply using options, futures and basis swaps.

Oil and Gas Factors

Our cash flows in our Oil and Gas segment can be subject to fluctuations in commodity prices. Significant changes in crude oil or natural gas commodity prices can have a significant impact on liquidity needs. Since commodity prices are uncontrollable, we have implemented a hedging program to mitigate the effects of significant changes in crude oil and natural gas commodity pricing on existing production. New production is subject to market prices until the production can be quantified and hedged. We use a price-based approach where, based on market pricing, our existing natural gas and crude oil production can be hedged using options, futures and basis swaps for a maximum term of three years forward. See “Market Risk Disclosures” for hedge details.

Interest Rates

Several of our debt instruments have a variable interest rate component which can change significantly depending on the economic climate. We deploy hedging strategies that include floating-to-fixed interest rate swap agreements to reduce our exposure to interest rate fluctuations. At December 31, 2014, 82% of our interest rate exposure has been mitigated through either fixed or hedged interest rates.

We have $75 million notional amount floating-to-fixed interest rate swaps with a maximum remaining term of 2 years. These swaps have been designated as cash flow hedges and accordingly their mark-to-market adjustments are recorded in accumulated other comprehensive income (loss) on the accompanying Consolidated Balance Sheets. The mark-to-market value of these swaps was a liability of $6.0 million at December 31, 2014.

Until November 2013, we had $250 million notional amount de-designated interest rate swaps. We paid approximately $64 million to settle these swaps in November 2013. We recognized a $30 million non-cash pre-tax unrealized mark-to-market gain on these de-designated interest rate swaps for the year ended December 31, 2013.

Until November 2013, we also had interest rates swaps with a notional amount of $75 million designated as cash flow hedges to our Black Hills Wyoming project financing debt. We paid $8.5 million to settle these swaps upon repayment of the debt.

Federal and State Regulations

Federal

We are structured as a utility holding company which owns several regulated utilities. Within this structure, we are subject to various regulations by our commissions that can influence our liquidity. As an example, the issuance of debt by our regulated subsidiaries and the use of our utility assets as collateral generally require the prior approval of the state regulators in the state in which the utility assets are located. Furthermore, as a result of our holding company structure, our right as a common shareholder to receive assets of any of our direct or indirect subsidiaries upon a subsidiary's liquidation or reorganization is subordinate to the claims against the assets of such subsidiaries by their creditors. Therefore, our holding company debt obligations are effectively subordinated to all existing and future claims of the creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities and guarantee holders.

Income Tax

Acceleration of depreciation for tax purposes including 50% bonus depreciation was previously available for certain property placed in service during 2013. TIPA, enacted into law on December 19, 2014, extended 50% bonus depreciation generally to qualifying property placed in service during 2014. These provisions resulted in approximately $122 million of tax benefits for BHC as indicated in the table below:

(in millions)	2014	2013	2012
Tax benefit	$67	$24	$31

In addition, bonus depreciation applies to qualifying property whose construction began before 2015, but will be placed in service on or before December 31, 2016. No projects will qualify under this provision. The additional depreciation deductions will serve to reduce taxable income and contribute to extending the tax loss carryforwards from being fully utilized until 2020 based on current projections.

The cash generated by bonus depreciation is an acceleration of tax benefits that we would have otherwise received over 15 to 20 years. Additionally, from a regulatory perspective, while the capital additions at the Company's regulated businesses generally increase future revenue requirements, the bonus depreciation associated with these capital additions will partially mitigate future rate increases related to capital additions.

See Note 14 in our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K/A for additional information.

CASH GENERATION AND CASH REQUIREMENTS

Cash Generation

Our primary sources of cash are generated from operating activities, our five-year Revolving Credit Facility expiring May 29, 2019 and our ability to access the public and private capital markets through debt and securities offerings when necessary.

Cash Collateral

Under contractual agreements and exchange requirements, BHC or its subsidiaries have collateral requirements, which if triggered, require us to post cash collateral positions with the counterparty to meet these obligations.

We have posted the following amounts of cash collateral with counterparties at December 31 (in thousands):

Purpose of Cash Collateral	2014	2013
Natural Gas Futures and Basis Swaps Pursuant to Utility Commission Approved Hedging Programs	$ 20,007	$ 10,123
Oil and Gas Derivatives	4,392	2,501
Total Cash Collateral Positions	$ 24,399	$ 12,624

DEBT

Operating Activities

Our principal sources to meet day-to-day operating cash requirements are cash from operations and our corporate Revolving Credit Facility.

Revolving Credit Facility

On May 29, 2014, we amended our $500 million corporate Revolving Credit Facility agreement to extend the term through May 29, 2019. This facility is substantially similar to the former agreement, which includes an accordion feature that allows us, with the consent of the administrative agent and issuing agents, to increase the capacity of the facility to $750 million. Borrowings continue to be available under a base rate or various Eurodollar rate options. The interest costs associated with the letters of credit or borrowings and the commitment fee under the Revolving Credit Facility are determined based upon our most favorable Corporate credit rating from S&P and Moody's for our unsecured debt. Based on our credit ratings, the margins for base rate borrowings, Eurodollar borrowings and letters of credit were 0.125%, 1.125%, and 1.125%, respectively, from May 29, 2014 through December 31, 2014; a reduction of 0.25% for each method of borrowing as compared to the previous arrangement. A commitment fee was charged on the unused amount of the Revolving Credit Facility and was 0.175% based on our credit rating, a reduction of 0.025% compared to the prior arrangement.

Our Revolving Credit Facility at December 31, 2014, had the following borrowings, outstanding letters of credit and available capacity (in millions):

Credit Facility	Expiration	Current Capacity	Borrowings at December 31, 2014	Letters of Credit at December 31, 2014	Available Capacity at December 31, 2014
Revolving Credit Facility	May 29, 2019	$ 500	$ 75	$ 35	$ 390

The Revolving Credit Facility contains customary affirmative and negative covenants, such as limitations on the creation of new indebtedness and on certain liens, restrictions on certain transactions and maintaining a certain recourse leverage ratio. Under the Revolving Credit Facility, our recourse leverage ratio is calculated by dividing the sum of our recourse debt, letters of credit and certain guarantees issued, by total capital, which includes recourse indebtedness plus our net worth. Subject to applicable cure periods, a violation of any of these covenants would constitute an event of default that entitles the lenders to terminate their remaining commitments and accelerate all principal and interest outstanding. We were in compliance with these covenants as of December 31, 2014.

The Revolving Credit Facility prohibits us from paying cash dividends if a default or an event of default exists prior to, or would result after paying a dividend. Although these contractual restrictions exist, we do not anticipate triggering any default measures or restrictions.

Capital Resources

Our principal sources for our long-term capital needs have been issuances of long-term debt securities by the Company and its subsidiaries along with proceeds obtained from public and private offerings of equity.

Recent Financing Transactions

On October 1, 2014, Black Hills Power and Cheyenne Light sold $160 million of first mortgage bonds in a private placement to provide permanent financing for Cheyenne Prairie. Black Hills Power issued $85 million of 4.43% coupon first mortgage bonds due October 20, 2044 and Cheyenne Light issued $75 million of 4.53% coupon first mortgage bonds due October 20, 2044. Proceeds from Black Hills Power's bond sale also funded the early redemption of its 5.35% coupon $12 million pollution control revenue bonds, originally due October 1, 2024.

On November 19, 2013, we entered into a new $525 million, 4.25% unsecured note expiring on November 30, 2023. The proceeds from this new debt were used to:

- Redeem our $250 million senior unsecured 9.0% notes originally due on May 15, 2014. This repayment occurred on December 19, 2013, for approximately $261 million which included a make-whole provision of approximately $8.5 million and accrued interest.

- Repay our variable interest rate Black Hills Wyoming project financing with a remaining balance of $87 million originally due on December 9, 2016 and settle the interest rate swaps designated to this project financing of $8.5 million.

- Settle the $250 million notional de-designated interest rate swaps for approximately $64 million.

- Pay down $55 million of the Revolving Credit Facility.

- Remainder was used for general corporate purposes.

On June 21, 2013, we entered into a new two-year $275 million term loan expiring on June 19, 2015. The proceeds from this new term loan repaid the $150 million term loan due on June 24, 2013, the $100 million corporate term loan due on September 30, 2013 and $25 million in short-term borrowing under our Revolving Credit Facility. At December 31, 2014, the cost of borrowing under this new term loan was 1.313% (LIBOR plus a margin of 1.125%).

Future Financing Plans

During the next three years, BHC plans to consider completing the following financing activities to take advantage of the current, relatively-low interest rate environment:

- Evaluate alternatives for the $275 million term loan due June 19, 2015.

Cross-Default Provisions

Our $275 million corporate term loan contains cross-default provisions that could result in a default under such agreements if BHC or its material subsidiaries failed to make timely payments of debt obligations or triggered other default provisions under any debt agreement totaling in the aggregate principal amount of $35 million or more that permits the acceleration of debt maturities or mandatory debt prepayment. Our Revolving Credit Facility contains the same provisions; however the threshold principal amount is $50 million.

The Revolving Credit Facility prohibits us from paying cash dividends if we are in default or if paying dividends would cause us to be in default.

Equity

Based on our current capital spending forecast, we do not anticipate the need to access the equity capital markets in the next three years.

Shelf Registration

We have an effective automatic shelf registration statement on file with the SEC under which we may issue, from time to time, senior debt securities, subordinated debt securities, common stock, preferred stock, warrants and other securities. Although the shelf registration statement does not limit our issuance capacity, our ability to issue securities is limited to the authority granted by our Board of Directors, certain covenants in our financing arrangements and restrictions imposed by federal and state regulatory authorities. This shelf registration expires in August 2017. Our articles of incorporation authorize the issuance of 100 million shares of common stock and 25 million shares of preferred stock. As of December 31, 2014, we had approximately 45 million shares of common stock outstanding and no shares of preferred stock outstanding.

Common Stock Dividends

Future cash dividends, if any, will be dependent on our results of operations, financial position, cash flows, reinvestment opportunities and other factors which will be evaluated and approved by our Board of Directors.

In January 2015, our Board of Directors declared a quarterly dividend of $0.405 per share or an annualized equivalent dividend rate of $1.62 per share. The table below provides our historical three-year dividend payout ratio and dividends paid per share:

	2014	**2013**	**2012**
Dividend Payout Ratio	53%	58%	64%
Dividends Per Share	$1.56	$1.52	$1.48

Our three-year compound annualized dividend growth rate was 2.2% and all dividends were paid out of available operating cash flows.

Dividend Restrictions

As a utility holding company which owns several regulated utilities, we are subject to various regulations that could influence our liquidity. For example, the issuance of debt by our utility subsidiaries (including the ability of Black Hills Utility Holdings to issue debt) and the use of our utility assets as collateral generally requires the prior approval of the state regulators in the state in which the utility assets are located. As a result of our holding company structure, our right as a common shareholder, to receive assets from any of our direct or indirect subsidiaries upon a subsidiary's liquidation or reorganization, is junior to the claims against the assets of such subsidiaries by their creditors. Therefore, our holding company debt obligations are effectively subordinated to all existing and future claims of the creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities and guarantee holders.

Our credit facilities and other debt obligations contain restrictions on the payment of cash dividends upon a default or event of default. An event of default would be deemed to have occurred if we did not meet certain financial covenants. The most restrictive financial covenants of our Revolving Credit Facility include the following: a recourse leverage ratio not to exceed .65 to 1.00. As of December 31, 2014, we were in compliance with these covenants.

Covenants within Cheyenne Light's financing agreements require Cheyenne Light to maintain a debt to capitalization ratio of no more than .60 to 1.00. Our utilities in Colorado, Iowa, Kansas and Nebraska have regulatory agreements in which they cannot pay dividends if they have issued debt to third parties and the payment of a dividend would reduce their equity ratio to below 40% of their total capitalization; and neither Black Hills Utility Holdings nor its utility subsidiaries can extend credit to the Company except in the ordinary course of business and upon reasonable terms consistent with market terms. Additionally, our utility subsidiaries may generally be limited to the amount of dividends allowed by state regulatory authorities to be paid to us as a utility holding company and also may have further restrictions under the Federal Power Act. As of December 31, 2014, the restricted net assets at our Electric and Gas Utilities were approximately $315 million.

Utility Money Pool

As a utility holding company, we are required to establish a cash management program to address lending and borrowing activities between our utility subsidiaries and the Company. We have established utility money pool agreements which address these requirements. These agreements are on file with the FERC and appropriate state regulators. Under the utility money pool agreements, our utilities may at their option, borrow and extend short-term loans to our other utilities via a utility money pool at market-based rates (1.3550% at December 31, 2014). While the utility money pool may borrow funds from the Company (as ultimate parent company), the money pool arrangement does not allow loans from our utility subsidiaries to the Company (as ultimate parent company) or to non-regulated affiliates.

At December 31, money pool balances included (in thousands):

	Borrowings From (Loans To) Money Pool Outstanding	
Subsidiary	2014	2013
Black Hills Utility Holdings	$ 88,551	$ 128,587
Black Hills Power	(68,626)	(17,293)
Cheyenne Light	28,663	65,772
Total Money Pool borrowings from Parent	$ 48,588	$ 177,066

CASH FLOW ACTIVITIES

The following table summarizes our cash flows (in thousands):

	2014	2013	2012
Cash provided by (used in)			
Operating activities	$ 323,457	$ 324,629	$ 316,971
Investing activities	$ (401,147)	$ (349,278)	$ 11,169
Financing activities	$ 91,067	$ 17,028	$ (371,446)

<u>2014 Compared to 2013</u>

Operating Activities:

Net cash provided by operating activities was $1.2 million lower than in 2013 primarily attributable to:

- Cash earnings (income from continuing operations plus non-cash adjustments) were $44 million higher than prior year;
- Net outflow from operating assets and liabilities of continuing operations were $49 million higher than prior year, primarily attributable to:
  - Increased working capital requirements of approximately $39 million resulting from higher commodity prices experienced in 2014 which created an increase in fuel cost adjustments recorded in regulatory assets at our Electric and Gas Utilities;
  - Increase in accounts receivable of approximately $17 million as a result of increased revenue and increased commodity costs in 2014;
  - Receipt in 2013 of approximately $8.4 million from a government grant relating to the Busch Ranch Wind Project.
- A $10 million contribution in 2014 to our defined benefit plans compared to $13 million in 2013; and
- 2013 included cash outflows from operating activities of $1.0 million for post-closing adjustments resulting from the sale of our Energy Marketing segment in 2012.

Investing Activities:

Net cash used in investing activities was $401 million in 2014, which was an increase in outflows of $52 million from 2013 primarily due to the following:

- In 2014, we had higher capital expenditures with an increase of $44 million primarily due the increase at our Oil and Gas segment.

Financing Activities:

Net cash provided by financing activities was $91 million in 2014, which was an increase in inflow of $74 million from 2013 primarily due to the following:

- In 2014, Black Hills Power and Cheyenne Light sold $160 million of first mortgage bonds in a private placement to provide permanent financing for Cheyenne Prairie;

- In 2014, we repaid $12 million of Black Hills Power's pollution control bonds;

- In 2014, we received $22 million from the sale of an asset at our Power Generation segment. Under GAAP, this transaction did not qualify as the sale of an asset and the proceeds are presented as a financing activity;

- In 2014, net cash payments on our revolving credit facility increased $44 million over 2013, in addition to the 2013 revolving credit facility payments described below;

- In 2013, we re-paid $250 million senior unsecured notes plus a make-whole premium of approximately $8.5 million, paid off the Black Hills Wyoming project debt for approximately $96 million with settlement of the associated interest rate swaps for approximately $8.5 million, repaid $55 million on Revolving Credit Facility and settled the de-designated interest rate swaps for approximately $64 million with proceeds from issuance of a senior unsecured notes for $525 million;

- In 2013, we entered into a long-term Corporate term loan for $275 million which was primarily used to repay the $100 million long-term term loan, the $150 million short-term term loan and a portion of the Revolving Credit Facility; and

- Cash dividends on common stock of $70 million were paid in 2014 compared to $68 million paid in 2013.

<u>2013 Compared to 2012</u>

Operating Activities:

Net cash provided by operating activities was $7.7 million higher than in 2012 primarily attributable to:

- Cash earnings (income from continuing operations plus non-cash adjustments) were $24 million higher than prior year;

- Net outflow from operating assets and liabilities of continuing operations were $14 million higher than prior year. The variance primarily related to increased natural gas inventory, a decrease in accounts payable of approximately $9.0 million due to the expiration of Colorado Electric's contract with PSCo at December 31, 2011, the return of cash collateral from our de-designated interest rate swaps of $6.0 million and other normal working capital changes;

- A $13 million contribution in 2013 to our defined benefit plans compared to $25 million in 2012; and

- 2013 included cash outflows from operating activities of $0.9 million for post-closing adjustments resulting from the sale of our Energy Marketing segment in 2012 compared to 2012, which included a $21 million cash inflow from operating activities in our Energy Marketing segment.

Investing Activities:

Net cash used in investing activities was $349 million in 2013, which was an increase in outflows of $360 million from 2012 primarily due to the following:

- In 2012, proceeds from sale of assets was $254 million which included $228 million from the sale of a majority of our Williston Basin assets by our Oil and Gas segment and $25 million from the partial sale of the Busch Ranch Wind project;
- In 2012, we received proceeds of $108 million from the sale of Enserco; and
- In 2013, we had comparable capital expenditures to 2012, with an increase of $5.6 million primarily due to the construction of Cheyenne Prairie.

Financing Activities:

Cash provided by financing activities was $17 million in 2013, which was an increase in inflow of $388 million from 2012 primarily due to the following:

- In 2013, we re-paid $250 million senior unsecured notes plus a make-whole premium of approximately $8.5 million, paid off the Black Hills Wyoming project debt for approximately $96 million with settlement of the associated interest rate swaps for approximately $8.5 million, repaid $55 million on Revolving Credit Facility and settled the de-designated interest rate swaps for approximately $64 million with proceeds from issuance of a senior unsecured notes for $525 million;
- In 2013, we entered into a long-term Corporate term loan for $275 million which was primarily used to repay the $100 million long-term term loan, the $150 million short-term term loan and a portion of the Revolving Credit Facility;
- In 2012, we repaid our $225 million senior unsecured 6.5% notes with proceeds from the sale of Williston Basin assets and Black Hills Power repaid its $6.5 million Pollution Control Revenue Bonds. The redemption of the notes required a make-whole provision payment of $7.1 million;
- In 2012, we repaid short-term borrowings from proceeds from the sale of Enserco partially offset by the use of short-term borrowings to fund the construction of Cheyenne Prairie; and
- Cash dividends on common stock of $68 million were paid in 2013 compared to $65 million paid in 2012.

CAPITAL EXPENDITURES

Capital expenditures are a substantial portion of our cash requirements each year and we continue to forecast a robust capital expenditure program during the next three years.

Historically, a significant portion of our capital expenditures relate primarily to assets that may be included in utility rate base, and if considered prudent by regulators, can be recovered from our utility customers. Those capital expenditures also earn a rate of return authorized by the commissions in the jurisdictions in which we operate and are subject to rate agreements. During 2014, our Electric Utilities' capital expenditures included the completion of Cheyenne Prairie and improvements to generating stations, transmission and distribution lines. Capital expenditures associated with our Gas Utilities are primarily to improve or expand the existing gas distribution network. In addition to our utility capital expenditures, we allocate a portion of our capital budget to Non-regulated operations with specific focus on our oil and gas drilling program. We believe that cash generated from operations and borrowing on our existing Revolving Credit Facility will be adequate to fund ongoing capital expenditures.

Historical Capital Requirements

Our primary capital requirements for the three years ended December 31 were as follows (in thousands):

	2014	2013	2012
Property additions: [a]			
Utilities -			
Electric Utilities [b]	$ 193,199	$ 222,262	$ 167,263
Gas Utilities	70,528	63,205	45,711
Non-regulated Energy -			
Power Generation	2,379	13,533	5,547
Coal Mining	6,676	5,528	13,420
Oil and Gas [c]	109,439	64,687	107,839
Corporate	9,046	10,319	7,376
Capital expenditures for continuing operations	391,267	379,534	347,156
Discontinued operations investing activities	—	—	824
Total expenditures for property, plant and equipment	391,267	379,534	347,980
Common stock dividends	69,636	67,587	65,262
Maturities/redemptions of long-term debt	12,200	445,906	240,077
	$ 473,103	$ 893,027	$ 653,319

(a) Includes accruals for property, plant and equipment.

(b) 2014 and 2013 include costs relating to Cheyenne Prairie which began construction in the spring of 2013; and 2012 included construction of our 50% ownership in the Busch Ranch Wind Project.

(c) Increase in 2014 expenditures was due to drilling and completion delays experienced in 2013.

Forecasted Capital Expenditure Requirements

Our primary capital expenditure requirements for the three years ended December 31 are expected to be as follows (in thousands):

	2015	2016	2017
Utilities:			
Electric Utilities	$ 229,300	$ 225,400	$ 135,600
Gas Utilities	83,600	60,100	71,800
Cost of Service Gas	—	40,000	50,000
Non-regulated Energy:			
Power Generation	8,000	2,000	2,600
Coal Mining	7,000	6,000	6,600
Oil and Gas	123,000	122,000	120,000
Corporate	6,100	1,500	3,600
	$ 457,000	$ 457,000	$ 390,200

We continue to evaluate potential future acquisitions and other growth opportunities which are dependent upon the availability of economic opportunities and, as a result, capital expenditures may vary significantly from the estimates identified above.

CREDIT RATINGS AND COUNTERPARTIES

Financing for operational needs and capital expenditure requirements not satisfied by operating cash flows depends upon the cost and availability of external funds through both short and long-term financing. The inability to raise capital on favorable terms could negatively affect the Company's ability to maintain or expand its businesses. Access to funds is dependent upon factors such as general economic and capital market conditions, regulatory authorizations and policies, the company's credit ratings, cash flows from routine operations and the credit ratings of counterparties. After assessing the current operating performance, liquidity and credit ratings of the Company, management believes that the Company will have access to the capital markets at prevailing market rates for companies with comparable credit ratings. BHC notes that credit ratings are not recommendations to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

The following table represents the credit ratings, outlook and risk profile of BHC at December 31, 2014:

Rating Agency	Senior Unsecured Rating	Outlook
S&P	BBB	Stable
Moody's (a)	Baa1	Stable
Fitch (b)	BBB+	Stable

(a) On January 30, 2014, Moody’s upgraded the BHC credit rating to Baa1 with a Stable outlook.
(b) On June 13, 2014, Fitch upgraded the BHC credit rating to BBB+ with a Stable outlook.

Our fees and interest payments under various corporate debt agreements are based on the higher credit rating of S&P or Moody’s. If either S&P or Moody’s downgraded our senior unsecured debt, we may be required to pay additional fees and incur higher interest rates under current bank credit agreements.

The following table represents the credit ratings of Black Hills Power at December 31, 2014:

Rating Agency	Senior Secured Rating
S&P	A-
Moody's *	A1
Fitch **	A

* On January 30, 2014, Moody’s upgraded the BHP credit rating to A1 with a Stable outlook.
** On June 13, 2014, Fitch upgraded the BHP credit rating to A with a Stable outlook.

We do not have any trigger events (i.e., an acceleration of repayment of outstanding indebtedness, an increase in interest costs, or the posting of additional cash collateral) tied to our stock price and have not executed any transactions that require us to issue equity based on our credit ratings or other trigger events.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

Contractual Obligations

In addition to our capital expenditure programs, we have contractual obligations and other commitments that will need to be funded in the future. The following information summarizes our cash obligations and commercial commitments at December 31, 2014. Actual future obligations may differ materially from these estimated amounts (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt[(a)(b)]	$ 1,544,855	$ 275,000	$ —	$ —	$ 1,269,855
Unconditional purchase obligations[(c)]	694,999	183,116	322,583	150,181	39,119
Operating lease obligations[(d)]	21,055	9,962	5,726	2,709	2,658
Other long-term obligations[(e)]	47,386	—	—	—	47,386
Employee benefit plans[(f)]	158,521	15,081	47,595	32,030	63,815
Liability for unrecognized tax benefits in accordance with accounting guidance for uncertain tax positions [(g)]	32,193	—	10,357	4,010	17,826
Notes payable	75,000	75,000	—	—	—
Total contractual cash obligations[(h)]	$ 2,574,009	$ 558,159	$ 386,261	$ 188,930	$ 1,440,659

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(a) Long-term debt amounts do not include discounts or premiums on debt.

(b) The following amounts are estimated for interest payments over the next five years based on a mid-year retirement date for long-term debt expiring during the identified period and are not included within the long-term debt balances presented: $68 million in 2015, $65 million in 2016, $65 million in 2017, $65 million in 2018 and $60 million in 2019. Estimated interest payments on variable rate debt are calculated by utilizing the applicable rates as of December 31, 2014.

(c) Unconditional purchase obligations include the energy and capacity costs associated with our PPAs, capacity and certain transmission, gas purchases, gas transportation and storage agreements, and gathering commitments for our Oil and Gas segment. The energy charge under the PPAs and the commodity price under the gas purchase contracts are variable costs, which for purposes of estimating our future obligations, were based on costs incurred during 2014 and price assumptions using existing prices at December 31, 2014. Our transmission obligations are based on filed tariffs as of December 31, 2014. A portion of our gas purchases are purchased under evergreen contracts and therefore, for purposes of this disclosure, are carried out for 60 days. The gathering commitments for our Oil and Gas segment are described in Part I, Delivery Commitments, of our our Original Filing for 2014.

(d) Includes operating leases associated with several office buildings, warehouses and call centers, equipment and vehicles.

(e) Includes estimated asset retirement obligations associated with our Electric Utilities, Gas Utilities, Coal Mining and Oil and Gas segments as discussed in Note 7 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K/A.

(f) Represents both estimated employer contributions to Defined Benefit Pension Plans and payments to employees for the Non-Pension Defined Benefit Postretirement Healthcare Plans and the Supplemental Non-Qualified Defined Benefit Plans through the year 2024.

(g) Years 1-3 include an estimated reversal of approximately $6.2 million associated with the gain deferred from the tax treatment related to the IPP Transaction and the Aquila Transaction.

(h) Amounts in the table exclude: (1) any obligation that may arise from our derivatives, including interest rate swaps and commodity related contracts that have a negative fair value at December 31, 2014. These amounts have been excluded as it is impractical to reasonably estimate the final amount and/or timing of any associated payments; and (2) a portion of our gas purchases are hedged. These hedges are in place to reduce our customers' underlying exposure to commodity price fluctuations. The impact of these hedges is not included in the above table.

Off-Balance Sheet Commitments

Guarantees

We have entered into various off-balance sheet commitments in the form of guarantees and letters of credit. We provide various guarantees supporting certain of our subsidiaries under specified agreements or transactions. At December 31, 2014, we had outstanding guarantees as indicated in the table below. For more information on these guarantees, see Note 19 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K/A.

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

Nature of Guarantee	Outstanding at December 31, 2014	Year Expiring
Indemnification for subsidiary reclamation/surety bonds [a]	$ 63,900	Ongoing
	$ 63,900	

(a) We have guarantees in place for reclamation and surety bonds for our subsidiaries. The guarantees were entered into in the normal course of business. To the extent liabilities are incurred as a result of activities covered by the surety bonds, such liabilities are included in our Consolidated Balance Sheets.

During the second quarter of 2014, guarantees of Black Hills Utility Holdings' payment obligations up to $70 million arising from commodity transactions for natural gas supply were removed, primarily due to improvement of the corporate credit rating, as well as the conversion of certain guarantees to letters of credit.

Letters of Credit

Letters of credit reduce the borrowing capacity available on our corporate Revolving Credit Facility. We had $35 million in letters of credit issued under our Revolving Credit Facility at December 31, 2014.

Market Risk Disclosures

Our activities in the regulated and non-regulated energy sectors expose us to a number of risks in the normal operations of our businesses. Depending on the activity, we are exposed to varying degrees of market risk and credit risk. To manage and mitigate these identified risks, we have adopted the Black Hills Corporation Risk Policies and Procedures.

Market risk is the potential loss that may occur as a result of an adverse change in market price or rate. We are exposed to the following market risks, including, but not limited to:

- Commodity price risk associated with our natural long position with crude oil and natural gas reserves and production and fuel procurement for certain of our gas-fired generation assets; and

- Interest rate risk associated with our variable rate debt and our other short-term and long-term debt instruments as described in Notes 5 and 6 of our Notes to Consolidated Financial Statements.

Our exposure to these market risks is affected by a number of factors including the size, duration and composition of our energy portfolio, the absolute and relative levels of interest rates and commodity prices, the volatility of these prices and rates and the liquidity of the related interest rate and commodity markets.

The Black Hills Corporation Risk Policies and Procedures have been approved by our Executive Risk Committee and reviewed by the Audit Committee of our Board of Directors. These policies relate to numerous matters including governance, control infrastructure, authorized commodities and trading instruments, prohibited activities and employee conduct. The Executive Risk Committee, which includes senior level executives, meets on a regular basis to review our business and credit activities and to ensure that these activities are conducted within the authorized policies.

Utilities Group

We produce, purchase and distribute power in four states, and purchase and distribute natural gas in five states. All of our utilities have GCA provisions that allow them to pass the prudently-incurred cost of gas through to the customer. To the extent that gas prices are higher or lower than amounts in our current billing rates, adjustments are made on a periodic basis to “true-up” billed amounts to match the actual natural gas cost we incurred. In South Dakota, Colorado, Wyoming and Montana, we have a mechanism for our regulated electric utilities that serves a purpose similar to the GCAs for our regulated gas utilities. To the extent that our fuel and purchased power costs are higher or lower than the energy cost built into our tariffs, the difference (or a portion thereof) is passed through to the customer. These adjustments are subject to periodic prudence reviews by the state utility commissions.

The operations of our utilities, including power purchase arrangements where our utilities must provide the generation fuel (tolling agreements), expose our utility customers to volatility in natural gas prices; therefore, as allowed or required, by state utility commissions, we have entered into commission-approved hedging programs utilizing natural gas futures, options and basis swaps to reduce our customers’ underlying exposure to these fluctuations. These transactions are considered derivatives, and in accordance with accounting standards for derivatives and hedging, mark-to-market adjustments are recorded as Derivative assets or Derivative liabilities on the accompanying Consolidated Balance Sheets, net of balance sheet offsetting as permitted by GAAP. Unrealized and realized gains and losses, as well as option premiums and commissions on these transactions are recorded as Regulatory assets or Regulatory liabilities in the accompanying Consolidated Balance Sheets in accordance with the state utility commission guidelines. Accordingly, the hedging activity is recognized in the Consolidated Statements of Income (Loss) or the Consolidated Statements of Comprehensive Income (Loss) when the related costs are recovered through our rates.

The fair value of our Utilities Group derivative contracts at December 31 is summarized below (in thousands):

	2014	2013
Net derivative liabilities	$ (16,914)	$ (6,071)
Cash collateral	20,007	10,123
	$ 3,093	$ 4,052

Oil and Gas

<u>Oil and Gas Exploration and Production</u>

We produce natural gas, NGLs and crude oil through our exploration and production activities. Our natural long positions, or unhedged open positions, result in commodity price risk and variability to our cash flows.

To mitigate commodity price risk and preserve cash flows, we primarily use exchange traded futures and related options to hedge portions of our crude oil and natural gas production. We elect hedge accounting on these instruments. Our hedging policy allows our natural gas and crude oil production from proven producing reserves to be hedged for a period up to three years in the future. Some of our commodity contracts are subject to master netting agreements, where our asset and liability positions include cash collateral that allow us to settle positive and negative positions.

We have entered into agreements to hedge a portion of our estimated 2015 and 2016 natural gas and crude oil production from the Oil and Gas segment. The hedge agreements in place as of December 31, 2014, are as follows:

Natural Gas

	For the Three Months Ended				
	March 31,	**June 30,**	**September 30,**	**December 31,**	**Total Year**
2015					
Swaps - MMBtu	1,215,000	1,180,000	955,000	1,000,000	4,350,000
Weighted Average Price per MMBtu	$ 4.24	$ 4.03	$ 4.00	$ 4.04	$ 4.08
2016					
Swaps - MMBtu	585,000	557,500	545,000	545,000	2,232,500
Weighted Average Price per MMBtu	$ 3.91	$ 3.98	$ 4.08	$ 3.90	$ 3.97

Crude Oil

	For the Three Months Ended				
	March 31,	**June 30,**	**September 30,**	**December 31,**	**Total Year**
2015					
Swaps - Bbls	55,500	51,000	42,000	36,000	184,500
Weighted Average Price per Bbl	$ 89.98	$ 87.84	$ 88.18	$ 87.92	$ 88.58
2016					
Swaps - Bbls	39,000	39,000	36,000	36,000	150,000
Weighted Average Price per Bbl	$ 84.55	$ 84.55	$ 84.55	$ 84.55	$ 84.55

The fair value of our Oil and Gas segment's derivative contracts at December 31 is summarized below (in thousands):

	2014	2013
Net derivative asset (liability)	$ 14,684	$ (869)
Cash collateral (received) paid	(10,292)	2,500
	$ 4,392	$ 1,631

Wholesale Power

A potential risk related to power sales is the price risk arising from the sale of wholesale power that exceeds our generating capacity. These potential short positions can arise from unplanned plant outages or from unanticipated load demands. To manage such risk, we restrict wholesale off-system sales to amounts by which our anticipated generating capabilities and purchased power resources exceed our anticipated load requirements plus a required reserve margin.

Financing Activities

We engage in activities to manage risks associated with changes in interest rates. We have entered into floating-to-fixed interest rate swap agreements to reduce our exposure to interest rate fluctuations associated with our floating rate debt obligations. At December 31, 2014, we had $75 million of notional amount floating-to-fixed interest rate swaps, with a maximum term of 2 years. These swaps have been designated as cash flow hedges in accordance with accounting standards for derivatives and hedges and accordingly their mark-to-market adjustments are recorded in Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets.

Further details of the swap agreements are set forth in Note 8 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K/A.

On December 31, 2014 and December 31, 2013, our interest rate swaps and related balances were as follows (dollars in thousands):

	Notional	Weighted Average Fixed Interest Rate	Maximum Terms in Years	Current Liabilities, net of Cash Collateral	Non-current Liabilities	Pre-tax Accumulated Other Comprehensive Income (Loss)	Pre-tax Unrealized Gain (Loss)
December 31, 2014							
Interest rate swaps	$ 75,000	4.97%	2	$ 3,340	$ 2,680	$ (6,020)	$ —
December 31, 2013							
Interest rate swaps	$ 75,000	4.97%	3	$ 3,474	$ 5,614	$ (9,088)	$ —

Based on December 31, 2014 market interest rates and balances, a loss of approximately $3.3 million would be realized and reported in pre-tax earnings during the next 12 months. Estimated and realized losses will likely change during the next twelve months as market interest rates change.

The table below presents principal amounts and related weighted average interest rates by year of maturity for our long-term debt obligations, including current maturities (dollars in thousands):

	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt							
Fixed rate[a]	$ —	$ —	$ —	$ —	$ —	$ 1,250,000	$ 1,250,000
Average interest rate [b]	—%	—%	—%	—%	—%	5.2%	5.2%
Variable rate	$ 275,000	$ —	$ —	$ —	$ —	$ 19,855	$ 294,855
Average interest rate [b]	1.31%	—%	—%	—%	—%	0.18%	1.24%
Total long-term debt	$ 275,000	$ —	$ —	$ —	$ —	$ 1,269,855	$ 1,544,855
Average interest rate [b]	1.31%	—%	—%	—%	—%	5.12%	4.44%

(a) Excludes unamortized premium or discount.
(b) The average interest rates do not include the effect of interest rate swaps.

Credit Risk

Credit risk is the risk of financial loss resulting from non-performance of contractual obligations by a counterparty. We have adopted the Black Hills Corporation Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within risk tolerances established by the Board of Directors. In addition, our Executive Risk Committee, which includes senior executives, meets on a regular basis to review our credit activities and to monitor compliance with the adopted policies.

We seek to mitigate our credit risk by conducting a majority of our business with investment grade companies, setting tenor and credit limits commensurate with counterparty financial strength, obtaining netting agreements and securing our credit exposure with less creditworthy counterparties through parental guarantees, prepayments, letters of credit and other security agreements.

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current creditworthiness, as determined by our review of their current credit information. We maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issue that we have identified. While most credit losses have historically been within our expectations and provisions established, we cannot provide assurance that we will continue to experience the same credit loss rates that we have in the past, or that an investment grade counterparty will not default sometime in the future.

At December 31, 2014, our credit exposure included a $0.6 million exposure to a non-investment grade rural electric utility cooperative. The remainder of our credit exposure was concentrated primarily among retail utility customers, investment grade companies, municipal cooperatives and federal agencies.

New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K/A for information on new accounting standards adopted in 2014 or pending adoption.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management’s Report on Internal Control over Financial Reporting (Revised)

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2014, based on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission “COSO”. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on our evaluation, at the time that the Original Filing was filed on February 25, 2015, we concluded that our internal control over financial reporting was effective as of December 31, 2014.

In connection with the immaterial corrections discussed in the Explanatory Note to this Annual Report on Form 10-K/A and Note 1 of the Notes to the Consolidated Financial Statements included herein, management, including our Chief Executive Officer and Chief Financial Officer, reassessed the effectiveness of our internal controls over financial reporting as of December 31, 2014. Based on this reassessment using the COSO criteria, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2014 because of a deficiency in the level of training in performing the control over the full cost ceiling test write-down impairment calculation, specifically related to evaluating and correctly accounting for the treatment of tax amounts associated with the calculation. Management concluded that this deficiency was a material weakness as defined in the Securities and Exchange Commission regulations.

Deloitte & Touche LLP, an independent registered public accounting firm, as auditors of Black Hills Corporation’s financial statements, has issued an attestation report on the effectiveness of Black Hills Corporation's internal control over financial reporting as of December 31, 2014. Deloitte & Touche LLP's report on Black Hills Corporation's internal control over financial reporting is included herein.

Black Hills Corporation

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Black Hills Corporation
Rapid City, South Dakota

We have audited the accompanying consolidated balance sheets of Black Hills Corporation and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income (loss), common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Black Hills Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2015, August 6, 2015, as to the effects of the material weakness described in Management's Report on Internal Control Over Financial Reporting (revised), which report expressed an adverse opinion on the effectiveness of Company's internal control over financial reporting because of a material weakness.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 24, 2015 (August 6, 2015 as to the effects of the restatement discussed in Note 1)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Black Hills Corporation
Rapid City, South Dakota

We have audited the internal control over financial reporting of Black Hills Corporation and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting* (revised). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: a deficiency in the level of training in performing the control over the full cost ceiling test write-down impairment calculation, specifically related to evaluating and correctly accounting for the treatment of tax amounts associated with the calculation. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2014 of the Company and this report does not affect our report on such financial statements and financial statement schedule.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2014 of the Company and our report dated February 24, 2015 (August 6, 2015 as to the effects of the restatement revisions discussed in Note 1) expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 24, 2015 (August 6, 2015 as to the effects of the material weakness described in Management's Report on Internal Control Over Financial Reporting (revised))

Exhibit No. RK-2

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

Year ended	December 31, 2014	December 31, 2013	December 31, 2012
	(in thousands, except per share amounts)		
Revenue:			
Utilities	$ 1,300,969	$ 1,191,133	$ 1,064,813
Non-regulated energy	92,601	84,719	109,071
Total revenue	1,393,570	1,275,852	1,173,884
Operating expenses:			
Utilities -			
Fuel, purchased power and cost of natural gas sold	581,782	492,147	407,066
Operations and maintenance	270,954	261,919	242,367
Non-regulated energy operations and maintenance	88,141	83,762	85,830
Gain on sale of operating assets	—	—	(75,854)
Depreciation, depletion and amortization	144,745	137,324	145,923
Impairment of long-lived assets	—	—	49,571
Taxes - property, production and severance	43,580	40,012	40,487
Other operating expenses	500	1,243	2,052
Total operating expenses	1,129,702	1,016,407	897,442
Operating income	263,868	259,445	276,442
Other income (expense):			
Interest charges -			
Interest expense incurred (including amortization of debt issuance costs, premiums and discounts and realized settlements on interest rate swaps)	(73,017)	(113,979)	(117,754)
Allowance for funds used during construction - borrowed	1,075	1,130	3,462
Capitalized interest	982	1,061	682
Unrealized gain (loss) on interest rate swaps, net	—	30,169	1,882
Interest income	1,925	1,723	1,957
Allowance for funds used during construction - equity	994	607	540
Other expense	(377)	(694)	(71)
Other income	2,065	1,971	2,486
Total other income (expense)	(66,353)	(78,012)	(106,816)
Income (loss) from continuing operations before earnings (loss) of unconsolidated subsidiaries and income taxes	197,515	181,433	169,626
Equity in earnings (loss) of unconsolidated subsidiaries	(1)	(86)	10
Income tax benefit (expense)	(66,625)	(63,040)	(60,219)
Income (loss) from continuing operations	130,889	118,307	109,417
Income (loss) from discontinued operations, net of tax	—	(884)	(6,977)
Net income (loss) available for common stock	$ 130,889	$ 117,423	$ 102,440
Earnings (loss) per share of common stock:			
Earnings (loss) per share, Basic -			
Income (loss) from continuing operations, per share	$ 2.95	$ 2.68	$ 2.50
Income (loss) from discontinued operations, per share	—	(0.02)	(0.16)
Total income (loss) per share, Basic	$ 2.95	$ 2.66	$ 2.34
Earnings (loss) per share, Diluted -			
Income (loss) from continuing operations, per share	$ 2.93	$ 2.66	$ 2.48
Income (loss) from discontinued operations, per share	—	(0.02)	(0.16)
Total income (loss) per share, Diluted	$ 2.93	$ 2.64	$ 2.32
Weighted average common shares outstanding:			
Basic	44,394	44,163	43,820
Diluted	44,598	44,419	44,073

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended (in thousands)	December 31, 2014	December 31, 2013	December 31, 2012
Net income (loss) available for common stock	$ 130,889	$ 117,423	$ 102,440
Other comprehensive income (loss), net of tax:			
Benefit plan liability adjustments - net gain (loss) (net of tax of $5,004, $(3,813) and $296, respectively)	(10,590)	8,237	(542)
Benefit plan liability adjustments - prior service (costs) (net of tax of $(17), $185 and $86, respectively)	237	(406)	(157)
Reclassification adjustment of benefit plan liability - net gain (loss) (net of tax of $(348), $(971) and $0, respectively)	646	1,820	—
Reclassification adjustment of benefit plan liability - prior service cost (net of tax of $76, $88 and $0, respectively)	(141)	(165)	—
Fair value adjustment on derivatives designated as cash flow hedges (net of tax of $(5,239), $(2,445) and $887, respectively)	8,906	4,534	(1,268)
Reclassification adjustment of cash flow hedges settled and included in net income (loss) (net of tax of $(2,344), $(2,016) and $534, respectively)	3,320	4,046	(643)
Other comprehensive income (loss), net of tax	2,378	18,066	(2,610)
Comprehensive income (loss)	$ 133,267	$ 135,489	$ 99,830

See Note 15 for additional disclosures related to Comprehensive Income.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2014	As of December 31, 2013
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,218	$ 7,841
Restricted cash and equivalents	2,056	2
Accounts receivable, net	189,992	177,573
Materials, supplies and fuel	91,191	88,478
Derivative assets, current	—	717
Income tax receivable, net	2,053	1,460
Deferred income tax assets, net, current	48,288	18,889
Regulatory assets, current	74,396	24,451
Other current assets	24,842	25,877
Total current assets	454,036	345,288
Investments	17,294	16,697
Property, plant and equipment	4,563,400	4,259,445
Less accumulated depreciation and depletion	(1,357,929)	(1,306,390)
Total property, plant and equipment, net	3,205,471	2,953,055
Other assets:		
Goodwill	353,396	353,396
Intangible assets, net	3,176	3,397
Derivative assets, non-current	—	—
Regulatory assets, non-current	183,443	138,197
Other assets, non-current	29,086	27,906
Total other assets, non-current	569,101	522,896
TOTAL ASSETS	$ 4,245,902	$ 3,837,936

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Continued)

	As of December 31, 2014	As of December 31, 2013
	(in thousands, except share amounts)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 124,139	$ 130,416
Accrued liabilities	170,115	151,277
Derivative liabilities, current	3,340	3,474
Regulatory liabilities, current	3,687	10,727
Notes payable	75,000	82,500
Current maturities of long-term debt	275,000	—
Total current liabilities	651,281	378,394
Long-term debt, net of current maturities	1,267,589	1,396,948
Deferred credits and other liabilities:		
Deferred income tax liabilities, net, non-current	511,952	419,293
Derivative liabilities, non-current	2,680	5,614
Regulatory liabilities, non-current	145,144	109,429
Benefit plan liabilities	158,966	111,479
Other deferred credits and other liabilities	154,406	133,279
Total deferred credits and other liabilities	973,148	779,094
Commitments and contingencies (See Notes 5, 6, 7, 8, 13, 17, 18 and 19)		
Stockholders' equity:		
Common stock $1 par value; 100,000,000 shares authorized; issued: 44,714,072 and 44,550,239 shares, respectively	44,714	44,550
Additional paid-in capital	748,840	742,344
Retained earnings	577,249	515,996
Treasury stock at cost - 42,226 and 50,877 shares, respectively	(1,875)	(1,968)
Accumulated other comprehensive income (loss)	(15,044)	(17,422)
Total stockholders' equity	1,353,884	1,283,500
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,245,902	$ 3,837,936

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended	December 31, 2014	December 31, 2013	December 31, 2012
		(in thousands)	
Operating activities:			
Net income available for common stock	$ 130,889	$ 117,423	$ 102,440
(Income) loss from discontinued operations, net of tax	—	884	6,977
Income (loss) from continuing operations	130,889	118,307	109,417
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Depreciation, depletion and amortization	144,745	137,324	145,923
Deferred financing cost amortization	2,127	6,763	5,555
Impairment of long-lived assets	—	—	49,571
Gain on sale of operating assets	—	—	(75,854)
Stock compensation	9,329	12,595	8,271
Unrealized (gain) loss on interest rate swaps, net	—	(30,169)	(1,882)
Deferred income taxes	70,232	65,216	51,535
Employee benefit plans	14,814	22,194	20,973
Other adjustments, net	14,415	9,826	4,929
Change in certain operating assets and liabilities:			
Materials, supplies and fuel	(4,563)	(5,770)	6,343
Accounts receivable, unbilled revenues and other current assets	(65,091)	(13,921)	13,739
Accounts payable and other current liabilities	16,027	15,336	(10,713)
Contributions to defined benefit pension plans	(10,200)	(12,500)	(25,350)
Other operating activities, net	733	312	(6,670)
Net cash provided by operating activities of continuing operations	323,457	325,513	295,787
Net cash provided by (used in) operating activities of discontinued operations	—	(884)	21,184
Net cash provided by operating activities	323,457	324,629	316,971
Investing activities:			
Property, plant and equipment additions	(398,494)	(354,749)	(349,129)
Proceeds from sale of assets	—	—	253,791
Other investing activities	(2,653)	5,471	(180)
Net cash provided by (used in) investing activities of continuing operations	(401,147)	(349,278)	(95,518)
Proceeds from sale of business operations	—	—	107,511
Net cash provided by (used in) investing activities of discontinued operations	—	—	(824)
Net cash provided by (used in) investing activities	(401,147)	(349,278)	11,169
Financing activities:			
Dividends paid on common stock	(69,636)	(67,587)	(65,262)
Common stock issued	3,251	4,354	4,726
Short-term borrowings - issuances	396,250	337,650	203,753
Short-term borrowings - repayments	(403,750)	(532,150)	(271,753)
Long-term debt - issuance	160,000	800,000	—
Long-term debt - repayments	(12,200)	(445,906)	(240,077)
De-designated interest rate swap settlement	—	(63,939)	—
Other financing activities	17,152	(15,394)	(2,833)
Net cash provided by (used in) financing activities of continuing operations	91,067	17,028	(371,446)
Net cash provided by (used in) financing activities of discontinued operations	—	—	—
Net cash provided by (used in) financing activities	91,067	17,028	(371,446)
Net change in cash and cash equivalents	13,377	(7,621)	(43,306)
Cash and cash equivalents beginning of year *	7,841	15,462	58,768
Cash and cash equivalents end of year	$ 21,218	$ 7,841	$ 15,462

* Cash and cash equivalents include cash of discontinued operations of $37 million at December 31, 2011.

See Note 16 for supplemental disclosure of cash flow information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

	Common Stock		Treasury Stock					
(in thousands except share)	Shares	Value	Shares	Value	Additional Paid in Capital	Retained Earnings	AOCI	Total
Balance at December 31, 2011	43,957,502	$ 43,958	32,766	$ (970)	$ 722,623	$ 428,982	$ (32,878)	$ 1,161,715
Net income (loss) available for common stock	—	—	—	—	—	102,440	—	102,440
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(2,610)	(2,610)
Dividends on common stock	—	—	—	—	—	(65,262)	—	(65,262)
Share-based compensation	219,946	220	39,016	(1,275)	7,095	—	—	6,040
Tax effect of share-based compensation	—	—	—	—	117	—	—	117
Dividend reinvestment and stock purchase plan	100,741	100	—	—	3,282	—	—	3,382
Other stock transactions	—	—	—	—	(22)	—	—	(22)
Balance at December 31, 2012	44,278,189	$ 44,278	71,782	$ (2,245)	$ 733,095	$ 466,160	$ (35,488)	$ 1,205,800
Net income (loss) available for common stock	—	—	—	—	—	117,423	—	117,423
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	18,066	18,066
Dividends on common stock	—	—	—	—	—	(67,587)	—	(67,587)
Share-based compensation	190,172	190	(20,905)	277	5,400	—	—	5,867
Tax effect of share-based compensation	—	—	—	—	410	—	—	410
Dividend reinvestment and stock purchase plan	66,878	67	—	—	3,062	—	—	3,129
Other stock transactions	15,000	15	—	—	377	—	—	392
Balance at December 31, 2013	44,550,239	$ 44,550	50,877	$ (1,968)	$ 742,344	$ 515,996	$ (17,422)	$ 1,283,500
Net income (loss) available for common stock	—	—	—	—	—	130,889	—	130,889
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	2,378	2,378
Dividends on common stock	—	—	—	—	—	(69,636)	—	(69,636)
Share-based compensation	111,507	112	(8,651)	93	4,210	—	—	4,415
Tax effect of share-based compensation	—	—	—	—	(499)	—	—	(499)
Dividend reinvestment and stock purchase plan	52,326	52	—	—	2,826	—	—	2,878
Other stock transactions	—	—	—	—	(41)	—	—	(41)
Balance at December 31, 2014	44,714,072	$ 44,714	42,226	$ (1,875)	$ 748,840	$ 577,249	$ (15,044)	$ 1,353,884

Dividends per share paid were $1.56, $1.52 and $1.48 for the years ended December 31, 2014, 2013 and 2012, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

BLACK HILLS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013 and 2012

(1) BUSINESS DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

Business Description

Black Hills Corporation is a diversified energy company headquartered in Rapid City, South Dakota. We are a holding company that, through our subsidiaries, operates in two primary business groups: Utilities and Non-regulated Energy.

The Utilities Group includes our Electric Utilities and Gas Utilities segments. Electric Utilities include the operating results of the regulated electric utility operations of Black Hills Power and Colorado Electric and the electric and natural gas utility operations of Cheyenne Light, which supply regulated electric utility services to areas in South Dakota, Wyoming, Colorado and Montana and natural gas utility services to Cheyenne, Wyoming and vicinity. Gas Utilities consist of the operating results of the regulated natural gas utility operations of Colorado Gas, Nebraska Gas, Iowa Gas and Kansas Gas.

The Non-regulated Energy Group includes our Power Generation, Coal Mining and Oil and Gas segments. Power Generation, which is conducted through Black Hills Electric Generation and its subsidiaries, engages in independent power generation activities in Wyoming and Colorado. Coal Mining, which is conducted through WRDC, engages in coal mining activities located near Gillette, Wyoming. Oil and Gas, which is conducted through BHEP and its subsidiaries, engages in crude oil and natural gas exploration and production activities in Colorado, Louisiana, Montana, Oklahoma, New Mexico, North Dakota, Wyoming, Texas and California. These businesses are aggregated for reporting purposes as Non-regulated Energy.

On February 29, 2012, we sold Enserco, our Energy Marketing segment, which resulted in this segment being reclassified as discontinued operations. See Note 21 for additional information.

For further descriptions of our reportable business segments, see Note 4.

Use of Estimates and Basis of Presentation

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Changes in facts and circumstances or additional information may result in revised estimates and actual results could differ materially from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of Black Hills Corporation and its wholly-owned and majority-owned and controlled subsidiaries. Investment in non-controlled entities over which we have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method of accounting. In applying the equity method of accounting, the investments are initially recognized at cost and subsequently adjusted for our proportionate share of earnings and losses and distributions. Under this method, a proportionate share of pretax income is recorded as Equity earnings (loss) of unconsolidated subsidiaries. All inter-company balances and transactions have been eliminated in consolidation. For additional information on inter-company revenues, see Note 4.

Our Consolidated Statements of Income include operating activity of acquired companies beginning with their acquisition date. We use the proportionate consolidation method to account for our working interests in oil and gas properties and for our ownership interest in any jointly-owned electric utility generating facility, wind project or transmission tie and the BHEP gas processing plant. See Note 3 for additional information.

As a result of the sale of our Energy Marketing segment, amounts associated with this segment have been reclassified as discontinued operations on the accompanying Consolidated Financial Statements. See Note 21 for additional information.

Correction of Immaterial Errors

In preparing our condensed consolidated financial statements for the quarter ended June 30, 2015, we identified immaterial errors that impacted our previously issued consolidated financial statements. The prior period errors originated in the year ended December 31, 2008 and related to our oil and gas full cost ceiling impairment calculation to determine whether the net book value of the our oil and gas properties exceeded the ceiling. Specifically, the errors related to evaluating and correctly accounting for the treatment of tax related amounts associated with the calculation. The original errors identified caused an understatement of 2008, 2009, 2012 and Q1 2015 noncash ceiling test impairment calculations, which resulted in an overstatement of depletion expense from 2009 through March 31, 2015, and an understatement of the 2012 gain on sale of oil and gas properties.

In accordance with Staff Accounting Bulletin (SAB) No. 99, *Materiality*, and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, we evaluated these errors, including both qualitative and quantitative considerations, and concluded that the errors did not, individually or in the aggregate, result in a material misstatement of our previously issued consolidated financial statements.

The following tables present the revisions to particular line items resulting from the corrections of these errors in this Annual Report on Form 10-K/A. The errors relate entirely to our Oil and Gas segment.

CONSOLIDATED STATEMENTS OF INCOME

	As of December 31, 2014			As of December 31, 2013		
	As Reported	Adjustments	As Revised	As Reported	Adjustments	As Revised
	(in thousands expect per share amounts)					
Depreciation, depletion and amortization	$ 148,083	$ (3,338)	$ 144,745	$ 141,217	$ (3,893)	$ 137,324
Total operating expenses	$ 1,133,040	$ (3,338)	$ 1,129,702	$ 1,020,300	$ (3,893)	$ 1,016,407
Operating income	$ 260,530	$ 3,338	$ 263,868	$ 255,552	$ 3,893	$ 259,445
Income (loss) from continuing operations before earnings (loss) of unconsolidated subsidiaries and income taxes	$ 194,177	$ 3,338	$ 197,515	$ 177,540	$ 3,893	$ 181,433
Income tax benefit (expense)	$ (65,395)	$ (1,230)	$ (66,625)	$ (61,608)	$ (1,432)	$ (63,040)
Income (loss) from continuing operations	$ 128,781	$ 2,108	$ 130,889	$ 115,846	$ 2,461	$ 118,307
Net income (loss) available for common stock	$ 128,781	$ 2,108	$ 130,889	$ 114,962	$ 2,461	$ 117,423
Earnings (loss) per share of common stock:						
Earnings (loss) per share, Basic -						
Income (loss) from continuing operations, per share	$ 2.90	$ 0.05	$ 2.95	$ 2.62	$ 0.06	$ 2.68
Income (loss) from discontinued operations, per share	—	—	—	(0.02)	—	(0.02)
Total income (loss) per share, Basic	$ 2.90	$ 0.05	$ 2.95	$ 2.60	$ 0.06	$ 2.66
Earnings (loss) per share, Diluted -						
Income (loss) from continuing operations, per share	$ 2.89	$ 0.04	$ 2.93	$ 2.61	$ 0.05	$ 2.66
Income (loss) from discontinued operations, per share	—	—	—	(0.02)	—	(0.02)
Total income (loss) per share, Diluted	$ 2.89	$ 0.04	$ 2.93	$ 2.59	$ 0.05	$ 2.64

As of December 31, 2012		As Reported		Adjustment		As Revised
		(in thousands expect per share amounts)				
Gain on sale of operating assets	$	(29,129)	$	(46,725)	$	(75,854)
Depreciation, depletion and amortization	$	154,632	$	(8,709)	$	145,923
Impairment of long-lived assets	$	26,868	$	22,703	$	49,571
Total operating expenses	$	930,173	$	(32,731)	$	897,442
Operating income	$	243,711	$	32,731	$	276,442
Income (loss) from continuing operations before earnings (loss) of unconsolidated subsidiaries and income taxes	$	136,895	$	32,731	$	169,626
Income tax benefit (expense)	$	(48,400)	$	(11,819)	$	(60,219)
Income (loss) from continuing operations	$	88,505	$	20,912	$	109,417
Net income (loss) available for common stock	$	81,528	$	20,912	$	102,440
Earnings (loss) per share of common stock:						
Earnings (loss) per share, Basic -						
Income (loss) from continuing operations, per share	$	2.02	$	0.48	$	2.50
Income (loss) from discontinued operations, per share		(0.16)		—		(0.16)
Total income (loss) per share, Basic	$	1.86	$	0.48	$	2.34
Earnings (loss) per share, Diluted -						
Income (loss) from continuing operations, per share	$	2.01	$	0.47	$	2.48
Income (loss) from discontinued operations, per share		(0.16)		—		(0.16)
Total income (loss) per share, Diluted	$	1.85	$	0.47	$	2.32

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Consolidated Statements of Comprehensive Income for the year ended December 31,								
	2014			2013			2012		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
	(in thousands)								
Net income (loss)	$ 128,781	$ 2,108	$ 130,889	$ 114,962	$ 2,461	$ 117,423	$ 81,528	$ 20,912	$ 102,440
Comprehensive Income (loss)	$ 131,159	$ 2,108	$ 133,267	$ 133,028	$ 2,461	$ 135,489	$ 78,918	$ 20,912	$ 99,830

CONSOLIDATED BALANCE SHEET

	As of December 31, 2014			As of December 31, 2013		
	As Reported	Adjustments	As Revised	As Reported	Adjustments	As Revised
	(in thousands)					
Accumulated Depreciation and Depletion	$ (1,324,025)	$ (33,904)	$ (1,357,929)	$ (1,269,148)	$ (37,242)	$ (1,306,390)
Total property, plant and equipment, net	$ 3,239,375	$ (33,904)	$ 3,205,471	$ 2,990,297	$ (37,242)	$ 2,953,055
TOTAL ASSETS	$ 4,279,806	$ (33,904)	$ 4,245,902	$ 3,875,178	$ (37,242)	$ 3,837,936
Deferred income tax liability, non-current	$ 523,716	$ (11,764)	$ 511,952	$ 432,287	$ (12,994)	$ 419,293
Total deferred credits and other liabilities	$ 984,912	$ (11,764)	$ 973,148	$ 792,088	$ (12,994)	$ 779,094
Retained earnings	$ 599,389	$ (22,140)	$ 577,249	$ 540,244	$ (24,248)	$ 515,996
Total stockholders' equity	$ 1,376,024	$ (22,140)	$ 1,353,884	$ 1,307,748	$ (24,248)	$ 1,283,500
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,279,806	$ (33,904)	$ 4,245,902	$ 3,875,178	$ (37,242)	$ 3,837,936

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	As Reported	Adjustments	As Revised	As Reported	Adjustments	As Revised
	(in thousands)					
Net income (loss) available for common stock	$ 128,781	$ 2,108	$ 130,889	$ 114,962	$ 2,461	$ 117,423
Income (loss) from continuing operations	$ 128,781	$ 2,108	$ 130,889	$ 115,846	$ 2,461	$ 118,307
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation, depletion and amortization	$ 148,083	$ (3,338)	$ 144,745	$ 141,217	$ (3,893)	$ 137,324
Deferred income taxes	$ 69,002	$ 1,230	$ 70,232	$ 63,784	$ 1,432	$ 65,216

	Year Ended December 31, 2012		
	As Reported	Adjustments	As Revised
	(in thousands)		
Net income (loss) available for common stock	$ 81,528	$ 20,912	$ 102,440
Income (loss) from continuing operations	$ 88,505	$ 20,912	$ 109,417
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	$ 154,632	$ (8,709)	$ 145,923
Impairment of long-lived assets	$ 26,868	$ 22,703	$ 49,571
Gain on sale of operating assets	$ (29,129)	$ (46,725)	$ (75,854)
Deferred income taxes	$ 39,716	$ 11,819	$ 51,535

The Notes to the Consolidated Financial Statements have been revised to reflect the correction of these errors for all periods presented.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Equivalents

We maintain cash accounts for various specified purposes. Therefore, we classify these amounts as restricted cash.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable for our Utilities Group primarily consists of sales to residential, commercial, industrial, municipal and other customers, all of which do not bear interest. These accounts receivable are stated at billed and unbilled amounts net of write-offs and allowance for doubtful accounts. Accounts receivable for our Non-regulated Energy Group consists of amounts due from sales of coal, crude oil and natural gas, electric energy and capacity.

We maintain an allowance for doubtful accounts which reflects our estimate of uncollectible trade receivables. We regularly review our trade receivable allowance by considering such factors as historical experience, credit worthiness, the age of the receivable balances and current economic conditions that may affect collectibility.

In specific cases where we are aware of a customer's inability or reluctance to pay, we record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect. However, if circumstances change, our estimate of the recoverability of accounts receivable could be affected. Circumstances which could affect our estimates include, but are not limited to, customer credit issues, the level of commodity prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible or the time allowed for dispute under the contract has expired.

We utilize master netting agreements which consist of an agreement between two parties who have multiple contracts with each other that provide for the net settlement of all contracts in the event of default on or termination of any one contract. When the right of offset exists, accounting standards permit the netting of receivables and payables under a legally enforceable master netting agreement between counterparties. Accounting standards also permit offsetting of fair value amounts recognized for the right to reclaim, or the obligation to return, cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty.

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

2014	Accounts Receivable, Trade	Unbilled Revenue	Less Allowance for Doubtful Accounts	Accounts Receivable, net
Electric Utilities	$ 59,714	$ 26,474	$ (722)	$ 85,466
Gas Utilities	47,394	45,546	(781)	92,159
Power Generation	1,369	—	—	1,369
Coal Mining	3,151	—	—	3,151
Oil and Gas	5,305	—	(13)	5,292
Corporate	2,555	—	—	2,555
Total	$ 119,488	$ 72,020	$ (1,516)	$ 189,992

2013	Accounts Receivable, Trade	Unbilled Revenue	Less Allowance for Doubtful Accounts	Accounts Receivable, net
Electric Utilities	$ 52,437	$ 23,823	$ (666)	$ 75,594
Gas Utilities	49,162	41,195	(558)	89,799
Power Generation	1,722	—	—	1,722
Coal Mining	1,711	—	—	1,711
Oil and Gas	8,156	—	(13)	8,143
Corporate	604	—	—	604
Total	$ 113,792	$ 65,018	$ (1,237)	$ 177,573

Revenue Recognition

Revenue is recognized when there is persuasive evidence of an arrangement with a fixed or determinable price and delivery has occurred or services have been rendered. Sales tax collected from our customers is recorded on a net basis (excluded from Revenue).

Utility revenues are based on authorized rates approved by the state regulatory agencies and the FERC. Revenues related to the sale, transmission and distribution of energy, and delivery of service are generally recorded when service is rendered or energy is delivered to customers. To the extent that deliveries have occurred but a bill has not been issued, our utilities accrue an estimate of the revenue since the latest billing. This estimate is calculated based upon several factors including billings through the last billing cycle in a month and prices in effect in our jurisdictions. Each month the estimated unbilled revenue amounts are trued-up and recorded in Accounts receivable, net on the accompanying Consolidated Balance Sheets.

For long-term non-regulated power sales agreements, revenue is recognized either in accordance with accounting standards for revenue recognition, or in accordance with accounting standards for leases, as appropriate. Under accounting standards for revenue recognition, revenue is generally recognized as the lesser of the amount billed or the average rate expected over the life of the agreement.

Natural gas and crude oil sales are recognized when the products are sold to a purchaser at a fixed or determinable price, delivery has occurred, title has transferred and collectibility of the revenue is reasonably assured. Our Oil and Gas segment records its share of revenues based on production volumes and contracted sales prices. The sales price for natural gas, crude oil, condensate and NGLs is adjusted for transportation costs and other related deductions when applicable. The transportation costs and other deductions are based on contractual or historical data and do not require significant judgment.

Materials, Supplies and Fuel

The following amounts by major classification are included in Materials, supplies and fuel on the accompanying Consolidated Balance Sheets as of (in thousands):

	December 31, 2014	December 31, 2013
Materials and supplies	$ 49,555	$ 50,196
Fuel - Electric Utilities	6,637	6,213
Natural gas in storage held for distribution	34,999	32,069
Total materials, supplies and fuel	$ 91,191	$ 88,478

Materials and supplies represent parts and supplies for all of our business segments. Fuel - Electric Utilities represents oil, gas and coal on hand used to produce power. Natural gas in storage primarily represents gas purchased for use by our gas customers. All of our Materials, supplies and fuel are valued using weighted-average cost. The value of our natural gas in storage fluctuates with seasonal volume requirements of our business and the commodity price of natural gas.

Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost. Included in the cost of regulated construction projects is AFUDC, when applicable, which represents the approximate composite cost of borrowed funds and a return on equity used to finance a regulated utility project. We also capitalize interest, when applicable, on undeveloped leasehold costs and certain non-regulated construction projects. In addition, asset retirement costs associated with tangible long-lived regulated utility assets are recognized as liabilities with an increase to the carrying amounts of the related long-lived regulated utility assets in the period incurred. The amounts capitalized are included in Property, plant and equipment on the accompanying Consolidated Balance Sheets.

The cost of regulated utility property, plant and equipment retired, or otherwise disposed of in the ordinary course of business, less salvage plus cost of removal, is charged to accumulated depreciation. Estimated removal costs associated with non-legal obligations related to our regulated properties are reclassified from accumulated depreciation and reflected as regulatory liabilities. Retirement or disposal of all other assets, except for crude oil and natural gas properties as described below, result in gains or losses recognized as a component of operating income. Ordinary repairs and maintenance of property, except as allowed under rate regulations, are charged to operations as incurred.

Depreciation provisions for property, plant and equipment are generally computed on a straight-line basis based on the applicable estimated service life of the various class of property. Capitalized coal mining costs and coal leases are amortized on a unit-of-production method based on volumes produced and estimated reserves. For certain non-utility power plant components, a unit-of-production methodology based on plant hours run is used.

Oil and Gas Operations

We account for our oil and gas activities under the full cost method. Under the full cost method, costs related to acquisition, exploration and estimated future expenditures to be incurred in developing proved reserves as well as estimated reclamation and abandonment costs, net of estimated salvage values are capitalized. These costs are amortized using a unit-of-production method based on volumes produced and proved reserves. Any conveyances of properties, including gains or losses on abandonment of properties, are typically treated as adjustments to the cost of the properties with no gain or loss recognized. However, we recognized a gain on the sale of a majority of our Williston Basin assets in 2012. See Note 21 for further discussion.

Costs directly associated with unproved properties and major development projects, if any, are excluded from the costs to be amortized. These excluded costs are subsequently included within the costs to be amortized when it is determined whether or not proved reserves can be assigned to the properties. The properties excluded from the costs to be amortized are assessed for impairment at least annually and any amount of impairment is added to the costs to be amortized. These costs are generally expected to be included in costs to be amortized within the term of the underlying lease agreement which varies in length.

Under the full cost method, net capitalized costs, less accumulated amortization and related deferred income taxes, are subject to a ceiling test which limits the pooled costs to the aggregate of the discounted value of future net revenue attributable to proved natural gas and crude oil reserves using a discount rate defined by the SEC, plus the lower of cost or market value of unevaluated properties. Future net cash flows are estimated based on SEC-defined end-of-period commodity prices adjusted for contracted price changes and held constant for the life of the reserves. An average price is calculated using the price at the first day of each month for each of the preceding 12 months. If the net capitalized costs exceed the full cost "ceiling" at period end, a permanent non-cash write-down would be charged to earnings in that period. As a result of lower natural gas prices, we recorded a non-cash ceiling test impairment of oil and gas long-lived assets included in the Oil and Gas segment in 2012. No ceiling test write-down was recorded in 2014 or 2013. See Note 12 for additional information.

The SEC definition of "reliable technology" permits the use of any reliable technology to establish reserve volumes in addition to those established by production and flow test data. This definition allows, but does not require us, to calculate PUDs to be booked at more than one location away from a producing well. We elected to include PUDs of only one location away from a producing well in our volume reserve estimate. See information on our oil and gas drilling activities in Note 20.

Companies are permitted but not required to disclose probable and possible reserves. We have elected not to report on these additional reserve categories.

Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite lives are not amortized but the carrying values are reviewed upon an indicator of impairment or at least annually. Intangible assets with a finite life continue to be amortized over their estimated useful lives. We perform this annual review of goodwill and indefinite lived intangible assets as of November 30 each year (or more frequently if impairment indicators arise).

We performed our annual goodwill impairment tests as of November 30, 2014. We estimated the fair value of the goodwill using discounted cash flow methodology, EBITDA multiple method and an analysis of comparable transactions. This analysis required the input of several critical assumptions, including future growth rates, cash flow projections, operating cost escalation rates, rates of return, a risk-adjusted discount rate, timing and level of success in regulatory rate proceedings, the cost of debt and equity capital and long-term earnings and merger multiples for comparable companies.

Goodwill at our Electric and Gas Utilities primarily arose from the acquisition of one regulated electric and four regulated gas utilities in the Aquila Transaction. This goodwill from the Aquila Transaction was allocated approximately $246 million, or 72%, to Colorado Electric and $94 million, or 28%, to the Gas Utilities. We believe that the goodwill amount reflects the value of the relatively stable, long-lived cash flows of the regulated gas utility business, considering the regulatory environment and market growth potential and the long-lived cash flow and rate base growth opportunities at our electric utility in Colorado. Goodwill balances were as follows (in thousands):

	Electric Utilities	Gas Utilities	Power Generation	Total
Ending balance at December 31, 2012	$ 250,487	$ 94,144	$ 8,765	$ 353,396
Additions (adjustments)	—	—	—	—
Ending balance at December 31, 2013	$ 250,487	$ 94,144	$ 8,765	$ 353,396
Additions (adjustments)	—	—	—	—
Ending balance at December 31, 2014	$ 250,487	$ 94,144	$ 8,765	$ 353,396

Our intangible assets represent easements, rights-of-way and trademarks and are amortized using a straight-line method based on estimated useful lives. The finite lived intangible assets are currently being amortized over 20 years. Changes to intangible assets for the years ended December 31, were as follows (in thousands):

	2014	2013	2012
Intangible assets, net, beginning balance	$ 3,397	$ 3,620	$ 3,843
Additions (adjustments)	—	—	—
Amortization expense*	(221)	(223)	(223)
Intangible assets, net, ending balance	$ 3,176	$ 3,397	$ 3,620

* Amortization expense for existing intangible assets is expected to be $0.2 million for each year of the next five years.

Asset Retirement Obligations

Accounting standards for asset retirement obligations associated with long-lived assets require that the present value of retirement costs for which we have a legal obligation be recorded as liabilities with an equivalent amount added to the asset cost and depreciated over an appropriate period. The associated ARO accretion expense for our non-regulated operations is included within Depreciation, depletion and amortization on the accompanying Consolidated Statements of Income. The accounting for the obligation for regulated operations has no income statement impact due to the deferral of the adjustments through the establishment of a regulatory asset or a regulatory liability.

We initially record liabilities for the present value of retirement costs for which we have a legal obligation, with an equivalent amount added to the asset cost. The asset is then depreciated or depleted over the appropriate useful life and the liability is accreted over time by applying an interest method of allocation. Any difference in the actual cost of the settlement of the liability and the recorded amount is recognized as a gain or loss in the results of operations at the time of settlement for our non-regulated operations, other than Oil and Gas. For the Oil and Gas segment, differences in the settlement of the liability and the recorded amount are generally reflected as adjustments to the capitalized cost of oil and gas properties and depleted pursuant to our use of the full cost method. Additional information is included in Note 7.

Fair Value Measurements

Derivative Financial Instruments

Assets and liabilities are classified and disclosed in one of the following fair value categories:

Level 1 — Unadjusted quoted prices available in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities. This level primarily consists of financial instruments such as exchange-traded securities or listed derivatives.

Level 2 — Pricing inputs include quoted prices for identical or similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. We record transfers, if necessary, between levels at the end of the reporting period for all of our financial instruments.

Transfers into Level 3, if any, occur when significant inputs used to value the derivative instruments become less observable such as a significant decrease in the frequency and volume in which the instrument is traded, negatively impacting the availability of observable pricing inputs. Transfers out of Level 3, if any, occur when the significant inputs become more observable such as the time between the valuation date and the delivery date of a transaction becomes shorter, positively impacting the availability of observable pricing inputs.

Valuation Methodologies for Derivatives

Oil and Gas Segment:

- The commodity contracts for the Oil and Gas segment are valued under the market approach and include exchange-traded futures and basis swaps. Fair value was derived using exchange quoted settlement prices from third party brokers for similar instruments as to quantity and timing. The prices are then validated through third party sources and therefore support Level 2 disclosure.

Utilities Segment:

- The commodity contracts for the Utilities, valued using the market approach, include exchange-traded futures, options and basis swaps (Level 2) and OTC basis swaps (Level 3) for natural gas contracts. For Level 2 assets and liabilities, fair value was derived using broker quotes validated by the Chicago Mercantile Exchange pricing for similar instruments. For Level 3 assets and liabilities, fair value was derived using average price quotes from the OTC contract broker and an independent third party market participant since these instruments are not traded on an exchange.

Corporate Segment:

- The interest rate swaps are valued using the market valuation approach. We establish fair value by obtaining price quotes directly from the counterparty which are based on the floating three-month LIBOR curve for the term of the contract. The fair value obtained from the counterparty is then validated by utilizing a nationally recognized service that obtains observable inputs to compute fair value for the same instrument. In addition, the fair value for the interest rate swap derivatives includes a CVA component. The CVA considers the fair value of the interest rate swap and the probability of default based on the life of the contract. For the probability of a default component, we utilize observable inputs supporting Level 2 disclosure by using our credit default spread, if available, or a generic credit default spread curve that takes into account our credit ratings.

Additional information is included in Note 9.

Derivatives and Hedging Activities

The accounting standards for derivatives and hedging require that derivative instruments be recorded on the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met and designated accordingly, and if they qualify for certain exemptions, including the normal purchases and normal sales exemption. Each Consolidated Balance Sheet reflects the offsetting of net derivative positions with fair value amounts for cash collateral with the same counterparty when a legal right of offset exists.

Accounting standards for derivatives and hedging require that the unrealized gains or losses on a derivative instrument designated and qualifying as a fair value hedging instrument as well as the offsetting unrealized gain or loss on the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. Conversely, the effective portion of the unrealized gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument must be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, is recognized currently in earnings.

Revenues and expenses on contracts that qualify are designated as normal purchases and normal sales and are recognized when the underlying physical transaction is completed under the accrual basis of accounting. Normal purchases and normal sales are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable amount of time, and price is not tied to an unrelated underlying derivative. As part of our regulated electric and gas operations, we enter into contracts to buy and sell energy to meet the requirements of our customers. These contracts include short-term and long-term commitments to purchase and sell energy in the retail and wholesale markets with the intent and ability to deliver or take delivery. If it was determined that a transaction designated as a normal purchase or normal sale no longer met the exceptions, the fair value of the related contract would be reflected as either an asset or liability, under the accounting standards for derivatives and hedging.

We utilize master netting agreements which consist of an agreement between two parties who have multiple contracts with each other that provide for the net settlement of all contracts in the event of default on or termination of any one contract. When the right of offset exists, accounting standards permit the netting of receivables and payables under a legally enforceable master netting agreement between counterparties. Accounting standards also permit offsetting of fair value amounts recognized for the right to reclaim, or the obligation to return, cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty.

Deferred Financing Costs

Deferred financing costs are amortized using the effective interest method over the estimated useful life of the related debt.

Development Costs

According to accounting standards for business combinations, we expense, when incurred, development and acquisition costs associated with corporate development activities prior to acquiring or beginning construction of a project. Expensed development costs are included in Other operating expenses on the accompanying Consolidated Statements of Income.

Legal Costs

Litigation liabilities, including potential settlements, are recorded when it is both probable that a liability or settlement has been incurred and the amount can be reasonably estimated. Legal costs related to ongoing litigation are expensed as incurred. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, we record a loss contingency at the minimum amount in the range. If the loss contingency at issue is not both probable and reasonably estimable, we do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable.

Regulatory Accounting

Our Utilities Group follows accounting standards for regulated operations and reflects the effects of the numerous rate-making principles followed by the various state and federal agencies regulating the utilities. The accounting policies followed are generally subject to the Uniform System of Accounts of the FERC. These accounting policies differ in some respects from those used by our non-regulated businesses. If rate recovery becomes unlikely or uncertain due to competition or regulatory action, these accounting standards may no longer apply which would require these net assets to be charged to current income or OCI. Our regulatory assets represent amounts for which we will recover the cost, but generally are not allowed a return, except as described below. In the event we determine that our regulated net assets no longer meet the criteria for following accounting standards for regulated operations, the accounting impact to us could be an extraordinary non-cash charge to operations, which could be material.

We had the following regulatory assets and liabilities (in thousands):

	Maximum Amortization (in years)	As of December 31, 2014	As of December 31, 2013
Regulatory assets			
Deferred energy and fuel cost adjustments - current [(a)(d)]	1	$ 23,820	$ 16,775
Deferred gas cost adjustments [(a)(d)]	2	37,471	4,799
Gas price derivatives [(a)]	7	18,740	7,567
AFUDC [(b)]	45	12,358	12,315
Employee benefit plans [(c) (e)]	12	97,126	67,059
Environmental [(a)]	subject to approval	1,314	1,800
Asset retirement obligations [(a)]	44	3,287	3,266
Bond issue cost [(a)]	23	3,276	3,419
Renewable energy standard adjustment [(a)]	5	9,622	14,186
Flow through accounting [(c)]	35	25,887	20,916
Decommissioning costs	10	12,484	—
Other regulatory assets [(a)]	15	12,454	10,546
		$ 257,839	$ 162,648
Regulatory liabilities			
Deferred energy and gas costs [(a)]	1	$ 6,496	$ 11,708
Employee benefit plans [(c) (e)]	12	53,139	34,431
Cost of removal [(a)]	44	78,249	64,970
Other regulatory liabilities [(c)]	25	10,947	9,047
		$ 148,831	$ 120,156

(a) Recovery of costs, but we are not allowed a rate of return.
(b) In addition to recovery of costs, we are allowed a rate of return.
(c) In addition to recovery or repayment of costs, we are allowed a return on a portion of this amount or a reduction in rate base, respectively.
(d) Our deferred energy, fuel cost and gas cost adjustments represent the cost of electricity and gas delivered to our electric and gas utility customers that is either higher or lower than current rates and will be recovered or refunded in future rates. Increases in the current year balances as of December 31, 2014 are primarily due to higher natural gas prices driven by demand and market conditions during our peak winter heating season. Our electric and gas utilities file periodic quarterly, semi-annual and/or annual filings to recover these costs based on the respective cost mechanisms approved by their applicable state utility commissions.
(e) Increases are due to a decrease in the discount rate and a change in the mortality tables used in employee benefit plan estimates.

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

Deferred Energy and Fuel Cost Adjustments - Deferred energy and fuel cost adjustments represent the cost of electricity delivered to our electric utility customers that is either higher or lower than the current rates and will be recovered or refunded in future rates. Deferred energy and fuel cost adjustments are recorded and recovered or amortized as approved by the appropriate state commission.

Deferred Gas Cost Adjustment - Our regulated gas utilities have GCA provisions that allow them to pass the cost of gas on to their customers. The GCA is based on forecasts of the upcoming gas costs and recovery or refund of prior under-recovered or over-recovered costs. To the extent that gas costs are under-recovered or over-recovered, they are recorded as a regulatory asset or liability, respectively. Our Gas Utilities file periodic estimates of future gas costs based on market forecasts with state utility commissions.

Gas Price Derivatives - Our regulated utilities, as allowed or required by state utility commissions, have entered into certain exchange-traded natural gas futures and options to reduce our customers' underlying exposure to fluctuations in gas prices. Gas price derivatives represent our unrealized positions on our commodity contracts supporting our utilities. The 7-year term represents the maximum forward term hedged.

AFUDC - The equity component of AFUDC is considered a permanent difference for tax purposes with the tax benefit being flowed through to customers as prescribed or allowed by regulators. If, based on a regulator's action, it is probable the utility will recover the future increase in taxes payable represented by this flow-through treatment through a rate revenue increase, a regulatory asset is recognized. This regulatory asset is a temporary difference for which a deferred tax liability must be recognized. Accounting standards for income taxes specifically address AFUDC-equity and require a gross-up of such amounts to reflect the revenue requirement associated with a rate-regulated environment.

Employee Benefit Plans - Employee benefit plans include the unrecognized prior service costs and net actuarial loss associated with our defined benefit pension plans and post-retirement benefit plans in regulatory assets rather than in accumulated other comprehensive income, including costs being amortized from the Aquila Transaction.

Environmental - Environmental is associated with manufactured gas plant sites. The amortization of this asset is first offset by recognition of insurance proceeds and settlements with other third parties. Any remaining recovery will be requested in future rate filings. Recovery has not yet been approved by the applicable commission or board and therefore, the recovery period is unknown.

Asset Retirement Obligations - Asset retirement obligations represent the estimated recoverable costs for legal obligations associated with the retirement of a tangible long-lived asset. See Note 7 for additional details.

Bond Issue Costs - Bond issue costs are recovered over the remaining life of the original issue or, if refinanced, over the life of the new issue.

Renewable Energy Standard Adjustment - The renewable energy standard adjustment is associated with incentives for our Colorado Electric customers to install renewable energy equipment at their location. These incentives are recovered over time with an additional rider charged on customers' bills.

Flow-Through Accounting - Under flow-through accounting, the income tax effects of certain tax items are reflected in our cost of service for the customer in the year in which the tax benefits are realized and result in lower utility rates. This regulatory treatment was applied to the tax benefit generated by repair costs that were previously capitalized for tax purposes in a rate case settlement that was reached with respect to Black Hills Power in 2010.

In this instance, the agreed upon rate increase was less than it would have been absent the flow-through treatment. A regulatory asset was established to reflect that future increases in income taxes payable will be recovered from customers as the temporary differences reverse. As a result of this regulatory treatment, we continue to record a tax benefit for costs considered repairs for tax purposes, but are capitalized for book purposes.

Decommissioning Costs - Black Hills Power and Colorado Electric received approval for regulatory treatment on the remaining net book values of their decommissioned coal plants in 2014. These balances were in Property, Plant and Equipment in 2013.

Regulatory liabilities represent items we expect to refund to customers through probable future decreases in rates.

Deferred Energy and Gas Costs **-** Deferred energy costs and gas costs related to over-recovery of purchased power, transmission and natural gas costs.

Employee Benefit Plans **-** Employee benefit plans represent the cumulative excess of pension and retiree healthcare costs recovered in rates over pension expense recorded in accordance with accounting standards for compensation - retirement benefits. In addition, this regulatory liability includes the income tax effect of the adjustment required under accounting for compensation - defined benefit plans, to record the full pension and post-retirement benefit obligations. Such income tax effect has been grossed-up to account for the revenue requirement aspect of a rate regulated environment.

Cost of Removal **-** Cost of removal represents the estimated cumulative net provisions for future removal costs included in depreciation expense for which there is no legal obligation for removal.

Income Taxes

The Company and its subsidiaries file consolidated federal income tax returns. Each tax paying entity records income taxes as if it were a separate taxpayer and consolidating adjustments are allocated to the subsidiaries based on separate company computations of taxable income or loss.

We use the liability method in accounting for income taxes. Under the liability method, deferred income taxes are recognized at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities as well as operating loss and tax credit carry forwards. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements. We classify deferred tax assets and liabilities into current and non-current amounts based on the nature of the related assets and liabilities.

It is our policy to apply the flow-through method of accounting for investment tax credits as allowed by our rate-regulated jurisdictions. Under the flow-through method, investment tax credits are reflected in net income as a reduction to income tax expense in the year they qualify. Another acceptable accounting method and an exception to this general policy currently in our regulated businesses is to apply the deferral method whereby the credit is amortized as a reduction of income tax expense over the useful lives of the related property.

We recognize interest income or interest expense and penalties related to income tax matters in Income tax (expense) benefit on the Consolidated Statements of Income.

We account for uncertainty in income taxes recognized in the financial statements in accordance with the accounting standards for income taxes. The unrecognized tax benefit is classified in Other deferred credits and other liabilities on the accompanying Consolidated Balance Sheets. See Note 14 for additional information.

Earnings per Share of Common Stock

Basic earnings per share from continuing and discontinued operations is computed by dividing Income (loss) from continuing or discontinued operations by the weighted average number of common shares outstanding during each year. Diluted earnings per share is computed by including all dilutive common shares outstanding during each year. Diluted common shares are primarily due to outstanding stock options, restricted stock and performance shares under our equity compensation plans.

A reconciliation of share amounts used to compute earnings (loss) per share is as follows (in thousands):

	December 31, 2014	December 31, 2013	December 31, 2012
Income (loss) from continuing operations	$ 130,889	$ 118,307	$ 109,417
Weighted average shares - basic	44,394	44,163	43,820
Dilutive effect of:			
Equity compensation	204	256	250
Other	—	—	3
Weighted average shares - diluted	44,598	44,419	44,073
Income (loss) from continuing operations, per share - Diluted	$ 2.93	$ 2.66	$ 2.48

The following outstanding securities were not included in the computation of diluted earnings per share as their effect would have been anti-dilutive (in thousands):

	December 31, 2014	December 31, 2013	December 31, 2012
Equity compensation	81	22	163
Anti-dilutive shares excluded from computation of earnings (loss) per share	81	22	163

Discontinued Operations

On February 29, 2012, we sold the outstanding stock of our Energy Marketing segment, Enserco Energy Inc. The transaction was completed through a stock purchase agreement and certain other ancillary agreements. In accordance with GAAP, indirect corporate costs previously allocated to a disposal group cannot be reclassified to discontinued operations. See Note 21 for additional information.

Recently Issued and Adopted Accounting Standards

We have implemented all new accounting pronouncements that are in effect and may impact our financial statements and do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position, results of operations, or cash flows.

Revenue from Contracts with Customers, ASU 2014-09

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU 2014-09 is effective for annual and interim reporting periods beginning after December 15, 2016 and early adoption is not permitted. We are currently assessing the impact, if any, that ASU 2014-09 will have on our financial position, results of operations or cash flows.

Recently Issued Accounting Pronouncements and Legislation

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforwards Exists, ASU 2013-11

In July 2013, the FASB issued an amendment to accounting for income taxes which provides guidance on financial statement presentation of an unrecognized tax benefit when an NOL carryforward, a similar tax loss, or a tax credit carryforward exists. The objective in issuing this amendment is to eliminate diversity in practice resulting from a lack of guidance on this topic in current GAAP. Under the amendment, an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for an NOL carryforward, a similar tax loss, or a tax credit carryforward except under certain conditions. The amendment is effective for fiscal years beginning after December 15, 2013 and interim periods within those years, and should be applied to all unrecognized tax benefits that exist as of the effective date. The adoption of this standard did not have any impact on our financial position, results of operations or cash flows.

Final Tangible Property Regulations, Treasury Decision 9636

In September 2013, the U.S. Treasury issued final regulations addressing the tax consequences associated with amounts paid to acquire, produce, or improve tangible property. The regulations had the effect of a change in law and as a result, the impact should be taken into account in the period of adoption. In general, such regulations apply to tax years beginning on or after January 1, 2014, with early adoption permitted. We implemented all of the provisions of the final regulations with the filing of the 2013 federal income tax return in September 2014. The adoption of the final regulations did not have a material impact on our consolidated financial statements.

(2) PROPERTY, PLANT AND EQUIPMENT

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

Utilities Group	**2014**		**2013**		Lives (in years)	
Electric Utilities	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Property, Plant and Equipment	Weighted Average Useful Life (in years)	Minimum	Maximum
Electric plant:						
Production	$ 1,125,845	45	$ 951,138	45	25	65
Electric transmission	284,032	49	238,542	50	40	65
Electric distribution	718,342	44	666,589	44	15	65
Plant acquisition adjustment [(a)]	4,870	32	4,870	32	32	32
General	152,982	21	138,263	22	3	60
Capital lease - plant in service [(b)]	261,441	20	261,441	20	20	20
Total electric plant in service	$ 2,547,512		$ 2,260,843			
Construction work in progress	49,700		203,760			
Total electric plant	2,597,212		2,464,603			
Less accumulated depreciation and amortization	484,406		472,970			
Electric plant net of accumulated depreciation and amortization	$ 2,112,806		$ 1,991,633			

(a) The plant acquisition adjustment is included in rate base and is being recovered with 16 years remaining.
(b) Capital lease - plant in service represents the assets accounted for as a capital lease under the PPA between Colorado Electric and Black Hills Colorado IPP. The capital lease ends in conjunction with the expiration of the PPA on December 31, 2031.

Gas Utilities	2014 Property, Plant and Equipment	2014 Weighted Average Useful Life (in years)	2013 Property, Plant and Equipment	2013 Weighted Average Useful Life (in years)	Lives (in years) Minimum	Lives (in years) Maximum
Gas plant:						
Production	$ 13	37	$ 13	37	37	37
Gas transmission	24,090	54	24,984	54	53	57
Gas distribution	557,405	46	507,318	46	41	56
General	90,085	19	85,841	19	16	22
Total gas plant in service	671,593		618,156			
Construction work in progress	16,072		9,417			
Total gas plant	687,665		627,573			
Less accumulated depreciation and amortization	92,035		84,679			
Gas plant net of accumulated depreciation and amortization	$ 595,630		$ 542,894			

2014

Non-regulated Energy	Property, Plant and Equipment	Construction Work in Progress	Total Property Plant and Equipment	Less Accumulated Depreciation, Depletion and Amortization	Net Property, Plant and Equipment	Weighted Average Useful Life	Lives (in years) Minimum	Lives (in years) Maximum
Power Generation	$ 153,779	$ 2,262	$ 156,041	$ 47,704	$ 108,337	33	2	40
Coal Mining	145,619	3,748	149,367	90,629	58,738	15	2	59
Oil and Gas	962,395	—	962,395	646,640	315,755	24	3	25
	$1,261,793	$ 6,010	$1,267,803	$ 784,973	$ 482,830			

2013

Non-regulated Energy	Property, Plant and Equipment	Construction Work in Progress	Total Property Plant and Equipment	Less Accumulated Depreciation, Depletion and Amortization	Net Property, Plant and Equipment	Weighted Average Useful Life	Lives (in years) Minimum	Lives (in years) Maximum
Power Generation	$ 143,026	$ 10,491	$ 153,517	$ 43,069	$ 110,448	36	2	40
Coal Mining	149,067	1,156	150,223	86,306	63,917	14	2	59
Oil and Gas	852,384	—	852,384	622,576	229,808	24	3	25
	$1,144,477	$ 11,647	$1,156,124	$ 751,951	$ 404,173			

2014							Lives (in years)	
	Property, Plant and Equipment	Construction Work in Progress	Total Property Plant and Equipment	Less Accumulated Depreciation, Depletion and Amortization [(a)]	Net Property, Plant and Equipment	Weighted Average Useful Life	Minimum	Maximum
Corporate	$ 5,524	$ 5,196	$ 10,720	$ (3,485)	$ 14,205	11	5	30

(a) Accumulated depreciation, depletion and amortization at Corporate reflects the elimination of the capital lease accumulated depreciation difference between Colorado Electric and Colorado IPP.

2013							Lives (in years)	
	Property, Plant and Equipment	Construction Work in Progress	Total Property Plant and Equipment	Less Accumulated Depreciation, Depletion and Amortization [(a)]	Net Property, Plant and Equipment	Weighted Average Useful Life	Minimum	Maximum
Corporate	$ 5,498	$ 5,647	$ 11,145	$ (3,210)	$ 14,355	6	2	30

(a) Accumulated depreciation, depletion and amortization at Corporate reflects the elimination of the capital lease accumulated depreciation difference between Colorado Electric and Colorado IPP.

(3) JOINTLY OWNED FACILITIES

Utility Plant

Our consolidated financial statements include our share of several jointly-owned utility facilities as described below. Our share of the facilities expenses are reflected in the appropriate categories of operating expenses in the Consolidated Statements of Income. Each owner of the facility is responsible for financing its investment in the jointly-owned facilities.

- Black Hills Power owns a 20% interest in the Wyodak Plant, a coal-fired electric generating station located in Campbell County, Wyoming. PacifiCorp owns the remaining ownership percentage and operates the Wyodak Plant. Black Hills Power receives its proportionate share of the Wyodak Plant's capacity and is committed to pay its proportionate share of its additions, replacements and operating and maintenance expenses. In addition to supplying Black Hills Power with coal for its share of the Wyodak Plant, our Coal Mining subsidiary, WRDC, supplies PacifiCorp's share of the coal to the Wyodak Plant under a separate long-term agreement. This coal supply agreement is collateralized by a mortgage on and a security interest in some of WRDC's coal reserves.

- Black Hills Power also owns a 35% interest in, and is the operator of, the Converter Station Site and South Rapid City Interconnection (the transmission tie), an AC-DC-AC transmission tie. Basin Electric owns the remaining ownership percentage. The transmission tie provides an interconnection between the Western and Eastern transmission grids, which provides us with access to both the WECC region and the MAPP region. The total transfer capacity of the tie is 400 MW - 200 MW West to East and 200 MW from East to West. Black Hills Power is committed to pay its proportionate share of the additions and replacements to and operating and maintenance expenses of the transmission tie.

- Black Hills Power owns 52% of the Wygen III coal-fired generation facility. MDU and the City of Gillette each owns an undivided ownership interest in Wygen III and are obligated to make payments for costs associated with administrative services and their proportionate share of the costs of operating the plant for the life of the facility. We retain responsibility for plant operations. Our Coal Mining subsidiary supplies coal to Wygen III for the life of the plant.

- Colorado Electric owns 50% of the Busch Ranch Wind Project while AltaGas owns the remaining undivided ownership interest and is obligated to make payments for costs associated with their proportionate share of the costs of operating the wind project for the life of the facility. We retain responsibility for operations of the wind farm.

Non-Regulated Plants

Our consolidated financial statements include our share of a jointly-owned non-regulated power generation facility as described below. Our share of direct expenses for the jointly-owned facility is included in the corresponding categories of operating expenses in the accompanying Consolidated Statements of Income. Each of the respective owners is responsible for providing its own financing.

- Black Hills Wyoming owns 76.5% of the Wygen I plant while MEAN owns the remaining ownership percentage. MEAN is obligated to make payments for its share of the costs associated with administrative services, plant operations and coal supply provided by our Coal Mining subsidiary during the life of the facility. We retain responsibility for plant operations.

At December 31, 2014, our interests in jointly-owned generating facilities and transmission systems were (in thousands):

	Plant in Service	Construction Work in Progress	Accumulated Depreciation
Wyodak Plant	$ 110,123	$ 1,201	$ 53,816
Transmission Tie	$ 19,648	$ —	$ 4,976
Wygen I	$ 109,040	$ 1,765	$ 31,852
Wygen III	$ 136,220	$ 29	$ 13,811
Busch Ranch Wind Project	$ 18,590	$ —	$ 1,573

(4) BUSINESS SEGMENTS INFORMATION

Our reportable segments are based on our method of internal reporting, which generally segregates the strategic business groups due to differences in products, services and regulation. Primarily, all of our operations and assets are located within the United States.

On February 29, 2012, we sold our Energy Marketing segment, Enserco, which resulted in this segment being reclassified as discontinued operations. For comparative purposes, all prior periods presented have been restated to reflect the reclassification of this segment as discontinued operations. Indirect corporate costs and inter-segment interest expense related to Enserco that have not been reclassified as discontinued operations have been reclassified to our Corporate segment. For further information see Note 21.

Segment information was as follows (in thousands):

Total Assets (net of inter-company eliminations) as of December 31,	2014	2013
Utilities:		
Electric [(a)]	$ 2,748,680	$ 2,525,947
Gas	906,922	805,617
Non-regulated Energy:		
Power Generation [(a)]	76,945	95,692
Coal Mining	74,407	78,825
Oil and Gas	332,343	251,124
Corporate	106,605	80,731
Total assets	$ 4,245,902	$ 3,837,936

(a) The PPA under which Black Hills Colorado IPP provides generation to support Colorado Electric customers from the Pueblo Airport Generation station is accounted for as a capital lease. As such, assets owned by our Power Generation segment are recorded at Colorado Electric under accounting for a capital lease.

Capital Expenditures and Asset Acquisitions[a] for the years ended December 31,	2014	2013
Utilities:		
Electric Utilities	$ 193,199	$ 222,262
Gas Utilities	70,528	63,205
Non-regulated Energy:		
Power Generation	2,379	13,533
Coal Mining	6,676	5,528
Oil and Gas	109,439	64,687
Corporate	9,046	10,319
Total capital expenditures and asset acquisitions	$ 391,267	$ 379,534

(a) Includes accruals for property, plant and equipment.

Property, Plant and Equipment as of December 31,	2014	2013
Utilities:		
Electric Utilities [a]	$ 2,597,212	$ 2,464,603
Gas Utilities	687,665	627,573
Non-regulated Energy:		
Power Generation [a]	156,041	153,517
Coal Mining	149,367	150,223
Oil and Gas	962,395	852,384
Corporate	10,720	11,145
Total property, plant and equipment	$ 4,563,400	$ 4,259,445

(a) The PPA under which Black Hills Colorado IPP provides generation to support Colorado Electric customers from the Pueblo Airport Generation station is accounted for as a capital lease. As such, assets owned by our Power Generation segment are recorded at Colorado Electric under accounting for a capital lease.

Consolidating Income Statement

Year ended December 31, 2014	Electric Utilities	Gas Utilities	Power Generation	Coal Mining	Oil and Gas	Corporate	Inter-company Eliminations	Total
Revenue	$ 683,201	$ 617,768	$ 6,401	$ 31,086	$ 55,114	$ —	$ —	$ 1,393,570
Inter-company revenue	14,110	—	81,157	32,272	—	222,460	(349,999)	—
Total revenue	697,311	617,768	87,558	63,358	55,114	222,460	(349,999)	1,393,570
Fuel, purchased power and cost of natural gas sold	314,573	380,852	—	—	—	116	(113,759)	581,782
Operations and maintenance	165,641	132,635	33,126	41,172	42,659	213,415	(225,473)	403,175
Depreciation, depletion and amortization	79,424	26,499	4,540	10,276	24,246	7,690	(7,930)	144,745
Operating income (loss)	137,673	77,782	49,892	11,910	(11,791)	1,239	(2,837)	263,868
Interest expense	(53,402)	(15,725)	(4,351)	(493)	(2,603)	(50,299)	55,913	(70,960)
Interest income	4,615	441	682	59	918	48,969	(53,759)	1,925
Other income (expense), net	1,164	34	(6)	2,275	183	61,605	(62,574)	2,681
Income tax benefit (expense)	(30,498)	(20,663)	(17,701)	(3,299)	4,768	24	744	(66,625)
Income (loss) from continuing operations	$ 59,552	$ 41,869	$ 28,516	$ 10,452	$ (8,525)	$ 61,538	$ (62,513)	$ 130,889

Consolidating Income Statement

Year ended December 31, 2013	Electric Utilities	Gas Utilities	Power Generation	Coal Mining	Oil and Gas	Corporate	Inter-company Eliminations	Total
Revenue	$ 651,445	$ 539,689	$ 4,648	$ 25,186	$ 54,884	$ —	$ —	$ 1,275,852
Inter-company revenue	13,863	—	78,389	31,442	—	220,620	(344,314)	—
Total revenue	665,308	539,689	83,037	56,628	54,884	220,620	(344,314)	1,275,852
Fuel, purchased power and cost of natural gas sold	294,048	310,463	—	—	—	125	(112,489)	492,147
Operations and maintenance	159,961	126,073	30,186	39,519	40,365	202,809	(211,977)	386,936
Depreciation, depletion and amortization	77,704	26,381	5,091	11,523	17,877	11,624	(12,876)	137,324
Operating income (loss)	133,595	76,772	47,760	5,586	(3,358)	6,062	(6,972)	259,445
Interest expense [(a)]	(61,537)	(25,234)	(21,178)	(641)	(2,253)	(85,195)	84,250	(111,788)
Unrealized gain (loss) on interest rate swaps, net	—	—	—	—	—	30,169	—	30,169
Interest income	5,277	976	785	10	1,639	69,760	(76,724)	1,723
Other income (expense), net	633	(60)	1	2,304	108	41,453	(42,641)	1,798
Income tax benefit (expense)	(25,834)	(19,747)	(11,080)	(932)	2,113	(7,778)	218	(63,040)
Income (loss) from continuing operations	$ 52,134	$ 32,707	$ 16,288	$ 6,327	$ (1,751)	$ 54,471	$ (41,869)	$ 118,307

(a) Power Generation includes costs associated with interest rate swaps settled and write-off of deferred financing costs upon repayment of Black Hills Wyoming Project Financing and Corporate includes a write-off of deferred financing costs and a make-whole provision from early repayment of long-term debt (see Note 5).

Consolidating Income Statement

Year ended December 31, 2012	Electric Utilities	Gas Utilities	Power Generation	Coal Mining	Oil and Gas	Corporate	Inter-company Eliminations	Total
Revenue	$ 610,732	$ 454,081	$ 4,189	$ 25,810	$ 79,072	$ —	$ —	$1,173,884
Inter-company revenue	16,234	—	75,200	31,968	—	196,453	(319,855)	—
Total revenue	626,966	454,081	79,389	57,778	79,072	196,453	(319,855)	1,173,884
Fuel, purchased power and cost of natural gas sold	273,474	245,349	—	—	—	—	(111,757)	407,066
Operations and maintenance	146,527	117,390	29,991	42,553	43,267	179,059	(188,051)	370,736
Gain on sale of operating assets [(a)]	—	—	—	—	(75,854)	—	—	(75,854)
Depreciation, depletion and amortization	75,244	25,163	4,599	13,060	29,785	10,936	(12,864)	145,923
Impairment of long-lived assets[(b)]	—	—	—	—	49,571	—	—	49,571
Operating income (loss)	131,721	66,179	44,799	2,165	32,303	6,458	(7,183)	276,442
Interest expense[(c)]	(59,194)	(26,746)	(15,452)	(238)	(4,539)	(92,650)	85,209	(113,610)
Unrealized gain (loss) on interest rate swaps, net	—	—	—	—	—	1,882	—	1,882
Interest income	8,153	2,765	695	1,168	604	64,695	(76,123)	1,957
Other income (expense), net	1,182	105	7	2,616	207	48,769	(49,921)	2,965
Income tax benefit (expense)	(30,264)	(14,313)	(8,721)	(85)	(9,892)	3,187	(131)	(60,219)
Income (loss) from continuing operations	$ 51,598	$ 27,990	$ 21,328	$ 5,626	$ 18,683	$ 32,341	$ (48,149)	$ 109,417

(a) Oil and Gas includes gain on sale of the Williston Basin assets (see Note 21).
(b) Oil and Gas includes a ceiling test impairment (see Note 12).
(c) Corporate includes a make-whole provision from early repayment of long-term debt.

(5) LONG-TERM DEBT

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

	Due Date	Interest Rate at December 31, 2014	December 31, 2014	December 31, 2013
Corporate				
Senior unsecured notes due 2023	November 30, 2023	4.25%	$ 525,000	$ 525,000
Unamortized discount on Senior unsecured note due 2023 [a]			(2,164)	—
Senior unsecured notes due 2020	July 15, 2020	5.88%	200,000	200,000
Corporate term loan due 2015 [b]	June 19, 2015	1.31%	275,000	275,000
Total Corporate Debt			997,836	1,000,000
Electric Utilities				
First Mortgage Bonds due 2044	October 20, 2044	4.43%	85,000	—
First Mortgage Bonds due 2044	October 20, 2044	4.53%	75,000	—
First Mortgage Bonds due 2032	August 15, 2032	7.23%	75,000	75,000
First Mortgage Bonds due 2039	November 1, 2039	6.13%	180,000	180,000
Unamortized discount on First Mortgage Bonds due 2039			(102)	(107)
Pollution control revenue bonds due 2024	October 1, 2024	5.35%	—	12,200
First Mortgage Bonds due 2037	November 20, 2037	6.67%	110,000	110,000
Industrial development revenue bonds due 2021, variable rate [c]	September 1, 2021	0.09%	7,000	7,000
Industrial development revenue bonds due 2027, variable rate [c]	March 1, 2027	0.09%	10,000	10,000
Series 94A Debt, variable rate [c]	June 1, 2024	0.75%	2,855	2,855
Total Electric Utilities			544,753	396,948
Total long-term debt			1,542,589	1,396,948
Less current maturities			275,000	—
Long-term debt, net of current maturities			$ 1,267,589	$ 1,396,948

(a) Discount on note initially reflected in deferred financing costs at December 31, 2013.
(b) Variable interest rate, based on LIBOR plus a spread.
(c) Variable interest rate.

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

2015	$	275,000
2016	$	—
2017	$	—
2018	$	—
2019	$	—
Thereafter	$	1,269,855

Our debt securities contain certain restrictive financial covenants, all of which the Company and its subsidiaries were in compliance with at December 31, 2014.

Substantially all of the tangible utility property of Black Hills Power and Cheyenne Light is subject to the lien of indentures securing their first mortgage bonds. First mortgage bonds of Black Hills Power and Cheyenne Light may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures. The first mortgage bonds issued by Black Hills Power and Cheyenne Light are callable, but are subject to make-whole provisions which would eliminate any economic benefit for us to call the bonds.

Debt Transactions

On October 1, 2014, Black Hills Power and Cheyenne Light sold $160 million of first mortgage bonds in a private placement to provide permanent financing for Cheyenne Prairie. Black Hills Power issued $85 million of 4.43% coupon first mortgage bonds due October 20, 2044 and Cheyenne Light issued $75 million of 4.53% coupon first mortgage bonds due October 20, 2044. Proceeds from Black Hills Power's bond sale also funded the early redemption of its 5.35% $12 million pollution control revenue bonds, originally due October 1, 2024.

On November 19, 2013, we entered into a $525 million, 4.25% senior unsecured note expiring on November 30, 2023. The proceeds from this new debt were used to:

- Redeem our $250 million senior unsecured 9.0% notes originally due on May 15, 2014. This repayment occurred on December 19, 2013, for approximately $261 million which included a make-whole provision of approximately $8.5 million and accrued interest which are included in Interest expense on the accompanying Consolidated Statements of Income;
- Repay our variable interest rate Black Hills Wyoming project financing with a remaining balance of approximately $87 million originally due on December 9, 2016, as well as the interest rate swaps designated to this project financing of $8.5 million which is included in Interest expense on the accompanying Consolidated Statements of Income;
- Settle the $250 million notional de-designated interest rate swaps for approximately $64 million;
- Pay down approximately $55 million of the Revolving Credit Facility; and
- Remainder was used for general corporate purposes.

On June 21, 2013, we entered into a new long-term Corporate Term Loan for $275 million expiring on June 19, 2015. The proceeds from this new term loan were used to repay the $150 million corporate term loan due on June 24, 2013, the $100 million corporate term loan due on September 30, 2013 and approximately $25 million in short-term borrowing under our Revolving Credit Facility. The covenants of the new term loan are substantially the same as the Revolving Credit Facility. At December 31, 2014, the cost of borrowing under this term loan was 1.3125% (LIBOR plus a margin of 1.125%).

Amortization Expense

Our deferred financing costs and associated amortization expense included in Interest expense on the accompanying Consolidated Statements of Income were as follows (in thousands):

	Deferred Financing Costs Remaining in Other Assets, Non-current on Balance Sheets at	Amortization Expense for the years ended December 31,		
	December 31, 2014	2014	2013	2012
Senior unsecured notes due 2023	$ 3,908	$ 653	$ 86	$ —
Senior unsecured notes due 2014	$ —	$ —	$ 635	$ 462
Senior unsecured notes due 2020	$ 926	$ 167	$ 167	$ 167
First mortgage bonds due 2044 (Black Hills Power) [(a)]	$ 711	$ 6	$ —	$ —
First mortgage bonds due 2044 (Cheyenne Light) [(a)]	$ 654	$ 6	$ —	$ —
First mortgage bonds due 2032	$ 584	$ 33	$ 33	$ 33
First mortgage bonds due 2039	$ 1,885	$ 76	$ 76	$ 76
First mortgage bonds due 2037	$ 705	$ 31	$ 31	$ 31
Black Hills Wyoming project financing due 2016 [(b)]	$ —	$ —	$ 3,177	$ 1,037
Other	$ 483	$ 53	$ 57	$ 57

(a) Deferred financing costs on Cheyenne Prairie first mortgage bonds executed on October 1, 2014.
(b) This project financing was repaid in 2013 and the deferred financing costs were written off.

Dividend Restrictions

Our credit facility and other debt obligations contain restrictions on the payment of cash dividends upon a default or event of default. As of December 31, 2014, we were in compliance with these covenants.

Due to our holding company structure, substantially all of our operating cash flows are provided by dividends paid or distributions made by our subsidiaries. The cash to pay dividends to our shareholders is derived from these cash flows. As a result, certain statutory limitations or regulatory or financing agreements could affect the levels of distributions allowed to be made by our subsidiaries. The following restrictions on distributions from our subsidiaries existed at December 31, 2014:

- Our utilities are generally limited to the amount of dividends allowed to be paid to our utility holding company under the Federal Power Act and settlement agreements with state regulatory jurisdictions. As of December 31, 2014, the restricted net assets at our Utilities Group were approximately $315 million.

(6) NOTES PAYABLE

Our Revolving Credit Facility and debt securities contain certain restrictive financial covenants. As of December 31, 2014, we were in compliance with all of these financial covenants.

We had the following short-term debt outstanding at the Consolidated Balance Sheets date (in thousands):

	Balance Outstanding at	
	December 31, 2014	December 31, 2013
Revolving Credit Facility	$ 75,000	$ 82,500

Revolving Credit Facility

On May 29, 2014, we amended our $500 million corporate Revolving Credit Facility agreement to extend the term through May 29, 2019. This facility is substantially similar to the former agreement, which includes an accordion feature that allows us, with the consent of the administrative agent and issuing agents, to increase the capacity of the facility to $750 million. Borrowings continue to be available under a base rate or various Eurodollar rate options. The interest costs associated with the letters of credit or borrowings and the commitment fee under the Revolving Credit Facility are determined based upon our most favorable Corporate credit rating from S&P and Moody's for our unsecured debt. Based on our credit ratings, the margins for base rate borrowings, Eurodollar borrowings and letters of credit were 0.125%, 1.125% and 1.125%, respectively, from May 29, 2014 through December 31, 2014; a reduction of 0.25% for each method of borrowing as compared to the previous arrangement. Borrowings under the facility are primarily Eurodollar based. A commitment fee is charged on the unused amount of the Revolving Credit Facility and was 0.175% based on our credit rating, a reduction of 0.025% compared to the prior arrangement.

As of December 31, 2014 and 2013, we had outstanding letters of credit totaling approximately $35 million and approximately $22 million, respectively.

Deferred financing costs on the facility of $3.8 million are being amortized over the estimated useful life of the Revolving Credit Facility and included in Interest expense on the accompanying Consolidated Statements of Income. Upon entering into the Revolving Credit Facility in 2012, $1.5 million of deferred financing costs relating to the previous credit facility was written off through Interest expense. The deferred financing costs on the new facility are being amortized as follows (in thousands):

	Deferred Financing Costs Remaining on Balance Sheets as of	Amortization Expense for the years ended December 31,		
	December 31, 2014	2014	2013	2012
Revolving Credit Facility	$ 1,779	$ 616	$ 752	$ 2,187

Debt Covenants

Our Revolving Credit Facility and our new Term Loan require compliance with the following financial covenant at the end of each quarter:

	At December 31, 2014	Covenant Requirement	
Recourse leverage ratio	55%	Less than	65%

(7) ASSET RETIREMENT OBLIGATIONS

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

The following tables present the details of ARO which are included on the accompanying Consolidated Balance Sheets in Other deferred credits and other liabilities (in thousands):

	December 31, 2013	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates [(a) (b)]	December 31, 2014
Electric Utilities	$ 6,922	$ —	$ (85)	$ 175	$ —	$ 7,012
Gas Utilities	274	—	—	17	—	291
Coal Mining	20,627	345	—	951	(2,785)	19,138
Oil and Gas	24,028	68	(932)	1,043	(3,262)	20,945
Total	$ 51,851	$ 413	$ (1,017)	$ 2,186	$ (6,047)	$ 47,386

	December 31, 2012	Liabilities Incurred	Liabilities Settled	Accretion	Revisions to Prior Estimates	December 31, 2013
Electric Utilities	$ 6,981	$ —	$ —	$ 168	$ (227)	$ 6,922
Gas Utilities	259	—	—	15	—	274
Coal Mining	20,286	3	(714)	1,052	—	20,627
Oil and Gas	23,022	143	(1,903)	1,450	1,316	24,028
Total	$ 50,548	$ 146	$ (2,617)	$ 2,685	$ 1,089	$ 51,851

(a) The Coal Mining Revision to Prior Estimates reflects the change in backfill yards and disturbed acreage used in calculating the estimated liability.
(b) The Oil and Gas Revision to Prior Estimates was due to a change in useful well lives used in calculating the estimated liability.

We also have legally required AROs related to certain assets within our electric and gas utility transmission and distribution systems. These retirement obligations are pursuant to an easement or franchise agreement and are only required if we discontinue our utility service under such easement or franchise agreement. Accordingly, it is not possible to estimate a time period when these obligations could be settled and therefore, a value for the cost of these obligations cannot be measured at this time.

(8) RISK MANAGEMENT ACTIVITIES

Our activities in the regulated and non-regulated energy sectors expose us to a number of risks in the normal operations of our businesses. Depending on the activity, we are exposed to varying degrees of market risk and credit risk. To manage and mitigate these identified risks, we have adopted the Black Hills Corporation Risk Policies and Procedures. Valuation methodologies for our derivatives are detailed within Note 1.

Market Risk

Market risk is the potential loss that may occur as a result of an adverse change in market price or rate. We are exposed to the following market risks, including, but not limited to:

- Commodity price risk associated with our natural long position with crude oil and natural gas reserves and production and fuel procurement for certain of our gas-fired generation assets; and

- Interest rate risk associated with our variable rate debt and our other short-term and long-term debt instruments.

Credit Risk

Credit risk is the risk of financial loss resulting from non-performance of contractual obligations by a counterparty.

For production and generation activities, we attempt to mitigate our credit exposure by conducting business primarily with high credit quality entities, setting tenor and credit limits commensurate with counterparty financial strength, obtaining master netting agreements and mitigating credit exposure with less creditworthy counterparties through parental guarantees, prepayments, letters of credit and other security agreements.

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current creditworthiness, as determined by review of their current credit information. We maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issue that is identified.

As of December 31, 2014, our credit exposure included a $0.6 million exposure to a non-investment grade rural electric cooperative. The remainder of our credit exposure was concentrated primarily among retail utility customers, investment grade companies, cooperative utilities and federal agencies. Our derivative and hedging activities included in the accompanying Consolidated Balance Sheets, Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Loss) are detailed below and within Note 9.

Oil and Gas Exploration and Production

We produce natural gas, NGLs and crude oil through our exploration and production activities. Our natural long positions, or unhedged open positions, result in commodity price risk and variability to our cash flows.

To mitigate commodity price risk and preserve cash flows, we primarily use exchange traded futures and related options to hedge portions of our crude oil and natural gas production. We elect hedge accounting on these instruments. These transactions were designated at inception as cash flow hedges, documented under accounting standards for derivatives and hedging and initially met prospective effectiveness testing. Effectiveness of our hedging position is evaluated at least quarterly.

The derivatives were marked to fair value and were recorded as Derivative assets or Derivative liabilities on the accompanying Consolidated Balance Sheets. The effective portion of the gain or loss on these derivatives for which we have elected cash flow hedge accounting is reported in AOCI in the accompanying Consolidated Balance Sheets and the ineffective portion, if any, is reported in Revenue on the accompanying Consolidated Statements of Income (Loss).

The contract or notional amounts, terms of our commodity derivatives and the derivative balances for our Oil and Gas segment reflected on the Consolidated Balance Sheets were as follows (dollars in thousands) as of:

	December 31, 2014		December 31, 2013	
	Crude oil futures, swaps and options	Natural gas futures, swaps and options	Crude oil futures, swaps and options	Natural gas futures, swaps and options
Notional [(a)]	334,500	6,582,500	412,500	7,082,500
Maximum terms in months [(b)]	1	1	3	1
Derivative assets, current	$ —	$ —	$ 55	$ —
Derivative assets, non-current	$ —	$ —	$ —	$ —
Derivative liabilities, current	$ —	$ —	$ —	$ —
Derivative liabilities, non-current	$ —	$ —	$ —	$ —

(a) Crude in Bbls, gas in MMBtu.
(b) Refers to the tenor of the derivative instrument. Assets and liabilities are classified as current/non-current based on the production month hedged and the corresponding settlement of the derivative instrument.

Based on December 31, 2014 market prices, a $10 million gain would be reclassified from AOCI during 2015. Estimated and actual realized gains or losses will change during future periods as market prices fluctuate.

Utilities

The operations of our utilities, including power purchase arrangements where our utilities must provide the generation fuel (tolling agreements), expose our utility customers to volatility in natural gas prices; therefore, as allowed or required, by state utility commissions, we have entered into commission-approved hedging programs utilizing natural gas futures, options and basis swaps to reduce our customers' underlying exposure to these fluctuations. These transactions are considered derivatives, and in accordance with accounting standards for derivatives and hedging, mark-to-market adjustments are recorded as Derivative assets or Derivative liabilities on the accompanying Consolidated Balance Sheets, net of balance sheet offsetting as permitted by GAAP. Unrealized and realized gains and losses, as well as option premiums and commissions on these transactions are recorded as Regulatory assets or Regulatory liabilities in the accompanying Consolidated Balance Sheets in accordance with the state utility commission guidelines. Accordingly, the hedging activity is recognized in the Consolidated Statements of Income (Loss) or the Consolidated Statements of Comprehensive Income (Loss) when the related costs are recovered through our rates.

The contract or notional amounts and terms of the natural gas derivative commodity instruments held by our Gas Utilities were as follows, as of:

	December 31, 2014		December 31, 2013	
	Notional (MMBtus)	Maximum Term (months) [(a)]	Notional (MMBtus)	Maximum Term (months) [(a)]
Natural gas futures purchased	19,370,000	72	17,930,000	84
Natural gas options purchased	4,020,000	8	3,890,000	8
Natural gas basis swaps purchased	12,005,000	60	14,785,000	60

(a) Term reflects the maximum forward period hedged.

We had the following derivative balances related to the hedges in our Utilities reflected in our Consolidated Balance Sheets as of (in thousands):

	December 31, 2014	December 31, 2013
Derivative assets, current	$ —	$ 662
Derivative assets, non-current	$ —	$ —
Derivative liabilities, current	$ —	$ —
Derivative liabilities, non-current	$ —	$ —
Net unrealized (gain) loss included in Regulatory assets or Regulatory liabilities	$ 18,740	$ 7,567

Financing Activities

We entered into floating-to-fixed interest rate swap agreements to reduce our exposure to interest rate fluctuations associated with our floating rate debt obligations. The contract or notional amounts, terms of our interest rate swaps and the interest rate swaps balances reflected on the Consolidated Balance Sheets were as follows (dollars in thousands) as of:

	December 31, 2014	December 31, 2013
	Interest Rate Swaps [(a)]	Interest Rate Swaps [(a)]
Notional	$ 75,000	$ 75,000
Weighted average fixed interest rate	4.97%	4.97%
Maximum terms in years	2.0	3.0
Derivative liabilities, current	$ 3,340	$ 3,474
Derivative liabilities, non-current	$ 2,680	$ 5,614

(a) These swaps are designated to borrowings on our Revolving Credit Facility. These swaps are priced using three-month LIBOR, matching the floating portion of the related borrowings.

Based on December 31, 2014 market interest rates and balances related to our designated interest rate swaps, a loss of approximately $3.3 million would be realized, reported in pre-tax earnings and reclassified from AOCI during the next 12 months. Estimated and realized gains or losses will change during future periods as market interest rates change.

Cash Flow Hedges

The impact of cash flow hedges on our Consolidated Statements of Income (Loss) for years ended were as follows (in thousands):

	December 31, 2014				
Derivatives in Cash Flow Hedging Relationships	Amount of Gain/(Loss) Recognized in AOCI Derivative (Effective Portion)	Location of Gain/ (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain/ (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion)
Interest rate swaps	$ (536)	Interest expense	$ 3,669		$ —
Commodity derivatives	14,681	Revenue	1,995		—
Total	$ 14,145		$ 5,664		$ —

Derivatives in Cash Flow Hedging Relationships	December 31, 2013 Amount of Gain/(Loss) Recognized in AOCI Derivative (Effective Portion)	Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion)
Interest rate swaps	$ 7,935	Interest expense	$ 6,989		$ —
Commodity derivatives	(956)	Revenue	(927)		—
Total	$ 6,979		$ 6,062		$ —

Derivatives in Cash Flow Hedging Relationships	December 31, 2012 Amount of Gain/(Loss) Recognized in AOCI Derivative (Effective Portion)	Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion)
Interest rate swaps	$ (4,794)	Interest expense	$ (7,607)		$ —
Commodity derivatives	2,639	Revenue	8,784		—
Total	$ (2,155)		$ 1,177		$ —

Derivatives Not Designated as Hedge Instruments

The impacts of derivative instruments not designated as hedge instruments on our Consolidated Statements of Income (Loss) for the years ended December 31 were as follows (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain/(Loss) on Derivatives Recognized in Income	2014 Amount of Gain/(Loss) on Derivatives Recognized in Income	2013 Amount of Gain/(Loss) on Derivatives Recognized in Income	2012 Amount of Gain/(Loss) on Derivatives Recognized in Income
Interest rate swaps - unrealized [(a)]	Unrealized gain (loss) on interest rate swap, net	$ —	$ 30,169	$ 1,882
Interest rate swaps - realized [(a)]	Interest expense	—	(12,902)	(12,959)
		$ —	$ 17,267	$ (11,077)

(a) These interest rate swaps were settled in the fourth quarter of 2013.

(9) FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

There have been no significant transfers between Level 1 and Level 2 derivative balances during 2014 or 2013. Amounts included in cash collateral and counterparty netting in the following tables represent the impact of legally enforceable master netting agreements that allow us to settle positive and negative positions, netting of asset and liability positions permitted in accordance with accounting standards for offsetting as well as cash collateral posted with the same counterparties.

A discussion of fair value of financial instruments is included in Note 10. The following tables set forth, by level within the fair value hierarchy, our gross assets and gross liabilities and related offsetting as permitted by GAAP that were accounted for at fair value on a recurring basis for derivative instruments (in thousands):

	As of December 31, 2014				
	Level 1	Level 2	Level 3	Cash Collateral and Counterparty Netting	Total
Assets:					
Commodity derivatives - Oil and Gas:					
Options -- Oil	$ —	$ —	$ —	$ —	$ —
Basis Swaps -- Oil	—	8,599	—	(8,599)	—
Options -- Gas	—	—	—	—	—
Basis Swaps -- Gas	—	6,558	—	(6,558)	—
Commodity derivatives - Utilities	—	2,389	—	(2,389)	—
Total	$ —	$ 17,546	$ —	$ (17,546)	$ —
Liabilities:					
Commodity derivatives - Oil and Gas:					
Options -- Oil	$ —	$ —	$ —	$ —	$ —
Basis Swaps -- Oil	—	—	—	—	—
Options -- Gas	—	—	—	—	—
Basis Swaps -- Gas	—	473	—	(473)	—
Commodity derivatives - Utilities	—	19,303	—	(19,303)	—
Interest rate swaps	—	6,020	—	—	6,020
Total	$ —	$ 25,796	$ —	$ (19,776)	$ 6,020

	As of December 31, 2013				
	Level 1	Level 2	Level 3	Cash Collateral and Counterparty Netting	Total
Assets:					
Commodity derivatives - Oil and Gas:					
Options -- Oil	$ —	$ —	$ —	$ —	$ —
Basis Swaps -- Oil	—	130	—	(75)	55
Options -- Gas	—	—	—	—	—
Basis Swaps -- Gas	—	815	—	(815)	—
Commodity derivatives - Utilities	—	3,030	—	(2,368)	662
Total	$ —	$ 3,975	$ —	$ (3,258)	$ 717
Liabilities:					
Commodity derivatives - Oil and Gas:					
Options -- Oil	$ —	$ —	$ —	$ —	$ —
Basis Swaps -- Oil	—	1,229	—	(1,229)	—
Options -- Gas	—	—	—	—	—
Basis Swaps -- Gas	—	531	—	(531)	—
Commodity derivatives - Utilities	—	9,100	—	(9,100)	—
Interest rate swaps	—	9,088	—	—	9,088
Total	$ —	$ 19,948	$ —	$ (10,860)	$ 9,088

Fair Value Measures by Balance Sheet Classification

As required by accounting standards for derivatives and hedges, fair values within the following tables are presented on a gross basis, aside from the netting of asset and liability positions permitted in accordance with accounting standards for offsetting and under terms of our master netting agreements and the impact of legally enforceable master netting agreements that allow us to settle positive and negative positions. However, the amounts do not include net cash collateral on deposit in margin accounts at December 31, 2014 and 2013, to collateralize certain financial instruments, which are included in Derivative assets and/or Derivative liabilities. Therefore, the balances are not indicative of either our actual credit exposure or net economic exposure. Additionally, the amounts below will not agree with the amounts presented on our Consolidated Balance Sheets, nor will they correspond to the fair value measurements presented in Note 8.

The following tables present the fair value and balance sheet classification of our derivative instruments as of December 31, (in thousands):

		2014		2013	
	Balance Sheet Location	Fair Value of Asset Derivatives	Fair Value of Liability Derivatives	Fair Value of Asset Derivatives	Fair Value of Liability Derivatives
Derivatives designated as hedges:					
Commodity derivatives	Derivative assets - current	$ 10,391	$ —	$ 248	$ —
Commodity derivatives	Derivative assets - non-current	4,766	—	698	—
Commodity derivatives	Derivative liabilities - current	—	185	—	1,541
Commodity derivatives	Derivative liabilities - non-current	—	288	—	219
Interest rate swaps	Derivative liabilities - current	—	3,340	—	3,474
Interest rate swaps	Derivative liabilities - non-current	—	2,680	—	5,614
Total derivatives designated as hedges		$ 15,157	$ 6,493	$ 946	$ 10,848
Derivatives not designated as hedges:					
Commodity derivatives	Derivative assets - current	$ —	$ —	$ 662	$ —
Commodity derivatives	Derivative assets - non-current	—	—	—	—
Commodity derivatives	Derivative liabilities - current	—	8,032	—	—
Commodity derivatives	Derivative liabilities - non-current	—	8,882	—	6,732
Interest rate swaps	Derivative liabilities - current	—	—	—	—
Interest rate swaps	Derivative liabilities - non-current	—	—	—	—
Total derivatives not designated as hedges		$ —	$ 16,914	$ 662	$ 6,732

Derivatives Offsetting

It is our policy to offset in our Consolidated Balance Sheets contracts which provide for legally enforceable netting for our accounts receivable and payable and derivative activities.

As required by accounting standards for derivatives and hedges, fair values within the following tables reconcile the gross amounts to the net amounts. Amounts included in Gross Amounts Offset on Consolidated Balance Sheets in the following tables include the netting of asset and liability positions permitted in accordance with accounting standards for offsetting as well as the impact of legally enforceable master netting agreements that allow us to settle positive and negative positions as well as cash collateral posted with the same counterparties. Additionally, the amounts reflect cash collateral on deposit in margin accounts at December 31, 2014 and December 31, 2013, to collateralize certain financial instruments, which are included in Derivative assets and/or Derivative liabilities. Therefore, the gross amounts are not indicative of either our actual credit exposure or net economic exposure.

Offsetting of derivative assets and derivative liabilities on our Consolidated Balance Sheets at December 31, 2014 was as follows (in thousands):

Derivative Assets	Gross Amounts of Derivative Assets	Gross Amounts Offset on Consolidated Balance Sheets	Net Amount of Total Derivative Assets on Consolidated Balance Sheets
Subject to master netting agreement or similar arrangement:			
Commodity derivative:			
Oil and Gas - Crude Basis Swaps	$ 8,599	$ (8,599)	$ —
Oil and Gas - Crude Options	—	—	—
Oil and Gas - Natural Gas Basis Swaps	6,558	(6,558)	—
Utilities	2,389	(2,389)	—
Total derivative assets subject to a master netting agreement or similar arrangement	17,546	(17,546)	—
Not subject to a master netting agreement or similar arrangement:			
Commodity derivative:			
Oil and Gas - Crude Basis Swaps	—	—	—
Oil and Gas - Crude Options	—	—	—
Oil and Gas - Natural Gas Basis Swaps	—	—	—
Utilities	—	—	—
Total derivative assets not subject to a master netting agreement or similar arrangement	—	—	—
Total derivative assets	$ 17,546	$ (17,546)	$ —

Derivative Liabilities	Gross Amounts of Derivative Liabilities	Gross Amounts Offset on Consolidated Balance Sheets	Net Amount of Total Derivative Liabilities on Consolidated Balance Sheets
Subject to a master netting agreement or similar arrangement:			
Commodity derivative:			
Oil and Gas - Crude Basis Swaps	$ —	$ —	$ —
Oil and Gas - Crude Options	—	—	—
Oil and Gas - Natural Gas Basis Swaps	473	(473)	—
Utilities	19,303	(19,303)	—
Interest Rate Swaps	—	—	—
Total derivative liabilities subject to a master netting agreement or similar arrangement	19,776	(19,776)	—
Not subject to a master netting agreement or similar arrangement:			
Commodity derivative:			
Oil and Gas - Crude Basis Swaps	—	—	—
Oil and Gas - Crude Options	—	—	—
Oil and Gas - Natural Gas Basis Swaps	—	—	—
Utilities	—	—	—
Interest Rate Swaps	6,020	—	6,020
Total derivative liabilities not subject to a master netting agreement or similar arrangement	6,020	—	6,020
Total derivative liabilities	$ 25,796	$ (19,776)	$ 6,020

Offsetting of derivative assets and derivative liabilities on our Consolidated Balance Sheets as of December 31, 2013 were as follows (in thousands):

Derivative Assets	Gross Amounts of Derivative Assets	Gross Amounts Offset on Consolidated Balance Sheets	Net Amount of Total Derivative Assets on Consolidated Balance Sheets
Subject to master netting agreement or similar arrangement:			
Commodity derivative:			
Oil and Gas - Crude Basis Swaps	$ 75	$ (75)	$ —
Oil and Gas - Crude Options	—	—	—
Oil and Gas - Natural Gas Basis Swaps	815	(815)	—
Utilities	3,030	(2,368)	662
Total derivative assets subject to a master netting agreement or similar arrangement	3,920	(3,258)	662
Not subject to a master netting agreement or similar arrangement:			
Commodity derivative:			
Oil and Gas - Crude Basis Swaps	55	—	55
Oil and Gas - Crude Options	—	—	—
Oil and Gas - Natural Gas Basis Swaps	—	—	—
Utilities	—	—	—
Total derivative assets not subject to a master netting agreement or similar arrangement	55	—	55
Total derivative assets	$ 3,975	$ (3,258)	$ 717

Derivative Liabilities	Gross Amounts of Derivative Liabilities	Gross Amounts Offset on Consolidated Balance Sheets	Net Amount of Total Derivative Liabilities on Consolidated Balance Sheets
Subject to a master netting agreement or similar arrangement:			
Commodity derivative:			
Oil and Gas - Crude Basis Swaps	$ 1,229	$ (1,229)	$ —
Oil and Gas - Crude Options	—	—	—
Oil and Gas - Natural Gas Basis Swaps	531	(531)	—
Utilities	9,100	(9,100)	—
Interest Rate Swaps	—	—	—
Total derivative liabilities subject to a master netting agreement or similar arrangement	10,860	(10,860)	—
Not subject to a master netting agreement or similar arrangement:			
Commodity derivative:			
Oil and Gas - Crude Basis Swaps	—	—	—
Oil and Gas - Crude Options	—	—	—
Oil and Gas - Natural Gas Basis Swaps	—	—	—
Utilities	—	—	—
Interest Rate Swaps	9,088	—	9,088
Total derivative liabilities not subject to a master netting agreement or similar arrangement	9,088	—	9,088
Total derivative liabilities	$ 19,948	$ (10,860)	$ 9,088

Derivative assets and derivative liabilities and collateral held by counterparty included in our Consolidated Balance Sheets as of December 31, 2014 were (in thousands):

Contract Type		Net Amount of Total Derivative Assets	Gross Amounts Not Offset on Consolidated Balance Sheets Cash Collateral Received	Net Amount with Counterparty
Assets:				
Oil and Gas	Counterparty A	$ —	$ —	$ —
Oil and Gas	Counterparty B	—	—	—
Utilities	Counterparty A	—	—	—
		$ —	$ —	$ —

Contract Type		Net Amount of Total Derivative Liabilities	Gross Amounts Not Offset on Consolidated Balance Sheets Cash Collateral Paid	Net Amount with Counterparty
Liabilities:				
Oil and Gas	Counterparty A	$ —	$ (4,392)	$ (4,392)
Oil and Gas	Counterparty B	—	—	—
Utilities	Counterparty A	—	(3,093)	(3,093)
Interest Rate Swaps	Counterparty F	6,020	—	6,020
		$ 6,020	$ (7,485)	$ (1,465)

Derivative assets and derivative liabilities and collateral held by counterparty included in our Consolidated Balance Sheets as of December 31, 2013 were (in thousands):

Contract Type		Net Amount of Total Derivative Assets	Gross Amounts Not Offset on Consolidated Balance Sheets: Cash Collateral Received	Net Amount with Counterparty
Assets:				
Oil and Gas	Counterparty A	$ —	$ —	$ —
Oil and Gas	Counterparty B	55	—	55
Utilities	Counterparty A	662	—	662
		$ 717	$ —	$ 717

Contract Type		Net Amount of Total Derivative Liabilities	Gross Amounts Not Offset on Consolidated Balance Sheets: Cash Collateral Paid	Net Amount with Counterparty
Liabilities:				
Oil and Gas	Counterparty A	$ —	$ (1,631)	$ (1,631)
Oil and Gas	Counterparty B	—	—	—
Utilities	Counterparty A	—	(3,390)	(3,390)
Interest Rate Swap	Counterparty F	9,088	—	9,088
		$ 9,088	$ (5,021)	$ 4,067

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of our financial instruments, excluding derivatives which are presented in Note 9, were as follows at December 31 (in thousands):

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents [(a)]	$ 21,218	$ 21,218	$ 7,841	$ 7,841
Restricted cash and equivalents [(a)]	$ 2,056	$ 2,056	$ 2	$ 2
Notes payable [(a)]	$ 75,000	$ 75,000	$ 82,500	$ 82,500
Long-term debt, including current maturities [(b)]	$ 1,542,589	$ 1,734,555	$ 1,396,948	$ 1,491,422

(a) Carrying value approximates fair value due to either short-term length of maturity or variable interest rates that approximate prevailing market rates and therefore is classified in Level 1 in the fair value hierarchy.
(b) Long-term debt is valued based on observable inputs available either directly or indirectly for similar liabilities in active markets and therefore is classified in Level 2 in the fair value hierarchy.

Cash and Cash Equivalents

Included in cash and cash equivalents is cash, overnight repurchase agreement accounts, money market funds, and term deposits. As part of our cash management process, excess operating cash is invested in overnight repurchase agreements with our bank. Repurchase agreements are not deposits and are not insured by the U.S. Government, the FDIC, or any other government agency and involve investment risk including possible loss of principal. We believe however, that the market risk arising from holding these financial instruments is minimal.

Restricted Cash and Equivalents

Restricted cash and cash equivalents represent restricted cash and uninsured term deposits.

Notes Payable and Long-Term Debt

For additional information on our notes payable and long-term debt, see Note 5 and Note 6.

(11) STOCK

Equity Compensation Plans

Our 2005 Omnibus Incentive Plan allows for the granting of stock, restricted stock, restricted stock units, stock options and performance shares. We had 522,831 shares available to grant at December 31, 2014.

Compensation expense is determined using the grant date fair value estimated in accordance with the provisions of accounting standards for stock compensation and is recognized over the vesting periods of the individual awards. As of December 31, 2014, total unrecognized compensation expense related to non-vested stock awards was approximately $9.4 million and is expected to be recognized over a weighted-average period of 1.6 years. Stock-based compensation expense included in Operations and maintenance on the accompanying Consolidated Statements of Income was as follows for the years ended December 31 (in thousands):

	2014	2013	2012
Stock-based compensation expense	$ 9,329	$ 12,595	$ 8,271

Stock Options

We have granted options with an option exercise price equal to the fair market value of the stock on the day of the grant. The options granted vest proportionately over 3 years and expire 10 years after the grant date.

A summary of the status of the stock options at December 31, 2014 was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Balance at beginning of period	61	$ 33.25		
Granted [a]	81	54.29		
Forfeited/canceled	—	—		
Expired	—	—		
Exercised	(8)	30.87		
Balance at end of period	134	$ 46.12	8.2	$ 1,027
Exercisable at end of period	46	$ 32.63	6.5	$ 944

(a) The grant date fair value of the 2014 awards was $12.58 based on a Black-Scholes option pricing model. Assumptions used to estimate the fair value were a 2.1% risk free interest rate, 29.4% expected price volatility, 2.9% expected dividend yield and a 7 year expected life.

The table below provides details of our option plans at December 31 (in thousands):

	2014	2013	2012
Summary of Stock Options			
Unrecognized compensation expense	$ 816	$ 130	$ 218
Intrinsic value of options exercised [(a)]	$ 199	$ 789	$ 623
Net cash received from exercise of options	$ 237	$ 2,046	$ 2,839
Tax benefit realized from exercise of shares [(b)]	$ 70	$ 276	$ 218

(a) The intrinsic value represents the amount by which the market price of the stock on the date of exercise exceeded the exercise price of the option.
(b) The tax benefit realized from the exercise of shares granted was recorded as an increase in equity.

As of December 31, 2014, the unrecognized compensation expense related to non-vested stock options is expected to be recognized over a weighted-average period of 2.1 years.

Restricted Stock

The fair value of restricted stock awards equals the market price of our stock on the date of grant.

The shares carry a restriction on the ability to sell the shares until the shares vest. The shares substantially vest over 3 years, contingent on continued employment. Compensation expense related to the awards is recognized over the vesting period.

A summary of the status of the restricted stock at December 31, 2014, was as follows:

	Restricted Stock	Weighted-Average Grant Date Fair Value
	(in thousands)	
Restricted Stock at beginning of period	262	$ 36.76
Granted	99	54.34
Vested	(114)	35.25
Forfeited	(14)	43.17
Restricted Stock at end of period	233	$ 44.60

The weighted-average grant-date fair value of restricted stock granted and the total fair value of shares vested during the years ended December 31, was as follows:

	Weighted-Average Grant Date Fair Value	Total Fair Value of Shares Vested
		(in thousands)
2014	$ 54.34	$ 6,114
2013	$ 40.56	$ 5,842
2012	$ 34.99	$ 3,781

As of December 31, 2014, there was $6.1 million of unrecognized compensation expense related to non-vested restricted stock that is expected to be recognized over a weighted-average period of 1.7 years.

Performance Share Plan

Certain officers of the Company and its subsidiaries are participants in a performance share award plan, a market-based plan. Performance shares are awarded based on our total shareholder return over designated performance periods as measured against a selected peer group. In addition, certain stock price performance must be achieved for a payout to occur. The final value of the performance shares will vary according to the number of shares of common stock that are ultimately granted based upon the actual level of attainment of the performance criteria.

The performance awards are paid 50% in cash and 50% in common stock. The cash portion accrued is classified as a liability and the stock portion is classified as equity. In the event of a change-in-control, performance awards are paid 100% in cash. If it is determined that a change-in-control is probable, the equity portion of $2.1 million at December 31, 2014 would be reclassified as a liability.

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

			Possible Payout Range of Target	
Grant Date	Performance Period	Target Grant of Shares	Minimum	Maximum
January 1, 2012	January 1, 2012 - December 31, 2014	64	0%	200%
January 1, 2013	January 1, 2013 - December 31, 2015	61	0%	200%
January 1, 2014	January 1, 2014 - December 31, 2016	44	0%	200%

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

	Equity Portion		Liability Portion	
	Shares	Weighted-Average Grant Date Fair Value (a)	Shares	Weighted-Average Fair Value at (b) December 31, 2014
	(in thousands)		(in thousands)	
Performance Shares balance at beginning of period	93	$ 31.34	93	
Granted	23	55.18	23	
Forfeited	(1)	40.12	(1)	
Vested	(31)	25.92	(31)	
Performance Shares balance at end of period	84	$ 39.58	84	$ 82.42

(a) The grant date fair values for the performance shares granted in 2014, 2013 and 2012 were determined by Monte Carlo simulation using a blended volatility of 23%, 20% and 21%, respectively, comprised of 50% historical volatility and 50% implied volatility and the average risk-free interest rate of the three-year United States Treasury security rate in effect as of the grant date.

(b) The weighted-average fair value for the liability portion at December 31, 2014 was determined by the actual performance for the 2012 to 2014 performance period at the top of the peer group resulting in a 200% of target payout, and determined by Monte Carlo simulations for the 2013 to 2015 performance period and 2014 to 2016 performance period projecting a 157% and 51% of target payouts, respectively.

The weighted-average grant-date fair value of performance share awards granted in the years ended was as follows:

	Weighted Average Grant Date Fair Value
December 31, 2014	$ 55.18
December 31, 2013	$ 35.85
December 31, 2012	$ 32.26

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

Performance Period	Year of Payment	Shares Issued	Cash Paid	Total Intrinsic Value
January 1, 2011 to December 31, 2013	2014	59	$ 3,011	$ 6,020
January 1, 2010 to December 31, 2012	2013	63	$ 2,267	$ 4,533
January 1, 2009 to December 31, 2011	2012	—	$ —	$ —

On January 27, 2015, the Compensation Committee of our Board of Directors determined that the Company's total shareholder return for the January 1, 2012 through December 31, 2014 performance period was at the 100^{th} percentile of its peer group and confirmed a payout equal to 200% of target shares, valued at $7.3 million. The payout was fully accrued at December 31, 2014.

As of December 31, 2014, there was $2.5 million of unrecognized compensation expense related to outstanding performance share plans that is expected to be recognized over a weighted-average period of 1.5 years.

Shareholder Dividend Reinvestment and Stock Purchase Plan

We have a DRSPP under which shareholders may purchase additional shares of common stock through dividend reinvestment and/or optional cash payments at 100% of the recent average market price. We have the option of issuing new shares or purchasing the shares on the open market. We are currently issuing new shares.

A summary of the DRSPP for the years ended December 31 is as follows (shares in thousands):

	2014	2013
Shares Issued	52	67
Weighted Average Price	$ 54.99	$ 46.78
Unissued Shares Available	474	286

Preferred Stock

Our articles of incorporation authorize the issuance of 25 million shares of preferred stock of which we had no shares of preferred stock outstanding.

(12) IMPAIRMENT OF LONG-LIVED ASSETS

Under the full cost method of accounting used by our Oil and Gas segment to account for exploration, development and acquisition of crude oil and natural gas reserves, all costs attributable to these activities are capitalized. These capitalized costs, less accumulated amortization and related deferred income taxes, are subject to a ceiling test that limits the pooled costs to the aggregate of the discounted value of future net revenue attributable to proved natural gas and crude oil reserves using a discount rate defined by the SEC plus the lower of cost or market value of unevaluated properties. Any costs in excess of the ceiling are written off as a non-cash charge.

As a result of continued low commodity prices in the second quarter of 2012, we recorded a $50 million non-cash impairment of oil and gas assets included in the Oil and Gas segment. In determining the ceiling value of our assets, we utilized the average of the quoted prices from the first day of each month from the previous 12 months. When this non-cash impairment occurred, commodity prices during the second quarter of 2012 were; for natural gas, the average NYMEX price was $3.15 per Mcf, adjusted to $2.66 per Mcf at the wellhead; for crude oil, the average NYMEX price was $95.67 per barrel, adjusted to $85.36 per barrel at the wellhead.

(13) OPERATING LEASES

We have entered into lease agreements for vehicles, equipment and office facilities. Rental expense incurred under these operating leases, including month to month leases, for the years ended December 31 was as follows (in thousands):

	2014	2013	2012
Rent expense	$ 6,932	$ 7,169	$ 6,839

The following is a schedule of future minimum payments required under the operating lease agreements (in thousands):

2015	$	9,962
2016	$	2,045
2017	$	1,852
2018	$	1,829
2019	$	1,632
Thereafter	$	3,735

(14) INCOME TAXES

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

	2014	2013	2012
Current:			
Federal	$ (2,319)	$ (2,003)	$ 4,972
State	(1,288)	(173)	3,712
	(3,607)	(2,176)	8,684
Deferred:			
Federal	64,780	58,288	51,363
State	5,658	7,140	400
Tax credit amortization	(206)	(212)	(228)
	70,232	65,216	51,535
	$ 66,625	$ 63,040	$ 60,219

The temporary differences, which gave rise to the net deferred tax liability, for the years ended December 31 were as follows (in thousands):

	2014	2013
Deferred tax assets:		
Regulatory liabilities	$ 49,243	$ 33,172
Employee benefits	26,714	28,724
Federal net operating loss	213,466	166,095
Asset impairment [(a)]	93,663	93,830
Other deferred tax assets [(b)]	76,005	59,078
Less: Valuation allowance	(5,017)	(1,806)
Total deferred tax assets	454,074	379,093
Deferred tax liabilities:		
Accelerated depreciation, amortization and other plant-related differences	(695,280)	(613,827)
Regulatory assets	(25,340)	(24,581)
Mining development and oil exploration	(109,571)	(81,069)
State deferred tax liability	(36,579)	(29,322)
Deferred costs	(35,284)	(15,593)
Other deferred tax liabilities	(15,684)	(15,104)
Total deferred tax liabilities	(917,738)	(779,496)
Net deferred tax liability	$ (463,664)	$ (400,403)

(a) Majority of impairment deferred tax asset is related to oil and gas properties.
(b) Other deferred tax assets consist primarily of state tax credits, state net operating loss, alternative minimum tax credit and federal research and development credits. No single item exceeds 5% of the total net deferred tax liability.

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

	2014	2013	2012
Federal statutory rate	35.0%	35.0%	35.0%
State income tax (net of federal tax effect)	1.1	2.4	1.8
Amortization of excess deferred income taxes and investment tax credits	(0.1)	(0.1)	(0.1)
Percentage depletion in excess of cost	(1.0)	(0.9)	(1.0)
Equity AFUDC	(0.1)	—	—
Tax credits	(0.1)	(0.5)	—
Accounting for uncertain tax positions adjustment	(0.1)	0.7	0.6
Flow-through adjustments [(a)]	(0.9)	(0.9)	(1.0)
Other tax differences	(0.1)	(0.9)	0.2
	33.7%	34.8%	35.5%

(a) The flow-through adjustments relate primarily to an accounting method change for tax purposes that allows us to take a current tax deduction for repair costs that continue to be capitalized for book purposes. We recorded a deferred income tax liability in recognition of the temporary difference created between book and tax treatment and flowed the tax benefit through to our customers in the form of lower rates as a result of a rate case settlement that occurred in 2010. A regulatory asset was established to reflect the recovery of future increases in taxes payable from customers as the temporary differences reverse. As a result of this regulatory treatment, we continue to record a tax benefit consistent with the flow-through method.

At December 31, 2014, we have federal and gross state NOL carryforwards that will expire at various dates as follows (in thousands):

	Amounts		Expiration Dates		
Federal Net Operating Loss Carryforward	$	618,195	2019	to	2034
State Net Operating Loss Carryforward	$	513,418	2015	to	2034

As of December 31, 2014, we had a $1.0 million valuation allowance against the state NOL carryforwards. Our 2014 analysis of the ability to utilize such NOLs resulted in an increase of the valuation allowance of approximately $0.5 million, which resulted in an increase to tax expense. The valuation allowance adjustment was primarily attributable to a decrease in taxable income for 2014 due to the enactment of TIPA. Such a decrease impacted the utilization of NOL carryforward in those states where the carryforward period is significantly shorter than the federal carryforward period of 20 years. In certain states, the carryforward period is limited to 5 years. Ultimate usage of these NOLs depends upon our future tax filings. If the valuation allowance is adjusted due to higher or lower than anticipated utilization of the NOLs, the offsetting amount will affect tax expense.

The following table reconciles the total amounts of unrecognized tax benefits, without interest, at the beginning and end of the period included in Other deferred credits and other liabilities on the accompanying Consolidated Balance Sheets (in thousands):

	Changes in Uncertain Tax Positions
Beginning balance at January 1, 2012	$ 49,327
Additions for prior year tax positions	111
Reductions for prior year tax positions	(8,906)
Additions for current year tax positions	151
Settlements	—
Ending balance at December 31, 2012	40,683
Additions for prior year tax positions	1,526
Reductions for prior year tax positions	(4,578)
Additions for current year tax positions	—
Settlements	—
Ending balance at December 31, 2013	37,631
Additions for prior year tax positions	1,253
Reductions for prior year tax positions	(6,692)
Additions for current year tax positions	—
Settlements	—
Ending balance at December 31, 2014	$ 32,192

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $1.8 million.

We recognized interest expense of $1.6 million, $1.6 million and $1.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

We had approximately $11.5 million and $9.9 million of accrued interest (before tax effect) associated with income taxes at December 31, 2014 and 2013, respectively.

We file income tax returns with the IRS and various state jurisdictions. We received a 30-day Letter along with a Revenue Agent's Report from the IRS in regards to the audit of the 2007 to 2009 tax years. A protest was timely filed with IRS in August 2014 related to the like-kind exchange transaction described below and research and development credits and deductions claimed with respect to certain costs and projects. We are also currently under examination by the IRS for the 2010 to 2012 tax years.

We have deferred a substantial amount of tax payments through various tax planning strategies including the deferral of approximately $125 million in income taxes attributable to the like-kind exchange effectuated in connection with the IPP Transaction and Aquila Transaction that occurred in 2008. The IRS has challenged our position with respect to the like-kind exchange and it is reasonably possible that the total unrecognized tax benefits attributable to such transaction could change significantly due to a settlement with the IRS that is anticipated to occur on or before December 31, 2015. However, based on the information currently available, it is difficult to determine any reasonable estimate of the financial statement impact including the impact on the effective tax rate.

Excess foreign tax credits have been generated and are available to offset United States federal income taxes. At December 31, 2014, we had foreign tax credit carryforwards of approximately $0.5 million, which expire between 2015 and 2017.

As of December 31, 2014, we had a $0.5 million valuation allowance against the foreign tax credit carryforwards. In addition, the carryforward balance reflects the expected utilization of approximately $1.8 million of foreign tax credits to be included as computational adjustments upon finalization of our current IRS examination covering tax years 2007 to 2009. Such foreign tax credits have been reflected as an offset to liabilities for unrecognized tax benefits in recognition of the estimated impact the resolution of material uncertain tax positions could have with respect to utilization.

State tax credits have been generated and are available to offset future state income taxes. At December 31, 2014, we had the following state tax credit carryforwards (in thousands):

State Tax Credit Carryforwards			Expiration Year
Investment tax credit	$	14,793	2023 to 2025
Research and development	$	155	No expiration

As of December 31, 2014, we had a $3.5 million valuation allowance against the state tax credit carryforwards. The re-evaluation of our ability to utilize such credits resulted in an increase of the valuation allowance of approximately $2.7 million of which approximately $1.5 million resulted in an increase to tax expense. The remaining $1.2 million increase is attributable to our regulated business and is being accounted for under the deferral method whereby the credits are amortized to tax expense over the estimated useful life of the underlying asset that generated the credit. The valuation allowance adjustment was primarily attributable to the projected impact of lower commodity prices related to oil and natural gas on forecasted taxable income. Ultimate usage of these credits depends upon our future tax filings. If the valuation allowance is adjusted due to higher or lower than anticipated utilization of the state tax credit carryforwards, the offsetting amount will affect tax expense.

(15) OTHER COMPREHENSIVE INCOME

The components of the reclassification adjustments for the period, net of tax, included in Other comprehensive income were as follows (in thousands):

		Amount Reclassified from AOCI	
	Location on the Consolidated Statements of Income	December 31, 2014	December 31, 2013
Gains and losses on cash flow hedges:			
Interest rate swaps	Interest expense	$ 3,669	$ 6,989
Commodity contracts	Revenue	1,995	(927)
		5,664	6,062
Income tax	Income tax benefit (expense)	(2,344)	(2,016)
Total reclassification adjustments related to cash flow hedges, net of tax		$ 3,320	$ 4,046
Amortization of defined benefit plans:			
Prior service cost	Utilities - Operations and maintenance	$ (102)	$ (125)
	Non-regulated energy operations and maintenance	(115)	(128)
Actuarial gain (loss)	Utilities - Operations and maintenance	630	1,693
	Non-regulated energy operations and maintenance	364	1,098
		777	2,538
Income tax	Income tax benefit (expense)	(272)	(883)
Total reclassification adjustments related to defined benefit plans, net of tax		$ 505	$ 1,655

Balances by classification included within Accumulated other comprehensive income (loss) on the accompanying Consolidated Balance Sheets were as follows (in thousands):

	Derivatives Designated as Cash Flow Hedges			
	Interest Rate Swaps	Commodity Derivatives	Employee Benefit Plans	Total
As of December 31, 2013	$ (6,625)	$ (508)	$ (10,289)	$ (17,422)
Other comprehensive income (loss)	1,695	10,531	(9,848)	2,378
As of December 31, 2014	$ (4,930)	$ 10,023	$ (20,137)	$ (15,044)

	Derivatives Designated as Cash Flow Hedges			
	Interest Rate Swaps	Commodity Derivatives	Employee Benefit Plans	Total
As of December 31, 2012	$ (16,313)	$ 600	$ (19,775)	$ (35,488)
Other comprehensive income (loss)	9,688	(1,108)	9,486	18,066
As of December 31, 2013	$ (6,625)	$ (508)	$ (10,289)	$ (17,422)

(16) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Years ended December 31,	2014	2013	2012
		(in thousands)	
Non-cash investing activities and financing from continuing operations -			
Property, plant and equipment acquired with accrued liabilities	$ 52,584	$ 59,811	$ 35,556
Increase (decrease) in capitalized assets associated with asset retirement obligations	$ (5,634)	$ 1,235	$ 5,743
Cash (paid) refunded during the period for continuing operations-			
Interest (net of amount capitalized)	$ (69,239)	$ (108,361)	$ (116,593)
Income taxes, net	$ (413)	$ (4,573)	$ (3,027)

(17) EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

We sponsor a 401(k) retirement savings plan (the 401(k) Plan). Participants in the 401(k) Plan may elect to invest a portion of their eligible compensation to the 401(k) Plan up to the maximum amounts established by the IRS. The 401(k) Plan provides employees the opportunity to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis. The 401(k) Plan provides a Company Matching Contribution for all eligible participants and for certain eligible participants a Company Retirement Contribution based on the participant's age and years of service. Vesting of all Company contributions ranges from immediate vesting to graduated vesting at 20% per year with 100% vesting when the participant has 5 years of service with the Company.

Funded Status of Benefit Plans

The funded status of postretirement benefit plans is required to be recognized in the statement of financial position. The funded status for pension plans is measured as the difference between the projected benefit obligation and the fair value of plan assets. The funded status for all other benefit plans is measured as the difference between the accumulated benefit obligation and the fair value of plan assets. A liability is recorded for an amount by which the benefit obligation exceeds the fair value of plan assets or an asset is recorded for any amount by which the fair value of plan assets exceeds the benefit obligation. Except for our regulated utilities, the unrecognized net periodic benefit cost is recorded within Accumulated other comprehensive income (loss), net of tax. For our regulated utilities, these costs are recoverable in our rates, and accordingly, the unrecognized net periodic benefit cost was alternatively recorded as a regulatory asset or regulatory liability, net of tax (see Note 1). The measurement date for all plans is December 31, 2014. As of December 31, 2014, the unfunded status of our Defined Benefit Pension Plans was $78 million; the unfunded status of our Supplemental Non-qualified Defined Benefit Plans was $41 million; and the unfunded status of our Non-pension Defined Benefit Postretirement Healthcare Plans was $44 million.

Defined Benefit Pension Plans (Pension Plans)

We have two defined benefit pension plans. Our BHC Pension Plan covers certain eligible employees of Black Hills Service Company, Black Hills Power, WRDC, BHEP and Cheyenne Light. The Black Hills Utility Holdings, Inc. Pension Plan covers certain eligible employees of Black Hills Energy. The benefits for the Pension Plans are based on years of service and calculations of average earnings during a specific time period prior to retirement. Both Pension Plans have been frozen to new employees and certain employees who did not meet age and service based criteria.

Pension Plan assets are held in a Master Trust. Each Plan holds an undivided interest in the Master Trust. Our Board of Directors has approved the Plans' investment policy. The objective of the investment policy is to manage assets in such a way that will allow the eventual settlement of our obligations to the Pension Plans' beneficiaries. To meet this objective, our pension assets are managed by an outside adviser using a portfolio strategy that will provide liquidity to meet the Plans' benefit payment obligations. The Pension Plans' assets consist primarily of equity, fixed income and hedged investments. The expected long-term rate of return for investments was 6.75% and 7.25% for the 2014 and 2013 plan years, respectively. Our Pension Plan funding policy is in accordance with the federal government's funding requirements.

In 2011, the Cheyenne Light Pension Plan was amended to freeze the benefits of certain bargaining unit employees. This amendment was effective as of January 1, 2012. Additionally, effective October 1, 2012, the Cheyenne Light Pension Plan was merged into the BHC Pension Plan. The Pension Plan benefits are based on years of service and compensation levels.

Plan Assets

The percentages of total plan asset fair value by investment category for our Pension Plans at December 31 were as follows:

	2014	2013
Equity	27%	26%
Real estate	5	4
Fixed income	58	58
Cash	2	1
Hedge funds	8	11
Total	100%	100%

Supplemental Non-qualified Defined Benefit Plans

We have various supplemental retirement plans for key executives of the Company. The plans are non-qualified defined benefit and defined contribution plans (Supplemental Plans). The Supplemental Plans are subject to various vesting schedules and are not funded by the Company.

Plan Assets

We do not fund our Supplemental Plans. We fund on a cash basis as benefits are paid.

Non-pension Defined Benefit Postretirement Healthcare Plans

We sponsor three retiree healthcare plans (Healthcare Plans) for employees who meet certain age and service requirements at retirement. Healthcare Plan benefits are subject to premiums, deductibles, co-payment provisions and other limitations. A portion of the Healthcare Plans is pre-funded via VEBAs. Effective January 1, 2014, health care coverage for Medicare-eligible retirees will be provided through an individual market health care exchange for BHC and Black Hills Utility Holdings retirees.

Plan Assets

We fund the Healthcare Plans on a cash basis as benefits are paid. The Black Hills Energy Plan provides for partial pre-funding via VEBAs. Assets related to this pre-funding are held in trust and are for the benefit of the union and non-union employees of Black Hills Energy located in the states of Kansas and Iowa. We do not pre-fund the Postretirement Healthcare Plans for those employees outside Kansas and Iowa.

Plan Contributions

Contributions to the Pension Plans are cash contributions made directly to the Pension Plan Trust accounts. Healthcare and Supplemental Plan contributions are made in the form of benefit payments. Contributions for the years ended December 31 were as follows (in thousands):

	2014	2013
Defined Contribution Plan		
Company Retirement Contribution	$ 4,187	$ 2,775
Matching contributions - Defined Contribution Plans	$ 9,254	$ 8,524

	2014	2013
Defined Benefit Plans		
Defined Benefit Pension Plans	$ 10,200	$ 12,500
Non-Pension Defined Benefit Postretirement Healthcare Plans	$ 3,163	$ 5,123
Supplemental Non-Qualified Defined Benefit Plans	$ 1,553	$ 1,345

While we do not have required contributions, we expect to make approximately $10 million in contributions to our Defined Benefit Pension Plans in 2015.

Fair Value Measurements

As required by accounting standards for Compensation - Retirement Benefits, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

The following tables set forth, by level within the fair value hierarchy, the assets that were accounted for at fair value on a recurring basis (in thousands):

Defined Benefit Pension Plans	December 31, 2014			
	Level 1	Level 2	Level 3	Total
AXA Equitable General Fixed Income	$ —	$ 541	$ —	$ 541
Common Collective Trust - Cash and Cash Equivalents	—	4,013	—	4,013
Common Collective Trust - Equity	—	81,636	—	81,636
Common Collective Trust - Fixed Income	—	174,726	—	174,726
Common Collective Trust - Real Estate	—	3,864	9,719	13,583
Hedge Funds	—	—	25,034	25,034
Total investments measured at fair value	$ —	$ 264,780	$ 34,753	$ 299,533

Defined Benefit Pension Plans	December 31, 2013			
	Level 1	Level 2	Level 3	Total
AXA Equitable General Fixed Income	$ —	$ 1,056	$ —	$ 1,056
Common Collective Trust - Cash and Cash Equivalents	—	1,253	—	1,253
Common Collective Trust - Equity	—	73,726	—	73,726
Common Collective Trust - Fixed Income	—	162,747	—	162,747
Common Collective Trust - Real Estate	—	3,392	8,541	11,933
Hedge Funds	—	—	29,647	29,647
Total investments measured at fair value	$ —	$ 242,174	$ 38,188	$ 280,362

Non-pension Defined Benefit Postretirement Healthcare Plans	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Registered Investment Company Trust - Money Market Mutual Fund	$ —	$ 4,705	$ —	$ 4,705
Total investments measured at fair value	$ —	4,705	$ —	$ 4,705

Non-pension Defined Benefit Postretirement Healthcare Plans	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Registered Investment Company Trust - Money Market Mutual Fund	$ —	$ 4,546	$ —	$ 4,546
Total investments measured at fair value	$ —	$ 4,546	$ —	$ 4,546

The following table sets forth a summary of changes in the fair value of the Defined Benefit Pension Plans' Level 3 assets for the period ended December 31 (in thousands):

	2014	2013
Balance, beginning of period	$ 38,188	$ 7,770
Purchase	454	29,000
Unrealized gain (loss)	1,789	1,508
Realized gain (loss)	322	(77)
Settlements	(6,000)	(13)
Balance, end of period	$ 34,753	$ 38,188

The following table presents the quantitative information about Level 3 fair value measurements (dollars in thousands):

	Fair Value at December 31, 2014	Valuation Technique	Level 3 Input	Range (Weighted) Average
Assets:				
Common Collective Trust - Real Estate [a]	$ 9,719	Market Approach	Redemption Restriction	N/A
Hedge Funds [b]	$ 25,034	Market Approach	Redemption Restriction	N/A

(a) The underlying net asset value in the Common Collective Trust - Real Estate fund is determined by appraisal of the properties held in the Trust. As part of the Trustee's valuation process, properties are externally appraised generally on an annual basis. The appraisals are conducted by reputable independent appraisal firms and signed by appraisers that are members of the Appraisal Institute, with the professional designation of Member, Appraisal Institute. All external appraisals are performed in accordance with the Uniform Standards of Professional Appraisal Practices. We receive monthly statements from the Trustee along with the annual schedule of investments and rely on these reports for pricing the units of the fund. The fund does contain a participant withdrawal policy.

(b) The fair value of the Hedge Funds is determined based on pricing provided or reviewed by the third-party administrator to our investment managers. While the input amounts used by the pricing vendor in determining fair value are not provided, and therefore, unavailable for our review, the asset results are reviewed and monitored to ensure the fair values are reasonable and in line with market experience in similar asset classes. Additionally, the audited financial statements of the funds are reviewed at the time they are issued.

Additional information about assets of the Pension Plans, including methods and assumptions used to estimate the fair value of these assets, is as follows:

AXA Equitable General Fixed Income Fund: This fund is a diversified portfolio, primarily composed of fixed income instruments. Assets are invested in long-term holdings, such as commercial, agricultural and residential mortgages, publicly traded and privately place bonds and real estate as well as short-term bonds. Fair values of mortgage loans are measured by discounting future contractual cash flows to be received on the mortgage loans using interest rates at which loans with similar characteristics have. The discount rate is derived from taking the appropriate U.S. Treasury rate with a like term. The fair value of public fixed maturity securities are generally based on prices obtained from independent valuation service providers with reasonableness prices compared with directly observable market trades. The fair value of privately placed securities are determined using a discounted cash flow model. These models use observable inputs with a discount rate based upon the average of spread surveys collected from private market intermediaries and industry sector of the issuer.

Common Collective Trust Funds: These funds are valued based upon the redemption price of units held by the Plan, which is based on the current fair value of the common collective trust funds' underlying assets. Unit values are determined by the financial institution sponsoring such funds by dividing the fund's net assets at fair value by its units outstanding at the valuation dates. The Plan's investments in common collective trust funds, with the exception of shares of the common collective trust-real estate are categorized as Level 2.

Common Collective Trust-Real Estate Fund: This fund is valued based on various factors of the underlying real estate properties, including market rent, market rent growth, occupancy levels, etc. As part of the trustee's valuation process, properties are externally appraised generally on an annual basis. The appraisals are conducted by reputable independent appraisal firms and signed by appraisers that are members of the Appraisal Institute, with professional designation of Member, Appraisal Institute. All external appraisals are performed in accordance with the Uniform Standards of Professional Appraisal Practices. We receive monthly statements from the trustee, along with the annual schedule of investments, and rely on these reports for pricing the units of the fund. Certain of the funds' assets contain participant withdrawal policy and, therefore, are categorized as Level 3. The funds without participant withdrawal limitations are categorized as Level 2.

Hedge Funds: Hedge funds represent investments in other investment funds that seek a return utilizing a number of diverse investment strategies. The strategies, when combined aim to reduce volatility and risk while attempting to deliver positive returns under all market conditions. Amounts are reported on a one-month lag. The fair value of hedge funds is determined using net asset value per share based on the fair value of the hedge fund's underlying investments. Generally, shares may be redeemed at the end of each quarter, with a 65 day notice and are limited to a percentage of total net asset value of the fund. The net asset values are based on the fair value of each fund's underlying investments. There are no unfunded commitments related to these hedge funds. The Plan's investment in the hedge fund is categorized as Level 3.

Other Plan Information

The following tables provide a reconciliation of the employee benefit plan obligations, fair value of assets and amounts recognized in the statement of financial position, components of the net periodic expense and elements of accumulated other comprehensive income (in thousands):

Benefit Obligations

	Defined Benefit Pension Plans		Supplemental Non-qualified Defined Benefit Retirement Plans		Non-pension Defined Benefit Postretirement Plans	
	2014	2013	2014	2013	2014	2013
Change in benefit obligation:						
Projected benefit obligation at beginning of year	$ 321,400	363,235	$ 32,960	$ 34,393	$ 45,778	$ 46,681
Service cost	5,448	6,433	2,543	1,392	1,700	1,674
Interest cost	15,852	15,300	1,447	1,328	1,919	1,669
Actuarial (gain) loss (a)	55,384	(38,252)	5,814	(2,808)	2,275	(3,379)
Amendments (b)	—	—	—	—	—	1,585
Benefits paid (c)	(20,312)	(25,316)	(1,553)	(1,345)	(3,163)	(5,123)
Medicare Part D accrued	—	—	—	—	(99)	470
Plan participants' contributions	—	—	—	—	632	2,201
Projected benefit obligation at end of year	$ 377,772	$ 321,400	$ 41,211	$ 32,960	$ 49,042	$ 45,778

(a) Change from 2013 reflects a decrease in the discount rate and a change in the mortality tables used in employee benefit plan estimates.
(b) Reflects Board of Directors approval of an increase to Company's contribution to RMSA accounts.
(c) Benefits paid include payments made to terminated vested employees who elected lump-sum offerings of $6.1 million in 2014 and $13 million in 2013.

A reconciliation of the fair value of Plan assets was as follows (in thousands):

	Defined Benefit Pension Plans		Supplemental Non-qualified Defined Benefit Retirement Plans		Non-pension Defined Benefit Postretirement Plans [a]	
	2014	2013	2014	2013	2014	2013
Beginning market value of plan assets	$ 280,362	$ 268,816	$ —	$ —	$ 4,546	$ 4,351
Investment income (loss)	29,283	24,362	—	—	(43)	8
Employer contributions	10,200	12,500	—	—	2,733	1,923
Retiree contributions	—	—	—	—	632	1,533
Benefits paid	(20,312)	(25,316) [b]	—	—	(3,163)	(3,269)
Plan administrative expenses	—	—	—	—	—	—
Ending market value of plan assets	$ 299,533	$ 280,362	$ —	$ —	$ 4,705	$ 4,546

(a) Assets of VEBA.
(b) Benefits paid include payments made to terminated vested employees who elected a lump-sum offering of $6.1 million in 2014 and $13 million in 2013.

Amounts recognized in the Consolidated Balance Sheets at December 31 consist of (in thousands):

	Defined Benefit Pension Plans		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plans	
	2014	2013	2014	2013	2014	2013
Regulatory assets	$ 78,864	$ 48,419	$ —	$ —	$ 7,137	$ 5,535
Current liabilities	$ —	$ —	$ 1,486	$ 1,491	$ 3,273	$ 2,802
Non-current liabilities	$ 78,239	$ 41,034	$ 39,725	$ 32,033	$ 41,002	$ 38,412
Regulatory liabilities	$ —	$ —	$ —	$ —	$ 2,983	$ 3,141

<u>Accumulated Benefit Obligation</u>

(in thousands)	Defined Benefit Pension Plans		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plans	
	2014	2013	2014	2013	2014	2013
Accumulated benefit obligation - Black Hills Corporation	$ 135,582	$ 110,847	$ 29,843	$ 27,380	$ 12,809	$ 12,101
Accumulated benefit obligation - Black Hills Energy	213,398	182,295	386	513	25,456	25,467
Accumulated benefit obligation - Cheyenne Light	—	—	—	—	10,777	8,210
Total Accumulated Benefit Obligation	$ 348,980	$ 293,142	$ 30,229	$ 27,893	$ 49,042	$ 45,778

Components of Net Periodic Expense

(in thousands)	Defined Benefit Pension Plans			Supplemental Non-qualified Defined Benefit Plans			Non-pension Defined Benefit Postretirement Healthcare Plans		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Service cost	$ 5,448	$ 6,433	$ 5,720	$ 1,498	$ 1,392	$ 889	$ 1,700	$ 1,674	$ 1,610
Interest cost	15,852	15,300	14,747	1,447	1,328	1,410	1,919	1,669	2,093
Expected return on assets	(18,065)	(18,615)	(16,334)	—	—	—	(85)	(79)	(78)
Amortization of prior service cost	62	63	89	2	2	3	(428)	(500)	(500)
Recognized net actuarial loss (gain)	4,806	12,250	9,630	498	793	807	160	482	887
Net periodic expense	$ 8,103	$ 15,431	$ 13,852	$ 3,445	$ 3,515	$ 3,109	$ 3,266	$ 3,246	$ 4,012

Accumulated Other Comprehensive Income

In accordance with accounting standards for defined benefit plans, amounts included in Accumulated other comprehensive income (loss), after-tax, that have not yet been recognized as components of net periodic benefit cost at December 31 were as follows (in thousands):

	Defined Benefit Pension Plans		Supplemental Non-qualified Defined Benefit Plans		Non-pension Defined Benefit Postretirement Healthcare Plans	
	2014	2013	2014	2013	2014	2013
Net (gain) loss	$ 10,996	$ 4,842	$ 8,396	$ 4,939	$ 1,904	$ 1,648
Prior service cost (gain)	51	64	8	9	(1,218)	(1,213)
Total accumulated other comprehensive (income) loss	$ 11,047	$ 4,906	$ 8,404	$ 4,948	$ 686	$ 435

The amounts in Accumulated other comprehensive income (loss), Regulatory assets or Regulatory liabilities, after-tax, expected to be recognized as a component of net periodic benefit cost during calendar year 2015 are as follows (in thousands):

	Defined Benefit Pension Plans	Supplemental Non-qualified Defined Benefit Plans	Non-pension Defined Benefit Postretirement Healthcare Plans
Net loss	$ 7,174	$ 703	$ 295
Prior service cost (credit)	38	1	(278)
Total net periodic benefit cost expected to be recognized during calendar year 2015	$ 7,212	$ 704	$ 17

Assumptions

	Defined Benefit Pension Plans			Supplemental Non-qualified Defined Benefit Plans			Non-pension Defined Benefit Postretirement Healthcare Plans		
Weighted-average assumptions used to determine benefit obligations:	2014	2013	2012	2014	2013	2012	2014	2013	2012
Discount rate	4.20%	5.05%	4.30%	3.64%	4.21%	3.44%	3.92%	4.62%	3.85%
Rate of increase in compensation levels	3.78%	3.78%	3.84%	5.00%	5.00%	5.00%	N/A	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for plan year:	Defined Benefit Pension Plans			Supplemental Non-qualified Defined Benefit Plans			Non-pension Defined Benefit Postretirement Healthcare Plans		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Discount rate:									
Black Hills Corporation	5.10%	4.35%	4.68%	4.68%	3.88%	4.70%	4.45%	3.65%	4.35%
Black Hills Energy	5.00%	4.25%	4.60%	3.75%	3.00%	3.90%	4.25%	3.50%	4.35%
Cheyenne Light	N/A	N/A	N/A	N/A	N/A	N/A	5.15%	4.40%	4.65%
Expected long-term rate of return on assets [(a)]	6.75%	7.25%	7.25%	N/A	N/A	N/A	2.00%	2.00%	2.00%
Rate of increase in compensation levels	3.78%	3.78%	3.75%	5.00%	5.00%	5.00%	N/A	N/A	N/A

(a) The expected rate of return on plan assets is 6.75% for the calculation of the 2015 net periodic pension cost.

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

	Black Hills Corporation	Black Hills Energy	Cheyenne Light
2014			
Healthcare trend rate pre-65			
Trend for next year	7.50%	7.50%	7.50%
Ultimate trend rate	4.50%	4.50%	4.50%
Year Ultimate Trend Reached	2027	2027	2027
Healthcare trend rate post-65			
Trend for next year	6.25%	6.25%	6.25%
Ultimate trend rate	4.50%	4.50%	4.50%
Year Ultimate Trend Reached	2024	2024	2024
2013			
Healthcare trend rate pre-65			
Trend for next year	7.50%	7.50%	7.50%
Ultimate trend rate	4.50%	4.50%	4.50%
Year Ultimate Trend Reached	2027	2027	2027
Healthcare trend rate post-65			
Trend for next year	6.25%	6.25%	6.25%
Ultimate trend rate	4.50%	4.50%	4.50%
Year Ultimate Trend Reached	2026	2026	2026

We do not pre-fund our non-qualified pension plans or two of the three postretirement benefit plans. The table below shows the expected impacts of an increase or decrease to our healthcare trend rate for our Retiree Healthcare Plans (in thousands):

Change in Assumed Trend Rate	Impact on December 31, 2014 Accumulated Postretirement Benefit Obligation	Impact on 2014 Service and Interest Cost
Increase 1%	$ 2,635	$ 168
Decrease 1%	$ (2,166)	$ (136)

The following benefit payments, which reflect future service, are expected to be paid (in thousands):

	Defined Benefit Pension Plans	Supplemental Non-qualified Defined Benefit Plan	Non-Pension Defined Benefit Postretirement Healthcare Plans
2015	$ 14,712	$ 1,486	$ 3,921
2016	$ 15,629	$ 1,573	$ 4,011
2017	$ 16,561	$ 1,627	$ 4,057
2018	$ 17,556	$ 1,670	$ 4,169
2019	$ 18,741	$ 1,780	$ 4,236
2020-2024	$ 109,147	$ 8,901	$ 19,877

(18) COMMITMENTS AND CONTINGENCIES

Power Purchase and Transmission Services Agreements

Through our subsidiaries, we have the following significant long-term power purchase contracts with non-affiliated third-parties:

- Black Hills Wyoming sold its CTII 40 MW natural gas-fired generating unit to the City of Gillette, Wyoming on September 3, 2014. Under the terms of the sale, Black Hills Wyoming entered into ancillary agreements to operate CTII, provide use of shared facilities including a ground lease and dispatch generation services. In addition, the agreement includes a 20-year economy energy PPA that contains a sharing arrangement in which the parties share the savings of wholesale power purchases made when market power prices are less than the cost of operating the generating unit.

- Black Hills Power's PPA with PacifiCorp, expiring December 31, 2023, for the purchase of 50 MW of electric capacity and energy from PacifiCorp's system. The price paid for the capacity and energy is based on the operating costs of one of PacifiCorp's coal-fired electric generating plants.

- Black Hills Power has a firm point-to-point transmission service agreement with PacifiCorp that expires December 31, 2023. The agreement provides 50 MW of capacity and energy to be transmitted annually by PacifiCorp.

- Cheyenne Light's PPA with Duke Energy's Happy Jack wind site, expiring September 3, 2028, provides up to 30 MW of wind energy from Happy Jack to Cheyenne Light. Under a separate inter-company agreement, Cheyenne Light sells 50% of the facility output to Black Hills Power.

- Cheyenne Light's PPA with Duke Energy's Silver Sage wind site, expiring September 30, 2029, provides up to 30 MW of wind energy. Under a separate inter-company agreement, Cheyenne Light has agreed to sell 20 MW of energy from Silver Sage to Black Hills Power.

- Colorado Electric's PPA with Cargill expiring on December 31, 2015, which provides for the purchase of 50 MW energy during heavy load timing intervals.

- Colorado Electric's PPA with Cargill expiring on December 31, 2016, which provides for the purchase of 50 MW energy during light load timing intervals.

- Colorado Electric's REPA with AltaGas expiring October 16, 2037, provides up to 14.5 MW of wind energy from the Busch Ranch Wind Project in which Colorado Electric owns a 50% undivided ownership interest.

Costs under these power purchase contracts for the years ended December 31 were as follows (in thousands):

	2014	2013	2012
PPA with PacifiCorp	$ 13,943	$ 13,026	$ 13,224
Transmission services agreement with PacifiCorp	$ 1,227	$ 1,384	$ 1,215
PPA with Happy Jack	$ 3,919	$ 3,772	$ 1,988
PPA with Silver Sage	$ 4,798	$ 4,809	$ 3,269
Busch Ranch Wind Project	$ 1,998	$ 1,856	$ 502
PPAs with Cargill [(a)]	$ 9,286	$ 12,291	$ 14,236

(a) The 2013 and 2012 PPAs were one year contracts replaced by subsequent one year contracts upon expiration.

Other Gas Supply Agreements

Our Utilities also purchase natural gas, including transportation capacity to meet customers' needs, under short-term and long-term purchase contracts. These contracts extend to 2017.

Natural Gas Delivery Commitment

In 2012, we entered into a ten-year gas gathering and processing contract for natural gas production from our properties in the Piceance Basin in Colorado, under which we pay a gathering fee per Mcf. This take or pay contract requires us to pay the fee on a minimum of 20,000 Mcf per day, regardless of the volume delivered. The ten-year agreement expiring in 2024 became effective in first quarter of 2014 upon completion of the processing infrastructure capable of handling the committed volumes.

Future Minimum Payments

The following is a schedule of future minimum payments required under the power purchase, transmission services, coal and gas supply agreements and natural gas delivery commitments (in thousands):

2015	$	183,116
2016	$	131,716
2017	$	121,867
2018	$	69,000
2019	$	35,905
Thereafter	$	153,395

Future Purchase Agreement - Related Party

Cheyenne Light's PPA for 60 MW of capacity and energy from Black Hills Wyoming's Wygen I generating facility expiring on December 31, 2022, includes an option for Cheyenne Light to purchase Black Hills Wyoming's ownership in the Wygen I facility. The purchase price related to the option is $2.6 million per MW which is the equivalent per MW of the pre-construction estimated cost of the Wygen III plant, which was completed in April 2010. This option purchase price is adjusted for capital additions and reduced by an amount equal to annual depreciation based on a 35-year life starting January 1, 2009.

Power Sales Agreements

Through our subsidiaries, we have the following significant long-term power sales contracts with non-affiliated third-parties:

- During periods of reduced production at Wygen III in which MDU owns a portion of the capacity, or during periods when Wygen III is off-line, MDU will be provided with 25 MW from our other generation facilities or from system purchases with reimbursement of costs by MDU.

- Black Hills Power has an agreement to serve MDU capacity and energy up to a maximum of 50 MW in excess of Wygen III ownership.

- During periods of reduced production at Wygen III in which the City of Gillette owns a portion of the capacity, or during periods when Wygen III is off-line, we will provide the City of Gillette with its first 23 MW from our other generating facilities or from system purchases with reimbursement of costs by the City of Gillette. Under this agreement, Black Hills Power will also provide the City of Gillette their operating component of spinning reserves.

- Black Hills Power has a PPA with MEAN expiring April 1, 2015. Under this contract, MEAN purchases 5 MW of unit-contingent capacity from Neil Simpson II and 5 MW of unit-contingent capacity from Wygen III.

- Black Hills Power has a PPA with MEAN expiring May 31, 2023. This contract is unit-contingent on up to 10 MW from Neil Simpson II and up to 10 MW from Wygen III based on the availability of these plants. The capacity purchase requirements decrease over the term of the agreement.

Purchase Commitment

On October 14, 2014, we announced an agreement to acquire Energy West Wyoming, Inc., a Wyoming gas utility, and pipeline assets of Gas Natural, Inc. for $17 million. The gas utility serves approximately 6,700 customers, including service to Cody, Ralston and Meeteetse, Wyoming. The pipeline assets include a 30 mile gas transmission pipeline and a 42 mile gas gathering pipeline, both located near the utility service territory. This purchase is expected to be completed in 2015.

Related Party Lease

Colorado Electric's PPA with Black Hills Colorado IPP expiring on December 31, 2031, provides 200 MW of power to Colorado Electric from Black Hills Colorado IPP's combined-cycle turbines. This PPA is accounted for as a capital lease whereby Colorado Electric, as lessee, has included the combined-cycle turbines as property, plant and equipment along with the related lease obligation and Black Hills Colorado IPP, as lessor, has recorded a lease receivable. Segment revenue and expenses associated with the PPA have been impacted by the lease accounting. The effect of the lease accounting is eliminated in corporate consolidations.

Reimbursement Agreement

We have a reimbursement agreement in place with Wells Fargo on behalf of Cheyenne Light for the 2009A bonds of $10 million due in 2027 and the 2009B bonds of $7.0 million due in 2021. In the case of default, we hold the assumption of liability for drawings on Cheyenne Light's Letter of Credit attached to these bonds.

Environmental Matters

We are subject to costs resulting from a number of federal, state and local laws and regulations which affect future planning and existing operations. They can result in increased capital expenditures, operating and other costs as a result of compliance, remediation and monitoring obligations. Due to the environmental issues discussed below, we may be required to modify, curtail, replace or cease operating certain facilities or operations to comply with statutes, regulations and other requirements of regulatory bodies.

Air

Our generation facilities are subject to federal, state and local laws and regulations relating to the protection of air quality. These laws and regulations cover, among other pollutants, carbon monoxide, SO_2, NO_x, mercury particulate matter and GHG. Power generating facilities burning fossil fuels emit each of the foregoing pollutants and, therefore, are subject to substantial regulation and enforcement oversight by various governmental agencies.

Title IV of the Clean Air Act applies to several of our generation facilities, including the Neil Simpson II, Neil Simpson CT, Lange CT, Wygen I, Wygen II, Wygen III, Wyodak and Pueblo Airport Generating Station plants. Title IV of the Clean Air Act created an SO_2 allowance trading program as part of the federal acid rain program. Without purchasing additional allowances, we currently hold sufficient allowances to satisfy Title IV at all such plants through 2044.

The EPA issued the Industrial and Commercial Boiler Regulations for Area Sources of Hazardous Air Pollutants, with updates which impose emission limits, fuel requirements and monitoring requirements. The rule had a compliance deadline of March 21, 2014. In anticipation of this rule we suspended operations at the Osage plant in October 2010 and as a result of this rule, we suspended operations at the Ben French facility on August 31, 2012. We permanently retired Ben French, Osage and Neil Simpson I on March 21, 2014. In conjunction with the Colorado Clean Air Clean Jobs Act, the CPUC issued an order approving the closure of the W.N. Clark facility no later than December 31, 2013. This facility suspended operations December 31, 2012 and was retired on December 31, 2013. The net book value of these plants was allowed regulatory accounting treatment and is recorded as a Regulatory Asset on the Consolidated Balance Sheet. The CPUC also approved a CPCN for the retirement of Pueblo Units #5 and #6 effective December 31, 2013.

Solid Waste Disposal

Various materials used at our facilities are subject to disposal regulations. Our Osage plant, permanently retired on March 21, 2014, had an on-site ash impoundment that was near capacity. An application to close the impoundment was approved on April 13, 2012. Site closure work was completed in 2013 with the state providing closure certification in 2014. Post closure monitoring activities will continue for 30 years.

In September 2013, Osage also received a permit to close the small industrial rubble landfill. Site work was completed with the state providing closure certification in 2014. Post closure monitoring will continue for 30 years.

Our W.N. Clark plant, which has been retired, previously delivered coal ash to a permitted, privately-owned landfill. While we do not believe that any substances from our solid waste disposal activities will pollute underground water, we can provide no assurance that pollution will not occur over time. In this event, we could incur material costs to mitigate any resulting damages.

Reclamation Liability

For our Pueblo Airport Generation site, we posted a bond of $3.9 million with the State of Colorado to cover the costs of remediation for a waste water containment pond permitted to provide wastewater storage and processing for this zero discharge facility. The reclamation liability is recorded at the present value of the estimated future cost to reclaim the land.

Under its land lease for Busch Ranch, Colorado Electric is required to reclaim all land where it has placed wind turbines. The reclamation liability is recorded at the present value of the estimated future cost to reclaim the land.

Under its mining permit, WRDC is required to reclaim all land where it has mined coal reserves. The reclamation liability is recorded at the present value of the estimated future cost to reclaim the land.

See Note 7 for additional information.

Manufactured Gas Processing

As a result of the Aquila Transaction, we acquired whole and partial liabilities for several former manufactured gas processing sites in Nebraska and Iowa which were previously used to convert coal to natural gas. The acquisition provided for an insurance recovery, now valued at $1.3 million recorded in Other assets, non-current on our Consolidated Balance Sheets, which will be used to help offset remediation costs. The remediation cost estimate could change materially due to results of further investigations, actions of environmental agencies or the financial viability of other responsible parties.

In March 2011, Nebraska Gas executed an Allocation, Indemnification and Access Agreement with the successor to the former operator of the Nebraska MGPs. Under this agreement, Nebraska Gas agreed to remediate the Blair and Plattsmouth sites in Nebraska. Subsequent to this transaction, Nebraska Gas enrolled Blair and Plattsmouth in Nebraska's Voluntary Cleanup Program. Site remediation was completed in September 2012, however there is a potential for additional minimal remediation work at Plattsmouth where monitoring is required until 2015. Both Nebraska sites will be required to monitor groundwater quality for a minimum two year period, ending in 2015.

As of December 31, 2014, our estimated liabilities for all of the MGP sites currently range from approximately $2.7 million to $6.3 million for which we had $2.7 million accrued for remediation of sites as of December 31, 2014 included in Other deferred credits and other liabilities on our Consolidated Balance Sheets.

Prior to Black Hills Corporation's ownership, Aquila received rate orders that enabled recovery of environmental cleanup costs in certain jurisdictions. We anticipate recovery of these current and future costs would be allowed. Additionally, we may pursue recovery or agreements with other potentially responsible parties when and where permitted.

Legal Proceedings

In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations. We believe the amounts provided in the consolidated financial statements to satisfy alleged liabilities are adequate in light of the probable and estimable contingencies. However, there can be no assurance that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims and other matters discussed, and to comply with applicable laws and regulations will not exceed the amounts reflected in the consolidated financial statements.

In the normal course of business, we enter into agreements that include indemnification in favor of third parties, such as information technology agreements, purchase and sale agreements and lease contracts. We have also agreed to indemnify our directors, officers and employees in accordance with our articles of incorporation, as amended. Certain agreements do not contain any limits on our liability and therefore, it is not possible to estimate our potential liability under these indemnifications. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we maintain insurance policies that may provide coverage against certain claims under these indemnities.

<u>Oil Creek Fire</u>

On June 29, 2012, a forest and grassland fire occurred in the western Black Hills of Wyoming. A fire investigator retained by the Weston County Fire Protection District concluded that the fire was caused by the failure of a transmission structure owned, operated and maintained by Black Hills Power. On April 16, 2013, a large group of private landowners filed suit in the United States District Court for the District of Wyoming. There are approximately 36 Plaintiff groups (including property jointly owned by multiple family members or entities), or approximately 73 individually named private plaintiffs. In addition, the State of Wyoming has intervened in the lawsuit. Both the private landowners and the State of Wyoming assert claims for damages against Black Hills Power. The claims include allegations of negligence, negligence per se, common law nuisance and trespass. In addition to claims for compensatory damages, the lawsuit seeks recovery of punitive damages. We have denied and will vigorously defend all claims arising out of the fire. We cannot predict the outcome of our investigation, the viability of alleged claims or the outcome of the litigation.

Civil litigation of this kind, however, is likely to lead to settlement negotiations, including negotiations prompted by pre-trial civil court procedures. We believe such negotiations would effect a settlement of all claims. Regardless of whether the litigation is determined at trial or through settlement, we expect to incur significant investigation, legal and expert services expenses associated with the litigation. We maintain insurance coverage to limit our exposure to losses due to civil liability claims, and related litigation expense. We expect this coverage to limit our exposure and we will pursue recoveries to the maximum extent available under the policies. The deductible applicable to some types of claims arising out of this fire is $1.0 million. Based upon information currently available, we believe that a loss associated with settlement of pending claims is probable. Accordingly, as of September 30, 2014, we recorded a loss contingency liability related to these claims and we recorded a receivable for costs we believe are reimbursable and probable of recovery under our insurance coverage. Both of these entries reflect our reasonable estimate of probable future litigation expense and settlement costs; we did not base these contingencies on any determination that it is probable we would be found liable for these claims were they to be litigated.

Given the uncertainty of litigation, however, a loss related to the fire, the litigation and related claims in excess of the loss we have determined to be probable is reasonably possible. We cannot reasonably estimate the amount of such possible loss because our investigation and review of damage claims documentation is ongoing, and there are significant factual and legal issues to be resolved. Further claims may be presented by these claimants and other parties. We have received claims seeking recovery for fire suppression, reclamation and rehabilitation costs, damage to fencing and other personal property, alleged injury to timber, grass or hay, livestock and related operations, and diminished value of real estate, currently totaling $55 million. We are not yet able to reasonably estimate the amount of any reasonable possible losses in excess of the amount we have accrued. Based upon information currently available, however, management does not expect the outcome of the claims to have a material adverse effect upon our consolidated financial condition, results of operations or cash flows.

(19) GUARANTEES

We have entered into various agreements providing financial or performance assurance to third parties on behalf of certain of our subsidiaries. The agreements include indemnification for reclamation and surety bonds.

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

Nature of Guarantee	Maximum Exposure at December 31, 2014	Expiration
Indemnification for subsidiary reclamation/surety bonds [a]	$ 63,900	Ongoing

(a) We have guarantees in place for reclamation and surety bonds for our subsidiaries. The guarantees were entered into in the normal course of business. To the extent liabilities are incurred as a result of activities covered by the surety bonds, such liabilities are included in our Consolidated Balance Sheets.

During the second quarter of 2014, guarantees of Black Hills Utility Holdings' payment obligations up to $70 million arising from commodity transactions for natural gas supply were removed, primarily due to improvement of the corporate credit rating, as well as the conversion of certain guarantees to letters of credit.

(20) OIL AND GAS RESERVES (Unaudited)

BHEP has operating and non-operating interests in 1,205 gross developed oil and gas wells in 10 states and holds leases on approximately 240,816 net acres.

Costs Incurred

Following is a summary of costs incurred in oil and gas property acquisition, exploration and development during the years ended December 31 (in thousands):

	2014	2013	2012
Acquisition of properties:			
Proved	$ 4,881	$ 234	$ 2,437
Unproved	5,056	6,022	33,052
Exploration costs	54,355	12,817	115
Development costs	52,262	48,641	73,877
Asset retirement obligations incurred	68	143	158
Total costs incurred	$ 116,622	$ 67,857	$ 109,639

Reserves

The following table summarizes BHEP's quantities of proved developed and undeveloped oil, natural gas and NGL reserves, estimated using SEC-defined product prices, as of December 31, 2014, 2013 and 2012 and a reconciliation of the changes between these dates. These estimates are based on reserve reports by CG&A. Such reserve estimates are inherently imprecise and may be subject to revisions as a result of numerous factors including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions.

Minor differences in amounts may result in the following tables relating to oil and gas reserves due to rounding.

	2014			2013		2012	
	Oil	Gas	NGL	Oil	Gas	Oil	Gas
	(in Mbbls of oil and NGL, and MMcf of gas)						
Proved developed and undeveloped reserves:							
Balance at beginning of year	3,921	63,190	—	4,116	55,985	6,223	95,904
Production [(a)]	(337)	(7,156)	(135)	(336)	(6,984)	(560)	(8,686)
Additions - acquisitions (sales) [(b)]	(40)	(61)	—	(30)	(46)	(2,025)	(3,070)
Additions - extensions and discoveries	733	11,003	182	379	10,456	449	2,898
Revisions to previous estimates	(1)	(1,536)	1,673	(208)	3,779	29	(31,061)
Balance at end of year	4,276	65,440	1,720	3,921	63,190	4,116	55,985
Proved developed reserves at end of year included above	3,780	57,427	1,530	3,689	60,224	3,929	55,708
Proved undeveloped reserves at the end of year included in above	496	8,013	191	232	2,966	187	279
NYMEX prices	$ 94.99	$ 4.35	$ — [(c)]	$ 96.94	$ 3.67	$ 94.71	$ 2.76
Well-head reserve prices	$ 85.80	$ 3.33	$ 34.81	$ 89.79	$ 3.45	$ 85.31	$ 2.24

(a) Production for reserve calculations does not include volumes for natural gas liquids (NGLs) for historical periods.
(b) Reflects the sale of the majority of the Williston Basin assets during 2012.
(c) A specific NYMEX price for NGL is not available. Market prices for NGL are broken down by various liquid components, including ethane, propane, iso butane, normal butane, and natural gasoline. Each of these components is traded as an index. Presently, ethane is not being recovered at any of the facilities that process our natural gas production.

Reserve additions totaled 16.5 Bcfe, replacing 165% of annual production. Reserve additions resulted from drilling in the Piceance, Powder River and Williston Basins. Drilling in the Piceance for Mancos Shale accounted for 12.3 Bcfe, Williston Basin (Bakken Shale) accounted for 0.5 Bcfe and Powder River Basin drilling accounted for 3.7 Bcfe. Capital spending in 2014 was primarily for evaluation drilling in the Piceance for Mancos Shale and development drilling in the Williston Bakken Shale play. Exploratory drilling investments were made to develop oil opportunities. Future capital spending rates are anticipated to be dependent on product prices and success in other future drilling.

In 2014, we had positive revisions of 8.5 Bcfe to previous reserve estimates. Most of the positive revision was the result of reporting natural gas liquids (NGL) in reserves (4.0 Bcfe) and higher equivalent prices of liquids and gas received at the wellhead (2.9 Bcfe). Natural gas in 2013 and prior years was reported wet. We changed our process in 2014 to separate NGL from the wet gas stream, which resulted in an estimated equivalent volume change of 4.0 Bcfe. Most of this change from increased NGL recovery is from the Powder River Finn Field and the Piceance wells. The industry standard multiplication of liquid production by 6 to arrive at the equivalent gas volume results in higher overall equivalent volumes. This is offset by negative revisions of dry natural gas resulting from higher shrink factors during processing of the wet gas to dry gas and NGLs. We will continue to report oil, natural gas and NGL volumes in the future.

Better wellhead performance resulted in an addition of 2.7 Bcfe, most of which was in the Powder River Basin Finn field and from our 2013 Piceance wells. Higher operating costs caused a minor negative revision of 0.1 Bcfe to 2014 year-end reserves. One proved-undeveloped location in the San Juan Basin was dropped (0.9 Bcfe) because of economics. We sold approximately 0.3 Bcfe of Williston Bakken properties in 2014.

SEC regulations require that proved undeveloped (PUD) locations meet the test of being developed within five years of being categorized as proved. In 2014, we had no PUD locations that were required to be dropped because of the five year rule.

Companies are required to include a narrative disclosure of the total quantity of PUD locations at year end, any material changes in PUD locations during the year and investment and progress made in converting the PUD locations to proved developed during the year.

- In 2013, we had 23 gross PUD locations for 4.7 Bcfe; all of the locations were in the Williston, Piceance and San Juan Basins. In 2014, seven locations in the Williston Bakken Shale were drilled and we invested $3.9 million and developed 0.6 Bcfe. One PUD in the San Juan Basin was dropped for economic reasons. Two PUD locations in the Williston Bakken were sold in 2014.

- Thirteen gross PUD locations remain undrilled as of December 31, 2014. The remaining 2013 PUD locations require approximately $10.5 million of future investment, and when drilled will develop approximately 3.2 Bcfe. Twelve locations are in the Williston Bakken and one location is in the Piceance Basin.

- In 2014, we added 21 gross PUD locations for future Williston Bakken, Piceance Mancos and Powder River Basin drilling.

- The number of locations and reconciliation of our proved undeveloped reserve and future development costs in our year-end proved undeveloped reserves as of December 31, 2014 were:

	Proved Reserves (in Bcfe)	Gross PUD Locations	Future Development Costs (in millions)
Existing 2013:			
Williston	1.8	21	$ 8.6
Piceance	2.3	1	$ 6.4
San Juan	0.6	1	$ 0.9
Year End Total 2013	4.7	23	$ 15.9
Dropped 2013:			
San Juan	(0.6)	(1)	$ (0.9)
Drilled in 2014:			
Williston	(0.6)	(7)	$ (3.9)
Sold:			
Williston	(0.3)	(2)	$ (0.7)
Added in 2014:			
Williston	0.2	18	$ 1.0
Powder River	2.0	1	$ 13.0
Piceance	6.7	2	$ 17.5
	8.9	21	$ 31.5
Total Proved Undeveloped	12.1	34	$ 41.9

- None of our PUD locations have been reflected in our reserves for five or more years. Consistent with SEC guidance, these PUD locations will be monitored and reported each year until either drilled or revised.

Capitalized Costs

Following is information concerning capitalized costs for the years ended December 31 (in thousands):

	2014	2013	2012
Unproved oil and gas properties	$ 75,329	$ 62,553	$ 59,526
Proved oil and gas properties	807,518	725,345	662,444
Gross capitalized costs	882,847	787,898	721,970
Accumulated depreciation, depletion and amortization and valuation allowances [(a)]	(612,012)	(592,505)	(575,913)
Net capitalized costs	$ 270,835	$ 195,393	$ 146,057

(a) Reflects the sale of the majority of the Williston Basin assets during 2012 recorded under the full-cost method of accounting.

Results of Operations

Following is a summary of results of operations for producing activities for the years ended December 31 (in thousands):

	2014	2013	2012
Revenue	$ 55,114	$ 54,884	$ 79,072
Production costs	22,155	20,140	23,483
Gain on sale of assets	—	—	(75,854)
Depreciation, depletion and amortization and valuation provisions	23,288	16,717	28,613
Impairment of long-lived assets	—	—	49,571
Total costs	45,443	36,857	25,813
Results of operations from producing activities before tax	9,671	18,027	53,259
Income tax benefit (expense)	(3,415)	(6,308)	(18,901)
Results of operations from producing activities (excluding general and administrative costs and interest costs)	$ 6,256	$ 11,719	$ 34,358

Unproved Properties

Unproved properties not subject to amortization at December 31, 2014, 2013 and 2012 consisted mainly of exploration cost on various existing work-in-progress projects as well as leasehold acquired through significant natural gas and oil property acquisitions and through direct purchases of leasehold. We capitalized approximately $1.0 million, $1.1 million and $0.7 million of interest during 2014, 2013 and 2012, respectively, on significant investments in unproved properties that were not yet included in the amortization base of the full-cost pool. We will continue to evaluate our unevaluated properties; however, the timing of the ultimate evaluation and disposition of the properties has not been determined. We expect the exploration cost listed below to be added to the cost pool in the next year.

The table below sets forth the cost of unproved properties excluded from the amortization base as of December 31, 2014 and notes the year in which the associated costs were incurred (in thousands):

	2014	2013	2012	Prior	Total
Leasehold acquisition cost	$ 16,077	$ 4,889	$ 35,823	$ 13,412	$ 70,201
Exploration cost	23,954	10,212	—	—	34,166
Capitalized interest	207	748	360	3,813	5,128
Total	$ 40,238	$ 15,849	$ 36,183	$ 17,225	$ 109,495

Standardized Measure of Discounted Future Net Cash Flows

Following is a summary of the standardized measure of discounted future net cash flows and changes relating to proved oil and gas reserves for the years ended December 31 (in thousands):

	2014	2013	2012
Future cash inflows	$ 675,973	$ 602,501	$ 502,769
Future production costs	(245,180)	(213,578)	(186,695)
Future development costs, including plugging and abandonment	(45,123)	(40,557)	(8,462)
Future income tax expense	(29,523)	(81,566)	(69,877)
Future net cash flows	356,147	266,800	237,735
10% annual discount for estimated timing of cash flows	(173,125)	(107,375)	(101,632)
Standardized measure of discounted future net cash flows	$ 183,022	$ 159,425	$ 136,103

The following are the principal sources of change in the standardized measure of discounted future net cash flows during the years ended December 31 (in thousands):

	2014	2013	2012
Standardized measure - beginning of year	$ 159,425	$ 136,103	$ 203,357
Sales and transfers of oil and gas produced, net of production costs	(32,139)	(35,932)	(48,905)
Net changes in prices and production costs	(28,544)	15,126	(42,639)
Extensions, discoveries and improved recovery, less related costs	17,582	29,574	19,870
Changes in future development costs	3,195	(12,216)	43,854
Development costs incurred during the period	2,079	3,554	21,931
Revisions of previous quantity estimates	23,722	12,851	(86,277)
Accretion of discount	18,437	15,126	25,509
Net change in income taxes	19,265	(3,892)	36,578
Purchases of reserves	—	—	—
Sales of reserves [(a)]	—	(869)	(37,175)
Standardized measure - end of year	$ 183,022	$ 159,425	$ 136,103

(a) Reflects sale of Williston Basin assets in 2012.

Changes in the standardized measure from "revisions of previous quantity estimates" are driven by reserve revisions, modifications of production profiles and timing of future development. For all years presented, we had minimal net reserve revisions to prior estimates due to performance. Production forecast modifications are generally made at the well level each year through the reserve review process. These production profile modifications are based on incorporation of the most recent production information and applicable technical studies. Timing of future development investments are reviewed each year and are often modified in response to current market conditions for items such as permitting and service availability.

(21) SALE OF OPERATING ASSETS AND DISCONTINUED OPERATIONS

Partial Sale of Electric Utilities Assets

On September 18, 2012, Colorado Electric completed the sale of an undivided 50% ownership interest in the Busch Ranch Wind project for $25 million. Colorado Electric retains the remaining undivided interest and is the operator of this jointly owned facility. Commercial operation of the newly constructed wind farm commenced on October 16, 2012. Colorado Electric will purchase our partner's interest in the energy produced by the wind farm through a REPA. See Note 18 for further information.

Partial Sale of Oil and Gas Assets

On September 27, 2012, our Oil and Gas segment sold a majority of its Bakken and Three Forks shale assets in the Williston Basin in North Dakota. An effective date of July 1, 2012, was used to determine the sales price.

Our Oil and Gas segment follows the full-cost method of accounting for oil and gas activities. Typically, this methodology does not allow for gain or loss on sale and proceeds from sale are credited against the full cost pool. Gain or loss recognition is allowed when such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center. The Williston Basin asset sale significantly altered the relationship and accordingly we recorded a gain of $76 million with the remainder of the proceeds recorded as a reduction in the full cost pool. As a result of the reduction in the full cost pool from the sale of these assets, the depreciation, depletion and amortization rate declined during 2013.

Net cash proceeds, subsequent to the true-up of all post-closing adjustments, were as follows (in thousands):

Cash proceeds received on date of sale	$	243,314
Adjusted for:		
Post close adjustments		2,793
Transaction adviser fees		(1,400)
Estimated payment for contractual obligation related to "back-in" fee *		(16,847)
Net cash proceeds	$	227,860

* Required payment, triggered by the sale of the property, arising from a contractual obligation contained in the original participation agreement with the property operator.

Discontinued Operations

Results of operations for discontinued operations have been classified as Income from discontinued operations, net of income taxes in the accompanying Consolidated Statements of Income and Consolidated Statements of Cash Flows. For comparative purposes, all prior periods presented have been restated to reflect the reclassification on a consistent basis.

Energy Marketing Segment

On February 29, 2012, we sold the outstanding stock of our Energy Marketing segment, Enserco Energy Inc. The transaction was completed through a stock purchase agreement and certain other ancillary agreements. Net cash proceeds at date of sale were approximately $165 million, subject to final post-closing adjustments. Those proceeds represented $108 million received from the buyer and $58 million of cash retained from Enserco before closing.

The buyer asserted certain purchase price adjustments, some that we accepted, and several that we disputed. The disputed claims were resolved through a binding arbitration decision dated January 17, 2014. We expensed $1.4 million in 2012, relative to purchase price adjustments we accepted through a partial settlement agreement with the buyer, and an additional $1.1 million in 2013 relative to the claims assigned to arbitration. Loss from discontinued operations was $0.9 million for the twelve months ended December 31, 2013. Results for 2013 include the settlement of unresolved purchase price adjustments.

Operating results of the Energy Marketing segment included in Income (loss) from discontinued operations, net of tax on the accompanying Consolidated Statements of Income were as follows (in thousands):

For the Years Ended December 31,	2013	2012
Revenue	$ —	$ (604)
Pre-tax income (loss) from discontinued operations	—	(6,061)
Pre-tax gain (loss) on sale	(1,391)	(4,184)
Income tax (expense) benefit	507	3,268
Income (loss) from discontinued operations, net of tax [(a)]	$ (884)	$ (6,977)

(a) 2012 includes transaction related costs, net of tax, of $2.5 million for the year ended December 31, 2012.

Total indirect corporate costs and inter-segment interest expenses previously allocated to Enserco were not reclassified to discontinued operations in accordance with GAAP and instead have been reclassified to our Corporate segment.

(22) QUARTERLY HISTORICAL DATA (Unaudited)

The Company operates on a calendar year basis. The following tables set forth select unaudited historical operating results and market data for each quarter of 2014 and 2013, revised for the effects of the errors described in Note 1.

	First Quarter			Second Quarter		
	(in thousands, except per share amounts, dividends and common stock prices)					
	As Reported	Adjustments	Revised	As Reported	Adjustments	Revised
2014						
Revenue	$ 460,169	$ —	$ 460,169	$ 283,237	$ —	$ 283,237
Operating income	$ 89,598	$ 834	$ 90,432	$ 46,577	$ 835	$ 47,412
Income (loss) from continuing operations	$ 48,118	$ 527	$ 48,645	$ 19,820	$ 527	$ 20,347
Net income (loss) available for common stock	$ 48,118	$ 527	$ 48,645	$ 19,820	$ 527	$ 20,347
Income (loss) per share - Basic	$ 1.09	$ 0.01	$ 1.10	$ 0.45	$ 0.01	$ 0.46
Income (loss) per share - Diluted	$ 1.08	$ 0.01	$ 1.09	$ 0.44	$ 0.02	$ 0.46
Dividends paid per share	$ 0.390	$ —	$ 0.390	$ 0.390	$ —	$ 0.390
Common stock prices - High	$ 59.05	$ —	$ 59.05	$ 61.41	$ —	$ 61.41
Common stock prices - Low	$ 51.09	$ —	$ 51.09	$ 55.23	$ —	$ 55.23

	Third Quarter			Fourth Quarter		
	(in thousands, except per share amounts, dividends and common stock prices)					
	As Reported	Adjustments	Revised	As Reported	Adjustments	Revised
2014						
Revenue	$ 272,087	$ —	$ 272,087	$ 378,077	$ —	$ 378,077
Operating income	$ 54,404	$ 834	$ 55,238	$ 69,951	$ 835	$ 70,786
Income (loss) from continuing operations	$ 26,836	$ 527	$ 27,363	$ 34,007	$ 527	$ 34,534
Net income (loss) available for common stock	$ 26,836	$ 527	$ 27,363	$ 34,007	$ 527	$ 34,534
Income (loss) per share - Basic	$ 0.60	$ 0.01	$ 0.61	$ 0.77	$ 0.01	$ 0.78
Income (loss) per share - Diluted	$ 0.60	$ 0.01	$ 0.61	$ 0.76	$ 0.01	$ 0.77
Dividends paid per share	$ 0.390	$ —	$ 0.390	$ 0.390	$ —	$ 0.390
Common stock prices - High	$ 62.13	$ —	$ 62.13	$ 57.17	$ —	$ 57.17
Common stock prices - Low	$ 47.87	$ —	$ 47.87	$ 47.11	$ —	$ 47.11

	First Quarter			Second Quarter		
	(in thousands, except per share amounts, dividends and common stock prices)					
	As Reported	Adjustments	Revised	As Reported	Adjustments	Revised
2013						
Revenue	$ 380,671	$ —	$ 380,671	$ 279,826	$ —	$ 279,826
Operating income	$ 79,846	$ 973	$ 80,819	$ 49,037	$ 974	$ 50,011
Income (loss) from continuing operations [a] [b]	$ 43,197	$ 615	$ 43,812	$ 30,518	$ 615	$ 31,133
Income (loss) from discontinued operations	$ —	$ —	$ —	$ —	$ —	$ —
Net income (loss) available for common stock [a] [b]	$ 43,197	$ 615	$ 43,812	$ 30,518	$ 615	$ 31,133
Income (loss) per share for continuing operations - Basic	$ 0.98	$ 0.01	$ 0.99	$ 0.69	$ 0.01	$ 0.70
Income (loss) per share for discontinued operations - Basic	$ —	$ —	$ —	$ —	$ —	$ —
Income (loss) per share - Basic	$ 0.98	$ 0.01	$ 0.99	$ 0.69	$ 0.01	$ 0.70
Income (loss) per share for continuing operations - Diluted	$ 0.97	$ 0.02	$ 0.99	$ 0.69	$ 0.01	$ 0.70
Income (loss) per share for discontinued operations - Diluted	$ —	$ —	$ —	$ —	$ —	$ —
Income (loss) per share - Diluted	$ 0.97	$ 0.02	$ 0.99	$ 0.69	$ 0.01	$ 0.70
Dividends paid per share	$ 0.380	$ —	$ 0.380	$ 0.380	$ —	$ 0.380
Common stock prices - High	$ 44.32	$ —	$ 44.32	$ 50.53	$ —	$ 50.53
Common stock prices - Low	$ 36.89	$ —	$ 36.89	$ 43.19	$ —	$ 43.19

	Third Quarter			Fourth Quarter		
	(in thousands, except per share amounts, dividends and common stock prices)					
	As Reported	Adjustments	Revised	As Reported	Adjustments	Revised
2013						
Revenue	$ 259,907	$ —	$ 259,907	$ 355,448	$ —	$ 355,448
Operating income	$ 55,566	$ 973	$ 56,539	$ 71,103	$ 973	$ 72,076
Income (loss) from continuing operations (a) (b)	$ 23,124	$ 616	$ 23,740	$ 19,007	$ 615	$ 19,622
Income (loss) from discontinued operations	$ —	$ —	$ —	$ (884)	$ —	$ (884)
Net income (loss) available for common stock (a) (b)	$ 23,124	$ 616	$ 23,740	$ 18,123	$ 615	$ 18,738
Income (loss) per share for continuing operations - Basic	$ 0.52	$ 0.02	$ 0.54	$ 0.43	$ 0.02	$ 0.45
Income (loss) per share for discontinued operations - Basic	$ —	$ —	$ —	$ (0.02)	$ —	$ (0.02)
Income (loss) per share - Basic	$ 0.52	$ 0.02	$ 0.54	$ 0.41	$ 0.02	$ 0.43
Income (loss) per share for continuing operations - Diluted	$ 0.52	$ 0.01	$ 0.53	$ 0.43	$ 0.01	$ 0.44
Income (loss) per share for discontinued operations - Diluted	$ —	$ —	$ —	$ (0.02)	$ —	$ (0.02)
Income (loss) per share - Diluted	$ 0.52	$ 0.01	$ 0.53	$ 0.41	$ 0.01	$ 0.42
Dividends paid per share	$ 0.380	$ —	$ 0.380	$ 0.380	$ —	$ 0.380
Common stock prices - High	$ 55.09	$ —	$ 55.09	$ 54.89	$ —	$ 54.89
Common stock prices - Low	$ 46.62	$ —	$ 46.62	$ 47.00	$ —	$ 47.00

(a) Includes unrealized mark-to-market gain (loss) for interest rate swaps of $4.8 million, $12 million, $2.0 million and $0.5 million after-tax in the first, second, third and fourth quarters, respectively.

(b) Fourth quarter 2013 includes $7.6 million after-tax for a make-whole premium and write-off of deferred financing costs relating to the early redemption of our $250 million notes and interest expense on new debt and a $6.6 million after-tax expense relating to the settlement of interest rate swaps in conjunction with the prepayment of Black Hills Wyoming's project financing and write-off of deferred financing costs.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act)) as of December 31, 2014.

At the time the Original Filing was filed on February 25, 2015, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that disclosure controls and procedures were effective as of December 31, 2014.

Subsequent to the evaluation, management has determined that a deficiency in internal control existed related to the full-cost ceiling test impairment calculation, more fully discussed in Management's Report on Internal Control Over Financial Reporting (Revised), included in Item 8, represented a material weakness in our internal control over financial reporting. As a result, management has concluded our disclosure controls and procedures were not effective as of December 31, 2014.

In light of the material weakness referred to above, we performed additional procedures in order to conclude our consolidated financial statements in this Form 10-K/A were prepared in accordance with generally accepted accounting principles and as a result, our management, including our Chief Executive Officer and Chief Financial Officer, have concluded that the consolidated financial statements in this Form 10-K/A fairly present in all material respects our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Changes in Internal Controls over Financial Reporting

During the quarter ended December 31, 2014, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

While no changes to our internal controls over financial reporting are noted during the quarter ended December 31, 2014, a material weakness was identified as set forth in "Management's Report on Internal Control over Financial Reporting" (Revised), included in Item 8. Management believes the measures described below will remediate the identified control deficiency and enhance our internal controls over financial reporting.

In response to the identified material weakness, management reviewed the process and controls surrounding the oil and gas ceiling test impairment calculation. Management, with oversight from our Audit Committee, developed a plan of remediation that includes changes to processes to prevent or detect similar future occurrences. As a result of this plan, the following control remediation steps are being taken.

- Employees involved with preparation and review of the ceiling test calculation will be trained to reinforce the understanding of the requirements associated with appropriately performing this calculation, particularly as it relates to deferred taxes.
- The model used to calculate the ceiling test will be further updated and refined to ensure the appropriate application of accounting for all components is embedded within the model.
- Management will engage an external consultant with experience in the Oil and Gas industry to assist in reviewing the ceiling test model, when appropriate in consideration of risk associated with market or business changes.

ITEM 9B. OTHER INFORMATION

None.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements

Financial statements required under this item are included in Item 8 of Part II

2. Schedules

Schedule II — Consolidated Valuation and Qualifying Accounts for the years ended December 31, 2014, 2013 and 2012

All other schedules have been omitted because of the absence of the conditions under which they are required or because the required information is included in our consolidated financial statements and notes thereto.

3. Exhibits

SCHEDULE II

BLACK HILLS CORPORATION
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

Description	Balance at Beginning of Year	Adjustments	Additions Charged to Costs and Expenses	Recoveries and Other Additions	Write-offs and Other Deductions	Balance at End of Year
			(in thousands)			
Allowance for doubtful accounts:						
2014	$ 1,237	$ —	$ 4,470	$ 4,233	$ (8,424)	$ 1,516
2013	$ 768	$ —	$ 2,780	$ 4,999	$ (7,310)	$ 1,237
2012	$ 1,661	$ —	$ 1,913	$ 3,822	$ (6,628)	$ 768

3. Exhibits

Exhibit Number	Description
3.1*	Restated Articles of Incorporation of the Registrant (filed as Exhibit 3 to the Registrant’s Form 10-K for 2004).
3.2*	Amended and Restated Bylaws of the Registrant dated January 28, 2010 (filed as Exhibit 3 to the Registrant’s Form 8-K filed on February 3, 2010).
4.1*	Indenture dated as of May 21, 2003 between the Registrant and Wells Fargo Bank, National Association (as successor to LaSalle Bank National Association), as Trustee (filed as Exhibit 4.1 to the Registrant’s Form 10-Q for the quarterly period ended June 30, 2003). First Supplemental Indenture dated as of May 21, 2003 (filed as Exhibit 4.2 to the Registrant’s Form 10-Q for the quarterly period ended June 30, 2003). Second Supplemental Indenture dated as of May 14, 2009 (filed as Exhibit 4 to the Registrant’s Form 8-K filed on May 14, 2009). Third Supplemental Indenture dated as of July 16, 2010 (filed as Exhibit 4 to Registrant’s Form 8-K filed on July 15, 2010). Fourth Supplemental Indenture dated as of November 19, 2013 (filed as Exhibit 4 to the Registrant’s Form 8-K filed on November 18, 2013).
4.2*	Restated and Amended Indenture of Mortgage and Deed of Trust of Black Hills Corporation (now called Black Hills Power, Inc.) dated as of September 1, 1999 (filed as Exhibit 4.19 to the Registrant’s Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-3 (No. 333-150669)). First Supplemental Indenture, dated as of August 13, 2002, between Black Hills Power, Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank), as Trustee (filed as Exhibit 4.20 to the Registrant’s Post-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form S-3 (No. 333-150669)). Second Supplemental Indenture, dated as of October 27, 2009, between Black Hills Power, Inc. and The Bank of New York Mellon (filed as Exhibit 4.21 to the Registrant’s Post-Effective Amendment No. 2 to the Registrant’s Registration Statement on Form S-3 (No. 333-150669)). Third Supplemental Indenture, dated as of October 1, 2014, between Black Hills Power, Inc. and The Bank of New York Mellon (filed as Exhibit 10.1 to the Registrant’s Form 8-K filed on October 2, 2014).
4.3*	Restated Indenture of Mortgage, Deed of Trust, Security Agreement and Financing Statement, amended and restated as of November 20, 2007, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.2 to the Registrant’s Form 8-K filed on October 2, 2014). First Supplemental Indenture, dated as of September 3, 2009, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.3 to the Registrant’s Form 8-K filed on October 2, 2014). Second Supplemental Indenture, dated as of October 1, 2014, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.4 to the Registrant’s Form 8-K filed on October 2, 2014).
4.4*	Form of Stock Certificate for Common Stock, Par Value $1.00 Per Share (filed as Exhibit 4.2 to the Registrant’s Form 10-K for 2000).
10.1*†	Amended and Restated Pension Equalization Plan of Black Hills Corporation dated November 6, 2001 (filed as Exhibit 10.11 to the Registrant’s Form 10-K/A for 2001). First Amendment to Pension Equalization Plan (filed as Exhibit 10.10 to the Registrant’s Form 10-K for 2002). Grandfather Amendment to the Amended and Restated Pension Equalization Plan of Black Hills Corporation (filed as Exhibit 10.2 to the Registrant’s Form 10-K for 2008).
10.2*†	2005 Pension Equalization Plan of Black Hills Corporation (filed as Exhibit 10.3 to the Registrant’s Form 10-K for 2008).
10.3*†	Restoration Plan of Black Hills Corporation (filed as Exhibit 10.5 to the Registrant’s Form 10-K for 2008). First Amendment to the Restoration Plan of Black Hills Corporation dated July 24, 2011 (filed as Exhibit 10.2 to the Registrant’s Form 10-Q for the quarterly period ended June 30, 2011).

10.4*†	Black Hills Corporation Non-qualified Deferred Compensation Plan as Amended and Restated effective January 1, 2011 (filed as Exhibit 10.4 to the Registrant's Form 10-K for 2010).
10.5*†	Black Hills Corporation 2005 Omnibus Incentive Plan ("Omnibus Plan") (filed as Appendix A to the Registrant's Proxy Statement filed April 13, 2005). First Amendment to the Omnibus Plan (filed as Exhibit 10.11 to the Registrant's Form 10-K for 2008). Second Amendment to the Omnibus Plan (filed as Exhibit 10 to the Registrant's Form 8-K filed on May 26, 2010).
10.6*†	Form of Stock Option Agreement for Omnibus Plan effective for awards granted on or after January 1, 2009 (filed as Exhibit 10.13 to the Registrant's Form 10-K for 2008). Form of Stock Option Agreement for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.7 to the Registrant's Form 10-K for 2013).
10.7*†	Form of Restricted Stock Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2009 (filed as Exhibit 10.15 to the Registrant's Form 10-K for 2008). Form of Restricted Stock Award for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.9 to the Registrant's Form 10-K for 2013).
10.8*†	Form of Restricted Stock Unit Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.10 to the Registrant's Form 10-K for 2013).
10.9*†	Form of Performance Share Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2012 (filed as Exhibit 10.10 to Registrant's Form 10-K for 2011). Form of Performance Share Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.12 to the Registrant's Form 10-K for 2013).
10.10*†	Form of Performance Share Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2015. (filed as Exhibit 10.10 to the Registrant's Form 10-K for 2014)
10.11*†	Form of Short-term Incentive for Omnibus Plan effective for awards granted on or after January 1, 2010 (filed as Exhibit 10.1 to the Registrant's Form 10-Q for the quarterly period ended March 31, 2010).
10.12*†	Form of Indemnification Agreement (filed as Exhibit 10.5 to the Registrant's Form 8-K filed on September 3, 2004).
10.13*†	Change in Control Agreement dated November 15, 2013 between Black Hills Corporation and David R. Emery (filed as Exhibit 10.1 to the Registrant's Form 8-K filed on November 19, 2013).
10.14*†	Form of Change in Control Agreements between Black Hills Corporation and its non-CEO Senior Executive Officers (filed as Exhibit 10.2 to the Registrant's Form 8-K filed on November 19, 2013).
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10.20*	Credit Agreement, dated June 21, 2013 among Black Hills Corporation, as Borrower, J.P. Morgan Chase Bank, N.A., in its capacity as administrative agent for the Banks under the Credit Agreement, and as a Bank, and the other Banks party thereto (filed as Exhibit 10 to the Registrant's Form 8-K filed on June 24, 2013).
10.21*	Credit Agreement, dated May 29, 2014, among Black Hills Corporation, as Borrower, U.S. Bank, National Association, in its capacity as administrative agent for the Banks under the Credit Agreement, and as a Bank, and the other banks party thereto (filed as Exhibit 10 to the Registrant's Form 8-K filed on May 30, 2014).
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31.2	Certification of Chief Financial Officer pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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95*	Mine Safety and Health Administration Safety Data (Filed as Exhibit 95 to Registrant's Form 10-K for 2014).
99*	Report of Cawley, Gillespie & Associates, Inc. (filed as exhibit 99 to Registrant's Form 10-K for 2014).
101	Financial Statements in XBRL Format

* Previously filed as part of the filing indicated and incorporated by reference herein.
† Indicates a board of director or management compensatory plan.
(a) See (a) 3. Exhibits above.
(b) See (a) 2. Schedules above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLACK HILLS CORPORATION

By: /S/ DAVID R. EMERY
David R. Emery, Chairman, President
and Chief Executive Officer

Dated: August 6, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/S/ DAVID R. EMERY David R. Emery, Chairman, President and Chief Executive Officer	Director and Principal Executive Officer	August 6, 2015
/S/ RICHARD W. KINZLEY Richard W. Kinzley, Senior Vice President and Chief Financial Officer	Principal Financial and Accounting Officer	August 6, 2015

INDEX TO EXHIBITS

Exhibit Number	Description
3.1*	Restated Articles of Incorporation of the Registrant (filed as Exhibit 3 to the Registrant's Form 10-K for 2004).
3.2*	Amended and Restated Bylaws of the Registrant dated January 28, 2010 (filed as Exhibit 3 to the Registrant's Form 8-K filed on February 3, 2010).
4.1*	Indenture dated as of May 21, 2003 between the Registrant and Wells Fargo Bank, National Association (as successor to LaSalle Bank National Association), as Trustee (filed as Exhibit 4.1 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2003). First Supplemental Indenture dated as of May 21, 2003 (filed as Exhibit 4.2 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2003). Second Supplemental Indenture dated as of May 14, 2009 (filed as Exhibit 4 to the Registrant's Form 8-K filed on May 14, 2009). Third Supplemental Indenture dated as of July 16, 2010 (filed as Exhibit 4 to the Registrant's Form 8-K filed on July 15, 2010). Fourth Supplemental Indenture dated as of November 19, 2013 (filed as Exhibit 4 to the Registrants' Form 8-K filed on November 18, 2013).
4.2*	Restated and Amended Indenture of Mortgage and Deed of Trust of Black Hills Corporation (now called Black Hills Power, Inc.) dated as of September 1, 1999 (filed as Exhibit 4.19 to the Registrant's Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-3 (No. 333-150669)). First Supplemental Indenture, dated as of August 13, 2002, between Black Hills Power, Inc. and The Bank of New York Mellon (as successor to JPMorgan Chase Bank), as Trustee (filed as Exhibit 4.20 to the Registrant's Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S‑3 (No. 333‑150669)). Second Supplemental Indenture, dated as of October 27, 2009, between Black Hills Power, Inc. and The Bank of New York Mellon (filed as Exhibit 4.21 to the Registrant's Post-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-3 (No. 333-150669)). Third Supplemental Indenture, dated as of October 1, 2014, between Black Hills Power, Inc. and The Bank of New York Mellon (filed as Exhibit 10.1 to the Registrant's Form 8-K filed on October 2, 2014).
4.3*	Restated Indenture of Mortgage, Deed of Trust, Security Agreement and Financing Statement, amended and restated as of November 20, 2007, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.2 to the Registrant's Form 8-K filed on October 2, 2014). First Supplemental Indenture, dated as of September 3, 2009, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.3 to the Registrant's Form 8-K filed on October 2, 2014). Second Supplemental Indenture, dated as of October 1, 2014, between Cheyenne Light, Fuel and Power Company and Wells Fargo Bank, National Association (filed as Exhibit 10.4 to the Registrant's Form 8-K filed on October 2, 2014).
4.4*	Form of Stock Certificate for Common Stock, Par Value $1.00 Per Share (filed as Exhibit 4.2 to the Registrant's Form 10-K for 2000).
10.1*†	Amended and Restated Pension Equalization Plan of Black Hills Corporation dated November 6, 2001 (filed as Exhibit 10.11 to the Registrant's Form 10-K/A for 2001). First Amendment to Pension Equalization Plan (filed as Exhibit 10.10 to the Registrant's Form 10-K for 2002). Grandfather Amendment to the Amended and Restated Pension Equalization Plan of Black Hills Corporation (filed as Exhibit 10.2 to the Registrant's Form 10-K for 2008).
10.2*†	2005 Pension Equalization Plan of Black Hills Corporation (filed as Exhibit 10.3 to the Registrant's Form 10-K for 2008).
10.3*†	Restoration Plan of Black Hills Corporation (filed as Exhibit 10.5 to the Registrant's Form 10-K for 2008). First Amendment to the Restoration Plan of Black Hills Corporation dated July 24, 2011 (filed as Exhibit 10.2 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2011).
10.4*†	Black Hills Corporation Non-qualified Deferred Compensation Plan as Amended and Restated effective January 1, 2011 (filed as Exhibit 10.4 to the Registrant's Form 10-K for 2010).

10.5*†	Black Hills Corporation 2005 Omnibus Incentive Plan (”Omnibus Plan”) (filed as Appendix A to the Registrant’s Proxy Statement filed April 13, 2005). First Amendment to the Omnibus Plan (filed as Exhibit 10.11 to the Registrant’s Form 10-K for 2008). Second Amendment to the Omnibus Plan (filed as Exhibit 10 to the Registrant’s Form 8-K filed on May 26, 2010).
10.6*†	Form of Stock Option Agreement for Omnibus Plan effective for awards granted on or after January 1, 2009 (filed as Exhibit 10.13 to the Registrant’s Form 10-K for 2008). Form of Stock Option Agreement for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.7 to the Registrant’s Form 10-K for 2013.
10.7*†	Form of Restricted Stock Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2009 (filed as Exhibit 10.15 to the Registrant’s Form 10-K for 2008). Form of Restricted Stock Award for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.9 to the Registrant’s Form 10-K for 2013).
10.8*†	Form of Restricted Stock Unit Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.10 to the Registrant’s Form 10-K for 2013).
10.9*†	Form of Performance Share Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2012 (filed as Exhibit 10.10 to the Registrant’s Form 10-K for 2011). Form of Performance Share Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2014 (filed as Exhibit 10.12 to the Registrant’s Form 10-K for 2013).
10.10*†	Form of Performance Share Award Agreement for Omnibus Plan effective for awards granted on or after January 1, 2015 (filed as Exhibit 10.10 to Registrant’s Form 10-K for 2014).
10.11*†	Form of Short-Term Incentive for Omnibus Plan effective for awards granted on or after January 1, 2010 (filed as Exhibit 10.1 to the Registrant’s Form 10-Q for the quarterly period ended March 31, 2010).
10.12*†	Form of Indemnification Agreement (filed as Exhibit 10.5 to the Registrant’s Form 8-K filed on September 3, 2004).
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BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

IN THE MATTER OF THE JOINT APPLICATION OF SOURCEGAS DISTRIBUTION LLC, SOURCEGAS LLC, SOURCEGAS HOLDINGS LLC, AND BLACK HILLS UTILITY HOLDINGS, INC. FOR ALL NECESSARY AUTHORIZATIONS AND APPROVALS FOR BLACK HILLS UTILITY HOLDINGS, INC. TO ACQUIRE SOURCEGAS HOLDINGS LLC	**))))))))))**	**Application No. NG-0084**

PREFILED DIRECT TESTIMONY OF

KYLE D. WHITE

INDEX

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kyle D. White. My business address is 625 9th Street, Rapid City, South Dakota 57701.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Black Hills Service Company ("Service Company"), a wholly-owned subsidiary of Black Hills Corporation ("Black Hills"), as Vice President of Regulatory Affairs. My areas of responsibility include regulatory affairs for the regulated utility subsidiaries of Black Hills.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of one of the Joint Applicants, Black Hills Utility Holdings, Inc. ("BHUH"). BHUH is a subsidiary of Black Hills.

II. STATEMENT OF QUALIFICATIONS

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS BACKGROUND.

A. I graduated with honors from the University of South Dakota in May of 1982 with a Bachelor of Science degree in Business Administration, majoring in management. In August of 1989 I graduated with a Master's degree in Business Administration, also from the University of South Dakota. I have been employed by Black Hills in rate, resource planning and marketing related work since July of 1982 and have been in my present position since August of 2012. During my career, I have been actively involved in preparing applications, testifying and receiving regulatory approvals related to numerous rate cases, changes in rules or regulations, and requests for certificates of public convenience and necessity for both power generation and transmission. I have also led successful efforts to achieve regulatory approvals for utility acquisitions in five states. In addition to on-the-job training, I have also attended numerous seminars, trade association meetings, and regulatory conferences covering a variety of utility-related subjects.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. No.

III. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. My testimony supports the Joint Application seeking approval of BHUH's acquisition of SourceGas Holdings LLC ("SourceGas Holdings"). SourceGas Holdings is the indirect parent of SourceGas Distribution LLC ("SourceGas Distribution"), a regulated gas utility in Nebraska. I discuss Black Hills' approach to common cost allocation issues, which it will apply to SourceGas Distribution. (Section IV) I also discuss the integration of SourceGas Distribution into Black Hills, focusing particularly on the corporate structural provisions, often referred to as "ring fencing" provisions, that Black Hills will implement to insulate SourceGas Distribution from adverse factors that may impact Black Hills' unregulated affiliates. (Section V)

Q. HAS THE TESTIMONY WHICH YOU ARE SPONSORING BEEN PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

IV. COMMON SERVICE COST ALLOCATION

Q. PLEASE DESCRIBE HOW COMMON SERVICES ARE PROVIDED AND ALLOCATED TO BLACK HILLS' OPERATING COMPANIES.

A. Black Hills provides various corporate services (*e.g.*, accounting, finance, human resources, information technology, risk management, regulatory affairs, governance, and legal services) to its affiliated companies in the Black Hills system through Service

Company. In addition, BHUH holds shared resources and assets related to gas supply services that are utilized by Black Hills' operating gas utilities; these include information technology, customer information, billing and collections, call centers, and other shared resources. The costs of goods and services provided by Service Company and BHUH that can be directly assigned to a subsidiary are billed directly to that business unit. The indirect costs that are not associated with an identified subsidiary or that are attributable to more than one business unit are allocated as described in the Cost Allocation Manuals ("CAM") for Service Company and BHUH. Operating subsidiaries like Black Hills/Nebraska Gas Utility Company, LLC d/b/a Black Hills Energy ("Black Hills/Nebraska Gas Utility") have written service agreements with Service Company and BHUH, through which centralized corporate services are provided at cost by these direct charges and indirect charges. SourceGas Distribution will have similar service agreements.

Q. WHAT IS A CAM?

A. A CAM is a manual, prepared in accordance with generally accepted accounting principles, that sets forth cost allocation methodologies to properly account for investments, expenses, and revenues when a utility provides both regulated and non-regulated services. More relevant to the questions of common costs here, a CAM also addresses cost allocation as between jurisdictions, and as between different utility divisions, including allocations of costs for centralized corporate services provided to operating entities.

Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN DIRECT AND INDIRECT CHARGES WITH RESPECT TO THE ASSIGNMENT AND ALLOCATIONS SECTION OF THE SERVICE COMPANY AND BHUH CAMS.

A. As I noted previously, Service Company and BHUH provide services at cost to Black Hills' operating subsidiaries through direct and indirect charges. Direct costs are those costs that are specifically associated with an identified subsidiary or group of identified subsidiaries and result in direct charges to that specific subsidiary or group of subsidiaries. An example of a direct cost that results in a direct charge would be a person in the Regulatory Department working on a Black Hills/Nebraska Gas Utility tariff filing. The person would directly charge his or her time spent working on this tariff filing to Black Hills/Nebraska Gas Utility.

Indirect costs are those costs that are not associated with an identified subsidiary. This means that the costs indirectly support all subsidiaries or directly support the operation of Service Company or BHUH. An example of an indirect cost would be a person in the Regulatory Department attending training related to utility accounting. The cost would be allocated among all of Black Hills' operating utilities because the training is associated with utility accounting in general, rather than a specific Black Hills utility subsidiary. As another example of indirect cost allocation, the Human Resources department supports all company employees and, thus, the driver for indirect costs for this department is employees. Indirect costs for the Human Resources department are therefore allocated based upon a pre-defined allocation factor related to employees.

Q. WILL THE SERVICE COMPANY AND BHUH CAMS ENSURE THAT SOURCEGAS DISTRIBUTION'S CUSTOMERS BEAR ONLY AN APPROPRIATE SHARE OF COMMON COSTS?

A. Yes. Black Hills plans to begin applying both the Service Company and BHUH CAMs to SourceGas Distribution (to be renamed as "Black Hills Gas Distribution, LLC d/b/a Black Hills Energy") immediately upon closing for services provided by Service Company and BHUH. Both the Service Company and BHUH CAMs include appropriate methods for segregating and accounting for costs between and among jurisdictions, between regulated and non-regulated activities, and between and among utility divisions. The methods used to allocate indirect costs based upon services provided by Service Company and BHUH were established by reviewing relevant cost causation factors. Moreover, these cost allocation methods are consistent with industry practice in allocating common costs. In fact, by centralizing costs and service functions in Service Company and BHUH, duplication of these business functions by each of the regulated and non-regulated business units of Black Hills is avoided. The intent of the shared service approach is to gain efficiencies for all of Black Hills' subsidiaries, including SourceGas Distribution if this transaction is approved.

Q. WILL FUTURE ADOPTION OF THE BLACK HILLS CAMS FOR SOURCEGAS DISTRIBUTION IMPACT CUSTOMER RATES?

A. Changes made by Black Hills to its CAMs will not have any immediate impact on customer rates. The tariff rates for customers will continue as they exist today. Any changes to the CAMs of either Black Hills/Nebraska Gas Utility or SourceGas

Distribution will be provided to the Commission at some point in the future when Black Hills files an application for a general rate proceeding.

V. INTEGRATION/RING-FENCING

Q. WHAT ACTIONS WILL BLACK HILLS TAKE TO ENSURE THAT SOURCEGAS DISTRIBUTION WILL BE SUCCESSFULLY INTEGRATED INTO BLACK HILLS?

A. Black Hills has a demonstrated history of seamless integrations and successful utility acquisitions, as described in more detail in the testimony of Mr. Linn Evans, President and Chief Operating Officer – Utilities of Black Hills. Following completion of the transaction, it is anticipated that Black Hills will initially operate SourceGas Distribution's utility business in fundamentally the same way as that business is currently operated, other than making appropriate tariff filings at the time of closing to reflect a name change from SourceGas Distribution to Black Hills Gas Distribution LLC, d/b/a Black Hills Energy. The transaction will not affect, in the near term, the functions of SourceGas Distribution's retail business, such as gas supply contracting and management, system operation and maintenance activities, safety and service reliability, customer service functions, billing operations, and regulatory relationships. While there may be some overlap in terms of Joint Applicants' management teams and administrative functions, Black Hills has no current plans to change the local management of SourceGas Distribution. SourceGas Distribution's customers will continue receiving safe and reliable gas utility service after the transaction. The transaction will also be seamless to the Commission, its staff and other regulatory stakeholders, with the Commission continuing to exercise the same degree of regulatory oversight over the SourceGas Distribution utility operations as it does today.

Q. WHAT WILL BLACK HILLS DO TO ENSURE THE INFRASTRUCTURE INTEGRITY OF SOURCEGAS DISTRIBUTION'S SYSTEM?

A. Black Hills is committed to continuing SourceGas Distribution's system integrity management efforts to ensure safe and reliable system operations. In doing so, Black Hills will utilize appropriate statutory or regulatory mechanisms to recover capital investment in integrity management. Black Hills also commits to continuing SourceGas Distribution's System Safety and Integrity Rider.

Q. IS BLACK HILLS ALSO WILLING TO COMMIT TO REASONABLE RING-FENCING PROVISIONS IN CONNECTION WITH ITS ACQUISITION OF SOURCEGAS DISTRIBUTION?

A. Yes. Consistent with the Public Utilities Holding Company Act of 2005, Black Hills has historically maintained numerous ring-fencing measures insulating its operating utilities. These types of typical ring-fencing provisions were implemented in connection with Black Hills' acquisition of Aquila, Inc.'s gas and electric utility operations in 2008, as well as in Wyoming in conjunction with Cheyenne Light, Fuel and Power Company's ("Cheyenne Light") acquisition of MGTC, Inc. in 2014, and Energy West Wyoming, Inc. in 2015. Cheyenne Light, like BHUH, is a subsidiary of Black Hills. Black Hills will extend similar ring-fencing protections to SourceGas Distribution, specifically as follows:

1. Non-regulated activities:

   a. The holding company structure provides insulation from the activities of Black Hills' non-regulated subsidiaries including the independent power production, coal mining and the oil and gas segments of Black Hills.

   b. Separate money pool agreements for utility and non-utility subsidiaries will be maintained.

c. Separate books and records, charts of account and financial statements will be maintained for the acquired utilities.

d. Black Hills will provide shared administrative services with direct and allocated costs applied to subsidiaries per Black Hills' current cost allocation manuals.

e. Affiliate transactions will be conducted only in the ordinary course of business, and in accordance with Commission rules and requirements.

2. Debt:

a. The acquired assets will not be pledged as security against non-utility debt.

b. New stand-alone or project financing for non-utility business activities will be without recourse to the acquired utilities.

VI. CONCLUSION

Q. DO YOU HAVE A RECOMMENDATION TO THIS COMMISSION?

A. Yes. I urge the Commission to approve the Joint Application as I believe it is in the public interest to do so for the reasons set forth within the Joint Application and supporting testimony.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

IN THE MATTER OF THE JOINT APPLICATION OF SOURCEGAS DISTRIBUTION LLC, SOURCEGAS LLC, SOURCEGAS HOLDINGS LLC, AND BLACK HILLS UTILITY HOLDINGS, INC. FOR ALL NECESSARY AUTHORIZATIONS AND APPROVALS FOR BLACK HILLS UTILITY HOLDINGS, INC. TO ACQUIRE SOURCEGAS HOLDINGS LLC	)	Application No._______
State of South Dakota County of Pennington	)))	Affidavit Adopting Prefiled Direct Testimony and Exhibits

Kyle D. White being first duly sworn on oath, states that he is the Kyle D. White Whose Prefiled Direct Testimony and Exhibits in the above-captioned proceeding accompanies this Affidavit.

Kyle D. White further states that such Prefiled Direct Testimony is a true and accurate statement of his answers to the questions contained therein, and that he does adopt those answers as his sworn Testimony in this proceeding. Kyle D. White further states that such Exhibits that accompany his Prefiled Direct Testimony are true and accurate.

Kyle D. White

Kyle D. White

SUBSCRIBED AND SWORN TO before me, the undersigned Notary Public, this 6th day of August, 2015.

Notary Public

Address of Notary:
925 Ninth Street
Rapid City, SD 57701

My Commission Expires:
1-10-2021