**Risk Factors Comparison 2024-02-14 to 2023-02-14 Form: 10-K**

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The nature of our business subjects us to a number of uncertainties and risks. Risks that may adversely affect our business operations, financial condition, results of operations or cash flows are described below. These risk factors, along with other risk factors that we discuss in our periodic reports filed with the SEC should be considered for a better understanding of our Company. STRATEGIC RISK Our continued success is dependent on execution of our business plan and growth strategy, including our capital investment program. Our continued success depends, in significant part, on our ability to execute our strategic business plans ~~, including~~ **. Our strategy is centered on** ~~our~~ **four critical priorities: Growth — to grow strategically and achieve strong financial performance, Operational Excellence — delivering safe, reliable and cost- effective energy to meet our customers' needs, Transformation — be a simple and connected company positioned for** growth **,** ~~strategy. Our plans~~ and ~~strategy include building sustainable operations~~ **People & Culture — retain** and **attract a talented, engaged** ~~supporting the Energy Transition; consistently outperforming utility industry averages in key safety metrics; modernizing utility infrastructure; transforming the customer experience; growing our electric~~ and **thriving team** ~~natural gas customer load; and pursuing operational efficiencies~~ . Our current plans and strategy may be negatively impacted by disruptive forces and innovations in the marketplace, workforce capabilities, changing political, business or regulatory conditions and technology advancements. In addition, we have significant capital investment programs planned for the next five years that are key to our strategic business plans. The successful execution of our capital investment program depends on, or could be affected by, a variety of factors that include, but are not limited to: **access to** ~~availability of low cost~~ capital to fund projects, weather conditions, effective management of projects, availability of qualified construction personnel including contractors, changes in commodity and other prices, impacts of supply chain disruptions on availability and cost of materials, governmental approvals and permitting, regulatory cost recovery and return on investment. An inability to successfully and timely adapt to changing conditions and execute our strategic plans could materially affect our financial operating results including earnings, cash flow and liquidity. REGULATORY, LEGISLATIVE AND LEGAL RISKS We may be subject to unfavorable or untimely federal and state regulatory outcomes. Our regulated ~~Electric and Gas~~ Utilities are subject to cost- of- service / rate- of- return regulation and earnings oversight from federal and eight state utility commissions. This regulatory treatment does not provide any assurance as to achievement of desired earnings levels. Our customer rates are regulated based on an analysis of our costs and investments, as reviewed and approved in regulatory proceedings. While rate regulation is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that our various regulatory authorities will judge all of our costs to have been prudently incurred or that the regulatory process in which rates are determined will result in full or timely recovery of our costs with a reasonable return on invested capital. In addition, adverse rate decisions, including rate moratoriums, rate refunds, limits on rate increases, lower allowed returns on investments or rate reductions, could be influenced by competitive, economic, political, legislative, public perception and regulatory pressures and adversely impact earnings, cash flow and liquidity. Each of our ~~Electric and Gas~~ Utilities are permitted to recover certain costs (such as increased fuel and purchased power costs, including costs from certain severe weather events, or integrity capital investments) outside of a base rate review in order to stabilize customer rates and reduce regulatory lag. If regulators decide to discontinue these tariff-based recovery mechanisms, it could negatively impact earnings, cash flow and liquidity. Costs could significantly increase to achieve or maintain compliance with existing or future environmental laws, regulations or requirements including those associated with climate change. Our business segments are subject to numerous environmental laws and regulations affecting many aspects of present and future operations, including air emissions (i. e., $SO_2$, $NO_x$, volatile organic compounds, particulate matter and GHG), water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations may result in increased capital, operating and other costs. These laws and regulations generally require the business segments to obtain and comply with a wide variety of environmental licenses, permits, inspections and other government approvals. Compliance with environmental laws and regulations may require significant expenditures, including expenditures for cleanup costs and damages arising from contaminated properties. Failure or inability to comply with evolving environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets. Our business segments may not be successful in recovering increased capital and operating costs incurred to comply with new environmental regulations through existing regulatory rate structures and contracts with customers. More stringent environmental laws or regulations could result in additional costs of operation for existing facilities or impede the development of new facilities. There is significant uncertainty regarding if and when new climate legislation, regulations or administrative policies will be adopted to reduce or limit GHG and the impact any such regulations would have on us. New or more stringent regulations or other energy efficiency requirements could require us to incur significant additional costs relating to, among other things, the installation of additional emission control equipment, the acceleration of capital expenditures, the purchase of additional emissions allowances or offsets, the acquisition or development of additional energy supply from renewable resources, the closure or capacity reductions of coal-fired power generation facilities or conversion to ~~natural gas~~ **alternative fuels** , and potential increased production from our combined cycle natural gas- fired generating units. Additional rules and regulations associated with fossil fuels and GHG emissions could result in the impairment or retirement of some of our existing or future transmission, distribution, generation and natural gas storage facilities or our coal mine. Further, these rules could create the need to purchase or build clean- energy fuel sources to fulfill obligations to our customers. These actions could also result in increased operating costs which could adversely impact customers and our financial operating results including earnings, cash flow and liquidity. We cannot definitively estimate the effect of GHG legislation or regulation on our earnings, cash flow and liquidity. Legislative and regulatory requirements may result in compliance penalties. Business activities in the energy sector are heavily regulated, primarily by agencies of the federal government. Many agencies employ mandatory civil penalty structures for regulatory violations. The FERC, NERC, PHMSA, CFTC, EPA, OSHA, SEC, TSA and MSHA may impose significant civil and criminal penalties to enforce compliance requirements relative to our business, which could have a material adverse effect on our financial operating results including earnings, cash flow and liquidity. Municipal governments may seek to limit or deny our franchise privileges. Municipal governments within our utility service territories possess the power of condemnation and could establish a municipal utility within a portion of our current service territories by limiting or denying franchise privileges for our operations and exercising powers of condemnation over all or part of our utility assets within municipal boundaries. We regularly engage in negotiations on renewals of franchise agreements with our municipal governments. We have from time to time faced challenges or ballot initiatives on franchise renewals. To date, we have been successful in resolving or defending most of these challenges. Although condemnation is a process that is subject to constitutional protections requiring just and fair compensation, as with any judicial procedure, the outcome is uncertain. If a municipality sought to pursue this course of action, we cannot assure that we would secure adequate recovery of our investment in assets subject to condemnation. We also cannot quantify the impact that such action would have on the remainder of our business operations. Changes in Federal tax law may significantly impact our business. We are subject to taxation by the various taxing authorities at the federal, state and local levels where we operate. Sweeping legislation or regulation could be enacted by any of these governmental authorities which may affect our tax burden. Changes may include numerous provisions that affect businesses, including changes to corporate tax rates, business- related exclusions, and deductions and credits. The outcome of regulatory proceedings regarding the extent to which a change in corporate tax rate will affect our utility customers and the time period over which that change will occur could significantly impact future earnings and cash flows. Separately, a challenge by a taxing authority, changes in taxing authorities' administrative interpretations, decisions, policies and positions, our ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax- related assumptions may cause actual financial results to deviate from previous estimates. ~~Our business, financial condition, results of operations and prospects may be materially adversely affected due to adverse results of litigation. Material legal proceedings are summarized in Note 3 of Notes to Consolidated Financial Statement in this Annual Report on Form 10- K. Unfavorable resolution of legal or administrative proceedings in which we are involved or other future legal or administrative proceedings could have an adverse effect on our financial operating results, including earnings, cash flow and liquidity.~~ OPERATING RISKS Failure to attract and retain an appropriately qualified workforce could have a negative impact on our operations and long- term business strategy. Recent trends, such as ~~higher turnover,~~ a competitive and tight labor market and an aging workforce may lead to higher costs and increased risk of negative outcomes for safety, compliance, customer service, and operations. Our ability to transition and replace our retirement- eligible utility employees is a risk; at December 31, ~~2022~~ **2023** , approximately ~~19~~ **18** % of our employees were eligible for retirement. Our ability to avoid or minimize ~~supply interruptions,~~ work stoppages and labor disputes is also a risk with approximately 25 % of our employees represented by unions. Failure to hire and retain qualified employees, including the ability to transfer significant internal historical knowledge and expertise to new employees, may adversely affect our ability to manage and operate our business. If we are unable to successfully attract and retain an appropriately qualified workforce and maintain satisfactory collective bargaining agreements, safety, service reliability, customer satisfaction and our results of operations could be adversely affected. ~~Our plans and strategy include building sustainable operations and supporting the Energy Transition; consistently outperforming utility industry averages in key safety metrics; modernizing utility infrastructure; transforming the customer experience; growing our electric and natural gas customer load; and pursuing operating efficiencies.~~ As part of our strategic **business** ~~plan~~ **plans** , we will need to attract and retain personnel who are qualified to implement our strategy and may need to retrain or re-skill certain employees to support our long- term objectives . The nature of our business subjects...... capital and / or adequate insurance policies . Supply chain challenges could negatively impact our operations. We rely on various suppliers in our supply chain for the materials necessary to execute on our capital investment program that is key to our strategic business plans and to respond to a significant unplanned event such as a natural disaster. Our largest customers also rely on our supply chain and delays in critical materials could impact their ability to operate and grow as planned. Our supply chain, material costs, and capital investment program may be negatively impacted by: • Unanticipated price increases due to recent macroeconomic factors, such as inflation, including wage inflation, or rising demand for raw materials associated with the Energy Transition; and • Supply restrictions beyond our control or the control of our suppliers such as disruption of the freight system (e. g. ~~railroad~~ labor union strikes), increased environmental threats from weather- related disasters, rising demand for raw materials associated with the Energy Transition and / or geopolitical unrest (e. g. ~~Russian~~ - **Russia-** ~~invasion of~~ Ukraine **and Middle East conflicts** ). An inability to successfully manage challenges in our supply chain network could materially affect **our ability to execute our business plan and growth strategy and** our financial operating results including earnings, cash flow and liquidity. ~~Cyberattacks~~ **.** Our financial performance depends on the successful operation of electric generating facilities,electric and natural gas transmission and distribution systems,natural gas storage facilities and a coal mine.The risks associated with managing these operations include:• Operating hazards.Operating hazards such as leaks,mechanical problems and accidents,including fires or explosions,could impact employee and public safety,reliability and customer confidence;• Inherent dangers.Electricity and natural gas can be dangerous to employees and the general public.Failures of or contact with power lines,natural gas pipelines or service facilities and equipment may result in fires,explosions,property damage and personal injuries,including death.While we maintain liability and property insurance coverage,such policies are subject to certain limits and deductibles.The occurrence of any of these events may not be fully covered by our insurance;• Weather,natural conditions and disasters including impacts from climate change (discussed ~~below~~ **above** );• Acts of sabotage,terrorism or other malicious ~~physical~~ attacks.Damage to our facilities due to deliberate acts could lead to outages or other adverse effects;• Equipment and processes.Breakdown or failure of equipment or processes,unavailability or increased cost of equipment,and performance below expected levels of output or efficiency could negatively impact our results of operations;• Disrupted transmission and distribution.We depend on transmission and distribution facilities,including those operated by unaffiliated parties,to deliver the electricity and natural gas that we sell to our retail and wholesale customers.If transmission is interrupted physically,mechanically or with cyber means,our ability to sell or deliver utility services and satisfy our contractual obligations may be hindered;• Natural gas supply for generation and distribution.Our regulated ~~Utilities~~ **utilities** and non- regulated entities purchase natural gas from a number of suppliers for our generating facilities and for distribution to our customers.Our results of operations could be negatively impacted by the lack of availability and cost of natural gas,and disruptions in the delivery of natural gas due to various factors,including but not limited to,transportation delays,labor relations,weather,sabotage,cyber- attacks and environmental regulations;• Replacement power.The cost of supplying or securing replacement power during scheduled and unscheduled outages of generation facilities could negatively impact our results of operations;• Governmental permits.The inability to obtain required governmental permits and approvals along with the cost of complying with or satisfying conditions imposed upon such approvals could negatively impact our ability to operate and our results of operations;• Operational limitations.Operational limitations imposed by environmental and other regulatory requirements and contractual agreements,including those that restrict the timing of generation plant scheduled outages,could negatively impact our results of operations;• Increased costs.Increased capital and operating costs to comply with increasingly stringent laws and regulations,unexpected engineering,environmental and geological problems,and unanticipated cost overruns could negatively impact our results of operations;• Supply chain challenges (discussed above);• Workforce capabilities and labor relations (discussed above);and • Public opposition.Opposition by members of public or special- interest groups could negatively impact our ability to operate our businesses.Any of these risks described above could damage our reputation and public confidence.These risks could also cause us to incur significant costs or be unable to deliver energy and / or operate below expected capacity levels,which in turn could reduce revenues or cause us to incur higher operating and maintenance costs and penalties.While we maintain insurance,obtain warranties from vendors and obligate contractors to meet certain performance levels,the proceeds of such insurance and our rights under contracts,warranties or performance guarantees may not be timely or adequate to cover lost revenues,increased expenses,liability or liquidated damage payments , terrorism, or other malicious acts targeting our key technology systems could disrupt our operations or lead to a loss or misuse of confidential and proprietary information. To effectively operate our business, we rely upon a sophisticated electronic control system, information and operation technology systems and network infrastructure to generate, distribute and deliver energy, and collect and retain sensitive information including personal information about our customers and employees. ~~Cyberattacks~~ **Cybersecurity incidents** , terrorism or other malicious acts targeting electronic control systems could result in a full or partial disruption of our electric and / or natural gas operations. Attacks targeting other key technology systems, including our third- party vendors' information systems, could further add to a full or partial disruption of our operations. **The utility industry has been the target** ~~Recent geopolitical conflicts (e. g. Russia' s invasion~~ of ~~Ukraine)~~ **several cyberattacks on operational systems and has seen an increased volume and sophistication of cybersecurity incidents from international activist organizations, other nation state actors and individuals. To date, we** have ~~increased the risk~~ **not experienced a cybersecurity incident that has had a material impact on our business or results** of ~~cyberattack~~ **operations** . Any disruption of ~~these~~ **our electric and / or natural gas** operations could result in a loss of service to customers and associated revenues, as well as significant expense to repair damages and remedy security breaches. In addition, any theft, loss and / or fraudulent use of customer, shareowner, employee or proprietary data could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others. We maintain cyber risk insurance to mitigate a portion, but not all, of these risks and losses. As discussed in Utility Regulation Characteristics above, in 2021 the TSA issued security directives that included several new cybersecurity requirements for critical pipeline owners and operators. Such directives or other requirements may require expenditure of significant additional resources to respond to ~~cyberattacks~~ **cybersecurity incidents** , to continue to modify or enhance protective measures, or to assess, investigate and remediate any critical infrastructure security vulnerabilities. Any failure to comply with such government regulations or failure in our cybersecurity protective measures may result in enforcement actions that may have a material adverse effect on our business, results of operations and financial condition. In addition, there is no certainty that costs incurred related to securing against threats will be recovered through rates. ~~We~~ **As discussed in Item 1C in this Annual Report on Form 10- K, we** have instituted security measures and safeguards to protect our operational systems and information technology assets **against cybersecurity threats** , including certain safeguards required by ~~FERC~~ **NERC** . Despite our implementation of security measures and safeguards, all of our technology systems may still be vulnerable to disability, failures or unauthorized access . Our financial performance depends on the...... expenses, liability or liquidated damage payments . Our operations are subject to various conditions that can result in fluctuations in customer usage, including customer growth and general economic conditions in our service territories, weather conditions, and responses to price increases and technological improvements. Our results of operations and cash flows are affected by the demand for electricity and natural gas, which can vary greatly based upon: • Fluctuations in customer growth and general economic conditions in our service territories. Customer growth and energy use can be negatively impacted by population declines as well as adverse economic factors in our service territories, including recession, inflation, workforce reductions, stagnant wage growth, changing levels of support from state and local government for economic development, business closings, and reductions in the level of business investment. Our **Utilities** ~~utility businesses~~ are impacted by economic cycles and the competitiveness of the commercial and industrial customers we serve. Any economic downturn, inflation, disruption of financial markets, or reduced incentives by state government for economic development could adversely affect the financial condition of our customers and demand for their products or services. These risks could directly influence the demand for electricity and natural gas as well as the need for additional power generation and generating facilities. We could also be exposed to greater risks of accounts receivable write- offs if customers are unable to pay their bills. • Weather conditions. Our **Utilities** ~~utility businesses~~ are seasonal businesses and weather conditions and patterns can have a material impact on our operating performance. Demand for electricity is typically greater in the summer and winter months associated with cooling and heating, respectively. Demand for natural gas depends heavily upon winter- weather patterns throughout our service territory and a significant amount of natural gas revenues are recognized in the first and fourth quarters related to the heating season. Accordingly, our **Utilities** ~~utility operations~~ have historically generated lower revenues, income and cash flows when weather conditions are cooler than normal in the summer and warmer than normal in the winter. Demand for natural gas is also impacted by summer weather patterns that are cooler than normal and provide higher than normal precipitation; both of which can reduce natural gas demand for irrigation. Unusually mild summers and winters, therefore, could have an adverse effect on our financial operating results, including earnings, cash flow and liquidity. • Our customers' focus on energy conservation. Customer growth and usage may be impacted by the voluntary reduction in consumption of electricity and natural gas by our customers in response to increases in prices and energy efficiency programs, electrification initiatives that could negatively impact the demand for natural gas, economic conditions (i. e., inflation, recession) impacting customers' disposable income and the use of distributed generation resources or other emerging technologies. Continued technological improvements may make customer and third- party distributed generation and energy storage systems, including fuel cells, micro- turbines, wind turbines, solar cells and batteries, more cost effective and feasible for our customers. If more customers utilize their own generation, demand for energy from us could decline. Such developments could affect the price ~~of energy~~ and **/ or** delivery of energy, require further improvements to our distribution systems to address changing load demands and could make portions of our electric system power supply and transmission and / or distribution facilities obsolete prior to the end of their useful lives. Each of these factors described above could materially affect demand for electricity and natural gas which would impact our financial operating results including earnings, cash flow and liquidity. If macroeconomic or other conditions adversely affect operations or require us to make changes to our strategic business plan, we may be forced to record a non- cash goodwill impairment charge. We had approximately $ 1. 3 billion of goodwill on our consolidated balance sheets as of December 31, ~~2022~~ **2023** . If we make changes in our strategic business plan and growth strategy, or if macroeconomic or other conditions adversely affect operations in any of our businesses, we may be ~~forced~~ **required** to record a non- cash impairment charge. Goodwill is tested for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying value of the goodwill and the implied fair value of the goodwill in the period the determination is made. The testing of goodwill for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including: future business operating performance, changes in macroeconomic conditions including recession, inflation and interest rates, changes in our regulatory environment, industry- specific market conditions, changes in business operations, changes in competition or changes in technologies. Any changes in key assumptions, or actual performance compared with key assumptions, about our business and its future prospects could affect the fair value of either or both of our operating segments, which may result in an impairment charge. See additional information in " Critical Accounting Estimates " under Item 7, Management' s Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10- K ~~. Widespread public health crises and epidemics or pandemics could negatively affect our business operations, results of operations, financial condition and cash flows. We are subject to the impacts of widespread public health crises, epidemics and pandemics, including, but not limited to, impacts on the global, national or local economies, capital and credit markets, our workforce, customers and suppliers. There is no assurance that our businesses will be able to operate without material adverse impacts depending on the nature of the public health crisis, epidemic or pandemic. The ultimate severity, duration and impact of public health crises, epidemics and pandemics cannot be predicted. Additionally, there is no assurance that vaccines, or other treatments, are or will be widely available or effective, or that the public will be willing to participate, in an effort to contain the spread of disease. Actions taken in response to such crises by federal, state and local government or regulatory agencies may adversely affect our financial operating results including earnings, cash flow and liquidity~~ . FINANCIAL RISKS A sub- investment grade credit rating could impact our ability to access capital markets. Our senior unsecured debt rating is Baa2 (Stable outlook) by Moody' s; BBB (Stable outlook) by S & P; and BBB ( ~~Stable~~ **Negative** outlook) by Fitch. Reduction of our investment grade credit ratings could impair our ability to refinance or repay our existing debt and complete new financings on reasonable terms. A credit rating downgrade, particularly to sub- investment grade, could also result in counterparties requiring us to post additional collateral under existing or new contracts. In addition, a ratings downgrade would increase our interest expense under some of our existing debt obligations, including borrowings under our credit facilities, potentially significantly increasing our cost of capital and other associated operating costs which may not be recoverable through existing regulatory rate structures and contracts with customers. We may be unable to obtain financing on reasonable terms needed to refinance debt, fund planned capital expenditures or otherwise execute our operating strategy. Our ability to execute our operating strategy is highly dependent upon our access to capital. Historically, we have addressed our liquidity needs (including funds required to make scheduled principal and interest payments, refinance debt, pay dividends and fund working capital and planned capital expenditures) with operating cash flow, borrowings under credit facilities, proceeds of debt and equity offerings and proceeds from asset sales. Our ability to access capital markets and the costs and terms of available financing depend on many factors, including changes in our credit ratings, general macroeconomic conditions which may drive changes in interest rates and cause volatility in our stock price, changes in the federal or state regulatory environment affecting energy companies and volatility in commodity prices. In addition, because we are a holding company and our utility assets are owned by our subsidiaries, if we are unable to adequately access the credit markets, we could be required to take additional measures designed to ensure that our utility subsidiaries are adequately capitalized to provide safe and reliable service. Possible additional measures would be evaluated in the context of then- prevailing market conditions, prudent financial management and any applicable regulatory requirements. ~~Our use of derivative financial instruments as hedges against commodity prices and financial market risks could result in material financial losses. We use various financial and physical derivatives, including futures, forwards, options and swaps, to manage commodity price and interest rate risks. The timing of the recognition of gains or losses on these economic hedges in accordance with GAAP may not consistently match up with the gains or losses on the commodities being hedged. For Black Hills Energy Services under the Choice Gas Program, and in certain instances within our regulated Utilities where unrealized and realized gains and losses from derivative instruments are not approved for regulatory accounting treatment, fluctuating commodity prices may cause fluctuations in reported financial results due to mark- to- market accounting treatment. To the extent that we hedge our commodity price and interest rate exposures, we forgo the benefits we would otherwise experience if commodity prices or interest rates were to change in our favor. In addition, even though they are closely monitored by management, our hedging activities can result in losses. Such losses could occur under various circumstances, including if a counterparty does not perform its obligations under the hedge arrangement, the hedge is economically imperfect, commodity prices or interest rates move unfavorably related to our physical or financial positions, or hedging policies and procedures are not followed. Additionally, our exchange- traded futures contracts are subject to futures margin posting requirements. To the extent we are unable to meet these requirements, this could have a significant impact on our business by reducing our ability to execute derivative transactions to reduce commodity price uncertainty and to protect cash flows. Requirements to post collateral may cause significant liquidity issues by reducing our ability to use cash for investment or other corporate purposes or may require us to increase our level of debt. Further, a requirement for our counterparties to post collateral could result in additional costs being passed on to us, thereby decreasing our profitability. We have a holding company corporate structure with multiple subsidiaries. Corporate dividends and debt payments are dependent upon cash distributions to the holding company from the subsidiaries. As a holding company, our investments in our subsidiaries are our primary assets. Our operating cash flow and ability to service our indebtedness depend on the operating cash flow of our subsidiaries and the payment of funds by them to us in the form of dividends or advances. Our subsidiaries are separate legal entities that have no obligation to make any funds available for that purpose, whether by dividends or otherwise. In addition, each subsidiary' s ability to pay dividends to us depends on any applicable contractual or regulatory restrictions that may include requirements to maintain minimum levels of cash, working capital, equity or debt service funds. There is no assurance as to the amount, if any, of future dividends to the holding company because these subsidiaries depend on future earnings, capital requirements and financial conditions to fund such dividends. See " Liquidity and Capital Resources " within Management' s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and Note 8 of the Notes to Consolidated Financial Statements of this Annual Report on Form 10- K for further information regarding these restrictions and their impact on our liquidity. We may be unable to obtain insurance coverage, and the coverage we currently have may not apply or may be insufficient to cover a significant loss. Our ability to obtain insurance, as well as the cost of such insurance, could be impacted by developments affecting the insurance industry and the financial condition of insurers. Additionally, insurance providers could deny coverage or decline to extend coverage under the same or similar terms that are presently available to us. A loss for which we are not adequately insured could materially affect our financial results. The coverage we currently have in place may not apply to a particular loss, or it may not be sufficient to cover all liabilities to which we may be subject, including liability and losses associated with wildfires, natural gas and storage field explosions, cyber- security breaches, environmental hazards and natural disasters. Market performance or changes in key valuation assumptions could require us to make significant unplanned contributions to our pension plan and other postretirement benefit plans. Assumptions related to interest rates, expected return on investments, mortality and other key actuarial assumptions have a significant impact on our funding requirements and the expense recognized related to our pension and other postretirement benefit plans. An adverse change to key assumptions associated with our defined benefit retirement plans may require significant unplanned contributions to the plans which could adversely affect our financial operating results including earnings, cash flow and liquidity. See Note 8 of the Notes to Consolidated Financial Statements of this Annual Report on Form 10- K for further information~~ Costs associated with our healthcare plans and other benefits could increase significantly. The costs of providing healthcare benefits to our employees and retirees have increased substantially in recent years. We believe that our employee benefit costs, including costs related to healthcare plans for our employees and former employees, will continue to rise. Significant regulatory developments have required, and likely will continue to require, changes to our current employee benefit plans and supporting administrative processes. Our electric and natural gas utility rates are regulated on a state- by- state basis by the relevant state regulatory authorities based on an analysis of our costs, as reviewed and approved in a regulatory proceeding. Within our utility rates, we have generally recovered the cost of providing employee benefits. As benefit costs continue to rise, however, there is no assurance that the utility commissions will allow recovery of these increased costs. The rising employee benefit costs, or inadequate recovery of such costs, may adversely affect our financial operating results including earnings, cash flow, ~~or~~ **and** liquidity. **We may be unable to obtain insurance coverage, and the coverage we currently have may not apply or may be insufficient to cover a significant loss. Our ability to obtain insurance, as well as the cost of such insurance, could be impacted by developments affecting the insurance industry and the financial condition of insurers. Additionally, insurance providers could deny coverage or decline to extend coverage under the same or similar terms that are presently available to us. A loss for which we are not adequately insured could materially affect our financial results. The coverage we currently have in place may not apply to a particular loss, or it may not be sufficient to cover all liabilities to which we may be subject, including liability and losses associated with wildfires, natural gas and storage field explosions, cyber- security breaches, environmental hazards and natural disasters. We have a holding company corporate structure with multiple subsidiaries. Corporate dividends and debt payments are dependent upon cash distributions to the holding company from the subsidiaries. As a holding company, our investments in our subsidiaries are our primary assets. Our operating cash flow and ability to service our indebtedness depend on the operating cash**

**flow of our subsidiaries and the payment of funds by them to us in the form of dividends or advances. Our subsidiaries are separate legal entities that have no obligation to make any funds available for that purpose, whether by dividends or otherwise. In addition, each subsidiary' s ability to pay dividends to us depends on any applicable contractual or regulatory restrictions that may include requirements to maintain minimum levels of cash, working capital, equity or debt service funds. There is no assurance as to the amount, if any, of future dividends to the holding company because these subsidiaries depend on future earnings, capital requirements and financial conditions to fund such dividends. See " Liquidity and Capital Resources " within Management' s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and Note 8 of the Notes to Consolidated Financial Statements of this Annual Report on Form 10- K for further information regarding these restrictions and their impact on our liquidity. Market performance or changes in key valuation assumptions could require us to make significant unplanned contributions to our pension plan and other postretirement benefit plans. Assumptions related to interest rates, expected return on investments, mortality and other key actuarial assumptions have a significant impact on our funding requirements and the expense recognized related to our pension and other postretirement benefit plans. An adverse change to key assumptions associated with our defined benefit retirement plans may require significant unplanned contributions to the plans which could adversely affect our financial operating results including earnings, cash flow and liquidity. See Note 13 of the Notes to Consolidated Financial Statements of this Annual Report on Form 10- K for further information Our use of derivative financial instruments as hedges against commodity prices and financial market risks could result in material financial losses. We use various financial and physical derivatives, including futures, forwards, options and swaps, to manage commodity price and interest rate risks. The timing of the recognition of gains or losses on these economic hedges in accordance with GAAP may not consistently match up with the gains or losses on the commodities being hedged. For Black Hills Energy Services under the Choice Gas Program, and in certain instances within our regulated Utilities where unrealized and realized gains and losses from derivative instruments are not approved for regulatory accounting treatment, fluctuating commodity prices may cause fluctuations in reported financial results due to mark- to- market accounting treatment. To the extent that we hedge our commodity price and interest rate exposures, we forgo the benefits we would otherwise experience if commodity prices or interest rates were to change in our favor. In addition, even though they are closely monitored by management, our hedging activities can result in losses. Such losses could occur under various circumstances, including if a counterparty does not perform its obligations under the hedge arrangement, the hedge is economically imperfect, commodity prices or interest rates move unfavorably related to our physical or financial positions, or hedging policies and procedures are not followed. Additionally, our exchange- traded futures contracts are subject to futures margin posting requirements. To the extent we are unable to meet these requirements, this could have a significant impact on our business by reducing our ability to execute derivative transactions to reduce commodity price uncertainty and to protect cash flows. Requirements to post collateral may cause significant liquidity issues by reducing our ability to use cash for investment or other corporate purposes or may require us to increase our level of debt. Further, a requirement for our counterparties to post collateral could result in additional costs being passed on to us, thereby decreasing our profitability.**