

BLACK HILLS CORP /SD/
Form 424B5
January 08, 2016

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**Filed Pursuant To Rule 424(b)(5)
Registration No. 333-197895**

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale of such securities is not permitted.

**SUBJECT TO COMPLETION, DATED JANUARY 8, 2016
PRELIMINARY PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED AUGUST 6, 2014**

\$

\$

% Notes due 2019

\$

% Notes due 2026

Black Hills Corporation is offering \$ aggregate principal amount of % Notes due 2019 (the "2019 Notes") and \$ aggregate principal amount of % Notes due 2026 (the "2026 Notes" and, together with the 2019 Notes, the "Notes").

We will pay interest on the Notes on January and July of each year, beginning on July , 2016. We may redeem some or all of the Notes at any time at the redemption prices described under the caption "Description of the Notes Redemption." The Notes have no sinking fund provisions.

The Notes will be our senior unsecured obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.

The Notes will not be listed on any securities exchange, and there is no existing trading market for the Notes.

Investing in the Notes involves risks. See "Risk Factors" beginning on page S-22 of this prospectus supplement.

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	Price to Public(1)	Underwriting Discount	Proceeds to Us(1)
Per 2019 Note	%	%	%
Per 2026 Note	%	%	%
Total	\$	\$	\$

(1) Plus accrued interest from January , 2016, if settlement occurs after that date. Delivery of the Notes in book-entry form only will be made on or about January , 2016.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Credit Suisse

US Bancorp

MUFG

Scotiabank

The date of this prospectus supplement is January , 2016.

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Neither we nor the underwriters have authorized anyone to provide you with any information other than the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus is accurate as of any date other than the date on the front of this prospectus supplement, the date of the accompanying prospectus or the date of such free writing prospectus, as applicable.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration process. This document contains two parts. The first part consists of this prospectus supplement, which provides you with specific information about the Notes that we are selling in this offering and about the offering itself. The second part is the accompanying prospectus, which provides more general information. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

Both this prospectus supplement and the accompanying prospectus include or incorporate by reference important information about us, our securities and other information you should know before investing in our Notes. Before purchasing any Notes, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the heading "Where You Can Find More Information."

The terms "we," "our," "us," the "Company" and "BHC" refer to Black Hills Corporation and its subsidiaries unless the context suggests otherwise. The term "you" refers to a prospective investor.

FORWARD-LOOKING STATEMENTS

Certain matters contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus may include forward-looking statements as defined by the SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. 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," "intends," "plans," "predicts," "seek," "will" 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.

Forward-looking statements involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed. Our expectations, beliefs and projections are expressed in good faith and are believed by us 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 we undertake 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. In addition, actual results may differ materially from those contemplated in any forward-looking statement due to the timing and likelihood of the closing of our purchase of SourceGas Holdings LLC. 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 set forth in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2014, as amended by Form 10-K/A filed on August 7, 2015, Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, and in other reports that we file with the SEC from time to time, and set forth in "Risk Factors" in this prospectus supplement.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights certain information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. As a result, this summary is not complete and does not contain all of the information that you should consider before investing in the Notes. You should read the following summary in conjunction with the more detailed information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference, which are described under "Where You Can Find More Information" in this prospectus supplement. This prospectus supplement and the accompanying prospectus contain or incorporate forward-looking statements. Forward-looking statements should be read with the cautionary statements and important factors included under "Risk Factors" and "Forward-Looking Statements" in this prospectus supplement as well as the "Risk Factors" sections in our Annual Report on Form 10-K for the year ended December 31, 2014, as amended by Form 10-K/A filed on August 7, 2015, and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.

Black Hills Corporation

Black Hills Corporation, a South Dakota corporation, is a growth-oriented, vertically-integrated energy company headquartered in Rapid City, South Dakota. Our predecessor company, Black Hills Power and Light Company, was incorporated and began providing electric utility service in 1941. It was formed through the purchase and combination of several existing electric utilities and related assets, some of which had served customers in the Black Hills region since 1883. In 1956, we began producing, selling and marketing various forms of energy through non-regulated businesses.

We operate principally in the United States with two major business groups: Utilities and Non-regulated Energy. Our Utilities Group is comprised of regulated Electric Utilities and regulated Gas Utilities segments, and our Non-regulated Energy Group is comprised of Power Generation, Coal Mining and Oil and Gas segments.

Our Electric Utilities segment generates, transmits and distributes electricity to approximately 205,400 electric customers in South Dakota, Wyoming, Colorado and Montana and also distributes natural gas to approximately 44,000 gas utility customers of Cheyenne Light, Fuel and Power Company, one of our subsidiaries, in and around Cheyenne, Wyoming. Our Gas Utilities segment serves approximately 543,200 natural gas utility customers in Colorado, Nebraska, Iowa and Kansas. Our Electric Utilities own 841 megawatts (MW) of generation and 8,660 miles of electric transmission and distribution lines, and our Gas Utilities own 645 miles of intrastate gas transmission pipelines and 19,058 miles of gas distribution mains and service lines. Our Utilities Group generated net income of \$86 million for the nine months ended September 30, 2015 and \$101 million for the year ended December 31, 2014, and had total assets of \$3.7 billion at September 30, 2015 and \$3.7 billion at December 31, 2014.

Our Power Generation segment produces electric power from our generating plants and sells the electric capacity and energy primarily to our utilities under long-term contracts. Our Coal Mining segment produces coal at our coal mine near Gillette, Wyoming, and sells the coal primarily under long-term contracts to mine-mouth electric generation facilities including our own regulated and non-regulated generating plants. Our Oil and Gas segment engages in the exploration, development and production of crude oil and natural gas, primarily in the Rocky Mountain region. Our Non-regulated Energy Group generated net income (loss) of \$(96) million for the nine months ended September 30, 2015 and \$30 million for the year ended December 31, 2014, and had total assets of \$0.4 billion at September 30, 2015 and \$0.5 billion at December 31, 2014.

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Our Strategy

Our primary strategic objective is to be a utility-centered, vertically-integrated energy company providing reliable, highly valued products and services that cost effectively meet or exceed customer expectations. Our integrated approach and focus on utility customers provides for growth opportunities in both our utility and non-regulated energy businesses. This strategy affirms our vision to be the energy partner of choice and our mission to improve life with energy.

Black Hills intends to accomplish its strategy through targeted expansion of our electric and natural gas utilities, complemented by focused investment in risk-managed, non-regulated energy opportunities. The key elements of our business strategy are as follows:

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 believe we have a competitive power production strategy focused on low cost construction and operation of our electric generating facilities. Access to our own coal, with long-lived reserves, 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 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 and 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 our Cheyenne Prairie Generating Station. 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 due to environmental regulations.

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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 uncertainty, and also potential investment opportunities, related to the potential impact of legislation and regulation intended to reduce greenhouse gas (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 investment opportunities, either for our electric utilities or for our power generation business. These mandates will also most likely increase prices for electricity and/or natural gas for our utility customers. As a regulated utility we are responsible for providing safe, reasonably priced and 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 farm project, was completed in the fourth quarter of 2012, as part of our plan to meet Colorado's Renewable Energy Standard. This site has expansion potential. We submitted requests for additional renewable energy supplies in 2014 for our Colorado electric utility to help meet the renewable mandate. On October 21, 2015, we received approval from the Colorado Public Utilities Commission to build and own the \$109 million, 60 MW Peak View Wind Project. Pending final approvals and permits, construction is expected to commence in the second quarter of 2016. The wind farm is expected to be placed into commercial operation by year-end 2016;

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 power purchase agreements, we purchase a total of 60 MW of energy from wind farms located near Cheyenne, Wyoming, for use at our Black Hills Power, Inc. and Cheyenne Light, Fuel and Power Company subsidiaries; 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.

Provide stable long-term rates for customers and increase earnings by 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 have submitted applications with respective state utility regulators seeking approval for a cost of service gas program in Colorado, Iowa, Kansas, Nebraska, South Dakota and Wyoming. The cost of service gas program is designed to provide long-term natural gas price stability for our utility customers, while providing increased earnings opportunities for our shareholders. If approved, we will acquire natural gas reserves and

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producing wells and/or drill wells. We will earn a return on the acquired and/or drilled natural gas wells/reserves while getting recovery of all our costs. 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. Municipal Energy Agency of Nebraska, Montana Dakota Utilities Co., a regulated utility division of MDU Resources Group, Inc., 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.

Transition oil and gas business to support cost of service gas initiative while maintaining upside value optionality.

Our strategy is to transition our oil and gas business toward supporting our cost of service gas program, while maintaining the upside value optionality of our Piceance Basin and other assets. In the current low energy commodity price environment, we can best utilize our oil and gas expertise to develop and operate the cost of service gas program on behalf of our utility businesses. Our oil and gas strategy for the last several years has been to prove up the southern Piceance Basin asset, while improving our drilling and completion operations. We have drilled 17 wells and completed 13, with production meeting or exceeding our expectations on the completed wells. Drilling and completion

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costs keep trending down as we focus on efficiencies and cost reductions. We are currently assessing the Piceance wells to determine their fit for a cost of service gas program.

Oil and gas will rationalize its asset base. In the current price environment, we have reduced future capital expenditures and staffing to improve financial performance.

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 Black Hills Colorado Electric Utility Company, LP utility subsidiary. The plant commenced operations on January 1, 2012, under a 20-year tolling agreement.

We have initiated a strategic review for optimizing the value of Black Hills Colorado IPP's 200 megawatt generating facility and associated 20-year power purchase agreement. This is one of the two assets owned by our power generation segment. Current market prices indicate a premium valuation might be achieved. We are exploring selling a minority interest in this plant if a premium valuation could be achieved. Net proceeds would be used to reduce financing needs for the SourceGas acquisition described below.

Diligently manage the credit, price and operational risks inherent in buying and selling energy commodities.

Over the last decade or so, Black Hills has strategically refocused itself as a utility-centered energy company. Most of our buying and selling activities are directly related to maintaining utilities operations, mainly by purchasing fuel for our power generating units and purchasing natural gas for distribution to our natural gas utility customers. Our oil and gas business has a natural long position created by its natural gas and crude oil production. We sell this production into the open market and hedge some of the price risk for future production using financial derivatives.

All of our buying and selling activities to support 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

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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.

Pending SourceGas Acquisition

On July 12, 2015, Black Hills Utility Holdings, Inc., our direct wholly-owned subsidiary ("Black Hills Utility Holdings"), entered into a Purchase and Sale Agreement (the "Purchase and Sale Agreement") to acquire SourceGas Holdings LLC and its subsidiaries ("SourceGas") from investment funds managed by Alinda Capital Partners and GE Energy Financial Services, a unit of General Electric Co. (the "Transaction"), for approximately \$1.89 billion. The effective purchase price is estimated to be \$1.74 billion after taking into account approximately \$150 million of tax benefits consisting of acquired NOLs and goodwill tax benefits resulting from the Transaction. We also expect to assume or continue a portion of SourceGas's debt as of the closing of the Transaction, reducing the cash consideration payable at closing. The purchase price is subject to customary post-closing adjustments for cash, capital expenditures, indebtedness and working capital.

SourceGas primarily operates four regulated natural gas utilities serving approximately 425,000 customers in Arkansas, Colorado, Nebraska and Wyoming and a 512 mile regulated intrastate natural gas transmission pipeline in Colorado. Following completion of the Transaction, SourceGas will be a wholly-owned subsidiary of Black Hills Utility Holdings.

The Purchase and Sale Agreement contains various representations, warranties, and covenants with respect to SourceGas' Arkansas, Colorado, Nebraska and Wyoming utility businesses, as well as customary closing conditions. Completion of the Transaction is also subject to regulatory approvals from the Arkansas Public Service Commission, Colorado Public Utilities Commission, Nebraska Public Service Commission and Wyoming Public Service Commission. As of the date of this prospectus supplement, Black Hills Utility Holdings and SourceGas have reached settlement in all four jurisdictions with the parties to the dockets, subject to approval by the commissions. Hearings on the settlements are scheduled in January. The settlement agreements generally prohibit any change in customers' base rates for two to three years and prohibit the Company from seeking recovery of any acquisition premium from the customers. The Transaction is expected to close during the first quarter of 2016. The Company has guaranteed the full and complete payment and performance of Black Hills Utility Holdings.

We expect to fund the cash consideration and out-of-pocket expenses payable in connection with the Transaction using the proceeds from this offering, together with the approximately \$535.7 million of net proceeds (after deducting the underwriting discounts and commissions but before offering expenses) from our offerings of common stock and equity units in November 2015, other cash on hand and draws under our revolving credit facility. Such cash on hand may include proceeds of a potential sale of a portion of Black Hills Colorado IPP, LLC.

On August 6, 2015, we entered into a Bridge Term Loan Agreement with Credit Suisse AG as the Administrative Agent and 10 additional banks, collectively, for commitments totaling \$1.17 billion less the net proceeds of any permanent financing (the "Bridge Term Loan Agreement"). Taking into account the net proceeds we received from our offerings of common stock and equity units in

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November 2015, the lenders currently have commitments totaling \$634.3 million under the Bridge Term Loan Agreement. However, we do not intend to draw on this loan to fund the Transaction and related expenses. The Bridge Term Loan Agreement contains the same customary affirmative and negative covenants as are in our revolving credit facility and term loan agreement, such as limitations on the creation of new indebtedness and on certain liens, restrictions on certain transactions, and maintaining a recourse leverage ratio not to exceed 0.75 to 1. In the event we fund under the Bridge Term Loan Agreement, in certain circumstances, we are required to pay down those borrowings with funds received from the proceeds of equity and debt offerings and asset sales.

After giving effect to the Transaction, pro forma net income (loss) (GAAP), pro forma net income, as adjusted (non-GAAP) and pro forma EBITDA, as adjusted (non-GAAP), for the nine months ended September 30, 2015 would have been \$(26.1) million, \$93.4 million and \$417.2 million, respectively, and for the year ended December 31, 2014 would have been \$129.7 million, \$129.7 million and \$522.2 million, respectively. For a reconciliation of pro forma net income, as adjusted (non-GAAP) and pro forma EBITDA, as adjusted (non-GAAP), to pro forma net income (GAAP), see " Non-GAAP Financial Measures." We expect the Transaction to be accretive to earnings per share, as adjusted (non-GAAP) beginning in the first calendar year following closing of the Transaction, or 2017 if the Transaction closes in the first quarter of 2016 as currently expected.

Acquisition Rationale

We believe the Transaction will provide us with the following significant benefits:

Fits regulated growth strategy. The Transaction is strategic and accretive, delivering on our commitment to earnings growth and long-term shareholder value. SourceGas fits in terms of geography, size, scope and culture. By continuing to leverage our core competencies and regional expertise, by expanding our business in Colorado, Nebraska and Wyoming and expanding our footprint into Arkansas, we expect to realize operating efficiencies and add to the scale of our regulated utility business, benefitting both customers and shareholders.

Accretive to earnings. We expect the Transaction will be accretive to earnings per share, as adjusted (non-GAAP) beginning in 2017 (assuming a closing in the first quarter of 2016) and support long-term earnings growth. Also, we expect the acquisition of SourceGas to generate cash flow to support investment in the business and shareholder returns.

Supports dividend growth. We recently increased our dividend for the 45th consecutive year and we have paid dividends continuously since 1942. The acquisition of SourceGas is expected to support additional dividend growth at a sustainable payout ratio.

Provides geographic and regulatory diversity. The addition of SourceGas increases our business diversity and adds a progressive and highly-rated regulatory environment.

Sources and Uses

The estimated sources and uses of the funds for the Transaction, assuming the Transaction had closed on September 30, 2015, are shown in the table below. Because these estimated amounts reflect updated assumptions and estimates as of the date of this prospectus supplement, they differ from the earlier pro forma combined condensed financial statements incorporated by reference into this prospectus supplement and the pro forma information derived from such financial statements that is included elsewhere in this prospectus supplement. See " Summary Historical and Pro Forma Financial

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Information Summary Unaudited Pro Forma Financial Information." Actual amounts will vary from estimated amounts depending on several factors, including:

the final purchase price, which will be adjusted by the amount by which net working capital of SourceGas is greater than or less than zero at closing, capital expenditures incurred by SourceGas from March 31, 2015 through closing and indebtedness of SourceGas at closing;

the amount of net proceeds that we receive from this offering of Notes;

the amount of indebtedness of SourceGas that we pay down or refinance at closing; and

changes in our debt balances and net working capital from September 30, 2015 to the closing.

There can be no assurance that the Transaction or any of the other financing transactions will be consummated under the terms contemplated or at all. Even if the Transaction or any other financing transactions do not occur, the Notes sold in this offering will remain outstanding, and we will not have any obligation to offer to repurchase any or all of the Notes sold in this offering.

(\$ in Thousands)

Sources		Uses	
Notes Offered Hereby(1)	\$ 500,000	Purchase of SourceGas Stock(4)(5)	\$ 956,254
Common Stock Offering(2)	254,581	Continuation of SourceGas Debt(4)	873,746
Equity Units Offering(3)	299,000	Cash on Hand / Reduction of Debt(4)	56,335
Continuation of SourceGas Debt(4)	873,746	Estimated Fees and Expenses(6)	40,992
Total Sources	\$ 1,927,327	Total Uses	\$ 1,927,327

(1) Represents estimated gross proceeds of this offering, without deduction for underwriters' discounts and commissions and other fees and expenses.

(2) Represents gross proceeds of the offering of common stock we completed in November 2015, without deduction for underwriters' discounts and commissions and other fees and expenses.

(3) Represents gross proceeds of the offering of equity units we completed in November 2015, without deduction for underwriters' discounts and commissions and other fees and expenses.

(4) For purposes of this table, we have assumed the continuation of all \$873.7 million of SourceGas's outstanding indebtedness as of September 30, 2015. We expect that a portion of SourceGas's indebtedness will be repaid at or prior to the closing of the Transaction, which would result in additional cash outlays that we expect would be funded from cash on hand (which would include the approximately \$56.3 million shown in this table as "Cash on Hand / Reduction of Debt" and which may also include proceeds of a potential sale of a portion of Black Hills Colorado IPP, LLC) or draws under our revolving credit facility. We anticipate that, after giving effect to such repayments (which are not reflected in this table or the pro forma financial information included in this prospectus supplement), approximately \$700.0 million of SourceGas debt will actually be continued. The actual amounts of indebtedness of SourceGas at the closing of the Transaction and the portion thereof to be continued (and the sources of any funds used to repay such indebtedness) will vary from the assumptions reflected in this table, and any such variations may be material.

(5)

The purchase price payable at closing of the Transaction will be determined as follows: (a) \$1,691,650,000; (b) minus or plus the amount by which net working capital of SourceGas is greater than or less than zero at closing of the Transaction (for purposes of this table, we have assumed no net working capital adjustment); (c) plus capital expenditures incurred by SourceGas from March 31, 2015 through closing of the Transaction (for purposes of this table, we have

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assumed \$140.0 million of capital expenditures through September 30, 2015); and (d) minus indebtedness of SourceGas at closing of the Transaction. The actual amounts of working capital, capital expenditures and indebtedness of SourceGas at the closing of the Transaction will vary from the assumptions reflected in this table, and any such variations may be material.

- (6) Represents estimated fees and expenses, including underwriters' discounts and commissions, legal, accounting and other fees and expenses associated with the completion of the Transaction and the financing transactions (including fees that have been paid prior to the date of this prospectus supplement).

Other Information

Our principal executive offices are located at 625 Ninth Street, Rapid City, South Dakota 57701 and our telephone number is 605-721-1700. We maintain a website at www.blackhillscorp.com where general information about us is available. We are not incorporating the contents of the website into this prospectus supplement. For additional information regarding our business, we refer you to our filings with the SEC incorporated into this prospectus supplement by reference. Please see "Where You Can Find More Information."

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The Offering

Issuer	Black Hills Corporation.
Securities Offered	\$ aggregate principal amount of % Notes due 2019 (the "2019 Notes"). \$ aggregate principal amount of % Notes due 2026 (the "2026 Notes").
Maturity	The 2019 Notes and the 2026 Notes are referred to collectively as the "Notes." January , 2019 for the 2019 Notes January , 2026 for the 2026 Notes.
Interest Rate	% per year for the 2019 Notes. % per year for the 2026 Notes.
Interest Payment Dates	January and July of each year, beginning on July , 2016.
Optional Redemption	The Notes may be redeemed at our option, in whole or in part, at any time at the redemption prices and in the manner described under "Description of the Notes Redemption."
Repurchase Upon Change of Control Triggering Event	Upon the occurrence of a "Change of Control Triggering Event," as defined under "Description of the Notes Change of Control Triggering Event" in this prospectus supplement, with respect to a series of Notes, we will be required to make an offer to repurchase the Notes of such series in cash at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to but excluding the date of repurchase.
Ranking	The Notes will be our unsecured senior obligations. The Notes will rank equally with all of our existing and future unsecured and unsubordinated indebtedness and senior to all of our existing and future subordinated indebtedness. The Notes will be effectively subordinated to any existing or future secured indebtedness to the extent of the collateral securing such indebtedness. Because we are a holding company, the Notes will also be structurally subordinated to the existing and future indebtedness and other liabilities of our subsidiaries. See "Description of the Notes Ranking of Notes."

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Use of Proceeds

We intend to use the net proceeds from this offering, together with the net proceeds from our offerings of common stock and equity units in November 2015, other cash on hand and draws under our revolving credit facility, to fund the cash consideration and out-of-pocket expenses payable in connection with the Transaction. However, the consummation of this offering is not conditioned on the closing of the Transaction. If we do not consummate the Transaction, we will retain broad discretion to use all of the net proceeds from this offering for general corporate purposes. See "Use of Proceeds."

Trustee

The trustee under the indenture governing the Notes is Wells Fargo Bank, National Association.

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The following tables set forth certain historical financial information for us, as well as certain pro forma financial information after giving effect to the Transaction.

Our Summary Historical Financial Information

The following tables set forth, for the periods and at the dates indicated, our summary consolidated financial information. We have derived the summary consolidated income statement information, the other financial information and the ratios for each of the three years in the period ended December 31, 2014, and the summary consolidated balance sheet information at December 31, 2014 and December 31, 2013 from our audited consolidated financial statements incorporated by reference in this prospectus supplement. We have derived the summary consolidated income information, the other financial information and the ratios for the nine months ended September 30, 2015 and September 30, 2014, and the summary consolidated balance sheet information at September 30, 2015 and September 30, 2014, from our unaudited consolidated financial statements incorporated by reference in this prospectus supplement. Historical results are not indicative of the results to be expected in the future. In addition, our results for the nine months ended September 30, 2015, are not necessarily indicative of results expected for the full year ending December 31, 2015. This summary consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes in our Annual Report on Form 10-K/A for the year ended December 31, 2014 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, which are incorporated by reference in this prospectus supplement.

	Years Ended December 31,			Nine Months Ended September 30,	
	2014	2013	2012	2015	2014
	(Thousands)				
Income Statement Information:					
Total revenue	\$ 1,393,570	\$ 1,275,852	\$ 1,173,884	\$ 986,346	\$ 1,015,493
Total operating expenses	\$ 1,129,702	\$ 1,016,407	\$ 897,442	\$ 956,748	\$ 822,410
Operating income	\$ 263,868	\$ 259,445	\$ 276,442	\$ 29,598	\$ 193,083
Net income (loss) available for common stock	\$ 130,889	\$ 117,423	\$ 102,440	\$ (17,935)	\$ 96,355
Other Financial Information:					