



# Black Hills Corporation to Sell Seven Independent Power Plants

**PRESENTATION TO INVESTORS**

**April 30, 2008**

# Cautionary language

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission. These statements concern our plans, expectations and objectives for future operations.

All statements, other than statements of historical facts, included in the presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. They are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business.

However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements.

Please refer to cautionary language provided in our SEC Form 10-K and Form 10-Q filings and other public disclosures.

# Events leading to the IPP strategic review

- In early 2007, the Company agreed to acquire 1 electric utility and 4 gas utilities from Aquila for \$940 million.
- In light of that transaction, we began a review of funding alternatives, including internally generated cash.
- Favorable market conditions prevailed in the independent power production (IPP) sector in 2007.
- In October 2007, we initiated a formal review, including the potential divestiture of certain IPP plants located throughout the western U.S., engaging Credit Suisse as our financial advisor.

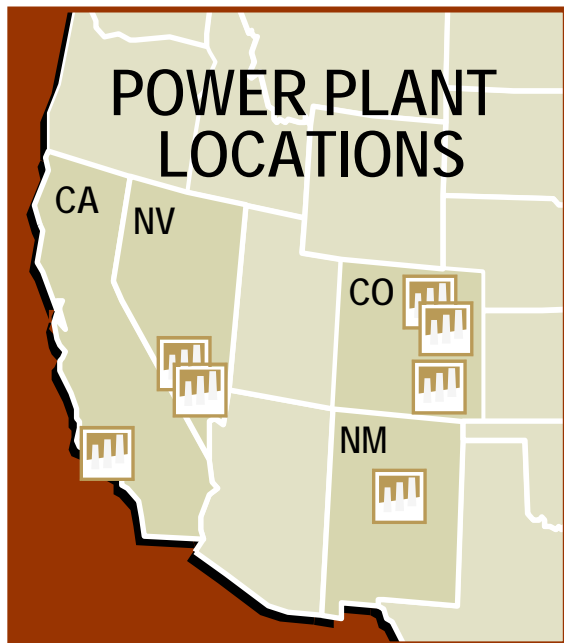


# IPP strategic review and sale process

- After a preliminary assessment and valuation, we decided to begin an auction process involving 7 natural gas-fired power plants with a net capacity of 974 MW.
- Black Hills and Credit Suisse conducted a full and broad, two-stage auction process with significant interest in these assets.
- Affiliates of Hastings Funds Management Ltd and a subsidiary of an investment entity advised by JPMorgan Asset Management submitted the winning bid of \$840 million for the entire package, an average of \$862/KW.



# Assets to be sold



## DIVESTITURE ASSETS

Power plant (State)

Capacity  
(net megawatts)

Fountain Valley (Colorado)\*

240

Las Vegas II (Nevada)

224

Valencia (New Mexico, under construction)

149

Arapahoe (Colorado)

130

Harbor (California)

98

Valmont (Colorado)

80

Las Vegas I (Nevada)

53

**Total**

**974**

\* Under the agreement, the Company has the right to retain the Fountain Valley plant under certain conditions.



# Certain provisions of agreement

- The Company has the right to retain the 240 MW Fountain Valley gas-fired simple-cycle power plant in Colorado should the Aquila transaction not close:
  - In the unlikely event the Aquila deal does not close, we will sell the remaining 6 power plants for \$600 million and retain Fountain Valley as a source of continued strong cash flows and earnings.
  - If our Aquila utility acquisition closes, we will sell all 7 power plants.
- Customary working capital adjustments will occur post-close.
- Black Hills has agreed to provide typical transition services to the purchaser for a limited time.



# Regulatory process and next steps

- Application for customary regulatory approvals, including:
  - Federal Energy Regulatory Commission (FERC);
  - Hart-Scott-Rodino antitrust clearance;
  - Completion of a federal review by the Committee on Foreign Investment in the United States (CFIUS).
- Completion of IPP divestiture expected late Q2 / early Q3 2008.
- Completion of the Aquila acquisition is expected late Q2 2008.



# IPP sale strengthens an already solid financial foundation

- Strong balance sheet: total debt-to-capitalization on 12/31/07 was 43%.
- Solid cash flows and liquidity.
- Demonstrated access to capital markets.
- Aquila acquisition bridge financing in place.
- Net cash proceeds from IPP sale eliminate or reduce need for new equity for Aquila utility acquisition.

## Comment on 2008 earnings guidance

- We recognize investors' interest in understanding the potential financial and earnings effects of the pending sale of IPP assets and other developments.
- We currently are not in a position to provide an update and additional detail on corporate economic metrics because of the pending nature of both the IPP sale and the Aquila deal, and their impact on our post-close capital structure.

# Use of transaction proceeds

## **If the Aquila deal goes forward:**

- Net proceeds from the \$840 million sale will be used either to reduce the amount drawn on our bridge acquisition credit facility for the Aquila utility acquisition or to promptly pay it down.
- Net proceeds from the sale allow us to eliminate or reduce the need for new equity to help fund the Aquila transaction, other future acquisitions or business expansion.

## **In the unlikely event the Aquila deal does not go forward:**

- Net proceeds from the \$600 million sale (we keep the Fountain Valley power plant) may be used for:
  - Acquisitions/business expansion
  - General corporate purposes
  - Debt reduction/stock buyback



# What's next for our IPP business?

## We are not exiting the IPP sector:

- We expect to continue pursuing IPP projects as opportunities emerge.
- We will have 158 MW net capacity in our post-transaction IPP fleet.
- Our power generation staff serves both regulated and non-regulated power plant fleets for the Company.
- We are expert at planning, permitting, constructing and operating power plants.
- Constructive relationships with regulators.

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### REMAINING IPP ASSETS

Power plant (State)	Capacity (net megawatts)
Wygen I* (Wyoming)	90
Gillette Combustion Turbine (Wyoming)	40
Ontario Cogen (California)	12
Rupert and Glens Ferry Cogen** (Idaho)	11
Energy fund investments	5
<b>Total</b>	<b>158</b>

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\* Mine-mouth coal-fired baseload power plant

\*\* Capacity represents the Company's 50% investment



# Conclusion

- Combination of pending IPP sale and pending Aquila acquisition is transformational and defines long-term prospects.
- Asset base shifts from predominately non-regulated wholesale energy investments to a balanced mix with more regulated utility properties.
- Cash flows and earnings from new asset mix expected to be more stable and easier to predict.
- Improved business risk profile and credit metrics.
- Continuing presence in non-regulated wholesale energy businesses:
  - We will continue maintaining and growing multiple revenue streams;
  - Our energy profile includes upstream fuel resource development (natural gas, oil and coal), power generation, midstream marketing and downstream retail utility services.



125 Years of Progress

