



**David Emery**  
*Chairman, President & CEO*

**Tony Cleberg**  
*Executive Vice President & CFO*

May 1, 2009

# 2009 First Quarter Update

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# Investor Information

## COMPANY INFORMATION

**Black Hills Corporation**  
625 9th Street  
Rapid City, SD 57701

NYSE Ticker: BKH

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### Company Contact

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## FORWARD LOOKING STATEMENTS

This news release includes “forward-looking statements” as defined by the Securities and Exchange Commission, or SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this news release that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including the factors discussed above, the risk factors described in Item 1A of Part I of our 2008 Annual Report on Form 10-K filed with the SEC, and other reports that we file with the SEC from time to time, and the following:

- \* Our ability to access the capital markets and the costs and terms of available financing given the global financial crisis;
- \* The accounting treatment and earnings impact associated with interest rate swaps;
- \* Our ability to successfully maintain or improve our corporate credit rating;
- \* The impact of the global financial credit crisis on counterparty credit risk and late payments and uncollectible accounts from utility customers;
- \* Our ability to comply, or to make expenditures required to comply, with changes in laws and regulations, particularly those relating to taxation, safety and protection of the environment, and to recover those expenditures in customer rates, where applicable;
- \* The timing, volatility and extent of changes in energy and commodity prices, supply or volume, the cost and availability of transportation of commodities, changes in interest rates and the demand for our services, any of which can affect our earnings, financial liquidity and the underlying value of our assets, including the possibility that we may be required to take future impairment charges under the SEC’s full cost ceiling test for natural gas and oil reserves;
- \* Our ability to successfully integrate and profitably operate the five gas and electric utilities recently acquired from Aquila in July 2008;
- \* Our ability to complete the planning, permitting, construction, start up and operation of power generation facilities in a cost-effective and timely manner;
- \* The timing and extent of scheduled and unscheduled outages of power generation facilities;
- \* Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings; and receive favorable rulings in periodic applications to recover costs for fuel, transmission and purchased power in our regulated utilities; and our ability to add power generation assets into our regulatory rate base;
- \* Our ability to meet production targets for oil and gas properties, which may be dependent upon commodity prices; issuance by federal, state, and tribal governments, or agencies thereof, of drilling, environmental and other permits; and the cost and availability of specialized contractors, work force, and equipment; and
- \* Other factors discussed from time to time in our filings with the SEC.

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

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# Discussion Agenda

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## Quarter Review

David Emery

*Chairman, President & CEO*

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## Financial Update

Tony Cleberg

*Executive Vice President & CFO*

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## Strategic Overview

David Emery

*Chairman, President & CEO*

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## Q&A

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# Quarter Review

David Emery  
*Chairman, President & CEO*

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# Business Highlights

*Focused strategy, talented and dedicated employees, access to capital markets, and opportunity for operating efficiencies as integration continues*



- Strong financial & operational performance; some economic impact
- Liquidity position of \$493 million; improved by over \$180 million since beginning of year
- Systems integration & process efficiency projects progressing
- 39<sup>th</sup> consecutive annual dividend increase
- Seasonally strong quarter for gas utilities; new rates in place
- Low natural gas prices impacted off-system sales for electric utilities
- CO Electric approved to build two utility-owned and operated LMS-100 natural gas-fired turbines; remaining capacity to be acquired via a competitive bidding process
- Wygen III construction project on schedule and on budget; Received progress payment of \$31 million from MDU for 25% of Wygen III project on April 19
- Completed sale to MEAN of 23% interest in Wygen I for \$51 million
- Oil & Gas performance impacted by low commodity prices and ceiling test impairment
- Energy Marketing performed well -- even with credit constraints; margins from transportation strategy have narrowed with decreasing commodity prices

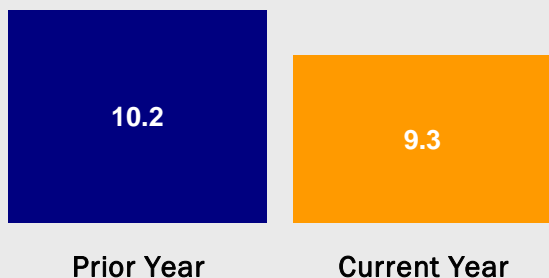
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# Electric Utilities

## Quarter Income Comparison

(from continuing operations in millions)



## Overview

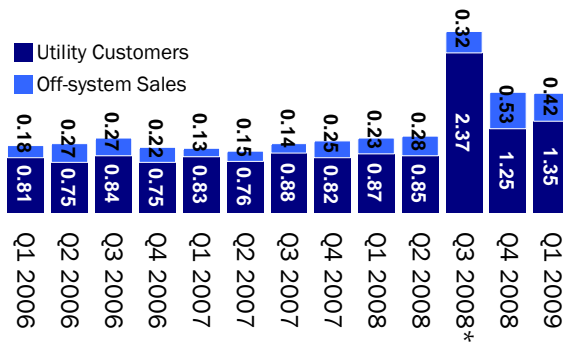
- Lower off-system sales margins
- BHE - Colorado Electric\* ERP progress continues
- Wygen III construction on track and on budget
- Wygen III 25% MDU sale closed 4/9/09 with \$31 million progress payment
- Neil Simpson II air condenser upgrade expected to be completed Q2 2009 (8MW for approx. \$995/KW)
- BHP Donkey Creek transmission project complete (\$15.5M)
- BHE-CO Electric Canon-Victor transmission project complete (\$14M)
- BHP MEAN PPA extended
- BHP & CLFP CIS system integration expected to be completed in 2009

\* Colorado Electric acquired on 7/14/08

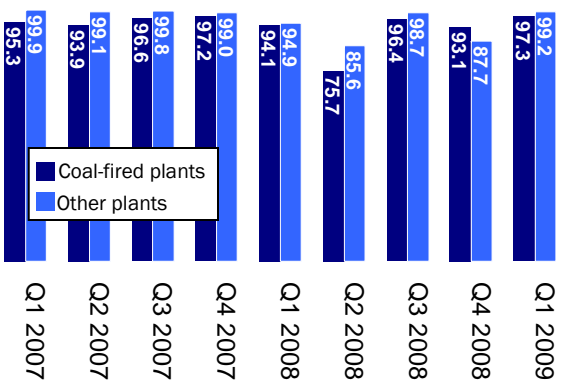
\*\* Does not include Colorado Electric ERP generation project

## Total MWh Sales

(in millions)

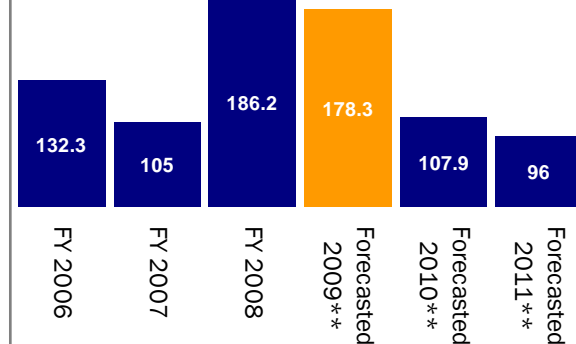


## Generation Availability (%)



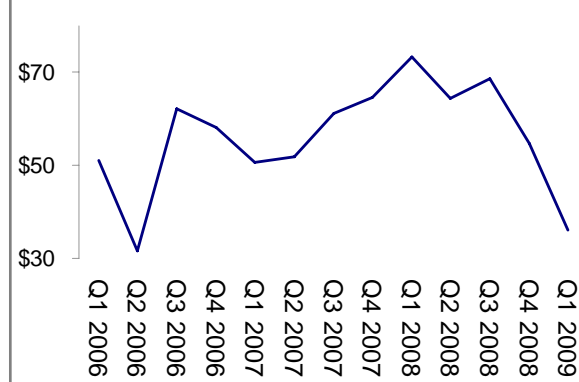
## Capital Expenditures

(in millions)



## Mid C Power Prices

(peak prices volume weighted)



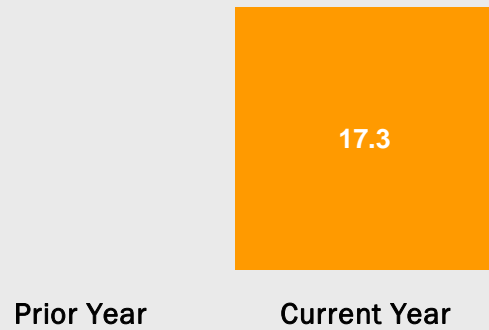
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# Gas Utilities

## Quarter Income Comparison

(from continuing operations in millions)

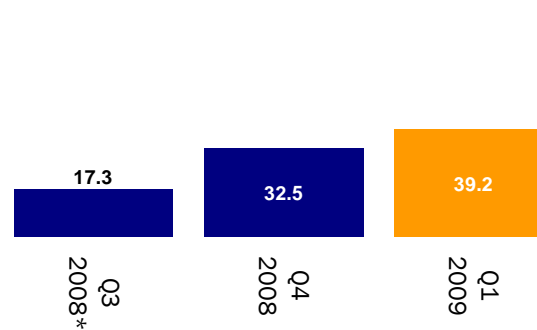


## Overview

- Acquired BHE - Gas Utilities on 7/14/08
- BHE - Colorado Gas rate case effective 4/1/09 for revenue increase of \$1.4 million
- BHE - Iowa Gas rate case order anticipated in Q2 for revenue increase of \$10.5 million; settlement agreement being evaluated by IUB
- Acquisition of two small municipal gas systems in Kansas demonstrates opportunity for strategic, low cost growth
- Launched energy efficiency campaign in IA and expect DSM orders in other states

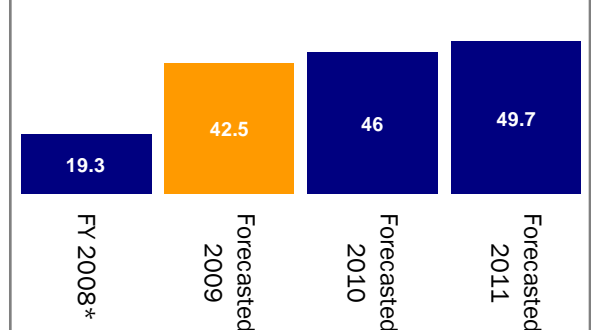
## Total Dth Sales

(in millions)

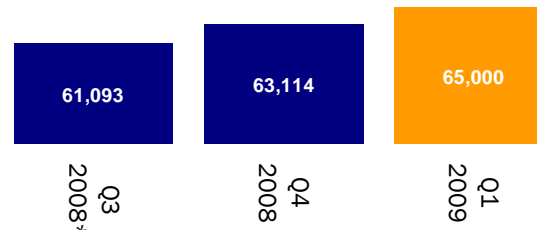


## Capital Expenditures

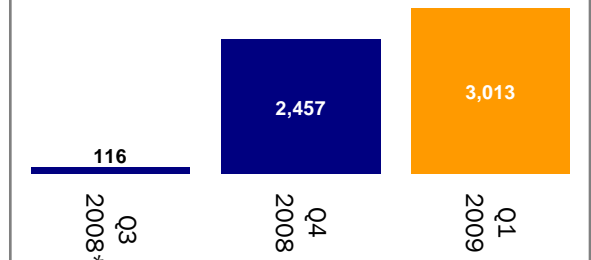
(in millions)



## Service Guard Customers



## Gas Utility Heating Degree Days



\* Black Hills Energy Gas Utilities acquired on 7/14/08

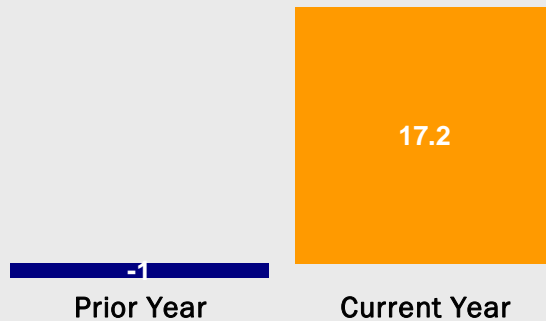
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# Power Generation

## Quarter Income Comparison

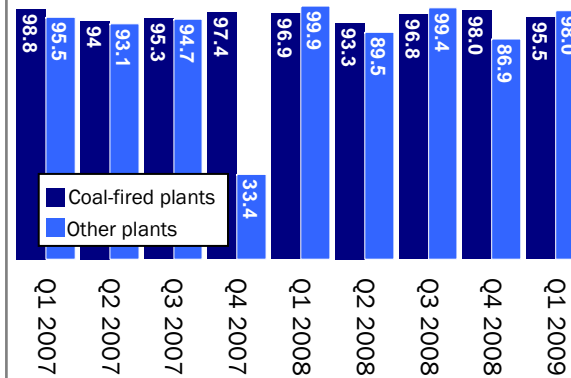
(from continuing operations in millions)



## Overview

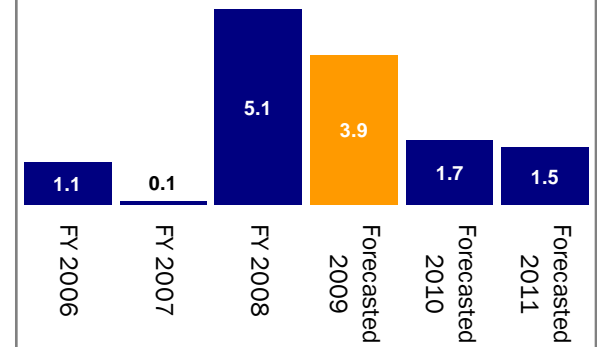
- Evaluating potential IPP bid for BHE- CO Electric 2009 Non-intermittent Resource Solicitation process
- Sale of a 23.5% interest of Wygen I to MEAN (Q1) for a gain of \$16.9 million

## Generation Availability (%)



## Capital Expenditures

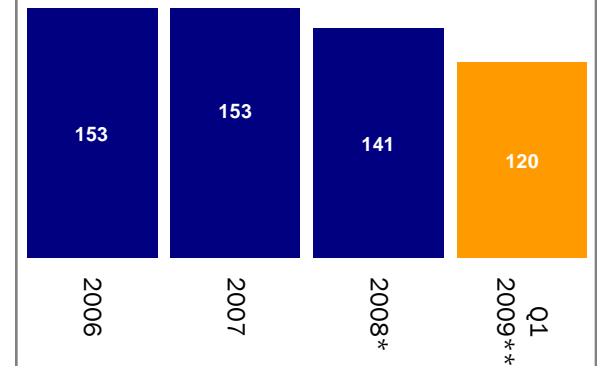
(in millions)



## Project Updates

- Wygen I air condenser upgrade expected to be completed Q2 2009 (8MW for approx. \$995/KW)

## MW of Generation Capacity



\* Reflects decommissioning of Ontario

\*\* Reflects 23.5% sale of Wygen I to MEAN

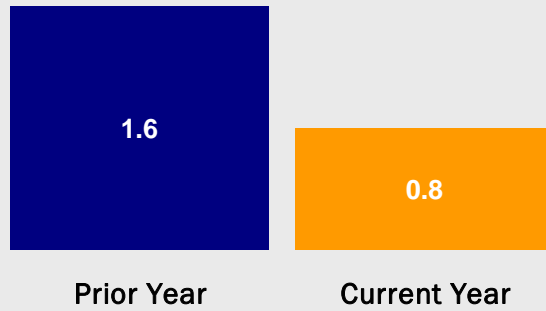
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# Coal

## Quarter Income Comparison

(from continuing operations in millions)

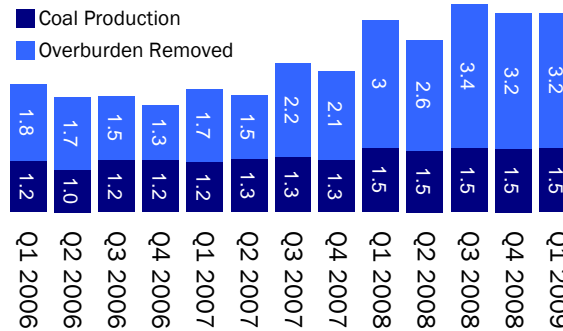


## Overview

- Continued increase in overburden costs
- Coal Mining cost increases due to higher depreciation, equipment costs and weather related impacts

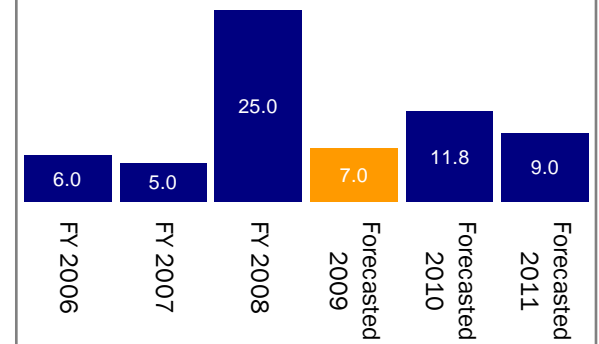
## Coal Production

(Coal in million tons | Overburden in million cubic yards)

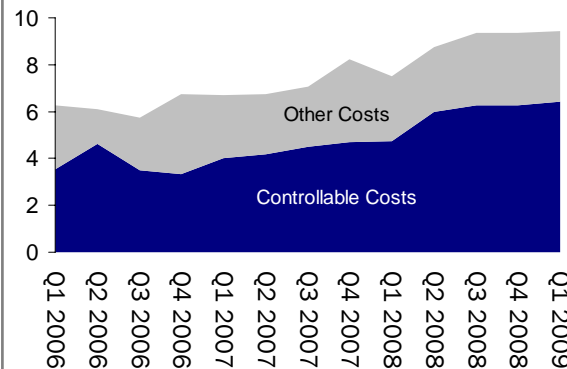


## Capital Expenditures

(in millions)

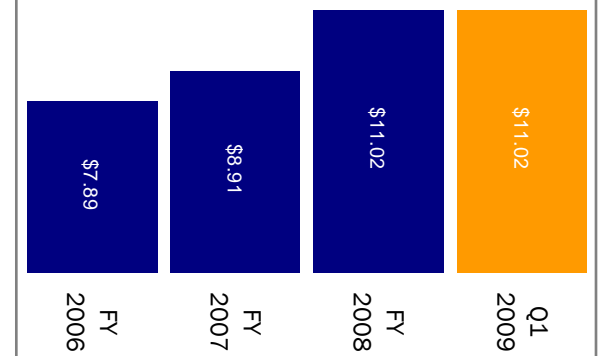


## Mining Cost Per Ton of Coal \*



## Average Delivered Fuel Cost

(\$/ton delivered to BH mine mouth regulated generation)

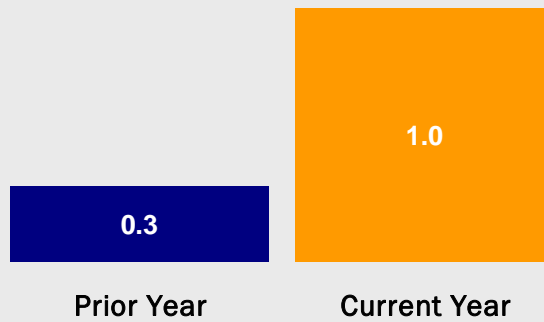


\* Controllable costs: depreciation, fuel, equipment, labor, etc.  
Other costs: property taxes, production taxes, royalties, etc.

# Energy Marketing

## Quarter Income Comparison

(from continuing operations in millions)

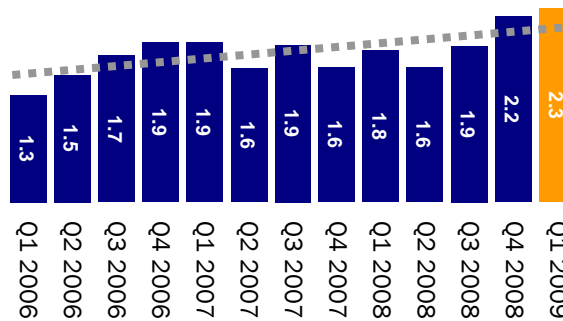


## Overview

- Enserco performed better than same quarter in 2008 even while limiting usage of uncommitted stand-alone credit facility
- \$95 million of the \$300 million stand-alone credit facility used as of 3/31/09
- Obtaining a committed stand-alone credit facility; encouraged by expanded bank interest and process is near completion

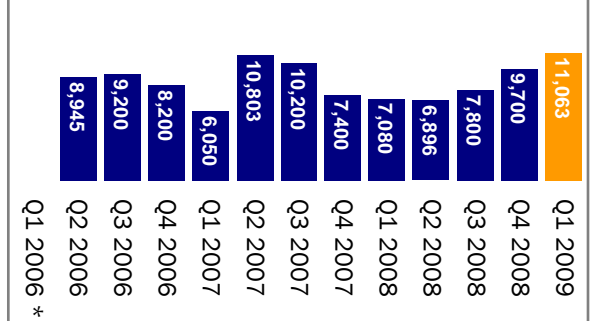
## Avg. Daily Natural Gas Volumes

(physical bcf per day)



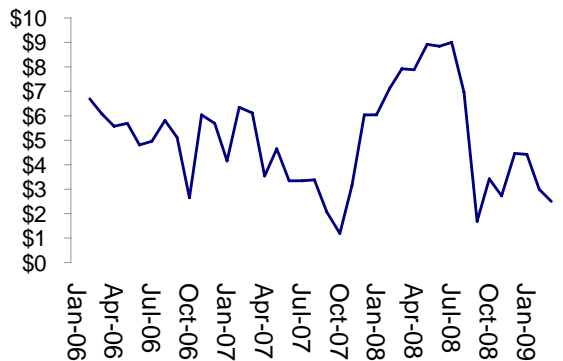
## Avg. Daily Crude Oil Volumes

(barrels per day)



## Northwest Rockies Natural Gas

(monthly settlement price)



\* Started business in Q2 2006

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# Oil & Gas

## Quarter Income Comparison

(from continuing operations in millions)

**2.6**

Prior Year

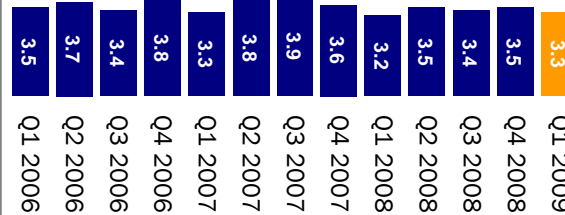
Current Year

**-25.7**

## Overview

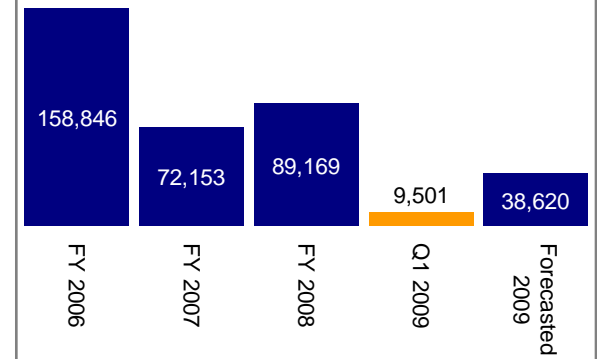
- 4% increase in production – new wells added in late 2008
- Shut-ins in Q1 due to economics of approximately 250 MCFD
- Ceiling test impairment of \$27.8 (after tax)
- Q1 Capital Expenditures of \$9.5 million
- Long term strategy to invest \$65 - \$90 million per year; only if commodity prices make it economical

## Bcf Equivalent Sales



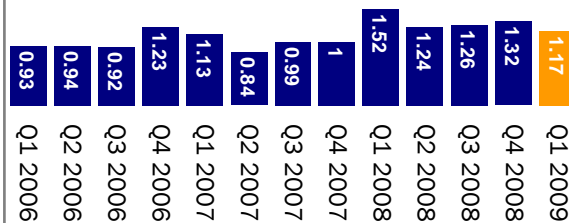
## Capital Expenditures\*\*

(in millions)

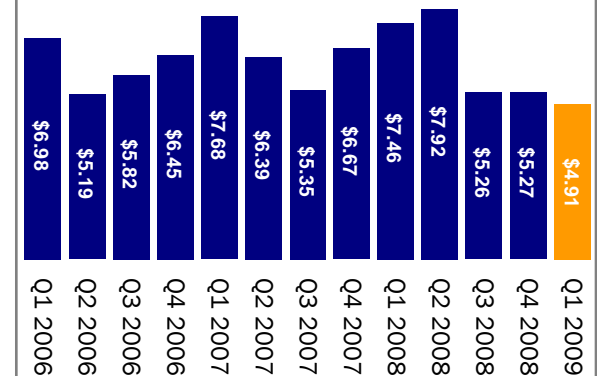


## Lease Operating Expenses

(LOE per Mcfe)



## Average Nat Gas Price Received\*



\* Net of hedge settlement gain/loss

\*\* Development capital for our oil and gas properties is expected to be quite limited during periods of low oil and natural gas prices

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# Unification Update

*Building scalable platform of unified systems and processes to gain efficiencies and prepare for future growth*



## People

*Common values, aligned goals, consistent processes, & engaged employees*

### Initiatives:

- Benefits & Compensation Integration
- Performance Management
- Succession Planning
- Career Planning & Development
- Employee Engagement Survey

### Update

- New performance management process launched (1,427 employee reviews completed)
- Consistent salary grade structure implemented BHC-wide
- New unified incentive compensation program launched for 2009



## Processes

*Integrate best practices to provide first-class service*

### Initiatives:

- Construction standards & inventory
- Accounting coding values consolidation
- New procurement approval process
- New administration of benefit process

### Update

- New office supply procurement and distribution process



## Systems

*From complex & expensive to scalable, efficient & economical*

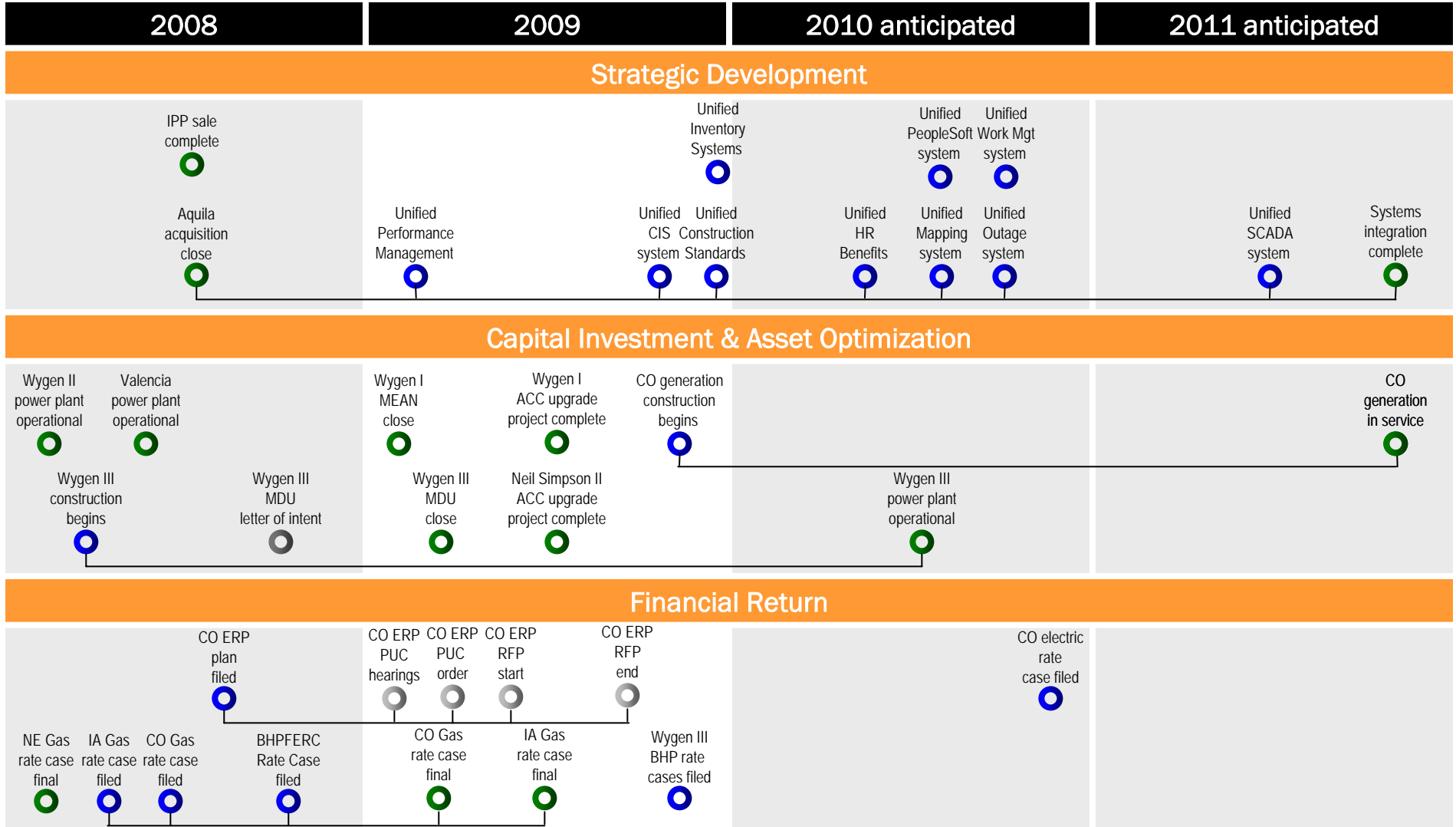
### Initiatives:

- Customer Information System
- Lawson to PeopleSoft Financial System
- Outage Management system
- GIS/Mapping system
- Utility Work Management
- Power Plant Work Management

### Update

- FileNet pilot project
- New intranet portal launched
- BHP & CLFP CIS system integration expected to be completed in 2009

# Timeline of Events



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# Financial Update

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*Executive Vice President & CFO*

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# Earnings Drivers

*Operational performance strong; some economic impact*

## Utilities

- Seasonally strong quarter
- Gas utilities performed well
- Decline in off-system sales due to low natural gas prices

## Non-Regulated Energy

- Oil & Gas impacted by lower commodity prices
  - Ceiling test impairment
  - Minimal capex spending
- Power generation
  - Lower administrative costs
  - Gain on sale of Wygen I
- Coal Mining
  - Higher depreciation
  - Increased equipment costs
  - Weather related impacts
- Energy Marketing
  - Improved YOY results
  - Tight basis spreads limited transportation opportunities

# Earnings Per Share Analysis

Earnings Per Share (EPS)	1 <sup>st</sup> Quarter	
	2009	2008
Income from Continuing Operations	\$0.66	\$0.31
Exclude notable gain items:		
Wygen I Sale – Completed in January 2009	(0.44)	-
Unrealized Gain on Interest Rate Swap	(0.25)	-
Improved Effective Tax Rate	(0.10)	-
Add-back notable loss items:		
Asset Impairment – Ceiling Test	0.72	-
Aquila Acquisition/Integration Expenses	0.02	0.04
Income from Continuing Ops As Adjusted*	\$0.61	\$0.35

\* Non-GAAP measure

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# Consolidated Income Statement

	2009		2008		Comments – 2009 vs. 2008
	QTD	EPS	QTD	EPS	
Revenue	\$437.9	-	\$152.9	-	Addition of BHE properties
Operating expense	(387.1)	-	(127.4)	-	
<b>Subtotal</b>	<b>50.8</b>	<b>\$1.31</b>	<b>25.5</b>	<b>\$0.66</b>	Util +\$28.7M; NR -\$5.7M; Corp +\$2.3M
Gain on sale of Wygen I (pre-tax)	26.0	0.67	-	-	\$51M in cash
Ceiling test adjustment (pre-tax)	(43.3)	(1.12)	-	-	Decline in Natural Gas Prices
<b>Operating income</b>	<b>33.5</b>	<b>0.86</b>	<b>25.5</b>	<b>0.66</b>	
Interest expense	(18.9)	(0.49)	(9.2)	(0.24)	Debt related to BHE acquisition
Interest rate swap (pre-tax)	14.8	0.38	-	-	Swap spread improvement
Other income	2.3	0.07	1.3	0.04	AFUDC increase of \$1.4M
<b>Income before income tax</b>	<b>31.7</b>	<b>0.82</b>	<b>17.6</b>	<b>0.46</b>	
Income tax	(6.1)	(0.16)	(5.8)	(0.15)	\$3.8M FIN 48 remeasurement
<b>Income from continuing operations</b>	<b>25.6</b>	<b>0.66</b>	<b>11.8</b>	<b>0.31</b>	
Disc. Operations / other, net of tax	0.8	0.02	5.0	0.13	IPP Assets sold July 2008
<b>Net income</b>	<b>\$26.4</b>	<b>\$0.68</b>	<b>\$16.8</b>	<b>\$0.44</b>	
Diluted Common Shares Outstanding		38.6		38.4	

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# Revenue / Operating Income Roll-Up

<i>In millions</i>	Revenue		Operating Income		Comments
	2009 QTD	2008 QTD	2009 QTD	2008 QTD	
<b>Electric Utilities</b>	\$137.1	\$99.6	\$19.2	\$19.9	BHE - Colorado Electric
<b>Gas Utilities</b>	256.3	-	29.4	-	BHE - Gas Utilities
	393.4	99.6	48.6	19.9	
<b>Non-regulated Energy</b>					
Oil & Gas	16.5	26.1	(45.8)	5.6	\$43.3M ceiling test impairment
Power Generation	7.6	8.9	29.8	1.6	Gain on sale of Wygen I
Coal Mining	14.4	13.2	0.2	1.6	Increased depreciation expense
Energy Marketing	7.0	6.1	1.6	0.2	Improved market conditions
I/C eliminations	(1.0)	(1.0)	0.2	-	
	44.5	53.3	(14.0)	9.0	
<b>Corporate</b>	-	-	(1.1)	(3.4)	2008 Pre-close acquisition expenses
<b>Total</b>	<b>\$437.9</b>	<b>\$152.9</b>	<b>\$33.5</b>	<b>\$25.5</b>	

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# Consolidated Statement of Capitalization

<i>In millions</i>	Mar. 31, 2009	Dec. 31, 2008
<b>Short term debt:</b>		
Current maturities	\$32.1	\$2.1
Corporate	479.8	703.8
	511.9	705.9
<b>Long term debt:</b>		
Corporate	224.8	224.9
Utilities	246.2	276.2
Non-regulated energy	0.2	0.2
	471.2	501.3
<b>Total Debt</b>	<b>983.1</b>	<b>1,207.2</b>
Cash	(121.6)	(168.5)
<b>Net Debt</b>	<b>861.5</b>	<b>1,038.7</b>
Common stock	623.9	621.9
Retained earnings	460.1	447.5
AOCI	(12.4)	(18.9)
<b>Total Equity</b>	<b>1,071.6</b>	<b>1,050.5</b>
<b>Total Debt and Equity</b>	<b>\$2,054.7</b>	<b>\$2,257.7</b>
Debt to Capitalization	48%	53%
Net Debt to Capitalization	45%	50%
Long-term Debt Ratio	31%	32%

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# Liquidity & Credit Update

*Proactively managing cash flows, capital expenditures and credit needs  
in balance with our growth strategy*

Primary Credit Facilities As of 3/31/2009	Capacity	Utilized	Available
Bridge Loan (BHE acquisition) – Extended until 12/29/2009	\$1 billion	\$383 million	None (1 time draw)
Enserco Credit Facility (Uncommitted) – Matures May 2009 – LC's only	\$300 million	\$95 million (LC)	\$205 million (LC)
Corporate Revolver – Matures May 2010	\$525 million	\$97 million \$57 million (LC)	\$371 million
Current Maturities of LTD	--	\$32 million	--
LTD – BHC (Due 2013)	--	\$225 million	--
LTD – Other	--	\$246 million	--
Unrestricted Cash			\$122 million
Approximate Available Liquidity (excluding Enserco Facility)			\$493 million
Approximate Available Liquidity at 12/31/08 (excluding Enserco Facility)			\$312 million

- No significant long-term debt maturities until 2013

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# Credit Ratings

<b>Black Hills Corporate</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>
Long-Term Issuer	BBB-	Baa3	BBB
Senior Unsecured	BBB-	Baa3	BBB
<i>Outlook</i>	<i>Stable</i>	<i>Stable</i>	<i>Stable</i>

<b>Black Hills Power</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>
Long-Term Issuer	BBB-	Baa2	BBB
Senior Secured Debt	BBB	Baa1	A-
<i>Outlook</i>	<i>Stable</i>	<i>Stable</i>	<i>Stable</i>



# Strategic Overview

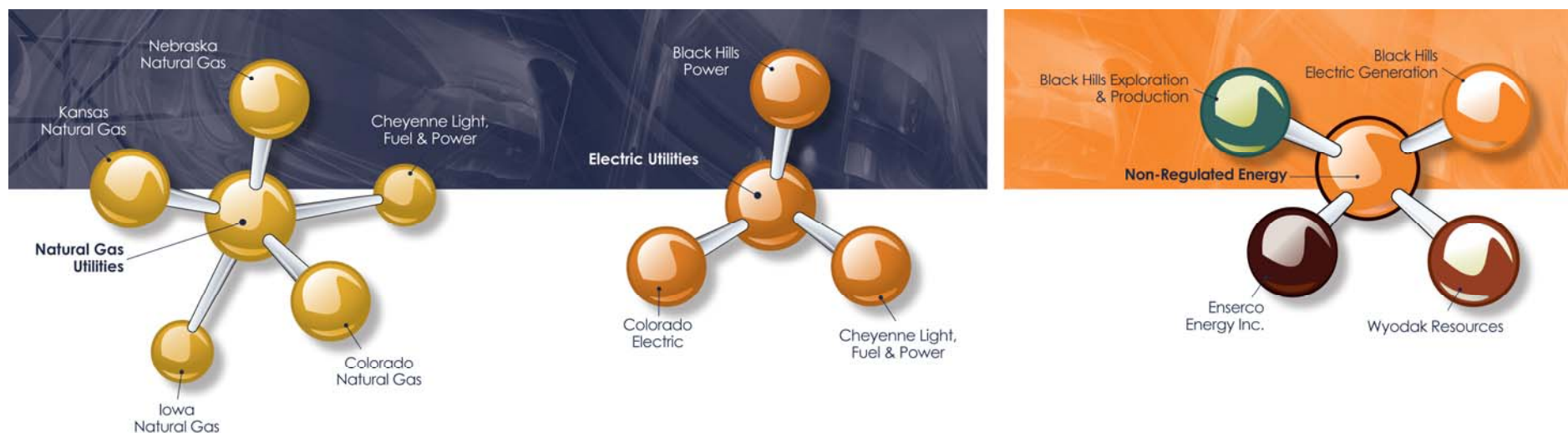
David Emery  
*Chairman, President & CEO*

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# Strong Financial Foundation

*Diversified platform for growth based on stable cash flows, more predictable earnings and increased efficiencies*



- **Balanced asset mix: approximately 2/3 regulated utility and 1/3 non-regulated energy**
- **Strong cash flows, solid balance sheet, and demonstrated access to capital markets**
- **Stronger overall corporate risk and credit profile**
- **Current capital structure of approximately 48% total debt to total capitalization**

# Regulatory Update

*Delivering the service and reliability customers depend on  
and the value investors expect*

	Overview	Status
Black Hills Power	New FERC transmission rates implemented January 1, 2009 representing \$3.8 million increase and formulaic rate approach	● Complete
BHE - Colorado Gas	New rates implemented April 1, 2009 representing \$1.4 million (2%) increase	● Complete
BHE - Iowa Gas	Filed rate case June 2, 2008 for \$13.6 million. Interim rates of \$9.4 million in effect June 13, 2008 – settlement agreement being reviewed by IUB and anticipate final order in Q2 2009	○ Settlement
Black Hills Power	Future request to add Wygen III to rate base in SD and WY (\$191 million budgeted investment for 75% ownership)	○ Future Filing
BHE - Colorado Electric	Future request to add rate base for generation and transmission investments (ERP)	○ Future Filing



# BHE - Colorado Gas - Rate Case Update

	Requested	Approved
Date	June 30, 2008 (filed)	April 1, 2009 (effective)
Revenue Increase	\$2.8 million	\$1.4 million
ROE	11.5%	10.25%
Cap Structure	49.5% debt / 50.5% equity	49.52% debt / 50.48% equity
Rate Base	\$41.4 million	\$40.9 million
Monthly Customer Charge (Current)	\$5.50 residential \$8.50 commercial	\$10 residential \$15 commercial
Weather Normalization	Requested Hinge-Fit Method	Received NOAA 30 Average

- Revenue difference primarily due to the type of weather normalization requested compared to the one approved by the CO PUC
  - BHE – Colorado Gas proposed Hinge-Fit weather normalization; not yet a widely accepted regulatory practice

# Efficient Cost Recovery

Jurisdiction	Cost Adjustment Mechanisms *					
	Bad Debt	Weather Normal.	Fuel Cost	Transmission	Purchased Power	Fixed Cost Recovery
<b>Black Hills Power</b>						
South Dakota			☑	☑	☑	
Wyoming						
Montana			☑		☑	
FERC				☑		
<b>Cheyenne Light (WY)</b>						
Electric Customers			☑	☑	☑	
Gas Customers			☑			
<b>BHE – Colorado Electric (CO)</b>						
BHE – Colorado Gas (CO)			☑			43%
BHE – Iowa Gas (IA)			☑			47.6%**
BHE – Kansas Gas (KS)	☑	☑	☑			65%
BHE – Nebraska Gas (NE)	☑		☑			48%

\* Refer to pages 23-30 of the 2008 10K for more specific information.

\*\* Proposed in most recent IA rate case settlement that is not yet final.

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# Utility Energy Efficiency & Renewable Programs

*Expanding our renewable energy portfolio at reasonable rates for customers*



- CLFP 20 year purchased power agreement for 30 MW of wind energy from Silver Sage Wind Farm
- BHE - Colorado Electric AMI project phase two continues (total project is 56,500 total meters)
- BHE - Colorado Electric customer project; 1.2 MW solar at CSU
- BHE - Nebraska Gas AMR project
- BHE - Iowa Gas energy efficiency campaign that includes customer rebates and website with customer tips
- BHE - Colorado Electric / City of Pueblo LED street light project
- BHE - Colorado Gas 3 year Energy Efficiency / Demand Side Management plan approved
- BHE - Colorado Electric 3 Year Energy Efficiency / Demand Side Management plan waiting approval
- BHP / National Wind For Schools project includes installation of a 2.4 KW wind generator in Box Elder, SD
- 2009 Power of Trees program - all BHC (668 trees planted in 2008)

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# Growth Oriented Opportunities

*Growth projects & capital investments a priority and continue to build value*

*Excludes routine capital expenditures, such as maintenance and new customer growth capital (\$millions)*

	2008	2009-2011	~Total
<b>Wygen III</b> 75% BH ownership - other 25% owned by MDU	\$99.3	\$77.8	\$191
<b>CO Electric Generation (Known)</b>	-	\$225 - \$275	\$225 - \$275
<b>CO Electric Generation RFP (TBD)</b>	-	\$0 - \$300	\$0 - \$300
<b>Transmission for BHP &amp; CO Electric</b>	\$24	\$76	\$100
<b>Generation Upgrades</b> Wygen I & Neil Simpson II condenser upgrades - 16 MW	\$7.5	\$7.5	\$15
<b>CO Electric AMI</b> Total of 56,500 AMI meters (Pueblo & Pueblo West)	\$1	\$6	\$7
<b>Oil &amp; Gas *</b> (limited pending oil & gas price recovery *)	\$89.2	\$20 - \$40 (2009) \$65 - \$90 (2010-2011)	\$239 - \$310
<b>~ 2008-2011 TOTAL</b>			<b>~\$725 - \$1,175</b>

\* Development capital for our oil and gas properties is expected to be quite limited during periods of low oil and natural gas prices. Strategy is to invest \$65 - \$90 million per year but will do so only if commodity prices make this economically feasible

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# BHE - Colorado ERP

*Utility-owned generation provides lowest cost, most reliable long-term power for customers*



## August 2008 – CO Electric Resource Plan Filed

- BHE – Colorado Electric filed a proposal with the Colorado Public Utility Commission (PUC) detailing how the company plans to provide electrical service to its customers on 1/1/2012 due to the expiration of a PPA on 12/31/2011

## January 2009 – Commission Hearings

## February 25, 2009 – Initial CO PUC Order Issued (Reaffirmed on March 31, 2009)

- The Colorado PUC issued an initial decision to allow Black Hills to build two utility-owned and operated generation facilities, specifically two General Electric natural gas-fired LMS-100 combustion turbines
- Remaining capacity must be acquired via a competitive bidding process
- PUC decision allows BHC subsidiaries other than BHE - Colorado Electric to bid (including IPP, BHP, and CLFP)
- Acquisition of renewables managed under annual renewables compliance plan

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## 2009 Non-Intermittent Resource Solicitation Process

- Model PPA and Forms Issued – 3/25/2009
- Pre-Bid Conference – 4/1/2009
- Notice of Intent to Bid – 5/1/2009
- Proposals Due – 6/8/2009
- Execution of PPA – 12/8/2009

## Utility-Owned Construction Process

- Evaluating sites in CO near existing transmission lines, access to water and natural gas pipelines
- File for CPCN – 6/8/2009
- File air permit application – 6/8/2009

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# Strategy Scorecard

Strategy	2009 Progress
<b>UTILITIES</b> + Acquire regulated utility properties in our geographic focus + Construct additional rate-base generation to serve existing customers + Balance integration of alternative and renewable energy with customer rate impacts + Pursue power marketing opportunities + Construct additional transmission to support generation development, increase reliability, & address growing demand	<input checked="" type="checkbox"/> Complete BHP FERC rate case (1/2009) <input checked="" type="checkbox"/> Close on sale of 25% interest in Wygen III to MDU (4/2009) <input checked="" type="checkbox"/> Complete natural gas rate case in Colorado (4/2009) <input checked="" type="checkbox"/> CO ERP PUC approval for rate base generation (4/2009) <input type="checkbox"/> Complete natural gas rate case in Iowa (expected Q2 2009) <input type="checkbox"/> File Wygen III related rate case for BHP so it is effective in Q2 2010 <input type="checkbox"/> Complete Neil Simpson II condenser upgrade project - 8 MW (Q2 2009) <input type="checkbox"/> Complete expanded AMI program in CO Electric (2009) <input type="checkbox"/> Complete Wygen III facility on schedule & on budget - (2010) <input type="checkbox"/> Complete construction of generation to serve Colorado Electric (Q4 2011) <input type="checkbox"/> File BHE-CO Electric generation related rate case so it is effective in Q1 2012
<b>POWER GENERATION</b> + Selectively grow power generation segment + Sell large percentage of capacity and energy production to load-serving utilities	<input checked="" type="checkbox"/> Sale of 23.5% undivided interest in Wygen I to MEAN - closed 1/20/2009 <input type="checkbox"/> Complete Wygen I condenser upgrade project - 8 MW (Q2 2009) <input type="checkbox"/> Evaluate submitting bid for Colorado Electric ERP RFP process (Q2 2009)
<b>COAL MINING</b> + Efficiently utilize coal resources through expansion of mine-mouth generation and increased third-party coal sales	<input type="checkbox"/> 600,000 tons of coal production increase for Wygen III (2010)
<b>OIL &amp; GAS</b> + Increase production through development of existing acreage and limited acquisitions	<input type="checkbox"/> \$20-\$40 million investment in oil and gas development (2009*) <input type="checkbox"/> \$65-\$90 million per year investment in oil and gas development (Future*)
<b>ENERGY MARKETING</b> + Geographically expand our energy marketing + Diligently manage inherent energy marketing risks + Conduct business with diversified group of creditworthy counterparties + Maintain stand-alone credit facility	<input type="checkbox"/> Secure committed stand-alone credit facility <input type="checkbox"/> Maximize earnings under internal credit constraints
<b>SERVICE COMPANY (CORPORATE)</b> + Optimize systems and processes to minimize costs and create a platform for growth	<input checked="" type="checkbox"/> Implement Unified Performance Management System (2009) <input type="checkbox"/> Refinance short-term debt to long-term debt (2009) <input type="checkbox"/> Unify CIS System, Inventory Mgt. System, & Construction Standards (2009) <input type="checkbox"/> Unify Other Systems & Processes: Benefits, PeopleSoft, Mapping, Work Mgt., Outage and SCADA (2010)

\* Development capital for our oil and gas properties is expected to be quite limited during periods of low oil and natural gas prices.

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# Summary

- Strong financial & operational performance; some economic impact
- Liquidity position of \$493 million; improved by over \$180 million since beginning of year
- Systems integration & process efficiency projects progressing
- 39<sup>th</sup> consecutive annual dividend increase
- Seasonally strong quarter for gas utilities; new rates in place
- Low natural gas prices impacted off-system sales for electric utilities
- CO Electric approved to build two utility-owned and operated LMS-100 natural gas-fired turbines; remaining capacity to be acquired via a competitive bidding process
- Wygen III construction project on schedule and on budget; Received progress payment of \$31 million from MDU for 25% of Wygen III project on April 19
- Completed sale to MEAN of 23% interest in Wygen I for \$51 million
- Oil & Gas performance impacted by low commodity prices and ceiling test impairment
- Energy Marketing performed well -- even with credit constraints; margins from transportation strategy have narrowed with decreasing commodity prices

# Q&A

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# Vision: Be the energy partner of choice.



## Agility

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



## Communication

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



## Creating Value

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



## Customer Service

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



## Integrity

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



## Leadership

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



## Partnership

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



## Respect

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

# Mission: Improving life with energy.

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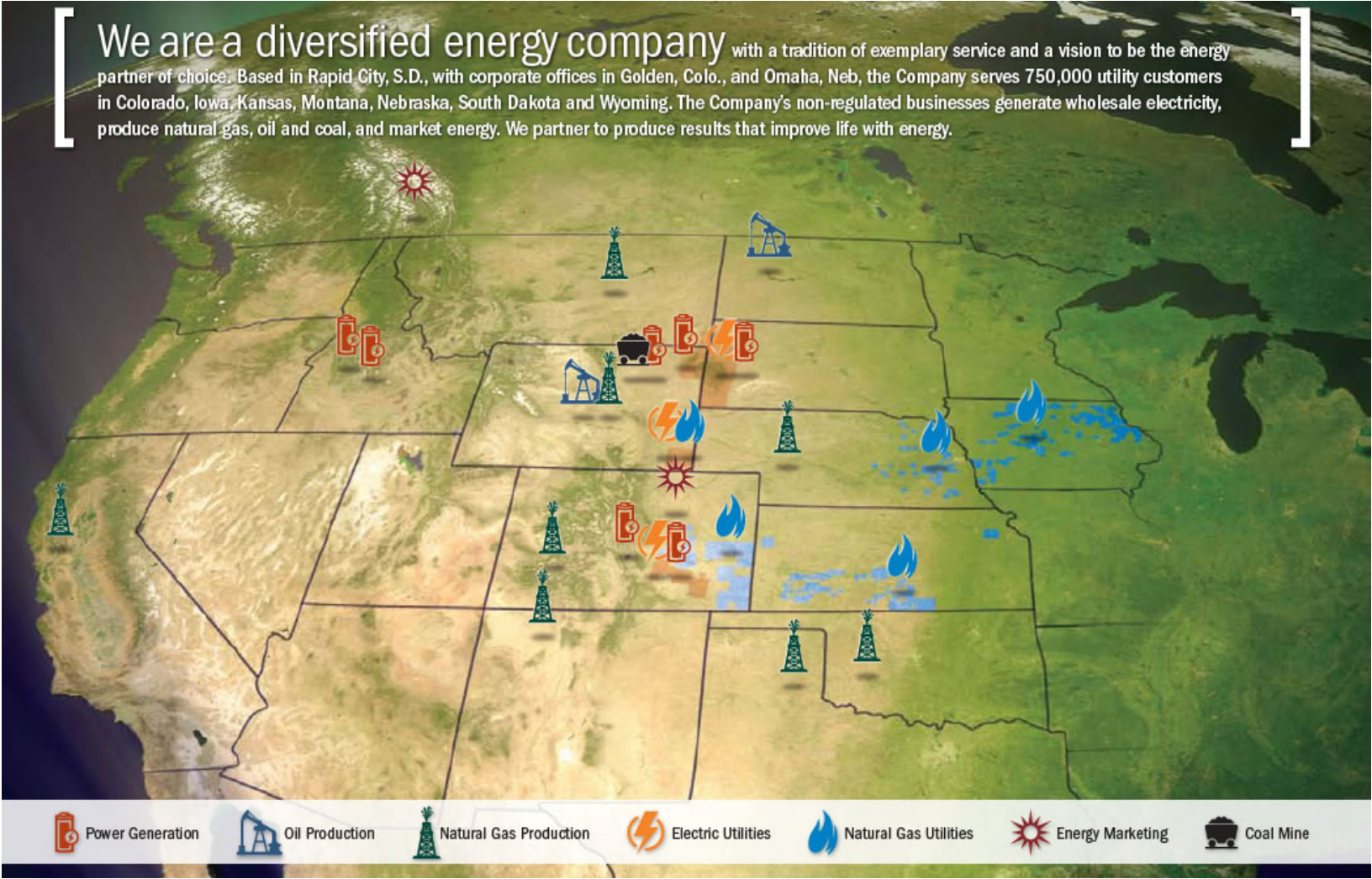
# Appendix

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# Black Hills Footprint

We are a diversified energy company with a tradition of exemplary service and a vision to be the energy partner of choice. Based in Rapid City, S.D., with corporate offices in Golden, Colo., and Omaha, Neb, the Company serves 750,000 utility customers in Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. The Company's non-regulated businesses generate wholesale electricity, produce natural gas, oil and coal, and market energy. We partner to produce results that improve life with energy.



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# Black Hills Corporation

*An integrated and diversified energy company – Fuel, Generation & Utilities*

## Utilities



### Gas Utilities

- Colorado Natural Gas
- Kansas Natural Gas
- Nebraska Natural Gas
- Iowa Natural Gas



### Electric Utilities

- Black Hills Power
- Cheyenne Light, Fuel & Power \*
- Colorado Electric

## Non-Regulated Energy



### Coal

- Wyodak Resources



### Energy Marketing

- Enserco Energy



### Oil & Gas

- Black Hills Exploration & Production



### Power Generation

- Black Hills Electric Generation

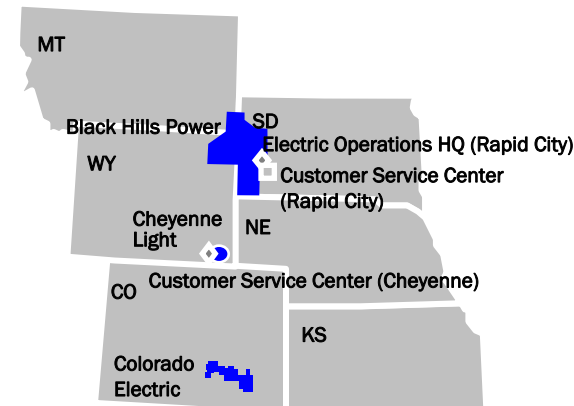
\* Supplies electric and gas utility service to Cheyenne, Wyoming and vicinity

# Electric Utilities

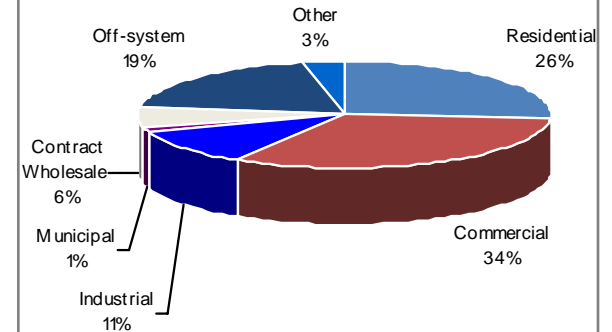
## Operational Summary

- Our electric utilities generate, transmit and distribute electricity to approximately 202,100 customers
- Includes the operations of Black Hills Power (SD, MT, & WY), Cheyenne Light (WY), and BHE – Colorado Electric (CO)
- Includes 630 MW's of generation and 7,909 miles of transmission and distribution lines
- 881 MW total summer peak demand (2008)
- Cheyenne Light also distributes natural gas to approximately 33,300 customers in Wyoming
- BHE - Colorado Electric acquired on July 14, 2008

## Service Areas



## Customer Class by Revenue



### Black Hills Power

- Wygen III power plant construction project on schedule and on budget
- New winter peak load of 407 MW on 12/14/2008 – all time peak of 430 MW (7/2007)
- Rapid City AC-DC-AC transmission tie provides unique interconnection between the Western and Eastern transmission grids

### Cheyenne Light

- Wygen II in service and in rates on January 1, 2008
- New all-time peak load of 176 MW on 12/14/2008

### Black Hills Energy – Colorado Electric

- CO PUC decision on March 25, 2009 allowing utility to build two LMS-100 natural gas turbines. Remaining 175 to 200 MW capacity must be acquired via a competitive bidding process.
- New all-time peak load of 376 MW on 8/1/2008

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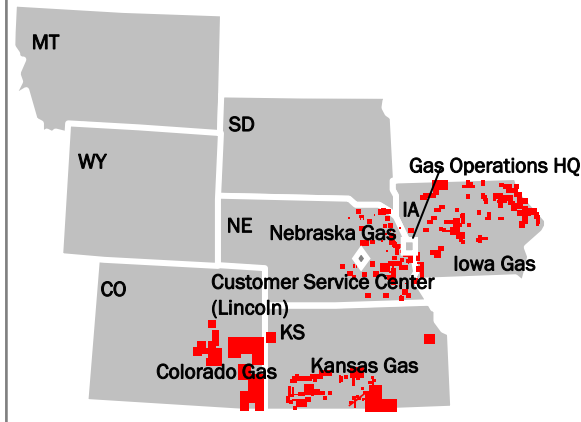


# Gas Utilities

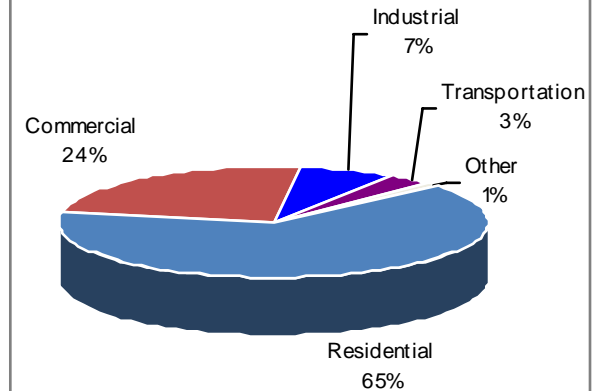
## Operational Summary

- Distributes natural gas to approximately 524,000 customers in CO, IA, KS, and NE
- Includes operations of Black Hills Energy utilities operating in Colorado, Iowa, Kansas and Nebraska acquired on July 14, 2008
- Includes 629 miles of interstate gas transmission pipelines and 7,878 miles of gas distribution mains and service lines

## Service Areas



## Customer Class by Revenue



## Black Hills Energy – Gas Utilities

- BHE - Colorado Natural Gas rate case implemented April 1, 2009 representing \$1.4 million increase
- BHE - Iowa Gas rate case filed June 2, 2008 for \$13.6 million. Interim rates of \$9.4 million in effect June 13, 2008 – settlement agreement being reviewed by IUB and anticipate final order in Q2 2009
- BHE - Kansas Gas rate case implemented June 1, 2007 representing \$5.1 million increase
- BHE - Nebraska Gas rate case implemented April 1, 2008 representing \$9.2 million increase

\* Black Hills Energy Gas Utilities acquired on 7/14/08

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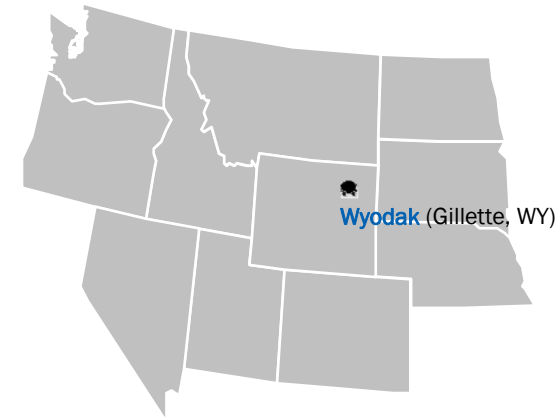


# Coal

## Operational Summary

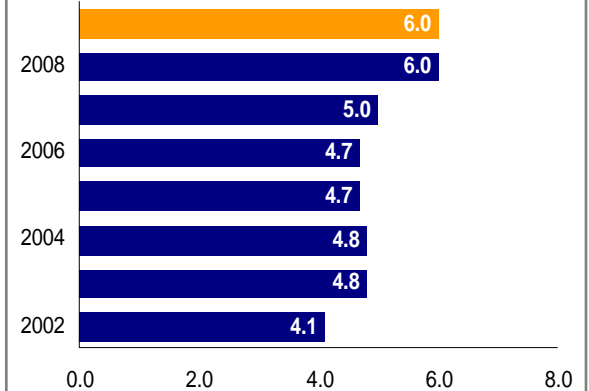
- Includes approximately 274 million tons of low-sulfur Powder River Basin coal for low-cost, mine-mouth generation: a 42 year supply at expected production rates
- Forecasted 2009 production consistent with 2008
- Long-term assets matched to long-term contracts: BH Power and CLF&P contracts are life-of-plant; PacifiCorp plant contracts are long-term
- Coal supply supports potential expansion of low-cost baseload generation

## Facility Location



## Coal Production

(millions of tons)



## Coal Mining

- Manage overburden removal to meet increased overburden to coal ratio
- Increase staffing levels and manage new shift schedules to meet increased production and overburden removal targets
- Ensure adequate profit margins on all coal sales contracts
- Pursue other local/regional coal sales opportunities
- Expect minimal impact if new fly ash regulations are passed as a result of recent TVA ash dam failure

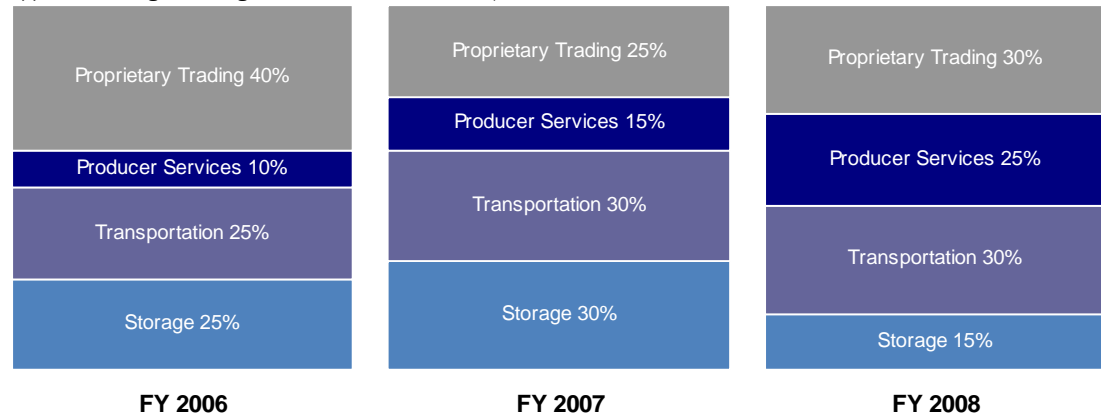
# Energy Marketing





## Operational Summary

- Doing business under the name Enserco
- Two offices located in Golden, CO and Calgary, Alberta
- Includes Crude Oil Marketing and Producer Services
- Includes long-term natural gas transportation and storage contracts that create potential for long-term earnings growth with strong upside potential
- Conservative approach to risk management; stand-alone credit facility
- Record year in 2007

## Four Primary Business Strategies

(by approximate % gross margin - rounded to nearest 5%)



- 
**Proprietary Trading:** Utilize knowledge of the energy marketplace and customer relationships to create value
- 
**Producer Services:** Marketing services for independent natural gas and crude oil producers
- 
**Transportation:** Balanced portfolio of short term and long term natural gas transportation contracts with geographic diversification
- 
**Storage:** Leased storage capacity with rights to inject or withdraw natural gas up to a predetermined maximum daily quantity for term of contracts

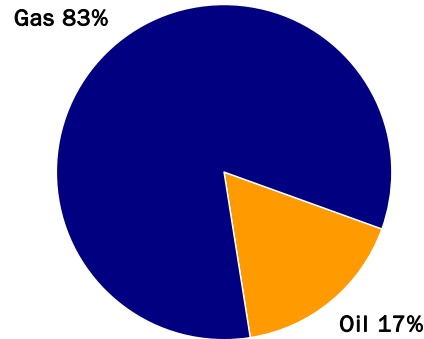


# Oil & Gas

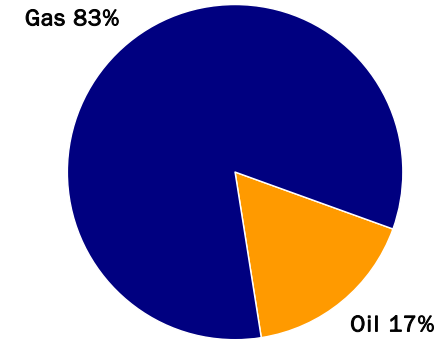
## Operational Summary

- Includes operated wells in San Juan Basin, Powder River Basin, Big Horn Basin, Piceance Basin and Denver Julesberg Basin
- Includes non-operated wells in California, Louisiana, Montana, North Dakota, Oklahoma, Texas, and Wyoming
- Compared to prior year, 2008 production down 7%: Gas down 2%, oil down 5%
- Year end 2008 186 Bcfe year-end reserves; 11% reduction compared to prior year mostly driven by low YE commodity prices: 77% reserve replacement
- Cash flows stabilized with ongoing hedging strategy

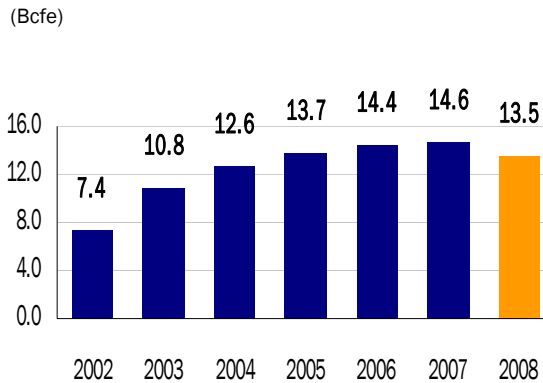
## 2008 YE Reserves



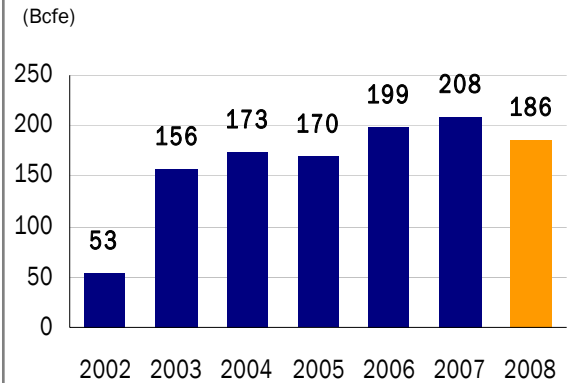
## 2008 YE Production



## Gas & Oil Production



## Gas & Oil Reserves



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