



David Emery  
*Chairman, President & CEO*

May 19, 2009

# 2009 Annual Shareholder Meeting

*Improving life with energy*



# Investor Information

## COMPANY INFORMATION

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

NYSE Ticker: BKH

[www.blackhillscorp.com](http://www.blackhillscorp.com)

### 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 and Item 2 of our March 31, 2009 Quarterly Report of Form 10-Q, 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.

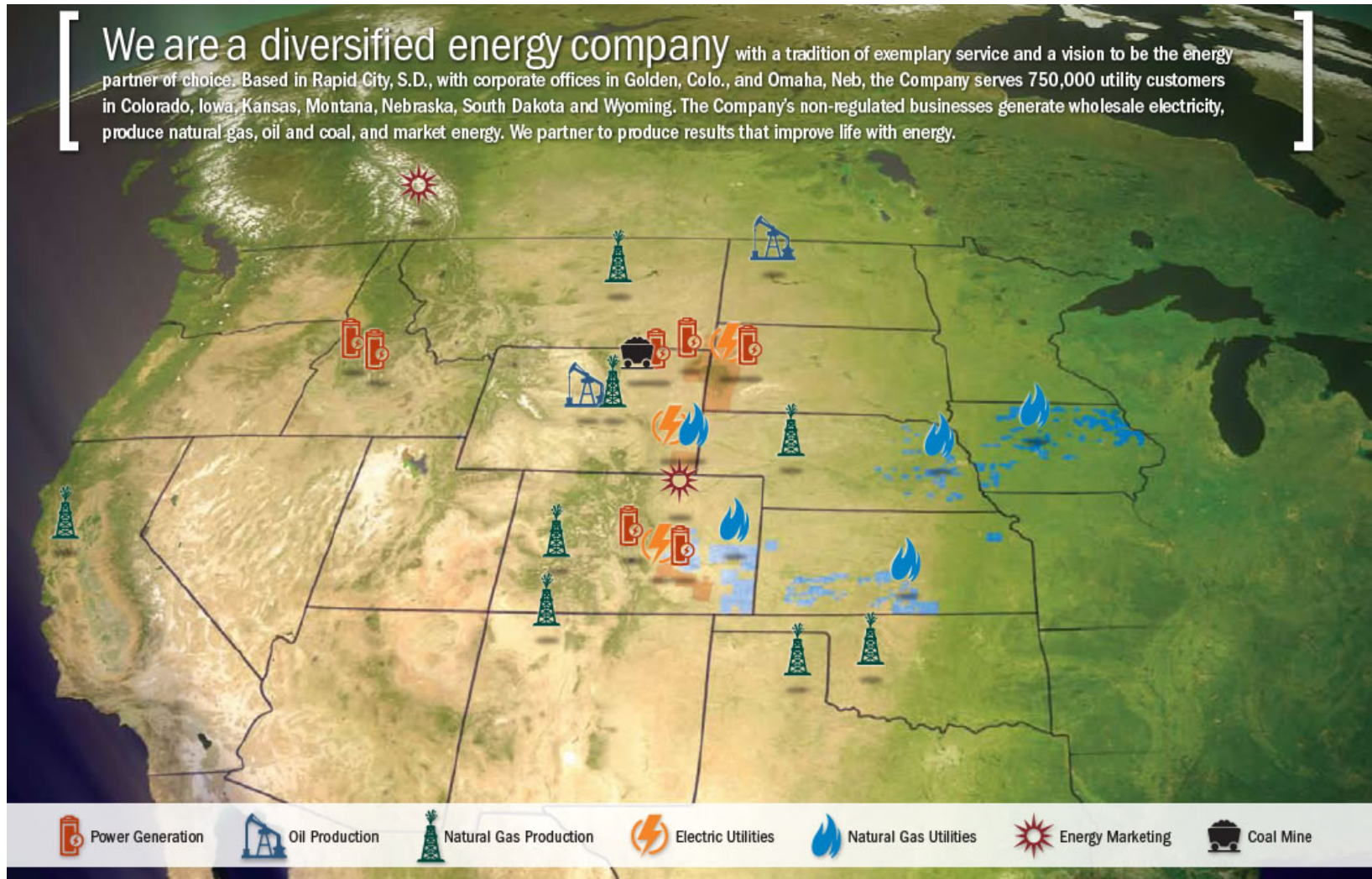
New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time-to-time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ 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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# Our New Company 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

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



### Electric Utilities

- Black Hills Power
- Cheyenne Light\*
- Colorado Electric

## Non-Regulated Energy



### Coal

- Wyodak Resources



### Energy Marketing

- Enserco Energy



### Oil & Gas

- Black Hills Exploration & Production



### Power Generation

- Black Hills Electric Generation

- 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

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

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# 2008 Full Year Summary

*Transformational year with strong operational performance considering challenges in financial markets, economy & commodity prices*

## Utilities

- Addition of Wygen II facility as a Cheyenne Light rate base power plant in January 2008
- Wygen III construction began on March 20, 2008
- Happy Jack Wind Farm -- integration of wind energy

## Non-Regulated Energy

- Energy marketing finished year strong and built value for 2009 and beyond
- Oil and gas production results lower compared to 2007
- Coal mining production increased by nearly 20%

## IPP Divestiture

- \$139.7 million of net income (\$3.66 per share) attributable to after-tax gain on sale of seven IPP plants closed on 7/11/2008, classified as discontinued operations
- Through tax planning, the company expects to defer tax payments of \$180 million

## Black Hills Energy Acquisition

- Purchased four gas utilities and one electric utility from Aquila for \$940 million on July 14, 2008 -- provides more predictable and stable cash flows
- Increased utility customers fivefold and more than doubled the number of employees

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# 2009 Highlights

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

## Overall

- Started 2009 with strong financial & operational performance; some economic impact
- \$493M liquidity position as of 3/31/2009; improved by over \$180 million since 2008 YE
- Integration & process efficiency projects progressing
- 39<sup>th</sup> consecutive annual dividend increase
- Completed a \$240 million committed stand-alone credit facility for energy market segment to replace its previously uncommitted \$300 million credit facility on May 8
- Completed offering of \$250 million senior unsecured notes due 2014 on May 14

## Utilities

- Seasonally strong first quarter for gas utilities; new rates in place
- Low natural gas prices impacted off-system sales margins for electric utilities
- BHE-COE – to build 2 rate based gas turbines; RFP other resources
- Wygen III construction project on schedule and on budget
- Integration of wind generation into utility portfolio (Happy Jack Wind Farm)

## Non-regulated Energy

- Wygen I sale of 23% interest to MEAN for \$51 million
- Wygen III sale of 25% interest to MDU; Received progress payment of \$31 million in April
- Low commodity prices and ceiling test impairment impact Oil & Gas
- Energy Marketing performed well – even with internally impose constraints on credit utilization

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# 2008 Earnings Per Share Analysis

<i>Earnings Per Share (EPS)</i>		
	2008	2007
Income (Loss) from Continuing Operations	(\$1.37)	\$2.01
Add-back notable loss items:		
Asset Impairment – Ceiling Test	1.55	
Unrealized MTM Loss on Interest Rate Swap	1.61	
Income from Continuing Ops As Adjusted*	\$1.79	\$2.01

\* Non-GAAP measure

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# Q1 Earnings Per Share Analysis

<i>Earnings Per Share (EPS)</i>	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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# Liquidity & Credit Update

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

<b>Primary Credit Facilities</b> As of 3/31/2009	<b>Capacity</b>	<b>Utilized</b>	<b>Available</b>
Bridge Loan (BHE acquisition) – Extended until 12/29/2009	\$1 billion	\$383 million (1)	None (1 time draw)
Enserco Credit Facility (Uncommitted) (2) – 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
- (1) Paid down to \$105 million with proceeds from May 2009 \$250 million bond offering
- (2) Obtained a \$240 million committed facility on May 8, 2009

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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**

**January 2009 – Commission Hearings**

**February 2009 – Initial CO PUC Order Issued**

- Self-build build two utility-owned and operated generation facilities
- Remaining capacity via a competitive bidding process
- Acquisition of renewables managed under annual renewables compliance plan

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## **2009 Non-Intermittent Resource Solicitation Process**

- 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
- File for CPCN – 6/8/2009
- File air permit application – 6/8/2009

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# 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 – \$10.5 million 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

# Efficient Cost Recovery - Utilities

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*



## **Black Hills Power**

- BHP / National Wind For Schools project includes installation of a 2.4 KW wind generator in Box Elder, SD

## **Cheyenne Light**

- CLFP 20 year purchased power agreement for 30 MW of wind energy from Silver Sage Wind Farm

## **Black Hills Energy - Colorado Electric**

- AMI project phase two continues (total project is 56,500 total meters)
- 1.2 MW solar customer project at CSU
- City of Pueblo LED street light project
- 3 Year Energy Efficiency / Demand Side Management plan waiting approval

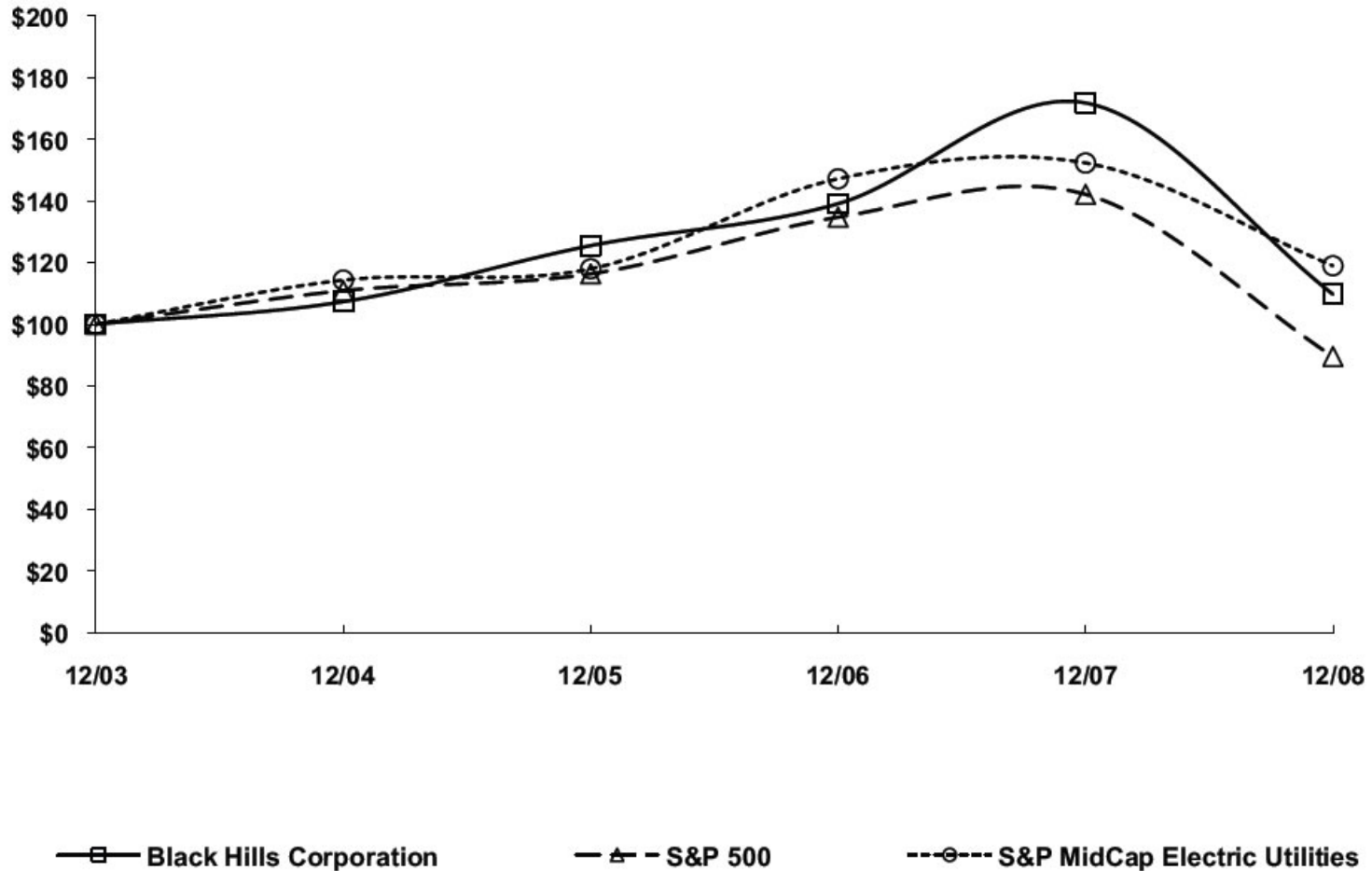
## **Black Hills Energy – Gas Utility Segment**

- Iowa Gas energy efficiency campaign that includes customer rebates and website with customer tips
- Colorado Gas 3 year Energy Efficiency / Demand Side Management plan approved

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# 5 Year Cumulative Total Return\*



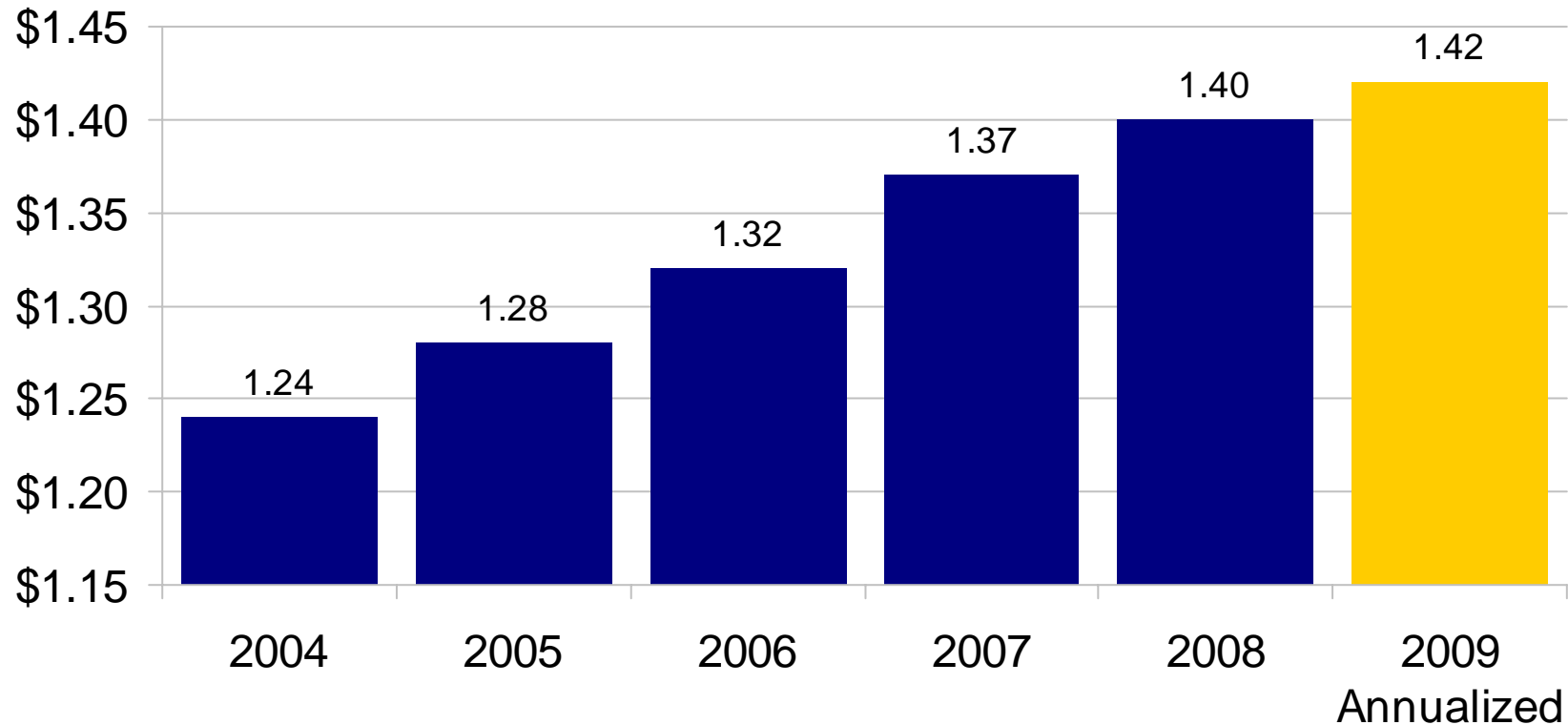
\* \$100 invested on 12/31/03 in stock and index-including reinvestment of dividends. Fiscal year ending 12/31.

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# Annual Dividend Growth



- January 30, 2009 the Board of Directors increased the dividend by \$0.005 per common share to \$0.355 per share, equivalent to an annual dividend rate of \$1.42 per share
- 39th annual consecutive increase in the quarterly dividend

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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

## Full Year 2008 – Transformational Year

- Wygen II in-service and in-rates
- Wygen III construction begins
- IPP divestiture for \$840 million
- Utility acquisition for \$940 million – 5 utilities now doing business as Black Hills Energy

## Year To Date 2009 - Improved Liquidity & Overall Financial Position

- Solid financial performance in Q1
- Liquidity nearly \$500 million (\$180 million greater than at year-end)
- Closed committed stand-alone credit facility for energy marketing
- Raised \$250 million by issuing senior unsecured notes to pay down short term debt

## Strategic Growth Initiatives On Track

- Wygen III plant on schedule and on budget
- Proceeding with two rate base gas turbines for BHE – Colorado Electric customers
- Regulatory initiatives will continue to improve earnings
- Unification of people, processes and systems

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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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