



David Emery - Chairman, President & CEO
Tony Cleberg – Executive Vice President & CFO

November 6, 2008

Third Quarter 2008 Investor Update

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Investor Information

COMPANY INFORMATION

Black Hills Corporation

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FORWARD LOOKING STATEMENTS

This presentation 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 presentation 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 risk factors described in Item 1A of Part I of our 2007 Annual Report on Form 10-K filed with the SEC, Item 1A of Part II of our June 30, 2008 Quarterly Report on Form 10-Q, and other reports that we file with the SEC from time to time, and the following:

- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings; to 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 successfully integrate and profitably operate the five gas and electric utilities recently acquired from Aquila
- Our ability to successfully maintain or improve our corporate credit rating;
- Our ability to complete the planning, permitting, construction, start up and operation of power generating facilities in a cost-effective and timely manner;
- Our ability to meet production targets for our oil and gas properties, which may be dependent upon 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;
- The timing, volatility and extent of changes in energy-related and commodity prices, interest rates, foreign exchange rates, energy and commodity supply or volume, the cost and availability of transportation of commodities, and demand for our services, all of which can affect our earnings, liquidity position and the underlying value of our assets;
- Counterparty credit risk;
- Capital market conditions and market uncertainties related to credit and interest rates, which may affect our ability to raise capital on favorable terms or at all;
- 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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Presentation Agenda

- **Third Quarter Highlights**
Solid business performance
- **Financial Review**
Third quarter financial results
- **Platform For Growth**
Serving customers and creating shareholder value
- **Questions and Answers**



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Third Quarter Highlights

David Emery
Chairman, President & CEO

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Reporting Segments

Six reporting segments – utility segments realigned to reflect new organization.

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

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Third Quarter Summary

Income from continuing operations increased to \$19.5 million (\$0.51 per share) compared to \$11.1 million (\$0.29 per share) third quarter 2007

Utilities

- Addition of Wygen II facility as a rate base power plant in January 2008
- Wygen III construction on schedule and on budget
- Includes results from the acquired Black Hills Energy gas and electric utilities (closed 7/14/08)

Non-Regulated Energy

- Energy marketing increased earnings by \$4.6 million and building value for 2009 and beyond
- Oil and gas production results lower compared to 2007 – Permit delays and reduced drilling at non-operated properties as well as the temporary shut-in of production in the Piceance Basin
- Coal mining earnings lower due to overburden removal expenditures, depreciation, diesel fuel prices and coal taxes

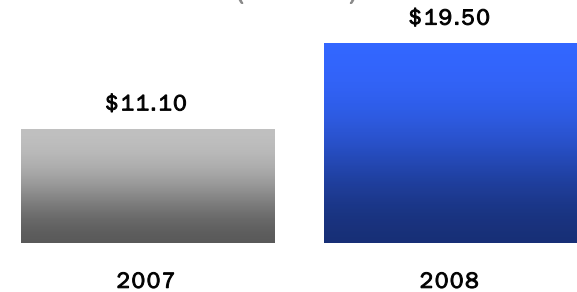
IPP Divestiture Proceeds

- \$141.7 million of net income (\$3.69 per share) attributable to after-tax gain on sale of seven IPP plants closed on July 11, 2008 now classified as discontinued operations.

Dividend

- Board of Directors approved fourth quarter dividend of \$0.35 per share (\$1.40 annual equivalent); sign of continued confidence in our strategy, business performance, and financial liquidity

Income from Continuing Operations
(millions)



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Financial Review

Tony Cleberg
Executive Vice President & CFO

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Performance Summary & Drivers

Third quarter 2008 compared to third quarter 2007

Continuing Operations

Positive Income Impacts

Negative Income Impacts

Utilities

\$3.6 million increase in electric utility earnings
\$1.9 million decrease in natural gas utility earnings

+ Cheyenne Light rate recovery effective January 2008
 + Wygen II rate base asset
 + Wygen III construction AFUDC impact

- Increased depreciation associated with Wygen II

Non-regulated Energy

\$4.6 million increase in energy marketing earnings
\$4.1 million increase in power generation earnings
\$0.5 million decrease in oil & gas earnings
\$0.3 million decrease in coal mining earnings

+ Higher energy marketing earnings
 + Higher average coal prices and increased production
 + Increase in average hedged oil price received

- Sale of IPP assets; inter-segment interest expense and allocated indirect corporate costs of \$3.2 million after-tax for the three months ended 9/30/2007 not reclassified to discontinued operations
 - Decrease in average hedged natural gas price received
 - Oil & gas production 11% lower due to permit delays and reduced drilling at non-operated properties as well as the temporary shut-in of production in the Piceance Basin- Lower coal mining earnings due to increased overburden removal costs, depreciation, and coal taxes – 54% more overburden moved in Q3 2008

Service Company (Corporate)

\$2.1 million loss in earnings

+ Detailed transition planning
 + Reduced need for transition employees and services

- Transition and integration costs related to Aquila acquisition
 - \$1.4 million of integration-related costs

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Consolidated Financial Results

Quarter Ended September 30

(In thousands, except per share amounts)

	2008	Per Share	2007	Per Share	Comments
Revenue	\$ 291,892		\$ 130,167		Aquila acquisition / Cost Recovery
Operating expense	249,204		111,776		
Operating income	42,688	\$ 1.11	18,391	\$ 0.48	Cost Recovery / Energy Mktg/PG
Interest expense	(16,402)	(0.43)	(6,093)	(0.16)	Debt Increase / Lower AFUDC
Other income	3,548	0.09	2,341	0.06	
	(12,854)	(0.33)	(3,752)	(0.10)	
Income before income tax	29,834	0.78	14,639	0.38	
Income tax	(10,312)	(0.27)	(3,510)	(0.09)	2007 Include Reductions for Audits
Income from continuing ops	19,522	0.51	11,129	0.29	
Disc. operations, net of tax	145,389	3.78	6,335	0.17	IPP Gain on Sale - \$3.69/share
Net income	\$ 164,911	\$ 4.29	\$ 17,464	\$ 0.46	
Diluted Common Shares	38,425		38,078		

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Consolidated Financial Results

Nine Months Ended September 30

(In thousands, except per share amounts)

	2008	Per Share	2007	Per Share	Comments - 2008
Revenue	\$ 598,015		\$ 421,190		Aquila from 7/14/2008
Operating expense	504,267		327,465		
Operating income	93,748	\$ 2.44	93,725	\$ 2.52	Reduced energy mktg.
Interest expense	(35,160)	(0.91)	(18,652)	(0.50)	Increased debt / lower AFUDC
Other income	7,813	0.20	8,450	0.23	
	(27,347)	(0.71)	(10,202)	(0.27)	
Income before income tax	66,401	1.73	83,523	2.24	
Income tax	(21,989)	(0.57)	(26,025)	(0.70)	2007 reductions for audits
Income from continuing ops	44,412	1.16	57,498	1.54	
Disc. operations, net of tax	159,486	4.15	17,518	0.47	IPP Gain on Sale - \$3.69/share
Net income	\$ 203,898	\$ 5.31	\$ 75,016	\$ 2.02	
Diluted Common Shares	38,430		37,226		

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Consolidated Statement of Capitalization

(In thousands)

	Sept. 30, 2008	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sept. 30, 2007
Capitalization:					
Short term debt:					
Current maturities *	\$ 2,074	\$ 2,070	\$ 130,330	\$ 130,326	\$ 130,523
Corporate	627,800	283,000	73,000	37,000	67,500
	<u>629,874</u>	<u>285,070</u>	<u>203,330</u>	<u>167,326</u>	<u>198,023</u>
Long term debt:					
Corporate	224,864	224,858	224,850	224,843	224,836
Utilities	276,209	276,224	278,194	278,209	176,752
Non-regulated energy *	204	219	235	249	263
	<u>501,277</u>	<u>501,301</u>	<u>503,279</u>	<u>503,301</u>	<u>401,851</u>
Total Debt	<u>1,131,151</u>	<u>786,371</u>	<u>706,609</u>	<u>670,627</u>	<u>599,874</u>
Cash	152,457	36,912	71,027	76,889	76,407
Net Debt	<u>978,694</u>	<u>749,459</u>	<u>635,582</u>	<u>593,738</u>	<u>523,467</u>
Common stock	617,672	617,032	616,117	596,970	595,518
Retained earnings	561,102	409,651	400,909	397,393	386,869
AOCI	(29,545)	(58,098)	(49,668)	(24,508)	(14,823)
Total Equity	<u>1,149,229</u>	<u>968,585</u>	<u>967,358</u>	<u>969,855</u>	<u>967,564</u>
Total Debt and Equity	<u>\$ 2,280,380</u>	<u>\$ 1,754,956</u>	<u>\$ 1,673,967</u>	<u>\$ 1,640,482</u>	<u>\$ 1,567,438</u>
Debt to Capitalization	50%	45%	42%	41%	38%
Net Debt to Capitalization	46%	44%	40%	38%	35%
Long-term Debt to Capitalization	30%	34%	34%	34%	29%

* BH Wyoming - \$128.3 million Wygen I debt matured in June 2008

All periods have been restated for Discontinued Operations

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Revenue/Operating Income Roll-up

Quarter ended September 30

(In thousands)

	Revenue			Operating Income (Loss)		
	2008	Delta	2007	2008	Delta	2007
Utilities						
Electric Utilities	\$ 136,644	89%	\$ 72,275	\$ 20,659	64%	\$ 12,565
Gas Utilities	83,937	N/M	-	973	N/M	-
	<u>220,581</u>	<u>205%</u>	<u>72,275</u>	<u>21,632</u>	<u>72%</u>	<u>12,565</u>
Non-regulated Energy						
Oil and gas	25,438	5%	24,291	4,153	(7%)	4,478
Power generation	11,704	16%	10,048	7,366	N/M	(1,259)
Coal mining	16,031	53%	10,446	1,821	59%	1,146
Energy marketing	19,196	38%	13,873	10,170	199%	3,397
Other	(1,058)	38%	(766)	(36)	N/M	-
	<u>71,311</u>	<u>23%</u>	<u>57,892</u>	<u>23,474</u>	<u>N/M</u>	<u>7,762</u>
Corporate				(2,418)	25%	(1,936)
Total	<u>\$ 291,892</u>	<u>124%</u>	<u>\$ 130,167</u>	<u>\$ 42,688</u>	<u>132%</u>	<u>\$ 18,391</u>

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Revenue/Operating Income Roll-up

Nine month summary

(In thousands)

	Revenue			Operating Income (Loss)		
	2008	Delta	2007	2008	Delta	2007
Utilities						
Electric Utilities	\$ 329,512	48%	\$ 222,033	\$ 58,447	51%	\$ 38,676
Gas Utilities	83,937	N/M	-	973	N/M	-
	413,449	86%	222,033	59,420	54%	38,676
Non-regulated Energy						
Oil and gas	85,770	13%	75,948	22,078	15%	19,149
Power generation	29,079	(3%)	30,123	10,202	N/M	1,325
Coal mining	41,925	39%	30,192	3,369	(19%)	4,182
Energy marketing	30,465	(53%)	65,220	10,959	(70%)	36,691
Other	(2,673)	15%	(2,326)	(76)	N/M	-
	184,566	(7%)	199,157	46,532	(24%)	61,347
Corporate				(12,204)	94%	(6,298)
Total	\$ 598,015	42%	\$ 421,190	\$ 93,748	0%	\$ 93,725

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Credit & Liquidity Update

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

Primary Credit Facilities (as of 9/30/08)	Capacity	Utilized	Available
Bridge Loan (Aquila) – Matures February 2009	\$1 billion	\$383 million	None – 1 time draw
Enserco Credit Facility (Uncommitted) – Matures May 2009 – LC's only	\$300 million	\$144 million (LC)	\$156 million (LC)
Corporate Revolver – Matures May 2010	\$525 million	\$245 million \$34 million (LC)	\$246 million
Current Maturities of LTD	--	\$2 million	--
LTD – BHC (Due 2013)	--	\$225 million	--
LTD – Other	--	\$276 million	--

- Assessing financing options to address near-term maturities
- No significant long-term debt maturities until 2013

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Strategic Review

David Emery
Chairman, President & CEO

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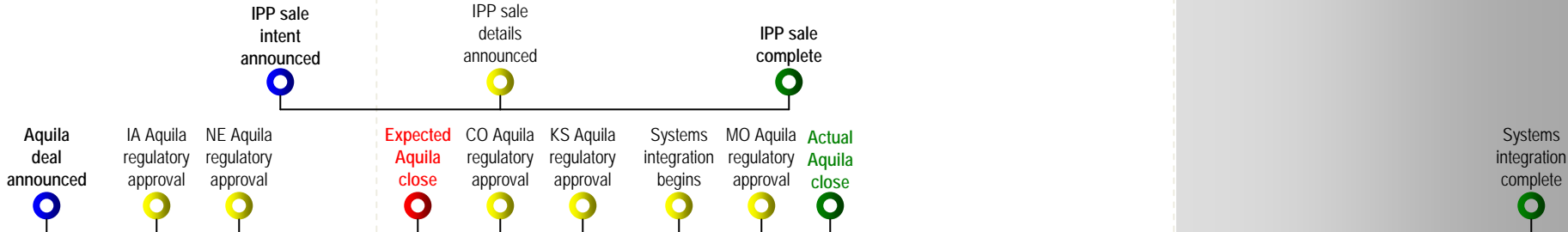
Recent Events

2007

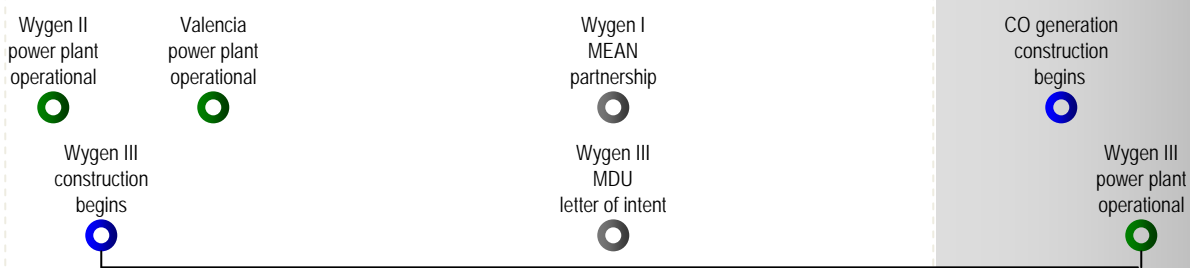
2008

2009-2011 (estimated)

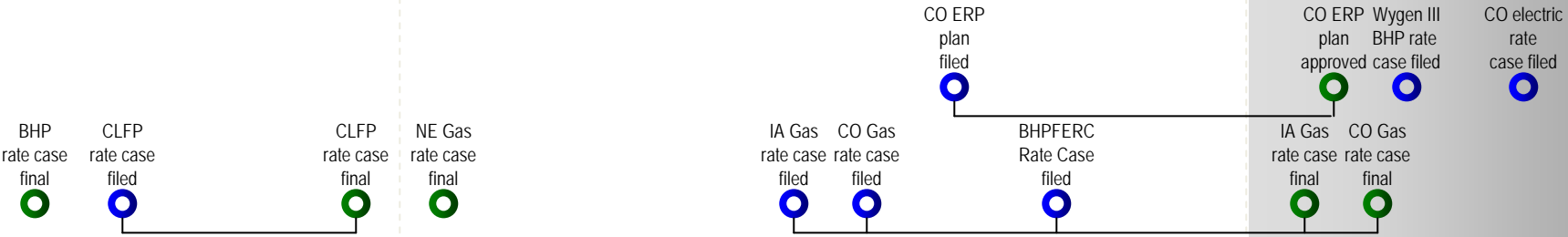
Strategic Development



Capital Investment & Asset Optimization



Financial Return



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Growth Oriented Opportunities

Excludes routine capital expenditures, such as maintenance and new customer growth capital

Net Capital Expenditure (approx.)

Oil & Gas

- For 2009, anticipate oil and gas production growth of 6% to 10% over 2008 levels
- Expect our long-term oil and gas production growth to be 2% to 4%

\$65-90 million per year

Wygen III

- Retaining 75% ownership; MDU letter of intent for 25%
- \$191 million represents our 75% ownership in total project of \$255 million

\$191 million total (2008-2010)

Colorado Electric Rate Base Generation

- Renewable requirements and greenhouse gas reduction targets limit viable energy supply options
- Proposed construction of five combustion turbines ready for service January 2012 and opportunity for wind and solar projects

\$400-\$500 million total (2009-2011)

Transmission for Black Hills Power and Colorado Electric

- Construct additional transmission to support rate-base generation development, increase reliability, and address growing demand

\$60-65 million (2008 and 2009)

Colorado Electric Advanced Meter Infrastructure (AMI)

- \$6.9 million total investment (\$1.1 million pilot in 2008) for 55,000 customers
- Enhance billing accuracy and customer service while decreasing O&M costs
- Provides flexibility to facilitate future energy efficiency programs and other service enhancements

\$6.9 million total (2008 – 2010)

Generation Upgrades

- Neil Simpson II Condenser Upgrade of 8MW (2009)
- Wygen I Condenser Upgrade of 8MW (2009)

\$16 million total (2008 and 2009)

TOTAL

\$933 million - \$1.15 billion (2008-2011)

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Regulatory Rate Case Update

	Overview	Status
Kansas Gas	New rates implemented June 1, 2007 representing \$5.1 million annual increase	█ Complete
Cheyenne Light	New rates implemented January 1, 2008 representing \$4.4 million increase in gas rates and \$6.7 million in electric rates	█ Complete
Nebraska Gas	New rates implemented April 1, 2008 representing \$9.2 million annual increase	█ Complete
Iowa Gas	June 2, 2008 filed for rate increase of \$13.6 million. Interim rates of \$9.4 million went into effect on June 13, 2008	█ Pending
Colorado Gas	June 30, 2008 filed for rate increase of \$2.8 million. Interim rates not applicable	█ Pending
Black Hills Power	FERC transmission rate case filed September 29, 2008 requesting \$4.5 million increase effective 12/1/2008	█ Pending
Black Hills Power	Future Wygen III request for addition to rate base in SD and WY (\$191 million budget for 75% ownership)	▣ Future Filing
Colorado Electric	Future request for addition to rate base of ERP rate-base generation and transmission investments	▣ Future Filing

Executing Our Long-Term Strategic Plan

Strategy

2008 Progress

UTILITIES

- + 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
- + Power marketing opportunities
- + Construct additional transmission to support rate-base generation development, increase reliability, and address growing demand

- Wygen II power plant and associated CLFP rate case (January 2008)
- Acquired natural gas utilities in Nebraska, Iowa, Kansas, and Colorado as well as an electric utility in Colorado (July 2008)
- Happy Jack Wind Farm (July 2008)
- BHP FERC Rate Case Filed on 9/9/2008
- Black Hills Energy (Aquila) rebranding project (Fall 2008)
- Wygen III construction and related rate case (Q2 2010)
- Construct rate base generation for Colorado Electric (PUC approval in 2009)
- Neil Simpson II condenser upgrade project - 8 MW (2009)
- Natural gas rate cases in Iowa and Colorado (2009)
- Advanced Metering Infrastructure (AMI) pilot program in Colorado Electric (2009)

POWER GENERATION

- + Selectively grow power generation segment by developing conventional and renewable assets in target markets
- + Sell large percentage of capacity and energy production to load-serving utilities through mid to long-term contracts

- Sale of 23.5% undivided interest in Wygen I (MEAN) – projected to close by end of 2008
- Wygen I condenser upgrade project - 8 MW (2009)
- Continue to evaluate other opportunities

COAL MINING

- + Efficiently utilize coal resources through expansion of mine-mouth generation and increased third-party coal sales

- Increased coal production for Wygen II (January 2008)
- 600,000 tons of coal production increase for Wygen III (2010)

OIL & GAS

- + Increase production through development of existing acreage and limited acquisitions based on economic and industry conditions

- \$65-\$90 million per year investment in oil and gas development
- Focused acquisitions

ENERGY MARKETING

- + Geographically expand our energy marketing
- + Diligently manage inherent energy marketing risks
- + Conduct business with diversified group of creditworthy counterparties

- Take advantage of changing market opportunities in energy marketing
- Development of oil terminals, transportation, and storage asset positions

SERVICE COMPANY (CORPORATE)

- + Optimize systems and processes to minimize costs and create cost platform for growth

- Optimize centralized supply chain management
- IT systems integration

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Q & A

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