125 Years of Progress

Black Hills Corporation

Investor Presentation

AMERICAN GAS ASSOCIATION FINANCIAL FORUM

May 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.

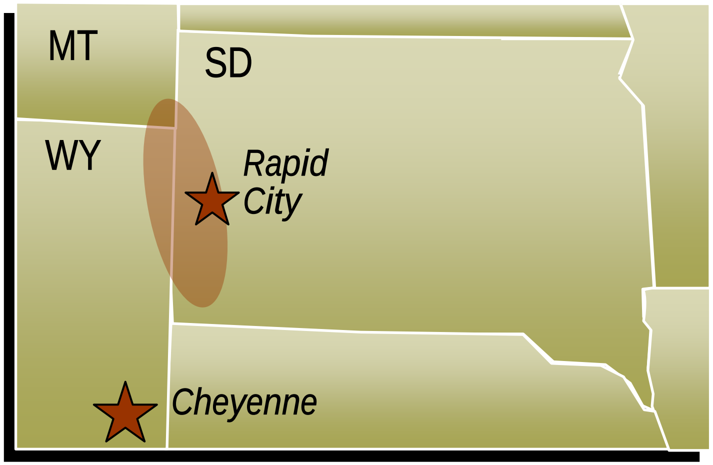
However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements.

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


125 Years of Progress
Overview

Who we are

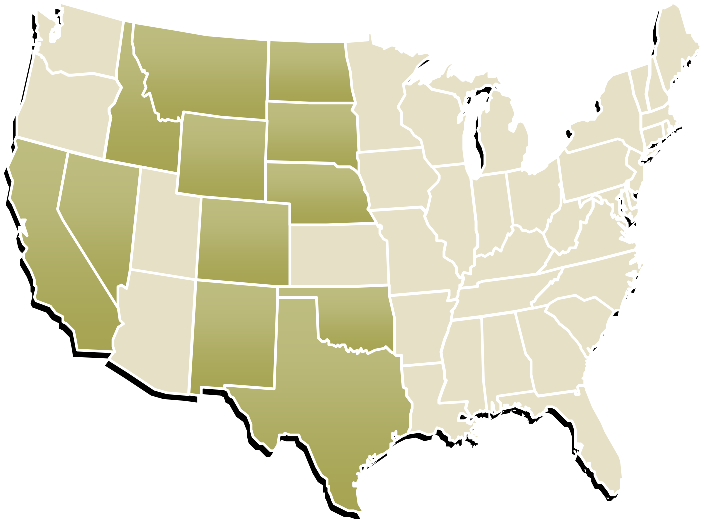
Utilities



- Black Hills Power (electric utility)
- Cheyenne Light Fuel & Power (electric and gas utility)
- Aquila electric and gas properties (pending acquisition)

Focus: Customer service, community partnerships and regulatory relationships

Non-regulated Energy



- Black Hills Generation (IPP)*
- Black Hills E&P (oil and gas)
- Wyodak Resources (coal mining)
- Enserco Energy (energy marketing in US and Canada)

Focus: Generation and fuel assets optimized through marketing and transportation expertise

* Sale of certain IPP assets pending

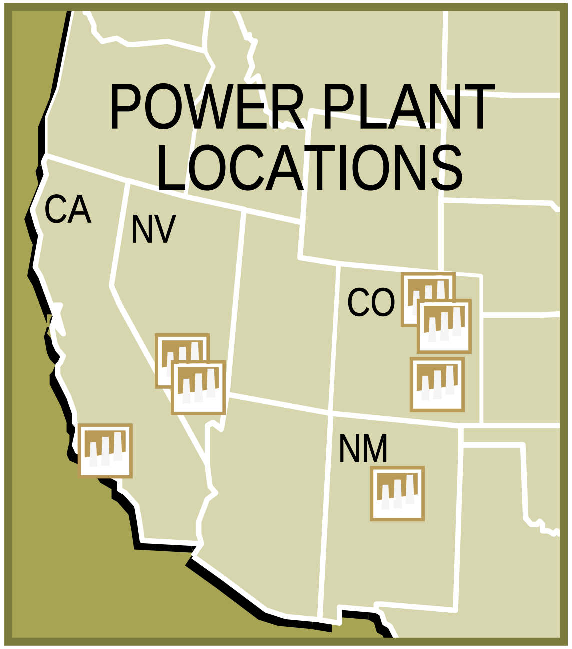
Sale of IPP assets announced

Definitive agreement signed to sell up to 974 MW for $840 million

- We accepted a cash offer from affiliates of Hastings Funds Management and a subsidiary of an investment entity advised by JPM Asset Management.
- Right to retain 240 MW Fountain Valley plant depending on the closing of the Aquila deal; would reduce sale price to $600 million.
- Completion expected late Q2 / early Q3 2008.

ASSETS OF DIVESTITURE Power plant (State)	Capacity (net megawatts)
Harbor (California)	98
Arapahoe (Colorado)	130
Valmont (Colorado)	80
Fountain Valley (Colorado)*	240
Las Vegas I (Nevada)	53
Las Vegas II (Nevada)	224
Valencia (New Mexico, under construction)	149
Total	**974**

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



Aquila acquisition update

February 2007 announcement:

- Agreement to acquire 1 electric and 4 gas utilities in 4 states
  – Colorado, Kansas, Nebraska and Iowa.
- Purchase price of $940 million; completion of deal expected in Q2 2008.
- Permanent financing to be a combination of new equity, mandatory convertible securities, corporate-level debt and internally generated cash.
- Transaction is cross-contingent on pending Aquila merger with Great Plains (our asset purchase immediately precedes this merger).

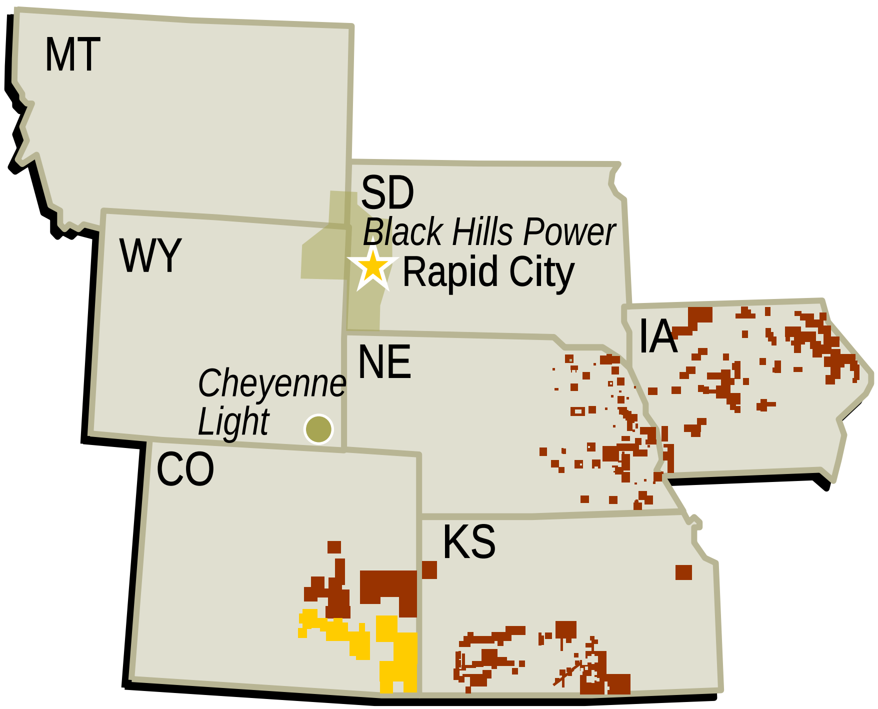
Progress to date:

- ☑ $1 billion committed acquisition facility to fund purchase.
- ☑ Antitrust clearance obtained in September 2007 (Hart-Scott-Rodino).
- ☑ FERC approved Colorado Electric acquisition in October 2007.
- ☑ Iowa and Nebraska regulators approved deal in early fall 2007.
- ☑ Colorado regulators gave approval February 29, 2008.
- ☑ Aquila and Great Plains shareholders approved merger in October 2007.
- ☑ Black Hills-Aquila integration teams working toward goal of smooth ownership and operational changeover and seamless delivery of customer service.
- ☑ Regulatory approval in Kansas; final order pending.

Final step:

- Regulatory approval in Missouri by Great Plains Energy and Aquila.
  – Hearings commenced April 21, 2008

Combined utilities' footprint



- Seven adjoining states with similar demographics.
- Consolidation of certain functions while retaining quality of service.
- Opportunity to build generation to serve Colorado electric utility.

DESCRIPTION OF UTILITIES

Utility	Number of Customers	Annual Energy Sales
Black Hills Power	65,100	3.0 million MWH
Cheyenne Light (electric)	39,400	0.9 million MWH
Cheyenne Light (gas)	33,000	4.4 BCF
Subtotal, existing	137,500	3.9 million MWH 4.4 BCF
Colorado Electric (■)	91,400	2.1 million MWH
Colorado Gas (■)	66,200	8.0 BCF
Kansas Gas (■)	105,700	22.5 BCF
Nebraska Gas (■)	195,700	38.7 BCF
Iowa Gas (■)	147,800	26.4 BCF
Subtotal, new	606,800	2.1 million MWH 95.6 BCF
Total, combined	744,300	6.0 million MWH 100.0 BCF

Other recent events

Wygen III power plant construction under way

- 100 MW companion to Wygen II.
- 24-30 month construction period with goal of commercial service in 2010.
- Expected cost: $255 million.

Wygen II power plant placed in commercial service January 1, 2008

- 95 MW coal-fired mine-mouth plant on schedule and on budget as a rate base asset for Cheyenne Light.

Cheyenne Light rate increase effective January 1, 2008

- $11.1 million total, including electric and gas rate increases.


125 Years of Progress
Long-term Strategy

Strategic initiatives

We are financially strong and well-positioned for the future:

- We have strong cash flows, a solid balance sheet and have demonstrated access to capital markets.
- Retail utilities provide continued opportunity to expand.
- We emphasize increasing natural gas reserves while expanding production and pursuing mid-stream efficiencies.
- Abundant coal resources give us a significant competitive advantage for additional base load mine-mouth generation.
- We will continue pursuing IPP projects.
- Customer-focused energy marketing operations optimize fuel production and power generation assets.

Strategic initiatives

A lower risk profile is attained with disciplined investments in targeted regions and business lines.

Utilities

- Acquire regulated retail energy properties in our geographic focus.
- Construct additional rate-base generation to serve existing customers and Aquila utility's customers post-close.

Power generation

- Utilize our expertise in power plant development to explore new opportunities.

Fuel production

- Increase oil and gas production through development of existing acreage, depending on economic conditions.
- Increase coal production to meet demand for low-cost energy.

Mid-stream assets

- Acquire gathering systems, pipelines and storage to augment marketing and natural gas production operations.

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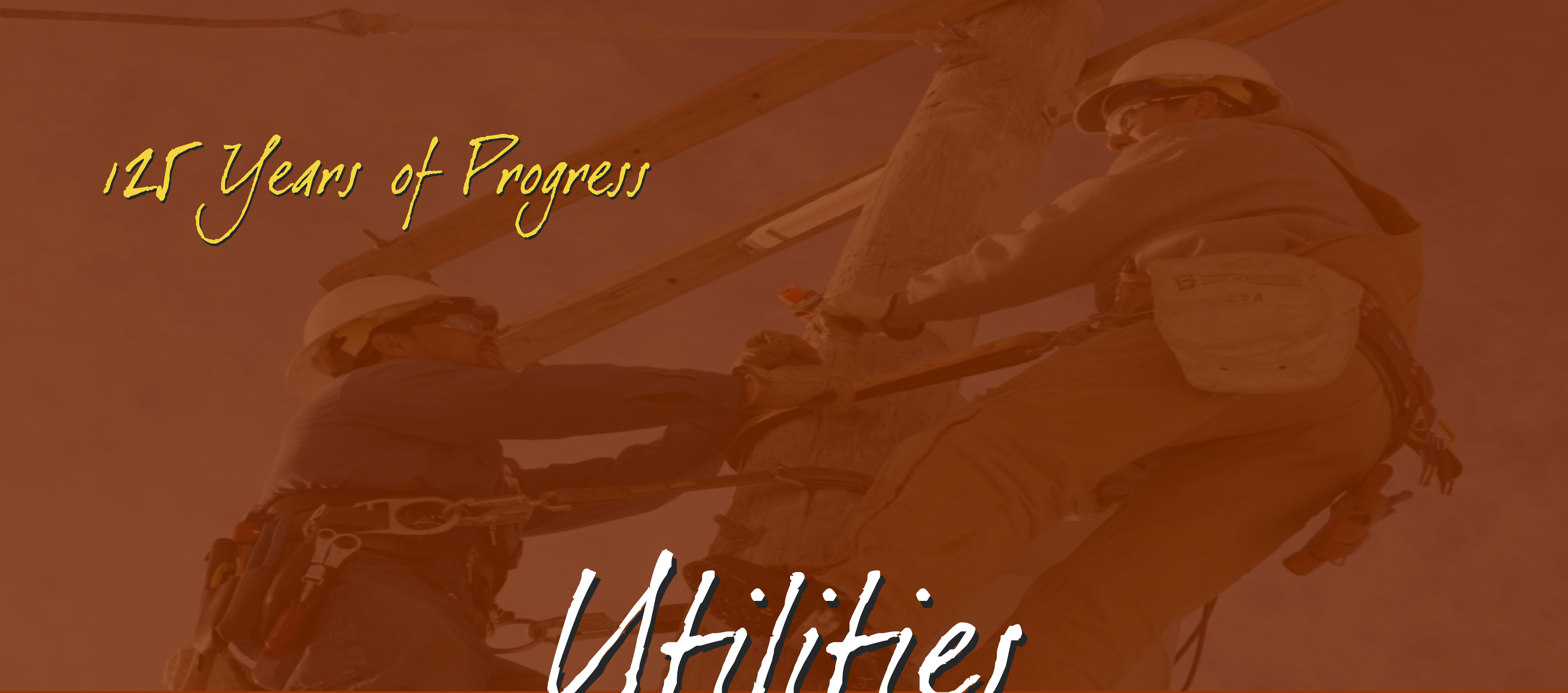
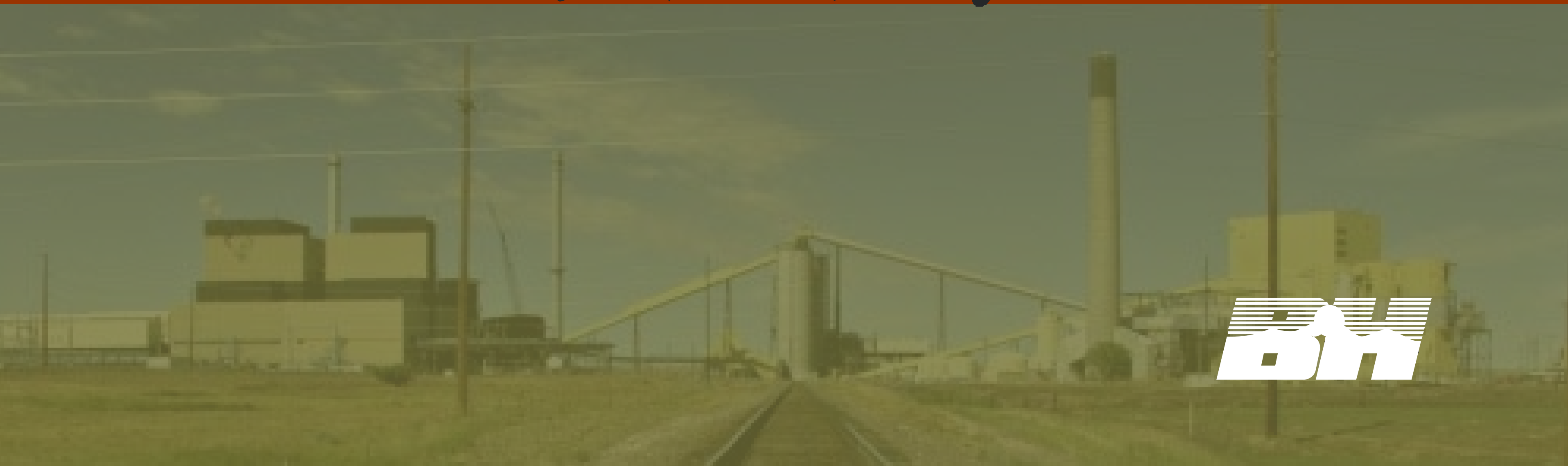
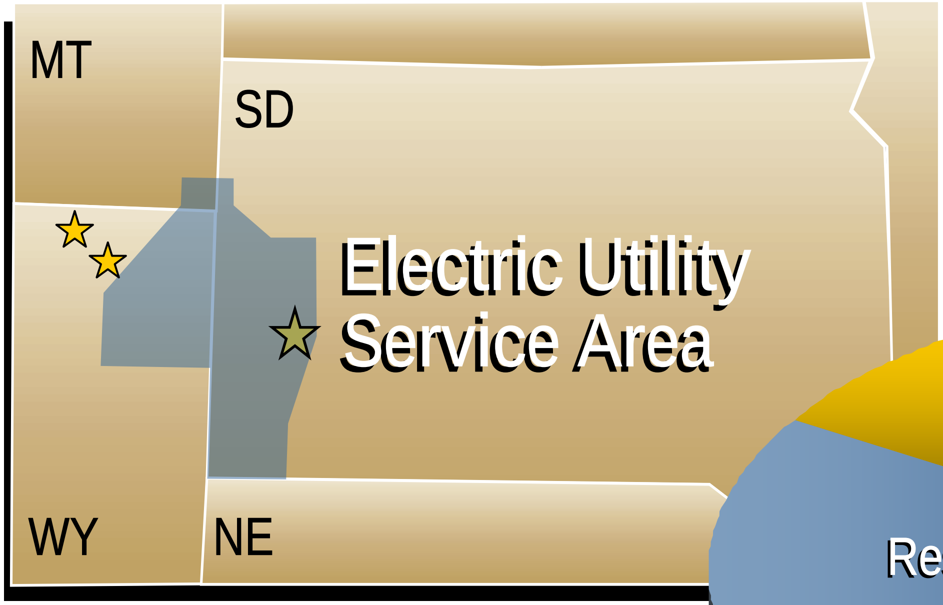
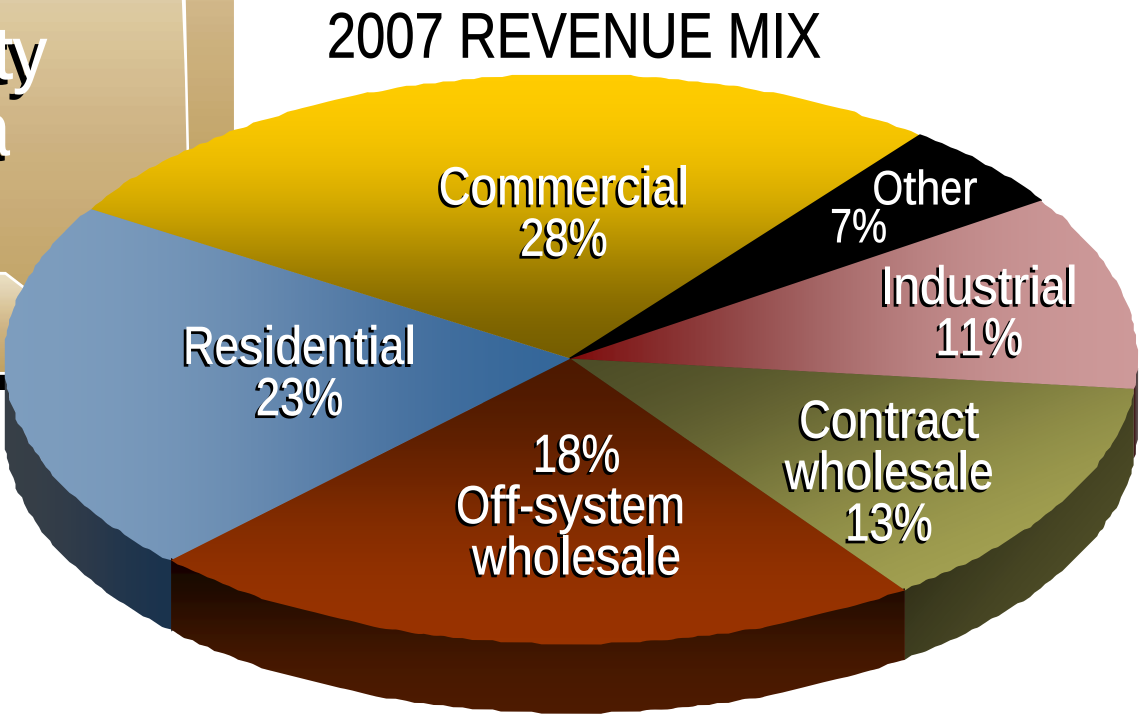


Utilities



Black Hills Power

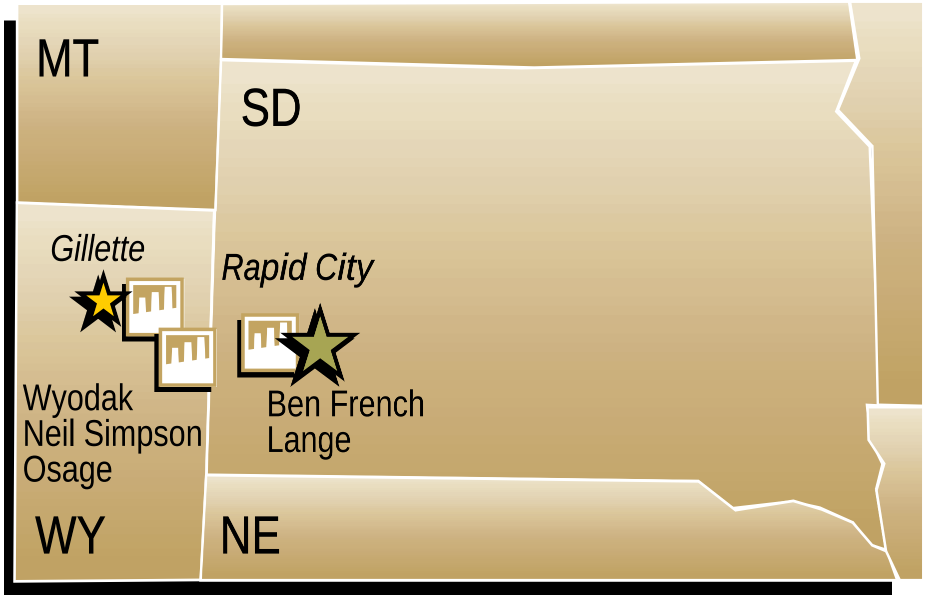




- 65,100 customers
- Stable customer base and diverse revenue mix
- Local demand growth of 1-2% per year
- Solid regulatory relationships
- New peak load of 430 MW set in July 2007

Black Hills Power

Black Hills Power generation assets

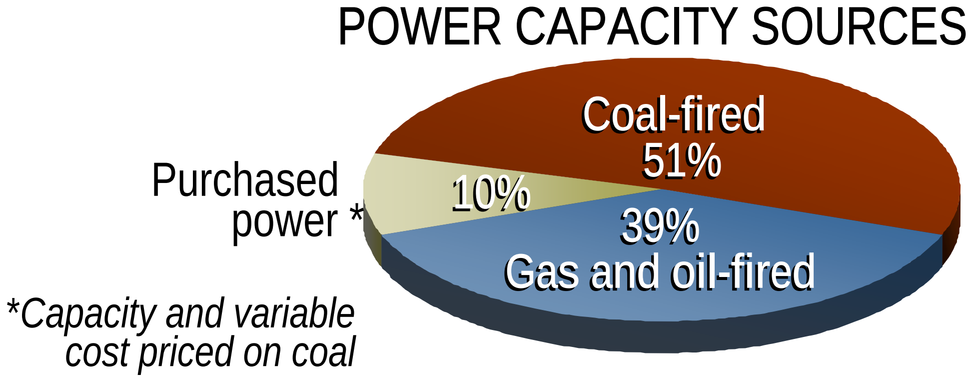


	Type	MW
Neil Simpson I	Coal	22
Neil Simpson II	Coal	91
Ben French	Coal	25
Osage	Coal	35
Wyodak	Coal	72
Purchased power	Coal	50
Ben French	Diesel	10
Ben French CT	Gas/oil	100
Neil Simpson CT	Gas	40
Lange CT	Gas	40
TOTAL		485
Peak load – July '07		*430*
Average system load		*~256*

- Strong fleet availability:
  97.2% in 2007
  95.7% in 2006
  95.3% in 2005

Black Hills Power

- Steady cash flow producer.
- Recent rate increase includes annual cost adjustment features.
- Low-cost coal supports low-cost base load generation:
  - 295 MW of coal-fired resources supports most of our native load requirements and positions us for off-system sales.
- Unique access to both Eastern and Western markets:
  - Our transmission tie is one of only 6 straddling the power grids.
- Operational efficiencies captured through integrated management with Cheyenne Light and non-regulated generation.
- Wygen III 100 MW power plant construction under way:
  - Ownership structure under evaluation: Expected to be a Black Hills Power rate-base asset; outside non-operating ownership interest likely.



Cheyenne Light, Fuel & Power

- Electric and gas distribution utility with 39,400 electric and 33,000 gas customers.
- 171 MW electric peak load (new record); 4.4 Bcf annual gas delivery plus ~8 Bcf commercial gas transportation.
- Electric and gas cost adjustments approved by Wyoming PSC and in effect.
- Now a vertically integrated electric utility with Wygen II as rate-base asset.
- Other electric resources under contract:
  – 60 MW of Wygen I*
  – 40 MW of Gillette CT peaking plant*
  – Up to 30 MW of wind power beginning Summer 2008 (can also serve Black Hills Power needs).

* Plants owned by our non-regulated power generation subsidiary

Cheyenne Light, Fuel & Power

- Electric and gas rate cases approved by Wyoming PSC:
  - 10.9% ROE on 54% equity/46% debt capital structure;
  - $6.7 million electric increase includes putting Wygen II into rate base and infrastructure enhancements;
  - $4.4 million gas increase to expand infrastructure;
  - January 1, 2008 effective date for increase;
  - Final order pending.
- Cheyenne vicinity experiencing strong economic and population growth.

Cheyenne Light Fuel & Power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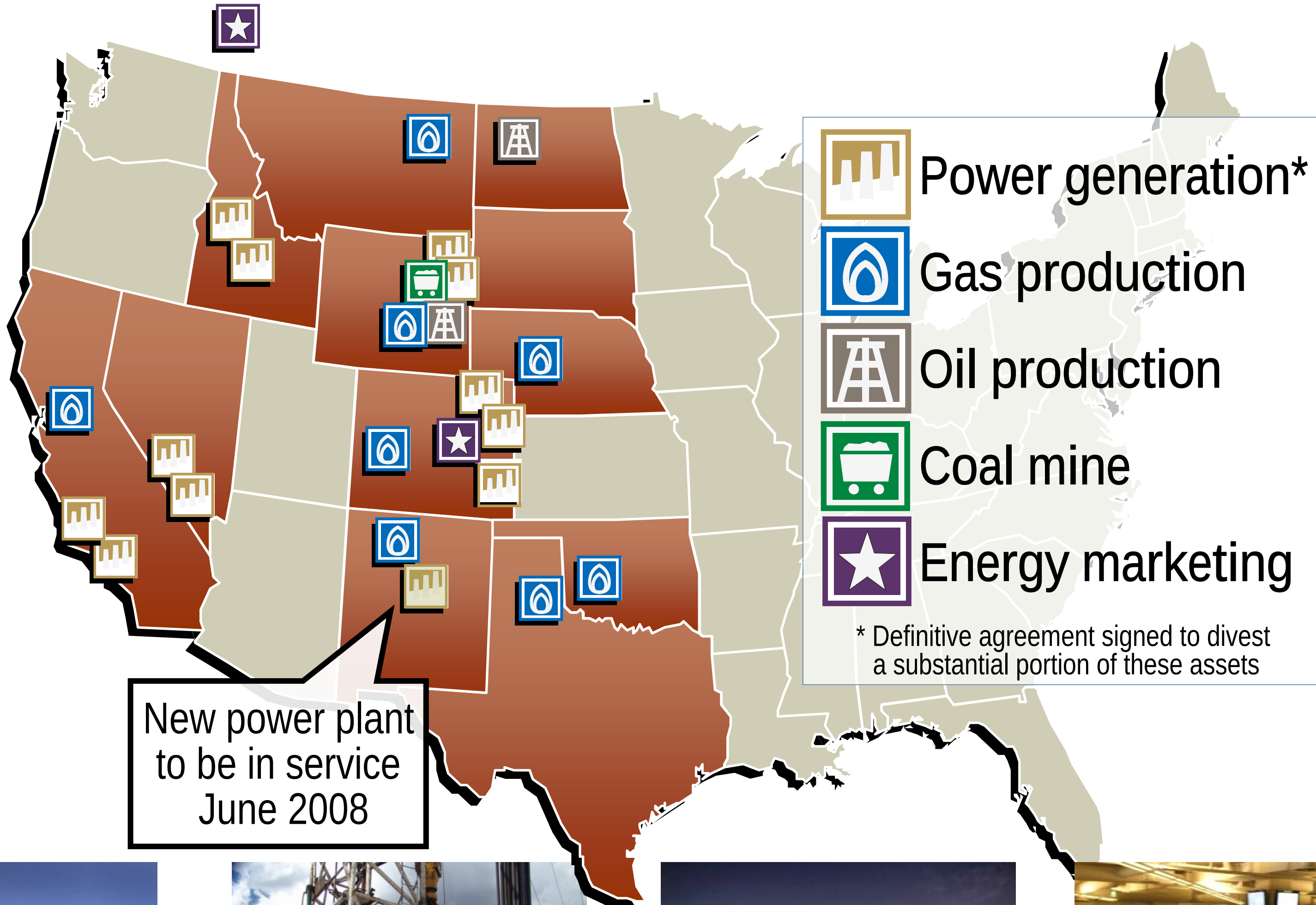
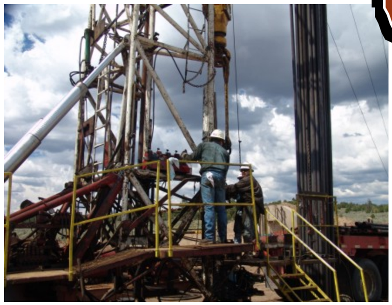
Non-regulated Energy

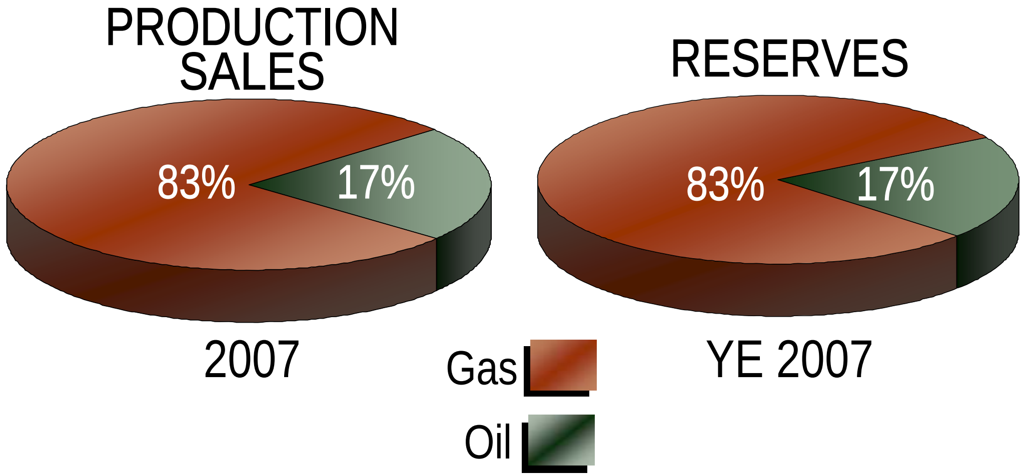
Non-regulated energy assets





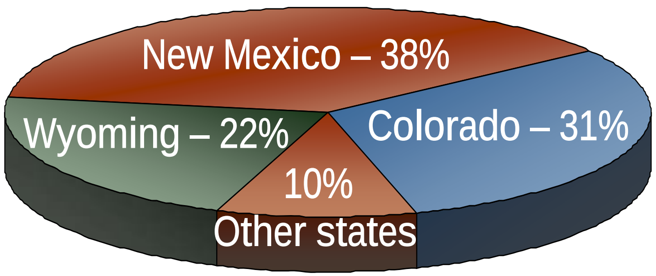
Oil and gas production

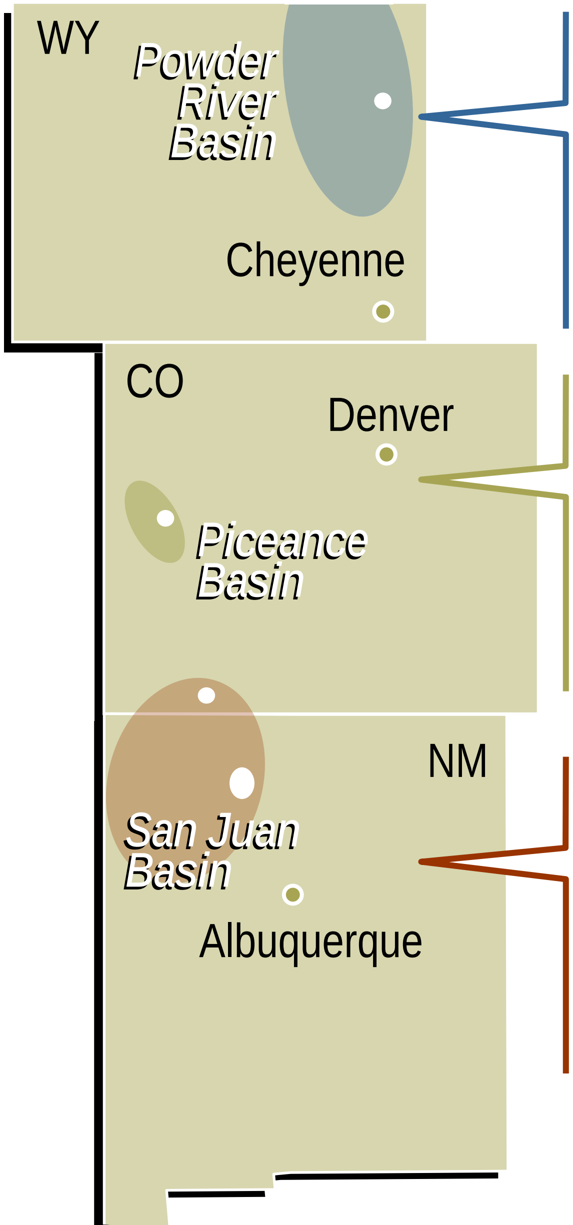
- 10 consecutive years of record production with 2007 up 1.5%.
- Proved reserves at YE 2007 up 4%.
- Cost increases continue to adversely impact results and drilling opportunities.
- Strong cash flows stabilized by hedging strategy.
- Expected long-term production and reserves growth of 2-4%:
  - In 2008, adverse winter weather, continued permit delays and postponed drilling on non-operated properties present challenges to exceed 2007 results.
- Inventory of proved undeveloped (PUD) drilling locations remains strong.



Snapshot of primary locations

YE 2007 RESERVES





POWDER RIVER BASIN
Mostly oil reserves
Total reserves: 45 Bcfe
PUDs: 2 Bcfe
Net acres: ~49,000
Net wells: 311

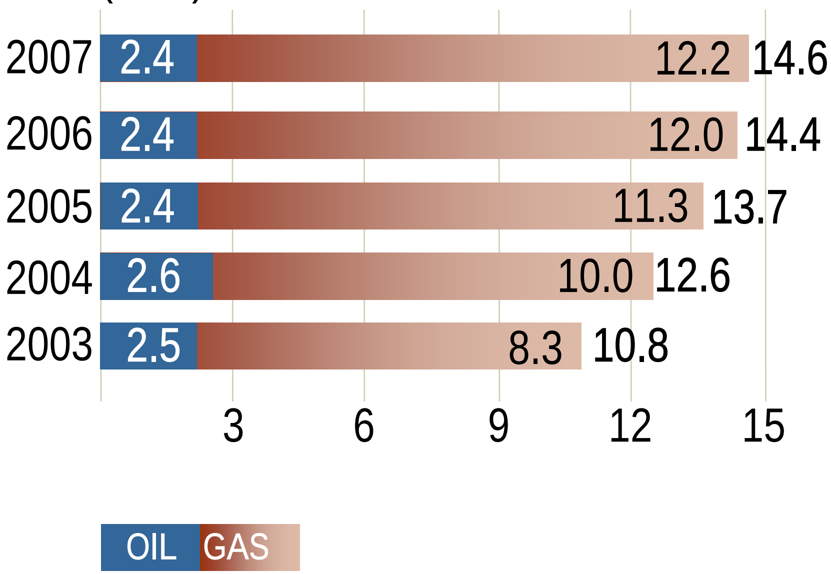
PICEANCE BASIN
Mostly gas reserves
Total reserves: 65 Bcfe
PUDs: 47 Bcfe
Net acres: ~68,000
Net wells: 55

SAN JUAN BASIN
Mostly gas reserves
Total reserves: 78 Bcfe
PUDs: 27 Bcfe
Net acres: ~62,000
Net wells: 190

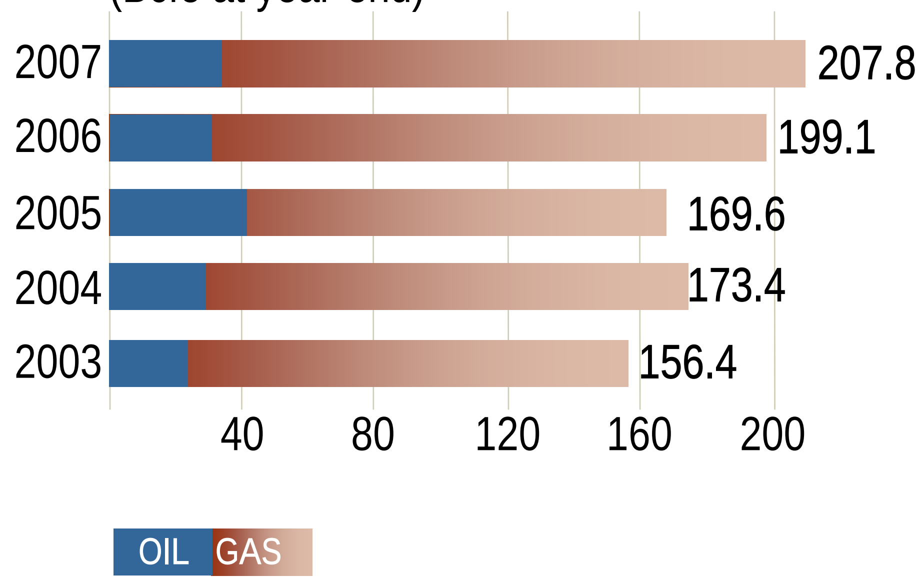
YE 2007 data

Oil and gas production and reserves

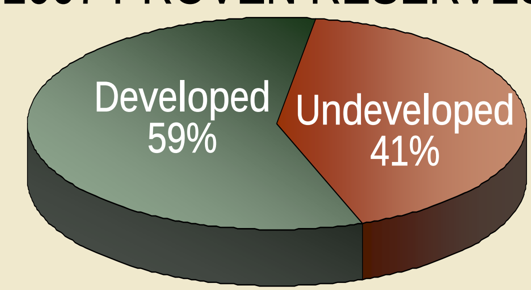
TOTAL PRODUCTION
(Bcfe)



PROVEN RESERVES
(Bcfe at year-end)



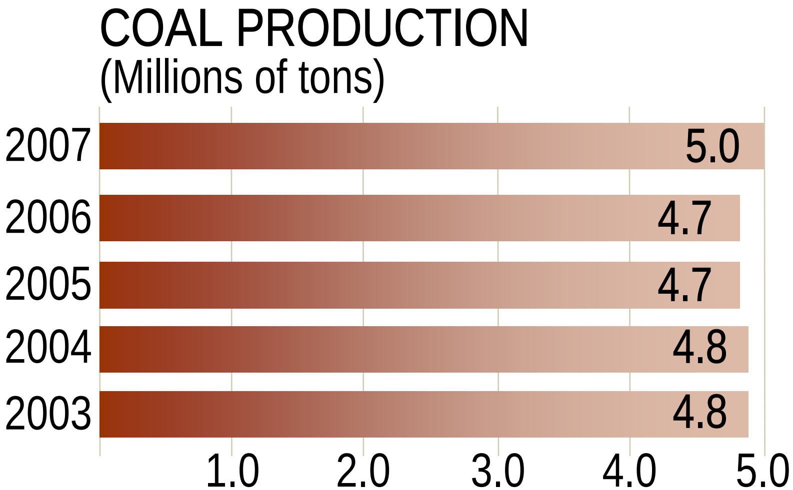
2007 PROVEN RESERVES



- A large portion of reserves are undeveloped
- Drilling program extends several years on existing leasehold

Coal mining

- Approximately 280 million tons of low-sulfur Powder River Basin coal for low-cost, mine-mouth generation:
  – a 43 year supply at expected production rates.
- 2007 production increased to 5.0 million tons.
- Annual production to increase significantly:
  – 0.5 million tons to Wygen II
  – Renegotiated 4-year contract to provide up to 1.8 million tons (an increase of ~0.5 million tons) to PacifiCorp's Dave Johnston power plant beginning in 2008.
- Long-term assets matched to long-term contracts:
  – BH Power and BH Generation contracts are life-of-plant;
  – PacificCorp contracts are long-term.
- Coal supply supports potential expansion of low-cost baseload generation.



Power generation asset divestiture announced

- Definitive agreement to sell 7 power plants (974 MW) for $840 million cash to affiliates of Hastings Funds Management and a subsidiary of an investment entity advised by JPMorgan Asset Management.
- We retain the right to keep the 240 MW Fountain Valley plant, pending the closing of the Aquila utility acquisition ($240 million assigned asset value):
- Sale expected to close late Q2/early Q3 2008.

We are not exiting the IPP sector

- We are expert at planning, permitting, constructing and operating power plants.
- We expect to continue to pursue IPP projects as opportunities emerge.

Non-regulated power generation assets after divestiture	Net MW Capacity
Wygen I (Wyoming)	90
Gillette CT (Wyoming)	40
Ontario Cogen (California)	12
Rupert and Glenns Ferry (Idaho)*	11
Energy Funds	5
Total	158

* Represents Company's 50% interest

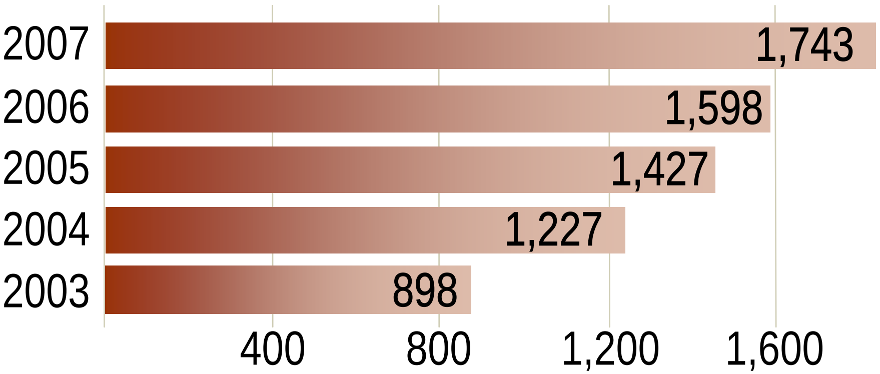
Independent power generation strategy

- Maintain customer focus:
  – Continue superior plant availability and reliable operations performance to maintain strong relationships with valued customers.
- Serve markets in need of power:
  – Capitalize on load growth;
  – Select and maintain sites with advantageous access to fuel and transmission.
- Construct power plants on time and under budget.
- Build and maintain constructive regulatory relationships.

Energy marketing

- Gas marketing operations located in Golden, CO; branch in Calgary, Alberta.
- Average daily physical volume up 9% in 2007.
- Marketing creates opportunity to optimize value of our fuel and generation assets:
  – Focus on producer, end-use origination, transportation strategies and gas storage services and a regional wholesale marketing focus.
- Maintain disciplined approach to minimize credit and market risk.
- Oil marketing producer services located in Golden, CO with average daily volume of 8,600 Bbl in 2007.
- Strong earnings in 2007 due to higher margins with strong and favorable price volatility and regional basis differentials and increased volumes.

AVERAGE DAILY GAS VOLUMES
(Physical, thousands of MMBTU)



125 Years of Progress

Financial Review

Q1 2008 financial results

Q1 2008 income from continuing operations of $16.6 million or 43¢ per share, compared to $32.5 million or 91¢ in Q1 2007

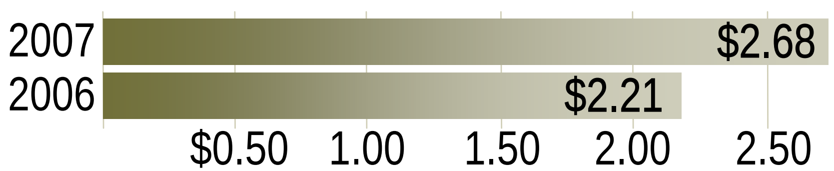
- Large decrease in energy marketing earnings due to significant change in regional market conditions, compared to very favorable conditions in 2007:
  - Gross margins decreased due to a narrowing of calendar spreads and basis differentials during Q1 2008, affecting storage and transportation strategies;
  - $9.8 million negative swing in unrealized mark-to-market losses.
- Earnings at electric utility down due to higher fuel and purchased power costs to meet native load requirements.
- Earnings down at oil and gas operations, as benefits of higher oil prices are offset by lower production and higher operating costs.
  - Results include a $1.8 million negative impact related to a royalty settlement.
- Coal mining earnings are similar to 2007, as higher revenues from increased production and higher prices are offset by higher costs and mineral taxes.
- Power generation earnings down with lower termination contract payment and unplanned maintenance costs at Harbor; higher corporate costs related to legal fees associated with earn-out settlement.
- Earnings are up at our electric and gas utility due to rate increase;
  - Benefits of Wygen II operations are evident in earnings results.
- Corporate costs are up, due to transition and integration costs related to the pending Aquila utility acquisition, other unallocated costs; includes revenue received from power plant development project.

Strong financial results in 2007

2007 income from continuing operations of $100.1 million or $2.68 per share, compared to $74.0 million or $2.21 in 2006

- Utility earnings increased:
  - Cheyenne Light benefited from stable operations and AFUDC;
  - Black Hills Power benefited from rate increase and higher off-system wholesale sales in Q4 2007.
- Energy marketing earnings up strongly:
  - Capitalized on extraordinary natural gas markets and increased volumes
- Power generation earnings increased:
  - Normal operations with high power plant availability.
- Coal mining earnings increased nominally:
  - 2007 production of 5.0 million tons.
- Oil and gas earnings were similar to 2006:
  - Annual production increased 1.5% on Mcfe basis;
  - Proved reserves up 4%.

EPS FROM CONTINUING OPS



2008 earnings guidance (November 2007)

2008 income from continuing operations is expected in the range of $2.35-$2.55 per share.
Estimate excludes effects from pending Aquila acquisition, and expected expensed Aquila transaction costs in early 2008 of 10¢ to 20¢ per share.

Guidance predicated on a number of considerations, including:

- Increased earnings at Cheyenne Light with Wygen II in rate base;
- Flat earnings at Black Hills Power due to higher G&A costs, offset by increased revenues from increased native load and normal market conditions permitting customary amounts of off-system power sales;
- Oil and gas production growth of 2-4% off YE2007 results;
- Oil and gas prices:

Oil and gas prices:	NYMEX	Well-head	Average hedged
Oil (per Bbl)	$81.86	$75.76	$69.45
Gas	$ 7.86/MMBtu	$ 5.99/Mcf	$ 6.29/Mcf

- Decreased energy marketing earnings with expected return to normal conditions;
- Decreased coal mining earnings;
- No significant plant outages, regulated or IPP;
- Commencement of mid-2008 Valencia power plant operations, and reduced final termination payment at Harbor plant;
- Successful completion of Aquila transaction in Q1 2008 (results not included in guidance); and
- No material changes in Company's current business mix.

2008 earnings guidance to be updated

Recent events necessitate a revision to 2008 earnings guidance, which will be updated when certain activities and transactions are finalized:

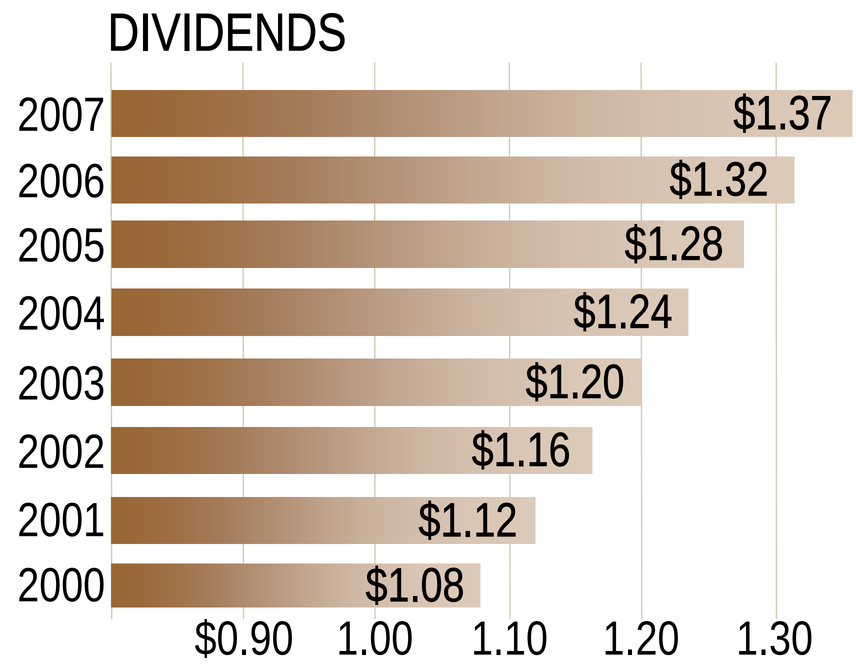
- Completion of the purchase of Aquila utility properties, which is expected in late Q2 2008.
- Completion of IPP divestiture, expected late Q2/early Q3 2008.
- Additional details of expected permanent financing arrangements for Aquila utility assets and related impact on the resulting capital structure.
- Updated guidance to reflect changes, if any, in expectations for our other business segments.

Strong financial position

- Strong balance sheet:
  Total debt-to-capitalization on 12/31/07: 43%.
- Improved liquidity and credit metrics.
- Solid cash flows.
- Demonstrated access to capital markets.
- Aquila acquisition bridge financing in place.
- IPP asset divestiture cash proceeds significantly contribute to the funding of the Aquila acquisition.

Steady dividend growth

- Board announced a quarterly dividend of 35¢ per share on April 28, 2008.
- Current annualized dividend rate of $1.40 per share.
- Five-year dividend annualized growth rate 2001-2006 = 3.5%.
- 2008 is our 38th consecutive annual dividend increase, with an increase of 1¢ per share beginning in Q4 2007.

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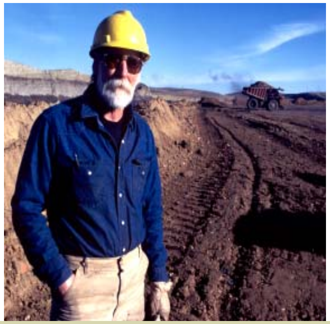
Summary

Summary

- Pending expansion of utility footprint defines long-term prospects.
- Pending IPP sale maximizes shareholder value and provides significant capital to support pending utility acquisition.
- Increasing regulated power generation and coal sales with Wygen II beginning in 2008.
- Wygen III is under construction and planned for 2010 in-service date.
- Potential rate-base generation for the Aquila Colorado electric utility.
- Solid balance sheet.
- Continued production and reserve growth in oil and gas.
- Continued asset optimization through energy marketing.
- Proven strategy.

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