2011 AGA Financial Forum

May 16, 2011

Investor Relations 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 without limitation, the risk factors described in Item 1A of Part I of our 2010 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 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 the timing in which the new rates would go into effect;
- Our ability to receive regulatory approval to recover in rate base our expenditures for new generation facilities or other utility infrastructure;
- Our ability to complete the construction, start up and operation of power generation facilities in a cost-effective and timely manner;
- Our ability to overcome the challenges in our non-regulated businesses and obtain financial returns that meet shareholder expectations;
- Our ability to generate significant earnings improvements in 2012 and beyond;
- The accounting treatment and earnings impact associated with interest rate swaps;
- Capital market conditions and market uncertainties related to interest rates, which may affect our ability to raise capital on favorable terms;
- 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 or foreign exchange 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;
- The timing and extent of scheduled and unscheduled outages of our power generating facilities;
- Our ability to successfully complete labor negotiations with labor unions with whom we have collective bargaining agreements and for which we are currently in, or soon to be in, contract renewal negotiations;
- Our ability to provide accurate estimates of proved oil and gas reserves and future production and associated costs;
- The extent of our success in connecting natural gas and crude oil to gathering, processing and pipeline systems;
- Changes in or compliance with laws and regulations, particularly those related to financial reform legislation, taxation, power generation, safety, protection of the environment and energy marketing;
- Weather and other natural phenomena;
- The effect of accounting policies issued periodically by accounting standard-setting policies;
- Macro- and micro-economic changes in the economy and energy industry, including the impact of (i) consolidation and changes in competition and (ii) general economic and political conditions, including tax rates or policies and inflation rates; 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.

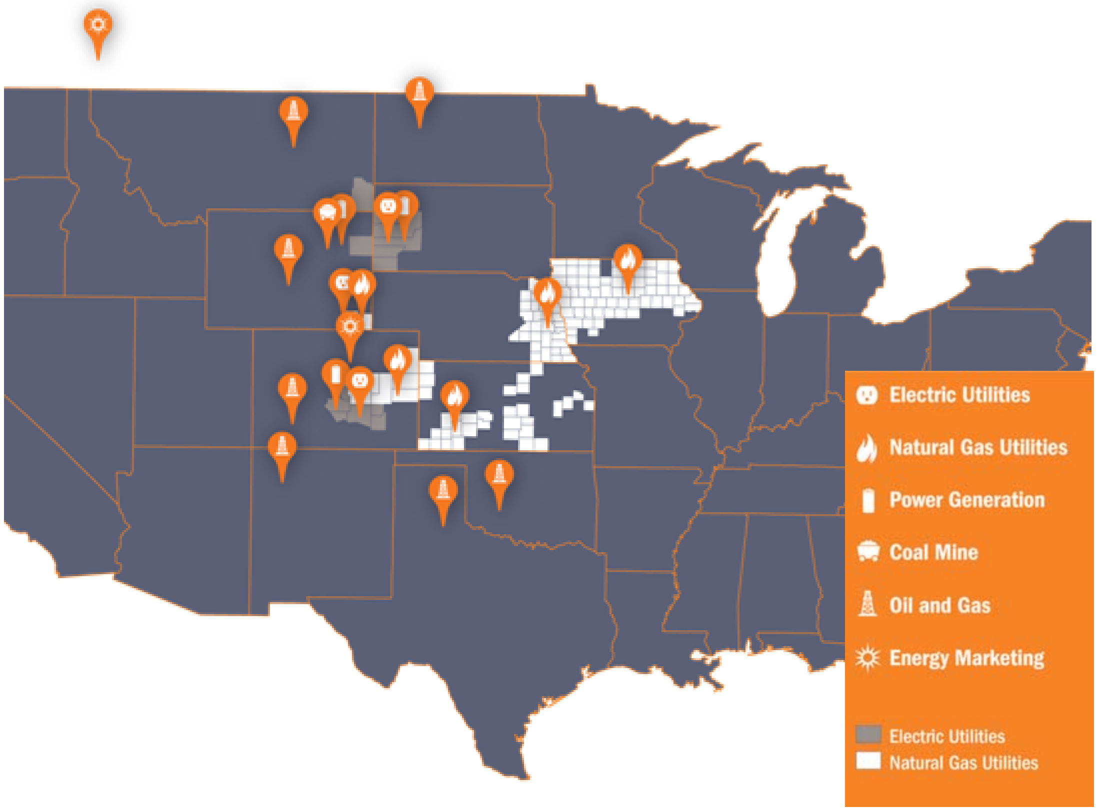
Discussion Agenda

Company Overview	David Emery *Chairman, President & CEO*
Operational Update	Linn Evans *President & COO, Utilities*
Financial Update	Tony Cleberg *Executive Vice President & CFO*
Strategic Overview	David Emery *Chairman, President & CEO*
Q&A	

Company Overview

Black Hills Corporation

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, SD, with corporate offices in Denver, CO, and Papillion, NE, the company serves 763,000 utility customers in Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. The company's non-regulated businesses generate wholesale electricity; produce natural gas, crude oil and coal; and market energy. We partner to produce results that improve life with energy.



Fuel, Generation & Utilities

Utilities

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

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

Non-Regulated Energy

Power Generation
- Black Hills Electric Generation

Coal
- Wyodak Resources

Oil & Gas
- Black Hills Exploration & Production

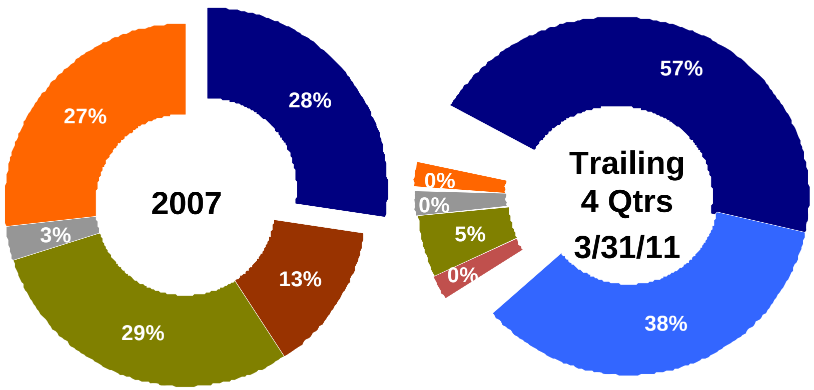
Energy Marketing
- Enserco Energy

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

Diversified Earnings

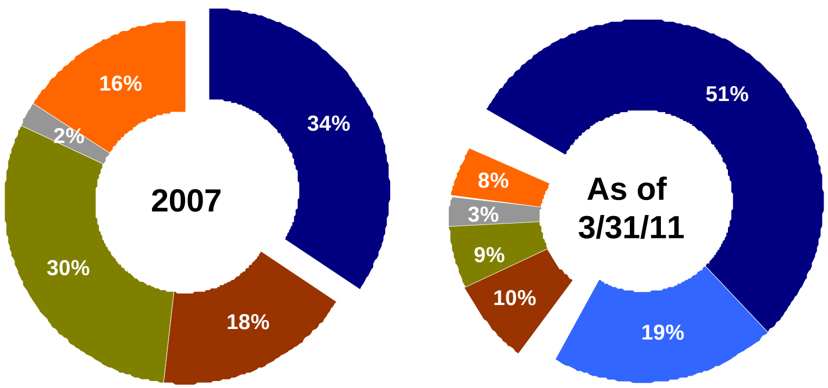
Our business portfolio mix continues to reflect mostly regulated electric and gas utilities versus the 2007 mix of mostly non-regulated energy segments

Operating Income



Utility operating income has increased from 28% in 2007 to 95% in Q1 2011

Assets



Utility assets have increased from 34% in 2007 to 70% in Q1 2011

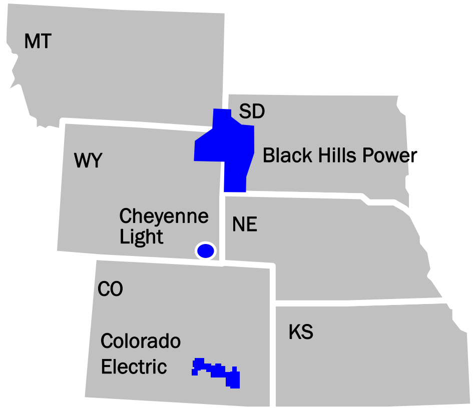
Utilities
- Electric Utilities
- Gas Utilities

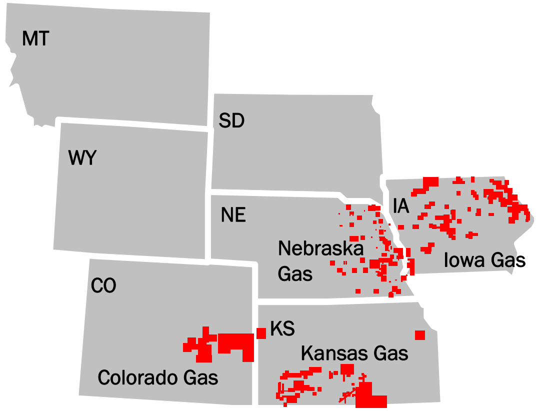
Non-regulated Energy
- Oil and Gas
- Power Generation
- Coal Mining
- Energy Marketing

Note: Excludes corporate, intersegment eliminations and discontinued operations

Electric and Natural Gas Utilities

Regulated Electric and Natural Gas Utilities Serving more than 763,000 customers





Electric Utilities

- BHC's electric utilities generate, transmit and distribute electricity to approximately 201,000 customers*
- Utility operations include BHP (SD, MT, & WY), CLFP (WY), and BHE – COE (CO)
- Assets include 687 MW of generation and 8,038 miles of transmission and distribution lines
- Total system peak demand 956 MW (summer 2010)
- 100% of electric customers converted to AMI
- BHE-COE ranked No. 6 in Total Solar Watts per Customers in Solar Electric Power Association's 2009 Utility Solar Rankings report
- BHP's East-West interconnection optimizes the off-system sale of power (1 of only 7 east-west ties) and improves system reliability

Natural Gas Utilities

- Distributes natural gas to approximately 527,000 customers in CO, IA, KS, and NE
- Includes 626 miles of interstate gas transmission pipelines and 19,638 miles of gas distribution mains and service lines
- Provide contract appliance repair service to 63,000 customers through the Service Guard Program
- Expanding automated meter reading system to 13,000 customers in Fountain, CO, 25,000 customers in Dubuque, IA, 30,000 customers in Lawrence, KS and to 9,200 customers in 13 Nebraska communities

* An additional 34,500 natural gas customers under the electric utility segment at CLFP

Oil & Gas and Energy Marketing

Non-regulated Segment Generates Electricity, Produces Natural Gas, Coal and Crude Oil, and Markets Energy

Oil and Gas

- Includes operated wells in San Juan, Powder River, and Piceance Basins
- Includes non-operated wells in Williston Basin in ND and MT (Bakken Shale), and in North Dakota, California, Montana, Oklahoma, Texas and Wyoming
- 131 Bcfe of reserves at year-end; approximately 73% of reserves are natural gas and 27% crude oil
- Reserves in 2009 and 2010 were determined consistent with revised SEC requirements using a 12-month average price calculated using the first-day-of-the-month price for each of the 12 months in the reporting period held constant for the life of the properties
- Cash flows stabilized with ongoing commodity hedging strategy

Energy Marketing

- Diversified energy commodities include natural gas, crude oil, coal, power and environmental products
- Long-term transportation and storage contracts create strong upside potential
- Natural gas storage contracts with capacity of 5.3 Bcf*
- Natural gas transportation contracts with 212 Bcf total volumes*
- Conservative approach to risk management
- Maintain stand-alone committed credit facility

*Information from 2010 Form 10-K

Power Generation and Coal Mining

Non-regulated Segment Generates Electricity, Produces Natural Gas, Coal and Crude Oil, and Markets Energy

Power Generation

- Smaller plant approach to incremental growth; facilitates technology implementation
- Operate IPP and utility assets with same core management and support team
- Proven experience in planning, permitting, constructing and operating power plants
- Currently sell approximately 93% of our non-regulated generating capacity under contracts with terms greater than one year
- Pursuing opportunities to provide gas-fired generation resources to other utilities; increased need for peaking facilities due to renewables

Coal Mining

- Includes approximately 262 million tons of low-sulfur Powder River Basin coal, a 40 year supply at expected production rates
- Produced approximately 5.9 million tons in 2010
- Provides very low delivered fuel cost to onsite, mine-mouth generation
- Coal supply supports potential expansion of low-cost baseload generation
- Ensure adequate profit margins on all coal sales contracts

Investment Highlights

- **Defined long-term investment program**
  Identified organic growth plus significant upside opportunities
- **Poised for economic recovery**
  Service territories and non-regulated businesses well positioned to capture economic growth and energy commodity upside
- **Proven track record of successful execution**
  Generation development, acquisition integration, platform scalability and top quartile utility operational metrics
- **Efficient and timely return on investments**
  Effective and proactive regulatory and asset management strategies
- **Commitment to shareholder returns**
  41 years of consecutive annual dividend increases

Operational Update

Q1 2011 Overview

Growth initiatives on track; solid utility performance; non-regulated under performing

- April 26, 2011, Board of Directors approved a quarterly dividend on the common stock of $0.365 per share, equivalent to an annual dividend rate of $1.46 per share; 41st consecutive year of dividend increases
- Strong utility performance due to efficient operations and appropriate cost recovery
- Capital growth projects on-track
  - Utility and IPP natural gas-fired generation construction projects in Colorado on schedule and on budget ($487 million total investment)
  - Transmission projects on track
- $167 million in new utility growth investments announced during 1st quarter
  - Gas turbine in Colorado and wind projects in South Dakota and Colorado
- Non-regulated business results not currently meeting expectations
- 2011 earnings guidance range reduced to $1.70 to $1.95 per share

Colorado Generation Projects

2012 Earnings Growth Driven By Natural Gas-Fired Generation Projects

Overview: Two generation projects owned by Utility and IPP segments; ready to serve Black Hills Energy - Colorado Electric utility customers by January 1, 2012

Milestones: Air permit received, commenced construction in July 2010, foundations complete, major equipment installed

Two General Electric LMS100 natural gas-fired turbines

180 MW Electric Utility Power Generation Project			
Capital Expenditure and Schedule Progress as of 3/31/2011			
Expenditures ($227mm final estimate)	Procurement contracts awarded	Construction contracts awarded	Construction completed
$ 213mm	**100%**	**89%**	**76%**

Four 40 MW General Electric LM6000 natural gas-fired turbines and two 20 MW steam turbines (combined cycle)

200 MW Non-regulated Power Generation Project			
Capital Expenditure and Schedule Progress as of 3/31/2011			
Expenditures ($260mm final estimate)	Procurement contracts awarded	Construction contracts awarded	Construction completed
$ 203mm	**100%**	**77%**	**55%**

Construction progress at Pueblo Airport Generation Station as of 3/31/11

Regulatory Overview

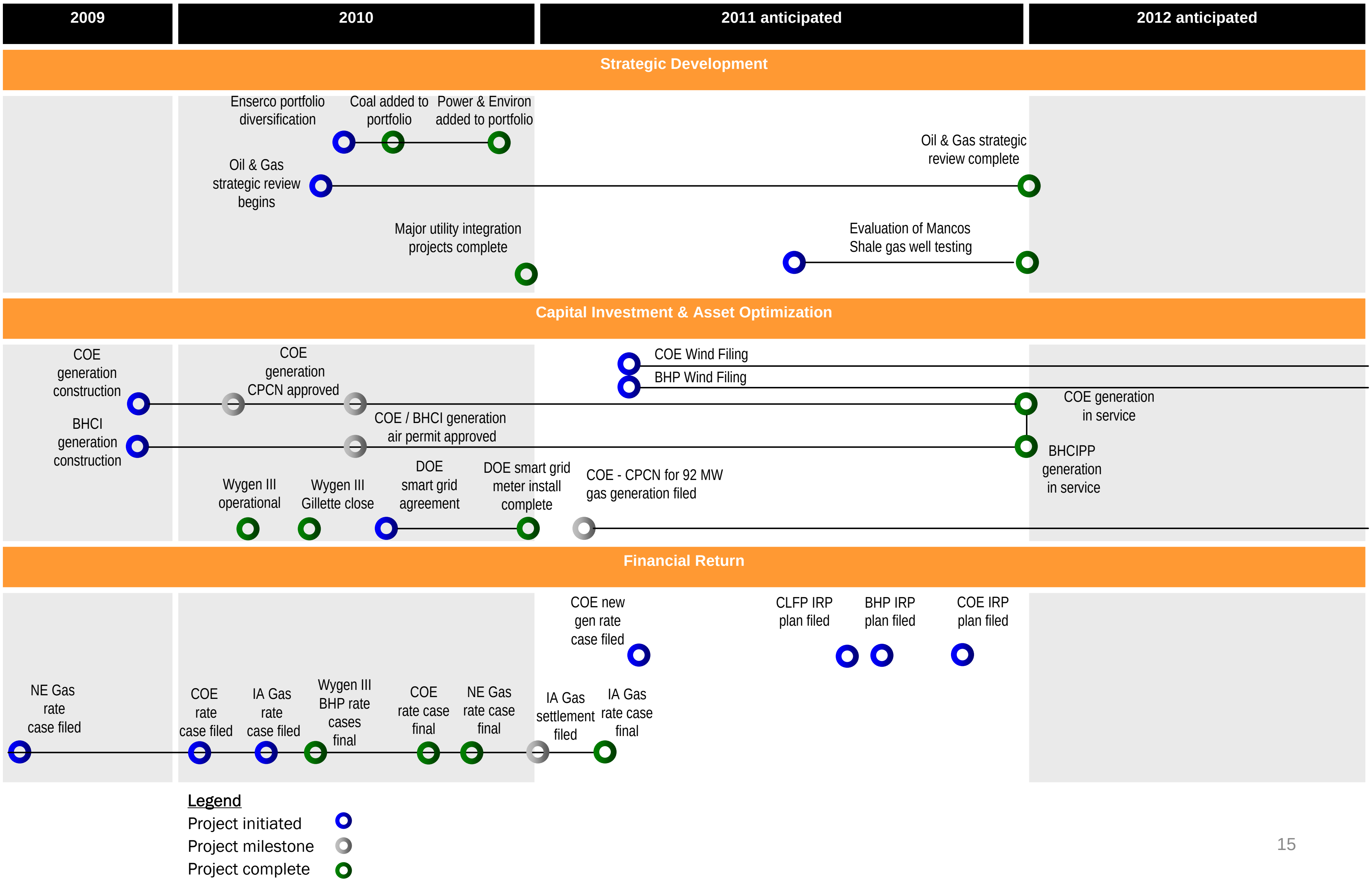
Effective and Proactive Regulatory and Asset Management Strategies

- **BHE-CO Electric rate request filed 4/28/11**
  Request for a $40.2 million annual revenue increase to recover capital and operating expenses associated with Colorado generation projects, associated infrastructure and other utility expenses

- **New rates implemented in 5 utility jurisdictions in 2010/2011**
  $47.9 million increase in annual revenues

- **Seeking predictable cost recovery through rate adjustment mechanisms**
  Demand Side Management, fuel cost, transmission, purchased power, fixed cost, capital additions, bad debt, weather normalization and environmental investments

Strategic Initiatives Timeline



Financial Update

Q1 2011 Financial Performance

Net Income, as adjusted, $23.3 million or $0.59 per share compared to $31.7 million or $0.82 per share in Q1 2010

Utilities

Net income was $29.5 million compared to $29.4 million for Q1 2010

- $0.4 million increase in electric utilities
- $0.2 million decrease in gas utilities

Primary Performance Drivers

- New customer rates in five jurisdictions in gas and electric utilities from 2010 rate cases
- Gross margin and operating income up 8.2% and 6.5%, respectively, due to $12 million benefit primarily from BHE-COE and BHP rate cases
- Volumes lower by 4.4% at gas utilities
- Increase in Wygen III operating expenses and depreciation
- Increase in interest expense related to higher interest rates and higher debt balances related to capital projects

Non-Regulated Energy

Net loss was $3.5 million compared to net income of $7.0 million in Q1 2010

- $5.0 million decrease in energy marketing
- $3.0 million decrease in oil & gas
- $2.6 million decrease in coal mining
- $0.1 million increase in power generation

Primary Performance Drivers

- Decrease in Energy Marketing due to low natural gas prices, minimal transportation spreads, and reduced storage hedge margins (shifted to Q4 2010)
- Decrease in Oil & Gas earnings due to lower average received prices (net of hedges) for natural gas and crude oil
- Decrease in Coal Mining earnings primarily due to lower tonnages from customer plant outages and suspension of operations at Osage; increased mining costs – drilling and blasting, equipment maintenance, fuel, and staffing levels for train load-out facility

Note: Minor differences in comparative amounts may occur due to rounding.

Q1 2011 Income Statement

In millions, except per share amounts	2011	2010	Comments – 2011 vs. 2010
Revenue	$ 403.3	$ 426.5	Lower gas utility volumes and gas prices
Operating expenses	(347.6)	(359.5)	Lower electric utility fuel and purchased power
Gain on sale of assets	-	2.7	Elkhorn gain in Q1 2010
Operating income	**55.7**	**69.7**	Lower non-regulated results
Interest expense	(23.9)	(21.8)	Higher debt levels
Certain interest rate swap – MTM	5.5	(3.0)	Rising interest rates
Other income	2.5	3.0	
Income before tax	**39.8**	**47.9**	
Income tax	(12.9)	(16.5)	
Net income	26.9	31.4	
Earnings per share	$ 0.68	$ 0.81	
Weighted average common shares O/S	39.8	39.0	

Q1 2011 Revenue/Operating Income Roll-Up

In millions	Revenue		Operating Income (Loss)		
	2011	**2010**	**2011**	**2010**	**Comments**
Utilities					
Electric Utilities	$148.3	$148.8	$24.3	$20.2	Up 20% due to 2010 rate cases
Gas Utilities	230.2	243.2	36.5	34.3	Up 7% due to 2010 rate cases, offset by lower volumes
Gain on sales of assets	-	-	-	2.7	Elkhorn sale
Intercompany eliminations	(3.8)	(3.3)	-	-	
Sub-Total - Utilities	374.7	388.7	60.8	57.2	
Non-regulated Energy					
Oil & Gas	17.9	19.7	0.0	3.9	Received gas/crude prices down
Power Generation	7.6	8.1	2.4	3.7	Costs related to Colorado IPP
Coal Mining	15.5	14.0	(3.7)	0.8	Higher operating costs
Energy Marketing	2.5	9.8	(3.4)	4.2	Lower storage hedge margins
Intercompany eliminations	(14.9)	(13.8)	(0.1)	0.1	
Sub-Total – Non-Regulated Energy	$28.6	$37.8	$(4.8)	$12.7	
Corporate	-	-	(0.3)	(0.2)	
Total	**$403.3**	**$426.5**	**$55.7**	**$69.7**	

EPS Analysis

Earnings Per Share (EPS)	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Wtd Avg Shares Outstanding (in thousands)	*39,009*	*38,902*	*39,133*	*39,437*	*39,761*
Net Income (loss)	**$ 0.81**	**$ (0.22)**	**$ 0.32**	**$ 0.85**	**$ 0.68**
Adjust for special loss/(gain) items:					
Certain interest rate swaps-loss (gain)	0.05	0.41	0.23	(0.44)	(0.09)
Improved effective tax rate			(0.06)		
Gain on partial sale of Wygen III			(0.10)		
Gain on sale of Elkhorn service area	(0.04)				
Rounding			(0.01)		
Net Income as Adjusted *	**$ 0.82**	**$ 0.19**	**$ 0.38**	**$ 0.41**	**$ 0.59**

* Non-GAAP measure

Capital Structure

In millions	Mar. 31, 2010	Dec. 31, 2010	Mar. 31, 2011
Short term debt			
Current maturities	$ 24.4	$ 5.2	$4.3
Notes Payable	223.0	249.0	287.0
	247.4	**254.2**	**291.3**
Long term debt	**993.5**	**1,186.0**	**1,184.8**
Total Debt	**1,240.9**	**1,440.2**	**1,476.1**
Cash	(136.0)	(32.4)	(44.0)
Net Debt	**1,104.9**	**1,407.8**	**1,432.1**
Common stock	632.6	637.8	639.7
Retained earnings	491.2	486.1	498.6
AOCI	(15.9)	(23.6)	(25.2)
Total Equity	**1,108.0**	**1,100.3**	**1,113.1**
Total Debt and Equity *	**$ 2,348.9**	**$ 2,540.5**	**$2,589.2**
Debt to Capitalization	53%	57%	57%
Net Debt to Capitalization (Net of Cash)	50%	56%	56%
Long-term Debt to Total Debt	80%	82%	80%
Proforma – Equity Forward **			
Debt to Capitalization			52%
Net Debt to Capitalization			51%

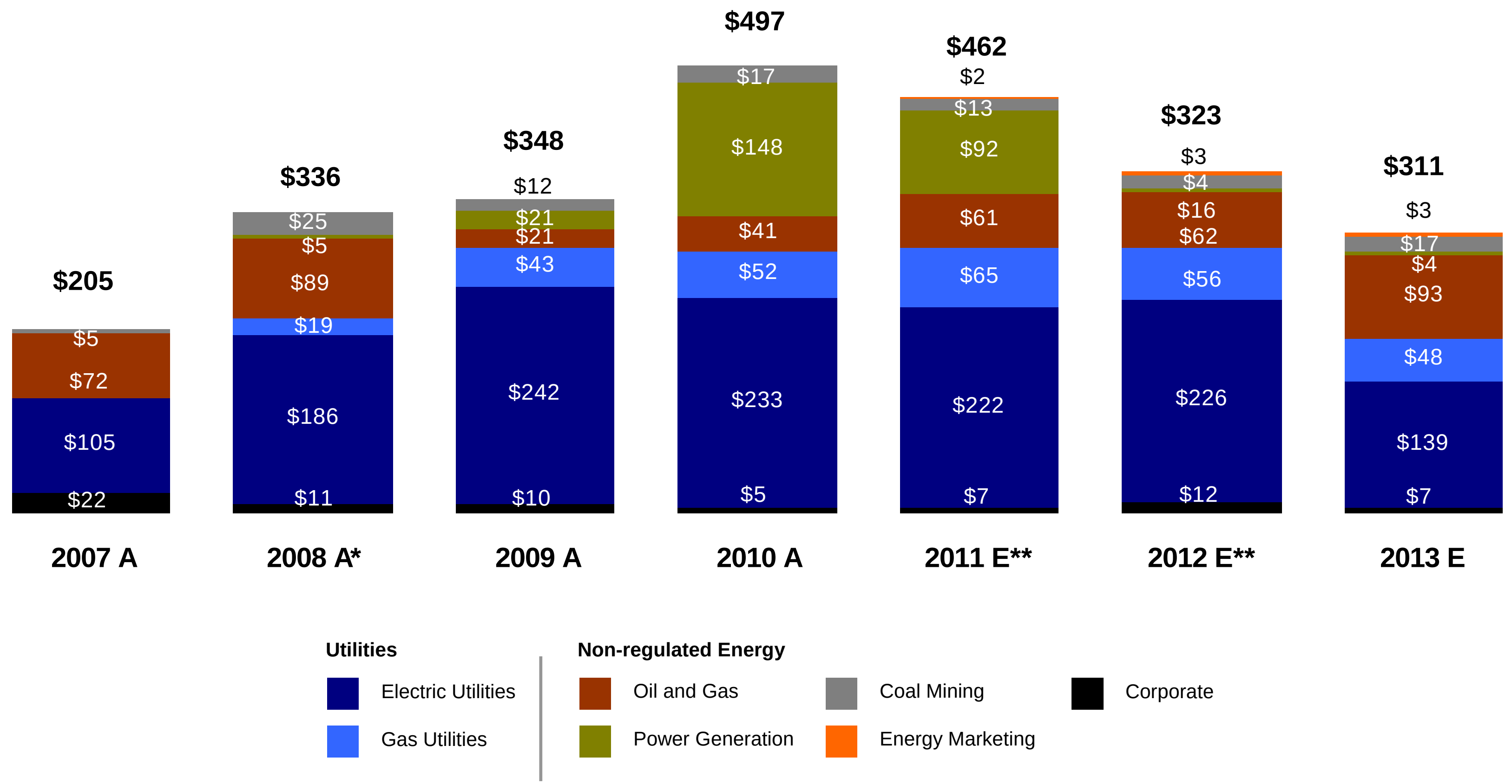
* Total Debt and Equity = Total Debt + Total Equity

** Proforma amounts reflect ratios as if the equity forward shares had been delivered at 3/31/11.

Strategic Overview

Defined Investment Plan Drives Earnings Growth

Historical and Forecasted Capital Expenditures (in millions)



* Does not include $938 million for acquisition of Aquila properties

** 2011 and 2012 include anticipated capital expenditures of $167 million for utility growth projects announced in 1st quarter and for an incremental $12 million for 2011 oil and gas expenditures for additional Bakken drilling and Mancos test drilling

Long-term Growth Opportunities

2012-2015 Capital Expenditures Excludes routine capital expenditures for maintenance of assets (in millions)	**Announced**	**Future**	**Total**
Utility			
BHE-COE – Construct third 88 MW utility owned gas-fired generation	$102		$102
BHE-COE – Construct 29 MW wind generation project (50% ownership)	$27		$27
BHP - Construct 20 MW wind generation project	$38		$38
Environmental upgrades & replacement projects		$100-$150	$100-$150
Renewable projects under evaluation		$100-$150	$100-$150
Potential Other New Generation		$125-$175	$125-$175
Transmission Projects: BHP $40-50, CLFP $30-$40, BHE-COE $15-$25		$125-$175	$125-$175
Total Utility	**$167**	**$450-$650**	**$617-$817**
Non-regulated			
IPP Projects & Opportunities		$0-$500	$0-$500
Oil and Gas Development (2012: $61; 2013: $93) *	$154	$200-$300	$354-$454
Total Non-regulated	**$154**	**$200-$800**	**$354-$954**
Total Company	**$321**	**$650-$1,450**	**$971-$1,771**

* Dependent on results of ongoing strategy review

Oil and Gas Exploration & Development Program

San Juan Basin

- Currently drilling first Mancos formation shale gas test well
- Over 19,000 net acres prospective for Mancos formation shale gas

Piceance Basin

- Two horizontal Mancos formation shale gas test wells will follow San Juan well completion – scheduled for Q2 and/or Q3 2011
- Over 54,000 net acres prospective for Mancos formation shale gas

Williston Basin

- Ongoing Bakken formation development drilling program through 2011 on existing acreage base
- Over 44,000 gross acres and over 6,500 net acres, developed and undeveloped
- Upside opportunity: infill drilling (2nd well per 1,280 acre spacing unit)

2011 Scorecard

Strategy	2010 Progress & Future Initiatives
UTILITIES + Acquire regulated utility properties in our geographic focus + Construct additional cost effective 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 and address growing demand	☑ **File CPCN for another utility owned natural gas-fired turbine to replace retirement of coal fired W.N. Clark facility in Colorado – filed 3/14/11** ☑ **File CPCN for BHE-COE wind project – filed 3/24/11** ☑ **File CPCN for BHP wind project – filed 4/28/11** ☑ **File BHE-COE generation related rate case effective 1/1/2012 – filed 4/28/11** ☐ File Integrated Resource Plan for Cheyenne Light (Q3 2011) ☐ File Integrated Resource Plan for Black Hills Power (Q3/Q4 2011) ☐ File Integrated Resource Plan for BHE-CO Electric (Q4 2011) ☐ Complete construction of 180 MW rate base generation to serve BHE-COE (Q4 2011) ☐ Continue to evaluate M&A opportunities
NON-REGULATED + Selectively grow power generation segment and contract large percentage of capacity and energy production to load-serving utilities + Efficiently utilize coal resources through mine-mouth generation and third-party coal sales + Increase oil and gas production through development of existing acreage and limited acquisitions + Expand our energy marketing business while diligently managing energy marketing risks + Conduct business with diversified group of creditworthy counterparties + Maintain stand-alone energy marketing credit facility	☐ Complete one San Juan Basin Mancos formation shale horizontal gas test well (Q3 2011) ☐ Complete two Piceance Basin Mancos formation shale horizontal gas test wells (Q4 2011) ☐ Invest approximately $61 million in oil and gas development (2011) ☐ Complete strategic review of BHEP (Q4 2011) ☐ Complete construction of 200 MW power plant to serve BHE–COE PPA (in service 1/1/2012)
SERVICE COMPANY (CORPORATE) + Prudently finance the corporation and its subsidiaries + Optimize systems and processes to minimize costs and create a platform for growth	☐ Settle forward equity transaction (Q4 2011) ☐ Consolidate outage management software system for electric utilities (2011)

Summary

- **Defined long-term investment program**
  Identified organic growth plus significant upside opportunities

- **Poised for economic recovery**
  Service territories and non-regulated businesses well positioned to capture economic growth and energy commodity upside

- **Proven track record of successful execution**
  Generation development, acquisition integration, platform scalability and top quartile utility operational metrics

- **Efficient and timely return on investments**
  Effective and proactive regulatory and asset management strategies

- **Commitment to shareholder returns**
  41 years of consecutive annual dividend increases

Questions and Answers

Appendix

Revised 2011 Earnings Guidance

Adjusted net income per share expected to be in range of $1.70 to $1.95

Revised 2011 Earnings Guidance Assumptions

- Planned capital expenditures of $462 million
- Settlement of the equity forward agreement for cash proceeds of $123 million in Q4
- Undesignated interest rate swaps remain with no 2011 unrealized MTM impact
- Normal operating and weather conditions for remainder of 2011 within service terrorities
- Continued coal mine operating challenges expected to result in modest operating losses
- No additional unplanned outages at power generation facilities
- Modest increase in 2011 energy marketing income versus 2010
- Total 2011 oil and natural gas production in range of 11.0 Bcfe to 11.9 Bcfe
- Oil and gas annual average NYMEX prices of $4.29 per MMBtu for natural gas and $104.60 per Bbl for oil; production-weighted average well-head prices of $3.04 per Mcf and $94.18 per Bbl, and average hedged prices of $4.02 per Mcf and $80.81 per Bbl; and
- No significant acquisitions or divestitures.

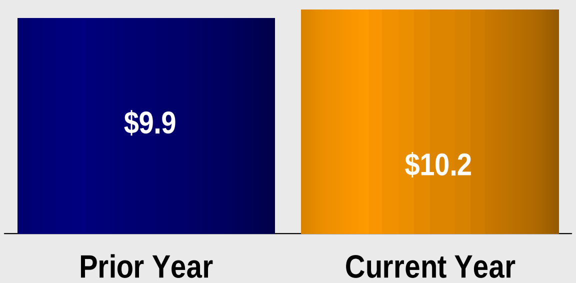
Q1 2011 Utility Summary

Net income $29.5 million compared to $29.4 million for Q1 2010

- Effective February 10, 2011 Iowa Utilities Board approved settlement agreement for a $3.4 million annual revenue increase for Black Hills Energy – IA Gas
- Construction over 75% complete on BHE – CO Electric's 180 MW natural gas-fired generation facility, with commercial operation scheduled for January 1, 2012
- On April 28, 2011 BHE-CO Electric filed an electric rate request with Colorado Public Utilities Commission seeking a $40.2 million increase in annual revenues pertinent to new generation
- Filings made for $167 million in new utility growth investments
  - March 14, 2011 BHE – CO Electric applied for CPCN to construct third utility owned gas-fired turbine for $102 million to replace W.N. Clark coal plant being retired to comply with Colorado Clean Air-Clean Jobs Act
  - March 24, 2011 BHE – CO Electric applied for CPCN to rate base 50% of 29 MW wind project for net $27 million as part of plan to meet requirements of Colorado Renewable Energy Standards
  - April 28, 2011 Black Hills Power filed request for declaratory order to build 20 MW wind project for $38 million in South Dakota
- Preparing Integrated Resource Plans for all electric utilities
  - BHP – evaluate replacing or upgrading older coal plants due to proposed EPA rules
  - CLFP – address expected need for peaking resources
  - BHE-COE – recommend resource additions to meet state renewable mandate

Electric Utilities Q1 2011 Update

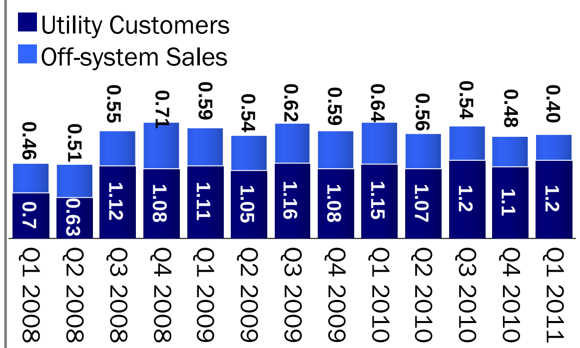
Quarter Net Income Comparison
(in millions)



Overview

- Construction advancing on schedule and within budget for natural gas-fired power plant to serve BHE–COE customers by 1/1/2012
- New rates in three jurisdictions from 2010 rate cases
- Gross margin and operating income up 8.2% and 6.5%, respectively, due to $12 million benefit primarily from BHE-COE and BHP rate cases
- Increase in Wygen III operating expenses and depreciation
- Increase in interest expense related to higher interest rates and higher debt balances for capital projects

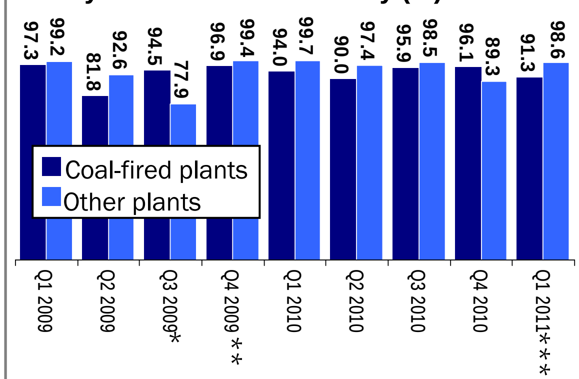
Total MWh Sales
(in millions)



Regulatory Update

- BHE-COE filed rate request with CO PUC 4/28/11 for $40.2 million annual revenue increase effective 1/1/12
- BHE-COE applied for CPCN on 3/24/11 to own 50% of 29 MW (gross) wind project in southern CO to help meet state's Renewable Energy Standard
- BHE-COE applied for CPCN on 3/14/11 to construct one additional utility owned natural gas-fired turbine
- BHP filed request for a declaratory ruling on 4/28/11 to construct and own a 20 MW wind farm near Belle Fourche, SD

Utility Generation Availability (%)

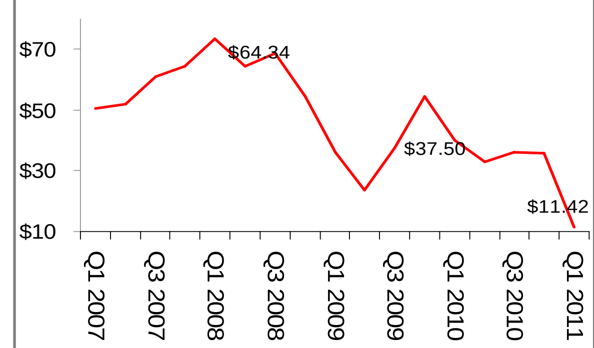


*Reflects major planned but extended outages at Neil Simpson I and Neil Simpson II

** Reflects unplanned outage at Pueblo Unit 5

*** Reflects a planned major outage at Wyodak plant

Mid C Power Prices
(peak prices volume weighted - SNL)



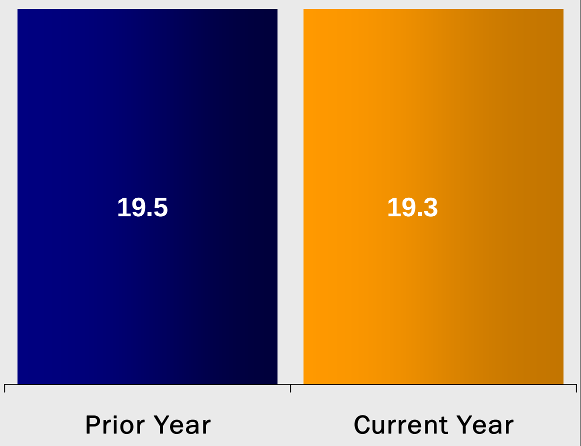
BHE-CO Electric Rate Request Filing

	Requested
Date Filed	April 28, 2011
Effective Date	January 1, 2012
Revenue Increase	$40.2 million
ROE	11%
Cap Structure	48% debt / 52% equity
Rate Base	$439 million
Average Monthly Residential Customer Increase	$18.94 *Assuming an average usage of 600 KWh / month*

- Recover investments in the Pueblo Airport Generation Station, other transmission and distribution facilities along with increased operating expenses since 2009
- Must be approved by the Colorado Public Utilities Commission
- First public hearings expected Q3 or Q4 2011
- Includes 200 MW PPA with Black Hills Colorado IPP

Gas Utilities Q1 2011 Update

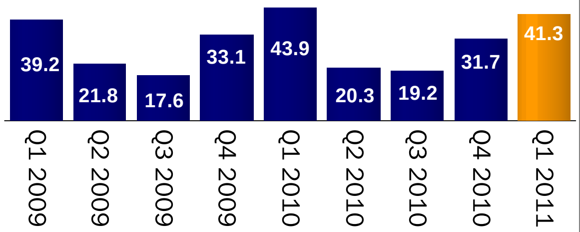
Quarter Net Income Comparison
(in millions)



Overview

- Gross margin up $1.4 million due primarily from 2010/2011 approved rate cases offset by a 4.4% decrease in volumes sold
- Interest expense was up $0.8 million due to higher interest rates

Total Dth Sales
(in millions)

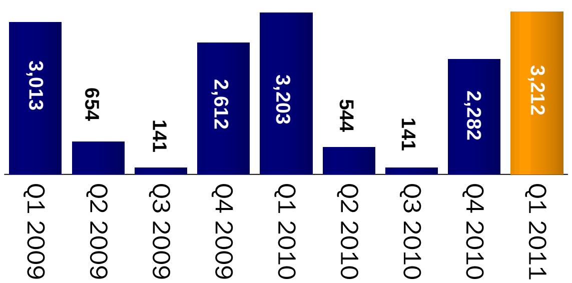


Regulatory Update

- BHE-IA Gas received final approval for a rate increase of $3.4 million on 2/10/11

Service Guard Customers
(Fee-based appliance repair business)

Gas Utility Heating Degree Days
(Total for all gas service areas weighted by throughput)



Environmental Policy Impact Assessment

Plant/Unit	Segment	Location	Fuel	MW	EPA Hazardous Air Rules (MACT)		EPA RICE Rules*	National Ambient Air Quality Standards		CO Clean Air-Clean Jobs Bill	Clean Water Act	EPA Coal Ash Rules
					> 25 MW Utility	*< 25 MW Industrial*		*Ozone*	*Regional Haze Standards*	*HB 1365*	*Waste Water Rule Revision*	
Wygen III	Utility	Gillette, WY	Coal	57	O						X	X
Wygen II	Utility	Gillette, WY	Coal	95	O						X	X
Wygen I	Non-reg.	Gillette, WY	Coal	69	X						X	X
Neil Simpson II	Utility	Gillette, WY	Coal	90	X			X	X		X	X
Wyodak	Utility	Gillette, WY	Coal	72	X			X	X		X	X
Osage	Utility	Osage, WY	Coal	35		X		X	X		X	X
Ben French	Utility	RC, SD	Coal	25		X		X	X		X	X
Neil Simpson I	Utility	Gillette, WY	Coal	22		X		X	X		X	X
WN Clark 1-2	Utility	C. City, CO	Coal	42		X		X	X	X	X	TBD
AIP Diesel	Utility	Pueblo, CO	Oil	10			X					
Diesel 1-5	Utility	Pueblo, CO	Oil	10			X					
Diesel 1-5	Utility	R. Ford, CO	Oil	10			X					
Ben French Diesel 1-5	Utility	RC, SD	Oil	10			X					

X – Direct and measurable impact O – Compliance required and marginal impact

- Facilities are being reviewed and evaluated to determine if they will need upgrades or replacement generation based on the current proposed rules
- Request for CPCN filed March 14, 2011 to replace W.N. Clark coal plant with third utility-owned natural gas-fired turbine at the Pueblo facility due to Colorado Clean Air-Clean Jobs Act
- Colorado Renewable Energy Standard 30% by 2020 – BHE-CO Electric filed request for CPCN for 29 MW wind project on March 24, 2011

* EPA rules for Reciprocating Internal Combustion Engines

Efficient Cost Recovery

Electric Utility Regulated Jurisdiction	Cost Recovery Mechanisms *				
	DSM/ Energy Efficiency	Fuel Cost	Trans-mission	Purchased Power	Fixed Cost Recovery
BHP - South Dakota	☐	☑	☑	☑	
BHP - Wyoming	☐	☑	☑	☑	
BHP - Montana	☐	☑		☑	
BHP - FERC			☑		
CLFP - Electric Customers	☐	☑	☑	☑	
CLFP - Gas Customers	☐	☑			45%
BHE – CO Electric	☑	☑	☑	☑	

Gas Utility Regulated Jurisdiction	Cost Recovery Mechanisms *					
	DSM/ Energy Efficiency	Capital Additions	Bad Debt	Weather Normal.	Fuel Cost	Fixed Cost Recovery
BHE – CO Gas	☑				☑	43%
BHE – IA Gas	☑	☐			☑	65%
BHE – KS Gas	☐	☑	☑	☑	☑	57%
BHE – NE Gas	☐	☑	☑	☐	☑	52%

* Refer to pages 27-29 of the 2010 10K for more specific information.

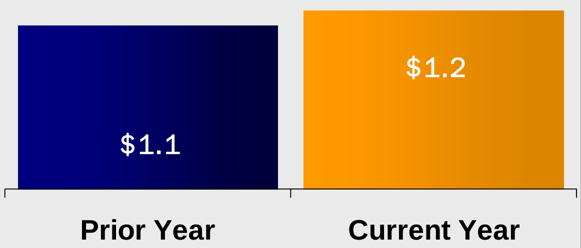
Q1 2011 Non-regulated Energy Summary

Net income $(3.5) million compared to $7.0 million for Q1 2010

- Construction over 55% complete on Black Hills Colorado IPP's 200 MW natural gas-fired generation facility to serve BHE – CO Electric customers, with commercial operation expected January 1, 2012
- Oil & Gas strategy review completion expected by year-end
  - Initiated Mancos formation shale gas drilling program – first horizontal test well underway in San Juan Basin (April), two Piceance Basin horizontal wells in 2nd and 3rd quarters
  - Increased 2011 planned capital expenditures from $49 million to $61 million for additional Bakken crude oil drilling and Mancos formation shale gas test drilling
  - Overall sales volumes up 3.5% compared to Q1 2010; crude oil sales volumes (mostly Bakken) up 23% compared to same period
  - Average received prices (net of hedges) down $1.26 per Mcf or 21% for gas and $7.56 per bbl or 10% for crude oil
- Coal Mining results weaker due to lower tonnage from plant outages and suspension of operations at Osage; increased operating costs – drilling and blasting, equipment maintenance, fuel, and staffing levels at train load-out facility
- Energy Marketing results negatively impacted by continuing weak natural gas prices, minimal transport spreads and reduced storage hedge margins

Power Generation Q1 2011 Update

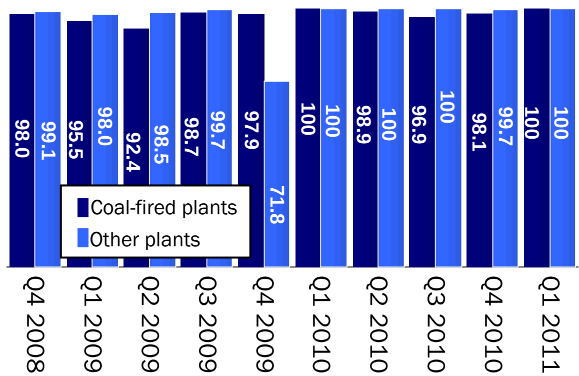
Quarter Net Income Comparison
(in millions)



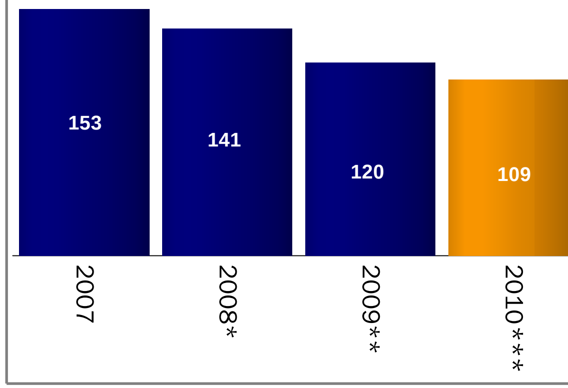
Overview

- Construction advancing on schedule and within budget on 200 MW natural gas-fired power generation facility to serve BHE-COE customers starting 1/1/12
- Completed sale of ownership interest in Idaho Partnership facilities with 11 MW net capacity on 1/18/2011
- Non-regulated plant availability was 100% in Q1 2011

Generation Availability (%)



MW of Generation Capacity
(in millions)



Capital Expenditure and Schedule Progress as of 3/31/2011			
Expenditures ($260mm final estimate)	Procurement contracts awarded	Construction contracts awarded	Construction completed
$203 million	**100%**	**77%**	**55%**

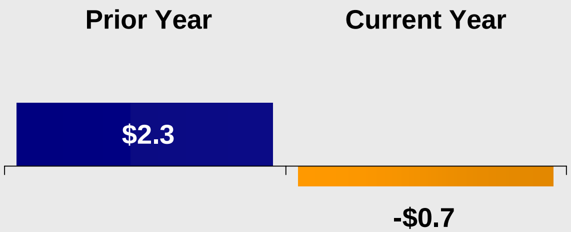
Project Update

- Air permit issued by CO Department of Public Health and Environment - 7/22/2010 for gas-fired power generation facilities to serve BHE – COE customers
- Procurement and construction contracts awarded; major equipment installed

* Reflects decommissioning of Ontario
** Reflects 23.5% sale of Wygen I to MEAN
*** Reflects sale of our ownership in the Idaho Partnership facilities 1/18/2011

Oil & Gas Q1 2011 Update

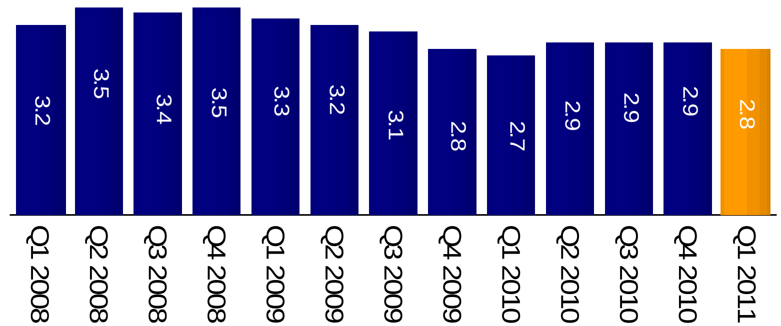
Quarter Net Income Comparison
(in millions)



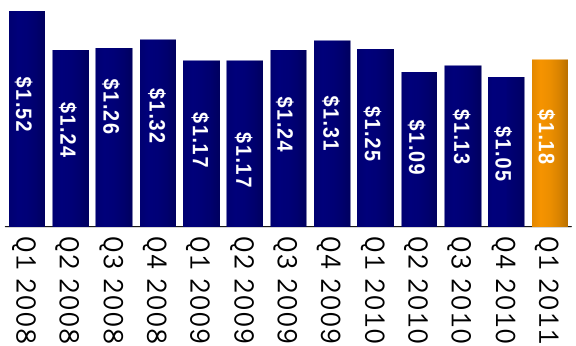
Overview

- Revenue decreased due to a $1.26 per MCF or 21% decrease in the average price received (net of hedges) for natural gas and a $7.56 per bbl or 10% decrease in the average price received (net of hedges) for crude oil partially offset by a 4% increase in Mcf equivalent sales
- Crude oil volumes (mostly from the Bakken) were up sharply increasing by 19,000 bbls or 23% compared to same period in prior year

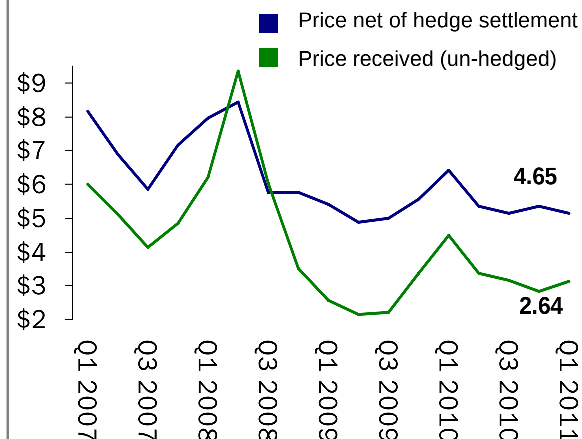
Bcf Equivalent Sales



Lease Operating Expenses
(LOE per Mcfe)



Average Nat Gas Price Received

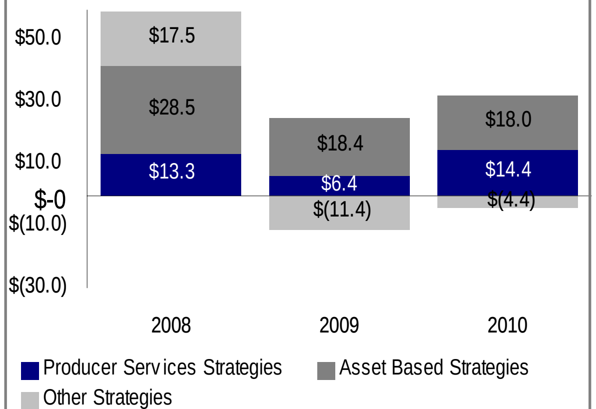


Energy Marketing Overview

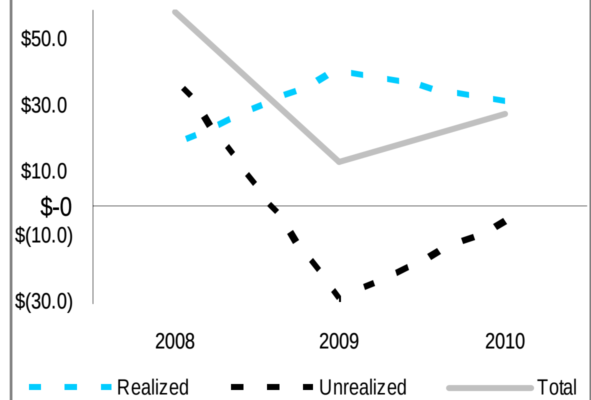
Operational Summary

- Doing business as Enserco Energy Inc.
- Two primary offices located in Denver, CO and Calgary, Alberta, Canada
- Diversified energy commodities include natural gas, crude oil, coal, power and environmental
- Long-term transportation and storage contracts create strong upside potential
- Natural gas storage contracts with capacity of 5.3 Bcf*
- Natural gas transportation contracts with 212 Bcf total volumes*
- Conservative approach to risk management
- Maintain stand-alone committed credit facility – outstanding letters of credit of $147 million at 3/31/11

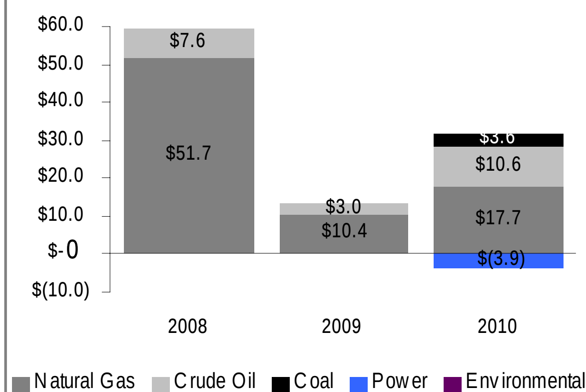
Gross Margin by Strategy *
(Combined Realized and Unrealized)



Realized and Unrealized Gross Margin
(Total, Realized and Unrealized)



Gross Margin by Commodity *
(Combined Realized and Unrealized)



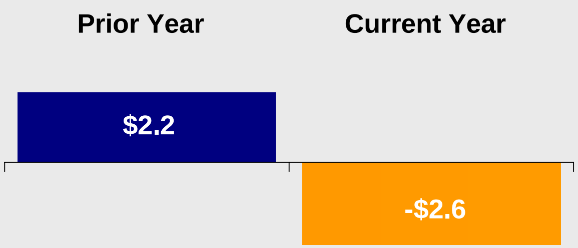
Diversification

Energy Marketing expanded portfolio to include coal in mid-year 2010 and power and environmental marketing in late 2010

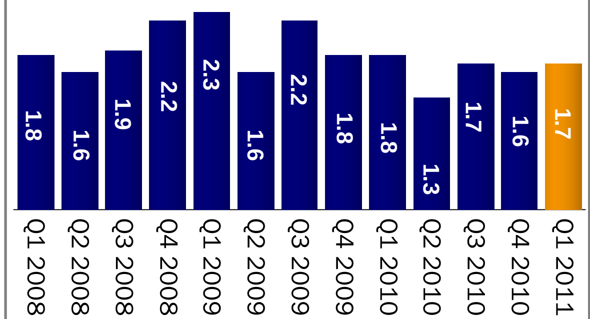
*Information from 2010 Form 10-K

Energy Marketing Q1 2011 Update

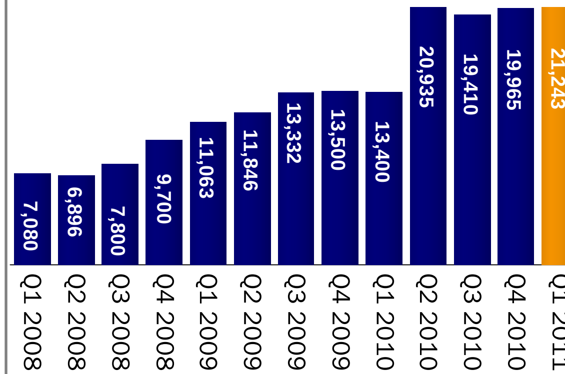
Quarter Net Income Comparison
(in millions)



Avg. Daily Natural Gas Volumes
(physical Bcf per day)



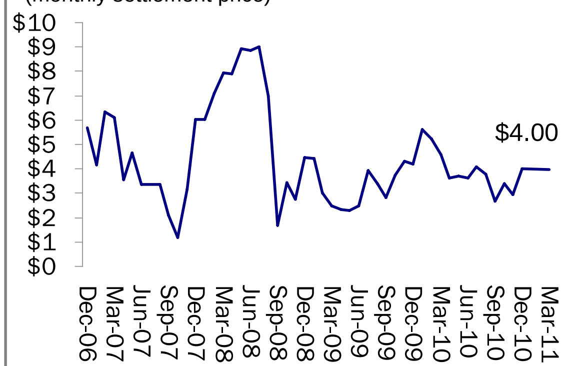
Avg. Daily Crude Oil Volumes
(barrels per day)



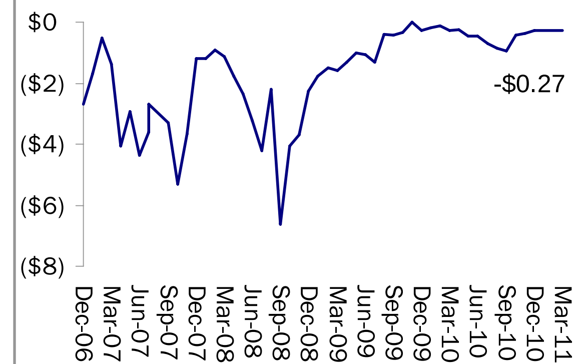
Overview

- Low gas prices and narrow transport spreads still very challenging
- Storage opportunities mostly realized in Q4 2010 vs strong Q1 2010
- Completed construction of 8th crude oil station to support producer services business
- Eastern expansion of gas marketing strategy underway
- Lower production and less drilling in non-shale plays – negatively impacted producer services

Northwest Rockies Natural Gas
(monthly settlement price)

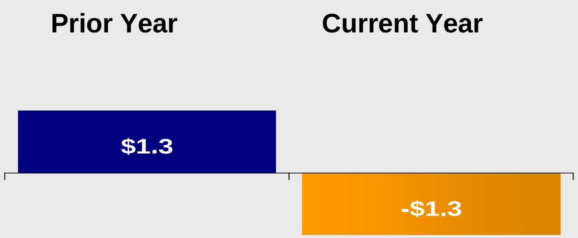


Rockies Natural Gas Basis Diff.
(CIG basis and NYMEX monthly settlement difference)



Coal Q1 2011 Update

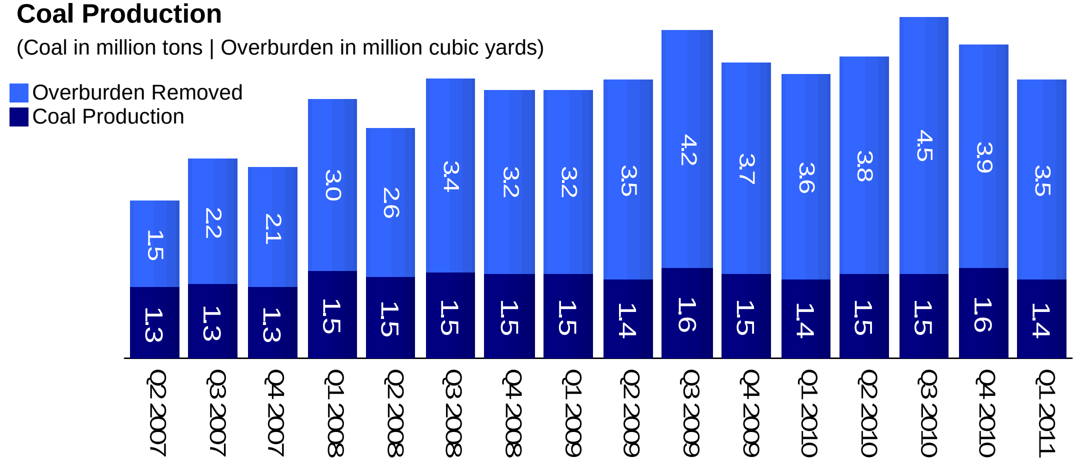
Quarter Net Income Comparison
(in millions)



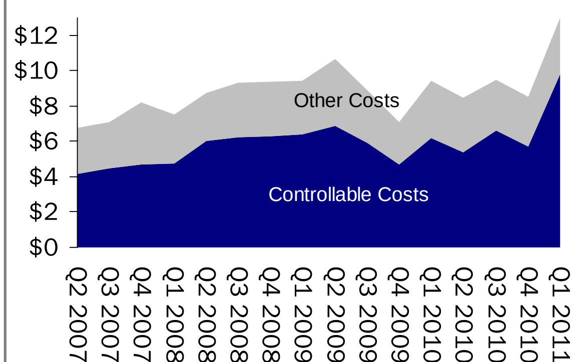
Overview

- Current mine location results in higher stripping costs, longer haul distances and longer overburden haul distances
- Stripping ratios increased from 1:1 in mid-year 2007 to 2.5:1 in Q1 2011
- Mining costs higher associated with drilling and blasting, equipment maintenance, fuel, and staffing levels for train load-out facility
- For certain coal contracts, price escalators not keeping pace with increase in actual mining costs

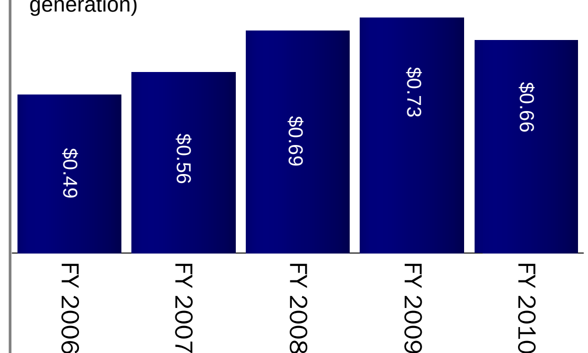
Coal Production
(Coal in million tons | Overburden in million cubic yards)



Mining Cost Per Ton of Coal *



Mine Mouth Plant Advantage Average Delivered Fuel Cost
($/MMBtu delivered to BH regulated mine-mouth generation)



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

Non-Regulated – Coal Mining Segment

Reduced Q1 financial performance resulting from several factors. Operating and financial results will be impacted for remainder of 2011, dependent upon the success of the company's mitigation efforts

1) Mining activity progressed to northeast corner of permit boundary
   - Stripping ratios up from 1:1 mid-year 2007 to 2.5:1 in Q1 2011
   - Long coal conveyor distances and longer overburden haul distances
   - Capitalized costs for conveyor extension expensed as mining returns toward power plants

2) Some coal sales contracts have price escalation clauses that may not reflect changes in actual mining costs
   - About 35% of tonnage sold to BHC utilities/plant partners with prices based on actual costs plus a return on mining capital
   - Most of remaining tonnage sold under contracts with price escalators based on published indices; coal price escalators not keeping pace with actual mining costs
     - ✓ Approximately 30% of tonnage sold to 3rd party customer through train load-out with minimal price escalators. Lowest priced contract – set to expire at year-end
     - ✓ Approximately 25% of tonnage sold to adjacent 3rd party mine mouth plant with several price escalators. Contract expires in 2022 with price re-openers in 2014 and 2019

3) Rising costs magnify gross margin reduction related to location of mining and lag of contract escalation factors
   - Rising costs related to drilling and blasting, equipment maintenance, fuel, and staffing levels at train load-out facility
   - Increase in thickness of clay "parting" within coal seam now requires removal

Q1 2011 Corporate Summary

Net income $0.9 million compared to $(5.0) million for Q1 2010

- Board of Directors approved quarterly dividend on the common stock of $0.365 per share, equivalent to an annual dividend rate of $1.46 per share
- $3.6 million or $0.09 per share after-tax unrealized mark-to-market non-cash gain from interest rate swaps no longer designated as hedges
- Bonus depreciation for capital placed in service in 2010 and 2011 will result in minimal cash taxes paid over the next several years
- Expect issuance of 4,413,519 shares in 4th quarter to settle Equity Forward Agreement

Credit Facilities and Debt

Primary Credit Facilities As of 3/31/2011	**Capacity**	**Utilized**	**Available**
Corporate Revolver - Matures April 2013	$ 500 million	$ 187 million $ 51 million (LC)	$ 262 million
Term Loan - Due December 2011		$100 million	
Enserco Credit Facility (Committed / Stand-alone) - New May 2010 - Matures May 2012	$ 250 million	$ 147 million (LC)	$ 103 million
Current Maturities of LTD	--	$4.3 million	--
LTD - BH Wyoming Project Financing (Due 2016)	--	$ 111 million	--
LTD – CLFP (Due 2037)		$110 million	
LTD - BHC (Due 2013)	--	$ 225 million	--
LTD - BHC (Due 2014)	--	$ 250 million	--
LTD - BHC (Due 2020)	--	$200 million	--
LTD – Other	--	$114 million	--
LTD - BHP (Due 2039)	--	$180 million	

Notes: LTD debt figures include $4.3MM of current maturities of LTD

Excludes debt discount items

Credit Ratings as of May 13, 2011

Black Hills Corporate	S&P	Moody's	Fitch
Long-Term Issuer	BBB-	Baa3	BBB
Senior Unsecured	BBB-	Baa3	BBB
Outlook	*Stable*	*Stable*	*Stable*

Black Hills Power	S&P	Moody's	Fitch
Long-Term Issuer	BBB-	Baa2	BBB
Senior Secured Debt	BBB+	A3	A-
Outlook	*Stable*	*Stable*	*Stable*

Vision: Be the energy partner of choice.

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

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

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

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

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

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

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

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

Mission: Improving life with energy.