

April 2011

Investor Update Presentation

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Investor Information

COMPANY INFORMATION

Black Hills Corporation

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NYSE Ticker: **BKH**

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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;
- The timing and extent of scheduled and unscheduled outages of our power generating facilities;
- Our ability to successfully complete labor negotiations with unions with whom we have collective bargaining agreements and for which we are currently in, or soon to be in, contract renewal negotiations;
- Weather and other natural phenomena;
- The accounting treatment and earnings impact associated with interest rate swaps;
- 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;
- Our ability to successfully integrate and profitably operate any future acquisitions;
- Our ability to successfully implement any actions taken associated with the recommendations from the strategic review of our oil and gas business;
- Our ability to provide accurate estimates of proved oil and gas reserves and future production and associated costs;
- 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;
- 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.

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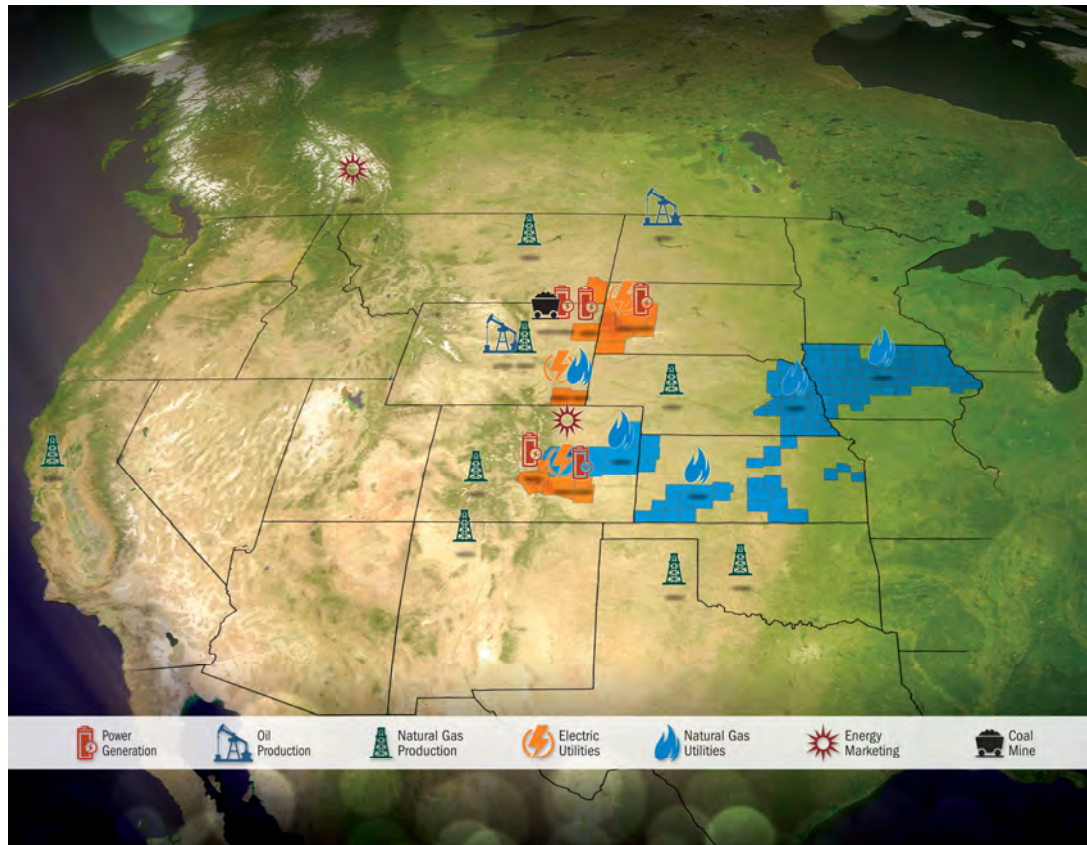
Company Overview

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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 Omaha, NE, the company serves 764,000 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.



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 Coal

- Black Hills Electric Generation
- Wyodak Resources

Oil & Gas

- Black Hills Exploration & Production

Energy Marketing

- Enserco Energy

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

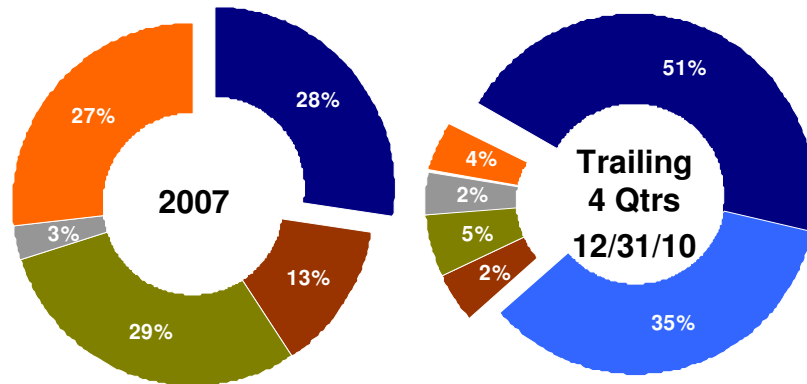
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Diversification of Earnings: Predictable Cash Flows and Optimization of Assets

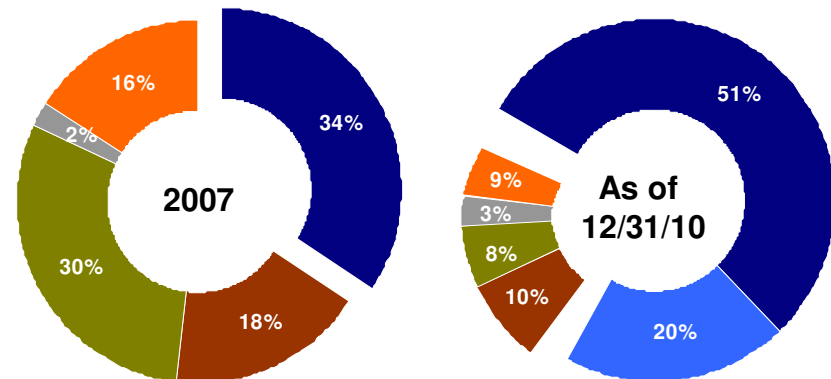
Since 2007 our business portfolio has shifted from mostly non-regulated energy to mostly regulated electric and gas utilities

Operating Income



Utility operating income has increased from 28% in 2007 to 86% in Q4 2010

Assets



Utility assets have increased from 34% in 2007 to 71% in Q4 2010

Utilities

- Electric Utilities
- Gas Utilities

Non-regulated Energy

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

Note: Excludes corporate, intersegment eliminations and discontinued operations

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Investment Highlights: A Diversified Energy Company with a Tradition of Exemplary Service

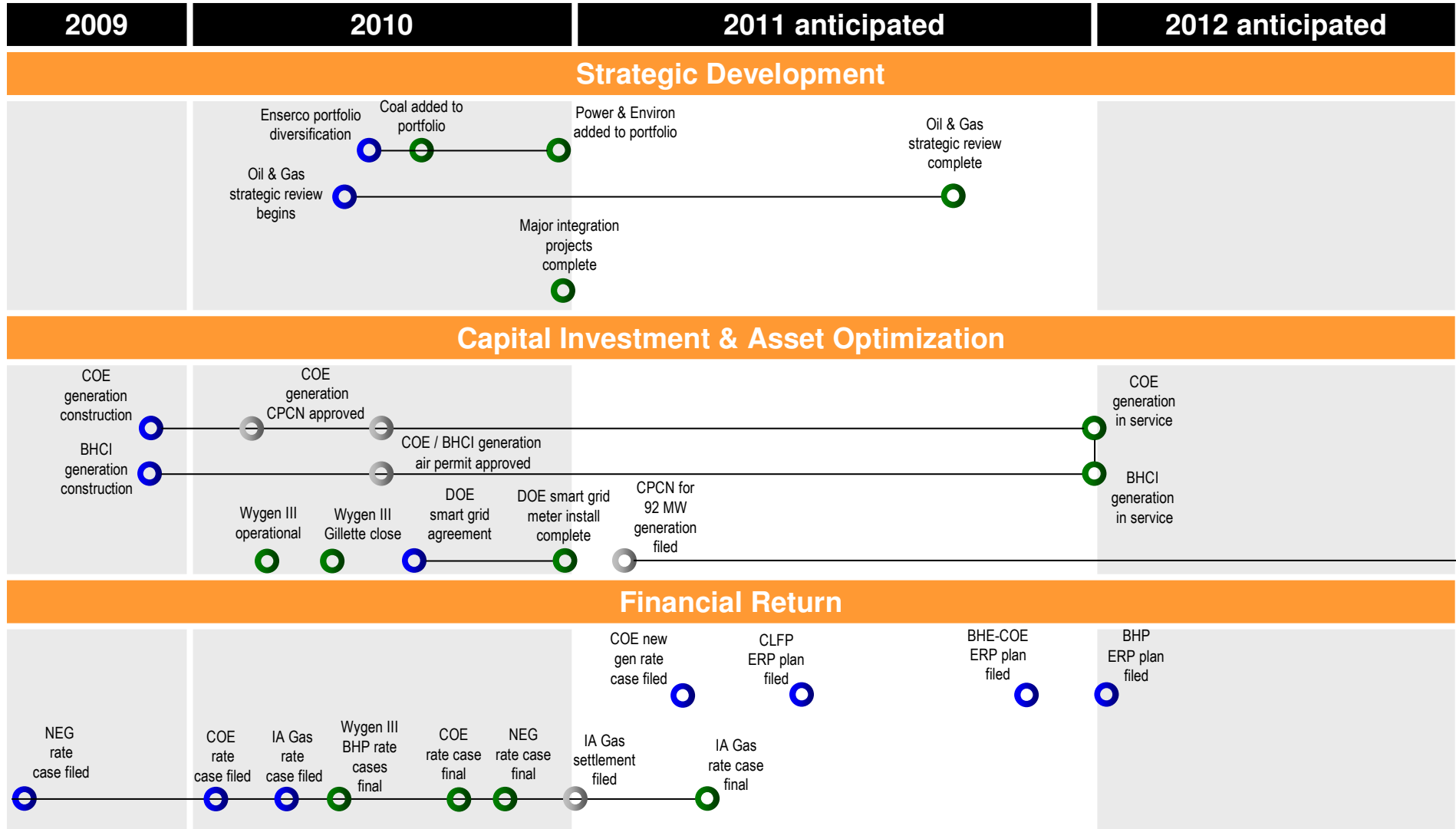
- **Defined long-term investment program**
Identified organic growth plus significant upside opportunities
- **Poised for economic recovery**
Service territories and non-regulated businesses well positioned to capture economic growth and energy commodity upside
- **Proven track record of successful execution**
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



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Timeline of Events



Legend

- Project initiated ○
- Project milestone ○
- Project complete ○

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Financial Update

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2010 Full Year Summary

Income from continuing operations and net income, as adjusted, was \$70.4 million or \$1.81 per share, compared to \$55.0 million or \$1.43 per share for the same period in 2009 (non-GAAP)

Utilities

Income from continuing operations was \$74.6 million compared to \$57.1 million for FY 2009

- \$14.8 million increase in electric utilities
- \$2.7 million increase in gas utilities

Primary Performance Drivers

- Implemented new and interim rates at BHP, BHE-NE Gas, BHE-COE and BHE-IA Gas
- Increase in interest expense due to capital structure adjustment and assignment of longer-term debt
- Increased O&M expense and depreciation due to commercial operation of Wygen III
- Increased off-system sales margins
- Gain on the sale of 23% interest in Wygen III (\$4.1 million) and of gas utility service area (Elkhorn) to City of Omaha (\$1.7 million)

Non-Regulated Energy

Income from continuing operations was \$13.6 million compared to loss of \$0.6 million in FY 2009

- \$18.5 million decrease in power generation earnings**
- \$0.9 million increase in coal mining
- \$4.4 million increase in energy marketing
- \$26.2 million increase in oil & gas*

Primary Performance Drivers

- Increase in Energy Marketing gross margin due to unrealized gains on natural gas and coal marketing portfolios and increased crude oil volumes marketed, offset by losses on power marketing
- Increased Oil & Gas earnings due to an increase in the average hedged price of oil and an increase in oil volumes
- Increase in Coal Mining earnings due to increased interest income offset by decrease in coal volumes sold as a result of external customer power plant outages and lower demand for coal

*Oil & Gas incurred "ceiling test" impairment charge of \$27.8 million during 2009

** Power Generation included \$16.9 million gain on sale for 23.5% of Wygen I in 2009

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EPS Analysis

<i>Earnings Per Share (EPS)</i>	FY 2010	FY 2009
<i>Shares Outstanding (in thousands)</i>	39,091	38,684
Income (Loss) from Continuing Operations	\$ 1.76	\$ 2.04
Adjust for special loss/(gain) items:		
Certain interest rate swaps-loss (gain)	0.25	(0.93)
Improved effective tax rate	(0.06)	(0.10)
Gain on partial sale of Wygen III	(0.10)	
Gain on sale of Elkhorn service area	(0.04)	
Gain on partial sale of Wygen I		(0.44)
Asset impairment – ceiling test		0.72
Integration expenses		0.09
Acquisition facility fee		0.05
Rounding		
Income from Continuing Ops as Adjusted*	\$ 1.81	\$ 1.43

* Non-GAAP measure

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FY Income Statement

In millions, except per share amounts

	2010	2009	Comments – 2010 vs. 2009
Revenue	\$1,307.3	\$1,269.6	Rate case settlements
Operating expense	(1,122.3)	(1,125.5)	
Gain on sale of assets	8.9	26.0	Wygen III, Elkhorn, Wygen I
Asset impairment - ceiling test	--	(43.3)	Oil & Gas ceiling test
Operating income	193.9	126.8	Change in special items \$26.2M/Utility improvement
Interest expense	(92.7)	(84.7)	Debt increase for capital projects/Higher rates
Certain interest rate swaps - MTM	(15.2)	55.7	Swap spread worsened
Other income	8.0	14.3	AFUDC equity/2009 sale of SO2 credits/Lease income
Income before tax	94.0	112.1	
Income tax	(25.3)	(33.3)	IRS settlement/Other improvements
Income from continuing operations	68.7	78.8	
Discontinued operations	--	2.8	
Net income	68.7	81.6	
Earnings per share	\$1.76	\$2.11	
Weighted average common shares O/S	39.1	38.7	

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FY Revenue/Operating Income Roll-Up

<i>In millions</i>	Revenue		Operating Income (Loss)		
	2010	2009	2010	2009	Comments
Utilities					
Electric Utilities	\$ 570.0	\$ 519.9	\$ 93.1	\$ 71.0	Rate case settlements
Gas Utilities	550.7	580.3	66.3	55.2	Interim and settled rate cases
Sub-Total - Utilities	1,120.7	1,100.2	159.4	126.2	
Non-regulated Energy					
Oil & Gas	74.2	70.7	4.6	0.8	Pricing up/Volume 9% decline
Power Generation	30.3	30.6	9.7	14.0	COIPP expenses/WGI outage
Coal Mining	57.8	58.5	4.7	5.1	2009 Black lung tax settlement
Energy Marketing	28.0	13.4	7.3	(0.4)	Improved margins
I/C eliminations	(3.7)	(3.8)	0.1	0.5	
Sub-Total – Non-Regulated	186.6	169.4	26.4	20.0	
Corporate	--	--	(0.8)	(2.1)	Integration expense 2009
Gain on sale of assets	--	--	8.9	26.0	
Asset impairment	--	--	--	(43.3)	Ceiling test
Total	\$ 1,307.3	\$ 1,269.6	\$ 193.9	\$ 126.8	

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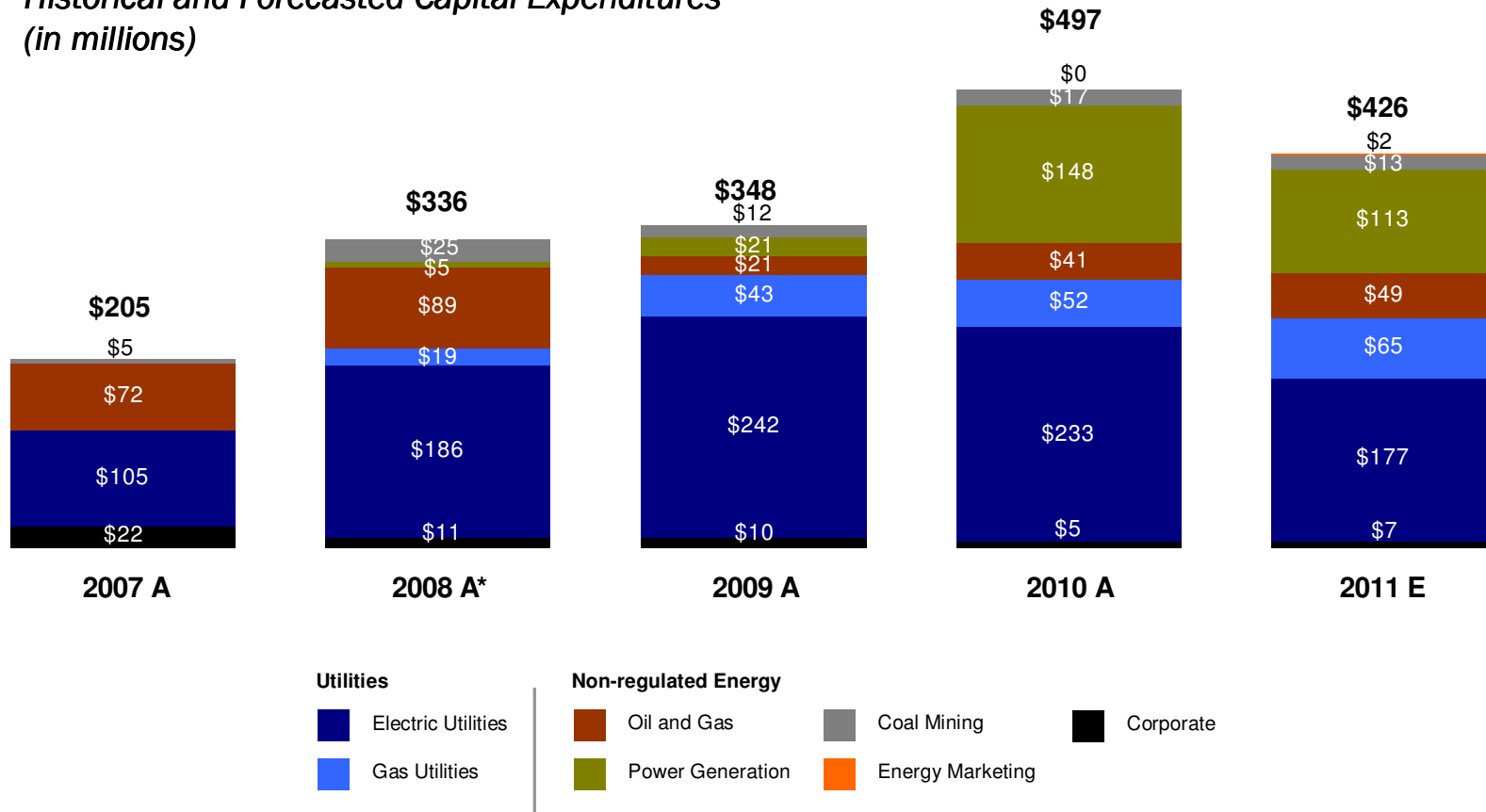
Strategic Overview

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Defined Investment Program Drives Earnings Growth

*Historical and Forecasted Capital Expenditures
(in millions)*



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

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2012 Earnings Growth Driven By Natural Gas-Fired Generation Projects in Colorado

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 delivered

Two General Electric LMS100 natural gas-fired turbines

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

180 MW Electric Utility Power Generation Project

200 MW Non-regulated Power Generation Project

Capital Expenditure and Schedule Progress as of 12/31/2010

Capital Expenditure and Schedule Progress as of 12/31/2010

Expenditures (\$250 - \$260mm budget)	Procurement contracts awarded	Construction contracts awarded	Construction completed
\$ 182.8mm	100%	84%	53%

Expenditures (\$250 - \$260mm budget)	Procurement contracts awarded	Construction contracts awarded	Construction completed
\$ 162.6mm	100%	71%	33%



Six months of construction progress at site

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Additional Future Growth for Colorado Driven by EPA Rules and Renewable Legislation

Natural Gas Generation Opportunity

- Dec 2010 BHE-CO Electric received PUC order approving presumption of need for 42 MW to replace W.N. Clark
- Mar 2011 BHE-CO Electric filed CPCN to replace announced closure of W.N. Clark facility with 88MW GE LMS 100 natural-gas fired turbine
- \$95MM to \$102MM project cost range
- 100% ownership by BHE-CO Electric
- If approved, plant to be operational by Dec 2013

29MW Colorado Wind Project

- Mar 2011 BHE-CO Electric filed CPCN with CO PUC
- \$53MM project cost
- 50% ownership by BHE-CO Electric
- 16 Vestas wind turbines for total of 29 MW
- Project needed to meet Colorado's 30% Renewable Energy Standard mandate by 2020
- If approved, project would be completed in 2012

BHEP Development Program

Piceance Basin

- Current production from Dakota and Mesaverde formations
- BHEP is the operator and controls the gas gathering infrastructure

Current Production:

- 3.0 MMCF/D

Planned Operations:

- 1st Qtr 2011 – 1 Vertical Mancos re-entry planned to identify target
- 2nd Qtr 2011 – Two Horizontal Mancos test wells

Future Potential:

- Over 54,000 net acres prospective for Mancos Shale gas

Williston Basin

- Production from Middle Bakken and Three Forks formations
- BHEP does not operate and co-ventures with several Bakken operators. Working interest generally 5-20%
- Still actively leasing and adding to acreage base

Current Production:

- 400 BOPD, 190 MCF/D

Planned Operations:

- Ongoing development drilling program at least through 2011 on existing acreage base
- Over 44,000 gross acres and over 5,700 net acres, developed and undeveloped

Future Potential:

- Infill drilling (2nd well per spacing unit)

San Juan Basin

- Current production from San Jose, Ojo Alamo, Pictured Cliffs, Fruitland Coal, and Mancos formations
- BHEP is the operator and controls the gas gathering infrastructure

Current Production:

- 13.8 MMCF/D

Planned Operations:

- 4th Qtr 2010 – 1 Vertical Mancos re-entry completed
- 1st Qtr 2011 – Initial Horizontal Mancos test well

Future Potential:

- Over 19,000 net acres prospective for Mancos Shale gas

Post 2012 Earnings Growth Driven By Continued Long-term Investment Opportunities

Excludes routine capital expenditures for maintenance of assets (\$millions)		Capex Forecast
Utility (Rate Base Growth) – includes current projects with filed CPCNs with CO PUC		
Renewable Generation Investments Compliance with Colorado's 30% renewable energy by 2020 mandate with intent to rate-base or serve with the IPP segment; Additional BHP and CLFP investments		\$100 - \$300
Utility Generation Projects Current Colorado generation projects; EPA policy & Colorado Clean Air - Clean Jobs Act create need for coal generation replacement projects with intent to rate-base or serve with the IPP segment; Load growth resource planning - CPCN filed on March 14, 2011 for another LMS100 to replace retirement of coal fired W.N. Clark facility in Colorado		\$150 - \$300
Transmission Projects Reliability investments; Renewable interconnections		\$125 - \$250
Non-Regulated		
IPP Projects and Opportunities EPA policy & Colorado Clean - Air Clean Jobs Act provide opportunity for replacement projects for BH and other utilities; Natural-gas fired generation for utilities to achieve RPS compliance; Load growth generation for other utilities		\$0 - \$500
E&P Development Currently focused on oil properties; Existing gas assets may have meaningful upside (including shale gas potential – will test in 2011); leasehold acreage currently held by production		\$150 - \$500
Approximate 2012-2015 Total		\$525 – \$1,850

2010 BKH Strategy Scorecard

Strategy	2010 Progress & Future Initiatives
<p>UTILITIES</p> <ul style="list-style-type: none"> + 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 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Complete BHE-COE rate case (settlement agreement approved 8/5/2010) <input checked="" type="checkbox"/> Complete Wygen III generation facility ahead of schedule & under budget (4/1/2010) <input checked="" type="checkbox"/> Complete BHP WY rate case (bench order approval received on 5/11/2010) <input checked="" type="checkbox"/> File BHE-IA Gas rate case and implement interim rates – (settlement agreement re-filed 1/11/2011) <input checked="" type="checkbox"/> Complete BHP SD rate case (bench order approval received on 7/7/2010) <input checked="" type="checkbox"/> Complete sale of 23% ownership of Wygen III to City of Gillette (7/14/2010) <input checked="" type="checkbox"/> Complete BHE-NE Gas rate case (approval received 8/17/2010) <input checked="" type="checkbox"/> Complete Pumpkin Buttes to Windstar (BHP) transmission line and substation (Q4 2010) <input checked="" type="checkbox"/> Complete installation of 147,900 smart grid meters and related infrastructure (Q4 2010) <input checked="" type="checkbox"/> Completed installation of 74,120 AMR meters in gas utility service territories (2010) <input checked="" type="checkbox"/> Develop plan to comply with CO HB 1365 requirement to demonstrate a reduction in emissions on 50% of utility's coal-fired generation located in Colorado <input checked="" type="checkbox"/> File CPCN for construction of 50 MW of incremental capacity to serve BHE-COE customers (Q1 2011) <input type="checkbox"/> Develop plan to comply with CO HB1001 requirement of 30% renewable energy by 2020 (subject to rate cap) <input type="checkbox"/> File BHE-COE generation related rate case so it is effective by Q1 2012 (Q2 2011) <input type="checkbox"/> Complete construction of 180 MW rate base generation to serve BHE-COE (Q4 2011)
<p>NON-REGULATED</p> <ul style="list-style-type: none"> + Selectively grow power generation segment and contract large percentage of capacity and energy production to load-serving utilities + Efficiently utilize coal resources through expansion of mine-mouth generation and increased 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 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Increase annual coal production rate by 600,000 tons to serve Wygen III (2010) <input checked="" type="checkbox"/> Complete new committed stand-alone credit facility – Energy Marketing (2010) <input checked="" type="checkbox"/> Expand Energy Marketing business to include coal, power and environmental marketing (2010) <input checked="" type="checkbox"/> Invest approximately \$40 million in oil and gas development (2010) <input type="checkbox"/> Invest approximately \$49 million in oil and gas development (2011) <input type="checkbox"/> Complete three E&P horizontal test wells in Mancos Shale (Q3 2011) <input type="checkbox"/> Construct 200 MW power plant to serve BHE-COE PPA (in service 1/2012)
<p>SERVICE COMPANY (CORPORATE)</p> <ul style="list-style-type: none"> + Prudently finance the corporation and its subsidiaries + Optimize systems and processes to minimize costs and create a platform for growth 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Implement employee benefits unification initiatives (2010) <input checked="" type="checkbox"/> Complete new corporate revolving credit facility (4/15/2010) <input checked="" type="checkbox"/> Improve Enserco credit facility covenants reducing corporate capital investment (Q2 2010) <input checked="" type="checkbox"/> Complete \$200 million offering of 10 year, 5.875% senior unsecured notes (7/2010) <input checked="" type="checkbox"/> Complete transition to PeopleSoft 9.0 human resources and financial system (8/2010) <input checked="" type="checkbox"/> Unify GIS mapping systems and work management systems (8/2010) <input checked="" type="checkbox"/> Integrate SCADA (11/2010) <input checked="" type="checkbox"/> Complete forward equity offering agreement (11/10/2010) <input checked="" type="checkbox"/> Secure a one-year \$100 million term loan, 137.5 basis points over LIBOR <input type="checkbox"/> Settle forward equity transaction (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

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Q&A

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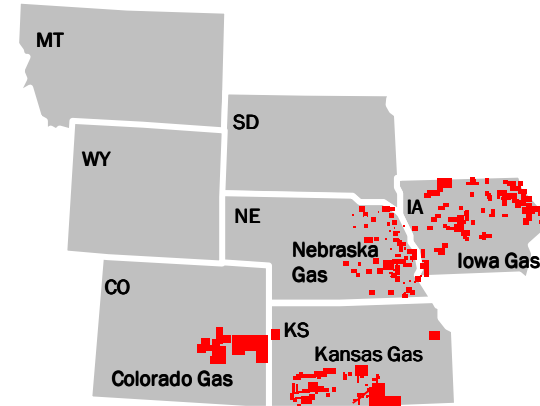
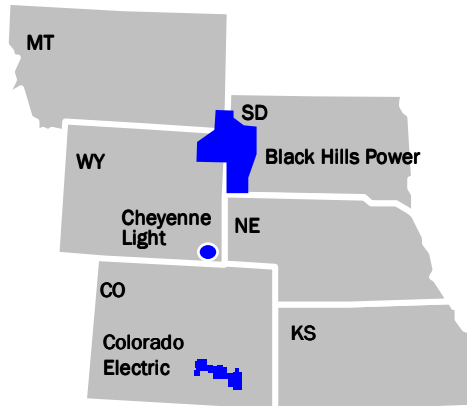


Appendix

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Regulated Electric and Natural Gas Utilities Serving more than 762,000 Customers



Electric Utilities

- BHC electric utilities generate, transmit and distribute electricity to approximately 200,900 customers*
- Utility operations include BHP (SD, MT, & WY), CLFP (WY), and BHE – COE (CO)
- Assets includes 687 MW of generation and 8,275 miles of transmission and distribution lines
- Total system peak demand 956 MW (summer 2010)
- BHE-COE ranked No. 6 in Total Solar Watts per Customers in Solar Electric Power Association's 2009 Utility Solar Rankings report
- East-West interconnection optimizes the off-system sale of power (1 of only 7 east-west ties) and improves system reliability

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

Natural Gas Utilities

- Distributes natural gas to approximately 526,900 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
- 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
- Provide contract appliance repair service to 63,000 customers through the Service Guard Program

Effective and Proactive Regulatory and Asset Management Strategies

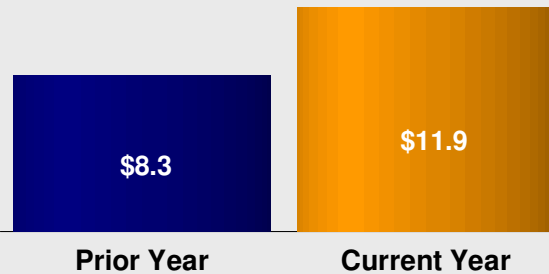
- **New and interim rates implemented in 5 utility jurisdictions in 2010 (3 settlements)**
\$47.1 million increase in annual revenues
- **2011 Rate Case Decision**
Settlement agreement approved for \$3.4 million annual gas revenue increase in Iowa; intend to file electric rate case in Colorado in 2011; evaluating additional rate cases
- **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



Electric Utilities Q4 Update

Quarter Income Comparison

(from continuing operations in millions)

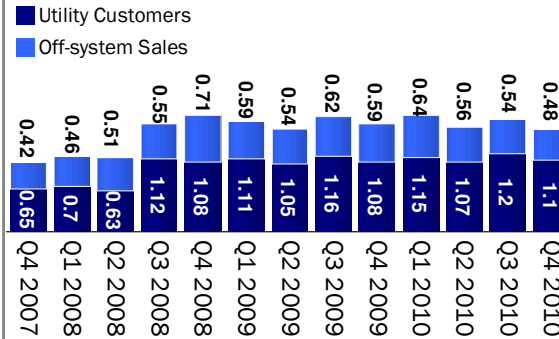


Overview

- Construction well underway of two gas-fired power generation facilities to serve BHE – COE customers by 1/1/2012
- Installed 147,900 smart meters (approximately 100%) in all three electric utilities using DOE matching funds
- BHE-COE received a final order from the CPUC regarding its plan to comply with the Clean Air, Clean Jobs Act; the order approved the retirement of the 42 MW W.N. Clark coal-fired generation facility in Pueblo and granted a presumption of need in the amount of 42 MW for replacement of the plant
- On 10/1/2010 BHP suspended operations at 34.5 MW coal-fired Osage Power Plant

Total MWh Sales

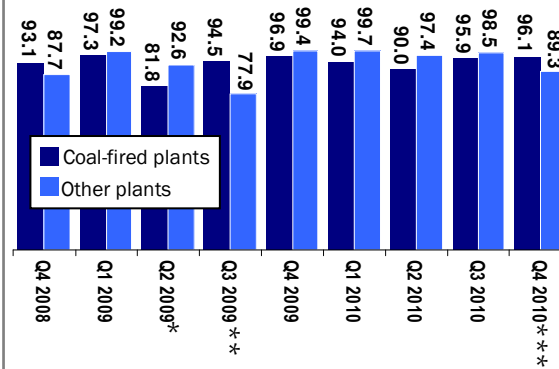
(in millions)



Regulatory Update

- SD PUC approved settlement agreement 7/7/2010 for \$15.2 million increase in annual utility revenues; new rates effective 4/1/2010
- WY PSC approved settlement agreement 5/13/2010 for \$3.1 million increase in annual utility revenues; new rates effective 6/1/2010
- CO PUC approved settlement agreement 8/5/2010 for \$17.9 million increase in annual utility revenues; new rates effective 8/6/2010

Generation Availability (%)



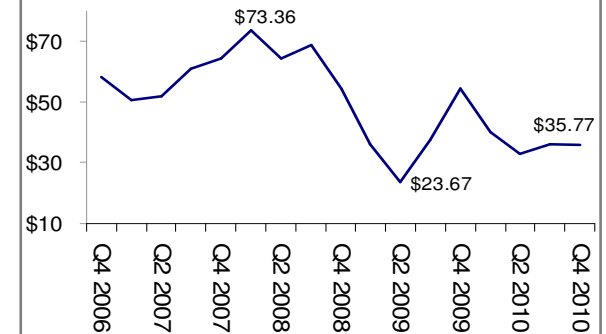
*Reflects major planned but extended outages at Neil Simpson I and Neil Simpson II

** Reflects unplanned outage at Pueblo Unit 5

*** Reflects a planned but extended outage at Ben French

Mid C Power Prices

(peak prices volume weighted - SNL)



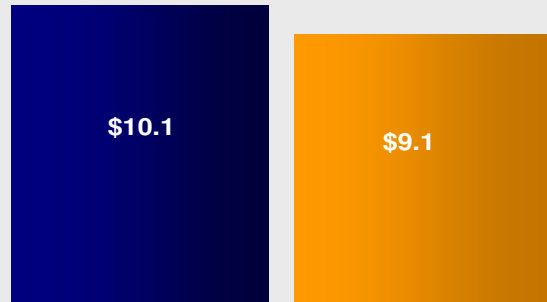
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Gas Utilities Q4 Update

Quarter Income Comparison

(from continuing operations in millions)



Prior Year

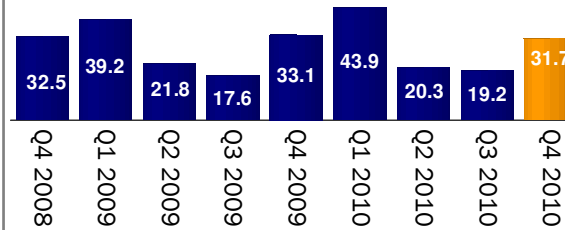
Current Year

Overview

- Completed installation of ~74,100 AMR equipped meters to customers in Fountain, CO, Dubuque, IA, Lawrence, KS and 13 Nebraska communities

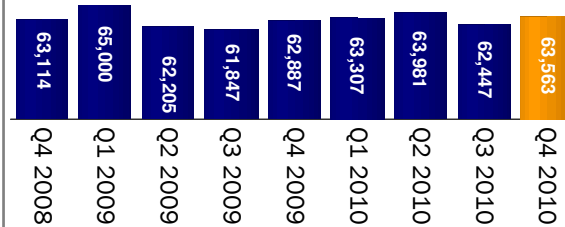
Total Dth Sales

(in millions)



Service Guard Customers

(Fee-based appliance repair business)

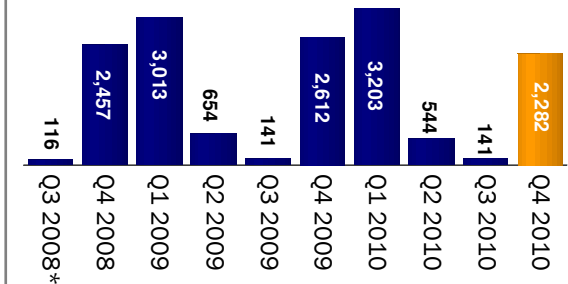


Regulatory Update

- On 8/18/2010, NE PSC approved rate request for \$8.3 million annual revenue increase effective 9/1/2010 for BHE – NE Gas customers
- On 1/11/2011, BHE - IA Gas filed a revised settlement agreement for \$3.4 million increase in annual revenues; interim rates of \$2.6 million implemented 6/18/2010; awaiting IUB order

Gas Utility Heating Degree Days

(Total for all gas service areas weighted by throughput)



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

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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, Big Horn and Piceance Basins
- Includes non-operated wells in California, Colorado, Louisiana, Montana, North Dakota, Oklahoma, Texas and Wyoming
- 131 Bcfe of reserves at year-end; approximately 73% of reserves are natural gas and 27% 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

*Information from 2009 Form 10-K

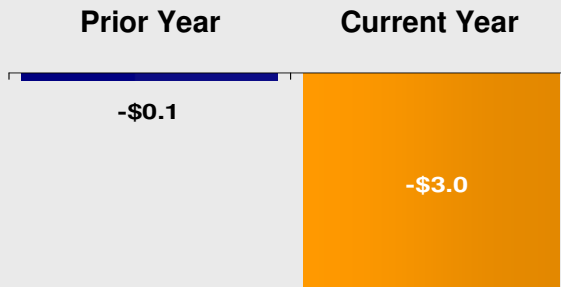
Energy Marketing

- 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 7.3 Bcf*
- Natural gas transportation contracts with 263 Bcf total volumes*
- Conservative approach to risk management
- Maintain stand-alone committed credit facility

Oil & Gas Q4 Update

Quarter Income Comparison

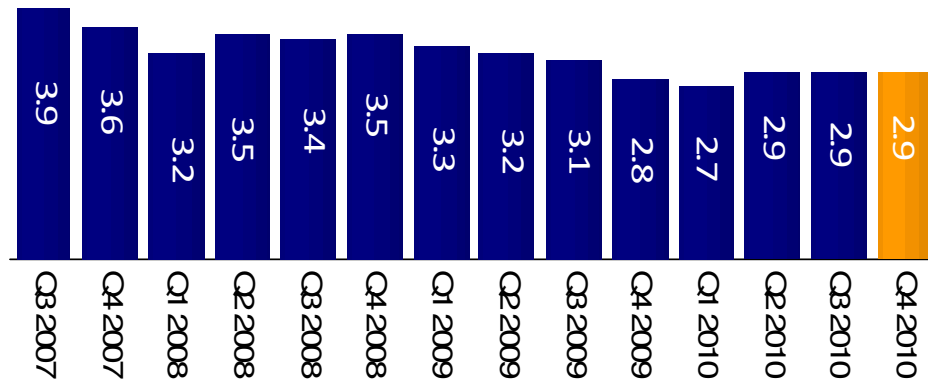
(from continuing operations in millions)



Overview

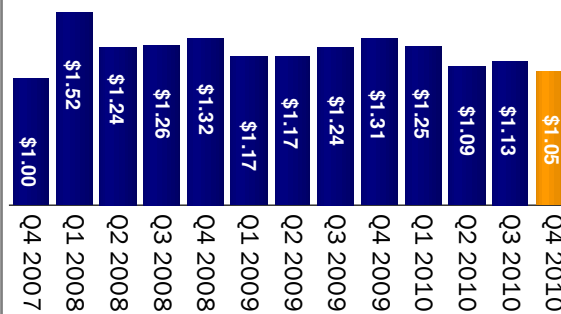
- Revenue decreased primarily due to a 20% decrease in the average hedged price of natural gas and a 14% decrease in the average hedged price of oil, combined with a 4 percent decrease in gas volume, partially offset by a 34% increase in oil volume primarily due to production from new wells in the Bakken formation
- Limited capital spending in 2010 and 2011; future capital spending dependent on current strategy review

Bcf Equivalent Sales

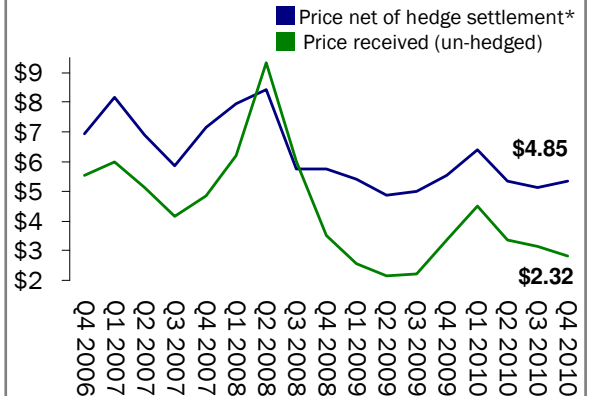


Lease Operating Expenses

(LOE per Mcfe)



Average Nat Gas Price Received



* Net of hedge settlement gain/loss

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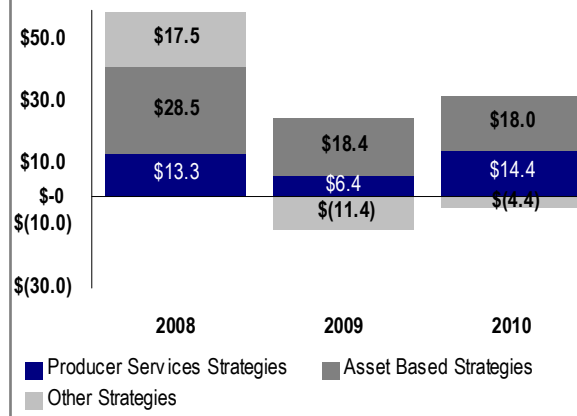
Energy Marketing

Operational Summary

- Doing business as Enserco Energy Inc.
- Two primary offices located in Denver, CO and Calgary, Alberta
- 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 7.3 Bcf*
- Natural gas transportation contracts with 263 Bcf total volumes*
- Conservative approach to risk management
- Maintain stand-alone committed credit facility

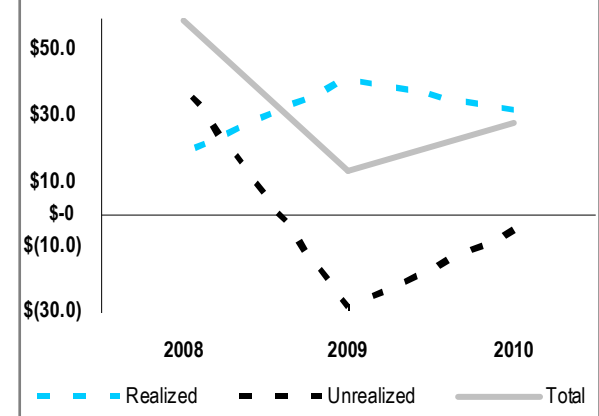
Gross Margin by Strategy

(Combined Realized and Unrealized)



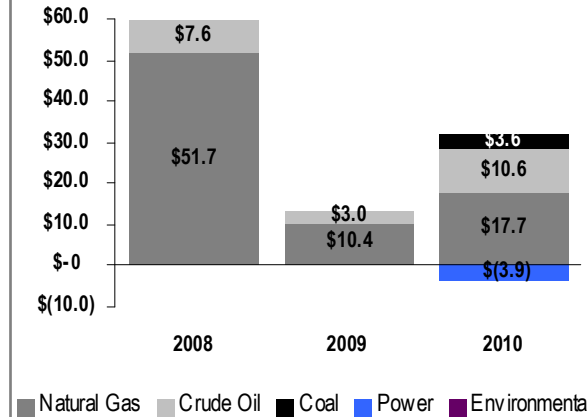
Realized and Unrealized Gross Margin

(Total, Realized and Unrealized)



Gross Margin by Commodity

(Combined Realized and Unrealized)



Diversification

Energy Marketing expanded portfolio to include coal, power and environmental marketing in 2010

*Information from 2009 Form 10-K

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Energy Marketing Q4 Update

Quarter Income Comparison

(from continuing operations in millions)

Prior Year

Current Year

-\$0.2

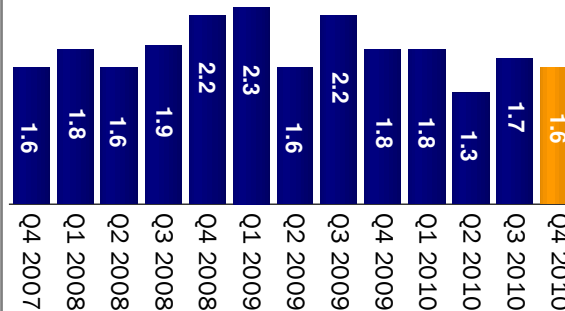
-\$1.6

Overview

- Recent expansion into coal, power and environmental marketing and trading; hired experienced energy professionals
- Gross margin decreased as losses in power marketing and coal were partially offset by higher margins in oil and natural gas marketing
- \$166.9 million of \$250 million stand-alone committed credit facility utilized as of 12/31/2010
- Eastern expansion of gas marketing strategy underway

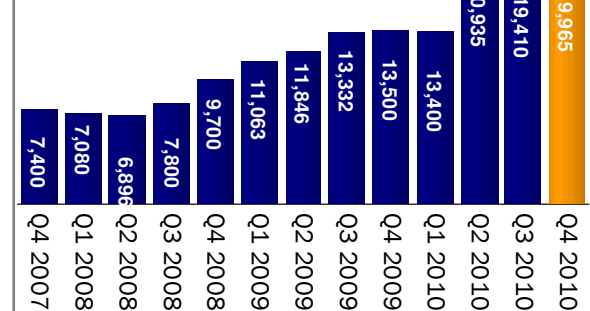
Avg. Daily Natural Gas Volumes

(physical Bcf per day)



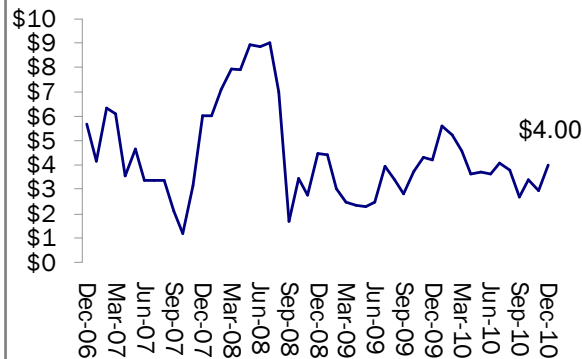
Avg. Daily Crude Oil Volumes

(barrels per day)



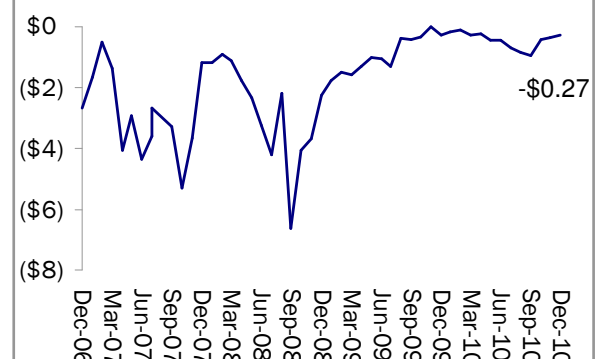
Northwest Rockies Natural Gas

(monthly settlement price)



Rockies Natural Gas Basis Diff.

(CIG basis and NYMEX monthly settlement difference)



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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
- Non-regulated plant availability was 99.1% in 2010
- Anticipate opportunity to participate in utility RFPs for new generation projects in the Western Region
- Proven experience in planning, permitting, constructing and operating power plants
- Pursuing opportunities to provide gas-fired generation resources to other utilities; increased need for peaking facilities due to renewables
- Currently sell approximately 93% of our non-regulated generating capacity under contracts with terms greater than one year (2010)

Coal Mining

- Includes approximately 262 million tons of low-sulfur Powder River Basin coal for low-cost, mine-mouth generation: a 40 year supply at expected production rates
- Coal supply supports potential expansion of low-cost baseload generation
- Manage overburden removal to meet increased overburden to coal ratio
- Staffing and new shift schedules to meet increased production and overburden removal targets
- Ensure adequate profit margins on all coal sales contracts
- Pursuing other local/regional coal sales opportunities

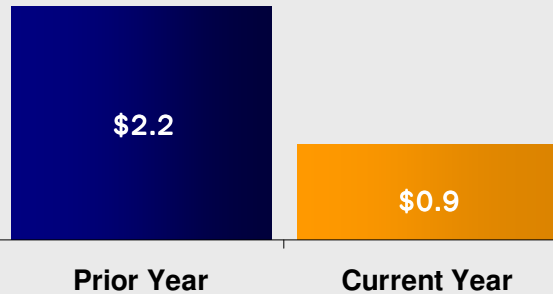
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Power Generation Q4 Update

Quarter Income Comparison

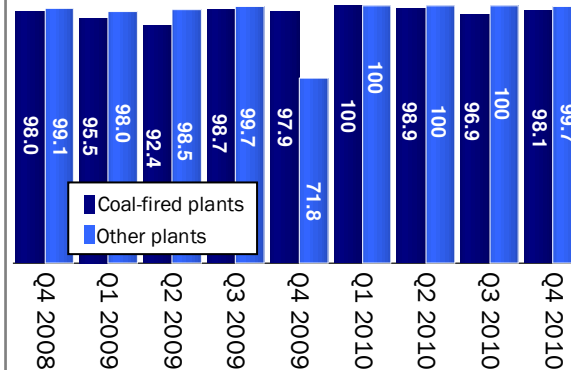
(from continuing operations in millions)



Overview

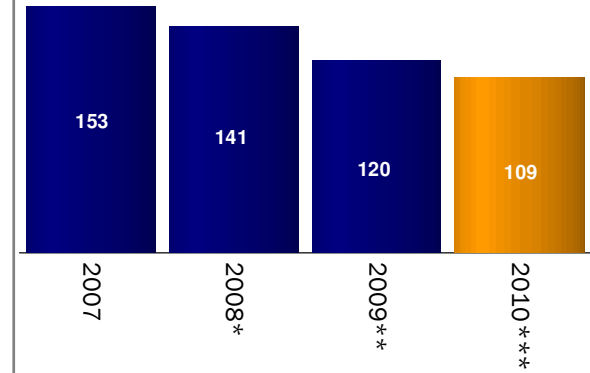
- Construction underway on 200 MW gas-fired power generation facility to serve BHE – COE customers
- On 1/18/2011 completed sale of ownership interest in Rupert and Glenss Ferry IPP Facilities in Idaho (11 MW net capacity)

Generation Availability (%)



MW of Generation Capacity

(in millions)



Capital Expenditure and Schedule Progress as of 12/31/2010

Expenditures (\$250 - \$260 mill budget)	Procurement contracts awarded	Construction contracts awarded	Construction completed
\$162.6 million	100%	71%	33%

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 purchased

* Reflects decommissioning of Ontario

** Reflects 23.5% sale of Wygen I to MEAN

*** Reflects sale of Rupert and Glenss Ferry IPP facilities 1/11/2011

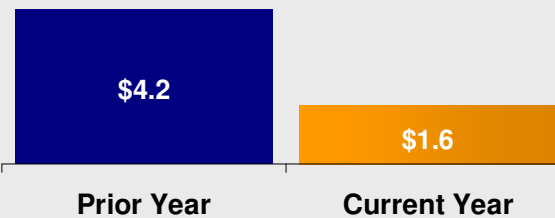
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Coal Q4 Update

Quarter Income Comparison

(from continuing operations in millions)

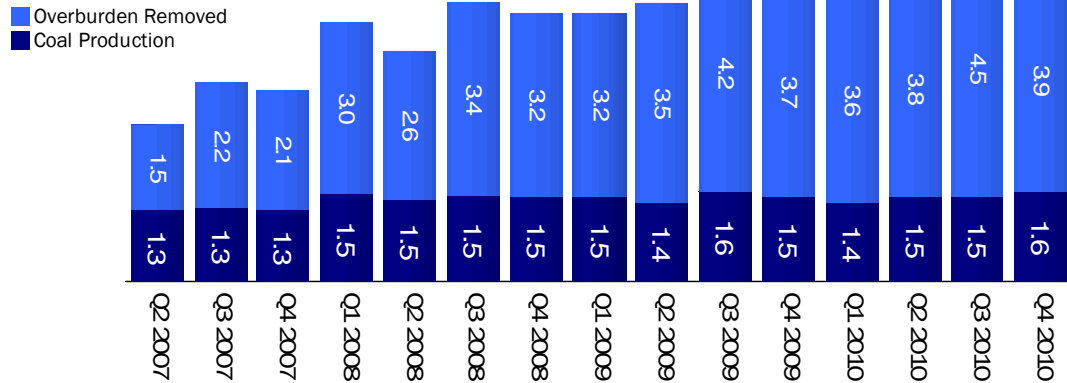


Overview

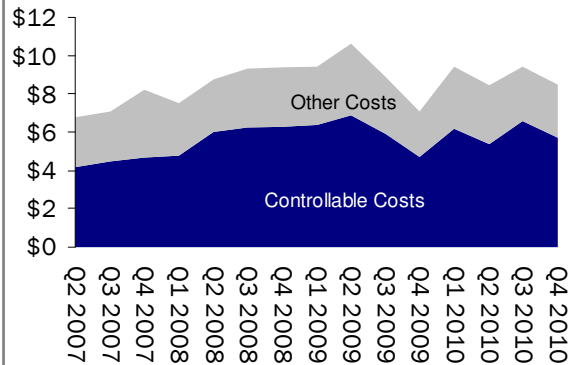
- Continued increase in overburden removal
- Decrease in Coal Mining earnings due to decrease in the average price per ton
- DD&A increased due to a year-to-date adjustment of growth rate for asset retirement costs that increased the asset base on which the unrestricted asset was to be depreciated upon throughout the year

Coal Production

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

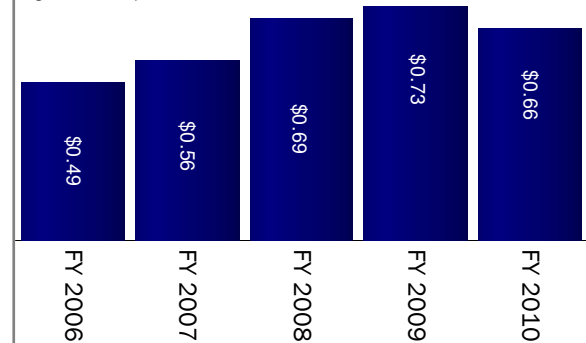


Mining Cost Per Ton of Coal *



Mine Mouth Plant Advantage

Average Delivered Fuel Cost
(\$/MMBtu delivered to BH regulated mine-mouth generation)



Update Average Delivered Fuel Cost

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

Improving life with energy



Utility Energy Efficiency & Renewable Programs

Expanding our renewable energy portfolio at reasonable rates for customers

Black Hills Power

- Partnered with South Dakota School of Mines & Technology in Rapid City, SD to construct a renewable energy research complex for wind and solar energy development
- Advanced Metering Infrastructure (AMI) project – installed 68,000 smart meters in 2010

Cheyenne Light

- Happy Jack Wind Farm PPA; provides for up to 29.4 MW; sells 50% to BHP
- Silver Sage Wind Farm PPA; provides for 30 MW; sells 20 MW to BHP
- Advanced Metering Infrastructure (AMI) project; installed 39,000 smart meters in 2010

BHE – Colorado Electric

- Customer-owned 1.2 MW photovoltaic solar project installed at Colorado State University customer site
- 3 Year Energy Efficiency / Demand Side Management plan approved by CO PUC
- City of Pueblo LED street light pilot project
- Advanced Metering Infrastructure (AMI) project; installed 95,300 smart meters in 2009 and 2010
- BHE-COE ranked No. 6 in Total Solar Watts per Customers in Solar Electric Power Association's 2009 Utility Solar Rankings report

BHE – Colorado Gas

- 3 year Energy Efficiency / Demand Side Management plan approved by CO PUC
- Expanded automated meter reading system to ~13,800 customers in Fountain, CO and 5,840 customers in Woodland Park, CO

BHE – Iowa Gas

- Received 2010 Energy Star® Leadership In Housing Award from EPA
- Energy efficiency program includes customer rebates and website with customer tips
- Expanded automated meter reading system to ~24,800 customers in Dubuque, IA

BHE – Nebraska Gas

- Expanded automated meter reading system to ~9,200 customers in 13 Nebraska communities

BHE – Kansas Gas

- Expanded automated meter reading system to ~20,300 customers in Lawrence, KS

Company-wide

- 2010 Weatherization program – 285 homes weatherized in 32 communities
- 2010 Power of Trees program – 277 trees planted in 26 communities; partnered with Trees Forever to plant 440 trees in 28 Iowa communities

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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	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
BHP - Wyoming	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
BHP - Montana	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
BHP - FERC			<input checked="" type="checkbox"/>		
CLFP - Electric Customers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
CLFP - Gas Customers	<input type="checkbox"/>	<input checked="" type="checkbox"/>			45%
BHE – CO Electric	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

Gas Utility Regulated Jurisdiction	Cost Recovery Mechanisms *					
	DSM/ Energy Efficiency	Capital Additions	Bad Debt	Weather Normal.	Fuel Cost	Fixed Cost Recovery
BHE – CO Gas	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	43%
BHE – IA Gas	<input checked="" type="checkbox"/>	<input type="checkbox"/>			<input checked="" type="checkbox"/>	65%
BHE – KS Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	57%
BHE – NE Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	52%

* Refer to pages 28-35 of the 2010 10K for more specific information.

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Capital Structure

<i>In millions</i>	Dec. 31, 2009	Mar. 31, 2010	Jun. 30, 2010	Sept. 30, 2010	Dec. 31, 2010
Short term debt:					
Current maturities	\$ 35.2	\$ 24.4	\$ 4.5	\$ 5.3	\$ 5.2
Notes Payable	164.5	223.0	225.0	145.0	249.0
	199.7	247.4	229.5	150.3	254.2
Long term debt	1,015.9	993.5	990.1	1,188.3	1,186.0
Total Debt	1,215.6	1,240.9	1,219.6	1,338.6	1,440.2
Cash	(112.9)	(136.0)	(64.0)	(59.0)	(32.4)
Net Debt	1,102.7	1,104.9	1,155.6	1,279.6	1,407.8
Common stock	630.1	632.7	634.4	636.1	637.8
Retained earnings	473.9	491.2	468.4	466.7	486.1
AOCI	(19.2)	(15.9)	(20.4)	(22.4)	(23.6)
Total Equity	1,084.8	1,108.0	1,082.4	1,080.4	1,100.3*
Total Debt and Equity	\$ 2,300.4	\$ 2,348.9	\$ 2,302.0	\$ 2,419.0	\$ 2,540.5
Debt to Capitalization	53%	53%	53%	55%	57%*
Net Debt to Capitalization (Net of Cash)	50%	50%	52%	54%	56%*
Long-term Debt to Total Debt	84%	80%	81%	89%	82%

- Completed \$500 million, unsecured corporate revolving credit facility (\$100 million accordion feature); expiring 4/14/2013
- Completed issuance of public debt offering of \$200 million aggregate principal amount of senior unsecured notes due 7/15/2020
- Completed \$100 million term loan agreement on 12/15/2010
- Completed \$250 million committed stand-alone credit facility at Enserco; increased term of facility from 1 year to 2 years; improved covenants under the new facility allowed for a reduction in capital investment in Enserco of more than \$40 million

*Excludes available proceeds from equity forward transactions completed Q42010

Improving life with energy



Credit Facilities and Debt

Proactively managing cash flows, capital expenditures and financing needs

Primary Credit Facilities As of 12/31/2010	Capacity	Utilized	Available
Corporate Revolver - Matures April 2013	\$ 500 million	\$ 149 million \$ 46.9 million (LC)	\$ 304.1 million
Term Loan - Due December 2011		\$100 million	
Enserco Credit Facility (Committed / Stand-alone) - New May 2010 - Matures May 2012	\$ 250 million	\$ 166.9 million (LC)	\$ 83.1 million
Current Maturities of LTD	--	\$ 5.2 million	--
LTD - BH Wyoming Project Financing (Due 2016)	--	\$ 107.7 million	--
LTD - BHC (Due 2013)	--	\$ 225 million	--
LTD - BHC (Due 2014)	--	\$ 250 million	--
LTD - BHC (Due 2020)	--	\$200 million	--
LTD – Other	--	\$ 223.4 million	--
LTD - BHP (Due 2039)	--	\$180 million	

- Obtained \$500 million, unsecured corporate revolving credit facility with \$100 million accordion feature expiring 4/14/2013
- Enserco completed a two-year \$250 million committed, stand alone credit facility in May (\$100 million accordion feature); replaced \$300 million committed credit facility
- Completed issuance of public debt offering of \$200 million aggregate principal amount of senior unsecured notes due 7/15/2020
- Entered into one-year \$100 million term loan on 12/15/2010

Improving life with energy



Improved Balance Sheet and Liquidity

- Completed \$500 million, unsecured corporate revolving credit facility (\$100 million accordion feature); expiring April 14, 2013
- Completed \$250 million committed 2-year stand-alone credit facility at Enserco; improved covenants under the new facility allowed for a reduction in capital investment in Enserco of more than \$40 million
- Received \$62 million in cash proceeds from sale of 23% interest in Wygen III generation facility
- Completed \$200 million offering of 10-year, 5.875% senior unsecured notes
- Contributed \$30 million to defined benefit pension plan
- Recorded a \$2.4 million tax benefit due to IRS settlement; expect approximately \$16 million cash refund by mid-year 2011
- Completed public offering of 4.4 million shares of common stock, including over-allotment option, through a Forward Sale Agreement to be settled in 2011; net proceeds of \$127 million (before adjustments)
- Completed \$100 million one-year unsecured single-draw term loan at LIBOR plus 1.375%

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Credit Ratings

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

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

- 8/3/2009 -- Moody's Investors Service upgraded senior secured debt rating of Black Hills Power to A3 from Baa1
- 7/14/2010 – S&P raised Black Hills Power senior secured debt rating to BBB+ from BBB

Improving life with energy



Additional BHE- COE Gas-Fired Generation Opportunity

- Colorado PUC approved BHE-COE plan to comply with Colorado Clean Air - Clean Jobs Act (HB 1365)
 - Approved retirement of 42 MW W.N. Clark coal-fired generation facility
 - Granted “presumption of need” for 42 MW for replacement of plant
- BHE-COE filed a Certificate of Public Convenience and Necessity on March 14, 2011 for an additional 46 MW generation capacity, for a total of 88 MW
- BHE-COE proposes to construct third General Electric 88 MW LMS100 natural gas-fired turbine at Pueblo Airport Generation Station
 - Capital investment of approximately \$85 million - \$95 million (excluding transmission investments)
 - No additional air permitting necessary; air permit issued by Colorado Department of Public Health and Environment on July 22, 2010 included approval of three LMS100 turbines at Pueblo site
 - Ready to serve customers by 12/31/2013

State and Federal Policy Compliance Creates Opportunities For Significant Earnings Growth

Colorado Clean Air – Clean Jobs Act

- Requires emission reductions from utility coal-fired electric generating units in Colorado; allows utilities to develop and rate-base new generation to replace retired rate-base coal-fired generation
- Opportunity to add third General Electric LMS100 turbine to new Pueblo generation site

Colorado Renewable Energy Standard (30% by 2020)

- Black Hills Energy – Colorado Electric average electric load (last 12 months) = 250 MWs. Requires average of 90 MWs of renewable energy by 2020 to meet 30% renewable energy assuming 2% load growth increases load to ~300 MWs by 2020
 - Would require approximately 270 MW of wind capacity at 30% availability
 - Anticipate filing resource plan with Colorado PUC in Q4 2011

Pending Federal EPA Rule

- Expect final rule to be issued February 21, 2011; anticipate approximately 3 years to comply with new emission rules for coal-fired facilities
- Four older company-owned coal-fired power plants (total capacity of 124 MW) may be impacted by new rule
- BHC utilities would request to replace retired coal-fired generation facilities with new gas-fired generation
- May be opportunities for our IPP subsidiary to construct replacement natural gas-fired power plants for other utilities in the western region
- Other BHC coal-fired facilities constructed since late 1970s are equipped with state-of-the-art emissions control and should not be impacted significantly by the new rules

Improving life with energy



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.

Black Hills Corporation

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