

## 2010 Q2 and Recent Business Highlights

- 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 at 5.875% due 7/15/2020
- \$16.2 million non-cash unrealized loss from interest rate swaps
- Quarterly dividend on common stock of \$0.36 per share, equivalent to an annual dividend rate of \$1.44 per share
- Commercial operations began 4/1/2010 at Wygen III power plant; three months ahead of schedule and under-budget
- Construction underway on utility and IPP gas-fired generation facilities to serve BHE - COE customers; air permit issued on 7/22/2010; procurement and construction contracts awarded; major equipment purchased
- Completed agreement with the DOE for smart grid funding through matching grants totaling \$20.7 million; smart meter installations began in all three electric utility service territories 6/2010
- Expansion of Energy Marketing business to include coal marketing and increase in crude oil volumes marketed improved Energy Marketing revenues
- Additional coal sales to Wygen III and more efficient mine reclamation plan improved earnings results

## Results of Operations

Three Months ended June 30	(in thousands)		
	Q2 2010	Q2 2009	Q2 2008*
<b>Revenues:</b>			
Utilities	\$222,611	\$211,944	\$93,567
Non-regulated Energy	48,680	45,405	59,706
	<b>271,291</b>	<b>257,349</b>	<b>153,273</b>
<b>(Loss) Income from continuing operations:</b>			
Utilities	6,309	4,983	9,553
Non-regulated Energy	4,193	2,818	7,547
Corporate	(19,161)	16,780	(3,897)
	<b>(8,659)</b>	<b>24,581</b>	<b>13,203</b>
Income from discontinued operations, net of taxes	—	—	9,046
Net loss attributable to non-controlling interest	—	—	(53)
<b>Net (loss) income available for common stock</b>	<b>\$(8,659)</b>	<b>\$24,581</b>	<b>\$22,196</b>

\*Includes BHE utilities acquired on 7/14/2008

## Recent Headlines

### August 18, 2010

Black Hills Energy Receives Approval From the Nebraska Public Service Commission to Implement New Natural Gas Rates

### August 5, 2010

Black Hills Corp. Reports Second Quarter Results and Reaffirms 2010 Earnings Guidance

Earnings Per Share Comparison	Q2 2010	Q2 2009
<b>(Loss) Income from Continuing Ops</b>	<b>\$(0.22)</b>	<b>\$0.64</b>
Exclude special gain items		
Unrealized gain on int. rate swap	—	(0.53)
Add-back special loss items		
Unrealized loss on int. rate swap	0.41	
Acquisition facility fee	—	0.05
Integration expenses	—	0.02
<b>Income from continuing ops- adjusted*</b>	<b>\$0.19</b>	<b>\$0.18</b>
* Non-GAAP measure		

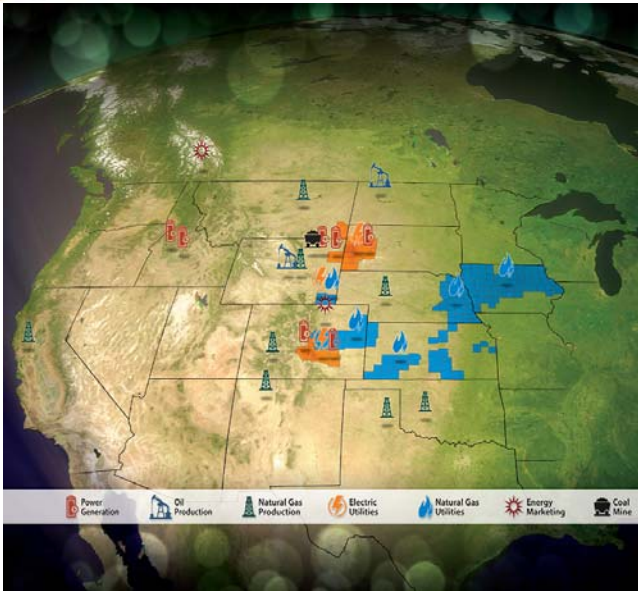
## Capital Structure

(in millions)	Q2 2010	Q2 2009
<b>Short Term Debt</b>		
Current maturities	\$ 4.5	\$ 32.1
Notes Payable	225.0	270.5
	<b>229.5</b>	<b>302.6</b>
Long term debt	<b>990.1</b>	<b>719.2</b>
Total Debt	<b>1,219.6</b>	<b>1021.8</b>
Cash	<b>(64.0)</b>	<b>(122.4)</b>
Net Debt	<b>1,155.6</b>	<b>899.4</b>
Common stock	634.4	625.6
Retained earnings	468.4	470.9
AOCI	<b>(20.4)</b>	<b>(16.4)</b>
Total Equity	<b>1,082.4</b>	<b>1,080.1</b>
Total Debt and Equity	<b>\$ 2,302.0</b>	<b>\$ 2,101.9</b>
<b>Debt to Capitalization</b>	<b>53%</b>	<b>49%</b>
<b>Net Debt to Capitalization (Net of Cash)</b>	<b>52%</b>	<b>45%</b>
<b>Long-term Debt to Total Debt</b>	<b>81%</b>	<b>70%</b>

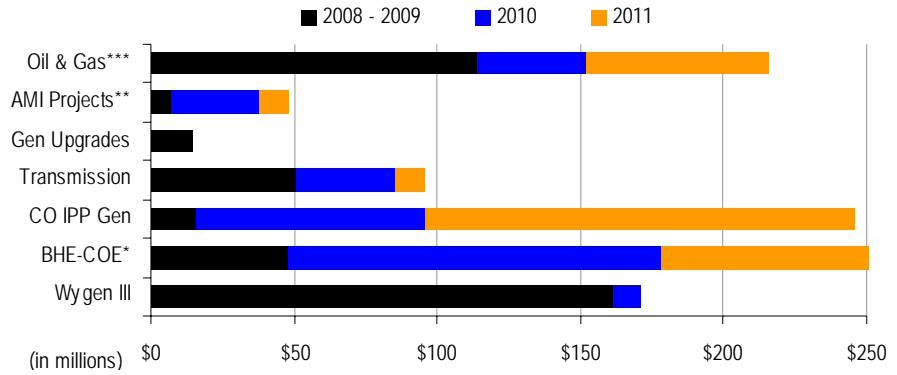
Publication date: 9/1/2010

Improving life with energy





## Growth Capital Investments



(in millions) \$0 \$50 \$100 \$150 \$200 \$250

\*\*\* Development capital for our oil and gas properties expected to be limited during periods of low commodity prices. Strategy to invest \$65 - \$90 million per year only if economically feasible  
 \*\*Includes \$20.7 million in matching funds made available through the American Recovery and Reinvestment Act of 2009 for 149,000 AMI meters  
 \*Capital for BHE-COE generation includes project related transmission investment

## Capital Project Update

**BHE-COE Generation—180 MW**  
 Two GE LMS-100 natural gas-fired turbines

**BHCI Generation—200 MW**  
 Four 40 MW GE LM6000 natural gas-fired turbines and two 20 MW steam turbines (combined cycle)

### Capital Expenditure and Schedule Progress as of 6/30/2010

Expenditures (\$250 - \$260 MM budget)	Procurement contracts awarded	Construction contracts awarded	Construction completed
\$90 million	100%	44%	5%

### Capital Expenditure and Schedule Progress as of 6/30/2010

Expenditures (\$240 - \$265 MM budget)	Procurement contracts awarded	Construction contracts awarded	Construction completed
\$61 million	79%	38%	2%

#### Project milestones

- Land acquired; significant city and county agreements finalized - 7/2010
- Site grading complete - 7/2010
- Air permit issued by CO Department of Public Health and Environment - 7/22/2010
- Began full construction activity - 7/22/2010
- Substation access road construction complete
- Foundation complete - Q4 2010
- Mechanical and electrical contracts awarded - Q4 2010
- Cooling towers delivered - Q4 2010
- Delivery of two GE LMS-100 natural gas turbines - Q4 2010
- Generator step up transformers delivered - Q1 2011
- First firing of natural gas turbines - Q3 2011
- Commercial operation - Q1 2012

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- Site clearing and grading complete - 7/2010
- Air permit issued by CO Department of Public Health and Environment - 7/22/2010
- Began full construction activity - 7/22/2010
- Foundation complete - Q4 2010
- Mechanical and electrical contracts awarded - Q4 2010
- Cooling towers delivered - Q4 2010
- Delivery of four GE LM6000 natural gas turbines - Q1 2011
- Generator step up transformers delivered - Q1 2011
- Delivery of two 20 MW steam turbines - Q1 2011
- First firing of natural gas and steam turbines - Q3 2011
- Commercial operation - Q1 2012

## Regulatory Update

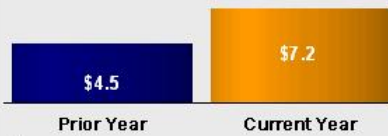
Jurisdiction	Effective Date	Revenue Increase	Return on Equity	Cap Structure	Rate Base	Status
BHP - SD	4/1/2010	\$15.2 MM	Black box settlement	Black box settlement	\$381 MM	Implemented
BHP - WY	6/1/2010	\$3.1 MM	10.5%	48% debt / 52% equity	\$27.6 MM	Implemented
BHE - COE	8/6/2010	\$17.9 MM	10.5%	48% debt / 52% equity	Black box settlement	Implemented
BHE - NE Gas	9/1/2010	\$8.7 MM	10.1%	48% debt / 52% equity	\$161 MM	Approved

Rate Cases Filed (Reflects values included in rate case filing)

Jurisdiction	Date Filed	Revenue Increase	Return on Equity	Cap Structure	Rate Base	Status
BHE—IA Gas	6/8/2010	\$4.7 MM	11.25%	48% debt/52% equity	\$109 MM	Interim rates implemented 6/18/2010

# Electric Utilities Q2 Update

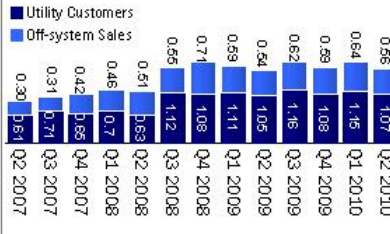
## Quarter Income Comparison (from continuing operations in millions)



### Overview

- Wygen III in-service 4/1/2010; ahead of schedule and under budget
- 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
- BHP sold a 23 percent ownership interest in Wygen III on 7/14/2010 to the Consolidated Wyoming Municipalities Electric Power System Joint Powers Board for \$62 million; the purchase terminates the current PPA with the City of Gillette and includes provision for the buyer to share in the costs of operating the plant for the life of the facility
- Air permit issued on 7/22/2010 for two gas-fired power generation facilities to serve BHE - COE customers on 1/1/2012; construction underway
- Reached agreement with DOE for smart grid funding through matching grants totaling \$20.7 million for electric utility subsidiaries; began installing smart meters in all three electric service territories

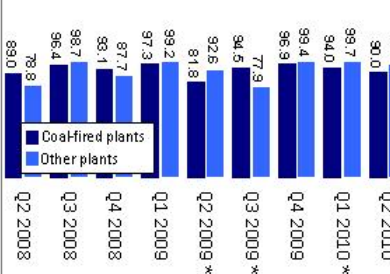
## Total MWh Sales (in millions)



## Capital Expenditures (in millions)



## Generation Availability (%)



- \*Reflects major planned but extended outages at Neil Simpson I and Neil Simpson II
- \*\* Reflects unplanned outage at Pueblo Unit 5
- \*\*\*Reflects unplanned outage at Wyodak

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



# Gas Utilities Q2 Update

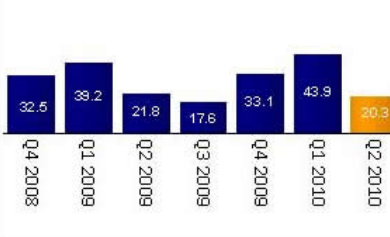
## Quarter Income Comparison (from continuing operations in millions)



### Overview

- BHE - NE Gas implemented interim rates on 3/1/2010 for \$12.1 million annual utility revenue increase; awaiting final order from NE PSC
- BHE - IA Gas filed rate request 6/8/2010 for \$4.7 million increase in annual utility revenues; interim rates implemented 6/18/2010
- 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
- Received 2010 Energy Star® Leadership in Housing Award from EPA
- BHE - KS Gas filed 5 year Energy Efficiency Plan with KCC

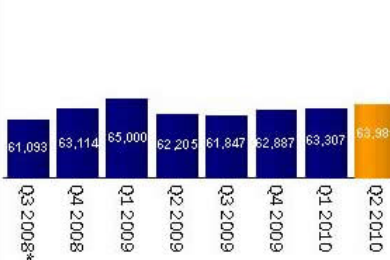
## Total Dth Sales (in millions)



## Capital Expenditures (in millions)

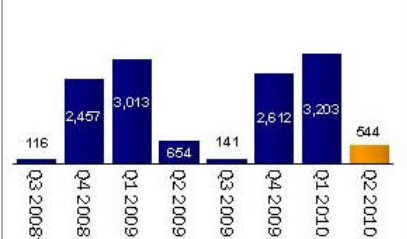


## Service Guard Customers



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

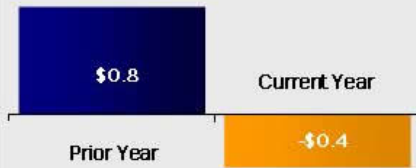
## Gas Utility Heating Degree Days (Total for all gas service areas weighted by throughput)



- Q1 2010 - 2% colder than normal

# Power Generation Q2 Update

## Quarter Income Comparison (from continuing operations in millions)

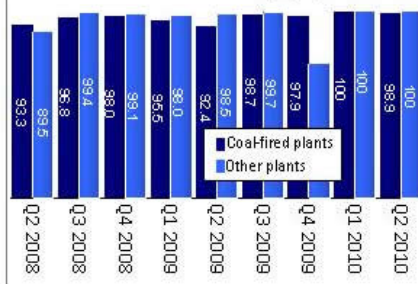


### Overview

- Construction underway on 200 MW gas-fired power generation facilities to serve BHE – COE customers
  - Air permit issued by State of Colorado Dept of Public Health and Environment on 7/22/2010
  - Materials procurement and construction contracts awarded; major equipment purchased
- Completed Wygen I overhaul

\* Reflects decommissioning of Ontario  
\*\* Reflects 23.5% sale of Wygen I to MEAN

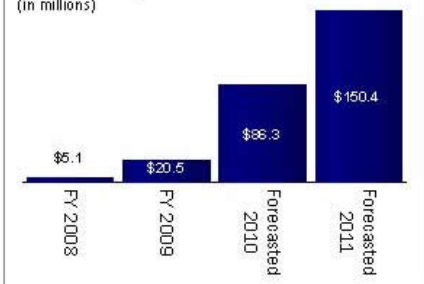
## Generation Availability (%)



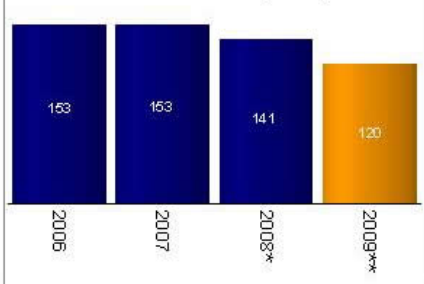
### Project Updates

- 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

## Capital Expenditures (in millions)



## MW of Generation Capacity



# Coal Q2 Update

## Quarter Income Comparison (from continuing operations in millions)

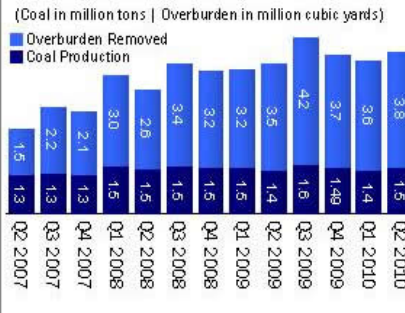


### Overview

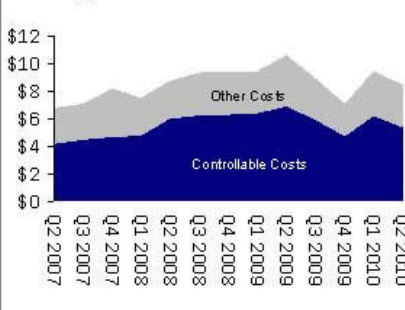
- Continued increase in overburden removal
- Improved earnings due to increased production to serve Wygen III (approximately 600,000 tons per year) and increase in average coal prices
- Decrease in Coal Mining operating costs due to a new post mining topography plan and its effect on reclamation costs

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

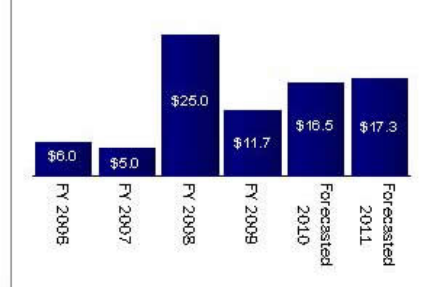
## Coal Production



## Mining Cost Per Ton of Coal \*



## Capital Expenditures (in millions)

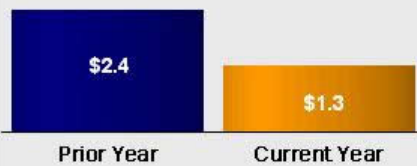


## Mine Mouth Plant Advantage



# Energy Marketing Q2 Update

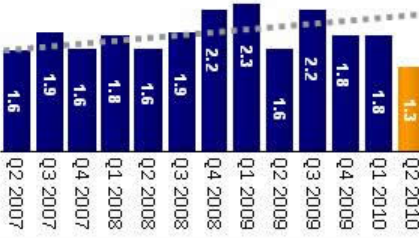
## Quarter Income Comparison (from continuing operations in millions)



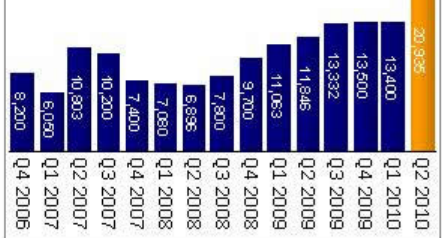
### Overview

- Coal marketing added to Energy Marketing portfolio; June average daily sales 27,972 tons per day
- Improved revenues from unrealized coal marketing margins due to increase in coal market price and the value of "long" contract positions recently acquired; increase in crude oil volumes marketed
- Enserco completed two year \$250 million committed stand alone credit facility in May (\$100 million accordion feature); replaced \$300 million committed credit facility
- \$141.4 million of \$250 million stand-alone committed credit facility utilized as of 6/30/2010
- 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)

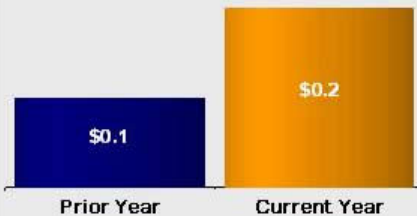


## Rockies Natural Gas Basis Diff. (CIG basis and NYMEX monthly settlement difference)



# Oil & Gas Q2 Update

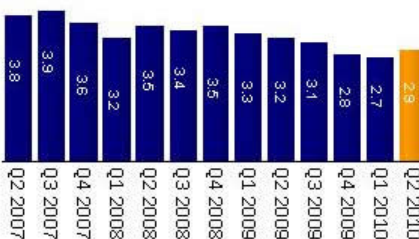
## Quarter Income Comparison (from continuing operations in millions)



### Overview

- Revenues improved due to an increase in average hedged price of oil and gas
- Capital spending limited due to low natural gas prices; long term strategy to invest \$65 - \$90 million per year if commodity prices improve
- Production lower than expected due to moderate drilling capital deployment
- Lower lease operating expenses

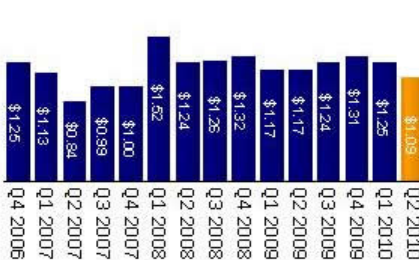
## Bcf Equivalent Sales



## Capital Expenditures\*\* (in millions)



## Lease Operating Expenses (LOE per Mcfe)



## Average Nat Gas Price Received



\* Net of hedge settlement gain/loss

\*\* Development capital for our oil and gas properties is expected to be quite limited during periods of low oil and natural gas prices

## Contact Information

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Wells Fargo Shareowner Services is our Transfer Agent, Registrar and Dividend Disbursing Agent and can be contacted by phone, mail or internet.

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## FORWARD LOOKING STATEMENTS

This newsletter 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 newsletter that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including the factors discussed above, the risk factors described in Item 1A of Part I of our 2009 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 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 add power generation assets into our regulatory rate base and the ability to receive an adequate return on the investments;
- Our ability to complete the planning, permitting, and construction, start up and operation of power generation facilities in a cost-effective and timely manner;
- Our ability to successfully make capital investments, meet our ongoing strategic objectives and improved operational performance;
- Our ability to expand our gas marketing strategy to eastern markets, 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.

## Black Hills Corporation Subsidiaries

**BHEP** - Black Hills Exploration and Production, Inc. a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings

**Enserco** - Enserco Energy Inc., a wholly-owned subsidiary of Black Hills Non-regulated Holdings

**WRDC** - Wyodak Resources Development Corporation, a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings

**Black Hills Colorado IPP (BHCI)** - Black Hills Colorado IPP, LLC a direct wholly-owned subsidiary of Black Hills Electric Generation

**Black Hills Wyoming** - Black Hills Wyoming, LLC a direct, wholly-owned subsidiary of Black Hills Electric Generation

**Black Hills Power (BHP)** - Black Hills Power, Inc. a direct, wholly-owned subsidiary of Black Hills Corporation

**Cheyenne Light (CLFP)** - Cheyenne Light, Fuel and Power Company, a direct, wholly-owned subsidiary of Black Hills Corporation

**Colorado Electric (BHE-COE)** - Black Hills Colorado Electric Utility Company, LP (doing business as Black Hills Energy), an indirect, wholly-owned subsidiary of Black Hills Utility Holdings

**Colorado Gas (BHE-CO Gas)** - Black Hills Colorado Gas Utility Company, LP, (doing business as Black Hills Energy), an indirect, wholly-owned subsidiary of Black Hills Utility Holdings

**Iowa Gas (BHE-IA Gas)** - Black Hills Iowa Gas Utility Company, LLC, (doing business as Black Hills Energy), a direct, wholly-owned subsidiary of Black Hills Utility Holdings

**Kansas Gas (BHE-KS Gas)** - Black Hills Kansas Gas Utility Company, LLC, (doing business as Black Hills Energy), a direct, wholly-owned subsidiary of Black Hills Utility Holdings

**Nebraska Gas (BHE-NE Gas)** - Black Hills Nebraska Gas Utility Company, LLC (doing business as Black Hills Energy), a direct, wholly-owned subsidiary of Black Hills Utility Holdings