

UTILITY SHAREHOLDERS OF SOUTH DAKOTA

Tony Cleberg

Executive Vice President & CFO

July 21, 2010

Improving life with energy



Investor Information

COMPANY INFORMATION

Black Hills Corporation

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NYSE Ticker: BKH

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Company Contact

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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 news release 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;
- 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 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 the five gas and electric utilities acquired from Aquila in July 2008, including the integration of core systems and processes;
- The timing and extent of scheduled and unscheduled outages of our power generating facilities;
- Our ability to meet production targets for our oil and gas properties, which may be dependent upon issuance by federal, state, and tribal governments, or agencies thereof, of drilling, environmental and other permits, and the availability of specialized contractors, work force, and equipment;
- The extent of our success in connecting natural gas supplies to gathering, processing and pipeline systems;
- Capital market conditions and market uncertainties related to interest rates, which may affect our ability to raise capital on favorable terms;
- Changes in or compliance with laws and regulations, particularly those related to 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;
- 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.

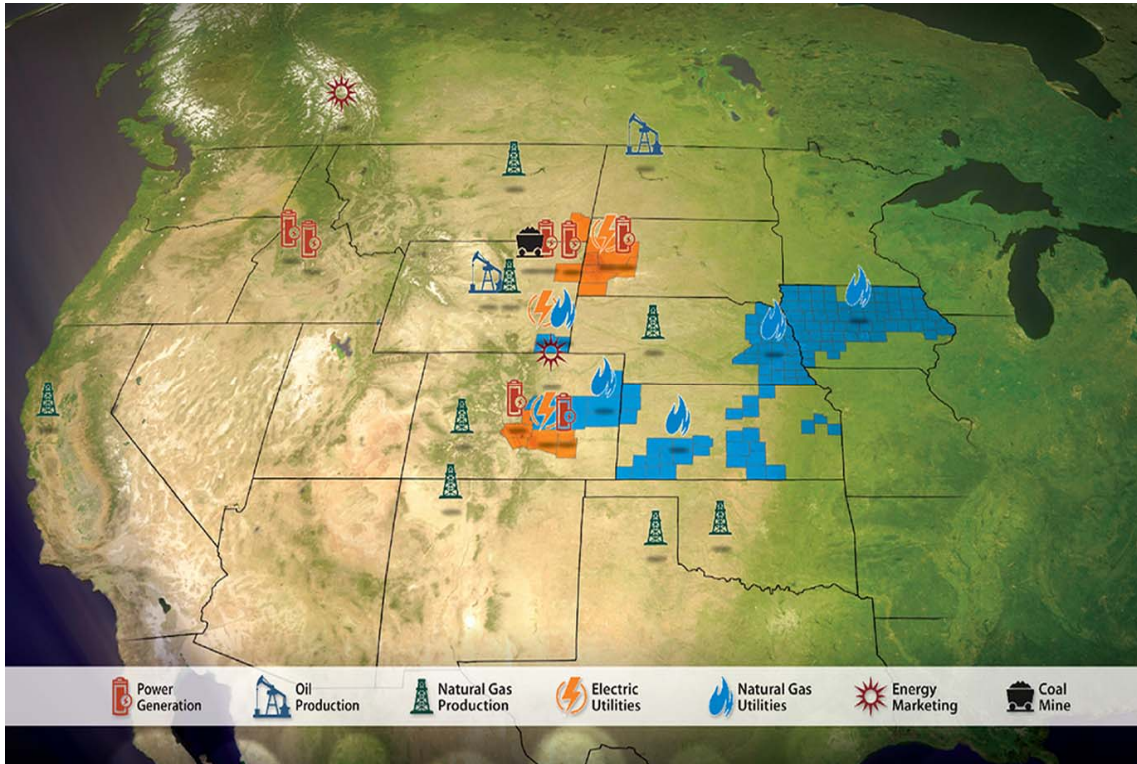
New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time-to-time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ 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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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 763,300 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
- Iowa Gas
- Kansas Gas
- Nebraska 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

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Q1 Income Statement

In millions, except per share amounts

	2010 Q1	2009 Q1	Comments – 2010 vs. 2009
Revenue	\$ 442.3	\$437.9	Improved Utility retail sales and power marketing
Operating expense	(375.3)	(387.1)	DD&A: 2010 \$28.4M and 2009 \$33.3M
Subtotal	67.0	50.8	Oil & Gas \$6.4M; Gas Utilities\$4.9M; Energy Marketing \$2.4M
Gain on sale of property	2.7	26.0	Gain on Elkhorn sale; Q1 2009 Wygen I sale
Ceiling test impairment	–	(43.3)	
Operating income	69.7	33.5	
Interest expense	(21.8)	(18.9)	Replaced short term debt with long term debt
Interest rate swap	(3.0)	14.8	Swap spread worsened
Other income	3.0	2.3	AFUDC increase \$0.6M
Income before tax	47.9	31.7	
Income tax	(16.5)	(6.1)	IRS acceptance of 2009 tax position
Income from continuing operations	31.4	25.6	
Disc. operations/other, net of tax	–	0.8	IPP assets sold July 2008
Net income	\$ 31.4	\$ 26.4	
Weighted average common shares O/S	39.0	38.6	

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Q1 Revenue/Operating Income Roll-Up

<i>In millions</i>	Revenue		Operating Income (Loss)		Comments
	2010 QTD	2009 QTD	2010 QTD	2009 QTD	
Electric Utilities	\$ 148.6	\$ 137.1	\$ 20.2	\$ 19.2	Improved retail and marketing margins
Gas Utilities	243.2	256.3	34.3	29.4	Favorable weather; higher volumes
Gain on sale of Elkhorn	--	--	2.7	--	
Sub-Total - Utilities	391.8	393.4	57.2	48.6	
Non-regulated Energy					
Oil & Gas	19.7	16.5	3.9	(2.5)	Improved oil and gas prices
Ceiling Test Impairment	--	--	--	(43.3)	
Power Generation	8.1	7.6	3.7	3.7	
Gain on sale of Wygen I	--	--	--	26.1	
Coal Mining	14.0	14.4	0.8	0.2	
Energy Marketing	9.8	6.8	4.2	1.6	Gains from storage strategy
I/C eliminations	(1.1)	(0.8)	0.1	0.2	
Sub-Total - Non-Regulated	50.5	44.5	12.7	(14.0)	
Corporate	--	--	(0.2)	(1.1)	
Total	\$ 442.3	\$ 437.9	\$ 69.7	\$ 33.5	

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Quarterly EPS Comparison

Earnings Per Share (EPS)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Income (Loss) from Continuing Operations	\$0.66	\$0.64	\$ (0.10)	\$ 0.84	\$ 0.81
Exclude notable gain items:					
Elkhorn sale – completed 3/2010	–	--	--	--	(0.04)
Unrealized Gain on Interest Rate Swap	(0.25)	(0.53)	--	(0.30)	–
Improved effective tax rate	(0.10)				
Gain on sale of Wygen I	(0.44)				
Add-back notable loss items:					
Unrealized Loss on Interest Rate Swap		--	0.15	--	0.05
Asset impairment – ceiling test	0.72				
Acquisition Facility Fee		0.05	--	--	–
BHE Integration Expenses	0.02	0.02	0.02	0.03	–
Income from Continuing Ops As Adjusted*	\$0.61	\$ 0.18	\$ 0.07	\$ 0.57	\$ 0.82

34% year-over-year improvement in income from continuing ops (as adjusted)

* Non-GAAP measure

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Growth Capital Investments

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

<i>Excludes routine capital expenditures, such as maintenance and new customer growth capital (millions)</i>	2008 - 2009	~2010	~2011	Project Total
Wygen III 75% BHP ownership - 25% owned by MDU	\$161	\$10	--	\$185
BHE - COE Generation (Utility)*	\$48	\$192 - \$212		\$240 - \$260
CO IPP Generation (PPA)	\$16	\$224 - \$249		\$240 - \$265
Transmission System	\$51	\$34	\$11	\$96
Generation Upgrades Wygen I & Neil Simpson II condenser upgrades - 16 MW	\$15	--	--	\$15
Electric Utility AMI Projects** Total of 206,000 AMI meters (BHP, CLFP and BHE-COE)	\$7	\$31	\$10	\$48
Oil & Gas *** (limited pending oil & gas price recovery)	\$114	\$38	\$64	\$216
Approximate 2008-2011 TOTAL	\$412	\$614 - \$659		\$1,040 - \$1,085

* Capital for BHE-COE generation includes project related transmission investment

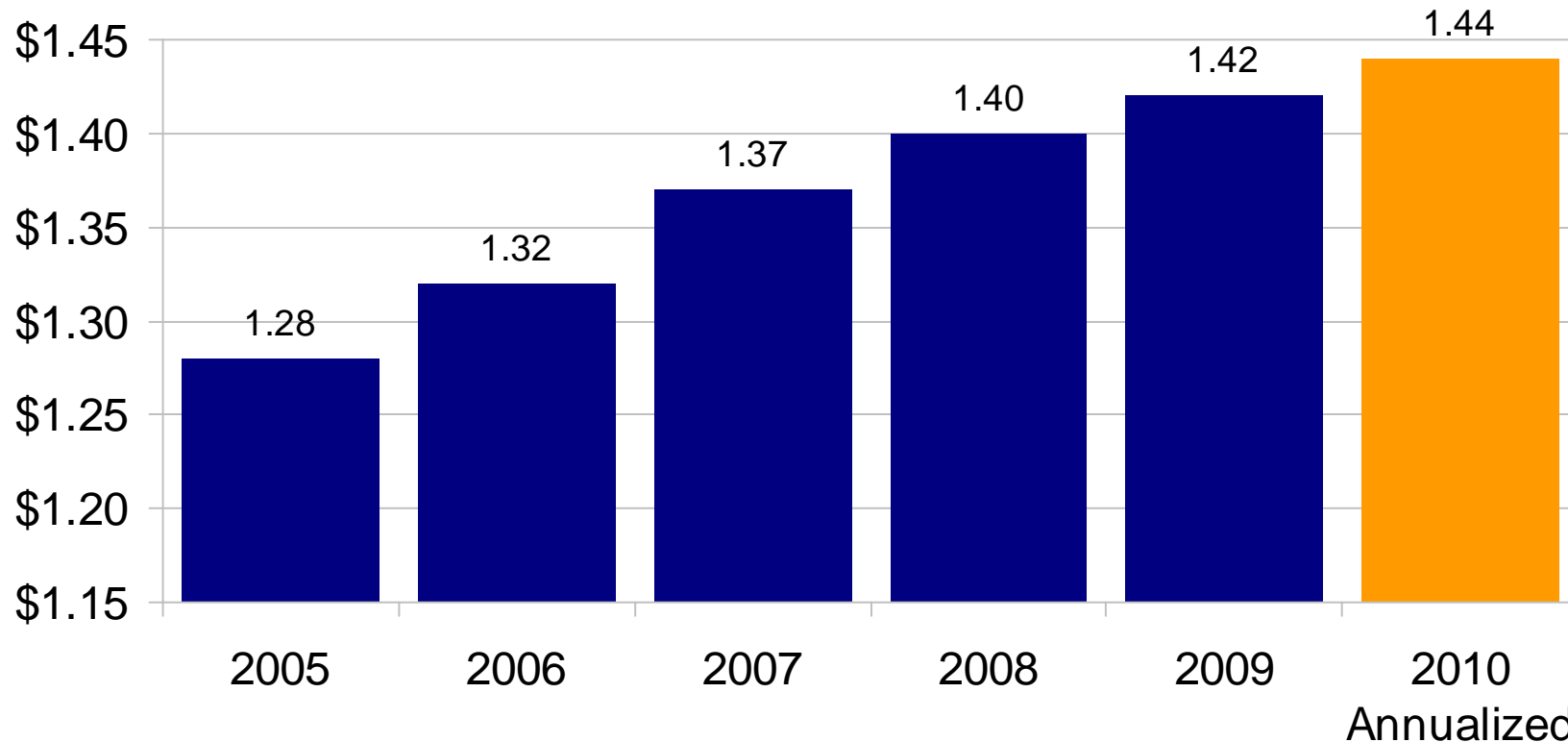
**Includes \$20.7 million in matching funds made available through the American Recovery and Reinvestment Act of 2009 for 149,000 AMI meters

*** 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

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Annual Dividend Growth

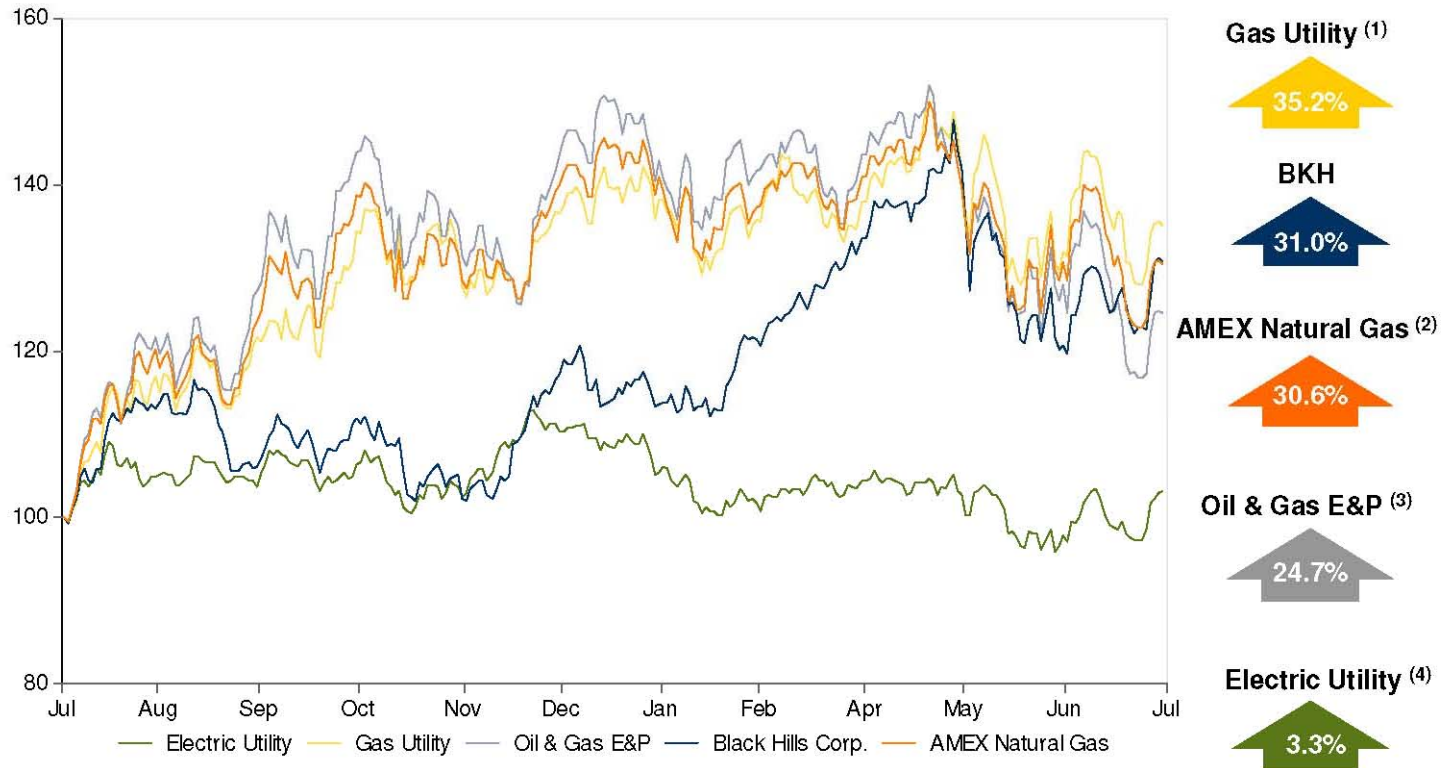


- Board of Directors approved the 40th annual consecutive increase in the dividend. The quarterly dividend was increased by \$0.005 per common share to \$0.36 per share, equivalent to an annual dividend rate of \$1.44 per share

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12 Month Index Comparison



Source: RBC Capital Markets

Data provided by FactSet as of July 12, 2010

- (1) S&P 500 gas utility companies
- (2) The AMEX Natural Gas Index is designed to measure the performance of highly capitalized companies in the natural gas industry involved primarily in natural gas exploration and production and natural gas pipeline transportation and transmission.
- (3) S&P 500 oil & gas exploration companies.
- (4) S&P 500 electric utility companies.

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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.

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