December 2009

# Investor Update

Improving life with energy

Black Hills Energy

# Investor Information

## COMPANY INFORMATION


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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 2008 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:

* 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 complete the planning, permitting, construction, start up and operation of power generation facilities in a cost-effective and timely manner;
* 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 our ability to add power generation assets into our regulatory rate base;
* 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;
* Our ability to successfully integrate and profitably operate the five gas and electric utilities acquired from Aquila in July 2008;
* Price risk due to marketable securities held as investments in benefit plans;
* 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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# Discussion Agenda

Recent Highlights

Financial Update

Strategic Overview

Q&A

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# Recent Highlights

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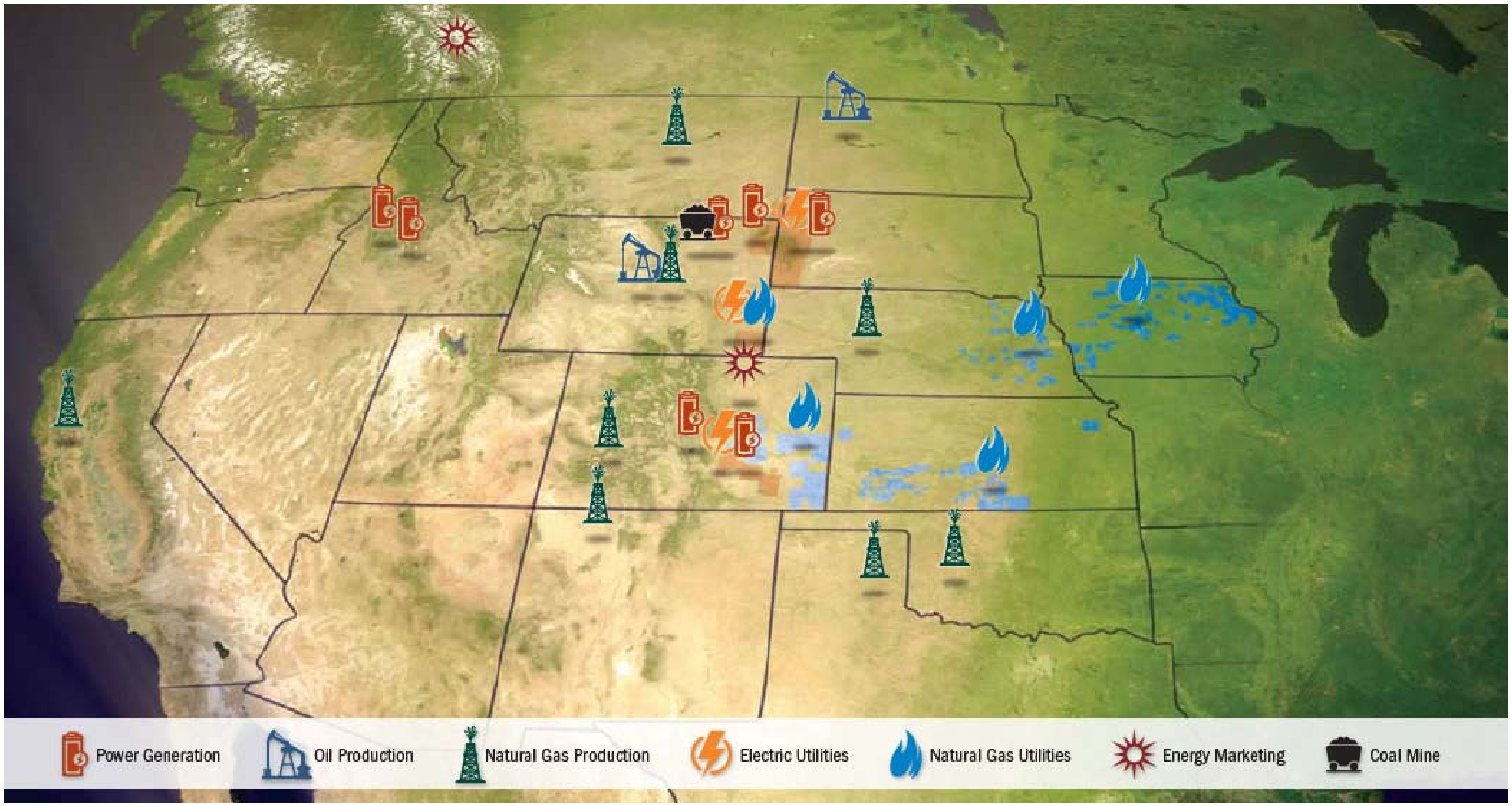
# Black Hills Footprint

**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 Golden, CO, and Omaha, NE, the company serves 759,000 utility customers in Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. The company's non-regulated business generate wholesale electricity, produce natural gas, oil and coal, and market energy. We partner to produce results that improve life with energy.

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# Black Hills Corporation

*An integrated and diversified energy company – Fuel, Generation & Utilities*

## Utilities

### Gas Utilities
- Colorado Natural Gas
- Kansas Natural Gas
- Nebraska Natural Gas
- Iowa Natural Gas

### Electric Utilities
- Black Hills Power
- Cheyenne Light, Fuel & Power *
- Colorado Electric

## Non-Regulated Energy

### Coal
- Wyodak Resources

### Energy Marketing
- Enserco Energy

### Oil & Gas
- Black Hills Exploration & Production

### Power Generation
- Black Hills Electric Generation

Specific Business Segment overview information contained in the Appendix

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

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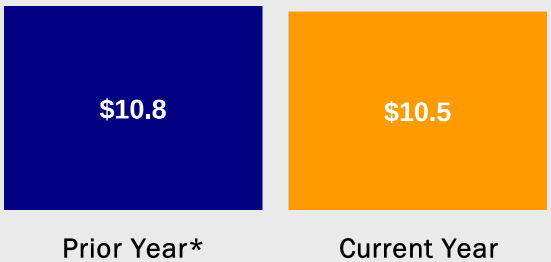
# Recent Highlights

- Low commodity prices remain challenging
  - Oil and Gas performance impacted by low natural gas prices
  - Lower margins for Energy Marketing
  - Lower off-system sales margins for electric utilities
- Strong overall corporate risk and credit profile
  - August 3, 2009 Moody's Investors Service upgraded senior secured debt rating of Black Hills Power to A3 from Baa1
  - $180 million BHP First Mortgage Bond Offering (10/27/09)
- Focus on regulatory initiatives to realize investment returns
  - BHP SD rate case filed for new rates effective in 2010
  - BHP WY rate case filed for new rates effective in 2010
- Unification initiatives to improve efficiencies and create scalable systems & processes
  - BHP Customer Information System (CIS+) completed Q3; CLFP CIS+ conversion completed Q4
  - Employee benefits unification
- Well defined, strong growth opportunity for next several years
  - Wygen III construction project on schedule and under budget
  - BHE – CO Electric construction of 176 MW utility generation project moving forward
  - Power Generation (IPP) construction proceeding on 200 MW plant to serve BHE
  - IPP completes extension of Wygen I PPA with CLFP from 2013 to 2022

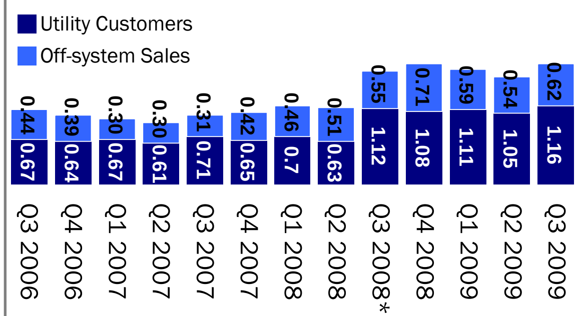
# Electric Utilities Q3 Update

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

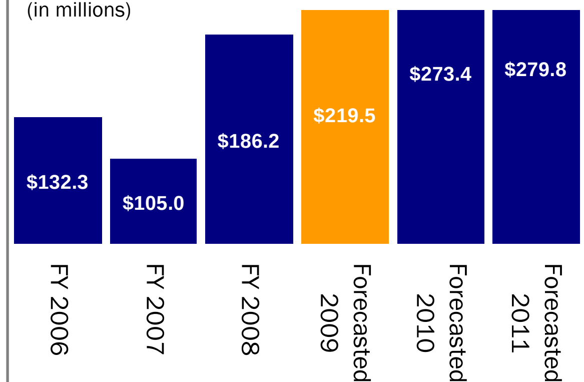



## Overview
- Lower off-system sales margins
- BHE - CO Electric - filed CPCN & air permit applications on 6/8/2009
- BHE - CO Electric 20 year 200 MW PPA signed with BHCI (9/28/09)
- BHE – CO Electric AMI project phase 1 & 2 complete ($6.9 million)
- BHP - Wygen III construction on track and under budget; commercial operation 4/1/10
- CLFP – Completed an extension of its PPA with our Wygen I IPP plant
- BHP - Neil Simpson II air condenser upgrade completed - 8MW for approx. $995/KW
- BHP – completed new 5 year 10MW PPA with MEAN (7/2009)
- BHP CIS system integration completed Q3 & CLFP CIS integration completed Q4
- All three electric utilities selected for smart grid investment grant funding totaling $16.7 million from the DOE

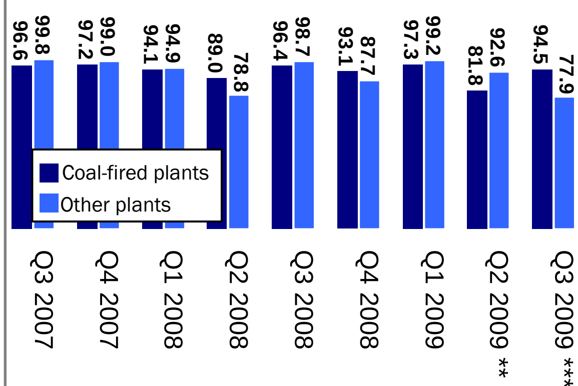
## Total MWh Sales
(in millions)



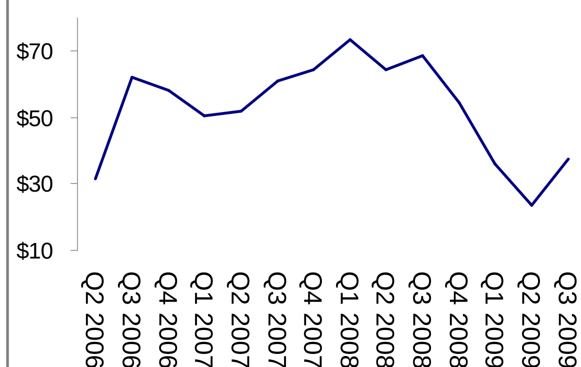

## Capital Expenditures
(in millions)




## Generation Availability (%)




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




* Colorado Electric acquired on 7/14/08

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

*** Reflects unplanned outage at Pueblo Unit 5

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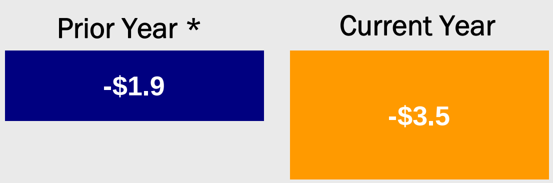
# Gas Utilities Q3 Update

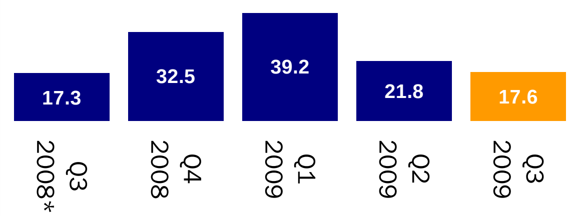
## Quarter Income Comparison

(from continuing operations in millions)



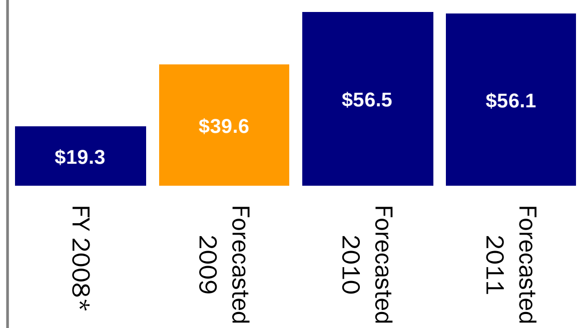

## Total Dth Sales

(in millions)




## Capital Expenditures

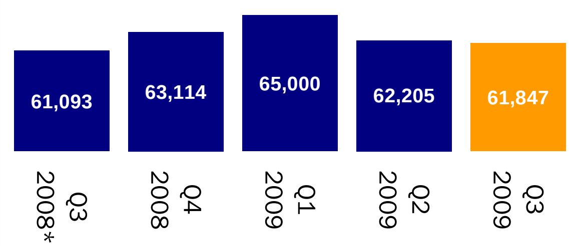
(in millions)




## Overview

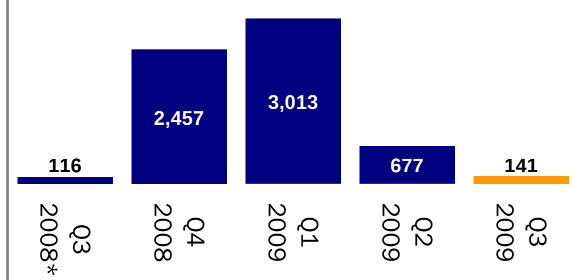
- Acquired BHE - Gas Utilities on 7/14/08
- BHE - CO Gas rate case effective 4/1/09 for revenue increase of $1.4 million
- BHE - IA Gas new rates implemented 6/1/2009 representing $10.8 million revenue increase.
- BHE – NE Gas capital additions tracker legislation passed 10/1/09
- BHE – KS Gas capital additions tracker filed for $0.5 million and approved
- BHE – IA Gas received 2009 Energy Star® Leadership In Housing Award
- Launched energy efficiency campaign in IA and expect DSM orders in other states

## Service Guard Customers




## 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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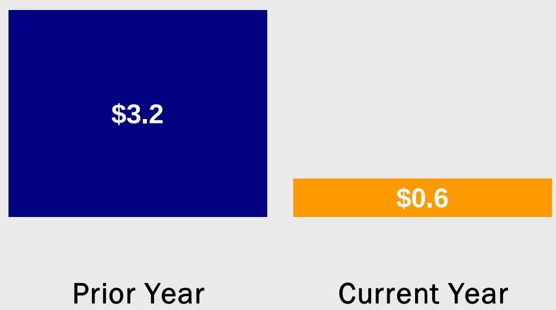
# Power Generation Q3 Update

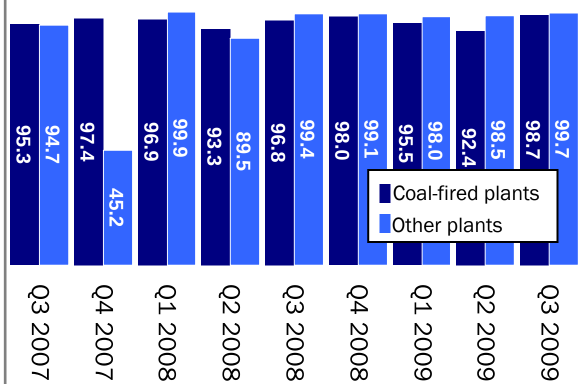
## Quarter Income Comparison
(from continuing operations in millions)



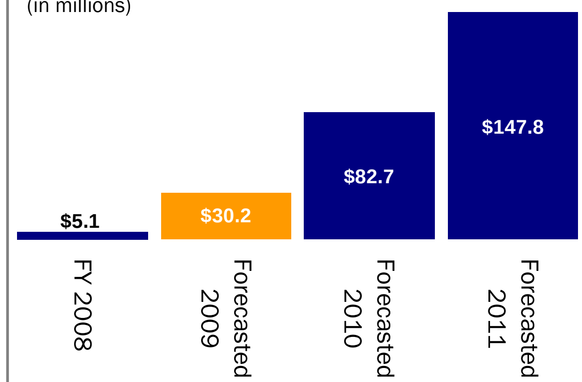

## Overview

- BHCI signed 20 year 200 MW PPA with BHE CO -Electric (9/28/09)
- Wygen I condenser upgrade project completed - 8 MW for approx. $995/KW
- Extended Wygen I PPA to CLFP from 2013 to 2022. Approved by FERC

## Generation Availability (%)



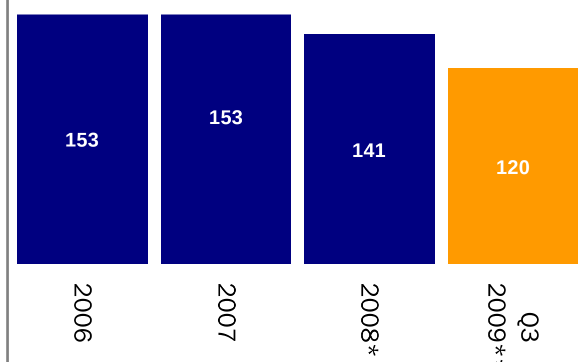

## Capital Expenditures
(in millions)




## Project Updates

- Wygen I air condenser upgrade completed Q2 2009 (8MW for approx. $995/KW)
- Extended Wygen I PPA to CLFP from 2013 to 2022.
- Plan to commence construction on 200 MW combined cycle plant in Colorado in late 2010

## MW of Generation Capacity

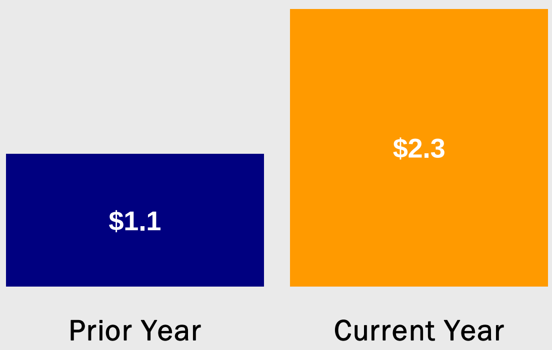



* Reflects decommissioning of Ontario

** Reflects 23.5% sale of Wygen I to MEAN

# Coal Q3 Update

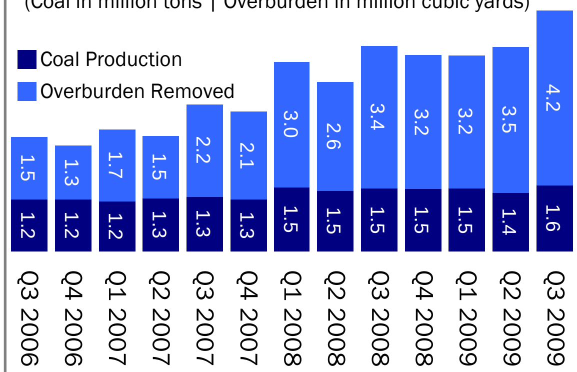
## Quarter Income Comparison
(from continuing operations in millions)



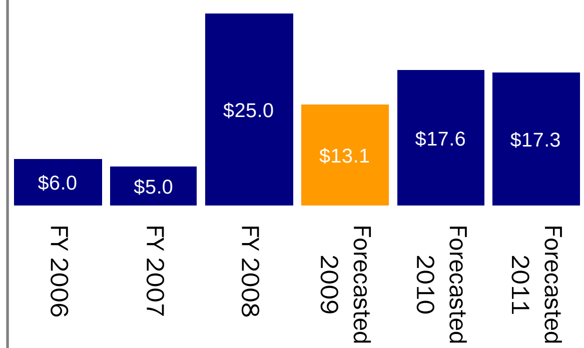

## Overview

- Continued increase in overburden removal
- Preparing for increased production to serve Wygen III (approximately 600,000 tons per year)
- Increased efficiencies; commissioned new 240 ton haul truck

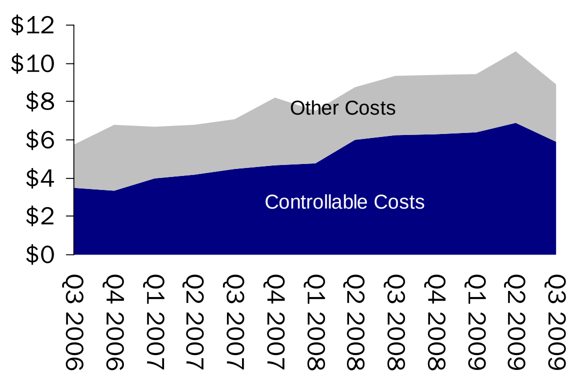
## Coal Production
(Coal in million tons | Overburden in million cubic yards)



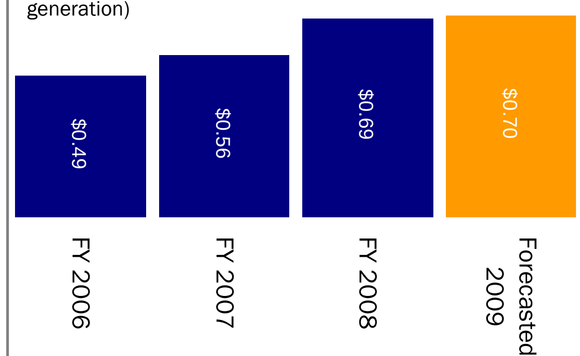

## Capital Expenditures
(in millions)




## Mining Cost Per Ton of Coal *




## 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.

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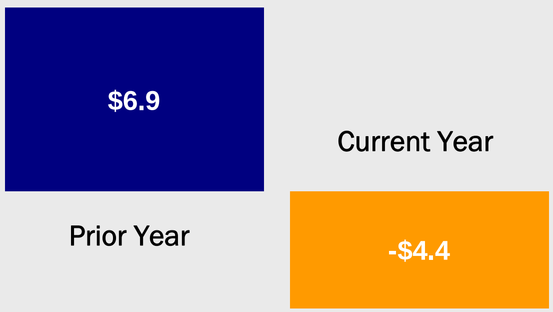
# Energy Marketing Q3 Update

## Quarter Income Comparison

(from continuing operations in millions)

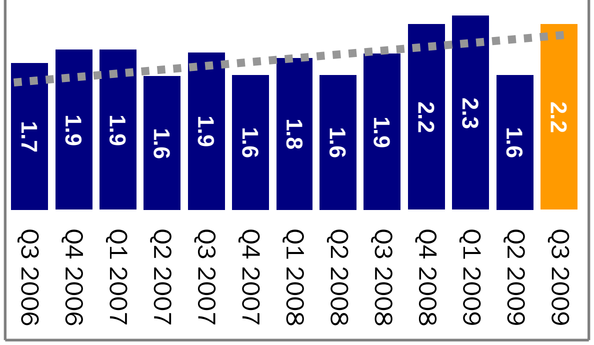



## Overview

- Storage spreads continue to be attractive
- Transport margins narrowed (low basis differentials)
- Replaced previously uncommitted credit facility with $300 million stand-alone committed credit facility – retained all 5 existing banks and added 3 new banks 5/2009
- $71.7 million of the $300 million stand-alone committed credit facility used as of 9/30/09

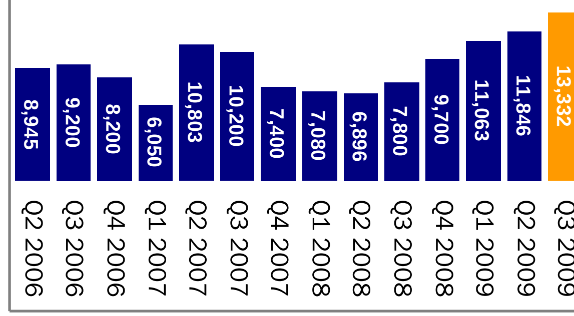
## Avg. Daily Natural Gas Volumes

(physical bcf per day)



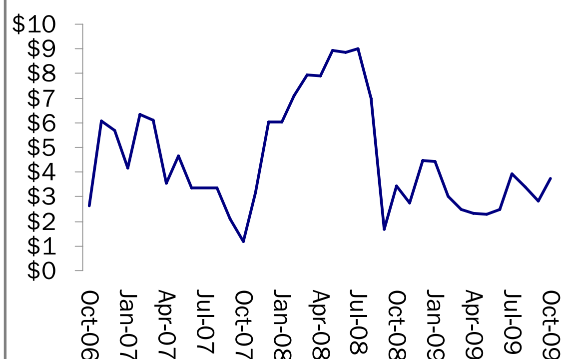

## Avg. Daily Crude Oil Volumes

(barrels per day)



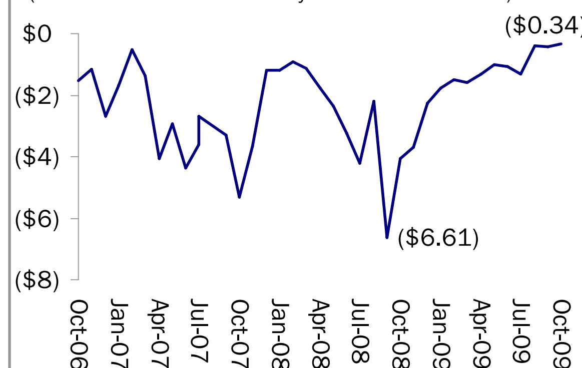

## Northwest Rockies Natural Gas

(monthly settlement price)




## Rockies Natural Gas Basis Diff.

(CIG basis and NYMEX monthly settlement difference)

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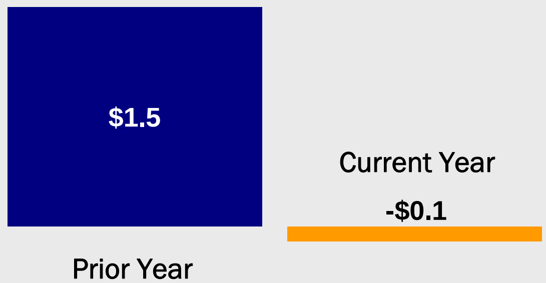
# Oil & Gas Q3 Update

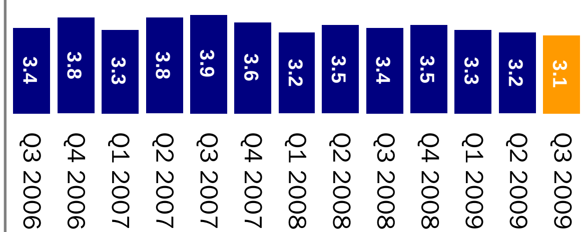
## Quarter Income Comparison
(from continuing operations in millions)



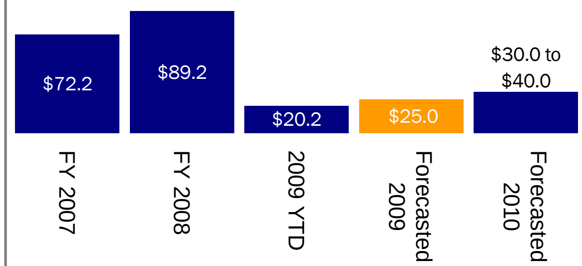

## Overview

- Significant reduction in capital spending due to low oil and gas prices; YTD capital expenditures $20.2 million: Long term strategy to invest $65 - $90 million per year; only if commodity prices are economical
- Lower lease operating expenses
- Forecasted shut-in production for 2009 of approximately 0.4 Bcfe due to low commodity prices

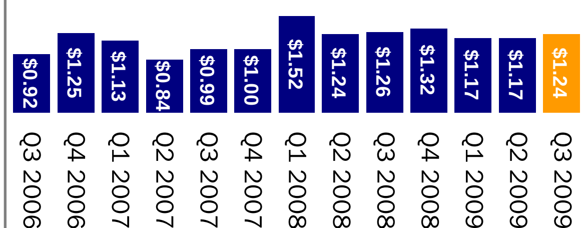
## Bcf Equivalent Sales



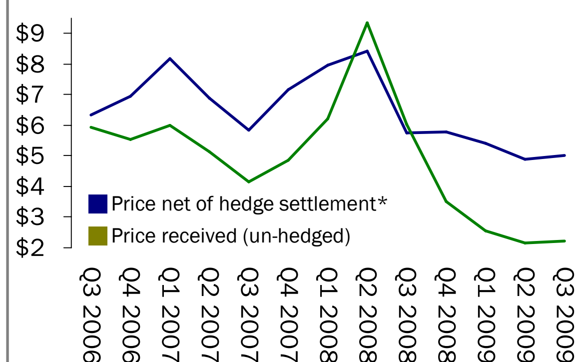

## Capital Expenditures**
(in millions)




## 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

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# Unification Update

*Building scalable platform of unified systems and processes to gain efficiencies and prepare for future growth*

## People

*Common values, aligned goals, consistent processes, & engaged employees*

Initiatives:
- Benefits & Compensation Integration
- Performance Management
- Succession Planning
- Career Planning & Development
- Employee Engagement Survey

Update
- New performance management process and software system launched in early 2009
- Consistent salary grade structure implemented BHC-wide in April 2009
- New unified incentive compensation program launched for 2009
- Employee benefits unification taking place in Q4 2009

## Processes

*Integrate best practices to provide first-class service*

Initiatives:
- Construction standards & inventory
- Accounting coding values consolidation
- New procurement approval process

Update
- New office supply procurement and distribution process
- New administration of benefit process
- Distribution construction and inventory standards expected to be complete in Q4 2009
- Payroll unification to be completed in Q4 2009

## Systems

*From complex & expensive to scalable, efficient & economical*

Initiatives:
- Customer Information System (CIS)
- Lawson to PeopleSoft Financial System
- Outage Management system
- GIS/Mapping system
- Utility Work Management
- Power Plant Work Management

Update
- New company-wide intranet portal launched in Q2
- BHP CIS system integration completed August 1, 2009
- CLFP CIS system integration to completed in Q4 2009

# Timeline of Events

## Strategic Development

| 2008 | 2009 | 2010 anticipated | 2011 anticipated |
|---|---|---|---|
| IPP sale complete | Unified Performance Management & Compensation | Unified HR Benefits | Unified SCADA system |
| Aquila acquisition close | Unified Inventory Systems | Unified PeopleSoft system | Systems integration complete |
| | Unified CIS system | Unified Work Mgt system | |
| | Unified Construction Standards | Unified Mapping system | |
| | | Unified Outage system | |

## Capital Investment & Asset Optimization

| 2008 | 2009 | 2010 anticipated | 2011 anticipated |
|---|---|---|---|
| Wygen II power plant operational | Wygen I MEAN close | Wygen III power plant operational | CO generation in service |
| Valencia power plant operational | Wygen I ACC upgrade project complete | | |
| Wygen III construction begins | CO utility generation construction | | |
| Wygen III MDU letter of intent | Wygen III MDU close | | |
| | Neil Simpson II ACC upgrade project complete | | |
| | CO IPP generation construction | | |

## Financial Return

| 2008 | 2009 | 2010 anticipated | 2011 anticipated |
|---|---|---|---|
| CO ERP plan filed | CO ERP PUC hearings | CO electric rate case filed | |
| NE Gas rate case final | CO ERP PUC order | | |
| IA Gas rate case filed | CO ERP RFP start | | |
| CO Gas rate case filed | CO ERP RFP end | | |
| BHP FERC rate case filed | CO Gas rate case final | | |
| | IA Gas rate case final | | |
| | Wygen III BHP rate cases filed | | |

# Financial Update

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# Q3 Earnings Drivers

*Solid performance by utilities; Oil & Gas and Energy Marketing impacted by weak natural gas prices*

| Utilities | Non-Regulated Energy |
|---|---|
| • Solid base performance during a challenging market environment<br>• The impact of low natural gas prices on power prices decreased off-system sales margins for electric utilities<br>• Bad debt ratios and past due receivables consistent with prior years | • Oil & Gas impacted by lower commodity prices<br>– Minimized capital spending<br>• Power generation<br>– Increased interest expense<br>• Coal Mining<br>– Earnings from land lease to Wygen III plant owners<br>– Improved average sales prices<br>– Lower fuel costs<br>– Increased depreciation & taxes<br>• Energy Marketing<br>– Tight basis spreads limited transportation opportunities<br>– Changes in commodity prices caused MTM loss in 2009 compared to MTM gain in 2008 |

# Q3 Earnings Per Share Analysis

| *Earnings Per Share (EPS)* | 3rd Quarter 2009 | 3rd Quarter 2008 |
|---|---|---|
| (Loss) Income from Continuing Operations | $ (0.10) | $ 0.51 |
| Add-back notable loss items: | | |
| Unrealized Gain on Interest Rate Swap | 0.15 | -- |
| BHE Acquisition/Integration Expenses | 0.02 | 0.03 |
| Income from Continuing Ops As Adjusted* | $0.07 | $0.54 |

* Non-GAAP measure

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# Earnings Per Share Analysis

| *Earnings Per Share (EPS)* | Q4 2008 | Q1 2009 | Q2 2009 | Q3 2009 |
|---|---|---|---|---|
| (Loss) Income from Continuing Operations | $(2.52) | $0.66 | $0.64 | $(0.10) |
| Exclude notable gain items: | | | | |
| Wygen I Sale – Completed in January 2009 | -- | (0.44) | -- | -- |
| Unrealized Gain on Interest Rate Swap | -- | (0.25) | (0.53) | -- |
| Improved Effective Tax Rate | -- | (0.10) | -- | -- |
| Add-back notable loss items: | | | | |
| Asset Impairment – Ceiling Test | 1.55 | 0.72 | -- | -- |
| Unrealized Loss on Interest Rate Swap | 1.61 | -- | -- | 0.15 |
| Acquisition Facility Fee | -- | -- | 0.05 | -- |
| Aquila Acquisition/Integration Expenses | 0.03 | 0.02 | 0.02 | 0.02 |
| Income from Continuing Ops As Adjusted* | $ 0.67 | $ 0.61 | $ 0.18 | $ 0.07 |

* Non-GAAP measure

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# Consolidated Income Statement

| *In millions, except per share amounts* | 2009 | | 2008 | | |
|---|---|---|---|---|---|
| | QTD | EPS | QTD | EPS | Comments – 2009 vs. 2008 |
| Revenue | $ 225.8 | | $ 291.9 | | Low natural gas prices |
| Gross margin | $ 131.7 | | $ 160.6 | | |
| Operating expense | (114.8) | | (117.9) | | |
| Operating income | 16.9 | 0.44 | 42.7 | 1.11 | Energy Marketing - $16.1M; Utility - $4.4M |
| Interest expense | (20.7) | (0.54) | (16.4) | (0.43) | Realized interest rate settlement – $3.0M |
| Interest rate swap (pre-tax) | (8.7) | (0.23) | - | - | Swap spread decline |
| Other income | 5.2 | 0.14 | 3.5 | 0.10 | AFUDC increase $1.2M |
| (Loss) Income before income tax | (7.3) | (0.19) | 29.8 | 0.78 | |
| Income tax | 3.4 | 0.09 | (10.3) | (0.27) | |
| (Loss) Income from continuing operations | (3.9) | (0.10) | 19.5 | 0.51 | |
| Disc. Operations / other, net of tax | 1.7 | 0.04 | 145.4 | 3.78 | IPP assets sold July 2008 |
| Net (Loss) income | $ (2.2) | $ (0.06) | $ 164.9 | $ 4.29 | |
| Diluted Common Shares Outstanding | | 38.6 | | 38.4 | |

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# Revenue / Operating Income Roll-Up

| *In millions* | Revenue | | Operating Income (Loss) | | |
|---|---|---|---|---|---|
| | 2009 QTD | 2008 QTD | 2009 QTD | 2008 QTD | Comments |
| **Electric Utilities** | $ 128.9 | $ 136.7 | $ 18.8 | $ 20.7 | Lower off-system sales margins |
| **Gas Utilities** | 62.7 | 83.9 | (1.3) | 0.9 | |
| Sub-Total | 191.6 | 220.6 | 17.5 | 21.6 | |
| **Non-regulated Energy** | | | | | |
| Oil & Gas | 17.9 | 25.4 | 0.8 | 4.1 | Lower commodity prices |
| Power Generation | 7.5 | 11.7 | 3.6 | 7.4 | Sale of emission credits in 2008 |
| Coal Mining | 15.2 | 16.0 | 1.1 | 1.8 | Increased mining costs |
| Energy Marketing | (5.3) | 19.2 | (5.9) | 10.2 | Market conditions |
| I/C eliminations | (1.1) | (1.0) | (0.1) | - | |
| Sub-Total | 34.2 | 71.3 | (0.5) | 23.5 | |
| **Corporate** | - | -- | (0.1) | (2.4) | 2008 integration costs |
| Total | $ 225.8 | $ 291.9 | $ 16.9 | $42.7 | |



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# Consolidated Statement of Capitalization

| *In millions* | Dec. 31, 2008 | Mar. 31, 2009 | Jun. 30, 2009 | Sept. 30, 2009 |
|---|---|---|---|---|
| Short term debt: | | | | |
| Current maturities | $ 2.1 | $ 32.1 | $ 32.1 | $ 32.1 |
| Notes Payable | 703.8 | 479.8 | 270.5 | 350.5* |
| | 705.9 | 511.9 | 302.6 | 382.6 |
| Long term debt | 501.3 | 471.2 | 719.2 | 719.2* |
| Total Debt | 1,207.2 | 983.1 | 1,021.8 | 1,101.8 |
| Cash | (168.5) | (121.6) | (122.4) | (137.7) |
| Net Debt | 1038.7 | 861.5 | 899.4 | 964.1 |
| Common stock | 621.9 | 623.9 | 625.6 | 627.2 |
| Retained earnings | 447.5 | 460.1 | 470.9 | 454.9 |
| AOCI | (18.9) | (12.4) | (16.4) | (19.6) |
| Total Equity | 1,050.5 | 1,071.6 | 1,080.1 | 1,062.5 |
| Total Debt and Equity | $ 2,257.7 | $ 2,054.7 | $ 2,101.9 | $ 2,164.3 |
| Debt to Capitalization | 53% | 48% | 49% | 51% |
| Net Debt to Capitalization (Net of Cash) | 50% | 45% | 45% | 48% |
| Long-term Debt to Total Debt | 42% | 48% | 70% | 65% |

** Issued $180 million of first mortgage bonds (Due 2039) on 10/27/2009 @ 6.125%. Plan to retire approximately $178 million of short-term debt during the fourth quarter.*

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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 |
| *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* |

- August 3, 2009 – Moody's Investors Service upgraded senior secured debt rating of Black Hills Power to A3 from Baa1

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# Credit Facilities & Debt

*Proactively managing cash flows, capital expenditures and credit needs in balance with our growth strategy*

| Primary Credit Facilities<br>As of 9/30/2009 | Capacity | Utilized | Available |
|---|---|---|---|
| Bridge Loan (BHE acquisition) – Retired June 2009 | $ 0 | $ 0 | $ 0 |
| Enserco Credit Facility (Committed / Stand-alone) – New May 2009 – Matures May 2010 | $300 million | $72 million (LC) | $228 million |
| Corporate Revolver<br>– Matures May 2010 | $525 million | $351 million*<br>$37 million (LC) | $137 million* |
| Current Maturities of LTD | -- | $32 million | -- |
| LTD – BHC (Due 2013) | -- | $225 million | -- |
| LTD – BHC (Due 2014) – New May 2009 | -- | $250 million | -- |
| LTD – Other | -- | $244 million | -- |

- Completed $250 million of long term debt and retired the remaining portion of BHE bridge acquisition facility used to purchase BHE utilities in 7/2008
- Obtained new $300 million stand-alone committed credit facility for energy marketing - $240 million with 6 existing banks and $60 million with 3 new participating banks
- No significant long-term debt maturities until 2013

***** *Issued $180 million of first mortgage bonds (Due 2039) on 10/27/2009 @ 6.125%.*
*Plan to retire approximately $178 million of short-term debt during the fourth quarter.*

# Strategic Overview

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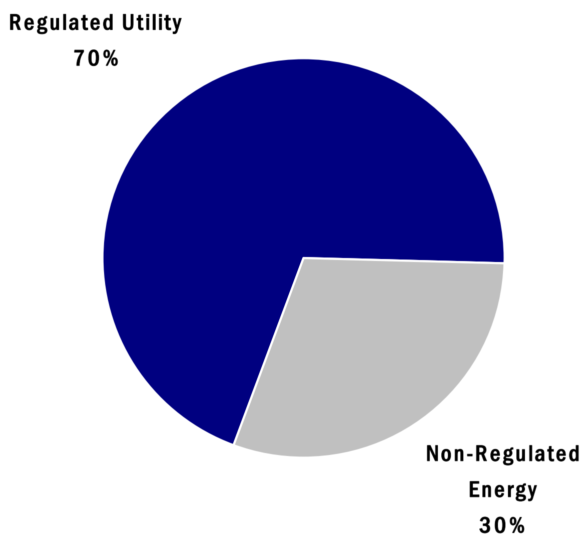
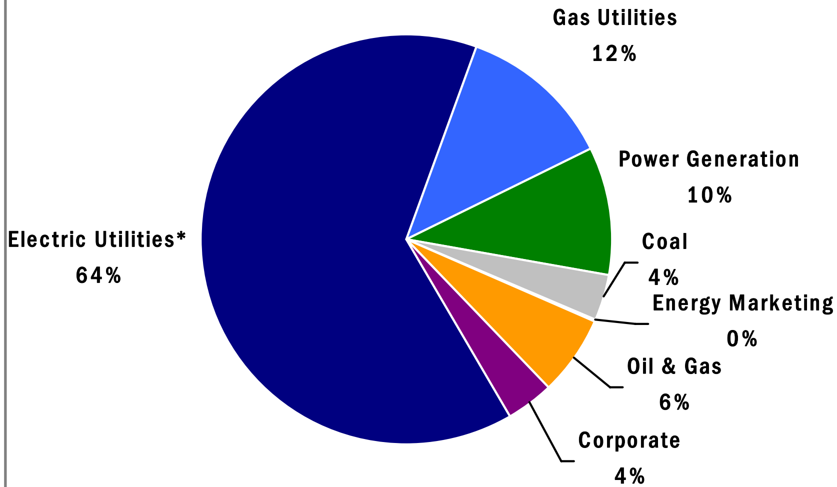
# Positioned For Growth

*Diversified platform for growth based on stable cash flows, more predictable earnings and increased efficiencies*

## Asset Mix By Business Focus (approx)




## 2009 Forecasted Capex By Segment




*2009 Total of $343 million**

- Balanced asset mix: approximately 2/3 regulated utility and 1/3 non-regulated energy
- Sufficient cash flows, solid balance sheet, and demonstrated access to capital markets
- Stronger overall corporate risk and credit profile
- Current capital structure of approximately 51% total debt to total capitalization *

* As of 9/30/2009

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# Growth Opportunities

*Capital investments a priority to grow earnings and build shareholder value*

| *Excludes routine capital expenditures, such as maintenance and new customer growth capital ($millions)* | 2008 | ~2009 | ~2010-2011 | ~Total |
|---|---|---|---|---|
| **Wygen III**<br>75% BH ownership - 25% owned by MDU | $99 | $62 | $16 | $191 |
| **CO Electric Generation (Utility)** | - | $50 - $55 | $175 - $220 | $225 - $275 |
| **CO IPP Generation (PPA)** | - | $20 - $30 | $220 - $235 | $240 - $265 |
| **Transmission for BHP & CO Electric**<br>Donkey Creek to Pumpkin Buttes 49 line miles and substation<br>Lookout Substation – 230 kV | $24 | $18 | $58 | $100 |
| **Generation Upgrades**<br>Wygen I & Neil Simpson II condenser upgrades - 16 MW | $7.5 | $7.5 | - | $15 |
| **CO Electric AMI**<br>Total of 56,500 AMI meters (Pueblo & Pueblo West) | $1 | $6 | - | $7 |
| **Oil & Gas ***<br>(limited pending oil & gas price recovery *) | $89 | $20 - $40 | $105 - $180 | $204 - $310 |
| ***Approximate 2008-2011 TOTAL*** | | | | $1,000 - $1,200 |

* Development capital for our oil and gas properties is expected to be quite limited during periods of low oil and natural gas prices. Strategy is to invest $65 - $90 million per year but will do so only if commodity prices make this economically feasible

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# BHE - Colorado ERP

**August 2008: BHE - CO Electric Resource Plan Filed**

- BHE – Colorado Electric filed a proposal with the Colorado Public Utility Commission (PUC) detailing how the company plans to provide electrical service to its customers on 1/1/2012 due to the expiration of a PPA on 12/31/2011

**January 2009: Commission Hearings**

**February 25, 2009: Initial CO PUC Order Issued (Reaffirmed on March 31, 2009)**

- The Colorado PUC issued an initial decision to allow Black Hills to build two utility-owned and operated generation facilities, specifically two General Electric natural gas-fired LMS-100 combustion turbines
- Remaining capacity must be acquired via a competitive bidding process
- PUC decision allows BHC subsidiaries other than BHE - Colorado Electric to bid (including IPP, BHP, and CLFP)
- Acquisition of renewables managed under annual renewables compliance plan

**2009 Non-Intermittent Resource Solicitation Process**

- Model PPA and Forms Issued – 3/25/2009
- Pre-Bid Conference Held – 4/1/2009
- Notice of Intent to Bid – 5/1/2009
- Bids received – 6/8/2009
- Bid Evaluations Complete – 8/8/2009
- **20 year 200 MW PPA signed with BHCI – 9/28/09**

**Utility-Owned Generation Construction Process**

- Sites chosen in CO near existing transmission lines, access to water and natural gas pipelines
- Filed for CPCN on 6/8/2009 for 2 sites, CO PUC hearings 12/2009
- Filed air permit application on 6/8/2009 for 2 sites - 1 year approval process
- 2 GE LMS-100 natural gas turbines on order with expected delivery in second half 2010

# CO IPP Generation Project

- Black Hills Colorado IPP (BHCI) submitted response to a request for proposals from Black Hills Energy – Colorado Electric
- Proposal selected by BHE-COE working with an independent evaluator appointed by CO-PUC
- 20 year PPA agreement completed to provide 200 MW of natural gas-fired generation
- Two sites near Pueblo, Colo., are being considered for the BHCI facility. Plans are to locate the BHCI generation assets at the same site where Black Hills Energy-Colorado Electric will build its utility-owned generation
- Four 40 MW General Electric LM6000 natural gas-fired turbines and two 20 MW steam turbines operated in combined cycle
  - Significant construction and operating experience with LM6000: 19 of these units in our fleet prior to the IPP divestiture in July 2008
- Expected to take 16 months to construct and ready to serve customers by January 1, 2012
- Currently soliciting bids for equipment
- Estimated total capex for project: $240 - $265 million

# Regulatory Update

*Delivering the service and reliability customers depend on and the value investors expect*

| Jurisdiction | Overview | Status |
|---|---|---|
| Black Hills Power | New FERC transmission rates implemented January 1, 2009 representing $3.8 million increase and formulaic rate approach for future capital investments | Complete |
| BHE - Colorado Gas | New rates implemented April 1, 2009 representing $1.4 million (2%) increase | Complete |
| BHE - Iowa Gas | New rates implemented June 1, 2009 representing $10.8 million (5.8%) increase. Fixed monthly customer charge up to 51.4% from 48.6% | Complete |
| Black Hills Power | Request to add Wygen III to rate base in SD; $32 million revenue increase | Filed |
| Black Hills Power | Request to add Wygen III to rate base in WY; $3.8 million revenue increase | Filed |
| BHE - Colorado Electric | Evaluating a rate filing in late 2009 or early 2010 | Future Filing |
| BHE - Colorado Electric | Future request to add rate base for generation and transmission investments (ERP) | Future Filing |

- Evaluating additional rate filings through end of year 2010
- Additional regulatory, renewable and energy efficiency program information in the Appendix

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# Strategy Scorecard

| Strategy | 2009 Progress & Future Initiatives |
|---|---|
| UTILITIES | ☑ Complete BHP FERC rate case (1/2009) |
| + Acquire regulated utility properties in our geographic focus | ☑ Close on sale of 25% interest in Wygen III to MDU (4/2009) |
| + Construct additional rate-base generation to serve existing customers | ☑ Complete natural gas rate case in Colorado (4/2009) |
| + Balance integration of alternative and renewable energy with customer rate impacts | ☑ CO ERP PUC approval for rate base generation (4/2009) |
| + Pursue power marketing opportunities | ☑ Complete natural gas rate case in Iowa (Q2 2009) |
| + Construct additional transmission to support generation development, increase reliability, & address growing demand | ☑ Complete Neil Simpson II condenser upgrade project - 8 MW (Q2 2009) |
| | ☑ Complete expanded AMI program in CO Electric (2009) |
| | ☑ File Wygen III related rate cases for BHP so they are effective in Q2 2010 |
| | ☐ Complete Wygen III facility on schedule & on budget – (April 1, 2010) |
| | ☐ File BHE-CO Electric generation related rate case so it is effective in Q1 2012 |
| | ☐ Complete construction of rate base generation to serve Colorado Electric (Q4 2011) |
| POWER GENERATION | ☑ Sale of 23.5% undivided interest in Wygen I to MEAN – closed 1/20/2009 |
| + Selectively grow power generation segment | ☑ Complete Wygen I condenser upgrade project - 8 MW (Q2 2009) |
| + Sell large percentage of capacity and energy production to load-serving utilities | ☑ Submit bids for Colorado Electric ERP RFP process (Q2 2009) |
| | ☐ Construct 200 MW facility for BHE – CO Electric PPA |
| COAL MINING | ☐ 600,000 tons of annual coal production increase for Wygen III (2010) |
| + Efficiently utilize coal resources through expansion of mine-mouth generation and increased third-party coal sales | |
| OIL & GAS | ☐ \$20-\$40 million investment in oil and gas development (2009*) |
| + Increase production through development of existing acreage and limited acquisitions | ☐ \$65-\$90 million per year investment in oil and gas development (Future*) |
| ENERGY MARKETING | ☑ Secure committed stand-alone credit facility |
| + Geographically expand our energy marketing | ☐ Maximize earnings under internal credit constraints |
| + Diligently manage inherent energy marketing risks | |
| + Conduct business with diversified group of creditworthy counterparties | |
| + Maintain stand-alone credit facility | |
| SERVICE COMPANY (CORPORATE) | ☑ Implement Unified Performance Management System & Compensation (2009) |
| + Prudently finance the corporation and its subsidiaries | ☑ Refinance short-term debt to long-term debt (2009) |
| + Optimize systems and processes to minimize costs and create a platform for growth | ☑ Unify BHP CIS System (8/1/2009) |
| | ☑ Unify CLFP CIS System (Q4) |
| | ☑ Complete \$180m BHP first mortgage bonds |
| | ☐ Unify Inventory Mgt. System, & Construction Standards (2009) |
| | ☐ Unify Other Systems & Processes: Benefits, PeopleSoft, Mapping, Work Mgt., Outage and SCADA (2010) |

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

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# Earnings Guidance

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# 2009 Earnings Per Share Guidance

## $1.75 to $1.85

2009 Earnings Guidance Assumptions

- $16.9 million, or $0.44 per share, gain on the sale of a 23.5 percent ownership interest in the Wygen I power generation facility;
- $24.6 million, or $0.64 per share, non-cash mark-to-market gain for certain interest rate swaps that remain in place with no additional mark-to-market earnings impacts estimated in the fourth quarter;
- $27.8 million, or $0.72 per share, oil and gas non-cash ceiling test impairment charge; no further ceiling test impairment charge anticipated;
- Normal operations and weather conditions in utility service territories impacting customer usage, off-system sales, construction, maintenance and/or capital investment projects;
- No significant unplanned outages at the company's power generation facilities for remainder of 2009;
- Slight earnings improvement from energy marketing during fourth quarter compared to first nine months of 2009; first 9 months loss $1.2 million
- Total oil and natural gas production of 12.3 to 12.6 Bcf equivalent. Forecasted production includes the impacts of approximately 0.4 Bcfe shut-in due to low commodity prices;
- Oil and gas average NYMEX prices for October 2009 through December 2009 of $4.78 per Mcf for natural gas and $78.16 per Bbl for oil; production-weighted average well-head prices of $3.86 per Mcf and $70.08 per Bbl, all based on forward strips, and average hedged prices of $5.21 per Mcf and $70.36 per Bbl; and
- No significant acquisitions or divestitures.

# 2010 Earnings Per Share Guidance

## $1.80 to $2.05

2010 Earnings Guidance Assumptions

- Planned capital expenditures in 2010 estimated at $425 million to $475 million; including oil and gas capital expenditures of $30 million to $40 million assuming slight recovery in natural gas prices; includes both maintenance and growth capital
- Planned debt and equity financings to maintain a capital structure in the range of 50 percent to 55 percent debt to total capitalization;
- Previously disclosed undesignated long-term debt hedges remain in place with no additional mark-to-market impacts from Sept. 30, 2009;
- Normal operations and weather conditions within utility service territories impacting customer usage, off-system sales, construction, maintenance and/or capital investment projects;
- Commercial operation of the Wygen III power plant as planned on April 1, 2010;
- Increased earnings at our electric and gas utilities with successful completion of pending and potential rate requests;
- No significant unplanned outages at any of company's power generation facilities;
- Strong earnings recovery from energy marketing due to improved natural gas prices and market conditions;
- Total oil and natural gas production in range of 11.3 to 11.9 Bcfe;
- Oil and gas annual average NYMEX prices of $5.93 per Mcf for natural gas and $82.60 per Bbl for oil; production-weighted average well-head prices of $4.70 per Mcf and $73.85 per Bbl, all based on forward strips, and average hedged prices of $5.24 per Mcf and $77.70 per Bbl; and
- No additional significant acquisitions or divestitures.

# Summary

## 2009

- Low natural gas prices impacted the electric utilities, oil and gas and energy marketing segments
- Tight basis spreads limited energy marketing margin opportunities
- Mild summer weather had negative impact on electric utility performance

## 2010

- Pending rate case settlements should provide strong earnings growth
- Forward price curves for natural gas provide opportunity for improvement
- Energy marketing expects better margins, particularly from natural gas storage

# Q&A

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# Appendix

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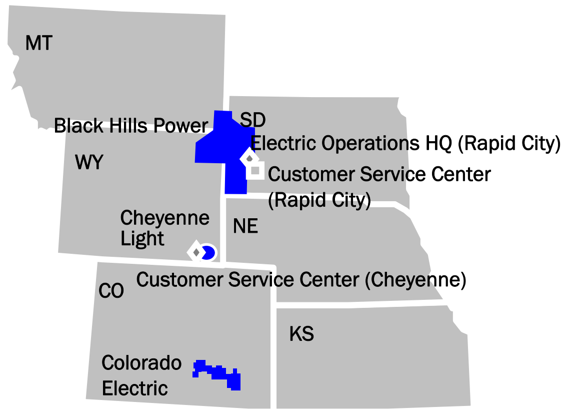
# Electric Utilities

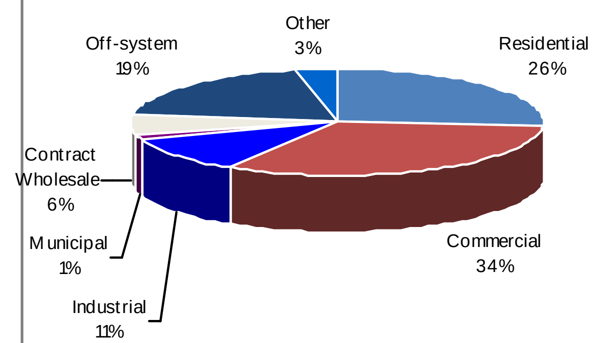
## Operational Summary

- Our electric utilities generate, transmit and distribute electricity to approximately 202,100 customers
- Includes the operations of Black Hills Power (SD, MT, & WY), Cheyenne Light (WY), and BHE – Colorado Electric (CO)
- Includes 630 MW's of generation and 7,909 miles of transmission and distribution lines
- 881 MW total summer peak demand (2008)
- Cheyenne Light also distributes natural gas to approximately 33,300 customers in Wyoming
- BHE - Colorado Electric acquired on July 14, 2008
- Happy Jack Wind Farm PPA (CLFP: 10 MW; BHP: 20 MW)
- CLFP 20 year purchased power agreement for 30 MW of wind energy from Silver Sage Wind Farm

## Service Areas




## Revenue by Customer Class




**Black Hills Power**
- Wygen III power plant construction project on schedule and under budget ($191 million net investment)
- South Dakota rate case filed 9/30/09 for $32 million revenue increase
- Wyoming rate case filed 10/19/09 for $3.8 million revenue increase
- New winter peak load of 407 MW on 12/14/2008 – all time peak of 430 MW (7/2007)
- Rapid City AC-DC-AC transmission tie provides unique interconnection between the Western and Eastern transmission grids

**Cheyenne Light**
- Wygen II in service and in rates on January 1, 2008
- New all-time peak load of 176 MW on 12/14/2008

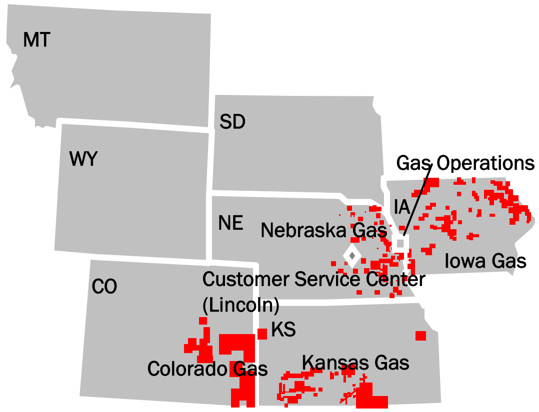
**Black Hills Energy – Colorado Electric**
- CO PUC decision on March 25, 2009 allowing utility to build two LMS-100 natural gas turbines.
- 200 MW 20 Year PPA with BH Colorado IPP
- All-time peak load of 376 MW on 8/1/2008

# Gas Utilities

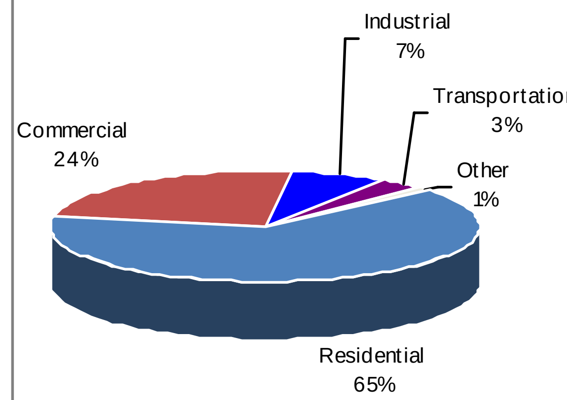
## Operational Summary

- Distributes natural gas to approximately 524,000 customers in CO, IA, KS, and NE
- Includes operations of Black Hills Energy utilities operating in Colorado, Iowa, Kansas and Nebraska acquired on July 14, 2008
- Includes 629 miles of interstate gas transmission pipelines and 7,878 miles of gas distribution mains and service lines

## Service Areas




## Revenue by Customer Class




## Black Hills Energy – Gas Utilities *

- BHE - Colorado Natural Gas rate case implemented April 1, 2009 representing $1.4 million increase
- BHE - Iowa Gas rate case implemented June 1, 2009 representing $10.8 million (5.8%) increase. Fixed monthly customer charge increased to 51.4% from 48.6%
- BHE - Kansas Gas rate case implemented June 1, 2007 representing $5.1 million increase
- BHE - Nebraska Gas rate case implemented April 1, 2008 representing $9.2 million increase

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

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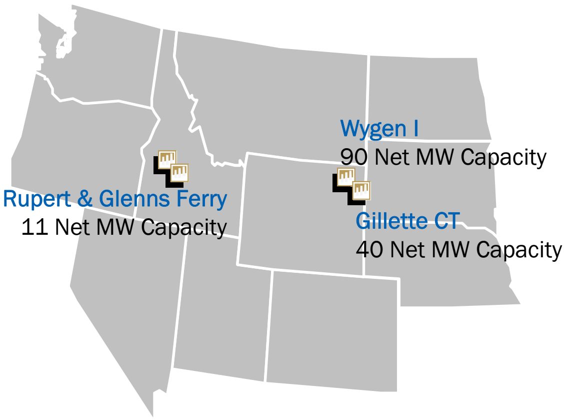
# Power Generation

## Operational Summary

- Smaller plant approach to incremental growth; facilitates technology implementation
- Operate IPP and utility assets with same core management and support team
- Includes 120 MW net generation capacity (reflects 23.5% sale of Wygen I to MEAN in January 2009)
- During July 2008, sold seven IPP plants with 974 MW of capacity for $840 million
- Plant availability was 95.9% in 2008
- Anticipate opportunity to participate in new generation RFP's in the Western Region particularly for peaking resources (good example is the BHE - Colorado Electric ERP process)

## Generation Locations




## Construction Projects Managed

| Name | Fuel | Size | In-Service Date |
|---|---|---|---|
| Neil Simpson II (WY) | Coal | 90MW | 9/1995 |
| Neil Simpson CT (WY) | Gas | 40MW | 6/2000 |
| Valmont Unit #1 (CO) | Gas | 40MW | 5/2001* |
| Valmont Unit #2 (CO) | Gas | 40MW | 7/2001* |
| Gillette CT (WY) | Gas | 40MW | 4/2001 |
| Harbor CC (CA) | Gas | 28MW | 6/2001* |
| Fountain Valley (CO) | Gas | 240MW | 7/2001* |
| Lange CT (SD) | Gas | 40MW | 3/2002 |
| Las Vegas CC (NV) | Gas | 224MW | 9/2002* |
| Arapahoe CC (CO) | Gas | 130MW | 10/2002* |
| Wygen I (WY) | Coal | 90MW | 1/2003 |
| Wygen II (WY) | Coal | 95MW | 2/2008 |
| Valencia (NM) | Gas | 149MW | 6/2008* |
| Wygen III (WY) | Coal | 110MW | 4/2010** |
| BHE-COE PPA (CO) | Gas | 200MW | 1/2012** |
| BHE-COE Utility (CO) | Gas | 176MW | 1/2012** |
| TOTAL | | 1732MW | 16 Projects |

## Power Generation

- Proven experience in planning, permitting, constructing and operating power plants
- Pursuing opportunities to provide gas-fired peaking resources to other utilities; increased need for peaking facilities due to use of renewables
- Sell capacity and energy under combination of mid-to long-term contracts
- Currently sell approximately 99% of our unregulated generating capacity under contracts having terms greater than one year
- 200 MW 20 Year PPA with BHE – Colorado Electric; $240-$265 million project to be completed by 1/1/2012

* Sold 7/2008
** Under construction / project in-process

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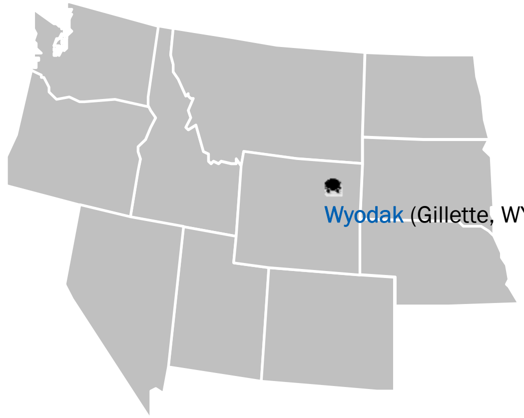
# Coal

## Operational Summary

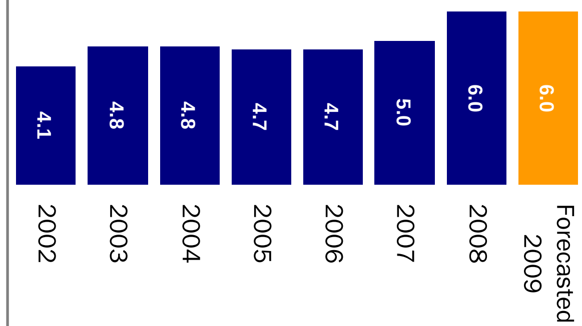
- Includes approximately 274 million tons of low-sulfur Powder River Basin coal for low-cost, mine-mouth generation: a 42 year supply at expected production rates
- Forecasted 2009 production consistent with 2008
- Long-term assets matched to long-term contracts: BH Power and CLF&P contracts are life-of-plant; PacifiCorp plant contracts are long-term
- Coal supply supports potential expansion of low-cost baseload generation
- 600,000 tons of annual coal production increase for Wygen III (2010)

## Facility Location




## Coal Production

(millions of tons)




## Coal Mining

- Manage overburden removal to meet increased overburden to coal ratio
- Increase staffing levels and manage new shift schedules to meet increased production and overburden removal targets
- Ensure adequate profit margins on all coal sales contracts
- Pursue other local/regional coal sales opportunities
- Expect minimal impact if new fly ash regulations are passed as a result of recent TVA ash dam failure

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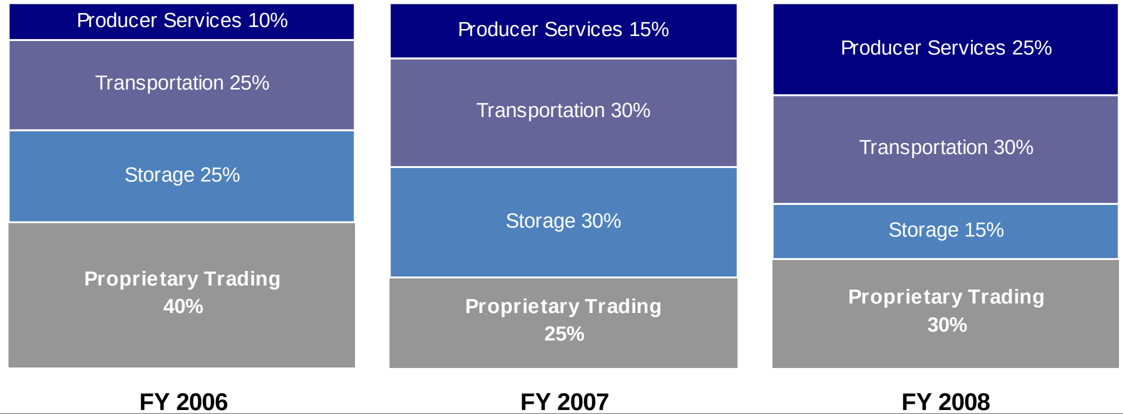
# Energy Marketing

## Operational Summary

- Doing business under the name Enserco
- Two offices located in Golden, CO and Calgary, Alberta
- Includes Crude Oil Marketing and Producer Services
- Long-term storage and transportation contracts create potential for earnings growth with strong upside potential
- Natural gas storage contracts with capacity of 5.8 Bcf*
- Natural gas transportation contracts with 273.2 Bcf total volumes*
- Conservative approach to risk management; stand-alone credit facility
- Maintains stand-alone committed credit facility of $300M

## Four Primary Business Strategies

(by approximate % gross margin – rounded to nearest 5%)




**Producer Services:** Marketing services for independent natural gas and crude oil producers

**Transportation:** Balanced portfolio of short term and long term natural gas transportation contracts with geographic diversification

**Storage:** Leased storage capacity with rights to inject or withdraw natural gas up to a predetermined maximum daily quantity for term of contracts

**Proprietary Trading:** Utilize knowledge of the energy marketplace and customer relationships to create value

* Information from 2008 10K

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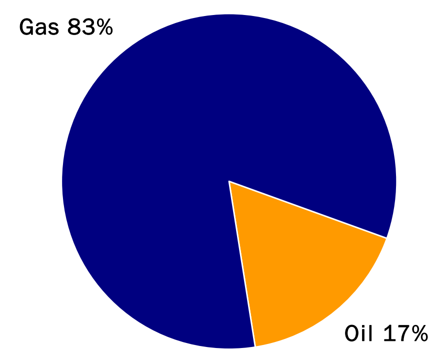
# Oil & Gas

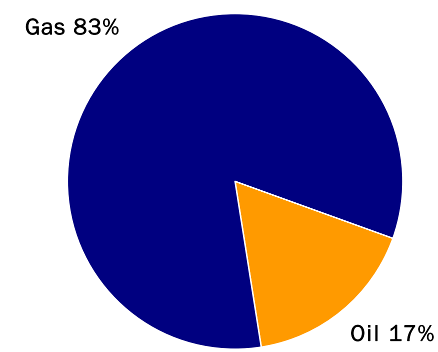
## Operational Summary

- Includes operated wells in San Juan Basin, Powder River Basin, Big Horn Basin, Piceance Basin and Denver Julesberg Basin
- Includes non-operated wells in California, Louisiana, Montana, North Dakota, Oklahoma, Texas, and Wyoming
- Compared to prior year, 2008 Bcfe production down 7%: Gas down 8%, oil down 5%
- Year end 2008 186 Bcfe year-end reserves; 11% reduction compared to prior year mostly driven by low YE commodity prices: 77% reserve replacement
- Cash flows stabilized with ongoing hedging strategy - up to 75% of our natural gas and 100% of our crude oil production from proven producing reserves to be hedged for a period up to two years in the future

## 2008 YE Reserves

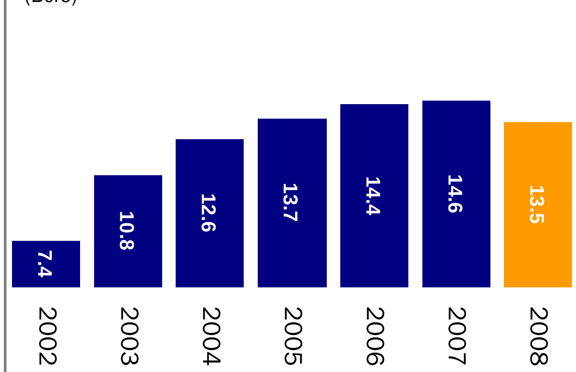



## 2008 YE Production



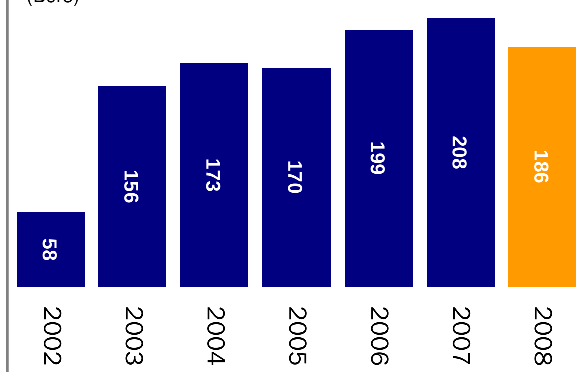

## Gas & Oil Production

(Bcfe)




## Gas & Oil Reserves

(Bcfe)

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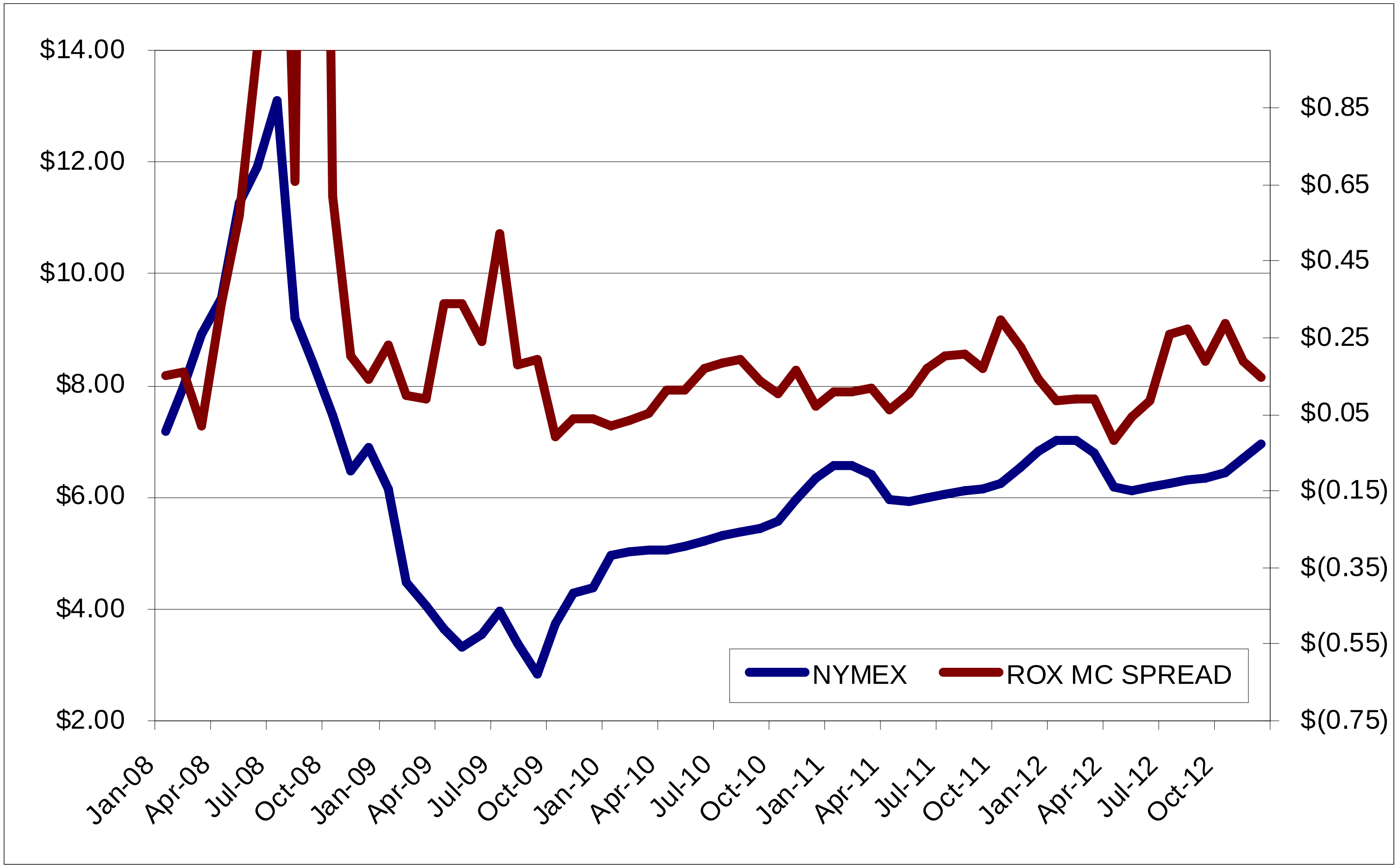
# Energy Marketing – Natural Gas Market Update

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# Black Hills Power SD Rate Case

| | Requested |
|---|---|
| **Date** | September 30, 2009 (filed) |
| **Revenue Increase** | $32 million |
| **ROE** | 11.5% |
| **Cap Structure** | 48% debt / 52% equity |
| **Rate Base** | $393 million |
| **Average Monthly Residential Customer Increase** | $17.99<br>*Using an average usage of 600 KWh / month* |

- Recover investments in the 110 MW Wygen III power plant, other transmission and distribution facilities along with increased operating expenses since 2005
- Black Hills Power's rates, when adjusted for inflation, will be approximately equal to what they were in 1995
- 25% of Wygen III was sold to MDU and closed 4/9/09 with $32.8 million progress payment ($191 million net investment)
- Last rate case was effective January 2007 based on 2005 costs
- Must be approved by the South Dakota Public Utilities Commission. First public hearings expected before end of 2009

# Black Hills Power WY Rate Case

| | Requested |
|---|---|
| **Date** | October 19, 2009 (filed) |
| **Revenue Increase** | $3.8 million |
| **ROE** | 11.5% |
| **Cap Structure** | 48% debt / 52% equity |
| **Rate Base** | $27.6 million |
| **Average Monthly Residential Customer Increase** | $19.44<br>*Using an average usage of 600 KWh / month* |

- Recover investments in the 110 MW Wygen III power plant, other transmission and distribution facilities along with increased operating expenses since 1995
- Black Hills Power's rates, when adjusted for inflation, will be approximately equal to what they were in 1995
- 25% of Wygen III was sold to MDU and closed 4/9/09 with $32.8 million progress payment ($191 million net investment)
- Last rate case was effective in 1995 based on 1994 costs
- Must be approved by the Wyoming Public Service Commission. Public hearings expected in early 2010

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# Efficient Cost Recovery

| Regulated Jurisdiction | Cost Recovery Mechanisms * | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | DSM/ Energy Efficiency | Capital Additions | Bad Debt | Weather Normal. | Fuel Cost | Trans-mission | Purchased Power | Fixed Cost Recovery |
| BHP - South Dakota | | | | | ☑ | ☑ | ☑ | |
| BHP - Wyoming | | | | | | | | |
| BHP - Montana | | | | | ☑ | | ☑ | |
| BHP - FERC | | | | | | ☑ | | |
| CLFP - Electric Customers | | | | | ☑ | ☑ | ☑ | |
| CLFP - Gas Customers | | | | | ☑ | N/A | N/A | |
| BHE – Colorado Electric | ☑ | | | | ☑ | ☑ | ☑ | |
| BHE – Colorado Gas | ☑ | | | | ☑ | N/A | N/A | 43% |
| BHE – Iowa Gas | ☑ | | | | ☑ | N/A | N/A | 51.4% |
| BHE – Kansas Gas | | ☑ | ☑ | ☑ | ☑ | N/A | N/A | 65% |
| BHE – Nebraska Gas | | ☑ | ☑ | | ☑ | N/A | N/A | 48% |

* Refer to pages 23-30 of the 2008 10K for more specific information.

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# Utility Energy Efficiency & Renewable Programs

*Expanding our renewable energy portfolio at reasonable rates for customers*

National Wind For Schools Project - Box Elder, SD (2.4 KW)

**Black Hills Power**
- National Wind For Schools project includes installation of a 2.4 KW wind generator in Box Elder, SD
- Donation to construct a renewable energy research complex at South Dakota School of Mines in Rapid City, SD
- Happy Jack Wind Farm PPA (20 MW); Silver Sage Wind Farm PPA (15 MW)

**Cheyenne Light**
- Happy Jack Wind Farm PPA (10 MW); Silver Sage Wind Farm PPA (15 MW)

**BHE – Colorado Electric**
- Advanced Metering Infrastructure project phase two completed (total project 56,500 meters)
- Customer project; 1.2 MW photovoltaic solar at Colorado State University
- 3 Year Energy Efficiency / Demand Side Management plan approved
- City of Pueblo LED street light pilot project

**BHE – Colorado Gas**
- 3 year Energy Efficiency / Demand Side Management plan approved

**BHE – Iowa Gas**
- Received 2009 Energy Star® Leadership In Housing Award
- Energy efficiency campaign that includes customer rebates and website with customer tips

**BHE – Nebraska Gas**
- Automatic Meter Reading project

**Company-wide**
- All three Black Hills electric utilities selected for smart grid investment grant funding totaling $16.7 million from the DOE
- 2009 Power of Trees program – 234 trees planted in 29 communities
- 2009 Weatherization program – planning for Fall implementation

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# DOE Smart Grid Stimulus Grant

- All three Black Hills electric utilities selected for smart grid investment grant funding totaling $16.7 million from the DOE
  - Black Hills Energy – Colorado Electric: $6.1 million
  - Black Hills Power: $5.6 million
  - Cheyenne Light: $5 million
- Funds used to install approximately 149,000 smart meters and related infrastructure
- Subject to negotiation of final terms and conditions between the company and the DOE
- Only investor-owned electric utilities selected in CO, SD, & WY

# 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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