



News Release

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BLACK HILLS ENERGY RECEIVES APPROVAL FROM IOWA UTILITIES BOARD TO IMPLEMENT NEW NATURAL GAS SERVICE RATES

More than \$25 million invested to maintain reliable distribution system and sustain quality service

WEST DES MOINES, Iowa, June 3, 2009 – Black Hills Energy’s Iowa natural gas utility, a part of Black Hills Corporation (NYSE: BKH), today received approval from the Iowa Utilities Board (IUB) to implement new natural gas service rates for its Iowa residential, commercial and industrial customers that are anticipated to go into effect by July 31, 2009.

The approved rates allow Black Hills Energy to recover capital investments made in the company’s Iowa natural gas distribution system and offset increasing operating costs due to inflation since the utility’s last rate increase in March 2006. Since then, Black Hills Energy and its predecessor Aquila have invested more than \$25 million in its Iowa natural gas delivery system to maintain and improve service reliability and safety, and to expand its utility to serve new customers.

The new rates represent approximately \$10.4 million, or 5.8 percent, in additional annual revenues for the company’s Iowa natural gas operations. The increase is based on a return on equity of 10.1 percent with a capital structure of 51.4 percent equity and 48.6 percent debt. The rate design provides for 56.4 percent of costs to be recovered through the fixed monthly customer charge, up from 48 percent before the rate case, with the remainder recovered through a variable charge on the natural gas used by customers.

“Black Hills Energy is committed to providing our customers with safe, reliable natural gas service at a reasonable cost,” said Tracy Peterson, vice president of Iowa natural gas operations for Black Hills Energy. “This requires ongoing investments in our utility infrastructure to maintain and grow our distribution system to meet the needs of the communities and businesses we serve.”

The company filed its rate increase request with the IUB on June 2, 2008, and as allowed by Iowa law, interim rates became effective on June 15 while the rate case was being reviewed. Interim rates remain in place until the new approved rates go into effect.

The new rates affect only 27 percent of a typical Iowa customer's bill. The remaining 73 percent of the monthly bill accounts for the cost of the natural gas commodity and is a pass-through cost that Black Hills Energy pays to its natural gas suppliers. The utility does not earn a profit on the natural gas commodity and therefore it was not part of this rate case.

The new approved rates include changes to the monthly customer charge (a flat fee for natural gas service that stays the same each month) and the base rate (a fixed per-therm rate for the natural gas consumed by customers that causes the monthly customer bill to go up or down depending on usage). These charges cover a portion of the company's operating costs, including distribution system maintenance and improvements, 24-hour customer service support, and line extensions to serve new Black Hills Energy Iowa natural gas utility customers.

When the new rates become effective, the monthly customer charge will remain at \$15.60 for residential customers and \$23.60 for commercial and industrial customers, the same monthly charge customers have been paying since interim rates were implemented in June 2008. Before this rate case, the monthly customer charges were \$10.74 and \$19.75, respectively. The base rate for the general service class, which includes residential, commercial and industrial customers, will increase from \$0.11868 per therm to \$0.12538 per therm. This rate will be further adjusted for recovery of the rate case expenses once the final reconciliation is completed by Black Hills Energy and is reviewed by the IUB, which is anticipated to occur by July 31, 2009.

Bill comparison for Black Hills Energy Iowa customers (pre-rate case filing compared to new rates as approved by the IUB)

Typical monthly customer bill (based on average annual usage)

	Pre-rate case	Final / New	Change
Residential: Using 804 therms per year	\$73.11	\$78.56	\$5.45 or 7.45%
Commercial & Industrial: Using 3,356 therms per year	\$276.57	\$286.30	\$9.73 or 3.52%

“These are challenging economic times and we realize any increase in service rates may create hardships for our customers. Black Hills Energy offers many programs and services to help customers manage their natural gas bills and control energy usage,” continued Peterson. “We work

diligently to keep our costs as low as possible and operate our facilities efficiently. We are proud to provide our Iowa customers with the natural gas they need and to partner with them to build strong communities.”

Black Hills Energy encourages customers to visit www.blackhillsenergy.com to learn more about energy saving tips, payment options, energy efficiency programs and incentives available to the company’s Iowa residential and non-residential customers.

Black Hills Energy - Iowa Gas

Black Hills Energy serves 149,500 natural gas customers in 130 Iowa communities. Black Hills Energy is part of Black Hills Corp. (NYSE: BKH).

Black Hills Corporation

Black Hills Corp. — a diversified energy company with a tradition of exemplary service and a vision to be the energy partner of choice — is based in Rapid City, S.D., with corporate offices in Golden, Colo., and Omaha, Neb. The company serves 759,000 utility customers in Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. The company’s non-regulated businesses generate wholesale electricity, produce natural gas, oil and coal, and market energy. Black Hills employees partner to produce results that improve life with energy. More information is available at www.blackhillscorp.com.

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