



News Release

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DEPARTMENT OF ENERGY SELECTS THREE BLACK HILLS ELECTRIC UTILITIES FOR SMART GRID PROJECT FUNDING

Black Hills electric utility customers in Colorado, South Dakota and Wyoming can benefit from new technology

RAPID CITY, S.D., Oct. 28, 2009 — Black Hills Corp. (NYSE: BKH) announced today that the Department of Energy has selected each of its electric utility subsidiaries, Black Hills Energy – Colorado Electric, Black Hills Power and Cheyenne Light, Fuel & Power, for smart grid investment grant funding totaling \$16.7 million. The DOE funds are made available under the American Recovery and Reinvestment Act of 2009 and subject to negotiation of final terms and conditions between the company and the DOE. If negotiations are successful, the funds will enable the installation of about 149,000 smart meters and related infrastructure associated with specific projects in the company’s Colorado, South Dakota and Wyoming electric service territories.

Specifically, Black Hills Energy – Colorado Electric received preliminary approval for \$6.1 million in matching funds for the installation of an additional 42,000 smart meters and communications infrastructure that will help facilitate automated meter reading and provide a pilot for a dynamic pricing program in their southeastern Colorado service area. Black Hills Power received preliminary approval for \$5.6 million in funds toward the installation of 69,000 smart meters, along with the communications infrastructure, IT software and equipment necessary to initiate a smart grid system in their service area in western South Dakota and Wyoming. Cheyenne Light received preliminary approval for \$5 million in matching funds toward the installation of 38,000 smart meters and communications infrastructure that will provide the foundation for consumers to better monitor their energy consumption in and around Cheyenne, Wyo.

“We are pleased that our three electric utility applications were among the 100 selected by the DOE for funding and were chosen from the more-than 400 that were submitted for review,” said David R. Emery, chairman, president and chief executive officer of Black Hills Corp. “We will

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evaluate the Department of Energy's proposal and hope to move forward with projects that will benefit our customers, communities and shareholders."

A total of \$3.4 billion was awarded by the DOE as part of the American Reinvestment and Recovery Act of 2009. These funds will be matched by additional industry funding for a total public-private investment worth more than \$8 billion. The DOE expects to hold briefings with those who received funding notices during the week of Nov. 16, and then, one-on-one negotiations will begin. Grant recipients can expect questions and comments about their project applications that will help determine the final award amounts and other details. In Colorado, South Dakota and Wyoming, the Black Hills Corp. subsidiaries were the only investor-owned electric utilities selected to receive the DOE funding.

About 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 natural gas and electric 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.

Caution Regarding Forward Looking Statements

This news release 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

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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.

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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