



News Release

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BLACK HILLS POWER COMPLETES NEW SEVEN YEAR POWER PURCHASE AGREEMENT WITH THE CITY OF GILLETTE

RAPID CITY, SD, Mar. 16, 2010 — Black Hills Corp. (NYSE: BKH) today announced that its electric utility subsidiary, Black Hills Power, has completed a seven-year power purchase agreement with the City of Gillette, Wyo., that replaces a previous agreement and provides an option to purchase 23 percent of Wygen III, a 110 megawatt coal-fired generation facility that is nearing completion and expected to begin commercial operations on April 1, 2010.

The new agreement becomes effective when Wygen III becomes operational. It also recovers the costs associated with ownership and operation until the city completes the purchase of its share of the generation facility. Montana-Dakota Utilities previously purchased a 25 percent ownership interest in Wygen III in April 2009.

“It is great to continue our partnership with the City of Gillette, and we expect them to exercise their option to purchase later this year. This transaction has been in development for some time, so the completion of this new agreement and the option to purchase have no impact on the Black Hills Power pending South Dakota or Wyoming rate requests because the benefits were anticipated and included in the original rate filings,” said Chuck Loomis, operating vice president for Black Hills Power. “We are pleased our partnerships with City of Gillette and MDU have created value. Their agreement to participate in the ownership of Wygen III lowers the overall costs associated with the facility for Black Hills Power customers.”

The purchase option, which is subject to approval by the board of directors of Black Hills Power, provides that the City of Gillette would pay approximately \$62 million for 23 percent ownership. In addition, related agreements specify that the city would pay Black Hills Power for ongoing administrative services and its share of the costs to operate the facility. The coal to fuel the plant will be purchased from the nearby Wyodak Mine, which is owned and operated by Wyodak Resources Development Corp, also a Black Hills Corp. subsidiary.

BLACK HILLS POWER

Black Hills Power is the legacy utility business of Black Hills Corp. (NYSE: BKH) and has been delivering energy for more than 125 years. The electric utility serves 66,900 customers in 25 communities in western South Dakota, northeastern Wyoming and southeastern Montana.

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 Denver and Omaha, Neb. The company serves 763,300 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, including the completion of the sale of 23 percent interest in Wygen III and the impact on customers 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.

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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