

## DEFINITIVE AGREEMENTS REACHED

### Black Hills to acquire utility properties

- On February 7, 2007, Black Hills Corporation (NYSE: BKH) announced definitive agreements to acquire certain Aquila utility operations in Colorado, Kansas, Nebraska and Iowa, subject to regulatory and other approvals and customary closing conditions.
- The deal is expected to be completed in about a year, for a purchase price of \$940 million, subject to working capital adjustments at closing.
- Black Hills has obtained a bridge financing commitment in advance of permanent financing. We expect to finance the deal with a combination of equity, mandatory convertible securities, corporate-level debt, and internally generated cash resources.
- We expect to maintain our investment-grade credit rating.

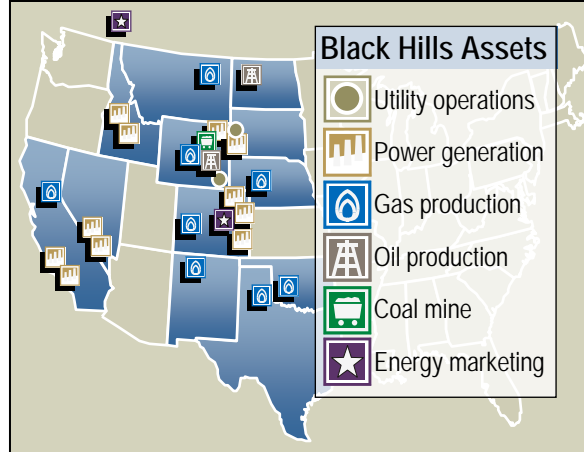
## A LOOK AT THE COMBINED COMPANY

(Based on recent public information)

■ Total assets	~ \$3 Billion
■ Regulated customers:	
Electric	197,000 Customers
Gas	556,000 Customers
Total regulated customers	753,000 Customers
■ Power generation resources:	
Regulated, operated	537 MW
Regulated, contracted	398 MW
Regulated, under construction	90 MW
Independent power production	992 MW
Total generation resources	2,018 MW
■ Natural gas and oil reserves	~ 199 BCFE
■ Coal reserves	~ 285 Million tons
■ Natural gas marketing average daily physical volume	1.6 Million MMBTU
■ Regulated utility operations in 7 states	
■ Wholesale energy operations in 12 states	



## DIVERSIFIED ENERGY ASSETS



### Black Hills Corporation in brief

We are a diversified energy company with retail and wholesale operations in 12 states, extending from the Midwest to the West Coast. Corporate headquarters are in Rapid City, SD with wholesale energy subsidiary offices in Golden, CO.

- **Black Hills Power.** Our legacy electric utility serves 64,000 customers primarily located in western South Dakota, and also serves parts of Wyoming and Montana.
- **Cheyenne Light, Fuel & Power.** Acquired in 2005, this gas and electric utility serves 39,000 electric and 33,000 gas customers in Cheyenne and parts of Laramie County, WY.
- **Black Hills Exploration and Production.** Our oil and gas operations had ~199 BCFE of proven natural gas and oil reserves at YE 2006. About 82% of total reserves are gas. Production in 2006 was 14.4 BCFE. Primary operations are in San Juan Basin (NM), Piceance Basin (CO) and Powder River Basin (WY).
- **Black Hills Generation.** We own 992 MW of independent power production (IPP), primarily in Wyoming, Colorado, Nevada and California. Most of the fleet serves peaking and intermediate load. Over 95% is under contract with load-serving utilities.
- **Wyodak Resources.** Our coal mine has ~285 million tons of reserves in the Powder River Basin of Wyoming. 2006 production was 4.7 million tons. Most of the coal production fuels power plants at the mine.
- **Enserco Energy.** Energy marketing is concentrated in the Rocky Mountain region. We offer producer, origination, transportation and storage services out of our Golden, CO office, with a branch office in Calgary, Alberta. Average daily physical gas volumes in 2006 were about 1.6 million MMBTU. Enserco also began oil marketing services in 2006.



## Transaction Overview



## BLACK HILLS CORPORATION

has agreed to purchase  
AQUILA'S UTILITY OPERATIONS  
IN COLORADO, KANSAS,  
NEBRASKA AND IOWA



February 2007

## CHAIRMAN'S MESSAGE

### We're here to serve.

Black Hills Corporation has signed definitive agreements to acquire certain utility assets of Aquila, Inc. located in Colorado, Kansas, Nebraska and Iowa, with Great Plains Energy, of Kansas City, Missouri, separately acquiring Aquila's other utility assets in Missouri. The deal is subject to various regulatory and other approvals and customary closing conditions. We strongly believe this transaction serves the interests of our customers, communities, employees and investors alike.



DAVID R. EMERY  
Chairman, President & CEO  
Black Hills Corporation

The merits of the transaction are strategic, economic and public-minded. Acquiring these assets will strengthen our utility operations, enhance resource planning and utilization, increase operating efficiency and help us improve financial performance.

Black Hills has a long history of successfully partnering with the communities we serve. That record includes high levels of customer service satisfaction and value-priced energy products. It also speaks to our commitment to our friends and neighbors, with whom we volunteer our time and efforts and make financial contributions to make our communities' civic, charitable and philanthropic organizations successful.

We invest for the long run, and the proposed acquisition of these fine utility assets will provide opportunities to grow and to create value for shareholders while providing safe, reliable and economical energy to our customers.

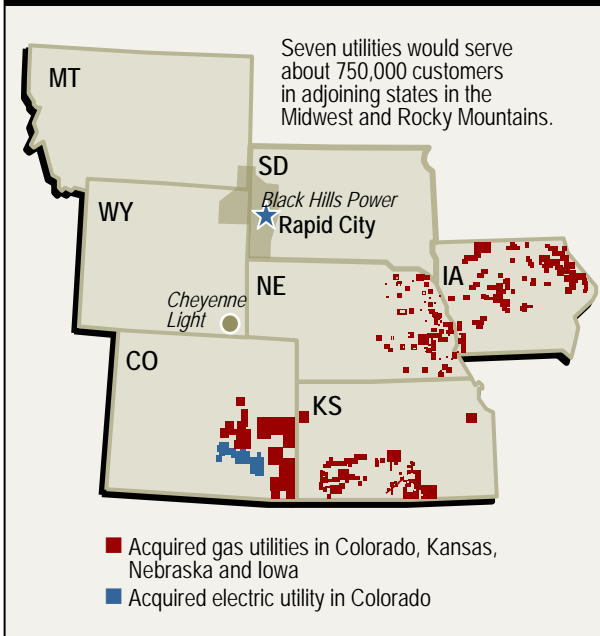
We look forward to serving more customers, in more ways, and thereby creating more value for them, our shareholders and our other constituents in the years ahead.

Thank you for your interest and support!

*David R. Emery*



## COMBINED RETAIL PRESENCE



## FINANCIAL DETAILS AND RATIONALE

- \$940 million all-cash deal; Black Hills expects to maintain investment-grade credit rating with permanent financing through a combination of equity, mandatory convertible securities, debt and internally generated cash resources.
- Solid balance sheet supports strong financial foundation.
- Stable and predictable cash flows expected: earnings per share break-even expected after a year of transitional costs, with EPS accretion beginning in second full year.
- Higher-growth utilities in Colorado reflect regional demographics; stable-growth utilities in Kansas, Nebraska and Iowa.

## STRATEGIC RATIONALE

- Expanded customer base and diverse contiguous geographic territory enhances financial stability and operating efficiencies.
- Proven Black Hills/Cheyenne business model applicable in new service territories which have similar customer and community profiles.
- Lowers overall business risk through revenue and regulatory diversification.
- Benefits extend to customers, communities, employees and investors.
- Conservatively financed transaction with strong cash flow and earnings from stable, risk-managed operations.
- Longer-term upside potential from possible power generation construction and integration opportunities in Colorado; up to 300 MW of additional base-load generation could be added to serve growing needs of electric utility.

## Caution on forward-looking statements

This brochure includes "forward-looking statements" as defined by the Securities and Exchange Commission. These statements concern our plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in the presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. They 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 conform to our expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements. Please refer to cautionary language provided in our February 7, 2007 press release on the proposed acquisition of assets, as well as our SEC Form 10-K, Form 10-Q and other public disclosures.