

Charter of the Compensation Committee of the Board of Directors Black Hills Corporation

I. Authority

This Compensation Committee Charter was initially adopted by the Board of Directors on June 17, 2003, and last revised on December 8, 2009.

II. Purpose of the Compensation Committee

The purpose of the Compensation Committee of the Black Hills Corporation Board of Directors is to discharge the Board of Director's responsibilities related to the Company's executive and director compensation philosophy, policies, and programs. The Committee is established to perform any function required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation; to execute the Board's responsibility relating to executive and Board compensation; to consider and recommend for approval by the Board all executive compensation programs, including executive benefit programs and stock ownership plans of the Company.

The Committee seeks to promote an executive compensation program that supports the overall objective of enhancing shareholder value. The goals of the program include the following:

- To attract, retain and encourage the development of highly qualified and motivated executives;
- To provide compensation that is competitive;
- To promote a relationship between pay and performance;
- To promote overall corporate performance that is linked to the interests of the shareholders;
- To recognize and reward outstanding performance.

III. Composition, Meetings and Reports of the Compensation Committee

1. The Compensation Committee shall consist of a minimum of three directors. Members of the Committee shall be appointed by the Board upon the recommendation of the Governance Committee and may be removed by the Board in its discretion. All members of the Committee shall be independent directors, and shall satisfy all legal, regulatory or New York Stock Exchange (NYSE) requirements for independence of members of the Compensation Committee, including the Securities Exchange Act of 1934, and Section 162(m) of the Internal Revenue Code. The members of the Committee must possess and maintain an adequate knowledge and understanding of Company compensation programs, alternative compensation mechanisms, and legal or regulatory rules pertaining to executive compensation.

2. The Committee shall meet at least twice each year, and subsequent to each meeting provide the entire Board a summary of the meeting and any actions taken.
3. The Committee shall prepare and publish an annual report to shareholders in the Company's proxy statement, as required by the rules of the Securities Exchange Commission.
4. The Committee shall communicate with shareholders of the Company regarding the Company's compensation programs, as deemed necessary.
5. This Charter will be published and maintained on the Company's website at "www.blackhillscorp.com."

IV. Responsibilities and Powers of the Compensation Committee

1. To establish the Company's compensation philosophy, review and approve the selection of peer groups and make compensation decisions ensuring that the compensation of senior executives and the Board of Directors are in alignment with the compensation philosophy. The Committee shall review and approve the Company's goals and objectives relevant to the President and Chief Executive Officer's compensation.
2. To assist the Board in addressing compensation issues relating to the implementation of an executive succession plan.
3. To review and recommend for approval to the Board of Directors the compensation for the President and Chief Executive Officer. Each year the Committee shall evaluate the President and Chief Executive Officer's performance in light of established goals and objectives, with input from the Independent Directors. Based upon the Committee's evaluation and recommendation the Independent Directors of the Board shall set the President and Chief Executive Officer's annual compensation, including salary, bonus, incentive and equity compensation and perquisites.
4. To review and approve on an annual basis the evaluation process and compensation structure for the Company's senior executive officers. Each year the Committee shall review the President and Chief Executive Officer's evaluation of the performance of the President and Chief Operating Officer(s) of the Business Group(s) and Chief Financial Officer in light of established goals and objectives; based upon the Committee's review and recommendation the Board shall set the annual compensation of the President and Chief Operating Officer(s) and the Chief Financial Officer, including salary, bonus, incentive and equity compensation and perquisites.

5. To review and approve each year the President and Chief Executive Officer's recommendations for compensation of other senior executive officers of the Company, including salary, bonus, incentive and equity compensation and perquisites, for such senior executive officers. The Committee shall also provide oversight of management's decisions concerning the performance and compensation of other Company officers.
6. To keep abreast of current developments in executive compensation practices outside the Company.
7. To review the Company's incentive compensation and other stock-based plans and recommend changes in such plans, for approval by the Board of Directors, as needed. The Committee shall have and shall exercise all the authority of the Board of Directors with respect to such plans, including the power to review and recommend plans, recommend opportunities and performance baselines, review and evaluate performance against goals or targets, and approve pay-outs.
8. To review and provide oversight on executive benefit plans, deferred compensation plans, equity compensation plans, and ensure the receipt of shareholder approval of such plans when required by applicable law or regulations.
9. To review stock ownership guidelines and monitor the levels of and changes in stock ownership of senior executives and directors.
10. To review and recommend for approval by the Board of Directors any employment agreements for executive officers of the Company, including change-in-control provisions, plans or agreements. Review the Company's policy and practices concerning the application of relevant provisions of the Internal Revenue Code with respect to such agreements.
11. To review and approve any severance agreements for executive officers of the Company taking into consideration application of relevant provisions of the Internal Revenue Code with respect to such agreements.
12. In consultation with management, monitor regulatory compliance with respect to executive compensation matters, including regulations pertaining to personal loans to directors and executive officers.
13. To review and discuss the Compensation Discussion and Analysis with management, and based on the review and discussion, recommend to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K and Proxy Statement.

14. The Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion.
15. The Committee shall have authority to retain and terminate such compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.
16. The Committee shall report its actions and any recommendations to the Board after each Committee meeting and shall conduct and present to the Board an annual performance evaluation of the Committee. The Committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

Charter initially adopted June 17, 2003

Charter revised on the following dates:

- December 9, 2003
- December 6, 2004
- December 5, 2005
- December 5, 2006
- December 11, 2007
- December 9, 2008
- December 8, 2009

Charter last reviewed on December 8, 2009