PUEBLO, Colo., Dec. 22, 2011 – Black Hills Corp. (NYSE:BKH) utility subsidiary Black Hills Energy – Colorado Electric today announced that the Colorado Public Utilities Commission issued an order approving a base rate increase resulting in a $10.49 million, or 4.91 percent, increase in annual utility revenues with remaining costs, which have yet to be incurred, being recouped through Black Hills Energy’s normal Energy Cost Adjustment and Transmission Cost Adjustment filings. The Commission authorized a range of 9.8 percent to 10.2 percent for a reasonable return on equity and a capital structure of 49.1 percent equity with new rates effective for service on and after Jan. 1, 2012.

“This rate decision ensures appropriate cost recovery for the new Pueblo Airport Generation Station and its associated transmission investments which are needed to provide our customers with long-term rate stability, a secure energy supply, a base from which to integrate a growing renewable resource portfolio, and a hedge against the impact of uncertain future carbon legislation. It is important to remember that the circumstances calling for the construction of these assets—a utility facing the loss of three-quarters of the energy needed to supply its customers with electricity over a very short period of time—were unprecedented in the history of Colorado utility regulation,” said Christopher Burke, vice president of Colorado utility operations – Black Hills Energy.

Black Hills Energy’s original rate request, for a $40.2 million, or 18.84 percent, increase in electric utility revenues was filed on April 28, 2011. Over the course of the normal stakeholder participation process associated with rate proceedings, Black Hills Energy filed rebuttal testimony Oct. 14, 2011. The rebuttal testimony proposed an alternative cost recovery approach, enabling the utility to mitigate some of the immediate bill impact for its customers and phase in the recovery of other expenses through normal rate adjustment mechanisms as they are incurred in 2012. Specifically, Black Hills Energy’s rebuttal testimony requested an increase of $18.3 million in base rates, with
approximately $17.5 million of additional annualized costs to be recovered in 2012 through the company’s rate adjustment mechanisms. With the Commission-approved base rate increase, the company expects to recover nearly three-quarters of the $40.2 million revenue increase originally requested.

“We fully understand the difficulties experienced by some of our customers working hard to make ends meet. Black Hills Energy has worked diligently with community and governmental stakeholders this year to establish improved payment assistance processes, payment alternatives and focused communications designed to assist those facing such hardships. When in doubt, we encourage our customers to contact our customer service center 24/7 whenever they need us,” said Burke.

Throughout the regulatory process, the Black Hills Energy rate request has undergone extensive review by the Colorado PUC, Commission Staff, the Colorado Office of Consumer Counsel and interveners, including the Pueblo Board of Water Works, the City of Pueblo and Fountain Valley Authority.

With implementation of the new rates on Jan. 1, 2012, a typical Black Hills Energy residential customer in southern Colorado using 600 kilowatt hours of power each month will pay approximately $17.50 more per month, or about $0.58 per day, and typical small-business customers using 2,300 kilowatt hours per month will pay approximately $63.78 more per month. The increase experienced by Black Hills Energy’s large commercial and industrial customers in Colorado will vary depending on rate class and the amount and nature of their electricity use. Black Hills Energy currently serves approximately 94,000 customers in southern Colorado.

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**Black Hills/Colorado Electric Utility Company, LP d/b/a Black Hills Energy**

**Black Hills Corporation**
Black Hills Corp. (NYSE: BKH) — 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 Papillion, Neb. The company serves 762,000 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’ 2,100 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
statements regarding the recovery of yet-to-be incurred costs through rate adjustment mechanisms and providing our customers with long-term rate stability, a secure energy supply, a base from which to integrate a growing renewable resource portfolio and a hedge against the impact of uncertain future carbon legislation 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 2010 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.