



March 2009

Black Hills Corporation Congressional Issues Briefing

Improving life with energy



Black Hills Corp Overview

An integrated and diversified energy company

Utilities

Gas Utilities

Colorado Natural Gas
Iowa Natural Gas
Kansas Natural Gas
Nebraska Natural Gas

Electric Utilities

Black Hills Power
Cheyenne Light, Fuel & Power *
Colorado Electric

Non-Regulated Energy

Coal

Wyodak Resources

Oil & Gas

Black Hills Exploration & Production

Power Generation

Black Hills Electric Generation

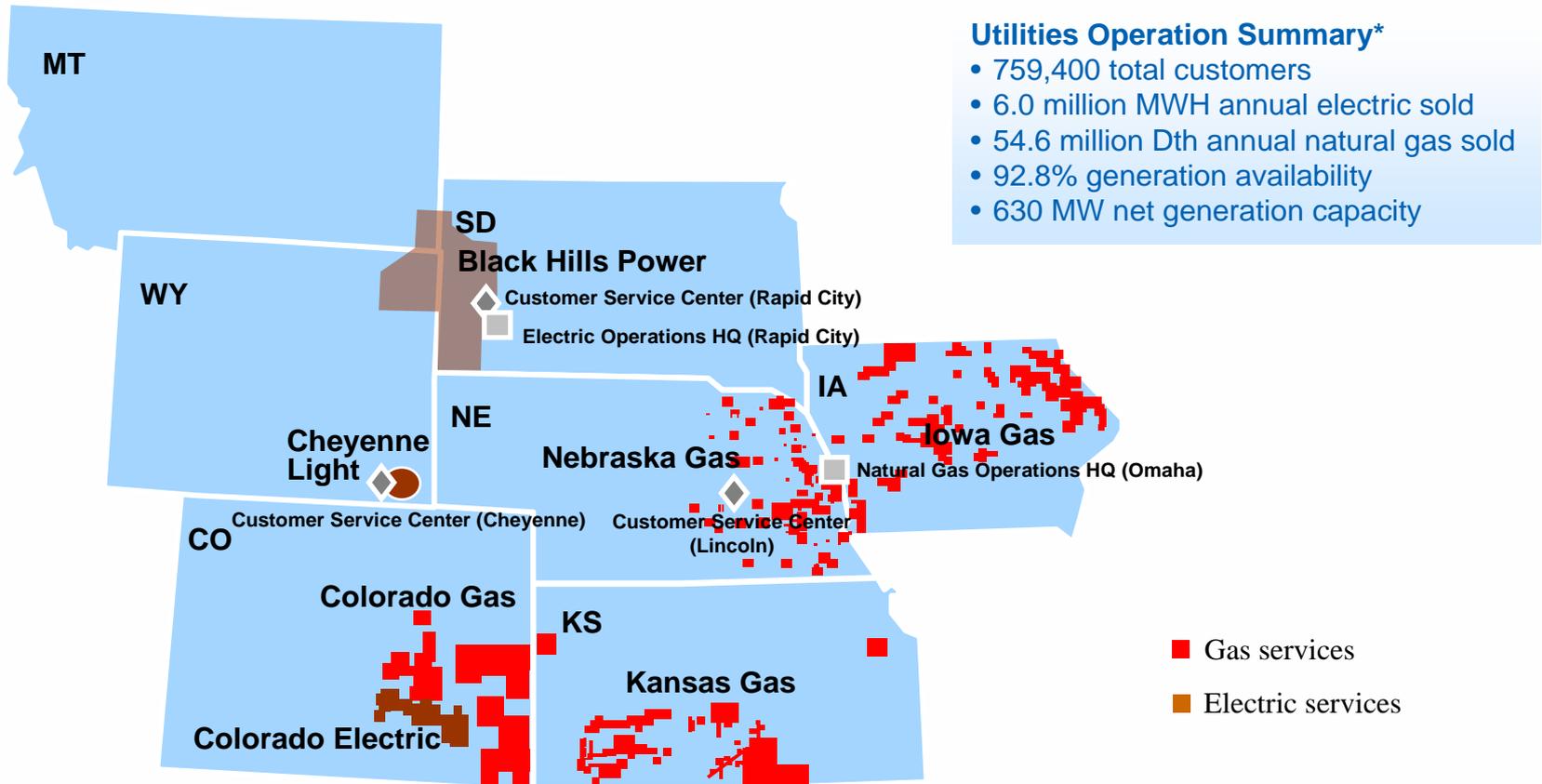
Energy Marketing

Enserco Energy

Fuel, Generation, and Utilities

* Supplies electric and gas utility service to Cheyenne, Wyoming and parts of Laramie County

Utilities Overview

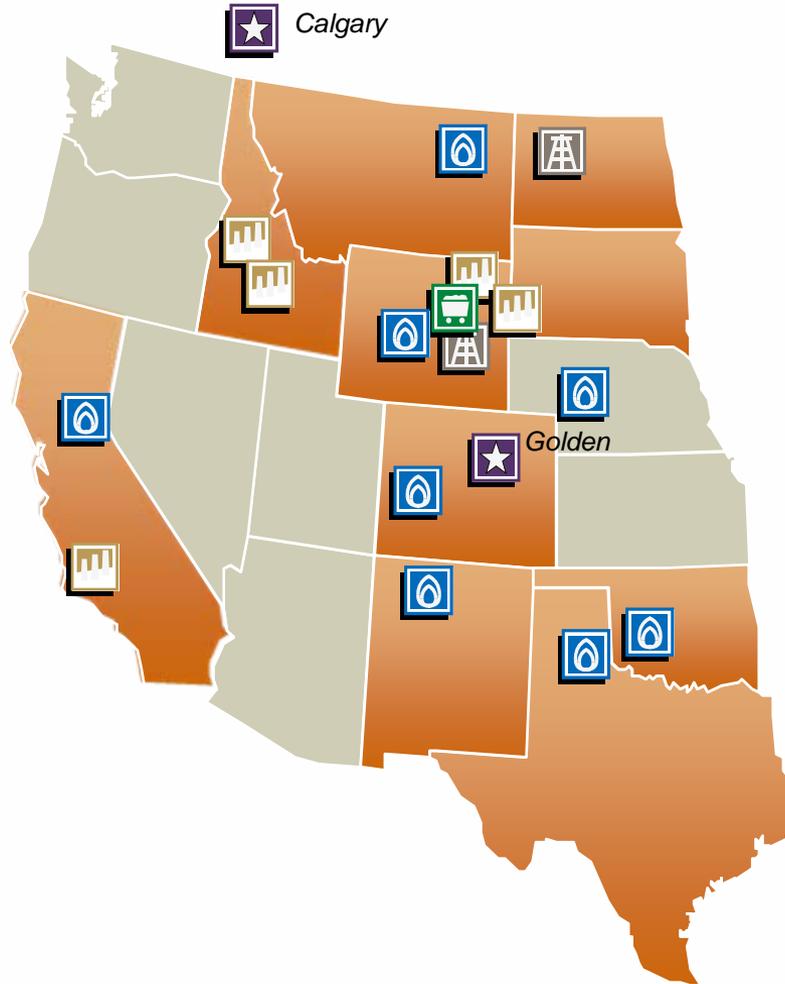


* Information as of 12/31/2008

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Non-Regulated Overview



Operation Summary *

- Doing business in 10 states and Calgary, Alberta, Canada
- Oil and gas wells in Powder River Basin, Piceance Basin and San Juan Basin
- 186 Bcfe reserves – 83% natural gas & 17% oil
- 141 MW IPP capacity
- Approximately 274 million tons of low-sulfur Powder River Basin coal for low-cost, mine-mouth electricity generation
- Energy marketing has been a profitable business every year since inception

-  Power generation
-  Gas production
-  Oil production
-  Coal mine
-  Energy marketing

* Information as of 12/31/2008

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Black Hills Corporation

Priority Federal Legislative Issues

- Renewable Electricity Standard: We could accept a reasonable RES (15% by 2020) that includes all electricity suppliers and gives utilities sufficient time for implementation.
- GHG Legislation: We support a diverse energy portfolio that includes coal. We are concerned that CO₂ compliance costs will be more than our customers and the economy can bear. CO₂ credits should be allocated to existing utility emitters with a gradual phase-in of a portion of the credits being auctioned to mitigate customer impacts.
- Dividend Tax Extension: The current dividend tax rate of 15% needs to be extended or made permanent for all taxpayers. An abrupt end to the lower tax rate may cause sell-out of utility stocks, harming the US economy further and increasing the cost of capital for utilities, thereby increasing costs to customers.
- “Employee Free Choice Act” undermines workplace democracy and reduces employees’ ability to choose whether to be represented by a union. Potential for coercion will harm employees and businesses with positive employee relations.
- We’re studying ways for our customers to benefit from programs funded by the American Recovery and Reinvestment Act of 2009.

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Renewable Electricity Standard

Renewable Electricity Standard

- Of legislation under consideration, Senator Bingaman's draft bill seems most viable in ramping up to 16% more reasonably and not exempting public power providers
- All electricity providers must be included (munis, co-ops, shareholder-owned, regardless of governance or size) if we're serious about increasing renewables and reducing greenhouse gases.
- "Renewable" should be defined broadly to allow for regional differences (hydro, pump storage, wind, solar, geothermal and biomass*).
- Significant transmission and ownership issues need to be resolved.
- Costs of renewable energy must be fully disclosed to customers.

*Biomass produced from federal lands should not be excluded.

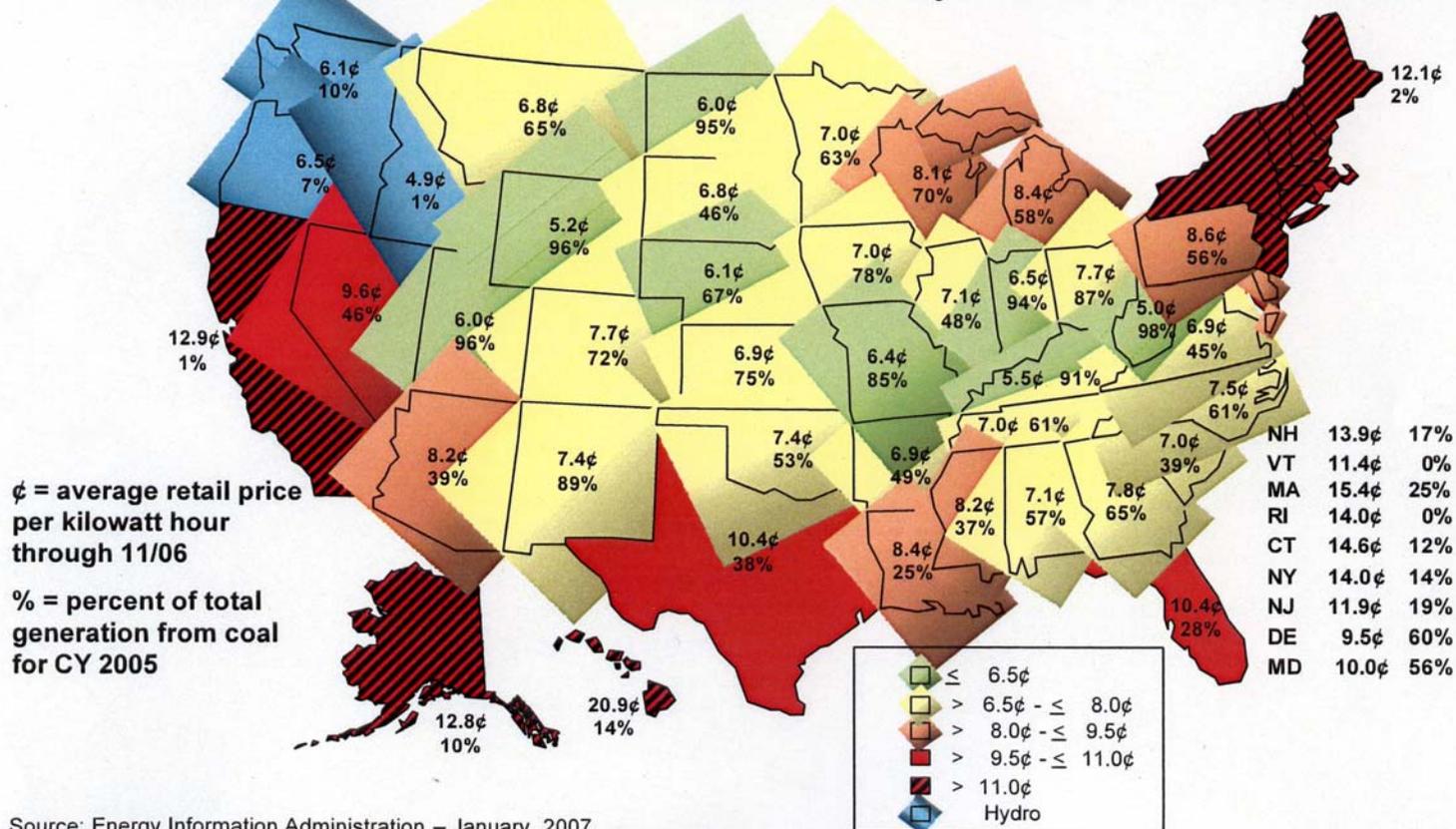
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Greenhouse Gas Legislation

States that Rely on Coal Have Affordable Electricity

Retail Cost Per kWh & Percent of Electricity Generation from Coal



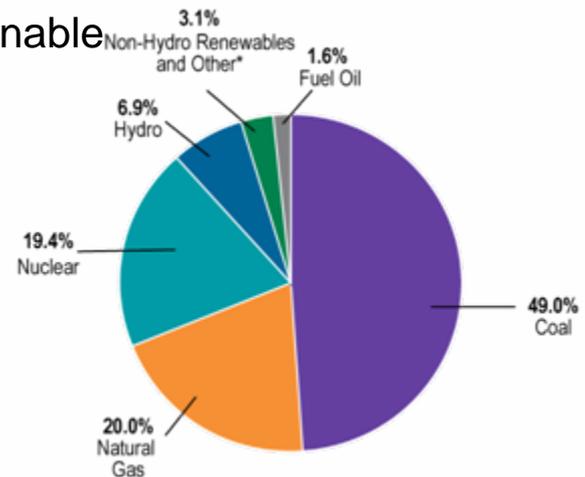
Source: Energy Information Administration – January, 2007.

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Greenhouse Gas Legislation

- Lieberman-Warner (S. 3036—110th Congress) would have required mandatory reductions on carbon emissions
 - CO₂ emissions reduced to 2005 levels by 2012;
70% of 2005 levels by 2050
 - Allowances/credits should be allocated to existing emitters with a gradual phase-in of a portion of the credits being auctioned to mitigate customer impacts.
- Proposed reductions too aggressive to be practical or attainable with current available technology.
- Negative economic impacts for compliance with proposed GHG mandate would be significant, especially for the Midwest.
- We support a diverse energy mix (see chart) with coal as a baseload fuel.



*"Non-Hydro Renewables and Other" includes generation from solar, wind, geothermal, biomass (agricultural waste, municipal solid waste, landfill gas recovery, wood, pitch), hydrogen, batteries, chemicals, non-wood waste, purchased steam, sulfur and miscellaneous technologies.

Source: U.S. Department of Energy, Energy Information Administration, Power Plant Report (EIA-920), Combined Heat and Power Plant Report (EIA-920), Electric Power Monthly (2006 Preliminary), and Electric Power Annual 2006.

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Democrats re: GHG Legislation Regional v. Political Issue

June 2008 Letter from Senate Democrats who voted for cloture on LIEBERMAN-WARNER BILL indicating that they have concerns with the bill because of the impacts on the U.S. economy and their own states. **With the current economic crisis, their concerns are even more relevant.**

“As Democrats from regions of the country that will be most immediately affected by climate legislation, we want to share our concerns with the bill that is currently before the Senate. We commend your leadership in attempting to address one of the most significant threats to this and future generations; however, we cannot support final passage of the Boxer Substitute in this current form.”

Senators who signed: Carl Levin and Debbie Stabenow (MI) John D. Rockefeller IV (WV) Claire McCaskill (MO) Mark Pryor and Blanche Lincoln (AR) Jim Webb (VA) Evan Bayh (IN) Sherrod Brown (OH) and Ben Nelson (NE)

Senators Tim Johnson (SD) Mary Landrieu (LA) Byron Dorgan (ND) and Sherrod Brown (OH) voted no on cloture, presumably because of economic impacts on their states

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Black Hills Corporation's Principles Greenhouse Gas Legislation

- Must be part of global initiative (China has surpassed U.S. in CO₂ emissions).
- Must be economy-wide and industry-wide with **no public power exemptions** (including co-ops, municipals, transportation, etc.).
- CO₂ emissions allowances should be granted; all new plants under construction prior to enactment of legislation need to be included. There needs to be a gradual phase-in of auctioning credits. **Customers, not companies, will be beneficiaries.**
- Allocation of credits should be based on CO₂ emissions rather than MWh or demand.
- Implementation timeframe needs to be practical and should not get ahead of technology; otherwise there is no benefit—only tremendous costs for our customers and economic harm to our country.
- Tax or Cap and Trade—either is still a burdensome cost customers will pay.

Climate Change Legislation Comes at a Cost

Wyoming Governor Dave Freudenthal (D):

“We need to be a player in the emerging energy economy by developing our coal, uranium and wind...Cap and trade or carbon tax both impose a cost to the economy...How do you make the system efficient and properly timed to wait for the technology to catch up?”

Nov. 20, 2008 “Economics of Climate Change” speech at Casper College

Impact of CO₂ Costs for Customers

Projected Percentage Electricity Rate Increases from CO₂ costs*

CO₂ Cost Per Ton	Cost Impact Per kWh	BHP Avg \$0.07481/kWh	CLFP Avg \$0.0863/kWh
\$20.00	\$0.0253	34%	29%
\$30.00	\$0.0380	51%	44%
\$40.00	\$0.0506	68%	58%
\$50.00	\$0.0633	85%	73%

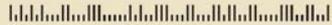
*Based on average rates for Black Hills Power and Cheyenne Light customers as of December 2008. Projected increases are based on an increase in CO₂ costs only, and do not include other potential costs increases such as natural gas or generation costs that may result from CO₂ legislation.

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Check if changes to mailing address, email or phone number entered on back of form



RESIDENTIAL CUSTOMER
1234 W ROAD ST
RAPID CITY SD 57701

\$154.43 ~~\$94.33~~ Due to:

\$154.43 ~~\$94.33~~

\$154.43 ~~\$94.33~~

Account balance: \$154.43 ~~\$94.33~~

AMOUNT ENCLOSED:

Web ID: 123456

Account Number: 12 34 567890 01

Please return top portion with payment. If paying in person please bring entire bill.

Energy Usage-Estimated Billed 02/20/09
Service From: 01/19/09 TO 02/20/09
Service Address: 1234 W ROAD ST
RAPID CITY SD

Statement Date: February 21, 2009
Billing Period: 32 days
Web ID: 123456
Account Number: 12 34 567890 01

Meter Number	Rate Code	Present Reading	Previous Reading	Difference	Multiplier	Usage	Units
98765	10	57653	56696	957	1	957	kWh

Account Billing Information

Balance Forward .00

Charges

Energy Charge---kWh	88.48
Energy Cost Adjustment	.51
Sales Tax	
Federal CO ₂ Compliance Cost @ \$50.00 per ton*	5.34
	60.10

ACCOUNT BALANCE

\$154.43 ~~\$94.33~~

Pay account balance before March 15, 2009 to avoid a late payment charge.

Customers are responsible for payment of their electric bill. Please call us at (605) 721-2660 or your local BHP office when you have questions or concerns.

Thank You For Being Our Customer!

\$154.43 ~~\$94.33~~

*Based on emission rate of 1.26 CO₂ tons MWh

Sample BHP Residential Customer Bill w/ Proposed Federal CO₂ Compliance Cost Added





\$7,524.42 ~~\$4,581.91~~ payable to:

\$7,524.42 ~~\$4,581.91~~

Check if changes to mailing address, phone number entered on back of form

SMALL COMMERCIAL CUSTOMER
1234 W ROAD ST
RAPID CITY SD 57701

10/09 \$7,524.42 ~~\$4,581.91~~
Account balance: \$7,524.42 ~~\$4,581.91~~
AMOUNT ENCLOSED:

Web ID: 123456
Account Number: 12 34 567890 01

Please return top portion with payment. If paying in person please bring entire bill.

Energy Usage-Estimated Billed 02/20/09
Service From: 01/19/09 TO 02/20/09
Service Address: 1234 W ROAD ST
RAPID CITY SD

Statement Date: February 21, 2009
Billing Period: 32 days
Web ID: 123456
Account Number: 12 34 567890 01

Meter Number	Rate Code	Present Reading	Previous Reading	Difference	Multiplier	Usage	Units
98765	30	7951	7442	509	100	50,900	kWh
	30	2.39			100	239.0	kW
87654	30	4132	3847	285	100	28,500	kVARh

Account Billing Information

Balance Forward .00

Charges

Energy Charge---kWh 2,401.49
Billing Capacity Charge-kVA 1,892.56
Energy Cost Adjustment 28.51

Sales Tax 57.34
Federal CO₂ Compliance Cost @ \$50.00 per ton* 3,196.52

ACCOUNT BALANCE \$7,524.42 ~~\$4,581.91~~

Pay account balance before March 15, 2009 to avoid a late payment charge.

Customers are responsible for payment of their electric bill. Please call us at (605) 721-2660, or visit your local BHP office when you have questions or concerns.

Thank You For Being a Customer

\$7,524.42 ~~\$4,581.91~~

*Based on emission rate of 1.26 CO₂ tons/MWh

Sample BHP Small Commercial Customer Bill w/Proposed Federal CO₂ Compliance Cost Added





\$30,790.93 ~~\$15,568.21~~ payable to:

\$30,790.93 ~~\$15,568.21~~

Check if changes to mailing address, phone number entered on back of form

SCHOOL CUSTOMER
1234 W ROAD ST
RAPID CITY SD 57701

03/10/09 \$30,790.93 ~~\$15,568.21~~
Account balance: \$30,790.93 ~~\$15,568.21~~
AMOUNT ENCLOSED:

Web ID: 123456
Account Number: 12 34 567890 01

Please return top portion with payment. If paying in person please bring entire bill.

Energy Usage-Estimated Billed 02/20/09
Service From: 01/19/09 TO 02/20/09
Service Address: 1234 W ROAD ST
RAPID CITY SD

Statement Date: February 21, 2009
Billing Period: 32 days
Web ID: 123456
Account Number: 12 34 567890 01

Meter Number	Rate Code	Present Reading	Previous Reading	Difference	Multiplier	Usage	Units
98765	52	30601	29793	808	300	242,400	kWh
	52	2.81			300	843.0	kW
87654	52	1199	1156	43	300	12,900	kVARh

Account Billing Information

Balance Forward .00

Charges

Energy Charge---kWh	10,070.50
Billing Capacity Charge-kVA	5,361.96
Energy Cost Adjustment	135.75

Federal CO₂ Compliance Cost @ \$50.00 per ton* 15,222.72

ACCOUNT BALANCE \$30,790.93 ~~\$15,568.21~~

Pay account balance before March 15, 2009 to avoid a late payment charge.

Customers are responsible for payment of their electric bill. Please call us at (605) 721-2660, or visit your local BHP office when you have questions or concerns.

Thank You For Being a Customer

*Based on emission rate of 1.26 CO₂ tons/MWh

\$30,790.93 ~~\$15,568.21~~

Sample BHP School Customer Bill w/Proposed Federal CO₂ Compliance Cost Added





\$233,856.70 ~~\$121,986.35~~ Payable to:

\$233,856.70 ~~\$121,986.35~~

Check if changes to mailing address, phone number entered on back of form

03/10/09 \$233,856.70 ~~\$121,986.35~~

Account balance: \$233,856.70 ~~\$121,986.35~~

AMOUNT ENCLOSED:

Web ID: 123456
Account Number: 12 34 567890 01

INDUSTRIAL CUSTOMER
1234 W ROAD ST
RAPID CITY SD 57701

Please return top portion with payment. If paying in person please bring entire bill.

Energy Usage-Estimated Billed 02/20/09
Service From: 01/19/09 TO 02/20/09
Service Address: 1234 W ROAD ST
RAPID CITY SD

Statement Date: February 21, 2009
Billing Period: 32 days
Web ID: 123456
Account Number: 12 34 567890 01

Meter Number	Rate Code	Present Reading	Previous Reading	Difference	Multiplier	Usage	Units
98765	34	15845	15598	247	7200	1,781.375	kWh
	34	.93			7200	6724.1	kW
87654	34	1909	1901	8	7200	62,202	kVARh

Account Billing Information

Balance Forward .00

Charges

Energy Charge---kWh	75,438.92
Billing Capacity Charge-kVA	39,642.54
Energy Cost Adjustment	6,904.89

Federal CO₂ Compliance Cost @ \$50.00 per ton* 111,870.75

ACCOUNT BALANCE \$233,856.70 ~~\$121,986.35~~

Pay account balance before March 15, 2009 to avoid a late payment charge.

Customers are responsible for payment of their electric bill. Please call us at (605) 721-2660, or visit your local BHP office when you have questions or concerns.

Thank You For Being

\$233,856.70 ~~\$121,986.35~~

*Based on emissions rate of 1.26 CO₂ tons/MWh

Sample BHP Industrial Customer Bill w/Proposed Federal CO₂ Compliance Cost Added



Our Approach to Greenhouse Gas and Renewable Standard Legislation is Pro-Active

- We have low-cost generation.
- We're voluntarily integrating renewable power (Happy Jack Wind Farm) into our generation resource mix.
- Powder River Basin is one of best locations to test new technologies such as carbon capture and storage. We currently have a grant request pending with the Department of Energy for a carbon capture and storage demonstration project at our Gillette, Wyoming energy complex. We wish to be part of the technology solution.

General Business Issues Impacting Black Hills Corporation:

Dividend Tax Rate and Employee Free Choice Act

General Business Issues Impacting Black Hills Corporation

While we're trying to maintain existing jobs and bring new jobs to the communities we serve, we face federal legislative hurdles:

- Dividend Tax Rate of 15% expires in 2010—needs to be extended or made permanent for all taxpayers.
- Employee Free Choice Act creates adversarial employee relationships and will increase costs for utility customers.

“Save our Dividend”

- 15% tax rate on dividend income will expire on December 31, 2010 unless Congress takes action.
- An abrupt end to lower tax rate may cause sell-out of utility stocks, harming the US economy further.
- More than half of taxpayers 65 and older are receiving dividend income, according to government statistics.
- Potential mandates of greenhouse gas reductions and renewable energy standards will require significant utility investment. Increasing the dividend tax rate reduces utility stock valuations, thereby increasing cost of capital, which will be passed on to customers in addition to higher costs for renewable energy and carbon reduction.

“Employee Free Choice Act”

- We support employees’ right to organize, and have effective partnerships with unions representing 35% of our employees.
- Ironically, “employee free choice act” would limit employees’ ability to choose by eliminating the mandatory secret ballot process for union elections.
- Legislation mandates binding arbitration to establish initial contract terms which will increase costs to utility customers.
- Proposed legislation undermines workplace democracy and fairness; coercive practices will harm employees and businesses.



David R. Emery - Chairman, President and CEO

Linden R. Evans - President and COO – Utilities

Kyle D. White - Vice President – Regulatory and Governmental
Affairs

Barbara Zar - Director of Federal Governmental Affairs

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