

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) August 30, 2004

BLACK HILLS CORPORATION

(Exact name of registrant as specified in its charter)

**South Dakota
(State or other jurisdiction of incorporation)**

**001-31303
(Commission File Number)**

**46-0458824
(IRS Employer Identification No.)**

**625 Ninth Street, PO Box 1400
Rapid City, South Dakota
(Address of principal executive offices)**

**57709-1400
(Zip Code)**

**605.721.1700
(Registrant's telephone number, including area code)**

**Not Applicable
(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

The Registrant has entered into certain employment related arrangements in conjunction with the August 30, 2004 appointment of David S. Smith to the position of Vice President – Controller and Chief Accounting Officer. A description of these arrangements has been provided below in Item 5.02 “Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers” of this Form 8-K.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

On August 30, 2004, David S. Smith, age 60, was appointed Vice President – Controller and Chief Accounting Officer of the Registrant. The position of Controller and Chief Accounting Officer was previously held by Roxann R. Basham, who recently was promoted to Vice President – Governance and Corporate Secretary.

Mr. Smith's career has spanned 28 years with companies in energy, telecommunications and technology. Prior to his appointment as the Registrant's Vice President – Controller and Chief Accounting Officer, Mr. Smith served in various accounting, treasury and executive roles that have given him extensive experience with business management, internal controls, financial policy, accounting and tax. From 1996 through February 2002, Mr. Smith was the Corporate Controller of Montana Power Company, which was previously a publicly traded corporation listed on the New York Stock Exchange. From April 2002 until August 2003 he served as business consultant for the publicly traded company, Touch America, working on special projects related to disputes on asset divestiture contracts. Most recently, from September 2003 until July 2004, Mr. Smith served as Controller for a privately held software company. None of Mr. Smith's prior appointments have been with the Registrant or any of its subsidiaries or affiliates.

In conjunction with Mr. Smith's appointment, Mr. Smith and the Registrant have entered into a Change in Control Agreement (form of Change in Control Agreement has previously been filed as Exhibit 10(a) to the Registrant's Form 10-K for 1995) and Indemnification Agreement (form of Indemnification Agreement has been filed as Exhibit 10.5 to this Form 8-K) as have previously been provided to other executive officers of the Registrant. The Change in Control Agreement provides for certain payments and other benefits to be payable upon a change in control and a subsequent termination of employment, either voluntary or for a good reason. The Indemnification Agreement provides indemnity to the officer against liabilities incurred in the performance of his duties to the extent allowed by South Dakota corporation law and the Registrant's Bylaws. In addition, Mr. Smith was granted, pursuant to the Registrant's Black Hills Corporation 1999 Stock Option Plan (filed as Exhibit 10.14 to the Registrant's Form 10-K for 2000), options to purchase a total of 5,000 shares of the Registrant's common stock. These options have an exercise price of \$27.75 per share and expire 10 years from the grant date (form of Option Agreement has been filed as Exhibit 10.1 to this Form 8-K).

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Item 9.01 Financial Statements and Exhibits

(c) Exhibits

- 10.1 Form of Stock Option Award Agreement
- 10.2 Form of Restricted Stock Award Agreement
- 10.3 Form of Restricted Stock Unit Award Agreement
- 10.4 Form of Performance Share Award Agreement
- 10.5 Form of Indemnification Agreement

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BLACK HILLS CORPORATION

By: /s/ Mark T. Thies
Mark T. Thies
Executive Vice President
and Chief Financial Officer

Date: September 3, 2004

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Stock Option Award Agreement
10.2	Form of Restricted Stock Award Agreement
10.3	Form of Restricted Stock Unit Award Agreement

10.4 Form of Performance Share Award Agreement

10.5 Form of Indemnification Agreement

**Black Hills Corporation Stock
Option Plan Option
Award Agreement**

Participant: _____

Date of Grant: _____

Number of Shares Covered by this Option: _____

Number of above Shares intended to be Incentive Stock Options ("ISOs") within the meaning of Internal Revenue Codess. 422: _____

Number of above shares intended to be Nonqualified Stock Options ("NQSOs"): _____

Option Price for each Share: _____

Date of Expiration: _____

This document constitutes part of the prospectus covering securities that have been registered under the Securities Act of 1933.

THIS AGREEMENT, effective as of the Date of Grant set forth above, represents the grant of stock options by Black Hills Corporation, a South Dakota corporation (the "Company") to the Participant named above, pursuant to the provisions of the Black Hills Corporation Stock Option Plan ("Plan").

All capitalized terms used herein shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein.

The Plan provides a complete description of the terms and conditions governing the Option. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement. The parties hereto agree as follows:

- Grant of Stock Options.** The Company hereby grants to the Participant an Option to purchase the number of Shares set forth above, at the stated Option Price, which is 100 percent (100%) of the Fair Market Value of a Share on the Date of Grant, in the manner and subject to the terms and conditions of the Plan and this Agreement.
- Exercise of Stock Option.** Except as hereinafter provided, the Participant may exercise this Option at any time after the end of one year following the Date of Grant as to those Shares which have become vested according to the vesting schedule set forth below, provided that no exercise may occur subsequent to the close of business on the Date of Expiration (as defined on page 1 of this Agreement).

VESTING SCHEDULE

Date	Shares for Which Option Becomes Exercisable	Cumulative Number of Shares Available for Purchase

This Option may be exercised in whole or in part, but not for less than 100 Shares at any one time, unless fewer than 100 Shares then remain subject to the Option, and the Option is then being exercised as to all such remaining Shares.

3. Termination of Employment:

- By death or Disability:* In the event of termination of employment by reason of death or disability, all Shares under this Option shall become immediately vested (100%) and the Shares may be purchased under the terms of this Agreement until the earlier of: (i) the expiration date of this Option; or (ii) the first anniversary of the date of death or Disability.
- By Retirement:* In the event of termination of employment by reason of retirement, all Shares under this Option shall become immediately vested (100%) and the Shares may be purchased under the terms of this Agreement until the earlier of: (i) the expiration date of this Option; or (ii) the third anniversary date of Retirement.
- For other reasons:* Shares which are vested as of the date of termination of employment of the Participant for any reason other than those reasons set forth in 3(a) or 3(b) above may be purchased under the terms 3 of this Agreement until the earlier of: (i) the expiration date of this Option; or (ii) 90 days following the date of termination of employment. Shares which are not vested as of the date of termination shall immediately terminate, and shall be forfeited to the Company.

4. Change in Control. In the event of a Change in Control, all Shares under this Option shall become immediately vested (100%) and shall remain exercisable for their entire term.

“Change in Control” of the Company shall be deemed to have occurred (as of a particular day, as specified by the Board) upon the occurrence of any event described in this Section 4 as constituting a Change in Control.

- (a) An acquisition (other than directly from the Company) of any Shares of the Company by any Person immediately after which such Person has Beneficial Ownership of thirty percent (30%) or more of the Shares of the Company; provided, however, in determining whether a Change in Control has occurred, Shares which are acquired in a “Non-Control Acquisition” (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A “Non-Control Acquisition” shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company; or (B) a Subsidiary; (ii) the Company or its Subsidiaries; or (iii) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);
- (b) The individuals who, as of the Effective Date hereof, are members of the Board (the “Incumbent Board”), cease for any reason to constitute at least two-thirds (2/3) of the members of the Board; provided, however, that if the election, or nomination for election by the Company’s common shareholders, of any new director was approved by a vote of at least two-thirds (2/3) of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened “Election Contest” (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a “Proxy Contest”) including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or
- (c) Approval by shareholders of the Company of:
 - (i) A merger, consolidation, or reorganization involving the Company, unless such merger, consolidation, or reorganization is a “Non-Control Transaction.” A “Non-Control Transaction” shall mean a merger, consolidation, or reorganization of the Company where:
 - (A) the shareholders of the Company, immediately before such merger, consolidation, or reorganization, own directly or indirectly, immediately following such merger, consolidation, or reorganization, at least seventy percent (70%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger or consolidation or reorganization (the “Surviving Corporation”) in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation, or reorganization;
 - (B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation, or reorganization constitute at least two-thirds (2/3) of the members of the board of directors of the Surviving Corporation, or a corporation beneficially directly or indirectly owning a majority of the Voting Securities of the Surviving Corporation; and
 - (C) no Person other than (i) the Company; (ii) any Subsidiary; (iii) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation, or any Subsidiary; or (iv) any Person who, immediately prior to such merger, consolidation, or reorganization had Beneficial Ownership of thirty percent (30%) or more of the then outstanding Voting Securities, has Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the Surviving Corporation’s then outstanding Voting Securities.
 - (ii) A complete liquidation or dissolution of the Company; or
 - (iii) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person other than (x) a transfer to a Subsidiary; or (y) a sale or transfer of a Subsidiary by the Company except if such sale or transfer would be a sale or other disposition of all or substantially all of the assets of the Company.
- (d) Notwithstanding the foregoing, (i) a Change in Control shall not be deemed to occur solely because any Person (the “Subject Person”) acquired Beneficial Ownership of more than the permitted amount of the then outstanding Common Stock as a result of the acquisition of Shares by the Company which, by reducing the number of Shares then outstanding, increases the proportional number of shares beneficially owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares by the Company, and after such stock acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares which increases the percentage of the then outstanding Shares beneficially owned by the Subject Person, then a Change in Control shall occur; and (ii) a Change in Control shall not be deemed to occur unless and until all regulatory approvals required to effect a Change in Control of the Company have been obtained.

5. **Restrictions on Transfer.** This Option may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, this Option shall be exercisable during the Participant’s lifetime only by the Participant or the Participant’s legal representative.

6. **Recapitalization.** In the event there is any change in the Company’s Shares through the declaration of stock dividends or through recapitalization resulting in stock splits or through merger, consolidation, exchange of Shares, or otherwise, the number and class of Shares subject to this Option, as well as the Option Price, may be equitably adjusted by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

7. **Procedure for Exercise of Option.** This Option may be exercised by delivery of written notice to the Company at its executive offices, addressed to the attention of its Secretary. Such notice: (a) shall be signed by the Participant or his or her legal representative; (b) shall specify the number of full Shares then elected to be purchased with respect to the Option; (c) unless a Registration Statement under the Securities Act of 1933 is in effect with respect to the Shares to be purchased, shall contain a representation of the Participant that the Shares are being acquired by him or her for investment and with no present intention of selling or transferring them, and that he or she will not sell or otherwise transfer the Shares except in compliance with all applicable securities laws and requirements of any stock exchange upon which the Shares may then be listed; and (d) shall be accompanied by payment in full of the Option Price of the Shares to be purchased, and the Participant’s copy of this Agreement.

The Option Price upon exercise of this Option shall be payable to the Company in full either: (a) in cash or its equivalent (acceptable cash equivalents shall be determined at the sole discretion of the Committee); or (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price); or (c), by a combination of (a) and (b).

The Participant may also be permitted to exercise pursuant to a "cashless exercise" procedure as permitted under the Federal Reserve Board's Regulation T, subject to securities law restrictions. In the event the Participant exercises pursuant to a "cashless exercise" procedure, any net gain on the "cashless exercise", after appropriate tax withholdings, shall be distributed to the Participant in the form of Shares.

As promptly as practicable after receipt of notice and payment upon exercise, the Company shall cause to be issued and delivered to the Participant or his or her legal representative, as the case may be, certificates for the Shares so purchased, which may, if appropriate, be endorsed with appropriate restrictive legends. The Share certificates shall be issued in the Participant's name (or, at the discretion of the Participant, jointly in the names of the Participant and the Participant's spouse). The Company shall maintain a record of all information pertaining to the Participant's rights under this Agreement, including the number of Shares for which their Option is exercisable. If the Option shall have been exercised in full, this Agreement shall be returned to the Company and canceled.

8. Beneficiary Designation. The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Secretary of the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

9. Rights as a Shareholder. The Participant shall have no rights as a shareholder of the Company with respect to the Shares subject to this Option Agreement including, without limitation, any right to dividends, until such time as the purchase price has been paid, and the Shares have been issued and delivered to him or her.

10. Continuation of Employment. This Option Agreement shall not confer upon the Participant any right to continuation of employment by the Company, nor shall this Option Agreement interfere in any way with the Company's right to terminate the Participant's employment at any time. A transfer of the Participant's employment between the Company and any one of its Subsidiaries (or between Subsidiaries) shall not be deemed a termination of employment.

11. Limitation. Participant shall not exercise any shares which are intended to be ISOs hereunder if and to the extent that the Participant would thereby be entitled to purchase Shares in any one calendar year, the value of which, determined at the time of the Date of Grant, would exceed \$100,000.

12. Miscellaneous.

- (a) This Option Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. The Committee shall have the right to impose such restrictions on any Shares acquired pursuant to the exercise of this Option, as it may deem advisable, including, without limitation, restrictions under applicable Federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Option Agreement, all of which shall be binding upon the Participant.
- (b) With the approval of the Board, the Committee may terminate, amend, or modify the Plan; provided, however, that no such termination, amendment, or modification of the Plan may in any material way adversely affect the Participant's rights under this Agreement, without the written consent of the Participant.
- (c) The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including Participant's FICA obligation) required by law to be withheld with respect to any exercise of the Participant's rights under this Agreement.

The Participant may elect, subject to any procedural rules adopted by the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having an aggregate Fair Market Value on the date the tax is to be determined, equal to the amount required to be withheld.

- (d) The Participant agrees to take all steps necessary to comply with all applicable provisions of federal and state securities law in exercising his or her rights under this Agreement.
- (e) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.
- (f) All obligations of the Company under the Plan and this Agreement, with respect to this Option, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.
- (g) To the extent not preempted by federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the State of South Dakota.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Date of Grant.

By _____

ATTEST:

Participant

**Black Hills Corporation
Omnibus Incentive Compensation Plan
Restricted Stock Award Agreement**

Congratulations on your selection as a Participant of Black Hills Corporation Omnibus Incentive Compensation Plan (the "Plan"). This Agreement and the Plan together govern your rights under the Plan and set forth all of the conditions and limitations affecting such rights. Terms used in this Agreement that are defined in the Plan shall have the meanings ascribed to them in the Plan. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall supersede and replace the conflicting terms of this Agreement.

Overview of Your Award

1. **Number of Restricted Shares Granted.** _____ Shares

2. **Date of Grant.** _____

3. **Date of Lapse of Restrictions.**

Shares

Date

4. **Employment by the Company.** This Restricted Stock is awarded on the condition that the Participant remain in the employ of Black Hills Corporation (the "Company") from the Date of Grant through (and including) the Dates of Lapse of Restrictions. The Award of this Restricted Stock, however, shall not impose upon the Company any obligations to retain the Participant in its employ for any given period or upon any specific terms of employment.

5. **Certificate Legend.** Shares of Restricted Stock granted pursuant to the Plan shall be held by the Company in book entry form and shall be designated to have the following legend:

"The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer set forth in the Black Hills Corporation Omnibus Incentive Compensation Plan and in a Restricted Stock Award Agreement. A copy of the Plan and such Restricted Stock Agreement may be obtained from the Secretary of Black Hills Corporation."

6. **Removal of Restrictions.** Except as otherwise provided in the Plan, each of the Shares of Restricted Stock granted under this Agreement shall become freely transferable by the Participant on each of the "Dates of Lapse of Restrictions" set forth on Paragraph 3 herein.

Once the shares are released from the restrictions, the Participant shall be entitled to receive certificates representing the Shares of stock which have been vested, without the restrictive legend required by Paragraph 5 of this Agreement.

Notwithstanding the terms of this Agreement, no stock shall be issued by the Corporation while its stock transfer books are closed.

7. **Voting Rights and Dividends.** During the Period of Restriction, the Participant may exercise full voting rights and is entitled to receive all dividends and other distributions paid with respect to the Shares of Restricted Stock while they are held. If any such dividends or distributions are paid in shares of Common Stock of the Company, the Shares shall be subject to the same restrictions on transferability as the Shares of Restricted Stock with respect to which they were paid.

8. **Termination of Employment By Reasons of Death, Disability, Retirement, and Vesting in Connection with a Change in Control.** In the event the Participant's employment is terminated by reason of Death, Disability, Retirement, or in the event of a Change in Control prior to the Dates of Lapse of Restrictions, all Shares of Restricted Stock then outstanding shall immediately vest one hundred percent (100%), and as soon as is administratively practicable, the stock certificates representing the Shares of Restricted Stock without any restrictions or legend thereon, shall be delivered to the Participant's beneficiary or estate.

9. **Beneficiary Designation.** The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of his or her death prior to the Dates of Lapse of Restrictions. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

10. **Termination of Employment for Other Reasons.** In the event the Participant's employment is terminated for reasons other than those described in Section 8 herein prior to the Dates of the Lapse of Restrictions, all outstanding Shares of unvested Restricted Stock granted hereunder shall immediately be forfeited by the Participant.

11. **Transferability.** This Restricted Stock is not transferable by the Participant, whether voluntarily or involuntarily, by operation of laws or otherwise, during the Restriction Period, except as provided in the Plan. If any assessment, pledge, transfer, or other disposition, voluntary or involuntary, of this Restricted Stock shall be made, or if any attachment, execution, garnishment, or client shall be issued against or placed upon the Restricted Stock, then the Participant's

right to the Restricted Stock shall immediately cease and terminate and the Participant shall promptly forfeit to the Company all Restricted Stock awarded under this Agreement.

12. **Tax Treatment.** The following is a brief summary of the principal federal income tax consequences related to grants of restricted stock. This summary is based on the Company's understanding of present federal income tax law and regulations. The summary does not purport to be complete or applicable to every specific situation.

The value of restricted stock granted to the Participant will be taxable to the Participant in the year in which it is no longer subject to substantial risk of forfeiture (i.e., when the restrictions lapse). When the restrictions lapse, there is an ordinary income tax event to the Participant equal to the number of shares multiplied by the market price of the shares at the time the restrictions lapse. The Participant must satisfy federal and state withholding requirements and may do so by having the Company sell sufficient shares to meet the withholding requirements.

The Participant has the option to make a Code Section 83(b) election on a grant of restricted stock. Code Section 83(b) allows the Participant to choose to be taxed immediately on the amounts received in connection with a substantially "nonvested" right (i.e., compensation that has not been constructively received). This is accomplished by the Participant filing an election with the IRS stating that he or she will pay ordinary income on the value as measured at the time of grant. Any future appreciation in the stock property will be treated as capital gain when sold. This election must be made within 30 days after the stock is received.

If the Participant elects Section 83(b) treatment and later forfeits the subject stock, he or she will not be entitled to any refund for the taxes paid; however, he or she will be entitled to treat the forfeiture as a sale of the stock at a loss (i.e., capital loss) (*limited to the amount paid for shares — typically zero*).

13. **Withholding.**

Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy federal, state and local taxes (including Participant's FICA obligation), domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

Share Withholding. With respect to withholding required upon the lapse of restrictions or upon any other taxable event arising as a result of the Awards granted hereunder, the Participants may elect, subject to the approval of the Board, to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

14. **Requirements of Law.** The issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

15. **Inability to Obtain Authorization.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained.

16. **Severability.** In the event any provision of this Agreement shall be held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

17. **Continuation of Employment.** This Agreement shall not confer upon the Participant any right to continuation of employment by the Company, nor shall this Agreement interfere in any way with the Company's right to terminate the Participant's employment at any time.

18. **Applicable Laws and Consent to Jurisdiction.** The validity, construction, interpretation and enforceability of this Agreement shall be determined and governed by the laws of the State of South Dakota without giving effect to the principles of conflicts of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in South Dakota and agree that such litigation shall be conducted in the courts of Pennington County or the federal courts of the United States for the District of South Dakota, Western Division.

19. **Miscellaneous.** The Plan may be amended at any time, and from time to time, by a written instrument approved by the Board of Directors of Black Hills Corporation. No termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

The Plan and this Agreement are binding upon Participant, as well as his/her heirs, executors, personal representatives, trustees, attorneys, agents, administrators, and successors.

Please refer any questions you may have regarding your restricted stock to _____. Once again, congratulations on receipt of your restricted stock.

Sincerely,

Please acknowledge your agreement to participate in the Plan and this Agreement, and to abide by all of the governing terms and provisions, by signing the following representation:

Agreement to Participate

By signing a copy of this Agreement and returning it to _____, of Black Hills Corporation, I acknowledge that I have read the Plan, and that I fully understand all of my rights under the Plan, as well as all of the terms and conditions which may limit my eligibility to exercise this Award. Without limiting the generality of the preceding sentence, I understand that my right to exercise this Award is conditioned upon my continued employment with Black Hills Corporation or its Subsidiaries.

**Black Hills Corporation
Omnibus Incentive Compensation Plan
Restricted Stock Unit Agreement**

Congratulations on your award under the Black Hills Corporation Omnibus Incentive Compensation Plan (the “Omnibus Plan”) and your participation in the Black Hills Corporation Nonqualified Deferred Compensation Plan (the “NDC Plan”) (collectively, the “Plans”). This Agreement and the Plans together govern your rights to the award and set forth all of the conditions and limitations affecting such rights. Copies of the Plans have been delivered to you. Terms used in this Agreement that are defined in the Plans shall have the meanings ascribed to them in the respective Plan. If there is any inconsistency between the terms of this Agreement and the terms of the Plans, the Plans’ terms shall supersede and replace the conflicting terms of this Agreement. By signing below, you agree to be bound by all the provisions of the Plans and this Agreement.

Overview of Your Award.

- Number of Restricted Stock Units Granted.** _____ Restricted Stock Units (“RSUs”), each unit corresponding to one share of Black Hills Corporation Common Stock. Each RSU constitutes only an unsecured promise of the Company to deliver a share of Common Stock to the Participant under the terms of the NDC Plan. As a holder of RSUs, the Participant has only the rights of a general unsecured creditor of the Company.
- Date of Grant.** _____
- Date of Vesting.** Subject to continued employment under Section 4 below, the RSUs shall vest and become nonforfeitable in accordance with the following schedule (each date is a “Vesting Date”):

Shares

Date

<u>Shares</u>	<u>Date</u>

- Employment by the Company.** This Restricted Stock Unit Award is conditioned on the Participant’s remaining as an employee of Black Hills Corporation and its Affiliates (the “Company”) from the Date of Grant through (and including) the Vesting Dates. The Award of these Restricted Stock Units, however, shall not impose upon the Company any obligations to retain the Participant in its employ for any given period or upon any specific terms of employment.

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- Termination of Employment by Reasons of Death, Disability, Retirement, and Vesting in Connection with a Change in Control.** In the event the Participant’s employment is terminated by reason of Death, Disability, Retirement or in the event of a Change in Control prior to any one of the Vesting Dates, all RSUs then unvested and outstanding shall immediately vest one hundred percent (100%), and, as soon as is administratively practicable, the awards shall be settled in accordance with Section 7.
- Termination of Employment for Other Reasons.** In the event the Participant’s employment is terminated for reasons other than those described in Section 5 herein prior to the Vesting Dates, then all outstanding RSUs granted hereunder that are unvested shall immediately be forfeited by the Participant.
- Settlement of RSU Award.**

Settlement. The Company shall credit to Participant’s Account under the NDC Plan (or any successor Plan that may be adopted by the Company) as soon as practicable following the execution of this Agreement, the number of units specified above; provided, however, that any RSUs deferred remain subject to (a) the relevant Vesting Date for such portion of the Award and (b) any cancellation of the RSUs pursuant to Section 6. If the RSU does not vest, the deferral into the NDC Plan shall be null and void.

Dividend and Stock Split Equivalents. For so long as Participant holds RSUs in his or her Account under the NDC Plan, at the time any dividend is paid with respect to a share of Common Stock or any forward stock split occurs, the Company shall pay to Participant on the same date (or as soon as practicable thereafter) in respect of each RSU held by the Participant as of the record date for such dividend or split an amount at the Company’s sole, absolute and unfettered discretion, in cash, Common Stock, or other property, or in a combination thereof, in each case having a value equal to the dividend or split. Such amounts shall vest and shall be paid at the same time as the underlying RSU award is settled.

- Beneficiary Designation.** The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement and the NDC Plan is to be paid. The designation of a beneficiary shall be made in accordance with the beneficiary designation procedures specified in the NDC Plan.
- Transferability.** The RSUs are not transferable by the Participant, whether voluntarily or involuntarily, by operation of laws or otherwise. If any assessment, pledge, transfer, or other disposition, voluntary or involuntary, of the RSUs shall be made, or if any attachment, execution, garnishment, or client shall be issued against or placed upon the RSUs, then the Participant’s right to the RSUs shall immediately cease and terminate and the Participant shall promptly forfeit to the Company all RSUs awarded under this Agreement.
- Withholding.** The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount

sufficient to satisfy federal, state and local taxes (including Participant's FICA obligation), domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Agreement as specified under the NDC Plan.

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11. **Requirements of Law.** The issuance of Shares under the Plans following settlement of the RSUs shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.
 12. **Inability to Obtain Authorization.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained.
 13. **Severability.** In the event any provision of this Agreement shall be held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.
 14. **Continuation of Employment.** This Agreement shall not confer upon the Participant any right to continuation of employment by the Company, nor shall this Agreement interfere in any way with the Company's right to terminate the Participant's employment at any time.
 15. **Applicable Laws and Consent to Jurisdiction.** The validity, construction, interpretation and enforceability of this Agreement shall be determined and governed by the laws of the State of South Dakota without giving effect to the principles of conflicts of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in South Dakota and agree that such litigation shall be conducted in the courts of Pennington County or the federal courts of the United States for the District of South Dakota, Western Division.
 16. **Miscellaneous.** The Plan may be amended at any time, and from time to time, by a written instrument approved by the Board of Directors of Black Hills Corporation. No termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

The Plan and this Agreement are binding upon Participant, as well as his/her heirs, executors, personal representatives, trustees, attorneys, agents, administrators, and successors.

Please refer any questions you may have regarding your RSU award to _____. Once again, congratulations on receipt of your award.

Sincerely,

Please acknowledge your agreement to participate in the Plans and this Agreement, and to abide by all of the governing terms and provisions, by signing the following representation:

Agreement to Participate

By signing a copy of this Agreement and returning it to _____ of Black Hills Corporation, I acknowledge that I have read the Plans, and that I fully understand all of my rights under the Plans, as well as all of the terms and conditions which may limit my eligibility to exercise this Award. Without limiting the generality of the preceding sentence, I understand that my right to exercise this Award is conditioned upon my continued employment with Black Hills Corporation or its Subsidiaries.

Incentive Compensation Plan Performance Share Award Agreement

Black Hills Corporation

(Performance Period _____ - _____)

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Black Hills Corporation Omnibus Incentive Compensation Plan Performance Share Award Agreement

You have been selected to be a participant in the Black Hills Corporation Omnibus Incentive Compensation Plan (the "Plan"), as specified below:

Participant: _____

Target Performance Share Award: _____ shares

Performance Period: _____ to _____

Performance Measure: Total Shareholder Return ("TSR").

Peer Index: S&P MID CAP UTILITY INDEX

Alliant Energy Corporation; DPL Inc.; Duquesne Light Holding Inc.; Great Plains Energy Inc.; Hawaiian Electric Inds.; Idacorp Inc.; Northeast Utilities; Nstar; OGE Energy Corporation; Pepco Holdings Inc.; PNM Resources Inc.; Puget Energy Inc.; Wisconsin Energy Corp.; and WPS Resources Corp.

THIS AGREEMENT (the "Agreement") effective _____, represents the grant of Performance Shares by Black Hills Corporation, a South Dakota corporation (the "Company"), to the Participant named above, pursuant to the provisions of the Plan.

The Plan provides a complete description of the terms and conditions governing the Performance Shares. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement.

All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein.

The parties hereto agree as follows:

Article 1. Performance Period

The Performance Period commences on _____ and ends on _____.

Article 2. Value of Performance Shares

Each Performance Share shall represent and have a value equal to one share of common stock of the Company.

Notwithstanding anything herein to the contrary, the Performance Shares shall have no value whatsoever if the Ending Stock Price (as defined herein) is not greater than Beginning Stock Price (as defined herein), taking into account any adjustments made pursuant to Paragraph 4.3 of the Plan.

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Article 3. Performance Shares and Achievement of Performance Measure

- (a) The number of Performance Shares to be earned under this Agreement shall be based upon the achievement of pre-established TSR performance goals as set by the Compensation Committee of the Board of Directors (Committee) for the Performance Period, based on the following chart:

<u>TSR Performance Relative to Companies in Peer Index</u>	<u>Payout (% of Target)</u>
80th Percentile or Above	175%
70th Percentile	150%
60th Percentile	125%
50th Percentile	100%
40th Percentile	50%
30th Percentile or Below	0%

Interpolation shall be used to determine the percentile rank in the event the Company's Percentile Rank does not fall directly on one of the ranks listed in the above chart.

For this purpose, Total Shareholder Return shall be determined as follows:

$$\text{Total Shareholder Return} = \frac{\text{Change in Stock Price} + \text{Dividends Paid}}{\text{Beginning Stock Price}}$$

Beginning Stock Price shall mean the average closing price on the applicable stock exchange of one share of stock for the twenty (20) trading days immediately prior to the first day of the Performance Period; Ending Stock Price shall mean the average closing price on the applicable stock exchange of one share of stock for the twenty (20) trading days immediately prior to the last day of the Performance Period; Change in Stock Price shall mean the difference between the Beginning Stock Price and the Ending Stock Price; and Dividends Paid shall mean the total of all dividends paid on one (1) share of stock during the Performance Period.

Following the Total Shareholder Return determination, the Company's Percentile Rank shall be determined as follows:

Percentile Rank shall be determined by listing from highest Total Shareholder Return to lowest Total Shareholder Return each company in the Peer Index (excluding the Company). The top company would have a one hundred percentile (100%) rank and the bottom company would have a zero percentile (0.0%) rank. Each company in between would be one hundred divided by n minus one (100/n-1) above the company below it. The Company percentile rank would then be interpolated based on the Company TSR. The Companies in the Peer Index shall remain constant throughout the entire Performance Period.

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Article 4. Termination Provisions

Except as provided below, a Participant shall be eligible for payment of awarded Performance Shares, as determined in Section 3, only if the Participant's employment with the Company continues through the end of the Performance Period.

If participant retires, suffers a Disability, or dies during the Performance Period, the Participant (or the Participant's estate) shall be entitled to that proportion of the number of Performance Shares as such Participant is entitled to under Section 3 for such Performance Period that the number of full months of participation during the Performance Period bears to the total number of months in the Performance Period. The form and timing of the payment of such Performance Shares shall be as set forth in Article 7.

Termination of employment for any reason other than Retirement, Disability, or death during the Performance Period shall require forfeiture of this entire award, with no payment to the Participant.

Article 5. Change in Control

Notwithstanding anything herein to the contrary, upon a Change in Control, the Participant shall be entitled to that proportion of the number of Performance Shares as such Participant is entitled to under Section 3 for such Performance Period that the number of full months of participation during the Performance Period (as of the effective date of the Change in Control) bears to the total number of months in the Performance Period. When there is a Change in Control, the TSR shall be calculated as set forth in Article 3, except that the Ending Stock Price shall mean the average closing price on the applicable stock exchange of one share of stock for the twenty (20) trading days immediately prior to the Change in Control. Performance Shares shall be paid out to the Participant in cash within thirty (30) days of the effective date of the Change in Control.

Article 6. Dividends

During the Performance Period, all dividends and other distributions paid with respect to the shares of Common Stock shall accrue for the benefit of the Participant to be paid out to the Participant pursuant to Article 7.

Article 7. Form and Timing of Payment of Performance Shares

Payment of the Performance Shares, including accrued dividends, shall be made fifty percent (50%) in cash and fifty percent (50%) in shares of Company stock.

Payment of Performance Shares shall be made within sixty (60) calendar days following the close of the Performance Period, subject to the following:

- (a) The Participant shall have no right with respect to any Award or a portion thereof, until such award shall be paid to such Participant.
- (b) If the Committee determines, in its sole discretion, that a Participant at any time has willfully engaged in any activity that the Committee determines was or is harmful to the Company, any unpaid pending Award will be forfeited by such Participant.
- (c) All appropriate taxes will be withheld from the cash portion of the award.

Article 8. Nontransferability

Performance Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative.

Article 9. Administration

This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time by the Board of Directors, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, in its sole discretion, all of which shall be binding upon the Participant.

Any inconsistency between the Agreement and the Plan shall be resolved in favor of the Plan.

Article 10. Miscellaneous

- (a) The selection of any employee for participation in the Plan shall not give such Participant any right to be retained in the employ of the Company. The right and power of the Company to dismiss or discharge any Participant at-will, is specifically reserved. Such Participant or any person claiming under or through the Participant shall not have any right or interest in the Plan or any Award thereunder, unless and until all terms, conditions, and provisions of the Plan that affect such Participant have been complied with as specified herein.
- (b) With the approval of the Board, the Committee may terminate, amend, or modify the Plan; provided, however, that no such termination, amendment, or modification of the Plan may in any way adversely affect the Participant's rights under this Agreement without the Participant's written consent.
- (c) Participant shall not have voting rights with respect to the Performance Shares. Participant shall obtain voting rights upon the settlement of Performance Shares and distribution into shares of common stock of the Company.
- (d) The Participant may defer such Participant's receipt of the payment of cash and the delivery of shares of common stock, that would otherwise be due to such Participant by virtue of the satisfaction of the performance goals with respect to the Performance Shares, pursuant to the rules of the Black Hills Corporation Nonqualified Deferred Compensation Plan and the procedures set forth by the Compensation Committee. If the Participant elects to defer the receipt of the award, the Participant will be required to pay any necessary taxes from their own funds. They will not be allowed to have their deferred award reduced for tax withholding.
- (e) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

- (f) To the extent not preempted by federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the State of South Dakota.
- (g) Any awards received by Participant are subject to the provisions of the Stock Ownership Guidelines approved by the Board of Directors.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of _____.

Black Hills Corporation

By: _____

ATTEST:

Participant

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (“Agreement”), dated as of the ____ day of _____, _____, is entered into between Black Hills Corporation, a South Dakota corporation (“Black Hills”), and _____ (“Agent”), who is serving as an officer or a director, or both, of Black Hills or a subsidiary of Black Hills, or both, with reference to the following facts:

- A. The Agent is more willing to continue to serve as a director or officer of Black Hills or any one or more of its subsidiaries or any number of such positions provided that he is furnished the indemnity provided under this Agreement; provided the Agent reserves the right to terminate any of such positions or refuse to accept any new positions.
- B. The South Dakota corporation law (the “SDCL”) empowers Black Hills to indemnify its directors, officers, employees and agents and to indemnify persons who serve, at the request of Black Hills, as the directors, officers, employees or agents of other corporations or enterprises. The SDCL and the Bylaws of Black Hills both specifically provide that the indemnification provided for therein is not exclusive, and the Bylaws specifically authorize Black Hills to enter into agreements with officers and directors providing indemnification rights and procedures different from those set forth therein.
- C. Black Hills has purchased Directors and Officers Liability Insurance (“D&O Insurance”) as shown in the schedule attached hereto as Appendix A (the “Coverage”) insuring against certain litigation and related expenses and liabilities which may be incurred by its directors and officers and those of its subsidiaries in the performance of their duties for Black Hills or its subsidiaries (when “subsidiaries” is used herein it shall also mean subsidiaries of subsidiaries). The Coverage attached as Appendix A may have been issued subsequent to the date of this Agreement due to the fact that the execution of the Agreement may have occurred following the date of the Agreement. Notwithstanding, Appendix A shall be considered the applicable Coverage as if the same had been attached and executed on the date of the Agreement.
- D. Recent developments with respect to the terms and availability of D&O Insurance and with respect to the application, amendment and enforcement of statutory and bylaw indemnification provisions generally have raised questions concerning the adequacy and reliability of the protection afforded thereby.
- E. Black Hills desires that the Agent remain free in his service as a director or officer, or both, of Black Hills or one or more of its subsidiaries to exercise his best judgment in the performance of his duties without undue concern for litigation claims for damages arising out of or related to the performance of such duties.

NOW, THEREFORE, in order to induce the Agent to continue to serve as a Director or officer of Black Hills or one or more of its subsidiaries or any number of such positions and in consideration of his continued service after the date hereof, Black Hills and the Agent agree as follows:

1. Actions, Suits or Proceedings Other Than By or In the Right of Black Hills. Black Hills shall indemnify the Agent against all liabilities, costs, charges, expenses (including, without limitation, attorneys’ fees and related disbursements), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with the investigation, defense or settlement of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Black Hills covered by Section 2 of this Agreement) and any appeal therefrom to which the Agent was or is a party or is threatened to be made a party by reason of the fact that he is or was or has agreed to become a director or officer of Black Hills or of one or more of its subsidiaries or in any capacity with respect to any employee compensation or benefit plan of Black Hills or any of its subsidiaries or by reason of any action alleged to have been taken or omitted in any such capacity, if he acted in good faith and in a manner he reasonably believed to be within the scope of his authority and in, or not opposed to, the best interests of Black Hills and, if applicable, such subsidiary, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

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2. Actions or Suits By or In the Right of Black Hills. Black Hills shall indemnify the Agent against all costs, charges and expenses (including, without limitation, attorneys’ fees and related disbursements) actually and reasonably incurred by him or on his behalf in connection with the investigation, defense or settlement of any threatened, pending or completed action or suit by or in the right of Black Hills to procure a judgment in its favor and any appeal therefrom, to which the Agent was or is a party or is threatened to be made a party by reason of the fact that he is or was or has agreed to become a director or officer of Black Hills or one or more of its subsidiaries or in any capacity with respect to any employee compensation or benefit plans of Black Hills or any of its subsidiaries or by reason of any action alleged to have been taken or omitted in any such capacity if he acted in good faith and in a manner he reasonably believed to be within the scope of his authority and in, or not opposed to, the best interests of Black Hills, and if applicable, such subsidiary, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to Black Hills unless and only to the extent that the Courts of South Dakota or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, the Agent is fairly and reasonably entitled to indemnity for such costs, charges and expenses which the Court or such other court shall deem proper.

3. Indemnification for Costs, Charges and Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that the Agent has been successful, on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Agreement, or in defense of any claim, issue or matter therein, he shall be indemnified against all costs, charges and expenses (including attorneys’ fees) actually and reasonably incurred by him or on his behalf in connection therewith.

4. Determination of Right to Indemnification. Any indemnification under Sections 1 or 2 of this Agreement (unless ordered by a court) shall be paid by Black Hills unless a determination is made (i) by the board of directors of Black Hills by a majority vote of the directors who were not parties to such action, suit or proceeding, or if such majority of disinterested directors so directs, (ii) by independent legal counsel in a written opinion, or (iii) by the shareholders, that indemnification of the Agent is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Sections 1 or 2 of this Agreement.

5. Termination of Actions, Suits or Proceedings. For purposes of determining whether the Agent has met the applicable standard of conduct set forth in Sections 1 or 2 of this Agreement, the termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create any presumption that the Agent did not act in good faith and in a manner which he reasonably believed to be within the scope of his authority and in, or not opposed to, the best interests of, Black Hills and if applicable, any subsidiary, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

6. Advance of Costs, Charges and Expenses. Costs, charges and expenses (including, without limitation, attorneys' fees and related disbursements) incurred by the Agent in defending a civil or criminal action, suit or proceeding shall be paid by Black Hills in advance of the final disposition of such action, suit or proceeding; provided, however, that the Agent agrees that the Agent will repay all amounts so advanced in the event that it shall ultimately be determined by final judicial decision from which there is no further right of appeal that the Agent is not entitled to be indemnified by Black Hills for such costs, charges and expenses as authorized in this Agreement.

7. Procedure of Indemnification. Any indemnification under Sections 1, 2, or 3 of this Agreement, or advance of costs, charges and expenses under Section 6 of this Agreement shall be made promptly upon, and in any event within 60 days after, the written request of the Agent therefor. The right to indemnification or advances granted by this Agreement shall enforceable by the Agent in any court of competent jurisdiction if Black Hills denies such request, in whole or in part, or if no disposition thereof is made within 60 days. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 6 of this Agreement where the required undertaking, if any, has been received by Black Hills) that the claimant has not met the standard of conduct set forth in Sections 1 and 2 of this Agreement, but the burden of proving such defense shall be on Black Hills. Neither the failure of Black Hills (including its board of directors, its independent legal counsel and its shareholders) to have made a determination prior to the commencement of such action that indemnification of the Agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 1 or 2 of this Agreement, nor the fact that there has been an actual determination by Black Hills (including its board of directors, its independent legal counsel and its shareholders) that the Agent has not met such applicable standard of conduct, shall be a defense to the action or create any presumption that the Agent has not met the applicable standard of conduct.

8. Settlement. Black Hills shall not be obligated to reimburse the costs of any settlement to which it has not agreed. If any action, suit or proceeding, including any appeal, within the scope of Sections 1 or 2 of this Agreement, the Agent shall have unreasonably failed to enter into a settlement thereof offered or assented to by the opposing party or parties in such action, suit or proceeding, then notwithstanding any other provision hereof, the indemnification obligation of Black Hills to the Agent in connection with such action, suit or proceeding shall not exceed the total of the amount at which such offered or agreed upon settlement could have been made and the expenses incurred by the Agent prior to the time such settlement could reasonably have been effected.

9. Maintenance of Insurance

(a) Subject only to the provisions of Section 9(b) of this Agreement, Black Hills hereby agrees that, so long as the Agent shall continue to serve as a director or officer of Black Hills or one or more of its subsidiaries and thereafter so long as the Agent shall be subject to any possible claim or any threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative, by reason of the fact that he is or was or has agreed to become a director or officer of Black Hills or one or more of its subsidiaries or in any capacity with respect to any employee compensation or benefit plans of Black Hills or any of its subsidiaries, Black Hills will purchase and maintain in effect for the benefit of the Agent one or more valid, binding and enforceable policies of D&O Insurance providing, in all respects, coverage at least comparable to that provided by the Coverage.

(b) Black Hills shall not be required to maintain any policies of D&O Insurance described in Section 9(a) of this Agreement in effect if, in the reasonable business judgment of the directors of Black Hills (i) such insurance is not reasonably available, or (ii) the premium cost for such insurance is substantially disproportionate to the amount of coverage provided, or (iii) the coverage provided by such insurance is so limited by exclusions that there would be insufficient benefit from such insurance.

(c) Notwithstanding any other provision of this Agreement, in the event Black Hills does not purchase and maintain in effect a policy or policies of D&O Insurance meeting the requirements specified in Section 9(a) of this Agreement, whether for reasons of availability, cost or otherwise, Black Hills agrees to hold harmless and indemnify the Agent to the full extent of the coverage that would otherwise have been provided for the benefit of the Agent pursuant to the Coverage. The obligation of Black Hills to indemnify set forth in this Section 9(c) is in addition to and not in limitation of those other obligations to indemnify which are set forth in Sections 1, 2, 3 and elsewhere in this Agreement.

10. Subsequent Amendment. No amendment, termination or repeal of Article V of Black Hills' Bylaws, or any successor Bylaws thereto, or of any relevant provisions of the SDCL or any other applicable laws shall affect or diminish in any way the rights of the Agent to indemnification or the obligation of Black Hills arising under this Agreement whether the alleged actions or conduct giving rise to the necessity of such indemnification arose before or after any such amendment, termination or appeal.

11. Other Rights: Continuation of Right to Indemnification. The indemnification provided by this Agreement shall not be deemed exclusive of, or to diminish or otherwise restrict, any other rights to which the Agent may be entitled under any law (common or statutory), provision of Black Hills' Bylaws or Restated Articles of Incorporation, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office or while employed by or acting as agent for Black Hills or any of its subsidiaries or in any capacity with respect to any employee compensation or benefit plans of Black Hills or any of its subsidiaries, and shall continue as to the Agent after he has ceased to be a director of Black Hills or any of its subsidiaries and to act in any of the foregoing capacities.

12. Notification and Defense of Claim. Promptly after receipt by the Agent of notice of the commencement of any action, suit or proceeding, the Agent will, if a claim in respect thereof is to be made against Black Hills under this Agreement, notify Black Hills of the commencement thereof. With respect to any such action, suit or proceeding.

(a) Black Hills will be entitled to participate therein at its own expense; and

(b) Except as otherwise provided below, to the extent that it may wish, Black Hills will be entitled to assume the defense thereof, with counsel reasonably acceptable to the Agent. After notice from Black Hills to the Agent of its election so to assume such defense, Black Hills shall not be liable to the Agent under this Agreement for any legal or other expenses subsequently incurred by the Agent in connection with such action, suit or proceeding, other than reasonable costs of investigation or as otherwise provided below. The Agent shall have the right to employ his own counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from Black Hills of its assumption of the defense thereof shall be at the expense of the Agent unless (i) the employment of counsel by the Agent has been authorized by Black Hills, (ii) the Agent shall have reasonably concluded that there may be a conflict of interest or position between Black Hills and the Agent in the conduct of the defense of such action or (iii) Black Hills does not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Agent shall be at the expense of Black Hills. Black Hills shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of Black Hills or as to which the Agent shall have made the conclusion provided for in ii above.

13. Other Payments. Black Hills shall not be liable to make any payment under this Agreement for any liabilities, costs, charges, expenses, attorneys' fees or disbursements for which payment is actually made to the Agent under any valid and collectible Coverage, or for which the Agent is indemnified by Black Hills or one or more of its subsidiaries otherwise than pursuant to this Agreement.

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14. Savings Clause. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then Black Hills shall nevertheless indemnify the Agent as to any liabilities, costs, charges, expenses (including, without limitation, attorneys' fees and related disbursements), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of Black Hills, to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated and to the full extent permitted by applicable law.

15. Subsequent Legislation. If the SDCL is amended after the date of this Agreement to further expand the indemnification permitted to the Agent, then Black Hills shall indemnify such Agent to the fullest extent permitted by the SDCL, as so amended.

16. Enforcement.

(a) Black Hills expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on Black Hills hereby in order to induce the Agent to continue as a director or officer of Black Hills or one or more of its subsidiaries, and acknowledges that the Agent is relying upon this Agreement in continuing in such capacity.

(b) Black Hills shall reimburse the Agent for all of the Agent's costs and expenses incurred in connection with successfully establishing his right to indemnification under this agreement, in whole or in part.

17. Not an Agreement to Elect or Appoint. This Agreement does not constitute any agreement to reelect a director, to continue any officer in office for any period of time or an agreement of the Agent to continue any position for any length of time or accept any new position.

18. Governing Law. This Agreement shall be governed by and construed in accordance with South Dakota law.

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19. Binding Effect. This Agreement shall be binding upon the Agent and upon Black Hills, its successors and assigns (including any transferee of all or substantially all of its assets and any successor by merger or operation of law) and shall inure to the benefit of the Agent, his heirs, personal representatives, estate and assigns.

20. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

21. Third Party Benefit. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than parties to this Agreement and their respective heirs, personal representatives, successors and assigns.

22. Effective Date. The effective date of this Agreement is the date set forth in the first paragraph hereof, notwithstanding that the execution of the Agreement may have occurred after the effective date.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and signed as of the day and year first above written.

BLACK HILLS CORPORATION

By: _____
President and Chief Executive Officer

Agent

