

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

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number 001-31303

Black Hills Corporation

Incorporated in South Dakota

IRS Identification Number 46-0458824

625 Ninth Street
Rapid City, South Dakota 57701

Registrant's telephone number (605) 721-1700

Former name, former address, and former fiscal year if changed since last report
NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at July 31, 2007
Common stock, \$1.00 par value	37,750,250 shares

TABLE OF CONTENTS

	<u>Page</u>
Glossary of Terms	3-4
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Statements of Income – Three and Six Months Ended June 30, 2007 and 2006	5
Condensed Consolidated Balance Sheets – June 30, 2007, December 31, 2006 and June 30, 2006	6
Condensed Consolidated Statements of Cash Flows – Six Months Ended June 30, 2007 and 2006	7
Notes to Condensed Consolidated Financial Statements	8-27
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	28-51
Item 3. Quantitative and Qualitative Disclosures about Market Risk	52-55
Item 4. Controls and Procedures	55
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	56
Item 1A. Risk Factors	56
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	57
Item 4. Submission of Matters to a Vote of Security Holders	58
Item 6. Exhibits	59
Signatures	60
Exhibit Index	61

GLOSSARY OF TERMS

The following terms and abbreviations appear in the text of this report and have the definitions described below:

AFUDC	Allowance for Funds Used During Construction
Aquila	Aquila, Inc.
Bbl	Barrel
BHEP	Black Hills Exploration and Production, Inc., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.
BHER	Black Hills Energy Resources, Inc., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.
Black Hills Energy	Black Hills Energy, Inc., a direct, wholly-owned subsidiary of the Company
Black Hills Generation	Black Hills Generation, Inc., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.
Black Hills Power	Black Hills Power, Inc., a direct, wholly-owned subsidiary of the Company
Black Hills Wyoming	Black Hills Wyoming, Inc., an indirect, wholly-owned subsidiary of Black Hills Energy, Inc.
Btu	British thermal unit
Cheyenne Light	Cheyenne Light, Fuel and Power Company, a direct, wholly-owned subsidiary of the Company
Cheyenne Light Pension Plan	The Cheyenne Light, Fuel and Power Company Pension Plan
Dth	Dekatherms
EITF	Emerging Issues Task Force
Enserco	Enserco Energy Inc., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN 48	FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109"
GAAP	Generally Accepted Accounting Principles
GECC	General Electric Capital Corporation
Great Plains	Great Plains Energy Incorporated
Indeck	Indeck Capital, Inc.
LIBOR	London Interbank Offered Rate
LOE	Lease Operating Expense
Las Vegas I	Las Vegas I gas-fired power plant
Las Vegas II	Las Vegas II gas-fired power plant
LVC	Las Vegas Cogeneration Limited Partnership, an indirect, wholly-owned subsidiary of Black Hills Energy, Inc.
Mbbl	One thousand barrels
Mcf	One thousand cubic feet
Mcfe	One thousand cubic feet equivalent
MMBtu	One million British thermal units
MMcf	One million cubic feet
MMcfe	One million cubic feet equivalent
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt-hour
Nevada Power	Nevada Power Company
PNM	PNM Resources, Inc.
PPA	Power Purchase Agreement

SAB	SEC Staff Accounting Bulletin
SAB 108	SAB 108, "Effects of Prior Year Misstatement on Current Year Financial Statements"
SEC	U. S. Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SFAS 71	SFAS 71, "Accounting for the Effects of Certain Types of Regulation"
SFAS 109	SFAS 109, "Accounting for Income Taxes"
SFAS 133	SFAS 133, "Accounting for Derivative Instruments and Hedging Activities"
SFAS 144	SFAS 144, "Accounting for the Impairment of Long-lived Assets"
SFAS 157	SFAS 157, "Fair Value Measurements"
SFAS 158	SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88 106 and 132(R)"
SFAS 159	SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities"
S&P	Standard & Poor's Rating Services
Valencia	Valencia Power, LLC, an indirect, wholly-owned subsidiary of Black Hills Energy, Inc.
WPSC	Wyoming Public Service Commission
WRDC	Wyodak Resources Development Corp., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.

BLACK HILLS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands, except per share amounts)			
Operating revenues	\$ 163,943	\$ 153,813	\$ 350,476	\$ 325,704
Operating expenses:				
Fuel and purchased power	36,598	49,280	87,886	103,409
Operations and maintenance	20,718	22,073	41,278	44,077
Administrative and general	26,306	20,105	51,969	45,056
Depreciation, depletion and amortization	24,914	22,378	48,082	43,266
Taxes, other than income taxes	10,091	7,546	19,990	18,097
	<u>118,627</u>	<u>121,382</u>	<u>249,205</u>	<u>253,905</u>
Operating income	45,316	32,431	101,271	71,799
Other income (expense):				
Interest expense	(9,977)	(12,910)	(21,086)	(24,910)
Interest income	705	346	1,439	1,014
Allowance for funds used during construction – equity	1,206	—	3,040	—
Other (expense) income, net	(2)	123	346	412
	<u>(8,068)</u>	<u>(12,441)</u>	<u>(16,261)</u>	<u>(23,484)</u>
Income from continuing operations before equity in earnings of unconsolidated subsidiaries, minority interest and income taxes	37,248	19,990	85,010	48,315
Equity in earnings (loss) of unconsolidated subsidiaries	673	(1,145)	1,518	(632)
Minority interest	(95)	(91)	(188)	(177)
Income tax expense	(12,595)	(6,386)	(28,608)	(16,577)
Income from continuing operations	25,231	12,368	57,732	30,929
(Loss) income from discontinued operations, net of taxes	(133)	(611)	(181)	6,979
Net income	<u>\$ 25,098</u>	<u>\$ 11,757</u>	<u>\$ 57,551</u>	<u>\$ 37,908</u>
Weighted average common shares outstanding:				
Basic	<u>37,588</u>	<u>33,164</u>	<u>36,387</u>	<u>33,142</u>
Diluted	<u>38,007</u>	<u>33,506</u>	<u>36,793</u>	<u>33,493</u>
Earnings per share:				
Basic—				
Continuing operations	\$ 0.67	\$ 0.37	\$ 1.59	\$ 0.93
Discontinued operations	—	(0.02)	(0.01)	0.21
Total	<u>\$ 0.67</u>	<u>\$ 0.35</u>	<u>\$ 1.58</u>	<u>\$ 1.14</u>
Diluted—				
Continuing operations	\$ 0.66	\$ 0.37	\$ 1.57	\$ 0.92
Discontinued operations	—	(0.02)	(0.01)	0.21
Total	<u>\$ 0.66</u>	<u>\$ 0.35</u>	<u>\$ 1.56</u>	<u>\$ 1.13</u>
Dividends paid per share of common stock	<u>\$ 0.34</u>	<u>\$ 0.33</u>	<u>\$ 0.68</u>	<u>\$ 0.66</u>

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated financial statements.

BLACK HILLS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, <u>2007</u>	December 31, <u>2006</u>	June 30, <u>2006</u>
	(in thousands, except share amounts)		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 40,172	\$ 36,939	\$ 42,234
Restricted cash	5,341	2,004	—
Receivables (net of allowance for doubtful accounts of \$4,735; \$4,202 and \$4,077, respectively)	277,552	263,109	195,090
Materials, supplies and fuel	132,986	92,560	96,871
Derivative assets	40,138	69,244	29,204
Other assets	9,400	9,221	8,353
Assets of discontinued operations	1,135	1,424	6,058
	<u>506,724</u>	<u>474,501</u>	<u>377,810</u>
Investments	23,506	23,808	23,244
Property, plant and equipment	2,383,561	2,242,396	2,093,519
Less accumulated depreciation and depletion	(635,651)	(596,029)	(554,167)
	<u>1,747,910</u>	<u>1,646,367</u>	<u>1,539,352</u>
Other assets:			
Derivative assets	5,413	2,871	3,149
Goodwill	30,171	30,563	30,563
Intangible assets (net of accumulated amortization of \$27,411; \$25,852 and \$24,293, respectively)	22,870	24,429	25,989
Other	66,369	42,137	40,993
	<u>124,823</u>	<u>100,000</u>	<u>100,694</u>
	<u>\$ 2,402,963</u>	<u>\$ 2,244,676</u>	<u>\$ 2,041,100</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 229,979	\$ 224,009	\$ 159,207
Accrued liabilities	91,594	95,020	66,775
Derivative liabilities	17,069	24,041	14,959
Deferred income taxes	4,769	1,215	1,450
Notes payable	112,500	145,500	98,500
Current maturities of long-term debt	143,376	17,106	11,125
Accrued income taxes	30,306	19,561	8,311
Liabilities of discontinued operations	724	2,526	5,979
	<u>630,317</u>	<u>528,978</u>	<u>366,306</u>
Long-term debt, net of current maturities	469,394	628,340	660,147
Deferred credits and other liabilities:			
Deferred income taxes	192,492	174,332	149,129
Derivative liabilities	2,769	1,530	1,249
Other	132,866	116,297	98,309
	<u>328,127</u>	<u>292,159</u>	<u>248,687</u>
Minority interest in subsidiaries	4,978	5,158	5,103
Stockholders' equity:			
Common stock equity –			
Common stock \$1 par value; 100,000,000 shares authorized; Issued 37,768,792; 33,404,902 and 33,294,945 shares, respectively	37,769	33,405	33,295
Additional paid-in capital	556,981	409,826	406,196
Retained earnings	382,254	348,245	327,135
Treasury stock at cost – 42,209; 35,700 and 36,245 shares, respectively	(1,189)	(920)	(931)
Accumulated other comprehensive loss	(5,668)	(515)	(4,838)
	<u>970,147</u>	<u>790,041</u>	<u>760,857</u>
	<u>\$ 2,402,963</u>	<u>\$ 2,244,676</u>	<u>\$ 2,041,100</u>

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated financial statements.

BLACK HILLS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>
	(in thousands)	
Operating activities:		
Net income	\$ 57,551	\$ 37,908
Loss (income) from discontinued operations, net of taxes	181	(6,979)
	<hr/>	<hr/>
Income from continuing operations	57,732	30,929
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation, depletion and amortization	48,082	43,266
Net change in derivative assets and liabilities	(12,382)	(3,138)
Deferred income taxes	8,052	11,809
Distributed earnings in associated companies	500	4,818
Allowance for funds used during construction – equity	(3,040)	—
Change in operating assets and liabilities:		
Materials, supplies and fuel	(14,944)	14,672
Accounts receivable and other current assets	(15,111)	70,079
Accounts payable and other current liabilities	11,645	(77,541)
Other operating activities	7,517	12,417
	<hr/>	<hr/>
Net cash provided by operating activities of continuing operations	88,051	107,311
Net cash used in operating activities of discontinued operations	(2,906)	(665)
Net cash provided by operating activities	<hr/>	<hr/>
	85,145	106,646
Investing activities:		
Property, plant and equipment additions	(111,389)	(150,201)
Proceeds from the sale of business operations	—	40,735
Other investing activities	(3,143)	(505)
	<hr/>	<hr/>
Net cash used in investing activities of continuing operations	(114,532)	(109,971)
Net cash provided by investing activities of discontinued operations	2,343	2,939
Net cash used in investing activities	<hr/>	<hr/>
	(112,189)	(107,032)
Financing activities:		
Dividends paid	(24,218)	(21,959)
Common stock issued	148,663	2,233
(Decrease) increase in short-term borrowings, net	(61,500)	43,500
Long-term debt – repayments	(32,676)	(10,692)
Other financing activities	(555)	(5)
	<hr/>	<hr/>
Net cash provided by financing activities of continuing operations	29,714	13,077
Net cash provided by financing activities of discontinued operations	—	—
Net cash provided by financing activities	<hr/>	<hr/>
	29,714	13,077
	<hr/>	<hr/>
Increase in cash and cash equivalents	2,670	12,691
Cash and cash equivalents:		
Beginning of period	37,530 ^(a)	34,198 ^(c)
End of period	<hr/>	<hr/>
	\$ 40,200	\$ 46,889 ^(b)
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities-		
Property, plant and equipment acquired with accrued liabilities or short-term debt	\$ 51,071	\$ 20,801
Cash paid during the period for-		
Interest (net of amounts capitalized)	\$ 20,229	\$ 26,095
Income taxes paid (net of amounts refunded)	\$ 7,483	\$ 12,514

(a) Includes approximately \$0.6 million at December 31, 2006 of cash included in the assets of discontinued operations.

(b) Includes approximately \$4.7 million at June 30, 2006 of cash included in the assets of discontinued operations.

(c) Includes approximately \$2.4 million at December 31, 2005 of cash included in the assets of discontinued operations.

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Reference is made to Notes to Consolidated Financial Statements
included in the Company's 2006 Annual Report on Form 10-K)

(1) MANAGEMENT'S STATEMENT

The financial statements included herein have been prepared by Black Hills Corporation (the Company) without audit, pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the footnotes adequately disclose the information presented. These financial statements should be read in conjunction with the financial statements and the notes thereto, included in the Company's 2006 Annual Report on Form 10-K filed with the SEC.

Accounting methods historically employed require certain estimates as of interim dates. The information furnished in the accompanying financial statements reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the June 30, 2007, December 31, 2006 and June 30, 2006 financial information and are of a normal recurring nature. Some of the Company's operations are highly seasonal and revenues from, and certain expenses for, such operations may fluctuate significantly among quarterly periods. Demand for electricity and natural gas is sensitive to seasonal cooling, heating and industrial load requirements, as well as changes in market price. The results of operations for the three and six months ended June 30, 2007, are not necessarily indicative of the results to be expected for the full year. All earnings per share amounts discussed refer to diluted earnings per share unless otherwise noted.

(2) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

FIN 48

The Company adopted FIN 48 on January 1, 2007 (see Note 8). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

SAB 108

During September 2006, the staff of the SEC released SAB 108. SAB 108 provides guidance on how the effects of the carryover or reversal of prior year financial statement misstatements should be considered in quantifying a current year misstatement. Prior practice allowed the evaluation of materiality on the basis of (1) the error quantified as the amount by which the current year income statement was misstated (rollover method) or (2) the cumulative error quantified as the cumulative amount by which the current year balance sheet was misstated (iron curtain method). Reliance on either method in prior years could have resulted in misstatement of the financial statements. The guidance provided in SAB 108 requires both methods to be used in evaluating materiality. Immaterial prior year errors may be corrected with the first filing of prior year financial statements after adoption. The cumulative effect of the correction can either be reported in the carrying amounts of assets and liabilities as of the beginning of that fiscal year, and the offsetting adjustment made to the opening balance of retained earnings for that year, or by restating prior periods. Disclosure requirements include the nature and amount of each individual error being corrected in the cumulative adjustment, as well as a disclosure of when and how each error being corrected arose and the fact that the errors had previously been considered immaterial. SAB 108 was effective January 1, 2007. SAB 108 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

(3) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SFAS 157

During September 2006, the FASB issued SFAS 157, which applies to other accounting pronouncements that require or permit fair value measurements. This Statement defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management is currently evaluating the impact SFAS 157 will have on the Company's consolidated financial statements.

SFAS 159

During February 2007, the FASB issued SFAS 159, which establishes a fair value option under which entities can elect to report certain financial assets and liabilities at fair value, with changes in fair value recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact SFAS 159 will have on the Company's consolidated financial statements.

(4) MATERIALS, SUPPLIES AND FUEL

The amounts of materials, supplies and fuel included on the accompanying Condensed Consolidated Balance Sheets, by major classification, are provided as follows (in thousands):

<u>Major Classification</u>	<u>June 30, 2007</u>	<u>December 31, 2006</u>	<u>June 30, 2006</u>
Materials and supplies	\$ 35,067	\$ 31,946	\$ 28,077
Fuel	6,444	9,663	8,580
Gas and oil held by Energy marketing*	91,475	50,951	60,214
Total materials, supplies and fuel	<u>\$ 132,986</u>	<u>\$ 92,560</u>	<u>\$ 96,871</u>

* As of June 30, 2007, December 31, 2006 and June 30, 2006, market adjustments related to natural gas held by Energy marketing and recorded in inventory were \$(6.4) million, \$(31.5) million and \$(4.3) million, respectively (see Note 12 for further discussion of Energy marketing trading activities).

The inventory held by the Company's Energy marketing subsidiary primarily consists of gas held in storage and gas imbalances held on account with pipelines. Such gas is being held in inventory to capture the price differential between the time at which it was purchased and a sales date in the future. A substantial majority of the gas was economically hedged at the time of purchase either through a fixed price physical or financial forward sale.

(5) LONG-TERM DEBT, NOTES PAYABLE AND GUARANTEES

Note Payable

During June 2007, the Company entered into a short-term, non-interest bearing, secured promissory note payable to Public Service Company of New Mexico in connection with the purchase of certain equipment and related assets for the Company's Valencia project in New Mexico. The secured promissory note payable is due December 2007, and is secured by the purchased equipment and related assets. The Company recorded the promissory note payable at the stated amount of the debt of \$30.0 million, less interest imputed at a rate of 6 percent totaling \$0.9 million, for a net amount of \$29.1 million.

During the first quarter of 2007, the Company repaid the then existing \$145.5 million borrowing balance outstanding on its revolving credit facility with proceeds from the Company's February 22, 2007 equity issuance (see Note 9).

Long-term Debt

On April 30, 2007, the Company called its outstanding debt with GE Capital in the amount of \$23.5 million. In conjunction with this, the Company expensed \$0.1 million in unamortized deferred finance costs. The associated payment guarantees provided by the Company were also terminated.

The Company has classified the \$128.3 million Wygen I project debt to current maturities as the debt has a maturity date of June 2008. The Company intends to refinance this debt with other long-term financing prior to its maturity.

Amendments to Revolver

On March 13, 2007, the Company entered into a second amendment to its revolving credit facility. The second amendment (i) increased the limit for borrowings or other credit accommodations for the separate credit facility for the Company's energy marketing subsidiary from \$260 million to \$300 million, (ii) increased the allowed total commitments under the facility without requiring amendment of the facility from \$500 million to \$600 million, (iii) effective with the acquisition of certain electric and gas utility assets from Aquila, will increase the recourse leverage ratio limit from 0.65 to 1.00 to 0.70 to 1.00 for the first year after completion of the Aquila asset acquisition, reverting to 0.65 to 1.00 thereafter, and (iv) allowed for other modifications to enable the Company to complete the Aquila asset acquisition.

Guarantees

During the six months ended June 30, 2007, the Company had the following changes to its guarantees:

- Extinguished two guarantees totaling \$24.2 million at December 31, 2006 related to the payment and performance under our GE Capital debt obligations. Our outstanding debt obligations with GE Capital were paid on April 30, 2007;
- The \$0.3 million guarantee for the payments of Black Hills Power under various transactions with Idaho Power Company expired on March 1, 2007;
- The \$3.0 million guarantee for the payments of Cheyenne Light under various transactions with Questar Energy Trading Company expired on March 31, 2007;
- Issued a guarantee for obligations and damages, if any, due by Valencia under a power purchase agreement with Public Service Company of New Mexico for up to \$12.0 million and expiring in 2028; and
- Issued a guarantee for up to \$7.0 million related to the obligations of Enserco under an agency agreement whereby Enserco provides services to structure up to \$100.0 million of certain transactions involving the buying, selling, transportation and storage of natural gas on behalf of another energy company and which expires in 2008.

(6) EARNINGS PER SHARE

Basic earnings per share from continuing operations is computed by dividing income from continuing operations by the weighted-average number of common shares outstanding during the period. Diluted earnings per share from continuing operations gives effect to all dilutive common shares potentially outstanding during a period. A reconciliation of "Income from continuing operations" and basic and diluted share amounts is as follows (in thousands):

<u>Period ended June 30, 2007</u>	<u>Three Months</u>		<u>Six Months</u>	
	<u>Income</u>	<u>Average Shares</u>	<u>Income</u>	<u>Average Shares</u>
Income from continuing operations	\$ 25,231		\$ 57,732	
Basic earnings	25,231	37,588	57,732	36,387
Dilutive effect of:				
Stock options	—	112	—	107
Estimated contingent shares issuable for prior acquisition	—	159	—	159
Others	—	148	—	140
Diluted earnings	\$ 25,231	38,007	\$ 57,732	36,793

<u>Period ended June 30, 2006</u>	<u>Three Months</u>		<u>Six Months</u>	
	<u>Income</u>	<u>Average Shares</u>	<u>Income</u>	<u>Average Shares</u>
Income from continuing operations	\$ 12,368		\$ 30,929	
Basic earnings	12,368	33,164	30,929	33,142
Dilutive effect of:				
Stock options	—	79	—	81
Estimated contingent shares issuable for prior acquisition	—	159	—	159
Others	—	104	—	111
Diluted earnings	\$ 12,368	33,506	\$ 30,929	33,493

COMPREHENSIVE INCOME

The following table presents the components of the Company's comprehensive income (in thousands):

	Three Months Ended	
	June 30,	
	<u>2007</u>	<u>2006</u>
Net income	\$ 25,098	\$ 11,757
Other comprehensive income (loss), net of tax:		
Fair value adjustment on derivatives designated as cash flow hedges (net of tax of \$(5,686) and \$(1,028), respectively)	10,087	1,297
Reclassification adjustments on cash flow hedges settled and included in net income (net of tax of \$2,700 and \$(96), respectively)	(4,798)	121
Comprehensive income	<u>\$ 30,387</u>	<u>\$ 13,175</u>

	Six Months Ended	
	June 30,	
	<u>2007</u>	<u>2006</u>
Net income	\$ 57,551	\$ 37,908
Other comprehensive income (loss), net of tax:		
Fair value adjustment on derivatives designated as cash flow hedges (net of tax of \$(1,794) and \$(3,318), respectively)	3,723	5,162
Reclassification adjustments on cash flow hedges settled and included in net income (net of tax of \$4,372 and \$109, respectively)	(8,876)	(170)
Comprehensive income	<u>\$ 52,398</u>	<u>\$ 42,900</u>

Balances by classification included within Accumulated Other Comprehensive Loss on the accompanying Condensed Consolidated Balance Sheets are as follows (in thousands):

	Derivatives Designated as <u>Cash Flow Hedges</u>	Employee Benefit <u>Plans</u>	Amount from Equity <u>Investees</u>	<u>Total</u>
As of June 30, 2007	\$ 2,892	\$ (8,404)	\$ (156)	\$ (5,668)
As of December 31, 2006	\$ 8,119	\$ (8,404)	\$ (230)	\$ (515)
As of June 30, 2006	\$ (1,699)	\$ (2,936)	\$ (203)	\$ (4,838)

(8) INCOME TAXES

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized an approximate \$0.7 million benefit from a decrease in the liability for unrecognized tax benefits. This benefit was accounted for as an adjustment to the January 1, 2007 balance of retained earnings.

The total gross amount of unrecognized tax benefits at January 1, 2007 was approximately \$72.6 million. The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately \$2.0 million (net of the federal benefit on state tax items and interest) at the date of adoption.

It is the Company's continuing practice to recognize penalties and/or interest related to income tax matters in income tax expense. The Company had no penalties accrued and approximately \$0.4 million for the accrual of interest income at the date of adoption of FIN 48.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions and Canada. The Company is no longer subject to U.S. federal examination for tax years before 2004. However, the Company is under examination by a state taxing authority for tax years 2001 through 2003 and remains subject to examination by Canadian income tax authorities for tax years as early as 1999.

The Company does not anticipate that total unrecognized tax benefits will significantly change due to the settlement of any audits or the expiration of statute of limitations prior to June 30, 2008.

(9) COMMON STOCK

Other than the following transactions, the Company had no other material changes in its common stock, as reported in Note 9 of the Notes to Consolidated Financial Statements in the Company's 2006 Annual Report on Form 10-K.

Private Placement of Common Stock

On February 22, 2007, the Company completed the issuance and sale of approximately 4.17 million shares of common stock at a price of \$36.00 per share in a private placement offering. The Company used the approximate \$145.6 million of net proceeds from this offering for debt reduction.

These shares were not initially registered under the Securities Act of 1933, therefore restricting the purchasers' ability to offer or sell the shares. The offering agreements required the Company to register the related securities with the SEC within a specified period of time, and the Company has performed this obligation. In addition, the Company must maintain an effective shelf registration statement with the SEC, allowing resale of the restricted shares, until all related shares have been resold or cease to be restricted. If the Company fails to maintain an effective shelf registration statement in accordance with the terms of the offering agreements, it may be required to pay damages to the purchasers at a per thirty-day rate of 1.0 percent of the related share purchase price until the default is cured. The total damage payments under the agreements are limited to 10.0 percent of the related share purchase price. The Company believes the likelihood of making any payments under the damage provisions is remote and accordingly has not recognized any liability within its consolidated financial statements.

Equity Compensation Plans

- Effective January 1, 2007, the Company granted 35,026 target performance shares to certain officers and business unit leaders of the Company for the January 1, 2007 through December 31, 2009 performance period. Performance shares are awarded based on the Company's total shareholder return over the designated performance period as measured against a selected peer group. In addition, the Company's stock price must also increase during the performance period.

Participants may earn additional performance shares if the Company's total shareholder return exceeds the 50th percentile of the selected peer group. The final value of the performance shares will vary according to the number of shares of common stock that are ultimately granted based upon the actual level of attainment of the performance criteria. The performance awards are paid 50 percent in the form of cash and 50 percent in the form of common stock. The grant date fair value was \$34.17 per share.

- The Company issued 33,143 shares of common stock under the short-term incentive compensation plan during the six months ended June 30, 2007. Pre-tax compensation cost related to the award was approximately \$1.2 million, which was accrued for in 2006.
- The Company granted 43,556 restricted common shares during the six months ended June 30, 2007. The pre-tax compensation cost related to the awards of restricted stock and restricted stock units of approximately \$1.6 million will be recognized over the three-year vesting period.
- 122,954 stock options were exercised during the six months ended June 30, 2007, at a weighted-average exercise price of \$28.94 per share providing \$3.6 million of proceeds to the Company.
- Total compensation expense recognized for all equity compensation plans for the three months ended June 30, 2007 and 2006 was \$2.0 million and \$0.9 million, respectively, and for the six month periods ended June 30, 2007 and 2006 was \$3.0 million and \$1.7 million, respectively.

Defined Benefit Pension Plan

The Company has two non-contributory defined benefit pension plans (Plans). One Plan covers employees of the Company and the following subsidiaries who meet certain eligibility requirements: Black Hills Service Company, Black Hills Power, WRDC and BHEP. The other Plan covers employees of the Company's subsidiary, Cheyenne Light, who meet certain eligibility requirements.

The components of net periodic benefit cost for the two Plans are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Service cost	\$ 687	\$ 649	\$ 1,374	\$ 1,298
Interest cost	1,129	1,041	2,258	2,082
Expected return on plan assets	(1,374)	(1,247)	(2,748)	(2,494)
Prior service cost	38	38	76	76
Net loss	127	227	254	454
Net periodic benefit cost	<u>\$ 607</u>	<u>\$ 708</u>	<u>\$ 1,214</u>	<u>\$ 1,416</u>

The Company made a \$0.5 million contribution to the Cheyenne Light Pension Plan in the first quarter of 2007; no additional contributions are anticipated to be made to the Plans during the 2007 fiscal year.

Supplemental Non-qualified Defined Benefit Plans

The Company has various supplemental retirement plans for key executives of the Company (Supplemental Plans). The Supplemental Plans are non-qualified defined benefit plans.

The components of net periodic benefit cost for the Supplemental Plans are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Service cost	\$ 103	\$ 87	\$ 206	\$ 174
Interest cost	289	270	578	540
Prior service cost	3	3	6	6
Net loss	178	199	356	398
Net periodic benefit cost	<u>\$ 573</u>	<u>\$ 559</u>	<u>\$ 1,146</u>	<u>\$ 1,118</u>

The Company anticipates that it will need to make contributions to the Supplemental Plans for the 2007 fiscal year of approximately \$0.7 million. The contributions are expected to be made in the form of benefit payments.

Non-pension Defined Benefit Postretirement Healthcare Plans

Employees who are participants in the Company's Postretirement Healthcare Plans (Healthcare Plans) and who meet certain eligibility requirements are entitled to postretirement healthcare benefits.

The components of net periodic benefit cost for the Healthcare Plans are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Service cost	\$ 135	\$ 164	\$ 270	\$ 328
Interest cost	207	203	414	406
Net transition obligation	15	38	30	76
Prior service cost	—	(6)	—	(12)
Net gain/loss	(4)	—	(8)	—
Net periodic benefit cost	<u>\$ 353</u>	<u>\$ 399</u>	<u>\$ 706</u>	<u>\$ 798</u>

The Company anticipates that it will make contributions to the Healthcare Plans for the 2007 fiscal year of approximately \$0.3 million. The contributions are expected to be made in the form of benefits payments.

It has been determined that the Company's post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy. The decrease in net periodic postretirement benefit cost due to the subsidy was approximately \$0.1 million for each of the three and six month periods ended June 30, 2007 and 2006.

(11) SUMMARY OF INFORMATION RELATING TO SEGMENTS OF THE COMPANY'S BUSINESS

The Company's reportable segments are those that are based on the Company's method of internal reporting, which generally segregates the strategic business groups due to differences in products, services and regulation. As of June 30, 2007, substantially all of the Company's operations and assets are located within the United States.

The Company conducts its operations through the following six reporting segments: Retail Services group consisting of the following segments: Electric utility, which supplies electric utility service to western South Dakota, northeastern Wyoming and southeastern Montana; and Electric and gas utility, which supplies electric and gas utility service to Cheyenne, Wyoming and vicinity; and Wholesale Energy group, consisting of the following segments: Oil and gas, which produces, explores and operates oil and natural gas interests located in the Rocky Mountain region, Texas, California and other states; Power generation, which produces and sells power and capacity to wholesale customers with plants concentrated in Colorado, Nevada, Wyoming and California; Coal mining, which engages in the mining and sale of coal from its mine near Gillette, Wyoming; and Energy marketing, which markets natural gas, crude oil and related services primarily in the western and central regions of the United States and Canada.

Segment information follows the same accounting policies as described in Note 20 of the Notes to Consolidated Financial Statements in the Company's 2006 Annual Report on Form 10-K. In accordance with the provisions of SFAS 71, intercompany fuel sales to the electric utility are not eliminated.

Segment information included in the accompanying Condensed Consolidated Statements of Income is as follows (in thousands):

	External Operating <u>Revenues</u>	Inter-segment Operating <u>Revenues</u>	Income (Loss) from Continuing <u>Operations</u>
Three Month Period Ended June 30, 2007			
Retail services:			
Electric utility	\$ 44,387	\$ 585	\$ 4,881
Electric and gas utility	21,652	—	1,043
Wholesale energy:			
Oil and gas	25,814	—	4,376
Power generation	39,962	—	5,433
Coal mining	6,424	3,578	1,379
Energy marketing	22,909	—	8,938
Corporate	—	—	(819)
Inter-segment eliminations	—	(1,368)	—
Total	<u>\$ 161,148</u>	<u>\$ 2,795</u>	<u>\$ 25,231</u>

	External Operating <u>Revenues</u>	Inter-segment Operating <u>Revenues</u>	Income (Loss) from Continuing <u>Operations</u>
Three Month Period Ended June 30, 2006			
Retail services:			
Electric utility	\$ 46,405	\$ 631	\$ 2,436
Electric and gas utility	29,730	—	864
Wholesale energy:			
Oil and gas	21,313	—	2,042
Power generation	38,697	—	2,379
Coal mining	3,854	2,913	768
Energy marketing	11,624	—	4,264
Corporate	16	—	(385)
Inter-segment eliminations	—	(1,370)	—
Total	<u>\$ 151,639</u>	<u>\$ 2,174</u>	<u>\$ 12,368</u>

	External Operating <u>Revenues</u>	Inter-segment Operating <u>Revenues</u>	Income (Loss) from Continuing <u>Operations</u>
Six Month Period Ended June 30, 2007			
Retail services:			
Electric utility	\$ 91,743	\$ 996	\$ 11,580
Electric and gas utility	58,015	—	4,115
Wholesale energy:			
Oil and gas	51,657	—	7,967
Power generation	79,528	—	10,412
Coal mining	12,641	7,106	2,995
Energy marketing	51,347	—	21,596
Corporate	1	—	(933)
Inter-segment eliminations	—	(2,558)	—
Total	<u>\$ 344,932</u>	<u>\$ 5,544</u>	<u>\$ 57,732</u>

	External Operating <u>Revenues</u>	Inter-segment Operating <u>Revenues</u>	Income (Loss) from Continuing <u>Operations</u>
Six Month Period Ended June 30, 2006			
Retail services:			
Electric utility	\$ 90,209	\$ 795	\$ 7,335
Electric and gas utility	73,428	—	2,261
Wholesale energy:			
Oil and gas	46,550	—	7,432
Power generation	72,290	—	4,471
Coal mining	9,850	6,188	2,183
Energy marketing	28,581	—	10,511
Corporate	32	—	(3,264)
Inter-segment eliminations	—	(2,219)	—
Total	<u>\$ 320,940</u>	<u>\$ 4,764</u>	<u>\$ 30,929</u>

During 2007, the Company has added approximately \$35.6 million on the ongoing construction of the Wygen II power plant within our electric and gas utility segment; approximately \$34.7 million on maintenance capital and development drilling within our oil and gas segment; and approximately \$39.7 million on assets related to the Valencia project in our power generation segment. Other than these significant additions and changes beyond normal operating activities, the Company had no additional material changes in the assets of its reporting segments, as reported in Note 20 of the Notes to Consolidated Financial Statements in the Company's 2006 Annual Report on Form 10-K.

The Company actively manages its exposure to certain market risks as described in Note 2 of the Notes to Consolidated Financial Statements in the Company's 2006 Annual Report on Form 10-K. Details of derivative and hedging activities included in the accompanying Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Income are as follows:

Trading Activities

Natural Gas and Crude Oil Marketing

The contract or notional amounts and terms of the Company's natural gas and crude oil marketing activities and derivative commodity instruments are as follows:

	Outstanding at <u>June 30, 2007</u>		Outstanding at <u>December 31, 2006</u>		Outstanding at <u>June 30, 2006</u>	
	Notional <u>Amounts</u>	Latest Expiration <u>(months)</u>	Notional <u>Amounts</u>	Latest Expiration <u>(months)</u>	Notional <u>Amounts</u>	Latest Expiration <u>(months)</u>
(in thousands of MMBtus)						
Natural gas basis						
swaps purchased	179,020	18	138,111	22	110,281	16
Natural gas basis						
swaps sold	195,952	18	148,720	22	118,342	16
Natural gas fixed for float						
swaps purchased	33,520	24	38,239	16	29,537	17
Natural gas fixed for float						
swaps sold	59,401	24	59,061	15	40,604	17
Natural gas physical						
purchases	81,261	18	87,782	22	80,193	28
Natural gas physical sales	108,359	28	106,500	34	128,747	40
Natural gas options						
purchased	9,266	9	22,373	15	18,145	18
Natural gas options sold	8,832	9	22,373	15	18,145	18

	Outstanding at <u>June 30, 2007</u>		Outstanding at <u>December 31, 2006</u>		Outstanding at <u>June 30, 2006</u>	
	Notional <u>Amounts</u>	Latest Expiration (months)	Notional <u>Amounts</u>	Latest Expiration (months)	Notional <u>Amounts</u>	Latest Expiration (months)
(in thousands of Bbls)						
Crude oil physical purchases	2,178	4	1,600	4	1,785 ^(a)	4
Crude oil physical sales	2,092	5	1,367	7	1,568 ^(a)	4
Crude oil swaps purchased	465	15	240	12	360	18
Crude oil swaps sold	465	15	240	12	360	18
(Dollars, in thousands)						
Canadian dollars purchased	\$ 41,000	2	\$ 44,000	1	\$ 18,000	2
Canadian dollars sold	\$ —	—	\$ —	—	\$ 11,000	5

(a) The Company began marketing crude oil in the Rocky Mountain region during May 2006.

Derivatives and certain natural gas and crude oil marketing activities were marked to fair value on June 30, 2007, December 31, 2006 and June 30, 2006, and the related gains and/or losses recognized in earnings. The amounts included in the accompanying Condensed Consolidated Balance Sheets and Statements of Income are as follows (in thousands):

	Current Derivative <u>Assets</u>	Non-current Derivative <u>Assets</u>	Current Derivative <u>Liabilities</u>	Non-current Derivative <u>Liabilities</u>	Unrealized <u>Gain</u>
June 30, 2007	\$ 32,722	\$ 184	\$ 15,235	\$ 470	\$ 17,201
December 31, 2006	\$ 53,728	\$ 4	\$ 23,296	\$ 377	\$ 30,059
June 30, 2006	\$ 24,631	\$ 697	\$ 11,673	\$ 70	\$ 13,585

In addition, certain volumes of natural gas inventory have been designated as the underlying hedged item in a "fair value" hedge transaction. These volumes are stated at market value using published spot industry quotations. Market adjustments are recorded in inventory on the Condensed Consolidated Balance Sheets and the related unrealized gain/loss on the Condensed Consolidated Statements of Income, effectively offsetting the earnings impact of the unrealized gain/loss recognized on the associated derivative asset or liability described above. As of June 30, 2007, December 31, 2006 and June 30, 2006, the market adjustments recorded in inventory were \$(6.4) million, \$(31.5) million and \$(4.3) million, respectively.

Activities Other Than Trading

Oil and Gas Exploration and Production

On June 30, 2007, December 31, 2006 and June 30, 2006, the Company had the following derivatives and related balances (in thousands):

	<u>Notional*</u>	<u>Maximum Terms in Years</u>	<u>Current Derivative Assets</u>	<u>Non- current Derivative Assets</u>	<u>Current Derivative Liabilities</u>	<u>Non- current Derivative Liabilities</u>	<u>Pre-tax Accumulated Other Comprehensive Income (Loss)</u>	<u>Pre-tax Income (Loss)</u>
June 30, 2007								
Crude oil swaps/options	465,000	1.00	\$ 621	\$ 17	\$ 1,039	\$ 542	\$ (1,564)	\$ 621
Natural gas swaps	11,247,000	1.17	6,411	296	664	1,757	4,714	(428)
			<u>\$ 7,032</u>	<u>\$ 313</u>	<u>\$ 1,703</u>	<u>\$ 2,299</u>	<u>\$ 3,150</u>	<u>\$ 193</u>
December 31, 2006								
Crude oil swaps/options	240,000	1.00	\$ 524	\$ —	\$ 362	\$ —	\$ 36	\$ 126
Natural gas swaps	10,588,000	1.25	13,485	2,000	309	175	15,339	(338)
			<u>\$ 14,009</u>	<u>\$ 2,000</u>	<u>\$ 671</u>	<u>\$ 175</u>	<u>\$ 15,375</u>	<u>\$ (212)</u>
June 30, 2006								
Crude oil swaps	360,000	1.00	\$ 302	\$ —	\$ 3,286	\$ 1,179	\$ (4,465)	\$ 302
Natural gas swaps	4,485,000	0.60	3,748	202	—	—	3,950	—
			<u>\$ 4,050</u>	<u>\$ 202</u>	<u>\$ 3,286</u>	<u>\$ 1,179</u>	<u>\$ (515)</u>	<u>\$ 302</u>

*crude in Bbls, gas in MMBtus

Based on June 30, 2007 market prices, a \$4.5 million gain would be realized and reported in pre-tax earnings during the next twelve months related to hedges of production. Estimated and actual realized gains will likely change during the next twelve months as market prices change.

Fuel in Storage

On June 30, 2007, December 31, 2006 and June 30, 2006, the Company had the following swaps and related balances (in thousands):

	<u>Notional*</u>	<u>Maximum Terms in Years</u>	<u>Current Derivative Assets</u>	<u>Non- current Derivative Assets</u>	<u>Current Derivative Liabilities</u>	<u>Non- current Derivative Liabilities</u>	<u>Pre-tax Accumulated Other Comprehensive Income (Loss)</u>	<u>Unrealized Gain</u>
June 30, 2007								
Natural gas swaps	455,000	0.83	\$ —	\$ —	\$ 76	\$ —	\$ (76)	\$ —
December 31, 2006								
Natural gas swaps	380,000	0.25	\$ 1,220	\$ —	\$ —	\$ —	\$ 878	\$ 342
June 30, 2006								
Natural gas swaps	155,000	0.75	\$ 73	\$ —	\$ —	\$ —	\$ 73	\$ —

*gas in MMBtus

Based on June 30, 2007 market prices, a loss of \$(0.1) million would be realized and reported in pre-tax earnings during the next twelve months related to the cash flow hedge. Estimated and actual realized losses will likely change during the next twelve months as market prices change.

Financing Activities

On June 30, 2007, December 31, 2006 and June 30, 2006, the Company's interest rate swaps and related balances were as follows (in thousands):

	Current Notional Amount	Weighted Average Fixed Interest Rate	Maximum Terms in Years	Current Derivative Assets	Non- current Derivative Assets	Current Derivative Liabilities	Non- current Derivative Liabilities	Pre-tax Accumulated Other Comprehensive Income	Pre-tax Income
June 30, 2007									
Interest rate swaps	\$ 150,000	5.04%	9.25	\$ 384	\$ 4,916	\$ 55	\$ —	\$ 5,245	\$ —
December 31, 2006									
Interest rate swaps	\$ 150,000	5.04%	9.75	\$ 287	\$ 867	\$ 74	\$ 978	\$ 102	\$ —
June 30, 2006									
Interest rate swaps	\$ 75,000	4.93%	9.50	\$ 350	\$ 2,250	\$ —	\$ —	\$ 2,566	\$ 34

Based on June 30, 2007 market interest rates and balances, a gain of approximately \$0.3 million would be realized and reported in pre-tax earnings during the next twelve months. Estimated and realized gains will likely change during the next twelve months as market interest rates change.

(13) POWER PLANT PROJECT AND POWER PURCHASE AGREEMENT

In April 2007, the Company entered into a power purchase agreement to provide electric power to Public Service Company of New Mexico, a regulated electric and natural gas utility subsidiary of PNM.

Under the terms of the agreement, the Company will provide the capacity and energy of a 149 MW, simple-cycle gas turbine generation facility to be located near Albuquerque, New Mexico. The project is expected to cost approximately \$101 million, and has a commercial operation in-service date in June 2008. If the Company would fail to meet the June 2008 in-service date, significant penalties could be incurred under the "delay damage" provisions that are customary within agreements of this nature. The agreement is a customary tolling agreement, where the Company receives variable and fixed fees for the plant's availability and operation, and Public Service Company of New Mexico will be responsible for providing fuel for the operation. In addition, the agreement affords the Company favorable "change of law" and "government impositions" pass-throughs to Public Service Company of New Mexico. The duration of the power purchase agreement is 20 years. During the term of the agreement, Public Service Company of New Mexico is also provided an option to acquire a 50 percent equity interest in this project for a price equal to the fair market value at the time of the option exercise, with a minimum price equal to book value.

On June 20, 2007, the Company purchased certain equipment and assets related to the Valencia project from Public Service Company of New Mexico. The assets included the power plant turbine, permits, land and other auxiliary equipment. The purchase price was approximately \$40.6 million, paid through entering into a \$30.0 million short-term promissory note, payable to Public Service Company of New Mexico in December 2007, and \$10.6 million in cash.

The Company is subject to various legal proceedings, claims and litigation as described in Note 18 of the Notes to Consolidated Financial Statements in the Company's 2006 Annual Report on Form 10-K.

Earn-Out Litigation

As disclosed in previous filings with the SEC, the Company has ongoing litigation with the former Indeck stockholders. On March 12, 2007, the Court granted, in part, the Company's Motion to Dismiss the Amended Complaint. The Court dismissed Counts 1 and 5 of the Amended Complaint. Count 1 included all claims of fraud against individual defendants. Those individuals were not named in other counts of the Amended Complaint, so they were dismissed as parties to the lawsuit. Count 5 asserted a claim for breach of the covenant of good faith and fair dealing relating to the alleged destruction of evidence. The Court approved the amendment of the complaint on other theories. The Company expects to file pre-trial motions to dismiss some or all of these claims. To the extent motions to dismiss are denied, a trial of this matter is set to commence on February 25, 2008.

The parties retained an arbitrator who will direct the process and decide the Earn-Out issues presently in arbitration, according to the procedure stated in the Merger Agreement. No date for a final decision has been set by the arbitrator.

The outcome of this matter is uncertain, as is the amount of contingent merger consideration that could be awarded following arbitration and/or litigation. If any additional merger consideration is awarded, it would be recorded as additional goodwill, which would be subject to a recoverability analysis under GAAP.

Las Vegas Cogeneration/Nevada Power Company Arbitration

On March 16, 2007, Nevada Power filed a Demand for Arbitration pursuant to a Power Purchase Agreement dated May 27, 1992, (the "Agreement") between Nevada Power and LVC. Nevada Power asserts that LVC is in breach of its obligation under the Agreement to maintain a "reliable fuel supply throughout the term of the Power Contract." On July 5, 2007, Nevada Power served an Amended Demand for Arbitration. The relief Nevada Power requests include: (1) A determination that the Agreement requires LVC to obtain and maintain firm, long-term fuel supply and transportation agreements for the full term of the Agreement; (2) A determination that LVC failed to honor this obligation; (3) A determination that LVC's failure to obtain and maintain firm fuel supply and transportation agreements constitutes a material breach of the Agreement; and (4) An order of specific performance requiring LVC to enter into long-term fuel supply and transportation agreements to cure the alleged breach.

LVC denies all these claims and filed its response to the Demand for Arbitration, asserting the following defenses: (1) That Nevada Power failed to honor its contractual obligation to properly negotiate in good faith before filing the Demand for Arbitration; (2) That LVC has complied with its obligations relating to fuel supply and transportation; and (3) That numerous other affirmative defenses preclude Nevada Power from receiving the relief requested.

The arbitration demand was filed with the American Arbitration Association, pursuant to its Commercial Arbitration Rules. The parties selected an arbitrator and expect resolution to the matter by the end of 2007. While the Company cannot predict the final timing or outcome of this action, and it is not expected to have a material impact on the Company's consolidated financial position or results of operations.

California Price Reporting and Anti-Trust Litigation

As disclosed in previous filings with the SEC, the Company's subsidiary, Enserco, has ongoing litigation in the San Diego Superior Court, in the State of California, under the heading "In re Natural Gas Anti-Trust Cases I, II, III, IV and V." The lawsuits have been pending against other marketers, traders, transporters and sellers of natural gas since as early as 2004. The plaintiffs allege the defendants, including Enserco, used various practices to manipulate natural gas prices in California in violation of the Cartwright Act and other California state laws. Enserco had filed motions to dismiss, which were pending before the court. On June 2, 2007, Enserco reached a settlement agreement set forth in a Letter of Intent. Final documentation is expected to be completed by the end of 2007. The Company has previously made accruals sufficient to cover the agreed upon settlement payment, the amount of which is not material to the Company's consolidated financial position, results of operations or cash flows.

Except as described above, there have been no material developments in any previously reported proceedings or any new material proceedings that have developed or material proceedings that have terminated during the first six months of 2007.

(15) ACQUISITIONS

Aquila

On February 7, 2007, the Company entered into a definitive agreement with Aquila for the asset acquisition of Aquila's regulated electric utility in Colorado and its regulated gas utilities in Colorado, Kansas, Nebraska and Iowa. The purchase price of the assets is \$940 million, subject to closing adjustments.

The purchase is conditioned on the completion of the acquisition of the outstanding shares of Aquila by Great Plains immediately following the sale of the regulated utilities to the Company. The purchase is also subject to regulatory approvals from the Missouri Public Service Commission, the Kansas Corporation Commission, the Colorado Public Utilities Commission, the Nebraska Public Service Commission, the Iowa Utilities Board and FERC; Hart-Scott-Rodino antitrust review; as well as other customary conditions.

In conjunction with the asset acquisition, on May 7, 2007, the Company entered into a senior unsecured \$1.0 billion Acquisition Facility to provide for funding for the Company's pending acquisition of Aquila assets. The Acquisition Facility is a committed facility to fund an acquisition term loan in a single draw in an amount of up to \$1.0 billion. The commitment to fund the acquisition term loan terminates on August 5, 2008. Upon funding of the loan, the loan termination date is the earlier of the date which is 364 days from the loan funding date or February 5, 2009.

This transaction would add approximately 93,000 electric utility customers and 523,000 gas utility customers to the Company's utility operations.

The Company is capitalizing certain incremental acquisition costs incurred related to this pending acquisition. Amounts capitalized in the three and six month periods ended June 30, 2007 were approximately \$5.1 million and \$7.2 million, respectively.

The Company accounts for its discontinued operations under the provisions of SFAS 144. Accordingly, results of operations and the related charges for discontinued operations have been classified as “(Loss) income from discontinued operations, net of taxes” in the accompanying Condensed Consolidated Statements of Income. Assets and liabilities of the discontinued operations have been reclassified and reflected on the accompanying Condensed Consolidated Balance Sheets as “Assets of discontinued operations” and “Liabilities of discontinued operations.” For comparative purposes, all prior periods presented have been restated to reflect the reclassifications on a consistent basis.

Sale of Crude Oil Marketing and Transportation Assets

On March 1, 2006, the Company sold the operating assets of BHER and related subsidiaries, its crude oil marketing and transportation business, for approximately \$41 million. Assets sold include the 200-mile Millennium and the 190-mile Kilgore Pipelines, oil marketing contracts and certain other ancillary assets. Following the sale, the Company closed the operations of the Houston, Texas based business. For business segment reporting purposes, BHER was included in the Energy marketing and transportation segment.

Revenues and net (loss) income from the discontinued operations were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating revenues	\$ —	\$ 36	\$ —	\$ 171,905
Pre-tax loss from discontinued operations (including severance payments)	\$ (208)	\$ (376)	\$ (281)	\$ (2,218)
Pre-tax (loss) gain on sale of assets	—	(558)	—	13,104
Income tax benefit (expense)	75	323	100	(3,907)
Net (loss) income from discontinued operations	<u>\$ (133)</u>	<u>\$ (611)</u>	<u>\$ (181)</u>	<u>\$ 6,979</u>

Losses incurred subsequent to the asset sale resulted from the settlement of certain contract disputes with the purchaser and other costs incurred in closing down the business operations. Assets and liabilities of the crude oil marketing and transportation business subsequent to the sale were not significant.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are a diversified energy company operating principally in the United States with two major business groups – retail services and wholesale energy. We report our business groups in the following segments:

<u>Business Group</u>	<u>Financial Segment</u>
<i>Retail services group</i>	Electric utility Electric and gas utility
<i>Wholesale energy group</i>	Oil and gas Power generation Coal mining Energy marketing

Our retail services group consists of our electric and gas utilities segments. Our electric utility, Black Hills Power, generates, transmits and distributes electricity to an average of approximately 64,200 customers in South Dakota, Wyoming and Montana. Our electric and gas utility, Cheyenne Light, serves approximately 38,900 electric and 32,600 natural gas customers in Cheyenne, Wyoming and vicinity. Our wholesale energy group engages in the production of coal, natural gas and crude oil primarily in the Rocky Mountain region; the production of electric power through ownership of a diversified portfolio of generating plants and the sale of electric power and capacity primarily under long-term contracts; and the marketing of fuel products.

Pending Power Plant Project and Power Purchase Agreement

In April 2007, we entered into a power purchase agreement to provide electric power to Public Service Company of New Mexico, a regulated electric and natural gas utility subsidiary of PNM.

Under the terms of the agreement, we will provide the capacity and energy of a 149 MW, simple-cycle gas turbine generation facility to be located near Albuquerque, New Mexico. The project is expected to cost approximately \$101 million, and has a commercial operation in-service date in June 2008. If the Company would fail to meet the June 2008 in-service date, significant penalties could be incurred under the “delay damage” provisions that are customary within agreements of this nature. The agreement is a customary tolling agreement, where we receive variable and fixed fees for the plant’s availability and operation, and Public Service Company of New Mexico will be responsible for providing fuel for the operation. In addition, the agreement affords us favorable “change of law” and “government impositions” pass-throughs to Public Service Company of New Mexico. The duration of the power purchase agreement is 20 years. During the term of the agreement, Public Service Company of New Mexico is also provided an option to acquire a 50 percent equity interest in this project for a price equal to the fair market value at the time of the option exercise with a minimum price equal to book value.

On June 20, 2007, we purchased certain equipment and assets related to the Valencia project from Public Service Company of New Mexico. The assets included the power plant turbine, permits, land and other auxiliary equipment. The purchase price was approximately \$40.6 million, paid through entering into a \$30.0 million short-term promissory note, payable to Public Service Company of New Mexico in December 2007, and \$10.6 million in cash.

Pending Acquisition of Assets from Aquila

On February 7, 2007, we entered into a definitive agreement with Aquila for the asset acquisition of Aquila's regulated electric utility in Colorado and its regulated gas utilities in Colorado, Kansas, Nebraska and Iowa. The purchase price of the assets is \$940 million, subject to closing adjustments. In conjunction with this agreement, we have entered into a binding agreement with a group of lenders for a committed acquisition credit facility as a bridge financing for the transaction. The Acquisition Credit Facility was completed on May 7, 2007.

The purchase is conditioned on the completion of the acquisition of the outstanding shares of Aquila by Great Plains immediately following the sale of the regulated utilities to us. The purchase is also subject to regulatory approvals from the Missouri Public Service Commission, the Kansas Corporation Commission, the Colorado Public Utilities Commission, the Nebraska Public Service Commission, the Iowa Utilities Board and FERC; Hart-Scott-Rodino antitrust review; as well as other customary conditions. We have filed all necessary applications for the state and federal regulatory reviews and approvals required for the proposed transaction.

This transaction would add approximately 93,000 electric utility customers and 523,000 gas utility customers to our utility operations.

We are capitalizing certain incremental acquisition costs incurred related to this pending acquisition. Amounts capitalized in the three and six month periods ended June 30, 2007 were approximately \$5.1 million and \$7.2 million, respectively.

Disposition of Crude Oil Marketing and Transportation Business

In March 2006, we sold the operating assets of BHER and related subsidiaries, our crude oil marketing and pipeline transportation business headquartered in Houston, Texas. These activities were previously reported in our Energy marketing and transportation segment.

Executive Summary

Results for the three and six month periods ended June 30, 2007 reflect increased earnings from all of our business segments. For the three month period ended June 30, 2007, net income was \$25.1 million or \$0.66 per share, compared to \$11.8 million, or \$0.35 per share, for the same period in 2006. Income from continuing operations for the three month period ended June 30, 2007 was \$25.2 million, or \$0.66 per share, compared to \$12.4 million, or \$0.37 per share, reported for the same period in 2006. For the six months ended June 30, 2007, net income was \$57.6 million, or \$1.56 per share, compared to \$37.9 million, or \$1.13 per share, reported for the same period in 2006. For the six months ended June 30, 2007, income from continuing operations was \$57.7 million, or \$1.57 per share, compared to \$30.9 million, or \$0.92 per share, reported for the same period in 2006.

Increased retail services earnings were driven by Black Hills Power benefiting from a 2007 South Dakota rate increase and having our Wyodak power plant in service compared to being under a planned maintenance outage in 2006. Cheyenne Light exhibited steady operations and benefited from the increased earnings impact of AFUDC related to the ongoing construction of Wygen II.

Earnings from the oil and gas operations increased for the quarter due to higher production on an equivalent basis from our San Juan and Powder River properties and some recent softening in overall industry costs. Year-to-date production is approximately 1 percent behind the prior year as a result of beginning 2007 with a 9 percent shortfall in the first quarter due to difficult winter conditions and production declines in the Denver-Julesburg Basin; while second quarter 2007 production was 4 percent over 2006 volumes for the period. Additionally, earnings were positively impacted by increased hedged natural gas and crude oil prices received compared to the prior year as well as income tax benefits resulting from amended income tax returns.

Increased earnings from power generation reflect increased plant availability compared to 2006, primarily due to the return to service of the Las Vegas facilities after scheduled and unscheduled maintenance in the first and second quarters of 2006. In addition, the power generation segment earnings benefited from lower interest expense associated with recent debt reductions.

Strong earnings from energy marketing reflect higher margins received and increased volumes. Through our transportation and other marketing strategies, we were able to take advantage of natural gas price volatility and basis differentials between the Rocky Mountain prices and other regions.

On February 22, 2007, we completed the issuance and sale of approximately 4.17 million shares of common stock at a price of \$36.00 per share in a private placement to institutional investors pursuant to a Securities Purchase Agreement dated as of February 14, 2007. We used the net offering proceeds of \$145.6 million for debt reduction. As a result of the use of a weighted average methodology to calculate the number of shares outstanding, the dilutive effect of the stock issuance will increase as the year progresses.

Consolidated Results

Revenues and Income/(Loss) from Continuing Operations provided by each business group were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
<u>Revenues</u>				
Retail services	\$ 66,039	\$ 76,135	\$ 149,758	\$ 163,637
Wholesale energy	97,904	77,662	200,717	162,035
Corporate	—	16	1	32
	<u>\$ 163,943</u>	<u>\$ 153,813</u>	<u>\$ 350,476</u>	<u>\$ 325,704</u>
<u>Income/(Loss) from Continuing Operations</u>				
Retail services	\$ 5,924	\$ 3,300	\$ 15,695	\$ 9,596
Wholesale energy	20,126	9,453	42,970	24,597
Corporate	(819)	(385)	(933)	(3,264)
	<u>\$ 25,231</u>	<u>\$ 12,368</u>	<u>\$ 57,732</u>	<u>\$ 30,929</u>

Discontinued operations in 2007 and 2006 represent the operations of our crude oil marketing and transportation business. The assets of this business were sold in March 2006.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006. Revenues for the three months ended June 30, 2007 increased 7 percent, or \$10.1 million, compared to the same period in 2006. Increased revenues were primarily driven by higher margins from our energy marketing activities, higher prices and volumes from our oil and gas operations and higher average price received and higher tons sold from our coal mining operations. These factors were partially offset by lower revenues at our retail services group due to the impact of cost recovery rate adjustments at Cheyenne Light and lower off-system sales at Black Hills Power.

Operating expenses decreased 2 percent, or \$2.8 million, primarily due to lower fuel and purchased power costs and lower operating and maintenance cost at the electric and gas utility, partially offset by increased compensation expense and depreciation and depletion expense.

Income from continuing operations increased \$12.9 million due primarily to the following:

- a \$2.4 million increase in Electric utility earnings;
- a \$0.2 million increase in Electric and gas utility earnings;
- a \$2.3 million increase in Oil and gas earnings;
- a \$4.7 million increase in Energy marketing earnings;
- a \$3.1 million increase in Power generation earnings; and
- a \$0.6 million increase in Coal mining earnings,

partially offset by:

- a \$0.4 million increase in unallocated corporate costs.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006. Revenues for the six months ended June 30, 2007 increased 8 percent, or \$24.8 million, compared to the same period in 2006. Increased revenues were primarily driven by higher margins from our energy marketing activities and improved revenues from Power generation. These factors were partially offset by lower revenues at our retail services group due to the impact of cost recovery rate adjustments at Cheyenne Light and lower off-system sales at Black Hills Power.

Operating expenses decreased 2 percent, or \$4.7 million, primarily due to lower fuel and purchased power costs at the electric and gas utility, and lower operating and maintenance cost at Power generation due to the 2006 outages at the Las Vegas facility, partially offset by increased compensation expense and depreciation and depletion expense.

Income from continuing operations increased \$26.8 million due primarily to the following:

- a \$4.2 million increase in Electric utility earnings;
- a \$1.9 million increase in Electric and gas utility earnings;
- a \$0.5 million increase in Oil and gas earnings;
- a \$11.1 million increase in Energy marketing earnings;
- a \$5.9 million increase in Power generation earnings;
- a \$0.8 million increase in Coal mining earnings; and
- a \$2.3 million decrease in unallocated corporate costs.

See the following discussion of our business segments under the captions “Retail Services Group” and “Wholesale Energy Group” for more detail on our results of operations.

The following business group and segment information does not include intercompany eliminations or discontinued operations.

Retail Services Group

Electric Utility

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands)			
Revenue	\$ 44,972	\$ 47,036	\$ 92,739	\$ 91,004
Operating expenses	34,912	40,545	70,134	74,416
Operating income	<u>\$ 10,060</u>	<u>\$ 6,491</u>	<u>\$ 22,605</u>	<u>\$ 16,588</u>
Income from continuing operations and net income	<u>\$ 4,881</u>	<u>\$ 2,436</u>	<u>\$ 11,580</u>	<u>\$ 7,335</u>

The following tables provide certain operating statistics for the Electric utility segment:

Customer Base	Electric Revenue (in thousands)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	Percentage Change	2006	2007	Percentage Change	2006
Commercial	\$ 13,094	10%	\$ 11,892	\$ 26,193	12%	\$ 23,290
Residential	9,667	9	8,868	22,079	13	19,556
Industrial	5,482	6	5,187	10,578	4	10,198
Municipal sales	647	9	591	1,226	10	1,111
Total retail sales	28,890	9	26,538	60,076	11	54,155
Contract wholesale	5,832	(1)	5,920	12,289	2	12,028
Wholesale off system	7,415	(30)	10,575	13,998	(26)	18,809
Total electric sales	42,137	(2)	43,033	86,363	2	84,992
Other revenue	2,835	(29)	4,003	6,376	6	6,012
Total revenue	<u>\$ 44,972</u>	<u>(4)%</u>	<u>\$ 47,036</u>	<u>\$ 92,739</u>	<u>2%</u>	<u>\$ 91,004</u>

Customer Base	Megawatt Hours Sold					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	Percentage Change	2006	2007	Percentage Change	2006
Commercial	160,482	2%	158,046	326,576	3%	316,639
Residential	106,788	1	105,484	259,524	5	247,278
Industrial	110,004	2	108,333	209,258	(1)	211,360
Municipal sales	7,788	2	7,652	15,208	3	14,711
Total retail sales	385,062	1	379,515	810,566	3	789,988
Contract wholesale	151,828	(2)	154,694	316,938	—	316,945
Wholesale off system	150,363	(44)	268,174	284,212	(37)	448,337
Total electric sales	<u>687,253</u>	<u>(14)</u>	<u>802,383</u>	<u>1,411,716</u>	<u>(9)</u>	<u>1,555,270</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Regulated power plant fleet availability:				
Coal-fired plants	93.9%	83.9%	94.6%	90.6%
Other plants	99.1%	99.5%	99.5%	99.4%
Total availability	96.2%	90.9%	96.8%	94.5%

Resources	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	Percentage Change	2006	2007	Percentage Change	2006
MWhs generated:						
Coal	434,707	19%	366,821	875,225	7%	820,954
Gas	28,643	149	11,482	34,341	151	13,693
	463,350	22%	378,303	909,566	9%	834,647
MWhs purchased	254,588	(45)%	464,219	549,051	(29)%	776,506
Total resources	717,938	(15)%	842,522	1,458,617	(9)%	1,611,153

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Heating and cooling degree days:				
Actual				
Heating degree days		857	710	3,912
Cooling degree days		203	211	203
Percent of normal				
Heating degree days		86%	71%	91%
Cooling degree days		201%	209%	201%

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006. Income from continuing operations increased \$2.4 million primarily due to lower maintenance expenses compared to 2006, which included a planned maintenance outage of the Wyodak plant, and higher retail revenues in 2007 resulting from rate increases that went into effect January 1, 2007. These items were partially offset by higher allocated corporate costs and lower gross margin from off-system sales.

Total revenues decreased 4 percent for the three month period ended June 30, 2007, compared to the same period in the prior year. Wholesale off-system sales decreased 30 percent due to a 44 percent decrease in MWhs sold partially offset by a 25 percent increase in average price received. MWhs available for wholesale off-system sales decreased from the prior period due to storm damage related transmission constraints to the east of our AC-DC transmission tie and increased native load. Following transmission repairs, we were able to resume full utilization of the AC-DC tie in June 2007. Decreases in off-system sales were partially offset by higher revenues from retail sales resulting from the January 1, 2007 rate increase and a slight increase in MWhs sold.

Operating expenses decreased 14 percent for the three month period ended June 30, 2007, compared to the same period in the prior year. Fuel and purchased power costs decreased 19 percent primarily due to a 14 percent decrease in MWh resource requirements resulting from a significant decrease in off-system sales volumes and higher MWhs generated from our low-cost coal resources due to the availability of the Wyodak plant for the whole period, partially offset by higher per MWh cost for purchased power. Maintenance costs for the three month period ended June 30, 2007 also decreased compared to costs incurred for 2006.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006. Income from continuing operations increased \$4.2 million primarily due to lower maintenance expenses compared to 2006, which included a planned maintenance outage of the Wyodak plant and higher retail revenues in 2007 resulting from rate increases that went into effect January 1, 2007. These items were partially offset by lower gross margin from off-system sales.

Revenues increased 2 percent for the six month period ended June 30, 2007, compared to the same period in the prior year. Higher retail revenues resulted from rate increases that went into effect January 1, 2007 and a 3 percent increase in MWhs sold, partially offset by wholesale off-system sales decreasing 26 percent due to a 37 percent decrease in MWhs sold partially offset by a 17 percent increase in average price received. MWhs available for wholesale off-system sales decreased from the prior period due to storm damage related transmission constraints to the east of our AC-DC transmission tie and increased native load. Following transmission repairs, we were able to resume full utilization of the AC-DC tie in June 2007.

Operating expenses decreased 6 percent for the six month period ended June 30, 2007, compared to the same period in the prior year. Fuel and purchased power costs decreased 8 percent, primarily due to a 9 percent decrease in MWh resource requirements resulting from a significant decrease in MWhs sold off-system and higher MWhs generated from our low-cost coal resources due to the increased availability of the Wyodak plant for the period, partially offset by higher per MWh cost for purchased power. Operating expense for the six months ended June 30, 2007 was also affected by decreased maintenance costs compared to costs incurred for 2006 scheduled outages and higher depreciation expense.

Electric and Gas Utility

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands)			
Revenue	\$ 21,652	\$ 29,730	\$ 58,015	\$ 73,428
Purchased gas and electricity	15,480	23,427	44,069	59,603
Gross margin	6,172	6,303	13,946	13,825
Operating expenses	5,112	5,297	10,439	10,919
Operating income	\$ 1,060	\$ 1,006	\$ 3,507	\$ 2,906
Income from continuing operations and net income	\$ 1,043	\$ 864	\$ 4,115	\$ 2,261

The following tables provide certain operating statistics for the Electric and gas utility segment:

Electric Margins
(in thousands)

Customer Base	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	Percentage Change	2006	2007	Percentage Change	2006
Commercial	\$ 1,837	4%	\$ 1,769	\$ 3,653	10%	\$ 3,324
Residential	2,063	(2)	2,107	4,278	(2)	4,368
Industrial	84	(3)	87	168	(3)	174
Municipal	144	2	141	288	5	273
Total electric	4,128	1	4,104	8,387	3	8,139
Other	52	(60)	131	79	(65)	225
Total electric margins	\$ 4,180	(1)%	\$ 4,235	\$ 8,466	1%	\$ 8,364

Gas Margins
(in thousands)

Customer Base	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	Percentage Change	2006	2007	Percentage Change	2006
Commercial	\$ 472	1%	\$ 469	\$ 1,398	5%	\$ 1,326
Residential	1,243	(1)	1,251	3,428	1	3,381
Industrial	85	(8)	92	250	(9)	276
Total gas	1,800	(1)	1,812	5,076	2	4,983
Other	192	(25)	256	404	(15)	478
Total gas margins	\$ 1,992	(4)%	\$ 2,068	\$ 5,480	—%	\$ 5,461

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	Percentage Change	2006	2007	Percentage Change	2006
Electric sales - MWh	222,459	2%	218,795	464,289	3%	451,622
Gas sales - Dth	881,983	7%	823,868	2,851,568	6%	2,694,322

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Heating and cooling degree days:				
Actual				
Heating degree days	1,139	877	4,162	3,868
Cooling degree days	90	124	90	124
Percent of normal				
Heating degree days	92%	71%	95%	88%
Cooling degree days	214%	295%	214%	295%

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006. Income from continuing operations increased \$0.2 million for the three months ended June 30, 2007 compared to the three months ended June 30, 2006. The increase in income from continuing operations was impacted by income related to AFUDC attributable to the ongoing construction of the Wygen II power plant and a slight decrease in operating expenses, partially offset by a slight decrease in electric and gas gross margins.

Gross margin decreased 2 percent primarily due to lower revenues from customer late fees in 2007, compared to a period of collection challenges in 2006. We consider gross margin to be the most useful performance measure as fluctuations in cost of gas and electricity flow through to revenues through cost recovery rate adjustments.

Operating expenses decreased 3 percent primarily due to lower depreciation expense, benefit costs and bad debt provisions.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006. Income from continuing operations increased \$1.9 million for the six months ended June 30, 2007 compared to the six months ended June 30, 2006. The increase in income from continuing operations was impacted by income related to AFUDC attributable to the ongoing construction of the Wygen II power plant, the related income tax benefit due to the nature of the AFUDC tax effects, and a 4 percent decrease in operating expenses compared to the same period in 2006.

Gross margin was flat for the six months ended June 30, 2007, compared to the same period in 2006. We consider gross margin to be the most useful performance measure as fluctuations in cost of gas and electricity flow through to revenues through cost recovery rate adjustments.

Operating expenses decreased 4 percent primarily due to lower depreciation expense, benefit costs and bad debt provisions.

Rate Increase Requested. During March 2007, Cheyenne Light filed a rate request with the WPSC. The filing requests general rate increases of \$8.4 million for electric rates and \$4.6 million for gas rates, based upon rates in place at December 31, 2006. The requested increases also include rate base additions for Wygen II and other capital investments necessary for the expansion and maintenance of both electric and gas distribution systems to accommodate population and energy growth.

Wholesale Energy Group

A discussion of results from our Wholesale Energy group's operating segments follows:

Oil and Gas

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands)			
Revenue	\$ 25,814	\$ 21,313	\$ 51,657	\$ 46,550
Operating expenses	18,488	16,271	36,986	32,224
Operating income	<u>\$ 7,326</u>	<u>\$ 5,042</u>	<u>\$ 14,671</u>	<u>\$ 14,326</u>
Income from continuing operations and net income	<u>\$ 4,376</u>	<u>\$ 2,042</u>	<u>\$ 7,967</u>	<u>\$ 7,432</u>

The following tables provide certain operating statistics for our Oil and gas segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Fuel production:				
Bbls of oil sold	103,500	96,300	206,900	186,800
Mcf of natural gas sold	3,183,700	3,088,500	5,862,000	6,047,600
Mcf equivalent sales	3,804,700	3,666,300	7,103,400	7,168,400

Year-to-date production is approximately 1 percent behind 2006 as a result of beginning 2007 with a 9 percent shortfall in the first quarter due to difficult winter weather conditions and production declines in the Denver-Julesburg Basin. Second quarter 2007 production on an equivalent basis was 4 percent higher than the same period in 2006 due to higher production from our San Juan and Powder River Basin properties. As discussed earlier this year, we lowered our long-term production and reserve growth targets to a range of 4 to 6 percent annually, down from our December 31, 2006 annual growth estimate of 10 percent. We expect to be at the lower end of this range based on year-to-date and forecasted results.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Average price received*:				
Gas/Mcf**	\$ 5.48	\$ 5.19	\$ 6.27	\$ 6.07
Oil/Bbl	\$ 58.26	\$ 48.40	\$ 55.45	\$ 46.91
Depletion expense/Mcfe	\$ 2.03	\$ 1.77	\$ 2.04	\$ 1.70

* Net of hedges

** Exclusive of gas liquids

The following are summaries of LOE/Mcfe:

Location	Three Months Ended			Three Months Ended		
	June 30, 2007			June 30, 2006		
	<u>LOE</u>	<u>Processing</u>	<u>Total</u>	<u>LOE</u>	<u>Processing</u>	<u>Total</u>
New Mexico	\$ 0.76	\$ 0.31	\$ 1.07	\$ 0.93	\$ 0.43	\$ 1.36
Colorado	1.21	0.67 ^(a)	1.88	1.52	0.57	2.09
Wyoming	1.34	—	1.34	1.25	—	1.25
All other properties	0.51	0.08	0.59	0.70	0.12	0.82
All locations	\$ 0.84	\$ 0.20	\$ 1.04	\$ 0.94	\$ 0.24	\$ 1.18

Location	Six Months Ended			Six Months Ended		
	June 30, 2007			June 30, 2006		
	<u>LOE</u>	<u>Processing</u>	<u>Total</u>	<u>LOE</u>	<u>Processing</u>	<u>Total</u>
New Mexico	\$ 0.99	\$ 0.37	\$ 1.36	\$ 1.02	\$ 0.46	\$ 1.48
Colorado	1.34	0.95 ^(a)	2.29	1.45	0.43	1.88
Wyoming	1.22	—	1.22	1.17	—	1.17
All other properties	0.66	0.14	0.80	0.66	0.15	0.81
All locations	\$ 0.97	\$ 0.26	\$ 1.23	\$ 0.94	\$ 0.25	\$ 1.19

(a) Reflects the expenses associated with Colorado acquisitions completed in 2006 which included underutilized gathering, processing and compression assets. It is anticipated that future development of these properties will increase the capacity utilization rate of these gathering and processing assets and the per unit costs will decrease.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006. Income from continuing operations increased \$2.3 million for the three months ended June 30, 2007 compared to the same period in 2006 due to increased revenues and approximately \$1.0 million of recognized income tax benefits resulting from amended federal income tax returns, partially offset by a net \$0.4 million after-tax impact primarily related to an accrual increase related to the settlement of an ongoing royalty audit, and a 14 percent increase in operating expenses.

Revenue increased 21 percent for the three months ended June 30, 2007 compared to the three months ended June 30, 2006. Gas production increased 3 percent and the average hedged gas price received increased 6 percent. Oil production increased 7 percent and average hedged oil price received increased 20 percent.

Total operating expenses increased 14 percent for the three month period ended June 30, 2007 primarily due to increased field service costs and depletion expense. Lease operating expense was down due to the effect of increased production volumes and property tax adjustments, partially offset by increased pumping and wellhead compression costs. The average depletion rate per Mcfe is a function of capitalized costs, projected future development costs and the related underlying reserves in the periods presented. The increased depletion rate per Mcfe in 2007 compared to 2006 is primarily due to increases in current year finding costs and higher estimated future development costs as well as the higher average cost of reserves acquired in 2006 transactions, and the impact of year-end 2006 negative reserve revisions.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006. Income from continuing operations increased \$0.5 million for the six months ended June 30, 2007 compared to the same period in 2006 due to increased revenues and approximately \$1.0 million of recognized income tax benefits resulting from amended federal income tax returns, partially offset by a net \$0.4 million after-tax impact primarily related to an accrual increase related to the settlement of an ongoing royalty audit, and a 15 percent increase in operating expenses.

Revenue increased 11 percent for the six months ended June 30, 2007 compared to the six months ended June 30, 2006. Gas production decreased 3 percent and the average hedged gas price received increased 3 percent. Oil production increased 11 percent and average hedged oil price received increased 18 percent.

Total operating expenses increased 15 percent for the six month period ended June 30, 2007 primarily due to increased field service costs and depletion expense. The LOE per Mcfe sold (LOE/Mcfe) increased 3 percent due to changing property mix with the 2006 acquisitions and increased repair and weather-related costs incurred in 2007. Depletion expense per Mcfe increased 20 percent. The average depletion rate per Mcfe is a function of capitalized costs, projected future development costs and the related underlying reserves in the periods presented. The increased depletion rate is due to increases in current year finding costs and higher estimated future development costs as well as the higher average cost of reserves acquired in 2006 transactions, and the impact of year-end 2006 negative reserve revisions.

Power Generation

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands)			
Revenue	\$ 39,962	\$ 38,697	\$ 79,528	\$ 72,290
Operating expenses	25,878	24,858	51,008	48,897
Operating income	<u>\$ 14,084</u>	<u>\$ 13,839</u>	<u>\$ 28,520</u>	<u>\$ 23,393</u>
Income from continuing operations and net income	<u>\$ 5,433</u>	<u>\$ 2,379</u>	<u>\$ 10,412</u>	<u>\$ 4,471</u>

The following table provides certain operating statistics for our Power generation segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Contracted power plant fleet availability:				
Coal-fired plant	94.0%	94.7%	93.8%	94.4%
Other plants	98.6%	89.8%	98.7%	88.3%
Total availability	98.2%	90.2%	98.3%	88.9%

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006. Income from continuing operations increased \$3.1 million primarily due to higher revenues and lower interest costs, partially offset by a 4 percent increase in operating expenses.

Revenues in the second quarter of 2007 increased 3 percent compared to revenues in the second quarter of 2006, primarily due to the return of the Las Vegas facilities to normal operation levels. In 2006, the Las Vegas plants experienced scheduled and unscheduled repair outages. Las Vegas I returned to service on April 22, 2006, while the two Las Vegas II heat recovery units returned to service on June 13, 2006 and July 4, 2006.

Operating expenses for the three months ended June 30, 2007, increased 4 percent over the same period in the prior year. The increase in operating expenses primarily resulted from higher variable operating costs and increased fuel costs at the Las Vegas I plant partially offset by lower maintenance costs compared to costs incurred for repairs of the Las Vegas facilities in 2006.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006. Income from continuing operations increased \$5.9 million primarily due to higher revenues and lower interest costs, partially offset by a 4 percent increase in operating expenses.

Revenues in the six month period ended June 30, 2007 increased 10 percent compared to 2006, primarily due to the return of the Las Vegas facilities to normal operation levels. In 2006, the Las Vegas plants experienced scheduled and unscheduled repair outages. Las Vegas I returned to service on April 22, 2006, while the two Las Vegas II heat recovery units returned to service on June 13, 2006 and July 4, 2006.

Operating expenses for the six months ended June 30, 2007, increased 4 percent from the same period in the prior year. The increase primarily resulted from higher variable operating costs at the Las Vegas plants partially offset by lower maintenance costs compared to costs incurred for repairs of the Las Vegas facilities in 2006.

Coal Mining

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands)			
Revenue	\$ 10,002	\$ 6,767	\$ 19,747	\$ 16,038
Operating expenses	8,582	6,156	16,711	13,812
Operating income	<u>\$ 1,420</u>	<u>\$ 611</u>	<u>\$ 3,036</u>	<u>\$ 2,226</u>
Income from continuing operations and net income	<u>\$ 1,379</u>	<u>\$ 768</u>	<u>\$ 2,995</u>	<u>\$ 2,183</u>

The following table provides certain operating statistics for our Coal mining segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands)			
Fuel production:				
Tons of coal sold	1,269	1,012	2,482	2,234

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006.

Income from continuing operations from our Coal mining segment increased \$0.6 million. Revenue increased 48 percent for the three month period ended June 30, 2007 compared to the same period in 2006 due to an increase in average price received and higher tons of coal sold resulting from a return to normal operations after the 2006 Wyodak plant outage. Operating expenses increased 39 percent during the three months ended June 30, 2007 primarily due to increased royalty expense and coal taxes associated with increased production, as well as higher equipment repair costs.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006.

Income from continuing operations from our Coal mining segment increased \$0.8 million. Revenue increased 23 percent for the six month period ended June 30, 2007 compared to the same period in 2006 due to an increase in average price received and higher tons of coal sold resulting from a return to normal operations after the 2006 Wyodak plant outage. Operating expenses increased 21 percent during the six months ended June 30, 2007 primarily due to increased royalty expense and coal taxes associated with increased production, as well as higher equipment repair costs.

Energy Marketing

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands)			
Revenue –				
Realized gas marketing gross margin	\$ 19,110	\$ 10,069	\$ 40,355	\$ 25,625
Unrealized gas marketing gross margin	2,431	(278)	8,957	1,123
Realized oil marketing gross margin	1,390	831	2,107	831
Unrealized oil marketing gross margin	(22)	1,002	(72)	1,002
	<u>22,909</u>	<u>11,624</u>	<u>51,347</u>	<u>28,581</u>
Operating expenses	9,065	4,893	18,053	12,100
Operating income	<u>\$ 13,844</u>	<u>\$ 6,731</u>	<u>\$ 33,294</u>	<u>\$ 16,481</u>
Income from continuing operations and net income	<u>\$ 8,938</u>	<u>\$ 4,264</u>	<u>\$ 21,596</u>	<u>\$ 10,511</u>

The following is a summary of average daily energy marketing volumes:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Natural gas physical sales – MMBtus	1,581,000	1,504,300	1,738,900	1,390,700
Crude oil physical sales – Bbls	10,803	8,945 ^(a)	8,442	8,945 ^(a)

^(a) Daily oil volumes are calculated beginning May 1, 2006 to reflect the start of crude oil marketing by Enserco out of our Golden, Colorado offices.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006. Income from continuing operations increased \$4.7 million due to increased realized marketing margins and increased unrealized marketing gains.

Realized gas marketing margins increased approximately \$9.0 million over the prior year due to a 5 percent increase in natural gas volumes marketed, and an 86 percent increase in margin per MMBtu sold, driven by continued volatility in the natural gas markets, including volatile basis differentials between Rocky Mountain prices and other regions. Unrealized natural gas mark-to-market gains increased \$2.7 million over unrealized natural gas mark-to-market losses for the same period in 2006. (For discussion of potential volatility in energy marketing earnings related to accounting treatment of certain hedging activities at our natural gas and oil marketing operations, see “Trading Activities” in Part 1, Item 3 of this Form 10-Q.) Results also reflect earnings from the addition of crude oil marketing to our Rocky Mountain region producer services. Operating expenses increased primarily due to increased compensation cost related to higher realized margins and an increase in the bad debt provision.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006. Income from continuing operations increased \$11.1 million due to increased realized marketing margins and increased unrealized marketing gains.

Realized gas marketing margins increased approximately \$14.7 million over the prior year due to a 25 percent increase in natural gas volumes marketed, and a 30 percent increase in margin per MMBtu sold, driven by continued volatility in the natural gas markets, including volatile basis differentials between Rocky Mountain prices and other regions. Unrealized natural gas mark-to-market gains increased \$7.8 million over unrealized natural gas mark-to-market gains for the same period in 2006. (For discussion of potential volatility in energy marketing earnings related to accounting treatment of certain hedging activities at our natural gas and oil marketing operations, see “Trading Activities” in Part 1, Item 3 of this Form 10-Q.) Results also reflect earnings from the addition of crude oil marketing to our Rocky Mountain region producer services. Operating expenses increased primarily due to increased compensation cost related to higher realized margins.

Corporate

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006. Increased unallocated costs in the three months ended June 30, 2007 compared to the same period in 2006 are primarily the result of integration-related costs for the pending Aquila asset acquisition. In addition to the expensed integration costs, the Company has capitalized approximately \$5.1 million in costs related to this acquisition.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006. Decreased costs in the six months ended June 30, 2007, compared to the same period in 2006, are primarily the result of increased allocation of interest costs and the capitalization of approximately \$7.2 million of acquisition costs related to the Aquila transaction compared to the expensing of development costs in the same period ended June 30, 2006 associated with our activities related to Northwestern Corporation. The Company is allocating all interest costs to the subsidiary level in 2007 as compared to the six months ended in 2006.

Critical Accounting Policies

There have been no material changes in our critical accounting policies from those reported in our 2006 Annual Report on Form 10-K filed with the SEC. For more information on our critical accounting policies, see Part II, Item 7 of our 2006 Annual Report on Form 10-K.

Cash Flow Activities

During the six month period ended June 30, 2007, we generated sufficient cash flow from operations to meet our operating needs, to pay dividends on our common stock, to pay our scheduled long-term debt maturities and to fund a portion of our property, plant and equipment additions. We plan to fund future property and investment additions including our pending acquisition of certain electric and gas utility assets of Aquila and the construction costs of the 149 MW generation facility to be located near Albuquerque, New Mexico through a combination of new equity, mandatory convertible securities, unsecured debt at the holding company level and internally generated cash resources.

Cash flows from operations decreased \$21.5 million for the six month period ended June 30, 2007 compared to the same period in the prior year as a \$26.8 million increase in income from continuing operations was affected by the following:

- A \$25.6 million decrease in cash flows from working capital changes. This decrease primarily resulted from changes in net accounts receivable and accounts payable and a \$29.6 million decrease in cash flows from sales or purchases of materials, supplies and fuel. This is primarily related to natural gas held in storage by our natural gas and crude oil marketing business which fluctuates based on economic decisions reflecting current market conditions.
- A \$9.2 million decrease in cash flows from the net change in derivative assets and liabilities, primarily from derivatives associated with normal operations of our gas and oil marketing business and related commodity price fluctuations.

During the six months ended June 30, 2007, we had cash outflows from investing activities of \$112.2 million, which was primarily due to the following:

- Cash outflows of \$111.4 million for property, plant and equipment additions. In addition to expenditures for property, plant and equipment in the normal course of business, these outflows include approximately \$34.0 million related to the construction of our Wygen II power plant, approximately \$37.3 million in maintenance capital and development drilling of oil and gas properties, and \$10.6 million paid to acquire certain assets related to the Valencia project, including the plant turbine, permits and other auxiliary equipment.

During the six months ended June 30, 2007, we had positive net cash flow from financing activities of \$29.7 million, primarily due to cash proceeds of \$148.7 million from the issuance of common stock, partially offset by a \$61.5 million net payment on our credit facility, the payment of cash dividends on common stock, the call of our outstanding debt with GE Capital in the amount of \$23.5 million, as well as payment of long-term debt maturities.

Dividends

Dividends paid on our common stock totaled \$24.2 million during the six months ended June 30, 2007, or \$0.68 per share. This reflects a 3 percent increase, as approved by our board of directors in January 2007, from the 2006 dividend level. The determination of the amount of future cash dividends, if any, to be declared and paid will depend upon, among other things, our financial condition, funds from operations, the level of our capital expenditures, restrictions under our credit facility and our future business prospects.

Financing Transactions and Short-Term Liquidity

On February 22, 2007, we completed the issuance and sale of approximately 4.17 million shares of our common stock, par value \$1.00 per share, at a sale price of \$36.00 per share, in a private placement to institutional investors. Net proceeds of approximately \$145.6 million were used for the repayment of debt.

Our principal sources of short-term liquidity are our revolving credit facility and cash provided by operations. Our liquidity position remained strong during the first six months of 2007. As of June 30, 2007, we had approximately \$40.2 million of cash unrestricted for operations. Approximately \$3.0 million of the cash balance at June 30, 2007 was restricted by subsidiary debt agreements that limit our subsidiaries' ability to dividend cash to the parent company.

Our \$400 million revolving credit facility expires on May 4, 2010. The cost of borrowings or letters of credit issued under the new facility is determined based on our credit ratings. At our current ratings levels, the facility has an annual facility fee of 17.5 basis points, and has a borrowing spread of 0.70 basis points over LIBOR (which equates to a 6.02 percent one-month borrowing rate as of June 30, 2007).

On March 13, 2007, we entered into a second amendment to our revolving credit facility. The second amendment (i) increased the limit for borrowings or other credit accommodations for the separate credit facility for our energy marketing subsidiary from \$260 million to \$300 million, (ii) increased the allowed total commitments under the facility without requiring amendment of the facility from \$500 million to \$600 million, (iii) effective with the acquisition of certain electric and gas utility assets from Aquila, will increase the recourse leverage ratio limit from 0.65 to 1.00 to 0.70 to 1.00 for the first year after completion of the Aquila asset acquisition, reverting to 0.65 to 1.00 thereafter, and (iv) allowed for other modifications to enable us to complete the Aquila asset acquisition.

Our revolving credit facility can be used to fund our working capital needs and for general corporate purposes. At June 30, 2007, we had borrowings of \$84.0 million and \$50.1 million of letters of credit issued. Available capacity remaining on our revolving credit facility was approximately \$265.9 million at June 30, 2007.

The credit facility includes customary affirmative and negative covenants, such as limitations on the creation of new indebtedness and on certain liens, restrictions on certain transactions and maintenance of the following financial covenants:

- a consolidated net worth in an amount of not less than the sum of \$625 million and 50 percent of our aggregate consolidated net income beginning January 1, 2005;
- a recourse leverage ratio not to exceed 0.65 to 1.00, (or 0.70 to 1.00 for the first year after the Aquila acquisition); and
- an interest expense coverage ratio of not less than 2.5 to 1.0.

If these covenants are violated, it would be considered an event of default entitling the lenders to terminate the remaining commitment and accelerate all principal and interest outstanding.

A default under the credit facility may be triggered by events such as a failure to comply with financial covenants or certain other covenants under the credit facility, a failure to make payments when due or a failure to make payments when due in respect of, or a failure to perform obligations relating to, other debt obligations of \$20 million or more. A default under the credit facility would permit the participating banks to restrict our ability to further access the credit facility for loans or new letters of credit, require the immediate repayment of any outstanding loans with interest and require the cash collateralization of outstanding letter of credit obligations.

The credit facility prohibits us from paying cash dividends unless no default or no event of default exists prior to, or would result, after giving effect to such action.

Our consolidated net worth was \$970.1 million at June 30, 2007, which was approximately \$259.0 million in excess of the net worth we were required to maintain under the credit facility. Our long-term debt ratio at June 30, 2007 was 32.6 percent, our total debt leverage (long-term debt and short-term debt) was 42.8 percent, our recourse leverage ratio was approximately 44.1 percent and our interest expense coverage ratio for the twelve month period ended June 30, 2007 was 6.55 to 1.0.

In addition, Enserco, our energy marketing segment, has a \$300 million uncommitted, discretionary line of credit to provide support for the purchase and sale of natural gas and crude oil. The line of credit is secured by all of Enserco's assets and expires on May 9, 2009. At June 30, 2007, there were outstanding letters of credit issued under the facility of \$178.9 million, with no borrowing balances outstanding on the facility.

Our corporate credit rating by Moody's was "Baa3" during the first six months of 2007; the outlook is negative. Our corporate credit rating by S&P was "BBB-;" the outlook is stable.

On April 30, 2007, we called our outstanding debt with GE Capital in the amount of \$23.5 million. In conjunction with this, we expensed less than \$0.1 million in unamortized deferred finance costs. The associated payment guarantees provided by us were also terminated.

On May 7, 2007, we entered into a senior unsecured \$1.0 billion Acquisition Facility with ABN AMRO Bank N.V. as administrative agent and various other banks to provide for funding for our pending acquisition of Aquila's electric utility in Colorado and its gas utilities in Colorado, Kansas, Nebraska and Iowa. The Acquisition Facility is a committed facility to fund an acquisition term loan in a single draw in an amount of up to \$1.0 billion. The commitment to fund the acquisition term loan terminates on August 5, 2008. Upon funding of the loan, the loan termination date is the earlier of the date which is 364 days from the loan funding date or February 5, 2009.

The Acquisition Facility includes conditions precedent to funding which include consummation of the Aquila acquisition substantially in accordance with the existing asset purchase agreement. Borrowings under the term loan can be made under a base rate option, which is based on the then-current prime rate, or under a LIBOR option, which is based on the then-current LIBOR plus an applicable margin. The applicable margin for LIBOR borrowings is 55 basis points during the period from the initial funding under the term loan to six months thereafter, 67.5 basis points during the period from six months and one day after the initial funding to nine months thereafter, and 92.5 basis points during the period from nine months and one day after the initial funding until the loan maturity. The facility also includes certain customary affirmative and negative covenants which largely replicate the covenants under our existing revolving credit facility.

Permanent financing to replace the Acquisition Facility for funding of the acquisition of the Aquila assets, as well as permanent financing of the construction costs of our Valencia, New Mexico project, is expected to be provided through a combination of new equity, mandatory convertible securities, unsecured debt at the holding company level and internally generated cash resources. We intend to complete long-term debt financing for a portion of the construction costs of our Wygen II power plant through first mortgage bonds to be issued at Cheyenne Light. Our Wygen I project debt of \$128.3 million matures in June 2008. We intend to refinance these maturities with other long-term debt prior to maturity.

Our ability to obtain additional financing, if necessary, will depend upon a number of factors, including our future performance and financial results, and capital market conditions. We can provide no assurance that we will be able to raise additional capital on reasonable terms or at all.

There have been no other material changes in our financing transactions and short-term liquidity from those reported in Item 7 of our 2006 Annual Report on Form 10-K filed with the SEC.

Guarantees

During the six months ended June 30, 2007, we had the following changes to our guarantees:

- Extinguished two guarantees totaling \$24.2 million at December 31, 2006 related to the payment and performance under our GE Capital debt obligations. Our outstanding debt obligations with GE Capital were paid on April 30, 2007;
- The \$0.3 million guarantee for the payments of Black Hills Power under various transactions with Idaho Power Company expired on March 1, 2007;
- The \$3.0 million guarantee for the payments of Cheyenne Light under various transactions with Questar Energy Trading Company expired on March 31, 2007;
- Issued a guarantee for obligations and damages, if any, due by Valencia under a power purchase agreement with Public Service Company of New Mexico for up to \$12.0 million and expiring in 2028; and
- Issued a guarantee for up to \$7.0 million related to the obligations of Enserco under an agency agreement whereby Enserco provides services to structure up to \$100.0 million of certain transactions involving the buying, selling, transportation and storage of natural gas on behalf of another energy company and which expires in 2008.

Capital Requirements

During the six months ended June 30, 2007, capital expenditures were approximately \$162.5 million for property, plant and equipment additions, which includes approximately \$51.1 million of accrued liabilities and short-term debt. We currently expect capital expenditures for the entire year 2007 to approximate \$268.8 million including \$81.5 million related to the 149 MW, simple-cycle gas turbine generating facility to be located near Albuquerque, New Mexico, but excluding the \$940.0 million purchase price and related other costs for the pending acquisition of Aquila utility assets.

We continue to actively evaluate potential future acquisitions and other growth opportunities in accordance with our disclosed business strategy. We are not obligated to a project until a definitive agreement is entered into and cannot guarantee we will be successful on any potential projects. Future projects are dependent upon the availability of economic opportunities and, as a result, actual expenditures may vary significantly from forecasted estimates.

New Accounting Pronouncements

Other than the new pronouncements reported in our 2006 Annual Report on Form 10-K filed with the SEC and those discussed in Notes 2 and 3 of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q, there have been no new accounting pronouncements issued that when implemented would require us to either retroactively restate prior period financial statements or record a cumulative catch-up adjustment.

SAFE HARBOR FOR FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q includes “forward-looking statements” as defined by the SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including the risk factors described in Item 1A. of Part I of our 2006 Annual Report on Form 10-K and in Item 1A. of Part II of this Quarterly Report on Form 10-Q filed with the SEC, and the following:

- Our ability to obtain adequate cost recovery for our retail utility operations through regulatory proceedings and receive favorable rulings in periodic applications to recover costs for fuel and purchased power in our regulated utilities;
- Our ability to complete acquisitions for which definitive agreements have been executed;
- Our ability to obtain regulatory approval of acquisitions which, even if approved, could impose financial and operating conditions or restrictions that could impact our expected results;
- Our ability to successfully integrate and profitably operate any future acquisitions;
- The amount and timing of capital deployment in new investment opportunities or for the repurchase of debt or stock;
- Our ability to successfully maintain or improve our corporate credit rating;
- Our ability to complete the permitting, construction, start up and operation of power generating facilities in a cost-effective and timely manner;
- Our ability to meet production targets for our oil and gas properties, which may be dependent upon issuance by federal, state, and tribal governments, or agencies thereof, of drilling, environmental and other permits, and the availability of specialized contractors, work force, and equipment;
- Our ability to provide accurate estimates of proved oil and gas reserves, coal reserves and actual future production rates and associated costs;
- The extent of our success in connecting natural gas supplies to gathering, processing and pipeline systems;
- The timing and extent of scheduled and unscheduled outages of power generation facilities;
- The possibility that we may be required to take impairment charges to reduce the carrying value of some of our long-lived assets when indicators of impairment emerge;

- Changes in business and financial reporting practices arising from the enactment of the Energy Policy Act of 2005;
- Our ability to remedy any deficiencies that may be identified in the review of our internal controls;
- The timing, volatility and extent of changes in energy-related and commodity prices, interest rates, energy and commodity supply or volume, the cost and availability of transportation of commodities, and demand for our services, all of which can affect our earnings, liquidity position and the underlying value of our assets;
- Our ability to effectively use derivative financial instruments to hedge commodity, currency exchange rate and interest rate risks;
- Our ability to minimize defaults on amounts due from counterparties with respect to trading and other transactions;
- The amount of collateral required to be posted from time to time in our transactions;
- Changes in or compliance with laws and regulations, particularly those relating to taxation, safety and protection of the environment;
- Changes in state laws or regulations that could cause us to curtail our independent power production;
- Weather and other natural phenomena;
- Industry and market changes, including the impact of consolidations and changes in competition;
- The effect of accounting policies issued periodically by accounting standard-setting bodies;
- The cost and effects on our business, including insurance, resulting from terrorist actions or responses to such actions or events;
- The outcome of any ongoing or future litigation or similar disputes and the impact on any such outcome or related settlements;
- Capital market conditions and market uncertainties related to interest rates, which may affect our ability to raise capital on favorable terms;
- Price risk due to marketable securities held as investments in benefit plans;
- General economic and political conditions, including tax rates or policies and inflation rates; and
- Other factors discussed from time to time in our other filings with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise.

Trading Activities

The following table provides a reconciliation of our activity in energy trading contracts that meet the definition of a derivative under SFAS 133 and that were marked-to-market during the six months ended June 30, 2007 (in thousands):

Total fair value of energy marketing positions marked-to-market at December 31, 2006	\$ (1,454) ^(a)
Net cash settled during the period on positions that existed at December 31, 2006	5,579
Unrealized gain on new positions entered during the period and still existing at June 30, 2007	12,141
Realized loss on positions that existed at December 31, 2006 and were settled during the period	(4,323)
Unrealized loss on positions that existed at December 31, 2006 and still exist at June 30, 2007	(1,118)
	<hr/>
Total fair value of energy marketing positions at June 30, 2007	<u>\$ 10,825 ^(a)</u>

(a) The fair value of positions marked-to-market consists of derivative assets/liabilities and natural gas inventory that has been designated as a hedged item and marked-to-market as part of a fair value hedge, as follows (in thousands):

	June 30, <u>2007</u>	March 31, <u>2007</u>	December 31, <u>2006</u>
Net derivative assets	\$ 17,201	\$ 5,029	\$ 30,059
Fair value adjustment recorded in material, supplies and fuel	(6,376)	2,448	(31,513)
	<hr/>	<hr/>	<hr/>
	<u>\$ 10,825</u>	<u>\$ 7,477</u>	<u>\$ (1,454)</u>

GAAP restricts mark-to-market accounting treatment primarily to only those contracts that meet the definition of a derivative under SFAS 133. Therefore, the above reconciliation does not present a complete picture of our overall portfolio of trading activities and our expected cash flows from energy trading activities. At our natural gas and crude oil marketing operations, we often employ strategies that include utilizing derivative contracts along with inventory, storage and transportation positions to accomplish the objectives of our producer services, end-use origination and wholesale marketing groups. Except in circumstances when we are able to designate transportation, storage or inventory positions as part of a fair value hedge, SFAS 133 generally does not allow us to mark our inventory, transportation or storage positions to market. The result is that while a significant majority of our energy marketing positions are fully economically hedged, we are required to mark some parts of our overall strategies (the derivatives) to market value, but are generally precluded from marking the rest of our economic hedges (transportation, inventory or storage) to market. Volatility in reported earnings and derivative positions should be expected given these accounting requirements.

The sources of fair value measurements were as follows (in thousands):

<u>Source of Fair Value</u>	<u>Maturities</u>		
	<u>Less than 1 year</u>	<u>1 – 2 years</u>	<u>Total Fair Value</u>
Actively quoted (i.e., exchange-traded) prices	\$ 9,777	\$ (196)	\$ 9,581
Prices provided by other external sources	1,334	(90)	1,244
Modeled	—	—	—
Total	\$ 11,111	\$ (286)	\$ 10,825

The following table presents a reconciliation of our June 30, 2007 energy marketing positions recorded at fair value under GAAP to a non-GAAP measure of the fair value of our energy marketing forward book wherein all forward trading positions are marked-to-market (in thousands). In accordance with GAAP and industry practice, the Company includes a “Liquidity Reserve” in its GAAP marked-to-market fair value. This “Liquidity Reserve” accounts for the estimated impact of the bid/ask spread in a liquidation scenario under which the Company is forced to liquidate its forward book on the balance sheet date.

Fair value of our energy marketing positions marked-to-market in accordance with GAAP (see footnote (a) above)	\$ 10,825
Increase in fair value of inventory, storage and transportation positions that are part of our forward trading book, but that are not marked-to-market under GAAP	26,251
Fair value of all forward positions (Non-GAAP)	<u>37,076</u>
“Liquidity Reserve” included in GAAP marked-to-market fair value	<u>1,991</u>
Fair value of all forward positions excluding the “Liquidity Reserve” (Non-GAAP)	<u>\$ 39,067</u>

There have been no material changes in market risk faced by us from those reported in our 2006 Annual Report on Form 10-K filed with the SEC. For more information on market risk, see Part II, Items 7 and 7A. in our 2006 Annual Report on Form 10-K, and Note 12 of our Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Activities Other Than Trading

The Company has entered into agreements to hedge a portion of its estimated 2007, 2008 and 2009 natural gas and crude oil production. The hedge agreements in place are as follows:

Natural Gas

Location	Transaction Date	Hedge Type	Term	Volume (MMBtu/day)	Price
San Juan El Paso	04/03/2006	Swap	04/07 – 10/07	5,000	\$ 7.46
San Juan El Paso	06/02/2006	Swap	04/07 – 10/07	2,500	\$ 7.20
CIG	07/28/2006	Swap	09/06 – 03/08	2,500	\$ 7.60
CIG	07/31/2006	Swap	09/06 – 03/08	2,500	\$ 7.85
San Juan El Paso	11/03/2006	Swap	04/07 – 10/07	5,000	\$ 6.91
San Juan El Paso	11/03/2006	Swap	11/07 – 03/08	5,000	\$ 7.86
San Juan El Paso	11/29/2006	Swap	04/07 – 10/07	500	\$ 7.10
San Juan El Paso	11/29/2006	Swap	11/07 – 12/07	5,000	\$ 7.82
San Juan El Paso	11/29/2006	Swap	01/08 – 12/08	5,000	\$ 7.44
San Juan El Paso	11/29/2006	Swap	11/07 – 12/08	3,000	\$ 7.49
San Juan El Paso	01/04/2007	Swap	04/08 – 03/09	2,500	\$ 6.93
San Juan El Paso	01/04/2007	Swap	04/08 – 03/09	1,000	\$ 6.96
San Juan El Paso	01/05/2007	Swap	01/09 – 03/09	1,500	\$ 7.51
San Juan El Paso	01/10/2007	Swap	04/08 – 12/08	1,500	\$ 6.88
San Juan El Paso	01/11/2007	Swap	04/08 – 12/08	2,000	\$ 6.81
San Juan El Paso	02/12/2007	Swap	01/09 – 03/09	5,000	\$ 7.87
San Juan El Paso	04/25/2007	Swap	04/09 – 06/09	2,500	\$ 7.15
San Juan El Paso	04/26/2007	Swap	04/09 – 06/09	2,500	\$ 7.21
San Juan El Paso	05/09/2007	Swap	04/09 – 06/09	5,000	\$ 7.24
CIG	05/09/2007	Swap	04/09 – 06/09	2,000	\$ 6.87
CIG	05/09/2007	Swap	01/09 – 03/09	2,000	\$ 8.37
San Juan El Paso	07/27/2007	Swap	07/09 – 09/09	5,000	\$ 7.63

Crude Oil

Location	Transaction Date	Hedge Type	Term	Volume (Bbls/month)	Price
NYMEX	07/29/2005	Swap	Calendar 2007	5,000	\$ 61.00
NYMEX	08/04/2005	Swap	Calendar 2007	5,000	\$ 62.00
NYMEX	01/04/2006	Swap	Calendar 2007	5,000	\$ 65.00
NYMEX	04/03/2006	Put	Calendar 2007	5,000	\$ 70.00
NYMEX	01/30/2007	Swap	Calendar 2008	5,000	\$ 61.38
NYMEX	02/20/2007	Put	Calendar 2008	5,000	\$ 60.00
NYMEX	03/07/2007	Swap	Calendar 2008	5,000	\$ 67.34
NYMEX	03/23/2007	Swap	01/09 – 03/09	5,000	\$ 67.60
NYMEX	03/26/2007	Put	Calendar 2008	5,000	\$ 63.00
NYMEX	03/28/2007	Swap	01/09 – 03/09	5,000	\$ 69.00
NYMEX	04/12/2007	Put	01/09 – 03/09	5,000	\$ 65.00
NYMEX	04/26/2007	Swap	04/09 – 06/09	5,000	\$ 70.25
NYMEX	05/10/2007	Swap	04/09 – 06/09	5,000	\$ 69.10
NYMEX	05/29/2007	Put	04/09 – 06/09	5,000	\$ 65.00
NYMEX	06/22/2007	Swap	07/09 – 09/09	5,000	\$ 72.10
NYMEX	07/27/2007	Put	07/09 – 09/09	5,000	\$ 65.00

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as of June 30, 2007. Based on their evaluation, they have concluded that our disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2007 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

For information regarding legal proceedings, see Note 18 in Item 8 of our 2006 Annual Report on Form 10-K and Note 14 in Item 1 of Part I of this Quarterly Report on Form 10-Q, which information from Note 14 is incorporated by reference into this item.

Item 1A. Risk Factors

Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006 includes certain risk factors that could materially affect our business, financial condition or future results. Those Risk Factors have not materially changed except as set forth below:

Estimates of the quantity and value of our proved oil and gas reserves may change materially due to numerous uncertainties inherent in estimating oil and natural gas reserves.

There are many uncertainties inherent in estimating quantities of proved reserves and their values. The process of estimating oil and natural gas reserves requires interpretation of available technical data and various assumptions, including assumptions relating to economic factors. Significant inaccuracies in interpretations or assumptions could materially affect the estimated quantities and present value of our reserves. The accuracy of reserve estimates is a function of the quality of available data, engineering and geological interpretations and judgment, and the assumptions used regarding quantities of recoverable oil and gas reserves and prices for oil and natural gas. Actual prices, production, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will vary from those assumed in our estimates. These variances may be significant. Any significant variance from the assumptions used could cause the actual quantity of our reserves, and future net cash flow to be materially different from our estimates. In addition, results of drilling, testing and production and changes in oil and natural gas prices after the date of the estimate may result in substantial upward or downward revisions.

In each of the last three years the estimated proved reserve additions achieved through drilling activity and acquisition have been partially offset by significant negative revisions to previous estimates of our proved developed and undeveloped oil and gas reserves. These downward revisions were 29.6 Bcfe, 21.6 Bcfe and 39.1 Bcfe for the 2006, 2005 and 2004 year-end reserve estimates, respectively. In addition to other factors, these negative revisions were primarily driven by the results of our ongoing drilling and completion activities in our East Blanco Field located in New Mexico. The operations and reserves of this property were initially acquired in a transaction completed in 2003. The revisions at the East Blanco Field were primarily attributed to lower than expected production results from drilling activities conducted to further delineate the boundaries of the field. The lower reserves from the delineation wells, in turn, prompted revisions to previous reserve estimates (proved undeveloped and proved non-producing) for properties offsetting the delineation wells drilled.

Financing our future growth plan or refinancing existing debt maturities could be impacted by negative capital market conditions.

Recently, domestic financial markets have experienced unusual volatility and uncertainty. While this condition has occurred most visibly within the “subprime” mortgage lending sector of the credit market, liquidity has tightened in overall domestic financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater uncertainty regarding our ability to attract financing on reasonable terms. Our ability to finance our pending acquisition of the Aquila utility properties and other new financings as well as our ability to refinance debt maturities could be adversely affected by the inability to secure permanent financing on reasonable terms, if at all.

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs</u>
April 1, 2007 – April 30, 2007	2,212 ⁽¹⁾	\$ 38.78	—	—
May 1, 2007 – May 31, 2007	2,613 ⁽¹⁾	\$ 41.72	—	—
June 1, 2007 – June 30, 2007	256 ⁽²⁾	\$ 41.38	—	—
Total	5,081	\$ 40.43	—	—

(1) Shares were acquired from certain officers and key employees under the share withholding provisions of the Restricted Stock Plan for the payment of taxes associated with the vesting of shares of Restricted Stock.

(2) Shares acquired by a Rabbi Trust for the Outside Directors Stock Based Compensation Plan.

Submission of Matters to a Vote of Security Holders

- (a) The Annual Meeting of Shareholders was held on May 20, 2007.
- (b) The following Directors were elected to serve until the Annual Meeting of Shareholders in 2010:

Jack W. Eugster
 Gary L. Pechota
 Thomas J. Zeller

Other Directors whose terms of office continue are:

David C. Ebertz
 David R. Emery
 John R. Howard
 Kay S. Jorgensen
 Stephen D. Newlin
 Warren L. Robinson
 John R. Vering

(c) Matters Voted Upon at the Meeting

1. Elected three Class I Directors to serve until the Annual Meeting of Shareholders in 2010.

Jack W. Eugster	
Votes For	28,836,209
Votes Withheld	691,530
Gary L. Pechota	
Votes For	28,778,136
Votes Withheld	749,603
Thomas J. Zeller	
Votes For	28,842,540
Votes Withheld	685,199

2. Ratified the appointment of Deloitte & Touche LLP to serve as Black Hills Corporation's independent auditors in 2007.

Votes For	29,087,294
Votes Against	357,123
Abstain	83,322
Broker Non-Votes	—

- Exhibit 10.1* Second Amendment to the Second Amended and Restated Credit Agreement effective May 11, 2007, among Enserco Energy Inc., the borrower, Fortis Capital Corp., as administrative agent, documentation agent and collateral agent, BNP Paribas, U.S. Bank National Association, Societe Generale, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 16, 2007).
- Exhibit 10.2* First Amendment to the Second Amended and Restated Credit Agreement effective November 30, 2006, among Enserco Energy Inc., the borrower, Fortis Capital Corp., as administrative agent, documentation agent and collateral agent, BNP Paribas, U.S. Bank National Association, Societe Generale, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 16, 2007).
- Exhibit 10.3 Credit Agreement dated as of May 7, 2007 among Black Hills Corporation as Borrower, ABN AMRO Bank N.V., as administrative agent, sole bookrunner and co-arranger, BMO Capital Markets, as syndication agent and co-arranger, Credit Suisse Securities (USA) LLC, as syndication agent and co-arranger, Union Bank of California, N.A., as syndication agent and co-arranger, and the Financial Institutions party thereto, as Banks.
- Exhibit 31.1 Certification pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
- Exhibit 31.2 Certification pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
- Exhibit 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.
- Exhibit 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.

* Previously filed as part of the filing indicated and incorporated by reference herein.

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 thereunto duly authorized.

BLACK HILLS CORPORATION

/s/ David R. Emery

David R. Emery, Chairman, President and
Chief Executive Officer

/s/ Mark T. Thies

Mark T. Thies, Executive Vice President and
Chief Financial Officer

Dated: August 9, 2007

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 10.1*	Second Amendment to the Second Amended and Restated Credit Agreement effective May 11, 2007, among Enserco Energy Inc., the borrower, Fortis Capital Corp., as administrative agent, documentation agent and collateral agent, BNP Paribas, U.S. Bank National Association, Societe Generale, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 16, 2007).
Exhibit 10.2*	First Amendment to the Second Amended and Restated Credit Agreement effective November 30, 2006, among Enserco Energy Inc., the borrower, Fortis Capital Corp., as administrative agent, documentation agent and collateral agent, BNP Paribas, U.S. Bank National Association, Societe Generale, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 16, 2007).
Exhibit 10.3	Credit Agreement dated as of May 7, 2007 among Black Hills Corporation as Borrower, ABN AMRO Bank N.V., as administrative agent, sole bookrunner and co-arranger, BMO Capital Markets, as syndication agent and co-arranger, Credit Suisse Securities (USA) LLC, as syndication agent and co-arranger, Union Bank of California, N.A., as syndication agent and co-arranger, and the Financial Institutions party thereto, as Banks.
Exhibit 31.1	Certification pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
Exhibit 31.2	Certification pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.
Exhibit 32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.

* Previously filed as part of the filing indicated and incorporated by reference herein.

CREDIT AGREEMENT

DATED AS OF

MAY 7, 2007

AMONG

BLACK HILLS CORPORATION,
as Borrower,

ABN AMRO BANK N.V.,
as Administrative Agent, Sole Bookrunner and Co-Arranger,

BMO CAPITAL MARKETS, as Syndication Agent and Co-Arranger,

CREDIT SUISSE SECURITIES (USA) LLC, as Syndication Agent and Co-Arranger,

UNION BANK OF CALIFORNIA, N.A., as Syndication Agent and Co-Arranger,

and

THE FINANCIAL INSTITUTIONS PARTY HERETO,
as Banks

TABLE OF CONTENTS

(This Table of Contents is not part of the Agreement)

	<u>Page</u>
SECTION 1. DEFINITIONS; INTERPRETATION	1
Section 1.1 <i>Definitions</i>	1
Section 1.2 <i>Interpretation</i>	16
SECTION 2. THE CREDITS	17
Section 2.1 <i>The Term Loan</i>	17
Section 2.2 <i>Reserved</i>	17
Section 2.3 <i>Applicable Interest Rates</i>	17
Section 2.4 <i>Minimum Borrowing Amounts</i>	19
Section 2.5 <i>Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans</i>	19
Section 2.6 <i>Interest Periods</i>	21
Section 2.7 <i>Maturity of Loans</i>	21
Section 2.8 <i>Prepayments</i>	22
Section 2.9 <i>Default Rate</i>	23
Section 2.10 <i>The Notes</i>	24
Section 2.11 <i>Funding Indemnity</i>	24
Section 2.12 <i>Commitments</i>	25
SECTION 3. FEES	25
Section 3.1 <i>Fees</i>	25
SECTION 4. PLACE AND APPLICATION OF PAYMENTS	26
Section 4.1 <i>Place and Application of Payments</i>	26
SECTION 5. REPRESENTATIONS AND WARRANTIES	26
Section 5.1 <i>Corporate Organization and Authority</i>	26
Section 5.2 <i>Subsidiaries</i>	27
Section 5.3 <i>Corporate Authority and Validity of Obligations</i>	27
Section 5.4 <i>Financial Statements</i>	27
Section 5.5 <i>No Litigation; No Labor Controversies</i>	28
Section 5.6 <i>Taxes</i>	28
Section 5.7 <i>Approvals</i>	28
Section 5.8 <i>ERISA</i>	28
Section 5.9 <i>Government Regulation</i>	28
Section 5.10 <i>Margin Stock; Use of Proceeds</i>	29
Section 5.11 <i>Licenses and Authorizations; Compliance with Laws</i>	29
Section 5.12 <i>Ownership of Property; Liens</i>	30
Section 5.13 <i>No Burdensome Restrictions; Compliance with Agreements</i>	30
Section 5.14 <i>Full Disclosure</i>	30

Section 5.15	<i>Solvency</i>	30
Section 5.16	<i>Related Transactions</i>	30
Section 5.17	<i>Certain Other Representations and Warranties</i>	30
Section 5.18	<i>Foreign Assets Control Regulations and Anti-Money Laundering</i>	30
SECTION 6.	CONDITIONS PRECEDENT	31
Section 6.1	<i>Closing</i>	31
Section 6.2	<i>Making of Term Loan</i>	32
Section 6.3	<i>All Borrowings</i>	33
SECTION 7.	COVENANTS	34
Section 7.1	<i>Corporate Existence; Subsidiaries</i>	34
Section 7.2	<i>Maintenance</i>	34
Section 7.3	<i>Taxes</i>	34
Section 7.4	<i>ERISA</i>	35
Section 7.5	<i>Insurance</i>	35
Section 7.6	<i>Financial Reports and Other Information</i>	35
Section 7.7	<i>Bank Inspection Rights</i>	37
Section 7.8	<i>Conduct of Business</i>	37
Section 7.9	<i>Liens</i>	38
Section 7.10	<i>Use of Proceeds; Regulation U</i>	40
Section 7.11	<i>Sales and Leasebacks</i>	40
Section 7.12	<i>Mergers, Consolidations and Sales of Assets</i>	40
Section 7.13	<i>Use of Property and Facilities; Environmental and Health and Safety Laws</i>	42
Section 7.14	<i>Investments, Acquisitions, Loans, Advances and Guaranties</i>	42
Section 7.15	<i>Restrictions on Indebtedness</i>	44
Section 7.16	<i>Consolidated Net Worth</i>	47
Section 7.17	<i>Recourse Leverage Ratio</i>	47
Section 7.18	<i>Interest Expense Coverage Ratio</i>	47
Section 7.19	<i>Dividends and Other Shareholder Distributions</i>	47
Section 7.20	<i>No Negative Pledge</i>	47
Section 7.21	<i>Transactions with Affiliates</i>	48
Section 7.22	<i>Compliance with Laws</i>	48
Section 7.23	<i>Pari-Passu</i>	48
Section 7.24	<i>Certain Subsidiaries</i>	48
Section 7.25	<i>Ratings</i>	48
Section 7.26	<i>OFAC</i>	48
SECTION 8.	EVENTS OF DEFAULT AND REMEDIES	49
Section 8.1	<i>Events of Default</i>	49
Section 8.2	<i>Non-Bankruptcy Defaults</i>	50
Section 8.3	<i>Bankruptcy Defaults</i>	51
Section 8.4	<i>Reserved</i>	51
Section 8.5	<i>Expenses</i>	51

SECTION 9.	CHANGE IN CIRCUMSTANCES	51
Section 9.1	<i>Change of Law</i>	51
Section 9.2	<i>Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR</i>	51
Section 9.3	<i>Increased Cost and Reduced Return</i>	52
Section 9.4	<i>Lending Offices</i>	54
Section 9.5	<i>Discretion of Bank as to Manner of Funding</i>	54
SECTION 10.	THE AGENT.	54
Section 10.1	<i>Appointment and Authorization of Administrative Agent</i>	54
Section 10.2	<i>Administrative Agent and its Affiliates</i>	54
Section 10.3	<i>Action by Administrative Agent</i>	54
Section 10.4	<i>Consultation with Experts</i>	55
Section 10.5	<i>Liability of Administrative Agent; Credit Decision</i>	55
Section 10.6	<i>Indemnity</i>	56
Section 10.7	<i>Resignation of Administrative Agent and Successor Administrative Agent</i>	56
SECTION 11.	MISCELLANEOUS	56
Section 11.1	<i>Withholding Taxes</i>	56
Section 11.2	<i>No Waiver of Rights</i>	57
Section 11.3	<i>Non-Business Day</i>	58
Section 11.4	<i>Documentary Taxes</i>	58
Section 11.5	<i>Survival of Representations</i>	58
Section 11.6	<i>Survival of Indemnities</i>	58
Section 11.7	<i>Set-Off</i>	58
Section 11.8	<i>Notices</i>	59
Section 11.9	<i>Counterparts</i>	60
Section 11.10	<i>Successors and Assigns</i>	60
Section 11.11	<i>Amendments</i>	64
Section 11.12	<i>Headings</i>	64
Section 11.13	<i>Legal Fees, Other Costs and Indemnification</i>	64
Section 11.14	<i>Entire Agreement</i>	65
Section 11.15	<i>Construction</i>	65
Section 11.16	<i>Governing Law</i>	65
Section 11.17	SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL	65
Section 11.18	<i>Replacement of Bank</i>	66
Section 11.19	<i>Confidentiality</i>	67
Section 11.20	<i>Rights and Liabilities of Syndication Agents, Sole Bookrunner and Co-Arrangers</i>	67
Section 11.21	<i>Absence of Termination-Related Events of Defaults in Prior Facilities</i>	67
Section 11.22	<i>Severability of Provisions</i>	68

* EXHIBITS

A	Form of Note
B	Form of Compliance Certificate
C	Form of Assignment and Assumption Agreement
D	Voting Participant Information
E	Form of Notice of Borrowing

* SCHEDULES

SCHEDULE 2.1	Commitments
SCHEDULE 4	Administrative Agent Notice and Payment Info
SCHEDULE 5.2	Schedule of Existing Subsidiaries
SCHEDULE 5.5	Litigation and Labor Controversies
SCHEDULE 5.11	Environmental Matters
SCHEDULE 7.9	Existing Liens
SCHEDULE 7.14	Existing Investments
SCHEDULE 7.15(a)	Marketing Subsidiary Indebtedness
SCHEDULE 7.15(b)	Existing Secured Indebtedness
SCHEDULE 7.19	Restrictions on Distributions and Existing Negative Pledges

* The above schedules and exhibits have been omitted from this filing, however the Registrant will provide them to the Securities and Exchange Commission upon request.

CREDIT AGREEMENT

CREDIT AGREEMENT, dated as of May 7, 2007 among Black Hills Corporation, a South Dakota corporation (“*Borrower*”), the financial institutions from time to time party hereto (each a “*Bank*,” and collectively the “*Banks*”), CREDIT SUISSE SECURITIES (USA) LLC, as a syndication agent for the Banks (in such capacity, a “*Syndication Agent*”) and as a co-arranger of the Banks (in such capacity, a “*Co-Arranger*”), UNION BANK OF CALIFORNIA, N.A., as a Syndication Agent and as a Co-Arranger, BMO CAPITAL MARKETS, as a Syndication Agent and as a Co-Arranger, and ABN AMRO Bank N.V. (“*ABN AMRO*”) in its capacity as administrative agent for the Banks hereunder (in such capacity, the “*Administrative Agent*”), the sole bookrunner (in such capacity, “*Sole Bookrunner*”) and as a Co-Arranger.

WITNESSETH THAT:

WHEREAS, the Borrower desires to obtain the several commitments of the Banks to make available an acquisition and bridge loan facility, as described herein; and

WHEREAS, the Banks are willing to extend such commitments subject to all of the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth.

NOW, THEREFORE, in consideration of the recitals set forth above and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1 *Definitions*. The following terms when used herein have the following meanings:

“*ABN AMRO*” is defined in the first paragraph of this Agreement.

“*ABN AMRO Fee Letter*” means that certain letter among dated as of February 6, 2007 by and between ABN AMRO and Borrower pertaining to fees to be paid by Borrower to ABN AMRO for its sole account and benefit.

“*Adjusted LIBOR*” is defined in Section 2.3(b) hereof.

“*Administrative Agent*” is defined in the first paragraph of this Agreement and includes any successor Administrative Agent pursuant to Section 10.7 hereof.

“*Administrative Questionnaire*” means an administrative questionnaire in a form supplied by the Administrative Agent.

“*Affiliate*” means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, “*control*” (including, with their correlative meanings, “*controlled by*” and “*under common control with*”) means possession, directly or indirectly, of power to direct or cause the

direction of management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), *provided* that, in any event for purposes of this definition: (i) any Person which owns directly or indirectly twenty percent (20%) or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or twenty percent (20%) or more of the partnership or other ownership interests of any other Person will be deemed to control such corporation or other Person; and (ii) each director and executive officer of Borrower or any Subsidiary of Borrower shall be deemed an Affiliate of Borrower and each of its Subsidiaries.

“*Agreement*” means this Credit Agreement, including all Exhibits and Schedules hereto, as it may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

“*Agreement and Plan of Merger*” means that certain Agreement and Plan of Merger dated as of February 6, 2007 by and among Gregory Acquisition Corp., a Delaware corporation, Great Plains Energy Incorporated, a Missouri corporation and Borrower, as such agreement may be amended in accordance with the terms thereof.

“*Applicable Margin*” means, at any time (i) with respect to Base Rate Loans, the Base Rate Margin and (ii) with respect to Eurodollar Loans, the Eurodollar Margin.

“*Applicable Telerate Page*” is defined in Section 2.3(b) hereof.

“*Approved Fund*” means any Fund that is administered or managed by (a) a Bank, (b) an Affiliate of a Bank or (c) an entity or an Affiliate of an entity that administers or manages a Bank.

“*Aquila Agreements*” means (i) the Asset Purchase Agreement, (ii) the Partnership Interests Purchase Agreement, (iii) the Agreement and Plan of Merger, and (iv) all deliveries, agreements and other documents delivered or executed in connection with any of the foregoing.

“*Aquila Assets*” means the “Purchased Assets” and the “Colorado Assets” as such terms are defined in the Asset Purchase Agreement and the “Company Interest” as such term is defined in the Partnership Interest Purchase Agreement.

“*Asset Disposition*” means any sale, lease, license or other consensual disposition by Borrower or any of its Subsidiaries of any asset, but excluding (i) dispositions of inventory in the ordinary course of business, (ii) dispositions of cash and cash equivalents, (iii) dispositions of assets by the Marketing Subsidiaries in the ordinary course of business consistent with past practices, and (iv) sales of electricity, gas and ancillary services by the utility Subsidiaries in the ordinary course of business.

“*Asset Purchase Agreement*” means that certain Asset Purchase Agreement dated as of February 6, 2007 by and among Gregory Acquisition Corp., a Delaware corporation, Great Plains Energy Incorporated, a Missouri corporation, the Borrower and Aquila, Inc., a Delaware corporation, as such agreement may be amended in accordance with the terms thereof.

“*Assignment and Assumption*” means an assignment and assumption entered into by a Bank and an Eligible Assignee (with the consent of any party whose consent is required by the terms hereof), and accepted by the Administrative Agent, in substantially the form of Exhibit C or any other form approved by the Administrative Agent.

“*Authorized Representative*” means those persons whose specimen signature is included in the incumbency certificate provided by the Borrower pursuant to Section 6.1(c) hereof, or any further or different officer of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Administrative Agent.

“*Bank*” and “*Banks*” are defined in the first paragraph of this Agreement.

“*Base Rate*” is defined in Section 2.3(a) hereof.

“*Base Rate Loan*” means a Loan bearing interest prior to maturity at a rate specified in Section 2.3(a) hereof.

“*Base Rate Margin*” means zero percent (0%).

“*BHP*” means Black Hills Power, Inc., a South Dakota corporation.

“*Borrower*” is defined in the first paragraph of this Agreement.

“*Borrowing*” means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by the Banks on a single date and for a single Interest Period. Borrowings of Loans are made by and maintained ratably for each of the Banks according to their Percentages. A Borrowing is “*advanced*” on the day Banks advance funds comprising such Borrowing to Borrower, is “*continued*” on the date a new Interest Period for the same type of Loans commences for such Borrowing and is “*converted*” when such Borrowing is changed from one type of Loan to the other, all as requested by Borrower pursuant to Section 2.5(a).

“*Business Day*” means any day other than a Saturday or Sunday on which Banks are not authorized or required to close in New York, New York, Chicago, Illinois or Rapid City, South Dakota and, if the applicable Business Day relates to the borrowing or payment of a Eurodollar Loan, on which banks are dealing in U.S. Dollars in the interbank market in London, England.

“*Capital*” means, as of any date of determination thereof, without duplication, the sum of (A) Consolidated Net Worth plus (B) all Recourse Indebtedness (provided that for purposes of clause (B) of this definition, to the extent otherwise included, Indebtedness of Marketing Subsidiaries in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit incurred under the Marketing Subsidiary Excluded Credit Facility shall not be deemed to be Recourse Indebtedness).

“*Capital Lease*” means at any date any lease of Property which, in accordance with GAAP, would be required to be capitalized on the balance sheet of the lessee.

“*Capitalized Lease Obligations*” means, for any Person, the amount of such Person’s liabilities under Capital Leases determined at any date in accordance with GAAP.

“*Change of Control Event*” means one or more of the following events:

(a) less than a majority of the members of the Board of Directors of Borrower shall be persons who either (i) were serving as directors on the Effective Date or (ii) were nominated as directors and approved by the vote of the majority of the directors who are directors referred to in clause (i) above or this clause (ii); or

(b) the stockholders of Borrower shall approve any plan or proposal for the liquidation or dissolution of Borrower; or

(c) a Person or group of Persons acting in concert (other than the direct or indirect beneficial owners of the Voting Stock of Borrower as of the Effective Date) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the direct or indirect beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time) of Voting Stock of Borrower representing more than ten percent (10%) of the combined voting power of the outstanding Voting Stock or other ownership interests for the election of directors or shall have the right to elect a majority of the Board of Directors of Borrower; or

(d) Except as permitted by Section 7.12, Borrower ceases at any time to own one hundred percent (100%) of the Voting Stock and other equity interest of any Material Subsidiary.

“CLF&P” means Cheyenne Light, Fuel & Power Company, a Wyoming corporation.

“CLF&P Indenture” means that certain Indenture of Mortgage and Deed of Trust, dated March 1, 1948, between CLF&P and The United States National Bank of Denver, as Trustee, together with all amendments and supplemental indentures thereto, and the industrial revenue bonds issued in connection therewith.

“*Co-Arranger*” is defined in the first paragraph of this Agreement.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Commitment*” and “*Commitments*” are defined in Section 2.1 hereof.

“*Commitment Fee Rate*” means, 0.125% per annum; provided, however, in the event and for so long as (i) the S&P Rating of the Borrower is lower than BBB- or (ii) the Moody’s Rating of the Borrower is lower than Baa3, such percentage shall be increased to 0.25%. Each change in a rating shall be effective as of the date it is announced by the applicable rating agency.

“*Commitment Termination Date*” means August 5, 2008.

“*Compliance Certificate*” means a certificate in the form of **Exhibit B** hereto.

“*Consolidated Assets*” means all assets which should be listed on the consolidated balance sheet of Borrower and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

“*Consolidated EBITDA*” means, for any period, for Borrower and its Consolidated Subsidiaries on a consolidated basis, (A) the sum of the amounts for such period of (i) Consolidated Net Income, (ii) to the extent deducted in arriving at Consolidated Net Income, net federal, state and local income taxes in respect of such period, (iii) to the extent deducted in arriving at Consolidated Net Income, Consolidated Interest Expense, (iv) to the extent deducted in arriving at Consolidated Net Income, the amount charged for the amortization of intangible assets, (v) to the extent deducted in arriving at Consolidated Net Income, the amount charged for the depreciation and depletion of assets, and (vi) to the extent deducted in arriving at Consolidated Net Income, losses on sales of assets (excluding sales in the ordinary course of business) and other extraordinary losses, less (B) the amount for such period of (i) to the extent added in arriving at Consolidated Net Income, interest income arising from traditional investment activities with banks, investments banks and other financial institutions or relating to governmental or other marketable securities and (ii) to the extent added in arriving at Consolidated Net Income, gains on sales of assets (excluding sales in the ordinary course of business) and other extraordinary gains, all as determined on a consolidated basis in accordance with GAAP.

“*Consolidated Interest Expense*” means, with reference to any period of the Borrower and its Subsidiaries, the sum of (i) all interest charges (including capitalized interest, imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense and other deferred financing charges) of the Borrower and its Subsidiaries on a consolidated basis for such period determined in accordance with GAAP, (ii) all commitment or other fees payable in respect of the issuance of standby letters of credit or other credit facilities for the account of the Borrower or its Subsidiaries, and (iii) net costs/expenses incurred by the Borrower and its Subsidiaries under interest rate derivative arrangements.

“*Consolidated Net Income*” means, for any period of the Borrower and its Consolidated Subsidiaries, the amount for such period of consolidated net income (or net loss) of the Borrower and its Consolidated Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

“*Consolidated Net Worth*” means, as of any time the same is to be determined, the total shareholders’ equity (including capital stock, additional paid-in-capital and retained earnings after deducting treasury stock, but excluding (to the extent otherwise included in calculating shareholders’ equity), minority interests in Subsidiaries) which would appear on the consolidated balance sheet of Borrower determined on a consolidated basis in accordance with GAAP.

“*Consolidated Subsidiary*” means, as to any Person, each subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated, with the financial statements of such Person in accordance with GAAP, including principles of consolidation.

“*Contractual Obligation*” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its Property is bound.

“*Controlled Group*” means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control that, together with Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

“*Credit Documents*” means this Agreement, the Notes, the Fee Letters and all other documents executed in connection herewith or therewith.

“*Default*” means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

“*Derivative Arrangement*” means any agreement (including any master agreement and any agreement, whether or not in writing, relating to any single transaction) that is an interest rate swap agreement, basis swap, forward rate agreement, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, forward foreign exchange agreement, rate cap, collar or floor agreement, future agreement, currency swap agreement, cross-currency rate swap agreement, swaption, currency option, that relates to fluctuations in raw material prices or utility or energy prices or other costs, or any other similar agreement, including any option to enter into any of the foregoing, or any combination of any of the foregoing. “*Derivative Arrangements*” shall include all such agreements or arrangements made or entered into at any time, or in effect at any time, whether or not related to a Loan.

“*Derivative Obligations*” means, with respect to any Person, all liabilities of such Person under any Derivative Arrangement (including but not limited to obligations and liabilities arising in connection with or as a result of early or premature termination of a Derivative Arrangement, whether or not occurring as a result of a default thereunder), absolute or contingent, now or hereafter existing or incurred or due or to become due.

“*Effective Date*” means May 7, 2007.

“*Eligible Assignee*” means (a) a Bank, (b) an Affiliate of a Bank, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, “*Eligible Assignee*” shall not include the Borrower or any of the Borrower’s Affiliates or Subsidiaries.

“*Environmental and Health Laws*” means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, judgments, permits and other governmental rules or restrictions relating to human health, safety (including without limitation occupational safety and health standards), or the environment or to emissions, discharges or releases of pollutants, contaminants, hazardous or toxic substances, wastes or any other controlled or regulated substance into the environment, including without limitation ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment,

storage, disposal, transport or handling of pollutants, contaminants, hazardous or toxic substances, wastes or any other controlled or regulated substance or the clean-up or other remediation thereof.

“ERISA” is defined in Section 5.8 hereof.

“Eurodollar Loan” means a Loan bearing interest prior to its maturity at the rate specified in Section 2.3(b) hereof.

“Eurodollar Margin” means:

(i) from the Effective Date through the date which is six (6) months after the Initial Loan Date, 0.55% (and, in the event and for so long as (x) the S&P Rating of the Borrower is lower than BBB- or (y) the Moody’s Rating of the Borrower is lower than Baa3, such Eurodollar Margin shall be increased to 0.80%);

(ii) from the date which is six (6) months and one (1) day after the Initial Loan Date through the date which is nine (9) months after the Initial Loan Date, 0.675% (and, in the event and for so long as (x) the S&P Rating of the Borrower is lower than BBB- or (y) the Moody’s Rating of the Borrower is lower than Baa3, such Eurodollar Margin shall be increased to 0.925%); and

(iii) from the date which is nine (9) months and one (1) day after the Initial Loan Date and thereafter, 0.925% (and, in the event and for so long as (x) the S&P Rating of the Borrower is lower than BBB- or (y) the Moody’s Rating of the Borrower is lower than Baa3, such Eurodollar Margin shall be increased to 1.175%).

Each change in a rating shall be effective as of the date it is announced by the applicable rating agency.

“Eurodollar Reserve Percentage” is defined in Section 2.3(b) hereof.

“Event of Default” means any of the events or circumstances specified in Section 8.1 hereof.

“Existing Credit Agreement” means that certain Credit Agreement dated as of May 5, 2005 by and among, *inter alia*, ABN AMRO, as Administrative Agent, Borrower and the various financial institutions party thereto as “Banks,” as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

“*Extraordinary Receipts*” means any cash received by or paid to or for the account of any Borrower or any of its Subsidiaries received in respect of purchase price and other monetary adjustments made pursuant to any Related Transaction Document and/or indemnification payments made pursuant to any Related Transaction Document; provided, Extraordinary Receipts shall exclude any single or related series of amounts received in an aggregate amount less than \$50,000,000.00.

“*Federal Funds Rate*” means, for any period, a fluctuating interest rate per annum equal for each day during such period to:

(a) the weighted average of the rates on overnight federal funds transactions with members of the United States Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the United States Federal Reserve Bank of New York; or

(b) if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

“*Fee Letter*” and “*Fee Letters*” means either or both the ABN AMRO Fee Letter and the Initial Banks Fee Letter, as the context may require.

“*Fund*” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“*GAAP*” means generally accepted accounting principles as in effect in the United States from time to time, applied by Borrower and its Subsidiaries on a basis consistent with the preparation of Borrower’s financial statements furnished to the Banks as described in Section 5.4 hereof.

“*Granting Bank*” has the meaning specified in Section 11.10(h).

“*Guarantee*” means, in respect of any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligations of another Person, including, without limitation, by means of an agreement to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to maintain financial covenants, or to assure the payment of such Indebtedness by an agreement to make payments in respect of goods or services regardless of whether delivered, or otherwise, provided, that the term “*Guarantee*” shall not include endorsements for deposit or collection in the ordinary course of business; and such term when used as a verb shall have a correlative meaning.

“*Hazardous Material*” means any substance or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls, dioxins and petroleum or its by-products or derivatives (including crude oil or any fraction thereof) and (b) any other material or substance classified or regulated as “hazardous” or “toxic” pursuant to any Environmental and Health Law.

“*Immaterial Subsidiary*” shall mean, any direct or indirect subsidiary of Borrower (i) whose total assets (as determined in accordance with GAAP) do not represent at least five percent (5%) of the total assets (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis or (ii) whose total revenues (as determined in accordance with GAAP) do not represent at least five percent (5%) of the total revenues (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis, *provided* that no subsidiary shall be deemed an Immaterial Subsidiary to the extent (a) the total assets of such subsidiary, when combined with the total assets of other subsidiaries which are Immaterial Subsidiaries, represent at least ten percent (10%) of the total assets (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis or (ii) the total revenues of such subsidiary, when combined with the total revenues of other Immaterial Subsidiaries, (as determined in accordance with GAAP) represent at least ten percent (10%) of the total revenues (as determined in accordance with GAAP) of Borrower and its subsidiaries on a consolidated basis. As used in this definition “*subsidiary*” shall mean any Person whose financial statements are consolidated into the financial statements of Borrower in accordance with GAAP.

“*Indebtedness*” means, as to any Person, without duplication: (i) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (ii) all obligations of such Person for the deferred purchase price of property or services (other than in respect of trade accounts payable arising in the ordinary course of business which are not past-due); (iii) all Capitalized Lease Obligations of such Person; (iv) all Indebtedness of others secured by a Lien on any properties, assets or revenues of such Person (other than stock, partnership interests or other equity interests of Borrower or any Subsidiary of Borrower in other entities) to the extent of the lesser of the value of the property subject to such Lien or the amount of such Indebtedness; (v) all Guarantees issued by such Person, *provided* that Long-Term Guaranties shall not be deemed “*Indebtedness*” for purposes of calculating Borrower’s compliance with the financial covenants set forth in Sections 7.16, 7.17 and 7.18 hereof; (vi) all obligations of such Person, contingent or otherwise, in respect of any letters or credit (whether commercial or standby) or bankers’ acceptances, (vii) all Derivative Obligations of such Person (but excluding Derivative Obligations of Marketing Subsidiaries), *provided* that for purposes of determining Borrower’s compliance with the financial covenants set forth herein, only Borrower’s Derivative Obligations under Derivative Arrangements which must be marked-to-market in accordance with GAAP shall be included as Indebtedness of Borrower, and (viii) all obligations of such Person under synthetic (and similar type) lease arrangements, *provided* that for purposes of calculating such Person’s Indebtedness under such synthetic (or similar type) lease arrangements, such lease arrangement shall be treated as if it were a Capitalized Lease.

“*Initial Bank Fee Letter*” means that certain letter agreement dated as of February 6, 2007 by and among certain of the initial Banks party to this Agreement, certain of their respective Affiliates and Borrower pertaining to fees to be paid by Borrower to such Persons for their sole accounts and benefit.

“*Initial Loan Date*” means the date upon which the Term Loan is made by the Banks to the Borrower in accordance with the terms hereof.

“*Interest Expense Coverage Ratio*” means, for any period of four consecutive quarters of the Borrower ending with the most recently completed such fiscal quarter, the ratio of (A) Consolidated EBITDA to (B) Consolidated Interest Expenses for such period.

“*Interest Period*” is defined in Section 2.6 hereof.

“*Investments*” is defined in Section 7.14.

“*Lending Office*” is defined in Section 9.4 hereof.

“*LIBOR*” is defined in Section 2.3(b) hereof.

“*Lien*” means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a “*Lien*.”

“*Loan*” and “*Loans*” means all or any portion of the Term Loan (as the context requires) and includes a Base Rate Loan or Eurodollar Loan, each of which is a “*type*” of Loan hereunder.

“*Long-Term Guarantee*” means (i) any Guarantee issued by Borrower or its Subsidiaries under which the holder or beneficiary of such Guarantee is not permitted under any circumstance or contingency to make demand or exercise any other remedies under such Guarantee prior to the Termination Date, as extended from time to time in accordance with the terms hereof and (ii) any coal mining reclamation bonds or contingent indemnity or reimbursement obligations with respect to such reclamation bonds (so long as such reclamation bonds have not been called upon).

“*Major Casualty Proceeds*” means (i) the aggregate insurance proceeds received in connection with one or more related events under any property insurance policy or (ii) any award or other compensation with respect to any condemnation of property (or any transfer or disposition of property in lieu of condemnation), if the amount of such aggregate insurance proceeds or award or other compensation exceeds \$20,000,000.00.

“*Marketing Subsidiary*” means Enserco Energy, Inc., a South Dakota corporation, and its subsidiaries.

“*Marketing Subsidiary Excluded Credit Facility*” means that certain credit facilities of Enserco Energy, Inc., a South Dakota corporation, described on **Schedule 7.15(a)** hereof, as such credit facility is in effect on the Effective Date (or as such credit facility may be amended, restated or otherwise modified on terms and conditions and pursuant to documentation to (x) accommodate an increase in the borrowings thereunder to \$300,000,000 and (y) permit such credit facility to be either asset-based or non-asset-based (whether secured or unsecured). Any

replacement credit facility of the Marketing Subsidiary Excluded Credit Facility shall be deemed a Marketing Subsidiary Excluded Credit Facility only if such replacement credit facility contains terms substantially the same as the Marketing Subsidiary Excluded Credit Facility being replaced (including tenor but excluding the increase in borrowings otherwise permitted above) or is approved in writing by the Required Banks.

“*Marketing Subsidiary Indebtedness Limit*” means the sum of (i) aggregate amount of credit availability (used or unused) under the Marketing Subsidiary Excluded Credit Facility as of the Effective Date and (ii) \$25,000,000.

“*Marketing Subsidiary Sublimit*” means, at any time, an amount equal to the greater of: (x) \$150,000,000 and (y) seven and one half percent (7.50%) of Consolidated Assets as reflected on the most recent audited, fiscal year-end balance sheet delivered by Borrower pursuant to Section 7 outstanding at any time.

“*Material Adverse Effect*” means a material adverse effect on (i) the business, financial position or results of operations of Borrower or Borrower and its Subsidiaries taken as a whole, (ii) the ability of Borrower to perform its material obligations under the Credit Documents, (iii) the validity or enforceability of the material obligations of Borrower under any Credit Document, (iv) the rights and remedies of the Banks or the Administrative Agent against Borrower; or (v) the timely payment of the principal of and interest on the Loans or other amounts payable by Borrower hereunder, provided, that a downgrade of Borrower’s S&P Rating and/or Moody’s Rating shall not, in and of itself, be deemed a “Material Adverse Effect” for purposes of this Agreement.

“*Material Subsidiaries*” means BHP, Black Hills Energy, Inc., a South Dakota corporation, Wyodak Resources Development Corp., a Delaware corporation, Black Hills Generation, Inc., a Delaware corporation, CLF&P, and any other Subsidiary of Borrower which is not either an Immaterial Subsidiary or a Project Finance Subsidiary. For purposes of the definition of *Specified Representations* only, the term “*Material Subsidiaries*” means BHP, Black Hills Energy, Inc., a South Dakota corporation, Wyodak Resources Development Corp., a Delaware corporation, Black Hills Generation, Inc., a Delaware corporation, CLF&P, and any other Subsidiary of the Borrower whose assets constitute at least 5% of the consolidated assets of the Borrower and not including, in any event, any Project Finance Subsidiaries.

“*Moody’s Rating*” means the rating assigned by Moody’s Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term indebtedness of a Person (or if neither Moody’s Investors Service, Inc. nor any such successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the United States of America as mutually agreed between the Required Banks and Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as currently defined by Moody’s Investors Service, Inc. (or such a successor) and shall be deemed to refer to the equivalent rating if such rating system changes.

“*Net Cash Proceeds*” means, with respect to any transaction or event and any Person, an amount equal to the cash proceeds received by such Person from or in respect of such transaction

or event (including cash proceeds of any non-cash proceeds of such transaction), less (i) any out-of-pocket expenses paid that are reasonably incurred by such Person in connection therewith and (ii) in the case of an asset disposition, the amount of any Indebtedness secured by a Lien on the related asset and discharged from the proceeds of such asset disposition and any taxes paid or reasonably estimated by such Person to be payable by such Person in respect of such asset disposition (provided, that if the actual amount of taxes paid is less than the estimated amount, the difference shall immediately constitute Net Cash Proceeds).

“*Non-Recourse Indebtedness*” means, without duplication, all Indebtedness of Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP incurred in connection with project financings (including project financings of existing assets) as to which the holder of such Indebtedness has recourse solely against the assets of the Project Finance Subsidiary that incurs such Indebtedness and not against Borrower or a Consolidated Subsidiary of Borrower other than a Project Finance Subsidiary or any of their other assets (whether directly, through a Guarantee or otherwise), other than the pledge of the stock (or similar equity interest) of the Project Finance Subsidiary which incurred such Indebtedness. For purposes of clarification, any Indebtedness of a Project Finance Subsidiary which would otherwise constitute Non-Recourse Indebtedness but for the issuance by the Borrower or a Consolidated Subsidiary of the Borrower of a Guarantee or other document which provides recourse with respect to such Indebtedness, such Indebtedness shall for all purposes of this Agreement be deemed Non-Recourse Indebtedness so long as (i) the Borrower’s or such Consolidated Subsidiary’s obligations under such Guarantee or other document are treated for all purposes as Recourse Indebtedness hereunder, (ii) such Recourse Indebtedness of the Borrower or such Consolidated Subsidiary is unsecured and is otherwise permitted by this Agreement, and (iii) such Recourse Indebtedness of the Borrower or such Consolidated Subsidiary does not in the aggregate exceed \$100,000,000 at any one time outstanding.

“*Note*” is defined in Section 2.10(a) hereof.

“*Notice of Borrowing*” means a notice of an Authorized Representative of Borrower, appropriately completed and substantially in the form of **Exhibit E** hereto.

“*Obligations*” means all fees payable hereunder, all obligations of Borrower to pay principal or interest on Loans, fees, expenses, indemnities, and all other payment obligations of Borrower arising under or in relation to any Credit Document.

“*Partnership Interests Purchase Agreement*” means that certain Partnership Interests Purchase Agreement dated as of February 6, 2007 by and among Gregory Acquisition Corp., a Delaware corporation, Great Plains Energy Incorporated, a Missouri corporation, the Borrower, Aquila Colorado, LLC, a Delaware limited liability company and, Aquila, Inc., a Delaware corporation, as such agreement may be amended in accordance with the terms thereof.

“*Patriot Act*” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, P.L. 107-56, as amended.

“*Percentage*” means, for each Bank, the percentage of the Commitments represented by such Bank’s Commitment or, if the Commitments have been terminated, the percentage held by such Bank of the aggregate principal amount of all outstanding Obligations.

“*Permitted Derivative Obligations*” means all Derivative Obligations as to which the Derivative Arrangements giving rise to such Derivative Obligation are entered into in the ordinary course of business to hedge interest rate risk, currency risk, commodity price risk or the production of Borrower or its Subsidiaries (and not for speculative purposes) and if such Derivative Obligation is an obligation of Borrower, such Derivative Obligation ranks no greater than *pari passu* to the Obligations.

“*Person*” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

“*Plan*” means at any time an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

“*PBGC*” is defined in Section 5.8 hereof.

“*Project Finance Subsidiary*” means any Subsidiary of Borrower as to which the creditors and other holders of Indebtedness of such Subsidiary have recourse solely against the assets of such Subsidiary and not against Borrower or any other Subsidiary of Borrower or any of their other assets (whether directly, through a Guarantee or otherwise) other than (i) pursuant to a Guarantee permitted hereunder and (ii) the stock of such special purpose Subsidiary (or similar equity interest).

“*Property*” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“*PUCHA*” means the Public Utility Holding Company Act of 2005, as amended.

“*Recourse Indebtedness*” means, without duplication, all Indebtedness of Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP other than Non-Recourse Indebtedness.

“*Recourse Leverage Ratio*” means, as of any time the same is to be determined, the ratio of the amount of (A) Recourse Indebtedness outstanding at such time (provided that for purposes of clause (A) of this definition, to the extent otherwise included, Indebtedness of Marketing Subsidiaries in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit incurred under the Marketing Subsidiary Excluded Credit Facility shall not be deemed to be Recourse Indebtedness) to (B) the amount of Capital at such time.

“*Related Transaction Documents*” means the Asset Purchase Agreement, the “Partnership Interests Purchase Agreement” (as such term is defined in the Asset Purchase Agreement), the “Merger Agreement” (as such term is defined in the Asset Purchase Agreement), the Existing Credit Agreement and all deliveries, agreements and other documents delivered or executed in connection with any of the foregoing.

“*Related Transactions*” means the transactions contemplated by the Related Transaction Documents.

“*Required Banks*” means, as of the date of determination thereof, any Banks holding in the aggregate more than fifty percent (50%) of the Percentages, *provided*, that at any time there are two (2) or less Banks, Required Banks shall mean Banks holding one hundred percent (100%) of the Percentages.

“*SEC*” means the United States Securities and Exchange Commission.

“*Security*” has the same meaning as in Section 2(l) of the Securities Act of 1933, as amended.

“*S&P Rating*” means the rating assigned by Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. and any successor thereto that is a nationally recognized rating agency to the outstanding senior unsecured non-credit enhanced long-term indebtedness of a Person (or, if neither such division nor any successor shall be in the business of rating long-term indebtedness, a nationally recognized rating agency in the United States as mutually agreed between the Required Banks and Borrower). Any reference in this Agreement to any specific rating is a reference to such rating as currently defined by Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. (or such a successor) and shall be deemed to refer to the equivalent rating if such rating system changes.

“*Sole Bookrunner*” is defined in the first paragraph of this Agreement.

“*Solvent*” means that (a) the fair value of a Person’s assets is in excess of the total amount of such Person’s debts, as determined in accordance with the United States Bankruptcy Code, and (b) the present fair saleable value of a Person’s assets is in excess of the amount that will be required to pay such Person’s debts as they become absolute and matured. As used in this definition, the term “debts” includes any legal liability, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent, as determined in accordance with the United States Bankruptcy Code.

“*SPC*” has the meaning specified in Section 11.10(h).

“*Specified Representations*” means each of the following representations and warranties:

(a) each of the representations and warranties made under the Related Transaction Documents (other than the Existing Credit Agreement) made by or with respect to Gregory Acquisition Corp., a Delaware corporation, Great Plains Energy Incorporated, a Missouri corporation, Aquila, Inc. or any of their respective assets is true and correct, in each case only to the extent the failure of such representation or warranty

to be true, individually or in the aggregate, may form a basis for the Borrower to terminate its obligations to consummate the transactions contemplated thereby as a result thereof; and

(b) the representations and warranties made in Sections 5.1, 5.3, 5.7, 5.9, 5.10, 5.15, 5.18 and, solely with respect to Section 6.2 (and not with respect to Section 6.1), 5.16;

(c) a representation and warranty that all other unsecured Indebtedness of the Borrower is (i) junior in right of payment to the Obligations, or (ii) *pari passu* to the Obligations;

(d) a representation and warranty that:

(i) neither Borrower nor any Material Subsidiary has, since September 30, 2006, (A) failed to pay its debts generally as they become due or admitted in writing its inability to pay its debts generally as they become due, (B) made an assignment for the benefit of creditors, (C) applied for, sought, consented to, or acquiesced in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (D) instituted any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it or any analogous action is taken under any other applicable law relating to bankruptcy or insolvency, (E) taken any corporate action (such as the passage by its board of directors of a resolution) in furtherance of any matter described in parts (A) through (D) above, or (F) failed to contest in good faith any appointment or proceeding described in clause (ii) below; and

(ii) no custodian, receiver, trustee, examiner, liquidator or similar official has, since September 30, 2006 been appointed for Borrower or any Material Subsidiary, or any substantial part of any of their Property, and no proceeding of the type described in clause (i)(D) above has been instituted against Borrower or any Material Subsidiary since such date; and

(e) a representation and warranty that no acceleration of Indebtedness with a principal balance exceeding \$50,000,000 of Borrower or its Material Subsidiaries as the result of events of default thereunder shall have occurred and be continuing.

“*Subsidiary*” means, as to Borrower, any corporation or other entity (i) which is consolidated into the financial statements of such Borrower in accordance with GAAP or (ii) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the Board of Directors of such corporation or similar governing body in the case of a non-corporation (irrespective of whether or not, at the

time, stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such Borrower or by one or more of its Subsidiaries.

“*Syndication Agent*” is defined in the first paragraph of this Agreement.

“*Telerate Service*” means Moneyline Telerate, Inc.

“*Term Loan*” is defined in Section 2.1.

“*Termination Date*” means the earlier to occur of (i) the date which is 364 days from the Initial Loan Date and (ii) February 5, 2009.

“*Unfunded Vested Liabilities*” means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

“*U.S. Dollars*” and “\$” each means the lawful currency of the United States of America.

“*Voting Participant*” is defined in Section 11.10(i) hereof.

“*Voting Participant Notification*” is defined in Section 11.10(i) hereof.

“*Voting Stock*” of any Person means capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person.

“*Welfare Plan*” means a “*welfare plan*,” as defined in Section 3(l) of ERISA.

“*Wholly-Owned*” when used in connection with any Subsidiary means a Subsidiary of which all of the issued and outstanding shares of stock or other equity interests (other than directors’ qualifying shares as required by law) shall be owned by Borrower and/or one or more of its Wholly-Owned Subsidiaries.

Section 1.2 *Interpretation*. The foregoing definitions shall be equally applicable to both the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to New York, New York time unless otherwise specifically provided. The word “*including*” means including without limiting the generality of any description preceding such term. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP in effect on the Effective Date, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement.

SECTION 2. THE CREDITS.

Section 2.1 *The Term Loan*. Subject to the terms and conditions hereof (including Sections 6.1, 6.2 and 6.3), each Bank, by its acceptance hereof, severally agrees to make a term loan in U.S. Dollars (the “*Term Loan*”) prior to the Commitment Termination Date; such Term Loan shall be made in one draw on the Initial Loan Date and in an original principal amount (i) up to the amount of such Bank’s commitment set forth opposite the name of such Bank on Schedule 2.1 hereto (such amount, as reduced pursuant to Section 2.12 or changed as a result of one or more assignments under Section 11.10 its “*Commitment*” and, cumulatively for all the Banks, the “*Commitments*”) and (ii) equal to an amount designated by the Borrower (but not to exceed the aggregate amount of the Commitments then outstanding) in an executed written notice in form satisfactory to (and delivered not later than three (3) Business Days beforehand) to the Administrative Agent. Each Bank’s obligation to fund the Term Loan shall be limited to such Bank’s own Commitment, the Borrowing of the Term Loan shall be made ratably from the Banks in proportion to their respective Percentages and no Bank shall have any obligation to fund any portion of the Term Loan required to be funded by any other Bank, but not so funded. The Borrower shall not have any right to reborrow any portion of the Term Loan which is repaid or prepaid from time to time. The Commitments shall terminate on the Commitment Termination Date. As provided in Section 2.5(a) hereof, Borrower may elect that such initial Borrowing of the Term Loan be either Base Rate Loans or Eurodollar Loans (subject to any applicable limitations set forth in this Agreement). Unless an earlier maturity is provided for hereunder, the Term Loan shall mature and be due and payable on the Termination Date.

Section 2.2 *Reserved*.

Section 2.3 *Applicable Interest Rates*. (a) *Base Rate Loans*. Each Base Rate Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed (x) at all times the Base Rate is based on the rate described in clause (i) of the definition thereof, on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed or (y) at all times the Base Rate is based on the rate described in clause (ii) of the definition thereof, on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Eurodollar Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect, payable on the last day of its Interest Period and at maturity (whether by acceleration or otherwise).

“*Base Rate*” means for any day the greater of:

- (i) the rate of interest announced by ABN AMRO Bank N.V. from time to time as its prime rate, or equivalent, for U.S. Dollar loans within the United States as in effect on such day, with any change in the Base Rate resulting from a change in said prime rate to be effective as of the date of the relevant change in said prime rate; and
- (ii) the sum of (x) the Federal Funds Rate, plus (y) one half of one percent (0.50%).

(b) *Eurodollar Loans*. Each Eurodollar Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued, or created by conversion from a Base Rate Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period.

“*Adjusted LIBOR*” means, for any Borrowing of Eurodollar Loans, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurodollar Reserve Percentage}}$$

“*LIBOR*” means, for an Interest Period for a Borrowing of Eurodollar Loans, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetical average of the rates of interest per annum (rounded upwards, if necessary, to the nearest one-sixteenth of one percent) at which deposits in U.S. Dollars, in immediately available funds are offered to the Administrative Agent at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurodollar market for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made by each Bank as part of such Borrowing.

“*LIBOR Index Rate*” means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one-sixteenth of one percent) for deposits in U.S. Dollars for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made by each Bank as part of such Borrowing, which appears on the Applicable Telerate Page as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period.

“*Applicable Telerate Page*” means the display page designated as “Page 3750” on the Telerate Service (or such other pages as may replace any such page on that service or such other service as may be nominated by the British Bankers’ Association as the information vendor for the purpose of displaying British Bankers’ Association Interest Settlement Rates for deposits in U.S. Dollars).

“*Eurodollar Reserve Percentage*” means for a Borrowing of Eurodollar Loans from any Bank, the daily average for the applicable Interest Period of the actual effective rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are maintained by such Bank during such Interest Period pursuant to Regulation D of the Board of Governors of the Federal Reserve System (or any successor) on “*eurocurrency liabilities*,” as defined in such Board’s Regulation D (or in respect of any other

category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Loans is determined or any category of extensions of credit or other assets that include loans by non-United States offices of any Bank to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurodollar Loans shall be deemed to be “*eurocurrency liabilities*” as defined in Regulation D without benefit or credit for any prorrations, exemptions or offsets under Regulation D.

(c) *Rate Determinations.* The Administrative Agent shall determine each interest rate applicable to Obligations, and a determination thereof by the Administrative Agent shall be conclusive and binding except in the case of manifest error.

Section 2.4 *Minimum Borrowing Amounts.* Each Borrowing of Base Rate Loans and Eurodollar Loans shall be in an amount not less than (i) if such Borrowing is comprised of Borrowing of Base Rate Loans, \$1,000,000 and integral multiples of \$500,000 in excess thereof, and (ii) if such Borrowing is comprised of Borrowing of Eurodollar Loans, \$2,000,000 and integral multiples of \$1,000,000 in excess thereof.

Section 2.5 *Manner of Borrowing Loans and Designating Interest Rates Applicable to Loans.*

(a) *Notice to the Administrative Agent.* After the Initial Loan Date, Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to the minimum amount requirement for each outstanding Borrowing set forth in Section 2.4, a portion thereof, as follows: (i) if such Borrowing is of Eurodollar Loans, on the last day of the Interest Period applicable thereto, Borrower may continue part or all of such Borrowing as Eurodollar Loans for an Interest Period or Interest Periods specified by Borrower in a Notice of Borrowing or convert part or all of such Borrowing into Base Rate Loans, and (ii) if such Borrowing is of Base Rate Loans, on any Business Day, Borrower may convert all or part of such Borrowing into Eurodollar Loans for an Interest Period or Interest Periods specified by Borrower in a Notice of Borrowing. Borrower shall give all Notices of Borrowing requesting the continuation or conversion of a Borrowing to the Administrative Agent by telephone or teletype (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing). Notices of Borrowing concerning the continuation of a Borrowing of Eurodollar Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of Eurodollar Loans into Base Rate Loans or of Base Rate Loans into Eurodollar Loans must be given by no later than 12:00 noon (New York time) at least three (3) Business Days before the date of the requested continuation or conversion. All such Notices of Borrowing concerning the continuation or conversion of a Borrowing shall be irrevocable once given and shall specify the date of the requested continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be continued or converted, the type of Loans to comprise such continued or converted Borrowing and, if such Borrowing is to be comprised of Eurodollar Loans, the Interest Period applicable thereto. Borrower agrees that the Administrative Agent may rely on any such telephonic or teletype notice given by any person it in good faith believes is an Authorized Representative without the necessity of

independent investigation, and in the event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon. There may be no more than six (6) different Interest Periods in effect at any one time; provided, for purposes of determining the number of Interest Periods in effect at any one time, all Base Rate Loans shall be deemed to have one and the same Interest Period.

(b) *Notice to the Banks.* The Administrative Agent shall give prompt telephonic or teletype notice to each Bank of any notice from Borrower received pursuant to Section 2.5(a) above. The Administrative Agent shall give notice to Borrower and each Bank by like means of the interest rate applicable to each Borrowing of Eurodollar Loans.

(c) *Borrower's Failure to Notify.* Any outstanding Borrowing of Base Rate Loans shall, subject to Section 6.2 hereof, automatically be continued for an additional Interest Period on the last day of its then current Interest Period unless Borrower has notified the Administrative Agent within the period required by Section 2.5(a) that it intends to convert such Borrowing into a Borrowing of Eurodollar Loans or notifies the Administrative Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing. If Borrower fails to give notice pursuant to Section 2.5(a) above of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurodollar Loans before the last day of its then current Interest Period within the period required by Section 2.5(a) and has not notified the Administrative Agent within the period required by Section 2.8(a) that it intends to prepay such Borrowing, such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans, subject to Section 6.2 hereof. The Administrative Agent shall promptly notify the Banks of Borrower's failure to so give a notice under Section 2.5(a).

(d) *Disbursement of Loans.* Not later than 12:00 noon (New York time) on the date of any requested advance of a new Borrowing of Eurodollar Loans, and not later than 2:00 p.m. (New York time) on the date of any requested advance of a new Borrowing of Base Rate Loans, subject to Section 6 hereof, each Bank shall make available its Loan comprising part of such Borrowing in funds immediately available at the principal office of the Administrative Agent in New York, New York. The Administrative Agent shall make available to Borrower Loans at the Administrative Agent's principal office in New York, New York or such other office as the Administrative Agent has previously agreed in writing to with Borrower, in each case in the type of funds received by the Administrative Agent from the Banks.

(e) *Administrative Agent Reliance on Bank Funding.* Unless the Administrative Agent shall have been notified by a Bank before the date on which such Bank is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Bank does not intend to make such payment, the Administrative Agent may assume that such Bank has made such payment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to Borrower the proceeds of the Loan to be made by such Bank and, if any Bank has not in fact made such payment to the

Administrative Agent, such Bank shall, on demand, pay to the Administrative Agent the amount made available to Borrower attributable to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to Borrower and ending on (but excluding) the date such Bank pays such amount to the Administrative Agent at a rate per annum equal to (i) from the date the related payment was made by the Administrative Agent to the date two (2) Business Days after payment by such Bank is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Bank to the date such payment is made by such Bank, the Base Rate in effect for each such day. If such amount is not received from such Bank by the Administrative Agent immediately upon demand, Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan.

Section 2.6 *Interest Periods*. As provided in Section 2.5(a) hereof, at the time of each request of a Borrowing of Eurodollar Loans, Borrower shall select an Interest Period applicable to such Loans from among the available options. The term “*Interest Period*” means the period commencing on the date a Borrowing of Loans is advanced, continued, or created by conversion and ending: (a) in the case of Base Rate Loans, on the last Business Day of the calendar quarter in which such Borrowing is advanced, continued, or created by conversion (or on the last day of the following calendar quarter if such Loan is advanced, continued or created by conversion on the last Business Day of a calendar quarter), and (b) in the case of Eurodollar Loans, 1, 2, 3 or 6 months thereafter; provided, however:

(a) any Interest Period for a Borrowing of Base Rate Loans that otherwise would end after the Termination Date shall end on the Termination Date;

(b) for any Borrowing of Eurodollar Loans, Borrower may not select an Interest Period that extends beyond the Termination Date;

(c) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day; provided, if such extension would cause the last day of an Interest Period for a Borrowing of Eurodollar Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(d) for purposes of determining an Interest Period for a Borrowing of Eurodollar Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.7 *Maturity of Loans*. Unless an earlier maturity is provided for hereunder (whether by acceleration or otherwise), all Obligations (including principal and interest on all

outstanding Loans) shall mature and become due and payable by Borrower on the Termination Date.

Section 2.8 *Prepayments.*

(a) *Voluntary Prepayments.* Borrower may prepay without premium or penalty and in whole or in part (but, if in part, then (i) in an amount not less than \$5,000,000 and integral multiples of \$1,000,000 in excess thereof, and (ii) in an amount such that the minimum amount required for a Borrowing pursuant to Section 2.4 hereof remains outstanding) any Borrowing of Eurodollar Loans upon three (3) Business Days' prior irrevocable notice to the Administrative Agent or, in the case of a Borrowing of Base Rate Loans, irrevocable notice delivered to the Administrative Agent no later than 12:00 noon (New York time) on the date of prepayment, such prepayment to be made by the payment of the principal amount to be prepaid and accrued interest thereon to the date fixed for prepayment. In the case of Eurodollar Loans, any amounts owing under Section 2.11 hereof as a result of such prepayment shall be paid contemporaneously with such prepayment. The Administrative Agent will promptly advise each Bank of any such prepayment notice it receives from Borrower. No amounts paid or prepaid before the Termination Date may be borrowed, repaid or otherwise borrowed again.

(b) *Mandatory Prepayments.* There shall become due and payable and Borrower shall prepay the Loans in the following amounts and at the following times:

(i) on the date on which Borrower or any of its Subsidiaries (other than any of its Project Finance Subsidiaries) receives any payment which constitutes Major Casualty Proceeds (other than Major Casualty Proceeds received by utility Subsidiaries with respect to property that is subject to first mortgage bonds otherwise permitted by the terms of this Agreement), an amount equal to the Net Cash Proceeds of such payment; provided, the recipient (other than Administrative Agent) of any payment which constitutes such Major Casualty Proceeds may reinvest such payment within one hundred eighty (180) days, in replacement assets comparable to the assets giving rise to such payment; provided, further, the aggregate amount which may be reinvested by Borrower and its Subsidiaries pursuant to the preceding proviso may not exceed \$50,000,000.00 in any Fiscal Year; provided, further, if Borrower does not intend to reinvest such payment, or if the time period set forth in this sentence expires without Borrower or such Subsidiary having reinvested such payment, Borrower shall prepay the Loans in an amount equal to the Net Cash Proceeds of such payment;

(ii) promptly upon receipt by any Borrower or any of its Subsidiaries (other than any of its Project Finance Subsidiaries) of the proceeds from the issuance and sale of any Indebtedness or equity securities, including but not limited to Indebtedness or equity securities undertaken to refinance funds used to consummate the Related Transactions (other than proceeds of: (w) Indebtedness incurred as a result of extensions and refinancings of the "Black Hills Corporation lease payment obligation on the Wygen I facility" described on Schedule 7.15(b)

hereto which do not increase the principal amount thereof permitted under Section 7.17(c)(A), (x) Indebtedness under the Existing Credit Agreement and any credit agreement entered into by and among, *inter alia*, the Initial Banks and Borrower which refinances the Existing Credit Agreement; (y) Indebtedness issued by Black Hills Power, Inc. or CLF&P; and (z) the Marketing Subsidiary Excluded Credit Facility), an amount equal to one hundred percent (100%) of the Net Cash Proceeds of such issuance and sale;

(iii) on the date on which Borrower or any of its Subsidiaries receives any payment which constitutes Extraordinary Receipts (other than, to the extent they constitute Extraordinary Receipts, proceeds of: (w) Indebtedness incurred as a result of extensions and refinancings of the "Black Hills Corporation lease payment obligation on the Wygen I facility" described on Schedule 7.15(b) hereto which do not increase the principal amount thereof permitted under Section 7.17(c)(A), (x) Indebtedness under the Existing Credit Agreement and any credit agreement entered into by and among, *inter alia*, the Initial Banks and Borrower which refinances the Existing Credit Agreement; (y) Indebtedness issued by Black Hills Power, Inc. or CLF&P; and (z) the Marketing Subsidiary Excluded Credit Facility), an amount equal to the amount of such payment; and

(iv) promptly upon receipt by any Borrower or any of its Subsidiaries of the proceeds of any Asset Disposition, an amount equal to one hundred percent (100%) of the Net Cash Proceeds of such Asset Disposition; provided, no prepayment shall be required pursuant to this Section 2.8(b)(iv) unless and until the aggregate Net Cash Proceeds received from Asset Dispositions exceeds \$20,000,000 (in which case all Net Cash Proceeds in excess of such amount shall be used to make prepayments pursuant to this Section 2.8(b)(iv)); provided, further, the recipient of such Net Cash Proceeds may reinvest such Net Cash Proceeds within one hundred eighty (180) days, in replacement assets of a kind then used or usable in the business of Borrower. If Borrower does not intend to so reinvest such Net Cash Proceeds, or if the period set forth in the immediately preceding sentence expires without Borrower having reinvested such Net Cash Proceeds, Borrower shall prepay the Loans in an amount equal to such Net Cash Proceeds.

Section 2.9 *Default Rate*. If any payment of principal or interest on any Loan, or payment of any other Obligation, is not made when due (whether by acceleration or otherwise), such principal, interest or other Obligation shall bear interest (computed on the basis of a year of 360 days and actual days elapsed or, if based on the rate described in clause (i) of the definition of Base Rate, on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed) from the date such payment was due until paid in full, payable on demand, at a rate per annum equal to:

(a) for any Obligation other than a Eurodollar Loan (including principal and interest relating to Base Rate Loans and interest on Eurodollar Loans), the sum of two percent (2%) plus the Applicable Base Rate Margin plus the Base Rate from time to time in effect; and

(b) for the principal of any Eurodollar Loan, the sum of two percent (2%) plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the sum of two percent (2%) plus the Applicable Eurodollar Margin plus the Eurodollar Rate from time to time in effect.

Section 2.10 *The Notes.*

(a) Upon the request of any Bank, the Loans made to Borrower by such Bank shall be evidenced by a single promissory note of Borrower issued to such Bank in the form of Exhibit A hereto. Each such promissory note is hereinafter referred to as a “*Note*” and collectively such promissory notes are referred to as the “*Notes*.”

(b) Each Bank shall record on its books and records or on a schedule to its Note the amount of each Loan advanced, continued, or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan, and, for any Eurodollar Loan, the Interest Period and the interest rate applicable thereto. The record thereof, whether shown on such books and records of a Bank or on a schedule to any Note, shall be *prima facie* evidence of the same; provided, however, the failure of any Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of Borrower to repay all Loans made hereunder together with accrued interest thereon. At the request of any Bank and upon such Bank tendering to Borrower the Note to be replaced, Borrower shall furnish a new Note to such Bank to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.11 *Funding Indemnity.* If any Bank shall incur any loss, cost or expense (including, without limitation, any loss, cost or expense (excluding loss of margin) incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Eurodollar Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

(a) any payment (whether by acceleration or otherwise), prepayment or conversion of a Eurodollar Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section 6 or otherwise) by Borrower to borrow or continue a Eurodollar Loan, or to convert a Base Rate Loan into a Eurodollar Loan, on the date specified in a notice given pursuant to Section 2.5(a) or established pursuant to Section 2.5(c) hereof,

(c) any failure by Borrower to make any payment or prepayment of principal on any Eurodollar Loan when due (whether by acceleration or otherwise), or

(d) any acceleration of the maturity of a Eurodollar Loan as a result of the occurrence of any Event of Default hereunder,

(e) then, upon the demand of such Bank, Borrower shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense. If any Bank makes such a claim for compensation, it shall provide to Borrower, with a copy to the Administrative Agent, a certificate executed by an officer of such Bank setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) and the amounts shown on such certificate if reasonably calculated shall be *prima facie* evidence of the amount of such loss, cost or expense.

Section 2.12 *Commitments*. Borrower shall have the right at any time and from time to time, upon three (3) Business Days prior written notice to the Administrative Agent, to terminate the Commitments without premium or penalty (other than as set forth in the Initial Bank Fee Letter), in whole or in part, any partial termination to be (i) in an amount not less than \$5,000,000 and integral multiples of \$1,000,000 in excess thereof, and (ii) allocated ratably among the Banks in proportion to their respective Percentages, provided that the Commitments may not be reduced to an amount less than the sum of the Loans then outstanding. The Administrative Agent shall give prompt notice to each Bank of any such termination of Commitments. Any termination of Commitments pursuant to this Section 2.12 may not be reinstated. Additionally, prior to the making of the Term Loan, the Commitments shall be reduced by an amount equal to the net proceeds received by Borrower or any of its Subsidiaries pursuant to (i) Asset Dispositions which, either individually or in the aggregate, exceed \$75,000,000 (in which case all Net Cash Proceeds in excess of such amount received in connection therewith shall reduce the Commitments) and (ii) other capital markets transactions which are undertaken to consummate the Related Transactions; for purposes of clarification, it is hereby acknowledged and agreed the issuance of approximately 4,170,000 shares of common stock of Borrower on February 22, 2007 through a private placement shall not be considered a capital markets transactions undertaken to consummate the Related Transactions pursuant to the foregoing clause (ii). All mandatory reductions of the Commitments pursuant to the immediately preceding sentence shall reduce the Commitment of each Bank on a *pro rata* basis in accordance with their respective Percentages.

SECTION 3. FEES.

Section 3.1 *Fees*.

(a) *Commitment Fee*. From and after the Effective Date until the date of the first Borrowing, Borrower shall pay to the Administrative Agent for the ratable account of the Banks in accordance with their Percentages a commitment fee accruing at a rate per annum equal to the Commitment Fee Rate on the full amount of the Commitment. Such commitment fee is payable in arrears on the last Business Day of each calendar quarter, and if the Commitments are terminated in whole prior to the Termination Date, the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination. The terms of this Section 3.1(a) shall be deemed to supersede paragraph (i)(b) of the Initial Bank Fee Letter.

(b) *Reserved.*

(c) *Reserved.*

(d) *Administrative Agent and Initial Bank Fees.* Borrower shall pay to (i) the Administrative Agent for its own account (and no other Persons) and (ii) the Banks party to the Initial Bank Fee Letter, the fees agreed to in the Fee Letters (other than the fees described in paragraph (i)(b) of the Initial Bank Fee Letter, which are hereby superseded by the terms of Section 3.1(a) above).

(e) *Fee Calculations.* All fees payable under this Agreement shall be payable in U.S. Dollars and shall be computed on the basis of a year of 360 days, for the actual number of days elapsed. All determinations of the amount of fees owing hereunder (and the components thereof) shall be made by the Administrative Agent and shall be *prima facie* evidence of the amount of such fee.

SECTION 4. PLACE AND APPLICATION OF PAYMENTS.

Section 4.1 *Place and Application of Payments.* All payments of principal of and interest on the Loans, and of all other Obligations and other amounts payable by Borrower under the Credit Documents, shall be made by Borrower in U.S. Dollars to the Administrative Agent by no later than 2:00 p.m. (New York time) on the due date thereof at the principal office of the Administrative Agent in New York, New York pursuant to the payment instructions set forth on Part A of Schedule 4 hereof (or such other location in the, United States as the Administrative Agent may designate to Borrower), in each case for the benefit of the Person or Persons entitled thereto. Any payments received after such time shall be deemed to have been received by the Administrative Agent on the next Business Day. All such payments shall be made free and clear of, and without deduction for, any set-off, defense, counterclaim, levy, or any other deduction of any kind in immediately available funds at the place of payment. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans or applicable fees ratably to the Banks and like funds relating to the payment of any other amount payable to any Person to such Person, in each case to be applied in accordance with the terms of this Agreement.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warranties to each Bank each of the following are true, correct, and complete, both before and after giving effect to the Related Transactions:

Section 5.1 *Corporate Organization and Authority.* Borrower is duly organized and existing in good standing under the laws of the state of South Dakota; has all necessary corporate power to carry on its present business; and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing, qualification or good standing necessary and in which the failure to be so licensed, qualified or in good standing would have a Material Adverse Effect.

Section 5.2 *Subsidiaries*. **Schedule 5.2** (as updated from time to time pursuant to Section 7.1) hereto identifies each Subsidiary of Borrower, the jurisdiction of organization, the percentage of issued and outstanding equity securities owned by the Borrower and its Subsidiaries and, if such percentage is not one hundred percent (100%) (excluding directors' qualifying shares as required by law), a description of each class of its equity securities and the number of securities issued and outstanding. Each Subsidiary is duly organized and existing in good standing under the laws of the jurisdiction of its organization, has all necessary corporate or equivalent power to carry on its present business, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing or qualification necessary and in which the failure to be so licensed or qualified would have a Material Adverse Effect. All of the issued and outstanding securities of each Subsidiary owned directly or indirectly by Borrower are validly issued and outstanding and fully paid and nonassessable except as set forth on **Schedule 5.2** hereto. All such securities owned by Borrower are owned beneficially, and of record, free of any Lien, except as permitted in Section 7.9.

Section 5.3 *Corporate Authority and Validity of Obligations*. Borrower has full right and authority to enter into this Agreement and the other Credit Documents to which it is a party, to make the borrowings herein provided for, to issue its Notes in evidence thereof and to perform all of its obligations under the Credit Documents to which it is a party. Each Credit Document to which it is a party has been duly authorized, executed and delivered by Borrower and constitutes valid and binding obligations of Borrower enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law). No Credit Document, nor the performance or observance by Borrower of any of the matters or things therein provided for, contravenes any provision of law or any charter or by-law provision of Borrower or any material Contractual Obligation of or affecting Borrower or any of Borrower's Properties or results in or requires the creation or imposition of any Lien on any of the Properties or revenues of Borrower.

Section 5.4 *Financial Statements*. All financial statements heretofore delivered to the Banks showing historical performance of Borrower for Borrower's fiscal years ending on or before December 31, 2006, have been prepared in accordance generally accepted accounting principles applied on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year. Solely in the event they were publicly filed with the SEC prior to the Effective Date, the unaudited financial statements for the fiscal period ended March 31, 2007 have been prepared in accordance generally accepted accounting principles applicable to interim financial statements applied on a basis consistent, except as otherwise noted therein, with the previous same fiscal period of Borrower in the prior fiscal year (subject to normal year-end adjustments). Each of such financial statements fairly presents on a consolidated basis the financial condition of Borrower and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby. Borrower and its Subsidiaries have no material contingent liabilities other than those disclosed in such financial statements referred to in this Section 5.4 or in comments or footnotes thereto, or in any report supplementary thereto, heretofore furnished to the Banks. Since December 31, 2006, there has been no event or series

of events which has resulted in, or reasonably could be expected to result in, a Material Adverse Effect.

Section 5.5 *No Litigation; No Labor Controversies.*

(a) Except as set forth on **Schedule 5.5**, there is no litigation or governmental proceeding pending, or to the knowledge of Borrower, threatened, against Borrower or any Subsidiary of Borrower in which there is a reasonable possibility of an adverse decision which, if adversely determined, could (individually or in the aggregate) have a Material Adverse Effect.

(b) Except as set forth on **Schedule 5.5**, there are no labor controversies pending or, to the best knowledge of Borrower, threatened against Borrower or any Subsidiary of Borrower which could (individually or in the aggregate) have a Material Adverse Effect.

Section 5.6 *Taxes.* Borrower and its Subsidiaries have filed all United States federal tax returns, and all other foreign, state, local and other tax returns, required to be filed and have paid all taxes due pursuant to such returns or pursuant to any assessment received by Borrower or any Subsidiary of Borrower, except such taxes, if any, as are being contested in good faith and for which adequate reserves have been provided. No notices of tax liens have been filed and no claims are being asserted concerning any such taxes, which liens or claims are material to the financial condition of Borrower or any of its Subsidiaries (individually or in the aggregate). The charges, accruals and reserves on the books of Borrower and its Subsidiaries for any taxes or other governmental charges are adequate and in conformance with GAAP.

Section 5.7 *Approvals.* No authorization, consent, approval, license, exemption, filing or registration with any court or governmental department, agency or instrumentality which have not already been obtained, nor any approval or consent of the stockholders of Borrower or any Subsidiary of Borrower or from any other Person, is necessary to the valid execution, delivery or performance by Borrower or any Subsidiary of Borrower of any Credit Document to which it is a party.

Section 5.8 *ERISA.* With respect to each Plan, Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), and with the Code to the extent applicable to it and has not incurred any liability to the Pension Benefit Guaranty Corporation ("*PBGC*") or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Neither Borrower nor any Subsidiary of Borrower has any contingent liabilities for any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

Section 5.9 *Government Regulation.* Neither Borrower nor any Subsidiary of Borrower is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.10 *Margin Stock; Use of Proceeds*. Neither Borrower nor any Subsidiary of Borrower is engaged principally, or as one of its primary activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (“margin stock” to have the same meaning herein as in Regulation U of the Board of Governors of the Federal Reserve System). The proceeds of the Loans are to be used solely to (i) consummate the Related Transactions, and (ii) pay fees, costs and expenses incurred in connection therewith. Borrower will not use the proceeds of any Loan in a manner that violates any provision of Regulation U or X of the Board of Governors of the Federal Reserve System.

Section 5.11 *Licenses and Authorizations; Compliance with Laws*.

(a) Borrower and each of its Subsidiaries has all necessary licenses, permits and governmental authorizations to own and operate its Properties and to carry on its business as currently conducted and contemplated. Borrower and each of its Subsidiaries is in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities except for any such law, regulation, ordinance or order which, the failure to comply therewith, could not reasonably be expected to have a Material Adverse Effect.

(b) In the ordinary course of its business, Borrower and each of its Subsidiaries conduct an ongoing review of the effect of Environmental and Health Laws on the Properties and all aspects of the business and operations of such Borrower and its Subsidiaries in the course of which such Borrower identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of Properties currently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with standards imposed by law and any actual or potential liabilities to third parties, including employees or governmental entities, and any related costs and expenses). On the basis of this review, Borrower has reasonably concluded that Environmental and Health Laws are unlikely to have any Material Adverse Effect.

(c) Except as set forth on **Schedule 5.11** (as amended from time to time in accordance with the provisions hereof), neither the Borrower nor any Subsidiary of Borrower has given, nor is it required to give, nor has it received, any notice, letter, citation, order, warning, complaint, inquiry, claim or demand to or from any governmental entity or in connection with any court proceeding which could reasonably have a Material Adverse Effect claiming that: (i) Borrower or any Subsidiary of Borrower has violated, or is about to violate, any Environmental and Health Law; (ii) there has been a release, or there is a threat of release, of Hazardous Materials from Borrower’s or any of its Subsidiary’s Property, facilities, equipment or vehicles; (iii) Borrower or any of its Subsidiary may be or is liable, in whole or in part, for the costs of cleaning up, remediating or responding to a release of Hazardous Materials; or (iv) any of Borrower’s or any of its Subsidiary’s Property or assets are subject to a Lien in favor of any governmental entity for any liability, costs or damages, under any Environmental and Health Law arising from, or costs incurred by such governmental entity in response to, a release of a Hazardous Materials.

Section 5.12 *Ownership of Property; Liens*. Borrower and each Subsidiary of Borrower has good title to or valid leasehold interests in all its Property. None of Borrower's or any Subsidiary's Property is subject to any Lien, except as permitted in Section 7.9.

Section 5.13 *No Burdensome Restrictions; Compliance with Agreements*. Neither Borrower nor any Subsidiary of Borrower is (a) party or subject to any law, regulation, rule or order, or any Contractual Obligation, that (individually or in the aggregate) materially adversely affects the business, operations, Property or financial or other condition of Borrower and its Subsidiaries (individually or in the aggregate) or (b) in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement to which it is a party (including any Contractual Obligation), which default could materially adversely affect the business, operations, Property or financial or other condition of Borrower and its Subsidiaries (individually or in the aggregate).

Section 5.14 *Full Disclosure*. All information heretofore furnished by Borrower to the Administrative Agent or any Bank for purposes of or in connection with the Credit Documents or any transaction contemplated thereby is, and all such information hereafter furnished by Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects and not misleading.

Section 5.15 *Solvency*. Borrower and each of its Subsidiaries, individually and on a consolidated basis, is Solvent

Section 5.16 *Related Transactions*. At the time the Banks extend the Term Loan to the Borrower in accordance with the terms of this Agreement, the only remaining condition precedent to consummation of each of the transactions contemplated by the Related Agreements in all material respects pursuant to the provisions of the Related Agreements shall be the making of such Term Loan. The consummation of the Related Transactions will be in compliance in all material respects with all applicable provisions of law.

Section 5.17 *Certain Other Representations and Warranties*. As of the Initial Loan Date (and, unless such representations and warranties are made only prior to or on the Initial Loan Date, any other date on which representations and warranties are otherwise remade or deemed remade hereunder), each of the representations and warranties contained in the Related Transaction Documents is true and correct. The Borrower agrees that, by this reference, such representations and warranties made in the Related Transaction Documents, without limiting any of the representations and warranties otherwise contained herein or in any other Credit Document, hereby are incorporated herein, *mutatis mutandis*, for the benefit of Administrative Agent and each Bank.

Section 5.18 *Foreign Assets Control Regulations and Anti-Money Laundering*.

(a) *OFAC*. Neither the Borrower nor any Subsidiary of the Borrower: (i) is a person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (ii) engages in any dealings or transactions

prohibited by Section 2 of such executive order, or is otherwise associated with any such person in any manner violative of Section 2, or (iii) is a person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury's Office of Foreign Assets Control regulation or executive order.

(b) *Patriot Act.* The Borrower and each of its Subsidiaries are in compliance with the Patriot Act, except to the extent that non-compliance could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

SECTION 6. CONDITIONS PRECEDENT.

Section 6.1 *Closing.* The effectiveness of this Agreement is subject to the following conditions precedent:

(a) the Administrative Agent shall have received for each Bank the favorable written opinion of (i) Morgan, Lewis & Bockius LLP, counsel to Borrower, and (ii) General Counsel to the Borrower; provided, one such opinion shall include a legal opinion to the effect that Borrower has obtained all necessary approvals necessary to conduct its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities (except where the failure to be in compliance could not reasonably be expected to have a Material Adverse Effect on Borrower or any of its Material Subsidiaries), in each case in connection with its obligations under the Credit Documents, and both such opinions shall include legal opinions regarding such other related matters as the Administrative Agent may reasonably request;

(b) the Administrative Agent shall have received for each Bank copies of Borrower's (i) Articles of Incorporation, together with all amendments and (ii) bylaws (or comparable constituent documents) and any amendments thereto, certified in each instance by its Secretary or an Assistant Secretary;

(c) the Administrative Agent shall have received for each Bank copies of resolutions of Borrower's Board of Directors authorizing the execution and delivery of the Credit Documents and the consummation of the transactions contemplated thereby together with specimen signatures of the persons authorized to execute such documents on Borrower's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(d) the Administrative Agent shall have received for each Bank certificates of good standing or their equivalent from the Secretary of State (or other, similar office) of South Dakota and each other jurisdiction in which the nature of the business transacted

by Borrower or the nature of the Property owned or leased by Borrower makes such licensing, qualification or good standing necessary and in which the failure to be so licensed, qualified or in good standing would have a Material Adverse Effect;

(e) the Administrative Agent shall have received for each Bank which has requested same such Bank's duly executed Note of Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.10(a) hereof;

(f) the Administrative Agent shall have received a duly executed set of the Credit Documents;

(g) all legal matters incident to the execution and delivery of the Credit Documents shall be satisfactory to the Banks;

(h) the Banks and the Administrative Agent shall have received all fees required to be paid pursuant to the Fee Letters and all reasonable expenses for which invoices have been presented;

(i) since September 30, 2006, no "Material Adverse Effect" (as such term is defined in the Asset Purchase Agreement as in effect on February 6, 2007) shall have occurred and be continuing;

(j) the Borrower shall be able to and shall actually provide a certificate executed by one of its Authorized Representatives (in such Authorized Representative's capacity as an officer of Borrower and not in such Person's personal capacity), in form satisfactory to the Administrative Agent, pursuant to which it represents and warrants to the Administrative Agent and the Banks that each of the Specified Representations is true and correct in all material respects (unless any such representation or warranty is already qualified by materiality, in which case it shall be true and correct in all respects); and

(k) the Borrower shall have provided a certificate stating that the conditions precedent set forth in this Section 6.1 have been satisfied.

Section 6.2 *Making of Term Loan*. The obligation of each Bank to make its Percentage of the Term Loan is subject to the satisfaction of the following conditions:

(a) the Administrative Agent shall have received from the Borrower a certification by its Secretary or an Assistant Secretary stating, since its delivery thereof pursuant to Section 6.1 above, none of the Borrower's (i) Articles of Incorporation, together with all amendments or (ii) bylaws (or comparable constituent documents) have been amended, restated, supplemented or otherwise modified (or, if they have been so modified, including copies thereof);

(b) the Administrative Agent shall have received for each Bank certificates of good standing or their equivalent from the Secretary of State (or other, similar office) of South Dakota and each other jurisdiction in which the nature of the business transacted by Borrower or the nature of the Property owned or leased by Borrower makes such

licensing, qualification or good standing necessary and in which the failure to be so licensed, qualified or in good standing would have a Material Adverse Effect;

(c) the Banks and the Administrative Agent shall have received all fees required to be paid pursuant to the Fee Letters and all reasonable expenses for which invoices have been presented;

(d) since September 30, 2006, no "Material Adverse Effect" (as such term is defined in the Asset Purchase Agreement as in effect on February 6, 2007) shall have occurred and be continuing;

(e) the Related Transactions shall have occurred in accordance with the terms and conditions of the Related Transaction Documents in all respects (other than the payment of any portion of the purchase price which is to be paid with the proceeds of the Term Loan) without the waiver of any term or condition thereof;

(f) the Borrower shall be able to and shall actually provide a certificate executed by one of its Authorized Representatives (in such Authorized Representative's capacity as an officer of Borrower and not in such Person's personal capacity), in form satisfactory to the Administrative Agent, pursuant to which it represents and warrants to the Administrative Agent and the Banks that each of the Specified Representations is true and correct in all material respects (unless any such representation or warranty is already qualified by materiality, in which case it shall be true and correct in all respects); and

(g) the Borrower shall have provided a certificate stating that the conditions precedent set forth in this Section 6.1 have been satisfied

(h) the Administrative Agent shall have received a completed and executed Notice of Borrowing in the manner required by Section 2.5 hereof (and, with respect to the making of the Term Loan, such Notice of Borrowing shall be received by the Administrative Agent no later than 12:00 noon (New York time) at least three (3) Business Days before the requested date for the Term Loan); and

(i) the Administrative Agent shall have received from the Borrower a certified copy of the fully-executed Related Transaction Documents.

Section 6.3 *All Borrowings*. As of the time of each Borrowing hereunder (other than, in the cases of clauses (b) and (c) below, with respect to the funding of the Term Loan on the Initial Loan Date):

(a) The Administrative Agent shall have received a completed and executed Notice of Borrowing in the manner required by Section 2.5 hereof (and, with respect to the making of the Term Loan, such Notice of Borrowing shall be received by the Administrative Agent no later than 12:00 noon (New York time) at least three (3) Business Days before the requested date for such Term Loan);

(b) Each of the representations and warranties set forth in Section 5 hereof shall be and remain true and correct in all material respects (unless such representation or

warranty is already qualified with respect to materiality, in which case it shall be and remain true and correct in all respects) as of said time, both before and after giving effect to the Related Transactions, except that if any such representation or warranty relates solely to an earlier date it need only remain true in all material respects (unless such representation or warranty is already qualified with respect to materiality, in which case it shall be and remain true and correct in all respects) as of such date; and

(c) (i) Borrower shall be in full compliance with all of the terms and conditions hereof, and (ii) no Default or Event of Default of the type described in Section 8.1 which arises out of a failure of any of the Specified Representations to be true and correct in all material respects (unless any such representation or warranty is already qualified by materiality, in which case it shall be true and correct in all respects) when made shall have occurred and be continuing (or would occur as a result of such Borrowing).

Each request for a Borrowing shall be deemed to be a representation and warranty by Borrower on the date of such Borrowing as to the facts specified in paragraphs (b) and (c) of this Section 6.3.

SECTION 7. COVENANTS.

Borrower covenants and agrees that, so long as any Note or Loan is outstanding hereunder, or any Commitment is available to or in use by Borrower hereunder, except to the extent compliance in any case is waived in writing by the Required Banks:

Section 7.1 *Corporate Existence; Subsidiaries*. Borrower shall, and shall cause each of its Subsidiaries to, preserve and maintain its corporate existence, subject to the provisions of Section 7.12 hereof. Together with any financial statements delivered pursuant to Section 7.6 hereof, Borrower shall deliver an updated **Schedule 5.2** to reflect any changes from the existing **Schedule 5.2**.

Section 7.2 *Maintenance*. Borrower will maintain, preserve and keep its plants, Properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such plants, Properties and equipment shall be reasonably preserved and maintained, and Borrower will cause each of its Subsidiaries to do so in respect of Property owned or used by it; *provided, however*, that nothing in this Section 7.2 shall prevent Borrower or a Subsidiary of Borrower from discontinuing the operation or maintenance of any such Properties if such discontinuance is not disadvantageous to the Banks or the holders of the Notes, does not materially impair the operations of Borrower or any Subsidiary of Borrower and is, in the judgment of Borrower, desirable in the conduct of its business or the business of its Subsidiaries.

Section 7.3 *Taxes*. Borrower will duly pay and discharge, and will cause each of its Subsidiaries duly to pay and discharge, all taxes, rates, assessments, fees and governmental charges upon or against it or against its Properties, in each case before the same becomes delinquent and before penalties accrue thereon, unless and to the extent that the same is being

contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of Borrower.

Section 7.4 *ERISA*. Borrower will, and will cause each of its Subsidiaries to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets and will promptly notify the Administrative Agent of (i) the occurrence of any reportable event (as defined in ERISA) affecting a Plan, other than any such event of which the PBGC has waived notice by regulation, (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its or any of its Subsidiaries' intention to terminate or withdraw from any Plan, and (iv) the occurrence of any event affecting any Plan which could result in the incurrence by Borrower or any of its Subsidiaries of any material liability, fine or penalty, or any material increase in the contingent liability of Borrower or any of its Subsidiaries under any post-retirement Welfare Plan benefit. The Administrative Agent will promptly distribute to each Bank any notice it receives from Borrower pursuant to this Section 7.4.

Section 7.5 *Insurance*. Borrower will insure, and keep insured, and will cause each of its Subsidiaries to insure, and keep insured, with good and responsible insurance companies, all insurable Property owned by it of a character usually insured by companies similarly situated and operating like Property. To the extent usually insured by companies similarly situated and conducting similar businesses, Borrower will also insure, and cause each of its Subsidiaries to insure, employers' and public and product liability risks with good and responsible insurance companies. Borrower will, upon request of any Bank, furnish to such Bank a summary setting forth the nature and extent of the insurance maintained pursuant to this Section 7.5.

Section 7.6 *Financial Reports and Other Information*.

(a) Borrower will maintain a system of accounting in accordance with GAAP and will furnish to the Banks and their respective duly authorized representatives such information respecting the business and financial condition of Borrower and its Subsidiaries as any Bank may reasonably request; and without any request, the Borrower shall deliver to the Administrative Agent in form and detail satisfactory to the Administrative Agent each of the following:

(i) within 120 days after the end of each fiscal year of Borrower, a copy of Borrower financial statements for such fiscal year, including the consolidated balance sheet of Borrower and its Subsidiaries for such year and the related statements of income and statements of cash flow, each as certified by independent public accountants of recognized national standing selected by Borrower in accordance with GAAP with such accountants' unqualified opinion to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in all material respects in accordance with GAAP the consolidated financial position of Borrower and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted

auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances, provided that if Borrower files its annual report on Form 10-K for the applicable annual period, and such annual report contains the financial statements and accountants certifications, opinions and statements described above, the Borrower may satisfy the requirements of this Section 7.6(a) (i) by delivering a copy of such annual report to the Administrative Agent. Together with such information the Borrower shall provide to the Administrative Agent such consolidating information as may be necessary for the Banks to determine the Borrower's compliance with Section 7.17 hereof;

(ii) within 60 days after the end of each of the first three quarterly fiscal periods of Borrower, a consolidated unaudited balance sheet of Borrower and its Subsidiaries, and the related statements of income and statements of cash flow, as of the close of such period, all of the foregoing prepared by Borrower in reasonable detail in accordance with GAAP and certified by Borrower's chief financial officer or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby, provided that if Borrower files a Form 10-Q for the applicable quarterly period, and such quarterly report contains the financial statements and certifications described above, the Borrower may satisfy the requirements of this Section 7.6(a)(ii) by delivering a copy of such quarterly report to the Administrative Agent. Together with such information the Borrower shall provide to the Administrative Agent such consolidating information as may be necessary for the Banks to determine the Borrower's compliance with Section 7.17 hereof;

(iii) within the period provided in subsection (i) above, the written statement of the accountants who certified the audit report thereby required that in the course of their audit they have obtained no knowledge of any Default or Event of Default, or, if such accountants have obtained knowledge of any such Default or Event of Default, they shall disclose in such statement the nature and period of the existence thereof; and

(iv) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports Borrower or any of its Subsidiaries sends to their shareholders, and copies of all other regular, periodic and special reports and all registration statements Borrower or any of its Subsidiaries file with the SEC or any successor thereto, or with any national securities exchanges.

(b) Each financial statement furnished to the Banks pursuant to subsection (i) or (ii) of this Section 7.6 shall be accompanied by (A) a written certificate signed by Borrower's chief financial officer or corporate controller to the effect that (i) no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by Borrower to remedy the same, (ii) the representations and warranties contained in Section

5 hereof are true and correct in all material respects as though made on the date of such certificate (other than those made solely as of an earlier date, which need only remain true as of such date), except as otherwise described therein, and (B) a Compliance Certificate showing Borrower's compliance with the covenants set forth in Sections 7.9, 7.11, 7.12 and 7.14 through 7.19 hereof.

(c) Borrower will promptly (and in any event within three Business Days after an officer of Borrower has knowledge thereof) give notice to the Administrative Agent:

- (i) of the occurrence of any Default or Event of Default;
- (ii) any event or condition which could reasonably be expected to have a Material Adverse Effect;
- (iii) of any litigation or governmental proceeding of the type described in Section 5.5 hereof;
- (iv) of any material change in the information set forth on the Schedules hereto; and
- (v) of the entering into of any Long-Term Guaranties, and Borrower shall promptly provide the Administrative Agent with a copy of any such Guarantee and any modification to such Guarantee.

Section 7.7 Bank Inspection Rights. For purposes of confirming compliance with the Credit Documents or after the occurrence and during the continuance of an Event of Default, upon reasonable notice from the Administrative Agent or the Required Banks, Borrower will, at Borrower's expense, permit such Banks (and such Persons as any Bank may designate) during normal business hours to visit and inspect, under Borrower's guidance, any of the Properties of Borrower or any of its Subsidiaries, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and with their independent public accountants (and by this provision Borrower authorizes such accountants to discuss with the Banks (and such Persons as any Bank may designate) the finances and affairs of Borrower and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested; *provided, however,* that except upon the occurrence and during the continuation of any Default or Event of Default, not more than one such visit and inspection may be conducted each calendar quarter.

Section 7.8 Conduct of Business. Neither Borrower nor any Subsidiary of Borrower will engage in any line of business other than business activities in the field of (i) cogeneration and related thermal uses, (ii) energy production, (iii) energy development, (iv) energy recovery, (v) utility ownership, operation and management, including the provisions of services reasonably ancillary thereto, such as gas services and call centers, (vi) demand side management services, (vii) energy trading, (viii) management of investment funds which invest in energy related businesses and investments in such funds, (ix) hedging but not speculative activities relating to any of the foregoing lines of business, (x) telecommunications, (xi) management and operating services related to any of the foregoing lines of business, and (xii) other businesses not described

in the foregoing so long as the Investments and expenses made in such other businesses does not exceed \$40,000,000.

Section 7.9 *Liens*. Borrower will not, and will not permit any of its Subsidiaries to, create, incur, permit to exist or to be incurred any Lien of any kind on any Property owned by the Borrower or any Subsidiary of Borrower; *provided, however*, that this Section 7.9 shall not apply to or operate to prevent:

(a) Liens arising by operation of law in respect of Property of Borrower or any of its Subsidiaries which are incurred in the ordinary course of business which do not in the aggregate materially detract from the value of such Property or materially impair the use thereof in the operation of the business of Borrower or any of its Subsidiaries;

(b) Liens securing (i) Non-Recourse Indebtedness of any Subsidiary of Borrower or (ii) the obligations of a Project Finance Subsidiary under a power purchase agreement, *provided* that in the case of clause (i) above any such Lien is limited to the Property being financed or refinanced by such Indebtedness and the stock (or similar equity interest) of the Subsidiary which incurred such Non-Recourse Indebtedness, and in the case of clause (ii) above any such Lien is limited to the Property and the stock (or similar equity interest) of such Project Finance Subsidiary;

(c) Liens for taxes or assessments or other government charges or levies on Borrower or any Subsidiary of Borrower or their respective Properties which are being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of Borrower; *provided* that the aggregate amount of liabilities (including interest and penalties, if any) of Borrower and its Subsidiaries secured by such Liens shall not exceed \$20,000,000 at any one time outstanding;

(d) Liens arising out of judgments or awards against Borrower or any Subsidiary of Borrower, or in connection with surety or appeal bonds in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or with respect to which such Borrower or such Subsidiary shall be prosecuting an appeal or proceeding for review, and with respect to which it shall have obtained a stay of execution pending such appeal or proceeding for review; *provided* that the aggregate amount of liabilities (including interest and penalties, if any) of Borrower and its Subsidiaries secured by such Liens shall not exceed \$20,000,000 at any one time outstanding;

(e) Survey exceptions or encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties which are necessary for the conduct of the activities of Borrower and any Subsidiary of Borrower or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of Borrower or any Subsidiary of Borrower;

(f) Liens existing on the date hereof and listed on **Schedule 7.9** hereto;

(g) Liens securing (i) Indebtedness evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of Borrower or a Subsidiary of Borrower used in the ordinary course of business of Borrower or a Subsidiary of Borrower, so long as such Lien is limited to the property being financed or acquired and proceeds thereof, (ii) Capitalized Lease Obligations, so long as such Lien is limited to the property subject to the related Capital Lease and proceeds thereof, and (iii) the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds; *provided*, that such Liens shall only be permitted to the extent the aggregate amount of Indebtedness and other obligations secured by all such Liens does not exceed five percent (5%) of Consolidated Assets as reflected on the most recent balance sheet delivered by Borrower pursuant to Section 7.6;

(h) Liens in favor of carriers, warehousemen, mechanics, materialmen and landlords granted in the ordinary course of business for amounts not overdue or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(i) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits;

(j) Liens relating to synthetic lease arrangements of Borrower or a Subsidiary of Borrower, *provided* that (i) such Lien is limited to the Property being leased, and (ii) to the extent the lessor or any other Person has recourse to the Borrower, any Subsidiary or any of their Property (other than the Property being so leased), through a Guarantee (including a residual guarantee) or otherwise, such Lien shall be permitted if Borrower has included the recourse portion of such obligations as Indebtedness for all purposes (including financial covenant calculations) under the Credit Documents;

(k) Liens on assets of the Marketing Subsidiaries granted in the ordinary course of business securing the reimbursement obligations of Marketing Subsidiaries with respect to letters of credit and any working capital facility of the Marketing Subsidiaries so long as the holder of such reimbursement obligation or provider of such working capital facility has no recourse against Borrower or a Consolidated Subsidiary of Borrower other than such Marketing Subsidiary or any of their other assets (whether directly, through a Guarantee or otherwise) other than pursuant to a Guarantee permitted pursuant to Section 7.15(f);

(l) Liens securing Indebtedness issued pursuant to (i) that certain Restated and Amended Indenture of Mortgage and Deed of Trust dated as of September 1, 1999 between BHP and The Chase Manhattan Bank, as trustee (and any successor trustee thereunder), together with all amendments and supplemental indentures thereto, and (ii)

the CLF&P Indenture, together with all amendments and supplemental indentures thereto;

(m) From and after the Initial Loan Date, Liens on the Aquila Assets which exist on the Initial Loan Date, other than “Non-Permitted Encumbrances” (as such term is defined in the Asset Purchase Agreement and Partnership Interests Purchase Agreement);

(n) From and after the Initial Loan Date, Liens on the Aquila Assets consisting of first mortgage bonds which secure Indebtedness of the type specifically permitted pursuant to Section 7.15(j), which Liens are incurred on or before a date which is eighteen (18) months after the Initial Loan Date; and

(o) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing paragraphs (a) through (j), inclusive, *provided, however*, that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to the Property which was subject to the Lien so extended, renewed or replaced.

provided, that the foregoing paragraphs shall not be deemed under any circumstance to permit a Lien to exist on any capital stock or other equity interests of the Material Subsidiaries.

Section 7.10 *Use of Proceeds; Regulation U*. The proceeds of the Term Loan will be used by Borrower solely to (i) consummate the Related Transactions, and (ii) pay fees, costs and expenses incurred in connection therewith. Borrower will not use any part of the proceeds of any of the Borrowings directly or indirectly to purchase or carry any margin stock (as defined in Section 5.10 hereof) or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

Section 7.11 *Sales and Leasebacks*. Borrower will not, nor will it permit any of its Subsidiaries to, enter into any arrangement with any bank, insurance company or other lender or investor providing for the leasing by Borrower or any Subsidiary of Borrower of any Property theretofore owned by it and which has been or is to be sold or transferred by such owner to such lender or investor if the total amount of rent and other obligations of the Borrower and its Subsidiaries under such lease, when combined with all rent and other obligations of Borrower and its Subsidiaries under all such leases, would exceed \$30,000,000 in the aggregate, provided that Borrower and its Subsidiaries may engage in synthetic lease transactions so long as the Borrower’s or such Subsidiary’s, as applicable, obligations under such synthetic leases are included as Indebtedness for all purposes (including financial covenant calculations) under the Credit Documents.

Section 7.12 *Mergers, Consolidations and Sales of Assets*.

(a) Borrower will not, and will not permit any of its Material Subsidiaries to, (i) consolidate with or be a party to merger with any other Person or (ii) sell, lease or otherwise dispose of all or a “substantial part” of the assets of Borrower and its Subsidiaries; *provided, however*, that (v) the foregoing shall not prohibit any sale, lease,

transfer or disposition of assets, other than equity interests in or the assets of Black Hills Power, Inc. and Cheyenne Light, Fuel and Power Company, solely to the extent and so long as (A) such transaction does not result in a downgrade of Borrower's S&P Rating or Borrower's Moody's Rating, (B) such transaction is for cash consideration (or other consideration acceptable to the Required Banks) in an amount not less than the fair market value of the applicable assets, (C) such transaction, when combined with all other such transactions, would not have a Material Adverse Effect, taken as a whole, and (D) such transaction is consummated (and all consideration therefore is received by Borrower or its applicable Subsidiary) on or before the date which is eighteen (18) months after the Initial Loan Date, (w) the foregoing shall not prohibit any sale, lease, transfer or disposition to which the Required Banks have consented, such consent not to be unreasonably withheld if (A) such transaction does not result in a downgrade of either Borrower's S&P Rating or Moody's Rating, (B) such transaction is for cash consideration (or other consideration acceptable to the Required Banks) in an amount not less than the fair market value of the applicable assets, and (C) such transaction, when combined with all other such transactions, would not have a Material Adverse Effect, taken as a whole, (x) any Subsidiary of Borrower may merge or consolidate with or into or sell, lease or otherwise convey all or a substantial part of its assets to Borrower or any Subsidiary of which Borrower holds (directly or indirectly) at least the same percentage equity ownership; *provided that* in any such merger or consolidation involving Borrower, Borrower shall be the surviving or continuing corporation, (y) Borrower and its Subsidiaries may sell inventory, reserves and electricity in the ordinary course of business, and (z) Borrower may enter into a merger with, or acquisition of all of, another Person so long as:

- (i) Borrower is the surviving entity,
- (ii) unless consented to by the Required Banks, no downgrade in the Borrower's S&P Rating or Moody's Rating would occur as a result of the consummation of such a transaction,
- (iii) if such transaction is an acquisition, the Board of Directors (or similar governing body) of the Person being acquired has approved being so acquired, and
- (iv) no Default or Event of Default would have occurred and is continuing at the time of, or would occur as a result of, such transaction.

As used in this Section 7.12(a), a sale, lease, transfer or disposition of assets during any fiscal year shall be deemed to be of a "*substantial part*" of the consolidated assets of Borrower and its Subsidiaries if the net book value of such assets, when added to the net book value of all other assets sold, leased, transferred or disposed of by the Borrower and its Subsidiaries (excluding the Marketing Subsidiaries) during such fiscal year (other than inventory, reserves and electricity in the ordinary course of business) exceeds ten percent (10%) of the total assets of Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of the last day of the immediately preceding fiscal year.

(b) Except as permitted pursuant to Section 7.12(a) or Section 7.14 hereof, Borrower will not sell, transfer or otherwise dispose of, or permit any of its Subsidiaries to issue, sell, transfer or otherwise dispose of, any shares of stock of any class (including as “stock” for purposes of this Section, any warrants, rights or options to purchase or otherwise acquire stock or other Securities exchangeable for or convertible into stock) of any Subsidiary of Borrower, except to Borrower or a Wholly-Owned Subsidiary of Borrower or except for the purpose of qualifying directors.

Section 7.13 *Use of Property and Facilities; Environmental and Health and Safety Laws.*

(a) Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with the requirements of all Environmental and Health Laws applicable to or pertaining to the Properties or business operations of Borrower or any Subsidiary of Borrower. Without limiting the foregoing, Borrower will not, and will not permit any Person to, except in accordance with applicable law, dispose of any Hazardous Material into, onto or upon any real property owned or operated by Borrower or any of its Subsidiaries.

(b) Borrower will promptly provide the Banks with copies of any notice or other instrument of the type described in Section 5.11(b) hereof, and in no event later than five (5) Business Days after an officer of Borrower or a Subsidiary of Borrower receives such notice or instrument.

Section 7.14 *Investments, Acquisitions, Loans, Advances and Guaranties.* Borrower will not, nor will it permit any Subsidiary of Borrower to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to, any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof, or be or become liable as endorser, guarantor, surety or otherwise (such as liability as a general partner) for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person (cumulatively, all of the foregoing “Investments”); *provided, however,* that the foregoing provisions shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America, *provided* that (i) any such obligation matures within ten years from the date it is acquired by Borrower or Subsidiary, (ii) on any day, the aggregate amount of all such investments maturing beyond one year from such date shall not exceed \$100,000,000 and (iii) on any day, the aggregate amount of all such investments does not exceed five percent (5%) of Consolidated Assets as reflected on the most recent balance sheet delivered by Borrower pursuant to Section 7.6;

(b) investments in (i) commercial paper rated P-1 by Moody’s Investors Services, Inc. or A-1 by Standard & Poor’s Corporation maturing within one year of its

date of issuance, and (ii) debt and auction preferred securities rated Aaa by Moody's Investors Services, Inc. or AAA by Standard & Poor's Corporation maturing within one year of their respective dates of purchase;

(c) investments in certificates of deposit issued by any Bank or any United States commercial bank having capital and surplus of not less than \$200,000,000 maturing within one year from the date of issuance thereof or in banker's acceptances endorsed by any Bank or other such commercial bank and maturing within six months of the date of acceptance;

(d) investments in repurchase obligations with a term of not more than seven (7) days for underlying securities of the types described in subsection (a) above entered into with any bank meeting the qualifications specified in subsection (c) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System;

(e) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in the immediately preceding subsections (a), (b), (c) and (d) above;

(f) ownership of stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to Borrower or any Subsidiary;

(g) endorsements of negotiable instruments for collection in the ordinary course of business;

(h) loans and advances to employees in the ordinary course of business for travel, relocation, and similar purposes;

(i) Investments (i) existing on the Effective Date in Subsidiaries of Borrower, (ii) existing on the Effective Date and identified in Schedule 7.14 hereof, or (iii) consisting of intercompany loans permitted pursuant to Section 7.15(e);

(j) Investments constituting (i) accounts receivable arising, (ii) trade debt granted, or (iii) deposits made in connection with the purchase price of goods or services, in each case in the ordinary course of business;

(k) Investments in Persons other than Marketing Subsidiaries engaged in lines of business related to the lines of business described in Section 7.8 so long as (i) both before and after giving effect to such Investment no Default of Event of Default shall have occurred and be continuing, (ii) such Investments do not permit any creditor of such Person recourse to Borrower or any other Subsidiary of Borrower or any of their assets (other than the assets and/or the stock or similar equity interest of such Person) and (iii) if such Investments are in Persons engaged in the lines of business described in clause (xii) of Section 7.8, such Investments and expenses in the aggregate do not exceed \$40,000,000 outstanding at any time;

(l) Guaranties, other than Long-Term Guaranties, so long as such Indebtedness is permitted pursuant to Section 7.15;

(m) transactions permitted pursuant to Section 7.12(a);

(n) Investments constituting Long-Term Guaranties other than Long-Term Guarantees of Indebtedness of the Marketing Subsidiaries;

(o) (i) Investments in Marketing Subsidiaries (other than Investments in Marketing Subsidiaries consisting of Guaranties of Indebtedness of Marketing Subsidiaries) existing on December 31, 2006 and listed on Schedule 7.14 and (ii) Investments consisting of Guaranties of Indebtedness of Marketing Subsidiaries in existence on December 31, 2006 and Investments in Marketing Subsidiaries made after December 31, 2006 (including through Guaranties (including Long-Term Guaranties)) provided, that the aggregate amount of Investments permitted by this clause (ii) when combined with the amount of intercompany Indebtedness owing by Marketing Subsidiaries permitted pursuant to Section 7.15(e)(iii) *plus* the aggregate amount of "L/C Obligations" outstanding attributable to "Marketing Subsidiary Letter of Credit" (as such terms are defined in the Existing Credit Agreement) shall not in the aggregate exceed the Marketing Subsidiary Sublimit (it being understood that any increase in the value of any such Investment attributable to the undistributed net earnings of the Marketing Subsidiaries shall not be deemed a violation of this Section 7.14(o));

(p) Investments consisting of promissory notes issued in consideration for the sale by the Borrower or a Subsidiary of a portion of the stock (or similar equity interests) of a Subsidiary where (i) such note is secured by the stock (or similar equity interest) sold, and (ii) one of the purposes of such sale is to ensure that such Subsidiary qualifies as a "qualifying facility" under the Public Utility Regulatory Policies Act of 1978, as amended;

(q) to the extent it constitutes an Investment, consummation of the Aquila Transactions in accordance with the terms of the Aquila Agreements; and

(r) consummation of the Related Transactions.

Any Investment which when made complies with the requirements of paragraphs (a) through (e) may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements;

In determining the amount of investments, acquisitions, loans, advances and guarantees permitted under this Section 7.14, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), loans and advances shall be taken at the principal amount thereof then remaining unpaid, and guarantees shall be taken at the amount of obligations guaranteed thereby.

Section 7.15 *Restrictions on Indebtedness*. Borrower will not, nor will it permit any Subsidiary of Borrower to, issue, incur, assume, create, become liable for, contingently or otherwise, or have outstanding any Indebtedness; *provided, however*, that the foregoing

provisions shall not restrict nor operate to prevent the following Indebtedness, so long as the incurrence and maintenance of such Indebtedness would not cause the Borrower to be in violation of Section 7.17 hereof if compliance with such covenant were measured on the date of the incurrence of such Indebtedness:

(a) the Obligations;

(b) Non-Recourse Indebtedness of any Project Finance Subsidiary;

(c) so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving affect to, the incurrence of such Indebtedness), secured Indebtedness (excluding Indebtedness of the type described in (e), (f), and (g) below but including the pledge of stock or similar equity interest of any Project Finance Subsidiary or any Subsidiary which is an entity whose sole purpose and extent of business activities is to own the stock or similar equity interest of a Project Finance Subsidiary) (A) set forth on Schedule 7.15(b) hereto (and, with respect to the "Black Hills Corporation lease payment obligation on the Wygen I facility" described thereon, extensions and refinancings of such facility which do not increase the principal amount thereof), (B) (i) of BHP, (ii) evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of personal property of the Borrower or a Subsidiary of the Borrower used in the ordinary course of business of the Borrower or Subsidiary, (iii) constituting Capitalized Lease Obligations or with respect to synthetic (or similar type) lease arrangements, or (iv) incurred in connection with the performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on performance bonds; *provided*, that the aggregate amount of Indebtedness permitted by this clause (B) at any time outstanding shall not exceed 5% of Consolidated Assets as reflected on the most recent balance sheet delivered by the Borrower pursuant to Section 7.6, provided that Borrower shall promptly provide the Administrative Agent with a copy of any documentation evidencing such Indebtedness in excess of \$25,000,000 and any modification to such Indebtedness, and (C) of CLF&P outstanding under the CLF&P Indenture;

(d) so long as the Borrower would be in compliance with Section 7.17 hereof (calculated as of the date of, and after giving affect to, the incurrence of such Indebtedness), other Indebtedness (excluding Indebtedness of the type described in (e), (f), and (g) below) which is unsecured and either junior in right of payment to the Obligations or *pari passu* to the Obligations or is equally and ratably secured with the Obligations, provided that Borrower shall promptly provide the Administrative Agent with a copy of any documentation evidencing such Indebtedness in excess of \$25,000,000 and any modification to such Indebtedness;

(e) intercompany loans (i) from (x) Subsidiary to Borrower so long as such loans are subordinated to the Obligations on terms reasonably satisfactory to the Administrative Agent, and (y) Borrower to a Subsidiary of Borrower, (ii) among Wholly-Owned Subsidiaries, and (iii) from a Subsidiary of Borrower to a Marketing Subsidiary, so long as the aggregate amount of such loans from time to time owing by the Marketing

Subsidiaries does not exceed the difference between (I) the Marketing Subsidiary Sublimit, less (II) the sum of (A) the aggregate amount of Guaranties outstanding pursuant to Section 7.15(f), and (B) the aggregate amount of other Investments then made in the Marketing Subsidiaries pursuant to Section 7.14(o)(ii) (it being understood that to the extent such limit is exceeded solely as a result of an increase in the value of any such Investment attributable to the undistributed net earnings of the Marketing Subsidiaries, it shall not be deemed a violation of this Section 7.15(e));

(f) Indebtedness consisting of Guaranties of the Indebtedness of the Marketing Subsidiaries (including Long-Term Guaranties), provided that such Indebtedness shall only be permitted to the extent the aggregate amount of such Indebtedness, when added to the sum of (i) the aggregate amount of all intercompany loans made to the Marketing Subsidiaries pursuant to Section 7.15(e), plus (ii) the aggregate amount of all other Investments made in Marketing Subsidiaries pursuant to Section 7.14(o)(ii), plus (iii) the aggregate amount of "L/C Obligations" outstanding attributable to "Marketing Subsidiary Letter of Credit" (as such terms are defined in the Existing Credit Agreement) does not exceed the Marketing Subsidiary Sublimit (it being understood that to the extent such limit is exceeded solely as a result of an increase in the value of any such Investment attributable to the undistributed net earnings of the Marketing Subsidiaries, it shall not be deemed a violation of this Section 7.15(f)) provided, further that Borrower shall promptly provide the Administrative Agent with a copy of any such Guarantee and any modification to such Guarantee;

(g) Indebtedness of the Marketing Subsidiaries under the Marketing Subsidiary Excluded Credit Facility in an aggregate amount not to exceed the Marketing Subsidiary Indebtedness Limit;

(h) Permitted Derivative Obligations;

(i) Indebtedness outstanding under the Existing Credit Agreement and any credit agreement entered into by and among, *inter alia*, the Initial Banks and Borrower which refinances the Existing Credit Agreement;

(j) (A) solely to the extent the incurrence or maintenance of such Indebtedness could not reasonably be expected to otherwise cause a Default or Event of Default to occur or continue, Indebtedness (x) incurred on or before a date which is eighteen (18) months after the Initial Loan Date to finance or refinance the Aquila Assets and (y) consisting of first mortgage bond Indebtedness (which is secured only by Liens of the type specifically permitted pursuant to Section 7.9(n)), it being agreed and acknowledged by Borrower that Indebtedness incurred pursuant to this clause (i) shall be deemed "Recourse Indebtedness" hereunder and (B) Indebtedness assumed in connection with the Aquila Transactions, provided such Indebtedness under this clause (B) was not incurred to finance the acquisition of the Aquila Transactions; and

(k) Indebtedness pursuant to Long-Term Guaranties (other than Long-Term Guaranties of Indebtedness of Marketing Subsidiaries).

Indebtedness shall only be permitted under (e), (f), (h), and (i) above to the extent such Indebtedness will have a priority of payment with the Obligations which is no greater than *pari passu*.

Section 7.16 *Consolidated Net Worth*. Borrower will, at the end of each fiscal quarter, maintain Consolidated Net Worth in an amount of not less than the sum of (i) \$625,000,000 plus (ii) fifty percent (50%) of the aggregate Consolidated Net Income (if positive) for the period beginning September 30, 2006 and ending on the last day of such fiscal quarter.

Section 7.17 *Recourse Leverage Ratio*. Borrower will not at the end of any fiscal quarter permit the Recourse Leverage Ratio to exceed, with respect to any fiscal quarter ending in the period (x) from the Effective Date until the Initial Loan Date, 0.65 to 1.00, (y) from the Initial Loan Date until the one (1) year anniversary thereof, 0.70 to 1.00, and (z) thereafter, 0.65 to 1.00.

Section 7.18 *Interest Expense Coverage Ratio*. Borrower will maintain a Interest Expense Coverage Ratio of not less than 2.50:1.00, as determined at the end of each fiscal quarter.

Section 7.19 *Dividends and Other Shareholder Distributions*.

(a) Borrower shall not (i) declare or pay any dividends or make a distribution of any kind (including by redemption or purchase) on or relating to its outstanding capital stock, or (ii) repay (directly, through sinking fund payments or otherwise) any Indebtedness or other obligations owing to a shareholder unless in either circumstance no Default or Event of Default exists prior to or would result after giving effect to such action.

(b) Except (i) to the extent such an encumbrance or restriction is imposed by PUHCA, the rules and regulations promulgated thereunder or any order of the SEC, (ii) as set forth on **Schedule 7.19**, (iii) in connection with Non-Recourse Indebtedness of a Project Finance Subsidiary, and (iv) as in existence with respect to the Aquila Assets as of the consummation of the Related Transactions, Borrower will not, and will not permit any of its Subsidiaries, directly or indirectly to create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Subsidiary to: (1) pay dividends or make any other distribution on any of such Subsidiary's capital stock owned by Borrower or any Subsidiary of Borrower; (2) pay any Indebtedness owed to Borrower or any other Subsidiary; (3) make loans or advances to Borrower or any other Subsidiary; or (4) transfer any of its property or assets to Borrower or any other Subsidiary.

Section 7.20 *No Negative Pledge*. Except (i) as set forth on **Schedule 7.19**, (ii) in connection with Non-Recourse Indebtedness of a Project Finance Subsidiary, and (iii) as in existence with respect to the Aquila Assets as of the Initial Loan Date, the Borrower will not, and will not permit any of its Subsidiaries (other than Project Finance Subsidiaries) directly or indirectly to enter into or assume any agreement (other than customary non-assignment and no sub-letting provisions in leases consistent with Borrower's past practices and the Credit

Documents and, solely with respect to the asset so financed, Capitalized Leases, to the extent such Indebtedness is permitted herein) prohibiting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired.

Section 7.21 *Transactions with Affiliates*. Except as required by PUHCA or the rules and regulations promulgated thereunder Borrower will not, and will not permit any of its Subsidiaries to, enter into or be a party to any material transaction or arrangement with any Affiliate of such Person (other than Borrower), including without limitation, the purchase from, sale to or exchange of Property with, any merger or consolidation with or into, or the rendering of any service by or for, any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Subsidiary's business and upon terms no less favorable to such Borrower or such Subsidiary than could be obtained in a similar transaction involving a third-party.

Section 7.22 *Compliance with Laws*. Without limiting any of the other covenants of Borrower in this Section 7, Borrower will, and will cause each of its Subsidiaries to, conduct its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities; *provided, however*, that neither Borrower nor any Subsidiary of Borrower shall be required to comply with any such law, regulation, ordinance or order if the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 7.23 *Pari-Passu*. Borrower will at all times cause the Obligations to rank at least *pari passu* with all other senior unsecured Indebtedness of Borrower.

Section 7.24 *Certain Subsidiaries*. Unless pursuant to Indebtedness which is authorized pursuant to this Agreement, Borrower will not, and the Subsidiaries of Borrower will not, permit any creditor of a Marketing Subsidiary or a Project Finance Subsidiary to have recourse to any Borrower or any Subsidiary of Borrower or any of their assets (other than (i) the stock or similar equity interest of the applicable Subsidiary and (ii) with respect to a Permitted Derivative Obligation) other than recourse under Guaranties permitted pursuant to Sections 7.15(f) and (i).

Section 7.25 *Ratings*. Borrower will at all times this Agreement is in effect maintain a S&P Rating and a Moody's Rating (or if one or both of such ratings are unavailable, rating(s) from such other recognized national rating agency or agencies as may be acceptable to the Administrative Agent and the Required Banks).

Section 7.26 *OFAC*. Neither the Borrower nor any Subsidiary of the Borrower will: (i) become a person whose property or interests in property are blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079(2001), (ii) engage in any dealings or transactions prohibited by Section 2 of such executive order, or be otherwise associated with any such person in any manner violative of Section 2, or (iii) otherwise become a person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other OFAC regulation or executive order.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

Section 8.1 *Events of Default*. Any one or more of the following shall constitute an Event of

Default:

(a) (i) default in the payment when due of any fees, interest or of any other Obligation not covered by clause (b) below and such payment default continues for three (3) days or (ii) default in the payment when due of the principal amount of any Loan;

(b) default by Borrower or any Subsidiary in the observance or performance of any covenant set forth in Section 7.1, Section 7.6(c), Section 7.9 through 7.12, Sections 7.14 through 7.21, 7.23 through 7.26 hereof;

(c) default by Borrower or any Subsidiary in the observance or performance of any provision hereof or of any other Credit Document not mentioned in (a) or (b) above, which is not remedied within thirty (30) days after notice thereof shall have been given to the Borrower by the Administrative Agent;

(d) (i) failure to pay when due Indebtedness in an aggregate principal amount of \$20,000,000 or more of Borrower or any Material Subsidiary, or (ii) default shall occur under one or more indentures, agreements or other instruments under which any Indebtedness of Borrower or any of its Material Subsidiary in an aggregate principal amount of \$20,000,000 or more may be issued or created and such default shall continue for a period of time sufficient to permit the holder or beneficiary of such Indebtedness or a trustee therefor to cause the acceleration of the maturity of any such Indebtedness or any mandatory unscheduled prepayment, purchase or funding thereof;

(e) any representation or warranty made herein or in any other Credit Document by Borrower or any Subsidiary of Borrower, or in any statement or certificate furnished pursuant hereto or pursuant to any other Credit Document by Borrower or any Subsidiary of Borrower, or in connection with any Credit Document, proves untrue in any material respect as of the date of the issuance or making, or deemed making or issuance, thereof;

(f) Borrower or any Material Subsidiary shall (i) fail to pay its debts generally as they become due or admit in writing its inability to pay its debts generally as they become due, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (iv) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it or any analogous action is taken under any other applicable law relating to bankruptcy or insolvency, (v) take any corporate action (such as the passage by its board of directors of a resolution) in furtherance of any matter described in

parts (i)-(iv) above, or (vi) fail to contest in good faith any appointment or proceeding described in Section 8.1(g) hereof;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for Borrower or any Material Subsidiary, or any substantial part of any of their Property, or a proceeding described in Section 8.1(f)(iv) shall be instituted against Borrower or any Material Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days;

(h) Borrower or any Material Subsidiary shall fail within thirty (30) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$20,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution thereon;

(i) Borrower or any other member of the Controlled Group shall fail to pay when due an amount or amounts which it shall have become liable, to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$20,000,000 (collectively, a "Material Plan") shall be filed under Title IV of ERISA by Borrower or any Subsidiary of Borrower or any other member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against Borrower or any other member of the Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(j) Borrower or any Subsidiary of Borrower or any Person acting on behalf of Borrower, a Subsidiary or any governmental authority challenges the validity of any Credit Document or Borrower's or one of its Subsidiary's obligations thereunder or any Credit Document ceases to be in full force and effect or is modified other than in accordance with the terms thereof and hereof;

(k) a Change of Control Event shall have occurred; or

(l) Borrower shall for any reason cease to be wholly liable for the full amount of the Obligations.

Section 8.2 *Non-Bankruptcy Defaults*. When any Event of Default other than those described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, the Administrative Agent shall, if so directed by the Required Banks, by written notice to Borrower: (a) terminate the remaining Commitments and all other obligations of the Banks hereunder on the date stated in such notice (which may be the date thereof); and (b) declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, and all other Obligations, shall be and become immediately due and payable together with all other amounts payable under

the Credit Documents without further demand, presentment, protest or notice of any kind, and Borrower agrees to immediately make such payment and acknowledge and agrees that the Banks would not have an adequate remedy at law for failure by Borrower to honor any such demand and that the Administrative Agent, for the benefit of the Banks, shall have the right to require Borrower to specifically perform such undertaking. The Administrative Agent, after giving notice to Borrower pursuant to Section 8.1(c) or this Section 8.2, shall also promptly send a copy of such notice to the other Banks, but the failure to do so shall not impair or annul the effect of such notice.

Section 8.3 *Bankruptcy Defaults*. When any Event of Default described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, then all outstanding Notes, including both interest and principal thereon, and all other Obligations shall immediately become due and payable together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind and the obligation of the Banks to extend further credit pursuant to any of the terms hereof shall immediately terminate.

Section 8.4 *Reserved*.

Section 8.5 *Expenses*. Borrower agrees to pay to the Administrative Agent and each Bank, and any other holder of any Note outstanding hereunder, all costs and expenses incurred or paid by the Administrative Agent or such Bank or any such holder, including attorneys' fees (including allocable fees of in-house counsel) and court costs, in connection with (i) any amendment or waiver to the Credit Documents requested by Borrower, (ii) any Default or Event of Default by Borrower hereunder, or (iii) the enforcement of any of the Credit Documents.

SECTION 9. CHANGE IN CIRCUMSTANCES.

Section 9.1 *Change of Law*. Notwithstanding any other provisions of this Agreement or any Note, if at any time after the date hereof any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Bank to make or continue to maintain Eurodollar Loans or to perform its obligations as contemplated hereby, such Bank shall promptly give notice thereof to Borrower and such Bank's obligations to make or maintain Eurodollar Loans under this Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain Eurodollar Loans. Borrower shall prepay on demand the outstanding principal amount of any such affected Eurodollar Loans, together with all interest accrued thereon at a rate per annum equal to the interest rate applicable to such Loan; *provided, however*, subject to all of the terms and conditions of this Agreement, Borrower may then elect to borrow the principal amount of the affected Eurodollar Loans from such Bank by means of Base Rate Loans from such Bank, which Base Rate Loans shall not be made ratably by the Banks but only from such affected Bank.

Section 9.2 *Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR*. If on or prior to the first day of any Interest Period for any Borrowing of Eurodollar Loans:

- (a) the Administrative Agent determines that deposits in U.S. Dollars (in the applicable amounts) are not being offered to major banks in the eurodollar interbank

market for such Interest Period, or that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(b) Banks having more than thirty three percent (33%) or more of the aggregate amount of the Commitments reasonably determine and so advise the Administrative Agent that LIBOR as reasonably determined by the Administrative Agent will not adequately and fairly reflect the cost to such Banks or Bank of funding their or its Eurodollar Loans or Loan for such Interest Period,

then the Administrative Agent shall forthwith give notice thereof to Borrower and the Banks, whereupon until the Administrative Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks or of the relevant Bank to make Eurodollar Loans shall be suspended.

Section 9.3 *Increased Cost and Reduced Return.*

(a) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the relevant jurisdiction) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Eurodollar Loans, its Notes or its participation in any thereof or its obligation to make Eurodollar Loans or to participate therein, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal or interest on its Eurodollar Loans or participations therein or any other amounts due under this Agreement in respect of its Eurodollar Loans or participations therein or its obligation to make Eurodollar Loans or acquire participations therein (except for changes in the rate of tax on the overall net income or profits of such Bank or its Lending Office imposed by the jurisdiction in which such Bank or its lending office is incorporated in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurodollar Loans any such requirement included in an applicable Eurodollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurodollar Loans, its Notes or its participation in any thereof or its obligation to make Eurodollar Loans or to participate therein;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Eurodollar Loan or participating therein, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), Borrower shall be obligated to pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction. In the event any law, rule, regulation or interpretation described above is revoked, declared invalid or inapplicable or is otherwise rescinded, and as a result thereof a Bank is determined to be entitled to a refund from the applicable authority for any amount or amounts which were paid or reimbursed by Borrower to such Bank hereunder, such Bank shall refund such amount or amounts to Borrower without interest.

(b) If, after the date hereof, any Bank or the Administrative Agent shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the applicable jurisdiction) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank that determines to seek compensation under this Section 9.3 shall notify Borrower and the Administrative Agent of the circumstances that entitle the Bank to such compensation pursuant to this Section 9.3 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 9.3 and setting forth the additional amount or amounts to be paid to it hereunder submitted to Borrower and the Administrative Agent by such Bank in good faith shall be *prima facie* evidence of the amount of such compensation. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4 *Lending Offices*. Each Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof (each a “*Lending Office*”) for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to Borrower and the Administrative Agent, so long as such election does not increase costs or other amounts payable by Borrower to such Bank hereunder.

Section 9.5 *Discretion of Bank as to Manner of Funding*. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Bank had actually funded and maintained each Eurodollar Loan through the purchase of deposits in the eurodollar interbank market having a maturity corresponding to such Loan’s Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

SECTION 10. THE AGENT.

Section 10.1 *Appointment and Authorization of Administrative Agent*. Each Bank hereby appoints ABN AMRO Bank N.V. as the Administrative Agent under the Credit Documents and hereby authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Credit Documents. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank, the holder of any Note or any other Person; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

Section 10.2 *Administrative Agent and its Affiliates*. The Administrative Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with Borrower or any Affiliate of Borrower as if it were not the Administrative Agent under the Credit Documents.

Section 10.3 *Action by Administrative Agent*. If the Administrative Agent receives from Borrower a written notice of an Event of Default pursuant to Section 7.6(c)(i) hereof, the Administrative Agent shall promptly give each of the Banks written notice thereof. The obligations of the Administrative Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Sections 8.2 and 8.3. In no event, however, shall the Administrative Agent be required to take any action in violation of applicable law or of any

provision of any Credit Document, and the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default exists unless notified to the contrary in writing by a Bank or Borrower. In all cases in which this Agreement and the other Credit Documents do not require the Administrative Agent to take certain actions, the Administrative Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

Section 10.4 *Consultation with Experts*. The Administrative Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 10.5 *Liability of Administrative Agent; Credit Decision*. Neither the Administrative Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Borrowing; (ii) the performance or observance of any of the covenants or agreements of Borrower or any other party contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 6 hereof; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectibility hereof or of any other Credit Document or of any other documents or writing furnished in connection with any Credit Document; and the Administrative Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Administrative Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by it under the Credit Documents. The Administrative Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Administrative Agent signed by such payee in form satisfactory to the Administrative Agent. Each Bank acknowledges that it has independently and without reliance on the Administrative Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of Borrower and any other relevant Person, and the Administrative Agent shall have no liability to any Bank with respect thereto.

Section 10.6 *Indemnity*. The Banks shall ratably, in accordance with their respective Percentages, indemnify and hold the Administrative Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent the Administrative Agent is promptly reimbursed for the same by Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Banks under this Section 10.6 shall survive termination of this Agreement.

Section 10.7 *Resignation of Administrative Agent and Successor Administrative Agent*. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and Borrower. Upon any such resignation of the Administrative Agent, the Required Banks shall have the right to appoint a successor Administrative Agent with the consent of Borrower. If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be any Bank hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$200,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring or removed Administrative Agent under the Credit Documents, and the retiring Administrative Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 10 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

SECTION 11. MISCELLANEOUS.

Section 11.1 *Withholding Taxes*.

(a) *Payments Free of Withholding*. Subject to Section 11.1 (b) hereof, each payment by Borrower under this Agreement or the other Credit Documents shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient). If any such withholding is so required, Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Administrative Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Bank or the Administrative Agent (as the case may be) would have received had such withholding not been made. If the Administrative Agent or any Bank pays any amount in respect of any such taxes, penalties or interest Borrower shall reimburse the Administrative Agent or that Bank for that payment on demand in the currency in which such payment was made. If Borrower pay any such taxes, penalties or interest, they shall deliver official tax receipts evidencing that payment or certified copies thereof to the

Bank or Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Administrative Agent determines it has received or been granted a credit against or relief or remission for, or repayment of, any taxes paid or payable by it because of any taxes, penalties or interest paid by Borrower and evidenced by such a tax receipt, such Bank or Administrative Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to Borrower such amount as such Bank or Administrative Agent determines is attributable to such deduction or withholding and which will leave such Bank or Administrative Agent (after such payment) in no better or worse position than it would have been in if Borrower had not been required to make such deduction or withholding. Nothing in this Agreement shall interfere with the right of each Bank and the Administrative Agent to arrange its tax affairs in whatever manner it thinks fit nor obligate any Bank or the Administrative Agent to disclose any information relating to its tax affairs or any computations in connection with such taxes.

(b) *U.S. Withholding Tax Exemptions.* Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to Borrower and the Administrative Agent on or before the date of the Initial Loan Date two duly completed and signed copies of either Form W8BEN (relating to such Bank and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) or Form W8ECI (relating to all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) of the United States Internal Revenue Service. Thereafter and from time to time, each Bank shall submit to Borrower and the Administrative Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (i) requested by Borrower in a written notice, directly or through the Administrative Agent, to such Bank and (ii) required under then current United States law or regulations to avoid or reduce United States withholding taxes on payments in respect of all amounts to be received by such Bank, including fees, pursuant to the Credit Documents or the Loans.

(c) *Inability of Bank to Submit Forms.* If any Bank determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that it is unable to submit to Borrower or Administrative Agent any form or certificate that such Bank is obligated to submit pursuant to subsection (b) of this Section 11.1 or that such Bank is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Bank shall promptly notify Borrower and Administrative Agent of such fact and the Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 11.2 *No Waiver of Rights.* No delay or failure on the part of the Administrative Agent or any Bank or on the part of the holder or holders of any Note in the exercise of any power or right under any Credit Document shall operate as a waiver thereof, nor as an

acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power or right, and the rights and remedies hereunder of the Administrative Agent, the Banks and the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 11.3 *Non-Business Day*. If any payment of principal or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to and including the next succeeding Business Day, on which the same shall be payable.

Section 11.4 *Documentary Taxes*. Borrower agrees that it will pay any documentary, stamp or similar taxes payable in respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 11.5 *Survival of Representations*. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 11.6 *Survival of Indemnities*. All indemnities and all other provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Loans, including, but not limited to, Section 2.11, Section 9.3 and Section 11.13 hereof, shall survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations.

Section 11.7 *Set-Off*.

(a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank and each subsequent holder of any Note is hereby authorized by Borrower at any time or from time to time, without notice to Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, or otherwise fully matured, and in whatever currency denominated) and any other Indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of Borrower, whether or not matured, against and on account of the obligations and liabilities of Borrower to that Bank or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (a) that Bank or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

(b) Each Bank agrees with each other Bank a party hereto that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans in excess of its ratable share of payments on all such obligations then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Loans or participations therein, held by each such other Banks (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 11.8 *Notices*. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including facsimile or other electronic communication) and shall be given to a party hereunder at its address or facsimile number set forth below or such other address or facsimile number as such party may hereafter specify by notice to the Administrative Agent and Borrower, given by courier, by United States certified or registered mail, or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Banks shall be addressed to their respective addresses, facsimile or telephone numbers set forth on the signature pages hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof, and to Borrower and to the Administrative Agent to:

If to Borrower:

Black Hills Corporation
625 9th Street
Rapid City, South Dakota 57709
Attention: Garner M. Anderson
Facsimile: 605.721.2597
Telephone: 605.721.2311

with copies to:

Black Hills Corporation
625 9th Street
Rapid City, South Dakota 57709
Attention: Steven J. Helmers
Facsimile: 605.721.2550
Telephone: 605.721.2303

If to the Administrative Agent:

Notices shall be sent to the applicable address set forth on Part B of Schedule 4 hereto.

Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section 11.8 or on the signature pages hereof and a confirmation of receipt of such facsimile has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, three business days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Section 11.8; *provided* that any notice given pursuant to Section 2 hereof shall be effective only upon receipt.

Section 11.9 *Counterparts*. This Agreement may be executed in any number of counterpart signature pages, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart hereof via facsimile or electronic means shall for all purposes be as effective as delivery of an original counterpart.

Section 11.10 *Successors and Assigns*.

(a) *Successors and Assigns Generally*. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign any of its rights or obligations under any Credit Document unless such assignment occurs in connection with a merger or acquisition by Borrower which is otherwise permitted under the terms of this Agreement and the appropriate Credit Documents, if applicable, and Borrower obtains the prior written consent of all of the Banks, which consent shall be in form and substance satisfactory to the Administrative Agent. No Bank may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Banks) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Assignments by Banks*. Any Bank may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that

(i) except in the case of an assignment (x) of the entire remaining amount of the assigning Bank's Commitment and the Loans at the time owing to it or (y) to a Bank or an Affiliate of a Bank or an Approved Fund with respect to a Bank, the aggregate amount of the Commitment (which for this purpose includes

Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loan of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower, otherwise consents (neither such consent not to be unreasonably withheld or delayed);

(ii) each such assignment (other than assignments by a Bank to another Bank or an Affiliate of or an Approved Fund with respect to a Bank) shall be subject to the consent of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower (neither such consent to be unreasonably withheld or delayed);

(iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Bank's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned;

(iv) any assignment of a Commitment must be approved by the Administrative Agent unless the Person that is the proposed assignee is itself a Bank with a Commitment (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(v) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500, and the Eligible Assignee, if it shall not be a Bank, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 9.3 and 9.4 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Bank of a participation in such rights and obligations in accordance with paragraph (d) of this Section. The Borrower shall execute and deliver to the assignee a Note upon written request from such assignee. The assignor shall promptly return to the Borrower its Note if after giving effect to such assignment such assignor has no Commitment and no Obligations are owing to such assignor.

(c) *Register.* The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Chicago, Illinois a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Banks, and the Commitments of, and principal amounts of the Loans owing to, each Bank pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Banks may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(d) *Participations.* Any Bank may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "*Participant*") in all or a portion of such Bank's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement.

(e) Any agreement or instrument pursuant to which a Bank sells such a participation shall provide that such Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Bank will not, without the consent of the Participant, agree to any amendment, modification or waiver of the type described in Section 11.11(i) that affects such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 9.3 and 9.4 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.7(a) as though it were a Bank, provided such Participant agrees to be subject to Section 11.7(b) as though it were a Bank.

(f) *Limitations upon Participant Rights.* A Participant shall not be entitled to receive any greater payment under Sections 9.3 and 9.4 than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Bank if it were a Bank shall not be entitled to the benefits of Section 9.4 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 9.4 as though it were a Bank.

(g) *Certain Pledges.* Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of

such Bank, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

(h) *Certain Funding Arrangements.* Notwithstanding anything to the contrary contained herein, any Bank (a "Granting Bank") may grant to a special purpose funding vehicle which is an Affiliate of such Bank (a "SPC"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Bank shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Loan were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 11.10, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Bank or to any financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of the SPC.

(i) *Farm Credit System.* Notwithstanding anything in this Section to the contrary, any bank that is a member of the Farm Credit System that: (x) has purchased a participation in the minimum amount of \$10,000,000 on or after the Effective Date, (y) is, by written notice to the Borrower and the Administrative Agent ("*Voting Participant Notification*"), designated by the selling Bank as being entitled to be accorded the rights of a Voting Participant hereunder (any bank that is a member of the Farm Credit System so designated being called a "*Voting Participant*") and (z) receives the prior written consent of the Borrower and the Administrative Agent to become a Voting Participant, shall be entitled to vote (and the voting rights of the selling Bank shall be correspondingly reduced), on a dollar for dollar basis, as if such participant were a Bank, on any matter requiring or allowing a Bank to provide or withhold its consent, or to otherwise vote on any proposed action. To be effective, each Voting Participant

Notification shall, with respect to any Voting Participant: (i) state the full name, as well as all contact information required of an Assignee as set forth in Exhibit D hereto and (ii) state the dollar amount of the participation purchased. The Borrower and the Administrative Agent shall be entitled to conclusively rely on information contained in notices delivered pursuant to this paragraph.

Section 11.11 *Amendments*. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) Borrower, (b) the Required Banks, and (c) if the rights or duties of the Administrative Agent are affected thereby, the Administrative Agent; *provided* that:

(i) no amendment or waiver pursuant to this Section 11.11 shall (A) increase, decrease or extend any Commitment of any Bank without the consent of such Bank or (B) reduce the amount of or postpone any fixed date for payment of any principal of or interest on any Loan or of any fee or other Obligation payable hereunder without the consent of each Bank; and

(ii) no amendment or waiver pursuant to this Section 11.11 shall, unless signed by each Bank, change this Section 11.11, or the definition of Required Banks, or affect the number of Banks required to take any action under the Credit Documents.

Anything in this Agreement to the contrary notwithstanding, if at any time when the conditions precedent set forth in Section 6.2 hereof to any Loan hereunder are satisfied, any Bank shall fail to fulfill its obligations to make such Loan (any such Bank, a “*Defaulting Bank*”) then, for so long as such failure shall continue, the Defaulting Bank shall (unless Borrower, the Administrative Agent and the Required Banks (determined as if the Defaulting Bank were not a Bank hereunder) shall otherwise consent in writing) be deemed for all purposes related to amendments, modifications, waivers or consents under this Agreement (other than amendments or waivers referred to in clause (i) and (ii) above) to have no Loans or Commitments and shall not be treated as a Bank hereunder when performing the computation of the Required Banks. To the extent the Administrative Agent receives any payments or other amounts for the account of a Defaulting Bank such Defaulting Bank shall be deemed to have requested that the Administrative Agent use such payment or other amount to fulfill its obligations to make such Loan.

Section 11.12 *Headings*. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 11.13 *Legal Fees, Other Costs and Indemnification*. Borrower agrees to pay all reasonable costs and expenses of the Administrative Agent and each Co-Arranger (in their respective roles as Banks hereunder) in connection with the preparation and negotiation of the Credit Documents (including past and future reasonable out-of-pocket expenses incurred by the Administrative Agent and each Co-Arranger (in their respective roles as Banks hereunder) in connection with the syndication of the transaction), including without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent and Co-Arranger (in their respective roles as Banks hereunder), in connection with the preparation and execution of the

Credit Documents, and any amendment, waiver or consent related hereto, whether or not the transactions contemplated herein are consummated. Borrower further agrees to indemnify each Bank, the Administrative Agent and their respective directors, agents, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may incur or reasonably pay arising out of or relating to any Credit Document (including any relating to a misrepresentation by Borrower under any Credit Document) or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan, other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. Borrower, upon demand by any of the Administrative Agent or a Bank at any time, shall reimburse the Administrative Agent or such Bank for any reasonable legal or other expenses (including allocable fees and expenses of in-house counsel) incurred in connection with investigating or defending against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified, provided that with respect to legal costs and expenses incurred in connection with the enforcement of the Banks rights hereunder or any work-out or similar situation, Borrower shall only be obligated to pay the legal fees of the Administrative Agent and each Co-Arranger (in their respective roles as Banks hereunder) and not of any other Bank. Solely for purposes of this Section 11.13, in the event a Co-Arranger is not a Bank but an Affiliate of such Co-Arranger is a Bank hereunder, such Affiliate shall be deemed such a Co-Arranger under this Section 11.13.

Section 11.14 *Entire Agreement*. The Credit Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or contemporaneous agreements, whether written or oral, with respect thereto are superseded thereby.

Section 11.15 *Construction*. The parties hereto acknowledge and agree that neither this Agreement nor the other Credit Documents shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement and the other Credit Documents.

Section 11.16 *Governing Law*. This Agreement and the other Credit Documents, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of New York.

Section 11.17 SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL. BORROWER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND

ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. BORROWER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 11.18 *Replacement of Bank*. Each Bank agrees that, upon the occurrence of any event set forth in Sections 9.1, 9.3 and 11.1, such Bank will use reasonable efforts to book and maintain its Loans through a different Lending Office or to transfer its Loans to an Affiliate with the objective of avoiding or minimizing the consequences of such event; provided that such booking or transfer is not otherwise disadvantageous to such Bank as determined by such Bank in its sole and absolute discretion. If any Bank has demanded to be paid additional amounts pursuant to Sections 9.1, 9.3 and 11.1, and the payment of such additional amounts are, and are likely to continue to be, more onerous in the reasonable judgment of Borrower than with respect to the other Banks, then Borrower shall have the right at any time when no Default or Event of Default shall have occurred and be continuing to seek one or more financial institutions which are not Affiliates of Borrower (each, a "Replacement Bank") to purchase with the written consent of the Administrative Agent (which consent shall not be (x) required if such proposed Replacement Bank is already a Bank, or an Affiliate of a Bank, or (y) unreasonably delayed or withheld) the outstanding Loans and Commitments of such Bank (the "Affected Bank"), and if Borrower locate a Replacement Bank, the Affected Bank shall, upon

- i. prior written notice to the Administrative Agent,
- ii. (i) payment to the Affected Bank of the purchase price agreed between it and the Replacement Bank (or, failing such agreement, a purchase price in the amount of the outstanding principal amount of the Affected Bank's Loans and accrued interest thereon to the date of payment) by the Replacement Bank plus (ii) payment by Borrower of all Obligations (other than principal and interest with respect to Loans) then due to the Affected Bank or accrued for its account hereunder or under any other Loan Document,
- iii. satisfaction of the provisions set forth in Section 11.10, and
- iv. payment by Borrower to the Affected Bank and the Administrative Agent of all reasonable out-of-pocket expenses in connection with such assignment and assumption (including the recordation fee described in Section 11.10),

assign and delegate all its rights and obligations under this Agreement and any other Credit Document to which it is a party (including its outstanding Loans) to the Replacement Bank (such assignment to be made without recourse, representation or warranty), and the Replacement Bank shall assume such rights and obligations, whereupon the Replacement Bank shall in accordance with Section 11.10 become a party to each Credit Document to which the Affected Bank is a party and shall have the rights and obligations of a Bank thereunder and the Affected Bank shall be released from its obligations hereunder and each other Credit Document to the extent of such assignment and delegation.

Section 11.19 *Confidentiality*. The Administrative Agent and the Banks shall hold all non-public information provided to them by Borrower pursuant to or in connection with this Agreement in accordance with their customary procedures for handling confidential information of this nature, but may make disclosure to any of their examiners, regulators, Affiliates, outside auditors, counsel and other professional advisors in connection with this Agreement or any other Credit Document or as reasonably required by any potential bona fide transferee, participant or assignee, or in connection with the exercise of remedies under a Credit Document, or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 11.19), or to any nationally recognized rating agency that requires access to information about a Bank's investment portfolio in connection with ratings issued with respect to such Bank, or as requested by any governmental agency or representative thereof or pursuant to legal process; provided, however, that unless specifically prohibited by applicable law or court order, the Administrative Agent and each Bank shall use reasonable efforts to promptly notify Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of the Administrative Agent or such Bank by such governmental agency) for disclosure of any such non-public information and, where practicable, prior to disclosure of such information. Prior to any such disclosure pursuant to this Section 11.19, the Administrative Agent and each Bank shall require any such bona fide transferee, participant and assignee receiving a disclosure of non-public information to agree, for the benefit of Borrower, in writing to be bound by this Section 11.19; and to require such Person to require any other Person to whom such Person discloses such non-public information to be similarly bound by this Section 11.19.

Notwithstanding anything herein to the contrary, "confidential information" shall not include, and the Administrative Agent and each Bank may disclose to any and all persons, without limitation of any kind, any information with respect to the U.S. federal income tax treatment and U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or such Bank relating to such tax treatment and tax structure.

Section 11.20 *Rights and Liabilities of Syndication Agents, Sole Bookrunner and Co-Arrangers*. None of any Syndication Agent, Sole Bookrunner nor any Co-Arranger shall have any special rights, powers, obligations, liabilities, responsibilities or duties under this Agreement as a result of acting in the capacity of Syndication Agent, Sole Bookrunner or Co-Arranger, as applicable, other than those applicable to them in their capacity as Banks hereunder (if any). Without limiting the foregoing, none of any Syndication Agent, Sole Bookrunner nor any Co-Arranger shall have or be deemed to have a fiduciary relationship with any Bank. Each Bank hereby makes the same acknowledgments and undertakings with respect to each Syndication Agent, Sole Bookrunner and each Co-Arranger as it makes with respect to the Administrative Agent and any directors, officers, agents and employees of the Administrative Agent in Section 10.5.

Section 11.21 *Absence of Termination-Related Events of Defaults in Prior Facilities*. Administrative Agent and the Banks which were party to: (i) that certain 364-Day Credit Agreement among the Borrower, the financial institutions party thereto, as lenders, and ABN

AMRO Bank N.V., as administrative agent for such lenders, dated as of May 13, 2004, as amended from time to time and/or **(ii)** that certain Multi-Year Credit Agreement among the Borrower, the financial institutions party thereto, as lenders, and ABN AMRO Bank N.V., as administrative agent for such lenders, dated as of August 21, 2003, as amended from time to time each hereby waive any “Events of Default” which may have arisen thereunder as a result of the failure Borrower to give the “Administrative Agent” thereunder at least five (5) “Business Days” prior written notice under subsection 2.12(a) of both such agreements of its desire to terminate the “Commitments” thereunder on the Effective Date (as all such terms are defined thereunder).

Section 11.22 *Severability of Provisions*. Any provision in this Agreement or any other Credit Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Agreement and the other Credit Documents are declared to be severable.

- Remainder of Page Intentionally Left Blank; Signature Page Follows -

ADMINISTRATIVE AGENT AND BANK:

ABN AMRO BANK N.V., as Administrative Agent, Sole Bookrunner, a Co-Arranger and as a Bank

By: /s/ Kris Grosshans
Name: Kris Grosshans
Title: Managing Director

By: /s/ Meghan Schultz
Name: Meghan Schultz
Title: Vice President

Address for notices:

ABN AMRO Bank N.V.
540 West Madison Street, Suite 2621
Chicago, Illinois 60661
Attn: Credit Administration
E-Mail: melanie.dziobas@abnamro.com
FAX: 312.992.5111
Telephone: 312.992.5135

ABN AMRO Bank N.V.
135 S. LaSalle Street, Suite 839
Chicago, IL 60603
Attn: Meghan Schultz
E-Mail: Meghan.schultz@abnamro.com
FAX: 312.904.1994
Telephone: 312.904.9457

Lending Offices:

Base Rate and Eurocurrency Loans

ABN AMRO Bank N.V.
135 S. LaSalle Street, Suite 1425
Chicago, Illinois 60603
Attn: Loan Administration
E-Mail: Judith.kinney@abnamro.com
FAX: 312.992.5157
Telephone: 312.992.5098

- Signature pages continue above -

**CREDIT SUISSE SECURITIES (USA)
LLC**, as a Syndication Agent and as a Co-
Arranger

By: /s/ Christopher G. Cunningham
Name: Christopher G. Cunningham
Title: Managing Director

- Signature pages continue below -

Credit Agreement

**CREDIT SUISSE, CAYMAN ISLANDS
BRANCH, as a Bank**

By: /s/ James Moran
Name: James Moran
Title: Managing Director

By: /s/ Nupur Kumar
Name: Nupur Kumar
Title: Associate

Address for notices:

One Madison Avenue
New York, NY 10009
Attn: Loan Closers
E-Mail: loan.closers@credit-suisse.com
FAX: 212.538.9120
Telephone: 212.325.9041

Lending Offices:

Base Rate Loans:

One Madison Avenue
New York, NY 10009
Attn: Loan Closers
E-Mail: loan.closures@credit-suisse.com
FAX: 212.538.9120
Telephone: 212.325.9041

Eurocurrency Loans:

One Madison Avenue
New York, NY 10009
Attn: Loan Closers
E-Mail: loan.closures@credit-suisse.com
FAX: 212.538.9120
Telephone: 212.325.9041

UNION BANK OF CALIFORNIA, N.A., as
a Syndication Agent and a Co-Arranger and as
a Bank

By: /s/ Kevin M. Zitar
Name: Kevin M. Zitar
Title: Senior Vice President

Address for notices:

445 S. Figueroa St., 15th Floor
Los Angeles, California 90071
Attn: Kevin Zitar
E-Mail: Kevin.zitar@uboc.com
FAX: 213.236.4096
Telephone: 213.236.5503

445 S. Figueroa St., 15th Floor
Los Angeles, California 90071
Attn: Robert Cole
E-Mail: Robert.cole@uboc.com
FAX: 213.236.4096
Telephone: 213.236.6225

Lending Offices:

Base Rate and Eurocurrency Loans:

445 S. Figueroa St., 15th Floor
Los Angeles, California 90071
Attn: Kevin Zitar
E-Mail: Kevin.zitar@uboc.com
FAX: 213.236.4096
Telephone: 213.236.5503

BMO CAPITAL MARKETS, as a
Syndication Agent and a Co-Arranger

By: /s/ Cathal Carmody
Name: Cathal Carmody
Title: Vice President

Address for notices:

115 S. LaSalle
Chicago, Illinois 6060.
Attn: Sameer Dewji
E-Mail: sameer.dewji@bmo.com
FAX: 416.867.4050
Telephone: 416.867.6983

Lending Offices:

n/a

**BMO CAPITAL MARKETS FINANCING,
INC., as a Bank**

By: /s/ Cahal Carmody
Name: Cahal Carmody
Title: Vice President

Address for notices:

115 S. LaSalle
Chicago, Illinois 6060.
Attn: Sameer Dewji
E-Mail: sameer.dewji@bmo.com
FAX: 416.867.4050
Telephone: 416.867.6983

Lending Offices:

Base Rate and Eurocurrency Loans:

115 S. LaSalle
Chicago, Illinois 6060.
Attn: Sameer Dewji
E-Mail: sameer.dewji@bmo.com
FAX: 416.867.4050
Telephone: 416.867.6983

Credit Agreement

CERTIFICATION

I, David R. Emery, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Hills Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2007

/s/ David R. Emery
Chairman, President and
Chief Executive Officer

CERTIFICATION

I, Mark T. Thies, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Hills Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2007

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

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Hills Corporation (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Emery, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2007

/s/ David R. Emery
David R. Emery
Chairman, President and
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Hills Corporation (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark T. Thies, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2007

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