

Vol. 12 No. 1  
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# Utility Shareholders of South Dakota Newsletter



## BLACK HILLS CORP. ANNOUNCES PRICING OF COMMON STOCK

RAPID CITY, SD — Nov. 10, 2010 — Black Hills Corp. (NYSE: BKH) today announced that it has priced a public offering of 4,000,000 shares of its common stock at \$29.75 per share. J.P. Morgan, BMO Capital Markets, RBC Capital Markets and Credit Suisse are acting as joint lead book-running managers for the offering. Subject to certain conditions, all shares are being sold in connection with a Forward Agreement, as discussed below. The underwriters have been granted an option exercisable for 30 days from the date of pricing to purchase up to an additional 600,000 shares of Black Hills Corp. common stock to cover over-allotments. The shares subject to the over-allotment option may be purchased directly from Black Hills or, alternatively, Black Hills may elect to direct the Forward Counterparty, as described below, to borrow and deliver the additional shares of common stock to the underwriters instead of Black Hills issuing and delivering shares directly to the underwriters.

“The offering is expected to provide us with sufficient equity capital to complete construction of our two gas-fired generation projects in Colorado that will provide reliable energy for our utility customers and create additional earnings growth for our shareholders,” said Tony Cleberg, executive vice president and chief financial officer of Black Hills Corp. “The forward structure of our offering allows us to efficiently align the receipt of proceeds with the spending requirements for those facilities.”

In connection with the offering, Black Hills entered into a forward sale agreement (the “Forward Agreement”) with J.P. Morgan as agent for an affiliate (the “Forward Counterparty”), under which Black Hills agreed to sell to the Forward Counterparty a number of shares of its common stock equal to the number of common shares sold through the underwriters in the public offering, subject to certain adjustments. Settlement of the Forward Agreement is expected to occur no later than approximately 12 months from today. Subject to certain exceptions,

Black Hills may elect cash or net share settlement for all or a portion of its obligations under the Forward Agreement. Upon any physical settlement of the Forward Agreement, Black Hills will deliver shares of its common stock in exchange for cash proceeds at the forward sale price of \$29.75 per share, adjusted as provided in the Forward Agreement.

2. Black Hills intends to use any net proceeds that it receives upon settlement of the Forward Agreement, or from the sale of any shares to the underwriters to cover over-allotments or in other circumstances described in the underwriting agreement, to repay borrowings under its existing \$500 million revolving credit facility that are being used primarily to finance a portion of the construction costs of the new Black Hills Energy – Colorado Electric and Black Hills Colorado IPP power generation facilities.

This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities nor shall there be any sale of any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The offering of the common stock may be made only by means of a prospectus and related prospectus supplement. A copy of the prospectus supplement and accompanying prospectus meeting the requirements of Section 10 of the Securities Act of 1933 may be obtained by contacting (i) J.P. Morgan via Broadridge Financial Solutions, 1155 Long Island Avenue, Edgewood, NY 11717 — telephone 866-803-9204, (ii) BMO Capital Markets, 3 Times Square Floor 27, New York, NY 10036 — telephone 800-414-3627, (iii) RBC Capital Markets, 3 World Financial Center, 200 Vesey Street, New York, NY 10281 — telephone 877-822-4089, or (iv) Credit Suisse, Attn: Prospectus Department, One Madison Avenue 1B, New York, NY 10010 — telephone 800-221-1037.

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### Board of Directors

Ron Kraft, President  
Yankton

David Brandt, Treasurer  
Sioux Falls

Joe Nadenicek -Pierre

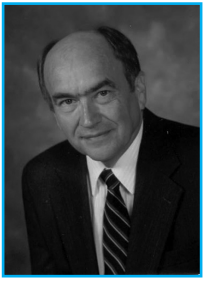
Julie Smoragiewicz, Secretary  
Rapid City

Warren Lotsberg - Huron

Mike Trykoski - Rapid City

## From the President....

**Ron Kraft - Yankton**



### **Greetings Shareholder Members:**

Nettie Meyers, our former President and Executive Director, retired and is enjoying her new home, travel with Ed, and visiting the Grand Kids. Jodie Hickman is our new Executive Director and busy setting up a new structure for the organization. This is a good time to thank Nettie and Deb for a fine job of leadership and support during the first 10 years of the Utility Shareholders' Association.

Yours Truly, Ron Kraft, ended up being the volunteer president of our new group as we prepare to support the interests of stockholders that own stock in the Investor owned utilities. My job description is to Open the board meetings of the corporation so Jodie can tell us what is really happening with utility issues around our state and in Washington.

Those of us who own stock in companies that pay dividends fared pretty well during the Lame Duck Session of Congress. The tax compromise cut by Congress left us with a reasonable tax on dividends.

## Legislative Updates....

**Steve Willard - SD Electric Utility Companies**



First, congratulations to the Utility Shareholders and their Board of Directors for choosing Jodie Hickman to serve as your Executive Director. You will be pleased and impressed.

Jodie asked me to write about tax treatment for large construction projects. But first let's put things into a financial context.

In South Dakota, the ongoing expenditures of state government exceed the ongoing revenues (a "structural deficit"). For the year beginning July 1, 2011, the deficit is around \$127 million (in a \$1 billion dollar general fund). And while estimates vary, the Governor and the Legislature seem resolved to cuts of around 10 percent.

The economy of the last two years has compounded the problem. Unemployment is high. Health care is expensive. Banks, construction, homebuilding and business are flat so government tax revenues are down at all levels. Expenditures for most social services have increased. To compensate, the federal government sent stimulus money to South Dakota and everywhere. That money is mostly gone. And while we are better off than most states, the money has had many effects that we must now reconcile. Sometimes it supplemented state revenues and allowed agencies to increase expenditures without the accompanying state revenue. Sometimes program obligations accompanied the money and those obligations must still be fulfilled. Sometimes federal funds paid for state staff that now we can't support.

The federal money allowed us to leave the State's reserves untapped, but those days are almost over. In 2011, there must be some combination of spending cuts, tax or revenue increases, and/or expenditure of a portion of the reserves. So far, the legislators don't seem of a mind to raise taxes.

Jobs and construction are both an antidote to tough economic times and there is an immense desire by lawmakers to create either or both. Competition for jobs between states is intense, particularly now because there hasn't been much building. So states, cities and counties offer some combination of credit on the taxes paid by business as an incentive for them to locate or build. Energy projects are often recipients of those tax breaks because lawmakers are trying to incentivize certain behavior (e.g. environmental upgrades) or because the projects are so expensive that they need assistance. In recent years, most of the incentives have been given to the ethanol plants constructed across South Dakota to facilitate their build out.

Thank you to all of our members who took the time to communicate with their congressional representatives and encouraged their support.

We will need to continue to lobby Congress to protect the dividends in the utility companies. The utilities who serve South Dakota use the profits to upgrade and expand infrastructure to continue to provide good service. Sharing some of those profits through dividends with stockholders makes it attractive for thee and me to continue to invest in utility companies.

The Legislature is now in Session. Governor Dugaard has taken the reins of the Executive Branch, and State Government has it's hands full trying to balance the budget and do the "people's work." I am optimistic that state revenues will gradually come back but there is much to be done to keep our state in good condition and the economy strong. Stay in touch with elected officials and tell them how you feel and what you think our priorities in South Dakota should be. You, Dear Member, are more important than you may realize. Speak up.

You will be hearing more from Jodie and her staff as the new organizational format comes together. In the meantime, stay warm, stay informed, and let us know what is important to you.

However, giving tax breaks lessens government revenues and there is a constant tension between the benefits of incentives and their cost. Last year there was a significant change to state law affecting how much of a tax break could be offered to large projects. "Large" in South Dakota is any project greater than \$10 million dollars. Since South Dakota has no corporate or personal income tax, tax breaks are traditionally offered on sales tax, property tax, or contractors' excise tax. Legislators spent the 2009 legislative session attempting to manage tax incentives to "free riders", those businesses that were coming to South Dakota regardless of tax treatment or those projects that would be done regardless of whether they received tax assistance. Ultimately, the incentives were decreased and eventually sunset (due to expire) in 2012, a situation no one wants. If the program is allowed to sunset, our state will be left with fewer incentives to attract large projects (investments) to South Dakota.

With the Governor pledging to grow our way out of this recession, tax treatment on upcoming "large" projects, including energy projects, will have a very high profile and equally significant financial consequences to all the players. Last week, the Governor's Office encouraged the introduction of House Bill 1230 - "An Act to establish the large project development fund, to provide for its administration, and to make an appropriation therefor." According to the Governor's Office, HB 1230 will create a more economical and effective process for recruiting large businesses in our state...including utility projects.

South Dakota's Electric Utility Companies are supportive of the Governor's concept for large project development, but recognize any bills that require an appropriation will face an uphill battle in the 2011 Session. However, as the 2011 Session progresses, I encourage you to consider the benefits of a project and not just its "cost".

*Editor's Note: The USSD Board of Directors voted in late January to support HB 1230 and we encourage you to contact your legislators and ask for their support. Passage of HB1230 is uncertain, given the scrutiny all appropriations bills are sure to receive, but the effort is worthwhile to protect and grow your utility investments. You can find contact information for your legislators at this link: <http://legis.state.sd.us/sessions/2011/MemberMenu.aspx>.*

*Reasons to support HB on page 3.*

## From the Executive Director....



It's hard to believe it's been nearly four months since I became Executive Director for the Utility Shareholders of South Dakota! At the time of this writing, things are heating up at the state Capitol as the 2011 Legislative Session is well under way. I hope you'll take time to read the update from Steve Willard included in this newsletter.

Some of you may have noticed it's been relatively quiet lately, with infrequent communications from the USSD office. Please don't mistake this for inactivity! Since I came on board in early October, I've been busy learning about the issues impacting utilities, particularly how they may affect you, our shareholders. I've been blessed to have a lot of help from many folks here in Pierre and in our neighbouring states and I thank them for their ongoing support!

In addition, I was asked by USSD leadership to undertake some projects that could significantly impact USSD moving forward. First, since my inaugural day as USSD's executive director, our office has moved...twice. We have permanently landed an easy 1.5 blocks from the Capitol in a newly-reno-

vated office building – note the new address on the back of this newsletter and stop by and see us when you get to Pierre!

We've also been reviewing the USSD website. With the change in management (and budget), we're evaluating everything from office procedures to organization activities and how we can engage you, our members, in an efficient and cost-effective manner. To that end, we'll be working the next few months to re-design the USSD website in an effort to shift our member communications to less expensive electronic formats (website blog, e-mails, etc.). I'm also hopeful that by the time you receive your next newsletter, we'll be reporting on a strategic planning session I'm arranging this spring. USSD is maturing as an organization, and I'm working with our leadership to be sure we're planning for both the present and the future.

As we begin to move in new directions, I encourage you all to send us your e-mail address so we can provide you timely information regarding issues important to your utility investments. Also, please feel free to contact me directly with any thoughts or concerns you may have – e-mail [exec@us-sd.org](mailto:exec@us-sd.org) or call us at 605.224.0222. Stay warm!

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## Reasons to Support HB 1230:

- Changes the definition of “large” projects to those that have a minimum investment of \$5 million (currently \$10 million or greater are eligible) so more SD communities can benefit from the tax incentives.
- Establishes grants, which will be administered by the Board of Economic Development, to incentivize worthwhile projects...and puts the decision making authority in the hands of South Dakota businessmen and women.
- Provides the Board of Economic Development with discretion to incentivize worthwhile projects and eliminate “free riders”.
- Provides a savings in General Fund expenditures while maintaining recruitment incentives and eliminating bureaucratic red tape.
- Provides certainty for projects currently underway as the existing tax incentive program will be continued until its expiration on 12-31-2012. New system would take effect 1-1-2013.

If you haven't already done so, sign up for the USSD electronic newsletter so we can keep you posted on this and other issues impacting shareholders throughout the Session. You can subscribe by sending an e-mail to Heidi Kool at [USSD – office@us-sd.org](mailto:USSD-office@us-sd.org).



The MDU Resources Group (NYSE: MDU) board of directors today increased the company's quarterly common stock dividend to 16.25 cents per share, for an annualized dividend of 65 cents per share. The previous quarterly dividend was 15.75 cents per share.

“This is the 20th consecutive year that the company has increased its common stock dividend,” said Harry J. Pearce, chairman of the board. “We are very proud to be one of a small number of companies that have delivered such results to their shareholders.”

MDU Resources has paid dividends for 73 consecutive years, stretching back to 1937, which Pearce said is a result of the company's strong commitment to providing shareholders with a good return on their investment.

“The dividend increase also reflects our confidence in our company and in our diversified business strategy, which is helping us profitably navigate a very difficult economy,” he said. “This diversification, supported by a healthy balance sheet and good cash flow, will put us in a strong position for growth as the economy recovers.”

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## MDU Resources Increases Common Stock Dividend for 20th Consecutive Year

The board of directors also declared dividends on preferred stock as follows:

- \$1.12-1/2 per share on 4.50 percent Series Preferred
- \$1.17-1/2 per share on 4.70 percent Series Preferred
- \$1.27-1/2 per share on 5.10 percent Series Preferred

The dividends are payable January 1, 2011 to stockholders of record December 9, 2010.

MDU Resources Group, Inc., a Fortune 500 company and a member of the S&P MidCap 400 index, provides value-added natural resource products and related services that are essential to energy and transportation infrastructure, including regulated businesses, an exploration and production company and construction companies. MDU Resources includes regulated electric and natural gas utilities and regulated natural gas pipelines and energy services, natural gas and oil production, construction materials and contracting, and construction services. For more information about MDU Resources, see the company's website at [www.mdu.com](http://www.mdu.com) or contact the Investor Relations Department at [investor@mduresources.com](mailto:investor@mduresources.com).



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## **BLACK HILLS CORP. ANNOUNCES PRICING OF COMMON STOCK (Continued from page 1)**

### **ABOUT BLACK HILLS CORP.**

Black Hills Corp. — a diversified energy company with a tradition of exemplary service and a vision to be the energy partner of choice — is based in Rapid City, S.D., with corporate offices in Denver and Omaha, Neb. The company serves 754,000 natural gas and electric utility customers in Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming. The company's non-regulated businesses generate wholesale electricity, produce natural gas, oil and coal, and market energy. Black Hills employees partner to produce results that improve life with energy.

### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This news release includes “forward-looking statements” as defined by the Securities and Exchange Commission, or SEC. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this news release that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including statements regarding the offering providing us sufficient equity capital to complete construction on the two Colorado gas-fired generation projects

that will provide reliable energy for our utility customers and create additional earnings growth for our shareholders, are forward-looking statements. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including the factors discussed above, the risk factors described in Item 1A of Part I of our 2009 Annual Report on Form 10-K filed with the SEC, and other reports that we file with the SEC from time to time.

3. 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.

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### ***Our Office Has Moved Again!***

*USSD has secured office space in a newly-renovated building near the Capitol. Please note our new address.  
All other contact information remains the same. 215 E. Prospect, Pierre SD 57501*