

BLACK HILLS CORP /SD/  
Form DEF 14A  
April 10, 2007  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x

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Check the appropriate box:

- o Preliminary Proxy Statement  
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 x Definitive Proxy Statement  
 o Definitive Additional Materials  
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Black Hills Corporation  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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***BLACK HILLS CORPORATION***

**Notice of 2007  
Annual Meeting of Shareholders  
and Proxy Statement**

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**BLACK HILLS CORPORATION**

**625 Ninth Street  
Rapid City, South Dakota 57701**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
MAY 22, 2007**

April 10, 2007

Dear Shareholder:

You are invited to attend the annual meeting of shareholders of Black Hills Corporation to be held on Tuesday, May 22, 2007 at 9:30 a.m., local time, at The Journey Museum, 222 New York Street, Rapid City, South Dakota. The purpose of our annual meeting is to consider and take action on the following:

1. Election of three directors in Class I: Jack W. Eugster, Gary L. Pechota and Thomas J. Zeller.
2. Ratification of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the year 2007.
3. Any other business that properly comes before the annual meeting.

The enclosed proxy statement discusses the important matters to be considered at this year's meeting. Our common shareholders of record as of April 3, 2007 can vote at the annual meeting.

Your vote is very important. You may vote your shares by telephone, by the Internet or by returning the enclosed proxy. If you own shares of common stock other than the shares shown on the enclosed proxy, you will receive a proxy in a separate envelope for each such holding. Please vote each proxy received. To make sure that your vote is counted if voting by mail, you should allow enough time for the postal service to deliver your proxy before the meeting.

Sincerely,

ROXANN R. BASHAM  
*Vice President Governance and Corporate Secretary*

**BLACK HILLS CORPORATION**

**625 Ninth Street  
Rapid City, South Dakota 57701**

**PROXY STATEMENT**

A proxy in the accompanying form is solicited by the Board of Directors of Black Hills Corporation, a South Dakota corporation, to be voted at the annual meeting of our shareholders to be held Tuesday, May 22, 2007, and at any adjournment of the annual meeting.

The enclosed form of proxy, when executed and returned, will be voted as set forth therein. Any shareholder signing a proxy has the power to revoke the proxy in writing, addressed to our secretary, or in person at the meeting at any time before the proxy is exercised.

We will bear all costs of the solicitation. In addition to solicitation by mail, our officers and employees may solicit proxies by telephone, fax, or in person. We have retained Georgeson Inc. to assist us in the solicitation of proxies at an anticipated cost of \$6,000 plus out-of-pocket expenses. Also, we will, upon request, reimburse brokers or other persons holding stock in their names or in the names of their nominees for reasonable expenses in forwarding proxies and proxy materials to the beneficial owners of stock.

This proxy statement and the accompanying form of proxy are to be first mailed on or about April 10, 2007. Our 2006 annual report to shareholders is being mailed to shareholders with this proxy statement.

**VOTING RIGHTS AND PRINCIPAL HOLDERS**

Only our shareholders of record at the close of business on April 3, 2007, will be entitled to vote at the meeting. Our outstanding voting stock as of such record date consisted of 37,664,110 shares of our common stock.

Each outstanding share of our common stock is entitled to one vote. Cumulative voting is permitted in the election of our Board of Directors. Each share is entitled to three votes, one each for the election of three directors, and the three votes may be cast for a single person or may be distributed among two or three persons.

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**COMMONLY ASKED QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING PROCESS**

**Q:** Who is soliciting my proxy?

**A:** The Board of Directors of Black Hills Corporation.

**Q:** Where and when is the annual meeting?

**A:** 9:30 a.m., local time, May 22, 2007 at The Journey Museum, 222 New York Street, Rapid City, South Dakota.

**Q:** What am I voting on?

- A:**
- Election of three directors in Class I: Jack W. Eugster, Gary L. Pechota and Thomas J. Zeller.
  - Ratification of Deloitte & Touche LLP as our independent registered public accounting firm for 2007.

**Q:** Who can vote?

**A:** Holders of our common stock as of the close of business on the record date, April 3, 2007, can vote at our annual meeting. Each share of our common stock gets one vote. Cumulative voting is permitted in the election of directors. Each share is entitled to three votes, one each for the election of three directors, and the three votes may be cast for a single person or may be distributed among two or three persons.

**Q:** How do I vote?

**A:** There are three ways to vote by proxy:

- by calling the toll free telephone number on the enclosed proxy;
- by using the Internet; or
- by returning the enclosed proxy in the envelope provided.

You *may* be able to vote by telephone or the Internet if your shares are held in the name of a bank or broker. If this is the case, you will need to follow their instructions.

If we receive your signed proxy before the annual meeting, we will vote your shares as you direct. You can specify on your proxy whether your shares should be voted for all, some or none of the nominees for directors. You can also specify whether you approve, disapprove or abstain from the other proposal.

If you do not mark any sections, your proxy card will be voted:

- in favor of the election of the directors named in Item 1; and
- in favor of Item 2.

You have the right to revoke your proxy any time before the meeting by:

- entering a new vote by telephone or Internet;

- notifying our secretary in writing;
- sending a later dated proxy changing your vote; or
- attending the meeting in person and revoking your proxy at any time before the proxy is exercised.

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**Q: Who will count the vote?**

**A:** Representatives of Wells Fargo Bank, N.A. will count the votes and serve as judges of the election.

**Q: What constitutes a quorum?**

**A:** As of the record date, April 3, 2007, 37,664,110 shares of our common stock were issued and outstanding. In order to conduct the annual meeting, more than one-half of the outstanding shares must be present or be represented by proxy. This is referred to as a quorum. If you submit a properly executed proxy card, you will be considered as part of the quorum. Proxies marked as abstaining and broker non-votes on any proposal to be acted on by shareholders will be treated as present at the annual meeting for purposes of determining a quorum.

**Q: What vote is needed for these proposals to be adopted?**

**A:** The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. This means that the nominees with the largest number of votes for will be elected as directors, up to the maximum number of directors to be chosen at the election. A properly executed proxy marked Withhold authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

For the other item, the affirmative vote of the holders of a majority of the shares represented at the meeting and entitled to vote on the item will be required for approval. A properly executed proxy marked Abstain with respect to such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative, or no vote.

If you hold your shares in street name through a broker or nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

**Q: Is cumulative voting permitted for the election of directors?**

**A:** In the election of directors, you may elect to cumulate your vote. Cumulative voting will allow you to allocate among the director nominees, as you see fit, the total number of votes equal to the number of director positions to be filled multiplied by the number of shares you hold. For example, if you own 100 shares of stock, and there are three directors to be elected at the annual meeting, you could allocate 300 For votes (three times 100) among as few or as many of the three nominees to be voted on at the annual meeting as you choose.

If you choose to cumulate your votes, you will need to submit a proxy card or a ballot and make an explicit statement of your intent to cumulate your votes, either by indicating in writing on the proxy card or by indicating in writing on your ballot when voting at the annual meeting. If you hold shares beneficially in street name and wish to cumulate votes, you should contact your broker, trustee or nominee.

**Q:** What should I do now?

**A:** You should vote your shares by telephone, by the Internet or by returning your signed and dated proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the annual meeting.

**Q:** Who conducts the proxy solicitation and how much will it cost?

**A:** We are asking for your proxy for the annual meeting and will pay all the cost of asking for shareholder proxies. We have hired Georgeson Inc. to help us send out the proxy materials and ask for proxies. Georgeson Inc.'s fee for these services is anticipated to be \$6,000, plus out-of-pocket expenses. We can ask for proxies through the mail or by telephone, fax, or in person. We can use our directors, officers and employees to ask for proxies. These people do not receive additional compensation for these services. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of our common stock.

**Q:** Can I revoke my proxy?

**A:** Yes. You can change your vote in one of four ways at any time before your proxy is used. First, you can enter a new vote by telephone or Internet. Second, you can revoke your proxy by written notice. Third, you can send a later dated proxy changing your vote. Fourth, you can attend the meeting and vote in person.

**Q:** How will my shares be voted if they are held in a broker's name?

**A:** Your broker may vote shares nominally held in its name, or in what is commonly called street name, under some circumstances, only if you provide the broker with written instructions on how to vote.

**Q:** What happens if I do not give my broker instructions?

**A:** Absent your instructions, under some circumstances, these shares will not be voted. Therefore, we urge you to instruct your broker in writing to vote shares held in street name.

**Q:** Who should I call with questions?

**A:** If you have questions about the annual meeting, you should call Roxann R. Basham, Vice President Governance and Corporate Secretary, at (605) 721-1700.

**Q:** When are the shareholder proposals for the annual meeting held in 2008 due?

**A:** In order to be considered, you must submit proposals for next year's annual meeting in writing to our Corporate Secretary at our executive offices at 625 Ninth Street, P.O. Box 1400, Rapid City, South Dakota 57709, prior to December 12, 2007.

**Proposal 1**

**ELECTION OF DIRECTORS**

In accordance with our Bylaws and Article Sixth of our Articles of Incorporation, members of our Board of Directors are elected to three classes of staggered terms consisting of three years each. At this annual meeting of our shareholders, three directors will be elected to Class I of the Board of Directors to hold office for a term of three years until our annual meeting of shareholders in 2010, and until their respective successors shall be duly elected and qualified in accordance with the Company's Bylaws.

Richard Korpan, director since 2003, informed the Board of Directors that, for personal reasons, he would not seek reelection for an additional term at this annual meeting of shareholders. The Board of Directors expresses its thanks to Richard Korpan for his service on the Board.

Two nominees for directors are presently members of our Board of Directors, and one is not. Gary L. Pechota is standing for election by our shareholders for the first time in connection with this annual meeting. Mr. Pechota was recommended to the Governance Committee by a non-management director. Mr. Pechota is currently retired and previously served as Chief of Staff of the Indian Gaming Commission and in the capacities of Chief Executive Officer, President and Chairman of the Board for companies in the cement industry. The proxy attorneys will vote your stock for the election of the three nominees for directors, unless otherwise instructed. If, at the time of the meeting, any of such nominees shall be unable to serve in the capacity for which they are nominated or for good cause will not serve, an event which the Board of Directors does not anticipate, it is the intention of the persons designated as proxy attorneys to vote, at their discretion, for such nominees as the Governance Committee may recommend and the Board of Directors may propose to replace those who are unable to serve. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of the nominees to the Board of Directors.

The following information, including principal occupation or employment for the past five or more years, is furnished with respect to each of the following persons who are nominated as Class I Directors, each to serve for a term of three years to expire in 2010.

**The Board of Directors recommends a vote *FOR* the election of the following nominees:**

**Nominees for Election Until  
2010 Annual Meeting Class I**

Name, Age, Principal Occupation for Last Five Years and Other Public Directorships	Director Since
<p><b>Jack W. Eugster, 61</b> Retired. Former Non-Executive Chairman of Shopko Stores, Inc., a general merchandise discount store chain, from 2001 to 2005. Former Chairman, Chief Executive Officer and President of Musicland Stores, Inc., a retail music and home video company, from 1980 until his retirement in 2001. Currently Director of Donaldson Co., Inc. and Graco, Inc.</p>	2004
<p><b>Gary L. Pechota, 57</b> Retired. Former Chief of Staff of the National Indian Gaming Commission from 2003 to 2005. Private investor and consultant from 2001 until August 2003. Previously held executive positions in the cement industry and positions in finance and accounting. Currently Director of Insteel Industries, Inc.</p>	
<p><b>Thomas J. Zeller, 59</b> President, RESPEC, a technical consulting and services firm with expertise in engineering, information technologies and water and natural resources, since 1995.</p>	1997

**Directors Whose Terms Expire at  
2008 Annual Meeting Class II**

<b>Name, Age, Principal Occupation for Last Five Years and Other Public Directorships</b>	<b>Director Since</b>
<b>David R. Emery, 44</b> Chairman, President and Chief Executive Officer of Black Hills Corporation, since April 2005. Formerly held various positions with Black Hills Corporation, including President and Chief Executive Officer, President and Chief Operating Officer Retail Business Segment and Vice President Fuel Resources. Mr. Emery has 17 years of experience with Black Hills Corporation.	2004
<b>Kay S. Jorgensen, 56</b> Owner and Chief Executive Officer of KSJ Enterprises, LLC, providing marketing and development services since January 2006. Former owner and Chief Executive Officer, Jorgensen-Thompson Creative Broadcast Services, Inc., a radio broadcast services company, from 1997 to 2005. Previously served in the South Dakota State Legislature and on various state and local boards and commissions.	1992
<b>Warren L. Robinson, 56</b> Retired. Former Executive Vice President, Treasurer and Chief Financial Officer of MDU Resources Group, Inc., a diversified energy and resources company, from 1992 to January 2006.	April 2007
<b>John B. Vering, 57</b> Managing Director of Lone Mountain Investments, Inc., agricultural and oil and gas investments, since 2002. Co-founded PMT Energy, LLC, a natural gas and exploration company focused on the Appalachia Basin, in 2003. Previously held several executive positions in the oil and gas industry.	2005

**Directors Whose Terms Expire at  
2009 Annual Meeting Class III**

<b>Name, Age, Principal Occupation for Last Five Years and Other Public Directorships</b>	<b>Director Since</b>
<b>David C. Ebertz, 61</b> President, Dave Ebertz Risk Management Consulting, a firm specializing in insurance and risk management services for schools and public entities, since January 2000. Previous experience in the insurance industry.	1998
<b>John R. Howard, 66</b> Retired. Former President, Industrial Products, Inc., an industrial parts distributor, providing equipment and supplies to the mining and manufacturing industries, from 1992 to 2003 and Special Projects Manager for Linweld, Inc. in Lincoln, Nebraska.	1977
<b>Stephen D. Newlin, 54</b> Chairman, President and Chief Executive Officer of PolyOne Corporation, a global premier provider of specialized polymer materials, services and solutions, since February 2006. Former President, Industrial Sector, Ecolab, Inc., a global leader of services, specialty chemicals and equipment serving industrial and institutional clients, from 2003 to February 2006. Private Investor and Business Advisor, 2001 to 2003.	2004

## CORPORATE GOVERNANCE

*Corporate Governance Guidelines.* Our Board of Directors have adopted corporate governance guidelines titled Corporate Governance Guidelines of the Board of Directors which set the tone for operation of our Board and assist the Board in fulfilling its obligations to shareholders and other constituencies. The guidelines lay the foundation for the Board's responsibilities, operations, leadership, organization and committee matters. The Governance Committee reviews the guidelines annually, and the guidelines may be amended at any time, upon recommendation by the Governance Committee and approval of the Board.

*Board Independence.* In accordance with New York Stock Exchange rules, the Board of Directors through its Governance Committee affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the New York Stock Exchange listing standards. These guidelines are contained in our Policy for Director Independence, which can be found in the Governance section of our website ([www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm)). Based on these standards, the Governance Committee determined that each of the following nonemployee directors and director nominee is independent and has no relationship with the Company, except as a director, director nominee, and stockholder of the Company:

David C. Ebertz  
Kay S. Jorgensen  
Gary L. Pechota  
Thomas J. Zeller

Jack W. Eugster  
Richard Korpan  
John B. Vering

John R. Howard  
Stephen D. Newlin  
Warren L. Robinson

In addition, based on such standards, the Governance Committee determined that Mr. Emery is not independent because he is our Chairman, President and Chief Executive Officer (the CEO).

*Presiding Director and Executive Sessions.* The Board has a Presiding Director position that is named annually. John R. Howard held this position through the annual meeting in 2006 and Kay S. Jorgensen was elected to hold this position effective May 24, 2006. The responsibilities of Presiding Director, as provided in the Board's Governance Guidelines, are to chair executive sessions of the non-management directors and communicate the Board's annual evaluation of the CEO. The Presiding Director, together with the non-management directors, establishes the agenda for executive sessions, which are held at the end of each regular Board meeting. The Presiding Director serves as a liaison between the non-management members of the Board and the CEO, and discusses, to the extent appropriate, matters discussed by the non-management directors in executive session. The Presiding Director also presides over regular meetings of the Board in the absence of the Chairman.

*Consideration of Director Nominees.* The Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Committee considers various potential candidates for director. Board candidates are considered based upon various criteria, including diverse business, administrative and professional skills or experiences; an understanding of relevant industries, technologies and markets; financial literacy; independence status; the ability and willingness to contribute time and special competence to Board activities; personal integrity and independent judgment; and a commitment to enhancing shareholder value. The Committee considers these and other factors as it deems appropriate, given the current needs of the Board and the Company. The Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, members of management and shareholders. There are no differences in the manner by which the Committee evaluates



director candidates recommended by shareholders from those recommended by other sources. The Committee has also retained a third-party executive search firm at times to identify candidates.

Nominations from our shareholders for membership on the Board of Directors will be considered by the Governance Committee. A shareholder who wishes to submit names for future consideration for Board membership should do so in writing, with whatever supporting material the shareholder considers appropriate, addressed to Governance Committee, c/o Corporate Secretary, Black Hills Corporation, P.O. Box 1400, Rapid City, South Dakota 57709.

*Communications with the Board.* Shareholders and others interested in communicating directly with the Presiding Director, with the non-management directors as a group, or the Board of Directors may do so in writing to the Presiding Director, Black Hills Corporation, P.O. Box 1400, 625 Ninth Street, Rapid City, South Dakota, 57709.

*Related Party Transactions.* Our Code of Business Conduct addresses conflicts of interest and related party transactions and applies to all employees, including officers and members of our Board of Directors. Employees are expected to avoid any activity, investment, interest or association that interferes or appears to interfere with their independent exercise of judgment in performing a job responsibility. The Code of Business Conduct specifically states that no employee will engage in any business transaction on behalf of the Company with a family member or with a firm of which that relative is a principal, officer or representative. If a potential conflict of interest or related party transaction arises, the Chief Compliance Officer reviews the facts of each situation to determine if the transaction is allowed under the Code of Business Conduct. The internal audit department conducts an annual audit of the Code of Business Conduct and reports its findings to the Audit Committee.

In addition, on an annual basis, each director and executive officer is obligated to complete a Director and Officer Questionnaire which requires disclosure of any transaction with the Company in which the director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest and confirmation that they have read and understand our Code of Business Conduct. If a related party transaction is disclosed by a director or executive officer it is reported to the Audit Committee.

*Corporate Governance Documents.* The charters of the Audit, Compensation, Executive and Governance committees, as well as the Board's Corporate Governance Guidelines, Policy for Director Independence, Code of Business Conduct and the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Corporate Controller, and certain other persons performing similar functions can be found in the Governance section of our website ([www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm)). Copies may also be obtained upon request from our Corporate Secretary. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

*Section 16(a) Beneficial Ownership Reporting Compliance.* Based solely upon a review of our records and copies of reports on Form 3, 4 and 5 furnished to us, we believe that during and with respect to 2006 all persons subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, filed the required reports on a timely basis.

## **MEETINGS AND COMMITTEES OF THE BOARD**

### **The Board of Directors**

Our directors review and approve our strategic plan and oversee management of the Company. Our Board of Directors held 15 meetings during 2006. Directors' attendance at all Board and Committee meetings averaged 94 percent. During 2006, every director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served. Each regularly scheduled meeting of the Board includes an executive session of only non-management directors. We encourage our





directors to attend the annual shareholders meeting. Seven of our 10 directors were in attendance at the 2006 annual meeting of shareholders.

**Committees of the Board**

Our Board has four standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Compensation Committee, the Governance Committee and the Executive Committee. In accordance with the New York Stock Exchange listing standards and our Corporate Governance Guidelines, the Audit, Compensation and Governance Committees are comprised solely of non-employee, independent directors. Each committee operates under a charter which is available on our website at [www.blackhillscorp.com/corpgov.htm](http://www.blackhillscorp.com/corpgov.htm) and is also available in print to any shareholder who requests it.

Members of the Committees are designated by our directors upon recommendation of the Governance Committee. The table below shows current membership for each of the Board committees. Warren Robinson who became a member of our Board of Directors effective April 1, 2007, will be assigned to a committee at the next regularly scheduled Governance Committee meeting.

Audit Committee	Compensation Committee	Governance Committee	Executive Committee
Jack W. Eugster	David C. Ebertz	Jack W. Eugster	David C. Ebertz
John R. Howard	Kay S. Jorgensen	John R. Howard*	David R. Emery*
John B. Vering	Richard Korpan*	Stephen D. Newlin	John R. Howard
Thomas J. Zeller*	Stephen D. Newlin	John B. Vering	Kay S. Jorgensen
			Thomas J. Zeller

\* Committee Chairperson

*Audit Committee.* The Audit Committee held six meetings in 2006. The Audit Committee’s responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assist the Board in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices;
- monitor the integrity of our financial reporting process, systems of internal controls and disclosure controls regarding finance, accounting and legal compliance;
- review areas of potential significant financial risk to the Company;
- &