BLACK HILLS CORP /SD/
Form DEF 14A
March 22, 2012
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.)

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Black Hills Corporation
(Name of Registrant as Specified In Its Charter)

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BLACK HILLS CORPORATION

Notice of 2012
Annual Meeting of Shareholders
and Proxy Statement

BLACK HILLS CORPORATION

625 Ninth Street
Rapid City, South Dakota 57701

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
MAY 23, 2012

March 22, 2012

Dear Shareholder:

You are invited to attend the annual meeting of shareholders of Black Hills Corporation to be held on Wednesday, May 23, 2012 at 9:30 a.m., local time, at the Dahl Arts Center, 713 Seventh 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 III: Michael H. Madison, Steven R. Mills and Stephen D. Newlin.

2. Authorization of an increase in our authorized indebtedness from $2 billion to $4 billion.

3. Ratification of Deloitte & Touche LLP to serve as our independent registered public accounting firm for 2012.

4. Adoption of an advisory, non-binding resolution to approve our executive compensation.

5. Any other business that properly comes before the annual meeting.

The enclosed proxy statement discusses these important matters to be considered at this year’s meeting. Our common shareholders of record as of March 13, 2012 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 Wednesday, May 23, 2012, and at any adjournment of the annual meeting.

The enclosed form of proxy, when executed and returned, will be voted as set forth in the proxy. 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 $8,000, 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 March 22, 2012. Our 2011 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 March 13, 2012 are entitled to vote at the meeting. Our outstanding voting stock as of the record date consisted of 44,083,768 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

Who is soliciting my proxy?

The Board of Directors of Black Hills Corporation is soliciting your proxy.

Where and when is the annual meeting?

The annual meeting is at 9:30 a.m., local time, May 23, 2012 at the Dahl Arts Center, 713 Seventh Street, Rapid City, South Dakota.

What am I voting on?

You are voting on:

- Election of three directors in Class III: Michael H. Madison, Steven R. Mills and Stephen D. Newlin;
- Authorization of an increase in our authorized indebtedness from $2 billion to $4 billion;
- Ratification of Deloitte & Touche LLP as our independent registered public accounting firm for 2012; and
- Adoption of an advisory, non-binding resolution to approve our executive compensation.

Who can vote?

Holders of our common stock as of the close of business on the record date, March 13, 2012, can vote at our annual meeting. Each share of our common stock has one vote for Items 2, 3 and 4. Cumulative voting is permitted in the election of directors. Each share is entitled to three votes for the election of directors, 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.

How do I vote?

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 director. You can also specify whether you approve, disapprove or abstain from the other proposals.

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 Items 2, 3 and 4.

Who will count the vote?

Representatives of our transfer agent, Wells Fargo Bank, N.A., will count the votes and serve as judges of the election.

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What constitutes a quorum?

Shareholders representing at least 50 percent of our common stock issued and outstanding as of the record date must be present at the annual meeting, either in person or by proxy, for there to be a quorum. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

What vote is needed for these proposals to be adopted?

Item 1 – Election of Directors. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. This means that the three nominees with the largest number of votes "For" will be elected as directors. 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 a quorum is present.

Item 2 – Authorization of an Increase in our Authorized Indebtedness. The increase in our authorized indebtedness from $2 billion to $4 billion will be approved if the votes cast "For" exceed the votes cast "Against." Abstentions and broker non-votes will have no effect on this vote.

Item 3 – Ratification of Auditors. The appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2012 will be ratified if the votes cast "For" exceed the votes cast "Against." Abstentions will have no effect on such vote.

Item 4 – Adoption of an Advisory Non-Binding Resolution to Approve Executive Compensation. The advisory resolution to approve executive compensation ("say on pay") is non-binding. However, our Board of Directors will consider shareholders to have approved our executive compensation if the number of votes cast "For" the proposal exceeds the number of votes cast "Against" the proposal. Abstentions and broker non-votes will have no effect on such vote.

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

If you hold your shares through an account with a bank or broker, the bank or broker may vote your shares on some matters even if you do not provide voting instructions. Brokerage firms have the authority under the New York Stock Exchange rules to vote shares on certain matters (such as the ratification of auditors) when their customers do not provide voting instructions. However, on most other matters when the brokerage firm has not received voting instructions from its customers, the brokerage firm cannot vote the shares on that matter and a "broker non-vote" occurs. This means that brokers may not vote your shares on the election of directors, the increase in our authorized indebtedness and the "say on pay" advisory vote if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.

What happens if I do not give my broker instructions?

Absent your instructions, the broker will not be able to vote your shares for the election of directors, the increase in our authorized indebtedness and the "say on pay" advisory vote. Therefore, we urge you to instruct your broker in writing to vote shares held in street name.

Is cumulative voting permitted for the election of directors?

In the election of directors, you may cumulate your vote. Cumulative voting allows 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.

What should I do now?

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.

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

We are asking for your proxy for the annual meeting and will pay all the costs 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 $8,000, 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 brokers 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.

Can I revoke my proxy?

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.

Who should I call with questions?

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

When are the shareholder proposals for the annual meeting held in 2013 due?

In order to be considered for inclusion in our proxy materials, you must submit proposals for next year's annual meeting in writing to our Corporate Secretary at our executive offices at 625 Ninth Street, Rapid City, South Dakota 57701, on or prior to November 22, 2012.

A shareholder who intends to submit a proposal for consideration, but not for inclusion in our proxy materials, must provide written notice to our Corporate Secretary in accordance with Article I, Section 9 of our Bylaws. In general, our Bylaws provide that the written notice must be delivered not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of shareholders. Our 2012 annual meeting is scheduled for May 23, 2012. Ninety days prior to the first anniversary of this date will be February 22, 2013, and 120 days prior to the first anniversary of this date will be January 23, 2013.

Proposal 1

ELECTION OF DIRECTORS

In accordance with our Bylaws and Article VI 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 III of the Board of Directors to hold office for a term of three years until our annual meeting of shareholders in 2015, and until their respective successors shall be duly elected and qualified in accordance with our Bylaws.

Nominees for director at the annual meeting are Michael H. Madison, Steven R. Mills and Stephen D. Newlin. Two nominees for director, Messrs. Mills and Newlin, are presently members of our Board of Directors. Mr. Mills was appointed to the Board of Directors in October 2011 and is a nominee for election for the first time. Mr. Madison is not currently a member our Board of Directors and is standing for election for the first time. Both Messrs. Mills and Madison were identified by third party search firms. The proxies will vote your stock for the election of the three nominees for director, unless otherwise instructed. If, at the time of the meeting, any of such nominees are unable to serve in the capacity for which they are nominated or will not serve, events which the Board of Directors does not anticipate, it is the intention of the persons designated as proxies to vote, in 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. This means that the three nominees with the largest number of votes "For" will be elected as directors. 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 a quorum is present.

In the election of directors, you may cumulate your vote. Cumulative voting allows 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.

At the close of the 2012 Annual Meeting, David C. Ebertz and John R. Howard will complete their service as members of the Black Hills Corporation Board of Directors. Messrs. Ebertz and Howard have served as our directors since 1998 and 1977, respectively. Through their directorships, they have provided leadership and counsel to the Board and management over an extended period of growth and transformation for us. The Board of Directors extends its gratitude to Messrs. Ebertz and Howard for their distinguished service and contributions to the success of Black Hills Corporation.

The following information, including principal occupation or employment for the past five or more years and a summary of each individual's experience, qualifications, attributes or skills that have led to the conclusion that each individual should serve as a director in light of our current business and structure, is furnished with respect to each nominee and each of the continuing members of the Board of Directors.

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

Class III – Nominees for Election Until 2015 Annual Meeting

Michael H. Madison, 63, is standing for election as a director for the first time.

Retired. Former President and Chief Executive Officer and a Director of Cleco Corporation, a public utility holding company, from 2005 to 2011, and President and Chief Operating Officer of Cleco Power, LLC, from 2003 to 2005. He was state president, Louisiana-Arkansas with American Electric Power from 2000 to 2003.

Mr. Madison has more than 40 years of experience in various positions of increasing responsibility including President, Director, Vice President of Operations and Engineering, Vice President of Engineering and Production and Vice President of Corporate Services. His knowledge of all aspects of the electric utility business, combined with his position as President and Chief Executive Officer of a public company make him a valuable member of our Board of Directors.

Steven R. Mills, 56, has been a director of the Company since October 2011.

Retired. Former Senior Executive Vice President, Performance and Growth of Archer Daniels Midland Company, a processor, transporter, buyer and marketer of agricultural products from 2010 to February 2012, Executive Vice President and Chief Financial Officer from 2008 to 2010, and Senior Vice President Strategic Planning from 2006 to 2008.

Mr. Mills has more than 34 years of experience in the fields of accounting, corporate finance, strategic planning, and mergers and acquisitions. His background in finance and accounting provides the necessary expertise to serve on our Audit Committee and provides financial and strategic acumen to strengthen our Board’s collective qualifications, skills and experience.

Stephen D. Newlin, 59, has been a director of the Company since 2004.

Chairman, President and Chief Executive Officer of PolyOne Corporation, a global provider of specialized polymer materials, services and solutions, since 2006. Former President, Industrial Sector, Ecolab, Inc., a global leader of services, specialty chemicals and equipment serving industrial and institutional clients, from 2003 to 2006. Served as President and a Director of Nalco Chemical Company, a manufacturer of specialty chemicals, services and systems, from 1998 to 2001 and Chief Operating Officer and Chairman from 2000 to 2001. Director of Valspar Corporation from 2007 to February 2012.

Mr. Newlin has been a director of several other public company and non-profit boards in addition to those identified above. He has industry experience in chemicals, water treatment, power generation, mining, energy, petro-chemical and polymer compounds. Mr. Newlin’s experience as an active chairman and chief executive officer of a public company and experience on other public company boards, provides an in-depth business, financial and strategic acumen that strengthens our Board’s collective qualifications, skills and experience and enables him to be an effective Governance Committee Chairman.

Class I – Directors with Terms Expiring at 2013 Annual Meeting

Jack W. Eugster, 66, has been a director of the Company since 2004.

Retired. 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. since 1993, Graco, Inc. since 2004 and Life Time Fitness, Inc. since 2009. Previously Director of Golf Galaxy, Inc. from 2000 to 2007 and Director of Shopko Stores, Inc. from 1991 to 2005, serving as Non-Executive Chairman from 2001 to 2005.

Mr. Eugster has been a director of several other public company and non-profit boards in addition to those identified above. He has experience as chairman and chief executive officer of a high-growth public company, and other extensive experience on public company boards, including 11-years of service on the board of another regulated utility. His past experience lends special expertise relating to acquisitions, divestitures and finance. Mr. Eugster provides in-depth business, financial and strategic acumen that strengthens our Board’s collective qualifications, skills

and experience and enables him to be an effective Compensation Committee Chairman.

Gary L. Pechota, 62, has been a director of the Company since 2007.

President and Chief Executive Officer of DT-TRAK Consulting, Inc., a medical billing services company, since 2007. Retired from 2005 to 2007. Former Chief of Staff of the National Indian Gaming Commission from 2003 to 2005. Previously held executive positions in the cement industry, including serving as chief executive officer of a publicly-traded company, and positions in finance and accounting. Currently Director of Insteel Industries, Inc. since 1998 and Texas Industries, Inc. since 2009.

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Mr. Pechota's background in finance and accounting provides the necessary expertise to serve on our Audit Committee. As an enrolled member of the Rosebud Sioux Tribe, Mr. Pechota supports our Company's interest in promoting diverse perspectives, as well as expertise relating to our business interests on tribal lands. In addition, his experience as an executive leader at several companies, his public company board experience, and his knowledge of mining and extracting minerals and the associated environmental issues, strengthens our Board's collective qualifications, skills and experiences.

Thomas J. Zeller, 64, has been a director of the Company since 1997.

Retired. Former Chief Executive Officer of RESPEC, a technical consulting and services firm with expertise in engineering, information technologies, and water and natural resources specializing in emerging environmental protection protocols, from January 2011 to August 2011 and served as President from 1995 to January 2011.

Mr. Zeller is currently Presiding Director of our Board of Directors and is a Past Chairman of our Audit Committee. His industry experience at RESPEC relates to many of our Company's activities concerning technology, engineering and environmental matters. This expertise, in addition to his experience as an executive leader, provides valuable knowledge to our Board and strengthens its collective qualifications, skills and experiences relating to technical aspects of our Company operations and contract relationships.

Class II – Directors with Terms Expiring at 2014 Annual Meeting

David R. Emery, 49, has been a director of the Company since 2004.

Chairman, President and Chief Executive Officer of Black Hills Corporation, since 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 22 years of experience with Black Hills Corporation. Prior to joining us, he served as a petroleum engineer for a large independent oil and gas company.

Mr. Emery is our only employee currently on our Board. With over 20 years of experience at our Company, he has a deep knowledge and understanding of each of our business units and related industries. As an enrolled member of the Cheyenne River Sioux Tribe, Mr. Emery supports our Company's interest in promoting diverse perspectives. He has demonstrated leadership abilities serving as our Chairman, President and Chief Executive Officer since 2005. His strategic, operational and industry knowledge and expertise provide the basis for critical leadership on the Board.

Rebecca B. Roberts, 59, has been a director of the Company since May 2011.

Retired. Former President of Chevron Pipe Line Company, a pipeline company transporting crude oil, refined petroleum products, liquefied petroleum gas, natural gas and chemicals within the United States, from 2006 to February 2011. President of Chevron Global Power Generation from 2003 to 2006. Previously a Director of Dynegy, Inc. serving as Chevron's representative from March 2006 to April 2007.

Ms. Roberts has 37 years of experience in the energy industry. Her industry experience includes managing pipelines in North America and global pipeline projects; managing a portfolio of power plants in the United States, Asia and the Middle East, and work as a Vice President, chemist, scientist and trader in the oil and gas sectors. Her diversified energy industry experience and prior service on a public company board provide in-depth business and strategic acumen, and diversity that strengthens our Board's collective qualifications, skills and experiences.

Warren L. Robinson, 61, has been a director of the Company since 2007.

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.

Mr. Robinson has 29 years of experience in the utility industry, 18 of those years with MDU Resources Group. His industry experience at MDU included regulated utility finance and operations, and oil and gas exploration and production, two critical business segments for our Company. Mr. Robinson's service as a chief executive for accounting and finance

activities relating to our industries provides the necessary financial reporting expertise to serve as Chairman of our Audit Committee. His experience as an executive financial leader at a publicly traded energy company provides our Board with current knowledge and understanding of the regulated business model, and unique challenges of the geographic and regulatory environment in which we operate.

John B. Vering, 62, has been a director of the Company since 2005.

Managing Director of Lone Mountain Investments, Inc., oil and gas investments, since 2002. Partner in Vering Feed Yards LLC, a privately owned agricultural company, since 2010. Served as Interim President and General Manager of Black Hills Exploration and Production, Inc., our oil and gas subsidiary, from May 2010 to December 2011, pursuant to a consulting agreement, leading a strategic review of our oil and gas assets. Previously held several executive positions in the oil and gas industry.

Mr. Vering has over 30 years of experience, including executive leadership, in the oil and gas industry. He served for 23 years with Union Pacific Resources Company in several positions, including Vice President of Canadian Operations. He has direct operating experience in oil and gas transportation, marketing, and exploration and production, important business segments for our Company. His knowledge and understanding of the trans-national oil and gas business, and his executive leadership experience strengthens our Board's collective qualifications, skills and experiences.

CORPORATE GOVERNANCE

Corporate Governance Guidelines. Our Board of Directors has adopted corporate governance guidelines titled "Corporate Governance Guidelines of the Board of Directors" which guide the 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. These guidelines can be found in the "Governance" section of our website (www.blackhillscorp.com/corpgov.htm).

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). Based on these standards, the Governance Committee determined that each of the following non-employee directors and director nominee is independent and has no relationship with us, except as a director and shareholder:

David C. Ebertz	Jack W. Eugster	John R. Howard
Michael H. Madison	Steven R. Mills	Stephen D. Newlin
Gary L. Pechota	Rebecca B. Roberts	Warren L. Robinson
Thomas J. Zeller		

In addition, based on such standards, the Governance Committee determined that Messrs. Emery and Vering are not independent. Mr. Emery is not independent because he is our Chairman, President and Chief Executive Officer ("CEO"). Mr. Vering is not independent because he served as Interim President and General Manager of our oil and gas subsidiary during a portion of 2010 and 2011.

Board Leadership Structure. As noted above, our Board is currently comprised of eleven directors, nine of whom are independent. Mr. Emery has served as our Chairman of the Board and CEO since 2005, and has been a member of our

Board since 2004. Mr. Emery provides strategic, operational, and technical expertise and context for the matters considered by our Board. After considering alternative board leadership structures, our Board chose to retain the ability to balance an independent Board structure with the flexibility to appoint as Chairman a CEO-Director with knowledge of and experience in the operations of our Company. At this time, our Board believes that having a single person serve as Chairman and CEO provides unified and responsible leadership for our Company.

Our Board has and continues to value a high degree of Board independence. As a result, our corporate governance structure and practices promote a strong, independent Board, and include several independent oversight mechanisms. Only independent directors serve on our Audit, Compensation and Governance Committees and we have appointed an independent Presiding Director. Our Board believes these practices ensure that experienced and independent directors will continue to effectively oversee management and critical issues related to financial and operating plans, long-range strategic issues, enterprise risk and corporate integrity. All of our Board committees may seek legal, financial or other expert advice from a source independent of management.

Our Board annually appoints a Presiding Director. Thomas J. Zeller is our current Presiding Director and has served in this role since May 2010. The responsibilities of Presiding Director, as provided in the Board's Governance Guidelines, are to chair executive sessions of the independent directors and communicate the Board's annual evaluation of the CEO. The Presiding Director, together with the independent directors, establishes the agenda for executive sessions, which are held at each regular Board meeting. The Presiding Director serves as a liaison between the independent members of the Board and the CEO, and discusses, to the extent appropriate, matters raised by the independent directors in executive session. The Presiding Director also consults with the Chairman regarding meeting agendas and presides over regular meetings of the Board in the absence of the Chairman. This leadership structure provides consistent and effective oversight of our management and our Company.

Risk Oversight. Our Board oversees an enterprise approach to risk management that supports our operational and strategic objectives. The Corporate Governance Guidelines of our Board of Directors provide that the Board will review major risks facing our Company and the options for risk mitigation presented by management. Our Board delegates oversight of certain risk considerations to its committees within each of their respective areas of responsibility; however, the full Board monitors risk relating to strategic planning and execution, as well as executive succession. Financial risk oversight falls within the purview of our Audit Committee. Our Compensation Committee oversees compensation and benefit plan risks. Each committee reports to the full Board.

Our Board reviews any material changes in our key enterprise risk management issues with management at each quarterly Board meeting in conjunction with the presentation of quarterly financial results. In so doing, our Board seeks to ensure appropriate risk mitigation strategies are implemented by management on an ongoing basis. Operational and strategic plan presentations by management to our Board include consideration of the challenges and risks to our business. Our Board and management actively engage in discussions of these topics and utilize outside consultants as needed. Our Board oversees the assessment of our strategic plan risks as part of our strategic planning process. In addition, our Board receives environmental, safety, legal and compliance reports at least annually.

Our Audit Committee oversees management's strategy and performance relative to our significant financial risks. In consultation with management, the independent auditors and the internal auditors, the Audit Committee discusses our risk assessment, risk management and credit policies, and reviews significant financial risk exposures along with steps management has taken to monitor, mitigate and report such exposures. At least twice a year, our Chief Risk Officer provides a Risk and Credit Report to the Audit Committee. We adopted a Credit Policy that establishes guidelines, controls and limits to manage and mitigate credit risk within risk tolerances established by the Committee.

Our Compensation Committee adopted an executive compensation philosophy that provides the foundation for our executive compensation program. The executive compensation philosophy states that the executive pay program should be market-based and maintain an appropriate and competitive balance between fixed and variable pay elements, short- and long-term compensation and cash and stock-based compensation. The Compensation Committee establishes company-specific performance goals and potential incentive payouts for our executive officers to motivate and reward performance, consistent with our long-term success. The target compensation for our senior officers is heavily weighted in favor of long-term incentives, aligning performance incentives with long-term results for our shareholders. Our Compensation Committee also sets minimum performance thresholds and maximum payouts in the incentive programs, and maintains the discretion to reduce awards if excessive risk is taken. Stock ownership

guidelines established for all of our officers expect our executives to hold 100 percent of all shares awarded to them until the established stock ownership guidelines are achieved. Our Compensation Committee also instituted “claw-back” provisions in our incentive plans, which may require an executive to return incentives received, if the Compensation Committee determines, in its discretion, that the executive engaged in specified misconduct or wrongdoing.

Our management is responsible for day-to-day risk management and operates under an enterprise risk management (ERM) program that addresses strategic, operational and financial risks. The ERM program includes practices to identify risks, assesses the impact and probability of occurrence, and develops action plans to prevent the occurrence or mitigate the impact of the risk. The ERM program includes regular reporting to our senior management team and includes monitoring and testing by Risk Management, Compliance and Internal Audit groups. The overall ERM program is reviewed with the Board of Directors on a regular basis.

We believe this division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company.

Director Nominees. The Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Governance 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 Governance 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 Governance Committee considers these and other factors as it deems appropriate, given the needs of the Board and us. Our goal is a balanced and diverse Board, with members whose skills, background and experience are complementary and, together, cover the spectrum of areas that impact our business. The Governance Committee considers candidates for Board membership suggested by a variety of sources, including current or past Board members, the use of third-party executive search firms, 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.

Shareholders who intend to nominate persons for election to the Board of Directors must provide timely written notice of the nomination in accordance with Article I, Section 9 of our Bylaws. Generally, our Corporate Secretary must receive the written notice at our executive offices at 625 Ninth Street, Rapid City, South Dakota, 57701, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders. The notice must set forth at a minimum the information set forth in Article I, Section 9 of our Bylaws, including the shareholder’s identity and status, contingent ownership interests, description of any agreement made with others acting in concert with respect to the nomination, specific information about the nominee and supply certain representations by the nominee to us.

Communications with the Board. Shareholders and others interested in communicating directly with the Presiding Director, with the independent directors as a group, or the Board of Directors may do so in writing to the Presiding Director, Black Hills Corporation, 625 Ninth Street, Rapid City, South Dakota, 57701.

Corporate Governance Documents. The charters of the Audit, Compensation 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/corp.gov.htm. We intend to disclose any amendments to, or waivers of the Code of Ethics on our website. Please note that none of the information contained on our website is incorporated by reference in this proxy statement.

In January 2012, the Board amended our Corporate Governance Guidelines to adopt a policy relating to majority voting. Pursuant to the policy, any nominee for election as a director who receives a greater number of votes “withheld” from his or her election than votes “for” his or her election will promptly tender his or her resignation as a director to the Chairman of the Board following certification of the election results. Neither abstentions nor broker non-votes will be

deemed to be votes “for” or “withheld” from a director’s election for purposes of the policy. The Governance Committee (without the participation of the affected director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take the appropriate action on each tendered resignation, taking into account the Governance Committee’s recommendation. The Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons why the Committee believes shareholders “withheld” votes for election from such director and any other circumstances surrounding the “withheld” votes, any alternatives for curing the underlying cause of the “withheld” votes, the qualifications of the tendering director, his or her past and expected future contributions to us and the Board, and the overall composition of the Board, including whether accepting the resignation would cause us to fail to meet any applicable SEC or

NYSE requirements. The Board will publicly disclose by filing with the SEC on Form 8-K its decision and, if applicable, its rationale within 90 days after receipt of the tendered resignation.

Certain Relationships and Related Party Transactions. We recognize related party transactions can present potential or actual conflicts of interest and create the appearance that decisions are based on considerations other than the best interests of us and our shareholders. Accordingly, as a general matter, it is our preference to avoid related party transactions. Nevertheless, we recognize that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of us and our shareholders, including but not limited to situations where we may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when we provide products or services to related parties on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, our Board of Directors has adopted a policy for the review of related party transactions. This policy requires directors and officers to promptly report to our Vice President – Governance all proposed or existing transactions in which the Company and they, or persons related to them, are parties or participants. Our Vice President – Governance presents to our Governance Committee those transactions that may require disclosure pursuant to Item 404 of Regulation S-K (typically, those transactions that exceed $120,000). Our Governance Committee reviews the material facts presented and either approves or disapproves entry into the transaction. In reviewing the transaction, the Governance Committee considers the following factors, among other factors it deems appropriate: (i) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances; (ii) the extent of the related party's interest in the transaction; and (iii) the impact on a director's independence in the event the related party is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer.

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 2011, 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 our management. Our Board of Directors held eight meetings during 2011. Each regularly scheduled meeting of the Board includes an executive session of only independent directors. We encourage our directors to attend the annual shareholders' meeting. During 2011, every director attended at least 75 percent of the combined total of Board meetings and Committee meetings on which the director served and all directors attended the 2011 annual meeting of shareholders.

Committees of the Board

Our Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Compensation Committee and the Governance 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 independent directors. Each committee operates under a charter which is available on our website at www.blackhillscorp.com/corpgov.htm and is also available in print to any shareholder who requests it. In addition, our Board creates special committees from time to time for specific purposes.

Members of the Committees are designated by our Board upon recommendation of the Governance Committee. The table below shows current membership for each of the Board committees.

Audit Committee	Compensation Committee	Governance Committee
John R. Howard	Rebecca B. Roberts	David C. Ebertz
Steven R. Mills	David C. Ebertz	Jack W. Eugster
Gary L. Pechota	Jack W. Eugster*	Stephen D. Newlin*
Warren L. Robinson*	Stephen D. Newlin	Gary L. Pechota
	Thomas J. Zeller	

* Committee Chairperson

Audit Committee. The Audit Committee held seven meetings in 2011. The Audit Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assist the Board in fulfilling its oversight responsibility to our shareholders relating to the quality and integrity of our accounting, auditing and financial reporting practices;
- oversee the integrity of our financial statements, financial reporting process, systems of internal controls and disclosure controls regarding finance, accounting and legal compliance;
- review areas of potential significant financial risk to us;
- review consolidated financial statements and disclosures;
- appoint an independent registered public accounting firm for ratification by our shareholders;
- monitor the independence and performance of our independent registered public accountants and internal auditing department;
- pre-approve all audit and non-audit services provided by our independent registered public accountants;
- review the scope and results of the annual audit including reports and recommendations of our independent registered public accountants;
- review the internal audit plan, results of internal audit work and our process for monitoring compliance with our Code of Conduct and other policies and practices established to ensure compliance with legal and regulatory requirements; and
- periodically meet with our internal audit group, Chief Financial Officer, Chief Compliance Officer, other management, and our independent registered public accounting firm.

In accordance with the rules of the NYSE, all of the members of the Audit Committee are financially literate. In addition, the Board determined that all of the members of the Audit Committee have the requisite attributes of an "audit committee financial expert" as provided in regulations promulgated by the Securities and Exchange Commission, and that such attributes were acquired through relevant education and/or experience.

Compensation Committee. The Compensation Committee held seven meetings in 2011. The Compensation Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- discharge the Board of Directors' responsibilities related to executive and director compensation philosophy, policies and programs;
- perform functions required of directors in the administration of all federal and state laws and regulations pertaining to executive employment and compensation;
- consider and recommend for approval by the Board all executive compensation programs including executive benefit programs and stock ownership plans; and
- promote an executive compensation program that supports the overall objective of enhancing shareholder value.

The Compensation Committee has authority under its charter to retain and terminate compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee has sole authority to approve related fees and retention terms and may delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion. The Committee engaged Towers Watson, an independent consulting firm, to conduct an annual review of its 2011 total compensation program for executive officers and directors. Expenses for other consulting services provided to us by Towers Watson, that are not related to executive compensation, are monitored to ensure that executive compensation consultant independence is maintained. Towers Watson did not provide us with services in excess of $120,000 that were in addition to the services provided in connection with its advice and recommendations on the amount or form of executive and director compensation.

The Committee annually evaluates the CEO's performance in light of established goals and objectives, with input from the other independent directors. Based upon the Committee's evaluation and recommendation, the independent directors of the Board set the CEO's annual compensation, including salary, bonus, incentive and equity compensation.

The CEO annually reviews the performance of each of our senior officers and presents a summary of his evaluations to the Committee. The CEO also provides oversight of management's evaluations of our other officers. Senior officers assess performance of all officers reporting to them. Based upon these performance reviews, market analysis conducted by the compensation consultant and discussions with our Sr. Vice President, Human Resources, the CEO recommends the compensation of the officers to the Committee. The Committee may exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process.

More information describing the Compensation Committee's processes and procedures for considering and determining executive compensation, including the role of our CEO and consultants in determining or recommending the amount or form of executive compensation, is included in the Compensation Discussion and Analysis.

In setting non-employee director compensation, the Compensation Committee recommends the form and amount of compensation to the Board of Directors and the Board of Directors makes the final determination. In considering and recommending the compensation of non-employee directors, the Compensation Committee considers such factors as it deems appropriate, including historical compensation information, level of compensation necessary to attract and retain non-employee directors meeting our desired qualifications and market data. In the review of director compensation for 2011, the Compensation Committee retained Towers Watson to provide market information on non-employee director compensation, including annual board and committee retainers, board and committee meeting fees, committee chairperson fees, number of Board meetings and stock based compensation.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee is comprised entirely of independent directors. In addition, none of our executive officers serve as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board or on our Compensation Committee.

Governance Committee. The Governance Committee held three meetings in 2011. The Governance Committee's responsibilities, discussed in detail in its charter include, among other duties, the responsibility to:

- assess the size of the Board and membership needs and qualifications for Board membership;
- identify and recommend prospective directors to the Board to fill vacancies;
- review and evaluate director nominations submitted by shareholders, including reviewing the qualifications and independence of shareholder nominees;
- consider and recommend existing Board members to be renominated at our annual meeting of shareholders;
- establish and review guidelines for corporate governance;
- recommend to the Board committee membership and the chairpersons of the committees;
- nominate an independent director to serve as a Presiding Director;
- review the independence of each director and director nominee;
- administer an annual evaluation of the performance of the Board and facilitate an annual assessment of each committee; and
- ensure that the Board oversees the evaluation and succession planning of management.

DIRECTOR COMPENSATION

Director Fees

In 2011, our non-employee director compensation was as follows:

- an annual cash retainer of $36,000, paid on a monthly basis;
- common stock equivalents equal to $60,000 per year, paid on a quarterly basis;
- dividend equivalents on the common stock equivalents equal to the same dividend rate our shareholders receive; and
- a meeting fee of $1,500 for each Board and committee meeting attended, provided such committee meetings are substantive in nature and content.

In addition, our Presiding Director and Committee Chairpersons received the following additional compensation:

- Presiding Director – an annual fee of $15,000;
- Audit Committee Chairperson – an annual fee of $10,000;
- Compensation Committee Chairperson – an annual fee of $8,000; and
- Governance Committee Chairperson – an annual fee of $6,000.

Effective January 1, 2012, the annual cash retainer paid to our non-employee directors was increased to $40,000, paid on a monthly basis.

Director Compensation for 2011 and Common Stock Equivalents Outstanding as of December 31, 2011[(1)]

Name	Fees Earned or Paid in Cash	Stock Awards [(3)]	All Other Compensation	Total	Number of Common Stock Equivalents Outstanding at December 31, 2011 [(4)]
David C. Ebertz	$70,500	$60,000	-	$130,500	14,572
Jack W. Eugster	$80,000	$60,000	-	$140,000	11,573
John R. Howard	$70,500	$60,000	-	$130,500	21,710
Kay S. Jorgensen[(5)]	$29,000	$25,000	-	$54,000	-
Steven R. Mills[(6)]	$18,000	$10,000	-	$28,000	154
Stephen D. Newlin	$81,000	$60,000	-	$141,000	11,803
Gary L. Pechota	$73,500	$60,000	-	$133,500	8,808
Rebecca B. Roberts[(6)]	$46,500	$35,000	-	$81,500	965
Warren L. Robinson	$80,500	$60,000	-	$140,500	8,992
John B. Vering[(7)]	-	$60,000	$578,968	$638,968	10,903
Thomas J. Zeller	$87,000	$60,000	-	$147,000	15,003

(1) Our directors did not receive any option awards, non-equity incentive plan compensation, pension benefits or perquisites in 2011.

(2) Mr. Emery, our CEO, is not included in this table because he is our employee and thus receives no compensation for his services as a director. Mr. Emery's compensation received as an employee is shown in the Summary Compensation Table for our Named Executive Officers.

(3) Each non-employee director received a quarterly award of common stock equivalents with a grant date fair value of $15,000 per quarter or $60,000 a year.

(4) The common stock equivalents are fully vested in that they are not subject to forfeiture; however, the shares are not issued until after the director ends his or her service on the Board. The common stock equivalents are payable in stock or cash or can be deferred further at the election of the director.

(5) Ms. Jorgensen's term as a member of our Board of Directors concluded May 25, 2011, and consequently her fees earned and stock award fair value reflect a partial year of service.

(6) Ms. Roberts and Mr. Mills became members of our Board of Directors effective May 25, 2011 and October 26, 2011, respectively, consequently their fees earned and stock award fair values reflect a partial year of service.

(7) Mr. Vering served as Interim President and General Manager of our oil and gas subsidiary from May 2010 until December 2011, leading a strategic review of our oil and gas assets. In exchange for his services, pursuant to a consulting agreement dated May 3, 2010, he received $42,000 per month and temporary living expenses. He did not receive cash Board compensation during the term of the agreement. In 2011, he received $504,000 for his services as Interim President and General Manager and was provided temporary living expenses totaling $74,968. Mr. Vering's role as Interim President and General Manager ended on December 13, 2011, when John Benton was hired as Vice President and General Manager of our oil and gas subsidiary. He also received a project completion bonus in 2012 in the amount of $150,000, which is not included in his 2011 Other Compensation because the Board of Directors did not authorize and approve the bonus until January 26, 2012. The consulting agreement, as amended, expired January 31, 2012.

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Director Stock Ownership Guidelines

Each member of our Board of Directors is required to apply at least 50 percent of his or her annual cash retainer toward the purchase of shares of common stock until the director has accumulated at least 7,500 shares of common stock or common stock equivalents.

SECURITY OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following tables set forth the beneficial ownership of our common stock as of February 29, 2012 for each director, each executive officer named in the Summary Compensation Table, all of our directors and executive officers as a group, and each person or entity known by us to beneficially own more than five percent of our outstanding shares of common stock. Beneficial ownership includes shares a director or executive officer has the power to vote or transfer, and stock options that are exercisable currently or within 60 days of March 1, 2012.

Except as otherwise indicated by footnote below, we believe that each individual or entity named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by that individual or entity.

Name of Beneficial Owner (1)	Shares of Common Stock Beneficially Owned(2)	Options Exercisable Within 60 Days	Directors Common Stock Equivalents(3)	Total	Percentage(4)
Directors and Named Executive Officers					
Anthony S. Cleberg	44,656			44,656	*
David C. Ebertz	6,596		15,198	21,794	*
David R. Emery(5)	121,411	25,882		147,293	*
Jack W. Eugster	17,000		12,165	29,165	*
Linden R. Evans	60,735			60,735	*
Steven J. Helmers	43,407	10,110		53,517	*
John R. Howard	16,864		22,416	39,280	*
Michael H. Madison	-		-	-	*
Steven R. Mills	384		618	1,002	*
Robert A. Myers	25,215			25,215	*
Stephen D. Newlin	5,042		12,398	17,440	*
Gary L. Pechota	7,123		9,180	16,303	*
Rebecca B. Roberts	3,849		1,437	5,286	*
Warren L. Robinson	6,098		9,555	15,653	*
John B. Vering	10,799		11,487	22,286	*
Thomas J. Zeller	7,501		15,634	23,135	*
All directors and executive officers as a group (18 persons)	400,589	35,992	110,088	546,669	1.2%

*Represents less than one percent of the common stock outstanding.

(1) Beneficial ownership means the sole or shared power to vote, or to direct the voting of, a security or investment power with respect to a security.

(2) Includes restricted stock held by the following executive officers for which they have voting power but not investment power and stock underlying phantom stock units the executive officers have the right to acquire within 60 days as to which they have no current voting or investment power: Mr. Cleberg – 11,459 shares; Mr. Emery –

25,276 shares; Mr. Evans – 12,520 shares; Mr. Helmers – 8,474 shares; Mr. Myers – 6,448 shares and 2,907 phantom stock units; and all directors and executive officers as a group – 73,663 shares and 2,907 phantom stock units.

(3) Represents common stock allocated to the directors' accounts in the directors' stock based compensation plan, of which there are no voting rights.

(4) Shares of common stock which were not outstanding but could be acquired by a person upon exercise of an option within 60 days of March 1, 2012 are deemed outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by such person. Such shares, however, are not deemed to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person.

(5) Includes 4,500 shares that are pledged by Mr. Emery as security on a personal bank loan.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage
Five Percent Shareholders		
BlackRock, Inc.[1]		
40 East 52nd Street	5,809,393	
New York, NY 10022		13.2%
State Street Corporation[2]		
One Lincoln Street	3,999,799	
Boston, MA 02111		9.1%
Dos Mil Doscientos Uno, Ltd.[3]		
Ronda Universitat, 31 1-1	2,373,380	
Barcelona, Spain 08007		5.4%

(1) Information is as of December 31, 2011, and is based on a Schedule 13G filed on January 10, 2012.

(2) Information is as of December 31, 2011, and is based on a Schedule 13G filed on February 9, 2012.

(3) Information is as of December 31, 2009, and is based on a Schedule 13G filed on January 27, 2010.

Proposal 2

AUTHORIZATION OF INCREASE IN INDEBTEDNESS

Under the provisions of Article XVII, §8 of the Constitution of the State of South Dakota, the maximum amount of indebtedness a company is authorized to issue may not be increased without the consent of its shareholders. We believe that South Dakota is the only state in the nation that requires companies incorporated under its law to receive the consent of their shareholders in order to increase their authorized indebtedness, and that this provision unnecessarily limits our flexibility to manage our interests and opportunities. Pursuant to this provision, the maximum amount of indebtedness we are currently authorized by our shareholders to issue is $2 billion. This level of debt authorization was approved by our shareholders in 2001.

Our capital expenditure forecast for the next three years is as follows:

	2012	2013	2014
	(in thousands)		
Electric utilities	$247,000	$371,700	$206,300
Gas utilities	46,000	54,700	43,800
Oil and gas	112,200	123,500	126,100
Other	32,000	30,800	29,600
Total	$437,200	$580,700	$405,800

Our actual indebtedness as of December 31, 2011 was approximately $1.6 billion. Because of our level of current indebtedness, our future growth plans and the unique and outdated nature of this provision, our Board of Directors is recommending that the shareholders authorize an increase in our authorized debt level to $4 billion. This level of debt authorization will give our Board of Directors the flexibility to determine the timing of debt issuances and the ability to carry out our strategic plan, including potential acquisitions, without needing further shareholder approval of our authorized indebtedness for the foreseeable future.

Accordingly, the following resolution will be presented at the meeting:

RESOLVED, That the shareholders hereby consent to an increase in our authorized indebtedness to not exceed $4 billion at any one time outstanding; and that for the purpose of effecting such increase, bonds, debentures, notes and other instruments evidencing our indebtedness may be issued from time to time in such form and of such character as is desirable to the Board of Directors as long as the maximum indebtedness authorized by this resolution is not exceeded.

The increase in our authorized indebtedness from $2 billion to $4 billion will be approved if the votes cast “For” exceed the votes cast “Against.” Abstentions and broker non-votes will have no effect on this vote.

The Board of Directors of Black Hills Corporation recommends a vote FOR
the increase in authorized indebtedness

Proposal 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of Deloitte & Touche LLP, independent registered public accountants, conducted the audit of Black Hills Corporation and its subsidiaries for 2011. Representatives of Deloitte & Touche LLP will be present at our annual meeting and will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

Our Audit Committee has appointed Deloitte & Touche LLP to perform an audit of our consolidated financial statements and those of our subsidiaries for 2012 and to render their reports. The Board of Directors recommends ratification of the Audit Committee's appointment of Deloitte & Touche LLP. The appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2012 will be ratified if the votes cast "For" exceed the votes cast "Against." Abstentions will have no effect on such vote. If shareholder approval for the appointment of Deloitte & Touche LLP is not obtained, the Audit Committee will reconsider the appointment.

The Board of Directors recommends a vote FOR ratification of the appointment of Deloitte & Touche LLP to serve as our independent registered public accountants for 2012

FEES PAID TO THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table sets forth the aggregate fees for services provided to us for the fiscal years ended December 31, 2011 and 2010 by our independent registered public accounting firm, Deloitte & Touche LLP.

	2011	2010[1]
Audit Fees	$2,428,200	$2,752,500
Audit-Related Fees	138,700	148,500
Tax Fees	654,000	787,100
Total Fees	$3,220,900	$3,688,100

(1) The 2010 amounts were adjusted from amounts shown in the 2011 proxy statement to reflect actual costs.

Audit Fees. Fees for professional services rendered for the audits of our consolidated financial statements, review of the interim consolidated financial statements included in quarterly reports, opinions on the effectiveness of our internal control over financial reporting, and services that generally only the independent auditor can reasonably provide, such as comfort letters, statutory audits, consents and assistance with and review of documents filed with the Securities and Exchange Commission.

Audit-Related Fees. Fees for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees." These services include internal control reviews; attest services that are not required by statute or regulation; employee benefit plan audits; due diligence, consultations and audits related to mergers and acquisitions; and consultations concerning financial accounting and reporting standards.

Tax Fees. Fees for services related to tax compliance, and tax planning and advice including tax assistance with tax audits. These services include assistance regarding federal, state and Canadian tax compliance and advice, review of tax returns, and federal, state and Canadian tax planning.

The services performed by Deloitte & Touche LLP were pre-approved in accordance with the Audit Committee's pre-approval policy whereby the Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accountants. The Audit Committee will generally pre-approve a list of specific services and categories of services, including audit, audit-related, tax and other services, for the upcoming or current fiscal year, subject to a specified cost level. Any service that is not included in the approved list of services must be separately pre-approved by the Audit Committee.

AUDIT COMMITTEE REPORT

In connection with the financial statements for the fiscal year ended December 31, 2011, the Audit Committee has (1) reviewed and discussed the audited financial statements with management; (2) discussed with Deloitte & Touche LLP, our independent registered public accounting firm (the “Auditors”), the matters required to be discussed by the statement on Auditing Standard No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Accounting Oversight Board in Rule 3200T; and (3) received the written disclosures and letter from the Auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the Auditors’ communications with the Audit Committee concerning independence, and has discussed with the Auditors their independence from us.

Based upon these reviews and discussions, the Audit Committee recommended to the Board that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission.

THE AUDIT COMMITTEE

Warren L. Robinson, Chairperson
John R. Howard
Steven R. Mills
Gary L. Pechota

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis describes our overall executive compensation policies and practices and specifically explains the compensation-related actions taken with respect to 2011 compensation for our executive officers included in the Summary Compensation Table (our "Named Executive Officers"). Our Named Executive Officers, based on 2011 positions and compensation levels, are:

- David R. Emery, CEO;
- Anthony S. Cleberg, Chief Financial Officer ("CFO");
- Linden R. Evans, Chief Operating Officer ("COO")-Utilities;
- Steven J. Helmers, Sr. Vice President, General Counsel and Chief Compliance Officer;
- Robert A. Myers, Sr. Vice President, Human Resources.

The Compensation Committee of the Board of Directors (the "Committee," for purposes of this Compensation Discussion and Analysis) is composed entirely of independent directors and is responsible for approving and overseeing our executive compensation philosophy, policies and programs.

Executive Summary

Our long-term success depends on our operational excellence, providing reliable products and services to our customers and investing wisely for present and future shareholder return. To consistently achieve these outcomes we must attract, motivate, and retain highly talented professionals. For these reasons, we promote an executive compensation program that supports the overall objective of enhancing shareholder value, based on principles designed to:

- attract, retain and encourage the development of highly qualified and motivated executives;
- provide compensation that is competitive;
- promote the relationship between pay and performance;
- promote overall corporate performance that is linked to the interests of our shareholders; and
- appropriately recognize and reward performance.

2011 Accomplishments

We made substantial progress on our strategic initiatives in 2011. Accomplishments include, among other things:

- Completing the $491 million, 380 MW gas-fired generation facility in Pueblo, Colorado in record time, on budget and with an industry leading safety record;
- Receiving approval to recover costs and a return associated with the new Pueblo Generation Complex totaling approximately $28 million in annual revenues, effective January 1, 2012;
- Announcing and advancing new utility growth projects during the year that are planned to be placed into service in 2013 to 2014, including a 29 MW wind project for Colorado Electric with a net utility investment of $27 million; $31 million of transmission projects for Colorado Electric; and a $237 million, 132 MW natural gas-fired generation facility for our Cheyenne Light, Fuel & Power and Black Hills Power utilities;
- Completing our review of our oil and gas strategy, initiating a Mancos Shale test drilling program that provided encouraging results, and increasing our Bakken Shale drilling activity which delivered a 20 percent increase in our crude oil production for the year;
- Developing and implementing a cost mitigation plan at our coal mining operations to improve efficiency and profitability;
- Improving our liquidity through a number of financing initiatives, including:

- settling an Equity Forward Agreement by issuing 4,413,519 shares of common stock with net proceeds of approximately $120 million; and
- completing $250 million of term loan financings;

- Increasing the annual dividend for the 41st consecutive year; and
- Achieving a total shareholder return of 13 percent for the year and 46 percent for the three-year period.

Key Executive Compensation Objectives and 2011 Compensation Decisions

Overall, our goal is to target total direct compensation (the sum of base salary, short-term bonus and long-term incentives) at the median of the appropriate market when our operating results approximate average performance in relation to our peers.

- The total target compensation for our Named Executive Officers in 2011 averaged one percent above the median of the market.

Our executive compensation is designed to maintain an appropriate and competitive balance between fixed and variable compensation components, short- and long-term compensation, and cash and stock-based compensation. The total target compensation mix for our Named Executive Officers in 2011 averaged:

- 40 percent fixed and 60 percent variable;
- 60 percent base and short-term incentive and 40 percent long-term incentive; and
- 50 percent cash and 50 percent equity.

We believe that the performance basis for determining compensation should differ by each reward component – base salary, short-term incentive and long-term incentive. Incentive measures (short- and long-term) should emphasize objective, quantitative operating measures. The performance measures for our incentive compensation plans are as follows:

- Base Salary – Merit increases for base salary take into account the individual executive’s performance and achievement of goals as well as the executive’s current salary level relative to market. In 2011, the Committee approved base salary increases for our Named Executive Officers averaging 6.2 percent.

- Short-Term Incentive – The short-term incentive is based on earnings per share targets. The Committee believes that this performance measure closely aligns the executives’ and our shareholders’ interests and fosters teamwork and cooperation.
  - The 2011 short-term target incentive opportunity was increased for our CEO, CFO and COO-Utilities, to the market median as follows:
    - CEO - from 70 percent to 80 percent of base salary
    - CFO - from 45 percent to 50 percent of base salary
    - COO Utilities - from 50 percent to 60 percent of base salary
  - The 2011 short-term target incentive remained the same as the prior year at 40 percent of base salary for our Sr. Vice President and General Counsel and our Sr. Vice President, Human Resources.
  - Based on the attainment of pre-established performance goals the actual payout can range from 30 percent to 200 percent of target.
  - The Committee selected a composite earnings per share goal as the 2011 corporate goal that was weighted 90 percent on non-energy marketing earnings per share and 10 percent on energy marketing earnings per share. The Committee chose this weighted methodology because it addresses the volatility of our energy marketing segment’s earnings, and the potential for this volatility to disproportionately influence bonus outcomes for participants in the Short-Term Incentive Plan, both positively and negatively, and also because many participants were not directly involved in the energy marketing segment.
  - On January 25, 2012, the Committee approved a payout of 65.7 percent of target under the 2011 Short-Term Incentive Plan, comprised of a 49.4 percent payout from non-energy marketing earnings and a 16.3 percent payout from energy marketing earnings.

-

Long-Term Incentive – The long-term incentive is delivered 50 percent in restricted stock that vests over a three-year service period and 50 percent in performance shares. Entitlement to the performance shares is based on our total shareholder return over a three-year performance period compared to our peer group. This performance measure was chosen because it mirrors the market return of our shareholders and compares our performance to that of our peer group.

Performance Share Plan Payment

- Although our total shareholder return for the three-year period was 46 percent, we only ranked at the 34th percentile of our peer group, resulting in no payout for our Named Executive Officers.

Restricted Stock Grant

- Consistent with prior years, the Committee awarded 50 percent of the Named Executive Officers' Long-Term Incentive in restricted stock that ratably vests over three years.

We also have several governance programs in place to align our executive compensation with shareholder interests and to mitigate risks in our plans. These programs include stock ownership guidelines and clawback provisions in our short- and long-term incentive award agreements. At our 2011 annual meeting, 95% of our voting shareholders approved our executive compensation for 2010, which we consider highly supportive of our current compensation philosophy.

Setting Executive Compensation

Based upon our compensation philosophy, the Committee structures our executive compensation to motivate our officers to achieve specified business goals and to reward them for achieving such goals. The key steps the Committee follows in setting executive compensation are to:

- analyze executive compensation market data to ensure market competitiveness;
- review the components of executive compensation, including base salary, short-term incentive, long-term incentive, retirement and other benefits;
- review total compensation mix and structure; and
- review executive officer performance, responsibilities, experience and other factors cited above, to determine individual compensation levels.

Market Compensation Analysis

The market for our senior executive talent is national in scope and is not focused on any one geographic location, area or region of the country. As such, our executive compensation should be competitive with the national market for senior executives. It should also reflect the executive's responsibilities and duties and align with the compensation of executives at companies or business units of comparable size and complexity. The Committee gathers market information for our corporate executives from the utility and energy industry, recognizing the significant impact of our regulated utility operations on overall company strategy and performance.

The Committee selects and retains the services of an independent consulting firm to periodically:

- provide information regarding practices and trends in compensation programs;
- review and evaluate our compensation program as compared to compensation practices of other companies with similar characteristics, including size and type of business;
- review and assist with the establishment of a peer group of companies; and
- provide a compensation analysis of the executive positions.

The Committee used the services of Towers Watson to evaluate 2011 compensation. Towers Watson gathered data from nationally recognized survey providers, as well as specific peer companies through public filings, which included:

- Towers Watson's 2010 Compensation Data Bank (utility and general industry);
- Towers Watson's 2010 Energy Marketing & Trading Survey; and
- 19 peer companies representing the utility and energy industry.

The 19 peer companies ranged in revenue size from approximately $750 million to $4.2 billion with the median at $1.6 billion. These are the same companies the Committee chose for our peer group for our Performance Share

Program. The survey data were adjusted for our size using either regression analysis or tabular data from companies with annual revenues between $1 billion and $3 billion.

Our peer companies include:

AGL Resources Inc.	IDACORP, Inc.	NV Energy, Inc.
ALLETE Inc.	MDU Resources Group, Inc.	UIL Holdings Corporation
Avista Corp	NorthWestern Corporation	UniSource Energy Corporation
CH Energy Group Inc.	Otter Tail Corporation	Vectren Corporation
Cleco Corporation	PNM Resources, Inc.	Westar Energy, Inc.
Great Plains Energy Incorporated	Portland General Electric Company	WGL Holdings, Inc.

(DPL Inc. and Puget Energy were originally included in our peer group but were removed because DPL was acquired by another company in 2011 and Puget Energy was acquired by another company in 2009. DPL was included in Tower Watson's 2011 compensation evaluation.)

The salary surveys are one of several factors the Committee uses in setting appropriate compensation levels. Other factors include company performance, individual performance and experience, the level and nature of the executive's responsibilities, and discussions with the CEO related to the other officers.

Components of Executive Compensation

The components of our executive compensation program consist of a base salary, a short-term incentive plan, and a long-term incentive award program. In addition, we provide income for our officers' retirement and other benefits.

An important component of the total compensation is derived from incentive compensation. Incentive compensation is intended to motivate and encourage our executives to drive performance and achieve superior results for our shareholders. The Committee periodically reviews information provided by the compensation consultant to determine the appropriate level and mix of incentive compensation. Actual income in the form of incentive compensation is realized by the executive as a result of achieving Company goals and overall stock performance. The Committee believes that a significant portion of total target compensation should be comprised of incentive compensation. In order to reward long-term growth as well as short-term results, the Committee establishes incentive targets that emphasize long-term compensation at a greater level than short-term compensation.

The Committee annually reviews all components of each executive officer's compensation, including salary, short-term incentive, equity and other long-term incentive compensation values granted, and the current and potential value of the executive officer's total Black Hills Corporation equity holdings.

The components of total target compensation in 2011 were as follows:

	Base Salary	Short-Term Incentive	Long-Term Incentive
David R. Emery, CEO	33%	26%	41%
Anthony S. Cleberg, CFO	40%	20%	40%
Linden R. Evans, COO-Utilities	38%	23%	39%
Steven J. Helmers, Sr. Vice President and General Counsel	43%	17%	40%
Robert A. Myers, Sr. Vice President, Human Resources	48%	19%	33%

The total target compensation for our Named Executive Officers in 2011 averaged one percent above the market median.

Base Salary. Base salaries for all officers are reviewed annually. We also adjust the base salary of our executives at the time of a promotion or change in job responsibility, as appropriate. The base salary component is compared to the median of the market data provided by the compensation consultant. The actual base salary of each officer is determined by the executive's performance, the experience level of the officer, the executive's current position in a

market-based salary range, and internal pay relationships. Evaluation of 2011 base salary adjustments occurred in January 2011. The Committee approved base salary increases for our Named Executive Officers averaging 6.2 percent.

Short-Term Incentive. Our Short-Term Incentive Plan is designed to recognize and reward the contributions of individual executives as well as the contributions that group performance makes to overall corporate success. The program's goal for our corporate officers is based on earnings per share targets in order to closely align interests with shareholders and to foster

teamwork and cooperation within the officer team. The short-term incentive, after applicable tax withholding, is distributed to the officer in the form of 50 percent stock and 50 percent cash, unless the officer has met his or her stock ownership guideline, in which case he or she may elect to receive the total award in cash, after deductions and applicable tax withholding. Target award levels are established as a percentage of each participant's base salary. A target award is comparable to the average short-term incentive payout award of the peer group at the 50th percentile level. The actual payout will vary, based on performance, between zero and 200 percent of the individual executive's short-term incentive target award level.

The Committee approves the target level for each officer in January, which applies to performance in the plan year. Target levels are derived in part from competitive data provided by the compensation consultant and in part by the Committee's judgment regarding internal equity, retention and an individual executive's expected contribution to the achievement of our strategic objectives. The target levels for the positions held by our Named Executive Officers in 2011 are shown below.

CEO	80%
COO-Utilities	60%
CFO	50%
Sr. Vice President and General Counsel	40%
Sr. Vice President, Human Resources	40%

The threshold, target and maximum payout levels for our Named Executive Officers under the 2011 Short-Term Incentive Plan are shown in the Grants of Plan Based Awards in 2011 table on page 31, under the heading "Estimated Possible Payouts Under Non-Equity Incentive Plan Awards."

Early in the first quarter, the Committee meets to establish the goals for the current plan year, to evaluate actual performance in relation to the prior year's targets and to approve the actual payment of awards related to the prior plan year. The Committee reserves the discretion to adjust any award, and will review and take into account individual performance, level of contribution, and the accomplishment of specific project goals that were initiated throughout the plan year.

Consistent with 2009 and 2010, for 2011 the Committee selected a composite earnings per share goal weighted between non-energy marketing earnings and energy marketing earnings. Based on this methodology, the 2011 composite earnings per share goal was weighted 90 percent non-energy marketing earnings per share and 10 percent energy marketing earnings per share. The Committee chose this weighted methodology because it addresses the volatility of our energy marketing segment's earnings and the potential for this volatility to disproportionately influence bonus outcomes for participants in the Short-Term Incentive Plan, both positively and negatively, and also because many participants were not directly involved in the energy marketing segment. It also meets the objectives of the plan, including:

- aligns the interests of the plan participants and the shareholders with a corporate-wide component;
- motivates employees and supports the corporate compensation philosophy;
- easily understood and communicated to ensure "buy-in" from the participants; and
- meets the performance objectives of the plan, to achieve over time an average payout equal to market competitive levels.

The Committee approved the goals for 2011 for the corporate officers as follows:

Threshold	Non-energy Marketing Earnings Per Share Goal	Energy Marketing Earnings Per Share Goal	Payout % of Target
Minimum	$1.69	$0.15	30%

Target	$1.88	$0.17	100%
Maximum	$2.16	$0.20	200%

The target earnings per share goal for 2011 was equal to budgeted earnings per share. On January 25, 2012, the Committee approved a payout of 65.7 percent of target under the 2011 Short-Term Incentive Plan, comprised of a 49.4 percent payout (55 percent weighted 90 percent) from non-energy marketing earnings and a 16.3 percent payout (163 percent weighted 10 percent) from energy marketing earnings. The actual consolidated non-energy marketing earnings for 2011 were $1.01 per share. After adjusting the earnings for the non-cash, mark-to-market loss of $0.68 per share on forward interest rate swaps, one-time costs of $0.02 per share associated with the ratification of five union contracts and $0.05 per share for discontinued

operations, adjusted non-energy marketing earnings were $1.76 per share. This resulted in a payout of 55 percent of target for the non-energy marketing earnings goal. Energy marketing had net income of approximately $0.23 per share in 2011. After adjusting downward $0.05 per share for impacts on accounting for discontinued operations, adjusted energy marketing earnings were $0.19 per share, resulting in a 163 percent payout for the energy marketing earnings goal. The 2011 award, after applicable tax withholding, was distributed in the form of 100 percent cash to all of our Named Executive Officers because they had met their stock ownership guidelines and elected to receive their 2011 award in the form of 100 percent cash. Awards for corporate officers under the Short-Term Incentive Plan have varied significantly over the last five years, as shown below.

Plan Year	Payout % of Target
2011	66%
2010	160%
2009	56%
2008	52%
2007	200%

Actual awards made to each of our Named Executive Officers under the Short-Term Incentive Plans for 2011 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 29.

Long-Term Incentive. Long-term incentive compensation is comprised of grants made by the Committee under our 2005 Omnibus Incentive Plan ("Omnibus Incentive Plan") which was previously approved by our shareholders. Long-term incentive compensation is intended to:

- promote corporate goals by linking the personal interests of participants to those of our shareholders;
- provide participants with an incentive for excellence in individual performance;
- promote teamwork among participants; and
- provide flexibility in our effort to motivate, retain, and attract the services of participants who make significant contributions to our success by allowing participants to share in such success.

The Committee oversees the administration of the Omnibus Incentive Plan with full power and authority to determine when and to whom awards will be granted, along with the type, amount and other terms and conditions of each award. The long-term incentive compensation component is currently composed of restricted stock (or restricted stock units if the executive elects to defer the compensation) and performance shares. The Committee chose these components because linking executive compensation to stock price appreciation and total shareholder return is an effective way to align the interests of management with those of our shareholders. The Committee selected total shareholder return as the performance goal for the performance shares because it believes executive pay under a long-term, capital accumulation program should mirror our performance in shareholder return as compared to our peer group of companies.

The value of long-term incentives awarded is based primarily on competitive market-based data presented by the compensation consultant to the Committee, the impact each position has on our shareholder return and internal pay relationships. The Committee approved the target long-term incentive compensation level for each officer in January.

Long-term incentive compensation approved for 2011 for our Named Executive Officers is shown in the table below.

	Long-Term Incentive Value	Percentage of Base Salary
David R. Emery, CEO	$800,000	123%
Anthony S. Cleberg, CFO	$350,000	103%
Linden R. Evans, COO-Utilities	$400,000	103%
	$270,000	92%

Steven J. Helmers, Sr. Vice President and General Counsel		
Robert A. Myers, Sr. Vice President, Human Resources	$200,000	68%

The variance in percentage of base salary for the long-term incentive value of our Named Executive Officers reflects our philosophy that the CEO, CFO and COO should have more of their total compensation at risk because they hold positions that have a greater impact on our long-term results.

Restricted stock (or restricted stock units) is used to deliver 50 percent of the long-term incentive award amounts, with the remaining 50 percent delivered in the form of performance shares. The actual shares of restricted stock and performance shares granted in 2011 are reflected in the tables in the Restricted Stock and Restricted Stock Units and Performance Shares sections that follow.

Restricted Stock and Restricted Stock Units. Restricted stock and restricted stock units vest one-third each year over a three-year period, and automatically vest in their entirety upon death, disability or a change in control. Dividends are paid on the restricted stock and dividend equivalents accrue on restricted stock units. Unvested restricted stock or units are forfeited if an officer's employment is terminated for any reason other than death, disability or in the event of a change in control. Corporate officers may elect to receive the award in the form of restricted stock, or to defer the payment under the Nonqualified Deferred Compensation Plan, in the form of restricted stock units. The number of shares awarded in 2011 for each of our Named Executive Officers is shown below and is included in the Grants of Plan Based Awards in 2011 table under the heading "All Other Stock Awards: Number of Shares of Stock or Units" and "Grant Date Fair Value of Stock Awards" on page 31.

David R. Emery, CEO	13,206
Anthony S. Cleberg, CFO	5,777
Linden R. Evans, COO-Utilities	6,603
Steven J. Helmers, Sr. Vice President and General Counsel	4,457
Robert A. Myers, Sr. Vice President, Human Resources	3,301

Performance Shares. Participants are awarded a target number of performance shares based upon the value of the individual performance share component approved by the Committee, divided by the Beginning Stock Price. The Beginning Stock Price, as defined under the Performance Plan, is the average of the closing price of our common stock for the 20 trading days immediately preceding the beginning of the plan period. Entitlement to performance shares is based on our total shareholder return over designated performance periods, as measured against our peer group. The peer group for the performance plan is the same as our peer group used for our market compensation analysis and is listed on page 22. In addition, in order for any performance shares to be awarded, our stock price must also increase during the performance period from the Beginning Stock Price for the performance periods that began in 2009. For the performance periods that began in 2010 and 2011, the Committee modified the plan, whereby the Ending Stock Price must be at least equal to 75 percent of the Beginning Stock Price, in order for any performance shares to be awarded. The final value of the performance shares is based upon the number of shares of common stock that are ultimately granted, based upon our performance in relation to the performance criteria. At the end of each respective performance period, actual awards may range from 0 percent to 175 percent of the target share amounts plus accrued dividends. A 100 percent payout of the target shares occurs if our total shareholder return exceeds the 50th percentile of the peer group. A zero percent payout occurs if we are below the 40th percentile and a maximum payout of 175 percent occurs if we perform at the 80th percentile or above. The performance awards and dividend equivalents, if earned, are paid in 50 percent cash and 50 percent common stock. All payroll deductions and applicable tax withholding related to the award are withheld from the cash portion. Performance share target grant values for new performance periods are approved in January of each year.

Each performance share period extends for three years. For the recently completed performance period, January 1, 2009 to December 31, 2011, our total shareholder return was 46 percent, which ranked at the 34th percentile of our peer group, resulting in no payout. Several factors significantly impacted our stock performance and our financial performance during this period of time, including a dramatic decrease in natural gas prices from mid-2008 levels and impacts from the global economic crisis that commenced in late 2008. Our officers have not received a payout under the plan since 2007 as shown in the table below.

Performance Period	Payout % of Target
January 1, 2009 to December 31, 2011	0

January 1, 2008 to December 31, 2010	0
January 1, 2007 to December 31, 2009	0
January 1, 2006 to December 31, 2008	0
January 1, 2005 to December 31, 2007	175

Target shares for each of our Named Executive Officers for the outstanding performance periods are as follows:

	January 1, 2010 to December 31, 2012 Performance Period	January 1, 2011 to December 31, 2013 Performance Period
David R. Emery	11,982	13,162
Anthony S. Cleberg	5,706	5,758
Linden R. Evans	7,227	6,581
Steven J. Helmers	4,945	4,442
Robert A. Myers	3,328	3,291

Actual payouts, if any, will be determined based upon our total shareholder return for the plan period in comparison to our peer group.

Performance Evaluation

Role of Executive Officers in Compensation Decisions. The CEO annually reviews the performance of each of our senior officers and presents a summary of his evaluations to the Committee. Based upon these performance reviews, market analysis conducted by compensation consultants and discussions with our Sr. Vice President, Human Resources, the CEO recommends the compensation for this group of officers to the Committee.

Role of the Committee and Board in Setting Executive Compensation. At the beginning of each year, the Committee reviews and establishes the Company's financial targets and the CEO's goals and objectives for the year. At the end of each year, the Committee evaluates the CEO's performance in light of established goals and objectives, with input from the other independent directors. Based upon the Committee's evaluation and recommendation, the independent directors of the Board set the CEO's annual compensation, including salary, short-term incentive, long-term incentive and equity compensation.

The Committee reviews the CEO's evaluation of the performance of our senior officers. The Committee may approve the CEO's compensation recommendations for this group of officers or exercise its discretion in modifying any of the recommended compensation and award levels in its review and approval process. The Committee is required to approve all decisions regarding equity awards to our officers.

Stock Ownership Guidelines

The Committee has implemented stock ownership guidelines that apply to all officers based upon their level of responsibility. We believe it is important for our officers to hold a significant amount of our common stock to further align their performance with the interest of our shareholders. A "retention ratio" approach to stock ownership is incorporated into the guidelines. Officers are expected to retain 100 percent of all shares owned, including shares awarded through our incentive plans (net of share withholding for taxes and in the case of cashless stock option exercises, net of the exercise price and withholding for taxes) until specific ownership goals are achieved. Ownership guidelines are denominated in share amounts that approximate a multiple of base salary.

The ownership guidelines and current stock ownership of our Named Executive Officers as of March 1, 2012, are shown below.

Officer Level	Ownership Guideline (# of Shares)	Actual Ownership (# of Shares)	Years in Position

David R. Emery, CEO	90,000	121,411	8
Anthony S. Cleberg, CFO	40,000	44,656	3.5
Linden R. Evans, COO-Utilities	40,000	60,735	7
Steven J. Helmers, Sr. Vice President and General Counsel	25,000	43,407	11
Robert A. Myers, Sr. Vice President, Human Resources	25,000	25,215	3

2011 Benefits

Retirement Benefits. We maintain a variety of employee benefit plans and programs in which our executive officers may participate. We believe it is important to provide post-employment benefits to our executive officers and the benefits we provide approximate retirement benefits paid by other employers to executives in similar positions. The Committee periodically reviews the benefits provided, with assistance from its compensation consultant, to maintain a market-based benefits package. None of our Named Executive Officers received any pension benefit payments in 2011.

Effective January 1, 2010, we adopted a defined contribution plan design as our primary retirement plan and amended our Defined Benefit Pension Plan ("Pension Plan") for all eligible employees to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits. Employees eligible to elect continued participation were those employees who were at least 45 years old and had at least 10 years of eligible service with us as of January 1, 2010. Mr. Emery is our only Named Executive Officer who met the age and service requirement and continues to accrue benefits under the Pension Plan. Employees whom no longer accrue benefits under the Pension Plan now receive Company Retirement Contributions ("Retirement Contributions") in the Retirement Savings Plan. The Retirement Contributions are an age and service points-based calculation.

The 401(k) Retirement Savings Plan is offered to all our eligible employees and we provide matching contributions for certain eligible participants. All of our Named Executive Officers are participants in the 401(k) Retirement Savings Plan and received matching contributions in 2011. The matching contributions and the Retirement Contributions are included as "All Other Compensation" in the Summary Compensation Table on page 29.

We also provide Nonqualified Plans to certain officers because of Internal Revenue Code limitations imposed on the qualified plans. The level of retirement benefits provided by the Pension Plan and Nonqualified Plans for each of our Named Executive Officers is reflected in the Pension Benefits for 2011 table on page 34. Our contributions to the Nonqualified Deferred Compensation Plan are included in the Other Compensation column of the Summary Compensation Table on page 29 and the aggregate Nonqualified Deferred Compensation balance at December 31, 2011 is reported in the Nonqualified Deferred Compensation for 2011 table on page 37. These retirement benefits are explained in more detail in the accompanying narrative to the tables.

Other Personal Benefits. We provide a limited number of other personal benefits to our executive officers, including personal use of a Company vehicle. The total value of these benefits in 2011 did not exceed $11,000 for any one of our Named Executive Officers and are disclosed in the Summary Compensation Table on page 29. The Committee periodically reviews the other personal benefits provided to our executive officers and believes the current benefits are reasonable and consistent with our overall compensation program.

Change in Control Payments

Our Named Executive Officers may also receive severance benefits in the event of a change in control. We have no employment agreements with our Named Executive Officers. However, change in control agreements are common among our peer group and the Committee and our Board of Directors believe providing these agreements to our corporate officers protects our shareholder interests in the event of a change in control by helping assure management focus and continuity. Our change in control agreements have expiration dates and our Board of Directors conducts a thorough review of the change in control agreements at each renewal period. Our current change in control agreements expire November 15, 2013. In general, our change in control agreements provide a severance payment of up to 2.99 times average compensation for our CEO, and up to two times average compensation for the other Named Executive Officers. The change in control agreements do not provide for excise tax gross-ups and contain a "double trigger,"

providing benefits in association with

(1) a change in control, and
(2) (i) a termination of employment other than by death, disability or by us for cause, or
(ii) a termination by the employe for good reason.

See the Potential Payments Upon Termination or Change in Control table on page 38 and the accompanying narrative for more information regarding our change in control agreements and estimated payments associated with a change in control.

Tax and Accounting Implications

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, limits the tax deductibility by a corporation of compensation in excess of $1 million paid to certain of its officers. Compensation which qualifies as “performance-based” is excluded from the $1 million limit, if, among other requirements, the compensation is payable only upon attainment of pre-established, objective performance goals under a plan approved by the corporation’s shareholders. The Compensation Committee generally manages a large share of our incentive compensation for our Named Executive Officers to qualify for the “performance-based” exemption. It also has the discretion to design and use compensation elements that may not be deductible under Section 162(m) if it determines those elements are in line with competitive practice, our compensation philosophy, and our best interests.

Clawback Policy

We have a policy that if an accounting restatement occurs after incentive payments have been made, due to the results of misconduct associated with financial reporting, the Committee will seek repayment of the incentive compensation from our CEO and CFO, and has the discretion to request repayment of incentive compensation from our other officers, taking into consideration the individual roles and responsibilities prompting the restatement.

In addition, our award agreements for restricted stock and target performance shares include clawback provisions whereby the participant may be required to repay all income or gains previously realized in respect of such awards if their employment is terminated for cause, or within one year following termination of employment, the Board determines that the participant engaged in conduct prior to their termination that would have constituted the basis for a termination of employment for cause.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Jack W. Eugster, Chairperson
David C. Ebertz
Stephen D. Newlin
Rebecca B. Roberts
Thomas J. Zeller

SUMMARY COMPENSATION TABLE

The following table sets forth the total compensation paid or earned by each of our Named Executive Officers for the years ended December 31, 2011, 2010 and 2009. We have no employment agreements with our Named Executive Officers.

Name and Principal Position	Year	Salary	Stock Awards(1)	Non-Equity Incentive Plan Compensation(2)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings (3)	All Other Compensation(4)	Total
David R. Emery	2011	$638,462	$741,037	$ 341,803	$1,263,510	$ 61,133	$3,045,945
Chairman, President	2010	$588,924	$605,554	$ 672,000	$766,046	$ 60,138	$2,692,662
and Chief Executive Officer	2009	$564,000	$674,723	$ 221,088	$361,799	$ 51,990	$1,873,600
Anthony S. Cleberg	2011	$336,538	$324,175	$ 111,743	$9,640	$ 229,078	$1,011,174
Executive Vice	2010	$321,923	$288,372	$ 234,000	$—	$ 149,607	$993,902
President and Chief Financial Officer	2009	$315,000	$321,300	$ 79,380	$102,058	$ 198,778	$1,016,516
Linden R. Evans	2011	$383,077	$370,519	$ 153,812	$58,978	$ 223,235	$1,189,621
President and Chief	2010	$333,538	$365,257	$ 288,000	$—	$ 148,397	$1,135,192
Operating Officer – Utilities	2009	$274,000	$406,978	$ 76,720	$102,553	$ 29,086	$889,337
Steven J. Helmers	2011	$291,538	$250,095	$ 77,563	$249,809	$ 96,448	$965,453
Sr. Vice President	2010	$276,923	$249,918	$ 179,200	$178,390	$ 74,271	$958,702
and General Counsel	2009	$270,000	$278,462	$ 76,720	$113,474	$ 26,231	$764,887
Robert A. Myers	2011	$292,000	$185,257	$ 77,563	$—	$ 173,436	$728,256
Sr. Vice President,	2010	$279,846	$168,199	$ 180,480	$—	$ 125,821	$754,346
Human Resources	2009	$261,322	$287,404	$ 61,600	$28,938	$ 101,990	$741,254

(1) Stock Awards represent the grant date fair value related to restricted stock, restricted stock units and performance shares that have been granted as a component of long-term incentive compensation. The grant date fair value is computed in accordance with the provisions of accounting standards for stock compensation. Assumptions used in the calculation of these amounts are included in Note 11 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011. The amount included for performance shares is based on the level the award is expected to payout. If the award were based on the maximum payout level, the amounts for the Stock Awards column would be increased to the following amounts:

	2011	2010	2009
David R. Emery	$996,808	$823,477	$944,509
Anthony S. Cleberg	$436,067	$392,150	$449,766
Linden R. Evans	$498,404	$496,698	$569,717
Steven J. Helmers	$336,414	$339,854	$389,802
Robert A. Myers	$249,209	$228,727	$362,347

(2) Non-Equity Incentive Plan Compensation represents amounts earned under the Short-Term Incentive Plan. The Compensation Committee approved the payout of the 2011 awards at its January 25, 2012 meeting and the awards

were paid on March 2, 2012.

(3) Change in Pension Value and Nonqualified Deferred Compensation Earnings represents the net positive increase in actuarial value of the Pension Plan, Pension Restoration Benefit ("PRB") and Pension Equalization Plans ("PEP") for the respective years.

The Pension Plan and PRB were frozen effective January 1, 2010 for participants who did not satisfy the age 45 and 10 years of service eligibility. Messrs. Cleberg, Evans and Helmers did not meet the eligibility choice criteria and their Defined Pension and PRB benefits were frozen. Mr. Myers did not meet the one year service requirement prior to the freeze date and therefore was never in the Pension Plan.

The PEP is offered through the Grandfathered Pension Equalization Plan ("Grandfathered PEP"), 2005 Pension Equalization Plan ("2005 PEP") and 2007 Pension Equalization Plan ("2007 PEP"). Messrs. Emery and Helmers are participants in the Grandfathered PEP and 2005 PEP. Messrs. Cleberg, Evans and Myers were the only Named Executive Officers participating in the 2007 PEP. The 2007 PEP was eliminated effective January 1, 2010 and was replaced with employer contributions into a Nonqualified Deferred Compensation Plan ("NQDC"). The NQDC employer contributions are reported in the All Other Compensation column.

No Named Executive Officer received preferential or above-market earnings on nonqualified deferred compensation. The value attributed to each Named Executive Officer from each plan is shown in the table below.

	Year	Defined Benefit Plan	PRB	PEP	Total Change in Pension Value
David R. Emery	2011	$127,968	$627,383	$508,159	$1,263,510
	2010	$88,118	$369,162	$308,766	$766,046
	2009	$43,690	$167,024	$151,085	$361,799
Anthony S. Cleberg	2011	$6,644	$2,996	$—	$9,640
	2010	$3,713	$2,660	$(52,506)	$—
	2009	$36,790	$12,762	$52,506	$102,058
Linden R. Evans	2011	$33,608	$25,370	$—	$58,978
	2010	$22,976	$19,195	$(163,783)	$—
	2009	$25,375	$24,629	$52,549	$102,553
Steven J. Helmers	2011	$37,490	$22,071	$190,248	$249,809
	2010	$28,263	$18,239	$131,888	$178,390
	2009	$34,129	$18,295	$61,050	$113,474
Robert A. Myers	2011	$—	$—	$—	$—
	2010	$—	$—	$(28,938)	$—
	2009	$—	$—	$28,938	$28,938

(4) All Other Compensation includes amounts allocated under the 401(k) match, defined contributions, NQDC contributions, dividends received on restricted stock and other personal benefits. Mr. Cleberg's 2009 other personal benefits also include temporary living, travel and other relocation expenses, including an $89,050 loss on the sale of his home in 2009.

	Year	401(k) Match	Defined Contribution	NQDC Contribution	Dividends on Restricted Stock	Other Personal Benefits	Total Other Compensation
David R. Emery	2011	$14,700	—	—	$38,494	$7,939	$61,133
Anthony S. Cleberg	2011	$14,700	$7,350	$181,263	$18,370	$7,395	$229,078
Linden R. Evans	2011	$14,700	$7,350	$172,562	$21,225	$7,398	$223,235
Steven J. Helmers	2011	$14,700	$7,350	$54,062	$14,414	$5,922	$96,448
Robert A. Myers	2011	$14,700	$7,296	$129,144	$11,426	$10,870	$173,436

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GRANTS OF PLAN BASED AWARDS IN 2011[1]

Name	Grant Date	Date of Comp-ensation Committee Action	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Future Payouts Under Equity Incentive Plan Awards[3]			All Other Stock Awards: Number of Shares of Stock or Units[4] (#)	Grant Date Fair Value of Stock Awards[5] ($)
Name			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)		
David R. Emery			$156,000	$520,000	$1,040,000					
	1/26/11	1/26/11				6,581	13,162	23,034		$341,027
	2/7/11	1/26/11							13,206	$400,010
Anthony S. Cleberg			$51,000	$170,000	$340,000					
	1/26/11	1/26/11				2,879	5,758	10,077		$149,190
	2/7/11	1/26/11							5,777	$174,985
Linden R. Evans			$70,200	$234,000	$468,000					
	1/26/11	1/26/11				3,291	6,581	11,517		$170,514
	2/7/11	1/26/11							6,603	$200,005
Steven J. Helmers			$35,400	$118,000	$236,000					
	1/26/11	1/26/11				2,221	4,442	7,774		$115,092
	2/7/11	1/26/11							4,457	$135,003
Robert A. Myers			$35,400	$118,000	$236,000					
	1/26/11	1/26/11				1,646	3,291	5,759		$85,270
	2/7/11	1/26/11							3,301	$99,987

(1) No stock options were granted to our Named Executive Officers in 2011.

(2) The columns under "Estimated Future Payouts Under Non-Equity Incentive Plan Awards" show the range of payouts for 2011 performance under our Short-Term Incentive Plan as described in the Compensation Discussion and Analysis under the section titled "Short-Term Incentive" on page 22. If the performance criteria are met, payouts can range from 30 percent of target at the threshold level to 200 percent of target at the maximum level. The 2012 bonus payment for 2011 performance has been made based on achieving the criteria described in the Compensation Discussion and Analysis, at 65.7 percent of target, and is shown in the Summary Compensation Table on page 29 in the column titled "Non-Equity Incentive Plan Compensation."

(3) The columns under "Estimated Future Payouts Under Equity Incentive Plan Awards" show the range of payouts (in shares of stock) for the January 1, 2011 to December 31, 2013 performance period as described in the Compensation Discussion and Analysis under the section titled "Long-Term Incentive – Performance Shares" on page 25. If the performance criteria are met, payouts can range from 50 percent of target to 175 percent of target. If a participant retires, suffers a disability or dies during the performance period, the participant or the participant's estate is entitled to that portion of the number of performance shares as such participant would have been entitled to had he or she remained employed, prorated for the number of months served. Performance shares are forfeited if employment is terminated for any other reason. During the performance period, dividends and other distributions paid with respect to the shares of common stock accrue for the benefit of the participant and are paid out at the end of the performance period.

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(4) The column “All Other Stock Awards” reflects the number of shares of restricted stock granted on February 7, 2011 under our 2005 Omnibus Incentive Plan. The restricted stock vests one-third each year over a three-year period, and automatically vests upon death, disability or a change in control. Unvested restricted stock is forfeited if employment is terminated for any other reason. Dividends are paid on the restricted stock and the dividends that were paid in 2011 are included in the column titled “All Other Compensation” in the Summary Compensation Table on page 29.

(5) The column “Grant Date Fair Value of Stock Awards” reflects the grant date fair value of each equity award computed in accordance with the provisions of accounting standards for stock compensation. The grant date fair value for the performance shares was $25.91 per share and was calculated using a Monte Carlo simulation model. Assumptions used in the calculation are included in Note 11 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011. The grant date fair value for the restricted stock was $30.29 per share for the February 7, 2011 grant which was the market value of our common stock on the date of grant as reported on the New York Stock Exchange.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2011[1]

	Option Awards			Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested[2] (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[2] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
David R. Emery	4,595	$35.10	4/23/12	25,097	$842,757	12,572	$422,168
	7,500	$27.49	3/31/13				
	13,787	$28.09	5/15/13				
Anthony S. Cleberg	—	—	—	11,440	$384,155	5,732	$192,481
Linden R. Evans	2,000	$32.34	6/17/12	13,776	$462,598	6,905	$231,836
	3,000	$25.16	12/10/12				
	5,000	$29.83	12/31/13				
Steven J. Helmers	10,110	$35.10	4/23/12	9,365	$314,477	4,694	$157,608
Robert A. Myers	—	—	—	7,826	$262,797	3,310	$111,133

(1) There were no unexercisable stock options or unexercised unearned options under equity incentive plans outstanding at December 31, 2011 for our Named Executive Officers.

(2) Vesting dates for restricted stock and performance shares are shown in the table below. The performance shares shown with a vesting date of December 31, 2011 reflect no payout for the performance period ended December 31, 2011. On January 25, 2012, the Compensation Committee confirmed that the performance criteria were not met and there would be no payout. The performance shares with a vesting date of December 31, 2012 and 2013 are shown at the threshold payout.

Name	Unvested Restricted Stock # of Shares	Vesting Date	Unvested and Unearned Performance Shares # of Shares	Vesting Date
David R. Emery	3,848	01/02/12	—	12/31/11
	4,021	02/01/12	5,991	12/31/12
	4,402	02/07/12	6,581	12/31/13
	4,022	02/01/13		
	4,402	02/07/13		
	4,402	02/07/14		
Anthony S. Cleberg	1,833	01/02/12	—	12/31/11
	1,915	02/01/12	2,853	12/31/12
	1,925	02/07/12	2,879	12/31/13
	1,915	02/01/13		
	1,926	02/07/13		
	1,926	02/07/14		
Linden R. Evans	2,321	01/02/12	—	12/31/11
	2,426	02/01/12	3,614	12/31/12
	2,201	02/07/12	3,291	12/31/13
	2,426	02/01/13		
	2,201	02/07/13		
	2,201	02/07/14		
Steven J. Helmers	1,588	01/02/12	—	12/31/11
	1,660	02/01/12	2,473	12/31/12
	1,485	02/07/12	2,221	12/31/13
	1,660	02/01/13		
	1,486	02/07/13		
	1,486	02/07/14		
Robert A. Myers	2,291	01/02/12	—	12/31/11
	1,117	02/01/12	1,664	12/31/12
	1,100	02/07/12	1,646	12/31/13
	1,117	02/01/13		
	1,100	02/07/13		
	1,101	02/07/14		

OPTION EXERCISES AND STOCK VESTED DURING 2011

Name	Option Awards		Stock Awards[1]	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
David R. Emery	—	—	9,038	$390,432
Anthony S. Cleberg	—	—	4,943	$182,283
Linden R. Evans	—	—	5,179	$220,233
Steven J. Helmers	—	—	3,501	$149,572
Robert A. Myers	—	—	3,048	$104,198

(1) Reflect restricted stock that vested in 2011.

PENSION BENEFITS FOR 2011

We made major retirement plan design changes effective January 1, 2010. We adopted a defined contribution plan design as our primary retirement plan and amended our Pension Plan and Nonqualified Pension Plans for all eligible employees to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits. Employees eligible to elect continued participation were those employees who were at least 45 years old and had at least 10 years of eligible service with us as of January 1, 2010. Mr. Emery is our only Named Executive Officer who met the age and service requirement and continues to accrue benefits under the Pension Plan and the Pension Restoration Plan. Benefits under the Pension Plan and Pension Restoration Plan were frozen for Messrs. Cleberg, Evans and Helmers. Mr. Myers did not meet the one year service requirement prior to the freeze date and therefore was never in the Pension Plan. In addition, Messrs. Emery and Helmers receive supplemental pension benefits under the Grandfathered Pension Equalization Plan which was frozen effective December 31, 2004, and the 2005 Pension Equalization Plan. None of our Named Executive Officers received any pension benefit payments during the fiscal year ended December 31, 2011.

The present value accumulated by each Named Executive Officer from each plan is shown in the table below.

Name	Plan Name	Number of Years of Credited Service[1] (#)	Present Value of Accumulated Benefit[2] ($)
David R. Emery	Pension Plan	22.33	$496,495
	Pension Restoration Benefit	22.33	$1,916,850
	Grandfathered Pension Equalization Plan	17.00	$556,869
	2005 Pension Equalization Plan	17.00	$1,363,276
Anthony S. Cleberg	Pension Plan	1.42	$47,147
	Pension Restoration Benefit	1.42	$22,063
Linden R. Evans	Pension Plan	8.58	$164,368
	Pension Restoration Benefit	8.58	$129,359
Steven J. Helmers	Pension Plan	8.92	$225,045
	Pension Restoration Benefit	8.92	$137,820
	Grandfathered Pension Equalization Plan	10.00	$146,943
	2005 Pension Equalization Plan	10.00	$805,712
Robert A. Myers	No Benefits		

(1) The number of years of credited service represents the number of years used in determining the benefit for each plan. The Pension Equalization Plans are not directly tied to service but rather the number of years of participation in the plan.

(2) The present value of accumulated benefits was calculated assuming benefits commence at age 62 and using the discount rate, mortality rate and assumed payment form assumptions consistent with those disclosed in Note 18 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011.

Defined Benefit Pension Plan

Our Pension Plan is a qualified pension plan in which all of our Named Executive Officers except Mr. Myers are included. As discussed above, effective January 1, 2010, we amended our Pension Plan to incorporate a partial freeze in which the accrual of benefits ceased for certain participants while other participants were allowed an election to continue to accrue benefits. Mr. Emery was the only Named Executive Officer who met the age and service requirement and elected to continue with the existing plan.

The Pension Plan provides benefits at retirement based on length of employment service and average compensation levels during the highest five consecutive years of the last ten years of service. For purposes of the benefit calculation, earnings include wages and other cash compensation received from us, including any bonus, commission, unused paid time off or incentive compensation. It also includes any elective before-tax contributions made by the employee to a Company sponsored cafeteria plan or 401(k) plan. However, it does not include any expense reimbursements, taxable fringe benefits, moving expenses or moving/relocation allowances, nonqualified deferred compensation, non-cash incentives, stock options and any payments of long-term incentive compensation such as restricted stock or payments under performance share plans. The Internal Revenue Code places maximum limitations on the amount of compensation that may be recognized when determining benefits of qualified pension plans. In 2011, the maximum amount of compensation that could be recognized when determining compensation was $245,000 (called “covered compensation”). Our employees do not contribute to the plan. The amount of the annual contribution by us to the plan is based on an actuarial determination.

The benefit formula for the Named Executive Officers in the Plan is the sum of (a) and (b) below.

(a) Credited Service after January 31, 2000

0.9% of average earnings (up to covered compensation), multiplied by credited service after January 31, 2000 minus the number of years of credited service before January 31, 2000	Plus	1.3% of average earnings in excess of covered compensation, multiplied by credited service after January 31, 2000 minus the number of years of credited service before January 31, 2000

Plus

(b) Credited Service before January 31, 2000

1.2% of average earnings (up to covered compensation), multiplied by credited service before January 31, 2000	Plus	1.6% of average earnings in excess of covered compensation, multiplied by credited service before January 31, 2000

Pension benefits are not reduced for social security benefits. The Internal Revenue Code places maximum limitations on annual benefit amounts that can be paid under qualified pension plans. In 2011, the maximum benefit payable under qualified pension plans was $195,000. Accrued benefits become 100 percent vested after an employee completes five years of service. None of our Named Executive Officers has been credited with extra years of credited service under the plan.

Normal retirement is defined as age 65 under the plan. However, a participant may retire and begin taking unreduced benefits at age 62 with five years of service. Participants who have completed at least five years of credited service can retire and receive defined benefit pension benefits as early as age 55. However, the retirement benefit will be reduced by five percent for each year of retirement before age 62. For example, a participant with at least five years of credited service may retire at age 55 and receive a pension benefit equal to 65 percent of the normal retirement benefit. Mr. Helmers is currently age 55 and is entitled to early retirement benefits under this provision.

A participant who has left employment with us prior to reaching his or her earliest retirement date but who was vested in retirement benefits under the Pension Plan may begin receiving the full value of his or her vested benefit at age 65 or can receive a reduced benefit as early as age 55 if he or she has at least five years of credited service when he or she leaves employment with us. The benefit will be reduced by five percent for each year he or she begins receiving benefits prior to age 65. For example, a participant who leaves employment with us before reaching age 55 with at least five years of credited service may begin receiving benefits at age 55 equal to 50 percent of the normal retirement benefit and may begin receiving retirement benefits at age 65 on an unreduced basis.

If a participant is single, the benefit is paid as a life annuity. If a participant is married, the benefit is paid as a joint and 50 percent survivor annuity unless an optional form of payment is chosen.

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Pension Equalization Plans and Pension Restoration Benefit

We also have a Grandfathered Pension Equalization Plan, a 2005 Pension Equalization Plan and a Pension Restoration Benefit. Prior to January 1, 2010, we also had a 2007 Pension Equalization Plan. These are nonqualified supplemental plans, in which benefits are not tax deductible until paid. The plans are designed to provide the higher paid executive employee a retirement benefit which, when added to social security benefits and the pension to be received under the Pension Plan, will approximate retirement benefits being paid by other employers to their employees in similar executive positions. The employee's pension from the qualified pension plan is limited by the Internal Revenue Code. The 2011 pension limit was set at $195,000 annually and the compensation taken into account in determining contributions and benefits could not exceed $245,000 and could not include nonqualified deferred compensation. The amount of deferred compensation paid under nonqualified plans is not subject to these limits.

As a result of the change in the Pension Plan effective January 1, 2010, the benefits for certain officers (including Messrs. Cleberg, Evans, Helmers and Myers) under the Nonqualified Pension Plans were significantly reduced because the nonqualified benefit calculations were linked to the benefits earned in the Pension Plan. As a result, effective January 1, 2010, the Compensation Committee eliminated the 2007 Pension Equalization Plan and amended the Nonqualified Deferred Compensation Plan to provide non-elective nonqualified restoration benefits to those affected officers who were not eligible to continue accruing benefits under the Pension Plan and Nonqualified Pension Plans.

Grandfathered Pension Equalization Plan and 2005 Pension Equalization Plan. The Grandfathered Pension Equalization Plan provides the pension equalization benefits to each participant who had earned and vested benefits before January 1, 2005, and is not subject to the provisions of Section 409A of the Internal Revenue Code. The 2005 Pension Equalization Plan provides the pension equalization benefits to each participant that were earned and vested on or after January 1, 2005, and is subject to the provisions of Section 409A.

These plans have been frozen to new participants since 2002. A participant under the Grandfathered and 2005 Pension Equalization Plans does not qualify for benefits until the benefits become vested under a defined vesting schedule. A participant is fully vested after eight years of employment under the plan. Messrs. Emery and Helmers are fully vested participants in the Grandfathered and 2005 Pension Equalization Plans. Messrs. Cleberg, Evans and Myers are not participants in these plans.

The annual benefit is 25 percent of the employee's average earnings, if salary was less than two times the Social Security Wage Base, or 30 percent, if salary was more than two times the Social Security Wage Base, multiplied by the vesting percentage. Average earnings are normally an employee's average earnings for the five highest consecutive full years of employment during the ten full years of employment immediately preceding the year of calculation. The annual benefit is paid on a monthly basis for 15 years to each participating employee and, if deceased, to the employee's designated beneficiary or estate, commencing at the earliest of death or when the employee is both retired and 62 years of age or more. A participant with vested benefits who is 55 years of age or older and who is no longer our employee may elect to be paid benefits beginning at age 55 or older, subject to a discount of such benefits according to the following schedule.

Age at Start of Payments	% of Benefit Payable	Age at Start of Payments	% of Benefit Payable
61	93.0%	57	69.7%
60	86.5%	56	64.8%
59	80.5%	55	60.3%
58	74.9%		

2007 Pension Equalization Plan. As discussed above, the 2007 Pension Equalization Plan was eliminated effective January 1, 2010 and there are no benefits payable under this plan. Messrs. Cleberg, Evans and Myers were participants in the 2007 Pension Equalization Plan.

Pension Restoration Benefit. In the event that at the time of a participant's retirement, the participant's salary level exceeds the qualified pension plan annual compensation limitation ($245,000 in 2011) or includes nonqualified deferred compensation, then the participant will receive an additional benefit, called a "Pension Restoration Benefit," which is measured by the difference between (i) the monthly benefit which would have been provided to the participant under the Pension Plan as if there were no annual compensation limitation and no exclusion on nonqualified deferred compensation, and (ii) the monthly benefit to be provided to the participant under the Pension Plan. The Pension Restoration Benefit applies to all of the Named Executive Officers that have a Pension Benefit.

NONQUALIFIED DEFERRED COMPENSATION FOR 2011

We have a Nonqualified Deferred Compensation Plan for a select group of management or highly compensated employees. Eligibility to participate in the plan is determined by the Compensation Committee and primarily consists of only corporate officers.

A summary of the activity in the plan and the aggregate balance as of December 31, 2011 for our Named Executive Officers is shown in the following table. Our Named Executive Officers made no personal contributions and received no withdrawals or distributions from the plan in 2011.

Name	Company Contributions in Last Fiscal Year[1]	Aggregate Earnings in Last Fiscal Year[2]	Aggregate Balance at Last Fiscal Year End[3]
David R. Emery	—	—	—
Anthony S. Cleberg	$151,964	$(9,236)	$245,383
Linden R. Evans	$172,562	$(1,447)	$270,269
Steven J. Helmers	$54,062	$(1,465)	$85,267
Robert A. Myers	$129,144	$8,060	$225,929

(1) Our contributions represent non-elective Supplemental Matching and Retirement Contributions and Supplemental Target Contributions (defined in the paragraph below) and are included in the Other Compensation column of the Summary Compensation Table. The value attributed from each contribution type to each Named Executive Officer in 2011 is shown in the table below.

Name	Supplemental Matching Contribution	Supplemental Retirement Contribution	Supplemental Target Contribution	Total Company Contributions
David R. Emery	—	—	—	—
Anthony S. Cleberg	$19,532	$9,766	$122,666	$151,964
Linden R. Evans	$25,565	$12,782	$134,215	$172,562
Steven J. Helmers	$13,544	$7,566	$32,952	$54,062
Robert A. Myers	$13,649	$6,824	$108,670	$129,143

(2) Because amounts included in this column do not include above-market or preferential earnings, none of these amounts are included in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table.

(3) Messrs. Cleberg's, Evans', Helmers' and Myers' aggregate balance at December 31, 2011 includes $252,312, $269,487, $85,997 and $215,874, respectively, which are included in the Summary Compensation Table as 2011 and 2010 Other Compensation.

Eligible employees may elect to defer up to 50 percent of their base salary up to 100 percent of their Short-Term Incentive Plan award, including Company stock, and elect to defer restricted stock grants in the form of restricted stock units. In addition, the Nonqualified Deferred Compensation Plan was amended effective January 1, 2010 to provide certain officers whose Pension Plan benefit and Nonqualified Pension Plans' benefits were frozen effective January 1, 2010, with non-elective supplemental matching contributions equal to 6 percent of eligible compensation in excess of the Internal Revenue Code limit plus matching contributions, if any, lost under the 401(k) Retirement Savings Plan due to nondiscrimination test results and provides non-elective supplemental age and service points-based contributions that cannot be made to the 401(k) Retirement Savings Plan due to the Internal Revenue Code limit ("Supplemental Matching and Retirement Contributions"). It also provides supplemental target contributions

equal to a percentage of compensation that may differ by executive, based on the executive's current age and length of service with us, as determined by the plans' actuary ("Supplemental Target Contributions"). Messrs. Cleberg, Evans, Helmers and Myers received Supplemental Target Contributions of 21.5 percent, 20.0 percent, 7.0 percent and 23.0 percent, respectively.

The deferrals are deposited into hypothetical investment accounts where the participants may direct the investment of the deferrals (except for Company stock and restricted stock unit deferrals) as allowed by the plan. The investment options are the same as those offered to all employees in the 401(k) Retirement Savings Plan except for a fixed rate option which was set at 4.16 percent in 2011. Investment earnings are credited to the participants' accounts. Upon retirement, we will distribute the account balance to the participant according to the distribution election filed with the Compensation Committee. The participants may elect either a lump sum payment to be paid within 30 days of retirement (requires a six month deferral for benefits not vested as of December 31, 2004), or annual or monthly installments over a period of years designated by the participant, but not to exceed 15 years. As of January 1, 2012, Messrs. Cleberg, Evans and Myers are 40 percent vested in the plan and Mr. Helmers is 100 percent vested.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following table describes the potential payments and benefits under our compensation and benefit plans and arrangements to which our Named Executive Officers would be entitled upon termination of employment. Except for (i) certain terminations following a change in control ("CIC") of us, as described below, (ii) pro-rata payout of incentive compensation and the acceleration of vesting of equity awards upon retirement, death or disability, and (iii) certain pension and nonqualified deferred compensation arrangements described under Pension Benefits for 2011 and Nonqualified Deferred Compensation for 2011 above, there are no agreements, arrangements or plans that entitle the Named Executive Officers to severance, perquisites, or other enhanced benefits upon termination of their employment. Any agreements to provide other payments or benefits to a terminating executive officer would be in the discretion of the Compensation Committee.

The amounts shown below assume that such termination was effective as of December 31, 2011, and thus include estimates of the amounts that would be paid out to our Named Executive Officers upon their termination. The table does not include amounts such as base salary, short-term incentives and stock awards that the Named Executive Officers earned due to employment through December 31, 2011 and distributions of vested benefits such as those described under Pension Benefits for 2011, Nonqualified Deferred Compensation for 2011 and vested stock options listed in the Outstanding Equity Awards at Fiscal Year-End 2011 tables. The table also does not include a value for outplacement services because this would be a de minimis amount. The actual amounts to be paid can only be determined at the time of such Named Executive Officer's separation from us.

	Cash Severance Payment	Incremental Retirement Benefit (present value)[2]	Continuation of Medical/ Welfare Benefits (present value)[3]	Acceleration of Equity Awards[4]	Total Termination Benefits
David R. Emery					
• Retirement	—	—	—	$355,211	$355,211
• Death or disability	—	—	—	$1,197,968	$1,197,968
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	$1,192,518	$1,192,518
• Involuntary or good reason termination after CIC[1]	$3,498,300	$462,500	$161,600	$1,192,518	$5,314,918
Anthony S. Cleberg					
• Retirement	—	—	—	$165,485	$165,485
• Death or disability	—	—	—	$549,640	$549,640
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	$550,716	$550,716
• Involuntary or good reason termination after CIC[1]	$1,020,000	$580,780	$27,800	$550,716	$2,179,296
Linden R. Evans					
• Retirement	—	—	—	$204,472	$204,472
• Death or disability	—	—	—	$667,070	$667,070
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	$673,558	$673,558
• Involuntary or good reason termination after CIC[1]	$1,248,000	$578,135	$101,600	$673,558	$2,601,293
Steven J. Helmers					
• Retirement	—	—	—	$139,469	$139,469
• Death or disability	—	—	—	$453,945	$453,945
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	$458,824	$458,824
• Involuntary or good reason termination after CIC[1]	$826,000	$144,990	$34,900	$458,824	$1,464,714
Robert A. Myers					
• Retirement	—	—	—	$96,034	$96,034
• Death or disability	—	—	—	$358,831	$358,831
• Involuntary termination	—	—	—	—	—
• CIC	—	—	—	$359,943	$359,943
• Involuntary or good reason termination after CIC[1]	$826,000	$445,063	$32,700	$359,943	$1,663,706

(1) The amounts reflected for involuntary or good reason termination after a change in control include the benefits a Named Executive Officer would receive in the event of a change in control as a sole event without the involuntary or good reason termination.

(2) Assumes that in the event of a change in control, Mr. Emery will receive an additional three years of credited and vesting service and the other Named Executive Officers will receive an additional two years of credited and vesting service towards the benefit accrual under their applicable retirement plans. For Mr. Emery this would be the Pension Plan and Nonqualified Pension Plans. For Messrs. Cleberg, Evans, Helmers and Myers this would be the Retirement Contributions and Nonqualified Deferred Compensation contributions. The benefits will immediately vest and payments will commence at the earliest eligible date unless the executive has elected a later date for the nonqualified plans. This is age 55 for Messrs. Emery, Evans and Myers. Because Messrs. Cleberg and Helmers are ages 59 and 55, respectively, they are already retiree eligible.

(3) Welfare benefits include medical coverage, dental coverage, life insurance, short-term disability coverage and long-term disability coverage. The calculation assumes that the Named Executive Officer does not take employment with another employer following termination, elects continued welfare benefits until age 55 or, if later, the end of the two year benefit continuation period (three years for Mr. Emery) and elects retiree medical benefits thereafter. Retirement is assumed to occur at the earliest eligible date.

(4) In the event of retirement, death or disability, the acceleration of equity awards represents the acceleration of unvested restricted stock and the assumed payout of the pro-rata share of the performance shares for the January 1, 2010 to December 31, 2012 and January 1, 2011 to December 31, 2013 performance periods. We assumed a 91 percent payout of the performance shares for the January 1, 2010 to December 31, 2012 performance period and a 63 percent payout of target for the January 1, 2011 to December 31, 2013 performance period based on our Monte Carlo valuations at December 31, 2011. In the event of retirement, all unvested restricted stock is forfeited.

In the event of a change in control or an involuntary or good reason termination after a change in control, the acceleration of equity awards represents the acceleration of unvested restricted stock and the payout of the pro-rata share of the performance shares calculated as if the performance period ended on December 31, 2011 for the January 1, 2010 to December 31, 2012 and January 1, 2011 to December 31, 2013 performance periods.

The valuation of the restricted stock was based upon the closing price of our common stock on December 31, 2011, and the valuation of the performance shares was based on the average closing price of our common stock for the last 20 trading days of 2011. Actual amounts to be paid out at the time of separation from us may vary significantly based upon the market value of our common stock at that time.

Payments Made Upon Termination. Regardless of the manner in which a Named Executive Officer's employment terminates, he or his beneficiaries may be entitled to receive amounts earned during his term of employment. These include:

- accrued salary and unused vacation pay;
- amounts vested under the Pension Plan and Nonqualified Pension Plans;
- amounts vested under the Nonqualified Deferred Compensation Plan; and
- amounts vested under the 401(k) Retirement Savings Plan.

Payments Made Upon Retirement: In the event of retirement of a Named Executive Officer, in addition to the items identified above, he will also receive the benefit of the following:

- a pro-rata share of the performance shares for each outstanding performance period upon completion of the performance period; and
- a pro-rata share of the Short-Term Incentive Plan upon completion of the incentive period.

Payments Made Upon Death or Disability. In the event of death or disability of a Named Executive Officer, in addition to the items identified above, he will also receive the benefit of the following:

- accelerated vesting of restricted stock and restricted stock units;

- a pro-rata share of the performance shares for each outstanding performance period upon completion of the performance period; and
- a pro-rata share of the Short-Term Incentive Plan upon completion of the incentive period.

Payments Made Upon a Change in Control. Our Named Executive Officers have change in control agreements that terminate November 15, 2013. The renewal of the change in control agreements is at the discretion of the Compensation Committee and the Board of Directors. The change in control agreements provide for certain payments and other benefits to be payable upon a change in control and a subsequent termination of employment, either involuntary or for a good reason.

A change in control is defined in the agreements as:

- an acquisition of 30 percent or more of our common stock, except for certain defined acquisitions, such as acquisition by employee benefit plans, us, any of our subsidiaries, or acquisition by an underwriter holding the securities in connection with a public offering thereof; or
- members of our incumbent Board of Directors cease to constitute at least two-thirds of the members of the Board of Directors, with the incumbent Board of Directors being defined as those individuals consisting of the Board of Directors on the date the agreement was executed and any other directors elected subsequently whose election was approved by the incumbent Board of Directors; or
- approval by our shareholders of:
  - a merger, consolidation, or reorganization;
  - liquidation or dissolution; or
  - an agreement for sale or other disposition of 50 percent or more of our assets, with exceptions for transactions which do not involve an effective change in control of voting securities or Board of Directors membership, and transfers to subsidiaries or sale of subsidiaries; and
- all regulatory approvals required to effect a change in control have been obtained and the transaction constituting the change in control has been consummated.

In the change in control agreements, a good reason for termination that triggers payment of benefits includes:

- a material reduction of the executive's authority, duties or responsibilities;
- a reduction in the executive's annual compensation or any failure to pay the executive any compensation or benefits to which he or she is entitled within seven days of the date due;
- any material breach by us of any provisions of the change in control agreement;
- requiring the executive to be based outside a 50-mile radius from his or her usual and normal place of work; or
- our failure to obtain an agreement, satisfactory to the executive, from any successor company to assume and agree to perform under the change in control agreement.

Upon a change in control, the CEO will have an employment contract for a three-year period and the non-CEO executive will have an employment contract for a two-year period, but not beyond age 65 ("employment term"). During this employment term, the executive will receive annual compensation at least equal to the highest rate in effect at any time during the one-year period preceding the change in control and will also receive employment welfare benefits, pension benefits, and supplemental retirement benefits on a basis no less favorable than those received prior to the change in control. Annual compensation is defined to include amounts which are includable in the gross income of the executive for federal income tax purposes, including base salary, targeted short-term incentive, targeted long-term incentive grants and awards; and matching contributions or other benefits payable under the 401(k) Retirement Savings Plan; but exclude restricted stock awards, performance units or stock options that become vested or exercisable pursuant to a change in control.

If a Named Executive Officer's employment is terminated prior to the end of the employment term by us for cause or disability, by reason of the Named Executive Officer's death, or by the Named Executive Officer without good reason, the Named Executive Officer will receive all amounts of compensation earned or accrued through the termination date. If the Named Executive Officer's employment is terminated because of death or disability, the Named Executive Officer or his beneficiaries will also receive a pro rata bonus equal to 100 percent of the target incentive for the portion of the year served.

If the CEO's employment is terminated during the employment term (other than by reason of death) (i) by us other than for cause or disability, or (ii) by the CEO for a good reason, then the CEO is entitled to the following benefits:

- all accrued compensation and a pro rata bonus (the same as the CEO or the CEO's beneficiaries would receive in the event of death or disability discussed above);
- severance pay equal to 2.99 times the CEO's severance compensation defined as the CEO's base salary and short-term incentive target on the date of the change in control; provided that if the CEO has attained the age of 62 on the

termination date, the severance payment will be adjusted for the ratio of the number of days remaining to the CEO’s 65th birthday to 1,095 days;

- continuation of employee welfare benefits for three years following the termination date unless the CEO becomes covered under the health insurance coverage of a subsequent employer which does not contain any exclusion or limitation with respect to any preexisting condition of the CEO or the CEO’s eligible dependents;
- following the three-year period, the CEO may elect to receive coverage under the employee welfare plans of the successor entity at his then-current level of benefits (or reduced coverage at the CEO’s election) by paying the premiums charged to regular full-time employees for such coverage, and is eligible to continue receiving such coverage through the date of his retirement;

- three additional years of service and age will be credited to the CEO's retiree medical savings account and the account balance will become fully vested and he is eligible to use the account balance to offset retiree medical premiums at the later of age 55 or the end of the three year continuation period;
- three years of additional credited service under the 2005 Pension Equalization Plan, Pension Restoration Plan and Pension Plan; and
- outplacement assistance services for up to six months.

If any non-CEO Named Executive Officer's employment is terminated during the employment term (other than by death) (i) by us other than for cause or disability, or (ii) by the non-CEO for a good reason, then the non-CEO is entitled to the following benefits:

- all accrued compensation and a pro rata bonus (the same as the non-CEO or the non-CEO's beneficiaries would receive in the event of death or disability discussed above);
- severance pay equal to two times the non-CEO's severance compensation defined as the non-CEO's base salary and short-term incentive target on the date of the change in control; provided that if the non-CEO has attained the age of 63 on the termination date, the severance payment shall be adjusted for the ratio of the number of days remaining to the non-CEO's 65th birthday to 730 days;
- continuation of employee welfare benefits for two years following the termination date unless the non-CEO becomes covered under the health insurance coverage of a subsequent employer which does not contain any exclusion or limitation with respect to any preexisting condition of the non-CEO or the non-CEO's eligible dependents;
- following the two-year period, the non-CEO may elect to receive coverage under the employee welfare plans of the successor entity at his then-current level of benefits (or reduced coverage at the non-CEO's election) by paying the premiums charged to regular full-time employees for such coverage, and is eligible to continue receiving such coverage through the date of his retirement;
- two additional years of service and age will be credited to the non-CEO's retiree medical savings account and the account balance will become fully vested and the non-CEO is eligible to use the account balance to offset retiree medical premiums at the later of age 55 or the end of the two year continuation period;
- two years of additional credited service under the executives' applicable retirement plans; and
- outplacement assistance services for up to six months.

The change in control agreements do not contain a benefit to cover any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986. The executive must sign a waiver and release agreement in order to receive the severance payment.

Proposal 4

ADVISORY VOTE ON OUR EXECUTIVE COMPENSATION

We are providing shareholders with an advisory, non-binding vote on the executive compensation of our Named Executive Officers (commonly referred to as "say on pay"). Accordingly shareholders will vote on approval of the following resolution:

RESOLVED, that the shareholders approve, on an advisory basis, the compensation of our Named Executive Officers as disclosed in the Compensation Discussion and Analysis section, the accompanying compensation tables and the related narrative disclosure in this proxy statement.

This vote is non-binding. The Board of Directors and the Compensation Committee expect to consider the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results. At our 2011 annual meeting, 95% of our voting shareholders approved the foregoing resolution.

As described at length in the Compensation Discussion and Analysis section of this proxy statement, we believe our executive compensation program is reasonable, competitive and strongly focused on pay for performance. The compensation of our Named Executive Officers varies depending upon the achievement of pre-established performance goals, both individual and corporate. Our short-term incentive is tied to earnings per share targets that reward our executives when they deliver targeted financial results. Our long-term incentives are tied to market performance with 50 percent delivered in restricted stock and 50 percent delivered in performance shares. Entitlement to the performance shares is based on our total shareholder return over a three-year performance period compared to our peer group. Through stock ownership guidelines, equity incentives and clawback provisions, we align the interests of our executives with those of our shareholders and our long-term interests. Our executive compensation policies have enabled us to attract and retain talented and experienced senior executives who can drive financial and strategic growth objectives that are intended to enhance shareholder value. We believe that the 2011 compensation of our Named Executive Officers was appropriate and aligned with our 2011 results and position for long-term growth.

Shareholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosures to better understand the compensation of our Named Executive Officers.

The advisory resolution to approve executive compensation is non-binding. However, our Board of Directors will consider shareholders to have approved our executive compensation if the number of votes cast "For" the proposal exceeds the number of votes cast "Against" the proposal. Abstentions and broker non-votes will have no effect on such vote.

The Board of Directors recommends a vote FOR the advisory vote on executive compensation.

TRANSACTION OF OTHER BUSINESS

Our Board of Directors does not intend to present any business for action by our shareholders at the meeting except the matters referred to in this proxy statement. If any other matters should be properly presented at the meeting, it is the intention of the persons named in the accompanying form of proxy to vote thereon in accordance with the recommendations of our Board of Directors.

SHAREHOLDER PROPOSALS FOR 2013 ANNUAL MEETING

Shareholder proposals intended to be presented at our 2013 annual meeting of shareholders and considered for inclusion in our proxy materials must be received by our Corporate Secretary in writing at our executive offices at 625 Ninth Street, Rapid City, South Dakota 57701, on or prior to November 22, 2012. Any proposal submitted must be in compliance with Rule 14a-8 of Regulation 14A of the Securities and Exchange Commission.

Additionally, a shareholder may submit a proposal for consideration at our 2013 annual meeting of shareholders, but not for inclusion of the proposal in our proxy materials, if the shareholder gives timely written notice of such proposal in accordance with Article I, Section 9 of our Bylaws. In general, Article I, Section 9 provides that, to be timely, a shareholder’s notice must be delivered to our Corporate Secretary in writing not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders.

Our 2012 annual meeting is scheduled for May 23, 2012. Ninety days prior to the first anniversary of this date will be February 22, 2013, and 120 days prior to the first anniversary of this date will be January 23, 2013. For business to be properly requested by the shareholder to be brought before the 2013 annual meeting of shareholders, the shareholder must comply with all of the requirements of Article I, Section 9 of our Bylaws, not just the timeliness requirements set forth above.

SHARED ADDRESS SHAREHOLDERS

In accordance with a notice sent to eligible shareholders who share a single address, we are sending only one annual report and proxy statement to that address unless we receive instructions to the contrary from any shareholder at that address. This practice, known as “householding,” is designed to reduce our printing and postage costs. However, if a shareholder of record residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she may contact Shareholder Relations at the below address. Eligible shareholders of record receiving multiple copies of our annual report and proxy statement can request householding by contacting us in the same manner. Shareholders who own shares through a bank, broker or other nominee can request householding by contacting the nominee.

We hereby undertake to deliver promptly, upon written or oral request, a separate copy of the annual report to shareholders, or proxy statement, as applicable, to our shareholders at a shared address to which a single copy of the document was delivered.

Shareholder Relations
Black Hills Corporation
625 Ninth Street
Rapid City, SD 57701
(605) 721-1700

Please vote your shares by telephone, by the Internet or by promptly returning the accompanying form of proxy, whether or not you expect to be present at the annual meeting.

ANNUAL REPORT ON FORM 10-K

A copy of our Annual Report on Form 10-K (excluding exhibits), for the year ended December 31, 2011, which is required to be filed with the Securities and Exchange Commission, will be made available to shareholders to whom this proxy statement is mailed, without charge, upon written or oral request to Shareholder Relations, Black Hills Corporation, 625 Ninth Street, Rapid City, SD 57701, Telephone Number: (605) 721-1700. Our Annual Report on Form 10-K also may be accessed through our website at www.blackhillscorp.com.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 23, 2012

Shareholders may view this proxy statement, our form of proxy and our 2011 Annual Report to Shareholders over the Internet by accessing our website at www.blackhillscorp.com. Information on our website does not constitute a part of this proxy statement.

By Order of the Board of Directors,
ROXANN R. BASHAM
Vice President – Governance and Corporate Secretary

Dated: March 22, 2012

BLACK HILLS CORPORATION

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 23, 2012

9:30 a.m., Local Time

The Dahl Arts Center
713 Seventh Street
Rapid City, SD 57701

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and our 2011 Annual Report to Shareholders are available at www.blackhillscorp.com.

Black Hills Corporation
625 Ninth Street, Rapid City, SD 57701 PROXY

This proxy is solicited by the Board of Directors for use at the Annual Meeting on May 23, 2012.

The undersigned hereby appoints David R. Emery, Steven J. Helmers and Anthony S. Cleberg, and each of them, with full power of substitution, to vote all shares of the undersigned at the Annual Meeting of Shareholders to be held at 9:30 a.m., local time, May 23, 2012, at The Dahl Arts Center, 713 Seventh Street, Rapid City, SD 57701, and at any adjournment thereof, upon all subjects that may properly come before the meeting, including the matters described in the Proxy Statement furnished herewith.

Your vote is important! Ensure that your shares are represented at the meeting. Either (1) submit your proxy by touchtone telephone, (2) submit your proxy by Internet, or (3) mark, date, sign, and return this proxy in the envelope provided. If no directions are given, the proxies will vote in accordance with the Board of Directors recommendation on all matters listed on this proxy, and at their discretion on any other matters that may properly come before the meeting.

See reverse for voting instructions.

COMPANY #

VOTE BY INTERNET, TELEPHONE OR MAIL
24 HOURS A DAY, 7 DAYS A WEEK

Your phone or Internet vote authorizes the named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

VOTE BY INTERNET— www.eproxy.com/bkh
Use the Internet to vote your proxy until 12:00 p.m. (CT) on May 22, 2012.

VOTE BY PHONE— 1-800-560-1965
Use any touch-tone telephone to vote your proxy until 12:00 p.m. (CT) on May 22, 2012.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.

TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW, SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD

The Board of Directors Recommends a Vote FOR Items 1, 2, 3 and 4.

			Vote FOR ¨	Vote WITHHELD ¨
1.	Election of Directors:	01 Michael H. Madison 02 Steven R. Mills 03 Stephen D. Newlin	all nominees (except as marked)	from all nominees

(Instructions: To cumulate votes for any indicated nominee, write the number of the nominee and the number of shares for such nominee in the box provided to the right.)

		For	Against	Abstain
2.	Authorize an increase in the Company's authorized indebtedness from $2 billion to $4 billion.			
		For	Against	Abstain
3.	Ratify the appointment of Deloitte & Touche LLP to serve as Black Hills Corporation's independent registered public accounting firm for 2012.			
		For	Against	Abstain
4.	Advisory resolution to approve executive compensation.			

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR ITEMS 1,2,3 AND 4.

Address change? ..
Mark Box
Indicate changes below:

Date ____

Please sign exactly as your name(s) appear on Proxy. If held in joint tenancy, all persons must sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.