



Brian G. Iverson  
Associate Counsel

Telephone: (605) 721-2305  
Facsimile: (605) 721-2550  
Email: [biverson@bh-corp.com](mailto:biverson@bh-corp.com)

April 5, 2005

Ms. Pam Bonrud  
Executive Director  
South Dakota Public Utilities Commission  
500 E. Capitol Avenue  
Pierre, SD 57501-5070

Re: State of South Dakota Electric Service Agreement  
SDSMT/BHSU  
Contract Number: 15397  
Effective Date: May 1, 2005

Dear Ms. Bonrud:

Black Hills Power, Inc. (Black Hills), is renewing an Electric Service Agreement with the State of South Dakota. Black Hills is submitting for approval the Agreement, together with revised tariff sheets. This submission is made pursuant to ARSD 20:10:13:09 in filing rates and tariffs, which deviate from Black Hills' standard tariff schedules.

Black Hills respectfully requests the Commission's approval. An original and three copies are enclosed. If you have any questions, or need additional information, please contact me.

Best regards.

BLACK HILLS CORPORATION



Brian G. Iverson

BGI:skh  
Enclosures  
cc (w/encl): Kyle White

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APR 07 2005

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

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## ELECTRIC SERVICE AGREEMENT

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

STATE OF SOUTH DAKOTA: SOUTH DAKOTA SCHOOL OF MINES & TECHNOLOGY AND  
BLACK HILLS STATE UNIVERSITY

This Electric Service Agreement (Agreement) is made this 7<sup>th</sup> day of March, 2005 by and between the State Of South Dakota (State) and Black Hills Power, Inc. (Company), which operates its electric utility division under the assumed name of Black Hills Power. The Company and the State may individually and collectively be referred to herein as "Party" and "Parties" respectively.

WHEREAS, the State has a contract with the Western Area Power Administration (Western) for the supply of firm electric service dated January 31, 1992, under which the State currently provides electric demand and energy to South Dakota School of Mines & Technology (SDSMT) and to Black Hills State University (BHSU); and

WHEREAS, the Company provides electric transmission, Distribution and Supplemental Supply to SDSMT and BHSU under a contract dated June 1, 2000, and the Company wishes to continue to provide electric distribution and Supplemental Supply; and

WHEREAS, the State has transmission agreements necessary for the delivery of Western Supply to the distribution system of Company.

NOW, THEREFORE, in consideration of the premises and mutual covenants and conditions contained in this Agreement, the Parties agree as follows:

**1. Definitions.**

- 1.1. "BHSU" shall mean the Black Hills State University campus located at a contiguous campus at 1200 University Street, Spearfish, South Dakota as it exists on the date of this Agreement or as it may change by the addition, renovation or removal of BHSU facilities.
- 1.2. "Distribution" shall mean the Company's electrical system consisting of lines, equipment and facilities, and the use of said system in the delivery of Western Supply, between and including Company's Lange, Ben French and South Rapid City Substations and SDSMT, and between and including Company's Lookout Substation and BHSU.
- 1.3. "Effective Date" shall mean the first day on which this Agreement is valid pursuant to the approval of this Agreement by the South Dakota Public Utilities Commission (PUC).
- 1.4. "Point(s) of Delivery" shall mean any or all of the electric service meter locations at SDSMT and BHSU through which Western Supply shall pass pursuant to this Agreement and which exist on the date of this Agreement, or other points as may be mutually agreed upon by the Parties.

- 1.5. "Power Factor" shall be defined according to the following formula:

$$\text{Power Factor} = \frac{kWh}{\sqrt{kWh^2 + kVArh^2}}$$

where kWh means kilowatt-hours, kVArh means kilovar-hours, and all quantities are for the current billing period.

- 1.6. "Retail Open Access" shall mean the condition under which retail electric customers may choose electricity suppliers by the authority of the PUC in the State of South Dakota.
- 1.7. "SDSMT" shall mean the South Dakota School of Mines & Technology campus, which is located at a contiguous campus at 501 E. St. Joe Street, Rapid City, South Dakota as it exists on the date of this Agreement or as it may change by the addition, renovation or removal of SDSMT facilities.
- 1.8. "Supplemental Supply" shall mean the supply by Company of electric demand and energy requirements of SDSMT and/or BHSU which are not met by Western resources.
- 1.9. "Western" shall mean the Western Area Power Administration of the United States of America.
- 1.10. "Western Supply" shall mean the supply by Western of electric demand and energy to SDSMT and BHSU.

## **2. Term.**

The initial term of this Agreement shall commence on the Effective Date and end April 30, 2010, and shall continue thereafter until terminated by either Party giving the other Party one (1) year written notice. Notice of termination may be given prior to April 30, 2010, but this Agreement shall not terminate prior to April 30, 2010, unless otherwise terminated hereunder.

## **3. Power Supply by Western.**

- 3.1. Delivery to Company's Distribution System. The State shall have the right to deliver Western Supply to SDSMT and BHSU. The State shall be responsible for purchasing Western Supply and shall cause Western Supply to be delivered to the Company's Distribution system.
- 3.2. Scheduling of Western Supply. All deliveries of Western Supply shall be from schedules supplied to Company by the State (or its designated agent) in accordance with procedures agreed upon by Company and the State.

## **4. Supplemental Supply by Company.**

- 4.1. Rate. Company shall provide Supplemental Supply to SDSMT and BHSU in accordance with the terms of Company's tariff on file with the PUC which results in the most favorable treatment of the State. For purposes of this Agreement, billing demand shall be measured in thirty (30) minute intervals in a manner consistent with demand billing by Western.

- 4.2. Shared Service. During any billing month in which SDSMT and/or BHSU are served by Western and Company, such requirements shall be supplied in accordance with Western's X/Y formula set forth in Exhibit A, which is attached hereto and incorporated by reference herein.
- 4.3. Power Factor. The Company's applicable power factor adjustment pursuant to Article 4.1 shall apply to Supplemental Service.
- 4.4. Losses. Supplemental Supply shall be billed under a bundled retail tariff pursuant to Article 4.1. Losses are included in such tariff and shall not be added to measured demand and energy for purposes of Supplemental Supply billing.
- 4.5. Supplemental Supply Subject to Regulation. The parties understand and agree that the rates charged by the Company for Supplemental Supply are subject to regulation by the PUC. At such time, if ever, that Retail Open Access becomes effective in the State of South Dakota, this contract will terminate on the effective date of the Company's Retail Open Access tariffs approved by the PUC.

**5. Distribution Service.**

- 5.1. Rate. The Company shall deliver Western Supply over its Distribution System to the Points of Delivery at SDSMT and BHSU and shall charge the State according to the following schedule.

Effective Dates	BHSU & SDSMT
May 1, 2005 – April 30, 2006	\$0.012 per kWh
May 1, 2006 – April 30, 2007	\$0.013 per kWh
May 1, 2007 – April 30, 2008	\$0.014 per kWh
May 1, 2008 and thereafter	\$0.015 per kWh

- 5.2. Power Factor. Power factor shall apply to Distribution Service. Should the monthly power factor of the distribution load at either SDSMT or BHSU be less than ninety-five percent (95%) lagging, the applicable Distribution Rate listed in Article 5.1 shall be adjusted as follows for the respective load: the rate shall be multiplied by 0.95 and divided by power factor.
- 5.3. Losses. The registration of meters and recording devices shall be increased a total of two percent (2%) prior to the calculation of billing for Distribution service.
- 5.4. Distribution Rates Subject to Regulation. The parties understand and agree that the rates charged by the Company for Distribution Service are subject to regulation by the PUC. At such time, if ever, that Retail Open Access becomes effective in the State of South Dakota, this contract will terminate on the effective date of the Company's Distribution Wheeling tariffs approved by the PUC.

**6. Facilities Provided By Company.**

The Company shall maintain such electric Distribution system as necessary to deliver Western supply to SDSMT and BHSU at the Points of Delivery and at the voltages as they exist on the date of this Agreement. The Distribution system of the Company shall be of sufficient capacity to meet the respective requirements of SDSMT and BHSU.

## **7. Facilities Provided By State.**

- 7.1. **State Facilities.** The State shall install and maintain, at its own expense, in compliance with approved standards of construction, all facilities on the State's side of the Points of Delivery at SDSMT and BHSU which are necessary for the proper reception of Western supply and Supplemental Supply. State or its agent shall furnish and install all instrument transformers, meters, recording devices and other apparatus necessary for measuring the Western Supply through the metering points. Such facilities and equipment shall be of types which will not interfere with other service rendered by Company and shall be subject to inspection by Company at reasonable times.
- 7.2. **Rights-of-Way.** State shall provide Company, without cost, a suitable location and rights-of-way for necessary lines and equipment immediately adjacent to the Point(s) of Delivery set forth in Article 1.4 for the purpose of fulfilling this Agreement. All equipment installed by, and at the cost of, Company shall remain Company's property and Company shall have the right to inspect, repair or remove the same at its discretion and at its own cost.

## **8. METERING.**

- 8.1. **Ownership.** Meters shall be owned and maintained by Western. Articles 8.3, 8.4, 8.5 and 8.6 reflect Western's policies concerning metering as set forth in Western's General Power Contract Provisions in the Contract for Firm Electric Service between Western and the State.
- 8.2. **Point(s) of Metering.** The electric capacity and energy to be delivered by the Company to SDSMT at two locations shall be metered at 12,470 volts and to BHSU at one location metered at 12,470 volts. Any changes to or additions of points of metering may be included upon mutual agreement.
- 8.3. **Maintenance, Inspection and Testing.** Meters shall be sealed and the seals shall be broken only upon occasions when the meters are to be inspected, tested, or adjusted, and representatives of either Party shall be afforded reasonable opportunity to be present upon such occasions. Metering equipment shall be inspected and tested at least once each year by Western and at any reasonable time upon request by either Party. Any metering equipment found to be damaged, defective, or inaccurate shall be repaired and readjusted or replaced by Western. Meters found with broken seals shall be tested for tampering and, if appropriate, meter readings shall be adjusted by Western pursuant to Article 8.4.
- 8.4. **Meter Failure.** Except as otherwise provided for in Article 8.5, should any meter or recording device fail to register accurately, the electric demand and energy supplied or transmitted during such period of failure to register accurately, shall, for billing purposes, be estimated by Western from the best available information.
- 8.5. **Adjustments for Inaccuracy.** Should acceptable inspections and tests of a meter or recording device disclose an error exceeding two percent (2%), then correction based upon the inaccuracy found shall be made of the records of services furnished during the period that such inaccuracy has existed as determined by Western; provided that if such period of inaccuracy cannot be determined, correction shall be made for the period beginning with the monthly billing period immediately preceding the billing period during which the test was made.

- 8.6. **Billing Adjustment.** Any correction in billing resulting from a correction of meter records shall normally be made in the next monthly bill rendered by Company to the State. Payment of such bill shall constitute full adjustment of any claim between the Parties arising out of inaccuracy of metering equipment.

**9. Billing and Payment.**

The billing period shall be monthly and the date on which meters are read shall be determined by mutual agreement among the Parties and Western. The Company shall render monthly bills for Distribution service and Supplemental Supply provided under this Agreement. Net monthly bills are due and payable twenty (20) days from the date of the bill, and after that date the account becomes delinquent. A late payment charge of 1.5% on the current unpaid balance shall apply to delinquent accounts. If a bill is not paid, the Company shall have the right to suspend service, providing ten (10) days written notice of such suspension has been given to the State, but such action shall not release the State from the obligation to pay for service furnished or from liability for damages because of any breach hereof, nor shall such action prevent the Company from insisting upon enforcing specific performance of this Agreement by the State.

**10. Regulatory Approval.**

This Agreement is subject to approval by the PUC. The Parties shall use their best efforts to obtain PUC approval to establish an effective date of May 1, 2005. Should the PUC not approve this Agreement, or make or require changes to this Agreement, the Parties shall meet within ten (10) days of the date of the PUC's order to negotiate, in good faith, revisions to this Agreement that would meet PUC requirements and provide services contemplated in this Agreement. If after thirty (30) days from the initial meeting the Parties are unable to agree upon a revision to this Agreement, or should the PUC fail to approve this Agreement prior to May 1, 2005, this Agreement shall become null and void, and the current agreements between the parties shall thereupon be reinstated and survive and continue to govern the relationship of the parties until such agreements are amended or terminated.

**11. Miscellaneous.**

- 11.1. **Force Majeure and Continuous Service Exceptions.** The Company will endeavor to maintain adequate and continuous service but does not guarantee that the supply of capacity and energy will at all times be constant. Should service be interrupted or fail by an act of nature or public enemy, fire, explosion, flood, strike, or other cessation of work by personnel, picketing, insurrection, mob violence, governmental interference, breakdown of or injury to machinery or electric facilities, extraordinary repairs, or other accident, or other causes not reasonably within its control, Company shall not be liable for damages on account of interruption of services.
- 11.2. **Indemnification.** The Company shall not be liable for any loss or damage to property or injury to or death of persons, whether suffered by the State, its agents or employees, or by any third person, persons or corporation, resulting from the location, use or operation of electrical or other equipment located on the State's side of the Points of Delivery, or from electricity present therein or escaping therefrom, and the State agrees to indemnify and save the Company harmless from all such loss, damages, injuries or death.

The State shall not be liable for any loss or damage to property or injury to or death of persons, whether suffered by the Company, its agents or employees, or by any third person, persons or corporation, resulting from the location, use or operation of

electrical or other equipment located on the Company's side of the Points of Delivery, or from electricity present therein or escaping therefrom, and the Company agrees to indemnify and save the State harmless from all such loss, damages, injuries or death.

- 11.3. Waivers. Any waiver at any time by either Party hereto of its rights with respect to a default or any other matter arising in connection with this Agreement shall not be deemed to be a waiver with respect to any subsequent default or matter.
- 11.4. Notice. Any notice, demand or request required or authorized by this Agreement shall be deemed properly given if delivered in person, or when mailed, postage prepaid, certified mail, return receipt requested, or by prepaid overnight delivery to the other Party by United States Postal Service, Federal Express, Airborne, or other delivery provider which requires a signature on receipt, as follows:

To the State

Bureau of Administration  
Attention: Commissioner  
State of South Dakota  
500 East Capitol Avenue  
Pierre, SD 57501  
  
Phone: 605-773-3688  
Fax: 605-773-3887

To the Company

Black Hills Power, Inc.  
Attention: President & Chief Operating  
Officer  
P. O. Box 1400  
Rapid City, SD 57709  
  
Phone: 605-721-1700  
Fax: 605-721-2599

The designation of persons to be notified with the address of such persons may be changed at any time by a similar notice.

- 11.5. Complete Agreement. This Agreement shall be considered the complete agreement of the Parties pertaining to the matters set forth herein and replaces any other previous contract, agreement, written or oral, pertaining to the matters set forth herein. The provisions of this Agreement shall not be changed except in writing duly executed by the Company and the State.
- 11.6. Severability. Should any portion of this Agreement be determined by any court or regulatory body having jurisdiction to be void and not enforceable, the balance of the Agreement shall remain binding on the Parties and the Parties shall meet within thirty (30) days of the date on which the order of the court or regulatory body having jurisdiction is rendered to negotiate, in good faith, revisions to this Agreement that would provide for continued service from Company under mutually acceptable conditions. Should the Parties be unable to agree upon a revision to this Agreement, then the balance of the Agreement shall remain binding on the Parties.
- 11.7. Assignability. Neither this Agreement nor any benefit herein may be assigned by the State. The Agreement shall inure to and be binding and enforceable upon the State and its assigns, lessees and successors in interest.
- 11.8. Section Headings. Section or article titles appearing in this Agreement are inserted for convenience only and shall not be construed as interpretations of text.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in the first paragraph hereof.

BLACK HILLS POWER, INC.

By: 

Name: Linden R. Evans

Title: President and Chief Operating  
Officer

STATE OF SOUTH DAKOTA

By: 

Name: Paul Kinsman

Title: Commissioner, Bureau of  
Administration



**X/Y FORMULA**

The **Winter Season** is defined as the **November through April** billing periods and the **Summer Season** is defined as the **May through October** billing periods, or such other periods as defined by Western.

In the formulae below, the X/Y factor shall never be greater than one (1).

The Maximum Rate of Firm Power Obligation of Western in any billing period equals

$$D \times X/Y.$$

The Maximum Energy Obligation of Western in any billing period equals

$$E \times X/Y.$$

The maximum rate of firm power obligation of the Company for the current billing period equals

$$D \times (1 - X/Y).$$

The firm energy obligation of the Company for the current billing period equals

$$E \times (1 - X/Y).$$

Where, during any Winter Season:

X = The Winter Season Contract Rate of Delivery of Western power.

Y = The highest State System Demand for the specific institution during the seven (7) Winter Season billing periods ending with the current billing period.

D = the State's System Demand for the specific institution in the current billing period.

E = the State's System Energy Requirements for the specific institution in the current billing period.

During any Summer Season:

X = The Summer Season Contract Rate of Delivery of Western power.

Y = The highest State System Demand for the specific institution during the seven (7) Summer Season billing periods ending with the current billing period.

D = the State's System Demand for the specific institution in the current billing period.

E = the State's System Energy Requirements for the specific institution in the current billing period.

PUBLIC UTILITIES COMMISSION OF SOUTH DAKOTA

BLACK HILLS POWER AND LIGHT COMPANY  
RAPID CITY, SOUTH DAKOTA

SECTION NO. 4  
SECOND REVISED SHEET NO. 6  
REPLACES FIRST REVISED SHEET NO. 6

SUMMARY LIST OF CONTRACTS WITH DEVIATIONS

Contract #121-9

South Dakota State Cement Plant Commission Electric Power Service Agreement, effective January 1, 1999.

Contract #15397

State of South Dakota: South Dakota School of Mines & Technology and Black Hills State University Electric Service Agreement, effective May 1, 2005 and has a term of five (5) years and continues until canceled by one year written notice of either party. The agreement is to provide Distribution Wheeling Service and Supplemental Power Service.

C

Contract #13865

Premier Bankcard Electric Service Agreement, effective January 30, 2002 and has a term of not less than seven (7) years and continues until canceled by two (2) years written notice of either party. The agreement is to provide General Service - Large tariff along with a Business Development Incentive.

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APR 07 2005

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

DATE FILED: April 5, 2005

EFFECTIVE DATE: May 1, 2005

ISSUED BY: \_\_\_\_\_

*Kyle D. White*

Kyle D. White

Vice President Corporate Affairs