BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE CONSIDERATION OF THE NEW PURPA STANDARDS AS SET FORTH IN THE ENERGY POLICY ACT OF 2005	)	**EL06-018**
	)	**BLACK HILLS POWER, INC.'s RESPONSE TO THE COMMISSION'S ORDER REQUESTING COMMENTS ON STANDARDS**

COMES NOW Black Hills Power, Inc. (Black Hills), pursuant to the Public Utilities Commission of the State of South Dakota (Commission) Order Requesting Comments on Standards, dated December 5, 2006, respectively responds as follows:

FUEL DIVERSITY – PURPA STANDARD 12

Pursuant to section 1251(a) of EPAct, section 111(d)(12), the Commission must consider adoption of a fuel diversity standard. This standard provides as follows:

> (12) Fuel Sources. Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.

The Commission has until August 8, 2008, to complete consideration of this standard and make a determination on whether to adopt it. With respect to PURPA Standard 12, please answer the following questions:

QUESTION NO. 1: Should the Commission adopt this standard?

RESPONSE: The Commission should not adopt this standard.

QUESTION NO. 2: If the Commission adopts the standard, how often should the plan be updated? What time period should the plan encompass?

RESPONSE: In the event the Commission adopts the standard, the plan should encompass a ten year period. The plan should be updated only prior to planned generation additions.

QUESTION NO. 3: What other more specific requirements should be adopted in order to implement this standard?

RESPONSE: N/A.

QUESTION NO. 4: Are there any other issues the Commission should consider?

RESPONSE: The Commission should consider the potential negative economic impact to consumers that would result from the adoption of this standard.

FOSSIL FUEL GENERATION EFFICIENCY – PURPA STANDARD 13

Pursuant to section 1251(a) of EPAct, section 111(d)(13), the Commission must consider adoption of a fossil fuel generation efficiency standard. This standard provides as follows:

> (13) Fossil Fuel Generation Efficiency. Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

The Commission has until August 8, 2008, to complete consideration of this standard and make a determination on whether to adopt it. With respect to PURPA Standard 13, please answer the following questions:

QUESTION NO. 1: Should the Commission adopt this standard?

RESPONSE: The Commission should not adopt this standard.

QUESTION NO. 2: If the Commission adopts the standard, how often should the 10-year plan be updated?

RESPONSE: In the event the Commission adopts the standard, the plan should be updated no more frequently than every five years, because the effectiveness of the plan would be technology dependent.

QUESTION NO. 3: What other more specific requirements should be adopted in order to implement this standard?

RESPONSE: N/A.

QUESTION NO. 4: Are there any other issues the Commission should consider?

RESPONSE: The Commission should consider the potential negative economic impact to consumers that would result from the adoption of this standard.

SMART METERING – PURPA STANDARD 14

Pursuant to section 1252(a) of EPAct, section 111(d)(14), the Commission must consider adoption of a smart metering standard. This standard provides as follows:

(14) Time-Based Metering and Communications. (a) Not later than 18 months after the date of enactment of this paragraph, each electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's cost of generating and purchasing electricity at the wholesale level. The time-based rate schedule shall enable the electric consumer to manage electric use and cost through advanced metering and communications technology.

(B) The type of time-based rate schedules that may be offered under the schedule referred in subparagraph (A) include, among others –

(i) time-of-use pricing whereby electricity prices are set from a specific time period on an advanced or forward basis, typically not changing more often than twice a year, based on the utility's cost of generating and/or purchasing such electricity at the wholesale level for the benefit of the consumer. Prices paid for energy consumed during these period shall be pre-established and known to consumers in advance of such consumption, allowing them to vary their demand and usage in response to such prices and manage their energy costs by shifting usage to a lower cost period or reducing their consumption overall;

(ii) critical peak pricing whereby time-of-use prices are in effect except for certain peak days, when prices may reflect the costs of generating and/or purchasing electricity at the wholesale level and when consumers may receive additional discounts for reducing peak period energy consumption;

(iii) real-time pricing whereby electricity prices are set for a specific time period on an advanced or forward basis, reflecting the utility's cost of generating and/or purchasing electricity at the wholesale level, and may change as often as hourly; and

(iv) credits for consumers with large loads who enter into pre-established peak load reduction agreements that reduce a utility's planned capacity obligations.

(C) Each electric utility subject to subparagraph (A) shall provide each customer requesting a time-based rate with a time-based meter capable of enabling the utility and customer to offer and receive such rate, respectively.

The Commission has until August 8, 2007, to complete consideration of this standard and mate a determination on whether to adopt it. With respect to PURPA Standard 14, please answer the following questions:

QUESTION NO. 1: Describe any Smart Metering programs that you have already implemented or are in the process of implementing. Include programs that are

conducted in states other than South Dakota. Please list the customer classes eligible for each program and how many customers are in each program for each year beginning with the inception of the program.

RESPONSE: Black Hills Power offers the following Time-of-Use options:

- Residential Demand Service – This is an optional rate that has been available to residential class customers since the early 1980s. There are 3,645 active customers using this service. The customer is billed both energy and demand charges. In order to utilize this service, customer installs a demand controller that limits their peak energy use (levels are set by the customer). Since 1995, new installations and conversions have an off-peak option that allows the customer to use additional demand during off-peak hours at no additional charge. A TOU meter is installed that communicates with the demand controller whether it is in off-peak or on-peak mode.

- Energy Storage Service – This is an optional rate for all classes of customers. The service was first utilized in 1995, and is currently used by eight customers. The ES service is separately metered from the customer's general use meter. Specific equipment is eligible for the rate – including equipment for heating/cooling storage, pumped storage, battery charging, snow making, and geothermal heating applications. Partial storage applications may qualify. A TOU meter is used that measures off-peak and on-peak energy use.

- Off-Peak demand provision – This is an option for General Service Large and Industrial Contract customers that have a minimum contract capacity of 250 kVA. Customers are allowed to use up to 150% of on-peak demands during off-peak periods at no additional charge. Three industrial and nine commercial customers are currently using this option. One industrial account has an interval data recorder for metering and the other accounts use a TOU meter that measures both on-peak and off-peak demands.

Black Hills Power previously offered the following incentive based rates:

- Large Demand Curtailable – This rate for Commercial and Industrial customers is no longer available in South Dakota. It was closed in our recent rate case. Existing customers (5) are grandfathered on the rate. It had been available in one form or another since the early 1980s. Interval metering is used to verify curtailments.

- General Service Utility Controlled / Small Interruptible Service – These optional rates, for Commercial and Industrial customers, are no longer available in South Dakota. UC was closed in our 1995 rate case and SIS was closed in our recent rate case. Existing customers (29) are grandfathered on the rate. It had been available in one form or another

since the early 1980s. Metering consisted of a TOU meter, thermostat, and relay that controlled a contacting device to interrupt the customer's load during certain times at certain temperatures that typically coincided with system peaks.

- Residential Utility Controlled – This optional rate is still available for the residential class. Only six customers, however, are on the rate. The Residential Demand Service rate is similar to the commercial applications, except that the interrupting device was typically incorporated into the meter can.

QUESTION NO. 2: State whether any Smart Metering programs that currently exist comply with the PURPA Standard 14.

RESPONSE: Black Hills Power believes our existing Time-of-Use metering qualifies for PURPA Standard 14. The rates are all based on limiting on-peak demand and shifting load to off-peak periods.

QUESTION NO. 3: Describe how the four PURPA time-based rate schedules are most applicable to various classes of customers.

RESPONSE: Optional time-of-use rate schedules are applicable to the residential, commercial, and industrial customer classes as long as they meet the equipment or load requirements. Direct load control is not practical due to the limited nature of consistent radio control in the Black Hills area. Any type of critical peak pricing, real-time pricing, or credits for large load reductions will not make a significant impact in load reductions, given the limited size of the utility and industrial base.

QUESTION NO. 4: Should time-based rates as set forth in PURPA Standard 14 be mandatory for all customers, mandatory for some customers, or voluntary?

RESPONSE: Time-based rates should be voluntary.

QUESTION NO. 5: Explain why the Commission should or should not adopt PURPA Standard 14 or any part thereof? In support of your position, provide citations to studies that have been conducted to determine the effectiveness of Smart Metering programs.

RESPONSE: Given service area and terrain limitations, along with the lack of population density, the Commission should not adopt PURPA Standard 14. The Commission could adopt PURPA Standard 14 as it applies to Time-of-Use metering, as long as it remains voluntary, and as long as the customer meets certain criteria established by the utility. Black Hills has had success implementing the Residential Demand Service rate and some success implementing the Energy Storage rate and

off-peak option for our General Service Large and Industrial Contract customers as described in question #1.

Critical peak pricing, real-time pricing or credits for large load reductions should not be approved. Black Hills has too little industrial base to effectively use these types of programs. The closing of Black Hills' Large Demand Curtailable and Small Interruptible Service rates are evidence that there is generally not a demand for these types of programs among our customers.

QUESTION NO. 6: Of the types of time-based rate schedules listed in PURPA Standard 14, which standard(s) is the most effective in reducing demand? Which is the most cost effective?

RESPONSE: The time-of-use options are the most effective in reducing demand because these options typically apply with loads that can be deferred, thus creating little inconvenience to the customer.

Incentive based programs are generally not effective, because there are very little interruptible type loads in our service area. Black Hills promoted a Large Demand Curtailable rate for over 15 years, and had less than 4 MW of controllable load. That amount of load had little economic value to Black Hills ratepayers as a whole.

QUESTION NO. 7: If the Commission adopts PURPA Standard 14, how should the costs for time based rates or programs be allocated or recovered?

RESPONSE: The costs for time-based rates should be allocated and recovered from those customers receiving the benefits.

QUESTION NO. 8: Are there any other issues the Commission should consider?

RESPONSE: South Dakota is a rural state, with little population density, and unique geography. Applications that may be beneficial for major metropolitan and industrial areas are not necessarily beneficial to our state.

INTERCONNECTION STANDARDS FOR DISTRIBUTED RESOURCES – PURPA STANDARD 15

Pursuant to section 1252() of EPAct, section 111(d)(15), the Commission must consider adoption of interconnection standards. This standard provides as follows:

> (15) Interconnection. Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "interconnection service" means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards

developed by the Institute of Electrical and Electronics Engineers: IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time. In addition, agreements and procedures shall be established whereby the services are offered shall promote current best practices of interconnection for the services are offered shall promote current best practices of interconnection for distributed generation, including but not limited to practices stipulated in model codes adopted by associations of state regulatory agencies. All such agreements and procedures shall be just and reasonable, and not unduly discriminatory or preferential.

The Commission has until August 8, 2007, to complete consideration of this standard and make a determination on whether to adopt it. With respect to PURPA Standard 15, please answer the following questions:

QUESTION NO. 1: Do you currently have tariffs, agreements, procedures, or schedules regarding interconnection of customer-owned generating facilities? If so, please describe them in general terms, including any limits on the capacity of customer-owner generating facilities. In addition, provide a copy or electronic link to the tariff, agreement, procedure or schedule.

RESPONSE: BHP has had a set of tariffs since 1978 that apply to cogeneration and small power production facilities with a design capacity of 100 kW or less. A copy is attached as Exhibit A. There have not been any customers receiving service under the tariff and the Company has not had any serious inquiries. The Company has not adopted interconnection guidelines.

QUESTION NO. 2: Explain why the Commission should or should not adopt interconnection standards consistent with PURPA Standard 15 or any part thereof.

RESPONSE: The Commission should not adopt these standards. The proposed standards fail to recognize that different applications require different solutions. Given the complexity involved with interconnection, the increased flexibility provided by mutually agreed customer solutions is required. In addition, the standards are largely unnecessary, given lack of demand.

It is particularly concerning that IEEE Standard 1547 at this time remains a "work in progress." Certainly there is benefit in evaluating existing practices as industry standards are updated, but it is not necessarily advisable to prospectively adopt standards that are currently incomplete.

Similarly, the NARUC Model Procedures and Agreement should not be prospectively applied to future situations, without regard to the specific applications involved. The best result for the parties and ratepayers would be achieved by mutual agreements, made on a case-by-case basis. In addition, several provisions of the NARUC model agreement would not be advantageous to ratepayers as a whole. For example, the liability, indemnification, and insurance provisions of the

model agreement shift risk from the interconnecting party to the utility and its ratepayers, without justification.

QUESTION NO. 3: Should the Commission adopt IEEE Standard 1547?

RESPONSE: The Commission should not adopt this standard.

QUESTION NO. 4: Should the Commission adopt the NARUC Model Interconnection Procedures and Agreement? Should the Commission adopt parts of the NARUC Model Interconnection Procedures and Agreement or make changes?

RESPONSE: The Commission should not adopt the NARUC Model Interconnection Procedures and Agreement.

QUESTION NO. 5: Are there any other issues the Commission should consider?

RESPONSE: Black Hills has no further issues for consideration, and thanks the Commission for the opportunity to comment in this proceeding.

Respectively submitted this 9th day of January, 2007.

Black Hills Power, Inc.

By: _____

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CERTIFICATE OF SERVICE

Todd L. Brink hereby certifies that on the 9th day of January, 2007, the forgoing Response to the Commission's Order Requesting Comments on Standards has been served in accordance with the rules of the Public Utilities Commission to the individuals listed below.

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Todd L. Brink

SCHEDULE 1
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS NET BILLING

AVAILABLE

In all territory served by Company in the State of South Dakota to customers who operate cogeneration or small power production facilities with a design capacity of 100 kilowatts or less and who meet the requirements of qualifying facilities as defined under Title 18 of the Code of Federal Regulations, Part 292, and who execute a contract for service hereunder with the Company for a term of not less than one year.

APPLICABLE

To customers who purchase from the Company all electric load requirements which are in excess of the simultaneous output from their own generation and sell to the Company all output which is in excess of the simultaneous load. This schedule is not applicable to customers who install electrical generation facilities for the purpose of supplying electrical energy to offset in whole or in part energy requirements not otherwise supplied by Company.

EMERGENCY POWER AND ENERGY

Emergency power and energy is that power and energy required by the customer to meet a temporary need due to an emergency breakdown of its generating facilities. Company shall supply emergency energy subject to the availability of such power and energy and further subject to the condition that such supply will not result in impairment of or serious jeopardy of service within the Company's system. Customer agrees to notify the Company by telephone as soon as possible when emergency conditions exist and when able to restore to normal service operations. In addition, customer will confirm notices in writing within 48 hours. Emergency power and energy is not available during period when the Company has requested that customer limit service to is Firm Contract Demand level unless customer is receiving emergency power and energy at the time of Company's request for customer to limit service to the Firm Contract Demand level.

Rate

8.17¢ per kWh

SCHEDULE 1
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS NET BILLING

The kWh shall be determined by multiplying the contract demand for emergency energy (as set forth in customer's contract) by the total elapsed time of such emergency. In no event, however, shall the total kWh billed under this provision exceed the total kWh delivered for all purposes during the period of emergency.

MAINTENANCE POWER AND ENERGY

Maintenance power and energy is that power and energy requested by customer to meet a temporary need due to prearranged maintenance of its generating facilities. Maintenance power and energy shall be limited to a total of 60 days per contract year, and shall be scheduled by mutual agreement between customer and Company. If customer desires maintenance power and energy, customer shall advise Company of the maximum kW required, probable load factor, period required, and estimate of hourly amounts. The quantity once agreed upon shall not be subject to adjustments during said period, except by mutual agreement.

Rate

Daily charge of 24.00¢ per maximum kW agreed to plus 2.92¢ per kWh provided.

FIRM AND INTERRUPTIBLE POWER AND ENERGY

Firm and interruptible power and energy is a block of power and accompanying energy which customer purchases from the Company, and which is not supplied as emergency or maintenance service.

Monthly Rate

Customer Charge

$10.00 per month

Interconnection Facilities Charge

As set forth in customer's contract.

SCHEDULE 1
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS NET BILLING

Demand Charge

$10.50 per kW of Firm Contract Demand
$ 5.25 per kW of Interruptible Demand

Energy Charge

All usage at 2.92¢ per kWh

FIRM CONTRACT DEMAND

The Firm Contract Demand, in kW, shall be completed in accordance with customer's contract.

DETERMINATION OF INTERRUPTIBLE DEMAND

Interruptible Demand shall be the maximum average load during any fifteen-minute period of use during the month as measured by the Company's meter in excess of Firm Contract Demand, scheduled maintenance and qualifying emergency service during the respective fifteen-minute period. During periods when the generation output from the qualifying facility does not exceed the minimum accredited output all as specified in the contract, any demand which would otherwise be Interruptible Demand shall be subject to the Firm Contract Demand Charge.

PENALTY FOR FAILURE TO CURTAIL

The Company in its sole discretion may curtail Interruptible service hereunder upon 15 minutes notice to the customer by telephone. In the event customer fails to limit service upon 15 minutes notice from the Company, customer shall pay in addition to all other charges hereunder a penalty of $30 per kW. Such penalty shall be applied once during each curtailment period in each billing month the Company has requested customer to curtail Interruptible service and shall be computed by multiplying $30 times the maximum Interruptible Demand during the curtailment period. A curtailment period begins 15 minutes after Company notified customer by telephone to curtail Interruptible service and ends upon subsequent telephone notification by Company.

SCHEDULE 1
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS NET BILLING

GENERATION CREDIT

Company shall purchase all output from customer's own generation which is in excess of customer's simultaneous load and which is delivered to the Company's distribution system. The total generation credit will be netted against other charges to customer on each monthly bill.

Rate

3.32¢ per kWh of cogeneration delivered

PARALLEL OPERATION

Interconnection of the customer's generation with Company's system will be permitted only under the terms of a contract between customer and Company. Such contract shall include but not be limited to the following:

1) The customer shall indemnify and hold harmless the Company from any and all liability arising from the installation, interconnection, and operation of the customer's facilities. The amount of such insurance coverage shall be at least $300,000 per occurrence. Customer shall furnish certification of compliance and provide written 90-day notice of any changes to the Company.
2) The customer shall provide a lockable disconnect switch to isolate the customer's generation from Company's system. Such switch shall be accessible to Company and Company shall have the right to lock such disconnect switch open whenever necessary to maintain safe electrical operating conditions, or whenever the customer's facilities may adversely affect the Company's system.
3) The customer shall arrange the electric service wiring to allow the Company to meter (a) the customer's load requirements which are in excess of the simultaneous output from their own generation, and (b) the customer's output which is delivered to the Company. The customer shall pay the Company a monthly charge to cover the fixed costs of the additional metering equipment required to be furnished by the Company.

SCHEDULE 1
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS NET BILLING

RULES AND REGULATIONS

Service hereunder is subject to the General Rules and Regulations contained in the Company's regularly filed and published tariff and to those prescribed by regulatory authorities.

ENERGY COST ADJUSTMENT

(N)

The above schedule of charges shall be adjusted in accordance with:

1. The Conditional Energy Cost Adjustment tariff.
2. The Transmission Cost Adjustment tariff.
3. The Steam Plant Fuel Cost Adjustment tariff.

When the billing period includes a change in the charges of an above referenced Energy Cost Adjustment tariff, the customer's bill shall be prorated accordingly.

PAYMENT

Net monthly bills are due and payable twenty 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 be calculated and included as part of each monthly billing. A non-sufficient funds charge of $15.00 shall apply to process a payment from a customer that is returned to the Company by the bank as not payable. 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. When service is suspended for nonpayment of a bill, a Customer Service Charge will apply. (T)

TAX ADJUSTMENT

Bills computed under the above rate shall be adjusted by the applicable proportionate part of any impost, assessment, or charge imposed or levied by a governmental authority as a result of laws or ordinances enacted, which is assessed or levied on the basis of revenue for electric energy or service sold, and/or the volume of energy generated and sold.

SCHEDULE 2
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS PURCHASE AND SALE

AVAILABLE

In all territory served by Company in the State of South Dakota to customers who operate cogeneration or small power production facilities with a design capacity of 100 kilowatts or less and who meet the requirements of qualifying facilities as defined under Title 18 of the Code of Federal Regulations, Part 292, and who execute a contract for service hereunder with the Company for a term of not less than one year.

APPLICABLE

To customers who purchase their entire electric load requirements from the Company and sell the entire output from their own generation to the Company. This schedule is not applicable to customers who install electrical generation facilities for the purpose of supplying electrical energy to offset in whole or in part energy requirements not otherwise supplied by Company.

ELECTRIC LOAD REQUIREMENT PURCHASES

The customer shall purchase all electric service requirements under the applicable regularly filed and published retail rate schedules of the Company.

COGENERATION SALES TO THE COMPANY

The Company shall purchase all energy generated by customer each month.

Rate

3.32¢ per kWh of cogeneration.

INTERCONNECTION FACILITIES CHARGE

As set forth in customer's contract.

SCHEDULE 2
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS PURCHASE AND SALE

MONTHLY BILLING

Monthly bills will be issued by the Company. Each bill will show: (1) the total amount due from the customer for service under each applicable rate schedule; (2) the total amount due from the Company for purchase of all cogeneration energy; (3) the amount due from the customer for the Interconnection Facilities Charge; and (4) the net amount due from either party.

PARALLEL OPERATION

Interconnection of the customer's generation with Company's system will be permitted only under the terms of a contract between customer and Company. Such contract shall include but not be limited to the following:

1) The customer shall indemnify and hold harmless the Company from any and all liability arising from the installation, interconnection, and operation of the customer's facilities. The amount of such insurance coverage shall be at least $300,000 per occurrence. Customer shall furnish certification of compliance and provide written 90-day notice of any changes to the Company.

2) The customer shall provide a lockable disconnect switch to isolate the customer's generation from Company's system. Such switch shall be accessible to Company and Company shall have the right to lock such disconnect switch open whenever necessary to maintain safe electrical operating conditions, or whenever the customer's facilities may adversely affect Company's system.

3) The customer shall arrange the electric service wiring to allow the Company to meter the customer's total electric load requirements and total output from their own generation through separate and distinct meters. The customer shall pay the Company a monthly charge to cover the fixed costs of the additional metering equipment required to be furnished by the Company.

4) Except for the metering, the customer shall own and maintain all facilities on the customer's side of a single point of delivery as specified by Company. The customer's system, including interconnecting equipment, shall meet the requirements of and be inspected and approved by state electrical inspectors and any other public authority having jurisdiction before any connection is made to Company.

SCHEDULE 2
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS PURCHASE AND SALE

RULES AND REGULATIONS

Service hereunder is subject to the General Rules and Regulations contained in the Company's regularly filed and published tariff and to those prescribed by regulatory authorities.

ENERGY COST ADJUSTMENT

The above schedule of charges shall be adjusted in accordance with: (N)

1. The Conditional Energy Cost Adjustment tariff.
2. The Transmission Cost Adjustment tariff.
3. The Steam Plant Fuel Cost Adjustment tariff.

When the billing period includes a change in the charges of an above referenced Energy Cost Adjustment tariff, the customer's bill shall be prorated accordingly.

PAYMENT

Net monthly bills are due and payable twenty 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 be calculated and included as part of each monthly billing. A non-sufficient funds charge of $15.00 shall apply to process a payment from a customer that is returned to the Company by the bank as not payable. 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. When service is suspended for nonpayment of a bill, a Customer Service Charge will apply. (T)

TAX ADJUSTMENT

Bills computed under the above rate shall be adjusted by the applicable proportionate part of any impost, assessment or charge imposed or levied by any governmental authority as a result of laws or ordinances enacted, which is assessed or levied on the basis of revenue for electric energy or service sold, and/or the volume of energy generated and sold.

SCHEDULE 3
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS POWER

AVAILABLE

In all territory served by the Company in the State of South Dakota to customers who operate cogeneration or small power production facilities with a design capacity of 100 kilowatts or less and who meet the requirements of qualifying facilities as defined under Title 18 of the Code of Federal Regulations, Part 292, and who execute a contract for service hereunder with the Company for a term of not less than one year.

APPLICABLE

To customers taking service under any other rate schedule of the Company for all electric load requirements which are in excess of the simultaneous output from their own generation and sell to the Company all output which is in excess of the simultaneous load. This schedule is not applicable to customers who install electrical generation facilities for the purpose of supplying electrical energy to offset in whole or in part energy requirements not otherwise supplied by Company.

GENERATION CREDIT

Company shall purchase all output from customer's own generation which is in excess of customer's simultaneous load and which is delivered to the Company's distribution system. The total generation credit will be netted against other charges to customer on each monthly bill.

Rate

3.32¢ per kWh of cogeneration delivered

PARALLEL OPERATION

Interconnection of the customer's generation with Company's system will be permitted only under the terms of a contract between customer and Company. Such contract shall include but not be limited to the following:

SCHEDULE 3
COGENERATION AND SMALL POWER PRODUCTION SERVICE
SIMULTANEOUS POWER

1) The customer shall indemnify and hold harmless the Company from any and all liability arising from the installation, interconnection, and operation of the customer's facilities. The amount of such insurance coverage shall be at least $300,000 per occurrence. Customer shall furnish certification of compliance and provide written 90-day notice of any changes to the Company.

2) The customer shall provide a lockable disconnect switch to isolate the customer's generation from Company's system. Such switch shall be accessible to Company and Company shall have the right to lock such disconnect switch open whenever necessary to maintain safe electrical operating conditions, or whenever the customer's facilities may adversely affect Company's system.

3) The customer shall arrange the electric service wiring to allow the Company to meter (a) the customer's load requirements which are in excess of the simultaneous output from their own generation, and (b) the customer's output which is delivered to the Company. The customer shall pay the Company a monthly charge to cover the fixed costs of the additional metering equipment required to be furnished by the Company.

RULES AND REGULATIONS

Service hereunder is subject to the General Rules and Regulations contained in the Company's regularly filed and published tariff and to those prescribed by regulatory authorities.