

**BLACK HILLS POWER, INC.**

**DESCRIPTION OF UTILITY OPERATIONS**

Black Hills Power, Inc. ("Black Hills Power") is an electric utility serving retail customers in South Dakota, Wyoming and Montana. Black Hills Power is incorporated in South Dakota and began providing electric service in 1941. Black Hills Power is a wholly-owned subsidiary of the publicly traded company, Black Hills Corporation.

Black Hills Power is engaged in the generation, transmission, and distribution of electricity. We serve approximately 63,500 retail electric customers and our service territory covers a 9,300 square mile area of western South Dakota, northeastern Wyoming and southeastern Montana.

In addition to retail sales of electric energy, Black Hills Power sells wholesale power to the City of Gillette, Wyoming, Montana Dakota Utilities for Sheridan, Wyoming and to the Municipal Energy Agency of Nebraska. Black Hills Power also makes short-term wholesale power sales when economically feasible.

The electric system utilized by Black Hills Power consists of a common use transmission system with 570 miles of 230 kV transmission lines and a lower voltage distribution system. Black Hills Power is interconnected with the Western Area Power Administration Rocky Mountain Regions' west 230 kV bus at Stegall, Nebraska, and with PacifiCorp at the Wyodak plant near Gillette, Wyoming. We are also interconnected with Western Area Power Administration's Upper Great Plains Region, through the Rapid City Converter Tie,

Black Hills Power has generating facilities located at the Wyodak site near Gillette, Wyoming, in Osage, Wyoming and in Rapid City, South Dakota. In addition to these generating plants, Black Hills Power has a long-term purchase power agreement with PacifiCorp for 50 megawatts of capacity and associated energy.

For a breakdown of jurisdictional and nonjurisdictional energy sales refer to Work Paper, WP-1.

The last South Dakota rate filing was submitted February 1, 1995 and an order issued by the South Dakota Public Utilities Commission (SDPUC) on July 19, 1995. The conditional rate freeze was extended to December 31, 2004 by agreement with the staff of the SDPUC and Black Hills Power. The agreement to extend the conditional rate freeze was approved by the SDPUC by an order dated June 25, 1999.