

BLACK HILLS POWER, INC.
SD PUC DOCKET: EL-09-018

REQUEST DATE : December 18, 2009
RESPONSE DATE : January 8, 2010
REQUESTING PARTY: South Dakota Peace and Justice Intervenors

SDPJI Request No. 2-9: Referencing page 5, lines 8-9 of the Tietjen testimony, provide all of the source documents and other evidence that form the basis for the statement "existing and future demand side management (DSM) programs were identified."

Regarding the same statement, provide the quantity of MW and MWh savings from existing and future DSM programs that were included in the load forecasts for the period 2008-2027 for each year of the forecast.

Response to SDPJI Request No. 2-9:

The source documents regarding Black Hills Power for the referenced testimony are attached as Attachments 9.1 through 9.11.

Please see the Response to Black Hills Industrial Intervenors DR 1-107 for the energy savings by year for 2008 and 2009. The quantity of MW and MWh savings expected from existing and future DSM programs for the periods 2010 through 2027 are not available. Historical data was used to predict future savings as Black Hills Power did not contemplate significant changes in DSM programs and their resulting impact on electricity demand. See also Response to SDPJI Request No. 2-31.

Trade Ally Program

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Black Hills Power Trade Ally Program

TRADE ALLY KEY ACCOUNT PROGRAM

Purpose: To create a working relationship with builders, heating and air conditioning, ventilation, plumbing, electrical contractors and home improvement centers that have a common goal to promote products conducive to electric energy usage for our mutual customers.

TRADE ALLY ADVERTISING PROGRAM

Black Hills Power will reimburse 50% of advertising costs (up to a maximum of \$1,000 per dealer per year) for:

1. Demand Control Systems
2. Electric Resistance Heat
3. Electric Heat Pumps
4. Geothermal Systems
5. Energy Efficient Electric Water Heaters
6. Energy Efficient Motors

Criteria must be met at least two weeks in advance of the sponsored event. To participate in the program, contact the newspaper, television, or radio station for your area and have them prepare an ad for one of the above items. All that is required is that the ads feature approved demand control systems, or any of the electrical appliances listed above. Ads cannot incorporate any other types of heating, cooling, or energy efficient equipment other than listed above unless approved by Black Hills Power Marketing Department.

The following information must be included in the advertisement:

Radio/Television:

Voice over tag line must include the following announcement: "For information on BHP's efficiency rebates for electric heating and cooling systems contact your local Black Hills Power office" (name the equipment).

"For more information about cash rebates on energy efficient electric water heaters contact your local Black Hills Power office."

Newspaper:

A camera-ready slick must be placed in the ad which promotes energy efficient electric equipment and BHP's rebate program. The slicks are available from BHP by contacting BHP's Energy Services or your local BHP office.

Consumer Trade Show Support:

Criteria must be met at least 2 weeks in advance of the sponsored event so booth can be reviewed at the show.

Black Hills Power will offer additional co-op advertising incentives to trade allies participating in consumer trade shows or "Parade of Homes" events. We will pay up to 50% of the registration costs up to \$500 per year. This cost will be in addition to the advertising program incentive.

To apply for BHP booth sponsorship, simply contact the Marketing Department to discuss how BHP can participate and cooperate with your company in promoting energy efficient electric equipment. To qualify, the vendor must allocate a **minimum of 50% of the booth** to the promotion of electric heat pumps, electric water heaters, and other electric heating systems. Black Hills Power's **rebate information** must also be prominently displayed. Vendor must display **BHP promotional banner**, or other required advertising with BHP logo and information.

Each event will be reviewed and receive prior approval based on promotional purpose, customer impact, product and service benefits, Company benefit, and type of event.

To Receive Co-op Advertisement Reimbursement:

1. Initiate your own advertising with your local newspaper or radio station sales representative.
2. Send all copies to Energy Services for prior approval. See #5 below.
3. Have your local newspaper or radio station bill you direct. **Do not have them bill Black Hills Power.**
4. Pay your advertising bill in full to the local media involved.
5. Send a copy of the statement marked "PAID" and a copy of the print ad, script, or storyboard to:

**Marketing Department - Black Hills Power
PO Box 1400
Rapid City, South Dakota 57709**

6. Include tear sheets of your newspaper ad or a notarized performance report from your radio station, with the statement and ad copy.

7. A check for 50% of the cost (up to \$1,00 annually) will be mailed directly to you on a quarterly basis.
8. Remember: Maximum allowance is \$1,000 per year per dealer. Advertising must run no later than December 31, 2006.
9. For consumer trade show booth or Parade of Homes registration co-op approval and reimbursement, simply submit a letter before the event to the Marketing Department stating the type of event, purpose, and how BHP would benefit from co-sponsoring your booth.

TRADE ALLY EVENTS

Realtor Training:

"Using The Energy Factor to Sell Homes" is the title of this one-day training seminar. The training is designed to educate area realtors, appraisers, and home inspectors how to recognize and sell energy efficient homes with a primary focus on electric equipment. The State of South Dakota offers 8 CEU credits to those completing the course. We plan to offer classes in the fall of 2007.

Demand Controller Installer Certification:

This training is held each year as needed. Energy Services invites electricians to attend the one-day class. The class is instructed by Energy Services Technicians and staff. The training provides the electricians an opportunity to learn about demand controllers and how they are installed. Each class will qualify for 2 code hours and 4 non-code hours through the state of South Dakota. The class will be scheduled in as needed.

Electro-Technology Expo:

Black Hills Power's Marketing Department produces an annual event titled The Electro-Technology Expo, each year in January at the Ramkota Best Western Inn in Rapid City, South Dakota. The Expo is designed to inform professionals in the building industry about new electric technologies and standards for residential applications and commercial businesses.

The Expo features a variety of exhibitors promoting their products and services related to electric technology for homes and businesses. Representatives from the building industry give technology-related presentations during concurrent sessions. Several different topics are available for the attendees. The Expo is also co-sponsored by West River Electric Association and Western Area Power Administration.

Power Quality Training:

Energy Services will host a power quality workshop in the fall of 2007. The workshop will educate area electricians, engineers, and key account personnel about the importance of power quality and how it can affect their respective businesses.

Energy Conservation Awareness Day:

Energy Conservation Awareness Day is held each year in October. The Marketing Department at Black Hills Power teams up with MDU, the SD PUC, and West River Community Action, along with home improvement centers throughout the Black Hills to offer educational workshops at their stores. The purpose of the event is to raise the awareness among customers for the need to weatherize and conserve energy during the upcoming winter season.

Demand Controller Program

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Black Hills Power Demand Controller Program

PROGRAM PURPOSE

The purpose of the Demand Controller Program is to provide a benefit to the customer and BHP by modifying the customer's electrical usage. Customer behavior modification can result in shifting and decreasing BHP's peak system demand and can reduce the customer's annual cost for electricity. This behavior modification, in conjunction with the Residential Demand-Service rate, allows for increased retention of higher load factor electric heating and water heating equipment in the residential market. The primary purpose of the Demand Controller Program is to shift the home's peak demand for electricity to other times. The energy savings/conservation impact is minimal.

Through participation in the Demand Controller Program, customers will experience monthly electricity cost savings. However, customers will not likely reduce the use of electricity, but simply, shift its use to lower peak times by controlling storable and deferrable loads. In fact, the Maximum Value feature has demonstrated lower electric costs than the Demand Controller without the Maximum Value feature. However, customers have increased their electric usage with the Maximum Value feature.

TARGET MARKET

The Demand Controller Program is targeted towards BHP residential customers using an average of at least 1,200 kWh's per month through a 12-month period, or who are paying \$120 or more per month for electricity. **Higher use homes do not need to be total electric to qualify for the rate.** Customers receiving the maximum benefit of the new Demand Controller Program are total electric homeowners.

Exception: BHP will not sell or install a demand controller in a house with an electric furnace, due to the inability to effectively maintain an adequate comfort level.

DEMAND CONTROLLER PROGRAM GOALS

Through an effective marketing plan and commitment by internal and trade ally participants, BHP demand controller sales goal for 2007 will be 165. Below are the goals by district office. The 2007 goal is based on the number of existing demand controller (Rate 14/16) participants compared to the potential customers who qualify for the rate.

DISTRICTS	DEMAND CONTROLLERS						
	GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL	GOAL
	2004	2004	2005	2005	2006	2006*	2007
Belle Fourche	5	8	5	14	22	10	11
Custer/Hill City	29	25	10	35	39	30	29
Deadwood/Lead	13	12	10	17	23	16	19
Edgemont							2
Hot Springs	17	13	10	14	18	18	19
Newcastle	9	2	7	0	2	2	5
Newell							2
Rapid City	61	82	55	15	33	47	58
Spearfish	8	11	4	2	8	8	12
Sturgis	12	7	9	10	14	5	7
TOTALS	154	160	110	107	159	136	165

As of November 2006

PROMOTIONAL STRATEGY

Promotional activities will continue in 2006, however emphasis will focus on new construction with primary electric heat. We will also continue to promote the use of demand controllers to homes that meet the minimum usage and have experienced high bills.

Promotional strategies will include:

- Customer news letters
- Exhibits and homes shows
- Consultation during new home construction
- Direct contact with customers by CSR's
- Increased numbers of heat loss calculations for new homes

Demand Controller Instructional Video:

In 2003 an instructional video and user manual was produced. The video is available on CD/DVD, and VHS tape. The instructional CD/DVD is included with all new demand controller purchases. The video is also available for viewing through the BHP web site.

BHP Energy Connection Customer Newsletter:

Black Hills Power will continue to communicate to customers through the monthly customer newsletter. The newsletter includes articles on the benefits of demand controllers and has reminders about re-setting demands to match the seasonal changes in use.

Home Show Exhibit:

The demand controller infomercial will be available for play during area home shows. Home Show exhibits allow customers an opportunity to visit with BHP representatives about the demand controller and to ask questions about BHP programs and rates.

RESIDENTIAL DEMAND CONTROLLER PROGRAM SUMMARY**Existing Home Program:**

- Free standard installation by certified electrician (\$300 + savings) or BHP technician
- Customer may choose electrician from BHP Qualified List
- BHP 30-day installation service
- 12 monthly payments through Paid by Bank option
- Free Demand Controller instructional service
- Customers who want to replace obsolete Demand Controller units can purchase a new unit at 10% above cost. Rebates do not apply. Installation is available at standard labor rate.

New Construction Program:

- \$150 Installation Rebate unit must be installed by certified electrician
- 12 monthly payments through Paid by Bank option
- Free instructional service for homeowner
- BHP will inspect and program the set station before rebates are awarded

Employee Program:

- Half price of a Demand Controller package
- Free BHP installation (employees do not qualify for any other rebates or incentives)
- Free instructional service

Note – All rebates (discounts) for demand controller equipment must be applied to outstanding MARs before cash rebates are issued. Cash awards are only issued after all outstanding MAR's are paid.

TRAINING

Employee Training:

Training programs will continue through a series of Energy Services informational meetings, and one-on-one update meetings. Employees will be invited to a 2007 Marketing Plan presentation meeting. These meetings will target all district offices and front-line customer service employees.

Trade Ally Training:

At least once each year, as needed, BHP offers the free Demand Controller Certification class. Students who complete this class are qualified to receive two code and four non-code CEU credits for the state of South Dakota. A current list of all electricians who have completed this class is available from Energy Services.

Realtor Training:

Each year energy Services offers demand controller training to real estate professionals as part of the realtor training program.

DEMAND CONTROLLER EXTENDED WARRANTY PROGRAM

Market Situation:

The Residential Demand Controller Extended Warranty Program provides many benefits for Black Hills Power and our customers. First, it provides an inexpensive way for a customer to protect himself against the high cost of fixing a demand controller. For only \$3.00 a month, (that can be added to their electric bill through the Paid by Bank agreement), customers can have peace of mind in knowing their demand controller is 100% covered against anything that may happen to it. Second, Black Hills Power will be able to cover the true cost of parts and labor that we incur every year.

A direct mail campaign will be implemented in April of 2007. The program will target existing demand controller customers. The goal for 2007 is to enroll 25 new customers. The campaign will be implemented by the Marketing Department.

Black Hills Power

Residential Demand Service Program 2007 Equipment Price List

BHP Stock #	Description	Retail Price
88-8003	9208 Controller, 3 relay	\$474
88-8003	3 relay DC, Rain Tight Option	\$489
88-8004	9212 Controller, 4 relay	\$654
88-8034	9212 Controller, 4 relay, Rain Tight Option	\$694
88-8026	9212 Demand controller 6 relay	\$694
88-8008	9212 Controller, 8 relay	\$793
88-8038	9212 Controller, 8 relay, Rain Tight Option	\$807
88-9300	16 Point Controller (Call Brayden for exact pricing)	\$1,200
88-8005	Current Transformers, Brayden, single ratio	\$64
88-8007	Current Transformers, ZDC, double ratio	\$77
88-8010	50 amp hot tub relay	\$55
88-8011	35 amp relay – standard	\$55
88-8012	Flush cover for 88-8008 (8 Relay)	\$29
88-8013	Flush cover for 88-8003 (3 Relay)	\$29
88-8014	Flush cover for 4 and 6 Relay	\$29
88-8016	35 amp Hot Tub relay in waterproof box	\$64
88-8024	Remote relay box for furnaces, boilers, heat pumps	\$190
88-8048	40' 4-conductor cable	\$18
88-0012	PowerLine Carrier in rain tight box for meters	\$182
88-0024	PowerLine Carrier in rain tight box for hot tubs	\$218

A standard demand controller *package* includes the controller, 40' of cable and a flush cover if requested. There is no extra charge for the cable or the flush cover if purchased as part of a demand controller package.

(Revised 12/2006)

Black Hills Power
RESIDENTIAL DEMAND CONTROLLER PROGRAM
Installation and Service Requirements

As a Certified Demand Controller Installer, you have become an important player in the Demand Controller Program. When BHP contracts your service, you are representing BHP. In order to ensure that BHP's customers receive the maximum quality service, BHP has developed a list of Quality Installation and Service Requirements, which will be used by the Certified Demand Controller Installer and BHP.

The following requirements are for Certified Installers (Electricians) when installing a demand controller:

- The installer is responsible for meeting proper safety procedures and electrical codes when installing a demand controller.
- Demand Controller installations will be completed within 30 days of the initial contact by a BHP representative.
- If the installation cost is expected to exceed \$300, the installer is required to contact BHP's District Office or Energy Services for approval prior to installing the demand controller. The installer will not charge for estimate, unless prior approval by BHP's District Office Manager or Manager of Energy Services.
- The installer will be responsible for the pickup of the demand controller package from BHP's District Office.
- The installer is responsible for the testing and programming of the unit after it is installed.
- The installer will contact the BHP Representative immediately after the Demand Controller is installed.
- Installer should submit installation bill to BHP's District Office or Energy Services. Each job installation should be billed separately, unless specified by BHP.
- The installer is required to leave owner's manual, warranty card, and instructional video with the customer after the job is completed.
- The installer is required to leave a wiring and priority description of the installation with the owner's manual or at a visible area where the relay panel is located.
- Installers will be responsible for faulty installation and service repairs of demand controllers, unless demand controller installation was improperly specified by BHP.
- If the customer is available during installation, the installer will provide hands-on instruction regarding the demand controller.

- A current listing of BHP certified installers may be obtained from Energy Services.

Following are the responsibilities of BHP:

- BHP will monitor (scheduling) the installation of demand controllers. Installers must submit an installation date for each job.
- BHP will utilize the Demand Controller Certified Installer Directory for contacting electricians. The Directory will be updated periodically.
- BHP reserves the right to select or reject specific installers from an installation job, if circumstances warrant.
- BHP will pay the installer's bill as soon as the job is completed and the unit is functioning properly and a bill is submitted. (Use the Demand Controller Rebate work order number).
- BHP will be responsible for faulty parts and equipment based on the installation procedure. All parts are under warranty by the manufacturer for three (3) years from the date of installation.
- BHP will be responsible for instructional use of the demand controller to the customer. However, it is the responsibility of the installer to give the initial instructions to the customer at the time of the install.
- BHP will be responsible for the Demand Meter installation.
- BHP reserves the right to request bids for installations that are expected to exceed \$300.
- BHP reserves the right to use Energy Services Technicians for any and all installs.

MAXIMUM VALUE INSTALLATION PROCESS

As we begin to see present demand controllers customers (Rate 14) requesting to convert the Maximum Value Feature (Rate 16), I thought it would be helpful for you to review the process that will occur.

Step 1:

Customer requests Maximum Value Conversion.

Step 2:

BHP Customer Account Representative gives customer a Demand Controller Services Application form in order to activate the installation process.

Step 3:

BHP receives application from customer and forwards to Energy Services Department.

Step 4:

An installation request letter is then sent to the electrician who is contracted for the job, or if installation is done by BHP a job ticket is issued.

Step 5:

Customer is contacted to schedule.

Step 6:

Electrician picks up conversion kit from Rapid City Warehouse.

Step 7:

Installation is completed and electrician informs Energy Services.

Step 8:

Energy Services informs the Customer Service Representative and new Maximum Value Meter is installed.

Step 9:

Customer rate code is changed from Rate 14 to Rate 16 (Maximum Value Rate) by the Customer Service Representative.

Step 10:

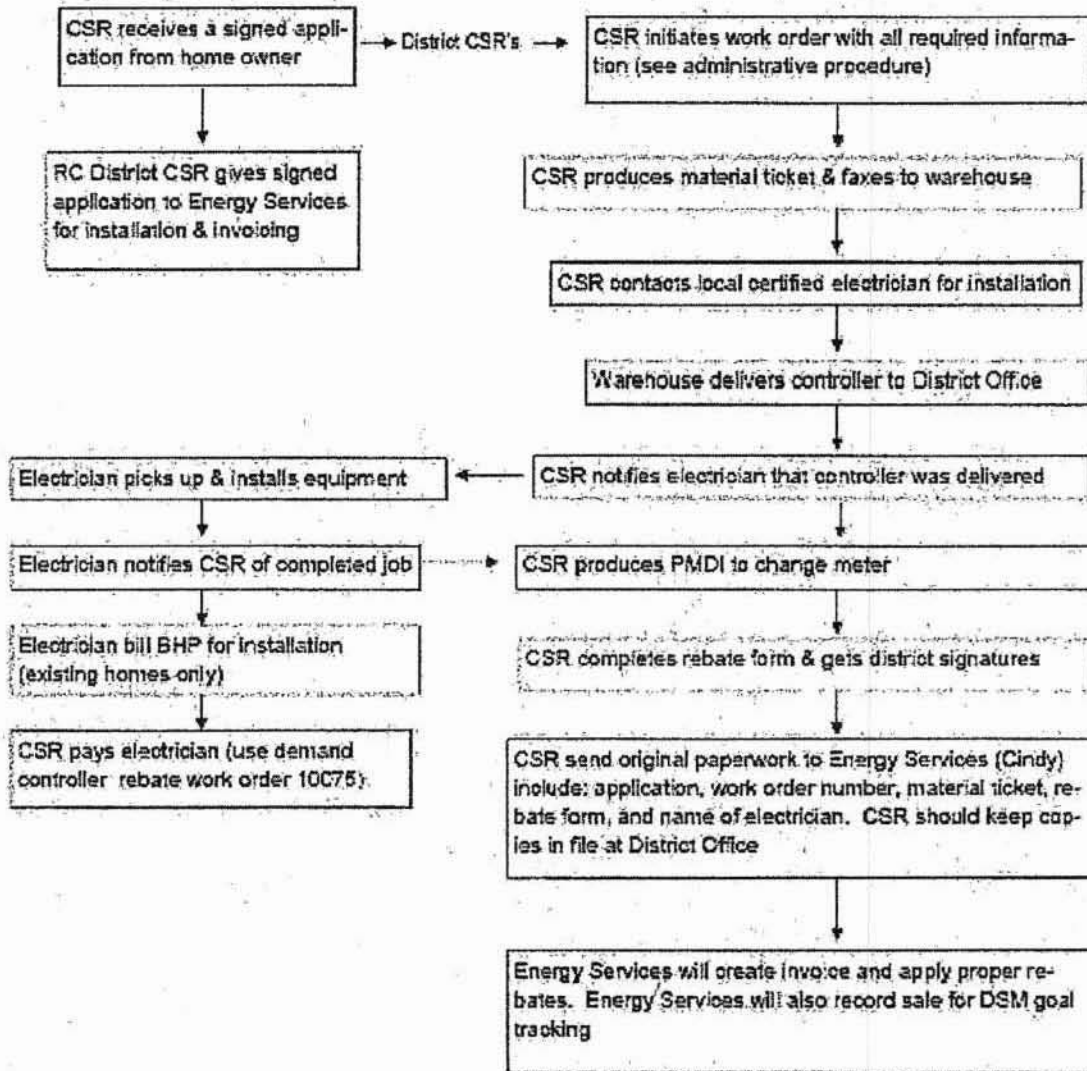
Energy Services pays electrician's installation bill.

Step 11:

Customer is Happy!; electrician is Happy! and of course we all...
CELEBRATE!!!!

The process is very similar to a typical demand controller request. Districts outside Rapid City will continue to do their typical request process. If you have any questions about the process, please contact Energy Services at 721-2683.

Demand Controller Sales/Installation Process



Comfort-Cove Heat Program

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BLACK HILLS POWER Comfort-Cove Heat Program

PROGRAM PURPOSE

To promote and sell energy efficient electric radiant heat products allowing our customer to receive lower energy costs and greater heating comfort for their homes or businesses.

TARGET AUDIENCE

Black Hills Power will target primarily residential customers, small businesses, and area contractors in South Dakota and Wyoming.

PROGRAM SALES GOALS

District Office	Goal 2004	Actual 2004	Goal 2005	Actual 2005	Goal 2006	Actual 2006*	Goal 2007
Belle Fourche	15	30	28	13	21	41.6	22
Custer/Hill City	236	320	190	88	303	127.8	255
Deadwood/Lead	116	59	123	63	65	111.8	74
Edgemont							12
Hot Springs	84	131	87	92	124	92.5	110
Newcastle	68	31	103	60	47	74.1	74
Newell							3
Rapid City	576	307	518	227	393	422.1	355
Spearfish	38	65	66	26	57	37.9	45
Sturgis	47	31	38	5	30	36.4	20
Total	1180	974	1153	574	1040	944	970

*As of November, 2006

COVE HEAT REBATES

Black Hills Power will offer rebates to customers who purchase cove heat products. The rebate will be \$15.00 per kW up to a maximum of \$500 per customer. In order to qualify for a rebate, the customer must have a Demand Controller installed in the residence.

COMFORT-COVE HEAT PRODUCTS

Cove heat units vary in size, wattage and cost, so Black Hills Power recommends a heat loss be completed before a customer determines which units they need. BHP will not install units for customers. Black Hills Power suggests customers hire a licensed electrical contractor for installations. Comfort-Cove heating units are manufactured by Radiant Heating Systems, Inc. in Valentine, NE.

10-Year Limited Warranty Program:

Radiant Systems, Inc. will replace any heating element found to be defective for a period of ten years from date of purchase. All other components are under warranty for a period of one year from date of purchase. The warranty does not apply to damage from accidents, misuse, or alteration, nor where connected to voltage 5% above the nameplate voltage, nor to equipment improperly installed or wired or maintained in violation of the instruction manual. This warranty is only valid in the United States. All warranty items are FOB: Radiant Systems, Inc. Radiant Systems Inc. will not be responsible for any incurred labor charges. BHP will not cover the costs associated with unit replacement. These units are UL approved in the US and Canada. The Marketing Department will evaluate the quality of Comfort Cove heating products to ensure they meet the superior quality standards required by BHP.

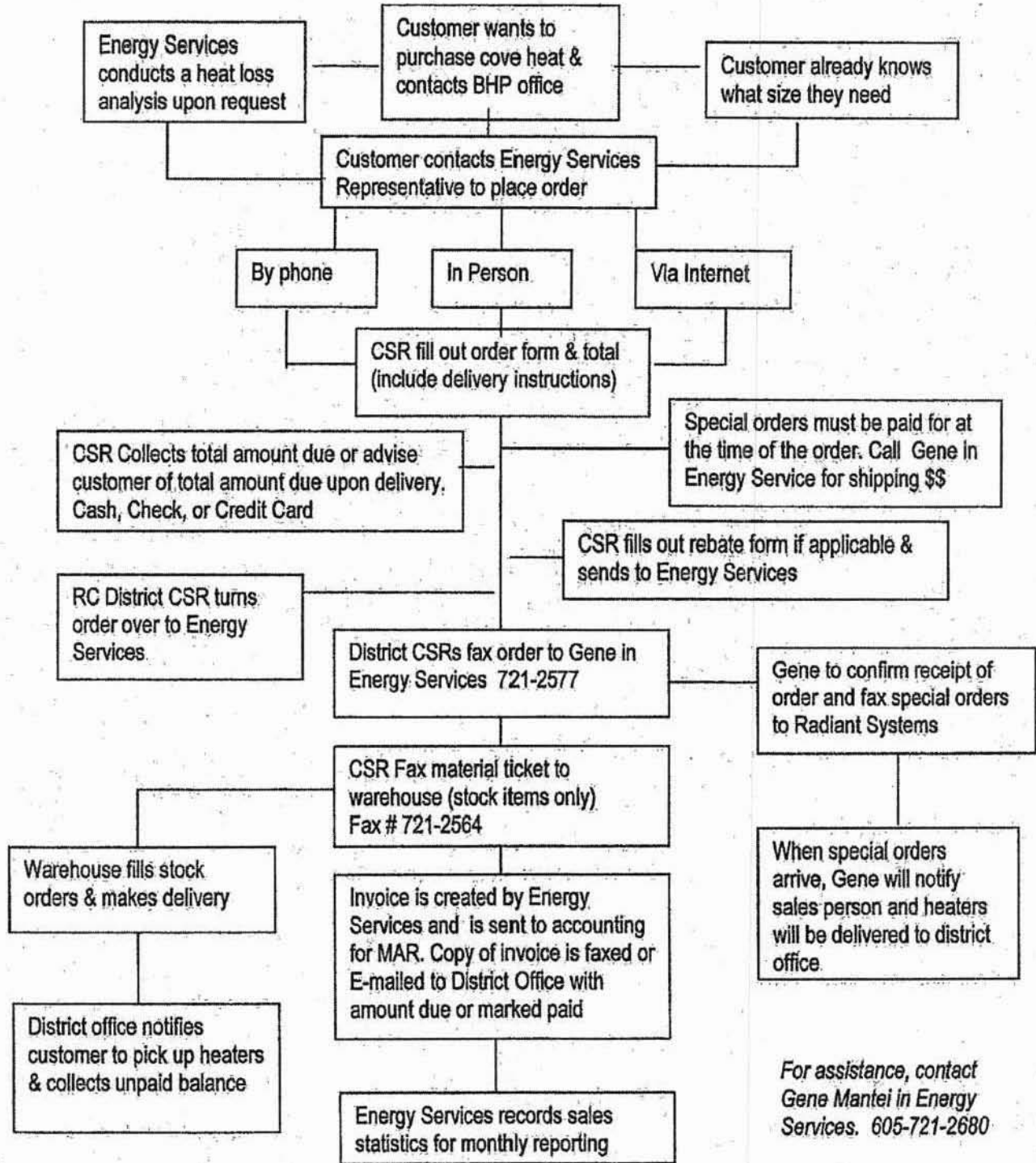
TRAINING

Energy Services will coordinate Comfort-Cove Heat product and sales training, as needed, for area District Office employees involved in the promotion of Cove Heat. Comfort-Cove Heat will be featured at the Electro Technology-Expo in January of 2007. A manufacturing representative will also be present in our booth at the Spring Home Show in April of 2007.

PROMOTIONAL STRATEGIES

The Marketing Department will produce and coordinate on-going product promotions including educational articles in the customer news letters, promotional DVD availability, and 30-second television spots running on PrairieWave channels.

Cove Heat Ordering Process for Distric Offices Cove sales WO# 11837



*For assistance, contact
Gene Mantei in Energy
Services. 605-721-2680*

Electric Heat Pump Program

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Black Hills Power 2007 Electric Heat Pump Program

PROGRAM PURPOSE

To promote electric heat pumps to homebuilders and homeowners, as well as identify present customers within BHP's service territory in order to retain those customers in the future.

2007 PROGRAM GOAL

DISTRICTS	HEAT PUMPS						
	GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL	GOAL
	2004	2004	2005	2005	2006	2006*	2007
Belle Fourche	1	5	3	5	7	19	7
Custer/Hill City	6	8	3	8	4	3	4
Deadwood/Lead	2	5	2	5	10	8	9
Edgemont							1
Hot Springs	13	13	15	13	13	15	9
Newcastle	4	4	2	4	3	5	4
Newell							2
Rapid City	32	26	31	26	36	54	52
Spearfish	3	3	4	3	3	12	6
Sturgis	2	7	3	7	7	10	6
TOTALS	63	71	63	71	83	126	100

* As of November 30, 2006

CUSTOMER REBATE AND INCENTIVE PROGRAM

Black Hills Power offers cash rebates and incentives to qualified residential customers when purchasing a New Generation Electric Heat Pump, Geothermal Heat Pump System, or Water Loop Heat Pump System.

Note: Geothermal systems and Heat Pumps may be subject to inspection by BHP in order to qualify for a rebate.

Qualification	Maximum Rebate – Per Home
Air-Source Heat Pumps with SEER of 13+	\$150 per ton up to a maximum of \$600 per customer (single family dwelling) \$150 per ton up to a maximum of \$2,500 per multi family or apartment structure

NOTE: Customers do not qualify for electric resistance heat rebates when receiving the heat pump rebate and incentives. Electric Resistance Heat Rebate is included in the heat pump cash rebate.

Commercial Heat Pump Incentives:

The 2007 Commercial Heat Pump rebates are \$150/ton for all water source or any air source heat pump with a SEER of 13 or greater (\$2,500 maximum per customer).

EMPLOYEE INCENTIVE PROGRAM

Employees purchasing an energy efficient electric heat pump can receive a customer cash rebate and free installation grant for installation of an energy efficient heat pump unit (Air-to-Air, Water Source or Geothermal) up to \$700. Or employees can choose a \$700 cash incentive instead of the Free Installation. This incentive applies to employees who are constructing a new home or are converting from fossil fuel to a heat pump system. A demand controller must be installed in the home to qualify for the \$700 installation grant.

The installation service will be coordinated and performed by BHP's Energy Service Technicians or a qualified installer contractor. Service installation is labor only for the heat pump unit, and does not include parts, materials, or ductwork installation. BHP will also sell the heat pump unit to the employee at 15% above cost -- where available by dealer or manufacturer.

Employees may also take advantage of 0% financing and payroll deduction program. See mybhc for application instructions.

HEAT LOSS ANALYSIS

Black Hills Power will offer a FREE Heat Loss Analysis to BHP customers interested in receiving an energy cost comparison for their new or existing home. The cost comparison demonstrates electric operational cost savings of specific water heater and heating and cooling systems installed in a home.

PROMOTIONAL STRATEGY

Home Show Events:

We place heavy emphasis on promoting the new generation heat pumps during area home show and parade of homes events. During these events, Black Hills Power will collaborate with area heating and cooling contractors interested in promoting Heat Pumps at their booths. This will promote a positive working relationship with area contractors who support electric heat pumps.

Customer Newsletter:

The Marketing Department produces articles for promoting heat pumps in the monthly customer newsletter. Articles include the following topics:

- Heat Pump Repair Service Program
- Heat Pump Rebates and Incentives
- Heat Loss Analysis Program
- Heat Pump Benefits and Applications

Advertising:

The Marketing Department will produce a new advertising campaign that will educate customers on the benefits of heat pumps. General information about heat pumps is also available on the BHP web site.

HEAT PUMP REPAIR AND SERVICE PROGRAM

Through BHP's service and repair program, we will have the opportunity to serve heat pump customers, as well as promote heat pump replacements and programs available through BHP. The program is offered at \$74.95, plus tax.

Service Fee:

Cost of service and repair is on an hourly basis, including vehicle mileage, and materials. Our qualified Energy Service Technicians have the ability to serve customers through scheduled appointments.

Labor cost for service or repair is \$59.00 per hour, plus tax. This charge is competitive with our local HVAC contractors.

Mileage fees are 80 cents per mile, and will be assessed with regard to the type of service and scheduling placement.

Parts and materials are sold at suggested retail value. Black Hills Power will offer the standard warranties for materials and service repairs.

STANDARD SERVICE CHECK

The Heat Pump Service Check Program sends a qualified heat pump technician to your home to perform the following preventative maintenance items:

- Inspect and check thermostat
- Inspect blower assembly
- Inspect refrigeration system
- Inspect indoor and outdoor coils
- Inspect condensate pump or drain
- Inspect electric heat element
- Inspect relays and contactors
- Inspect system wiring
- Check overall system operation
- Check and replace filter (if needed)
- Send customer a Quarterly Filter Reminder card

Note: Price includes service check labor for one unit and mileage (tax not included). It does not include additional labor for repair work, parts, and materials. Technician will notify customer before performing additional service or repairs.

SERVICE AND REPAIR WARRANTY

All parts and equipment are guaranteed under the specific warranty agreement of the unit's parts or equipment. BHP will guarantee free labor for up to 90 days from the installation and repair date of the unit. A service fee will be charged if the repair service is NOT under warranty or not at fault of the service technician.

Emergency service is also available after normal business hours; however, the customer is responsible for paying for requested overtime hours for non-emergency service calls even if the plan deductible has been met.

Geothermal Heat Pump Program

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Black Hills Power Geothermal Heat Pump Program

PROGRAM PURPOSE

The purpose of the Geothermal Heat Pump Marketing Program is for BHP to defer the need for new sources of generation through the efficiency of Geothermal Systems. Increased marketing of the system will help BHP meet its objectives of maintaining stable electric rates.

Black Hills Power will promote the energy-efficient system to its customers as the ultimate heating and cooling system of the future. In the design of the program, BHP evaluated the market and identified primary areas of need:

- Training
- Increasing Public Awareness
- Increase Sales of Geothermal Heat Pumps
- Service Quality

TARGET MARKET

Due to the initial installation cost, the Geothermal System will have the greatest acceptance in newly constructed homes costing **\$200,000** or more. Homeowners in this price range are also more likely to accept the payback period of 3 to 8 years or longer that result from the energy and demand savings of the Geothermal System.

Developers and builders involved in multi-family and residential housing developments will also benefit from the Geothermal Systems.

PROMOTIONAL STRATEGY

Promotional activities are still the key in informing our customers about Geothermal Systems. Our primary target will be customers building homes with a cost of over **\$200,000** who are seeking an energy-efficient heating and cooling system with a low operating cost.

We also plan to target builders and developers building spec-homes for the residential consumer, along with promoting total electric subdivisions.

Promotional strategies include:

- Open House Promotions
- Brochures/Video Promotions
- Trade Ally Promotions
- Customer Newsletters

CUSTOMER INCENTIVE PROGRAM

Black Hills Power will continue to offer Geothermal System incentives to customers. The incentive includes a rebate of \$200 per ton for the first 6 tons, and \$50 per ton after 7 tons, up to \$1,500 maximum per customer—single family dwelling. Owners of multi family apartment structures may receive up to \$2,500 maximum rebate. Black Hills Power will require the customer's unit to be inspected by a BHP Service Technician before a rebate is issued. Customers will also receive a coupon good for a free service check to be used within two years from the date of issue.

GEOTHERMAL RESIDENTIAL REBATE

First 6 Tons	7 Tons or More	Maximum
\$ 200/ton	\$ 50/ton	\$1,500 per customer

GEOTHERMAL COMMERCIAL REBATE

	Rebate	Maximum
Geothermal	\$ 150/ton	\$2,500 per customer
Geothermal Loop Field	\$125/ton	\$7,500 per customer

To apply for a Geothermal Rebate, the customer must fill out a Geothermal Heating and Cooling Customer Questionnaire. The information gathered from this questionnaire will be input into the customer Profile Screen.

Customers who purchase and install new geothermal heat pump systems may qualify for federal tax credits. Customers should consult with their tax professional to verify qualifications.

EMPLOYEE INCENTIVE PROGRAM

For our employees, Black Hills Power also offers an installation incentive to employees living within the BHP service area when they install a new heat pump unit (air-to-air or Geothermal) to replace a fossil fuel unit or in new home construction. The Energy Services Technicians will install the unit "labor only" up to \$700 at no cost to the employee.

The installation includes the Ground Source Heat Pump System connecting to the ductwork, loop system, and electric water heater. Licensed electrical, plumbing, loop installation, and duct work is not included in the free installation. This incentive applies to new system installation and does not include replacement of an existing heat pump unit.

In addition, BHP will sell air-to-air and Geothermal heat pump units to employees at 15% above cost, where available by dealer/manufacturer of unit brand. Employees who live in the BHP service area can take advantage of the payroll deduction financing option. Refer to mybhc for financing applications.

Federal Income Tax Provision:

Grants and incentives provided to Black Hills Corporation employees in excess of the grants and incentives available to non-employee customers are taxable income to the employee and will be included in the employee's W-2 as wages in the year that the grant or other incentive is provided. Federal income tax and FICA tax will be withheld from the employee's wages at the statutory tax rates.

BHP INSTALLATION STANDARDS AND ON-SITE INSPECTIONS

To qualify for a rebate, an on-site inspection by a BHP certified installer representative will be required to confirm that all recommended standards are met. Inspections may be requested by the customer, contractor, or BHP Business Manager. Energy Services will coordinate and conduct all Geothermal System installation inspections. Inspections may also be made during several phases of the system's installation. This may vary depending on construction and installation schedule.

SERVICE QUALITY EVALUATION

Energy Services will monitor the overall quality of service given to the customers from the trade allies and BHP representatives. A Service Quality Questionnaire will be sent to customers installing Geothermal Systems. The questionnaire will be used to target any service problems and evaluate the program. Customers will be encouraged to give feedback and suggestions to help improve the program. The questionnaire will also help us gather information about the customer's home and lifestyle (see Customer Service Questionnaire in the General Information Section) in order to identify target market.

ASAP Program

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BLACK HILLS POWER Appliance Service And Protection Program

PROGRAM PURPOSE

The ASAP program was created for residential customers in order to increase brand identity, electric equipment usage, customer relationships, and service revenue. It also continues to meet the preventative maintenance retention, and energy efficiency strategies for electric heat pumps and electric water heating.

TARGET AUDIENCE

The program targets all Black Hills Power residential customers. Customers with electric, gas, and propane heating, and electric cooling systems, and water heater units in single family dwellings, will be targeted. It will not include customers owning or leasing apartments, or multi-unit complexes that are used for leasing purposes.

PROGRAM SELECTION

Customers may select from three types of service agreements based on their home protection needs. The monthly service agreement fees are based on the equipment under the program. Multiple equipment of the same type within the service agreement can be purchased at an additional cost. In 2006 an ASAP promotion increased the membership by 25 customers and an additional 47 upgrades were made by existing customers.

ASAP Premium Plan:

In 2006 an additional option called The ASAP Premium Plan was introduced. This plan includes the Heating & Cooling plus Water Heater as well as an annual HVAC service check. The ASAP Premium plan also requires no deductible in the event of a claim.

Multiple Equipment:

Multiple appliances that are equal to or similar to the qualified covered appliance will cost an additional \$60.00 per year for heating and cooling equipment and \$30.00 per year for each hot water unit. Multiple unit charges will be added to total cost of program.

Basic Heating & Cooling Plan	Heating & Cooling + Water Heater Plan	ASAP Premium
Forced air central heating system	Forced air central heating system	Forced air central heating system
Forced air central cooling system	Forced air central cooling system	Forced air central cooling system
Electric heat pump system	Electric heat pump system	Electric heat pump system
Geothermal heat pump system	Geothermal heat pump system	Geothermal heat pump system
	Water heater unit	Water heater unit
Deductible: \$ 50.00*	Deductible: \$ 50.00*	No Deductible
Annual Cost: \$131.88*	Annual Cost: \$167.88*	Annual Cost: \$245.88*
Monthly Payment Plan: \$ 10.99*	Monthly Payment Plan: \$ 13.99*	Monthly Payment Plan: \$ 20.49*

* Plus sales tax.

To qualify for monthly payment plan, customer must be on the Paid-by-Bank plan.

2007 Sales Goals:

District Office	Goal 2004	Actual 2004	Goal 2005	Actual 2005	Goal 2006	Actual 2006*	Goal 2007
Belle Fourche	5	1	4	0	1	3	1
Custer/Hill City	5	0	2	0	1	0	2
Deadwood/Lead	5	2	4	0	1	4	2
Edgemont							0
Hot Springs	15	9	15	0	2	6	2
Newcastle	15	10	15	0	2	4	2
Newell							0
Rapid City	150	78	117	9	10	23	9
Spearfish	5	3	6	0	4	2	5
Sturgis	10	7	12	1	2	4	2
Total	210	110	175	10	23	46	25

*As of November 30, 2006

KEY ALLIANCES AND PLAYERS

In order to achieve a successful appliance protection program, it is important to partner with allies that can ensure quality service to our customers. Black Hills Power will utilize qualified and certified area contractors representing Black Hills Power and the ASAP program. Contractors will be screened and approved by the Energy Service's management team and must meet specific service expectations and service warranties. Black Hills Power reserves the right to hire or terminate a contractor's service agreement based on failure to meet the program's service requirements, business ethics, or any violation of the Black Hills Power contractor service agreement.

Dispatch Service:

Black Hills Power utilizes a 24-hour dispatch service called Centratel. They offer quality service in response calls, monitoring of service calls, dispatch contractor service, and documentation of service requests. When customers call in on the ASAP Hot Line number at 1-877-747-2805 they are speaking to Centratel dispatchers.

Centratel will not handle trouble-shooting of customer calls. This will be handled by Black Hills Power staff or Energy Services Technicians that are on call during the day and evening. The answering service takes calls, then dispatches them to a BHP representative. They then submit printed job tickets for us to proceed with a follow-up with the customer.

SALES AND SUPPORT

The District Offices play an important role in promoting and selling the program. Sales goals have been set for each District to support the program in reaching a strong customer base in order to create funds to support the program. Energy Services will support the District Offices through program sales training, administrative, and service support.

Accounting Department:

Customer Service Accounting will process all invoices made to customers that are being processed on an annual basis. District CSR's will initiate a monthly billing process that will allow the customer to participate in the Paid-by-Bank Plan. A specific rate code on the electric bill indicates which customers are on the ASAP Program. The line item will identify the charge as an ASAP monthly fee. For annual payment, Black Hills Power will accept cash or credit cards.

Energy Services:

Energy Services will supervise and monitor activities involving service contractor and dispatching services. Energy Services will also handle all enrollment application forms and create a report process that will track all aspects of the program, such as expenses, revenues, accounting processes, customer evaluations, and sales training. Marketing will manage and administer the product development, advertising, and promotions.

Energy Services will be the initial service provider for service repairs. This will allow quality control as far as heat pump and air conditioning service repairs. We will also be available for after business hours repairs.

are also available to customers. The BHP web page also provides information to customers about the program.

Marketing has also produced a 2-minute infomercial and a 30-second radio ad promoting ASAP. The TV infomercial is scheduled to run periodically on PrairieWave channels. The radio spot will be run at various times on specific local stations. The infomercial is also available for viewing on DVD at home shows.

PURCHASE AND ENROLLMENT PROCESS:

Signing up for BHP's ASAP program is designed to be simple for both the customer and the salesperson. The program does not require any pre-inspections of any appliance; however, BHP does maintain the right to inspect the equipment before allowing coverage to begin. After a customer submits an application, a 30-day wait is required before coverage begins. Special offers may coincide with program promotions throughout the year.

See flow charts included in this section.

Renewals:

Paid by Bank customers will renew automatically each year with no notification of renewal. "Yearly" payment customers will be notified at least 30 days in advance that their renewal is due. Renewal information is outlined in the program Terms and Conditions.

Cancellations:

A customer may cancel the agreement at any time, regardless of the amount of time the contract has been active. They will be required to notify BHP 30 days before the final cancellation date. When a customer requests cancellation, Energy Services should be notified immediately.

Delinquent Accounts:

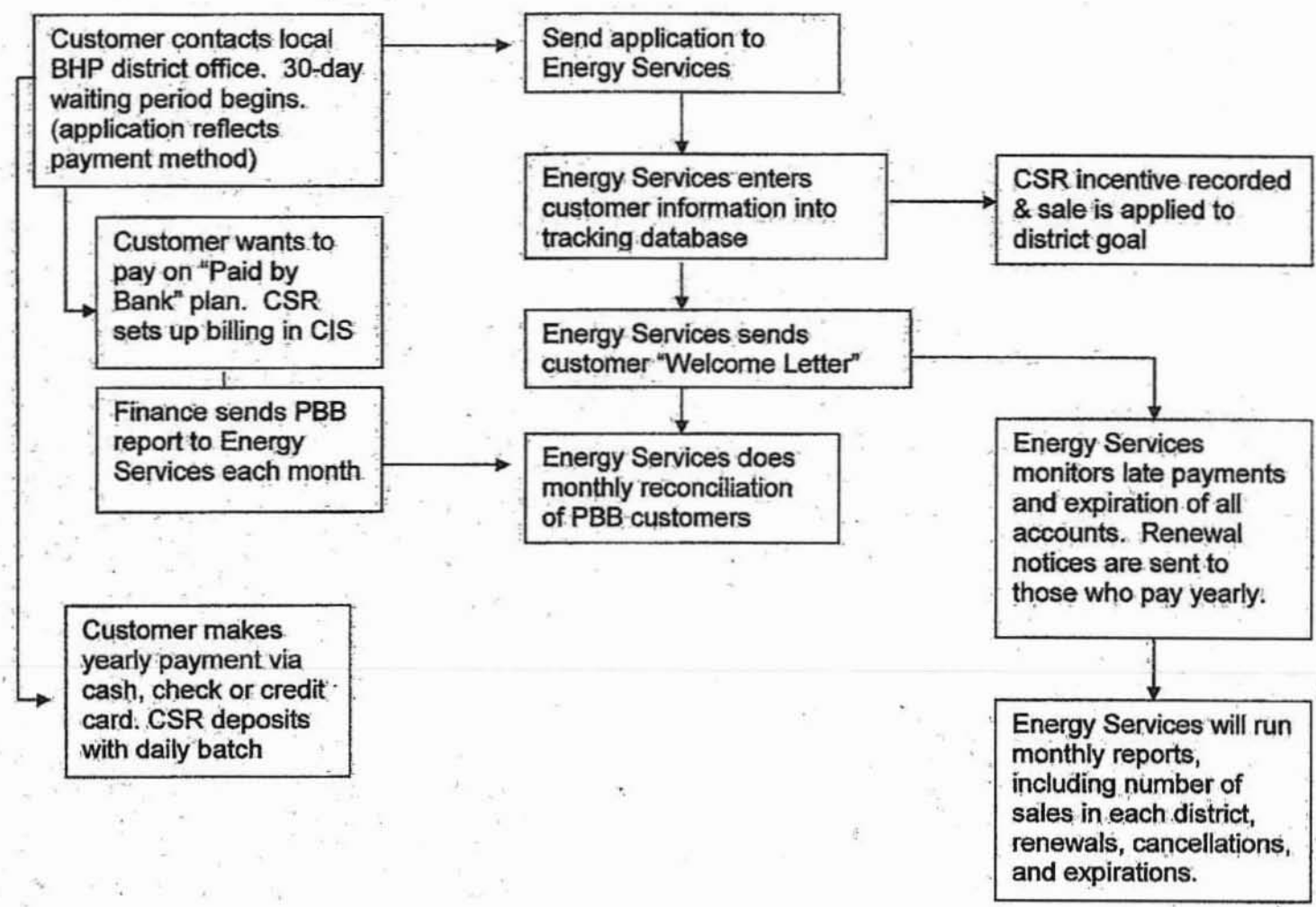
Energy Services will monitor account payment status. If a customer becomes 30 days delinquent, the customer will be notified immediately in writing that the account is frozen and no claims will be honored until the account is current. 60 days after an account is due, the account will be cancelled. Once an account is cancelled, the 30-day wait is required again before activation, and an inspection may be required. The delinquent account must also be made current.

Workmanship and Warranty:

Black Hills Power will provide service to repair or replace the covered items, less a deductible of \$50.00 per trade call. All deductibles must be paid in full at the time service is performed or within 30 days from the time the customer is invoiced. If the deductible is not paid within 30 days, no further service will be provided until such time the deductible is brought current. Deductible is good for 90 days per appliance per breakdown. BHP and its contractors must provide a workmanship warranty on all parts and labor provided. The warranty for labor is thirty (30) days and the warranty on parts is ninety (90) days. See program Terms and Conditions on mybhc for exclusions and specific information regarding coverage.

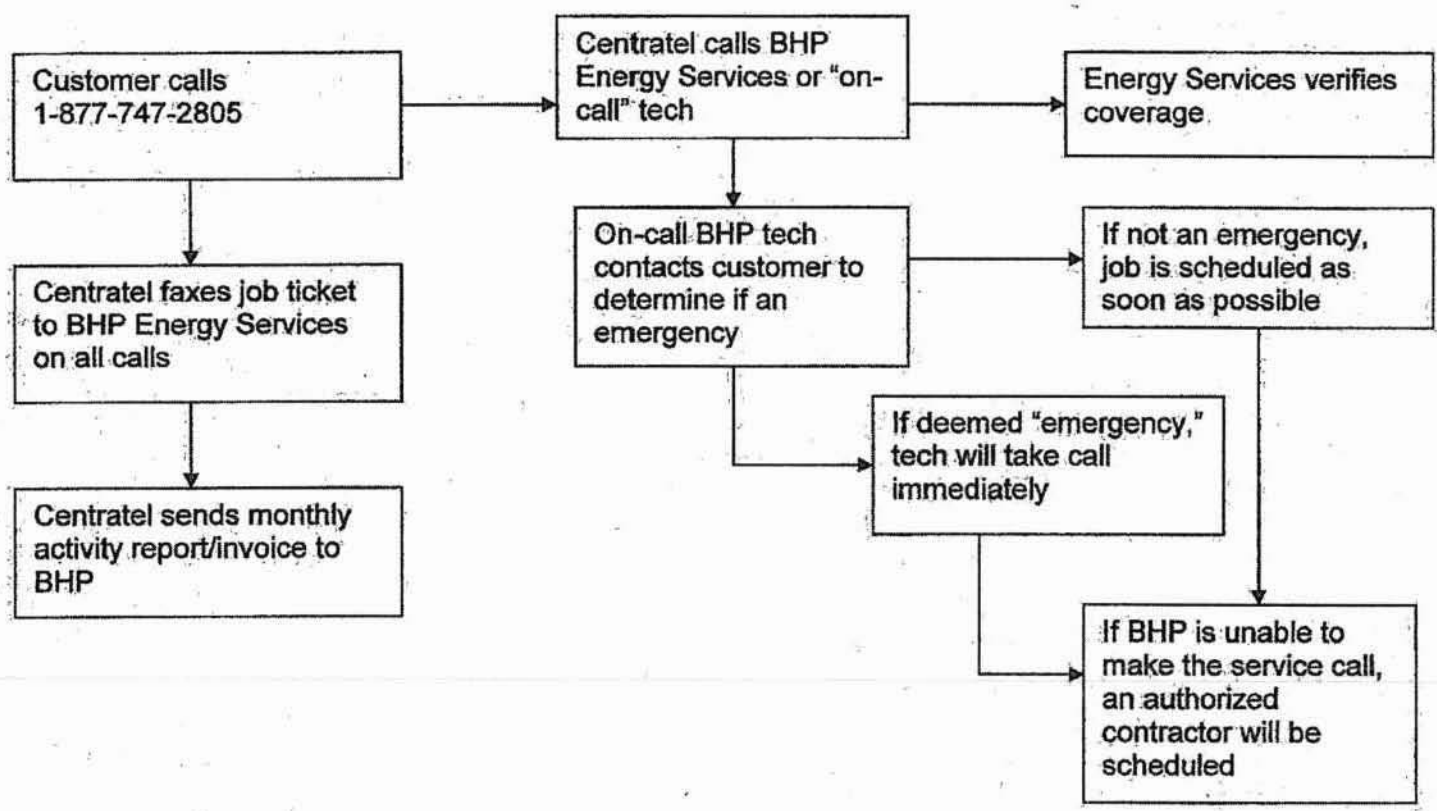
Black Hills Power Appliance Service And Protection (ASAP)

Customer Purchase and Enrollment Process



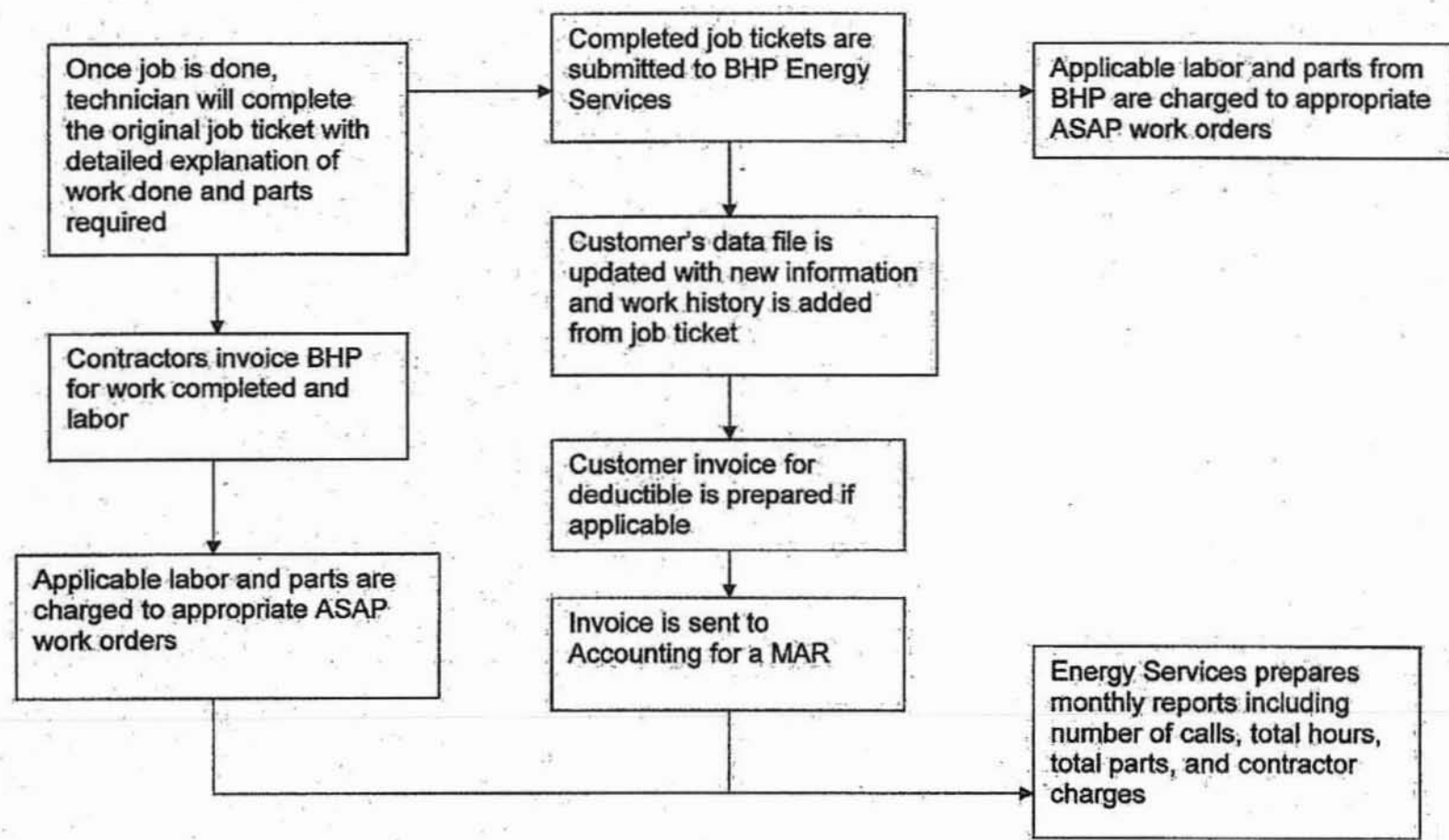
Black Hills Power Appliance Service And Protection (ASAP)

Service Dispatch Process



Black Hills Power Appliance Service And Protection (ASAP)

Claims and Billing Process



***SurgeGuard* Power Quality Program**

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Black Hills Power *SurgeGuard* Power Quality Program

PROGRAM PURPOSE

By offering power quality products and service with *SurgeGuard*, we will increase awareness of power quality equipment for BHP's residential and commercial customers. We will increase customer loyalty as well as enhance the perception of being the energy provider and service company for our customers.

TARGET AUDIENCE

The *SurgeGuard* program will target primarily all residential customers and small commercial customers. Customers with personal computers and a variety of office type electronic equipment are primary consumer targets. The program has the potential to offer power quality assistance and support for medium to large commercial customers through one-on-one consultation from the Energy Services Department.

TYPES OF EQUIPMENT

Surge Protection Equipment:

In order to ensure that BHP offers quality equipment and service at a competitive price, Energy Services has researched the various types of power quality and UPS equipment that is available to customers.

Black Hills Power exclusively uses the Leviton product line through Border States Electric. Leviton has a reputation for quality products, as well as technical and marketing support.

All Leviton's surge protective devices have been designed, engineered and tested to set the quality standard for effectiveness and reliability. Selected suppression products are covered by **Leviton's Lifetime Limited Downline Warranty** that offers exceptional assurance, not only of device performance, but also for the equipment being protected. **Leviton backs the rest of its surge protection devices with a five-year limited warranty.**

Uninterruptible Power Supply (UPS) Systems:

There are three basic technologies designed to provide power protection. Surge suppressors and power line conditioners are two of the basic means of protection. These devices are protective devices designed to reduce potentially damaging, short duration transients present on power lines, telephone lines and TV cable.

Uninterruptible Power Supply (UPS) systems represent a third, more complete solution. A UPS system supplies clean and reliable power in order to:

- * Eliminate network down-time due to brownouts
- * Prevent equipment damage from power surges
- * Prevent file corruption and data loss during short power outages
- * Allow orderly shutdown in case of prolonged outage
- * Provide input power factor correction

On-line UPS technology replaces utility power as the primary source feeding the load by converting the utility AC voltage to tightly regulated DC voltage and then electronically "synthesizing" continuous, clean AC power. This technology eliminates AC power disturbances, transients and frequency fluctuations from reaching your critical systems and provides steady continuous power regardless of the condition of the utility voltage. Models may vary depending on voltage size.

Customers are encouraged to consult with Energy Services when considering the purchase of UPS systems.

Generlink Generator Transfer Switch:

With more homeowners relying on generators during power emergencies, GenerLink is the perfect solution to connecting home generators. By automatically disconnecting a customer's home from the power grid, GenerLink minimizes the hazards caused by backfeeding and maximizes safety for your customers and your line crew personnel. Generlink equipment requires specialized installation and customers who are interested in this product should contact Energy Services for assistance.

PROMOTIONAL AND ADVERTISING STRATEGIES

Power quality products are offered as a solution to power quality concerns. Information in the form of customer education is available at all Black Hills Power offices. These educational pieces include brochures, posters, articles in the customer newsletters, and information on the Black Hills Power web site.

PRODUCT SALES TRAINING

Energy Services will conduct on-going *SurgeGuard* Power Quality Program training for BHP's customer service related employees throughout the area districts. The training will cover the Basic Principles of Power Quality, What Causes Power Surges and Interruptions, How to Prevent Power Surges and Failures, BHP's Power Quality Products--Benefits and Features, and BHP's Power Quality Marketing Plan.

SALES PROCESS

All product sales includes filling out a SurgeGuard order form and collecting payment. If a stand alone product is available in a district office the customer may take the item with them at the time of sale. If the product is not available, an order form should be sent to Energy Services where the order will be filled and the product will be sent to the district as soon as possible. Energy Services will prepare a MAR based on information from the order form for all sales and accounting will process payments received.

Note: When purchasing a GenerLink product, customers may choose the Paid by Bank payment plan. With the payment plan, we require 50% of the retail cost plus 50% of total tax amount to be paid when placing the order. The balance will be split into 12 monthly payments and will be added to the customers light bill. The purchase of a GenerLink unit includes the cord and installation by a BHP service technician.

Order forms are available for download through mybhc.com.

PURCHASING POWER QUALITY OR UPS EQUIPMENT

Power quality equipment may be purchased at a local district office or at Energy Services. To purchase equipment, customer must complete the *SurgeGuard* Product Order Form. Full payment must be received before receiving the equipment. When purchasing a GenerLink product, customers may choose the Paid by Bank payment plan. With the payment plan, we require 50% (\$375.00) plus 50% of total tax amount to be paid when placing the order. The balance will be split into 12 monthly payments of approximately \$31.25 and will be added to the customers light bill. The purchase of a GenerLink unit includes the cord and installation by a BHP service technician.

Black Hills Power Electric Water Heater Program

PROGRAM PURPOSE

The reasons for customer utilization of electric water heaters vary by customer, but primarily include:

- * Preference for electric water heater due to installation difficulties/cost.
- * Inability to access natural gas and unwillingness to use propane.
- * Carry forward from the days of the Residential Water Heating rate (eliminated in the late 1970s).
- * Preference for total electric home and related advantages.
- * Home was purchased with electric water heater.
- * Safety.

PROGRAM COST EFFECTIVENESS

This is a very rapid payback of the incentive cost of the program. With these results, the sensitivity for freeridership in the program is minimal. In effect, BHP can experience 80% freeriders and still achieve a one-year simple payback on the program.

The key benefits of the program include:

- * Load retention
- * Load growth
- * Improved customer satisfaction with electric water heating and BHP
- * Increased trade ally support for electric water heating

CUSTOMER REBATES AND INCENTIVES

The 2007 program is designed to be simple for the customer. Cash rebates and incentives are available for customers purchasing a new electric water heater. Customers are offered **\$1.00 per gallon unit**. To qualify for a rebate, water heaters must have a minimum capacity of 30 gallons and a maximum 4.5 kW electric heating element. **Tankless or On-Demand water heaters do not qualify for rebates. Boiler systems used for heat may qualify for resistance heat rebates but do not qualify for water heater rebates.**

BHP also offers an additional water heater incentive of **\$100** to qualifying customers when a **NEW Demand Controller System** is installed with a **NEW electric water heater***.

2007 PROGRAM GOAL

DISTRICTS	WATER HEATERS						
	GOAL	ACTUAL	GOAL	ACTUAL	GOAL	ACTUAL	GOAL
	2004	2004	2005	2005	2006	2006*	2007
Belle Fourche	28	22	17	18	24	33	29
Custer/Hill City	72	60	64	53	67	58	57
Deadwood/Lead	44	26	44	35	48	42	53
Edgemont							9
Hot Springs	97	74	99	72	93	81	83
Newcastle	74	43	45	55	69	46	59
Newell							3
Rapid City	168	171	157	89	148	129	161
Spearfish	27	11	21	10	17	18	22
Sturgis	63	24	41	21	25	19	14
TOTALS	573	431	488	353	491	426	490

* As of November 30, 2006

Other Customer Programs

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BLACK HILLS POWER Other Customer Programs

ENERGY STAR PARTNERSHIP

About ENERGY STAR:

In 1992 the US Environmental Protection Agency (EPA) introduced ENERGY STAR as a voluntary labeling program designed to identify and promote energy-efficient products to reduce greenhouse gas emissions. Computers and monitors were the first labeled products. Through 1995, EPA expanded the label to additional office equipment products and residential heating and cooling equipment. In 1996, EPA partnered with the US Department of Energy for particular product categories. The ENERGY STAR label is now on major appliances, office equipment, lighting, home electronics, and more. EPA has also extended the label to cover new homes and commercial and industrial buildings.

Partnerships:

Through its partnerships with more than 8,000 private and public sector organizations, ENERGY STAR delivers the technical information and tools that organizations and consumers need to choose energy-efficient solutions and best management practices. ENERGY STAR has successfully delivered energy and cost savings across the country, saving businesses, organizations, and consumers about \$12 billion in 2005 alone. Over the past decade, ENERGY STAR has been a driving force behind the more widespread use of such technological innovations as LED traffic lights, efficient fluorescent lighting, power management systems for office equipment, and low standby energy use.



Black Hills Power's Partnership:

In late 2006, Black Hills Power became an ENERGY STAR partner. In 2007, our goal is to promote cost savings and conservation to our customers through several avenues. The Marketing Department will promote the ENERGY STAR program by incorporating the ENERGY STAR logo in product brochures and in various locations within the Black Hills Power web site. The Energy Connection and Power Factor news letters will also feature several educational articles that will explain the ENERGY STAR program as well as the partnership role that Black Hills Power has taken.

Employee Education:

Special training will be given during the year to help employees better understand the benefits of being an ENERGY STAR partner. The training will include guest speakers from the ENERGY STAR program as well as printed materials that may be used as reference guides.

At this time, Black Hills Power rebates are not tied to ENERGY STAR product guidelines. The goal of Black Hills Power is to provide information to our customers to help them make the best choice possible as they purchase appliances and other products based on energy efficiency.

To learn more about the ENERGY STAR program, visit the ENERGY STAR web site at:

<http://www/energystar/gov>

HEAT LOSS/GAIN ANALYSIS PROGRAM**Purpose:**

Black Hills Power offers **Free Heat Loss/Gain Analysis** to customers interested in receiving an energy cost comparison for their newly constructed or existing home. The cost comparison estimates annual electric operational cost savings of specific water heating, heating and cooling equipment installed in homes at no charge.

How To Participate:

Customers need to send a copy of their new or existing home's floor plan to their local district office or to Energy Services in Rapid City. A report will be delivered by the district manager or a BHP representative as soon as possible. The report will include other pertinent information such as installer directory, energy efficient rebates and grants offered by BHP.

LEVELIZED BILLING**Purpose:**

Black Hills Power offers customers the option to pay their monthly electric bills through the Levelized Billing plan.

What Is Levelized Billing?

Levelized Billing is a moving average (+ or -) based on 12 months of electric consumption. Each month's charges are an average of the current month and the previous 11 months. Consequently, a monthly winter bill will normally change only slightly from a similar one during the spring, summer or fall.

Promotional Activities:

Levelized Billing will be promoted in August and September of 2007. A bill payment option brochure is available for customers at all BHP offices. The Levelized Billing program is also promoted in the Energy Connection newsletter and on the BHP web page.

PAID BY BANK PLAN**Purpose:**

Black Hills Power offers customers the opportunity to automatically pay their BHP electric bill each month through our Paid By Bank Plan. With the customer's authorization, the exact amount of the bill will be automatically withdrawn from the customer's bank account on the due date.

The Paid By Bank plan is convenient. Customers won't have to spend time writing a check to pay their electric bill and mailing is completely eliminated, which reduces the cost of postage and envelopes.

The customer is also guaranteed on-time payment even when they are away from home, so that they never pay a late payment charge or receive a delinquent notice.

Other options for the Paid By Bank Plan include automatic payment for Demand Controller Warranty Plan, monthly ASAP payments, GenerLink purchase, and a payment program for Demand Controller purchase.

Promotional Program:

Marketing will implement a promotional campaign for the Paid By Bank Plan. We will also place promotional information in the Customer Newsletter.

WESTERN UNION SPEEDPAY**Purpose:**

In June of 2006 Black Hills Power began offering customers the option of paying their bill via credit card. This program is called SpeedPay and it is a third party billing system operated by Western Union. Customers may pay using their credit card by either calling a toll free number 1-866-499-3942, calling our office and speaking to a CSR, or by visiting the Black Hills Power web site. A nominal service charge is required by Western Union to use this service.

Promotional Program:

Details of the SpeedPay program are communicated to our customers through contact with Customer Service personnel, posters in district offices, and informational articles in the customer newsletters. In 2007 the SpeedPay feature will also be included as part of our web page suite promotion.

BHP WEB SITE

The BHP website includes information on all products and services. The site also offers the convenience of downloading order forms, brochures, videos, and other information.

In 2007 several web site enhancements are scheduled to go on-line. These upgrades will allow our customers the most up-to-date features possible when conducting business with Black Hills Power via on-line interaction. These features are a result of research by the Web Development Team at BHP along with technical assistance by the BHC IT Department and outside vendors.

Customer Service Tool Box:

In 2006, the IT Department brought the Customer Tool Box on-line. This concept offers customers the tools needed to conduct confidential and secure transactions via the internet. By providing secure user identification and passwords customers can now access their accounts and make necessary transactions from the convenience of any computer with internet access. During 2007 many new features will be added to the Customer Service Tool Box including the following:

- On-line Bill Payment (via Western Union)
- Electronic Bill Presentment
- Cancellation Requests
- Account Transfers
- Request for Service

Apogee:

Apogee Interactive is the service provider of a comprehensive Energy Suite that will be implemented in 2007. This suite will consist of an energy management link that will allow customers to utilize the following features:

Residential Energy Suite

- Conservation Tips
- Appliance Calculator
- Vendor Locator
- Energy Library
- Home Energy Calculator
- Lighting Calculator
- Weather Data Center

Kid's Korner – Energy Safety & Education

A diverse resource of educational and safety information for kid's of all ages. This program offers information about natural gas and electricity. This program will replace Louie's Electric Universe, however Louie will remain as the safety mascot in the TV, print, and other safety promotional medium

Other web site features include customer opinion surveys, on-line enrollment for products and services, outage management, and FAQ area.

As new features become available, the Marketing Department will communicate to customers and employees through an advertisements on radio, TV, and print, as well as articles in the Energy Connection and Power Factor news letters.

The Black Hills Power web site is administered by the Marketing Department. No changes to the site will be made without authorization of the Marketing Department.

THE ENERGY CONNECTION

In 2003, BHP began publishing a one page monthly newsletter that is included in the monthly bills that are sent to all residential customers. The newsletters include information about various programs and BHP sponsored events. Seize the Day Marketing is contracted for the design and printing of the newsletter. Publication content is determined by the Marketing Department. Current and back issues of the Energy Connection are available on the BHP web page.

THE POWER FACTOR

In 2004, BHP began publishing a quarterly newsletter targeting all key account and industrial customers. The newsletter includes information related to electric efficiency, training events, and new technologies of interest to our industrial users. Seize the Day Marketing is contracted for the design and printing of the newsletter. Articles are submitted by the Energy Services Department and other public resources. Publication content is determined by the Marketing Department. Current and back issues of the Power Factor are available on the BHP web page.

**BHP Energy Connection
2007 Customer Newsletter Scheduled Articles**

Month	Feature Article	Customer Service	Energy Conservation	Safety & Mis.	Sponsorships/Events
January					
	No January Issue	due to Rate Letter	requirement		
February	Payment Options Cove Heat BHP 07 Rebates	Web Page Features & HR Help Wanted	Refrigerators & Freezers West River Community Action	Space Heaters & Carbon Monoxide Detectors	Holiday Closing
March	Energy Tax Credits ENERGY STAR	Demand Controllers	Lighting – Compact Flourescent Bulbs	Overhead Pwer Lines – Use Caution	Spring Home & Garden Shows & Coupons
April	Levelized Billing	HVAC Tune Up for Summer	DC Set Back Reminder & Water Heat Tips	Ourtdoor Lighting for Summer	
May	Heat Pumps – Overview	Customer Toolbox	Staying Cool This Summer – Tips	Electrical Storm Safety	Holiday Closing
June	ASAP & HVAC	OMS outage info HR – Help Wanted	Energy Tips Web Page Promo	SurgeGuard/UPS	Holiday Closing
July	Rebates Available	Payment Options	AC Tips	Warning – Power Lines	

August		SpeedPay General	Demand Controllers HR – Help Wanted	Do Not Post on Power Poles	Holiday Closing
September	October is Energy Conservation Awareness Month	LIEAP Payment Options	HVAC Tune Up Cove Heat	Use Caution When Planting Trees & Shrubbs. Call Before You Dig	
October	BHP Supports United Way	EnergyGuide Labels	Winter Heating Tips Save with Compact Flourescent HVAC Tune Up	Meter Reader Safety Trim Trees Before Snow Falls	Home Show Schedule W/Coupon Festival of Lights Registration Info
November	Recap Energy Conservation Day	ASAP Payment Options	Use LED's when Decorating	Outdoor Lighting Safety	Holiday Closings Parade Schedules
December	Holiday Letter?	Customer Tool Box & Speed Pay	Save \$ with Set- Back T-Stats Insulate Water Heaters	Caution – Portable Space Heaters Carbon Monoxide	Holiday Closings

News articles are subject to change based on most recent events that may occur within the month.

As of December, 2006

**BHP - Power Factor
2007 Quarterly Commercial Customer Newsletter Scheduled Articles**

Month	Feature Article	Customer Service	Energy Conservation	Safety & Other	Sponsorships/Events
1st Quarter (issue 1)	Rate Changes	New Web Feature – Brochures Now On Line	Prairie Berry Recap	Protect Your Electronics w/SurgeGuard	
2nd Quarter (issue 2)	Energy Star Program	Energy Suite Features	Refrigeration Tips	What To Do When the Lights Go Out	
3rd Quarter (issue 3)	Energy Conservation Month		Air Conditioning Tips		
4th Quarter (issue 4)	Economic Development		Heating Systems	OMS	

News articles are subject to change based on most recent events that may occur within the month.

As of December 29, 2006

ELECTRIC SAFETY ADVERTISING AND PROMOTION

Black Hills Power participates in a state-wide Energy Safety Association along with other South Dakota electric, gas, and pipeline companies. Through this organization, we are able to produce and place safety advertisements in publications, on radio, and on television throughout the state. In addition, we have an agreement with South Dakota Public Broadcasting to run our "Louie the Lightning Bug" 30-second spots as public service announcements in exchange for our underwriting support.

We incorporate electric safety messages each month in the customer newsletters that are sent to all customers each month. Several pages of safety information for multiple age groups is also available on the BHP web site.

ELECTRIC PRODUCT AND SERVICES ADVERTISING

In 2007, advertising will include products promoting energy efficiency, such as Geothermal Systems, New Generation Heat Pumps, ASAP Program, HVAC Service and Repair, Levelized Billing, SurgeGuard, Comfort-Cove Heat Products and Energy Efficient Cash Rebates.

2007 Print Advertising Media Schedule:

The Marketing Department will develop advertising campaigns using a variety of print media locations. The specific publications target market segments of our customers who we feel would be most interested in the specific product being offered.

Air Source Heat Pump Promotions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Local Newspapers												
Local Senior Newspaper												
Local Chamber News Magazines												
Energy Connection												

SurgeGuard Power Quality Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Local Newspaper												
Local Chamber News Magazines												
Local Senior Newspaper												
Energy Connection & Power Factor												

ASAP Home Service Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Local Newspaper												
Local Senior Newspaper												
Local Chamber News Magazine												
PrairieWave Television												
Energy Connection												

Comfort-Cove Heat Products	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Local Newspaper												
PrairieWave Television												
Energy Connection												

Cash Back Rebates Promotions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Home Show publications												
Chamber of Commerce Directories												
Energy Connection and Power Factor												

Direct Mail Advertising:

In 2007, direct mail strategies will be used in promoting the ASAP program. We will focus our direct marketing to include all electric customers, heat pump customers, demand controller customers, and typical residential customers.

2007 Direct Mail Campaign Schedule:

Promotional Program	Campaign Month	
ASAP Home Protection Program	Total Electric:	March
	Residential Customers:	October

HOME SHOW PROMOTIONAL EVENTS

Black Hills Power has been active in participating in area home show events throughout the Black Hills for many years. Home show participation has allowed BHP to become visible in community events that attract hundreds to thousands of consumers.

Black Hills Power booths are designed to assist customers by answering their energy questions, as well as promote specific energy efficient products and services. Booths will vary in size depending on the size of the show. The number of BHP employees required to work the booth also varies depending on the location and duration of the show.

The booth decor is supplied and delivered by the Marketing and Energy Services Departments. The booth is designed to promote the "Energy For A Lifetime" theme, as well as target specific products and services. The appearance of the booth will project a professional and customer friendly appearance.

Home Show Booth



Two identical home show display kits are available for use at various trade shows. Each kit contains a BHP table cloth that will fit a table up to 7' long, a portable cloth wall that fits a standard 10' wide booth, and a set of standard program posters with Velcro for the wall. Table top brochure racks, cove heat display, and demand controller displays are also available for use at trade shows.

2007 DSM Goals By District Residential Customers

Residential Demand Controllers

District	Units
Belle Fourche	11
Custer/Hill City	29
Deadwood/Lead	19
Edgemont	2
Hot Springs	20
Newcastle	5
Newell	2
Rapid City	58
Spearfish	12
Sturgis	7
Total	165

Water Heaters

District	
Belle Fourche	29
Custer/Hill City	57
Deadwood/Lead	53
Edgemont	9
Hot Springs	83
Newcastle	59
Newell	3
Rapid City	161
Spearfish	22
Sturgis	14
Total	490

Electric Heat Pump

(Geothermal, Air to Air, and WaterSource)

District	
Belle Fourche	7
Custer/Hill City	4
Deadwood/Lead	9
Edgemont	1
Hot Springs	9
Newcastle	4
Newell	2
Rapid City	52
Spearfish	6
Sturgis	6
Total	100

ASAP

(Appliance Service and Protection)

District	
Belle Fourche	1
Custer/Hill City	2
Deadwood/Lead	2
Edgemont	0
Hot Springs	2
Newcastle	2
Newell	0
Rapid City	9
Spearfish	5
Sturgis	2
Total	25

Cove Heat

District	kW
Belle Fourche	22
Custer/Hill City	255
Deadwood/Lead	74
Edgemont	12
Hot Springs	110
Newcastle	74
Newell	3
Rapid City	355
Spearfish	45
Sturgis	20
Total	970



2007 Commercial / Industrial Marketing Programs

Program	Incentive / Service	Qualifying Criteria
Water Heaters	\$1.00 / gallon	30 Gallon Minimum Tank Size. Maximum Electric Capacity of not more than 4,500 watts @ 240 volts. Maximum Rebate of \$800 per customer
HVAC - Heat Pumps	<p>Replacement Heat Pump Installation \$50 / ton - Air Source or Water Source</p> <p>New Heat Pump Installation \$150 / ton - Air Source Heat Pumps. \$150 / ton - Water/Geo Source Heat Pumps. \$125 / ton - Geothermal loop fields.</p>	<p>SEER > = 13, \$800 max. per customer</p> <p>SEER > = 13, \$2,500 max. per customer</p> <p>SEER > = 13, \$2,500 max. per customer</p> <p>\$7,500 max. per customer</p>
Power Factor Correction	Account analysis & rate savings	Customer request.
Energy Management Rate Options	Account analysis, rate comparisons and technical assistance.	Terms and conditions of each rate option are detailed under the appropriate rate schedule.
Power Quality Assistance	<p>Voltage monitoring and harmonics measurements.</p> <p>BHP periodically sponsors power quality seminars and workshops.</p>	Customer request.
SurgeGuard Power Quality Equipment	<p>Transient Voltage Surge Suppressors (TVSS)</p> <p>Uninterruptible Power Supplies (UPS)</p> <p>Products vary based on need.</p>	Customer request.
Load Monitoring	Energy use, power factor, and peak demand profiles and motor starting current measurements.	Customer request.
Economic Development	Incentive rates and grants.	Contact BHP to discuss qualifying criteria.

Please contact BHP's Energy Services Department for additional information:

Jim Keck 721-2612
Energy Services Supervisor
jvkeck@blackhillspower.com

Tom Berry 645-0349 (cell)
Energy Services Advisor
tberry@blackhillspower.com

Keith Gade 721-2683
Supervisor - Energy Services Technicians
kegade@blackhillspower.com

Gene Mantel 721-2680
Residential Account Representative
gmantel@blackhillspower.com

Or visit BHP's website: <http://www.blackhillspower.com>

AREA ELECTRIC UTILITY PROVIDERS 2007 Customer Products & Services Comparison

Customer Programs	BHP Black Hills Power	WREA West River Electric Association	BHEC Black Hills Electric Cooperative	BEC Butte Electric Cooperative
Line Extension Allowance for New Construction	Yes	No	Yes	Yes
Levelized or Budget Bill Payment Option	Yes	Yes	Yes	Yes
Paid by Bank Payment Option	Yes	Yes	Yes	Yes
Credit Card Payment	Yes	Yes	Yes	Yes
Internet Billing Option	Yes	No	Readings only	Yes
Residential Demand Controller Program – Customer must meet Rate qualifications. BHP- Demand Controller equipment price may vary.	Rate: \$5.65 /kW \$0.0326/kWh Free Installation Or \$150 Rebate*	Not Applicable	Not Applicable	Not Applicable
Electric Heat Rate – Sub-Metered Electric Rate for customers with electric heat. Electric Rates may vary.	Not Applicable	Rate: 0.37 kW	Rate: 3.0 kW	Rate 3.5 kW
Electric Water Heater Product sold at (Prices may vary)	No	Yes Marathon WH	Yes Marathon WH	Yes Marathon WH
Water Heater Rebate Program	\$1/Gallon	Vary –only on Marathon WH	25% discount on Marathon	\$375 Marathon WH
Water Heater New Home Construction Incentive	\$100 w/DC + Rebates	Free Marathon	50% discount on Marathon	Free Marathon
Water Heater Fossil Fuel Conversion Incentive	\$100 only with DC instal + rebates	Free Marathon	75% discount on Marathon or \$3/Gal. Rebate	Free Marathon
Home Energy Cost Comparisons – Free Heat Loss Analysis	Yes	No	Yes	Yes
Comfort Cove Heat Products (Prices may vary)	Yes	Yes	Yes	Yes
Comfort Cove Heat – Rebate Program	\$15/kW w/DC \$500 Max	\$35/kW \$500 Max	\$35/kW No Max	\$35/kW
Other Electric Resistance or Radiant Heat - Rebate Program (Baseboard heat, electric furnace, in-floor, ceiling, etc.)	\$15/kW w/DC \$500 Max	\$35/kW \$500 Max	\$10/kW No Max	\$10/kW
Electric Resistance & Comfort Cove Heat - Fossil Fuel Conversion Incentive	No	\$35/kW \$500	\$20/kW No Max	No
New Generation Heat Pump – Rebate Program	\$150/Ton \$600 Max	\$200/Ton* \$600 Max	\$50/ton plus \$10 per kW No Max	\$500/Unit
Heat Pump Fossil Fuel Conversion Incentive	No	\$200/Ton* \$600 Max	\$50/ton plus \$20 per kW No Max.	No
Geothermal Heat Pump - Rebate Program	\$200/Unit \$1200 Max	\$200/Ton* \$600 Max	Same as Air to Air	\$500/Unit
Geothermal Heat Pump Conversion Incentive	No	None	No	No
Heat Pump Service Checks & Repair Program	Yes	No	No	No
Central Air Conditioning Service & Repair Program	Yes	No	No	No
Appliance Service and Protection Program	Yes HVAC & WH	No	No	No
Whole Home Surge Protection (at Electric Meter)	\$93.95 +Tax \$54.00 Labor	\$5.69/ month + \$29.95 Labor	Yes	No
Free Whole Home Surge Protection Device + Installation for New Total Electric Home Construction	No	No	No	No
Surge Protection/UPS Products (Prices may vary)	Yes	Yes	Yes	Yes
Electric Fireplaces & Stoves Products (Prices may vary)	No	No	No	No
Electric Barbecue Grills (Prices may vary)	No	Yes	Yes	Yes

* Rebate or Incentive Program applies to New Construction Only
With DC = Customer must own a Demand Controller in order to receive Rebate

As of December 22, 2006
BHP-SDPJI-000134

Executive Summary

The Marketing Support Department presents to you the 2007 Marketing & Advertising Plan. This comprehensive plan provides you with the strategies, goals, and schedules of Black Hills Power customer products, services, and events.

Our mission at Black Hills Power is "*Energy for a Lifetime.*" To achieve that goal, we will continue to develop long-term relationships with our customers and our trade allies in the building industry. We will continue to offer various sponsorship programs, and we will participate in various trade organizations that promote a positive image.

During 2006, we achieved many demand-side management and sales goals set by the employees in the Customer Service and Energy Services Departments. This would not have happened without their support and knowledge of our products and services. In 2007 we will continue to offer our employees comprehensive training to maintain the highest possible level of expertise possible when promoting our products and services.

The advertising activities for 2007 are outlined in this plan, as they are an intricate part of the sales and marketing strategy. We plan to use a variety of advertising media and area home show events to communicate the benefits of our product and services with a cost-containment goal in mind.

Your continued support is crucial in reaching the goals for Black Hills Power during the upcoming years. If there is any additional information you would like to see included in this publication in the future, please contact the Marketing Department.

1	Trade Ally Program
2	Demand Controller Program
3	Comfort-Cove Heat Program
4	Electric Heat Pump Program
5	Geothermal Heat Pump Program
6	ASAP Program
7	SurgeGuard Power Quality
8	Electric Water Heater Program
9	Other Customer Programs
10	