

NOTICE OF PROPOSED CHANGES OF RATES AND CHARGES

IT IS HEREBY GIVEN that Black Hills Power, Inc. has an application with the South Dakota Public Utilities Commission ("Commission") supporting a 9.94% increase in South Dakota electric revenues which would increase rates from South Dakota customers by \$13,745,826, including a new transmission facility cost recovery tariff, pending approval of an accounting order regarding transmission management, and requesting other changes to rates for service to its South Dakota electric customers. If approved, the increase would be effective no earlier than 2013, unless suspended by the Commission.

The actual impact of the requested rate increase on individual customer bills will vary depending on the customer's rate class and amount of energy used. Based on this request, a typical residential customer using an average of 650 kilowatt-hours (kWh) of power each month will see an increase of \$7.11 per month, or about 24¢ per kWh. The increase experienced by commercial and industrial customers will vary depending on rate class, load factor, and amount and nature of use.

This notice was included as part of the Company's application to the South Dakota Public Utilities Commission.

Under South Dakota law (SDCL 49-34A-12), the customers of an electric utility that is requesting changes in rates have the right to join with 24 other customers and file a written objection to such rate increases and may request the Commission to suspend the rate increase and to hold a public hearing to determine if such rate increase should be allowed.

The application, including the proposed rates and changes in the proposed new transmission facility cost recovery, are available in Black Hills Power's office at 409 Deadwood Avenue, Rapid City for inspection during normal business hours. The application is also available in the local district offices of Black Hills Power, Inc. For additional information, you may visit the Company's website www.bhpower.com or the Commission website www.puc.sd.gov. If you have any questions regarding the Company's application, please feel free to contact Black Hills Power at 800-742-8948.

BLACK HILLS POWER, INC.
Chris Kilpatrick,
Director of Resource Planning and Rates
Date: December 17, 2012

Black Hills Power

NOTICE OF PROPOSED CHANGES OF RATES — PHASE IN RATE PLAN

NOTICE IS HEREBY GIVEN that Black Hills Power, Inc. has filed an application with the South Dakota Public Utilities Commission ("Commission") for authority to implement a phase in rate increase pursuant to SDCL 49-34A-73 relating to the construction financing costs of Cheyenne Prairie Generating Station. Cheyenne Prairie Generating Station is a natural gas-fired power plant that will be constructed in Cheyenne, Wyoming that will provide 55 MW of generation to Black Hills Power, Inc. If approved, the phase in plan rate increase would be effective February 1, 2013, unless suspended by the Commission.

The actual impact of the requested rate increase on individual customer bills will vary depending on the customer's rate class and amount of energy used. Based on this request, a typical residential customer using an average of 650 kilowatt-hours (kWh) of power each month will see an increase of \$0.88 per month, or about 3¢ per day for the first quarterly filing. Over the term of the phase in plan, the typical residential customer's bill will increase starting at around 1% and ending up at the completion of the phase in plan (which is currently anticipated to be October 1, 2014) at approximately 4.5%. The increase experienced by commercial and industrial customers will vary depending on rate class, load factor, and amount and nature of use.

This notice was included as part of the Company's Application to the South Dakota Public Utilities Commission.

Under South Dakota law (SDCL 49-34A-12), the customers of an electric utility that is requesting changes in rates have a right to join with 24 other customers and file a written objection to such rate increases and may request the Commission to suspend the rate increase and to hold a public hearing to determine if such rate increase should be allowed.

The application, including the proposed phase in plan rates, are available in Black Hills Power's office at 409 Deadwood Avenue, Rapid City for inspection during normal business hours. The application is also available in the local district offices of Black Hills Power, Inc. For additional information, you may visit the Company's website www.blackhillspower.com or the Commission website www.puc.sd.gov. If you have any questions regarding the Company's Application, please feel free to contact Black Hills Power at 800-742-8948.

BLACK HILLS POWER, INC.
By Chris Kilpatrick,
Director of Resource Planning and Rates
Dated: December 17, 2012

Black Hills Power

December 31, 2012

Lt. Col. George A. Larson
USAF (Ret.)

This has to
stop now!
Energy is
Energy!!
get some
Backbone!
Say No!!

RECEIVED

DEC 31 2012

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

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we can not afford to pay this - TAXES are up, IRS is taking a
huge amount to pay for Democrats' secret spending, Food,
insurance is up. They (BHP) need to use outrageous
profits to pay for their not customers! I am tired of
Corporate greed and lobby dollars to my state
Government.

Power rate hike could precede state approval

Heidi Bell Gease
Journal staff

Black Hills Power customers could see their rates go up in April, even if the South Dakota Public Utility Commission has not yet approved the company's rate request.

South Dakota state statutes allow public utilities to implement proposed rate hikes even if the PUC hasn't issued a final decision. If the PUC later denies the request or implements a lower rate increase, the utility is required to refund, with interest, the amount that was overpaid by customers.

Black Hills Power has

requested an initial 9.94 percent rate increase for residential customers to take place in April, as well as an additional 4.5 percent rate increase that would be phased in over the next two years.

Company officials say the 9.94 percent increase — which would add \$7 a month to the average residential customer's bill — is needed to pay for system investments Black Hills Power has made over the past three years, such as substations and transmission line improvements.

The smaller phased-in rate increase would help pay for a new natural gas-fired power plant, the

Cheyenne Prairie Generating Station near Cheyenne, Wyo., which would replace three existing coal-fired plants, one in Osage, Wyo., the Ben French plant in Rapid City, and the Neil Simpson I plant near Gillette, Wyo.

Black Hills Power plans to seek another rate increase in late 2014 to cover actual capital and operating costs of the new plant.

Chuck Loomis, vice president of operations for Black Hills Power, said it is cheaper to build a new plant than to retrofit the existing plants to make them comply with new U.S. Environmental Protection Agency

emissions regulations that take effect in 2014.

The 4.5 percent rate increase will equate to an additional \$3.46 per month for the average residential customer, Loomis said. Commercial or industrial customers that use more power would see a larger monthly increase in their power bills.

The last Black Hills Power rate hike came in 2010 when the PUC approved a 12.7 percent increase. That was less than the 26.6 percent rate increase Black Hills Power had requested, in part to build a new power plant near Gillette, Wyo. As part of that agreement with the PUC, the company agreed not to seek another base rate increase for three years.

The PUC can approve a rate request, deny it, or approve it in part, as it did last time with Black Hills Power. Negotiations might or might not include a moratorium on future rate increase requests.

"There is no formula," said Karen Cremer, a staff attorney for the PUC. "Whatever the evidence shows, that is what the recommendation is; it is truly a fact-driven analysis."

The PUC has up to a year to investigate and analyze a rate request, Cremer said, but it tries to complete them as quickly as possible.



Benjamin Brayfield, Rapid City Journal

Black Hills Power is proposing a rate increase for its customers. The company claims federal regulations are causing the closure of its coal-fired plants, such as this one, the Ben French facility in Rapid City. The rate increase would help fund a new natural gas powered plant in Cheyenne, Wyo.

Commissioners typically do not hold public hearings on rate requests, but do accept written comments, Cremer said. Customers can review the electronic dockets for the rate cases online at <http://puc.sd.gov>. Written

comments or questions may be submitted to puc@state.sd.us or by mail to PUC, 500 E. Capitol Ave., Pierre, SD 57501.

Contact Heidi Bell Gease at 394-8419 or heidi.bellgease@rapidcityjournal.com.

I in 2005 I bought my current home, since then my be-
cause of a 25-year Air Force career. I installed
energy efficient appliances throughout my house, lowering
my power bill to \$70.00/month. Last rate increase and
constantly increasing such adjustment charges up Bill to
\$120 + taxes to 140. Now BHP wants to screw us again!
I am tired of paying for their expansions/repayment
when this should be paid set aside funds. No more
we can no longer afford their costs - But they have so
much lobbying money we rate payers get screwed!

Lt. Col. George A. Larson
USAF (Ret.)

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