

NOTICE OF PROPOSED CHANGES OF RATES -- PHASE IN RATE PLAN

NOTICE IS HERBY 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.

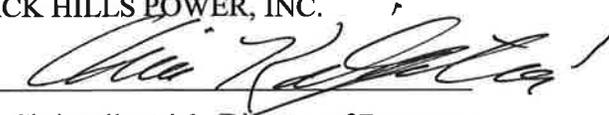
This notice was included as part of the Company's Application to the South Dakota Public Utilities Commission.

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](http://www.blackhillspower.com) or the Commission website [www.puc.sd.gov](http://www.puc.sd.gov). If you have any questions regarding the Company's Application, please feel free to contact Black Hills Power at 1-800-742-8948.

BLACK HILLS POWER, INC.

By



Chris Kilpatrick, Director of Resource  
Planning and Rates

Dated: December 17, 2012