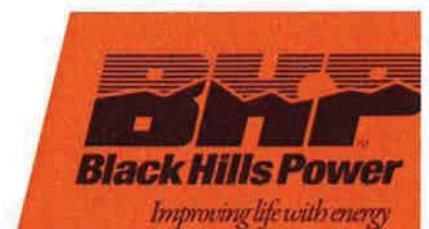




Black Hills Power 2014 Economic Development Plan



Contents

Introduction.....	2
2014 Economic Development Plan.....	3
Engage in Economic Development and Community	3
Commitment to Economic Development.....	4
Business Retention, Recruitment & Marketing.....	5
2013 Actual Expenses.....	7
2014 Proposed Budget	8
Economic Indicators	9

Introduction

Black Hills Power, Inc. (“Black Hills Power” or “Company”) and its predecessor companies have been providing electric power to the Black Hills region since 1883, when Pilcher Electric Light Company was formed by early pioneers in Deadwood. Black Hills Power & Light Company was formed in 1941 through the purchase and combination of several existing electric utilities throughout the Black Hills. Headquartered in Rapid City today, Black Hills Power is a wholly owned subsidiary of Black Hills Corporation and is a division within Black Hills Corporation’s Utilities Business Segment.

Black Hills Power is a regulated electric utility engaged in the generation, transmission and distribution of electricity serving over 70,000 customers in 20 different communities throughout western South Dakota, northeastern Wyoming, and southeastern Montana with a service territory of approximately 9,300 square miles.

The South Dakota Public Utilities Commission Staff Memorandum in Docket EL12-061 directed Black Hills Power to prepare and file an Economic Development Plan (“Plan”) seeking approval and authorization from the Commission to have customers participate in the costs of the Plan. If the Plan is approved by the Commission, the costs presented in the Plan will be included for recovery in the next Black Hills Power rate case.

2014 Economic Development Plan

Engage in Economic Development and Community

Objective:

Black Hills Power will participate, lead and partner in key areas that will have a direct impact in growing our communities with measurements from partnering organizations showing business and employment growth. This has a direct impact to our customers as we support local and regional businesses and manufacturers that bring economic opportunities to the Black Hills communities.

Economic Development Organizations:

Black Hills Power will continue engagement in economic development through the variety of economic development organizations that are located in the Black Hills region and across the state of South Dakota. Along with memberships in local Chamber of Commerce organizations, Black Hills Power is a current member of the following organizations:

Deadwood & Lead Economic Development Corp.
Belle Fourche Economic Development Corp.
Black Hills Vision
Black Hills Business Council
Black Hills Community & Economic Development Corp.
Custer Economic Development Corp.
Rapid City Area Economic Development Corp.
Spearfish Economic Development Corp.
Southern Hills Economic Development Corp.
Sturgis Economic Development Corp.
South Dakota Chamber & Economic Development Council

Employee Engagement:

Our employees are engaged in the communities they reside and serve. Employees are active in leadership capacities at various chamber and economic development organizations. We will continue our involvement in economic development and chamber organizations as they support positive growth in the communities we serve. Organizations where employees currently serve on boards and committees with a focus on economic development include:

Belle Fourche Economic Development Corp.
Black Hills Home Builders Association
Black Hills Vision
Black Hills Business Council
Rapid City Reddi Fund
Rapid City Area Economic Development
Rapid City Comprehensive Plan

Spearfish Economic Development Corp.
South Dakota Chamber of Commerce
SD Chamber & Economic Development Council

Commitment to Economic Development

Overview:

Black Hills Power is committed to serving and supporting our local and regional economic development organizations. Through partnership we are able to leverage human capacity and funds to support new business development and expansion. These organizations produce goals and objectives which we, at Black Hills Power, work to support.

Black Hills Vision:

Black Hills Power continues to have an investment and leadership role in planning, directing and facilitating Black Hills Vision (BHV) which drives the strategic vision of completing the implementation of a Technology Corridor. As an investor in BHV, we continue to support the following initiatives for 2013 and 2014:

- Regional Marketing Plan: In 2013, BHV supported the development of a regional marketing plan by the Black Hills Business Council. The regional marketing plan is a comprehensive strategy that will help identify target businesses, site selectors and a new branding campaign. More information will be shared about the regional marketing plan in early 2014. It will be a catalyst for strengthening the collaborative, public-private partnership to enhance regional economic development efforts. Continuing this regional effort is vital to a region of our size.
- Ports to Plains Alliance: The Ports to Plains Alliance is a proposed four-lane divided highway system that promotes trade and transportation nationally and internationally throughout the Great Plains Region. The Theodore Roosevelt Expressway will extend from Rapid City to the Canadian border as the northern third of the Ports to Plains Alliance. BHV provides financial support and leadership on the Board of Directors of the Theodore Roosevelt Expressway Corp.
- Technology Corridor: BHV continues to support state and local efforts for economic development around science and technology, primarily through support of the South Dakota Experimental Program to Stimulate Competitive Research (EPSCoR.) and the Center for Theoretical Underground Physics (CETUP.) CETUP was again located in Lead/Deadwood this past July, and has continued to grow in both attendance and importance as a program to enhance collaboration around experimental research being conducted in the 20-plus underground laboratories around the world. Over 100 physicists and leaders in related fields attended CETUP this past summer.

Ellsworth Air Force Base:

Black Hills Power will support Ellsworth Development Authority as they play a key role in the master planning of Ellsworth Air Force Base, including the privatization of base housing, expanding infrastructure and attracting new missions to the base within the next 2-5 years.

Downtown Associations:

Black Hills Power will support new and existing businesses in our local downtown communities through leadership engagement and sponsorships in several projects that will improve the downtown economy through revitalization projects. Projects that Black Hills Power has supported include: Destination Rapid City, Rapid City Downtown Main Street Square, Sturgis downtown revitalization project and Lead revitalization project.

Business Retention, Recruitment & Marketing**Overview:**

Black Hills Power will participate and support the local, regional and state's strategic focus of targeting key industries such as: bio-technology, gun manufacturing, metal fabrication manufacturing and energy extraction. We will participate in the marketing strategies and by attending various industry trade shows that are produced by targeted industries. We plan to partner with local and state economic development organizations in business recruitment missions, such as the Gun Manufacturing Trade Show (SHOT Show) in January, 2014; Houston energy community leaders tour in March; the BAKKEN national conference in May, FabTech in November. These events will include partnerships with the Rapid City, Spearfish, Sturgis and Belle Fourche communities.

FabTech--Metal Fabrication Manufacture Expo, Atlanta:

FabTech is North America's largest metal forming, fabricating, welding and finishing tradeshow. The upcoming event is expected to cover more than 550,000 net square feet and draw more than 35,000 attendees and 1,500 exhibiting companies. Black Hills Power will join Black Hills Energy and Cheyenne Light Fuel & Power to promote our communities and states at this event.

Belle Fourche Industrial and Rail Park:

Black Hills Power is engaged in the development and promotion of the new 110 acre industrial park located in Belle Fourche. Along with infrastructure planning and development, we have contributed funds to support the marketing plan which include a new website targeting the industrial park, collateral materials, serving on the marketing committee and teaming with the city during new business visits and hosting when appropriate.

Community Research and Planning:

Black Hills Power is involved in the growth of Rapid City through participation on several task force and committees. These projects are part of the overall comprehensive plan of Rapid City. Projects include:

- Rapid City Civic Center Future Committee
- Rapid City Comprehensive Plan
- Mount Rushmore Road Corridor Development
- Rapid City Downtown Main Street Square and 6th Street Revitalization Project

Community Sponsorships:

Black Hills Power continues to engage in partnership opportunities in economic development and events across the Black Hills region and state. Our sponsorships allow us to support the events while participating and promoting targeted initiatives from various organizations. Sponsorships include:

- South Dakota Giant Vision Competition: Black Hills Power will sponsor the South Dakota Giant Vision Competition and Awards. The goal of this program is to encourage people to explore being a business owner while also expanding South Dakota's economy. The contacts and rigor required to be a qualifier will prepare each entrepreneur to advance their business idea. The Governor's Giant Vision Business Awards and Governor's Giant Vision Student Awards were established to help citizens realize that South Dakota is a great place to start a successful business. The program was designed as an opportunity for entrepreneurs to compete for seed money and a chance to achieve their dream. This event is held in April during the Annual GOED Conference.
- 2014 Sturgis Mayor's Ride: This event is the kick-off to the Sturgis Motorcycle Rally and brings up to 150 attendees to raise funds for the volunteer fire department. It is also used as a business hosting strategy for Sturgis as attendees come from across the country and outside the US. The Sturgis economic development team leverages this event to promote Sturgis as a great place to do business.
- Annual Economic Development Report Meetings: Black Hills Power will sponsor local economic development annual meetings as a partnership to help bring citizens to these events and learn about their community economic development activities. Sponsorships include:
 - Black Hills Community Economic Development Annual Meeting
 - Rapid City Area Economic Development Annual Meeting
 - Sturgis Economic Development Annual Meeting
- South Dakota Center for Enterprise Opportunity (SD CEO): Black Hills Power has sponsored the SD CEO events in the past three years and will continue to sponsor in 2014. SD CEO promotes business development and diversity to women in professional work environments and entrepreneurs. Scheduled events are:
 - March 17 – Celebrating Women of Character, Courage & Commitment, University Center-Rapid City
 - May 16 – Celebrating Women in Business Luncheon & Awards, Spearfish Holiday Inn
 - October 24 – Women's Business Conference, The Lodge in Deadwood

2013 Actual Expenses

	Cost	SD Allocated Portion
Economic Development Memberships:		
Black Hills Community Economic Development	\$825	
Belle Fourche Economic Development Corp	\$100	
Black Hills Vision	\$12,500	
Spearfish Economic Development Corp.	\$1,000	
Sturgis Economic Development Corp.	\$1,848	
South Dakota Chamber & Economic Development Council	\$250	
	<hr/> \$16,523	\$15,870
Community Sponsorships:		
SDGOED Annual Conference	\$1,500	
Black Hills State University	\$500	
2013 Sturgis Mayor's Ride	\$3,500	
Rapid City Area ED Annual Meeting	\$1,000	
	<hr/> \$6,500	\$6,243
Business Retention, Recruitment & Marketing:		
Participation in marketing strategies and attendance at various trade shows designed to create new jobs and economic development in local communities. Includes labor and related costs, transportation and meals. Trade shows and projects include FabTech, SHOT Show, Houston Business Recruitment Mission and Belle Fourche Industrial Park website development	\$47,651	\$45,769
2013 ACTUAL EXPENSES	<hr/> \$70,674	\$67,882

2014 Proposed Budget

	Cost	SD Allocated Portion
Economic Development Memberships:		
Black Hills Vision	\$12,500	
Belle Fourche Economic Development Corp	\$200	
Custer Economic Development Corp	\$100	
Black Hills Business Council	\$150	
Rapid City Area Economic Development Corp.	\$5,000	
Spearfish Economic Development Corp.	\$1,000	
Sturgis Economic Development Corp.	\$1,000	
South Dakota Chamber & Economic Development Council	\$250	
	\$20,200	\$19,402
Community Sponsorships:		
Destination Rapid City	\$7,500	
SDGOED Annual Conference	\$2,000	
South Dakota Giant Vision Competition	\$5,000	
2014 Sturgis Mayor's Ride	\$3,500	
Annual Economic Development Community Meetings	\$2,500	
South Dakota Center for Enterprise Opportunity (SD CEO)	\$2,000	
General Community Grant Requests	\$5,000	
	\$27,500	\$26,414
Business Retention, Recruitment & Marketing:		
Participation in marketing strategies and attendance at various trade shows designed to create new jobs and economic development in local communities. Includes labor and related costs, transportation and meals. Trade shows and projects include FabTech, SHOT Show, Houston Business Recruitment Mission and BAKKEN Conference		
	\$45,000	\$43,223
2014 PROPOSED BUDGET	\$92,700	\$89,039

Economic Indicators

Municipal Sales Tax Due in Black Hills Power Service Territory Returns Filed in Calendar Year 2013 and 2012

CITY	2013	2012	% Change
Belle Fourche	2,422,712.47	2,195,577.64	10.35
Deadwood	2,983,036.20	2,933,165.11	1.7
Lead	705,948.41	768,556.15	-8.15
Newell	187,546.42	179,818.05	4.3
Piedmont	138,946.88	131,368.94	5.77
Rapid City	54,387,473.43	52,612,730.80	3.37
Spearfish	7,451,126.74	6,961,286.03	7.04
Sturgis	3,231,497.55	3,055,765.37	5.75
Summerset	403,583.62	378,283.12	6.69

The dollar amounts in this report are a result of municipal tax due and municipal gross receipts tax due reported on the SD tax returns.

These figures include amounts paid through Audits.

Source: SD Dept. of Revenue

Building Permit Valuations in Black Hills Power Service Territory Communities for Calendar Year 2012 and 2013

CITY	2012	2013
Lead	2,016,000	1,367,000
Rapid City	207,811,337	244,253,223
Spearfish	31,837,533	36,016,401
Sturgis	5,291,016	4,097,269

Source: City and economic development employees in communities listed

Population Counts for Selected Areas in South Dakota

Geography	2010 Census	Population Estimate		
		2010	2011	2012
Custer County	8,216	8,264	8,336	8,339
Fall River County	7,094	7,112	6,967	6,971
Lawrence County	24,097	24,173	24,306	24,397
Meade County	25,434	25,442	25,543	26,052
Pennington County	100,948	101,373	102,506	104,347
Rapid City MSA	126,382	126,815	128,049	130,399
Region Total	165,789	166,364	167,658	170,106

Note: The Rapid City MSA consists of Meade and Pennington counties.

Source: U.S. Census Bureau 2012 Population Estimates

Provided by the Labor Market Information Center, South Dakota Department of Labor and Regulation, February 2014.

Job Creation for Selected Areas in South Dakota

Geography	2012 4-Quarter Average
Custer County	332
Fall River County	138
Lawrence County	732
Meade County	394
Pennington County	3,124
Rapid City MSA	3,518
Region Total	4,720

Note: Job Creation represents the number of new jobs that are created by either new area businesses or the expansion of employment by existing firms.

Note: The Rapid City MSA consists of Meade and Pennington counties.

Source: U.S. Census Bureau, Local Employment Dynamics

Provided by the Labor Market Information Center, South Dakota Department of Labor and Regulation, February 2014.