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December 21, 2012

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, SD 57501-5070

RE: Annual Report
Consideration of new PURPA standards
Docket No. EL08-028

Dear Ms. Van Gerpen:

Black Hills Power, Inc. ("Black Hills Power" or the "Company") respectfully submits this annual report to the South Dakota Public Utilities Commission ("Commission") pursuant to the Commission's December 18, 2009 Order issued in this Docket.

Following are our responses to the specific inquiries set forth in the order:

Smart Grid deployment opportunities

Black Hills Power applied for and received a grant made available through the American Recovery and Reinvestment Act ("ARRA") from the U.S. Department of Energy. The grant provided funds to cover fifty percent (50%) of the cost to implement approximately 69,000 advanced metering infrastructure (AMI) or smart meters, all communications infrastructure and all IT software and equipment necessary to operate a fully functional AMI system in the Company's territory.

Why or why not deployment was made

Deployment of the AMI meters was made to take advantage of operational benefits provided by these meters including remote meter reads, improved outage management, theft and tampering protection, voltage indication and improved load research capabilities. The ARRA grant allowed the Company to take advantage of this state of the art technology.

Page 2
Patricia Van Gerpen
December 12, 2012

Extent of deployment

Substantially all the Company's meters in South Dakota have been upgraded to AMI meters.

Possible deployments that could be made in the forthcoming year

In 2012, the Meter Data Management System went live in December with ties to CIS+ and the Outage Management System. A web interface for customers to access and analyze monthly, daily, and hourly usage information will be deployed during the first half of 2013.

What considerations will determine whether or not smart grid applications will be deployed, including costs and potential cost savings of deployment?

The Company will continue to evaluate available smart grid technologies taking into consideration the benefits to both the Company and its customers.

Thank you for the opportunity to provide information on the Company's smart grid deployment. Please contact me if additional information is desired.

Sincerely,



Kyle White