

Black Hills Power Rate Increase

First Increase Since 1995; Becomes Effective January 1, 2007

On June 30, 2006, Black Hills Power, Inc. filed an application with the South Dakota Public Utilities Commission (SDPUC) for a rate increase for Black Hills Power’s electric customers, the first in over 11 years. Black Hills Power requested an increase of approximately \$9.6 million or 9.5 percent in additional revenues and for annual energy cost adjustments. The primary reason for the rate filing was increased operating expenses driven largely by increases in fuel and purchased power expenses and by increases in labor and material costs. The Company is implementing an electric rate increase of approximately 7.8 percent or \$7,886,886, effective January 1, 2007.

As a result of the change in rates, a typical residential customer using an average of 600 kilowatt-hours (kWh) of power each month will see an increase of \$4.28 per month (from \$54.18 to \$58.46). The new rate structure also includes the pass-through of increases and decreases in certain costs relating to electric transmission, fuel, and purchased power, beginning in March of 2008.

The new rates shown below became effective with service rendered on and after January 1, 2007. The first bill you receive may be prorated, depending on your meter reading date. This means that any service provided prior to January 1, 2007, will be billed at the old rates, and any service provided on and after January 1, 2007, will be billed at the new rates.

Residential Service:

	Prior Rates	New Rates
Customer Charge	\$7.50	\$8.00
Energy Charge	7.78 ¢/kWh	8.41 ¢/kWh

Minimum - Customer Charge

Residential Service – Monthly Bill Example

Usage (kWh)	Prior Rates	New Rates	Amount of Increase	Percent Increase
300	\$30.84	\$33.23	\$2.39	7.7%
400	\$38.62	\$41.64	\$3.02	7.8%
500	\$46.40	\$50.05	\$3.65	7.9%
600	\$54.18	\$58.46	\$4.28	7.9%
700	\$61.96	\$66.87	\$4.91	7.9%
800	\$69.74	\$75.28	\$5.54	7.9%

Does not include sales tax.

If you have any questions please contact your local Black Hills Power office or call toll-free 1-800-742-8948.