



Jim Keck
Energy Services Supervisor
jvkeck@blackhillspower.com

P (605) 721-2612
F (605) 721-2577

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VIA ELECTRONIC FILING

Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501

Subject: Contract with Deviations Filing
South Dakota Science and Technology Authority

Dear Ms. Van Gerpen:

Enclosed is a signed copy of an Electric Power Service Contract #16651 between South Dakota Science and Technology Authority (SDS&TA) and Black Hills Power (BHP). Black Hills Power is filing this contract as a "Contract with Deviations" from our General Service Large tariff for the rehabilitation and commissioning period and the initial ongoing operation of the Homestake Underground Laboratory complex. Both parties have agreed to the terms, and we ask that the Commission approve this filing effective with the first billing period following the Commission's action.

The deviation from BHP's General Service Large rate will relieve a portion of the demand charges resulting primarily from the hoisting operations. At the end of the five year commissioning and start-up period, the lab will be converted to BHP's standard General Service Large tariff. This contract will replace Electric Power Service Contract #12951 which was assumed by SDS&TA in July 2006, and was on file with the SDPUC as a Contract with Deviations dated 1/1/2000.

BHP anticipates the Lab will use 1,100,000 kWh, on a monthly basis, with a peak demand of 4,200 kVA during the rehabilitation and commissioning process and 300,000 kWh with a peak demand of 3,240 kVA during the Lab's initial ongoing operation. BHP will apply the standard General Service Large rate tariff (GSL) until the commissioning process starts.

Upon Commission approval, BHP will implement the contract terms and GSL tariff modifications described below:

General Terms and Tariff Modifications:

- Initial Five Year Term.
- General Service Large rate tariff.
- 125 kVA Contract Capacity until the mine rehabilitation and commissioning begins.

- 1,500 kVA Fixed Contract Demand during the first 18 months of mine rehabilitation and commissioning. A 2,500 kVA cap will be in place during BHP's three peak summer months (June-August).
- 2,500 kVA Fixed Contract Demand during the remaining 3.5 years of the 5 year contract period. A 3,500 kVA cap will be in place during BHP's three peak summer months.
- BHP reserves the right to restrict the Lab's power consumption to 1,500 kVA during the rehabilitation and commissioning period and 2,500 kVA during the first 3.5 years of ongoing operation, should certain system conditions exist that limit the delivery or economical acquisition of power.
- The substation ownership discount will not be applied during the 5 year discount period.

The peak demand reduction amounts to \$155,000 per year during the 18 month mine rehabilitation period and \$50,000 per year during the remaining 3.5 years of the discounted period.

In summary, Black Hills Power is requesting a deviation from the General Service Large tariff in order to minimize the impact of demand charges during the first five years of rehabilitation and operation of the Homestake Lab. This is a unique business development opportunity for South Dakota and, in particular, the Black Hills area.

Black Hills Power respectfully requests that the Commission approve this contract with deviations between Black Hills Power and the South Dakota Science and Technology Authority.

If you have any questions, please feel free to give me a call.

Sincerely,

Jim Keck

xc: Brian Iverson – BHP Legal Dept.

Enclosure