

**SERVICE AGREEMENT
(Utility)**

This Service Agreement (the “**Agreement**”) is made effective the 1st day of August, 2009 (Effective Date), by and between Black Hills Power, Inc. (“**Client**”) and Black Hills Service Company, LLC (“**Service Company**”).

WITNESSETH

WHEREAS, Service Company was formed on December 30, 2004, and became operational on January 1, 2006.

WHEREAS, Service Company operates as a centralized service company under the Energy Policy Act of 2005 (the “Act”) and the Public Utility Holding Company Act of 2005 (“PUHCA 2005”), pursuant to Order Nos. 667 and 667-A of the Federal Energy Regulatory Commission (“FERC”).

WHEREAS, Service Company is a subsidiary of Black Hills Corporation (“Black Hills”) and Client is an affiliate of Service Company.

WHEREAS, Service Company and Client have entered into this Agreement whereby Service Company agrees to provide and Client agrees to accept and pay for various services as provided herein at cost, and pursuant to Black Hills Service Company Cost Allocation Manual, with cost determined in accordance with applicable rules and regulations under the Act, which require Service Company to fairly and equitably allocate costs among all associate companies to which it renders services, including Client.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Agreement covenant and agree as follows:

**ARTICLE 1
SERVICES**

Section 1.1 Service Company shall furnish to Client, as requested by Client, upon the terms and conditions hereinafter set forth, such of the services described in the Black Hills Service Company Cost Allocation Manual (“CAM”), at such times, for such periods and in such manner as Client may from time to time request and that Service Company concludes it is able to perform. Service Company shall also provide Client with such special services, in addition to those services described in the CAM, as may be requested by Client and that Service Company concludes it is able to perform. Service Company shall use its best efforts to maintain a staff trained and experienced in the design, construction, operation, maintenance, and management of public utility properties, and shall keep itself and its personnel available to provide services to Client so long as it is authorized to do so by the appropriate federal and state regulatory agencies. In supplying such services, Service Company may arrange, where it deems appropriate, for the services of such experts, consultants, advisers, and other persons with necessary qualifications as are required for or pertinent to the provision of such services.

Section 1.2 Client shall take from Service Company such of the services described in Section 1.1, and such additional general or special services, whether or not now contemplated as are requested from time to time by Client and that Service Company concludes it is able to perform.

Section 1.3 The services described herein or contemplated to be performed hereunder shall be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. Client shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) any such amendment or alteration that results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by Service Company, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by Service Company as a direct result of such amendment, alteration or rescission of the activity, project program or work order, and (iii) no amendment, alteration or rescission of any activity, project, program or work order shall release Client from liability for all costs already incurred by or contracted for by Service Company pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

ARTICLE 2 COMPENSATION

Section 2.1 As compensation for the services to be rendered hereunder, Client shall pay to Service Company all costs which reasonably can be identified and related to particular services performed by Service Company for or on Client's behalf. The methods for assigning or allocating Service Company costs to Client, as well as to other associate companies, are set forth in the CAM.

Section 2.2 The methods of assignment, distribution or allocation of costs described in the CAM shall be subject to review annually, or more frequently if appropriate. Such methods of assignment, distribution or allocation of costs may be modified or changed by Service Company.

Section 2.3 Service Company shall render a monthly statement to Client that shall reflect the billing information necessary to identify the costs charged for that month. By the twentieth (20th) day of each month, Client shall remit to Service Company all charges billed to it.

Section 2.4 It is the intent of this Agreement that the payment for services rendered by Service Company to Client under this Agreement shall cover all the costs of Service Company doing business (less the costs of services provided to affiliated companies not a party to this Agreement and to other non-affiliated companies, and credits for any miscellaneous items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed in rendering the services hereunder, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and compensation for use of capital as permitted under the Act.

ARTICLE 3
TERM

Section 3.1 This Agreement shall become effective on the Effective Date and shall continue in force until terminated by Service Company or Client, upon not less than one year's prior written notice to the other party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with the Act or with any rule, regulation or order of the FERC adopted before or after the date of this Agreement.

ARTICLE 4
LIMITATION OF LIABILITY AND INDEMNIFICATION

Section 4.1 In performing the services hereunder, Service Company will exercise due care to assure that the services are performed in an appropriate manner, meet the standards and specifications set forth in any applicable request for service and comply with the applicable standards of law and regulation. However, failure to meet these obligations shall in no event subject Service Company to any claims by or liabilities to Client other than to reperform the services and be reimbursed at cost for such reperformance. Service Company makes no other warranty with respect to its performance of the services, and Client agrees to accept such services without further warranty of any nature.

Section 4.2 To the fullest extent allowed by law, Client shall and does hereby indemnify and agree to save harmless and defend Service Company, its agents and employees from liabilities, taxes, losses, obligations, claims, damages, penalties, causes of action, suits, costs and expenses or judgments of any nature, on account of, or resulting from the performance and prosecution of any services performed on behalf of Client pursuant to this Agreement, whether or not the same results or allegedly results from the claimed or actual negligence or breach of warranty of, or willful misconduct by, Service Company or any of its employees, agents, clients, or contractors or its or their subcontractors or any combination thereof.

ARTICLE 5
MISCELLANEOUS

Section 5.1 All accounts and records of Service Company shall be kept in accordance with the Uniform System of Accounts for Centralized Service Companies promulgated by the FERC.

Section 5.2 New direct or indirect non-utility subsidiaries of Black Hills, which may come into existence after the Effective Date of this Agreement, may become additional clients of Service Company and subject to a service agreement with Service Company, or an existing client may wish to obtain additional services from Service Company. Likewise, an existing direct or indirect subsidiary of Black Hills may cease to be a client or cease to take individual services from Service Company. In either event, the parties hereto shall make such changes in the scope and character of the services to be rendered and in the method of assigning,

distributing or allocating costs of such services as specified in the CAM, as may become necessary to achieve a fair and equitable assignment, distribution, or allocation of Service Company costs among all associate companies.

Section 5.3 In the event Client changes the scope of services that it takes from Service Company (as provided in Section 1.2 and subject to Section 1.3) or terminates this Agreement (pursuant to Section 3.1), the Service Company may bill such Client a charge that reflects a proportionate share of any significant residual fixed costs (i.e. incurred costs or commitments to incur costs) that were incurred or committed to incur in contemplation of providing such Client service prior to the notice of termination. Examples of fixed costs include, but are not limited to, costs to upgrade computer hardware and software systems to meet Client's specifications.

Section 5.4 Service Company shall permit Client access to its accounts and records, including the basis and computation of allocations; provided that the scope of access and inspection is limited to accounts and records that are related to Service Company's transactions with Client.

Section 5.5 It is the intent of the parties hereto that the determination of the costs as used in this Agreement shall be consistent with, and in compliance with, the rules and regulations of the FERC, as they are now read or hereafter may be modified by the FERC.

Section 5.6 This Agreement and the rights hereunder may not be assigned without the mutual written consent of all parties hereto.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

BLACK HILLS SERVICE COMPANY, LLC

By: 

Name: Steven J. Helmers

Title: Sr. Vice President & General Counsel

BLACK HILLS POWER, INC.

By: 

Name: Anthony S. Cleberg

Title: Executive Vice President & CFO