From: Rick Emerson [redacted]
Date: Monday, August 24, 2026 at 6:11 PM
To: <puc@state.sd.us>
Subject: Docket EL26-003

Dear South Dakota PUC Commissioners,

I started this communication back in April. It addresses two Black Hills Power requests – EL26-003, Black Hills Power Rate Increase for South Dakota and EL26-008, the Blockchain Interruptible Electric Service Agreement. Thank you for considering this information.

I am a retired information technology and accounting consultant who was also the Director of IT for Sodak Gaming, Inc. Moved to the Black Hills in February 1991 and still calling it home. My education includes BS and MM degrees in Business Management and my work experiences span 40 years in public, private, and non-profit sectors with clients ranging from the Pentagon (NAVFAC) to regional small businesses. I was also a CISSP – Certified Information Systems Security Professional.

It appears Black Hills Power wants the existing South Dakotan customers to absorb a very substantial rate increase while not disclosing the entirety of its contract with CSRE Properties South Dakota, LLC - an agreement to power a new blockchain data center within Rapid City.

Let's look at that for a second – raise our rates to make $50 million more in revenue while hiding how much they discount a commercial user for a blockchain datacenter that doesn't seem to have much local support. Data centers are resource hungry in terms of energy and water. In my opinion, not a big boost for the local economy in terms of people employed or dollars back to South Dakota.

I conducted some due diligence on the entities involved.

Researching CleanSpark on the Nevada Secretary of State SilverFlume Business Portal, the company, DBA Corporate Creations Network Inc., is a Nevado LLC located at 10624 S. Eastern Ave., #A-638, Henderson, NV, 89052. Google Earth shows that address as a shopping mall in Henderson, NV. The same officers listed for CSRE Properties South Dakota, LLC are registered for CleanSpark. Interestingly, the SilverFlume site lists the jurisdiction as Florida.

Double-checking, the Change of Registered Agent filed March 17, 2025 with the SD Secretary of State shows a physical address of 4809 W 41st Street, #203 in Sioux Falls. That filing also has Florida as the jurisdiction. FYI, CleanSpark Inc filed and withdrew from doing business in Florida on March 15, 2024. Other than the sunbiz.org filing, it does not appear they ever had any operational activity in the Sunshine State. Their Sioux Falls address is a small, leasable office structure called the Nielsen Building.

From the CleanSpark September 2025 Form 10K, "We obtain bitcoin as a result of our mining operations by contributing all of our computing power to a single mining pool operator, who is currently our sole customer. The contract with our mining pool operator is terminable at any time by either party. In exchange for providing computing power to the pool, we earn variable consideration in the form of bitcoin rewards, calculated using a predetermined formula agreed upon with the operator. This consideration is constrained until we can reasonably estimate the amount of mining rewards by the end of each day based on actual computing power contributed. At that point, we determine that a significant revenue reversal is unlikely and include such consideration in the transaction price. Providing computing power is an output of our ordinary activities and represents the sole performance obligation in our arrangement with the pool. We recognize revenue when the variable consideration is no longer constrained and our performance obligation is satisfied. As a result, we do not disaggregate revenue into block rewards and transaction verification fees".

Their Form 10K also mentions "evaluating existing properties for potential conversion or dual-use development to support AI and HPC (High Performance Computing) tenants and are advancing design and permitting activities for greenfield data-center sites". Last October, CleanSpark acquired property in Austin County, Texas and executed long-term power supply agreements totaling 285 megawatts to support the development of a next-generation data-center campus. Their initial foray into other than bitcoin mining... No mention of South Dakota or Rapid City on the Form 10K.

While CleanSpark does have institutional investors, they would be a small AI and HPC player in a field dominated by NVIDIA, AMD and cloud providers like AWS, Google Cloud, and Microsoft Azure. 2025 was the first year they claimed a net income on Form 10K. Another interesting note, they had nearly $5 million in severance and other related expenses last year. 2025 Total Operating Profit/Loss was -$107 million. Multi-million dollar net income losses in 2024 and 2023.

On to EL26-003, Black Hills Power Rate Increase for South Dakota. I do not see the justification. The Application proposes to increase base electric revenues by $50,553,697. The filing states the requested increase in that Application "is based on a South Dakota jurisdictional revenue requirement of $179,805,093 with a Test Period ending September 30, 2025, with known and measurable pro-forma adjustments. The increase reflects a Return on Equity of 10.5% and an overall Rate of Return of 8.16%. The proposed increase will impact Black Hills Power's approximately 75,000 South Dakota customers".

First, some metrics – a $50,553,697 increase in revenues across 75,000 customers averages $674.05 per customer. My BHP billing is our home's highest recurring expense aside from property taxes and we have a natural gas furnace. Being a considerate user and frugal person, I don't keep the lights on.

Using the BHP documents filed with Docket EL26-003, Revenue was $341.866 million and Net Utility Income was $55.574 million. That is 16.256% Net Utility Income. Retained Earnings are $573.704 million.

In April, KOTA had a piece about the lack of disclosures as some states are losing more than $1 billion dollars per year due to data center initiatives. The article shared "Currently, 38 states offer dedicated tax incentives for data centers, according to the National Conference of State Legislatures". And most cases states are not disclosing those incentives in violation of GASB.

Currently, states and cities seem to be moving away for these types of data center financial enticements and seeking different locations. More cost than value.

More logic. Black Hills Energy and Northwestern Energy are in the midst of a merger. Mergers typically create economies of scale and result in operational efficiencies through consolidation of like resources and services. While the rate increase request is for South Dakotan customers, the merged corporate headquarters will be in Rapid City. Could this increase request be a case of the cart before the horse? And what about factors like population growth, the Ellsworth expansion, and business growth?

I could go on and keep digging, but bottom line is NO. My opinion – not justified and the timing is bad.

Please do not approve EL26-003, Black Hills Power Rate Increase for South Dakota and EL26-008, the Blockchain Interruptible Electric Service Agreement. Thank you for considering these points.

Yours,
Richard Emerson

[redacted]
Rapid City, SD 57701
[redacted]