

**OPERATION & MAINTENANCE SERVICES
AGREEMENT**

Dated February 7, 2007

between

BLACK HILLS POWER, INC.

and

**CHEYENNE LIGHT, FUEL AND POWER
COMPANY**

TABLE OF CONTENTS

	<u>Page</u>
PART 1. SERVICES AND PARTIES.....	1
SECTION 1.1. Recitals.....	1
SECTION 1.2. Operational Services	1
SECTION 1.3. Maintenance Services	1
SECTION 1.4. Excluded Services.....	2
SECTION 1.5. Provision of Utilities.....	2
SECTION 1.6. Use of Facilities	2
SECTION 1.7. Assignment	2
SECTION 1.8. Nonexclusive and Nonspecific	2
PART 2. ASSURANCES.....	3
SECTION 2.1. BHP's Liability Insurance	3
SECTION 2.2. Indemnification	3
PART 3. PAYMENT	3
SECTION 3.1. Contract Sum	3
SECTION 3.2. Taxes	4
PART 4. PERFORMANCE.....	4
SECTION 4.1. Term	4
SECTION 4.2. Changes In Services.....	4
SECTION 4.3. Termination of Agreement by CLF&P without Fault of BHP.....	5
SECTION 4.4. Termination with Cause.....	5
SECTION 4.5. Compliance with Law	5
SECTION 4.6. Ownership of Work Product.....	5
SECTION 4.7. CLF&P's Right to Carry Out Services.....	5
SECTION 4.8. Delay in Performance	6
PART 5. WARRANTY, REMEDIES, AND LIMITATIONS OF LIABILITY	6
SECTION 5.1. Warranty and Remedies.....	6
SECTION 5.2. Limitation of Liability.....	6
PART 6. SAFETY	7
SECTION 6.1. Safe Work Practices Near Energized Facilities	7
SECTION 6.2. Hazardous Substances.....	7
SECTION 6.3. Labeling	7
SECTION 6.4. Accidents.....	7

SECTION 6.5. Protection against Accidents and Damages7

PART 7. GENERAL PROVISIONS8

SECTION 7.1. Easement and Site8

SECTION 7.2. Nonwaiver8

SECTION 7.3. Time is of the Essence8

SECTION 7.4. Governing Law8

SERVICES AGREEMENT

This Services Agreement ("Agreement") dated the February 7, 2007, is entered into by and between Cheyenne Light, Fuel and Power Company., whose post office address is P.O. Box 1400, Rapid City, South Dakota 57709, ("CLF&P"), and Black Hills Power, Inc., whose post office address is P. O. Box 1400, Rapid City, South Dakota 57709 ("BHP"). It is agreed by and between CLF&P and BHP as follows:

PART 1. SERVICES AND PARTIES

SECTION 1.1. Recitals. BHP is a corporation which owns and operates coal-fired power plants located south of Gillette, Wyoming known as the Neil Simpson Unit No. 1 and the Neil Simpson Unit No. 2. In addition, BHP provides services and facility support for a plant known as Wygen #1 at the same location. (collectively, these three plants are referred to herein as "Neil Simpson Plants"). CLF&P is constructing a coal-fired steam electric generating facility having an expected output of approximately 90 megawatts, known as Wygen No. 2 (the "Plant"). The general location of the Plant and the Neil Simpson Plants shall be collectively referred to as the Neil Simpson Complex. This Agreement is to provide for routine day-to-day maintenance, operational, and emergency services as well as the provision of water, compressed air, auxiliary power, and the use of certain facilities for the operation of the Plant.

SECTION 1.2. Operational Services. BHP shall have the day-to-day responsibility for the mechanical operation of the Plant, and in connection therewith BHP shall provide personnel and technical services for such operation including any obligation of CLF&P under any Agreement for Interconnection Service related to the plant, as well as the operation and supervision of the mechanics of daily dispatch of the Plant's output ("Operational Services").

SECTION 1.3. Maintenance Services. BHP shall have day-to-day responsibility for the maintenance of the Plant, and in connection therewith shall provide personnel, materials, supplies, technical services, servicing and replacement of nonmajor equipment, and maintenance of the Plant's transmission interconnection ("Maintenance Services"). The Operational Services and the Maintenance Services may hereafter be referred to collectively as the "Services" which shall also include G&A services (General and Administration Services such as management, supervision, administration, and technical support services.) Services shall include the rights of usage of such storage and handling facilities and equipment as may be necessary to deliver Fuel to the Plant, and the rights under any waste disposal agreements addressing ash disposal at the Neil Simpson Complex.

SECTION 1.4. Excluded Services. Except as specifically provided for in this Agreement, in no event shall the Services hereunder be deemed to provide for or authorize BHP to have any authority or responsibility for: (i) making major modifications to the Plant;(ii) billing and collection of revenues from the Plant;(iii) scheduling electrical output from the Plant;(iv) procuring fuel supply for the Plant;(v) scheduling interruptions and deliveries of electricity from the Plant;(vi) administration of the provisions of all principal agreements relating to the Plant; and (vii) pursuing warranty claims relating to the Plant (hereinafter, collectively, the "Excluded Services"). Except to the extent they may be addressed by other separate written agreements between the parties, CLF&P retains sole and full responsibility for the Excluded Services.

SECTION 1.5. Provision of Utilities. In addition to the Services, BHP shall provide to CLF&P the necessary service water, service air, instrument air, deionized water, standby power, lime, and ammonia, and other chemicals and raw materials as required for the proper operation and maintenance of the Plant ("Utilities"). Utilities shall also include power for startup, backup, and maintenance, as well as startup fuel.

SECTION 1.6. Use of Facilities. In addition to the Services provided hereunder, BHP shall provide to CLF&P the rights to use such portions of the Neil Simpson Plants' control rooms and control room equipment, electricity, telecommunications equipment, potable water, sewer, offices, heating, ventilation and air conditioning, parking lots, electrical equipment, computers (including both hardware and software), access to and use of computer networks and interconnections, telephone system, and such other spaces, areas, systems, supplies, materials and equipment as may be necessary for the proper operation and maintenance of the Plant including the right to discharge wastewater from the Plant to and through the Neil Simpson Plants' wastewater discharge facility.

SECTION 1.7. Emissions Fees. As an additional service to CLF&P, BHP may, at its option, provide any required emissions or operating allowances or fees, including but not limited to SO₂ allowances or fees. To the extent BHP exercises this option, CLF&P shall pay BHP the market rate in effect at the time the allowances are provided.

SECTION 1.8. Assignment. Neither party shall sell, assign, or transfer the Agreement or any part thereof or interest therein or any proceeds therefrom, without the prior written consent of the other party and any such sale, assignment, or transfer without such consent of the other party CLF&P shall be null and void; provided, that BHP may subcontract portions of the Services to be provided hereunder but BHP shall remain fully liable for the performance thereof.

SECTION 1.9. Nonexclusive and Nonspecific. This Agreement shall be nonexclusive and nonspecific. CLF&P shall have the right to retain the services of others for the same or similar services and likewise BHP may perform services for others.

PART 2. ASSURANCES

SECTION 2.1. BHP's Liability Insurance. BHP shall purchase and maintain such insurance as will protect BHP from claims under worker's compensation acts and other employee benefit acts, from claims for damages because of bodily injury, including death, and from claims for damages to property which may arise out of or result from the performance by BHP of the Services under this Agreement, whether such operations be by itself or by anyone directly or indirectly employed by any of them. This insurance shall be written for not less than \$1,000,000 aggregate, limit of liability, and shall include both public liability and property damage liability insurance coverage covering all operations under the Agreement and automobile liability insurance on all self-propelled vehicles used in connection with the Agreement whether owned, non-owned, or hired. Such insurance as herein required shall contain contractual liability coverages to the extent and end that all provisions and covenants of this Agreement relating to protection and indemnification shall be included in such insurance coverages.

SECTION 2.2. Indemnification. BHP shall indemnify and hold CLF&P, its directors, officers, partners, managers, employees and agents harmless from and against any and all damages incurred by such indemnified parties to the extent (i) caused by BHP's conduct; and (ii) the damages or claims involve injury to or death of any person, or property of a third party.

Likewise, CLF&P shall indemnify and hold BHP, its directors, officers, partners, managers, employees and agents harmless from and against any and all damages incurred by such indemnified parties (i) to the extent caused by CLF&P's conduct; and (ii) the damages or claims involve injury to or death of any person, or property of a third party.

PART 3. PAYMENT

SECTION 3.1. Contract Sum. As payment for the Operational Services, the Maintenance Services, the Utilities, and the Use of Facilities, CLF&P shall pay BHP at the rates and times set forth on Exhibit A attached hereto ("Contract Sum") for the initial calendar year (or portion thereof) during the Term, adjusted, however, in the manner set forth in this section 3.1.

Notwithstanding anything contained herein, however, in no event shall any portion of the Contract Sum be based upon revenues or net income derived from the Plant.

Subsequent to the initial calendar year (or portion thereof) of the Term, the rates for the Utilities and Use of Facilities portion of the Contract Sum may be

redetermined on an annual basis during the Term with adjustments to be made based upon material increases in BHP's actual costs incurred in providing the Use of Facilities, and the Utilities, as well as actual consumption of the Utilities. The readjusted Contract Sum shall be effective for the next following calendar year. BHP shall give CLF&P not less than 60 days' notice of any such adjustment in the Contract Sum.

CLF&P agrees to pay BHP within 30 days after CLF&P's receipt of an invoice.

SECTION 3.2. Taxes. In addition to all rates and charges payable under this Agreement, CLF&P shall be liable for and shall pay to BHP upon CLF&P's receipt of an invoice for any amounts paid or incurred by BHP relating to taxes based upon the Contract Sum under this Agreement, or the Services, Utilities, or Use of Facilities rendered hereunder, regardless of how designated or levied, or whether so incurred or paid during or after the termination of this Agreement, including, but not limited to, state and local sales, use, privilege or excise taxes, but excluding taxes based on BHP's net income.

Subject to reimbursement under Paragraph 1 of Exhibit A, BHP shall be solely responsible for the payment of all employee taxes, including unemployment insurance, social security taxes, withholding taxes and/or any other similar taxes, charges, or royalties related to this Agreement.

PART 4. PERFORMANCE

SECTION 4.1. Term. The Term of this Agreement shall commence on the date that the first of the Services, Utilities or Use of Facilities is requested by CLF&P by written notice to be provided to CLF&P by BHP ("Commencement Date"), and unless otherwise terminated hereunder, shall end on the 31st day of December, 2057.

SECTION 4.2. Changes In Services. CLF&P, without invalidating the Agreement, may at any time by giving BHP notice, order changes in the Services within the general scope of the Agreement consisting of additions, deletions or other revisions, the Contract Sum being adjusted accordingly; provided, that nothing contained herein shall be deemed to provide for provision of the Excluded Services by BHP. All such changes in the Services shall be authorized by change order and shall be performed under the applicable conditions of the Agreement. The change order shall set forth the amounts, if any, the Contract Sum is to be increased or decreased as a result of such change order. In the absence of a change order signed by CLF&P, BHP shall not be entitled to any increase in the Contract Sum with respect to any such additional services performed or materials, equipment or apparatus furnished.

SECTION 4.3. Termination of Agreement by CLF&P without Fault of BHP. CLF&P may, at any time, for any reason, terminate this Agreement or any part thereof after 30 days' notice in writing, designating that portion to be terminated. In case of termination, CLF&P will promptly make settlement for those Services performed by BHP up to the effective date of the termination as provided in Section 3, including those Services which are necessarily incurred by BHP after termination to bring BHP's work to an orderly conclusion. In no event shall BHP be entitled to any payment for an anticipated fee or profit on unperformed Services in the event of termination in whole or in part.

SECTION 4.4. Termination with Cause. In the event of either Party's breach or abandonment of this Agreement, the other Party may then upon 60 days written notice, terminate this Agreement, without waiving any other remedies available at law or in equity. Upon termination for such cause, in addition to all other remedies available to CLF&P at law or in equity arising out of BHP's breach of this Agreement, CLF&P may retain any funds otherwise due BHP under this Agreement to the extent that such sums are required to compensate CLF&P, in whole or in part, for any loss or damage caused by BHP's breach or abandonment to which CLF&P is entitled under the terms of this Agreement and by law and equity applicable thereto.

SECTION 4.5. Compliance with Law. BHP shall give all notices and comply with all laws, ordinances, rules, regulations and orders of any public authority bearing on the performance of the Services or the provision of the Utilities or Use of Facilities, except as may be required for the Excluded Services.

SECTION 4.6. Ownership of Work Product. All data, plans, specifications, reports, estimates, summaries, designs, drawings, tracings, studies, and other material prepared or caused to be prepared by BHP in connection with this Agreement shall become the exclusive property of CLF&P; provided, that BHP shall have the right to use such data, plans, specifications, reports, estimates, summaries, designs, drawings, tracings, studies and other material in order to perform its obligations under this Agreement but only during the term thereof. Upon final acceptance or termination of this Agreement, CLF&P shall be entitled to and BHP shall turn over to CLF&P all such data, plans, specifications, reports, estimates, summaries, designs, drawings, tracings, studies and other material.

SECTION 4.7. CLF&P's Right to Carry Out Services. In addition to the remedies above, if BHP defaults or neglects to carry out the Services in accordance with the Agreement and fails within 15 days after written notice is given by CLF&P to BHP to commence or continue with correction of such defaults or neglect with diligence and promptness, CLF&P may make good any such deficiencies arising out of said defaults or neglect. In such case, CLF&P shall have the right to deduct from the Contract Sum the cost of

correcting such deficiencies. If the Contract Sum is not sufficient to cover such deficiencies, BHP shall pay the difference to CLF&P.

SECTION 4.8. Delay in Performance. BHP shall not be in default of or responsible for any delays or failures in performance pursuant to this Agreement resulting from force majeure causes beyond the reasonable control of BHP, including, but not limited to, Acts of God, or the elements, fire, strikes, labor disputes, act or order of any governmental body having jurisdiction, and delays in the delivery of materials and disruption of shipping, which wholly or partially prevent performance under this Agreement (each a Force Majeure Event). If, because of a Force Majeure Event, BHP is unable to perform its obligations under this Agreement, and if BHP promptly gives CLF&P written notice of such Force Majeure Event, then the obligations of BHP under this Agreement shall be suspended to the extent made necessary by and during the continuance of such Force Majeure Event; provided, further, that BHP shall take all commercially reasonable efforts to eliminate or mitigate the conditions giving rise to such Force Majeure Event; and, provided further still, that if BHP is unable to perform because of a Force Majeure Event, CLF&P shall have the right to perform, by itself, or through any other BHP or agent, the obligations of BHP hereunder.

PART 5. WARRANTY, REMEDIES, AND LIMITATIONS OF LIABILITY

SECTION 5.1. Warranty and Remedies. BHP warrants that it will use its best efforts to perform the Services in a good, orderly and workmanlike manner, but it does not warrant that CLF&P's desired result will be achieved. The Utilities and the Use of Facilities are provided "AS IS" and "WITH ALL FAULTS." THERE ARE NO OTHER WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, WITH RESPECT TO THIS AGREEMENT, THE SERVICES TO BE PERFORMED BY BHP UNDER IT, THE UTILITIES OR THE USE OF FACILITIES, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

SECTION 5.2. Limitation of Liability. IN NO EVENT, WILL EITHER PARTY BE LIABLE FOR INDIRECT, CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE DAMAGES, INCLUDING, WITHOUT LIMITATION, LOST PROFITS, LOSS OF DATA, LOSS OF GOOD WILL, USE OF MONEY, USE OF PRODUCTS, INTERRUPTION IN USE OR AVAILABILITY OF DATA, STOPPAGE OF OTHER WORK, OR IMPAIRMENT OF OTHER ASSETS OR ANY CLAIM OR DEMAND BY ANY THIRD PARTY DUE TO ANY CAUSE WHATSOEVER, EVEN IF EITHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

PART 6. SAFETY

SECTION 6.1. Safe Work Practices Near Energized Facilities. It is recognized and hereby acknowledged by BHP that the Services, the Utilities, and Use of Facilities involve the potential for exposure of BHP's personnel to energized electrical lines, equipment or circuits. BHP hereby represents that all employees who will perform the Services, or provide the Utilities, or Use of Facilities shall have been trained in the inherent hazards of electricity and means of avoiding exposure to such hazards pursuant to regulations promulgated under the Occupational Safety and Health Act of 1980, as amended ("OSHA"). BHP shall be responsible for and hereby agrees to maintain a qualified person at the Services site and to strictly comply with all safety-related work requirements under OSHA (See, 29 C.F.R. § 1910.331, et seq.).

SECTION 6.2. Hazardous Substances. If the Services or the provision of Utilities involve the use of substances controlled or classified as hazardous, extremely hazardous, or toxic under federal or state environmental laws ("Hazardous Substances"), BHP shall, prior to commencing the Services or provision of Utilities, provide CLF&P's representative with material safety data sheets on all solvents, soaps, acids, chemicals and/or other Hazardous Substances to be used in the Services. In addition, BHP shall provide CLF&P's representative with a list of the maximum quantities of such substances which will be used in the Services and proof of proper reporting under Title III of the Superfund Amendments and Reauthorization Act of 1986. BHP represents that all personnel used in the Services and provision of Utilities shall be properly trained and experienced in the use, handling and cleanup of the Hazardous Substances used.

SECTION 6.3. Labeling. All Hazardous Substances brought onto CLF&P's premises shall be plainly and properly labeled.

SECTION 6.4. Accidents. BHP shall immediately notify CLF&P's representative in the event of any accident or incident involving personal injury or property damage of any kind or a spill, leak or other intended or unintended release of any chemical, petroleum product or other Hazardous Substances occurring either on CLF&P's premises or during the course of performing the Services.

SECTION 6.5. Protection against Accidents and Damages. BHP shall take all safety precautions and furnish and install all guards and other safety devices necessary for the prevention of accidents and injury to persons or property, and shall comply with all applicable safety laws, ordinances and regulations. Specific reference is made to the Occupational Safety and Health Act of 1980, as amended.

PART 7. GENERAL PROVISIONS

SECTION 7.1. Easement and Site. CLF&P shall provide BHP access to the site for the performance of the Services.

SECTION 7.2. Nonwaiver. The failure of CLF&P to insist upon or enforce, in any instance, strict performance by BHP of any of the terms of this Agreement or to exercise any rights herein conferred shall not be construed as a waiver or relinquishment to any extent of its right to assert or rely upon such terms or rights on any future occasion.

SECTION 7.3. Time is of the Essence. All time limits stated in the Agreement are of the essence of the Agreement.

SECTION 7.4. Governing Law. This Agreement shall be interpreted under the laws of the State of Wyoming.

The parties have executed this Agreement on the date set forth in the first paragraph hereof.

CHEYENNE LIGHT, FUEL AND
POWER COMPANY

By *London R. Paul*
Its PRESIDENT & COO
Date 2/15/07



BLACK HILLS POWER, INC.

By *W. H. L. S.*
Its VP Power Delivery
Date 2/7/07

EXHIBIT A

RATES FOR SERVICES AND FACILITIES

All capitalized terms used herein shall have the same meaning as set forth in the Services Agreement Between Black Hills Generation, Inc. and Black Hills Power, Inc., Dated as of February 7, 2007, to which this Exhibit A is attached.

1. Operational Services. CLF&P shall pay BHP for Operational Services the direct costs plus employee benefit overheads incurred by BHP in performing the Operational Services. BHP shall invoice CLF&P for the direct costs plus employee benefit overheads of the Operational Services as they are incurred.

2. Maintenance Services. CLF&P shall pay BHP for Maintenance Services the actual costs incurred by BHP in performing the Maintenance Services. BHP shall invoice CLF&P for the actual cost of the Maintenance Services as they are incurred.

3. Utilities. BHP shall invoice CLF&P the actual costs incurred by BHP for the Utilities as they are incurred.

4. Use of Facilities Charge. The Use of Facilities Charge shall be \$4,000 per month. BHP shall invoice CLF&P on a monthly basis for this amount, subject, however, to readjustment as provided in Section 3.1.

5. Emissions Fees. BHP shall invoice and CLF&P shall pay the market price for any emission fees or allowances provided.