

**Before the South Dakota Public Utilities Commission
of the State of South Dakota**

**In the Matter of the Petition for Declaratory
Ruling of Black Hills Power, Inc.**

Docket No. EL 11- _____

April 28, 2011

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE PETITION)	
FOR DECLARATORY RULING OF)	PETITION FOR DECLARATORY
BLACK HILLS POWER, INC.)	RULING
)	
)	
)	EL 11-_____

Pursuant to the provisions of SDCL 49-1-11 and ARSD 20:10:01:34, Black Hills Power, Inc. (“Black Hills Power” or the “Company”) does hereby petition the South Dakota Public Utilities Commission (“Commission”) for a declaratory ruling, finding that:

Black Hills Power properly evaluated and determined under SDCL 49-34A-101 and 104 that the proposed BHP Wind Project is: i) reasonable and cost effective considering other electricity alternatives; and ii) an appropriate resource addition to meet Black Hills Power’s resource or customer needs.

I. Preliminary Statement per ARSD 20:10:01:34

1. State statute or commission rule or order in question

SDCL 49-34A-101 provides: There is hereby established a state renewable, recycled, and conserved energy objective that ten percent of all electricity sold at retail within the state by the year 2015 be obtained from renewable, recycled, and conserved energy sources. In the case of renewable and recycled energy, the objective shall be measured by qualifying megawatt hours delivered at retail or by certificates representing credits purchased and retired to offset nonqualifying retail sales. In the case of conserved energy, the objective shall be measured by methods established by rules promulgated by the commission pursuant to chapter 1-26. This objective is voluntary, and there is no penalty or sanction for a retail provider of electricity that fails to meet this objective. The objective applies to each retail provider of electricity in the state, regardless of the ownership status of the electricity retailer. Any municipal or cooperative utility that receives wholesale electricity through a municipal power agency or generation and transmission cooperative may aggregate the utility's renewable, recycled, and conserved energy objective resources to meet this objective.

SDCL 49-34A-104 provides: Before using new renewable, recycled, and conserved energy after July 1, 2008, to meet the objective, the retail provider or the provider's generation supplier shall make an evaluation to determine if the use of new renewable, recycled, and conserved energy is reasonable and cost effective considering other electricity alternatives. After making such an evaluation and considering the state renewable, recycled, and conserved energy objective, the retail provider or the provider's generation supplier may use the electricity alternative that best meets the provider's resource or customer needs.

2. **Facts and Circumstances which give rise to the issue to be answered by the Commission**

In 2008, the South Dakota Legislature enacted legislation establishing a renewable, recycled and conserved energy objective (herein the "SD Renewable Objective"). As a South Dakota retail provider of electricity, the Company is subject to this standard. The objective is voluntary.

The Company proposes to construct and develop a wind energy project located near Belle Fourche, South Dakota (the "BHP Wind Project").

The Company has made an evaluation, and has determined that the use of new renewable energy through the construction and operation of the BHP Wind Project is reasonable and cost effective considering other electricity alternatives. After making this evaluation and considering the SD Renewable Objective, the Company further determined this resource addition is an appropriate alternative to meet the provider's resource or customer needs.

3. **The precise issue to be answered by the Commission's declaratory ruling is:**

Whether Black Hills Power properly evaluated and determined under SDCL 49-34A-101 and 104 that the proposed BHP Wind Project is: i) reasonable and cost effective considering other electricity alternatives; and ii) an appropriate resource addition to meet Black Hills Power's resource or customer needs.

II. Preliminary information

1. Petitioner's information:

The Petitioner's name is Black Hills Power, Inc. ("Company"), with its principal place of business in Rapid City, South Dakota. The Company is a corporation, organized under the laws of South Dakota. Its address is as follows:

P.O. Box 1400 -- 625 Ninth Street
Rapid City, SD 57709-1400

2. General description of proposed project:

The Company proposes to construct and develop a wind energy project consisting of a managed integrated system of towers, approximately 7-12 wind turbine generators with blades, a power collection system and an electric interconnection system with an expected nameplate capacity rating of twenty megawatts ("MW") to be located north of Belle Fourche, South Dakota, in Butte County. The projected cost of the BHP Wind Project is \$38,000,000.

3. General description of wind project opportunity

The BHP Wind Project presents a unique and timely opportunity to add renewables to its resource mix, with minimal short term impact on customer rates and long term rate stability.

The Company previously identified the following objectives when developing its resource mix:

Ensure a reasonable level of price stability for its customers.

Generate and provide safe, reliable electricity service while complying with all environmental standards.

Manage and minimize risk.

Continually evaluate renewables for its energy supply portfolio, being mindful of the impact on customer rates.¹

The Company has made what it believes is a reasonable, prudent and cost effective business decision to add wind generation to its resource mix. The addition of wind energy at this time is an appropriate generating resource to meet the Company's resource needs.

Now is the best time for the Company to add wind generation to its resource mix, for the following reasons:

- a. There are federal production tax credits available for projects placed in service before December 31, 2012 that reduce the cost of adding wind generation to the Company's resource mix.
- b. Bonus depreciation for federal tax purposes is also available for projects placed in service by December 31, 2012.
- c. Wind turbine generators and ancillary equipment are currently available at prices much lower than recently experienced.
- d. There is presently available a very favorable opportunity to contract with Western Area Power Administration ("Western") to use cost-effective hydroelectricity for the regulation of the wind project.
- e. There is presently an opportunity to purchase at a very reasonable cost, and develop, one of the best potential wind sites in or near the Company's service area.
- f. The Company and its customers receive the benefits of diversification by adding wind to its resource mix.
- g. It is an appropriate and timely response in an ever changing energy environment.

¹ See Application for Certificate of Public Convenience and Necessity filed with the Wyoming Public Service Commission Docket No. 20002-69-EA-07 for the Wygen III coal-fired generation facility

4. Reference to Supplement to Petition and Testimony:

The attached Supplement to Petition is hereby incorporated by reference in support of this Petition for Declaratory Ruling. An Executive Summary is included at the beginning of the Supplement to Petition.

In addition, the Testimony of Kyle White, Mark Lux and Richard Kinzley are submitted in support of this Petition for Declaratory Ruling.

5. Time is of the essence.

Due to the construction period of this project, the need to finalize construction contracts, and the need to complete construction by the end of 2012 to maintain eligibility for federal production tax credits and bonus depreciation, the Company respectfully requests an expedited hearing and decision regarding this application **no later than September 1, 2011**.

6. Notices

The Company hereby certifies that the Notice of Petition for Declaratory Ruling attached hereto will be exhibited in a conspicuous place in each of the Company's local district offices in the territory affected, for at least thirty (30) days prior to the requested decision date. The Company also certifies that the Notice has been or is being provided to the public in all respects as required by ARSD Sections 20:10:13:17 through 20:10:13:19. In addition, the Company will provide notice of this Petition in customer's bills in May 2011. This notice will advise customers of their right to file a written objection to the petition and request the Commission to deny the petition or to hold a public hearing to determine if such petition should be granted. The Company will provide Notice to its customers and the public in such other reasonable ways as the Commission shall require.

7. Utility representatives:

The name, address, telephone number, fax number, and email address of the Company's utility representatives to whom all filed pleadings, correspondence and inquiries concerning the Petition should be made are as follows:

Kyle D. White
Vice President – Resource Planning and Regulatory Affairs
Black Hills Power, Inc.
625 9th Street
Rapid City, SD 57701
Telephone: 605-721-2313
Facsimile: 605-721-2568
Kyle.White@blackhillscorp.com

Glynda Rahn
Corporate Counsel
Black Hills Corporation
625 9th Street
Rapid City, SD 57701
Telephone: 605-721-2439
Facsimile: 605-721-2550
Glynda.Rahn@blackhillscorp.com

Lee A. Magnuson
Lynn, Jackson, Shultz & Lebrun
P.O.Box 2700
Sioux Falls, SD 57101-2700
lmagnuson@lynnjackson.com
605-332-5999 – phone
605-332-4249 - fax

8. Confidential treatment of certain documents:

The Company respectfully requests confidential treatment of those documents designated as confidential.

III. Prayer for relief

Wherefore, Black Hills Power, Inc. respectfully requests that that the Commission issue an Order finding the following:

1. That Black Hills Power properly evaluated and determined under SDCL 49-34A-101 and 104 that the proposed BHP Wind Project is reasonable and cost effective considering other electricity alternatives; and
2. The BHP Wind Project is an appropriate resource addition to meet Black Hills Power's resource or customer needs.

Dated at Rapid City, South Dakota, this 27th day of April, 2011.

Kyle D. White

Kyle D. White
Vice President – Resource Planning and
Regulatory Affairs

Verification

I, Kyle D. White, being duly sworn, do hereby depose and state that I am the Vice President for Resource Planning and Regulatory Affairs for Black Hills Power, Inc., the Petitioner in the Petition for Declaratory Ruling; that I have read the Petition for Declaratory Ruling; and that the facts set forth therein, including the Supporting Information, are true and correct to the best of my knowledge, information and belief.

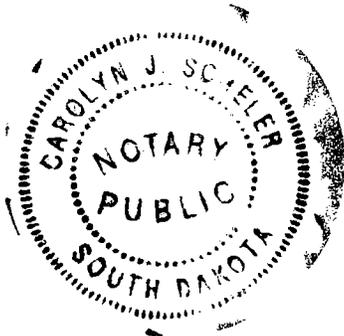
Kyle D. White

Kyle D. White
Vice President – Resource Planning and
Regulatory Affairs
Black Hills Power, Inc.
625 9th Street
Rapid City, SD 57701
Telephone: 605-721-2313
Facsimile: 605-7721-2568
Kyle.White@blackhillscorp.com

Subscribed and sworn before me this 27th day of April, 2011.

Carolyn J. Scheler

Notary Public
My commission expires: 1-10-2015



BHP Seeks PUC Approval For Wind Project

On April 28, we filed a request for a declaratory ruling from the South Dakota Public Utilities Commission to approve our decision to construct a 20 megawatt wind project near Belle Fourche, SD.

We believe this project – the first wind energy development in western South Dakota – is a great step forward for the region's future in the wind industry.

If the declaratory ruling is approved, we will complete construction on the wind facility before January 1, 2013. No rate increase would take effect before 2013 and only after the SD PUC provides authorization for BHP to recover the project costs from customers. As a customer, you have a right to file a written objection to the petition and may request the commission to deny the petition or to hold a public hearing to determine if such petition should be granted.

To view the filing, please visit the South Dakota Public Utilities Commission website at www.puc.sd.gov (click on commission actions and then weekly filings for April 28 - May 4).

As always, we welcome your feedback on pursuing this wind energy opportunity. If you have questions or comments, please provide feedback at www.blackhillspower/windenergy.

As a community partner since 1883, we are committed to providing the Black Hills with the power it needs to grow and develop at reasonable rates. ©2011 BHP_308_11

Improving life with energy

BHP
Black Hills Power