




West River Electric Association, Inc.

Your Touchstone Energy® Partner 

Home Office
1200 West Fourth Ave.
PO Box 412
Wall, SD 57790-0412
Telephone: (605) 279-2135
Toll Free: 1-888-279-2135

Branch Office
3250 E. Hwy. 44
PO Box 3486
Rapid City, SD 57709-3486
Telephone: (605) 393-1500
Toll Free: 1-888-393-1500

January 22, 2007

James Preston, Finance Officer
City of Rapid City
300 6th Street
Rapid City, SD 57701

Re: 2% Gross Receipts Tax for 2009


Dear Mr. ~~Preston~~:


On August 7th, 2006 we, along with Black Hills Electric Cooperative, entered into an "Electrical Cooperative Revenue Agreement" with the City of Rapid City whereby the City agreed to reduce the Gross Receipts Tax we pay pursuant to SDCL 49-34A-45 from 2% to 1%. This tax only affects the rural electric cooperatives and does not have an impact on Black Hills Power.

It was my understanding at the time of signing this Agreement, we would have to apply for this reduction every year. Hence, I am writing requesting the City of Rapid City to please renew the Agreement and continue to reduce the Gross Receipts Tax from 2% to 1% for 2009. After visiting with you Jim, Dan Hutt of Black Hills Electric, and I have taken the liberty to sign a proposed agreement that is the same as last year's agreement except for the year.

We believe, as stated last time, this is an issue of tax fairness because under either an Ad Valorem or Centrally Assessed method our taxes based on our investment within the city limits of Rapid City would be approximately one-third of what we currently pay under the 2%.

Thank you for your consideration Jim. If you have any questions, please feel free to call me at 1-888-279-2135.

Sincerely,


James J. Pahl
CEO/General Manager

JJP/jb

XC: The Honorable Jim Shaw, Mayor
Dan Hutt, BHEC

Enclosure

ELECTRICAL COOPERATIVE REVENUE AGREEMENT

THIS AGREEMENT is made this _____ day of _____, 2007, by and between the City of Rapid City (the "City") and West River Electric Cooperative ("West River") and Black Hills Cooperative Electric ("Black Hills").

WHEREAS, pursuant to SDCL 49-34A-45, West River and Black Hills are required to obtain the City's agreement to reduce the gross revenue receipts tax to One Percent (1%) from the statutory amount of Two Percent (2%);

WHEREAS, the City does not own a Municipal Electrical System;

WHEREAS, the Black Hills serves less than a majority of customers in the City;

WHEREAS, West River serves less than a majority of customers in the City;

WHEREAS, the City is willing to accept less than the statutory amount of Two Percent (2%) of the gross revenue receipts of Black Hills and West River upon the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual covenants herein, the receipt and sufficiency of which are hereby acknowledged, the parties, wishing to be bound, hereby agree as follows:

- 1) Black Hills and West River shall each pay to the City One Percent (1%) of the Gross Receipts collect by the Cooperatives to the City as payment under SDCL 49-34A-45.
- 2) Said agreement to be effective for the Calendar Year 2009 and renewable each year thereafter by written agreement of the parties before May 1st of each year.
- 3) This contract shall inure to the benefit of, and be binding upon, the respective parties hereto, and their successors and assigns.
- 4) This contract shall be effective as of the date first set forth above.
- 5) The parties will save and hold each other harmless, and indemnify each other, from any and all damages resulting from the negligence of the other concerning the matters contemplated herein.
- 6) This contract shall be interpreted in accordance with the laws of the State of South Dakota.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the day and year first above written.

CITY OF RAPID CITY

By: _____
Jim Shaw, Mayor

ATTEST:

Finance Officer

(SEAL)

BLACK HILLS ELECTRIC COOPERATIVE

By: *Daniel E. Helt*
WEST RIVER ELECTRIC ASSOCIATION

By: *James Hahl*