




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 28, 2009

Pauline Sumption
Assistant Finance Officer
City of Rapid City
300 Sixth Street
Rapid City, SD 57701-5035

RE: Electrical Cooperative Revenue Agreement

Dear Ms. Sumption:

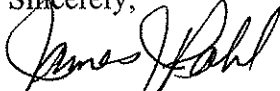
Yes, Black Hills Electric and West River Electric do want to renew the Electrical Cooperative Revenue Agreement we have with the City of Rapid City.

I am enclosing two (2) Agreements that Dan Hutt and I have both signed for calendar year 2011. I have also enclosed a fact sheet pertaining to West River Electric only. Please feel free to share this with the Mayor, the City Council and the Legal and Finance Committee.

Also, would you please put this on the Agenda for the Legal and Finance Committee on February 25, 2009. This would work out best for us to attend the meeting. Thanks for your consideration.

If you need additional information, or have questions please feel free to call me at 1-888-279-2135.

Sincerely,



James J. Pahl
CEO/General Manager

XC: Dan Hutt

West River Electric Association
February 25, 2009
Rapid City Legal & Finance Committee

- 2008 – 1%- \$53,951 – Will pay April 30, 2009
- 2009 – 1%- Estimating \$58,807 – Will pay April 30, 2010
- 2010 – 1%-Estimating \$62,923 – Already approved – Will pay April 30, 2011
- 2011 – 1%-This is what we are asking for approval on. We can only request one (1) year at a time.
- This gross receipts tax is paid pursuant to SDCL 49-34A-45. The City of Rapid City can accept a rate in a range of 0%-2% as a Gross Receipts Tax. In the interest of tax fairness we are asking the City of Rapid City to accept a payment of 1% for 2011.
- If we paid taxes on an Ad Valorem basis, based on our investment of approximately \$9.7 million within the limits of Rapid City, and using a mill levy of 2.99 mills would produce a tax of approximately \$29,000. It would be about one half of the tax we estimate paying for 2009.
- If we were centrally assessed like the Investor Owned Utilities, again based on an investment of \$9.7 million, it would produce a tax of approximately \$28,000. Approving our Gross Receipts Tax rate at 1% would have no effect on Black Hills Power. The Gross Receipts Tax we are referring to under SDCL 49-34A-45 pertains strictly to rural electric cooperatives, who are a minority electric utility supplier within the boundaries of a City who are supplied by another utility.
- Also, we charge our members who live within the city limits of Rapid City the 2 % City Sales Taxes. This tax is passed directly on to the consumer. Whereby on the Gross Receipts Tax we have a choice of either passing it directly on to the consumer, or absorbing it as a cost of business. So far we have chosen the latter position.
- Again, just reiterating what we have stated earlier in this memo, we believe it is a question of tax fairness and again ask you approve a 1% Gross Receipts Tax rate for 2011.

ELECTRICAL COOPERATIVE REVENUE AGREEMENT

THIS AGREEMENT is made this _____ day of _____, 2009, 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 2011 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: _____
Alan Hanks, Mayor

ATTEST:

Finance Officer

(SEAL)

BLACK HILLS ELECTRIC COOPERATIVE

By: Daniel E. Hult

WEST RIVER ELECTRIC ASSOCIATION

By: James Pahl

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By: Daniel E. Hutto

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