


Black Hills Corporation
Kyle D. White

Vice President

Corporate Affairs

E-mail: kwhite@bh-corp.com

625 Ninth Street • P.O. Box 1400

Rapid City, SD 57709-1400

P (605) 721-2313

F (605) 721-2599

August 30, 2002

The Honorable Jerry Munson
 Mayor of Rapid City
 City of Rapid City
 300 Sixth Street
 Rapid City, South Dakota 57701

Dear Mayor Munson:

Subject: Proposed Involuntary Deadwood Avenue/North Area Annexation

Black Hills Power, Inc., does not believe that there is reasonable present and demonstrable future need for annexing our property which is proposed to be included in the above involuntary annexation. The property is legally described as W ½ W ½ NE ¼, Section 22, T2N, R7E, BHM, Pennington County, South Dakota, 40.00 acres (see attached map).

We are opposed to the annexation of these 40 acres for the following reasons:

- Black Hills Power's electric prices have been the same since August of 1995 and, even though our customer's needs are increasing, **we are working hard to maintain our rates for the benefit of our customers**, including the City of Rapid City. We know the importance of stable and affordable electricity prices to our customers and the economics of their communities. **Although City Staff has not estimated the impact to Black Hills Power, we will experience higher taxes if this involuntary annexation occurs.** These new taxes and other cost increases can be included in customers' charges for electricity as early as January 1, 2005. Our customers, your constituents, need your help in avoiding these unnecessary costs.
- Black Hills Power's forty acres are used for electric utility purposes. On site are transmission lines, a 230 kV transmission substation (our highest voltage) and natural gas-fired generation. **This is an unmanned facility and no city services are currently needed or anticipated to be beneficial in the future.** Significant necessary infrastructure has already been developed at Black Hills Power's expense.
- **This site has been part of our electric facilities providing services since 1977.** It was selected because it was remote, but close enough to Rapid City to support the community's electric needs. Although the Council identified this area as a "priority area for annexation" in December 1983, **we do not believe the conditions are yet appropriate for an annexation of our remote property.**
- **Our property is not urbanized nor is it in the process of urbanizing. In addition, Black Hills Power's forty acres are not contiguous and adjacent to the existing boundaries of the city.**
- **Due to the remoteness of our forty acres, its annexation is not required to allow for any appropriate annexation of contiguous properties adjacent to Deadwood Avenue or Interstate 90.**

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- **Annexation of our property is not necessary to meet the annexation request of T&D Land Development.**

Black Hills Power does not believe that any of the four stated goals of the Rapid City Annexation Policy document have been appropriately met with regard to the proposed annexation of our forty acres. The stated goals are:

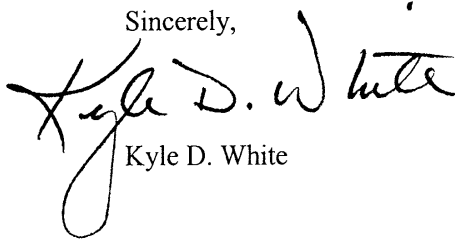
1. The annexation of lands which are necessary for the orderly growth and development of the City;
2. The annexation of lands which are urbanized or urbanizing to the extent that they require an urban level of services;
3. The annexation of lands the development of which affects the health and/or safety of the residents of the City;
4. The annexation of lands to ensure an equitable tax base.

Although Black Hills Power opposes the proposed annexation of our forty acres, we would agree, if adjacent property has been previously annexed, to a voluntary annexation at such time as we intend to use or sell a portion of the forty acres for purposes other than those of the electric utility. We are prepared to make this stipulation legally binding in order to avoid the proposed annexation.

If you have any questions or concerns regarding our opposition to the involuntary annexation of Black Hills Power's property, please feel free to contact Linn Evans or me at (605) 721-1700.

Thank you for your consideration of our situation.

Sincerely,



Kyle D. White

KDW:mjh

Enclosure

- c: Everett Hoyt – Black Hills Power, President and COO
Linn Evans, Associate Counsel
Stuart Wevik, Director – Customer Service
Rapid City Council Members
Rapid City Planning Commission Members
Marcia Elkins – Rapid City Planning Director

Proposed Deadwood Ave Annexation

