

ADDITIONAL COST INFORMATION AND ALTERNATE SITE REVIEW FOR THE 5th STREET SUBSTATION PROJECT

The Rapid City Planning Commission requested that Black Hills Power provide additional information regarding the cost to expand the existing substation and the costs associated with the alternate sites that might be available. This request was made at the August 27th meeting of the Planning Commission. Black Hills Power was provided with a map showing alternate sites that were to be considered.

Black Hills Power has completed the review of alternate sites and the attached map shows the sites that were investigated.

Site 1 is the site that we had considered and tried to purchase earlier in the process. The property owner was contacted again to discuss the possibility of purchasing this site. This site is owned by St. Thomas Moore and they have future plans for the property and are unwilling to sell.

Site 2 shows the land currently owned by the Rapid City Regional Hospital. The Hospital is unwilling to sell any land as they have future expansion plans and will be utilizing all of the available buildable property they own.

Site 3 is a site we had considered before but, again the landowner is unwilling to sell any property.

Correspondence is attached that confirm responses from landowners of sites that are not for sale.

Site 4 is property owned by the Rapid City Eye Institute. They are not out to sell this property but would consider selling for a premium price. This site is adjacent to (to the rear) of existing residences and underground 69kv transmission would need to be constructed from Oakland Street through the St. Thomas Moore property, across Fairmont Boulevard to the site.

The cost to reconstruct the 5th Street Substation and construct a new substation south of the Eye Institute is estimated to be 50% more than expanding and rebuilding 5th Street Substation at the existing location. The estimated additional cost is \$2,200,000. This assumes that all of the ROW for the needed underground 69kv transmission lines and for needed additional distribution circuits can be acquired.

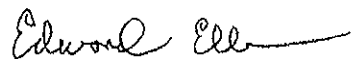
September 22, 2009

To: Black Hills Power c/o Tim Madsen

In reference to the enclosed letter requesting land for a new substation.

We are not interested in selling any land.

Sincerely,

A handwritten signature in cursive script that reads "Edward Eller". The signature is written in black ink and is positioned below the word "Sincerely,".

Elton Eller FLP --- Edward Eller

Dahlinger, Ron

From: Madsen, Tim
Sent: Tuesday, October 13, 2009 2:00 PM
To: Dunn, Steven; Dahlinger, Ron; Carda, Mark
Subject: FW: Property purchase for new substation

From: VOsterloo@rcrh.org [mailto:VOsterloo@rcrh.org]
Sent: Tuesday, October 13, 2009 11:14 AM
To: Madsen, Tim
Subject: RE: Property purchase for new substation

Tim,

No, you did not misunderstand anything that was discussed at our meeting. Rapid City Regional Hospital's Master Facility Plan utilizes all buildable property on our campus. If you need additional information, please communicate with me.

Vernon Osterloo
Director of Construction Management
353 Fairmont Boulevard Rapid City, SD 57701
(605) 719-8915 FAX (605) 719-2111
vosterloo@rcrh.org

From: Madsen, Tim [mailto:Tim.Madsen@blackhillscorp.com]
Sent: Tuesday, October 13, 2009 9:04 AM
To: Osterloo, Vernon
Subject: Property purchase for new substation

Good morning Vern,

Just to verify, per our meeting the other day and after going over the maps of the area to pinpoint possible substation locations, I understand that Rapid City Regional Hospital is not able to accommodate our request to purchase property due to planned expansions on all of the Hospital's buildable land.

After our discussion it is obvious that your power needs will greatly increase in the years to come and since your power is supplied out of the 5th Street substation our expansion will be an important part of your future plans, we look forward to working with you to continue to make Rapid City a regional medical hub.

Thanks again Vern, please let me know if I misunderstood anything we talked about.

Tim Madsen
BHP
721-2264

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10/13/2009

Dahlinger, Ron

From: Madsen, Tim
Sent: Friday, October 09, 2009 8:42 AM
To: Dahlinger, Ron; Carda, Mark; Dunn, Steven
Subject: FW: Property Inquiry

This is the reply from the St Thomas Moore School Superintendent Barb Honeycutt.

Tim

From: Honeycutt, Barb [mailto:bhoney@rccss.net]
Sent: Friday, October 09, 2009 8:36 AM
To: Madsen, Tim
Subject: RE: Property Inquiry

Tim,

Thank you for providing the map for me. The property you have outlined is an area we are considering for future development. With this in mind, we would not be looking to sell any of it now or in the future.

Best Wishes,

Barb