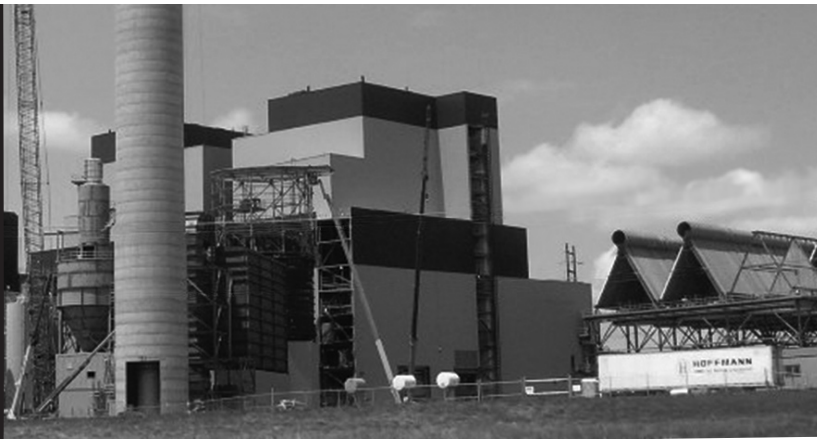


# Wygen III Overview



Black Hills Power has been committed to providing safe and reliable electricity service for its customers for over 125 years and is also obligated to do so within its certificated service territory. Based on an analysis of our customer demand for electricity, building Wygen III was determined to be the best resource and least cost option for meeting the energy needs in our service areas.

Wygen III is a 110 MW coal-fired power plant under construction near Gillette, Wyoming. It is jointly-owned by Black Hills Power and Montana-Dakota Utilities Co. (MDU) and will begin providing electricity to customers in the first quarter of 2010.

## Features of Wygen III

- Proven design; this is the fourth power plant constructed of this type, reducing the cost of engineering and construction plans.
- Air-cooled condensers significantly reduce power plant water consumption, conserving valuable resources.
- Best available control technologies are used to minimize emissions. Wygen III is one of the cleanest coal-fired power plants in the United States.
- Mine-mouth generation site significantly minimizes coal transportation costs to power plant.
- Plant directly interconnects to the Black Hills Power transmission system.
- Jointly operated with other power plant facilities to save operations and maintenance costs.
- Site allows for future installation of carbon dioxide (CO<sub>2</sub>) capture and sequestration equipment as developing technologies become commercially viable and cost-effective.

## Benefits of Wygen III

- Reliable power supply resource that provides electricity to meet the growing customer demand at a reasonable cost.
- Owning and operating generation can minimize the need to buy power and be impacted by changing market conditions .
- Greater operating flexibility exists when deciding how to manage generation versus purchased power, including an improved ability to shut down or retire older and less efficient generation.

## Electricity Demand is Growing

Black Hills Power serves a growing service area. We typically experience 1 to 2 percent customer and sales growth annually. To meet this rising demand requires continuous planning, including preparing forecasts and power supply plans. The analysis is combined into an integrated resource plan (IRP) which evaluates electric loads and potential power supply options for the next twenty years. The 2007 Integrated Resource Plan (IRP) for Black Hills Power identified a new mine-mouth coal-fired power plant as the best and least cost option for meeting expected electricity requirements beginning in 2010.

## Wygen III Least Cost Option to Serve Increasing Customer Demand

After preparation of the 2007 IRP, our next step was to acquire the necessary permits to begin construction, including a required Certificate of Public Convenience and Necessity (CPCN) from the Wyoming Public Service Commission because the plant is located near Gillette, Wyoming. The Wyoming Public Service Commission granted our CPCN in March 2008. Upon receiving the permits required, we affirmed our initial decision and began construction of Wygen III so that we could meet the energy needs in 2010 that were identified in the 2007 IRP.

## Wygen III construction is on-time and on-budget

Building generation facilities on time and on budget is a core strength of our company and Wygen III is a prime example. Final construction costs for Wygen III are expected to be approximately \$247 million compared to an original budget of \$255 million. Originally, Wygen III was scheduled to be completed just prior to the peak electricity consumption months of July and August of 2010, but current expectations are that construction will be completed early and it may begin serving customers in the first quarter of 2010.