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News from Black Hills Energy, your natural gas provider and community partner

Partnership and investment go together

Dan Mechtenberg, Vice President, Nebraska Gas Operations

Happy New Year! I hope 2011 is prosperous for you and your community.

We talk a lot about partnership because that's how we see the relationship between Black Hills Energy and the 106 communities throughout eastern Nebraska where we provide natural gas service. The partnership we aspire to have with communities we serve includes regular, ongoing investments that we make to the natural gas distribution systems that we own and operate in each of those communities.

Operating those systems requires ongoing capital investment. Since 2006, we have spent approximately $69 million in Nebraska to replace pipe and other natural gas equipment that has reached the end of its useful life, make system upgrades, and implement new technology so that the natural gas systems serving our Nebraska customers are safe, reliable and efficient.

Having the necessary infrastructure in place, including for energy, is also necessary for business development. Our economic development service helps communities grow and prosper through the retention and expansion of existing business and recruitment of new ones. Assistance is also provided to communities to help them develop programs to facilitate growth within the community.

Our community partnership and support takes other forms, too. Community relations programs, including for company programs such as Black Hills Cares, Power of Trees and Weatherization, are intended to improve the quality of life in the communities we serve.

The fact that our natural gas distribution systems are buried – in addition to being functional – is symbolic. Owning assets that are underground ties us to the communities we serve in a different way than a business whose assets can be more easily moved. Literally and figuratively, it deepens our commitment to the customers and communities we serve in eastern Nebraska. We've been in business in Nebraska since the 1930s and intend to remain here to continue providing for your energy needs.

United Way campaigns are 'energized' by Black Hills Energy

By Jan Davis
Black Hills Energy Nebraska External Affairs Manager

Black Hills Corp. has actively supported United Way with fundraisers and Fair Share payroll contributions for many years, and last year was no exception.

The company and its employees gave their time and energy to raise $393,000 for the United Way during fall 2010 campaigns. Nearly $75,000 of the total was raised for United Way agencies serving eastern Nebraska and Pottawattamie County, Iowa, earning second place recognition within Black Hills, which – in addition to Nebraska and Iowa – has operations in five other states.

Engaged Black Hills employees participated in several fun and fund-raising activities across the state. The events were geared toward raising money for a great cause, and each business unit did a fantastic job of mixing work and play to achieve great results while bringing employees together.

Many activities involved food, including holding special lunches where the proceeds were donated to United Way. Beatrice, Neb., employees sponsored an on-line auction of gifts items and employees in metropolitan Omaha, Neb., competed in putting contests and a golf tournament.

Many employees also participated in the kick-off of the annual "Day of Caring" and worked on community-improvement projects.

Black Hills invests approximately $12.4 million in capital in Nebraska in 2010

Black Hills Energy annually invests capital in its Nebraska natural gas infrastructure to ensure a safe and reliable system to serve customers. The company decides where to spend its capital dollars by using criteria such as leak history, age of pipe and types of material.

Lincoln Region

Black Hills Energy spent $569,831 in 2010 in Lincoln to replace 14,924 feet of main, one district regulator station and 298 service lines.

- **Bethany area:** $83,924 for 2,443 feet of main replacement and 46 service line replacements.
- **University Place:** $52,768 for 1,303 feet of main and 29 service lines.
- **College View area:** $90,382 to upgrade 2,484 feet of main and 51 service lines.
- **Country Club area:** $129,212 to replace 3,791 feet of main and 62 service lines.
- **Piedmont area:** $98,185 to replace 1,844 feet of main and 56 service lines.
- **Havelock area:** $49,908 to replace 1,429 feet of main and upgrade 19 service lines.
- **South Salt Creek area:** $65,452 to upgrade a district regulator station, 1,630 feet of main and 35 service lines.

South Region

Black Hills Energy's automated meter reading system was expanded to 13 more Nebraska communities in the company's South and North regions in 2010, resulting in approximately 9,200 meters in Aurora, Bee, Bradshaw, David City, Garrison, Hampton, Osceola, Rising City, Seward, Shelby, Staplehurst, Ulysses and York being upgraded.

AMR encoder-receiver-transmitters were installed on existing meters and nearly 2,500 meters were replaced.

The result of the upgrade is Black Hills Energy is using AMR to read more than half of its Nebraska meters, now nearly 119,000 meters. The 2010 project cost approximately $1.1 million. Benefits include:

- Reduced operations and maintenance expenses.
- Increased accuracy for customer billing due to fewer estimated meter readings.
- Fewer billing calls from customers.
- Increased customer privacy.

Black Hills Energy Nebraska Regions

In York, natural gas main was installed to stabilize line pressure during peak usage in the eastern part of the city. The reinforcement project also supports commercial growth occurring along the Highway 81 bypass west of York. Black Hills' investment was $400,000 and there'll be more to come; 2010 was the first year of a multi-year project.

A new hospital, assisted living and medical complex being built north of Beatrice on Highway 77 required an investment of approximately $60,000 by Black Hills Energy for installation of more than 1 mile of natural gas main.

Metro Region

Black Hills Energy spent $1 million in 2010 for new and replacement mains and service lines in several communities in the company's Metro Region.

One of the larger 2010 projects was installation of steel main from the Shadow Lake Mall area in Sarpy County on South 72nd Street to Platteview Road to reinforce the demand on the existing Papillion system, and for future growth.

Nearby, in the Offutt Air Force Base Capehart housing, natural gas main and underground valves were replaced in the first of a two-phase project.

Partnering with the City of Plattsmouth on its downtown revitalization and beautification project, Black Hills Energy relocated natural gas mains and services as the streets, sewer system and sidewalks were rebuilt.

This year, the last cast iron mains were replaced in Blair while projects in Tekamah and Hooper resulted in the replacement of bare steel natural gas mains and service lines.

Black Hills extended service to a new development at Highway 370 and South 126th Street in Sarpy County that includes Werner Park, new home of the Storm Chasers, Omaha's Triple A affiliate of the Kansas City Royals, and also to ancillary businesses and housing.

Black Hills Energy also relocated natural gas mains on South 168th Street from Highway 370 to the Ridgemont area to accommodate road widening by Sarpy County.

Additionally, district regulator stations, odorizers and equipment to monitor natural gas pressures and system flow rates were installed throughout the region.

North Region

Various communities were the beneficiaries of the more than $2 million system upgrade investment Black Hills Energy made in 2010 in the North Region.

The company's gas distribution systems serving Bancroft and

Emerson were outfitted with new odorizing equipment. Information gathering systems were installed on town border stations in Columbus and Norfolk to maximize overall system performance in those communities.

Black Hills spent $80,000 in Norfolk to replace 3,500 feet of main and 80 service lines. More than 1 mile of cast iron main in West Point was replaced at a cost of approximately $110,000 and approximately 80 corresponding customer service lines were replaced.

The company's project to remove and replace bare steel services also got a boost in 2010 with the exchange of 731 customer service lines in the North Region at a cost of $870,000.

Like Old Faithful, natural gas is reliable.

Customers count on Black Hills Energy to provide the natural gas service they need, year-round.

Black Hills Energy
Improving life with energy

PO BOX 83008
LINCOLN, NE 68501

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News from Black Hills Energy, your natural gas provider and community partner

At your service: Variety of experiences give Byrnes broad perspective when serving communities, customers

Larry Byrnes, a native of Columbus, Neb., is gas operations manager for Black Hills Energy's Lincoln Region, where he leads a team of 64 employees who work in the largest city Black Hills serves, Lincoln, Neb., and 12 other communities in south-central Nebraska including Eagle, Hickman, Palmyra and Waverly.

Byrnes

Almost half – approximately 96,000 – of Black Hills' 196,000 customers in Nebraska are in Lincoln or communities near the capital city.

Now based at Black Hills Energy state headquarters in Lincoln, Byrnes joined the company in Columbus in 1977 as a part-time meter reader while attending the local community college. He has held a variety of positions since then including construction and maintenance mechanic, energy auditor, builder/sales rep and construction coordinator, and along the way also obtained process improvement certification.

Now in management 22 years, his first supervisory position was in 1989 as a region operations supervisor. Byrnes most recently was operations supervisor for Black Hills' Metro Region, based in Papillion, Neb., before being named to his current position in 2008.

As operations manager, he is responsible for all Lincoln Region operations including gas system operations and maintenance, gas system construction, meter reading, appliance repair, customer service, billing support and community relations.

"I started from the ground up," said Byrnes. "That really gave me a good perspective on how the business is run and the skills to serve the needs of customers and provide the appliance repair and safe and reliable natural gas service they expect."

You may contact Byrnes at larry.byrnes@blackhillscorp.com, 402-437-1719, or P.O. Box 83008, Lincoln, NE, 68501.

How to Contact Us

Customer Service
888-890-5554

Emergency Service
800-694-8989

www.blackhillsenergy.com

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Black Hills Energy publishes CommunityLINK for city officials and community leaders. We welcome your feedback, including other topics you're interested in. Please contact Becky Ferrill at 402-437-1724; email, becky.ferrill@blackhillscorp.com; or mail, Black Hills Energy, P.O. Box 83008, Lincoln, NE, 68501. Also let us know if you wish to:

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