“As this new unit went ‘on the line’... the attention of many in the electric industry was turned toward Wyodak, awaiting operating results. Power generation in this area could be on the threshold of a revolutionary change”

RAPID CITY JOURNAL
For the electric utility industry and the nation, the 1970s were extremely difficult. Demand for electric power soared along with prices and interest rates. Growing environmental concerns prompted Congress to pass laws that forced industry to reduce pollution. Black Hills Power and Light struggled to keep pace with customer to profit from its greatest physical resource – Wyodak coal – the company stumbled on the brink of disaster.
For years the economic potential of the Wyodak Mine had been underdeveloped because of both a lack of water at the site and a significant market for power in the region. Water was in such short supply, for example, that the City of Gillette had to build a pipeline from Hulett, Wyoming to bring water from the Madison Formation to the city. In the 1950s, Black Hills Power and Light began to look for new technologies that would allow for the construction of a power plant at the mouth of the mine without the need for conventional water sources.

As a first step, the company looked for a partner. A collaboration with General Electric Company to develop a coal-fired gas turbine failed because of metal problems. Ben French visited a number of oil company compressor stations and observed the use of air-cooled heat exchangers being used in remote areas. He was convinced that Black Hills Power and Light could use a similar system.

In 1960, the company decided to experiment. In Rapid City, the company had a conventional 3,000 kW condensing turbine that was to be retired because of the high cost of fuel to fire the boiler. The company moved this turbine from the Canal Street Plant to Wyodak where the conventional condenser was replaced with air-cooled, fin tube sections. Between 1962 and 1965, the company operated this turbine successfully and collected data that could be used to design a larger-scale plant.

Meanwhile in Germany a manufacturer had already developed an air-cooled condenser for power plants. The German unit had two advantages over the Black Hills Power and Light turbine at Wyodak: The elliptical design of the tubes provided greater thermal efficiency and longer life; and a patented flow arrangement prevented the condenser from freezing during the winter – a critical feature in northern Wyoming. Black Hills Power and Light’s engineering vice president, Harry Babbitt, visited six sites in Germany in 1966 with an engineer from Stearns-Rodgers to look at these air-cooled condensers in operation. They inspected a 150 megawatt (MW) plant at the Volkswagen manufacturing facility in Wolfsburg. Babbitt recommended that Black Hills Power and Light use the West German technology to develop a new plant at Wyodak.

Planning for the new plant accelerated in the summer of 1967. At a press conference, Neil Simpson stood with Wyoming Gov. Stan Hathaway to announce that Black Hills Power and Light would spend $5 million to build a new 20 MW power plant at Wyodak. The plant would be equipped with an air-cooled
condenser – the first of its kind in the Western Hemisphere. Although more expensive to build, the plant would be less expensive to operate because it eliminated the need to supply, store and treat condensing water.

With Stearns-Rogers overseeing the project, construction began in July of the following year. In September 1969 Franz Schulenberg, the president of the West German firm visited the Black Hills. He spent two weeks monitoring the installation of the air-cooled condensers at the soon-to-be-completed Wyodak facility. That month the Number 5 unit at the Wyodak Power Plant began producing power. With the governors of South Dakota and Wyoming attending, the new plant was formally dedicated on July 17, 1970. Renamed the Neil Simpson Station, the plant honored the company’s CEO for his long career.

The success of the air-cooled technology at the Neil Simpson Station held great promise for the future. The Rapid City Journal wrote that with the new plant “power generation in this area could be on the threshold of a revolutionary change.” The new technology gave the company greater flexibility to locate power plants near the coal mine, rather than near water. This “mine mouth” concept dramatically reduced the cost of fuel for power generation.

CONVINCING THE PARTNERS
The success of the new Neil Simpson plant opened the way to building larger air-cooled plants at Wyodak to take advantage of the company’s coal mine. But demand for power in Black Hills Power and Light’s service area was not rising fast enough to justify the construction of a major power plant for that market alone. The company needed a partner.

Pacific Power & Light was one of the largest electric utilities in the Pacific Northwest. In 1954, the company had merged with Mountain States Power and acquired service territories in Wyoming. Two years later, after discovering coal seams north of Glenrock, the company had begun construction of the water-cooled Dave Johnston power plant along the North Platte River. The Dave Johnston plant began operations in 1958, proving the cost effectiveness of mine mouth coal-fired generating facilities.

Simpson hoped to interest Pacific Power in the idea of building a larger, air-cooled plant at Wyodak by offering them a very good deal on coal. Their engineers were at first skeptical of the air-cooled technology and the company was also reluctant to invest in a plant so far from their service territory. Bob Asheim, the company’s
outside counsel David Morrill and George Locke played critical roles in these negotiations with Pacific Power. The conversation continued for months in Portland, Rapid City and New York. While the Black Hills Power and Light team was small, Pacific Power brought various departments into the conversations. According to Locke, vice president for finance at the time, “You might visit with one group of people, then meet with another group, and they’d have no idea what you were talking about.”

Ultimately Simpson and other Black Hills Power and Light officials were able to overcome Pacific Power’s objections. On August 12, 1971 the two companies announced that they would build a $60 million, coal-fired, steam-electric generating plant at Wyodak with transmission lines to carry power to the west to connect with Pacific Power’s transmission system and to the east to tie in with Black Hills Power and Light. The plant would be designed and engineered by Stone and Webster. When complete, it would be the largest air-cooled steam power plant in the world using pulverized coal technology. To get this new power to customers, Black Hills Power and Light also announced plans to build a new 230 kV transmission system. Encompassing 318 miles of transmission line, this system would connect Wyodak (and Pacific Power) with Rapid City and then extend to Stegall, Nebraska to tie into the Bureau of Reclamation’s system. This transmission system would allow the company to move large blocks of power to load centers, purchase power from other suppliers, and provide for the wheeling of power for the rural electric cooperatives in the region.

Black Hills Power and Light and Pacific Power hoped to obtain permits for the plant and begin construction by 1973. They also hoped for

Visitors touring the new Wyodak #5 plant (Neil Simpson I) in 1969 learned about the advantages of locating a power plant close to the source of the fuel.
other partners. The two companies announced that they had invited Tri-State Generation & Transmission Association, Inc.; Rushmore Electric Power Cooperative, Inc.; Nebraska Public Power District and a number of Wyoming municipalities to join the project. Public Service Company of Colorado had also expressed interest in joining the project provided a strategy for transmitting electricity from the plant to Colorado could be engineered.

Planning for construction of the plant did not go as the two companies had hoped. In the fall of 1972, Simpson told the Chamber of Commerce in Gillette that the two companies had gotten even more ambitious and now planned to build a 330 MW facility that would be 15 times larger than the existing Neil Simpson station. Over 600 people would be involved in construction, he said, and the permanent work force at the plant would be about 60 people. Simpson still hoped that construction would start in 1973 and be completed by early 1977, but he was soon disappointed.

By January 1974, the estimated cost of the project had more than doubled, rising to $134 million. As the costs rose, executives at Pacific Power began to get cold feet. Locke remembers that more than once Asheim came into his office in the late morning and said, “I’ve just been on the phone for over an hour with Pacific. They want to cancel construction of the Wyodak plant. I’ve got reservations on the 12:30 plane.” Then Asheim would be gone three or four days to Oregon to keep Pacific Power from backing out.

By the time the earth movers roared into action in May 1974 to begin grading the site, the estimated cost of the project had risen to $144 million. By August, it was up to $166 million, and the price still didn’t include all of the environmental equipment that would need to be installed before the project was complete. In the meantime, Black Hills Power and Light faced challenges at home in South Dakota.

**CAMPAIGNING FOR REGULATION**

As the inflationary pressures of the 1970s took hold, investor-owned utilities in South Dakota struggled to keep up with rising costs. The accelerating pace of inflation posed the most difficult challenge. In an environment where cities regulated rates without any state oversight, the companies had to go to each city council, demonstrate the need for a rate increase and then hope that prudence would win over politics.
The company had followed a similar procedure before and it asserted that it had the authority to adopt the new rates pending a hearing and decision by the individual cities. Six cities banded together and hired a former Federal Power Commission deputy counsel, Reuben Goldberg, to handle their case. “He was a classy old guy,” said Ev Hoyt, who worked for NWPS as an attorney at the time, “and they nailed Northwestern’s hide to the wall.” On February 20, 1974, a circuit judge held that cities must hold a hearing and make a decision on a proposed rate increase before it can be put into effect. The judge ordered NWPS to refund the excess revenues it had collected, plus interest.

Under increasing financial pressure and unable to get timely rate relief, NWPS reached out to the other investor-owned utilities in the state to try to push for regulatory reform. To create a broader base of support, the power companies turned to the electric co-ops. Together, they went to the Legislature with a bill based on law recently enacted in Minnesota giving statewide regulatory authority. The legislation also gave the investor-owned utilities and the co-ops the opportunity to try to resolve an issue that had long been a source of friction – the determination of territories.

The 1975 compromise bill was immediately attacked by municipalities who objected because they hadn’t been consulted. The seven cities that had challenged NWPS’s proposed rate increases were concerned that the new
law would trump their ongoing proceedings. The leadership in the Legislature, however, worked to minimize amendments, recognizing that the fragile agreement could unravel if the terms changed.

The Sioux Falls Argus Leader reported that representatives of the utility companies promoted the bill saying that it would “finally put to rest the long-standing feud within the industry over regulation and territories of service.” “There is no issue in the state,” said Rep. Joe Barnett of Aberdeen, “that is more emotional and more sharply divisive than the public versus private power question.” With legislators looking to finally resolve this debate, Senate Bill 261 was passed by both houses and signed by Gov. Richard Kneip in the spring of 1975.

The new law gave the South Dakota Public Utilities Commission (PUC), rather than cities, the responsibility for setting electric rates. The PUC was also given authority to determine territorial boundaries. The various companies had one year to try to negotiate these boundaries. After that, the PUC would make the rules.

For years Black Hills Power and Light employees had rejected union representation. In the early 1970s, however, with many employees feeling the pressure of inflation-driven hikes in the cost of living and the company itself under increasing financial pressure, tensions between line workers and management increased.

On March 21, 1973 production, maintenance and construction employees of the company voted to choose the International Brotherhood of Electrical Workers (IBEW) – AFL/CIO to represent them in bargaining. Management and the business managers from the union were able to bargain constructively. Within months they had developed the company’s first union contract, which became effective on November 1 that year.

Labor issues continued to be sensitive, especially when the company was forced to lay off workers. When Black Hills Power and Light closed down its appliance division and laid off both sales and service employees in the 1970s, the union worked with management to protect long-time employees. According to Joe Rovere, “the employees seemed to feel better about the fact that somebody else was representing them besides the company.”
CONTINUING CONTROVERSIES OVER BUREAU OF RECLAMATION POWER

The compromise bill helped improve relations between the investor-owned utilities and the cooperatives but it did not resolve the questions tied to public power. In the early 1970s, Black Hills Power and Light continued to negotiate both in private and in the newspapers with the state of South Dakota over the issue of wheeling Bureau of Reclamation power to state institutions, in particular to South Dakota School of Mines and Technology. In February 1973, the company reluctantly reached an agreement with the state that would save taxpayers more than $20,000 a month. Black Hills Power and Light officials, however, objected to the fact that the compromise failed to recognize the full value of the company’s facilities, including multiple sources of back up power and transmission, highly trained personnel, equipment, inventory and a 24-hour maintenance staff. Nevertheless, as the company asserted in a press release, “consideration of who will supply electric power to the college has plagued state officials, legislators and our company for many years and we believe it to be in the best interest of all concerned to resolve this matter.”

GROWING SOCIAL AND ENVIRONMENTAL CONCERNS

While Black Hills Power and Light worked to reach agreements with its business partners, competitors, and customers in the 1970s, the economic challenges of the era were intensified by the social and political transformations begun in the United States in the 1960s. The Civil Rights movement gave rise to a host of efforts by African-Americans, Hispanics, Asians and Native Americans to have their rights recognized by the dominant white society. Changing attitudes toward sex and marriage were influenced by the availability of the birth control pill and reinforced a rising trend for women to work outside the home. A renewed awareness of poverty in America and the election of Democratic presidents John F. Kennedy and Lyndon B. Johnson led to the Great Society program to meet the needs of the poor. At the same time, United States efforts to support the government of South Vietnam to fight the spread of communism deepened the government’s commitment of troops. The coming of age of the enormous post-war baby boom generation focused extraordinary attention on youth culture.

Removed from the epicenters of social conflict, western South Dakota, eastern Wyoming and southeastern Montana were still affected by all of these movements. Gradually, increasing numbers of women entered the workforce at Black Hills Power and Light, many of them in what had...
been non-traditional occupations. Increased government spending for the war and the Great Society programs contributed to rising inflation. Social and political activism focused new attention on environmental and consumer issues.

Nationwide, concerns about pollution had been rising since the publication of *Silent Spring* by Rachel Carson in September 1962. Carson’s book described the damage done by pesticides and prompted a growing awareness of the effects of modern industry on the environment. In 1963, Congress passed the Clean Air Act, setting emissions standards for stationary sources such as power plants and steel mills, but not addressing mobile sources of pollution such as automobiles and trucks.

Black Hills Power and Light responded to the new environmental concerns in various ways. At the Wyodak Mine, reclamation efforts began in 1969 in the area known as the southern coal mining pit. The company filled the pit to the pre-mining level, put a layer of top soil over the top and planted prairie grasses and ground cover.

Public pressure to more aggressively regulate pollution was increasing by the end of the 1960s. Congress banned the pesticide DDT in 1969. In April of the following year, millions of Americans participated in the first Earth Day celebration. Congress responded to this public concern in 1970 by establishing the Environmental Protection Agency (EPA) and amending the Clean Air Act to impose national air quality standards and set deadlines for compliance. Later in the decade, Congress passed the Clean Water Act to protect the nation’s waterways and water sources.

As Black Hills Power and Light and Pacific Power worked on the design and engineering of the new Wyodak power plant, they planned for the most advanced air quality controls available. Meanwhile, the company had to deal with pollution problems associated with older technologies. In Lead, for example, citizens complained in 1974 that the Kirk Power Plant “belches smoke and soot daily.”

Joe Rovere met with a group of about 60 Lead residents to explain the situation. He conceded that the antiquated equipment at the Kirk Plant did contribute to local pollution. To mitigate the problem, the company planned to close the plant in May 1977 after the new Wyodak plant was complete. Wyodak, Rovere said, would include nearly $40 million worth of pollution control equipment.

Growing concerns about air pollution, meanwhile, prompted a movement to oppose the construction of coal-fired power plants. Organizers in Montana...
tried to block the Montana Power Company’s plan to add two coal-fired units to its operations at Colstrip that would produce power for customers in the Pacific Northwest.

One obvious way to decrease air pollution caused by the burning of fossil fuels was to turn to renewable sources of energy. Interest in renewable energy sources grew tremendously in the 1970s. The Rapid City Journal and other regional newspapers were full of articles on the potential for solar, geothermal, wind and nuclear power. Environmentalists also encouraged consumers to use less energy. Conservation became especially important when war in the Middle East sparked the nation’s first energy crisis.

ENERGY CRISIS LOOMS
On October 6, 1973, following the outbreak of the Yom Kippur war between Israel and a coalition of Egyptian and Syrian forces in the Middle East, Saudi Arabia and other Arab oil producing members of the Organization of the Petroleum Exporting Countries (OPEC) cut back oil shipments to the United States and western Europe. Created in 1960, OPEC had not used its economic power this way before, but in 1973 OPEC’s move led to a fuel crisis and sparked broader concerns over a looming energy crisis in the United States. The following spring, OPEC lifted sanctions against the U.S., but only after oil prices had increased from $1.77 a barrel to $12 per barrel.

Across the country, the growing energy crisis created a financial crisis for the nation’s electric companies. In the first six months of 1974 the nation’s 50 largest utility companies increased rates by an average of 55.4 percent.

President Jimmy Carter sought to rally the nation to respond to the crisis. Shortly after he took office in January 1977, he asked the American people to view the crisis as “the moral equivalent of war” in a nationally televised address. He announced that energy conservation would be the cornerstone of his policy. Two days later, he proposed a bill to Congress including tax credits for conservation measures, new gasoline taxes to reduce consumption, removal of price controls on natural gas and oil, and incentives to power producers to encourage them to use domestic fuel, especially coal.

Coal’s share of the nation’s fuel supply had been on a steady decline since World War II as the popularity of natural gas increased. The Arab oil embargo, however, sparked a new interest in coal. As Americans increasingly realized how dependent the nation was on foreign oil, some policymakers pointed out that coal accounted for 90 percent of U.S. energy reserves. Coal could also be mined relatively...
quickly and converted to power more easily than building nuclear plants. In the words of one writer, it was as if “a somewhat frumpy middle-aged ballerina rushed out of semi-retirement to fill an unanticipated gap in a show that must go on. Suddenly the old girl is back in demand.”

President Carter’s effort to promote a new national energy policy also led to two new laws in 1978. The Natural Gas Policy Act (NGPA) and the Power Plant and Industrial Fuel Use Act both had an enormous impact on the electric utility industry. This legislation discouraged electric utilities and industrial companies from relying on natural gas or oil to fuel power plants. It encouraged the use of coal, nuclear energy and other alternative fuels. In response to these new laws, power companies around the country increasingly turned to nuclear power.

Nuclear technology raised concerns. Nuclear power plants were expensive to build. Spent fuel rods had to be stored safely. Consumers expressed concerns about living near these plants, and organized consumers were increasingly vocal.

To lower operating costs, Black Hills Power and Light closed its retail appliance business in 1974. The company laid off 17 employees who worked in showrooms in various offices around the Black Hills. For many people, closing the stores marked the end of an era.

For nearly 50 years the company’s brightly lit window displays on Sixth Street in Rapid City and Main Street in other Black Hills towns had showcased gleaming new electric ranges, refrigerators, water heaters, air conditioners, washing machines and dryers. Customers also purchased electric irons, mixers and other small appliances to make housework easier and more efficient.

Salesmen and advertisements touted the features of the latest Hotpoint models. A team of service men delivered, installed and repaired electrical equipment in homes and commercial buildings throughout the region. With its exit from the appliance business, Black Hills Power and Light chose to focus on the company’s core strengths: power generation, transmission, delivery and customer service.
CONSUMERS ORGANIZE

In the 1960s, consumer watchdogs, including Ralph Nader, organized citizens to fight against product defects, lobby Congress, and monitor the work of regulatory agencies. Nader’s efforts at the federal level were copied by organizers in California and New York where consumer groups formed to put a spotlight on the work of public utility commissions and other regulatory agencies. In South Dakota, utility consumers formed a number of different groups to act as watchdogs, including the South Dakota Consumers League.

Tension over rate increases and regulatory policies exacerbated the financial pressure that Black Hills Power and Light was already feeling. As the construction of Wyodak moved forward, this pressure increased.

A FINANCIAL CRISIS GROWS AT HOME

The original financing agreement for the Wyodak plant called for Black Hills Power and Light and Pacific Power to share the costs of building the plant on a 40/60 percent basis. Under that agreement, when the plant was completed, Black Hills Power and Light would be entitled to 40 percent of the plant’s output, or 132 MW.

At the end of 1974, the company’s executives reported to shareholders that the previous year had been “one of the most challenging years in the history of our Company.” In some ways, it was reminiscent of the early years of Dakota Power when it seemed as if everything had been put on the line to create the generating capacity to carry the company forward. The completion date of the Wyodak plant was pushed back to the spring of 1978. Inflation and new environmental regulations “caused a tremendous increase in the estimated cost of the plant.”

The delays compounded problems for Black Hills Power and Light. One reason for building Wyodak was to avoid retrofitting aging plants to meet new environmental standards scheduled to be implemented in 1977. With the construction delays at Wyodak, and the need to keep generating capacity online until the new plant was complete, the company was forced to invest in pollution abatement equipment to keep the older plants operating. At Kirk, for example, despite Rovere’s assurances to residents, the company was forced to postpone the closure of the plant and install an electrostatic precipitator to clean the plant’s emissions. The cost of this new equipment was $1.8 million. The company also had to install a new water treatment system to handle the ash. The company deferred plans to close the
Ben French unit in Rapid City, necessitating a $2.275 million investment to clean up emissions there. The company was also already planning to spend $3 million on electrostatic precipitators at Osage. Altogether, the cost of retrofitting these facilities to meet the new environmental regulations was $9 million. These expenditures represented approximately 10 percent of all capital investment between 1974 and 1978.

While new environmental standards demanded capital to retrofit existing plants, changes in the pattern of demand were also forcing the company to revise its long-term plans for power generation. Increasing use of air conditioning created new summer peak loads. Between 1974 and 1975 the summer peak rose 13.8 percent. The proliferation of electric heating systems increased winter demand. Black Hills Power and Light adjusted to these new demands by purchasing power to add peaking capacity, but these solutions were mere Band-aids on a long-term problem. The company needed more generating capacity of its own but it also needed a way to finance the growth.

By 1975, the financial pressure on Black Hills Power and Light was increasing. To cut operating costs, the company eliminated its merchandising operations, reducing the workforce by 31 positions. Payments to vendors were slowed. Employees understood the situation because “it was affecting their pocketbook,” said Dan Landguth. Tom Ohlmacher remembers that “the company was holding checks to vendors. We were in really difficult straits.” The manager of the Kirk Plant in those years, Ohlmacher said everyone

Borrowing the language of the day, Black Hills Power and Light ads promoted the lineman as part of a team of service workers dedicated to helping the public.
was told to cut their budgets. Maintenance was reduced to “absolute bare bones.”

In the midst of this crisis the company went back to Pacific Power to renegotiate the terms of the Wyodak partnership. It was a precarious situation. There were some who thought Pacific Power would take advantage of the situation to acquire Black Hills Power and Light but that did not happen. Under an agreement signed on October 31, 1975, Black Hills Power and Light reduced its share of the funding from 40 to 10 percent with Pacific Power picking up 90 percent from its previous 60 percent. The company kept an option to increase its ownership to 20 percent before construction was complete, provided it could cover interest and capitalization expenses. “If it wouldn’t have been for Pacific and their balance sheet,” Landguth said, “Black Hills would have gone under for sure.”

As the financial crisis deepened in 1976, both Black Hills Power and Light and Pacific Power looked for outside help. In May 1976, the two companies struck a financing deal with a group of outside investors, pledging an ownership interest in the Wyodak power plant as collateral.

In the midst of these financial moves, Black Hills Power and Light also submitted its first rate increase to the South Dakota PUC in 1976. The 18 percent request underscored the challenges of the era. As the company explained, most of the new rate revenue would be used to pay for pollution control equipment. The company also exercised its right under the new law to begin collecting revenues under the proposed rate system, as long as it posted a bond to reimburse customers if the PUC rejected the increase. Four months later, the PUC granted Black Hills Power and Light only a 10.1 percent increase, far from the requested 18 percent. The commission ordered the company to reimburse customers for the difference. If there was good news at all in this commission decision, it came with the realization that rate requests from other investor-owned companies in the state had been slashed far more by the PUC. But the increase was not enough.

The PUC had authorized the company to earn a rate of return of nearly 9.25 percent on the rate base. By the spring of the following year the company calculated that its actual rate of return was 6.27 percent. The return dropped to 4.84 percent when other costs were applied. In June 1977, the company returned to the PUC with another request for an increase – this time asking for 32.2 percent. In defending the request, company officials explained that four unusual factors had combined to put financial pressure on Black Hills Power and Light: High inflation; environmental mitigation; the completion of the company’s 230 kV
An Uneasy Decade

transmission system; and the installation of combustion peaking turbines to meet the need for rising peak load demand.

Tactical efforts to deal with the company’s problems reflected the increasing turmoil in the marketplace. In December 1977, Simpson and Asheim shared their frustration with shareholders saying, “many conflicting interests around the whole subject of energy are combining to create confusion, frustration and significant problems.” Inflation, concerns over the environment, regulatory politics, a slowdown in technological innovation and rising fuel costs all challenged the company’s management and employees.

WYODAK GENERATES POWER AT LAST

Despite the financial turmoil, work on the Wyodak plant continued. Bud Westre, the company’s vice president of generation, worked closely with Pacific Power to integrate the technology and to ensure that the mine-mouth fuel concept would work as efficiently as possible. Nearly seven years after plans for the Wyodak plant were first announced, the plant began to generate power on June 8, 1978.

Missouri Public Service also faced challenges in the 1970s. Problems with its newest generating unit, Sibley 3, constrained production and compelled the company to purchase power at a time when costs were high. A 128-day strike by IBEW workers forced management to sustain operations in 1971. Environmental litigation threatened the productivity of its main generation unit. Then in the latter part of the decade, the company ran into troubles with its coal supplier — Peabody Coal Company.

Under a 30-year contract the Peabody Coal Company provided fuel to Missouri Public Service plants. With coal prices rising in the 1970s, however, Peabody set out to negotiate a higher rate. Missouri Public Service CEO Richard Green refused to revise the existing contract and the issue went to court. After years of litigation and a series of court decisions in favor of Missouri Public Service, the issue was finally resolved in 1981.

Richard Green, known for his dry humor, hosted a dinner to recognize the work of the attorney who managed the case. With the lights down low when dinner arrived, the attorney lifted his knife and fork only to discover that he had been served a piece of coal instead of a steak.
Completed in 1978, the 330 MW Wyodak Plant near Gillette was developed by Pacific Power and Light and Black Hills Power and Light.
The original cost estimate of $60 million had ballooned to $265 million. Shortly after the project was completed, three Ben French natural gas-fired combustion turbines were placed in service to provide a reserve for the plant. Another turbine was planned for later in the year. Meanwhile, planning began on a new 100 MW coal-fired plant at Osage (which was never built) with additional 230 kV transmission facilities to interconnect Wyodak, Osage and Hot Springs.

On the same day that power began to be generated at Wyodak, Black Hills Power and Light and Pacific Power sold the plant to a group of institutional investors who leased the plant back to the two companies to operate. Under the terms of the leveraged-lease agreement, Pacific Power operated and managed the plant. Black Hills Power and Light was entitled to 20 percent of the output and paid 20 percent of the lease rent and associated costs of production. The Wyodak Mine supplied coal to the plant under a 35-year agreement. The lease agreement helped both companies manage their capital budget and minimized the initial rate shock, spreading the invested costs over the life of the lease. The following September, after several months of testing, the plant began commercial production.

**EDISON AWARD 1979**

Wyodak received the prestigious Edison Award for its air-cooled system. The Edison Electric Institute’s award honors leadership and innovation in the electric industry.
NEIL SIMPSON STEPS DOWN

Completion of the Wyodak Plant marked the conclusion of a difficult chapter in the company’s history. The year also witnessed significant changes in corporate leadership. On February 28, 1978, Simpson retired from his position as CEO. Having reached the age of 65, he had served more than 40 years as a leader of the company. Simpson was less and less a part of the day-to-day operations, but he continued as chairman. Eight months later, Ben French passed away. For many employees and friends of the company, French’s death and Simpson’s retirement marked the end of an important era in the history of Black Hills Power and Light.

The man chosen to lead the company forward, Bob Asheim, was more reserved than Simpson. By all accounts, he was a good engineer and manager. For years he had worked behind the scenes to move the company forward while Simpson paid attention to the morale and culture of the organization. Asheim’s role in the development of the partnership with Pacific Power and the new power plant had been critical and solidified his future. Following Simpson’s retirement, he became president and CEO.

One of the first things that Asheim did as CEO was take advantage of a number of retirements to reconfigure the board of directors. In the past, members of the board had been recruited to provide geographical representation within the service territories of Black Hills Power and Light. As the company began to broaden its horizons, Asheim looked to bring a broader base of experience and expertise to the board to energize the board to play a more active role in the development of the company’s strategy. In 1979, the company added two new board positions. Reaching outside of the company’s service territory for the first time in many years, Asheim recruited Dale Clement, dean of the University of South Dakota School of Business and Paul Godfrey, a senior partner with the law firm of Godfrey and Sundahl in Cheyenne, Wyoming to fill two of the open positions. He also asked Robert Knecht, president of Knecht Industries in Rapid City and Reynold Klay, executive vice president of the National Bank of South Dakota, to join the board. At the same time, Larry Owen, the company’s vice president for administration was elected to the board. All of these changes combined to bring new vitality to the board’s discussions of the future of Black Hills Power and Light.

CRISIS IN LEADERSHIP FORCES CHANGE

As vice president Asheim had been very visible within the company, but as CEO he seemed to withdraw. Occasionally, he would bring the company’s top managers together for a retreat at his cabin in the Black Hills, but increasingly he relied on a small group of advisors. Over
the next two and a half years, communication broke down between the CEO and the board and between the CEO and his direct reports. As communications deteriorated, tensions rose.

On September 15, 1980 the crisis came to a head. With the support of the board, Asheim announced he would take early retirement, and the board chose Larry M. Owen to become president of Black Hills Power and Light.

With Asheim's retirement, other changes followed. George Locke replaced Asheim on the Board of Directors. Dan Languth became vice president of Administration. Increasingly he operated as a chief operating officer. Richard Tupper was elected vice president of Corporate Development and vice president of Wyodak Resources Development. With these changes, the company began a new direction in its history.

Persistence and ingenuity carried Black Hills Power and Light through one of the most challenging eras in the company's history. Growing concerns with the environment, an energy crisis sparked by war in the Middle East, rampant inflation coupled with declining productivity, and technological stagnation in the electric power industry had all combined to put financial pressure on the electric utility business. A regulatory system that was slow to respond to rapidly rising costs in the industry, squeezed profits. When regulators did grant rate increases, consumers who were feeling the effects of inflation as well were understandably frustrated.

The news from the 1970s was not all bad. By the end of the decade, the number of Black Hills Power and Light customers had grown nearly 30 percent to 45,737. Energy sales had increased 81 percent. To meet this demand, the company had more than doubled its installed generating capacity to nearly 284 MW. Despite this growth, the company's workforce had only increased 12 percent to 385 employees. Meanwhile, earnings per share were up 35 percent compared to 1970. As Larry Owen told shareholders, there was still plenty of room for improvement in the return on common equity. With the completion of the Wyodak plant, and the election of Ronald Reagan as president of the United States, the company and the nation moved into a new era that would bring its own set of opportunities and challenges.