



UTILITY Bills Will Increase if Congress Passes CO₂ Tax

Dear Valued Cheyenne Light Customer:

June 2009

Energy and the environment are at the forefront today in the media, in politics, and in our daily lives. **Utility companies face an ongoing challenge of balancing their customers' need for electricity with the need to protect the environment.** We promote energy efficiency and weatherization, and initiated a community tree planting program called *The Power of Trees*. We are also purchasing renewable wind generation from the nearby Happy Jack and Silver Sage Wind Farms. Through these and other efforts, we demonstrate respect for our land, water and air as we comply with the spirit as well as the letter of important environmental laws.

We are concerned that the Administration and Congress are pushing for passage of a carbon tax, sometimes referred to as "cap-and-trade," that would significantly increase our customers' electric and natural gas utility bills. Under this greenhouse gas legislation, a cost or "hidden tax" would be imposed per ton of carbon dioxide (CO₂) produced. **Utilities and other industries will be forced to pass this cost along to customers.**

Most of the power used to serve you is generated by coal-fired power plants. In fact, half the nation's electricity supply is generated with coal. If Congress passes legislation that imposes a tax on CO₂ emissions without adequate customer protections, we believe that these additional costs will create financial hardships for many of our customers. For example, cost increases for CO₂ for Cheyenne Light's electric customers could average 29 percent (at \$20 per ton of CO₂ emitted) to 73 percent or more. At \$30 per ton of CO₂ emitted natural gas costs would increase by \$1.00 per dekatherm. **(Under cap-and-trade, actual costs wouldn't be determined by Congress, but by a new financial market that would be created to trade CO₂ emissions allowances.)**

On the back of this page is a U.S. map showing the percentage of coal generation by state correlated to the price of electricity. The map shows that the higher the reliance on coal, the lower the price of electricity. **Under the current CO₂ tax proposal, customers in coal-reliant states throughout the Midwest will pay a large share of this tax,** while customers from less coal-reliant regions including California (1% coal generation) and the Northeast (2% coal generation) will pay much less.

We are thankful our Wyoming Senators Mike Enzi and John Barrasso and Congresswoman Cynthia Lummis have all resisted passing legislation that would implement a cap-and-trade program with no cost protections for customers. Please contact your delegation and thank them for protecting you from this hidden tax so they can use your support to influence others.

Congress has alternatives to "cap-and-trade" for addressing climate change concerns that pose lower risks to customers and the economy. If you want to learn more about proposed greenhouse gas legislation or write a letter to Congress, please go to www.cheyennelight.com/cap-and-trade.

We are changing as the energy world changes. We vow to keep you informed, and to work with elected officials to protect your energy interests. Together, we hope to build a solid energy future. Thank you for being our customer. It is a privilege to serve you.

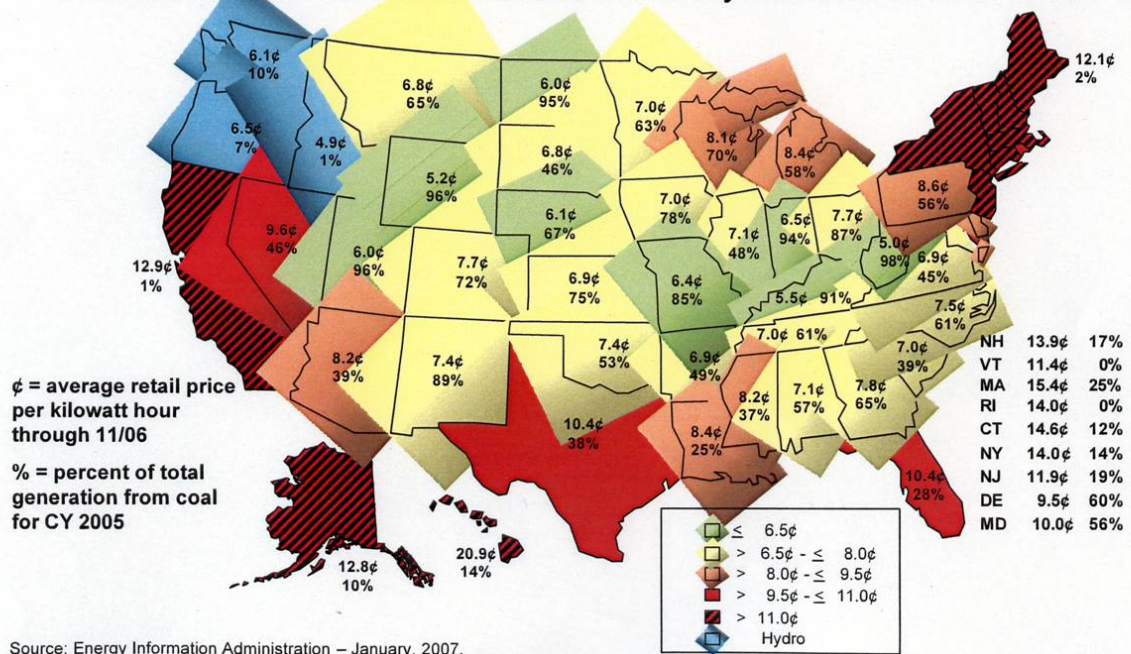
Sincerely,

A handwritten signature in black ink, appearing to read "Mark Stege".

Mark Stege
Vice President-Operations

States that Rely on Coal Have Affordable Electricity

Retail Cost Per kWh & Percent of Electricity Generation from Coal



Source: Energy Information Administration – January, 2007.

Coal and natural gas power plants provide nearly **70 percent** of the nation's electrical supply, and both technologies emit significant quantities of CO₂. More importantly, they provide around-the-clock power supplies, which are essential to provide **reliable electric service**. These resources will be increasingly necessary to back up intermittent wind, solar and other renewable energy resources.

There is no technology available today that can readily replace coal and natural gas generation and be deployed on a large scale in less than 10 to 20 years. It is important that legislative mandates for the reduction of CO₂ not include implementation timetables that are ahead of the development of the necessary technology.

We believe that if cap-and-trade legislation were to be passed, it should include:

- All suppliers of electricity including rural electric cooperatives and municipal electric utilities and new generation plants under construction.
- Free CO₂ emissions allowances allocated to customer-serving utilities to reduce utility bill increases.
- A gradual phase-in of a CO₂ auction process to help customers avoid rate shock.
- Provide federal funding for and allow time for CO₂ capture and sequestration technology to become commercially viable.

For more information, contact:

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