

New interim rates begin with this bill

This bill includes Black Hills Energy's new Customer Charge and delivery charge (shown on the bill as "Base Rate") due to interim rates taking effect March 1.

Black Hills Energy uses cycle billing so these new rates are prorated on this bill. The customer charge and base rate through Feb. 28 are at the previous rates; March 1 and after is at the new interim rates.

The new interim rates also feature a new rate design for Black Hills Energy. It is called a declining block rate, and it is fairly common in the natural gas industry, including with natural gas utilities in Nebraska. Black Hills' will feature a two-tier declining block delivery charge.

The new interim rates are the result of an application Black Hills Energy made Dec. 1, 2009, with the Nebraska Public Service Commission to recover the cost of capital investments the company made in its Nebraska natural gas distribution systems since July 1, 2006, and increased operating expenses incurred during the same period. The gas cost portion of a bill, shown on the bill as "PGA" (purchased gas adjustment), typically accounts for the largest portion of the bill and is not part of this rate case.

Black Hills Energy operates natural gas distribution systems in 109 Nebraska communities. Since 2006, the company has spent \$28.8 million in Nebraska to replace obsolete pipes and other equipment, make system upgrades and implement new technology so that Black Hills natural gas distribution systems are safe, reliable and efficient.

The Nebraska Public Service Commission has 210 days to review and analyze Black Hills Energy's application, but state law allows utilities to begin charging interim rates that are in line with the rate request filing 90 days after the rate application, which is the reason for the rate change on this bill.

If the final decision by the commission results in rates that are lower than the interim rates being charged by Black Hills, any amount that has been collected from customers that's more than the approved final rates will be refunded, with interest, to customers.

New Residential Interim Rates Effective March 1, 2010

| | |
|---|--------------------|
| Monthly Customer Charge | \$15 |
| Base Rate Block 1: | |
| First 20 therms per month | \$0.2820 per therm |
| Base Rate Block 2: | |
| The month's remaining usage above 20 therms | \$0.1629 per therm |

New Commercial Interim Rates Effective March 1, 2010

| | |
|---|--------------------|
| Monthly Customer Charge | \$20 |
| Base Rate Block 1: | |
| First 40 therms per month | \$0.2820 per therm |
| Base Rate Block 2: | |
| The month's remaining usage above 40 therms | \$0.1629 per therm |

For more information, go to
www.blackhillsenergy.com/customers/ratefilings
or call Black Hills Energy at

888-890-5554.

