

# Notice to customers regarding rate request



## **Commitment to safety and reliability continues – ongoing investments needed**

Operating natural gas distribution systems safely and reliably and providing an essential service that customers need and want requires ongoing capital investment.

Black Hills Energy owns and operates natural gas distribution systems in 110 Nebraska communities. Our top priorities are safety and reliability. Since our last rate case was filed in 2006, we have spent \$28.8 million in Nebraska to replace obsolete pipes and other equipment, make system upgrades and implement new technology so that our natural gas distribution systems are safe, reliable and cost effective.

While these improvements have been made and customers are receiving the benefit of them, they are not reflected in our current billing rates. The process to recover those costs requires filing for a rate increase with the Nebraska Public Service Commission.

## **Rate request filed**

Black Hills Energy filed an application with the NPSC December 1, 2009, to raise natural gas delivery rates \$5.48 a month for the typical residential customer in Nebraska and \$2.65 a month for the typical commercial customer in Nebraska. Black Hills will also move from a single delivery charge to a two-tier declining block delivery charge common to the natural gas industry, including in Nebraska. Our last rate filing was November 15, 2006, with an increase that went into effect February 15, 2007.

The NPSC has 210 days to review and analyze our request. Black Hills Energy will implement interim rates on March 1, 2010, for our Nebraska customers. If final rates are lower than interim rates, customers will receive a refund with interest.

## **Black Hills Energy natural gas service still a good value**

Natural gas is an efficient and environmentally friendly fuel, and Black Hills Energy natural gas service remains a good value. Our rates are comparable to other natural gas providers in Nebraska. For residential customers, the proposed increase equates to 18 cents more a day to enjoy the benefits of natural gas, including keeping your house warm, cooking meals, drying clothes and heating water.

## **Efficient operations reduce operating costs**

Since our last rate increase request three years ago, we have worked to keep the amount of the increase down through proactive company actions. We keep administrative, operating and overhead costs low by creating efficiencies and achieving economies of scale through a centralized service model, delaying hiring, reducing travel expenses and implementing process improvements.

Process improvements include installing automatic meter reading devices in our Nebraska service territory, saving more than \$100,000 in operating costs, and additional meter reading process improvements, saving \$500,000 annually in working capital (the cash needed on hand to pay daily operations expenses). Black Hills has also implemented new construction processes that will reduce construction costs approximately \$206,000 per year.

Efficient operations keep costs lower and delay rate increases for you, our customer. We've delayed asking for this increase as long as we can. The primary reason for this case now is to recover the investments and related operating costs critical to maintaining a safe and reliable system.

## **For more information**

More information about our rate request is available at [www.blackhillsenergy.com](http://www.blackhillsenergy.com), or you may call Black Hills Energy at 888-890-5554.

