

Dear Lois,

Great question. Sorry it has taken me so long to get back to you. The ECA that became effective March 1, 2010 allows Black Hills Power to recover fuel costs that were incurred and not yet paid for by ratepayers in 2009.

It is the difference between what the cost of fuel and purchased power was in 2009 and what was recovered from ratepayers in both base rates and the ECA in 2009.

As part of this rate case, current fuel costs will be rolled into base rates, and the ECA will reflect the "roll in" when it is next effective in 2011. But the 2011 filing is for the current 2010 costs, not 2009 costs. So next year the ECA should be lower. The important take away is that the ECA is an adjustment mechanism that lags a year behind what actual costs were incurred. So in 2010 you pay for the 2009 costs, and in 2011 you will pay for 2010 costs. So yes, new "base rates" will include a roll in of current costs, the year lag means there is still an amount owed to BHP from 2009 as the cost recovery in 2009 through base rates and the ECA was less than actual expense.

Also understand that the ECA is a "balancing" account which means it is designed to only allow recovery of actual costs, and can mean if costs are less than what is in base rates customers would be credited for the reduction. This doesn't happen often, but it has and can happen.

Let me know if I can get you an additional information. Thanks for taking the time to email.

Dusty

Dustin "Dusty" Johnson
Public Utilities Commission
(605) 773-3201

From: Lois Ward
To: Johnson, Dustin (PUC)
Sent: Thu Apr 08 17:35:20 2010
Subject: rate increase AND extra surcharges combined!
Dusty,

We just received our BH Power Bill. The rates increased by about 23%. In ADDITION they are still charging the "Energy Cost Adjustment," which rose to 10% a year ago. Therefore, what they are doing is increasing our base rate by up to 23% and then charging a 10% surcharge on top.

We were told that the 10% "Energy Cost Adjustment" would disappear, at least for a while, when the 23% increase went into effect. NOT TRUE!

We can't really conserve any more than we already are, especially during the freezing winter months. We may have a few months of respite now that spring weather is arriving, but next winter will be beyond brutal. Last month the Natural Gas rates also skyrocketed.

Where is the protection for the captive consumer? We cannot choose to buy electricity from a different supplier unless we move into a different geographical area.

If we cannot have a free market system of competition (so we could take our business elsewhere) then we MUST have government protection from monopolistic treachery! If we had known the BH Power had this up their sleeve when we built our house, we either would have built it differently, not built it, or purchased more gas appliances. We cannot afford the capital outlay for new appliances, now. Our budget is too strapped already.

Lois Ward

----- Original Message -----

From: Johnson, Dustin (PUC)
To: Lois Ward
Cc: Anissa Grambihler
Sent: Tuesday, December 08, 2009 4:09 PM
Subject: RE: Electric rates skyrocket?

Lois,

Thanks for your email. I understand your concerns and we are providing a great deal of scrutiny to Black Hills Power's request. I don't know what the commission will decide, as there is still a great deal of evidence we need to review before any decision can be made. We will make our decision based on the facts in the record and state law, but comments like yours help us keep the request in perspective. Certainly many people would be adversely affected by an increase of that size.

Thanks for taking the time to write. I will make sure your comments get added to the record of this proceeding so my colleagues can read your concerns, as well.

Sincerely,
Dusty

Dustin "Dusty" Johnson
Public Utilities Commission
605-773-3201

-----Original Message-----

From: Lois Ward
Sent: Monday, December 07, 2009 11:28 AM
To: Johnson, Dustin (PUC)
Subject: Electric rates skyrocket?
Dusty,

BH Power has proposed a 26.6% increase in electric rates. We cannot afford such an increase. Please look at the proposal very carefully to see if the increase in rates could be cut to a reasonable level.

Now that the EPA has determined they can regulate Carbon Dioxide withOUT Congress' permission, I expect we will be slapped with confiscatory fees and penalties on coal, which will likely double our cost of electricity. If we also have a huge rate increase for BH Power to expand their company, we will not be able to live in our house.

Thank you for your consideration,

Lois Ward