

BEFORE THE COLORADO PUBLIC UTILITIES COMMISSION

DOCKET NO. 08I-113EG

IN THE MATTER OF THE INVESTIGATION OF REGULATORY AND RATE
INCENTIVES FOR GAS AND ELECTRIC UTILITIES

**COMMENTS OF BLACK HILLS UTILITY
HOLDING COMPANY, INC. ON SCOPE**

Black Hills Utility Holding Company, Inc. ("Black Hills"), by and through its attorneys, Davis Graham & Stubbs LLP, pursuant to Decision No. C08-0448 mailed on April 29, 2008, hereby submits the following comments regarding the scope of this investigatory docket. Black Hills has reviewed the list of topics in paragraph 5 of Decision No. C08-0448 and suggests that the following be considered as well in this investigation:

1. Would performance-based ratemaking be a useful structure to analyze?
2. What aspects of a priori ratemaking would be beneficial to further align utility incentives and behavior with Commission policy and objectives?
3. Should other rate structures be examined, including something other than declining block rates?
4. Should incentives be put in place for achievement of certain standards, including reliability of service?
5. Should incentives be put in place in the form of additional basis points for the return on equity for encouraging the construction of transmission?
6. Are there situations for which competitive bidding is not an appropriate approach to the procurement of resources? What is the case for baseload? Intermediate? Peaking?
7. What rate mechanisms are appropriate for those utilities that need to replace their aging fleet of power plants? What about for those that have to replace significant resources, including baseload resources?

8. Can incentive structures for energy efficiency/demand-side management compensate for the lost revenues associated with the programs themselves?
9. Should incentives be put in place to encourage smart grids, AMI, and other mechanisms that allow utility control of load?
10. What incentives should be put in place to encourage utilities to adopt rate structures and obtain equipment to provide customers with real-time price signals?
11. Should legislative or regulatory changes be considered to permit utilities to propose rate structures, such as levelizing, that might help mitigate the costs of compliance with the renewable energy standards or other governmental initiatives that go beyond the utility's duty to serve (such as reduction of greenhouse gas emissions)?

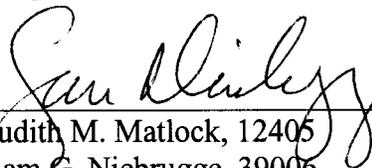
As to the initial list of questions and issues in Decision No. C08-0448, Black Hills respectfully suggests that the phrasing of some of those questions be modified so as to elicit information without suggesting a conclusion before the information is obtained. For example, question v. asks "Can the regulatory incentive structure be changed to align a utility's financial incentives with energy efficiency investment?" This suggests that utilities do not currently have incentives for energy efficiency investment or are not pursuing energy efficiency investment. Black Hills suggests that the question be phrased as, "Whether modifications to the regulatory incentive structure would further align a utility's financial incentives with energy efficiency investment."

Questions viii. and ix. suggest that the regulatory incentive structure is the only factor in a utility's decision whether to build or buy and that the stakes should be changed. There are other considerations involved, such as rate stability, and whether there should be changes that alter these considerations should be investigated. Black Hills suggests that these questions be consolidated and phrased as, "What factors affect a utility's decision whether to build or buy and should there be any changes made that would affect those factors?"

Black Hills appreciates this opportunity to submit comments on the scope of this proceeding and is looking forward to participating in this investigation.

Dated this 29th day of May 2008.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sam Niebrugge", written over a horizontal line.

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