

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

**Docket No. 08I-113EG**

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

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**INITIAL WRITTEN COMMENTS OF  
BLACK HILLS UTILITY HOLDING COMPANY, INC.**

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Black Hills Utility Holding Company, Inc. (BHUH), by and through its attorneys, Davis Graham & Stubbs LLP, hereby submits its initial written comments pursuant to Decision No. C08-0903. BHUH is providing these comments on behalf of Black Hills/Colorado Gas Utility Company, LP and Black Hills/Colorado Electric Utility Company, LP, which at the opening of this docket were utility operations owned by Aquila, Inc.

1. BHUH's initial response addresses the six possible goals listed by the Commission at Paragraph 9 of its August 26, 2008 order. We are continuing to review and consider the specific questions posed by the Commission within Appendix A and B attached to the referenced order. We intend to supplement this initial response in order to address those questions posed by the Commission to which we may have specific comments or information.
2. BHUH has reviewed the goals set forth in the Commission's Order No. C08-0903 and has attempted to prioritize them as indicated below.
  - i. Ensure adequate physical infrastructure  
  
In our opinion, this is the Commission's highest priority. Success in meeting this goal requires the greatest balancing of interests and objectives of any of the goals proposed by the Commission.

ii. Ensure cost-effective demand-side management and energy efficiency

In our opinion, this is the most challenging goal due to the diverse interests of the utility, its shareholders, customers and the public. In order to be effective and fair, success in this area will require the greatest change in the incentives the Commission provides utilities and customers.

iii. Prepare for climate change

BHUH believes that climate change should be addressed only to the extent that the Commission is responding to public policy established at the state and federal levels which is applicable to all utilities providing gas and electric service to retail customers within Colorado.

iv. Induce cost-effective management practices

BHUH does not believe that past regulatory practices have not resulted in cost-effective management practices and that the Commission should ensure that future regulatory initiatives promote efficient regulation and continued cost-effective management. We rate this as the Commission's second priority.

v. Maintain excellent service quality

The changes that the Commission is considering as a result of this investigation, if implemented, will change service quality and the resulting customer satisfaction with their utility service. Changes in price, availability, reliability and convenience will positively and negatively affect customers in new and unique ways. Maintaining excellent service quality may not result in the same level of customer satisfaction as exists today. We rate this as the Commission's third priority.

vi. Spur technological change

The Commission should encourage utilities and customers to utilize new technologies as they become cost-effective replacements of previous approaches. Increased support for small-scale research and development activities is also appropriate due to the need to understand the risks and benefits of evolving technologies and their utility applications.

BHUH intends to file additional comments addressing the questions set forth in Appendix A and B of the Commission's order.

3. BHUH requests that notice of matters relating to this proceeding and copies of orders, prefiled testimony, exhibits and all pleadings, discovery and other communications be served upon the following:

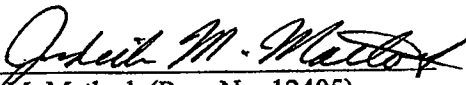
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WHEREFORE, BHUH thanks the Commission for the opportunity to participate in this proceeding and looks forward to a productive exchange.

Dated this 22 day of September, 2008

Respectfully submitted,

  
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Attorneys for Black Hills Utility Holding Company,  
Inc.

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CERTIFICATE OF SERVICE

I hereby certify that on this 22<sup>nd</sup> day of September, 2008, the original and three (3) copies of the foregoing INITIAL WRITTEN COMMENTS OF BLACK HILLS UTILITY HOLDING COMPANY, INC. were hand-delivered for filing to:

Mr. Doug Dean, Director  
Colorado Public Utilities Commission  
1560 Broadway, Suite 250  
Denver, Colorado 80202

and a copy was sent electronically to [puc@dora.state.co.us](mailto:puc@dora.state.co.us)

Sarah Kiley