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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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May 3, 2005

Brian G. Iverson
Associate Counsel
Black Hills Power, Inc.
625 9th Street
P. O. Box 1400
Rapid City, SD 57709

Dear Mr. Iverson:

Following are questions regarding the filing by Black Hills Power, Inc. for approval of an Electric Service Agreement to provide distribution and supplemental supply service to SDSMT and BHSU.

1. Please provide the analysis and corresponding workpapers that support the distribution rates shown on page 3 of 7 of the Electric Service Agreement. Provide and describe all incremental costs associated with providing service pursuant to the Agreement and explain how the proposed rates recover not only these costs, but provide a benefit to other customers of Black Hills Power. If the rates identified above were based on other considerations, please provide a detailed explanation and the rationale for the rate levels offered the SDSMT and BHSU. If the rates were not based on recovery of identifiable and quantified associated costs of providing service, would Black Hills Power, Inc. object to the language included in the Order in Docket EL00-014 requiring comparison class cost of service studies?

If you have any questions regarding the above, please contact me at the Commission.

Sincerely,

Dave Jacobson

cc: Sara Greff