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**From:** PUC

**Sent:** Friday, April 04, 2014 9:47 AM

**To:** [REDACTED]

**Subject:** FW: BHP Rate Increase

Dear Ms. Oliver:

This is in response to your messages about Black Hills Power's rate request filing. The Public Utilities Commission approved BHP's request for deferred accounting of expenses resulting from storm Atlas during our Jan. 7 commission meeting. This approval applied to the interim accounting of storm expenses, allowing BHP to set aside these costs for accounting purposes to review for possible recovery during a future rate case. The commission's approval of this accounting method did not translate to approval of the costs.

BHP is a public utility and that means it must operate within specific laws that govern it and which the PUC must regulate. This includes the review and allowance of reasonable, just costs to operate the utility including insurance costs and storm recovery costs without or beyond insurance reimbursements. The PUC cannot simply say no to any rate increase the utility requests to implement, regardless of justification or need. South Dakota law lays out the parameters for rate cases. A utility rate case takes approximately a year to be completed, from the company's first filing to the commission's final decision. Meanwhile, many documents and much data are analyzed, and numerous questions are asked of the company for investigation.

Now that the company has filed a rate case, the commission will analyze the costs to determine if they are appropriate and allowable under state law. Only those expenses that meet these standards will become part of the company's rates for the period of time approved. BHP cannot legally save money in advance by charging for a catastrophic storm that may never happen.

We appreciate your concern with increasing costs. It will take time for many consumers and other businesses to pay for costs and repair damage from storm Atlas. The same is true for eastern South Dakota which was hit a year ago by an ice storm resulting in much damage, particularly in Sioux Falls and Xcel Energy's territory.

Keep in mind that if we were to *not* thoroughly analyze and act on a rate filing such as BHP's, our decision would most certainly be appealed to a higher court, and the utility could also pass along the costs for an appeal to customers since these are legally recoverable costs.

We encourage you to follow along by viewing the documents filed in the open docket, EL14-026:

<http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>

Your messages and our response will be filed as well so all parties to the case may review them.

You may also find this document of interest which explains the commission's electric rate case process:  
<http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

Thank you for contacting us to share your concerns.

Sincerely,

Gary Hanson  
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Commissioner  
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Chris Nelson  
Commissioner

Kristie  
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