



Gary Hanson, Chairperson
Chris Nelson, Vice Chairperson
Kristie Fiegen, Commissioner

South Dakota

PUBLIC UTILITIES COMMISSION

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(605) 773-5280
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1-800-332-1782

October 29, 2014

James Martin, DVM
[REDACTED]

Dear DVM Martin:

This is in response to your comments regarding Black Hills Power's request filed with the commission to increase their electric rates.

When a utility files a rate case with the commission, the commission is obligated by law to thoroughly process the case. Commissioners cannot simply say no and reject it outright since we are required to investigate it and make a just, reasonable decision. This process can take almost a year to complete. Each commissioner, the commission's staff and expert consultants hired by staff will review the entire case – also referred to as a docket – separately, along with any intervenors in the case.

It is important to understand the reasons BHP cited when filing this case, which includes investments in plant infrastructure and compliance with federal mandates in addition to storm recovery costs. The commission is currently processing an Xcel Energy electric rate case and a MidAmerican Energy electric rate case as well as natural gas rate case. The first two costs have been stated as causes for those cases also.

To help you better understand the processing of rate increase requests, a document titled Electric Rate Increase Requests Info Guide that is linked to the commission's website is enclosed.

My fellow commissioners and I are consumers too. We have family of several generations who are affected by utility costs and we understand how rate increases affect all of us. We have a strong desire to keep rates down and to protect the citizens against increases. None of us want to raise rates. In fact, we hate to agree to any rate increase.

Thank you for writing to share your concerns. Your comments will be filed in the BHP rate case, docket EL14-026, along with my response. Given your interest, I encourage you to follow along online as the docket is processed by accessing it at www.puc.sd.gov.

Sincerely,

Gary Hanson

002299

From: PUC

Sent: Wednesday, October 29, 2014 10:52 AM

To: [REDACTED]

Subject: BHP Rate Case, Net Metering

Mr. Kelley:

This communication is in response to your message regarding the Black Hills Power rate case currently before the South Dakota Public Utilities Commission.

You mention that the commission sees its role as preserving the profitability of utilities as well as serving the public's interest, 'assuring reliable service at a reasonable cost'.

You are correct that the commission sees its role as assuring reliable service at a reasonable cost when it comes to the state's electric providers. Here is state law governing the commission on determining utility rates: *49-34A-8. Criteria for determination of rates by commission. The commission, in the exercise of its power under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, economical, and reasonable service and to the need of the public utility for revenues sufficient to enable it to meet its total current cost of furnishing such service, including taxes and interest, and including adequate provision for depreciation of its utility property used and necessary in rendering service to the public, and to earn a fair and reasonable return upon the value of its property.*

Source: *SL 1975, ch 283, § 16; SL 1976, ch 296, § 9; SL 2007, ch 269, § 1.*

You state, 'Some regional and state regulatory agencies, municipalities, and forward-thinking utilities around the nation have recognized their public responsibility to address this very serious situation. They have done this through programs incentivizing the adoption of cleaner and less centralized generation of electricity, and greater efficiency in its transmission and end-use.'

In national energy forums it is not questioned that there is a cost shift created by net metering. There is actually a national organization, the Critical Consumer Issues Forum (CCIF), comprised of consumer advocates, utility commissioners, distributed energy advocates, and utility companies that held several roundtable conferences across the country examining how to deal with the cost shift that is created by net metering laws. This was organized by consumer advocates because of the unfairness poised by net metering against consumers who do not own distributed generation. Many states are struggling with how to correct the inequities which were created by their net metering laws. North Carolina, Colorado, New York, Arizona, California, Idaho, and Louisiana are some of the states working on correcting the inequalities created by net metering. South Dakota uses a different rate, the avoided cost rate, to determine compensation to distributed generators and avoids the unfair hidden tax on consumers caused by net metering. The avoided cost rate rewards a distributed generator

for the generation they send to the grid but it does not punish the other consumers by increasing rates as net metering does.

You also wrote, ‘Allowing utility rate increases which are designed to perpetuate the highly centralized and fossil-fuel dependent generation of electricity in our state is not in the best interests of the South Dakota public, including their economic interests as utility customers. Discounting the fact that significant increases in utility rates haven’t occurred as a result of policies encouraging distributed generation prevailing in most of the US, the Chairman of our PUC has repeatedly advocated for the utilities’ anti-DG position in legislative testimony. This is despite ample evidence from other states’ experience indicating economic benefits to all rate-paying electricity customers when utilities have modified their business models, even to the extent of offering subsidies for the installation of private solar generation systems.’

The commission is not opposed to distributed generation, so long as it provides net benefits to all ratepayers. In fact, during my term in office we have often promoted wind and solar in South Dakota. In **docket EL11-006**, the commission ruled in favor of family-owned Oak Tree Energy’s 19.5 MW wind farm and ordered NorthWestern Energy to enter into a purchase power agreement consistent with findings of fact and conclusions of law by the commission. The premier wind organization advocate in the United States, the American Wind Energy Association (AWEA), has recognized South Dakota several times for the high percentage of wind generation in our state. In the most recent year’s statistics, 2013, South Dakota was second in the nation for the percentage of electricity generated from wind.

I have testified against net metering legislation because the retail rate of electricity has no bearing in determining what excess value exists for ratepayers through distributed generation. In fact, using the retail rate from net metering results in increased costs to the utility and to all the ratepayers. Those persons who cannot own a distributed generation system, whether it is because they cannot afford to build one or do not have a property where distributed generation can be built, end up paying more for their electricity and subsidizing the more affluent persons who own distributed generation. Net metering is a subsidy for affluent persons who own distributed generation and it is paid for by the less affluent consumers.

Net metering requires utilities to purchase electricity at a higher cost. Facts support this and it is counter-intuitive to think otherwise. Net metering laws give government the authority to force utilities to pay more to a customer who owns generation than the utility would otherwise pay for generation from another source. Additionally, net metering laws require utilities to purchase generation from distributed generators even when the utility does not need the generation. The utility then charges all the other customers to replace those dollars.

If government forces a business to purchase more expensive generation, then the business must raise its rates. If the government forces a business to purchase generation that the business cannot sell, the business must raise its rates. When a business’s costs increase, it does not reduce its rates, it raises rates. And that means consumers will pay more. I do not support arbitrary government regulation that increases consumers’ utility costs. South Dakota’s present avoided cost rate that requires utilities to reimburse distributed generators at the utilities’ avoided cost is a fair rate to not only the utility and the customer generator but also to all of the other ratepayers. South Dakota’s electric rates are among the lowest in the nation.

Many states that have net metering laws, but have little or no net metered generation, have been used as examples of how net metering does not increase costs to consumers. However, the real test is to compare the actual cost of a kwh of electricity in South Dakota with those states that have forced their utilities to purchase significant amounts of distributed generation or compare the avoided cost rate in South Dakota with the avoided cost rate from those other states.

You state, ‘For these reasons, it is essential that BHP not be granted the requested rate increase without agreeing to make long overdue changes in its generation plan. At a minimum, this should begin with a requirement for an

independent study of the best options for rapidly transforming base-load and peak-load capacity by means of greater incorporation of distributed and renewable generation. This study should be financed by BHP, with a stipulated timeline not exceeding one year. Planned upgrades of BHP's remaining coal-fired generation components should be put on hold until completion of the study.'

BHP is a public utility and as such, extensive laws at the federal and state levels govern it and also govern the commission as to regulatory oversight of the utility. The utility is allowed to pass along to its consumers most of the costs it incurs in providing you and all customers with electric service. This government oversight differs significantly from that affecting most other businesses providing us with services.

When a utility files a rate case with the commission, the commission is obligated by law to thoroughly process the case. We cannot simply say no and reject it outright since we are legally required to investigate it and make a just and reasonable decision. Neither are we allowed to include personal positions in the ruling that are not supported by evidence or allowed by statute. The process can take almost a year to complete. Each commissioner, the commission's staff and expert consultants hired by staff will review the entire case or docket separately, along with interveners in the case. Commissioners and staff request and review additional data and information from the utility before a decision is rendered.

My fellow commissioners and I are consumers as well. We have family of several generations affected by utility costs and we understand how rate increases affect all of us. We have a strong desire to keep rates down and to protect citizens against increases. None of us want to raise rates. In fact, we hate to agree to any rate increase.

Your comments and my response will be filed in the open docket so my fellow commissioners and others can read them. You can access the complete EL14-026 docket at <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx> Given your interest, I encourage you to read the filings in this docket.

This document helps explain the commission's processing of rate cases:
<http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

Gary Hanson, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov

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

From: Harold Bielstein [REDACTED]

Sent: Tuesday, October 28, 2014 9:30 PM

To: Fiegen, Kristie

Subject: Reject the Black Hills Power rate request

Commissioner

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

Harold Bielstein
[REDACTED]

002303

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

From: PUC

Sent: Wednesday, October 29, 2014 11:20 AM

To: [REDACTED]

Subject: BHP Rate Case, EL14-026

Mr. Bielstein:

Thank you for your comment. It will be added to the Black Hills Power rate case docket, <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>, along with my response for the other commissioners and those interested in the case to read regarding this case before the commission.

Here is a document which explains the processing of utility rate case requests which may be helpful to you. It references the South Dakota Codified Laws governing utilities and the commission regarding rate requests: <http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

Gary Hanson, Chairperson

South Dakota Public Utilities Commission www.puc.sd.gov

002304

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

From: S. Ann Harjes

To: Gary Hanson

ReplyTo: [REDACTED]

Subject: Reject the Black Hills Power rate request

Sent: Oct 29, 2014 12:15 AM

Chair

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

S. Ann Harjes
[REDACTED]

002305

From: PUC

Sent: Wednesday, October 29, 2014 11:23 AM

To: [REDACTED]

Subject: BHP Rate Case, EL14-026

Ms. Harjes:

Thank you for your comment. It will be added to the Black Hills Power rate case docket, <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>, along with my response for the other commissioners and those interested in the case to read regarding this case before the commission.

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Gary Hanson, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov

002306

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

From: Dave Uehling

To: Gary Hanson

ReplyTo: [REDACTED]

Subject: Reject the Black Hills Power rate request

Sent: Oct 28, 2014 9:03 PM

Chair

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans. I am a senior living on social security. I have trouble paying my bills now. A rate increase would force me to sell my home and move to a apartment

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

Dave Uehling
[REDACTED]

002307

From: PUC

Sent: Wednesday, October 29, 2014 11:28 AM

To: [REDACTED]

Subject: BHP Rate Case, EL14-026

Mr. Uehling:

Thank you for your comment. It will be added to the Black Hills Power rate case docket, <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>, along with my response for the other commissioners and those interested in the case to read regarding this case before the commission.

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Gary Hanson, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov

002308

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

From: Dennis Kling

To: Gary Hanson

ReplyTo: [REDACTED]

Subject: Reject the Black Hills Power rate request

Sent: Oct 29, 2014 12:15 PM

Chair

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

Dennis Kling



002309

From: PUC

Sent: Wednesday, October 29, 2014 12:38 PM

To: [REDACTED]

Subject: BHP Rate Case, EL14-026

Mr. Kling:

Thank you for your comment. It will be added to the Black Hills Power rate case docket, <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>, along with my response for the other commissioners and those interested in the case to read regarding this case before the commission.

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Gary Hanson, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov

002310

From: PUC

Sent: Wednesday, October 29, 2014 12:41 PM

To: [REDACTED]

Subject: BHP Rate Case, EL14-026

Mr. Terwilliger:

Thank you for your comment. It will be added to the Black Hills Power rate case docket, <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>, along with my response for the other commissioners and those interested in the case to read regarding this case before the commission.

Here is a document which explains the processing of utility rate case requests which may be helpful to you. It references the South Dakota Codified Laws governing utilities and the commission regarding rate requests: <http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

Gary Hanson, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov

002311

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

From: James Terwilliger

To: Gary Hanson

ReplyTo: [REDACTED]

Subject: Reject the Black Hills Power rate request

Sent: Oct 29, 2014 10:35 AM

Chair

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

James Terwilliger

[REDACTED]

002312

From: Chris Raley [REDACTED]
Sent: Tuesday, October 28, 2014 11:11 PM
To: Nelson, Chris
Subject: Reject the Black Hills Power rate request

Commissioner

Chair Hanson and Commissioners Nelson and Fiegen:

Remember, WE VOTE for the PUC

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

Chris Raley
[REDACTED]

002313

From: PUC

Sent: Thursday, October 30, 2014 8:04 AM

To: [REDACTED]

Subject: BHP RATE CASE, EL14-026

Mr. Raley:

Thank you for your comment. It will be added to the Black Hills Power rate case docket, <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>, along with my response for the other commissioners and those interested in the case to read regarding this case before the commission.

Here is a document which explains the processing of utility rate case requests which may be helpful to you. It references the South Dakota Codified Laws governing utilities and the commission regarding rate requests: <http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

Gary Hanson, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov

002314

From: Brian Hemmelman [REDACTED]
Sent: Tuesday, October 28, 2014 10:09 PM
To: Nelson, Chris
Subject: Reject the Black Hills Power rate request

Commissioner

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

Brian Hemmelman
[REDACTED]

002315

From: PUC

Sent: Thursday, October 30, 2014 8:07 AM

To: [REDACTED]

Subject: BHP Rate Case, EL14-026

Mr. Hemmelman:

Thank you for your comment. It will be added to the Black Hills Power rate case docket, <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>, along with my response for the other commissioners and those interested in the case to read regarding this case before the commission.

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Gary Hanson, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov

002316

From: Dianne brei [REDACTED]
Sent: Tuesday, October 28, 2014 9:44 PM
To: Nelson, Chris
Subject: Reject the Black Hills Power rate request

Commissioner

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

Dianne brei
[REDACTED]

002317

From: PUC

Sent: Thursday, October 30, 2014 8:09 AM

To: [REDACTED]

Subject: BHP Rate Case, EL14-026

Ms. Brei:

Thank you for your comment. It will be added to the Black Hills Power rate case docket, <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>, along with my response for the other commissioners and those interested in the case to read regarding this case before the commission.

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Gary Hanson, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov

002318

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

From: Kim Alarie

To: Gary Hanson

ReplyTo: [REDACTED]

Subject: Reject the Black Hills Power rate request

Sent: Oct 29, 2014 4:48 PM

Chair

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

Kim Alarie

[REDACTED]

002319

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

From: kevin wormstadt

To: Gary Hanson

ReplyTo: [REDACTED]

Subject: Reject the Black Hills Power rate request

Sent: Oct 29, 2014 3:05 PM

Chair

Chair Hanson and Commissioners Nelson and Fiegen:

I strongly oppose the rate increase by Black Hills Power, and I urge you to deny their request. It is not in the public interest and it is not good for South Dakota. Black Hills Power tried to use this rate increase to make it harder for us to invest in our own electricity generation; it seems they are not making choices in the best interest of South Dakotans.

Black Hills Power should be investing in local energy and creating a more stable future for South Dakota's citizens and rate payers. The company knew coal was going to get more expensive, and now they're risking our future by investing in natural gas, another fossil fuel subject to price increases and further regulation.

Please deny Black Hills Power's rate increase request.

kevin wormstadt
[REDACTED]

002320

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

From: Jeremy Altman
To: Gary Hanson
ReplyTo: [REDACTED]
Subject: Please Reject BHP's rate request
Sent: Oct 29, 2014 1:50 PM

Chair

Chair Hanson and Commissioners Nelson and Fiegen,

If the Atlas storm of October 2013 taught us anything, it was that micro generation of electricity is a good idea for South Dakota. In the long run, it is in BHP's interest for consumers who can, to generate their own energy. It will help reduce the amount that BHP needs to generate and maintain as our state grows. BHP's rate increase will make it harder for South Dakotans to make solar work for themselves and greatly decrease our flexibility and choices when it comes to how we get our power. I urge you to stand up for regular South Dakotans and deny BHP it's rate increase.

Thank you.

Jeremy Altman
[REDACTED]

002321