

**From:** PUC

**Sent:** Friday, December 12, 2014 1:59 PM

**To:** [REDACTED]

**Subject:** BHP Rate Case, EL14-026

Mr. Rasmussen:

It was nice to visit with you again yesterday regarding your concerns with Black Hills Power's pending rate case. This email will highlight some of the areas we discussed.

Please keep in mind the rates which went into effect October 1, 2014 are interim rates. By law, public utilities are allowed to implement proposed increased rates once the required 180-day suspension ends. If the commission ultimately approves rates lower than the interim rates, BHP is required to refund its customers the difference in rates plus interest for the interim period.

You indicated it felt like you were getting a "double increase in the per kW charge". To recap, the energy charge (kWh) and capacity charge (kW) are two separate charges. The energy charge (kWh) is the per unit charge for the electricity you are consuming, while the capacity charge (kW) is a charge for the demand you are putting on the system. A key driver in the pending proposed rate increase is the addition of Cheyenne Prairie Generating Station in rate base, thus essential capacity charges are appropriate to ensure the customers causing the increase are the ones paying for it.

We also discussed the varying items in the Cost Adjustment Summary, which is the billing question most frequently asked. These charges consist of: 1) Environmental Improvement Adjustment (EIA), 2) Energy Efficiency Solutions Adjustment (EESA), 3) Transmission Cost Adjustment (TCA), 4) Fuel and Purchased Power Adjustment (FPPA), and 5) Transmission Facility Adjustment (TFA). All these charges are per kWh charges and require commission approval. An explanation of these charges with current rates can be found under Section 3C, pages 12 through 22 of BHP's tariff at the following link: <http://puc.sd.gov/Tariffs/electrictariff.aspx>

Regardless of the outcome of this pending rate case, it may be in your best interest to visit with BHP regarding a switch to a more appropriate rate for your specific energy needs. You indicated that you have yet to visit with BHP's Melanie Toney. She has been made aware of your situation and awaits your phone call at (605) 721-1709.

This follow-up message and my response will be filed in the BHP rate case docket, EL14-026. Please let us know if you need any additional assistance after visiting with BHP about the options available to you.

Patrick Steffensen, Staff Analyst  
South Dakota Public Utilities Commission

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**From:** PUC

**Sent:** Friday, December 12, 2014 2:10 PM

**To:** [REDACTED]

**Subject:** RE: DOCKET EL14-026

Dear John and Jolene,

Thank you for your message regarding Black Hills Power's rate increase request. You refer to BHP's request to cover costs incurred from storm Atlas. I agree with you that many people suffered losses from this storm and this is very unfortunate. However, a public utility is allowed to recover certain expenses under state law and it is necessary for them to do so in order to continue to operate.

The commission will analyze the storm-related costs to determine if they are allowed to be recovered from rate payers according to state law. Only expenses that meet the standards set forth in state law will be included for recovery through BHP's rates.

When a utility files a rate case with the commission, the commission is obligated by law to thoroughly process the case. The commission cannot simply say no and reject it outright since they are legally required to investigate it and make a just and 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 the intervenors in the case. The commission and staff request and review additional data and information from the utility before a decision is rendered.

Given your interest, I encourage you to read the key documents filed in this docket as well as submissions that continue to be posted. This will allow you to become educated on the issues in this case. Here is a document which helps explain the commission's processing of rate cases:

<http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>. Here is a link to the docket itself: <http://puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>.

Thank you for writing to share your concerns. I appreciate the opportunity to answer your questions which I hope is of value to you. Your message and this response will be added to the PUC's EL14-026 docket.

Sincerely,

Gary Hanson, Chairperson

South Dakota Public Utilities Commission

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