

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF) BLACK HILLS POWER, INC. FOR) AUTHORITY TO INCREASE ITS ELECTRIC) RATES)	ORDER DENYING REHEARING AND RECONSIDERATION EL14-026
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On March 31, 2014, Black Hills Power, Inc. (BHP) filed with the South Dakota Public Utilities Commission (Commission) an Application for Authority to Increase Electric Rates (Application) and supporting exhibits requesting approval to increase rates for electric service to customers in its South Dakota service territory by approximately \$14.6 million annually or approximately 9.27% based on BHP's test year ending September 30, 2013. The Application included an extensive, detailed set of schedules and pre-filed testimony in support of the proposed rates. The Application stated that a typical residential electric customer using 650 kWh per month would see an increase of \$10.91 per month. The proposed changes would affect approximately 65,500 customers in BHP's South Dakota service territory. The Application requested an effective date of October 1, 2014, for the proposed rate increase which was the anticipated start-up date for BHP's Cheyenne Prairie Generating Station, then under construction, and coincides with the 180 day limitation on suspension of a requested rate increase pursuant to SDCL 49-34A-14.

On June 6, 2014, GCC Dacotah, Inc., Pete Lien & Sons, Inc., Rushmore Forest Products, Inc., Spearfish Forest Products, Inc., Rapid City Regional Hospital, Inc., and Wharf Resources (U.S.A.), Inc. (collectively Black Hills Industrial Intervenors or BHII) filed a Petition to Intervene, and Dakota Rural Action, Inc. (DRA) filed a Petition to Intervene. On June 26, 2014, the Commission issued an Order Granting Intervention to BHII and DRA.

On December 9, 2014, BHP and the Commission's staff (Staff) jointly filed a Joint Motion for Approval of Settlement Stipulation, Settlement Stipulation, and Exhibits (Settlement Stipulation). On December 30, 2014, the Commission issued an Order for and Notice of Hearing setting the matter for hearing on January 27-29, 2015. The hearing was held as scheduled on January 27 and 28, 2015. On February 10, 2015, BHP and Staff filed an Amended Settlement Stipulation between BHP and Staff (Amended Stipulation) reflecting two changes to the factual bases supporting the agreed revenue requirement due to new information contained in pre-filed testimony filed after the Settlement Stipulation was entered into and filed and evidence introduced at the hearing. On February 23, 2015, BHP and Staff filed a Joint Motion for Approval of Amended Stipulation. Following post-hearing briefing and questioning from the Commission at a hearing on March 2, 2015, the Commission issued its Final Decision and Order; Notice of Entry on April 17, 2015 (Decision).

On April 1, 2015, BHII filed Black Hills Industrial Intervenors' Petition for Rehearing and Reconsideration (Petition) requesting Commission reconsideration of the following issues:

1. The Commission's interpretation of ARSD 20:10:13:44;
2. The Commission's interpretation of SDCL 49-34A-19;
3. The Commission's interpretation of SDCL 49-34A-24;

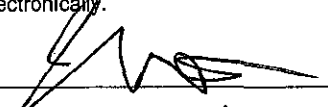
4. The Commission's decision to accept BHP's and Staff's exclusion of only \$666,068 in incentive compensation related to financial goals in BHP's cost of service; and
5. The Commission's decision to accept BHP and Staff's normalization of pension expenses using a five-year average instead of BHP's actual 2014 pension expense as recommended by BHII.

In the Petition, BHII also requested rehearing on the following grounds: (1) that the Commission's approval of the Amended Stipulation violated principles of equity and due process; and (2) that the Commission's approval of the Amended Settlement, over BHII's timeliness objection, contravened Rule 6 of the South Dakota Rules of Civil Procedure. In the Petition, BHII reserved the right to supplement the Petition following the Commission's issuance of its written Decision. On April 17, 2015, BHP filed Black Hills Power, Inc.'s Answer to BHII's Petition for Rehearing and Reconsideration. On April 23, 2015, BHII filed a proposed schedule for party filings and Commission consideration of the Petition. On April 30, 2015, the Commission issued a Procedural Order on Petition for Reconsideration scheduling the Petition for hearing on May 26, 2015. On May 11, 2015, the Commission issued an Order for and Notice of Hearing on Petition for Reconsideration, and BHII filed an Amended Petition for Rehearing and Reconsideration. On May 22, 2015, BHP filed Black Hills Power, Inc.'s Answer to Amended Petition for Rehearing and Reconsideration.

At its regular meeting on May 26, 2015, the Commission considered the Amended Petition for Rehearing and Reconsideration. Finding that the Decision and its Findings of Fact are supported by substantial evidence, that the rulings on issues of statute and rule interpretation are consistent with decades of Staff and its experts' interpretation, which have never before been challenged by another party and which have been incorporated in numerous settlement stipulations approved by the Commission, that such interpretation rationally reconciles provisions such as SDCL 49-34A-19 and ARSD 20:10:13:44, and that the Commission did not violate principles of equity and due process or contravene SDCL 15-6-6 because the Amended Stipulation merely amended the Settlement Stipulation to reflect evidence introduced at hearing with full rights of evidence presentation, cross-examination, and advocacy having been afforded all parties, the Commission voted unanimously to deny the Petition for Rehearing and Reconsideration. It is therefore

ORDERED, that the Petition for Rehearing and Reconsideration is denied.

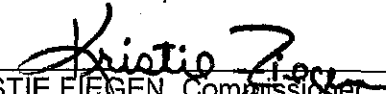
Dated at Pierre, South Dakota, this 29th day of May, 2015.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, electronically.	
By:	
Date:	<u>5/29/15</u>
(OFFICIAL SEAL)	

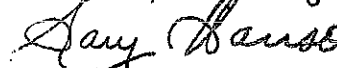
BY ORDER OF THE COMMISSION:



CHRIS NELSON, Chairman



KRISTIE FIEGEN, Commissioner



GARY HANSON, Commissioner