

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

From: Hanson, Gary (PUC)

Sent: Tuesday, March 16, 2010 9:19 PM

To: 'James P Roling'

Cc: Jim & Kathy Roling; Johnson, Dustin (PUC); Kolbeck, Steve; Van Gerpen, Patty

Subject: RE: Black Hills Power & Light Impending 20% rate Hike

Importance: High

Mr. Roling,

I do appreciate this opportunity to answer your questions and explain some of the misunderstandings regarding the recent action the Commission took in regard to the 20% interim rate increase by Black Hills Power.

As commissioners we often share in the responsibility of answering emails. Although I have written without edit by my fellow commissioners, please consider my response to also be on behalf of Commissioners Johnson and Kolbeck.

As a brief background; the commission acts in a quasi-judicial capacity very similar to that of court room proceedings including a court reporter except with three elected commissioners making decisions by majority vote instead of a judge. The primary parties are usually represented by counsel and additional parties who oppose or support the primary party and can prove an interest in the docket may join the proceedings as interveners.

BHP submitted a docket to raise their rates by 26.6%. In this type of docket the Commission is required by law to make its decision within 12 months. The commission scheduled dates to hold hearings. However, those dates had to be rescheduled for several months later, at the request of the interveners who were opposed to the rate increase, because they were not able to prepare their case within the original period of time.

State law as determined by the Legislature and Governor allows a utility to put into service, on an interim basis, their entire requested rate if the Commission has not acted on their docket within 6 months, provided however, that when the Commission does make their decision on the docket, the utility must refund any payments received by the utility that are greater than the final rate increase allowed by the Commission.

Because 6 months had passed as a result of the interveners request to extend and reschedule the hearings, BHP was entitled by SD law to implement an interim 26.6% rate increase and charge its customers that increase up until the time hearings are held and the Commission makes its final decision. BHP was not required to appear before the Commission nor ask permission to raise the rate to 26.6% in the interim. They are allowed by law to do so without the consent of the PUC. However, BHP is required to obtain PUC permission to change their interim rate if it is anything other than the amount they submitted in their docket. Therefore, because BHP intended to raise their interim rate by 20% instead of 26.6% they needed Commission approval.

If the PUC voted against the 20% interim rate increase then BHP had stated in their docket that they would increase their interim rate to 26.6%. The decision by the Commission was either to vote yes and allow a 20% increase or to vote no and BHP would implement an interim 26.6% rate increase. We felt as evidenced by the questions and discussion in the hearing, that you would rather have a 20% increase instead of a 26.6% rate increase. Neither is palatable, however, we chose the rate that was lowest for the consumers.

In regards to our salaries; our salaries are determined by the Legislature and Governor and have not been increased for 2 years. Additionally our budget has decreased each year for the past 3 and possibly 4 years.

I hope this answers your questions. They were good questions and as husbands and fathers we understand and empathize with the challenges that you face; probably more so than you realize. Good luck to you and your family.

Sincerely,

Commissioner Gary Hanson
On behalf of the Commissioners

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

From: James P Roling

Sent: Tuesday, March 16, 2010 6:31 PM

To: Hanson, Gary (PUC)

Cc: Jim & Kathy Roling

Subject: Black Hills Power & Light Impending 20% rate Hike

Mr. Hanson,

I would like to ask you how you as a Public Utilities Commissioner can justify allowing Black Hills Power & Light a 20% rate hike as reported below:

RAPID CITY, S.D. (AP) _ South Dakota regulators have given Black Hills Power approval to raise customers' rates by 20 percent on an interim basis, starting next month.

The [Public Utilities Commission](#) will not decide until this summer on a request for a permanent rate increase of 26.6 percent. If regulators reject it or approve an increase lower than 20 percent, the utility would have to make refunds to customers.

[Black Hills Power](#) filed the request last September in large part to cover the costs of a new generating plant in Wyoming.

The electric bill for a typical homeowner will rise by about \$13 a month under the interim 20 percent hike. There are about 64,000 customers in the utility's service territory.

(Copyright 2010 by The Associated Press. All Rights Reserved.)

Was this power plant needed or was it a boondoggle the customer/consumer is once again footing the bill for? Could this not have been avoided or at least planned better – say 1 or 2% over a 5 year period instead of a shocking 20% rip? As a customer, I would like to see the justification for this increase. I as well as many others have lost jobs due to the economic slow down, making it increasingly more difficult for us to maintain a standard of living. Yet, utility companies and elected officials remain insulated, voting for their own raises and rate hikes. This is NOT acceptable and these same entities will have to reap what they sow. You as our representatives,

in our interest need to assure us that this hike is: 1) justifiable, 2) In Our Best Interest 3) Absolutely Necessary.

I am certain that many utilities across the state are becoming concerned about what they will do when many homeowners begin to buy wind generator systems; how this will affect their power factor, demand rates, etc. This movement may be isolated at first, but will gain in popularity until it becomes a force to be reckoned with. I can guarantee you that when BHP&L, or any utility for that matter, does this type of thing without just cause or at least does not inform the public, there **will** be repercussions. I am certain that individuals as well as organized neighborhoods, townships & developments will find a way. This will end up costing the utility far more in the long run; plus, if I am not mistaken – adding insult to injury, they will have to pay the consumer when the meter runs backwards.

I remember as a kid hearing the NSP jingle, “NSP is Penny Cheap to You”. Although those days are arguably gone, it doesn’t mean that we the consumer is ready to be “taken to the cleaners” either. ANY hike must be justified to the end consumer; and if it can’t be justified, then the company that took the risk will just have to “buck up” and pay for it. We the consumer didn’t ask the utility to build a new power plant for us. At no time was I informed or asked whether I would like to invest in a new venture.

During the days of the “penny cheap” energy, everyone clamored to come “on board” – we all believed our cheap energy would stay cheap. It has for many, many years until these late years. Now that we are all hooked on electricity, we all “over the barrel”, it seems that these companies are taking advantage of the monopoly they now enjoy (isn’t there a law against a monopoly?). We need your voice to protect us, be sure you do that; for if this goes through you can bet that your future as a Public Utilities Commissioner will not exist.

Frustrated and Concerned,

Jim

James P. Roling, BSME