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From: Hanson, Gary (PUC)

Sent: Wednesday, March 17, 2010 1:05 PM

To: 'James P Roling'

Cc: Johnson, Dustin (PUC); Kolbeck, Steve; Van Gerpen, Patty

Subject: 2nd reply- Black Hills Power & Light Impending 20% rate Hike

Please accept this as an attempt to answer your additional concerns;

There are a couple of points to keep in mind. There are 2 rates; an 'interim' rate and a 'final' rate. The final rate has not been decided. All of the concerns that you have expressed in both of your emails may be a part of the hearing process and considered by the PUC in making our decision on the amount of the 'final' rate. However, we are not allowed to consider any of those concerns in setting the 'interim' rate.

The 20% rate increase is an 'interim' rate. It will be adjusted to what the commission decides is a fair rate at the end of this docketed process (within 6 ½ months). At that time BHP will be required to refund the amount they receive that is greater than the difference between the interim rate and the final approved rate. BHP will also be required to pay interest to the consumers on any amount BHP collected in the interim that is greater than the final rate.

The following is part of the record and shows the interveners. These are all parties that are opposed to the rate increase.

On November 5, 2009, the Commission received a Petition to Intervene from Countertops, Inc., d/b/a Dakota Panel South Dakota, GCC Dacotah, Inc., Rushmore Forest Products, Inc., Sanford Underground Laboratory and Spearfish Forest Products, Inc. (collectively known as the Black Hills Industrial Intervenors).

On November 19, 2009, the Commission received a Petition to Intervene from Liliias Jarding, Bobbie Handley, Carla Kock, and the South Dakota Peace and Justice Center (collectively known as the Residential Consumers Coalition).

On November 20, 2009, the Commission received a Petition to Intervene and join with Black Hills Industrial Intervenors from Rapid City Regional Hospital, Inc.

At the PUC our dockets are required to follow state and Federal laws. The decisions we make must be supported by evidence that has been placed into the record during the discovery and hearing process. We are not allowed to do what we might feel good doing or do what could be influenced by political or personal pressures. Our decisions are guided by facts in the record and must be supported by those facts. Any party to the docket has the right to appeal to the circuit court and ultimately may take our decision to the SD Supreme Court so we take great pains to be accurate and fair.

Additionally, the open meeting laws and ex parte rules are very strict. We are not even allowed to discuss the merits of a docketed item with fellow commissioners or even with fellow PUC staff members who are members of the advocate team and are charged with representing the best interests of the state's citizens. I should also mention to you that, because of ex parte regulations, state law requires that all communications with commissioners concerning docketed items are to be placed into the record. You can find the complete record on this docket at <http://puc.sd.gov/Dockets/Electric/2009/el09-018.aspx> .

I hope this provides additional back ground and answers your concerns.

Commissioner Gary Hanson
On behalf of the Commission

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

From: James P Roling
Sent: Wednesday, March 17, 2010 9:53 AM
To: Hanson, Gary (PUC)
Cc: Jim & Kathy Roling
Subject: RE: Black Hills Power & Light Impending 20% rate Hike

Thank you for your response. However, still have some concerns:

“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.”

Interesting. Who were these “interveners”? Let me get this straight – unless there is any data, research or resistance to a utility’s submitted docket rate raise, state law allows them to implement said increase; no matter what it is? In other words, because the PUC didn’t do their job, BHP&L is guaranteed a 20 to 26.6% rate hike? That’s totally unacceptable. As a fairly logical person, it would seem to me that as an elected individual responsible for ensuring fair and equitable utility rates (as quasi-judges), you would immediately say: “where is the proof?” If there is no proof, no increase is warranted. The burden of proof needs lie with the utility – to prove/justify their increase. Why would this take 6 months to determine?

Further, as a former consulting engineering firm employee, I know that all utility companies do “Long Rang Plans” and “Rate Studies”. Seems to me *extremely* poor planning on BHP&L’s part to submit a huge rate increase instead of a 1 to 2% over a number of years – this smells of a rather different nature. If it were simply a matter of power demand for our area, I am certain they knew of the need for this power plant years ago. No, it appears to me a huge increase such as this is a “knee-jerk” reaction to a failed project or “unforeseen circumstances” which need to be thoroughly verified as viable expenses to pass on to the end customer. The verification of benefit needs to be established to the customer base – of what benefit is an increase in rate that is used to cover poor management or investment in power plants that fulfill the power needs of other states?

Although I am somewhat comforted by your information concerning PUC salaries, your budget concerns me. What protection are we as consumers afforded if we are supplied by a monopoly utility if the PUC isn’t there for us?

Aren’t there laws against monopolies?

Regards,

Jim

James P. Roling, BSME