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OCT 09 2009

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Lt. Col. George A. Larson, USAF (Ret.)

[REDACTED]
Rapid City, South Dakota 57702
[REDACTED]
[REDACTED]

Monday
5 October 2009

Reference: Black Hills Power 26.6% rate increase

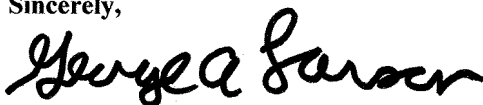
South Dakota Public Utilities Commission
Capital Building, 1st Floor
500 E. Capital Avenue
Pierre, South Dakota 67501-5070\

Mr. Dusty Johnson
Chairman. SD PUC

Mr. Chairman:

I am mad over BHP's increase. They earn a great annual profit which they don't set aside for capital improvements and expect tax payers to role over and accept their demands. No!!!!!! If you look at their asking increase which would add, in reality \$225 to \$250 a year. Then the ripple effect to business, City and County governments and related costs a similar amount to each tax payer. Where will the money come from in a recession? I have neighbors who can barely put food on the table. I try to help but I am stressed in helping my son's family: his wife and three kids. Our Congressional members, all except Senator Thune, will not respond to any letters and will not come to South Dakota. What a disregard for people who were elected and work for me and not to the lobby groups. This rate increase on top of everything else in a recession is killing business, local government and citizens. I have done exactly what BHP asked, cut consumption by 65% but my overall costs are almost back to the same point with this rate increase. They don't make the same money and want more. I am tired of greed. This has to be stopped.

Sincerely,



Lt. Col. George A. Larson, USAF (Ret.)

yes
↓

Opinion

500 E Capital Avenue
Pierre, SD 57501-5070

Winners of Best Editorial Writing
in South Dakota in 2006, 2007 and 2008 (SDNA)

Public Utilities Commission
Capital Building 1st Floor

OURS

Dusty Johnson
Chairman

PUC should deny 26.6% increase

THE ISSUE: Black Hills Power recently made a request for a 26.6 percent rate increase.

OUR VIEW: The South Dakota Public Utilities Commission should deny the dramatic increase.

The announcement Black Hills Power would be seeking approval for a rate increase sent a ripple of discontent through the community.

Black Hills Power is asking the South Dakota Public Utilities Commission for permission to increase user rates by 26.6 percent.

For an average residential electric user, the proposed increase would add about \$18 to the monthly utility bill.

Maybe "ripple of discontent" doesn't capture the community's frustration with the proposed

rate hike.

BHP has said it's seeking the increase to cover costs associated with a \$247 million power plant near Gillette, Wyo., as well as to cover operating expenses over the past four years.

But BHP customers — 64,100 in 20 South Dakota communities — are still struggling with the fallout of recession and will have a hard time believing a 26 percent increase in utility bills is necessary.

We agree. Twenty-six percent is excessive — especially in light of the 7.8 percent increase that

went into effect only two years ago. We have to wonder if poor planning in 2007 or excessive growth is to blame for the recent request.

Black Hills Corporation has been a significant part of the hills economy and the corporation has been a good neighbor. It's growth, especially since 2007, has added hundreds of jobs to the area adding to the city's bottom line.

But even this good neighbor is asking too much.

There's a growing need for abundant energy, but growing to fill that need should be tempered with common sense.

Today, BHP rates are neither excessively high nor excessively low. While apples to apples rate comparisons are difficult due to

fees and charges, BHP's rates are comparable or just under other providers. That makes us further question such a dramatic proposed increase.

Fortunately, the PUC has already voiced some concern about the BHP request, saying 26 percent request is unusually high.

PUC Chair Dusty Johnson promised the commission would be extremely thorough as it examines BHP's request. We're sure they will be and we'll continue to hope the PUC finds a much lower number more appropriate than 26.6 percent.

What the PUC will approve isn't clear. We do know — should they come back with a lower number — it will still be a painful hike in our electric bill come April 2010.

Lt. Col. George A. Larson, USAF (Ret.)

[REDACTED]
Rapid City, SD 57702
[REDACTED]
[REDACTED]



Monday
1 March 2010

South Dakota Public Utilities Commission
500 East Capital Avenue
1st Floor
Pierre, SD 57501-5070

Mr. Dusty Johnson
Chairman, South Dakota Public Utilities Commission

Allowing Black Hills Power to increase our rates on 1 April by 26.6 percent is going to drive a stake through local consumers, businesses and governments. Rapid City and State sales taxes are already drastically cut. What do you think is going to happen on 1 April? This cannot happen. BHP is already getting an annual cost adjustment and their profits are through the the roof! I am tired of companies taking advantage of the situation and just doing what they want. I have cut my electric costs by installing energy efficient appliances and lights, doing what the power company suggests on each bill. Then, when everyone cuts back, they say **we are not making enough money**. This is reverse logic and I am tired to paying for others' profits. In business, you take your profits, set it aside for capital improvements and not paying bonuses to managers and upward. When there is no increase in Social Security because inflation is below 1.5 percent and then the power company says we are going to increase at a huge inflationary rate we set. Please, stop this insanity. Once the rates go up, they will never go down. You thought the state revenue had declined wait until this hits, it is going to go into a deep recession. No one seems to be connecting the dots.

Sincerely,

Lt. Col. George A. Larson, USAF (Ret.)

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MAR 02 2010

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Lt. Col. George A. Larson, USAF (Ret.)

[REDACTED]

Rapid City, SD 57702

[REDACTED]

[REDACTED]

Tuesday

2 March 2010

South Dakota Public Utilities Commission

500 East Capital Avenue

First Floor

Pierre, South Dakota 57501-5070

Dusty Johnson

Chair, South Dakota Public Utilities Commission

This rate high ultimatum by Black Hills Power is very unacceptable. The cost is going to kill us. Now Congress has failed to solve the insurance rates with Medicare and Tricare. Because my wife is a diabetic and recovering cancer patient, as a retired USAF officer we use Tricare. All the Federal government; State, City and County governments, and utilities want to do is raise taxes and rates. I am tired of others greed and incompetence. Black Hills Power is going way beyond what is required. I have already complained that this is unacceptable. This is pure blackmail and nothing less. Please, force them back to the reality of the recession we are in.

Sincerely,



Lt. Col. George A. Larson, USAF (Ret.)



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MAR 03 2010

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

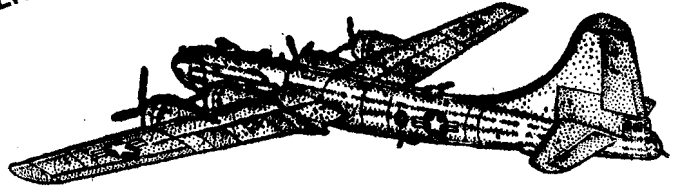
Lt. Col. George A. Larson, USAF [Ret.]

[REDACTED]
Rapid City, SD 57702
[REDACTED]
[REDACTED]

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MAR 17 2010
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Monday
15 March 2020

South Dakota Public Utilities Commission
400 East Capital Avenue
First Floor
Pierre, SD 57501-5070



Dusty Johnson:
Chairman, South Dakota Public Utilities Commission

I can not believe the arrogance of Black Hills Power on the attitude, **you only can say yes to the 20 percent power increase.** I can not believe that the commission that is supposed to protect us has done nothing. Everyone wants more money, more profits when we are in a recession with rising unemployment. The State will get more tax money from the increased power rates, and Rapid City will get their tax increase payments. This has to stop. I have already told our City Council, hold on to complaints from local businesses that our spending will go down. There is only so much money to spend and when the greed of corporations want huge profits in a recession, then why will no one protect us? I am tired of this type of attitude, from Black Hills Power, **No documentation on rate increase just give us 20 percent.** They already get an annual surcharge balance each year, which adds to the cost of the consumer who has cut back anywhere from 45 to 55 percent on power consumption. This has to be stopped. With inflation below two percent and with the power company not setting aside profits, but rather paying for bonus and salaries, no 20 percent. This must stop. I urge you to end this unchecked power rate increase. It is going to push many elderly in my church over the edge into more poverty than they are already in.

Sincerely,

Lt. Col. George A. Larson, USAF [Ret.]

april 2, 2010

Separating Fact from Fiction
Questions to the South Dakota Public Utilities Commission
about the Black Hills Power Rate Case

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APR 05 2010

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Rate Case Basics

"What is going on here?"

Black Hills Power is a private, investor-owned utility providing a monopoly service. Therefore, by law, BHP and other investor-owned electric utilities can raise their rates only with permission from the state Public Utilities Commission, except for interim rates, that are explained below. Utilities that are not investor-owned are member-owned or publicly-owned. Examples of these are rural electric cooperatives and municipal electric organizations. In these cases, the PUC does not approve rates, the members or owners do.

On Sept. 30, 2009, BHP asked permission to raise their base rates by 26.6 percent. Since then, the PUC and other parties have been analyzing the request.

"Unbelievable! This must be a bad dream. How can this be happening?"

Actually, this process is not unusual. According to one regulatory consultant, there are currently 97 rate cases pending before state PUCs across the country. During the last 30 years, the South Dakota PUC has dealt with an average of a little more than one electric rate case a year.

"This is an unprecedented requested hike!"

This is a larger increase than the PUC has seen in recent years, but it is not unprecedented. Increases of more than 20 percent have been requested by regulated electric utilities 13 times since 1975, including one for 56.9 percent. For those rate cases related to major production-related capital expenditures (like power plants), the average rate increase requested has been 25.48 percent.

"Who's in charge here?"

South Dakota has three public utility commissioners, each elected statewide for a staggered, six-year term. After formal hearings covering all of the evidence, the commissioners will make a decision. That decision can be appealed to state circuit court and then to the state supreme court.

"I can't afford that. 26%, come on."

No one can ignore the impact higher electricity bills will have on real people. The PUC will consider the ability of families and businesses to pay higher rates, but must also consider what legitimate expenses BHP has incurred and has a legal right under existing law to recover.

"Do we have to pay for BHP's mistakes?"

If a company makes a mistake, that's their problem, not yours. State law only allows utilities to recover costs that are reasonable.

not acceptable!

How are we going to pay for BHP's?

this means is cut pay lower

I was at the meeting at the Journey museum at the time I got the impression the rate increase is a done deal!

"Is this a done deal?"

Absolutely not. The review of the rate increase request is ongoing. The parties have agreed to hold a formal hearing on the case in Pierre beginning June 28, 2010.

Regulatory Process

"What is the PUC process?"

The PUC is a court of administrative law and their dockets are contested cases under state law. A rate case docket is handled much like a civil or criminal case. Parties conduct discovery, data and responses are analyzed, evidence is introduced, witnesses testify under oath, attorneys conduct cross-examination, legal briefs are filed, and ultimately a decision is made.

"What will the decision be based upon?"

The facts. The commissioners serve as administrative law judges and don't get to do whatever they want. Their decision must be supported by the facts in evidence and based upon principles defined by statute and case law. PUC decisions can be appealed to state circuit court and then to the state supreme court so the commissioners take great pains to be accurate and fair.

"Who else is involved?"

Other than BHP (the applicant) and the commissioners (the decision makers), there are three other parties involved. First, the PUC staff is a separate party to the case and carefully analyzes the request. Their job is to advocate for the public interest. Second, a group of large industrial energy users has intervened and are seeking to have their concerns addressed. Third, a group of residential ratepayers has intervened and are seeking to have their concerns addressed.

"All of this is being done in the dark."

No, it's not. All of the information filed for this case is placed almost immediately on the Web for your review at <http://puc.sd.gov/Dockets/Electric/2009/eI09-018.aspx>. The application by BHP, transcripts of PUC meetings and public input hearings, and correspondence can be accessed at that site. State "ex parte" and open meeting laws ensure the commissioners only discuss the merits of the case with the parties in an open meeting, all of which are broadcast live over the Internet and are recorded and later linked to the PUC's Web site.

PUC Efforts

"Why are you people just sitting on your hands doing nothing about it?"

The commission has been very busy on this case. Six regulatory experts on the PUC staff have been assigned to this case and have collectively spent more than 1,300 hours on it (the cost of that time will be billed back to BHP). In addition, two outside regulatory consulting firms have been hired to evaluate specific highly-technical portions of BHP's application. Together, they have been analyzing all aspects of the request and have asked BHP literally hundreds of detailed follow-up questions. Keep in mind this is not the only docket the PUC is processing.

The commission is at work on more than 70 dockets in addition to this one. Some dockets have timeframes set in law, defining how long the commission has to process them.

“Why is this taking so long?”

This is a technical legal proceeding. Think about how long most court cases and legal processes take. The discovery process can take months, as can preparing testimony and getting ready for hearing. To make sure the PUC makes the right decision, the process can't be rushed. BHP's application must be subjected to full and complete scrutiny. There is much work to be done in that time.

“When will this be done?”

It is reasonable to expect a PUC decision by August 2010.

“Are the PUC Commissioners getting money to put through this rate hike?”

No. Neither commissioners nor staff members have directly or indirectly received any compensation from BHP. No commissioner or staff member has ever been employed by BHP.

“It appears that the PUC is nothing but a pawn in the pockets of BHP.” and “Politicians these days only look out for themselves and their special interests, not the people who elected them” and “Either do your job (and stop this insanity) or abdicate your position.”

Everyone at the commission wants your electric rates to be as low as reasonable in order to provide safe and reliable energy. None of the commissioners or staff members got into utility regulation to hurt their friends, family, or fellow South Dakotans. The PUC is working hard to ensure the final outcome of this proceeding will serve the public interest. The commissioners aren't elected by BHP; they are elected by the people of the state, and that's who they work for.

are they going to pay me for my cost increases?

BHP's Request

“26.6%? Why?!”

According to BHP's application, one-third of its request is attributed to operating costs that have increased during the last few years, like health insurance, labor, and supply costs. Most of the requested increase results from the company's decision to construct a new power plant in Wyoming. BHP claims that power plant (Wygen III) is needed to meet the growing demand for electricity among its South Dakota customers. BHP claims electric usage in their South Dakota territory has increased 40 percent since 1995.

“Are you just taking BHP's word for it?”

No, not at all. BHP must prove their case. The company's claims are being reviewed very carefully by the PUC staff, the commissioners, and the industrial and residential intervenor groups.

“Are these made-up costs and guesstimates?”

No. Actual historical costs are the basic building blocks of a rate case. Utilities like BHP must submit a rate request based on the actual costs of the previous year (the “test” year). They can ask for more than those historic actual expenses only for “known and measurable” changes, and have to defend those requested changes.

“Why is the requested increase so huge?”

The PUC doesn’t know what portion (if any) of the requested increase is warranted. Historically, however, when rates do go up in a capital-intensive business like electricity, they often go up in steps, because new power plants, transmission lines and wind farms are so expensive. Even when amortized out over decades, those investments can have a substantial effect on prices. None of that means the Black Hills Power request is appropriate, however.

“Why can't you reduce the wages of the 'upper crust' of BHP?”

Historically, much of the compensation packages of utility executives are not funded with ratepayer dollars. PUCs usually require substantial portions of executive salaries not be paid by revenues from the regulated business, so those costs are not picked up by consumers. Those portions are typically paid for by investors’ or other funds.

“Would we boycott the local gas station for a 26% increase, would we change supermarkets if they instituted a 26% price increase? The answer is yes, of course we all would.”

It actually isn’t unusual to see price spikes of greater than 26 percent over the course of months or years for gasoline, produce, or other items we purchase weekly. That doesn’t mean BHP’s request is warranted, however. This price increase must be approved by regulators. The public is invited to comment and be involved in the process. That makes it much different than most goods or services that increase in price without approval or allowing you, the consumer, a chance to be heard during the decision-making process.

“This unreasonable request will get denied, right?”

The commissioners don’t yet have enough information to determine whether or not BHP’s request is “unreasonable.” Such a determination will have to be based on hard facts and evidence in the record. The requested increase is significant and the PUC is in the process of analyzing it.

This is why I feel it is a done deal and nothing we can do!

Wygen III

“This increase is because BHP wants to increase the production of electricity in order to sell it elsewhere and increase profits.”

BHP ratepayers won’t be paying to ship power elsewhere or to provide BHP with unreasonable profits. The complex PUC proceeding is focused on determining what costs should be passed onto ratepayers. BHP ratepayers are only going to pay for the portion of the Wygen III plant that serves BHP ratepayers.

“Why are we paying for this plant all at once?”

Even if rates go up, you won't be. Usually, large generation units are amortized out over decades. Even if rates go up, you won't be. Usually, large generation units are amortized out over decades. In its application, BHP proposed that Wygen III be depreciated over its 45-year useful life.

“Why didn't BHP start gradually raising their rates years ago?”

Traditionally, PUCs have only allowed utilities to charge consumers for assets that are providing them benefits. Starting to raise rates a decade ago to give BHP advance funding for the Wygen III plant would have imposed unfair costs onto people who never received any benefit from that plant. You make a mortgage payment on a house when you are living in it, not on the one down the street you may move into four years from now.

“Why doesn't BHP ask the investors to bear some of the costs of Wygen III?”

They are. Large capital investments are usually funded by issuing debt, acquiring additional equity (investors), or through a combination of both. Each of those options costs money. Borrowing money requires paying interest on those funds, and investors have a reasonable expectation of a fair return on their investment. If the building of Wygen III was a sensible decision, the PUC will decide what a fair return would be for that asset.

“Why should we pay for something that was built in another state?”

It doesn't matter where Wygen III is located. What matters is who receives the benefit of that plant. That is something the parties have been scrutinizing.

“Why are they being allowed to use coal and not forced to use wind?”

Black Hills Power has stated that a coal plant was their least-expensive way to provide new generation to their customers. The PUC will certainly be testing that claim during our proceeding.

“Why do the people in South Dakota have to pay for the whole ballpark when parts of the plant have been sold to other utilities?”

You won't be charged for costs associated with facilities that aren't serving you and other BHP customers. South Dakotans won't have to “pay for the whole ballpark.” Portions of the plant, as well as output from the plant, have been sold to another company and those costs won't be included in BHP customers' rates.

Interim Rate

“Why is the PUC allowing them to put a rate increase into effect before a final rate has been approved?”

State law allows a utility like BHP to put into place, on an interim (temporary) basis, their entire requested rate if the commission has not acted on the docket within 180 days. Once the commission makes its final decision, however, the utility must refund any payments received by the utility that are greater than the final rate increase allowed by the commission.

I have never seen anything in SD government

SDPUC March 2010

refund any money

In March 2010, BHP indicated it intended to put its 26.6 percent increase into effect on April 1, 2010, (as state law allows) unless the PUC approved a smaller 20 percent increase. Faced with raising bills 20 percent or 26.6 percent, the PUC chose the smaller amount.

"Why didn't this case get handled in the 180 days? "

The BHP request is tremendously complex and has taken an incredible amount of effort to review. That is not unusual for a rate increase request. In fact, the PUC is unaware of any state in the country where the law indicates rate cases must be completed within six months. South Dakota law allows one year for the commission to process a rate case. For BHP's request, there have been thousands of pages of evidence reviewed, hundreds of questions asked of Black Hills Power, and millions of dollars in expenses scrutinized. That type of due diligence should not be rushed.

All parties, including the industrial and residential intervenors, wanted additional time to prepare for hearing and agreed that a decision could not be made properly within 180 days.

Note: The questions above are actual questions received by PUC commissioners and staff members. In a number of cases they have been slightly modified for formatting, clarity, spelling, or grammatical reasons.

How do we pay for rate increase when we already have energy star appliances - installed before rebates, full house energy audits - increases now in city and state taxes on ever increasing rate power

Businesses are going to raise costs to customers - already gasoline up to \$3.00 gallon increases in property taxes there is no end in sight - who is going to pay us?

SDPUC March 2010

stop this non-sense now

Stacy Gerson, USAF (Ret)

Lt. Col. George A. Larson, USAF (Ret.)
3501 Powderhorn Drive

Phone: [REDACTED]

E-mail: [REDACTED]

Monday
17 May 2010

South Dakota Public Utilities Commission
500 East Capital Avenue
First Floor
Pierre, SD 57501-5070



Commissioners:

I guess we are going to have to accept the inevitable that our electric rates are going to go up. The enclosed Rapid City Journal article does not indicate anything else. I am tired of companies making us pay for their profits. As I said before...when you want a business expansion, you set aside profits. The side article that Black Hills Corporation froze salaries is insulting. CEO making \$1.87 million in the Black Hills, where most residents make around \$10.00 per hour and this is considered a good wage. Anything over three percent is going to drive people into poverty, kill business and economic recovery hiring. But, Black Hills Corporation wants us to pay for their plant. I am so mad at companies taking our money on profits, then set nothing aside for future expansions, repair and modernization. To give a good example, BHP underground transmission lines leads to power boxes that as so ugly in our yards. No maintenance, no painting and just eye sores. There are power lines into Chapel Valley among the tree limbs that need to be trimmed and cut to prevent outages. No preventive maintenance! I see BHP crews at Canyon Lake talking and smoking, not working. What do you think when they come asking for my money? No way! This has to stop and send a message to companies. You use your profits for expansion and not on the backs of consumers. You think the economy is bad in western South Dakota now, wait until the power company increases costs to everyone. It will cut spending the amount to pay electric bills. I have written and written indicating you are going to put the stake into the heart of us living in western South Dakota! Local businesses are scared that people will stop going out to eat and shopping. We have already done so! This rate increase cannot be granted. Send a message, give them three percent and say take your high salaries, cut them, take your profits and not to bonuses, but pay for the construction.

Sincerely,

Lt. Col. George A. Larson, USAF (Ret.)

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MAY 18 2010

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**



U.S. AIR FORCE

Thursday
28 May 2010

South Dakota Public Utilities Commission
500 EAST CAPITAL AVENUE
FIRST FLOOR
PIERRE, SOUTH DAKOTA 57501-5070

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MAY 28 2010

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Chairman
Dusty Johnson

I now believe the rate increase requested by Black Hills Power will dox on us consumers regardless. This is going to kill any chance for economic recovery in Western South Dakota. With Federal, State, County and City governments taxing and adding fees, along with companies raising prices - the results will severely change lives and standards of living! anything over three percent is outrageous for electric rates. With their high salaries it just does not make sense - We'll start greed all over again. Guy is - impose only modest 3% increase -

St. Lt. George A. Larson, USAF (Ret.)