

Dane,

Thanks for the message. I appreciate you taking the time to write.

We are in the process of examining the Black Hills Power request. I can promise you that we will be subjecting it to great scrutiny. I do not yet know if the request is preposterous (as you wrote), as ultimately that decision needs to be based on the facts, and not all of the facts are in the record yet.

The regulation of utilities is a rather rigid thing. If we had started twenty years ago and decided to allow Black Hills Power to raise their prices slowly every year to match the CPI, that might have seemed fair to customers. I don't think it would have been, though. At many points, Black Hills would have been charging more for that power than the numbers would have indicated they should have. The rate would have had a thin connection to the actual costs and consumers would have been overpaying. That wouldn't have been a good thing. In regulation, we want to the rates to be closely tied to what studies and the historic test year indicate the actual (prudently incurred) costs are/were.

I don't raise these issue to combat your points -- you raise some very good ones. I just want to provide some insight into how utility regulation has traditionally operated. We don't get to order them to charge whatever number fancies us. Actual costs are the basic building blocks of a rate case. When rates do go up in a capital intensive business like electricity, they often go up in jumps or steps, because new power plants, transmission lines, and wind farms are so expensive. Even when amortized out over decades, they can have a substantial effect. None of that means that the Black Hills Power request is appropriate, however. They may have many costs that were imprudently incurred. I wouldn't want any of those costs passed on to customers. As we move through this process, we will get a better feel for what the realities are.

Why have you lost faith in our process, Dane? The Commission hasn't ruled yet and hasn't made any advance determination of anything. Any decision the Commission makes will be based on the law. Where has the system failed you? Let me know and we can work to fix it.

Thanks again for your comments. I'll make sure they are added to the record.

Thanks,
Dusty

Dustin "Dusty" Johnson
Public Utilities Commission
605-773-3201

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

From: ~Dane Goetz~

Sent: Thursday, November 19, 2009 10:27 AM

To: Johnson, Dustin (PUC)

Subject: Black Hills Power proposed rate increase

Dear Mr. Johnson,

I am writing to express my concern over the proposed rate increase submitted by Black Hills Power. Simply, it is an outrage that they would request such a large increase in their rates.

I am a small business owner in Spearfish involved mostly in multi unit residential rentals. With the turmoil in our local and national economy, my income was cut in half about a year ago. Although through hard work and prudent management, I have managed to improve this financial setback.

As I continue to manage my business, I wonder how I will overcome this next hurdle of absorbing a 26% increase in my electric bills. Do I again accept a lower income? Do I raise rents in a difficult environment where there is little pricing power? Can my tenants afford this potential inflation or will they move on?

It would seem that a prudent and reasonable person could accept a rate increase similar to the rate of CPI or something similar. However, how is the average South Dakotan supposed to cope with this kind of proposed rate increase from Black Hills Power.

My neighbor across the street has been without work since April. Thousands of other South Dakotans' have lost their jobs this year. This rate increase seems like yet another hardship this slow economy will impose on its people.

I am another concerned small business person that has lost confidence in our current system. I will continue to pick myself up after getting knocked down by those that have made some very bad decisions that have affected our local, state, and national economy. However, in this case, I would hope that common sense will prevail. This request from Black Hills Power is preposterous.

Sincerely
Dane A. Goetz