

July 14, 2012

South Dakota Public Utilities Commissioners:

Commissioners Hanson, Fiegen and Nelson:

I have one major item, which needs to be addressed in the up coming rate hearings with XCEL Energy. The current formula for determining a rate adjustment allows for the recovery of operating expenses and a reasonable return on equity based on the current rate base. The theory is fine except for the fact there is absolutely no validation by the commission following a rate settlement. It is my opinion the commission has the responsibility to monitor ROE following rate adjustments and to require refund in the event a utility earns over and above its allowed ROE. An examination following the last rate increase will reveal the NSP was awarded a 10.48% return on equity but in years following that case their real return was from 11.5 to over 20 %. It is a common practice to build and staff prior to rate cases and to cut back following a rate case. The second item, which should be addressed, is wages the utility has no incentive to control labor costs when they can be recovered in the rates charged to its customers. A comparison between the labor rates (annual compensation) for an XCEL employee in nearly double that of any other utility in the state.

It is my preference the commission take credit for these ideas, however, I am not shy about going public upon the commissions failure to address these items.

Sincerely,

  
Russell F. Bartunek