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South Dakota

PUBLIC UTILITIES COMMISSION

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February 26, 2013

Patricia Hahn
[REDACTED]
[REDACTED]
[REDACTED]

Dear Ms. Hahn:

Thank you for your message to the commission regarding the pending Black Hills Power and Montana Dakota Utilities rate cases. Since your questions pertain to open dockets on which commissioners will ultimately vote, I am responding to you on behalf of PUC staff. Commissioners refrain from discussing and commenting on open dockets on which they have yet to act or vote on in a public meeting.

In order for the Commissioners and others interested in the rate case to see your comments, they will be made part of the official docket.

You ask for an explanation of the commission's decision to consider another hike in rates for BHP and MDU. Since these are two of the state's six investor-owned utilities, as opposed to a municipal electric or rural electric association with citizens or members presiding over rate decisions, the utilities' rates cannot be raised without approval by the commission.

You relay that these utilities already make a tremendous amount of profit on the backs of South Dakota citizens and received substantial raises just a couple of years ago. I understand your concerns regarding increased costs associated with energy and other ongoing expenses. However, the commission must investigate and act on any rate increase request filed by a regulated utility such as BHP and MDU, as required by state law. See South Dakota Codified Law 49-34A. You can view this chapter by going to www.legis.state.sd.us/statutes.

The last BHP rate case, EL09-018, was filed by the company on Sept. 30, 2009, requesting a rate increase of 26.6 percent. The commission reviewed the case and acted on July 7, 2010, approving an increase of 12.7 percent. The current BHP rate case requests an increase *"for authority and consent to make certain changes in its charges for retail electric service provided to the company's South Dakota customers, for authority and consent for a new transmission facility cost recovery tariff, for an accounting order for vegetation manage, and other changes to the tariffs for service to its South Dakota electric customers."*

The last MDU rate cases were filed in 2004 and 2005, NG04-004 and NG05-002. In MDU's current case, they explain their request as follows: *"The primary reason for the increase in rates is the increased investment in facilities and the associated depreciation, operation and maintenance expenses and taxes associated with the increase in investment. The gross investment in South Dakota gas operations has increased by approximately \$33 million, or 53 percent, since the last rate cases in 2004 and 2005. In addition to the ongoing investment to*

serve new customers and to replace existing facilities, investments in a landfill gas production facility, a new operations building, and an automated meter reading system have occurred since the last case, along with a new customer information and billing system to be implemented in February 2013."

Whether or not the commission agrees with BHP's or MDU's justifications for new expenses or a portion of them will be determined in the processing and eventually, the commissioners' decisions regarding the cases.

You may be interested in following the filings, processing and comments regarding these rate cases and you may do so online by going to www.puc.sd.gov and clicking on "Commission Actions," and "Commission Dockets." Click on "Electric Dockets," "2012 Electric Dockets" and "EL12-061" to reference the BHP rate case. To follow the MDU case, click on "Natural Gas Dockets," "2012 Natural Gas Dockets" and "NG12-008." You may also find the Electric and Natural Gas Rate Case Increase Requests Info Guide documents helpful. These links can be found on our home page:

<http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf> and
<http://www.puc.sd.gov/commission/Publication/naturalgasratecasehandout.pdf>

We do understand increases are difficult to handle, especially for individuals and businesses with limited means to increase income or revenue. I assure you none of the PUC Commissioners or staff wishes to increase utility rates for South Dakotans. The Commissioners are consumers and understand how increased costs affect us all. Please be assured that they and the commission staff take their jobs seriously as they carefully review these rate filings and all the other decisions required for them to review and process according to state law.

I hope this helps explain how the commission is reviewing the issues you raise with the BHP and MDU rate cases. Thank you for writing to make us aware of your concerns.

Sincerely,


Deb Gregg
Consumer Affairs Manager