
From: Nelson, Chris
Sent: Thursday, September 12, 2013 10:38 AM
To: 'Robert Sack'
Cc: Van Gerpen, Patty
Subject: RE: Black Hills Power increase

Dear Mr. Sack:

Thank you for your email regarding the PUC's adjudication of the Black Hills Power rate increase request.

Several large electrical users in the Black Hills Power service area chose to formally intervene in this rate increase request docket as is common in rate cases filed with the commission. Intervention means that those businesses get a seat at the table along with the PUC staff and Black Hills Power representatives as the rate increase request is being considered or any potential settlement is being negotiated. Formal intervention was open to any Black Hills Power customer.

As mentioned the PUC staff is automatically a party in the docket. They represent you, the customer, in making sure that the only revenue increases allowed for a utility company are those required by state law. Their job is to analyze the entire case as filed and cut any requested amounts that exceed what must be allowed by law. In this case, the PUC staff is recommending slashing the requested increase by about one third. Understand that this is the PUC staff recommendation. It will be up to the three commissioners to make the final decision on whether to accept this recommendation.

Part of the job of the PUC staff is overseeing any negotiations between formal interveners and the utility to make sure that any agreement is legal and does NOT push utility costs onto other customers to the benefit of the interveners. That is a crucial part of the staff review. I can also tell you from my viewpoint as a commissioner that this is an absolute with me. Large customers will not be allowed to push their share of the costs onto other customers.

Will the per kwh rate for large industrial customers be less than it is for a residential customer, yes. That said, realize that industrial customers pay a demand charge that residential customers don't pay. Also because of the tremendous quantity of electricity consumed by large customers, the utility's cost to deliver that electricity on a per kwh basis is much less than the cost to deliver residential power. All of these factors are incorporated into the deliberations of PUC staff and the commission as we determine the appropriate rates for each type of customer.

The private contractual terms that are negotiated between the interveners and the utility are allowed under state law to remain confidential. That said, there are provisions in state law for any person to challenge the right for those provisions to be confidential. Under such a challenge, the PUC commissioners would make a determination appealable to circuit court on whether the agreements should become public. There is a second provision of law which allows any

citizen to view the contents of these confidential agreements subject to protective order provisions as established by the commission. These two provisions of law ensure that citizens have access to this information without violating a private business's right to maintain some confidentiality in the contracts they enter into.

Commissioner campaign finance records are an open record and can be accessed on the Secretary of State's website at www.sdsos.gov. I encourage you to view those open records. You will find that none of the commissioners received any campaign contributions from any of the interveners in this docket.

If you wish to follow the progress of this rate case, you can do so via the PUC's website at www.puc.sd.gov. Click on Commission Actions, Commission Dockets, Electric Dockets, 2012 Electric Dockets, and scroll down to EL12-061. You may also find this document of interest: "Electric Rate Increase Requests Info Guide." Click on the fourth arrow in the list on our home page to get to it.

Thanks again for your emailed questions. If you have additional questions, please let me know.

Sincerely,

Chris Nelson

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