
From: PUC

Sent: Tuesday, January 21, 2014 3:37 PM

To: [REDACTED]

Subject: FW: Rate hike

Mr. Davis:

This is in response to your message regarding Black Hills Power and storm Atlas-related costs the company experienced. The Public Utilities Commission approved BHP's request for deferred accounting for expenses from the storm during the last commission meeting. The approval applies to the interim accounting of these costs, allowing BHP to set these aside for accounting purposes to be reviewed for possible recovery during a rate case. The commission's approval of this accounting method does not mean approval of the costs. The commission will review these during the next BHP rate case to determine if any are reasonable and allowable by law for rate recovery.

The company is expected to file their next rate case this spring. Only those expenses that meet the legal standards will become part of the company's rates for the period of time approved in that case.

You mention that if you owned a business, you could not charge your customers for storm-related costs. However, BHP is a public utility and it must operate within specific laws that govern it and which the PUC must follow in regulating it. This includes the review and allowance of reasonable and just costs to operate the utility – costs allowed by law to be passed on to customers. If the commission were to act outside of the laws and disallow any or all rate increase requests, our decisions would be appealed to a higher court, the commission's decisions would be reversed and the law would be upheld. The costs for such an appeal would be added to costs passed along to consumers. Therefore, asking the commission to say no to all rate increases and act outside the boundaries of the law is unwise.

BHP is owned by Black Hills Corporation, and BHC owns several business entities in addition to BHP. Some of these entities are regulated by other jurisdictions and some of these businesses are unregulated. How those other regulated and unregulated entities operate and profit is beyond the oversight of the South Dakota PUC, so I cannot address their profits.

A rate case takes approximately a year to be completed, from initial filing by the company to the commission's decision. Along the way, numerous documents and spreadsheets are analyzed, and many inquiries for additional data are made of company officials for further investigation by commissioners and staff. When BHP files its next rate case, I can assure you that commissioners and staff will carefully scrutinize costs and justifications.

Thank you for contacting me and allowing me the opportunity to explain the commission's role with BHP's rates. I will see that your message is added to the EL13-036 docket in which the storm cost accounting process was handled.

Chairman Gary Hanson
South Dakota Public Utilities Commission
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