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**From:** PUC  
**Sent:** Monday, January 27, 2014 5:02 PM  
**To:** Lens, Lois  
**Subject:** Black Hills Power

Ms. Zens:

This is in response to your message about Black Hills Power's costs. The Public Utilities Commission approved BHP's request for deferred accounting for expenses resulting from storm Atlas, during action at the Jan. 7 commission meeting. This approval applies to the interim accounting of these storm expenses. It allows BHP to set aside these costs for accounting purposes to be reviewed for possible recovery during a future rate case. The commission's approval of this accounting method does not translate to approval of the costs.

When the company files their next rate case, expected this spring, the commission will then fully analyze the costs to determine if they are appropriate and allowable under state law. Only those expenses that meet these standards will become part of the company's rates for the period of time approved. BHP cannot legally save money by charging in advance for a catastrophic storm that may never happen.

You mention that the company has raised rates enough. We appreciate your concern with increasing costs. As commissioners we work to protect consumers from unnecessary rate increases. Rate increases are, however, occasionally justified. We have a strong track record of carefully analyzing rate requests and providing only for what can be strongly documented as recoverable expenses. You also mention that you live in an all-electric area so you have no choice. Because of this, BHP is classified as a public utility and that means it must operate within specific laws that govern it and which the PUC must regulate. This includes the review and allowance of reasonable, just costs to operate the utility – potentially including insurance costs and storm recovery costs beyond insurance reimbursements. The PUC cannot simply say no to any rate increase the utility requests to implement, regardless of justification or need. South Dakota law lays out the parameters for rate cases which a public utility must file and the commission must process. A utility rate case takes approximately a year to be completed, from the company's first filing to the commission's final decision. Meanwhile, many documents and much data are analyzed, and numerous questions are asked of the company for investigation. As commissioners, we must make decisions that abide by the law.

You may wish to review BHP's next rate case to follow the process. These filings may be found at [www.puc.sd.gov](http://www.puc.sd.gov) and your comment will be added to the EL13-036 docket in which this accounting method was acted on.

Thank you for contacting us to relay your concerns.

Sincerely,

Gary Hanson  
Commissioner

Chris Nelson  
Commissioner

Kristie Fiegen  
Commissioner