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Kristie Fiegen, Vice Chairperson  
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*South Dakota*

**PUBLIC UTILITIES COMMISSION**

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January 31, 2015

John Martin  
[REDACTED]

Dear Mr. Martin:

This is in response to your Jan. 23 letter regarding Xcel Energy's electric rate increase request application currently being reviewed by the commission. You enclosed a letter to the editor from Francis DiCesare of Rapid City, dated Jan. 17, 2014 from the Argus Leader, regarding Black Hills Power's rate increase request that is also open before the commission.

DiCesare stated, "*but BHP can and has increased their rates before any official approval.*" The BHP rates which went into effect on Oct. 1, 2014 are interim rates. By law, public utilities are allowed to implement their proposed increased rates once the required 180-day suspension ends. If the commission ultimately approves rates lower than the interim rates, BHP will be required to refund its customers the difference in rates plus interest for the interim period.

When a utility files a rate case with the commission, the commission is obligated by law to thoroughly process the case. PUC commissioners cannot simply say no and reject it since we are required to investigate it and make a just and reasonable decision. This process can take almost a year to complete. Each commissioner, the commission's staff and expert consultants hired by staff will review the entire case – referred to as a docket – separately, along with any intervenors in the case. We request and review additional data and information from the utility before a decision is rendered. As a former American government teacher, you understand that the commission cannot rule beyond its jurisdiction in a case. To do so would cause an appeal to circuit court, and would likely cost Xcel ratepayers even more in rates due to the resulting escalated legal costs incurred by the utility and the commission in dealing with an appeal.

I assure you that I am not a "yes person" to Xcel Energy or to any other utility the commission regulates. My job as a commissioner is to thoroughly investigate the rate increase application filed by Xcel and arrive at a just and reasonable rate based on the testimony provided in this docket.

You ask that I vote to help the people of South Dakota, not a large corporation. Xcel is a public utility and as such, federal and state laws govern how it must operate and how the commission must regulate it. The laws include what is commonly known as "ring-fencing" and this prevents an investor-owned utility of being stripped of its profits by shareholders. The purpose is to retain sufficient funds to operate the utility and reinvest in the system in order to provide safe, reliable service to the utility's customers. It is important that the citizens of South Dakota are served by safe, reliable electric service and a utility must have sufficient funds in order to provide such service.

The cost of electricity has not only been rising for you and me, but for other investor-owned, rural cooperative and municipal electric systems' customers throughout South Dakota and the U.S. as we are learning in news reports daily. South Dakota has six investor-owned electric utilities, and of these, four currently have open rate case request dockets before the commission. In addition to Xcel and BHP, MidAmerican Energy and NorthWestern Energy also have open rate cases. The most-cited reason for these increased rates is new federal mandates, particularly those from the Environmental Protection Agency. American Electric Power reports that 65,000 MW of electric capacity are being retired largely because of EPA regulations. That is nearly 30 times the amount of electricity the state of South Dakota uses at peak demand. You can read Xcel officials' testimony about this docket by reviewing their application online. Go to [www.puc.sd.gov](http://www.puc.sd.gov) and click on Commission Actions, Commission Dockets, Electric Dockets, 2014 Electric Dockets, and scroll down to docket EL14-058.

Enclosed is a document titled Electric Rate Increase Requests Info Guide which may be of interest.

I appreciate your distaste for increased energy costs, particularly while living on a fixed income. None of us wishes to see our rates increase including my fellow commissioners and me. However, the law requires the commission to allow utility rates that are proven reasonable and justifiable.

Thank you for contacting the commission with your concerns. All discussion involving commissioners on the case must be available to the public. Therefore, your comments and my response will be filed in the docket.

Sincerely,

A handwritten signature in cursive script that reads "Gary Hanson".

Gary Hanson