



Chris Nelson, Chairperson  
Kristie Fiegen, Vice Chairperson  
Gary Hanson, Commissioner

*South Dakota*

**PUBLIC UTILITIES COMMISSION**

500 East Capitol Avenue  
Pierre, South Dakota 57501-5070  
[www.puc.sd.gov](http://www.puc.sd.gov)

Capitol Office  
(605) 773-3201

Grain Warehouse  
(605) 773-5280

Consumer Hotline  
1-800-332-1782

Email  
[puc@state.sd.us](mailto:puc@state.sd.us)

April 8, 2015

Lyle Berg

Webster SD 57274

Dear Mr. Berg:

This is in response to your letter about the NorthWestern Energy rate increase request currently pending with the commission. I appreciate your concern about increased electric costs. 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.

NW filed their rate increase request application with the commission on Dec. 19, 2014, and here are excerpts from NW's letter filed with this application:

*NorthWestern last filed a general electric rate case in 1980, approximately 34 years ago. NorthWestern's addition of the Aberdeen peaker plant to its generation fleet, upgrades to the environmental controls at NorthWestern's thermal generation facilities, the Yankton transmission project, and NorthWestern's move to integrate with the Southwest Power Pool ("SPP") are the primary drivers for the need to increase electric rates in South Dakota.*

*The additional revenue requested in the Application is needed to offset the increased costs incurred by NorthWestern in providing service to its customers, including the costs caused by federally required upgrades for environmental emissions controls at Big Stone, Coyote, and Neal #4; the addition of new peaking generation in Aberdeen; transmission and distribution upgrades; and NorthWestern's participation in SPP.*

Items such as plant construction and maintenance are included in base rates, and NW can only change these rates through a rate case request application. Because NW is a public utility and must operate within the laws that specifically govern public utilities, it cannot save in advance via customers' rates for plant construction or replacement or upgrade costs to comply with federal mandates. It must capture revenue for those expenses via customer rates. Rate increases to allow for such expenses must be improved by the Public Utilities Commission.

When a utility files a rate case, the commission is obligated by law to thoroughly process the case. This usually takes most of a year to complete, and the law requires the commission complete its analysis and render a decision on a rate case within a one-year time frame. Each commissioner, the commission's staff and expert consultants hired by staff review the entire case – referred to as a docket – separately, along with any intervenors in the case. Each party to the case requests and reviews additional data and information from the utility before a decision is ultimately rendered. The utility's expenditures are carefully reviewed regarding need and prudence during this analysis.

The cost of electricity is rising for investor-owned, rural cooperative and municipal electric systems' customers throughout South Dakota and the U.S. South Dakota has six investor-owned electric utilities, and of these, four have rate case request dockets before the commission. The most-cited reason for these increased rates is new federal mandates, particularly those from the Environmental Protection Agency. You can read NW's official testimony about their rate request application's cost-causers in the docket. 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 EL14-106.

The enclosed Electric Rate Case Requests Guide helps explain the commission's process in handling rate cases such as this.

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 black ink, appearing to read "Chris Nelson". The signature is stylized and cursive.

Chris Nelson