
From: PUC
Sent: Friday, July 24, 2015 12:59 PM
To: [REDACTED]
Subject: EL14-106

Mr. Rogness:

Thank you for the email sharing your concerns about the rate increase request filed by NorthWestern Energy, currently being analyzed by 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. The utility last filed an electric rate case in 1980.

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. Our state has six investor-owned electric utilities, and of these, five have filed rate case request dockets before the commission within the past 16 months. 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, EL14-106: <http://www.puc.sd.gov/Dockets/Electric/2014/el14-106.aspx>

This Electric Rate Case Requests Guide helps explain the commission's process in handling rate increase request cases such as this: <http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

I agree with you that rate increases add financial stress to consumers on tight budgets. An option you may wish to look into is NW's monthly budget billing plan. With budget billing, you pay the same each month. Amounts are calculated based upon the past 12 months of usage at your current location and the rates currently in effect. NW will review your budget billing amount periodically to prevent a large overpayment or underpayment from accumulating on your account. Contact the utility's customer service staff by calling 800.245.6977 to inquire about this option.

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

Chairman Chris Nelson
South Dakota Public Utilities Commission
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