
From: PUC
Sent: Friday, February 12, 2016 10:39 AM
To: [REDACTED]
Subject: EL15-024

Ms. Flemmer:

Thank you for contacting the commission with your comments regarding the MDU rate increase request application currently being processed by the commission.

The utility's application filed on June 30, 2015 requested an increase of 19.2% percent. Here is a link to the rate case docket, EL15-024, with the complete application, <http://www.puc.sd.gov/Dockets/Electric/2015/EL15-024.aspx>, and here is an excerpt from the utility's letter filed with the rate increase application:

Montana-Dakota is proposing to increase its electric rates for the following reasons:

- 1. The need to make modifications at generation facilities to comply with new Environmental Protection Agency (EPA) requirements and the increased operating costs of this compliance effort to keep the low cost generating units operating. This includes modifications required to the Lewis & Clark coal fired station located at Sidney, Montana and the Big Stone coal fired plant located at Big Stone City, South Dakota*
- 2. The need to add, and/or replace, capacity and energy requirements including:*
 - The 107.5 MW Thunder Spirit Wind Project which is scheduled to go into service in December of 2015;*
 - Two Reciprocating Internal Combustion Engines (RICE Units) being added at the Lewis & Clark Station for a total of 18.6 additional MWs; and*
 - The 88 MW Heskett III Simple Cycle Combustion Turbine which went into service in the fall of 2014.*
- 3. Transmission investments needed to ensure reliability and additional costs that will be incurred due to replacing transmission services previously provided by the Western Area Power Administration and Basin Electric Power Cooperative that will now be provided through the Southwest Power Pool.*

When a utility files a rate increase request with the PUC, the commission is required by law to thoroughly process the docket according to the laws that govern investor-owned utility rates. We cannot reject a rate case outright since we are required to investigate it and make a just and reasonable decision. In order to accomplish this we go through an extensive process that can take almost a year to complete. Each commissioner, the commission's staff and expert consultants hired by staff review the entire case – also referred to as docket – separately, along with any interveners in the case. We request and review additional data from the utility before a decision is rendered. We will hold a formal evidentiary hearing if necessary in order to obtain all information and allow interveners the opportunity to fully participate.

Discussion involving commissioners on the case must be available to the public. The commission's work is done electronically to be the most time and cost effective, and anyone can review the majority of the filings in the case online.

It is important to understand the reasons MDU cited when filing this case, including investments in plant infrastructure and compliance with federal mandates.

Within the last two years, the commission has processed rate cases from the five other investor-owned utilities in the state: NorthWestern Energy, MidAmerican Energy, Xcel Energy, Black Hills Energy, and Otter Tail Power. Although different utilities have different costs of generating electricity, distribution and load types, the commission has been dealing with requested increases due to infrastructure improvements and federal compliance throughout the state. It is also important to recognize that investor-owned utilities differ significantly from municipal electric and rural electric cooperative systems as to fiscal structure, management, finance tools available, and regulatory oversight.

Given your interest, I encourage you to follow along as the rate case is processed. Your comments and my response will be filed in the docket. Here is a link to a document explaining the commission's processing of electric rate increase requests: <http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

I appreciate you taking the time to share your concerns.

Chris Nelson, Chairman
South Dakota Public Utilities Commission
www.puc.sd.gov