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April 11, 2013

The Honorable Gary Hanson
Chairman of the South Dakota Public Utilities Commission
500 E. Capitol Avenue
Pierre, SD 57501

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**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

**RE: Docket No. NG12-008
Proposed Montana Dakota Utilities Rate Increase**

Dear Chairman Hanson:

Thank you for the opportunity to comment on the proposed rate increase for the Black Hills region. While the City applauds MDU's work to reduce operating costs on a per customer basis, we are seeking further information in order to determine if the proposed increase is truly justified.

The first item of concern is MDU's typical residential customer impact calculation. MDU appears to underestimate the impact of a lowered bill for the East River customers. In calculating the increase for the Black Hills area, it assumes a residential use of 75 dk on an annual basis. However, this is compared to the East River customer using an anticipated 61 dk annually. This is an effective reduction of nearly 19%, which seems to underestimate the true benefit East River customers will realize. This is especially troubling when looking at the average temperatures for the East River compared to the Black Hills region. The climatic variation between the two locations would seem to indicate that the East River service area would use a greater degree of gas annually than the Black Hills region.

Secondly, there is very little information to justify why MDU is seeking to consolidate the two rate areas. It states that the East River system has "matured to a point where it is no longer necessary to maintain two separate rate areas." As far as the City can tell, MDU has not provided any metrics or objective rationale in which this assertion can be made. MDU further states that the rate consolidation "recognizes the cost to serve the two areas is similar." Once again there is no data to assess whether this assertion is true. The City is concerned that this statement likely does not include the costs associated with the transport and other costs necessary to provide services to the East River customers. This proposal may result in minimal administrative savings for the company, however, the substantial change will result in a highly inequitable distribution of payments. For this reason, MDU should include the empirical data that would fully promote customer understandability of applicable rates. As currently presented, it appears as though MDU is seeking to reduce costs for a small portion of its customer base by drastically increasing the pricing for the majority of its customers. This is especially troubling because of the impossibility of customers to choose another utility provider.

We look forward to better understanding the rationale behind the proposed utility changes.
Please feel free to contact me at 347-4422 if you should have any questions.

Sincerely yours,

A handwritten signature in black ink that reads "Dan Ainslie". The signature is written in a cursive, slightly slanted style.

Daniel Ainslie
City Manager
City of Sturgis