

From: PUC

Sent: Friday, March 06, 2015 1:31 PM

Subject: BHP RATE CASE, EL14-026

Mr. and Mrs. Larson:

This is in response to your letter regarding the Black Hills Power rate increase request application filed by the utility on March 31, 2014, and acted on during the March 2, 2015 commission meeting. I agree with your dislike for increased energy costs. I do not wish to see your or my electric rates increase, and I am certain my fellow commissioners agree. However, the law requires the commission to thoroughly analyze rate increase request applications and allow utility rates that are proven just and reasonable.

As noted in BHP's application, the utility requested an average increase of 9.25 percent and the commission approved a rate of 5.43 percent for residential customers.

BHP is a public utility and as such, it must operate within the laws that specifically govern public utilities. It must capture revenue for its expenses such as power plant replacement and maintenance and storm recovery costs via customer rates. Rate increases to allow for such expenses must be improved by the Public Utilities Commission according to the law. This is different from most other businesses providing us services which are not classified as public utilities and therefore, are not subject to these legal requirements.

I understand that dealing with rising costs is challenging. As you point out, you both are employed but such increases are particularly challenging for folks living on a fixed income. You mentioned that you've had an energy audit on your home and are working on adjustments as a result. I applaud you for doing this. If you are interested in learning about other possible energy-saving tools – if you haven't done so already – check out BHP's resources at www.BHPsavemoney.com or contact BHP's Melanie Toney at (605) 721-1709.

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, as this one did, 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. Any intervenors in the case conduct separate analyses as well. We request and review additional data from the utility before a decision is rendered. I encourage you to check out the docket to see what documents are filed and what questions are asked and answered. I believe you will find that a rate case investigation is neither simple or quickly handled. It is a long, arduous process for all involved. Here is a link to this docket, EL14-026: <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>

The cost of electricity is on the rise for you and me, and 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 open 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. 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. EPA mandates were one of the four reasons cited by BHP in filing this rate increase request. You can read BHP official Vance Crocker's testimony about this in the docket:

<http://www.puc.sd.gov/commission/dockets/electric/2014/EL14-026/crocker.pdf>

This document helps explain the commission's process in handling rate cases:

<http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

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.

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