
From: PUC

Sent: Tuesday, April 29, 2014 9:54 AM

To: [REDACTED]

Subject: FW: Black Hills Power and Light

Importance: High

Dear Ms. Rohrer:

Thank you for your April 25th message regarding the Black Hills Power rate increase request. Since BHP filed this on March 31, 2014, commissioners and staff have been investigating the filing and we are in the very early days of this process. A complex rate case such as this may take up to a year to fully process and it will take time to answer many of the questions I have as well as those from the PUC staff, my fellow commissioners, possible intervenors, as well as questions that I have heard from citizens like you.

For example, you question whether or not BHP could or should have had insurance to cover the costs of the storm damage. State law provides that a utility has the right to recover the cost of insurance. Additionally, that cost would be borne by you and other customers over a period of years. Therefore, I must weigh the cost to carry insurance that is sufficient to cover the expenses of extreme storms, similar to and even more extensive than the Atlas storm, against the potential cost of the storm. As to whether that would have been more prudent or less expensive for you as a consumer is an answer I do not have at this point. This is a decision much like you or I personally must weigh when deciding whether to carry liability-only insurance on a vehicle, or full coverage in case of an accident.

BHP is a public utility and as such, extensive laws at the federal and state levels govern it and also govern the commission as to regulatory oversight of the utility. The utility is allowed to pass along to its consumers most of the costs it incurs in providing you and me with electric service. This is in contrast to most other businesses providing us with services.

I do not know if the utility is building new offices near Rapid City, but we will learn about that during the investigation of this case.

You mention that you wish competition was available in the power market. This wish must be carefully contemplated. The costs of duplicative transmission and distribution facilities make full competition in the electric industry economically unfeasible. Some states do have “managed competition” in which customers may

choose the generation provider. In a “competitive” electric state, the regulated utility must still deliver the electricity to customers’ homes and businesses. However, states that do allow “managed competition” tend to have higher rates than states such as South Dakota that operate under the traditional “vertically integrated” system. In the competitive states, generation providers are allowed to charge market rates which are not regulated. Choosing a generation provider does not diminish costs such as requirements to build new power plants due to EPA regulations. It only allows customers to choose which company they want to pay these costs to.

Keep in mind also that electric rate increases are something not only experienced by you as a BHP consumer, but also by the utilities across our entire country and state, whether they are investor-owned, cooperatives or municipal electric systems. EPA and other federal mandates are causing costs to increase as we are hearing about and seeing on the news every day.

May I take this opportunity to remind you that you may follow along as this docket is processed. You can review the filings in this docket, EL14-026, on our web site: <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx> Your comment and my response will be added to the docket. You may also find the Electric Rate Increase Requests guide helpful as to the complete processing of such a docket: <http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

Thank you for your additional questions and comments.

Sincerely,

Gary Hanson