
From: PUC

Sent: Tuesday, March 03, 2015 5:39 PM

To: [REDACTED]

Subject: BHP RATE CASE, EL14-026

Mr. Sack:

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 yesterday's commission meeting. I appreciate your distaste for increased energy costs. None of us wishes to see our rates increase including my fellow commissioners and me. However, the law requires the commission allow utility rates that are proven reasonable and justifiable.

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.

One item on consumers' BHP bills is the Cost Adjustment Summary and these charges consist of: 1) Environmental Improvement Adjustment (EIA), 2) Energy Efficiency Solutions Adjustment (EESA), 3) Transmission Cost Adjustment (TCA), 4) Fuel and Purchased Power Adjustment (FPPA), and 5) Transmission Facility Adjustment (TFA). All these charges are per kWh charges and require commission approval. An explanation of these charges with current rates can be found under Section 3C, pages 12 through 22 of BHP's tariff at the following link: <http://puc.sd.gov/Tariffs/electrictariff.aspx>

Items such as plant construction and maintenance are included in base rates, which are composed of the Customer Charge and Energy Charge. BHP can only change these rates through a rate case request application. Because BHP 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 storm recovery costs. 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 as required by law.

I understand that dealing with rising costs is challenging on a fixed income. If you are interested in learning about possible energy-saving tools, I encourage you to check out resources from BHP at www.BHPsavemoney.com or by contacting BHP's Melanie Toney at (605) 721-1709. You may be a candidate for the utility's onsite assessment and whole home energy audit, seeking cost effective energy savings for your home.

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, along with any intervenors in the case. We request and review additional data and information from the utility before a decision is rendered.

The cost of electricity is on the rise not only for you and me, but for other 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, EL14-026, at <http://www.puc.sd.gov/commission/dockets/electric/2014/EL14-026/crocker.pdf>

You refer to campaign funds that elected officials must file publicly and these can be viewed at <https://sos.sd.gov/CampaignFinance/Default.aspx>

This document helps explain the commission's process in handling rate cases such as this: <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
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