



Gary Hanson, Chairperson
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South Dakota

PUBLIC UTILITIES COMMISSION

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April 9, 2014

Vern and Aurie Ziebart
[REDACTED]

Dear Vern and Aurie:

This is in response to your questions regarding the Summary Adjustment charge on your Black Hills Power bill and concerns about BHP's recent rate filing.

The Cost Adjustment Summary is made up of the following items:

- EIA – Environmental Improvement Adjustment
- EESA – Energy Efficiency Solutions Adjustment
- TCA – Transmission Cost Adjustment
- FPPA – Fuel and Purchased Power Adjustment
- TFA – Transmission Facility Adjustment

The Cost Adjustment Summary is not a new charge. However, it is the result of changes to BHP's bill and the addition of this itemized list. Your base rate previously included some fuel, purchased power costs and transmission costs. Anything over or under these amounts was recovered through the Fuel and Purchased Power Adjustment and a Transmission Cost Adjustment.

The Cost Adjustment Summary now includes the Base Costs as well as the inputs listed above. Therefore, it is higher than it was previously, but due to the changes, the Energy Charge is lower. By separating these charges, your bill is more transparent revealing specific costs associated with supplying electricity. These categories were scrutinized by the commission before BHP was allowed to recover them from customers. Prior to this, the categories were part of legislation that was considered and approved by the South Dakota Legislature, allowing investor-owned utilities in the state to collect these costs from customers and providing regulatory oversight by the commission.

BHP is a public utility and it must operate within federal and state laws that govern it and which the PUC must regulate. This is in contrast to most businesses which are not subject to this regulatory oversight. The PUC cannot simply reject outright any rate increase the utility requests. South Dakota law lays out the parameters for utility rate cases. Such a case takes approximately one year to be completed, from the company's first filing to the commission's final decision. Many documents and much data are analyzed during this time, and numerous questions are asked of utility officials by a team of commission staff analysts, a staff attorney and specialized financial consultants if needed. Commissioners and their advisors study the case independent of staff, as do any

other parties to the case. Meanwhile, other dockets are being filed and processed by the commission. I have enclosed a document which explains the rate case process.

I understand rate increases are difficult to handle, especially for individuals and businesses with limited means to increase revenue. We all become weary of increasing costs and I assure you none of the commissioners or staff members wish to increase utility rates for you or any South Dakotans.

I appreciate your comments and encourage you to follow BHP's future filings regarding these issues. You can do so via www.puc.sd.gov. Click on Commission Actions, Commission Dockets, Electric Dockets, and 2014, then scroll the list of dockets and click on EL14-026. Your comments will be added to this docket.

Sincerely,



Gary Hanson