

-----Original Message-----

From: Chuck1313

To: Gary Hanson

Subject: BHP

Sent: Apr 1, 2014 3:50 PM

Gary... I own a small grocery business and live in Custer... We can't allow BHP to keep raising the rates of its service to the consumer... It is a complete shame to see how top heavy they are in their company.. I personally have friends that work for BHP and have had numerous conversations about the enormity of their workforce and the pay they receive for what they do... I understand that they are doing more than meets the eye... I know from personal experience here in Custer a rate increase will do damage to plenty of people that are struggling to make ends meet... I will be severely disappointed if they are allowed an increase... it is time for us to take a stand and "force" them to use the profit they make for re-investing into their business and not allow them to "hike" the rates whenever they "need" extra money for new plants.. storm damage and the like... they are more interested in their investors than the people who pay for their

service.. I sincerely hope you and your staff take a long hard look at this company and put a stop on the continual rate hikes they have been allowed.. thanks for your time... Mike Hiltunen.. Custer County Market..

From: PUC

Sent: Thursday, April 03, 2014 5:31 PM

To: 'ccm@goldenwest.net'

Subject: FW: BHP

Mr. Hiltunen:

Thank you for your message regarding Black Hills Power's rate case. You wrote in January regarding your concerns when BHP requested separate accounting for storm Atlas-related costs which were part of docket EL13-036: <http://www.puc.sd.gov/Dockets/Electric/2013/EL13-036.aspx>

Your messages and my response along with the other commissioners' were filed under "Comments and Responses" in this docket.

On Monday, March 31, BHP filed a rate application which seeks recovery of generation plant costs as well as in a much lesser measure, the storm's costs. Commission staff and the commissioners began the process of analyzing this rate case and the many documents and spreadsheets filed, in addition to documents we will request be submitted for analysis. This process takes months. You are welcome to follow along as the docket is processed by reviewing documents filed and posted on our web site. One issue that will be studied during the investigation is BHP's workforce and its compensation. However, it is important to remember that we are not investigating Black Hills Corporation which owns other regulated and non-regulated entities. Here is a link to the BHP rate case docket, EL14-026: <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>

I encourage you to follow the case so you can understand the reasons the company claims it needs rate recovery to provide safe, reliable electric service to its customers. The commission must regulate this public utility owned by shareholders (as opposed to no rate authority and very limited regulatory authority regarding rural electric cooperatives and municipal electric systems since they serve their own members/owners, and are owned and managed by members/owners). The commission's regulatory oversight must stay within the boundaries of federal and state laws which define the commission's authority. Commissioners cannot simply say, "No, you receive no rate increase, BHP" without investigating the case thoroughly. If the utility can justify the need for rate recovery of legally allowable costs, the commission must approve them. If the commission were to simply say, "No, these costs are a hardship for consumers," rejecting any increase outright, the utility would most certainly appeal their case to a higher court. The costs to conduct such an appeal would result in more expense to be borne by customers. A utility is allowed to pass along its costs regarding such filings and litigation to consumers. Therefore, the commission would not only be irresponsible and acting outside the laws governing it, it would cause your electric costs to increase even further.

As far as BHC's shareholders, they are legally allowed to earn a profit from their shares in the corporation. Those shareholders would obviously not invest their funds in BHC were they not allowed a return on their investment. The law creates what is referred to as ring-fencing between the various entities owned by BHC and the regulated utility subsidiary portion of their portfolio. The reason for this is so that a corporation cannot bleed profits from a utility in their portfolio, i.e. shaving utility costs leading to unsafe, unreliable electrical service. Both federal and state laws stand in the way of allowing an investor-owned utility to operate in this manner.

Utility rate cases require a significant investment of time to process thoroughly. Many of the documents filed are complicated and lead to more questions which mean more documents are requested of the utility, requiring more time and study. A team of commission staff analysts (four on this docket), a staff attorney and specialized financial consultants (as needed), work their way through the issues, along with commissioners and advisors who work separately in their investigation. If there are intervenors in the case, they also work separately to analyze the case. The law limits the commission to a one-year period to process the case from the company's filing to the commissioners' final ruling. Therefore, we must work thoroughly yet quickly. A year may seem ample to the casual observer, but keep in mind that while this rate case is being processed, a number of other dockets are also being filed and processed by the commission.

Here is a document which helps to explain the rate case process which may provide insight:

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

BHP is likely not the only utility in the state filing a rate case in 2014. Costs are increasing for numerous investor-owned, cooperative and municipal utilities across the United States and in South Dakota, as we are hearing in the news every day.

I hope this helps you understand the rate case process. Most importantly, I hope you can appreciate that none of us at the commission wish to raise your rates. We take our work seriously. However, we cannot simply refuse to consider any utility rate increase, regardless of the fact that if an increase is allowed, it will undoubtedly result in hardship for some consumers. If the increase is justified, whether a result of power plant replacements, new federal EPA rules, storm damage or transmission investments, the commission is obligated by law to allow it. Your message and my response will be filed in EL14-026 since this is an open docket.

Thank you for writing and expressing your opinion, and allowing me this opportunity to explain the commission's role with rate requests.

-----Original Message-----

From: Ron Jensen [REDACTED]

Sent: Tuesday, April 01, 2014 10:07 PM

To: Hanson, Gary (PUC)

Cc: Nelson, Chris; Fiegen, Kristie

Subject: Black Hills Power

Dear Chairman, Vice-Chairman, and Commissioner,

Thank you for serving on the Commission. It is, no doubt, a thankless position.

I hope it's appropriate that I share with you my concerns about the proposed rate increase being requested by Black Hills Power. I know that you will make informed decisions and that you have a capable staff of analysts to give you the best information possible. Briefly, though, I can't help but reach out to you with my concerns. Take them for what they are worth!

I am deeply suspicious of the validity of BHP's request for the following reasons:

1) I understand that profitability is a good thing for a business.

However it seems to me that a regulated utility has responsibilities to its consumers as well as to its stockholders. A share price rocketing 27% in the last 12 months from \$45.53 to \$57.93 (if I understand the market prices correctly) sounds to me like perhaps more value is going to stockholders than to consumers.

2) Black Hills Corporation does not have an unblemished record on fiscal responsibility. Black Hills Fibercom, according to acquaintances within the entity before it was sold, experienced unbridled spending during the construction phase. BHP is not Fibercom obviously, but they are part of the same corporate culture. Some of BHP's public comments made in

reference to the rate hike request, make me wonder about the motives behind the rate request. To blame the increased cost on new emissions requirements, ignores the reality that BHP's plants are old and due for replacement anyway. Does a responsible business set aside resources for replacing their infrastructure, or just wait until an opportunity arises to hike rates 13% at one blow, after hiking rates just one year ago? At the same time, shareholders seem to be taking home substantial increases in their holdings.

Thank you for your time. I know that your decisions will be based on objective analysis, not consumers' opinions, but it helps to be able to express my opinion to you.

Thanks again for your service.

Sincerely,

Ron Jensen
Rapid City