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**From:** HARRY MADDUX [REDACTED]

**Sent:** Monday, April 07, 2014 10:36:49 AM

**To:** PUC

**Subject:** Re: Black Hills Power

**Auto forwarded by a Rule**

Thank you for your response , as a senior on a fixed income I would die first before I could justify the long term cost of solar. I am upset over the idea that BHP can go up on their rate over a snow storm. A business owner plans ahead and has an emergency fund to get thru the unexpected costs. It looks like BHP did not plan ahead and got caught with a major snow crises so they put the burden on the home owners who has other costs associated with this storm to absorb. It also looks like the Utility companies come into you with a high rate increase and know they will get what they want thru negotiations. Is this a Game?? If they came to you with a reasonable increase in the first place maybe we the consumers would not complain on the increase. Maybe they need a controller who knows how to write a logical budget. One other thing it look's like the power companies are going to fire their plants with gas vs coal. It looks to me that if BHP goes up on their rate that MDU should go down as they would be selling more gas to the power companies and making more profit. The coal they are not going to use is probably going to China and the Government makes money on this so its not like the coal companies are going out of business and they still need some electric power.. I am glad we have you guys to keep them on their toes and not gouge the consumer. 001770  
Keep up the good work.

PUC

Vern & Aurie Ziebart  
[REDACTED]

I FIND THAT BLACK HILLS POWER  
IS ASKING FOR ANOTHER RATE INCREASE  
VERY DISTURBING,

BHP IS ABUSING THE SUMMARY  
ADJUSTMENT WHICH I ASSUME WAS  
APPROVED BY THE PUC.

I HAVE SEEN HOUSE BHP BILLS  
FOR #273 - INCLUDE A SUMMARY  
ADJUSTMENT OF OVER ONE HUNDRED  
DOLLARS.

WHY DOES BHP FEEL THE NEED  
TO ASK FOR A RATE INCREASE WHEN  
THEY CAN SIMPLY INCREASE THE BILLING  
WITH THIS SUMMARY ADJUSTMENT.

BHP NEEDS TO CUT THEIR COST OF  
OPERATION, HAVE FEWER MILLION DOLLAR  
EMPLOYEES - AND GIVE THEIR CUSTOMER  
WHO HAVE NO OTHER CHOICE, A BREAK.  
PLEASE TELL BHP TO TAKE A WALK,  
JUST SAY NO!!

A. Ziebart  
[Signature]  
#314



Gary Hanson, Chairperson  
Chris Nelson, Vice Chairperson  
Kristie Fiegen, Commissioner

*South Dakota*

**PUBLIC UTILITIES COMMISSION**

500 East Capitol Avenue  
Pierre, South Dakota 57501-5070  
[www.puc.sd.gov](http://www.puc.sd.gov)

Capitol Office  
(605) 773-3201  
1-866-757-6031 fax

Grain Warehouse  
(605) 773-5280  
(605) 773-3225 fax

Consumer Hotline  
1-800-332-1782

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](http://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

Lt. Col. George A. Larson, USAF (Ret.)

[REDACTED]  
[REDACTED]  
[REDACTED]



Wednesday  
2 April 2014

RECEIVED  
APR 07 2014

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION  
500 East Capital Avenue  
Pierre, SD 57501

Greetings from Rapid City, South Dakota.

Well Black Hills Power is digging into my pocket book again. I find there statement by Vance Crocker to be insulting. He said his company could have insured itself, but chose not to because its long tern analysis had shown it was less expensive for customers to pay for the cost after a major disaster rather than for those same customers to pay higher rates for insurance. This is non-sense. They take our money and pay high salaries and profits to investors rather than use insurance as a way to pay for disasters. I have to have insurance (house, car, dental, medical, life and accident). When I ran a business I had insurance so I would not lose my business. This is poor planning and now they want me to pay. They do not do maintenance like trimming trees. You have to call and call and call and not give up to get this done. This is why Chapel Valley did not lose its main line on interruption father up where the tree limbs were not trimmed. There is a lack of management with BHP. They always blame someone else like Congress. This is outrageous. We have to pay for their mismanagement.

The statement that a customer with 650 kilowatt hours (this is ridiculously low), the real average is close to 900 to 950. I have a 100 percent energy efficient house and my usage is closed to the 900 to 950. The statement that the cost will be \$130.00 a year is a lie.

Let's use my bill as an example

1. Average cost adjustment charge \$25.00 (this never is the same)
2. City sales tax \$2.39
3. State sales tax \$4.78

So, the actual cost is not \$130.00 for me but around \$180.00 and with the above added in brings the total to \$212 per year of approximately \$18.00 per month. This is going to go up because as more people use natural gas the cost adjustment is going to rise dramatically.

I am so tired of have my budget attacked to pay for other's poor management. You build a plant that is going to last 50 years. You take 1/50 of the estimated replacement cost, constantly adjusted each year to pay for replacement.

I got no one to pay for my tree cleanup which took 30 days. Cotton wood trees from my neighbor and not my trees which were trimmed and I only lost four branches, not whole tree sections. I have never seen anyone looking at my underground power boxes in my yard.

I write this with the realization that this is basically a done deal. My military retirement has already been ruined by the Democrats in Congress and the Department of Defense who have changed my retirement after I retired. I am very disturbed at the lack of fiscal responsibility in BHP. They are a monopoly where I am and I have no other option.

Oh well. Enjoy your day. My situation gets harder and harder just to pay utility bills, property taxes, fees and local/state/county taxes. You add up a \$1.00 here and another there, and your life revolves around how to pay monthly living expenses. BHP had their rate increase. It is time to spend the money they earn on their business and not high salaries, profits, advertising, and more. I don't have any excess funds. I have to make decisions on what bills to pay and how much. I can't go to my neighbor and ask them to pay my bills.

Sincerely,

*Lt. Col. George A. Larson, USAF (Ret.)*  
Lt. Col. George A. Larson, USAF (Ret.)



TUESDAY, APRIL 1, 2014

## BHP proposes rate hike for more than 66K customers

Daniel Simmons-Ritchie  
Journal staff

More than 66,000 customers could see their rates increase under a request Black Hills Power filed Monday with the state Public Utilities Commission.

If approved, the monthly bill of the average residential customer — a household that uses about 650 kilowatt hours per month — will rise by about 13 percent after Oct. 1.

For a typical household, that translates to around an extra \$130 per year.

The rate hike would be the second in two years for BHP customers if approved by the PUC.

On Oct. 1, 2013, rates were increased by an average of 6.4 percent after the company originally sought a 9.9 percent increase.

Vance Crocker, vice president of operations for the utility, said the most recent rate request is necessary to comply with federal regulations on coal-fired power plants and to recoup the cost of damage from the October blizzard that caused power outages throughout the Black Hills.

"We understand that this increasing cost is going to be a challenge for customers," he said.

In total, Black Hills Power is looking to raise about \$14.6 million in extra revenue each year. Over the next five years, about 5 percent of that sum will cover blizzard damage and 95 percent will cover costs relating to the new environmental regulations.

Crocker said his company needs to pass on the cost of the blizzard to customers since it didn't have insurance to cover the storm damages.

### How much will my rates increase?

Black Hills Power has created a calculator to allow customers to look at how their rates will increase under the company's proposed increase: [www.blackhillspower.com/rates/rate-applications-filings-cases/south-dakota/calculate-your-bill](http://www.blackhillspower.com/rates/rate-applications-filings-cases/south-dakota/calculate-your-bill)

» Power, A4

Lt. Col. George A. Larson  
USAF (Ret.)



WE on Sunday  
2 April 2014

RECEIVED

APR 07 2014

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION



Journal file

Black Hills Power has requested that the Public Utilities Commission agree to have ratepayers cover the cost of the millions of dollars spent to restore power after the October 2013 blizzard.

» From A1

### Power

He said his company could have insured itself, but it chose not to because its long-term analysis had shown it was less expensive for customers to pay for the cost after a major disaster rather than for those same customers to pay higher rates to pay for insurance.

"So the low-cost alternative is to not carry that insurance," he said.

However, Crocker said, the overwhelming majority of revenue from the proposed rate hike is intended to cover the cost of replacing three coal-fired power

plants.

Crocker said those three plants, which have served the Black Hills for more than 50 years, are no longer in compliance with new emissions standards from the Environmental Protection Agency. Black Hills Power could have retrofitted the new plants, but the company decided it was cheaper to invest in a new natural gas plant in Cheyenne, Wyo.

The company has invested \$95 million in the \$222 million plant. Crocker said after the cost of that plant is paid off, the extra revenue from its proposed rate hike will cover other capital expenditures and the depreciation of the plant.

001775

**From:** PUC  
**Sent:** Friday, April 11, 2014 1:04 PM  
**To:** [REDACTED]  
**Subject:** Black Hills Power Concerns

Lt. Col. George A. Larson, USAF (Ret.)  
[REDACTED]

Dear Lt. Col. Larson (Ret.):

Thank you for contacting the commission to relay your concerns about Black Hills Power.

You indicate in your letter that BHP should have planned for the unforeseen expenses of storm Atlas by purchasing insurance coverage or insuring itself so when the storm occurred, there would have been monies for repairs versus asking consumers to fund them.

Investor-owned utilities such as BHP must operate according to specific federal and state laws since they are considered monopolies. These laws also provide for specific regulatory authority by the commission within legal boundaries. BHP is owned by Black Hills Corporation, a separate and larger entity, and its shareholders. BHC's shareholders are 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 commonly 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.

Many individuals confuse the legal rights and obligations of BHC and its regulated utility subsidiary, BHP.

The law allows for BHP to pass along the costs for generation plant replacement and improvements from the rates it charges customers. In this rate increase filing, BHP asserts this is the largest portion of expense sought from this increase. A lesser portion is for expenses from storm Atlas. Yes, these are costs of doing business, but they are also costs that a regulated utility is allowed by law to recoup through rates charged to customers if the commission determines the costs are justified. If BHP did have insurance to cover all the storm costs, that insurance cost would also be allowed to be borne by customers. Either way, the utility's ratepayers are considered appropriate payers of this expense by law. Again, the commission must regulate the utility within the boundaries of federal and state laws. If the law does not require BHP to carry insurance for storms, then the commission cannot insist that it do so. Mr. Crocker's statement regarding the analysis that paying for the cost of the storm is less expensive than paying for insurance may well be accurate. However, the

commission will analyze this issue to ensure that BHP's decision to not carry insurance to cover the cost of a major disaster was prudent and in the best interest of its customers. Much more investigation will be done on the BHP case as it is processed – which could take a year to be completed – therefore, I cannot tell you exactly what the outcome of this will be.

You also relay frustration with BHP's tree clean-up. The utility has been and continues on an accelerated tree trimming cycle. Because leaves were still on trees when storm Atlas struck, utility officials relayed that heavy moisture from the snow stayed on tree limbs causing significant damage. A utility's tree trimming activities are examined during a rate increase application's review. Utility customers pay for tree trimming and this expense involves a balance of risk versus cost, much like insurance coverage decisions.

You reference the lack of fiscal responsibility displayed by BHP. Keep in mind that the utility is likely not the only one 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.

The commission is seeing a cycle of utility rate increase filings. Three rate dockets were filed in 2013, eight in 2012, three in 2011, and four in 2010. Between 1984 and 2009, the commission dealt with one, two or no such cases with the exceptions of three in 2007 and four in 1995. It seems as though we are in a rate case cycle similar to the period from 1975 to 1983 when the commission processed four to nine rate cases per year.

What is the cause for these recent cases? The utilities' justification has included plant replacement costs, new EPA regulations, new transmission investments, and storm recovery costs. Recent laws passed by South Dakota's Legislature allowed for: transmission cost riders beginning in 2006; environmental cost riders beginning in 2007; and rate stability or phase-in rate increases beginning in 2012. These laws allow utilities to file rate increases based on these specific investment justifications, and similar laws have been passed in numerous states primarily in response to new federal laws.

I understand rate increases are difficult to handle, especially for individuals and businesses with fixed incomes or limited means to raise revenue. None of the commissioners or staff members wish to increase utility rates for South Dakotans. We are consumers as well and understand how increased costs affect all. We take our jobs seriously as we review rate filings and process them according to law.

I appreciate receiving your comments and encourage you to follow this BHP rate case. You can do so at [www.puc.sd.gov](http://www.puc.sd.gov). Click on Commission Actions, Commission Dockets, Electric Dockets, and 2014, then scroll down the list of electric dockets. Your comments will be added to EL14-026: <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-06.aspx>.

Sincerely,

Gary Hanson, Chairman  
South Dakota Public Utilities Commission