
From: PUC

Sent: Tuesday, April 08, 2014 8:00 AM

To: [REDACTED]

Subject: FW: Upcoming rate increase

Dear Leslie:

Thank you for your message regarding Black Hills Power's rate case. You refer to BHP's request to cover costs incurred from storm Atlas. I agree with you that many suffered losses from this storm and this is very unfortunate. However, a public utility operates differently from you or me as consumers, or most businesses, in the recovery of expenses.

On March 31, 2014, BHP filed a rate case seeking recovery of generation plant costs as well as in a much lesser measure, the storm's costs. BHP is a public utility and that means it must operate within specific laws that govern it and which the PUC must regulate. This is in contrast to most other companies that do not have the regulatory oversight required by law like that required of a public utility. Another important point is this oversight does not apply to Black Hills Corporation. BHC owns BHP along with other government regulated and other minimally and non-regulated entities. The commission's oversight of BHP includes the review and allowance of reasonable, just costs to operate the utility including insurance expense and storm recovery costs without or beyond insurance reimbursements. The PUC must review all the information before it makes a determination on any issue brought before the commission. It cannot just say no without thoroughly examining the documents to determine which costs are justified and appropriate to be recovered from ratepayers. South Dakota law lays out the parameters for utility rate cases and rate recovery.

A team of commission staff analysts, a staff attorney and specialized financial consultants (as needed), work their way through the rate case's issues, along with commissioners and advisors who work separately in their investigations. If there are intervenors in the case, they also analyze the case on their own. State law limits the commission to a one-year period to process the case from the company's filing to the commissioners' final ruling. A year may seem ample, but during this time a number of other dockets are also being filed and processed by the commission. A rate case is complex and time-consuming, typically taking much longer than most other dockets before the commission. During this period, staff, commissioners and intervenors are requesting additional information from BHP so the requests for information and analysis are ongoing.

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

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

You are welcome to follow along as the docket is processed by reviewing documents filed and posted on our web site. Here is a link to the BHP rate case docket, EL14-026: <http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>

Your message and my response will be filed in this open docket. Thank you for writing so I could explain the commission's role regarding recovery of utility expenses.

Gary Hanson, Chairman
South Dakota Public Utilities Commission