From: PUC
Sent: Tuesday, January 21, 2014 3:35 PM
To: [redacted]'
Subject: FW: BHP

Mr. Atyia:

This response is to your messages regarding Black Hills Power and the October storm-related costs to the company. The Public Utilities Commission approved BHP's request for deferred accounting for these storm expenses during the last commission meeting. The approval applies to the interim accounting of these costs, allowing BHP to set these aside for accounting purposes to be reviewed for possible recovery during a rate case. The commission's approval of this accounting method does not translate to approval of the costs. The commission will review these during the next BHP rate case to determine if any are reasonable and allowable by law for rate recovery.

The company is expected to file their next rate case this spring. Only those expenses that meet the legal standards will become part of the company's rates for the period of time approved in that case.

We appreciate your concern with increasing costs. As you mention, BHP is a monopoly. And because it is a public utility, it must operate within specific laws that govern it and for which the PUC is charged with regulating. This includes the review and allowance of reasonable, just costs to operate the utility. The PUC cannot say no to any rate increase the utility requests to implement, regardless of justification or need. The law lays out the parameters in which a public utility (monopoly) must operate and the commission must regulate. A utility rate case typically takes a year to completely process, from initial filing to decision. Along the way, many documents and spreadsheets are analyzed, many inquiries are made of the company for further information and investigation by staff and commissioners. Commissioners must ultimately make decisions within the boundaries of federal and state laws that govern utilities and regulators.

If the commission were to act outside of the laws and disallow any or all rate increase requests, our decisions would be appealed to a higher court, the commission's decisions would be reversed as the law would be upheld. The costs for such an appeal would be added to costs passed along to consumers. Therefore, demanding the commission to say no to all rate increases and act outside the boundaries of the law is unwise and expensive for ratepayers.

A rate case takes approximately a year to be completed, from initial filing by the company to the commissioners' decisions. Along the way, numerous documents and spreadsheets are analyzed, and many inquiries for additional data are made of company officials for further investigation by commissioners and staff. When BHP files its next rate case, commissioners and staff will closely scrutinize expenses with explanations as to need.

Thank you for allowing us to explain the commission's role with BHP's rates. Your message is being added to the EL13-036 docket in which the storm cost accounting process was determined. We encourage you to become familiar with the rate case process and the laws that govern South Dakota's PUC. This Electric Rate Increase Requests document is a good starting point: http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf

Commissioner Gary Hanson   Commissioner Chris Nelson   Commissioner Kristie Fiegen