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Sent: Friday, October 24, 2014 12:04:06 PM
To: PUC
Subject: Docket EL14-026 (BHP rate case)
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Dear Public Utilities Commissioners,

In a business as usual setting, Black Hills Powers' rate increase request could be seen primarily as an intention to replace equipment which has exceeded its standard, 30-year useful life expectancy, substituting modern, more efficient plant assets. There is, however, an underlying issue of greater significance which the request brings to the forefront.

Official statements from the Commission indicate that it sees its role as preserving the profitability of utilities as well as serving the public's interest, the latter apparently confined to "assuring reliable service at a reasonable cost". This BHP request highlights a situation demanding a broader view of public interest.

For decades now, an overwhelming consensus of the most qualified climate scientists has stressed the increasingly urgent need for us to curb greenhouse gas emissions, Studies have noted that electricity generation is the largest contributor of these gases among US economic sectors (32% of 2012 US emissions). While BHP's reluctant and partial switch to natural gas is an improvement, it is a far from adequate response to the present need. Within the expected lifetime of the Cheyenne Prairie project, the best evidence indicates that a 70-80% reduction of greenhouse gases is imperative in order that a global temperature rise of 2 degrees C. not be exceeded. Had utilities such as BHP begun a forceful effort to shift to renewable energy sources and distributed generation at the time when these facts became inescapable, the CPGS project could have been of smaller scale, at less cost to electricity rate-payers.

Market forces in such a situation embody strong inertia, naturally tending toward preservation of the profitable status quo. Well-financed media campaigns have attempted to thwart widespread popular demand for change, and have included the use of disinformation. Thus these market forces cannot be relied upon to make fundamental, expeditious changes in the public interest when short- or medium-term profits are at stake. Just as we can't rely on the market to respond to a pandemic, or to decide policy in national security matters, we must turn to other powers for intervention in these

large-scale problems. We look specifically to government officials for unbiased analysis, planning, and leadership in attending to the long-term public interest. In South Dakota, the government agency with the greatest depth of information and greatest policy influence in dealing with the business practices of electrical utilities is the PUC.

Some regional and state regulatory agencies, municipalities, and forward-thinking utilities around the nation have recognized their public responsibility to address this very serious situation. They have done this through programs incentivizing the adoption of cleaner and less centralized generation of electricity, and greater efficiency in its transmission and end-use.

Allowing utility rate increases which are designed to perpetuate the highly centralized and fossil-fuel dependent generation of electricity in our state is not in the best interests of the South Dakota public, including their economic interests as utility customers. Discounting the fact that significant increases in utility rates haven't occurred as a result of policies encouraging distributed generation prevailing in most of the US, the Chairman of our PUC has repeatedly advocated for the utilities' anti-DG position in legislative testimony. This is despite ample evidence from other states' experience indicating economic benefits to all rate-paying electricity customers when utilities have modified their business models, even to the extent of offering subsidies for the installation of private solar generation systems.

For these reasons, it is essential that BHP not be granted the requested rate increase without agreeing to make long overdue changes in its generation plan. At a minimum, this should begin with a requirement for an independent study of the best options for rapidly transforming base-load and peak-load capacity by means of greater incorporation of distributed and renewable generation. This study should be financed by BHP, with a stipulated timeline not exceeding one year. Planned upgrades of BHP's remaining coal-fired generation components should be put on hold until completion of the study.

We look forward to your leadership in this important matter. Thank you.

Don Kelley

