
From: don kelley [REDACTED]
Sent: Thursday, November 06, 2014 4:49:32 PM
To: PUC
Subject: Docket EL14-026 (BHP rate case)
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Dear Chairman Hanson,

Thank you for your response to my earlier comments. In your communication, you made some statements that are open to challenge.

You say that “In national energy forums, it is not questioned that there is a cost shift created by net metering”. You then cite the roundtables organized by “consumer advocates” to deal with this effect, specifically those under the auspices of the Critical Consumer Issues Forum (CCIF).

The membership of CCIF appears unlikely to be receptive to distributed generation. Although you state that distributed energy advocates are members of this organization, I note that there is no listed representation from national groups who are strong, pragmatic proponents of solar energy, of which there are several. Those CCIF members who are listed as consumer advocates include some whose previous employment was as utility executives or utility counsel. It’s reasonable to assume that such individuals are accustomed to frequent reminders of the utilities’ perspective, if not from past professional activities, then from frequent contact with utility lobbyists. That discussions in such groups would devolve to concerns about the “death spiral” of diminishing utility revenues resulting from widespread adoption of distributed generation would not be surprising.

It would be very useful to hear a well-balanced discussion of utilities’ legitimate concerns as they consider a less centralized and renewable-energy-based generation and transmission system, with responses by those who have studied this issue from a broader perspective, and who have no profits or monopolies to defend. In such a forum, the positive contributions of distributed generation in terms of expanded capacity, peak-load shaving, etc. could be given unbiased evaluation.

You have mentioned that you believe the retail volumetric electricity rates are not reflective of the value of solar to the utility. Others have agreed that the rate system needs re-shaping (1), and have suggested that time-of-use rates and minimum monthly billing, along with net metering, have worked well in actual use (2,3). As you know, the present system includes significant cross-subsidies, with residential ratepayers bearing an extra burden resulting from discounted rates for large industrial consumers, agricultural irrigators, etc.. These cross-subsidies for favored customers seem to have been motivated by the large rate revenues which they provide. One of the goals of rate restructuring could well be the examination of all cross-subsidies. The Commission's efforts to revise rates in a way which more equitably distributes infrastructure costs would be very welcome.

You have referred to net metering as an arrangement where ratepayers who are not well off are subsidizing the affluent owners of distributed generation systems. This sweeping statement groups me and others (owners of photovoltaic systems, in my case an off-grid system) inappropriately. As an example, my wife and I have lived on an average annual income of approx. \$30,000 during the 27 years we've farmed a small property in the Black Hills. If you were to seek out those South Dakotans who have installed alternative-energy systems, you would find us to be fairly typical, i.e., people who have prioritized a choice to spend some of their finite resources on helping to improve an unsustainable energy economy, while creating a degree of personal self-reliance. Such choices have been made in spite of the fact that South Dakota has earned the distinction of being the state with the highest costs for those planning to install solar electricity (4). If we are determined to eliminate the subsidization of the affluent by non-affluent electricity rate-payers, surely the most fruitful place to begin would be with the executive compensation packages we see in large utility companies such as Black Hills Power.

You have stated that South Dakota must make a "responsible transition" to sustainable energy sources. Should we assume that the primary indication of responsible change is the lack of significant impacts on electricity rates or utility shareholder dividends? While all would recognize that the already-escalating electricity rates create hardship for many, the saddling of our population with additional new and refurbished fossil-fuel generation facilities for decades to come points up another aspect of public responsibility. Whatever the short-term political gains of those who would hope to delay our response to climate disruption and to expand the exploitation of fossil fuels, the public is becoming harder to placate as they see the climate scientists' predictions coming to pass. We hope that some in governmental leadership positions feel responsible for the longer-term public benefit.

The large South Dakota wind farm projects you mentioned are certainly preferable to coal or gas generation, but have been erected primarily for an export market. With our state's excellent solar and wind resources, it seems odd that we haven't capitalized on them to a greater degree for more direct benefit to state residents. Would-be developers of utility-scale wind projects have complained that the need for expensive transmission infrastructure has them stymied. A solution to this situation could well lie in re-thinking the problem using different scale parameters and smaller budgets, e.g., encouraging small-

scale generation at multiple points within the network, while utilizing existing transmission and distribution lines.

Bringing the issue of dominant utility-industry influence in policy matters down to our state setting: those volunteer lobbyists who have attempted to present the case for distributed generation in our legislature have been overwhelmed by the large number of professional lobbyists from various utility concerns who have session-long or year-long daily access to legislators and regulators, and whose arguments are often repeated verbatim by policymakers. It would be helpful if the Commission were to work to provide an atmosphere where advocates for change in our energy economy are not treated dismissively, but recognized as people genuinely concerned about the future of our state, and who would prefer to work cooperatively with present power providers in adapting to the urgent challenges that face us collectively as a result of our historical methods of energy production. We would like to help at this crucial time, when “out of the box” thinking is essential.

Thank you.

Don Kelley

References:

- 1) Glick, D., Lehrman, M., and Smith, O.: “Rate Design for the Distribution Edge: Rate Design for a Distributed Generation Future”. Rocky Mountain Institute. August, 2014.
- 2) Kennerly, J.: “The Minimum Bill: A First Step to Fair Utility Rates in a Distributed Energy Age”. The Energy Collective Newsletter. Sep. 2014.
- 3) *ibid*: Statement in Clean Energy States Alliance (CESA)-sponsored event: RPS Webinar—Ending the Solar Tug of War: Can there Be Common Ground on Net Metering? Oct. 15, 2014. <http://www.cesa.org/webinars/showevent/rps-webinar-ending-the-solar-tug-of-war-can-there-be-common-ground-on-net-metering?d=2014-10-15>
- 4) See map in: <https://www.pinterest.com/pin/8866530491871248/> (Data source: Clean Power Research: Homeowner Solar Power Cost Tool. 2011)