



ENVIRONMENTAL LAW & POLICY CENTER
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May 29, 2007

Dusty Johnson, Chairman
Gary Hanson, Commissioner
Steve Kolbeck, Commissioner
South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 East Capitol Avenue
Pierre, SD 57501-5070

Re: Docket EL06-018, Distributed Generation Interconnection

Dear Chairman and Commissioners:

This letter is in response to the Commission's Order For And Notice Of Hearing in Docket EL06-018, dated May 14, 2007. In that Order, the Commission asked several questions regarding how the Commission should proceed in its consideration of the interconnection and time-based metering PURPA standards added by the Energy Policy Act of 2005 ("EPAAct 2005"). Specifically, the Commission inquired into the current best practices for interconnection procedures and solicited input into how these standards could best be implemented in South Dakota.

The Environmental Law & Policy Center has a great deal of experience studying state interconnection rules and working with state utility commissions to implement the EPAAct 2005 requirements. From our perspective, the most important step that the Commission could take to move the EPAAct interconnection inquiry forward would be to select a model or "strawman" rule to serve as the focus for further review and discussion. Interconnection policy is very difficult to grasp and debate at an abstract level. It is much easier to have a concrete proposal on the table so that all of the parties can become more familiar with the details of the rule and can focus the discussion on specific elements of the proposed approach. Just as important, using a strawman model helps to ensure that the three necessary elements of a standardized interconnection approach are fully integrated into the whole. These three essential elements are: (1) technical requirements based on IEEE 1547; (2) procedures for reviewing and processing interconnection applications, and (3) standard form applications, agreements, and business terms.

There are several options available to the Commission for selecting a strawman rule. The Commission may want to select procedures from a state in the same geographic region, such as the Minnesota interconnection rule. Or the Commission could look to "best practices" adopted in other state rules such as New Jersey or the draft Maryland rules or "model" rules such as those developed by the Interstate Renewable Energy Council. Alternatively, the Commission could

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build from the rules currently under negotiation in Iowa and/or Illinois. When selecting the appropriate strawman rule, the Commission should consider the extent to which regional consistency and coordination will facilitate the emergence of a strong Distributed Generation market and will ease the regulatory burdens on the affected electric utilities.

Once a strawman proposal has been selected, we have found that a workshop or series of workshops can be very helpful to allow the parties and the state commission an opportunity to discuss the specific elements of the rule in a non-adversarial context and to make any appropriate changes. Several states have successfully followed this approach including, most recently, Maryland, Oregon and Illinois. ELPC is participating in the Illinois proceeding and would be happy to help the Staff structure an effective workshop process, should the Commission choose to go in this direction. One important consideration is to make sure that a broad and diverse group of stakeholders participate in the workshop. This may require reaching out to a broader constituency than is currently involved in the South Dakota docket. You may find that it is easier for smaller and less well-funded advocates to participate in public workshops than in a formal docketed proceeding.

ELPC applauds the Commission's work in considering standardized interconnection rules that could help remove market barriers to new and innovative clean energy businesses while at the same time ensuring the safety and reliability of the electric grid. We look forward to your decisions in this matter and would welcome any opportunity to work with Staff and the parties to make this process as productive and efficient as possible as you begin to move forward.

Respectfully,



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