

Patricia Van Gerpen, Executive Director
SD Public Utilities Commission
500 E Capitol Avenue
Pierre, SD 57501-5070

May 1st, 2011

Dear Ms. Van Gerpen:

RE: EL11-002 , a request from Black Hills Corporation for an increase in rates related to covering costs for implementing certain efficiency incentives.

First, let me introduce myself and give a little background. My name is Jerry Munson. I am 56 years old, a third generation South Dakotan, and have been a customer of Black Hills Power (BHP) my entire life. I owned and operated a number of small businesses in Rapid City, and have served my city as a city councilman and Rapid City's mayor.

BHP has supplied my small businesses, home, and my community for decades, and they've done it very reliably. I give them high marks as my electric supplier.

I am contacting the commission today as a ratepayer with some concerns and ideas regarding EL11-002.

At the outset, let me say that I'm supportive of the concept that BHP has proposed. I wish only to add to the process with an additional request of my own. I have no financial or business interest in their (or my) proposal, other than as a ratepayer.

As you may know, BHP's proposal entails charging a modest per-kilowatt recovery mechanism for the costs associated with their energy efficiency proposal in dealing with older refrigerators, water heaters, for the installation of high efficiency heat pumps, and for a weatherization program and its inherent costs for BHP. Again, I am for the program as outlined in their exhibits.

It's my belief that the PUC should also consider requiring BHP to implement net metering, versus the existing net billing format. With net billing, a residential or business ratepayer that installs any photovoltaic or on-site wind generation capabilities gets only a month-to-month accounting of their usage or input into the grid. As you are also aware, this means that if there is a credit due the ratepayer, it is substantially lower than the per kilowatt cost if there is an amount due BHP.

This results in a dramatic reduction of incentive for ratepayers to invest in home or business on-site power production. BHP must be able to recover costs for line maintenance, fixed costs, production costs, and so forth. Any of my following comments should also be reflective of that, and, I believe, are.

- 1) Net metering allows for an annual (instead of monthly) accounting of power usage (or feedback into the grid), thereby allowing for greater flexibility in producing power on long sunny days in summer, and heating a home in winter,

using the accrued "credits" at that time. This also would provide some badly needed extra power for BHP customers' air conditioning use during that peak power demand.

- 2) Black Hills Corp. (Parent company of BHP) has subsidiaries in Wyoming and Colorado. Both of those subsidiaries are required by their respective states' regulatory agencies to provide net metering. This means BHP is fully capable and experienced at assimilating all aspects of net metering into their operating and billing system.
- 3) In Exhibit D, Mr. Keck states in BHP's Plan Overview that "energy efficiency is a consideration in the Company's planning for the utilization of resources. In addition, it has also been a critical element in remaining faithful to the principles of environmental stewardship and providing excellent customer service."

In light of the fact that in the last few years the State of South Dakota has issued warnings about not eating fish from certain lakes in our great state due to mercury ingestion concerns, I could not agree more with Mr. Keck's stated objectives for his company and the ratepayers they serve.

There is much controversy surrounding global warming and whether CO2 is a cause or not. There is NO controversy, however, regarding particulate health issues or the danger to infants and children (not to mention the rest of us) from mercury ingestion and poisoning.

- 4) Net metering would enhance and promote the achievement of the state's goals in renewable energy production, by creating incentives for individualized investment in on-site energy production.
- 5) As the nature of on-site production is such that small, easily assimilated amounts of energy are produced, no additional transmission lines, easements, or other expensive infrastructure would be required or anticipated.
- 6) With net metering, ratepayers would invest their own money into their on-site systems, and no state or utility funds would be required. For ratepayers, a fair return on investment accomplished through the benefits of net metering, less the reasonable costs of line maintenance and base power production paid to BHP, would be all that is needed to move ahead with substantial investment in their systems.
- 7) With ratepayers investing in their own future power needs, BHP could save substantial sums in the area of conventional power production infrastructure (like the new WYGEN plant). These cost savings could be passed on to ratepayers in perpetuity. One need only look to the last rate increase request from BHP regarding recouping construction costs from their new WYGEN plant (and the

resulting ratepayer distress from that substantial rate increase approval) to see that approach as having an undesirable outcome for ratepayers.

- 8) In my view, the SD PUC could allow BHP to implement a rate structure that includes their present proposal, but that would also include net metering. As the smart meter program has gone forward, it allows for BHP to track all usage patterns. This means they could prove, through annual data collected, that a certain amount of revenues would have been collected using present methodology, and that the deficit to BHP because of net metering could be spread among all users on an annual basis. PUC, of course, would have staff oversight of BHP's accounting and could verify as needed.

If more ratepayers participated, and less power plants were then required, that would seem to be a good result, given the massive rate increases necessary when a conventional plant is brought on line, versus the small incremental increases due to ratepayer power production.

The city of Rapid city has a sliding scale for its water ratepayers, and it's tied to amount used. The price per unit (750 gallons) goes up as you use more and more. This would seem to be a fair way to encourage power conservation and on-site production as well, and would fold in nicely with a small overall increased rate compensation to reward small scale production.

- 9) In BHP's employee Mr. Chris Kilpatrick's testimony, (Exhibit C, under "conclusion, part VII"), he states " Finally, it is perceived that energy efficiency is an under utilized resource that needs to be expanded to reduce customers' costs, enhance energy security, and improve the environment"

I agree completely, and feel that net metering perhaps does a better job of accomplishing that than almost any other proposed method.

- 10) In Exhibit A, under #1. Introduction, "Black Hills Power Philosophy" :

"These solutions will deliver immediate economic benefits to customers and reduce the environmental impact resulting from energy production and consumption. In addition, the Company's energy efficiency investments will strengthen the economy across BHP's service territory, supporting the growth of the local economy through the development of an energy efficiency delivery industry, by increasing consumers' disposable income, and by boosting the bottom line of BHP's business customers."

All of BHP's assertions are accurate, and I submit those assertions would also apply to net metering and its effects. Sales and installation of on-site photovoltaic systems and wind generation systems would provide badly needed jobs and income to South Dakotans. With the proper state government encouragement to

net metering, South Dakota-based private manufacturing of these systems is not an unimaginable situation, either.

In conclusion, I hope the Commissioners will consider net metering for South Dakota's BHP customers, just as your regulatory counterparts in WY and CO have already done for their BHP customers. The mechanisms are in place for implementation of a very modest, verifiable, and justifiable increase to all ratepayers to pay the costs of such a program, allowing BHP to recoup existing costs and obligations as they have a right to do.

Thank you for your consideration,

Sincerely,

Jerry A Munson