

From: PUC
Sent: Monday, February 13, 2017 9:37 AM
To: [REDACTED]
Subject: EL16-042

Mr. Davis:

Thank you for your letter about the PUC's docket, EL16-042, dealing with Black Hills Energy's requested adjustment of its Cogeneration and Small Power Production Service Simultaneous Net Billing Generation Credit Rate(s). BHE is proposing a decrease to its monthly bill credit for the utility's purchase of excess electric generation delivered to its system from customers such as you and your wife.

Under Section 210 of the federal Public Utility Regulatory Policies Act of 1978, electric utilities are required to purchase energy offered by Qualifying Facilities, which are cogeneration facilities and small power production facilities. Utilities are required to purchase energy and capacity from QFs at rates which reflect the incremental costs of energy, capacity, or both, that the utility would have incurred to generate or purchase the energy if it was not supplied by the QF. These incremental costs are termed the utility's avoided costs.

Electric utilities regulated by the PUC must provide data from which avoided costs are derived for qualifying facilities of 100kW generation potential or less. This must be filed with the PUC once every two years at minimum, as required by 18 CFR 292.302 and affirmed for BHE by the commission's order in docket F-3365. BHE's generation credit is \$0.0332/kWh of delivered cogeneration, and it is proposing changing it to \$0.0270/kWh, calculated in Exhibit 5 in the docket. BHE's justification for this proposed adjustment is updated generation mix, changing market cost inputs, and new energy requirements.

The utility filed this adjustment request on Dec. 30, 2016, and the intervention date was set at Jan. 20, 2017, with the utility's requested tariff adjustment date of March 1, 2017. If approved, the revised adjustment would affect 27 residential and 11 commercial BHE customers. The utility sent notice of the proposed change to the affected customers on Jan. 30, 2017, at PUC staff's request. Intervention is set at three weeks following the filing date for dockets that do not have a specified intervention requirement in law, pursuant to [ARSD 20:10:01:15.02](#). My fellow commissioners and I welcome input from affected consumers such as you on open dockets. Given your interest and the potential effect of this request on you as a customer, I encourage you to follow along as this docket is reviewed.

As you will see in this docket online, the PUC staff analysts and attorney working on this have submitted numerous data requests to BHE, <http://www.puc.sd.gov/Dockets/Electric/2016/EL16-042.aspx>. Those staff members are investigating this request, just as the commissioners and commission advisors are doing separately, to determine if the requested adjustment is just and reasonable as required by SDCL 49-34A-4 through 49-34A-8. This review not only considers the effect this request would have on you and the other 37 customers referenced above, but on all BHE ratepayers.

You stated that, “it would be useful to compare the proposed 2.7 cent rate with the credit currently being provided by other utility companies.” The following links to tariff pages and letters on the PUC’s website provide the current generation credit rates for other utilities in the state. By reviewing these, you will see that BHE’s proposed rate is similar to that of the other utilities.

-East River Electric Power Cooperative (on behalf of Bon Homme-Yankton Electric Association, Inc.; Central Electric Cooperative, Inc.; Charles Mix Electric Association, Inc.; City of Elk Point; Clay Union Electric Corporation; Codington-Clark Electric Cooperative, Inc.; Dakota Energy Cooperative, Inc.; Douglas Electric Cooperative, Inc.; FEM Electric Association, Inc.; H-D Electric Cooperative, Inc.; Kingsbury Electric Cooperative, Inc.; Lake Region Electric Association, Inc.; Northern Electric Cooperative, Inc.; Oahe Electric Cooperative, Inc.; Sioux Valley Energy; Southeastern Electric Cooperative, Inc.; Traverse Electric Cooperative, Inc.; Union County Electric Cooperative, Inc.; and Whetstone Valley Electric Cooperative, Inc.) – <http://puc.sd.gov/commission/Energy/RRrates/eastriver.pdf>

-Grand River Electric, Inc. – <http://puc.sd.gov/commission/Energy/RRrates/grandriverelectric.pdf>

-Heartland Consumers Power District (on behalf of Heartland customers in South Dakota: Arlington, Aurora, Bryant, Colman, Estelline, Groton, Hecla, Howard, Langford, McLaughlin, Madison, Miller, Northern Electric Cooperative, Parker, Plankinton, Sioux Falls, State of South Dakota, Tyndall, Volga, Wessington Springs, and White) - <http://puc.sd.gov/commission/Energy/RRrates/heartland.pdf>

-Missouri River Energy Services (on behalf of the following cities: Beresford, Big Stone City, Brookings, Burke, Faith, Flandreau, Fort Pierre, Pickstown, Pierre, Vermillion, Watertown and Winner) – <http://puc.sd.gov/commission/Energy/RRrates/mres.pdf>

-MidAmerican Energy Company – <http://puc.sd.gov/commission/tariffs/Electric/Midamerican/section3/64.pdf>

-Montana-Dakota Utilities Co. – <http://puc.sd.gov/commission/Tariffs/Electric/mdu/Section3/35.pdf>

-NorthWestern Energy – <http://puc.sd.gov/commission/tariffs/Electric/Northwestern/section3/30.pdf>

-OtterTail Power Company – <http://puc.sd.gov/commission/tariffs/Electric/ottertail/section12/1.pdf>

-Northern States Power Company (Xcel) – <http://puc.sd.gov/commission/Tariffs/Electric/Xcel/section9/2.pdf>

You reference BHE’s aggressive buying of utility companies throughout mid-America and building a new corporate headquarters in Rapid City. BHE is owned by Black Hills Corporation’s shareholders, along with several other utilities and entities. BHE is a public utility. Therefore, federal and state laws govern how it must operate and how this commission must regulate it. However, the commission does not regulate BHC. The laws include what is known as ring-fencing and this prevents an investor-owned utility such as BHE of being stripped of its profits by BHC’s shareholders. The purpose of this law is to retain sufficient funds to operate the utility and reinvest in the system in order to provide safe, reliable service to the utility's customers.

I appreciate your concerns regarding the BHE adjustment request, and your comments and my response will be filed in the docket.

Kristie Fiegen, Chairperson
South Dakota Public Utilities Commission
www.puc.sd.gov