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**From:** PUC  
**Sent:** Monday, February 13, 2017 9:33 AM  
**To:** [REDACTED]  
**Subject:** EL16-042

Mr. and Mrs. Hammond:

This is in response to your letter about Black Hills Energy's requested adjustment of its Cogeneration and Small Power Production Service Simultaneous Net Billing Generation Credit Rate(s), docket EL16-042. I appreciate your concerns about BHE's proposed decrease to your monthly bill credit for the utility's purchase of your excess generation delivered to its system.

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.

Pursuant to 18 CFR 292.302, at least once every two years, each electric utility must provide its state regulatory authority with data from which avoided costs are derived for qualifying facilities of 100kW generation potential or less. This requirement was affirmed for BHE by the PUC's order in docket F-3365. The utility's current generation credit is \$0.0332/kWh of delivered cogeneration, and its new proposed rate is \$0.0270/kWh. You can access the calculation in Exhibit 5 in this docket. BHE cites updated generation mix, changing market cost inputs, and new energy requirement changes as reasons for its proposed adjustment.

BHE filed this docket on Dec. 30, 2016, and the intervention date was set as Jan. 20, 2017, with the utility's requested tariff adjustment date of March 1, 2017. As filed in the docket, this tariff revision would affect 38 BHE customers: 27 residential and 11 commercial. BHE sent notice of the proposed change to the affected customers on Jan. 30, 2017.

Tariff revisions are not subject to the same statutes as rate cases, and thus, the timeline for a tariff adjustment does not mirror that for a full rate case. Intervention, pursuant to [ARSD 20:10:01:15.02](#) for filings such as this tariff adjustment, is routinely set at three weeks following the filing date. However, you may certainly submit comments to the docket for commissioner consideration, as you have in this case. Please send such comments to the commission by email to [PUC@state.sd.us](mailto:PUC@state.sd.us). The PUC staff analysts and attorney working on this docket have the role of investigating the proposed tariff adjustment and as you will see by the docket online, several data requests have been submitted and received to-date. I encourage you to follow along as this docket is reviewed via <http://www.puc.sd.gov/Dockets/Electric/2016/EL16-042.aspx>. You may also contact PUC staff with questions.

You requested that the PUC deny the decreased credit. South Dakota law requires the commission allow utility rates that are proven reasonable and justifiable. Therefore, commissioners cannot deny a rate adjustment outright, based solely on the fact that I or my fellow commissioners do not wish to see anyone's electric bill increase.

You stated that the “BHE Generation Credit Rate is already one of the lowest in the country.” The following are links to tariff pages and letters on the PUC’s website, providing the current generation credit rates for other utilities in the state. You will see that BHE’s proposed credit is similar to many others.

- 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 also stated, “The energy rate that BHE South Dakota residential customers pay is one of the highest in the country because they hide costs in their billing, such as the Cost Adjustment Summary, for a total of \$.14 cents per kWh which they claim is their electric rate.”

The Cost Adjustment Summary is allowed by law. This summary consists of: 1) Environmental Improvement Adjustment (EIA), 2) Energy Efficiency Solutions Adjustment (EESA), 3) Transmission Cost Adjustment (TCA), 4) Fuel and Purchased Power Adjustment (FPPA), and 5) Transmission Facility Adjustment (TFA). All these charges are per kWh charges and require commission approval. An explanation of these charges with current rates can be found under Section 3C, pages 12 through 22 of BHE’s tariff, available online at [www.puc.sd.gov](http://www.puc.sd.gov) by clicking on the tabs Energy, Electric, Electric Tariffs, and then Black Hills Energy. Section 3C, sheet 11 summarizes all charges included in the Cost Adjustment Summary.

The PUC does not have legal jurisdiction over a utility’s energy resource mix. Therefore, the PUC has no authority to demand that any utility include a prescribed amount of wind or solar or any other energy source in its generation or purchase portfolio. Instead, the law requires the commission to approve of a rate that is just and reasonable. See SDCL 49-34A-8.

Thank you for contacting the PUC with your concerns. All discussion involving commissioners on an open docket must be available to all parties. Therefore, your comments and my response will be filed in the docket.

Kristie Fiegen, Chairperson  
South Dakota Public Utilities Commission  
[www.puc.sd.gov](http://www.puc.sd.gov)