

From: PUC

Sent: Tuesday, May 14, 2019 3:56 PM

To: [REDACTED]

Subject: EL19-022 & Net Metering

Mr. Smith,

This is in response to your message regarding Black Hills Energy's co-generation credit rate docket, EL19-022. Here is a link to the docket: <http://puc.sd.gov/Dockets/Electric/2019/EL19-022.aspx>, filed by BHE on May 1.

You reference net metering. Net metering requires utilities to buy generation from their customers at the same retail rate that utility is selling it, regardless of the energy source or reliability. For instance, if you are paying a \$0.08/kWh retail rate for electricity, the utility would be required to pay you the same \$0.08/kWh for energy generated by your source of renewable energy whether that be from solar panels or a small wind turbine. A utility's retail rate is composed of several different components: the wholesale cost of power (the cost of large scale coal, natural gas, wind, solar, hydro power), transmission and distribution lines, administrative services (engineering, operations, billing, customer service, etc.), and a rate of return on utility investment. Therefore, if a renewable energy generator is compensated at the retail rate, the utility would be paying that generator for non-generation related costs that the renewable energy generator is not providing. This ultimately would raise the cost of generation for other customers on the utility's system.

In addition, a utility must be ready to provide power when the renewable energy source is not generating electricity, and this need for redundancy will require additional investment in a redundant system. The utility must recoup its investments from its customers, so any increased investment requires the utility to raise customer rates. Increases in rates affect low income customers the most, as they spend the largest percentage of their disposable income on utilities. A small wind or solar system typically requires an initial investment of \$10,000 to \$30,000, so it is reasonable to conclude that it is unavailable to most low income customers. All actual

system investments and other costs of an investor-owned utility must be taken into account by commissioners as they ultimately determine fair and reasonable rates.

I do not agree that South Dakota lags the nation in its renewable energy net metering policies. You may wish to visit this website that tracks renewable energy incentives, dsireusa.org, funded by the U.S. Department of Energy. Most states have a net metering policy, as does South Dakota. Many states' net metering *policies* do not require net metering as described above. Many of these policies mirror a federal requirement (that also applies to South Dakota) that utilities must buy back power from small renewable generators at the avoided cost rate, similar to their wholesale rate. This avoided cost rate is what BHE proposes to adjust in this docket, based on current costs.

Another statement to be mindful of when comparing utility policies throughout the U.S. is that each state has regulatory oversight designed by that state's legislature for that particular state. This policy by a state considers the state's population, available energy sources, transmission systems, and so forth. Comparing one state to another in the net metering category without considering the correct inputs can lead to an erroneous, unbalanced analysis.

I encourage you to follow along as this docket, EL19-022, is processed and new information is filed.

Gary Hanson, Chairman
South Dakota Public Utilities Commission
www.puc.sd.gov