

December 3, 2013

Patricia Van Gerpen, Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, 1st Fl  
500 E. Capitol Avenue  
Pierre, SD 57501-5070

RE: In the Matter of the Consideration of Standards to Govern Avoided Cost Determinations, Docket RM13-002.

Dear Ms. Van Gerpen:

Heartland Consumers Power District (Heartland) appreciates the opportunity to provide these comments in response to the South Dakota Public Utilities Commission's Order to Proceed and Request Comments from Interested Persons, dated October 16, 2013. Heartland supports the Commission's efforts to provide clarity in the avoided cost determinations for Qualifying Facilities (QFs) under the Public Utility Regulatory Policies Act of 1978(PURPA).

Heartland is a non-profit consumers power district established under South Dakota statutes and provides cost-based electric power to 19 municipal electric systems, six state institutions and one electric cooperative in South Dakota. All of Heartland's South Dakota customers receive a federal hydropower allocation from the Western Area Power Administration. Heartland is contractually obligated to provide all of our customers' capacity and energy needs over and above their hydropower allocations. Heartland and its customers are not rate-regulated and are considered non-regulated electric utilities under PURPA.

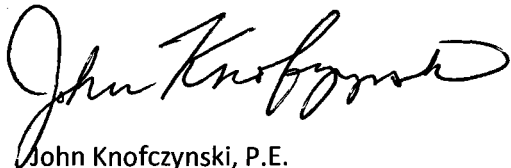
As the entity responsible for the entire supplemental power supply requirements of our customers, Heartland would be responsible for purchasing the capacity and energy from QFs that our customers would otherwise be required to purchase. The Federal Energy Regulatory Commission first confirmed this obligation in Order No. 69, which implemented section 210 of PURPA. As such, the avoided cost for a QF located within our customers' service territory would be Heartland's avoided cost.

Heartland respectfully requests that the Commission recognize that while non-regulated utilities such as Heartland are subject to PURPA and have an obligation to purchase capacity and energy from QFs at and avoided cost rates, the non-regulated utilities have the authority to independently set their own avoided cost rates. The State's role with respect to a non-regulated utility's implementation of PURPA, including the determination of avoided cost rates, is limited to review, in the appropriate state judicial forum, of any challenges to the non-regulated utility's PURPA implementation. Thus, Heartland's avoided cost rates would not be subject to any rules promulgated in the subject rule-making docket.

Heartland has established a policy for determining avoided costs with respect to QFs that would be interconnected with Heartland's system or located within the service territories of our South Dakota customers. The methodology for determining avoided costs will likely be revised if the region becomes integrated within the Southwest Power Pool, which will provide access to an energy market.

If you have any questions regarding these comments, please contact me at 605.256.6536 or [johnknof@hcpd.com](mailto:johnknof@hcpd.com). Thank you for the opportunity to comment on this docket and your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "John Knofczynski". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

John Knofczynski, P.E.  
Manager of Engineering and Operations