From: <wind@pie.midco.net>
Date: November 24, 2013 at 4:54:47 PM CST
To: <karen.cremer@state.sd.us>
Cc: <wind@pie.midco.net>
Subject: Docket Rm13-002

Dear Ms. Cremer,

I am writing in support of the South Dakota Public Utilities Commission to adopt rules on avoid cost.

The avoid cost should be broken in to two parts: Energy and Capacity
In essence, the *avoided cost* is the marginal cost to produce one more unit of electrical energy. It consists of two components: avoided energy costs and avoided capacity costs.4

Energy
When a QF delivers electricity to a utility, the utility will reduce the equivalent amount of electricity generated at its most expensive operating plant. The costs avoided consist of the cost of fuel needed to produce that electricity and the corresponding portion of the plant's operation and maintenance costs. Together these costs comprise the "energy" component of the utility's avoided cost.

Capacity
Electricity supplied by a QF also contributes to a utility's system reliability. As demand grows in the utility's service area, the reserve margin decreases and at some point the utility will need to add system capacity to meet demand and cover the reserve margin. A QF's contribution utility's system allows the utility to defer the addition of capacity. The monetization of this deferral is the "capacity component" of the avoided cost.

The term of avoid cost should be different for type of project, i.e. Energy efficiency life of measure, renewable project should be done in those greater than 5 Megawatt verses smaller renewables projects.

Thank you your time on this docket.

Sincerely

Steven

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