

On Oct 21, 2015, at 2:25 PM, Gregg,
Deb <Deb.Gregg@state.sd.us>

wrote:

Dear Chad and Sarah:

This is to address your response to my email regarding the charges billed to your contractor by MidAmerican Energy for a non-heating line extension to your new residence. You state in your letter

that you feel you are being penalized by MidAmerican for installing a non-heating service line.

MidAmerican also bills customers who use natural gas as their primary heating source for line extensions. A residential customer using natural gas as their primary heat source is provided up to 100 feet of pipe at no charge. Additional allowance may be permissible depending on whether the anticipated revenue will cover the costs of the additional extension. I have attached a copy of the tariff for your reference.

I applaud your efforts to conserve energy, including the installation of a geothermal system as your heating source. In fact, commissioners approved MidAmerican's proposal to offer energy efficiency rebates to their South Dakota consumers. As a regulated utility, the company must file a docket with the commission to request authority to offer such plans since the resulting costs or savings impact the other utility customers. The commission approved MidAmerican's energy efficiency program for its South Dakota customers and here is a link to the approved program: http://www.midamericanenergy.com/ee/sd_res_rebates.aspx

As stated in my earlier email, costs not paid by one utility consumer must be covered by other utility customers. The individual or project that causes the expense is typically identified as the rightful entity to cover the expense. In other words, whatever costs you generate and yet do not pay for, must be paid for by other MidAmerican customers. That is the reason the commission approved MidAmerican's tariff as referenced, assigning the expense to the cost-causer. Since MidAmerican is a public utility, federal and state

laws govern how it must operate and how the commission must regulate it. One purpose of this regulation is to maintain sufficient funds to operate the public utility and reinvest in the system in order to provide safe, reliable service to the utility's customers. This regulation distinguishes public investor-owned utilities from other businesses, and it also distinguishes them from the customer-owned and managed rural electric cooperative and municipal electric providers.

You indicated that Midcontinent has a "business model that generates enough revenue as a whole to not penalize those that don't use their services as primary entertainment." You have identified a major difference between a company, Midcontinent, not subject to regulation on their entertainment service rates charged to end users, versus a utility, MidAmerican Energy, which is subject to the regulatory authority over rates required by law. Midcontinent is allowed to set rates for those services based their own business analysis and the demands for those products; whereas, MidAmerican must obtain commission approval of rates based on their costs to serve their product. A rate case such as that required for approval of an investor-owned utility is a lengthy investigative process typically taking most of one year and involving utility analysts, attorneys and consultants working together to review the utility's expenses and revenues. Meanwhile, commissioners are each conducting their own separate review as they will each vote on the case and thus, communication with each of them on an open case must be done in a public forum for others to view or hear. Lastly, any intervenors to such a case or docket are conducting their

separate reviews. A quick overview of a natural gas rate case process can be found at <http://www.puc.sd.gov/commission/Publication/naturalgasratecasehandout.pdf>.

Those who work on behalf of the commission are focused on protecting the public interest. That includes protecting consumers and working to ensure they receive reliable service and fair treatment, but also ensuring that utilities are managed fairly and appropriately so that they can continue to provide safe, reliable service to consumers.

As far as comparing the advantages of regulated with de-regulated utilities, that is a topic with many details to sort through. However, it is worth noting that in electric retail choice states, regulation still exists. The local distribution system (bringing the power from the substation to your home) exists as a single system and thus, it is regulated. The high voltage transmission to move the power from the generators to local systems is regulated by either the Federal Energy Regulatory Commission or the state commission. The deregulated service is the generation element, and marketers must either generate their own electricity or purchase it from suppliers to re-sell to the retail customers.

The billing for the line extension to your new home was billed to George Custom Building. MidAmerican has confirmed that these charges have not and will not be transferred to your residential billing.

I hope this information addresses your additional concerns.

Deb Gregg, Consumer Affairs

Manager
South Dakota Public Utilities
Commission
www.puc.sd.gov
