
May 23, 2007

Mr. Dusty Johnson, Chairman

Steve Kolbeck

Gary Hanson

South Dakota Public Utilities Commission

Re: DG Interconnection

Dear Chairman Johnson, Commissioners Kolbeck and Hanson:

I am pleased to learn that the Commission is considering the adoption of interconnection standards for distributed generation (DG). We urge you to establish "best practices" for DG interconnection in order to eliminate market barriers and create the conditions necessary for new investment in the State.

According to the Congressional Budget Office, the development of interconnection standards is one of the "most important initiatives" states can adopt to allow an economic and wider use of renewable and energy efficient DG. DG offers several advantages for the user, the electrical system, and South Dakota in general:

- DG systems can help reduce some of the "line losses" and capacity bottlenecks that often affect high-voltage transmission lines.
- **DG can help improve the reliability of the electrical grid.**
- DG can also offset some of the peak utility power demand which can reduce the overall price of power and help utilities reduce their investment in costly central power plants.
- In addition, because DG systems also use renewable or efficient energy technologies, and often displace power from older and dirtier plants, more DG can mean less air pollution and a healthier environment.

If the interconnection process remains expensive and time consuming, individuals and businesses will be deterred from investing in new clean and efficient energy projects in South Dakota. New rules are needed to reduce the uncertainty and cost of connecting to the grid, help encourage the diversification of electricity generation, and achieve the environmental and economic benefits of DG. By adopting clear and fair interconnection rules, the Commission could attract new business to the State and could help South Dakota become a leader in the rapidly growing field of clean and efficient energy resources.

Thank you for your leadership on this important issue.

05/31/2007

Very truly yours,

Senator Frank Kloucek

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Congressional Budget Office's report, *Prospects for Distributed Energy Generation* (2003) (available at <http://www.cbo.gov/ftpdocs/cfm?index=4552&type=1>) ("CBO Report").

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