
From: PUC
Sent: Monday, April 07, 2014 8:06 AM
To: [REDACTED]
Subject: FW: Black Hills Power
Importance: High

Mr. Maddux:

You are correct that Black Hills Power operates as a monopoly. That is why special federal and state laws govern this investor-owned, public utility and the commission is obligated to regulate it as specified by law. This differs from electric cooperatives and municipal electric systems since they are owned and managed by the owners and/or members, and thus, the commission has no rate-related regulatory authority over them.

The commission is looking very closely at the BHP rate case. We are legally required to thoroughly process every utility rate case request filed with the commission. A team of five commission staff members including four utility analysts and one staff attorney are working on the case and they may enlist the assistance of special consultants to work on specific issues with them. Commissioners and commission advisors are working on the case separately from staff, and if any intervenors file to be part of the case, they will do their own investigation. My aim as a commissioner, like my fellow commissioners, is to ensure that the rates that are a result of the case are just and reasonable, and ensure that safe, reliable electric service is provided to all consumers.

You mention concern about BHP going to a demand rate like that offered by rural electric cooperatives. The utility has not proposed to change all rate schedules to a demand rate in this rate filing. However, BHP has proposed some changes to its Residential Demand Service rate schedule. This rate schedule has been an option for customers for more than three decades in addition to the Residential Service and Total-Electric Residential Service rate schedules which have an energy charge and a customer charge and no demand charge. BHP proposes via this rate case to add language to its tariff specifying that residential customers utilizing distributed self-generation (such as rooftop solar panels or small wind turbines) for meeting portions their electricity needs must take service under the Residential Demand Service rate schedule. Under this proposal, the Residential Service and Total-Electric Residential Service rate schedules will not be an option for customers utilizing distributed self-generation. However, these rate schedules will remain applicable to all other residential customers.

BHP has proposed that distributed generation residential customers be required to take service under the Residential Demand Service rate schedule. Utility officials relay that traditional approaches for pricing residential electric service have resulted in customers with distributed generation not paying their equitable share of costs incurred for the utility to serve them. Company officials say the result is that other residential customers are subsidizing some costs for customers with distributed generation. By proposing these changes, BHP asserts that not only will their costs be more

evenly balanced amongst residential customer groups, but customers will have more accurate rates based on actual costs to reference when considering distributed generation to meet some of the electricity requirements for their homes. For customers who already have generation interconnection agreements for their service requirements, BHP has proposed a grandfathering provision allowing those customers to remain on the rate schedule applicable when their agreement became effective for the remainder of their service contract or ten years, whichever period is shorter. This grandfathering provision would apply to about a dozen customers. However, these proposed tariff changes must be approved by the commission before they take effect, and the commission may not agree and reject or alter these proposed tariff changes. The commission has a great deal of work ahead before any such proposal is accepted and allowed.

If you currently have distributed generation or are considering investing in it, I suggest you visit with a BHP representative about the impact this change could have on your monthly bill if it is approved by the commission. If you do not have distributed generation and are not considering such an investment, know that while rates have been proposed to increase, customers receiving service under the Residential Service and Total-Electric Residential Service rate schedules are not proposed to be charged based on demand. The filing indicates that other residential customers will continue to be billed an energy charge and a customer charge. Again, this rate case is pending so no decisions have been made on any of the proposed rates, terms and conditions at this time.

Your message and my response will be filed in the EL14-026 docket for all involved in the case to read:

<http://www.puc.sd.gov/Dockets/Electric/2014/EL14-026.aspx>

You are welcome to follow the processing of the case which may take up to a year, and the following document helps explain the process: <http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf>

Thank you for your question and sharing your comments with me.

Gary Hanson, Chairman
South Dakota Public Utilities Commission