

From: Dustin Floyd [REDACTED]
Sent: Wednesday, March 18, 2026 6:12 PM
To: PUC <PUCPF@state.sd.us>
Subject: [EXT] Public Comment – Docket EL26-003 (Black Hills Energy) – Objection to Residential Demand Controller 3-to-1 Off-Peak Ratchet

Commissioners and PUC Staff,

I'm a Black Hills Energy ratepayer residing in Rapid City, and I'm writing to formally submit a public comment regarding Docket EL26-003.

While I understand the utility's broader revenue request is currently under audit by Commission Staff, my objection is surgical and strictly regarding the proposed tariff for **Residential Demand Service (Section No. 3A, Sheet No. 1)**.

Specifically, I urge the Commission to strike or modify the "**Demand Charge - Off-Peak (Maximum Value Option)**," which artificially caps a residential customer's off-peak demand at 3.0 times their on-peak demand. This 3-to-1 ratchet actively punishes customers who successfully solve the grid's daytime peak problems. It appears to be a holdover from previous eras and is fundamentally incompatible with modern home electrification.

1. It Creates a Perverse Incentive That Harms the Grid. The goal of a Demand Controller rate is to incentivize customers to shift heavy electrical loads to the weekend or the middle of the night when BHE has excess grid capacity. I have invested personal capital into a rooftop solar array, home battery storage, and automated load management to do exactly this.

However, the 3-to-1 rule creates a mathematical trap. For example, if I successfully suppress my daytime on-peak demand to a highly efficient **2 kW** (relieving stress on the local grid), BHE's proposed tariff caps my off-peak allowance at just **6 kW**.

To charge an electric vehicle or run an electric clothes dryer on the weekend without triggering a financial penalty, BHE's tariff mathematically incentivizes me to *inflate* my normal weekday on-peak usage just to raise my nighttime and weekend off-peak allowance. A rate structure should never incentivize a residential customer to increase their on-peak grid strain.

2. It Penalizes Standard EV and Battery Behavior. This ratchet rule appears to be a holdover from the era of analog breaker boxes. Today, a standard Level 2 EV charger can draw between 7 kW and 11 kW. If a household shifts 100% of its vehicle charging and laundry machine use to an evening or a weekend - which is the exact behavior the utility says it wants - a spike of 15 kW or more isn't unusual. Under BHE's proposed \$12.00/kW penalty, a customer who maintains a low 2 kW daytime peak but charges their EV at night

could face a penalty of \$35 to \$75 a month (or more) simply for being too efficient during the weekday.

3. It Violates the Principle of Cost Causation. The proposed 3-to-1 off-peak ratchet violates the fundamental regulatory principle of cost causation. [As detailed by the Regulatory Assistance Project in their 2020 analysis *Demand Charges: What Are They Good For?*](#), penalizing a residential customer for their individual, non-coincident off-peak demand does not reflect the actual drivers of shared grid capacity costs. A residential load spike at 2:00 AM does not drive BHE's system peak costs, and therefore, penalizing that off-peak spike is an unjustified and punitive rate design.

4. The Requested Solution. South Dakota ratepayers who invest in smart panels, EVs, load management, and home batteries are providing a service to the BHE grid by aggressively suppressing daytime peaks. The Commission should not approve a tariff in Docket EL26-003 that financially penalizes them for utilizing off-peak capacity.

I request that the Commission require Black Hills Energy to either:

- **Eliminate the 3-to-1 off-peak multiplier entirely** for the Residential Demand Service class, making off-peak demand truly penalty-free, OR
- **Establish a reasonable flat residential off-peak allowance** (exempting the first 15 kW of off-peak demand, for example) before applying any multiplier penalty.

Thank you for your time, your service to South Dakota ratepayers, and your attention to this specific structural flaw in the proposed tariff.

Sincerely,

Dustin Floyd



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