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October 9, 2008

Ms. Patricia Van Gerpen
Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070


**RE: Black Hills Power, Inc.'s Comments to Proposed Interconnection Rules in
Docket No. RM08-002**

Dear Ms. Van Gerpen:

Please find enclosed Black Hills Power, Inc.'s comments to the proposed interconnection rules filed by Commission Staff in the above referenced docket.

Please feel free to contact me with any questions.

Sincerely,


Kenna J. Hagan

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE ADOPTION
OF RULES REGARDING PURPA
INTERCONNECTION**

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RM08--002

COMMENTS OF BLACK HILLS POWER, INC.

Black Hills Power, Inc. (Black Hills Power), a South Dakota corporation, hereby submits to the Public Utilities Commission of the State of South Dakota (Commission) its comments related to the proposed interconnection rules filed in this docket. Black Hills Power states as follows:

1. Black Hills Power is a public utility as defined under SDCL § 49-34A-1, with a business address of P.O. Box 1400, 625 Ninth Street, Rapid City, SD 57709.
2. Commission Staff filed proposed rules that reflected discussions during the interconnection workshop process in Docket No. EL06-018 on July 29, 2008 and filed amended rules on September 11, 2008.
3. Black Hills Power primarily agrees with the proposed rules but provides some comments and suggested changes to specific items as set forth herein.
4. Isolation Device. Proposed Section 20:10:36:08. Black Hills Power's management prefers to have a requirement for an isolation device for all interconnected generators, or at a minimum, leave the requirement to the utility's discretion. Black Hills Power requests that the Commission make an isolation device mandatory for all Tiers for safety reasons. If the Commission does not make it mandatory for Tier 1 generators, it is important that the qualifications for Tier 1 remain as proposed in Section 20:10:36:13. In addition, Black Hills Power requests that additional language be added requiring the meter to be self contained and connected at 240 volts or less. For Tier 1 generators that the utility must disconnect for emergency or interference reasons, a self contained meter (versus

an instrument meter installation) will be the only positive and verifiable method of disconnection available.

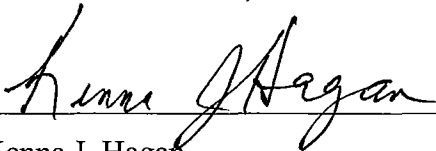
5. Cost of Labor. Proposed Section 20:10:36:10 (1). Black Hills Power agrees that an engineering cost of \$100 per hour is reasonable, but requests that this rate be indexed to the Consumer Price Index or other similar measurement as determined by the Commission. Black Hills Power would further propose that the Commission set and post the indexed rate annually to be effective January 1st of each year.
6. Cost of Application Fee. Proposed Section 20:10:36:06 (1). The application fee for Tier 1 in the proposed rules is fifty dollars (\$50). In paragraph 4 above, Black Hills Power agreed with the proposed rules that \$100 per hour is a reasonable rate for engineering costs. The currently proposed \$50 Tier 1 application fee would then translate into 30 minutes of engineering review. Black Hills Power anticipates that a Tier 1 application review would require a minimum of one hour of engineering review, not to mention administrative costs. It is important that utilities recover as close as they can to the actual costs so that retail customers are not subsidizing the small percentage of customers that are requesting interconnection. Black Hills Power therefore suggests that the application fee for Tier 1 facilities be set to a minimum of \$100. This will ensure that the rate making principal of cost causation is followed.
7. Cost of Deposit. Proposed Section 20:10:36:10 (7). Black Hills Power agrees that a deposit of up to 50% of the cost estimate for all studies is appropriate. An up front deposit ensures that the applicant is serious about moving forward with the possible interconnection and ensures that utilities do not expend resources on projects that never come to fruition, or worse yet, where the applicant is not able to pay for the cost of the study when billed afterward. The deposit eliminates the risk of having rate payers subsidize the small generator interconnection process when fees are not paid. Therefore, Black Hills Power requests that the Commission eliminate the cap of \$1,000 for facilities that are 2 MW or less and just leave the deposit as a straight 50% basis. Each project will be different and 50% of the cost estimate for a project under 2 MW could greatly exceed \$1,000.

8. Interconnection Facilities Deposit: Proposed Section 20:10:36:10 (8). As stated in paragraph 7, Black Hills Power requests that the required deposit for identified facility upgrades should be, at a minimum, 50% with no cap on the maximum deposit. Facility upgrades and/or interconnection facilities may be a significant cost, particularly for larger interconnections. Black Hills Power feels that the utilities should not bear the financial risk for facilities.
9. Tier 3 Interconnection Denial. Proposed Section 20:10:36:28. Black Hills Power would like this section to more specifically state that if a utility initiated and funded Tier 3 feasibility study identifies system impacts it would constitute a failed screen and the interconnection request must proceed to Tier 4. In addition, because the feasibility study is optional for Tier 3, Black Hills Power would like the cost of the feasibility study to possibly be recovered from the applicant. If the applicant chooses to proceed to the Tier 4 process, the Tier 3 feasibility study will satisfy the Tier 4 feasibility study requirement, with the customer reimbursing the utility for the cost of the Tier 3 study.
10. Insurance. Proposed Section 20:10:36:11. Black Hills Power substantially agrees with this proposed rule, but requests one change. The rule states that a facility with a total generating capacity of 20 KW or less is not required to have the endorsements required. Black Hills Power would like this to be 10 KW so that it coincides with Tier 1, the inverter based generating units.
11. Recordkeeping Requirements. Proposed Section 20:10:36:39. Black Hills Power agrees with Staff's proposed language. Additional reporting requirements without a specific Commission purpose are unduly burdensome on both the utility and the Commission.
12. Temporary Disconnection. Proposed Section 20:10:36:41. Black Hills Power feels it would be very difficult to notify every small generator interconnected customer in an emergency situation as required in subparagraph (1) (b). These customers, like all customers, will be provided with the most recent information available through our outage reporting line and customer service. Black Hills Power requests that this notification requirement be eliminated.

WHEREFORE, Black Hills Power respectfully requests that the Commission take these comments into consideration during the rule making process.

Dated this 9th day of October, 2008.

BLACK HILLS POWER, INC.

By: 

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