

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

<b>IN THE MATTER OF THE CONSIDERATION</b>	)	<b>ORDER REQUESTING</b>
<b>OF THE NEW PURPA STANDARDS AS SET</b>	)	<b>COMMENTS ON</b>
<b>FORTH IN THE ENERGY POLICY ACT OF</b>	)	<b>STANDARDS</b>
<b>2005</b>	)	<b>EL06-018</b>

On August 8, 2005, the Energy Policy Act of 2005 ("EPAAct 2005") was signed into law. Certain provisions in the EPAAct 2005 amend the Public Utility Regulatory Policies Act ("PURPA") of 1978. The EPAAct 2005 adds five new federal standards to PURPA. The five standards regard net metering, fuel diversity, fossil fuel generation efficiency, smart metering, and interconnection for distributed resources. Under the EPAAct 2005, the Public Utilities Commission (Commission) has varying timelines within which to consider these standards and determine whether to adopt them.

At its May 23, 2006, meeting, the Commission considered how to proceed with the consideration of the new PURPA standards. The Commission sought comments from interested persons or entities on how to proceed. The Commission requested that interested persons or entities comment on the following questions: 1) Which electric utilities operating in South Dakota are affected by the standards and are subject to the Commission's jurisdiction? 2) Should the Commission open a docket for each utility or open a generic docket encompassing all of the affected utilities? 3) Should the Commission combine all of the standards, some of the standards, or have separate dockets for each standard? 4) Should the Commission hold evidentiary hearings with direct testimony and cross-examination? 5) If the Commission decides to implement any of the standards, should it do so through a rulemaking? 6) With respect to the net metering standard, should the Commission find it is not required to consider this standard given that the Legislature has already considered net metering in a past legislative session? Interested persons or entities were also allowed to submit comments on any other issues related to how the Commission should proceed with its consideration of these standards. Written comments were due on or before June 20, 2006.

At its July 11, 2006, meeting, the Commission considered these issues. The Commission has jurisdiction over this matter pursuant to SDCL chapter 49-34A, specifically 49-34A-93, and the EPAAct 2005. With respect to net metering, the Commission found that it will not consider the net metering standard. The Commission noted that the Legislature has already considered the implementation of net metering and has rejected any such implementation in past legislative sessions. Pursuant to section 112(d) (3) of PURPA, the obligation to consider the net metering standard does not apply if "the State legislature has voted on the implementation of such standard (or a comparable standard) for such utility."

The Commission further found that the affected utilities are the rate regulated investor owned utilities. The Commission also decided that this docket will encompass all of the affected utilities and will address all of the remaining standards. In addition, the Commission determined that it would decide what type of hearings to hold and whether to implement any standards through a rulemaking after the intervention deadline.

The Commission set an intervention deadline of August 15, 2006. On August 11, 2006, the Commission received a Petition to Intervene from MidAmerican Energy Company (MidAmerican). On August 14, 2006, the Commission received a Petition to Intervene from Itron, Inc. (Itron). On August 15, 2006, the Commission received Petitions to Intervene from NorthWestern Corporation

d/b/a NorthWestern Energy (NWE), Northern States Power Company d/b/a Xcel Energy (Xcel) and Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc. (MDU). On August 17, 2006, the Commission received a Petition to Intervene from Otter Tail Corporation d/b/a Otter Tail Power Company (OTP) and a Petition for Late Filed Intervention from Black Hills Power, Inc. (BHP). By order dated September 11, 2006, the Commission granted intervention to MidAmerican, Itron, NWE, Xcel, MDU, OTP and BHP.

At its November 14, 2006, the Commission considered how to proceed. The Commission decided to ask for written comments from the parties regarding the standards and then conduct workshops to further study whether to implement the standards. Therefore, the Commission requests that the parties file answers to the questions set forth below on or before January 9, 2007.

### **FUEL DIVERSITY – PURPA STANDARD 12**

Pursuant to section 1251(a) of EPAAct, section 111(d)(12), the Commission must consider adoption of a fuel diversity standard. This standard provides as follows:

(12) Fuel Sources. Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.

The Commission has until August 8, 2008 to complete consideration of this standard and make a determination on whether to adopt it. With respect to PURPA Standard 12, please answer the following questions:

1. Should the Commission adopt this standard?
2. If the Commission adopts the standard, how often should the plan be updated? What time period should the plan encompass?
3. What other more specific requirements should be adopted in order to implement this standard?
4. Are there any other issues the Commission should consider?

### **FOSSIL FUEL GENERATION EFFICIENCY – PURPA STANDARD 13**

Pursuant to section 1251(a) of EPAAct, section 111(d)(13), the Commission must consider adoption of a fossil fuel generation efficiency standard. This standard provides as follows:

(13) Fossil Fuel Generation Efficiency. Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

The Commission has until August 8, 2008, to complete consideration of this standard and make a determination on whether to adopt it. With respect to PURPA Standard 13, please answer the following questions:

1. Should the Commission adopt this standard?
2. If the Commission adopts the standard, how often should the 10-year plan be updated?

3. What other more specific requirements should be adopted in order to implement this standard?

4. Are there any other issues the Commission should consider?

#### **SMART METERING – PURPA STANDARD 14**

Pursuant to section 1252(a) of EPAct, section 111(d)(14), the Commission must consider adoption of a smart metering standard. This standard provides as follows:

(14) Time-Based Metering and Communications. (A) Not later than 18 months after the date of enactment of this paragraph, each electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's cost of generating and purchasing electricity at the wholesale level. The time-based rate schedule shall enable the electric consumer to manage electric use and cost through advanced metering and communications technology.

(B) The type of time-based rate schedules that may be offered under the schedule referred in subparagraph (A) include, among others –

(i) time-of-use pricing whereby electricity prices are set from a specific time period on an advanced or forward basis, typically not changing more often than twice a year, based on the utility's cost of generating and/or purchasing such electricity at the wholesale level for the benefit of the consumer. Prices paid for energy consumed during these periods shall be pre-established and known to consumers in advance of such consumption, allowing them to vary their demand and usage in response to such prices and manage their energy costs by shifting usage to a lower cost period or reducing their consumption overall;

(ii) critical peak pricing whereby time-of-use prices are in effect except for certain peak days, when prices may reflect the costs of generating and/or purchasing electricity at the wholesale level and when consumers may receive additional discounts for reducing peak period energy consumption;

(iii) real-time pricing whereby electricity prices are set for a specific time period on an advanced or forward basis, reflecting the utility's cost of generating and/or purchasing electricity at the wholesale level, and may change as often as hourly; and

(iv) credits for consumers with large loads who enter into pre-established peak load reduction agreements that reduce a utility's planned capacity obligations.

(C) Each electric utility subject to subparagraph (A) shall provide each customer requesting a time-based rate with a time-based meter capable of enabling the utility and customer to offer and receive such rate, respectively.

The Commission has until August 8, 2007, to complete consideration of this standard and make a determination on whether to adopt it. With respect to PURPA Standard 14, please answer the following questions:

1. Describe any Smart Metering programs that you have already implemented or are in the process of implementing. Include programs that are conducted in states other than South Dakota. Please list the customer classes eligible for each program and how many customers are in each program for each year beginning with the inception of the program.
2. State whether any Smart Metering programs that currently exist comply with the PURPA Standard 14.
3. Describe how the four PURPA time-based rate schedules are most applicable to various classes of customers.
4. Should time-based rates as set forth in PURPA Standard 14 be mandatory for all customers, mandatory for some customers, or voluntary?
5. Explain why the Commission should or should not adopt PURPA Standard 14 or any part thereof? In support of your position, provide citations to studies that have been conducted to determine the effectiveness of Smart Metering programs.
6. Of the types of time-based rate schedules listed in PURPA Standard 14, which standard(s) is the most effective in reducing demand? Which is the most cost effective?
7. If the Commission adopts PURPA Standard 14, how should the costs for time based rates or programs be allocated and recovered?
8. Are there any other issues the Commission should consider?

#### **INTERCONNECTION STANDARDS FOR DISTRIBUTED RESOURCES – PURPA STANDARD 15**

Pursuant to section 1252(a) of EPAAct, section 111(d)(15), the Commission must consider adoption of interconnection standards. This standard provides as follows:

(15) Interconnection. Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "interconnection service" means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards developed by the Institute Of Electrical And Electronics Engineers: IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time. In addition, agreements and procedures shall be established whereby the services are offered shall promote current best practices of interconnection for distributed generation, including but not limited to practices stipulated in model codes adopted by associations of state regulatory agencies. All such agreements and procedures shall be just and reasonable, and not unduly discriminatory or preferential.

The Commission has until August 8, 2007, to complete consideration of this standard and make a determination on whether to adopt it. With respect to PURPA Standard 15, please answer the following questions:

1. Do you currently have tariffs, agreements, procedures, or schedules regarding interconnection of customer-owned generating facilities? If so, please describe them in general terms, including any limits on the capacity of customer-owned generating facilities. In addition, provide a copy or electronic link to the tariff, agreement, procedure or schedule.
2. Explain why the Commission should or should not adopt interconnection standards consistent with PURPA Standard 15 or any part thereof.
3. Should the Commission adopt IEEE Standard 1547?
4. Should the Commission adopt the NARUC Model Interconnection Procedures and Agreement? Should the Commission adopt parts of the NARUC Model Interconnection Procedures and Agreement or make changes?
5. Are there any other issues the Commission should consider?

Therefore, it is

ORDERED, that the parties shall submit their written comments responding to these questions on or before January 9, 2007.

Dated at Pierre, South Dakota, this 5<sup>th</sup> day of December, 2006.

<b>CERTIFICATE OF SERVICE</b>	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By:	<u>Alaine Kelbo</u>
Date:	<u>12/6/06</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

Dustin M. Johnson  
DUSTIN M. JOHNSON, Commissioner

Gary Hanson  
GARY HANSON, Commissioner