



South Dakota Municipal Electric Association

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December 3, 2013

Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070

RE: In the Matter of the Consideration of Standards to Govern Avoided Cost Determinations Docket No. RM13-002.

Dear Ms. Van Gerpen:

The South Dakota Municipal Electric Association (SDMEA) appreciates the opportunity to provide comments in response to the South Dakota Public Utilities Commission's Request for Comments as to whether rules should be promulgated governing avoided cost determinations in South Dakota.

The SDMEA is a non-profit, nonpartisan association of incorporated municipalities who own and operate an electric utility. The SDMEA is comprised of 34 municipal electric utilities from across the state of South Dakota. Most SDMEA members receive a fixed allocation of hydroelectric power and energy from the Western Area Power Administration (WAPA) and many purchase their supplemental power from Missouri River Energy Services (MRES)¹ or Heartland Consumer Power District (HCPD)² to meet their power needs above their WAPA allocations.

South Dakota Municipal Electrics and their supplemental power suppliers (MRES & HCPD) are not rate-regulated by the South Dakota Public Utilities Commission and are considered non-regulated electric utilities within the meaning of the Public Utility Regulatory Policy Act of 1978 (PURPA). However, SDMEA members along with MRES and HCPD have certain obligations with respect to buying and selling power to Qualifying Facilities (QFs) under PURPA Sections 201 and 210.

MRES and HCPD have taken several actions to clarify the responsibilities of coordinating power purchases transactions with QFs. In 1994, MRES along with its South Dakota members petitioned the Federal Energy Regulatory Commission (FERC) for a waiver of their members' obligation, as individual electric utilities, to purchase power directly from QFs³. Both MRES and HCPD have adopted policies for setting forth a method for calculating avoided costs for QFs.

¹ The South Dakota communities that are members of MRES include Beresford, Big Stone City, Brookings, Burke, Faith, Flandreau, Fort Pierre, Pickstown, Pierre, Vermillion, Watertown and Winner.

² The South Dakota communities that are members of HCPD include Arlington, Aurora, Bryant, Colman, Groton, Hecla, Howard, Langford, Madison, McLaughlin, Miller, Parker, Plankinton, Sioux Falls, Tyndall, Wess. Springs and White.

³ *Missouri Basin Municipal Power Agency (Missouri Basin)*, 69 FERC ¶ 62,250 (1994). The FERC subsequently granted these same waivers to MRES and five of its members in 2009 and one member in 2013. *Missouri Basin*, Docket No. EL09-13-000 (Feb. 6, 2009) (delegated letter order); *Missouri Basin*, Docket No. EL13-80-000 (Oct. 9, 2013) (delegated letter order).

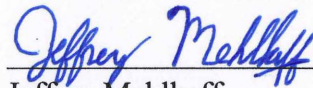
On October 9, 2013, FERC granted the petition of MRES to terminate its PURPA purchase obligation within MISO with respect to QFs greater than 20 MW.⁴ As a result of FERC's action, MRES and its members within MISO are not required to enter into new contracts or obligations to purchase electric energy and capacity from any QF with a net capacity in excess of 20 MW in the MRES members' service territories within MISO or interconnected to the MRES transmission system under the control of MISO.

The SDMEA agrees with and echoes the statements and comments made by MRES and HCPD in response to RM13-002 as it pertains to avoided cost determinations regarding their member municipal electric utilities in the state of South Dakota. The SDMEA appreciates the opportunity to provide these comments to the South Dakota Public Utilities Commission and looks forward to participating in any further discussion on the issue.

Dated: December 3, 2013

Respectfully submitted,

SOUTH DAKOTA MUNICIPAL
ELECTRIC ASSOCIATION



Jeffrey Mehlhaff

Director

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⁴ *Missouri River Energy Services*, Docket No. QM13-3-000 (Oct. 9, 2013) (delegated letter order).