

House Bill 1232: Establishing a methodology to determine the value of small-scale electricity

Dakota Rural Action is supporting legislation being sponsored by Rep. Paula Hawks and Sen. Brock Greenfield requiring the Public Utilities Commission to develop a methodology to determine the value of small scale electric generation facilities. This methodology will be used by investor-owned utilities **only** to set purchase rates for excess electricity generated by energy producers in their service territories.

HB 1232 lays out specific considerations for the methodology, but leaves the door open for the PUC to also consider other costs and values. The legislation is based on Minnesota and North Carolina's similar laws, and follows best practices set forth in most other states currently grappling with the value of small-scale distributed generation.

The benefits of HB 1232 extend far beyond the customers of investor-owned utilities. Municipal electrics are seeing more and more customers installing small-scale generating systems, and everyone is grappling with how much the generated power is worth. The methodology established by the PUC under this legislation will provide a framework municipal electrics and REAs can follow when determining how much small-scale electric generators are worth in their territory. **HB 1232 does not require any municipality or REA to adopt the methodology.**

Studies done across the country from California to New York show conclusively that these systems are a valuable and inevitable part of our energy mix. It is important, now that South Dakota is seeing growth in the adoption of such systems, to establish fair purchase prices for the power generated to ensure not only that the grid is supported, but that energy producers are compensated at a rate reflective of the value of their energy.

Key issues addressed by HB 1232:

- More South Dakotans are choosing to invest in their own electricity generation, but they are finding there is no guideline to determine how much their excess electricity is worth.
- So far, the investor-owned utilities have determined the rate at which they purchase electricity from individual generators. The utilities have taken a very narrow view of what that electricity is worth, and the current system of valuation does not follow best practices accepted around the country.
- Small-scale electricity generation is a valuable part of South Dakota's energy mix, and our policies need to reflect *the growing desire for, and value of, these systems.*
- An open, transparent process for determining the value of small-scale electricity generation that takes into account all factors, not just fuel cost, as well as the value of the grid, is the best way to establish how much individual energy producers should be paid for what they are providing as a service to their fellow citizens.

Please support HB 1232

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State of South Dakota

NINETIETH SESSION
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HOUSE BILL NO. 1237

Introduced by: REPRESENTATIVE PAULA HAWKS

1 FOR AN ACT ENTITLED, An Act to provide for a determination of the value of small power
2 production facilities.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. The Public Utilities Commission shall establish, after notice, hearing, and
5 comment, a methodology to determine the value of electricity produced by small power
6 production facilities as defined under the Public Utility Regulatory Policies Act of 1978, for the
7 purpose of establishing the purchase rate by investor-owned utilities of electricity generated by
8 small power production facilities.

9 Section 2. The methodology shall, at a minimum, account for the value of energy and its
10 delivery, generation capacity, transmission capacity, transmission and distribution line losses,
11 and environmental value. The Public Utilities Commission may, based on known and
12 measurable evidence of the cost or benefit of small power production facilities to the utility,
13 incorporate other values into the methodology, including credit for locally manufactured or
14 assembled energy systems, systems installed at high-value locations on the distribution grid, or
15 other factors.

16 Section 3. The methodology shall be reviewed every five years and the Public Utilities



- 1 Commission shall conduct a public hearing upon review.