



South Dakota Rural Electric Association, Inc.
222 West Pleasant Drive
P.O. Box 1138
Pierre, South Dakota 57501-1138
Phone: 605-224-8823
Fax: 605-224-4430

www.sdrea.coop

PRESS RELEASE

Electric Services in an Annexed Area Study Committee Holds First Meeting

PIERRE, S.D. – The Electric Services in an Annexed Area Study Committee, chaired by Sen. Alan Solano (R-Rapid City), held its first meeting on Thursday, July 25, 2019, at the State Capitol in Pierre, S.D. The interim committee was created through the passage of Senate Bill 66 by the 2019 Legislature. SB 66, otherwise known as the Territorial Integrity Act, sought to freeze electric utility service territories and stop municipal utility taking of electric cooperative territory. The meeting agenda included presentations by representatives of the Public Utilities Commission, electric cooperatives, municipal-owned utilities, and investor-owned utilities. Time was also allowed for public testimony.

Current statutes create different sets of rules that govern any changes to South Dakota electric service territory. By law, electric cooperatives and investor-owned utilities (IOU) must collaborate and agree upon changes in service territory between the two. Municipal governments, on the other hand, have the authority to expand their electric service boundaries and take territory from incumbent electric providers. These differences in the rules favor government taking of private enterprise.

“It is unfair, even dangerous, to presume that just because government participates as a provider of goods and/or services in any industry alongside other private providers, that the interests of government should be held superior to any other participant in that industry,” said Ed Anderson, general manager of the South Dakota Rural Electric Association. “In this case, providing for the unilateral taking of service territory by government does just that.”

Through the summer study process, the state’s electric cooperatives want to level the playing field by requiring municipal electric utilities to follow the same negotiation rules followed by rural electric cooperatives and investor-owned utilities.

“Applying the same rules to all electric utilities operating in the state will not impede municipal annexations,” said Anderson. “It will force municipal governments to engage in the same conversations about fairness and equity that an investor-owned utility and an electric cooperative must consider when making individual customer exchanges or making permanent changes to the boundaries.”

The issue has been an ongoing one. It comes to a head periodically when municipal governments take over the territories of cooperatives or investor-owned utilities. These are areas the co-ops have served for decades and have incorporated into long-range planning. Electric cooperatives have built the infrastructure needed to serve all areas of their territories. When municipal utilities take away the electric service areas of those co-ops, the infrastructure, including generation, transmission, substations and distribution assets, that have been put into place become useless. The municipal-taking of incumbent utility territory also greatly limits the incumbent’s ability to plan for the future because the territory is so easily seized by the local government.

“Density is everything when you're distributing the costs of building, operating and maintaining a system across a customer or member base,” said Anderson. “With less than three members per mile on average across the state, compared to 40 plus customers per mile for municipal electric systems, the economics of losing higher density development through takings is significant. The loss of that opportunity, coupled with the loss of revenue from existing members, can never be recovered.”

In addition to Senator Solano, the committee members are Rep. Thomas Brunner (R-Nisland), Vice Chair; Rep. Shawn Bordeaux (D-Mission); Rep. Kirk Chaffee (R-Whitewood); Rep. Spencer Gosch (R-Glenham); Rep. Tim Reed (R-Brookings); Sen. Lee Schoenbeck (R-Watertown); Sen. Susan Wismer (D-Britton); and Sen. Jordan Youngberg (R-Chester).

To learn more about the Electric Services in an Annexed Area Study Committee, visit <https://sdlegislature.gov/Interim/Documents.aspx?Committee=216&Session=2019&tab=Detail>.