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November 22, 2004

**RECEIVED**

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**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

Pam Bonrud  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol  
Pierre, SD 57501

Subject: Contract with Deviations Filing – Terry Peak Snowmaking

Dear Ms. Bonrud:

Enclosed is a signed copy of an Electric Power Service contract between Black Hills Chair Lift (Terry Peak) and Black Hills Power (BHP). Black Hills Power is filing this contract as a “Contract with Deviations” from our Energy Storage Service tariff for this unique snowmaking operation. Both parties have agreed to the terms, and we ask that the Commission approve this filing effective with the first billing period following the Commission’s action.

For some time now, Terry Peak has been exploring alternative rate options for their snowmaking operation. Their original snow making operation consisted of two accounts served on BHP’s Utility Controlled rate. Those two accounts handle the air compressors at the Nevada Gulch Lodge (3-600 hp compressors) and the water well and pumping load (1-300 hp well pump & 2-150 hp pressurizing pumps) halfway up the mountain.

They have had two problems with the Terry Peak well in the past – (1) they have pumped it too fast for adequate recharge during the snowmaking season and (2) the water leaving the well is 45 degrees, which is too warm to create ideal snow (ideal ice instead). They have attempted to correct the problems by using Golden Reward’s 15 million gallon holding pond to store and precool the snowmaking water. Terry Peak is currently leasing, with an option to purchase, the Golden Reward property and associated facilities. This year, they tried drilling a new well at the bottom of Terry Peak that would supply the water for the pond - however that well had inadequate flow and they abandoned it.

At this time, their plans are to fill the Golden Reward pond three times – the first time from the Hannable Well (existing Energy Storage rate application), the second time from a man-made basin on Golden Reward’s property that catches run-off from Terry Peak and is fed from Terry Peak’s primary meter at Nevada Gulch, and a third time from the existing well on Terry Peak (in between snowmaking periods). Their expectations are to have all snow-making done by late December or early January and then shut everything off. The Hannable well is a summer and fall off-peak load only - it will not run during the winter time.

Rate wise Terry Peak asked BHP to explore rate options that would eliminate the need for curtailments. Their current average cost per kWh is 4.9¢, based on last year’s billing history, which includes the Utility Controlled rate for the 2 original accounts and the General Service rate for the account at Golden Reward. Original plans were to convert the Golden Reward account to Energy Storage Service when BHP revised the rate in March of 2003. Terry Peak is not able to add enough snowmaking

infrastructure to handle a second 250 hp pump at Golden Reward that would run strictly during off-peak periods. Therefore, they are seeking other alternatives.

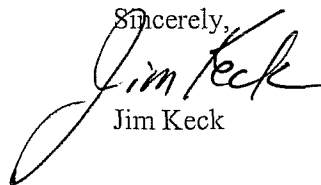
If Golden Reward went on BHP's Small Interruptible Service rate, they would incur additional interruption time where they couldn't make snow – and since the systems are tied together, the old accounts would need to be shut down for the new time periods. But, if they did convert to the Small Interruptible Service rate on the Golden Reward pond, they could drop their overall costs to 4.6¢/kWh. However, they would incur substantial costs for installing equipment that could interrupt their loads and additional interruptions would occur during prime snowmaking periods. If all of Terry Peak's snow making operations were served on BHP's General Service rate, the costs would increase \$30,000 per year, which is unacceptable to Terry Peak.

Based on the existing costs that Terry Peak is now paying or could be paying for snowmaking, BHP proposed to Terry Peak, for their three snowmaking accounts, a kWh rate of 5.0¢/kWh (with no demand charge) plus a 1% monthly facility charge on any BHP owned transformers and new distribution equipment (overall average of 5.3¢/kWh), pending approval of the South Dakota Public Utilities Commission. Terry Peak's Board of Directors reviewed the proposal and approved the concept, which actually entails an increase in revenue of almost \$4,500 per year to BHP. In exchange, BHP will no longer interrupt Terry Peak's snowmaking process on a regular basis, but instead, will request a curtailment only during critical conditions described in section 2 of the contract.

In summary, Black Hills Power is requesting a deviation from the strict interpretation of the Energy Storage rate. There are several aspects of Terry Peak's unique snowmaking operation that resemble an energy storage application – (1) water will be pumped and stored in Golden Reward's holding ponds, (2) snowmelt and rain drainage from the mountain is stored in a man-made basin and will be recycled the following year, and (3) most of the snowmaking takes place during BHP's off-peak hours. In addition, the benefit of "good skiing conditions" is extremely important to many of the northern Black Hills businesses.

Black Hills Power respectfully requests that the Commission approve this contract with deviations between Black Hills Power and Black Hills Chair Lift.

If you have any questions, please feel free to give me a call.

Sincerely,  
  
Jim Keck

xc: Brian Iverson – BHP Legal Dept.

Attachment

ELECTRIC POWER SERVICE CONTRACT  
State Of South Dakota

Contract Number \_\_\_\_\_  
Effective Date \_\_\_\_\_

THIS CONTRACT, made between Black Hills Power, Inc. (hereinafter referred to as "Company"), and Black Hills Chair Lift Company d.b.a. Terry Peak Ski Area (hereinafter referred to as "Customer"),

WITNESSETH: That the parties hereto, for and in consideration of the mutual agreements hereinafter set forth, contract as follows:

1. Electric Power Supply. Company shall supply, and the Customer shall take all electric power and energy required for the operation of Customer's **qualified energy storage equipment** installed or to be installed by it at the locations described below:
  - Golden Reward holding ponds located at the Golden Reward mine. The point of delivery shall be at the primary metering point and the delivery voltage shall be 7,200/12,470 volts (electric account 6470.03);
  - Snow making air compressor station, located at Terry Peak just east of the Nevada Gulch Lodge. The point of delivery shall be at the secondary bushings of Company's pad mount transformer and the delivery voltage shall be 277/480 volts (electric account 7635.01);
  - Terry Peak well and snow making water pumps, located at Terry Peak near the midway point of the Ben Hur ski run. The point of delivery shall be the metering point and the delivery voltage shall be 480 volts (electric account 6151.06)

Such power and energy shall be three (3) phase, alternating current, and approximately 60 cycles, at a nominal voltage as described above.

2. Curtailments. Customer agrees to curtail all the pumping and air compressing equipment, used in conjunction with Customer's snow making operation, within three (3) hours of Company's request. Company curtailments may be requested during unfavorable economic conditions associated with purchased or internally generated power supply, during system peaking conditions associated with very low temperatures or during system conditions where a curtailment would assist in maintaining or restoring the power supply to the area.
3. Company Facilities. Company agrees to extend and maintain its lines to the premises of Customer and to install all transformers, switches, lightning arresters, meters, recording devices and other apparatus necessary for the purpose of delivering and measuring the power and energy at the point of delivery which shall be as described in **section 1** above. Such facilities of Company shall be of sufficient capacity to satisfy a maximum demand by the Customer of:

- 1000 kVA (kilovolt-amperes) of electric power at the Golden Reward holding ponds,
  - 2,000 kVA of electric power at the snow making compressor station and
  - 750 kVA of electric power at the Terry Peak well and snow making pumps.
4. Customer Facilities. Customer shall install and maintain, at its own expense, in approved standards of construction, all other facilities on Customer's side of point of delivery which are necessary for the proper reception of electrical power and energy and for its use beyond such point. Such facilities and Customer's plant equipment shall be of types which will not interfere with other service rendered by Company and be subject to inspection by Company at reasonable times.
  5. Right Of Way. Customer agrees to provide Company, without cost, a suitable location and right of way on Customer's premises for necessary lines and apparatus. All apparatus installed by and at cost of Company shall remain its property and it shall have the right to inspect, repair or remove the same.
  6. Terms. The initial term of this Agreement shall commence on \_\_\_\_\_, 200, and shall extend for a period of not less than two years, and if not then terminated by at least twelve months prior written notice by either party, the contract shall continue until so terminated.
  7. Payment. Company shall bill, and the Customer shall pay for all electric power and energy supplied hereunder at the rates and charges due and payable therefore, pursuant to the Company's Energy Storage Service electric rate schedule, **as modified below**, copy of which is attached as a part hereof, and upon the terms and conditions set forth in such rate schedule and in the Company's rules and regulations.

Energy Charge:	5.00 ¢ per kWh (on-peak and off-peak)
Demand Charge:	no charge (on-peak)
Facility Charge:	1% per month of the original value of Company's transformers installed at each service location

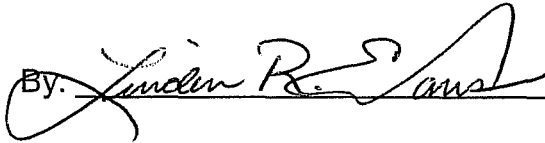
It is understood that the initial basis for charges pursuant to this contract as above referred to may be revised by the Company from time to time, and the Customer agrees that should the Company, during the term of this contract, revise or eliminate the schedule or rates attached hereto, such revised rate schedule **(increased by no more than the overall percentage increase for all customer rate classes)**, or the remaining applicable rate schedule most favorable to Customer shall be the basis for charges under this contract thereafter, **provided, however, that Company agrees that during the term of this Agreement, Company shall provide to Customer a modified Energy Storage rate.** Customer shall be notified promptly of any such revision or elimination.

8. Non-Payment. In the event that any bill for electric service is not paid in accordance with payment provisions of the effective rate schedule, Company may suspend the supply of power and energy or cancel this contract, but such action shall not release Customer from the obligation to pay for service furnished and the minimum charges under said rate schedule for the unexpired period of the contract or from liability for damages because of any breach hereof.
9. No Guarantee Of Continuous Service. Company will endeavor to maintain adequate and continuous service, but does not guarantee that the supply of energy will at all times be constant. In case service should be **interrupted by curtailment request** or interrupted or fail by an act of God or public enemy, fire, explosion, flood, strike, other cessation of work by personnel, picketing, insurrection, mob violence, governmental interference, breakdown of or injury to machinery or lines, extraordinary repairs, or other accident or other causes not reasonably within its control, Company shall not be liable for damages on account of interruption of service. Minimum and demand charges in said rate schedule shall be prorated should Customer be prevented from taking energy for a period in excess of forty-eight (48) hours occasioned by the occurrence of any of the above events to the Company's system.
10. Liability And Indemnification. Company shall not be liable for any loss or damage to property or injury to or death of persons, whether suffered by Customer, its agents or employees, or by any third person, persons or corporation, resulting from the location, use or operation of electrical or other equipment located on Customer's side of the point of delivery, or from electric energy present therein or escaping therefrom, and customer agrees to indemnify and save Company harmless from all such loss, damages, injuries or death.
11. Disconnect. If for any reason the Customer desires the facilities temporarily disconnected the Company shall comply with such request within a reasonable time after notice thereof; provided, however, such discontinuance shall in no case relieve the Customer from complying with the terms of this contract.
12. Amendments. The provisions of this contract shall not be changed except by writing duly signed by Company and Customer. However, the contract is subject to valid orders of legally constituted regulatory bodies having jurisdiction over the Company's rates.
13. Assignees And Successors. This contract shall inure to and be binding and enforceable upon Customer and its assigns, lessees and successors in interest to the **qualified energy storage equipment** installed or to be installed by it at the locations described in section 1 and upon Company's assigns, lessees, and successors in interest.

ACCORDINGLY, the parties hereto have executed this contract in duplicate this 15<sup>th</sup> day of November, 2004, binding and extending to their successors and assigns.

Black Hills Power, Inc.

Black Hills Chair Lift Company d.b.a.  
Terry Peak Ski Area

By: 

By: 

Title: President and Chief Operating Officer

Title: President J. V. Parsing