

Company's avoided cost modeling. Therefore, if any generation from the Company's existing units was avoided, the reduction of these reagent costs was fully valued in the avoided cost rate. Particulate matter emissions at coal-fired generation units are limited through the use of baghouse equipment installed on each generator. The cost of this equipment is fixed and therefore not affected by the addition of a QF. Particulate matter emissions from gas-fired generation is not limited by equipment or agents and therefore no costs are avoided when generation at these units is reduced due to the addition of a QF. Similar to emissions, any reductions in water usage costs due to a reduction in generation are captured in the model because third-party water purchase costs are included in variable operations and maintenance expense.

Mr. Bell listed a number of benefits that he considered "not included" in the Company's avoided cost analysis. The Company is unsure what Mr. Bell means by "Grid support services" and "Grid security and resiliency" and is therefore unable to comment on those categories. Mr. Bell cites societal benefits such as job creation, economic development and avoided health impacts as benefits that were excluded from the Company's analysis, but are included in avoided cost calculations in other states. The Company did not include a specific avoided cost benefit for these factors in the avoided cost analysis and does not believe it is appropriate to do so.

Mr. Bell also asserts that avoided RPS, renewable costs or a REC value were not included in the avoided cost calculation. Black Hills is not subject to a Renewable Portfolio Standard, either at a state or national level, therefore the Company is not avoiding any REC associated costs.

Mr. Bell also asserts that the Company receives an excessive amount of profit on the electricity that is obtained from a residential renewable energy sources. Black Hills has an obligation to provide each and every customer access to safe and reliable power by building and maintaining the entire system (generation facilities, poles, wires and transformers) to handle everyone's maximum demand. The cost to build and maintain the system is passed on to each customer needing access to the system, including each small generator in the event that a disruptive force blocks their production source like the sun. The 500% mark-up in costs does not exist.

Mr. Bell also asserts that the model the Company used in determining the avoided costs was intentionally made to be complex and opaque. The model may be comprehensive but not complex and opaque as Mr. Bell thinks, as this same exact model is widely used throughout the electric power industry for many purposes. The same exact model is also used by neighboring utilities as the foundation for their avoided cost calculations. Because of the comprehensive nature of the model, the Company met with Mr. Bell and walked him through the complete model after he was granted intervention. At the conclusion of the walk through meeting, Mr. Bell seemed to have an understanding of the model. For further comfort that Mr. Bell had an understanding of the model, the Company reached out to him on numerous occasions after the

model walk through session, to answer any questions that he may have. Each time the Company reached out to Mr. Bell, no questions or concerns were raised; therefore, Mr. Bell cannot claim that transparency and opaqueness as an argument in this docket.

Dated this 22nd day of May, 2017

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J S Keil", is written over a horizontal line.

Jason S. Keil
Manager – Regulatory
Black Hills Power, Inc. d/b/a Black Hills Energy