BLACK HILLS POWER, INC.
d/b/a BLACK HILLS ENERGY
SD PUC DOCKET: EL16-042

REQUEST DATE : 1/6/17

RESPONSE DATE : 1/20/17

REQUESTING PARTY: Staff

SDPUC Request No. 1-16:

Refer to the 10 MW Solar QF category of Table A-1. Explain the large percent increase in the on-peak rate from 2018 to 2019.

Response to SDPUC Request No. 1-16:

The difference between the 2018 and 2019 on-peak avoided cost rates is driven by differences in seasonal firm market purchases and economy energy purchases between the two production cost models (the model that includes the QF and the model that excludes the QF) that were compared to calculate the avoided cost rate. Seasonal firm market purchases are firm energy purchases during on-peak hours (16 hours per day, six days per week). In 2018, the seasonal firm market purchases are the same in both the production cost model that includes the QF and the model that excludes the QF. However, the seasonal firm market purchases in July, 2019 are 25 MW lower in the model that includes the QF than in the model that excludes the QF. The avoidance of 25 MW of seasonal firm market purchase in 2019 decreases the production costs of the model that includes the QF which increases the avoid cost rate. The table below shows the difference between the seasonal firm market purchases included in the No Solar QF model and the model that included the 10 MW solar QF.

Seasonal Firm Market Purchases

	June 2018	July 2018	August 2018	June 2019	July 2019	August 2019
No Solar QF						
BHP SFMP (MW)	25	50	50	25	50	50
BHP SFMP (GWh)	10.40	20.80	21.60	10.00	21.60	21.60
10 MW Solar QF						
BHP SFMP (MW)	25	50	50	25	25	50
BHP SFMP (GWh)	10.40	20.80	21.60	10.00	10.80	21.60

In addition, the seasonal firm market purchases include energy which offsets economy energy that would have been purchased at a lower rate which increases the avoided cost rate.

Attachments:

None