

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

REQUEST DATE : 03/06/17

RESPONSE DATE : 03/20/17

REQUESTING PARTY: Staff

SDPUC Request No. 4-4:

In the absence of a separate capacity credit to ratepayers, quantify how much of the \$0.027 proposed credit rate is attributable to capacity credits.

Response to SDPUC Request No. 4-4:

As noted in Exhibit 1 of the Company's Informational Compliance Filing pursuant to 18 CFR 292.302, the Company's load and resource balance showed that Black Hills will have sufficient capacity resources to serve customer electricity demand, including a 15 percent reserve margin, over the ten-year planning period (2017 through 2026). Therefore, the addition of qualifying facilities during the planning period will not result in avoided capacity cost.

The Company does estimate that seasonal firm energy will be required in years 2017 through 2021. The Company did evaluate the seasonal firm energy need for each portfolio (the portfolio without a QF and the portfolio with a QF) and adjusted the seasonal firm energy purchase assumptions based on the capacity shortfall for the portfolio. Seasonal firm market purchases are firm energy purchases during on-peak hours (16 hours per day, six days per week) for up to three months of the year. Because these purchases are short-term in nature, the Company does not consider seasonal firm energy purchases capacity additions. Therefore, the addition of qualifying facilities during the ten-year planning period will not result in avoided capacity costs and none of the proposed \$0.027 credit rate is attributable to capacity credits.

Attachments:

None

Responder:

Lisa Seaman