

Griffith, Kylie

Subject: FW: Fall River QF
Attachments: Fall River QF Solar 20 years Spring 2018RC with QF output 08282018.xlsx

From: Brink, Todd <Todd.Brink@blackhillscorp.com>
Date: August 29, 2018 at 5:21:00 PM MDT
To: Bill Taylor <bill.taylor@taylorlawsd.com>
Cc: Sabers, Cathy <Cathy.Sabers@blackhillscorp.com>, Kilpatrick, Chris <Chris.Kilpatrick@blackhillscorp.com>
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Bill:

As we discussed on our call following receipt of your August 14, 2018 letter, attached is a revised 20 year avoided cost study for the proposed Fall River solar project. The revised calculation includes the following significant changes: utilized the current Ventyx market assumptions (Spring 2018 Reference Case) and updated the amount of Black Hills Power owned solar to 20 MW from the original 52 MW, consistent with Black Hills' current development plan for the project. These revisions result in a calculated avoided cost of \$21.77/MWh for the Fall River Project.

Please note that the study does not include regulation costs associated with this renewable resource. Renewable generation within the WAPA Balancing Authority is subject to applicable regulation service charges under WAPA's tariff. Therefore, these charges and other customary terms and conditions will be negotiated in a purchase power agreement before Black Hills is obligated to purchase power from this project.

I have included the following files that contain data used to calculate the avoided cost, as well as the avoided cost calculation, for the Fall River project.

Fall River QF Solar 20 years Spring 2018RC with QF output 08282018.xls and Fall River QF Solar 20 years Spring 2018RC without QF output 08282018.xls include the production cost modeling results for two models (one that includes the proposed Fall River project and one that excludes the project). The annual avoided cost, in \$/MWh, as well as the levelized avoided cost over the time period January 2021 through December 2040 is located on the summary tab in the first file.

BHP Fall River QF Modeling Assumptions 08282018.xls includes key data assumptions that were used in the production cost modeling including fuel and electric price forecasts, variable cost assumptions and certain contract data.

BHP L&R_Load Forecast Fall River – updated 8-28-2018.xls includes two system load and resource balance tables (one that includes the proposed Fall River project and one that excludes the project) and the load forecast that was used for the avoided cost analysis. The two load and resource balances show, among other things, the amount of seasonal capacity that was purchased with and without the proposed 80 MW solar project. Similar to the modeling for the SD Sun project, we reduced the amount of seasonal capacity purchases we otherwise would have purchased had it not been for the capacity of the proposed solar plant. The load forecast used for the avoided cost modeling was completed by BHP in 2017 using an econometric analysis.

As a reminder, all of the data shared herein is subject to the non-disclosure agreement between Black Hills and Energy of Utah and should not be shared with anyone other than your advisors. That said, we have reviewed the information

contained in your draft petition and do not believe any of the petition's contents needs to receive any special confidential protection.

Please let us know if you have any questions regarding this analysis. Also, as we discussed on the phone, we are willing to meet via conference call if you would like to discuss your views on calculating avoided cost. Finally, I've copied Cathy Sabers on the email as she will take the lead on any activity going forward. You may recall Cathy from her time as an intern at Woods Fuller, or the many years she practiced with Lynn Jackson.

Thank you again for your courtesy in allowing a short extension of time to respond to your August 14th letter.

Regards,

Todd

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