



TAYLOR LAW FIRM, LLC

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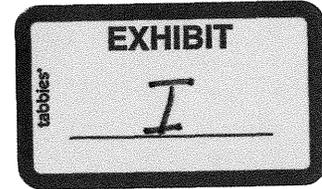
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August 14, 2018

VIA EMAIL TRANSMISSION

Todd.brink@blackhillscorp.com



Mr. Todd Brink
Associate General Counsel
Black Hills Corporation
PO Box 1400
Rapid City, SD 57709

Re: Energy of Utah LLC/Fall River Solar LLC

Dear Todd:

I represent Energy of Utah, LLC and its subsidiary, Fall River Solar LLC.

Fall River has conducted discussions with Black Hills over the last six months regarding Black Hills' calculation of avoided cost with respect to Fall River Solar's proposed 80-megawatt solar generating facility proposed for construction near Oelrichs in eastern Fall River County. By way of review, Fall River rejected Black Hills' avoided cost determination of \$17.36 per megawatt hour for energy and capacity produced by the proposed generating facility. In response, Fall River forwarded a template power purchase agreement and proposed payment for energy and capacity based on the power purchase agreement price for South Dakota Sun I and II, two solar projects proposed for development near Hot Springs and offered to enter into an agreement with Black Hills on that basis. To date, Fall River has had no response from Black Hills, which it interprets as rejection of the proposal.

Fall River has calculated Black Hills avoided cost employing the same projections Black Hills used in its \$17.36 calculation, leaving out SD Sun I and II and the unnamed third solar project (a total of 52 megawatts) and using Black Hills market sales averages when Black Hills' generation exceeds demand, the so-called Long 1 situation. Fall River cannot find any evidence that SD Sun I, II and the third project will be developed and operational by Fall River's projected commercial operations date. Fall River also believes that it is inappropriate to attribute no value to its generation during the Long 1 periods. The result of Fall River's calculation, levelized over twenty years, is \$41.66 per megawatt hour. A copy of Fall River's calculation is enclosed. I am authorized by Fall River to advise that it will accept \$41.66 as the avoided cost of energy and capacity and enter into a power purchase agreement with Black Hills similar to the power purchase agreement it recently proposed.

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Mr. Todd Brink

Page 2 of 2

Be advised that Black Hills has seven business days in which to accept or reject Fall River's proposal. If Black Hills does not accept or reject the proposal within seven business days of the date of this letter, Fall River will consider the proposal rejected and petition the South Dakota Public Utilities Commission to determine the appropriate avoided cost.

I've attached a Petition to Determine Avoided Cost that I am prepared to file with the Commission, requesting that the Commission determine Black Hills avoided cost with respect to Fall River Solar's proposed facility. Black Hills required Fall River to sign a non-disclosure agreement as a pre-condition to considering Fall River's request for an avoided cost determination. The non-disclosure agreement is so broad it arguably precludes Fall River from disclosing information necessary to plead its case before the Commission. Fall River understands that Black Hills didn't intend the non-disclosure agreement to be an impediment to bringing a case before the Commission. Fall River requests Black Hills acknowledge that the non-disclosure agreement is not intended to prevent Fall River from filing the attached Petition or making its case in support of the Petition, presuming that Black Hills does not accept Fall River's offer set forth above. Again, if I do hear from you within seven business days from the date of this letter, I will consider your silence to be acknowledgment that the non-disclosure agreement is not intended to prevent Fall River from filing the attached Petition or making its case in support of the Petition.

Please confirm receipt of this letter by return email.

I look forward to your early response.

Yours sincerely,

/s/ Bill Taylor

William Taylor

Attachments