

BLACK HILLS POWER, INC.  
d/b/a BLACK HILLS ENERGY  
EL21-016

REQUEST DATE : 05/07/21  
RESPONSE DATE : 05/11/21  
REQUESTING PARTY: Staff

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**SDPUC Request No. 1.1:**

Confirm Black Hills' natural gas costs were impacted by Winter Storm Uri for a 7-day period. What were the dates of this 7-day period? If the impact on natural gas costs lasted longer than the 7-day period, please explain.

**Response to SDPUC Request No. 1.1:**

Confirmed. The seven-day period began with gas day on February 12<sup>th</sup> and ended with gas day on February 18<sup>th</sup>. February 12<sup>th</sup> was the first gas day that the Colorado Interstate Gas (CIG) Daily Index price rose above \$10.00 and February 18<sup>th</sup> was the last day the CIG Daily Index traded above \$10.00. Black Hills Power's purchases during this timeframe were tied to the CIG Daily Index price. Please see the table below for CIG daily pricing.

2/11/2021	\$4.825
2/12/2021	\$13.285
2/13/2021	\$172.945
2/14/2021	\$172.945
2/15/2021	\$172.945
2/16/2021	\$172.945
2/17/2021	\$78.200
2/18/2021	\$19.525
2/19/2021	\$5.785

**Attachments:** None.

**Responder:** Kent Kopetzky

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**SDPUC Request No. 1.2:**

Has Black Hills identified anything it could have changed or additional measures it could take to mitigate a cost increase like this in the future? Explain.

**Response to SDPUC Request No. 1.2:**

Black Hills used all alternatives and options available at the time of the February Cold Weather Event to mitigate costs. Black Hill Power's coal fired resources Neil Simpson II and Wygen III were available for the duration of the event. Wyodak power plant was available for much of the period of February 12<sup>th</sup> through the 18<sup>th</sup> during the high gas pricing period. Black Hills Power worked to secure economy energy at a cost savings to running gas fired generation as much as possible. Ben French CT's were operated on diesel rather than natural gas, as appropriate.

Black Hills Power is evaluating several potential options to mitigate a cost increase like this in the future. These options include natural gas procurement alternatives such as hedging, firm transportation and firm storage. Other alternatives involve capital investments for fuel storage or capital investments in equipment retrofits for operation of resources on different fuels. All these alternatives would require additional costs to be incurred and recovered from customers.

**Attachments:** None.

**Responder:** Don Stahl

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**SDPUC Request No. 1.3:**

Provide the communications Black Hills made to alert its customers to conserve energy prior to and during the cold weather event.

**Response to SDPUC Request No. 1.3:**

Black Hills Power issued two media releases during the cold weather event:

- 1) February 11<sup>th</sup> a media release offered cold weather safety and heating tips, please see the attached media release named Response 1-3 – Media Feb 11.
- 2) February 15<sup>th</sup> a media release recommended efficiency to minimize the impact of the prolonged frigid temperatures, please see the attached media release named Response 1-3 – Media Feb 15.

Both media releases were issued to newspapers, television stations and radio stations like the Rapid City Journal, the Custer County Chronicle, the Native Sun News, the Black Hills Pioneer, the Fall River County Herald, the Hill City Prevalier, the Belle Fourche Beacon, the Weston County Gazette, KEVN TV, KOTA TV KNBN TV, Black Hills TV, KELO TV and Haugo Broadcasting.

Black Hills Power reached out to customers through email on February 15<sup>th</sup>. The message was sent to all customers with an active email and is attached as Response 1-3 – Feb 15 customer email.

Black Hills Power reached out on social media channels like Facebook, Instagram, and Twitter. The communication message and media type can be found in the attached file named Response 1-3 – Social Media.

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**Attachments:** SDPUC Response 1.3a Media Feb 11  
SDPUC Response 1.3b Media Feb 15  
SDPUC Response 1.3c Feb 15 customer email  
SDPUC Response 1.3d Social Media

**Responder:** Mutch Usera

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**SDPUC Request No. 1.4:**

What other alternatives did Black Hills have to provide energy to its customers during this time, and what was the difference in cost for these alternatives?

**Response to SDPUC Request No. 1.4:**

Black Hills Power worked to secure the most reliable and lowest cost supply of energy available. This included purchasing economy energy at a cost savings to running gas fired generation as much as possible. In addition, Black Hills Power operated its Ben French CT's on diesel rather than natural gas as appropriate. The difference in these costs vary due to the heat rate of each unit and the volatility of the economy energy market.

**Attachments:** None.

**Responder:** Don Stahl

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**SDPUC Request No. 1.5:**

Explain the difference between the approximate \$24 million of incremental gas costs provided in this filing and the \$15 million that was initially estimated by Black Hills in its March 1, 2021 news release.

**Response to SDPUC Request No. 1.5:**

The amount in the news release of \$15 million for Black Hills Power were only direct purchases for units solely owned by Black Hills Power, and the \$15 million reported for Cheyenne Light, Fuel and Power Company was the full amount of gas purchases for Cheyenne Prairie Generating Station. Black Hills Power is allocated a percentage of the gas purchases for the Cheyenne Prairie Generating Station. Those allocated purchases were not included in Black Hills Power's total in the March 1, 2021 new release.

**Attachments:** None.

**Responder:** Jason Keil

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**SDPUC Request No. 1.6:**

Was Black Hills able to offset any of the increased costs to produce electricity during this period with power marketing? Explain.

**Response to SDPUC Request No. 1.6:**

No. The focus during the event was to serve load and keep from having any customers go without electricity during a period when Black Hills Power set a new winter peak. Black Hills Power was not able to make any material offsetting margins during the February Cold Weather Event to offset any increase natural gas purchases and/or any high economy energy market purchases.

**Attachments:** None

**Responder:** Don Stahl

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**SDPUC Request No. 1.7:**

Provide evidence there was proper separation between Black Hills Corp's natural gas and electric utilities regarding the increased costs due to Winter Storm Uri and that the approximate \$24 million was the added cost for Black Hills Power, Inc. dba Black Hills Energy in South Dakota, Wyoming, and Montana only.

**Response to SDPUC Request No. 1.7:**

When gas is purchased for Black Hills Power, it is designated specifically for Black Hills Power in the Black Hills Corporations gas management system through the Portfolio field. Gas purchased for the other Black Hills Corporation natural gas and electric utilities have different Portfolios and are not comingled with gas purchased for Black Hills Power.

**Attachments:** None

**Responder:** Kent Kopetzky



**CERTIFICATE OF SERVICE**

I certify the foregoing document was filed through the South Dakota Public Utilities Commission website as a docketed filing this 11th day of May, 2021 and served on the following:

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Todd Brink