

Renewable, Recycled, and Conserved Energy Objective Annual Report for 2013

Directions: Fill in each orange box, save your responses, and email the completed spreadsheet back to brian.rounds@state.sd.us by **July 1, 2014**. Your completed spreadsheet will fulfill the reporting requirements in SDCL 49-34A-105. If you wish to supplement the spreadsheet with an additional narrative report, please include that report in your submission. If you have any questions, please contact Brian Rounds at 605.773.3201 or brian.rounds@state.sd.us.

- 1 MWH of electricity delivered to retail customers (retail sales) in 2013
- 2 MWH of electricity obtained from a hydroelectric facility in 2013 with an inservice date before July 1, 2008 (old hydro)
- 3 MWH of electricity obtained from qualifying renewable or recycled facilities
- 4 MWH of qualifying conserved energy
- 5 Please provide a brief narrative that describes steps taken to meet the state renewable, recycled, and conserved objective over time and identifies any challenges or barriers encountered in meeting the objective.

Black Hills Power has purchase power agreements for old hydro and wind energy. The Happy Jack and Silver Sage purchase power agreements provide Black Hills Power with 35 MW of wind power. In 2013, Black Hills Power had the ability to serve approximately 5.04% of the total retail sales with renewable resources, but the Company chose not to retire any RECs. Black Hills Power will continue to pursue prudent renewable energy generation and purchase opportunities that will achieve environmental improvements at the lowest reasonable cost to customers. Some of Black Hills Power's challenges are due to the physical location of our system and quality of renewable opportunities. In addition, if renewable energy generation is not connected to our transmission system, the price to deliver energy becomes difficult to overcome. The final barrier to renewable energy generation at a reasonable cost to customers is the ability to dispatch the energy. If renewable energy is not firm, the cost of firming this energy becomes a significant barrier.

Black Hills Power's Energy Efficiency Solutions Program (EESP) offers customers an opportunity to reduce electric consumption and an alternative to the construction of infrastructure. Black Hills Power will be requesting to extend the EESP through August 2017 in an effort to cost effectively meet this objective.

If the Company is claiming renewable MWH in (3) above or retiring RECs in other jurisdictions, please provide the following per ARSD 20:10:38:07:

6 Total amount of RECs retired for CY2013 compliance across all jurisdictions

7 Amount of RECs retired to meet South Dakota's renewable energy objective for CY2013

8 For RECs listed above in (7), please provide the tracking system(s) RECs were retired under:

N/A

9 For RECs listed above in (7), please provide the name and location of each facility that produced the retired RECs:

N/A

10 Amount of RECs that the provider retired to meet a renewable energy objective or renewable energy standard in each of the other states it provides electricity services:

Black Hills Power did not retire any RECs in 2013 in any jurisdiction.

11 For RECs listed above in (10), please provide the name and location of each facility that produced the retired RECs:

N/A

If the Company is claiming conserved MWH in (4) above, please provide the following per ARSD 20:10:38:03 through 06:

12 MWH of conserved energy achieved through energy efficiency

13 A general explanation of each energy efficiency impact evaluation or estimate, the rationale for using each energy efficiency impact evaluation or estimate, and the amount of expenditures spent on energy efficiency measures for the calendar year (ARSD 20:10:38:03).

Black Hills Power files an annual EESP report which outlines the programs, demand and energy savings, and the cost to customers. The September 2012 through August 2013 EESP report was filed on December 19, 2013, in Docket EL11-002. The energy efficiency impact evaluations for September 2012 through August 2013 will be filed with the Commission in the 2014 - 2016 EESP on June 30, 2014. Please see Attachment 4, Energy Efficiency Solutions Status Report for Program Year 1 and 2, of the 2014-2016 EESP filing for the evaluations of each program.

The Total Resource Cost Test ("TRC") was the primary method of assessing the cost-effectiveness of energy efficient measures and programs. The TRC test is a widely-accepted methodology that has been used across the United States for over twenty-five years. TRC measures the net costs and benefits of an energy efficiency program as a resource option based on the total costs of the program, including both the participant's and the utility's costs. This test represents the combination of the effects of a program on both participating and non-participating customers.

14 MWH of conserved energy achieved through demand response ((12) and (14) should sum to (4))

15 A general explanation of each demand response impact evaluation or estimate, the rationale for using each demand response impact evaluation or estimate, and the amount of expenditures spend on demand response measures for the calendar year (ARSD 20:10:38:06).

Residential customers are offered an optional demand service rate in combination with the installation of a demand controller that limits their on-peak energy usage. The impact is included in the cost of service through base rates and all customers benefit from lower electric costs by shifting usage to non-peak times.

Generation Mix Attributable to SD in 2013

Utility Name	Coal	Hydro	Nuclear	Natural Gas	Oil	Biomass	Solid Waste	Purchases	"Null" Power ¹	Other - Please Specify	Total Check
Black Hills Power	85.21%			0.96%				9.04%	4.79%		100.00%

¹"Null" Power includes renewable generation for which credits were generated but not retired in 2013