

Renewable, Recycled, and Conserved Energy Objective Annual Report for 2016

Directions: Fill in each orange box, save your responses, and email the completed spreadsheet back to darren.kearney(at)state.sd.us by July 1, 2017. 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 Darren Kearney at 605.773.3201 or darren.kearney(at)state.sd.us.

- 1 MWH of electricity delivered to retail customers in South Dakota (SD retail sales) in 2016
- 2 MWH of electricity obtained from a hydroelectric facility in 2016 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 wind energy through 2028/2029 and a purchase power agreement for old hydro energy through 2024. The Happy Jack and Silver Sage wind energy purchase power agreements provide Black Hills Power with 35 MW. In 2016, Black Hills Power served approximately 5.88% of the total retail sales with renewable resources. 15 MW greater than 2015 and increase of approx. 1% of total retail sales.

Challenges for Black Hills Power with respect to the use of renewable resource are similar to previous years. Renewable resources remain at a competitive disadvantage to lower priced natural gas and coal. The price to deliver this renewable energy can be a barrier. In addition, the physical location of Black Hills Power's system and access to renewable opportunities continues to create a challenge for the Company.

Black Hills Power has a committed interest in adding renewable sources to the generation portfolio while simultaneously providing the lowest reasonable cost to Customers. The Company anticipates two QF solar projects to come online in the next few years that will provide an additional 40 MW of solar energy. The Company also intends to continue to pursue additional prudent renewable generation opportunities.

In addition, Black Hills Power offers customers the opportunity to reduce their electric consumption through the Energy Efficiency Solutions Program. This program portfolio provides both Residential and Commercial customers with opportunities that specifically meet their needs to reduce consumption.

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 CY2016 compliance across all jurisdictions

7 Amount of RECs retired to meet South Dakota's renewable energy objective for CY2016

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 Inc, did not retire any REC's in order to meet a renewable energy objective or standard during 2016.

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 filed an annual Energy Efficiency Solutions Status Report in Docket No. EL15-044 for Program Year 2015. The energy savings as a result of the Energy Efficiency Solutions Plan is shown on Page 3 of the status report. The results of Program Year 2016 will be available in the Annual Energy Efficiency Solution Report to be filed in October 2017.

The Total Resource Cost Test ("TRC") continues to be a best practice approach to evaluating cost effectiveness of Energy Efficiency Programs. This is the primary methodology Black Hills Power uses to ensure the EESP is meeting cost-effectiveness requirements. The Status Report filed in Docket EL15-044 provides a portfolio summary and explains in greater detail the dollars spent and impact of the program.

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 installation of a demand controller that limits their on peak energy uses. The impact is included in the cost of service through bases rates and all customers benefit from lower electric costs by shifting usage to non-peak times.

Generation Mix Attributable to SD in 2016

Utility Name	Coal	Hydro	Nuclear	Wind	Natural Gas	Oil	Biomass	Solid Waste	Waste Heat	Purchases	Other - <i>Please Specify</i>	Total Check
Black Hills Power, Inc. d/b/a Black Hills Energy	86.64%			5.88%	7.01%					0.46%		100.00%

Other: For any generation listed under "Other", please provide the generation source and percentage associated with each.

For the renewable generation listed above, please provide:	
RECs retired for SD RRCEO compliance in 2015	0
RECs held or "banked"	91,344
RECs sold or transferred to other parties	8,308