

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

APPLICATION OF BLACK HILLS POWER, INC.,)
d/b/a BLACK HILLS ENERGY FOR APPROVAL TO)
IMPLEMENT A RENEWABLE READY SERVICE) Docket No. EL18-_____
TARIFF)

APPLICATION TO IMPLEMENT A RENEWABLE READY SERVICE TARIFF

Black Hills Power, Inc., d/b/a Black Hills Energy (“Black Hills Power” or the “Applicant”), a South Dakota corporation, submits this Application to implement a new tariff. In particular, Black Hills Power respectfully requests an Order from the South Dakota Public Utilities Commission (“Commission”) permitting the Applicant to implement a Renewable Ready Service Tariff and amend, as necessary, Black Hills Power’s Energy Cost Adjustment (“ECA”) tariff. If such permission is granted, the Applicant requests an effective date of the Renewable Ready Service Tariff and the amendments to the ECA tariff of July 1, 2019.

Introduction

In this Application, Black Hills Power is requesting Commission approval of a new tariff to serve commercial retail customers with an aggregate usage of 300,000 kWh or more per year and governmental accounts desiring renewable energy. This Application is made in response to requests and interest expressed by large customers within the Black Hills Power service area. *See* Direct Testimony of Bret Jones (Exhibit 5), Nick Gardner (Exhibit 3), Jason Hartman (Exhibit 7), and Kyle White (Exhibit 4) for a detailed discussion. Black Hills Power does not currently have a tariff designed to serve customers with renewable energy. Therefore, with input from stakeholders, Black Hills Power has developed an innovative and unique tariff that is designed to provide renewable energy to its customers with minimal impact to non-subscribing customers.

Simultaneously with the filing of this Application, Black Hills Power, along with Cheyenne Light, Fuel and Power Company (“Cheyenne Light”), is filing a joint application with the Wyoming Public Service Commission (“Wyoming Commission”) for a certificate of public convenience and necessity (“CPCN”) for the construction, ownership and operation of a 40 MW wind energy facility (the "Corriedale Project") near Cheyenne, Wyoming. *See* Exhibit 8. Black Hills Power will own an undivided 50% share of the facility which will serve customers under the proposed Renewable Ready Service Tariff.

Exhibits in Support of the Application

<u>Exhibit No. 1</u>	Proposed Renewable Ready Service Tariff
<u>Exhibit No. 2</u>	Proposed Changes to the ECA Tariff
<u>Exhibit No. 3</u>	Direct Testimony of Nick Gardner
<u>Exhibit No. 4</u>	Direct Testimony of Kyle White
<u>Exhibit No. 5</u>	Direct Testimony of Bret Jones
<u>Exhibit No. 6</u>	Direct Testimony of Jason Keil
<u>Exhibit No. 7</u>	Direct Testimony of Jason Hartman
<u>Exhibit No. 8</u>	Joint Application for Wyoming CPCN

Report of Proposed Tariff Changes

The following information is being provided pursuant to South Dakota Administrative Rule 20:10:13:26 regarding this Application for the implementation of a new Renewable Ready Service Tariff schedule.

(1) Name and address of the public utility.

Black Hills Power, Inc. d/b/a Black Hills Energy, 7001 Mount Rushmore Road, Rapid City, South Dakota, 57702.

(2) Section and sheet number of tariff schedule.

The proposed Renewable Ready Service Tariff is set forth in Exhibit 1, Section No 3, Sheets 5-5D. Revisions to the ECA tariff are set forth in Exhibit 2, Section No. 3C, and Sheet No. 12.

(3) Description of the change.

Black Hills Power has proposed a Renewable Ready Service Tariff to meet changing customer expectations by providing a cost-effective renewable solution for customers with sustainability goals or desires while protecting existing customers by maintaining the fixed cost contributions from all customers by reducing the risk of behind-the-meter generation. The Renewable Ready Service Tariff also improves Black Hills Power's compliance with the South Dakota Renewable Portfolio Objective.

Eligibility for service under the Renewable Ready Service Tariff is limited to commercial customers with an aggregate usage across all accounts of at least 300,000 kWh per year or more and governmental accounts. Customers will subscribe to a portion of the renewable energy generated by Black Hills Power's Renewable Ready energy source - the Corriedale Project. Subscribing customers will pay their standard rates and a Renewable Ready Charge and receive a Renewable Ready Credit. The Renewable Ready Service Tariff is designed to have minimal impact on non-subscribing customers.

The testimony submitted with this Application provides additional details on the structure, design and operation of the Renewable Ready Service Tariff:

Exhibit	Witness	Subject Matter
3	Nick Gardner	Overview of Black Hills Power's business operations, customer interest in renewable energy, target market and risks to customer base.
4	Kyle White	Customer desire for renewable energy, threat of behind-the-meter generation and the benefits of a utility owned renewable generation facility.
5	Bret Jones	Identification of customers interested in renewable energy, development of the program, customer engagement, and customer interest in program subscription.
6	Jason Keil	Intent of the tariff, impact on non-subscribing customers, methodology behind the determination of charges and credits, impact of tariff on ECA, and customer billing under tariff.
7	Jason Hartman	Overview of the Corriedale Project, cost estimate, construction timeline, and operation and maintenance of the project.

(4) Reason for the change.

Black Hills Power has two primary reasons for proposing its new Renewable Ready Service Tariff. First, it has been experiencing a steady increase in customers wanting to utilize renewable energy for some or all of their electricity requirements. This desire is usually expressed as wanting to support and use more sustainable energy resources than Black Hills Power's typical power supply mix offers. Second, when customers choose to install behind-the-meter generation, such as solar panels, they no longer adequately pay for the cost of Black Hills Power continuing to meet its obligation to serve their electricity needs. This is due to the fact that a significant portion of the on-going cost of utility operations is recovered from customers through energy and demand charges that are billed based upon the amount of electricity metered and purchased. When a customer purchases less electricity, much of the cost of being constantly ready to serve them is shifted to other customers. The proposed Renewable Ready Service Tariff will meet the needs of customers with sustainability goals, while also protecting all other customers from the cost shift that occurs when a customer installs behind-the-meter generation

and reduces their purchases of electricity from the Black Hills Power. The testimony of Nick Gardner (Exhibit 3), Kyle White (Exhibit 4), Jason Keil (Exhibit 6) and Bret Jones (Exhibit 5) provides additional detail of the need for and intent of the proposed tariff.

(5) Present rate(s).

Not Applicable.

(6) Proposed rate(s).

Under the Renewable Ready Service Tariff, subscribing customers will continue to pay their assigned rate schedule charges. The subscribing customers will pay an additional Renewable Ready Charge and receive a Renewable Ready Credit. The Charge and Credit are based on the subscribing customer's proportional share of the generation of the Corriedale Project and the applicable rates.

The subscriber's proportional share of the generation of the Corriedale Project is selected by the customer and is limited to 100% of the customer's usage over the previous 12 months. The number of kWhs selected by the customer is converted to a percentage of the expected generation each year by Black Hills Power's share of the Corriedale Project ("Renewable Ready Generation").

The Renewable Ready Charge is calculated monthly by applying the Renewable Ready Charge Rate to the subscriber's monthly Renewable Ready Generation:

$$\text{Renewable Ready Charge} = \text{Renewable Ready Generation} \times \text{Renewable Ready Charge Rate}$$

The Renewable Ready Charge Rate is a fixed rate for the duration of the initial subscriber agreement term and any contract extensions:

- Five to nine-year subscription: \$0.028 per kWh
- Ten to fourteen-year subscription: \$0.026 per kWh
- Fifteen to twenty-five year subscription: \$0.024 per kWh

The Renewable Ready Credit is calculated monthly by applying the Renewable Ready Credit Rate to the customer's monthly Renewable Ready Generation:

$$\text{Renewable Ready Credit} = \text{Renewable Ready Generation} \times \text{Renewable Ready Credit Rate}$$

The Renewable Ready Credit Rate is calculated annually with the filing of Black Hills Power's ECA. The proposed starting Renewable Ready Credit Rate will be determined by the calculation of the 2020 Fuel and Purchase Power Adjustment rate.

(7) Proposed effective date of modified rate(s):

Black Hills Power proposes an effective date of June 1, 2019 for the Renewable Ready Service Tariff. The source of renewable energy for service under the Renewable Ready Service Tariff will be from the Corriedale Project. The Corriedale Project must be commercially operational by January 1, 2021 in order for Black Hills Power to realize the full benefit of its share of the associated Federal Renewable Electricity Production Tax Credits ("PTCs"). The Corriedale Project construction timeline necessitates the ordering the turbines by August 1, 2019, which requires a non-refundable \$3.5 million deposit for Black Hills Power's 50% ownership share. *See* Testimony of Jason Hartman (Exhibit 7). As the Corriedale Project is designed to serve the Renewable Ready Service Tariff, Black Hills Power needs approval of the tariff by July 1 in order to confidently make the turbine investment.

(8) Approximation of approval amount of increase or decrease in revenue:

Revenue will either increase/decrease depending on future Fuel and Purchased Power Adjustment ("FPPA") rates, which determine the Renewable Ready Credit Rate. If the Renewable Ready Credit Rate is more than the Renewable Ready Charge Rate, then revenue will increase by the net amount of the Renewable Ready Charge Rate and the Renewable Ready Credit Rate. If the Renewable Credit Rate is less than the Renewable Ready Charge Rate, then

revenue will decrease by the net amount of the Renewable Ready Charge Rate and the Renewable Credit Rate.

(9) Points affected:

All subscribers of Renewable Ready Service within Black Hills Power's South Dakota service territory.

(10) Estimation of the number of customers whose cost of service will be affected and annual amount of either increases or decreases, or both, in cost of service to those customers:

Approximately 330 customers have been identified as eligible for service under the Renewable Ready Service Tariff.

(11). Statement of facts, expert opinions, documents, and exhibits to support the proposed change:

Black Hills Power has supplied Exhibits 1-8 in support of the proposed Renewable Ready Service Tariff. Those exhibits contain the factual basis, testimony and attachments which support the proposed Renewable Ready Service Tariff.

Company Representatives

Jason Keil
Manager - Regulatory
P.O. Box 1400
Rapid City, SD 57709-1400
Phone: (605) 721-1502
Jason.Keil@blackhillscorp.com

Nick Gardner
Vice President - Electric Operations
P.O. Box 1400
Rapid City, SD 57709-1400
Phone: (605) 721-2226
Nick.Gardner@blackhillscorp.com

Todd Brink
Associate General Counsel
P.O. Box 1400
Rapid City, SD 57709-1400
Phone: (605) 721-2516
Todd.Brink@blackhillscorp.com

Jana Smoot White
Associate General Counsel
P.O. Box 1400
Rapid City, SD 57709-1400
Phone: (605) 399-5059
Jana.White@blackhillscorp.com

Verification

Attached is the Verification signed by Jason S. Keil, who is authorized to act on behalf of Black Hills Power, Inc. d/b/a Black Hills Energy, affirming that the contents of the Application are true, accurate and correct to the best of his understanding, knowledge and belief.

Conclusion

Based on this Application and the supportive exhibits, Black Hills Power respectfully requests the Commission issue an order approving Black Hills Power's proposed Renewable Ready Service Tariff with an effective date of July 1, 2019.

Dated: December 17, 2018

BLACK HILLS POWER, INC. d/b/a Black Hills Energy

By: _____

Jason S. Keil
Manager, Regulatory

Address of Applicant:

Black Hills Power, Inc. d/b/a Black Hills Energy
PO Box 1400
Rapid City, SD 57709

Verification

Attached is the Verification signed by Jason S. Keil, who is authorized to act on behalf of Black Hills Power, Inc. d/b/a Black Hills Energy, affirming that the contents of the Application are true, accurate and correct to the best of his understanding, knowledge and belief.

Conclusion

Based on this Application and the supportive exhibits, Black Hills Power respectfully requests the Commission issue an order approving Black Hills Power's proposed Renewable Ready Service Tariff with an effective date of July 1, 2019.

Dated: December 17, 2018

BLACK HILLS POWER, INC. d/b/a Black Hills Energy

By: 
Jason S. Keil
Manager, Regulatory

Address of Applicant:
Black Hills Power, Inc. d/b/a Black Hills Energy
PO Box 1400
Rapid City, SD 57709

STATE OF SOUTH DAKOTA)
) SS.
COUNTY OF PENNINGTON)

I, Jason S. Keil, being duly sworn, do hereby depose and say that I am Manager -
Regulatory for Black Hills Power, Inc. d/b/a Black Hills Energy, that I have read such
Application, and that the facts set forth therein are true and correct to the best of my knowledge,
information and belief.



Jason S. Keil, Manager - Regulatory

Signed and sworn to me on this 17th day of December, 2018.



Notary Public



My commission expires: My Commission Expires June 22, 2023