

Before the Public Service Commission
of the State of Wyoming

In the Matter of the Application of
Black Hills Power Inc. d/b/a Black Hills Energy and Cheyenne Light, Fuel and Power Company
d/b/a Black Hills Energy for a Certificate of Public Convenience and Necessity to Construct and
Operate a Wind Generating Facility and Related Facilities in Laramie County, Wyoming

Docket No. 20003-__-EA-18

Docket No. 20002-__EA-18

(Record No. _____)

December 17, 2018

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Kyle White, and my business address is 7001 Mount Rushmore Road, Rapid
4 City, SD 57702.

5 **Q. PLEASE DESCRIBE YOUR EMPLOYMENT.**

6 A. I am employed by Black Hills Utility Holdings, Inc., a wholly-owned subsidiary of Black
7 Hills Corporation, as Vice President of Regulatory Strategy. My areas of responsibility
8 include providing regulatory strategy and support for the regulated utility subsidiaries of
9 Black Hills Corporation, including Cheyenne Light, Fuel and Power Company, and Black
10 Hills Power, Inc.

11 **Q. PLEASE DESCRIBE YOUR EDUCATION AND BUSINESS BACKGROUND.**

12 A. I graduated with honors from the University of South Dakota with a Bachelor of Science
13 degree in Business Administration, majoring in management. Several years later, I
14 graduated with a Master's degree in Business Administration, also from the University of
15 South Dakota. While at Black Hills my primary focus has been rate, resource planning,
16 and marketing related work and I have been in my present position since August of 2016.
17 During my career, I have been actively involved in preparing applications, testifying and
18 receiving regulatory approvals related to numerous rate cases, changes in rules or
19 regulations, and requests for certificates of public convenience and necessity for both
20 power generation and transmission. I have also led successful efforts to achieve regulatory
21 approvals for utility acquisitions in six states. In addition to on-the-job training, I have
22 attended numerous seminars, trade association meetings, and regulatory conferences
23 covering a variety of utility-related subjects.

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II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to explain the Black Hills Power, Inc. (“Black Hills Power”) and Cheyenne Light, Fuel and Power Company (“Cheyenne Light”) Renewable Ready programs and how the Corriedale Project is designed to provide the energy to subscribed customers. I also discuss the importance of completing construction of the Corriedale Project in 2020 so that the project receives the full benefit of Federal Renewable Electricity Production Tax Credits ("PTCs").

III. RENEWABLE READY SERVICE TARIFFS

Q. PLEASE DESCRIBE THE RENEWABLE READY SERVICE TARIFFS.

A. Black Hills Power and Cheyenne Light have filed Applications with the South Dakota and Wyoming Commissions requesting the implementation of Renewable Ready Service Tariffs to provide a renewable energy solution for customers. The proposed Renewable Ready Service Tariffs will serve eligible commercial and governmental customers with the opportunity to subscribe to a share of the renewable energy to be generated by the Corriedale Project. Exhibits 13 and 14 to this Application are copies of the submitted tariff applications. The proposed tariffs have been designed to provide subscribing customers with renewable energy while producing minimal impact to non-subscribing customers.

Q. WHAT LED TO THE DEVELOPMENT OF THE RENEWABLE READY TARIFFS?

A. Over the last few years, Black Hills Power and Cheyenne Light have been approached by a number of customers with interest in renewable energy and/or the installation of on-site

1 renewable generation. Customers with sustainability goals are seeking affordable
2 renewable energy. It became clear that Black Hills Power and Cheyenne Light could
3 offer their customers a less expensive renewable energy option to behind-the-meter
4 generation installation through economies of scale. Further, a renewable energy option
5 would protect the Black Hills Power and Cheyenne Light customer base and load by
6 ensuring fixed costs and payments do not increase for customers as a result of other
7 customers installing behind-the-meter generation and reducing their electricity purchases.

8 **Q. PLEASE DISCUSS THE KEY PROVISIONS OF THE PROPOSED TARIFFS.**

9 A. The proposed Renewable Ready Service Tariffs are designed to achieve the
10 following outcomes:

- 11 • Provide a renewable energy option for customers.
- 12 • Retain the fixed cost contribution of customers electing to
13 purchase renewable energy.

14 To achieve these outcomes the tariff provides:

- 15 • Eligible customers can subscribe up to 100% of their current
16 annual electricity requirements as renewable energy from the
17 Corriedale Project.
- 18 • The subscription terms provide for better pricing for longer
19 subscription periods. The 15 to 25 year pricing is generally set to
20 match the twenty-five year levelized cost of the Corriedale
21 Project.
- 22 • In addition to a Renewable Ready Charge, subscribing customers
23 will continue to pay all charges specified under their current
24 service rate schedules. Subscribing customers will receive a
25 Renewable Ready Credit accounting for the use of wind energy.
- 26 • Customers electing not to complete their subscription terms are
27 subject to an early termination fee.
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1 **Q. HOW WILL THE RENEWABLE READY SERVICE TARIFF FUNCTION?**

2 A. Customers will subscribe to service under the Renewable Ready Service Tariff and will
3 choose a subscription level in relation to their load. That subscription level will represent
4 a portion of the generation of the Corriedale Project. Each month, the subscribing
5 customers' bills will reflect standard rates, credits and charges and will also include a
6 Renewable Ready Charge and a Renewable Ready Credit.

7 **IV. CUSTOMER INTEREST**

8 **Q. HOW DID BLACK HILLS POWER AND CHEYENNE LIGHT BECOME**
9 **AWARE OF CUSTOMER DESIRE FOR RENEWABLE ENERGY?**

10 A. Both Black Hills Power and Cheyenne Light have been engaged for a number of years
11 with a variety of customers regarding their interest in renewable energy and/or the
12 possible installation of behind-the-meter renewable generation. As interest in renewables
13 has grown in both Cheyenne and the company's South Dakota service territory,
14 representatives of both utilities have engaged customers who have previously expressed
15 an interest, or bascd on national trends may have an interest, in renewables.

16 **Q. WHAT IS MOTIVATING CUSTOMERS TO WANT MORE RENEWABLE**
17 **ENERGY?**

18 A. It is clear from our engagement with customers that renewable energy is a priority for
19 interested customers based on either defined sustainability goals or a general interest in
20 the societal impacts of renewable energy.

21 **Q. PLEASE DESCRIBE HOW CUSTOMERS WHO MIGHT HAVE AN INTEREST**
22 **IN THE PROPOSED RENEWABLE READY TARIFF WERE IDENTIFIED.**

1 A. The highest risk customers for behind-the-meter generation are large-load commercial
2 customers who may have business related sustainability goals. As indicated, during the
3 last two years both utilities have been engaged with a variety of customers on the
4 availability of renewable energy, including customers in data storage/processing, higher
5 education, healthcare and municipal government. As a result, representatives of both
6 utilities took the following steps: (1) reviewed lists of the largest customers and
7 developed a set of questions to pose to those customers to gage their level of interest in
8 renewables; (2) reviewed the markets we serve and identified customers with known
9 corporate renewable energy goals; and (3) reviewed news articles and publications to
10 identify the types of customers who are most likely to seek renewable solutions. We then
11 began to contact customers in these categories to validate our assumptions.

12 **Q. WHAT APPROACH WAS USED TO ENGAGE CUSTOMERS IN DISCUSSIONS**
13 **ON THE PROPOSED TARIFF AND RENEWABLE ENERGY?**

14 A. Early in the development of the Renewable Ready Program, we met with some of our
15 largest customers to determine their interest in renewable energy. We developed a
16 questionnaire which guided in-person meetings and assisted us in better understanding
17 their potential interest and the impact of price and length of contract on their likely
18 participation. We then incorporated the customer feedback into the design of the
19 Renewable Ready Program. Once the design was finalized, we developed a term sheet
20 and an analysis of the individual customer financial impact that was consistent with the
21 proposed Renewable Ready Service Tariff provisions, the proposed Subscriber
22 Agreement provisions, current tariffs and the financial analysis supporting the proposed
23 tariff. Once a term sheet and financial impact analysis were fully developed, we

1 scheduled meetings with a few of our large customers to discuss the proposed tariff and
2 the proposed terms and conditions for service.

3 **Q. WHAT PORTION OF THE CORRIEDALE PROJECT IS SUBJECT TO NON-**
4 **BINDING TERM SHEETS?**

5 A. Of Cheyenne Light's 20 MW share of the facility, customers have signed non-binding
6 term sheets for a total of approximately 19% of the estimated energy to be generated. Of
7 Black Hills Power's 20 MW share of the facility, customers have signed non-binding
8 term sheets for a total of approximately 67% of the estimated energy to be generated.
9 The companies continue to gather signed non-binding term sheets from customers and
10 will update the Commission as this docket proceeds of additional indications of interest
11 and signed non-binding term sheets.

12 **Q. HOW WILL CUSTOMERS SIGN UP FOR SERVICE UNDER THE PROPOSED**
13 **RENEWABLE READY SERVICE TARIFF?**

14 A. Black Hills Power and Cheyenne Light will offer an open subscription period of four
15 weeks for customers to subscribe to their desired share of the renewable energy to be
16 produced by the Corriedale Project. Each customer will pay a non-refundable \$500
17 application fee, and Black Hills Power and Cheyenne Light will evaluate the applications
18 for eligibility under the tariff terms and conditions. If either company's share of the
19 Corriedale Project is not fully subscribed within the four week open subscription period,
20 the companies will continue to promote the program and accept applications for service
21 under the tariff on a first-come, first-served basis.

22

1 **Q. WHAT IF THE COMPANIES RECEIVE MORE SUBSCRIPTION REQUESTS**
2 **THAN THE 40 MW AVAILABLE FROM THE CORRIEDALE PROJECT?**

3 A. If either company receives applications for more than its 20 MW share of the Corriedale
4 Project, subscribers will be limited to a pro-rata share of the forecasted annual Renewable
5 Ready Energy with preference given to the longest term contracts. See the proposed
6 Renewable Ready Service Tariffs (Exhibits 13 and 14) for additional explanation of the
7 pro-rata split for over-subscription.

8 **V. PRODUCTION TAX CREDITS**

9 **Q. PLEASE DESCRIBE HOW A PTC IS GENERATED.**

10 A. The Internal Revenue Code provides that a wind facility will generate a PTC equal to an
11 inflation-adjusted 1.5 cents per kilowatt hour of electricity that is produced and sold to a
12 third-party for a period of 10 years beginning on the date the facility is placed in-service
13 for income tax purposes. The current inflation-adjusted PTC rate for electricity generated
14 in 2018 is 2.4 cents per kilowatt hour. The combined value of Black Hills Power and
15 Cheyenne Light's PTCs are approximately \$43 million during the life of the Corriedale
16 Project. In order to capture the full benefit of the Federal Renewable Electricity
17 Production Tax Credits ("PTC"), the Corriedale Project must commence operation prior
18 to January 1, 2021.

19 **Q. PLEASE EXPLAIN HOW PRODUCTION TAX CREDITS ARE MODELED FOR**
20 **PURPOSES OF THIS PROGRAM.**

21 A. The revenue requirement model incorporates full PTCs beginning in October 2020 and
22 continuing through September 2031. The revenue requirement model calculates each
23 year's PTC by taking the expected Corriedale Project's generation for each year

1 multiplied by the Federal Renewable Electricity Production Tax Credit Rate for the first
2 10 years of the project. Each year the production tax credit is adjusted by the inflation
3 adjustment factor for the applicable calendar year.

4 **Q. ARE THE COMPANIES FACING TIME CONSTRAINTS RELATED TO THE**
5 **FULL RECOVERY OF THE PTC BENEFITS?**

6 A. Yes. As stated, the Corriedale Project must commence operation prior to January 1, 2021
7 in order for the companies to realize the full benefit of the PTCs. With the construction
8 timeline set forth in the Application and the testimony of Jason Hartman, the companies
9 will need to make a significant non-refundable investment of approximately \$7 million in
10 August of 2019 for the project turbines. In order to meet this timeline, the companies are
11 requesting approval of this Application and the issuance of the CPCN from the Wyoming
12 Commission prior to August 1, 2019.

13 **V. CONCLUSION**

14 **Q. HAS THE RENEWABLE READY PROGRAM BEEN DESIGNED TO ADDRESS**
15 **MULTIPLE CONSIDERATIONS?**

16 A. Yes. Specifically, the program is intended to accomplish the following:

- 17 • Meet changing customer expectations by providing a cost-effective
18 solution for customers with sustainability goals.
- 19 •
- 20 • Protect existing customers by maintaining the fixed cost contribution of
21 customers seeking sustainable electricity options.
- 22 •

23 **Q. WILL THERE BE A BETTER TIME TO OFFER A RENEWABLE**
24 **ENERGY SOLUTION FOR CUSTOMERS?**

25 A. I do not believe so. By being proactive at this time, Black Hills Power and Cheyenne
26 Light are meeting customer demand for sustainable energy options, before the effects of

1 customers seeking non-utility alternatives becomes too extreme. Acting now provides the
2 opportunity to ensure that the utilization of sustainable energy options has an acceptable
3 outcome for all customers.

4 Additional advantages of acting now include: the ability to utilize the PTCs prior
5 to their expiration; achieving project economies of scale by partnering to construct the
6 Corriedale Project; meeting our customers' sustainability requirements for electricity in a
7 timely way; and significantly lowering the risk of larger customers installing behind-the-
8 meter renewable generation.

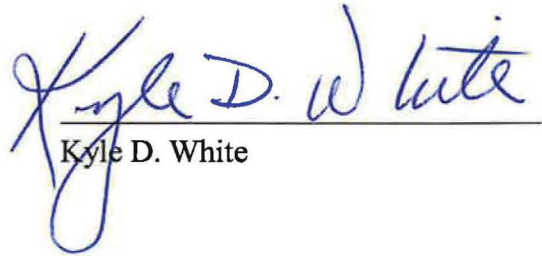
9 For these reasons, Cheyenne Light and Black Hills Power respectfully request that
10 the Commission issue an order granting the requested certificate of public convenience
11 and necessity to construct and own the Corriedale Project in order to support the
12 Renewable Ready Service Tariffs.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes, it does.

STATE OF SOUTH DAKOTA)
) SS
COUNTY OF PENNINGTON)


I, Kyle White, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing prepared testimony and I am familiar with its contents, and that the facts set forth are true to the best of my knowledge, information and belief.



Kyle D. White

Subscribed and sworn to before me this 17th day of December, 2018.





Notary Public

My Commission Expires: **My Commission Expires June 22, 2023**