
**STAFF MEMORANDUM SUPPORTING
AMENDMENT TO SETTLEMENT STIPULATION**

TO: COMMISSIONERS AND ADVISORS

FROM: BRITTANY MEHLHAFF, PATRICK STEFFENSEN, AND KRISTEN EDWARDS

RE: DOCKET EL18-060 – IN THE MATTER OF THE FILING BY BLACK HILLS POWER, INC. DBA BLACK HILLS ENERGY FOR APPROVAL OF A RENEWABLE READY SERVICE TARIFF AND TARIFF REVISIONS TO ITS ENERGY COST ADJUSTMENT

DATE: November 20, 2019

Commission Staff (Staff) submits this Memorandum in support of the Amendment to Settlement Stipulation (Amendment) of November 18, 2019, among Staff, Black Hills Power, Inc. dba Black Hills Energy (BHE or Company), and Walmart, Inc. (Walmart) (jointly Parties) in the above-captioned matter.

BACKGROUND

On December 17, 2018, BHE filed for approval of a Renewable Ready Service tariff and tariff revisions to its Energy Cost Adjustment (ECA). The Company proposed the tariff due to continued customer interest in renewable energy and to maintain fixed cost contributions by providing an alternative to behind-the-meter generation. The tariff was designed to serve commercial retail customers with an aggregate usage of 300,000 kWh or more per year and governmental accounts desiring renewable energy. Eligible customers¹ may subscribe to a portion of the renewable energy generated by BHE's proposed Corriedale wind project. The Company originally planned to construct a 40 MW wind energy facility near Cheyenne, Wyoming, with BHE owning a 50 percent share of the facility and the other 50 percent being owned by Cheyenne Light, Fuel and Power Company.

On February 11, 2019, Walmart filed a Petition to Intervene which was granted by the Commission on March 7, 2019. On June 18, 2019, the Parties filed a Joint Motion for Approval of Settlement Stipulation and Settlement Stipulation (Settlement) and Staff filed its Memorandum Supporting Settlement Stipulation. Having found that the terms and conditions proposed in the Settlement were just, reasonable, and in the public interest, and that good and sufficient cause was demonstrated to approve the Settlement, the Commission voted unanimously at its June 25, 2019 meeting to grant the Joint Motion and approve the Settlement and tariff sheets.

APPLICATION TO AMEND SETTLEMENT

Upon Commission approval of the Renewable Ready Service tariff and in accordance with the tariff, BHE offered a four-week Initial Subscription Period to its eligible customers. This initial subscription period produced 25 qualified customers requesting a total of 32 MW of Renewable Ready Service at terms of 15 years or greater. This amount exceeded BHE's share of the Corriedale Project by 12 MW, which would result in the 16 customers requesting 15-year terms to only receive 52 percent of their requested

¹ Approximately 330 customers are eligible for service under the Renewable Ready Service Tariff.

renewable energy. Due to this strong customer interest in the Renewable Ready program, BHE requests to increase the Corriedale project by five 2.5 MW turbines, or 12.5 MW, to accommodate the 15-year term requests. This expansion increases BHE's share of the Corriedale project from 20 MW, representing 50 percent of the initial 40 MW total, to 32.5 MW, which now represents approximately 62 percent of the expanded 52.5 MW total.

Under the terms of the Amendment, the Parties have agreed to the 12.5 MW expansion of the Corriedale Project along with proportional changes to the Subscription Level Guarantee, Corriedale Project Cost Cap, and Production Tax Credit (PTC) Guarantee. Since BHE's share of the Corriedale project is increasing from 20 MW to 32.5 MW, or 62.5 percent, the Subscription Level Guarantee will increase by 62.5 percent², from \$1.425 million to \$2.32 million for years 1 through 15 and from \$1.710 million to \$2.78 million for years 16 through 25. And since the total size of the Corriedale project is increasing from 40 MW to 52.5 MW, or 31.25 percent, the Corriedale Project Cost Cap will increase by 31.25 percent, from \$57 million to \$75 million for the "soft" cost cap and from \$63 million to \$82.5 million for the "hard" cost cap. Finally, the shareholder PTC guarantee will also apply to BHE's increased ownership in the Corriedale project.

RECOMMENDATION

Staff believes the ratepayer protections provided through this Amendment are consistent with those in the initial Settlement. The Amendment still appropriately balances the need to design a program to address certain customer preferences for renewable energy and mitigate the risk of fixed cost recovery loss due to behind-the-meter generation, while also protecting non-participating customers from the risk of paying for a generation resource that has not been shown to be needed from a capacity or energy perspective.

Staff recommends the Commission grant the Joint Motion for Approval of Amended Settlement Stipulation and adopt the Amendment to Settlement Stipulation without modification. Staff also recommends the Commission approve the tariff sheet as filed with the application to amend, effective December 10, 2019.

² Note this is an increase from the \$1.87 million (years 1-15) and \$2.25 million (years 16-25) guarantees requested in the Application to Amend, as these were incorrectly calculated in the application based on the total Corriedale project increase from 40 MW to 52.5 MW, or 31.25 percent.