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May 17, 2022

Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
State Capitol Building 500 E. Capitol Ave.
Pierre, SD 57501-5070

RE: Informational Avoided Cost Calculation

Dear Ms. Van Gerpen:

Enclosed are Exhibit 1 Black Hills 100 kW Solar Project Rate Calculation and Exhibit 2 Black Hills 100 kW Wind Project Rate Calculation. Black Hills is filing its current avoided cost calculation as an informational filing and is choosing not to change its rate.

Pursuant to 18 CFR § 292.302, at least every two years, Black Hills Power, Inc. d/b/a Black Hills Energy (“Black Hills” or the “Company”) must provide to its state regulatory authority data from which avoided cost may be derived. This rate is applicable to the Company’s Cogeneration and Small Power production Service Simultaneous Power Generation Credit Rate and sets forth the rate under which Black Hills is obligated to purchase energy and capacity from Qualifying Facilities (“QF”) with design capacity of 100 KW or less.

Black Hills would have normally filed its avoided cost in 2021 as part of its 2-year requirement; however, at the recommendation of South Dakota Public Utilities Commission Staff, Black Hills did not file its avoided cost rate. Instead, Staff has recommended the Company file it as an information filing. Black Hills’ current avoided cost rate is \$0.0248/kWh. Black Hills’ current calculation would put it rate at \$0.0204/kWh. If Black Hills updated its rate it would result in a \$0.0044/kWh reduction in energy payments made to QF customers with a design capacity of 100 KW or less. Any burden of keeping the current rate in effect will not be passed on to other customers.

Black Hills will re-examine its avoided cost rate once the spring ABB scenario is released this May.

Please contact me at (605) 721-1502 if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. S. Keil".

Jason S. Keil

Enclosures: Exhibit 1 - Black Hills 100 kW Solar Project Rate Calculation
Exhibit 2 - Black Hills 100 kW Wind Project Rate Calculation

Black Hills Power, Inc. d/b/a Black Hills Energy

Tariff Avoided Cost Calculation -Solar

| <u>Month</u> | | | |
|--------------|----|-------|--------|
| Jun-22 | \$ | 23.57 | Summer |
| Jul-22 | \$ | 23.57 | Summer |
| Aug-22 | \$ | 23.57 | Summer |
| Sep-22 | \$ | 23.57 | Summer |
| Oct-22 | \$ | 21.75 | Winter |
| Nov-22 | \$ | 21.75 | Winter |
| Dec-22 | \$ | 21.75 | Winter |
| Jan-23 | \$ | 18.81 | Winter |
| Feb-23 | \$ | 18.81 | Winter |
| Mar-23 | \$ | 18.81 | Winter |
| Apr-23 | \$ | 18.81 | Winter |
| May-23 | \$ | 18.81 | Winter |
| Jun-23 | \$ | 19.59 | Summer |
| Jul-23 | \$ | 19.59 | Summer |
| Aug-23 | \$ | 19.59 | Summer |
| Sep-23 | \$ | 19.59 | Summer |
| Oct-23 | \$ | 18.81 | Winter |
| Nov-23 | \$ | 18.81 | Winter |
| Dec-23 | \$ | 18.81 | Winter |
| Jan-24 | \$ | 20.31 | Winter |
| Feb-24 | \$ | 20.31 | Winter |
| Mar-24 | \$ | 20.31 | Winter |
| Apr-24 | \$ | 20.31 | Winter |
| May-24 | \$ | 20.31 | Winter |

| | | |
|---|----|-------|
| Generation Credit Rate (per MWh) | \$ | 20.41 |
|---|----|-------|

| | | |
|---|----|--------|
| Generation Credit Rate (per kWh) | \$ | 0.0204 |
|---|----|--------|

Black Hills Power, Inc. d/b/a Black Hills Energy

Tariff Avoided Cost Calculation

| <u>Month</u> | | | |
|--------------|----|-------|--------|
| Jun-22 | \$ | 21.37 | Summer |
| Jul-22 | \$ | 21.37 | Summer |
| Aug-22 | \$ | 21.37 | Summer |
| Sep-22 | \$ | 21.37 | Summer |
| Oct-22 | \$ | 20.31 | Winter |
| Nov-22 | \$ | 20.31 | Winter |
| Dec-22 | \$ | 20.31 | Winter |
| Jan-23 | \$ | 18.81 | Winter |
| Feb-23 | \$ | 18.81 | Winter |
| Mar-23 | \$ | 18.81 | Winter |
| Apr-23 | \$ | 18.81 | Winter |
| May-23 | \$ | 18.81 | Winter |
| Jun-23 | \$ | 20.23 | Summer |
| Jul-23 | \$ | 20.23 | Summer |
| Aug-23 | \$ | 20.23 | Summer |
| Sep-23 | \$ | 20.23 | Summer |
| Oct-23 | \$ | 18.81 | Winter |
| Nov-23 | \$ | 18.81 | Winter |
| Dec-23 | \$ | 18.81 | Winter |
| Jan-24 | \$ | 20.79 | Winter |
| Feb-24 | \$ | 20.79 | Winter |
| Mar-24 | \$ | 20.79 | Winter |
| Apr-24 | \$ | 20.79 | Winter |
| May-24 | \$ | 20.79 | Winter |

| | | |
|---|-----------|--------------|
| Generation Credit Rate (per MWh) | <u>\$</u> | <u>20.07</u> |
|---|-----------|--------------|

| | | |
|---|-----------|---------------|
| Generation Credit Rate (per kWh) | <u>\$</u> | <u>0.0201</u> |
|---|-----------|---------------|