

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF BLACK HILLS)
POWER, INC. d/b/a BLACK HILLS ENERGY)
FOR APPROVAL TO AMEND ITS ENERGY)
COST ADJUSTMENT TARIFF TO INCLUDE)
COSTS AND BENEFITS RELATED TO)
PARTICIPATION REGIONAL MARKETS)**

Docket EL25-_____

**APPLICATION OF BLACK HILLS POWER, INC. d/b/a BLACK HILLS ENERGY FOR
APPROVAL TO AMEND ITS ENERGY COST ADJUSTMENT 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 change an existing tariff. Black Hills Power respectfully requests an Order from the South Dakota Public Utilities Commission (the “Commission”) permitting the Applicant to revise the Black Hill’s Power Energy Cost Adjustment Tariff (“ECA Tariff”) to include costs related to the transition to the Western Energy Imbalance Market (“WEIM”) and to include costs/benefits, including implementation costs, of participation in the WEIM market in the ECA Tariff. The requested changes are reflected in the revised tariff sheets included in Exhibit 1 to this Application.

INTRODUCTION

In this Application, Black Hills Power is requesting Commission Approval to amend its existing ECA Tariff to include costs/benefits, including implementation costs, of participating in the WEIM market in the ECA Tariff.

EXHIBITS THAT SUPPORT THE APPLICATION

Exhibit 1 – Proposed ECA Tariff – Clean and Legislative

REPORT OF PROPOSED TARIFF CHANGES

The following information is consistent and being provided pursuant to South Dakota Administrative Rule § 20:10:13:26 regarding this Application for the amendment of the existing ECA Tariff:

(1) Name and address of the public utility:

Black Hills Power, Inc. d/b/a Black Hills Energy
7001 Mount Rushmore Rd.
Rapid City, SD 57702

(2) Section and sheet number of tariff schedule:

The proposed amendment to the ECA Tariff is set forth in Exhibit 1, Section No. 3C, Sheet No. 13

(3) Description of the change:

The Application requests the ECA Tariff be amended to allow all costs/benefits of regional market participation be included in the Annual System Fuel and Purchased Power Costs within the ECA Tariff calculation (regional market purchases sitting within FERC account 555 and regional market sales sitting in FERC account 447). The Application also requests to include WEIM market implementation/administrative costs in FERC account 575 into the ECA calculation.

(4) Reason for the change:

The purpose of this Amendment is for authority to recover costs and/or pass on customer benefits related to the participation in a regional energy market and implementation and administrative costs related to participation. In February 2021, Southwest Power Pool (“SPP”) launched the Western Energy Imbalance Service (“WEIS”), which balances generation and load regionally and in real-time for participants in the Western Interconnection. The market centrally

dispatches energy for participating resources throughout the region every five minutes, enhancing both the reliability and affordability of electricity delivery from utilities to their customers. Black Hills Power's Balancing Authority – Western Area Power Administration (“WAPA”) – elected to become a founding member of the SPP WEIS. Since Black Hills Power was within the WAPA BA, the only choice available to Black Hills Power for real-time market participation was the SPP WEIS market. Black Hills Power began participating in the SPP WEIS market in April 2023 to support its management of real-time energy imbalance. WAPA has since committed to join the SPP RTO on April 1, 2026 at which time it will no longer be a BA and the SPP WEIS is expected to cease to operate. Due to these developments, and the time required to integrate into an alternative market, Black Hills Power has actively pursued an SPP WEIS market alternative.

In early 2022, SPP proposed an alternative energy market structure that will provide a day-ahead and real-time energy market. SPP has named this initiative SPP Markets+. This new market had the potential to provide customers additional value compared to the SPP WEIS through the economic dispatch of market resources on a day-ahead basis in addition to a real-time market, similar but separate from the SPP WEIS. In April of 2023, Black Hills Power began participation in Phase I of Markets+ as a funding member to ensure Black Hills Power customers had a direct influence on the design of SPP Markets+ and receive more favorable terms if participation in SPP Markets+ proved to be cost effective. On March 29, 2024, SPP filed a SPP Markets+ tariff with the Federal Energy Regulatory Commission and is anticipating a go-live date in the third quarter of 2026. After reviewing the tariff filing, Black Hills Power understands that the SPP Markets+ will not be optimized with the SPP RTO at its launch and therefore, will not provide customer value for Black Hills Power customers. To continue to

provide Black Hills Power with market value similar to the benefits WEIS provides customers today, Black Hills Power has decided to be a participant in the WEIM market.

The WEIM is an energy-only market, optimized with other participating Balancing Authorities and the CAISO market but separate and distinct from the full ISO functions, that leverages resource diversity across several Western states. Like the WEIS, the WEIM enables energy transfers between balancing areas, allowing participants to economically buy and sell lower-cost electricity near the time it's consumed. At the same time, the WEIM gives participants real-time visibility into surrounding electric grids and an improved ability to balance fluctuations in supply and demand. Given the expectation that the WEIS market will not be viable when WAPA no longer provides BA services and lack of alternative imbalance markets that are expected to be available, Black Hills Power has made the decision to join the WEIM. Implementation into the WEIM market will cause Black Hills Power to reconfigure new and existing modules within its market management systems and engage external experts to develop or modify policies and procedures for this new market structure. The total estimated implementation cost is \$5,000,000 which will be equally split between Black Hills Power and Cheyenne Light, Fuel and Power Company ("Cheyenne Light"). Black Hills Power's estimated implementation cost is \$2,500,000 and Cheyenne Light's estimated implementation cost is \$2,500,000. Implementation costs will not include internal labor and will consist of only external costs related to implementation. The Company will begin participation in the WEIM in May of 2026.

(5) Present rate:

N/A

(6) Proposed rates:

N/A

(7) Proposed effective date of modified rates:

Black Hills Power proposes an effective date of May 1, 2025 for the amended ECA Tariff.

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

Black Hills Power estimates total implementation costs of \$5,000,000, which will be split equally between Black Hills Power and Cheyenne Light, resulting in approximately \$2,500,000 implementation costs for Black Hills Power. Black Hills Power also estimates customer net benefits will be similar to its current WEIS market participation of \$1-3 million per year.

(9) Black Hills Power estimates ongoing WEIM administrative fees to be approximately \$75,000 to \$150,000.

(10) Points affected:

The proposed tariff changes will apply to all customers throughout the Black Hills Power electric service area in South Dakota.

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

Approximately 74,000 South Dakota customers will be affected.

(12) Statement of facts, expert opinions, documents, and exhibits to support the proposed changes.

Exhibit 1 of the Application includes the changes to the ECA tariff that are specifically requested.

COMPANY REPRESENTATIVES

Copies of all notices, other correspondence and all inquiries concerning this Application should be sent to:

Jason Keil

Manager – Regulatory
7001 Mount Rushmore Rd.
P.O. Box 1400
Rapid City, SD 57709
Phone: (605) 721-1502
jason.keil@blackhillscorp.com

Jerrad Hammer

Director – Regulatory
7001 Mount Rushmore Rd.
P.O. Box 1400
Rapid City, SD 57709
Phone: (605) 399-5136
jerrad.hammer@blackhillscorp.com

Todd Brink

Associate General Counsel
7001 Mount Rushmore Rd.
P.O. Box 1400
Rapid City, SD 57709
Phone: (605) 721-2516
todd.brink@blackhillscorp.com

Becky Purington

Senior Paralegal
7001 Mount Rushmore Rd.
P.O. Box 1400
Rapid City, SD 57709
Phone: (605) 721-2506
becky.purington@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 that the Commission issue an order approving the proposed Amendment to the ECA Tariff with an effective date of May 1, 2025.

Dated this 31st day of March, 2025.

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

By: 

Jason S. Keil
Manager - Regulatory

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

Subscribed and sworn to before me this 31st day of March, 2025.





Notary Public

My Commission Expires: _____ **My commission expires June 22, 2029**