

BLACK HILLS POWER, INC.
d/b/a BLACK HILLS ENERGY
EL25-012

REQUEST DATE : 04/17/25

RESPONSE DATE : 04/25/25

REQUESTING PARTY: South Dakota Public Utilities Commission Staff

SDPUC Request No. 2.1:

Refer to BHE's response to data request 1-5. Has BHE's implementation costs decreased substantially from the \$2.5 million reported in the application? If not, why is BHE showing less than \$1 million in this response?

Response to SDPUC Request No. 2.1:

Implementation costs have not decreased from the \$2.5 million in the Application. The \$2.5 million in the Application includes total implementation costs (O&M and Capital).

In this Application, Black Hills Power is only requesting to collect the O&M implementation costs through the Energy Cost Adjustment.

Software, license costs, and cloud computing arrangements associated with the WEIM implementation project that meet the criteria for Black Hills' Property, Plant and Equipment Capitalization Policy will be capitalized and are estimated to be approximately \$3.1 million (\$1.55 million for Black Hills Power).

Responder: Jason Keil and Denton McGregor

Attachments: None

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SDPUC Request No. 2.2:

Confirm that BHE will be a participant in the WEIM market beyond the time it takes for the net monthly benefits to recover the implementation costs. Explain.

Response to SDPUC Request No. 2.2:

Black Hills Power has historically seen a net benefit of \$1 million per year from participating in the WEIS. Black Hills Power does expect the WEIM to be similar if not more beneficial than the WEIS. Black Hills Power estimates customer net benefits from the WEIM to be approximately \$1-3 million per year. If net benefits are realized on the high end of Black Hills Power estimate, approximately \$3 million, Black Hills Power would recover its implementation costs within the first year. Black Hills Power estimates a 1-3 year recovery period for WEIM implementation costs.

Responder: Eric Egge

Attachments: None

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SDPUC Request No. 2.3:

Refer to BHE's response to data request 1-1a. What caused WEIS costs to be more than revenue in four of the past five months?

Response to SDPUC Request No. 2.3:

WEIS revenue for the past 5 months has been lower than forecasted due to several unit derates/outages that Black Hills Power has been experiencing. Unit outages limit the amount of energy that Black Hills Power can sell into the WEIS market.

The costs and revenues are great indicators of WEIS value but not the only indicator. The cost associated with WEIS is mainly created when energy imbalance is received to the system. A WEIS imbalance cost is generally created when the market dispatches our units down economically. When WEIS dispatches units down, the system receives WEIS energy replacing the units' output. Additional value is realized by the system by reduced generation costs. The value is not included in WEIS cost or revenue.

Responder: Andy Butcher

Attachments: None