

Before the South Dakota Public Utilities Commission

In the Matter of the Application of Black Hills Power, Inc. d/b/a Black Hills Energy for Approval
to Implement an Economic Flexible Load Service Tariff and Amend Its Energy Cost Adjustment
Tariff Effective June 1, 2025

Docket No. EL25-_____

April 28, 2025

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1 **I. INTRODUCTION AND QUALIFICATIONS**

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

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

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

6 A. I am employed by Black Hills Service Company (“BHSC”), a wholly owned subsidiary
7 of Black Hills Corporation (“BHC”). I am currently employed as a Manager of
8 Regulatory for Black Hills Power, Inc. d/b/a Black Hills Energy (“Black Hills Power”).

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

10 A. I attended Bellevue University, where I received a Bachelor of Science degree in
11 Accounting and a Master of Business Administration with an emphasis in Finance. I
12 joined Black Hills Utility Holding Company (“BHUH”) in 2013 as a Regulatory Analyst
13 and accepted my current capacity of Manager of Regulatory and Finance in January of
14 2016. Prior to joining BHUH, I provided credit risk management leadership for ConAgra
15 Energy Services (as Manager – Credit Risk), Minnesota Power, Inc. (as Credit Manager),
16 IDACORP, Inc. (as Manager – Credit Risk), Black Hills Corporation (as Sr. Finance
17 Manager / Credit Manager), and NRG Energy, Inc. (as Manager – Credit Risk). In these
18 roles, I managed credit and market risk in relation to long-term strategic goals to ensure
19 each respective company was taking proper precautions to mitigate credit and market
20 risk, and to ensure each met regulatory and compliance requirements.

21 **Q. BRIEFLY DESCRIBE YOUR DUTIES AND RESPONSIBILITIES.**

22 A. I am responsible for providing support to Black Hills Power by providing analytical
23 assistance and strategic business support specific to regulatory and finance matters for its

1 electric generation, transmission and distribution assets in the jurisdictions of South
2 Dakota, Montana, and Wyoming.

3 **II. PURPOSE OF TESTIMONY**

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. The purpose of my testimony is to discuss the proposed Economic Flexible Load Service
6 tariff (“EFLS Tariff”), the eligibility and applicability terms of the EFLS Tariff, EFLS
7 Tariff cost assignments, the required changes to Black Hills Power’s Energy Cost
8 Adjustment (“ECA”) needed to facilitate the EFLS Tariff, and existing customer
9 safeguards.

10 **III. PROPOSED ECONOMIC FLEXIBLE LOAD SERVICE TARIFF**

11 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE PROPOSED ECONOMIC**
12 **FLEXIBLE LOAD SERVICE TARIFF?**

13 A. The proposed EFLS Tariff is designed to attract customers to Black Hills Power’s service
14 territory that desire interruptible, market priced energy. The EFLS Tariff is designed to
15 ensure new customers taking service under the EFLS Tariff pay their share of system
16 costs and minimize adverse impacts on existing retail customers from stranded asset costs
17 and capacity and transmission constraints.

18 **Q. DOES BLACK HILLS POWER HAVE POTENTIAL CUSTOMERS DESIRING**
19 **SERVICE UNDER THE PROPOSED EFLS TARIFF?**

20 A. Yes. Black Hills Power has received several inquiries from potential customers desiring
21 an interruptible, market energy service option within Black Hills Power’s service
22 territory. These potential customers’ electric service needs are unique due to their large
23 load size requests and the ability to be interrupted. Black Hills Power seeks a separate

tariff to serve these potential customers that provides a flexible option for Black Hills Power to negotiate a service contract, an EFLS Agreement, with each potential customer that addresses and mitigates risks to Black Hills Power's other retail customers.

Q. DOES BLACK HILLS POWER HAVE THE ABILITY TO SERVE EFLS TARIFF CUSTOMERS?

A. Yes. Black Hills Power can procure and deliver market-priced energy to an EFLS Tariff customer through Black Hills Power's existing system. No capacity resources are needed for these customers as the customer will be interruptible via the EFLS Tariff and EFLS Agreement.

Q. WHY IS BLACK HILLS POWER PROPOSING A NEW TARIFF TO SERVE EFLS CUSTOMERS?

A. The proposed tariff meets the four goals Black Hills Power developed in relation to designing a tariff to meet these unique types of customers: 1) ensure adequate safeguards for other retail customers, 2) offer a competitive service, including pricing and interruptibility, that minimizes the impact to the Black Hills Power system, 3) provide state and local benefits through tax revenue, and 4) provide Black Hills Power with incentives related to successfully attracting EFLS Tariff customers. As mentioned above, Black Hills Power has received inquiries from customers that desire interruptible service that are willing to locate or relocate their facilities to the State of South Dakota. These customers will bring electric loads that are large in nature and of questionable permanence that bring a unique set of risks and opportunities related to serving these customers on the Black Hills Power system. As a result, Black Hills Power is proposing

1 to implement a new tariff for the purpose of attracting and serving these large loads
2 through an interruptible service offering.

3 **Q. WHY IS IT IMPORTANT TO SEPARATE THESE LOADS FROM OTHER**
4 **BLACK HILLS POWER CUSTOMER LOADS?**

5 A. It is important because the nature and size of these customers can have material negative
6 impacts on other retail customers. In some cases, other utilities have served these types
7 of customers under standard tariffs, which can result in higher costs to serve all customers
8 as the existing low-cost baseload resources were quickly exhausted due to the size of
9 these customers and in many instances significant amounts of new generation had to be
10 added to the utilities system in order to serve these large loads.

11 **IV. EFLS ELIGIBILITY AND APPLICABILITY**

12 **Q. WHAT TYPE OF CUSTOMERS ARE ELIGIBLE FOR THE EFLS TARIFF?**

13 A. The EFLS Tariff is available to any new customer with an interruptible load of 10MW or
14 greater that is interconnected with Black Hills Power's electric system. Each new
15 customer requesting service under the EFLS Tariff will be required to enter into an
16 Economic Flexible Load Service Agreement ("EFLS Agreement") prior to service.

17 **Q. HOW DOES A CUSTOMER INITIATE SERVICE UNDER THE EFLS TARIFF?**

18 A. To receive service under the EFLS Tariff, a customer must submit a written application to
19 Black Hills Power. Upon receipt of the written application, Black Hills Power will
20 initiate a discussion around the customer's service requirements. Once service
21 requirements are understood, Black Hills Power will evaluate system impacts related to
22 the new service request and develop the appropriate safeguards required to isolate any
23 risks from other retail customers. Each identified risk will have a proper safeguard

mitigation event embedded into the EFLS Agreement to ensure that other retail customers are not harmed by the EFLS Agreement.

Q. WHAT TERMS AND CONDITIONS WILL THE EFLS AGREEMENT CONTAIN?

A. As a condition of service under the EFLS Tariff, each customer is required to execute an EFLS Agreement prior to the start of service. Once the EFLS Agreement is executed by both Black Hills Power and the new customer, Black Hills Power will provide a Confidential Copy of the EFLS Agreement to the South Dakota Public Utilities Commission for their records. The EFLS Agreement will at a minimum contain the following:

1. Electric service is for new interruptible load of 10,000 kW (10MW) or greater;
2. A term of at least two (2) years not to exceed (5) years;
3. Pricing terms, subject to renegotiation at least every three (3) years;
4. Identification of specific customer costs for any required infrastructure necessary to serve the customer's load and how those costs will be paid for by the customer;
5. Negotiated service interruption provisions (size of interruptible load, notice of planned interruption, duration of interruption, and maximum hours of interruptions per year, including procedures for service interruption);

- 1 6. EFLS customers that fail to interrupt service as required by the EFLS
2 Agreement shall be responsible for all costs incurred by the Company due
3 to such failure;
- 4 7. A release of liability of the Company for any losses or damages, including
5 consequential damages, caused by or resulting from any interruption of
6 service;
- 7 8. Terms and conditions of service shall be those contained in the EFLS
8 Agreement; and
- 9 9. Customer shall not be eligible for any discounts or service conditions
10 except as provided for in the EFLS Agreement.

11 **V. EFLS TARIFF CUSTOMER COST ASSIGNMENT**

12 **Q. WHAT COST(S) WILL EACH EFLS TARIFF CUSTOMER BE ASSIGNED?**

- 13 A. Black Hills Power will assign each EFLS customer their appropriate energy market
14 purchase cost(s), any system upgrades required to provide service under the EFLS Tariff,
15 their load-ratio share of the cost(s) for use of Black Hills Power's transmission system,
16 their share of any ancillary service cost(s), an administrative fee to cover providing
17 service under the EFLS Tariff to offset any corporate allocation cost(s), their share of any
18 Federal Income Tax that Black Hills Power may be responsible for, their share of any
19 Sales & Use Tax, their share of property tax (if applicable), and any other cost(s) that
20 their requested service may require.

1 **Q. WILL ANY BLACK HILLS POWER GENERATION COSTS BE ALLOCATED**
2 **TO NEW EFLS CUSTOMERS?**

3 A. No. Black Hills Power will not use any Black Hills Power generation to directly serve
4 EFLS customers. Each EFLS customer served under the EFLS Tariff will be served only
5 from market energy purchases, no capacity resources will be required since the EFLS
6 customer is interruptible. The market purchased energy cost(s) will be directly assigned
7 to each customer and will be stated in the EFLS Agreement.

8 **Q. HOW ARE SYSTEM UPGRADES ASSIGNED TO NEW EFLS TARIFF**
9 **CUSTOMERS?**

10 A. Any required transmission and/or distribution system upgrades needed to serve an EFLS
11 customer will be directly assigned to each EFLS customer. The new EFLS customer will
12 be required to pay the full amount of any required system upgrade, and the payment will
13 be treated as a non-refundable Contribution in Aid of Construction (“CIAC”). The non-
14 refundable CIAC will provide a safeguard to existing customers by mitigating any
15 potential for stranded asset costs.

16 **Q. HOW WILL COSTS BE ALLOCATED TO EACH EFLS TARIFF CUSTOMER?**

17 A. Black Hills Power will allocate each EFLS Tariff customer, based upon their load-ratio
18 share, their allocated share of costs for use of the Common Use Transmission System.
19 All third-party transmission costs related to EFLS Tariff service will be directly assigned
20 to the EFLS customer, all ancillary service cost for frequency regulation and voltage
21 control that result from service to customers under the EFLS Tariff will be directly
22 assigned to each EFLS customer, and an administrative fee will be charged to each EFLS

customer to cover the administrative cost(s) for Corporate Services consistent with the
Cost Allocation Manual,

VI. REQUIRED CHANGES TO BLACK HILLS POWER'S ENERGY COST

ADJUSTMENT

**Q. DOES BLACK HILLS POWER'S ENERGY COST ADJUSTMENT MECHANISM
REQUIRE CHANGES TO ALLOW FOR THE PROPOSED EFLS TARIFF?**

A. Yes. Black Hills Power is requesting to amend its current Energy Cost Adjustment to
include an EFLS Customer Credit Adjustment.

**Q. WILL EFLS COSTS AND REVENUES BE INCLUDED IN THE BLACK HILLS
POWER ANNUAL ENERGY COST ADJUSTMENT MECHANISM?**

A. All power supply costs and revenues associated with EFLS Tariff service will be
identified separately in Black Hills Power's financial records. This separation will
clearly delineate EFLS Tariff costs from those associated with providing services to other
retail customers. Black Hills Power will remove these EFLS revenues and costs from its
Energy Cost Adjustment. Black Hills Power will also remove all the related kWh's from
the Energy Cost Adjustment calculation.

Q. PLEASE EXPLAIN THE EFLS CUSTOMER CREDIT ADJUSTMENT.

A. Black Hills Power is proposing a credit of \$1.00 per MWh to its Transmission Credit
Adjustment calculation, included within the Energy Cost Adjustment, for all energy
served under the EFLS Tariff.

1 **Q. ARE THERE ANY OTHER CHANGES NEEDED TO THE ENERGY COST**
2 **ADJUSTMENT MECHANISM TO HANDLE NEW EFLS CUSTOMERS?**

3 A. Yes. Black Hills Power is proposing a few amendments to its current ECA mechanism,
4 which includes additions to both the Fuel and Purchased Power Adjustment and the
5 Transmission Cost Adjustment portion of the ECA¹. The first proposed amendment is to
6 add lines to its Fuel and Purchased Power Adjustment to remove energy purchase costs
7 for EFLS Tariff customers, a line to remove the volumes (kWh's) from the Annual Retail
8 Energy Sales line to serve EFLS Tariff customers, and a line to remove volumes (kWh's)
9 from the Projected South Dakota Retail Energy Sales line to remove forecasted volumes
10 to serve EFLS Tariff customers. The second proposed amendment is to add lines to its
11 Transmission Cost Adjustment portion of the ECA. Black Hills Power proposes to add a
12 line to remove the transmission costs related to each EFLS Tariff customer service for
13 their allocated load ratio share of the use of Black Hills Power's CUS, add a line to
14 remove the volumes (kWhs) from the Annual Retail Energy Sales line to serve EFLS
15 Tariff customers, and a line to remove the volumes (kWhs) from the Projected Retail
16 Energy Sales lines to remove forecasted volumes to serve EFLS Tariff customers. Black
17 Hills Power also proposes to add a line to include the \$1.00 per MWh Transmission
18 Credit in the calculation of the TCA portion of the ECA proposed in the Application.

¹ Amendments to the ECA in legislative and clean form can be found in Exhibit 2 attached to the Application.

1 **VII. EXISTING CUSTOMER SAFEGUARDS**

2 **Q. DOES THE PROPOSED EFLS TARIFF PROVIDE SAFEGUARDS FOR**
3 **EXISTING RETAIL CUSTOMERS?**

4 A. Yes. Black Hills Power’s proposed EFLS Tariff provides exiting retail customer
5 safeguards.

6 **Q. PLEASE DESCRIBE THE SAFEGUARDS THE EFLS TARIFF PROVIDES TO**
7 **EXISTING CUSTOMERS.**

8 A. The EFLS Tariff provides safeguards to other retail customers by making all EFLS Tariff
9 customers responsible for the full cost of system upgrades required for service, requiring
10 that all EFLS Tariff customers are interruptible, and making contract pricing renegotiable
11 at least every three years. Black Hills Power has also added ring fencing protection for
12 other retail customers to the EFLS Tariff.

13 **Q. PLEASE EXPLAIN THE RING-FENCING PROVISION BLACK HILLS POWER**
14 **IS OFFERING OTHER RETAIL CUSTOMERS.**

15 A. Black Hills Power agrees that by providing service under the EFLS Tariff, it will not seek
16 and is precluded from recovery from its South Dakota customers any unpaid debt of any
17 EFLS Tariff customer, any increased interest expense and/or equity costs that retail
18 customers incur due to a downgrade, as a result of service to EFLS Tariff customers, that
19 is greater than it would have incurred if the debt would have been issued by a Black Hills
20 Corporation entity that held a BBB- equivalent investment grade rating at the time of
21 issuance. The investment grade status shall be a minimum to obtain investment grade
22 status is in place at the time of issuance, the actual rating graded shall be utilized. This
23 provision shall remain in place so long as Black Hills Power is providing service under

1 the EFLS Tariff and shall apply only when a credit rating downgrade, below BBB- or
2 below investment grade, occurs that is materially attributable to Black Hills Power
3 providing service under the EFLS Tariff.

4 **VIII. CONCLUSION**

5 **Q. WHAT IS BLACK HILLS POWER ASKING FROM THE COMMISSION IN**
6 **THIS DOCKET?**

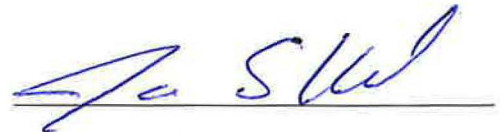
7 A. Black Hills Power requests the Commission enter an Order approving Black Hills
8 Power's EFLS tariff with an effective date of June 1, 2025 and approve Black Hills
9 Power's proposed amendments to its ECA.

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

11 A. Yes, it does.

STATE OF SOUTH DAKOTA)
) SS
COUNTY OF PENNINGTON)

I, Jason S. Keil, 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.



Jason S. Keil

Subscribed and sworn to before me this 28th day of April, 2025.



Notary Public

My Commission Expires:

My commission expires June 22, 2029