

**DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA**

<b>IN THE MATTER OF Black Hills Power, Inc.'s</b>	<b>)</b>	<b>REGULATOR DIVISION</b>
<b>Petition for a Short-Term Waiver from Full</b>	<b>)</b>	
<b>Compliance with the Community Renewable</b>	<b>)</b>	<b>DOCKET NO D2012.1.12</b>
<b>Energy Project Requirement</b>	<b>)</b>	

**DATA RESPONSES OF BLACK HILLS POWER, INC.  
TO PSC-001 TO PSC-004**

PSC-001

- a. In its petition, Black Hills Power (BHP) writes, "Based on the unique facts of this case, the Commission should determine that BHP has undertaken all reasonable steps to procure renewable energy credits for satisfaction of its obligations under the Renewable Act, but that qualifying renewable energy credits are not available to BHP for purposes of satisfying its CREP requirement..." Please provide a description of the distinct steps that BHP took to obtain or develop qualifying CREP facilities for the 2012-2014 period together with any documentation of those steps.

**ANSWER:**

Given the unique geography of our service territory, limited number of customers and limited energy requirements within our service territory, BHP believes we have limited options for obtaining or developing qualifying CREP facilities located within and around our service territory. We believe any options are cost prohibitive for our customers.

Specific steps taken included the review of previous projects BHP and fellow electric utilities within Black Hills Corporation have developed and/or been involved with to provide renewable energy to our customers. One such project was a proposed 20 MW wind farm near Belle Fourche, South Dakota in 2011. After lengthy planning, development of plans, and consideration, it was determined the project was not financially feasible at this time, and would not be in the best interest of our customers.

Additionally, BHP is unaware of any CREP capacity available for purchase near our service territory. It is BHP's understanding that there is insufficient CREP capacity interconnected with the Northwestern system to meet its own CREP requirements, and that MDU has a current match of interconnected CREP capacity and its CREP requirement. Aside from the availability of such CREP capacity, given the location of BHP's service territory, acquisition of the

**necessary transmission paths to access such resources would be extremely difficult and expensive. We do not believe this is a viable option at this time.**

- b. Please list any facilities BHP has knowledge of that may meet the CREP size, ownership and deliverability requirements as well as describe any communications that may have taken place with any of these CREP facilities.

**ANSWER:**

**BHP is not aware of any locally owned or public utility owned facilities able to deliver an “eligible renewable resource” within the BHP service territory in Montana, or within a reasonable distance of our transmission facilities serving our Montana service territory.**

PSC-002

- a. The petition states, “Although Black Hills has not conducted a Request for Proposals (RFP), the very small and rural nature of the Black Hills Montana service territory renders it highly unlikely that a qualifying third party would respond to a RFP.... BHP and its customers should not be required to incur the expense of a formal RFP to establish the lack of an economic option for meeting its diminutive CREP requirement.” What methodology or experience (either of BHP or another utility) did BHP utilize in judging the likelihood that a third party would not respond to an RFP?

**ANSWER:**

**Given our experience with other renewable projects and the significant requirements related to such projects, a project to provide the less than ½ MW requirement in our service territory is not financially feasible, and given the remote nature of our service territory we do not believe it is likely a third party would respond to such request. Estimates for the cost of the RFP were based on RFP’s issued on larger projects within the Black Hills Corporation family of electric utilities.**

**Black Hills Corporation has experience with the Happy Jack and Silver Sage wind farms near Cheyenne, Wyoming, and the Busch Ranch wind farm near Pueblo, Colorado.**

- b. What factors did Black Hills consider in deciding to not issue a RFP?

**ANSWER:**

**The primary factors considered to not issue an RFP were cost, size of the project, location of customers to be served and operational factors.**

- c. How did BHP estimate the expense of a formal RFP? Please provide copies of calculations, work papers, and analyses executed by BHP in its efforts to determine the cost of conducting a RFP process.

**ANSWER:**

**As stated above, estimates were based on costs of RFP's on other renewable projects. We do not have specific calculations, however we have estimated the cost of issuing an RFP at approximately \$10,000.**

- d. Please describe the format and elements, such as generation or fuel type, desired facility size, and third-party qualifications of any formal RFP process that BHP considered, as well as any alternatives to a formal RFP process that were considered.

**ANSWER:**

**BHP did not develop a formal RFP considering the items listed above. Based on previous experience in the industry we did not consider any alternatives to a formal RFP due to the unlikely availability of qualified CREP developers in our service territory.**

- e. In considering the idea of conducting a RFP, did BHP refer to any template or model for conducting a request for proposal? If so, please provide the templates or models used.

**ANSWER:**

**When considering an RFP, BHP considered the cost of the RFP process, size of requirement, and geographic area. BHP did not reference a specific template or model, but did apply general knowledge of work on other renewable projects within the company.**

PSC-003

- a. The petition from BHP states that "The diminutive scale of Black Hills' CREP requirement renders the development of a qualifying CREP in its service territory uneconomic, unrealistic, and highly unlikely." What experience, evidence, or reference sources did Black Hills utilize in stating that the development of a qualifying CREP in the utility's service territory is uneconomic, unrealistic, and highly unlikely?

**ANSWER:**

**BHP serves 28 active accounts in Montana in a very remote area with limited facilities. Exhibit 1 is attached, which references the remote nature of our service territory and our existing transmission facilities that serve the area. In addition, based on experience with other renewable projects, we estimate the cost to be approximately \$1.8-\$2.0 Million per MW for wind generation. This cost spread over 28 customers would place an undue burden on those customers to recover the cost of the asset in rates.**

- b. The petition states that "Black Hills could not find an entity in its Montana service territory to contract for such a small facility." What specific inquiries or efforts did BHP make to find a potential developer of a qualifying CREP facility? Please submit records of verbal or written communications that describe or provide detail of any efforts to find a potential developer of a CREP facility.

**ANSWER:**

**BHP had no conversations with potential developers within our service territory because we are not aware of any in our service territory.**

- c. For any inquiries made to find a potential CREP developer, please describe the geographical area in which those inquiries were made and what criteria were used to determine that area.

**ANSWER: BHP made no inquiries with potential developers within our service territory, including our Montana service territory, because we are not aware of any in our service territory.**

- d. What factors did BHP consider in reaching its judgment that there was no economic option for meeting its CREP requirement?

**ANSWER:**

**BHP serves 28 active accounts in Montana in a very remote area with limited facilities. Exhibit 1 is attached, which references the remote nature of our service territory and our existing transmission facilities that serve the area. In addition, based on experience with other renewable projects, we estimate the cost to be approximately \$1.8-\$2.0 Million per MW for wind generation. This cost spread over 28 customers would place an undue burden on those customers to recover the cost of the asset in rates.**

PSC-004

- a. Did Black Hills evaluate the possibility of a self-build option to meet its CREP requirements? If so, please provide documentation of such an evaluation.

**ANSWER:**

**Due to operational, staffing and administrative concerns, BHP did not believe a self-build/maintain option would be viable.**

- b. If a self-build option was evaluated, what conclusions did the evaluation produce?

**ANSWER:**

**Please see above.**

- c. What were the unit costs of capacity and energy associated with the self-build option, if one was considered?

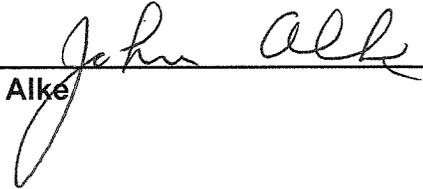
**ANSWER:**

**N/A**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing DATA RESPONSES OF BLACK HILLS POWER, INC. TO PSC-001 TO PSC-004 was served upon the following by mailing a true and correct copy thereof on July 18, 2012, addressed as follows:

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