

**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 RELATED TO THE )  
STUDY OF BALANCING AUTHORITY OPTIONS )  
INCLUDING PARTICIPATION IN ENERGY )  
MARKETS OR A REGIONAL TRANSMISSION )  
ORGANIZATION INCLUDING ASSOCIATED )  
IMPLEMENTATION COSTS )**

**Docket EL24-\_\_\_\_\_**

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 Black Hill’s Power’s Energy Cost Adjustment tariff (“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 related to the study of balancing authority options including the participation in energy markets or a Regional Transmission Organization (“RTO”) including the associated implementation costs.

**EXHIBITS THAT SUPPORT THE APPLICATION**

Exhibit 1 – Proposed ECA Tariff

## 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 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 costs/benefits of regional market participation be included in the Annual System Fuel and Purchased Power (“FPP”) Costs within the ECA calculation, for calendar year 2023 the benefit of regional market participation was approximately \$1.3 million. The Application also requests to add FERC account 575 into the ECA calculation. FERC account 575 contains the administrative fees related to participation in either an energy market and/or an RTO.

**4. Reason for the change:**

The purpose of this Amendment is for authority to recover costs related to the participation in and energy market or RTO, as-well-as recovery any costs related to a change in BA service providers. On November 2020, Southwest Power Pool (“SPP”) announced its collaboration with western utilities to study the benefits of a western RTO expansion. According to SPP study work, utilities could expect a combined annual savings of \$49 million as a result of

an RTO expansion. SPP has also promoted a Markets+ option for those not ready to join the full RTO.

In February 2021, SPP launched the SPP Western Energy Imbalance Service (“WEIS”) market, 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 (5) minutes, enhancing both the reliability and affordability of electricity delivery from utilities to their customers. Black Hills Power began participating in the WEIS market in April 2023 to support its management of real-time energy imbalance.

In early 2022, SPP proposed an alternative energy market structure that will provide a day-ahead and real-time energy market, but unlike and RTO, does not change existing Balancing Authority Areas or combine FERC Open Access Transmission Tariffs. SPP has named this initiative Markets+. This new market has 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 like WEIS.

As of April 1, 2023, Black Hills Power began participation in Phase I of Markets+ as a funding member to ensure Black Hills Power customers have a direct influence on the design of Markets+ and receive the most favorable terms if participation in Markets+ proves to be cost effective. SPP and the Markets+ participants intend to file the Markets+ tariff with the Federal Energy Regulatory Commission in the first quarter of 2024, anticipating a go-live date in the third quarter of 2026.

On September 8, 2023, the Western Area Power Administration (“WAPA”) Administrator and CEO Tracey A. LeBeau issued a Decision Letter authorizing WAPA’s

Colorado River Storage Project, Rocky Mountain region and Upper Great Plains region to pursue final negotiations with SPP regarding RTO membership and expanded participation.

On November 9, 2023, SPP formally kicked off the effort to expand its RTO territory into the western interconnection by April 2026. With the anticipated go-live date of Spring 2026, Black Hills Power must evaluate alternative BA options as BA services through WAPA will no longer be available.

Black Hills Power believes it will incur additional non-recurring costs to evaluate and understand the options in relation to BA services and markets and to determine and implement the best solution for customers. These costs are not currently included in base rates or any other rates being charged to Black Hills Power customers.

**5. Present rate:**

N/A

**6. Proposed rates:**

N/A

**7. Proposed effective date of modified rates:**

Black Hills Power proposes and effective date of April 1, 2024, for the amended ECA Tariff.

**8. Approximation of annual amount of increase or decrease in revenue:**

Black Hills Power anticipates \$1-3 million WEIS benefits per year to be passed on to customers depending upon market conditions.

**9. Points affected:**

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

**10. 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 72,000 South Dakota customer will be affected.

**11. 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](mailto: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](mailto: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](mailto: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](mailto: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 exhibit, Black Hills Power respectfully requests that the Commission issue an order approving the Black Hills Power’s proposed Amendment to its Energy Cost Adjustment Tariff with an effective date of April 1, 2024.

Dated this 29th day of March, 2024.

BLACK HILLS POWER, INC. d/b/a  
BLACK HILLS ENERGY

By:   
\_\_\_\_\_  
Jason S. Keil  
Manager – Regulatory

