

**Black Hills/Colorado Electric Utility Company, LC**  
**Non-Intermittent Resource Solicitation**  
**Questions and Answers**

**Q&A Released on 4/10/09**

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**Q041009-1.** If an affiliate of Black Hills Colorado Electric were to bid into the Non-Intermittent Resource Solicitation, does that affiliate have access to any of the existing infrastructure, sites, water rights, anything like that owned by BHCE?

A. The bid evaluation team does not have access to the information necessary to answer this question. The bid evaluation team is completely separate from the team that might be preparing a bid on behalf of an affiliate of BHCE.

**Q041009-2.** When a reference is made to short-term bids, does this mean five years?

A. In its Phase I Decision, the Colorado Public Utilities Commission advised BHCE to take into account in the evaluation of similarly priced portfolios, characteristics such as short term PPAs. See paragraph 111 of the Phase I Decision. The CPUC did not specify what was meant by short-term. The RFP specifies a 5-year minimum term.

**Q041009-3.** Will the evaluation compare short-term versus longer term bids?

A. The evaluation will examine each bid with the parameters as put forth in the proposal. BHCE will be using a 20-year planning horizon in conducting the bid evaluation. BHCE will not assume replication of any short-term bid, but will allow such bids to terminate at their expiration date. Additional evaluation parameters have not yet been developed.

**Q041009-4.** Will gray market turbines be considered an existing resource?

A. Yes.

**Q041009-5.** Does this mean that a bid that incorporates a gray market turbine will be limited to a term of 10 years?

A. The applicable PPA term will depend on what components would be considered gray market. Each proposal will be considered on a case-by-case basis.

**Q041009-6.** The RFP references that facilities must be capable of achieving a 95% capacity factor. Should this reference be for the capacity factor or an availability of 95%?

A. The facility must achieve a 95% availability which would enable it to provide energy at a 95% capacity factor if required by the dispatch of the system.

**Q041009-7.** We understand that BHCE is not going to provide tolling. However, if natural gas is the fuel for the facility, may that natural gas price be structured as a pass through cost?

A. Yes, the price of natural gas can be structured as a pass through cost. However, only those prudently incurred costs will be allowed to be passed through. Accordingly the bidder must manage the scheduling of the natural gas, the delivery of the natural gas, the imbalance service, and all other requirements of natural gas supply and delivery consistent with good utility practice.

**Q041009-8.** The RFP states that an eligible resource must have the ability to operate at or above a 95% capacity factor. Is this really an availability factor?

A. No. BHCE has a need for base-load resources. Therefore it is necessary that a unit be capable of running at 100% of its capacity at least 95% of the time. For example if a 100 MW plant were proposed then it would need to be **capable** of producing  $100 \times 8,760 \times .95$  or 832,200 MWh or more in a year. The facility's combined forced outage rate and planned outage rate cannot exceed 5% in any given year.

In other words, a plant will need to be available and capable of running at 100% output for 8,322 hours annually at a minimum.

**Q041009-9.** Would it be appropriate instead of a capacity factor or availability factor to require a minimum number of operating hours in the PPA?

A. No. Capacity factor versus availability factor can be confusing. Both are very important when evaluating resources for this resource solicitation because BHCE has both a base-load and peaking resource need. Not only must resources be available when needed (high availability), they must also be capable of operating at 100% of their contract capacity and capable of being dispatched between minimum and maximum load levels.

In the event that economy energy is available in the market and at a price less than the energy cost under a PPA, then BHCE will purchase that energy instead

of PPA energy to minimize the cost to serve its customers. BHCE cannot guarantee a minimum amount of annual operating hours.

**Q041009-10.** Because there isn't a tolling arrangement, is it reasonable to state that BHCE will not be concerned about the heat rate that the facility is able to achieve?

A. No, that is not correct. BHCE will be very concerned about the heat rate of a unit as the heat rate directly impacts the fuel cost in \$/MWh of a facility and will impact the dispatch order of the resource compared to other alternatives. Additionally, the units need to be dispatchable and the heat rate curve will be important because as the heat rate goes up as load on a unit is reduced, the corresponding fuel cost in \$/MWh will go up. Resources that have a flatter heat rate curve and provide a corresponding greater economic dispatch range will be more attractive.

**Q040709-11.** Will a screening analysis be conducted prior to the actual computer modeling analysis?

A. There will be a screening of bids for fatal flaws to determine if a bid is conforming. Our RFP provides for an initial economic screening analysis in Step 2 C on page on 19. However, depending upon the number of bids we receive, we may elect not to conduct the initial economic screening.

**Q041009-12.** If a bidder is off of, not connected directly to the BHCE system and needs to deliver power to BHCE, is it correct that the bidder must secure all of the needed transmission service to a delivery point on the BHCE system?

A. Yes.

**Q040709-13.** If a bidder is going to interconnect at a BHCE-owned substation, then does the bidder need to file an interconnection request prior to submitting a bid?

A. No. BHCE's transmission group is asking that interconnection requests not be made simply to obtain cost estimates. They will provide generic interconnection cost estimates for bid evaluation purposes. However, at some point, an LGIA will be required if a project is selected and needs to be constructed.

**Q041009-14.** Is it possible to have the list of pre-bid meeting attendees (in person and via the webcast)?

A. No. This information is confidential and therefore a list of participants will not be provided.

**Q041009-15.** Please confirm that with regard to shaft risk for this RFP process that the 100 MW shaft risk is on a per unit basis and not on a per bid basis. In other words, a GE 7FA may have about 150 MW of output on a single shaft where a LM6000 has only about 45 MW (altitude specific for both of course). Does this mean that multiple LM6000s at the same site would be acceptable? If so, must the total LM6000 capacity be less than 100 MW or could we bid 4 LM6000s from the same site?

A. The 100 MW shaft risk for this RFP process is unit based. A 100 MW limit for a single combustion turbine installation or 100 MW for a single combined cycle facility is required to allow BHCE to manage shaft risk. Additionally, if a bidder wants to bid multiple smaller units, such as the LM6000, that would be acceptable as long as a “largest hazard” is limited to the 100 MW maximum. For example, no more than two LM6000s could be tied to one generator step-up transformer ( $45 + 45 = 90$  MW). This is necessary to manage operating reserve requirements which are based upon a utility’s largest hazard.

**Q041009-16.** Please elaborate on the “binding” nature of this bid. If a bid is made, doesn’t this simply mean that we make our bid available to you until a decision is made?

A. Please refer to Section 4.2 of the RFP: It is BHCE's expectation that BHCE will have first rights to the proposed project during the proposal review and approval process. In support of this, bidders must provide any and all information which would restrict the bidder from providing BHCE with exclusive rights to negotiate a PPA. Such restrictions could include, but are not limited to, prior active submission or participation in other RFPs, exclusivity rights granted to other parties, rights of first offer or refusal, purchase options, and active auctions for the project as applicable. Absent inclusion of restrictions in a response, all proposals submitted shall be binding upon bidders, if accepted by BHCE, through the target date for contract execution, December 8, 2009. No proposals may be withdrawn prior to December 8, 2009. Negligence on the part of a respondent in preparing their proposal confers no right of withdrawal after the time fixed for the submission of proposals.