

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

Q&A Released on 5/05/09

Q05059-1. Section 2.5 of the RFP, states that a 20 year contract may be proposed. Section 5.2 C step 4 of the RFP states ...”Strategist will be utilized to develop portfolios that minimize the net present value of average system rates over the twenty-year period (i.e. 2008-2027). Assuming a proposed 20 year contract starts in 2012, how can this properly be analyzed in the 2012-2027 period? Will the time frame for analysis be extended to 2031? If so, will Black Hills provide a forecast of the natural gas and fuel oil prices for the 2028-2031 period that is missing from Sections 6.2 and 6.3.2 of Black Hills’ Resource Plan?

A. The evaluation period will be extended through 2032 (in order to evaluate projects that may become operational in either 2012 or 2013) to incorporate the analysis of a proposed 20-year contract. Accordingly, model inputs will be necessary to correspond with this extended planning period. The GED Fall 2007 Reference Case utilized for the emissions and fuel price forecasts for the ERP provided forecast values beginning with October 2007 through December 2032.

The following tables summarize the additional model inputs that will be used for the full evaluation period:

Load Forecast – Base Case

(Appends to ERP Table 2-7, page 11)

Year	Peak Demand (MW)	Annual Energy (000 MWh)
2028	567	3235
2029	579	3307
2030	591	3381
2031	603	3455
2032	616	3531

Demand-Side Management

(Appends to ERP Table 7-1, page 39)

Year	DSM Savings in Peak Demand (MW)	DSM Savings in Energy (000 MWh)
2028	(64.10)	(186.0)
2029	(64.10)	(186.0)
2030	(64.10)	(186.0)
2031	(64.10)	(186.0)
2032	(64.10)	(186.0)

Natural Gas –Base Case

(Appends to ERP Table 6-2, page 32)

Year	Nominal \$/MMBtu – Annual Average
2028	13.74
2029	14.35
2030	14.98
2031	15.65
2032	16.35

No. 2 Fuel Oil

(Appends to ERP Table 6-3, page 34)

Year	Nominal \$/MMBtu – Annual Average
2028	21.86
2029	22.74
2030	23.66
2031	24.62
2032	25.63

Emissions Prices for Sulfur Dioxide and Mercury

(Appends to ERP Table 6-5, page 37)

Year	SO ₂ (Nominal Year \$/ton)	Hg (Nominal Year \$/lb)
2028	318.11	11,400
2029	199.27	11,742
2030	199.33	12,094
2031	199.21	12,457
2032	201.00	12,831

The value to be used for carbon dioxide emissions was established by the Commission in its Phase I order in this docket and will be used throughout the evaluation period (\$20/ton starting in 2010 and escalating at 7% per year).

The same general rate of escalation, 3% as used in the Resource Plan, will continue to be used in the additional years (2028-2032).

Q05059-2. The answer provided for in Q041009-3 on the Q&A released on 4/10/09 states that short-term bids would not be replicated and that additional evaluation parameters have not yet been developed. Has Black Hills determined since that time how different length contracts can economically be compared and analyzed? If not, at what date will the evaluation parameters be developed and shared?

A. The modeling will assume that for shorter term bids, fillers will be utilized to meet the resource needs beyond the shorter term proposals through the evaluation period. The fillers will be the resource options specified in the ERP in Table 7-2, page 42 and Table 7-3, page 42.

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Q05059-3. Is a bidder limited to delivering energy to one of the 6 substations identified in Form 3 – Table 3 of the RFP? For clarity, may the proponent propose its own substation, with a dedicated interconnection into BHCE's 115 kV system?

A. To be directly interconnected to the BHCE system, a proposed project is not limited to the six major interconnections listed in Form 3 - Table 3 of the RFP. All interconnections to the BHCE transmission system will be subject to an LGIA with the Company's transmission function and will require the appropriate request, studies and contracts. The major interconnections were provided for information purposes to potential bidders and to designate the transmission providers other than the Company from whom bidders might need to procure third-party transmission service.

Q05059-4. Does Black Hills have network resource service/capacity on PSCo's transmission system?

A. No. As stated in the RFP Section 2.3, page 3, "The Company is not currently a network customer of any other transmission provider and, therefore, if transmission is required on any other transmission provider's system, it must be Firm Point-to-Point Transmission". Any third party transmission costs required to deliver energy from a facility to the BHCE system will be the responsibility of the bidder and must be clearly identified in the bidder's proposal.