

Black Hills Energy's Proposed Renewable Ready Program

South Dakota Electric - Business Development



Agenda

- Safety Share - Northern Hills BHE crew members:
 - **3,014 Days worked safely!**
- Project / Program Background
- Renewable Ready Subscription Program
- Advantages of a Renewable Ready Subscription
- Moving Forward / Next Steps
- Summary / Conclusions

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Ready to Meet Customer Needs

- A number of Black Hills Energy's commercial and industrial customers have expressed an interest in pursuing **renewable energy solutions**.
- Some customers have investigated the possible **installation** of their own renewable facilities, which are often not economically feasible.
- Utility scale renewable projects benefit greatly from **economies of scale** - making energy much cheaper per megawatt.

Project / Program Background

- BHE has determined that developing a solution for our customers that have an interest in **renewable energy** is important.
- To that end, we are **proposing**:
 - the construction of a utility scale renewables project, and
 - the establishment of a renewable energy **subscription program**
- Both of these proposals are **contingent upon the approval** of our regulators.

Ready to Invest in Renewable Energy

The Corriedale Wind Energy Project

- The proposed wind facility supporting the program would be:
 - ✓ Located west of Cheyenne, WY
 - ✓ 40 MW in size
 - ✓ Would supply renewable energy for customers in both SD and WY



Renewable Ready Subscriptions

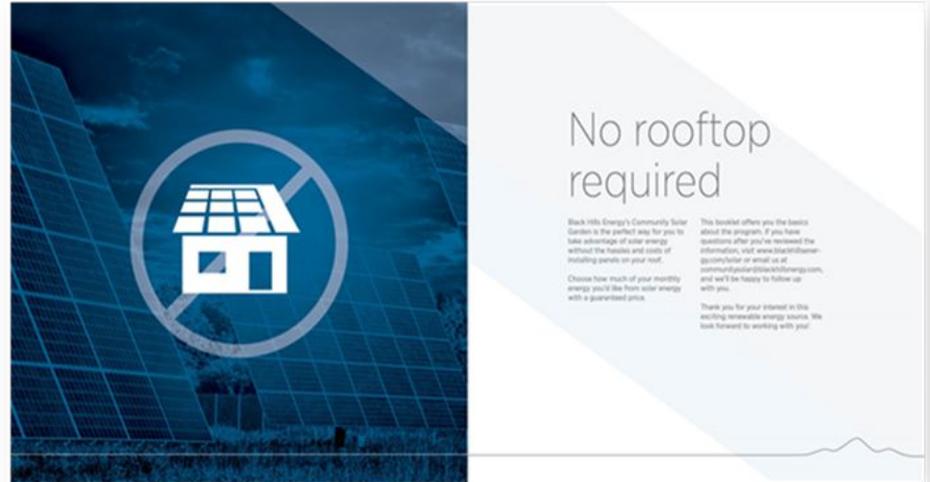
- Black Hills Energy's **Renewable Ready** program has been designed to help our customers meet sustainability objectives in a cost-effective manner.
- Under the program, customers would:
 - **subscribe to renewable energy** to meet all, or a portion of their energy needs
 - remain on their existing rate and power is **delivered the same** as it is today
- A **renewable energy charge** would be added to a subscribing customer's bill and would depend on the contract term a customer selects:
 - The minimum term would be for 5 years, to a maximum of 25 years.
 - Pricing has been proposed as follows:
 - **15 - 25 year term - \$.024/cent per kWh**
 - **10 - 14 year term - \$.026/cent per kWh**
 - **5 -9 year term - \$.028/cent per kWh**

Renewable Ready Subscriptions (continued)

- A renewable energy **credit**
 - An off-setting credit line is applied that reflects the current fuel & purchased power portion of the bill, which is adjusted annually (**currently \$.0227 cent per kwh**).
- Other provisions include:
 - The renewable energy charge would be **fixed** for the term of the contract
 - A one-time \$500 application fee would be required upon formal application
 - An early termination fee would be assessed on a pro-rated basis
 - **Assignability** between service locations
 - Green-e certified **renewable energy credits** (RECs) equal to energy produced by the customer's share of production would be owned by the customer and retired on behalf of the customer: see <https://www.wecc.org/WREGIS/Pages/Default.aspx>
 - The potential for a customer to increase the size of their subscription at a later date, assuming the **wind energy production** is available

Renewable Ready Advantages

- The advantages of a subscription program over an on-site installation include:
 - ✓ **Better pricing resulting from economies of scale**
 - ✓ **No need for the customer to find real estate or rooftop to install equipment**
 - ✓ **No upfront capital investment required by the customer**
 - ✓ **No operations and maintenance expense required by the customer**



Next Steps

- Interested customers have been asked to sign a **non-binding** term sheet as an indication of their interest.
 - These **confidential** term sheets will be used in Black Hills Energy's regulatory application as an indication of customer interest.
 - We believe that **customer interest** will be critical to favorable consideration of the program by state regulators.
- Black Hills Energy submitted its filing to the SD Public Utilities Commission in December, 2018.

Next Steps (continued)

- PUC ruling on the **Renewable Ready** proposal is expected by mid-2019.
- Assuming approval, Black Hills Energy would conduct an open subscription period for interested customers, **which would include a formal application process.**
- With approval, the commercial operation date of the new wind facility and the flow of renewable energy would likely occur in the **fall of 2020.**
- **Renewable Ready** offers large volume customers the opportunity to partner with BHE to meet their sustainability objectives.

VISION

Be the Energy Partner of Choice.

MISSION

Improving Life with Energy.

COMPANY VALUES



Agility

We embrace change and challenge ourselves to adapt quickly to opportunities.



Customer Service

We are committed to providing a superior customer experience every day.



Partnership

Our partnerships with shareholders, communities, regulators, customers and each other make us all stronger.



Communication

Consistent, open and timely communication keeps us focused on our strategy and goals.



Integrity

We hold ourselves to the highest standards based on a foundation of unquestionable ethics.



Respect

We respect each other. Our unique talents and diversity anchor a culture of success.



Creating Value

We are committed to creating exceptional value for our shareholders, employees, customers and the communities we serve...always.



Leadership

Leadership is an attitude. Everyone must demonstrate the care and initiative to do things right.



Safety

We commit to live and work safely every day.