



October 1, 2020

Pueblo County Department of Planning and Development
229 West 12th Street
Pueblo, CO 81003-2810

Re: Case Number 1041 2019-003

On September 29, 2020, the Board of County Commissions ("Board") shared a set of draft conditions concerning approval of 1041 Permit No. 2019-003. It is Black Hills Energy's understanding that the Board will be addressing these conditions at its hearing scheduled for October 1, 2020. Black Hills Energy very much appreciates the Department of Planning and Development's continued efforts in this hearing to ensure a just result that is in the best interests of the citizens of Pueblo County, as well as its sharing of the draft conditions as a courtesy.

Black Hills Energy has had an opportunity to conduct its initial review of the draft conditions. While there has not been enough time for a full and complete vetting of the draft conditions, Black Hills Energy's initial review has uncovered significant concerns, such as customer cost implications, with the conditions. Black Hills Energy addresses below its concerns to assist the Board in its issuance of the final permit.

Before addressing its specific concerns, Black Hills Energy addresses the sensitivities concerning timely issuance of the final permit and development of the Reliability Upgrade. As the Board is aware, Black Hills Energy is currently pursuing the Renewable Advantage project to bring online a new solar resource to lower customer electric bills and assist in Black Hills Energy's continued clean-energy transition. The Renewable Advantage project is governed by a settlement agreement that was approved by the Colorado Public Utilities Commission. The Board is a signatory to the settlement. The settlement provides that Black Hills Energy is permitted to move away from the preferred solar resource development to a back-up resource if there is a delay/denial in receipt of the 1041 permit beyond December 31, 2020. Moving to the back-up resource will result in a loss of forecasted customer savings of approximately \$30 million. For this reason, Black Hills Energy is very concerned that continued delay in receipt of a workable 1041 permit in 2020 would result in a tremendous loss of customer savings. Black Hills Energy is also very concerned that if it receives a 1041 permit that frustrates timely development of the Reliability Upgrade, then the preferred solar resource will not be able to be timely developed, which again will result in a loss of customer savings.

With this important context and background, Black Hills Energy addresses its initial concerns with the draft permit conditions:

- Condition 6: Black Hills Energy has a significant concern that this undergrounding condition, which does not involve any cost caps, will result in large incremental costs to its electric customers. While we have not yet been able to precisely determine the total miles of undergrounding required by this condition, our initial review indicates that it will require undergrounding portions of the line. The record of this proceeding discusses the higher costs of undergrounding. These higher costs are not necessary to ensure safe and reliable service. The public interest does not support the imposition of the unnecessary costs on customers. In addition to cost concerns, this condition would seem to start a precedent for electric utilities, including other utilities in the region with infrastructure in Pueblo County, to underground transmission lines. Similarly, if other jurisdictions adopt this condition for portions of the Reliability Upgrade, then large and new costs will be borne by customers. Black Hills Energy respectfully requests the Board continue to consider the cost implications and the interests of all customers in its decision making.
- Condition 7: Black Hills Energy is very concerned on the nature of this condition; its lack of precedent and guardrails; and the impact it will have on customers and the success of the development of the preferred solar project for Renewable Advantage. At the outset, the record in this proceeding already contains sufficient information and studies on the impact on property values of transmission lines. Black Hills Energy submitted a study in this docket that was completed by a licensed general appraiser, concluding that “high voltage transmission lines, over the past 50 years by Earley & Associates, have generally indicated that there is no significantly measurable market impact in the sale price of properties with power lines as compared to similar properties without power lines.” Condition 7 fails to address this analysis. Moreover, customers will bear the costs imposed by this condition, without any certain level of known magnitude or caps. Black Hills Energy is incredibly concerned that a condition of this kind would be imposed without any understanding of the potential cost ramifications to customers. Other initial concerns on this condition include the following:
 - There is no known, established, or required timelines for the completion of the work required by this condition, risking the project success of the development of the Reliability Upgrade within a time that matches the need to interconnect the preferred solar resource for Renewable Advantage;
 - Black Hills Energy and its customers have no relationship or responsibility to pay for legal representation without any cost caps, guardrails, or standards for customers who “feel” they need legal representation. In that same vein, why would any property owner decline free legal representation that will be paid for by other customers? The lack of known

level of these costs, the potential creation of new litigations funded by customers, and the unknown impacts to project deadlines risk jeopardizing the development of the entire Reliability Upgrade;

- It is unclear whether this condition applies to all property owners or only residential property owners; and
- There are no bounds, definitions, or interpretive principles to assist in the determination of what constitutes a “negative financial impact.” This concept vests unprecedented discretion without any limits to an independent consultant. Again, it is difficult to understand how this concept can be approved without any understanding of the magnitude of impact to customers.

Black Hills Energy appreciates the ability to review the draft conditions for the permit. As described in this letter, Black Hills Energy asserts that these conditions are unwarranted and are ripe to cause unintended consequences with adverse impacts to customers, as well as risk the success of lowering customer bills through Renewable Advantage. For these reasons, we respectfully request the Board continue to consider these conditions, reevaluate their impacts, and determine if alternative conditions will assist the Board in issuing a permit that promotes the public interest.

Sincerely,

/s/ Seth Boutilier
Black Hills Energy
Seth Boutilier
Project Manager