

August 29, 2024

The Honorable Debbie-Anne A. Reese
Acting Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Filing of CAISO Rate Schedule No. 8345
Docket No. ER24-____-000**

Dear Secretary Reese:

The California Independent System Operator Corporation (CAISO) submits for filing and acceptance an agreement (Implementation Agreement) dated July 31, 2024, between the CAISO and Black Hills Service Company, LLC,¹ a South Dakota Limited Liability Company (“Black Hills”).² The Implementation Agreement sets forth the terms under which the CAISO will extend its existing real-time energy market systems to provide imbalance energy service to Black Hills, pursuant to the CAISO’s Western Energy Imbalance Market (WEIM) tariff.³ Under the Implementation Agreement, Black Hills will compensate the CAISO for its share of the costs of system changes, software costs, and other configuration activities. The CAISO requests that the Commission accept the Implementation Agreement effective October 29, 2024, so that the extension of the real-time energy market to include Black Hills may proceed towards implementation on May 6, 2026.⁴

¹ Black Hills Service Company, LLC is a centralized service company that provides services to the various subsidiaries of Black Hills Corporation, including two of Black Hills Corporation’s electric public utility subsidiaries: Black Hills Power, Inc. and Cheyenne Light, Fuel and Power Company. Black Hills Service Company, LLC executed the Agreement on behalf of Black Hills Power, Inc. and Cheyenne Light, Fuel and Power Company.

² The CAISO submits the Implementation Agreement pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d.

³ The WEIM tariff provisions are set forth primarily in Section 29 of the CAISO Tariff.

⁴ See Implementation Agreement, Section 1; see *also* CAISO Tariff, Section 29.2(b).

I. Background

The WEIM provides other balancing authority areas the opportunity to participate in the real-time market for imbalance energy that the CAISO operates in its own balancing authority area. PacifiCorp's balancing authority areas (PacifiCorp East and PacifiCorp West) were the first two to join the WEIM.⁵ The WEIM market rules went into effect on October 24, 2014, for the first trading day November 1, 2014.⁶

The WEIM has continued to develop and attract the interest of a diverse array of participants throughout the Western Interconnection. With the addition of Black Hills and BHE Montana in 2026⁷, the WEIM will include 24 balancing authorities, including CAISO, representing more than 80% of the demand for electricity in the Western Interconnection. The WEIM area includes portions of Arizona, California, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, Texas and extends to the border with Canada.⁸ With Black Hills the WEIM will extend into portions of South Dakota.

II. The Implementation Agreement

The Implementation Agreement details the contractual terms, including the scope of work and the agreed-upon fee, under which the CAISO will take the steps necessary to incorporate Black Hills into the WEIM consistent with the identified key milestones and associated payment provisions.⁹ The Implementation Agreement is modeled after implementation agreements previously accepted by the Commission and, therefore, adopts provisions substantially similar to those which have been filed with and accepted by the Commission.¹⁰

Under the Implementation Agreement, the CAISO and Black Hills must complete a variety of project tasks necessary for implementation by May 6, 2026. The parties chose this date to provide sufficient time for completion of all expected activities based on the size, complexity, and compatibility of Black Hills,

⁵ See *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298 (2013).

⁶ See *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,005 (2014).

⁷ BHE Montana refers to the Berkshire Hathaway Energy Company which has separately committed to join the WEIM.

⁸ WEIM participation materials are at <https://www.westerneim.com/Pages/About/default.aspx>.

⁹ See Implementation Agreement, Sections 3-4 and Exhibit A.

¹⁰ See, e.g., Commission Letter Order, Docket No. ER24-1628 (May 17, 2024) (accepting the implementation agreement with BHE Montana).

including filing a certification of readiness with the Commission. The specific tasks may be modified by mutual agreement of the parties.¹¹

The Implementation Agreement specifies that Black Hills will pay a fixed implementation fee of \$145,000, subject to completion of six specific milestones for recovery of the portion of the costs attributable to the CAISO’s effort to configure its real-time market systems and incorporate Black Hills into the WEIM.¹² The methodology that the CAISO used to determine the implementation fee for Black Hills is the same methodology that the CAISO used to determine all but one of the previously accepted implementation fees for other WEIM participants.¹³

The implementation fee is based on the CAISO’s estimate of the costs it will incur to configure its real-time energy market to function as the WEIM available to all balancing authority areas in the Western Electricity Coordinating Council (WECC).¹⁴ The components of that estimate are described in the Declaration of April D. Gordon, the CAISO’s Executive Director of Financial Planning and Procurement, which is included with this filing as Attachment B, and are summarized below.

Implementation Costs (in thousands of dollars)	
Licenses	12,150
Energy management system upgrades	1,000
Data storage	2,000
Hardware upgrades	500
Production software modifications	1,000
Network configuration and mapping	500
Integration	500
Testing	1,500
System performance tuning	250
Training and operations readiness	150
Project management	100
Total	\$19,650

¹¹ Implementation Agreement, Section 3.

¹² *Id.*, Section 4.

¹³ BHE Montana was charged an implementation fee other than what would have been recovered under the methodology applied to all other WEIM participants. See Commission Letter Order, Docket No. ER24-1628 (May 17, 2024) (accepting the implementation agreement with a fixed fee unique for BHE Montana).

¹⁴ The total estimated cost is a projection assuming the total work effort remains stable. Implementations either completed or underway are not considered in this estimate.

Using this estimate, the CAISO derived a rate that allocates the \$19.65 million to potential entrants into the WEIM according to their proportionate share of the total WECC load (excluding the CAISO's load), using updated data reported to WECC. The CAISO then applied this fee to Black Hills's share of the updated WECC load (exclusive of the CAISO) to account for the Black Hills implementation fee.

The \$145,000 implementation fee is just and reasonable because it allocates a portion of the overall cost to Black Hills in an amount proportionate to Black Hills's share of the benefits that will ensue from the WEIM, as measured by usage. In addition, as explained in Ms. Gordon's declaration, the CAISO confirmed the reasonableness of the resulting allocation by comparing it with an estimate of the costs the CAISO projects it will incur to configure its real-time energy market to function as the WEIM that serves both the CAISO and Black Hills. This comparison confirmed that the fee reasonably represents those costs, even though certain costs may not be triggered by the Black Hills implementation but may instead be incurred by the CAISO to incorporate other entrants. In future implementations, the CAISO will confirm that the rate is reasonable by conducting a similar comparison of the total implementation costs with the individual entity costs.

The Implementation Agreement also provides for adjustment of the fixed implementation fee by mutual agreement of the parties in the event that the CAISO's actual or expected costs exceed the estimate that forms the basis of the implementation fee.¹⁵ This provision allows for appropriate consideration of the allocation of costs associated with incorporation of Black Hills into the WEIM. At the same time, the requirement for Black Hills to agree to any increase in the implementation fee ensures that Black Hills's share of those costs remains reasonable. The Implementation Agreement therefore reflects a reasonable balance of the parties' interest in preserving a level of cost certainty for Black Hills, while appropriately allocating the costs of implementing the WEIM.

The Implementation Agreement represents a binding commitment of the parties. As such, it provides a workable framework for the parties to resolve any differences and to make course corrections along the way. On the other hand, the Implementation Agreement recognizes that the parties are entering into the agreement on a voluntary basis and circumstances may arise that interfere with the incorporation of Black Hills into the WEIM through the planned process.

¹⁵ Implementation Agreement, Section 4. See *a/so* Commission Letter Order, Docket No. ER14-1350-000 (Apr. 8, 2014) (accepting amendment to WEIM implementation agreement between the CAISO and PacifiCorp, to increase the PacifiCorp implementation fee to cover additional scope identified in the stakeholder process). PacifiCorp's request for additional scope is the only instance thus far where an amendment of the implementation fee has been necessary.

Accordingly, the Implementation Agreement allows either party to terminate the agreement for any or no reason, provided it has first entered into good-faith discussions for 30 days in an effort to resolve any differences.¹⁶ This and other related provisions mean that the parties must work closely together to achieve the goal of implementing Black Hills into the WEIM in a timely manner.

The Implementation Agreement also includes general provisions that round out the parties' commitments. These general provisions address confidentiality (Section 5), limitations of liability (Section 6), representations and warranties (Section 7), general provisions such as those regarding notices, amendments, *etc.* (Section 8), venue (Section 9), communication (Section 10), and dispute resolution (Section 11).

III. Next Steps

Following the Commission's acceptance of the Implementation Agreement, the CAISO will incorporate Black Hills into the WEIM. Participation in the WEIM will require registration by at least one of the Black Hills utilities as a new balancing authority and may require corresponding revisions to Black Hills utilities' transmission arrangements and the execution of associated service agreements. Black Hills's implementation will be subject to the CAISO tariff readiness requirements and the filing of a certificate of readiness with the Commission.¹⁷ The CAISO will also take into consideration lessons learned from the prior implementations, as the readiness criteria represent the baseline for measuring the readiness of each new WEIM entity's processes and systems for WEIM participation.

Black Hills will engage with its customers and other interested parties to conclude any arrangements necessary to support Black Hills participation in the WEIM. The CAISO expects that Black Hills will make any necessary adjustments to these arrangements in advance of the implementation date. The CAISO recognizes that this effort will involve Black Hills working with interested parties to facilitate implementation of the WEIM, and the CAISO will engage in that effort as Black Hills considers it appropriate.

IV. Effective Date

The CAISO requests that the Implementation Agreement be made effective on October 29, 2024.

¹⁶ Implementation Agreement, Section 2.

¹⁷ See CAISO Tariff, Section 29.2(b).

V. Request for Waivers

The CAISO submits that the filing substantially complies with the requirements of section 35.13 of the Commission's rules applicable to filings of this type.¹⁸ The CAISO respectfully requests waiver of any such requirement to the extent this filing does not satisfy that requirement. In particular, the CAISO requests waiver of the requirement to submit Period 1 and Period 2 schedules, because the implementation fee is a one-time fee that is not based on historical data in Period 1 schedules or on the projections in Period 2 schedules. In any event, good cause exists to waive filing requirements that are not material to the Commission's consideration of the Implementation Agreement.

VI. Service

The CAISO has served copies of this filing upon all scheduling coordinators, Black Hills, the California Public Utilities Commission, and the California Energy Commission. In addition, the CAISO has posted the filing on the CAISO website.

VII. Contents of Filing

The following attachments, in addition to this transmittal letter, support the instant filing:

Attachment A	Implementation Agreement; and
Attachment B	Declaration of April D. Gordon, Executive Director of Financial Planning and Procurement.

¹⁸ 18 C.F.R. § 35.13.

VIII. Correspondence

Pursuant to Rule 203(b)(3) of the Commission's Rules of Practice and Procedure,¹⁹ the CAISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

John C. Anders
Deputy General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7287
Fax: (916) 608-7222
E-mail: janders@caiso.com

IX. Conclusion

The CAISO respectfully requests that the Commission accept this filing and permit the Implementation Agreement, CAISO Rate Schedule No. 8345, to be effective October 29, 2024, as requested. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

By: /s/ John C. Anders

Roger E. Collanton
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¹⁹ 18 C.F.R. § 385.203(b)(3).

Attachment A – Implementation Agreement

Regarding Black Hills Service Company

and the

California Independent System Operator Corporation

August 29, 2024

WESTERN ENERGY IMBALANCE MARKET IMPLEMENTATION AGREEMENT

This Implementation Agreement (“Agreement”) is entered into as of July 31, 2024, by and between Black Hills Service Company, LLC, a South Dakota Limited Liability Company (“Black Hills”)¹, and the California Independent System Operator Corporation, a California nonprofit public benefit corporation (“ISO”). Black Hills and the ISO are sometimes referred to in the Agreement individually as a “Party” and, collectively, as the “Parties.”

RECITALS

A. WHEREAS, Black Hills and the Black Hills Northern EUs have determined there is an opportunity to secure benefits for the Black Hills Northern EUs and their customers through improved dispatch and operation of the Black Hills Northern EUs’ generation fleet and through the efficient use and continued reliable operation of existing and future transmission facilities and the Black Hills Northern EUs desire to participate in the energy imbalance market operated by the ISO (“EIM”);

B. WHEREAS, the ISO has determined there are benefits to ISO market participants through greater access to energy imbalance resources in real-time and through the efficient use and reliable operation of the transmission facilities and markets operated by the ISO, and desires to expand operation of the EIM to include Black Hills Northern EUs;

C. WHEREAS, Black Hills acknowledges that the rules and procedures governing the EIM are set forth in the provisions of the ISO tariff as filed with the Federal Energy Regulatory Commission (“FERC”) and that participation in the EIM will require registration by at least one of the Black Hills Northern EU’s of a new balancing authority and may require corresponding revisions to Black Hills Northern EU’s transmission arrangements and the execution of associated service agreements; and,

D. WHEREAS, the Parties are entering into this Agreement to set forth the terms upon which the ISO will timely configure its systems to incorporate the Black Hills

¹ Black Hills Service Company, LLC is a centralized service company that provides services to the various subsidiaries of Black Hills Corporation, including two of Black Hills Corporation’s electric public utility subsidiaries: Black Hills Power, Inc. and Cheyenne Light, Fuel and Power Company. Black Hills Service Company, LLC is signing this Agreement on behalf of Black Hills Power, Inc. and Cheyenne Light, Fuel and Power Company. In this Agreement, Black Hills Service Company is referred to as Black Hills. If the more appropriate reference is to Black Hills Power, Inc. and Cheyenne Light as the transmission providers or generation owners, the reference will be to Black Hills Northern Electric Utilities (Black Hills Northern EUs).

Northern EUs' into the EIM ("Project") on or before May 6, 2026 ("Implementation Date").

NOW THEREFORE, in consideration of the mutual covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. Effective Date and Term.

(a) This Agreement shall become effective upon the date the Agreement is accepted, approved or otherwise permitted to take effect by FERC, without condition or modification unsatisfactory to either Party ("Effective Date").

(b) In the event FERC requires any modification to the Agreement or imposes any other condition upon its acceptance or approval of the Agreement, the ISO shall provide notice of such modifications or conditions to Black Hills, each Party shall have ten (10) business days from Black Hills' receipt of the notice to notify the other Party that any such modification or condition is unacceptable to that Party. If no Party provides such notice, then the Agreement, as modified or conditioned by FERC, shall take effect as of the date determined under Section 1(a). If either Party provides such notice to the other Party, the Parties shall take any one or more of the following actions: (i) meet and confer and agree to accept any modifications or conditions imposed by such FERC order; (ii) jointly or individually seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification; or (iii) enter into negotiations with respect to accommodation of such FERC order, provided however, if the Parties have not agreed to such an accommodation within thirty (30) days after the date on which such FERC order becomes a final and non-appealable order, such order shall be deemed an adverse order, this Agreement shall terminate and the Parties shall have no further rights and obligations under the Agreement.

(c) The term of the Agreement ("Term") shall commence on the Effective Date and shall terminate upon the earliest to occur of (1) the date FERC permits all service agreements under the ISO tariff necessary for the commencement of the Black Hills Northern EUs' participation in the EIM have taken effect; (2) termination in accordance with Section 2 of this Agreement; or (3) such other date as mutually agreed to by the Parties ("Termination Date").

(d) This Agreement shall automatically terminate on the Termination Date and shall have no further force or effect, provided that the rights and obligations set forth in Sections 5 and 6 shall survive the termination of this Agreement and remain in full force and effect as provided therein.

2. Termination.

(a) The Parties may mutually agree to terminate this Agreement in writing at any time. In addition, either Party may terminate this Agreement in its sole discretion after conclusion of the negotiation period in Section 2(b) or as provided in Section 2(d) or 2(e) as applicable.

(b) If either the ISO or Black Hills seeks to unilaterally terminate this Agreement, it must first notify the other Party in writing of its intent to do so (“Notice of Intent to Terminate”) and engage in thirty (30) days of good faith negotiations in an effort to resolve its concerns. If the Parties successfully resolve the concerns of the Party issuing the Notice of Intent to Terminate, the Party that issued such notice shall notify the other Party in writing of the withdrawal of such Notice (“Notice of Resolution”).

(c) At the time the Notice of Intent to Terminate is provided, or any time thereafter unless a Notice of Resolution is issued, Black Hills may provide written notice directing the ISO to suspend performance on any or all work on the Project for a specified period of time (“Notice to Suspend Work”). Upon receipt of a Notice to Suspend Work, the ISO shall: (1) discontinue work on the Project; (2) place no further orders with subcontractors related to the Project; (3) take commercially reasonable actions to suspend all orders and subcontracts; (4) protect and maintain the work on the Project; and (5) otherwise mitigate Black Hills’ costs and liabilities for the areas of work suspended. The ISO will not invoice Black Hills pursuant to Section 4(c) of this Agreement for any milestone payment following the issuance of a Notice to Suspend Work. To the extent a Notice of Resolution is issued pursuant to Section 2(b), the Notice to Suspend Work in effect at the time shall be deemed withdrawn and the ISO shall be entitled to invoice Black Hills for any milestone completed as specified in Section 4(c) of this Agreement and Black Hills shall pay such invoice pursuant to Section 4.

(d) Any time after thirty (30) days from the date of the Notice of Intent to Terminate under Section 2(b), issued by either Party, and prior to the date of a Notice of Resolution, the ISO may terminate this Agreement by providing written notice to Black Hills that it is terminating this Agreement (“Termination Notice”) effective immediately. The ISO may terminate this Agreement under the terms of this Section 2(d) at its sole discretion for any reason.

(e) Any time after thirty (30) days from the date of the Notice of Intent to Terminate under Section 2(b), issued by either Party, and prior to the date of a Notice of Resolution, Black Hills may terminate this Agreement by providing written notice to the ISO that it is terminating this Agreement (“Termination Notice”) effective immediately. Black Hills may terminate this Agreement under the terms of this Section 2(e) at its sole discretion for any reason.

(f) In the event this Agreement is terminated by either or both of the Parties pursuant to its terms, this Agreement will become wholly void and of no further force and effect, without further action by either Party, and the liabilities and obligations of the Parties hereunder will terminate, and each Party shall be fully released and discharged from any liability or obligation under or resulting from this Agreement as of the date of the Termination Notice provided in Section 2(d) or 2(e), as applicable, notwithstanding the requirement for the ISO to submit the filing specified in Section 2(g). Notwithstanding the foregoing, the rights and obligations set forth in Sections 5 and 6 shall survive the termination of this Agreement and remain in full force and effect as specified in Sections 5 and 6, and any milestone payment obligation pursuant to Section 4(c) that arose prior to the Termination Notice in accordance with Section 2(d) or 2(e) shall survive until satisfied or resolved in accordance with Section 11.

(g) The Parties acknowledge that the ISO is required to file a timely notice of termination with FERC. The Parties acknowledge and agree that the filing of the notice of termination by the ISO with FERC will be considered timely if the filing of the notice of termination is made after the preconditions for termination have been met, and the ISO files the notice of termination within ten (10) days after the Termination Notice has been provided by either the ISO in accordance with Section 2(d) or Black Hills in accordance with Section 2(e). This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

3. Implementation Scope and Schedule.

(a) The Parties shall complete the Project as described in Exhibit A, subject to modification only as described in Section 4(e) below.

(b) The Parties shall undertake the activities described in Exhibit A with the objective of completing the Project and implementing the EIM no later than the Implementation Date, including all milestones listed under Exhibit A for the Implementation Date, subject to modification only as described in Section 3(c) below.

(c) Either Party may propose a change in Exhibit A or the Implementation Date to the other Party. If a Party proposes a change in Exhibit A or the Implementation Date, the Parties shall negotiate in good faith to attempt to reach agreement on the proposal and any necessary changes in Exhibit A and any other affected provision of this Agreement, provided that any change in Exhibit A, or any change to the Implementation Date, must be mutually agreed to by the Parties. The agreement of the Parties to a change in Exhibit A, or a change to the Implementation Date, shall be memorialized in a revision to Exhibit A, which will then be binding on the Parties and shall be posted on the internet web sites of the ISO and Black Hills, without the need for execution of an amendment to this Agreement. Changes that require revision of any provision of this Agreement other than Exhibit A shall be reflected in an executed amendment to this Agreement and filed with FERC for acceptance.

(d) At least once per calendar month during the Term, the Parties' Designated Executives, or their designees, will meet telephonically or in person (at a mutually agreed to location) to discuss the status of the performance of the tasks necessary to achieve the milestones in Exhibit A and the continued appropriateness of Exhibit A to ensure that the Project can meet the Implementation Date. For purposes of this section, "Designated Executive" shall mean the individual identified in Section 8(g), or her or his designee or successor.

4. Implementation Charges, Invoicing and Milestone Payments.

(a) As itemized in Section 4(c) below, Black Hills shall pay the ISO a fixed fee of \$145,000 for costs incurred by the ISO to implement the Project ("Implementation Fee"), subject to completion of the milestones specified in Section 4(c) and subject to adjustment only as described in Section 4(b).

(b) The ISO will provide prompt written notice to Black Hills when the sum of its actual costs through the date of such notice and its projected costs to accomplish the balance of the Project exceed the Implementation Fee. The Implementation Fee shall be subject to adjustment only by mutual written agreement of the Parties if the Parties agree to a change in Exhibit A, or a change to the Implementation Date, in accordance with Section 3(c) and the Parties agree that an adjustment to the Implementation Fee is warranted in light of such change.

(c) Upon completion of the milestones identified in Exhibit A, the ISO shall invoice Black Hills for the Implementation Fee as follows:

- i. \$24,166 upon the Effective Date as further described in Section 1 of this Agreement and Exhibit A as Milestone 1;
- ii. \$24,166 upon deployment into the ISO test environment of the full network model database that includes the topology of the Black Hills system as further described in Exhibit A as Milestone 2;
- iii. \$24,166 upon ISO promotion of market network model including Black Hills area to non-production system with Black Hills connection and data exchange data in advance of market simulation as further described in Exhibit A as Milestone 3;
- iv. \$24,166 upon commencement of EIM market simulation as further described in Exhibit A as Milestone 4;
- v. \$24,166 upon start of parallel operations as further described in Exhibit A as Milestone 5; and
- vi. \$24,170 upon the Implementation Date as further described in Exhibit A as Milestone 6.

(d) Following the completion of each milestone identified in Section 4(c)(i) through (vi), the ISO will deliver to Black Hills an invoice which will show the amount due, together with reasonable documentation supporting the completion of the milestone being invoiced. Black Hills shall pay the invoice no later than forty-five (45) days after the date of receipt. Any milestone payment past due will accrue interest, per annum, calculated in accordance with the methodology specified for interest in the FERC regulations at 18 C.F.R. § 35.19a(a)(2)(iii) (the “FERC Methodology”).

(e) If a milestone has not been completed as described in Section 4(c)(i), (ii), (iii), (iv), or (v) and in Exhibit A, as Exhibit A may have been modified in accordance with Section 3(c), the Parties shall negotiate in good faith an agreed upon change to the Project Delivery Dates (as defined in Exhibit A) consistent with Section 3(c) such that the timing of milestone payments in Section 4(c) can be adjusted to correspond to the updated Exhibit A.

(f) If Black Hills disputes any portion of any amount specified in an invoice delivered by the ISO in accordance with Section 4(c), Black Hills shall pay its total amount of the invoice when due, and identify the disputed amount and state that the disputed amount is being paid under protest. Any disputed amount shall be resolved pursuant to the provisions of Section 11. If it is determined pursuant to Section 11 that an overpayment or underpayment has been made by Black Hills or any amount on an invoice is incorrect, then (i) in the case of any overpayment, the ISO shall promptly return the amount of the overpayment (or credit the amount of the overpayment on the next invoice) to Black Hills; and (ii) in the case of an underpayment, Black Hills shall promptly pay the amount of the underpayment to the ISO. Any overpayment or underpayment shall include interest for the period from the date of overpayment, underpayment, or incorrect allocation, until such amount has been paid or credited against a future invoice calculated in the manner prescribed for calculating interest in Section 4(d).

(g) All costs necessary to implement the Project not provided for in this Agreement shall be borne separately by each Party, which in the case of the ISO will be recovered through rates as may be authorized by its regulatory authorities.

(h) All milestone payments required to be made under the terms of this Agreement shall be made to the account or accounts designated by the Party which the milestone payment is owed, by wire transfer (in immediately available funds in the lawful currency of the United States).

5. Confidentiality.

(a) All written or oral information received from the other Party in connection with this Agreement (but not in connection with this Agreement after it is filed with FERC) necessary to complete the Project and marked or otherwise identified at the time of communication by such Party as containing information that Party considers commercially sensitive or confidential shall constitute “Confidential Information” subject to the terms and conditions herein.

(b) If Black Hills publicly releases Black Hills' Confidential Information in connection with a public process or a regulatory filing, or if the ISO publicly releases the ISO's Confidential Information in connection with a public process or a regulatory filing, then the information released shall no longer constitute Confidential Information; provided, however, that Confidential Information disclosed under seal (or in such other manner as to be treated confidentially) in connection with a regulatory filing shall retain its status as Confidential Information under this Agreement. In addition, Confidential Information does not include information that (i) is or becomes generally available to the public other than as a result of disclosure by either Party, its officers, directors, employees, agents, or representatives; (ii) is or becomes available to such Party on a non-confidential basis from other sources or their agents or representatives when such sources are not known by such Party to be prohibited from making the disclosure; (iii) is already known to such Party or has been independently acquired or developed by such Party without violating any of such Party's obligations under this Section 5; (iv) is the subject of a mutual written agreement between the Parties, including an agreement evidenced through an exchange of electronic or other communications, with regard to information for discussion at any stakeholder meetings or during the stakeholder process or with any regulatory authority; or (v) is the subject of a mutual written agreement between the Parties, including an agreement evidenced through an exchange of electronic or other communications, to allow for such disclosure and designation as non-confidential or public information on a case-by-case basis in accordance with Section 10 of this Agreement.

(c) The Confidential Information will be kept confidential by each Party and each Party agrees to protect the Confidential Information using the same degree of care, but no less than a reasonable degree of care, as a Party uses to protect its own confidential information of a like nature. Notwithstanding the preceding sentence, a Party may disclose the Confidential Information or portions thereof to those of such Party's officers, employees, partners, representatives, attorneys, contractors, advisors, or agents who need to know such information for the purpose of analyzing or performing an obligation related to the Project. Notwithstanding the foregoing, a Party is not authorized to disclose such Confidential Information to any officers, employees, partners, representatives, attorneys, contractors, advisors, or agents without (i) informing such officer, employee, partner, representative, attorney, contractor, advisor, or agent of the confidential nature of the Confidential Information and (ii) ensuring that such officer, employee, partner, representative, attorney, contractor, advisor, or agent is subject to confidentiality duties or obligations to the applicable Party that are no less restrictive than the terms and conditions of this Agreement. Each Party agrees to be responsible for any breach of this Section 5 by such Party or a Party's officers, employees, partners, representatives, attorneys, contractors, advisors or agents, subject to the limitations set forth in Section 6 below.

(d) In the event that a Party is required by a court of competent jurisdiction or regulatory authority (by law, rule, regulation, order, deposition, interrogatory, request for documents, data request issued as part of a regulatory process, subpoena, civil investigative demand or similar request or process) to disclose any of the Confidential Information, such Party shall (to the extent legally permitted) provide the other Party

with prompt written notice of such requirement so that the other Party may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Section 5. In the event that such protective order or other remedy is not obtained, the disclosing Party hereby waives compliance with the provisions hereof with respect to such Confidential Information. In such event, the Party compelled to disclose shall (i) furnish only that portion of the Confidential Information which, in accordance with the advice of its own counsel (which may include internal counsel), is legally required to be furnished, and (ii) exercise reasonable efforts to obtain assurances that confidential treatment will be accorded the Confidential Information so furnished.

(e) Notwithstanding the foregoing, the Parties acknowledge that they are required by law or regulation to report certain information that could embody Confidential Information from time to time, and may do so from time to time without providing prior notice to the other Party. Such reports may include models, filings, and reports of costs, general rate case filings, cost adjustment mechanisms, FERC-required reporting, investigations, annual state reports that include resources and loads, integrated resource planning reports, reports to entities such as FERC, the North American Electric Reliability Council (“NERC”), Western Electricity Coordinating Council (“WECC”), or similar or successor organizations, or similar or successor forms, filings, or reports, the specific names of which may vary by jurisdiction, along with supporting documentation. Additionally, in regulatory proceedings or investigations in all state and federal jurisdictions in which they may do business, the Parties will from time to time be required to produce Confidential Information, and may do so without prior notice using its business judgment in compliance with all of the foregoing and including the appropriate level of confidentiality for such disclosures in the normal course of business.

(f) Each Party is entitled to seek equitable relief, by injunction or otherwise, to enforce its rights under this Section 5 to prevent the release of Confidential Information without bond or proof of damages, and may seek other remedies available at law or in equity for breach of this provision, subject to the limitations set forth in Section 6 below.

(g) Unless otherwise prevented by law, upon written request by a Party, the other Party shall promptly return to the requesting Party or destroy all Confidential Information it received, including all copies of its analyses, compilations, studies or other documents prepared by or for it, that contain the Confidential Information in a manner that would allow its extraction or that would allow the identification of the requesting Party as the source of the Confidential Information or inputs to the analysis. Notwithstanding the foregoing, neither Party shall be required to destroy or alter any computer archival and backup tapes or archival and backup files (collectively, “Computer Tapes”), provided that such Computer Tapes shall be kept confidential in accordance with the terms of this Agreement.

(h) Nothing in this Agreement shall be deemed to restrict either Party from engaging with third parties with respect to any matter and for any reason, specifically including the EIM, provided Confidential Information is treated in accordance with this Section 5.

(i) This Section 5, Confidentiality, applies for two years (24 months) after the Termination Date or the date of any expiration or termination of this Agreement.

6. Limitation of Liability; Indemnity.

(a) The Parties acknowledge and agree that neither Party shall be liable to the other Party for any claim, loss, cost, liability, damage or expense, including any direct damage or any special, indirect, exemplary, punitive, incidental or consequential loss or damage (including any loss of revenue, income, profits or investment opportunities or claims of third party customers), arising out of or directly or indirectly related to such other Party's decision to enter into this Agreement, such other Party's performance under this Agreement, or any other decision by such Party with respect to the Project. Each party's total liability under this Agreement shall not exceed the Implementation Fee.

(b) Each Party shall indemnify, defend and hold harmless each of the other Party and its officers, directors, employees, agents, contractors and sub-contractors, from and against all third-party claims, judgments, losses, liabilities, costs, expenses (including reasonable attorneys' fees) and damages for personal injury, death or property damage, to the extent caused by the negligence, willful misconduct, or breach of this Agreement of the indemnifying Party, its officers, directors, agents, employees, contractors or sub-contractors related to this Agreement; provided, that this indemnification shall be only to the extent such personal injury, death or property damage is not attributable to the negligence or willful misconduct related to this Agreement or breach of this Agreement of the Party seeking indemnification, its officers, directors, agents, employees, contractors or sub-contractors. The indemnified Party shall give the other Party prompt notice of any such claim. The indemnifying Party, in consultation with the indemnified Party, shall have the right to choose competent counsel, control the conduct of any litigation or other proceeding, and settle any claim, provided that any such settlement shall not impose costs upon the indemnified Party. The indemnified Party shall provide all documents and assistance reasonably requested by the indemnifying Party.

(c) The rights and obligations under this Section 6 shall survive the Termination Date and any expiration or termination of this Agreement.

7. Representation and Warranties.

(a) Representations and Warranties of Black Hills. Black Hills represents and warrants to the ISO as of the Effective Date as follows:

(1) It is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(2) It has all requisite corporate power necessary to own its assets and carry on its business as now being conducted or as proposed to be conducted under this Agreement.

(3) It has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the execution and delivery of this Agreement and the performance by it of this Agreement have been duly authorized by all necessary corporate action on its part.

(4) The execution and delivery of this Agreement and the performance by it of this Agreement do not: (i) violate its organizational documents; (ii) violate any governmental requirements applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(5) This Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(6) All material governmental authorizations in connection with the due execution and delivery of this Agreement, have been duly obtained or made prior to the date hereof and are in full force and effect.

(b) Representations and Warranties of the ISO. ISO represents and warrants to Black Hills as of the Effective Date as follows:

(1) It is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(2) It has all requisite corporate power necessary to own its assets and carry on its business as now being conducted or as proposed to be conducted under this Agreement.

(3) It has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the execution and delivery of this Agreement and the performance by it of this Agreement have been duly authorized by all necessary corporate action on its part.

(4) The execution and delivery of this Agreement and the performance by it of this Agreement do not: (i) violate its organizational documents; (ii) violate any governmental requirements applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(5) This Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, regulatory authority, or other similar laws affecting creditors' rights generally and by principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(6) All material governmental authorizations in connection with the due execution and delivery of, and performance by it of its obligations under this Agreement, have been duly obtained or made prior to the date hereof and are in full force and effect.

8. General Provisions.

(a) This Agreement, including Exhibit A to this Agreement, constitutes the entire agreement between the Parties, and supersedes any prior written or oral agreements or understandings between the Parties, relating to the subject matter of this Agreement; provided, that nothing in this Agreement shall limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of each of the Parties as provided by any other agreement between the Parties, or by any statute or any other law or applicable court or regulatory decision by which such Party is bound.

(b) This Agreement may not be amended except in writing hereafter signed by both of the Parties; provided, however, the Parties may mutually agree to changes in Exhibit A in accordance with Section 4(e).

(c) Any waiver by a Party to this Agreement of any provision or condition of this Agreement must be in writing signed by the Party to be bound by such waiver, shall be effective only to the extent specifically set forth in such writing and shall not limit or affect any rights with respect to any other or future circumstance.

(d) Except as to the Black Hills Northern EUs, this Agreement is for the sole and exclusive benefit of the Parties and shall not create a contractual relationship with, or cause of action in favor of, any third party.

(e) Neither Party shall have the right to voluntarily assign its interest in this Agreement, including its rights, duties, and obligations hereunder, without the prior written consent of the other Party, which consent may be withheld by the other Party in its sole and absolute discretion. Any assignment made in violation of the terms of this Section 8(e) shall be null and void and shall have no force and effect.

(f) In the event that any provision of this Agreement is determined to be invalid or unenforceable for any reason, in whole or part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law, and such invalid or unenforceable provision shall be replaced by the Parties with a provision that is valid and enforceable and that comes closest to expressing the Parties' intention with respect to such invalid or unenforceable provision.

(g) Whenever this Agreement requires or provides that (i) a notice be given by a Party to the other Party or (ii) a Party's action requires the approval or consent of the other Party, such notice, consent or approval shall be given in writing and shall be given by personal delivery, by recognized overnight courier service, email or by certified mail (return receipt requested), postage prepaid, to the recipient thereof at the address given for such Party as set forth below, or to such other address as may be designated by

notice given by any Party to the other Party in accordance with the provisions of this Section 8(g):

If to Black Hills:

Horizon Point
Black Hills Corporate Headquarters
7001 Mount Rushmore Road
Rapid City, South Dakota 57702
Attention: Brian Weber, Vice President, Utility Services & Transmission Strategy
E-mail: Brian.weber@blackhillscorp.com

With copy to:

If to the ISO:

California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Attention: Khaled Abdul-Rahman, Vice President, Power System and Market Technology
E-mail: KabdulRahman@caiso.com

Each notice, consent or approval shall be conclusively deemed to have been given (i) on the day of the actual delivery thereof, if given by personal delivery, email sent by 5:00 p.m. Pacific Time, or overnight delivery, or (ii) date of delivery shown on the receipt, if given by certified mail (return receipt requested). It is the responsibility of each Party to provide, in accordance with this Section, notice to the other Party of any necessary change in the contact or address information herein.

(h) This Agreement may be executed in one or more counterparts (including by facsimile or a scanned image), each of which when so executed shall be deemed to be an original, and all of which shall together constitute one and the same instrument.

(i) Nothing contained in this Agreement shall be construed as creating a corporation, company, partnership, association, joint venture or other entity with the other Party, nor shall anything contained in this Agreement be construed as creating or requiring any fiduciary relationship between the Parties. No Party shall be responsible hereunder for the acts or omissions of the other Party.

(j) The decision to execute an EIM service agreement and participate in the EIM remains within the sole discretion of the appropriate Black Hills Northern EU and the decision whether to continue to offer EIM services (subject to Sections 1 and 2) remains within the sole discretion of the ISO.

(k) Nothing in this Agreement shall preclude a Party from exercising any rights or taking any action (or having its affiliates take any action) with respect to any other project.

(l) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply: (i) any reference in this Agreement to gender includes all genders, and the meaning of defined terms applies to both the singular and the plural of those terms; (ii) the insertion of headings are for convenience of reference only and do not affect, and will not be utilized in construing or interpreting, this Agreement; (iii) all references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified; (iv) words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement (including Exhibit A to this Agreement) as a whole and not merely to a subdivision in which such words appear, unless the context otherwise requires; (v) the word "including" or any variation thereof means "including, without limitation" and does not limit any general statement that it follows to the specific or similar items or matters immediately following it; and (vi) the Parties have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof favoring or disfavoring any Party will exist or arise by virtue of the authorship of any provision of this Agreement.

(m) The above-stated recitals are incorporated into and made a part of this Agreement by this reference to the same extent as if these recitals were set forth in full at this point.

9. Venue. Venue for any action hereunder shall be FERC, where subject to its jurisdiction, or otherwise any state or federal court with jurisdiction within the State of California.

10. Communication. The Parties shall develop a communication protocol for the dissemination of material information associated with the Project, which shall be approved by Black Hills and the ISO. Pursuant to the communication protocol, the individual identified in Section 8(g), or their designee or successor, shall provide reasonable advance notice to the other Party of planned press releases, public statements, and meetings with the public or governmental authorities in which material information concerning the Project or Black Hills' or the Black Hills Northern EUs' involvement will be shared. The Parties shall mutually consult with each other as provided in the communication protocol prior to making such public statements or disclosures; provided that nothing herein shall prevent, limit, or delay either Party from making any disclosure required by applicable law or regulation, subject to the provisions of Section 5 hereof. In the event either Party engages in material unplanned communications about the Project that otherwise should have been subject to this Section and the communication protocol, such Party shall provide notice to the other Party as promptly as possible of the nature and content of such communication.

11. Dispute Resolution. Unless otherwise provided herein, each of the provisions of this Agreement shall be enforceable independently of any other provision of this Agreement and independent of any other claim or cause of action. In the event of any dispute arising under this Agreement, the Parties shall, to the extent practicable, first attempt to resolve the matter through direct good faith negotiation between the Parties, including a full opportunity for escalation to executive management within the Parties' respective organizations. If the Parties are unable to resolve the issue within thirty (30) days after such escalation of the dispute, then for matters subject to FERC jurisdiction either Party shall have the right to file a complaint under Section 206 of the Federal Power Act. For all other matters, then:

(a) To the fullest extent permitted by law, each of the Parties hereto waives any right it may have to a trial by jury in respect of litigation within the federal or state courts located within California as specified herein in Section 9, directly or indirectly arising out of, under or in connection with this Agreement. Each Party further waives any right to consolidate, or to request the consolidation of, any action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived.

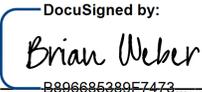
(b) If a waiver of jury trial is deemed by any court of competent jurisdiction within the State of California as specified herein in Section 9 to not be enforceable for any reason, then to the fullest extent permitted by law, each of the Parties may agree to attempt to settle amicably through non-binding mediation. Notwithstanding the foregoing, either Party may seek provisional legal remedies if, in such Party's judgment, such action is necessary to avoid irreparable damage or preserve the status quo.

12. Third Party Agreements. The Parties may engage in discussions with third parties, either jointly or unilaterally, to facilitate the Project. Each Party may adopt or modify tariffs or enter into or modify binding agreements between such Party and third parties to implement the approved terms and conditions of the Project or EIM as necessary and appropriate.

13. Compliance. Each Party shall comply with all federal, state, local or municipal governmental authority; any governmental, quasi-governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, including FERC, NERC, WECC; or any court or governmental tribunal; in each case, having jurisdiction over either Party in connection with the execution, delivery and performance of its obligations under this Agreement. This Agreement is not intended to modify, change or otherwise amend the Parties' current functional responsibilities associated with compliance with WECC and NERC Reliability Standards; provided, however, the Parties may enter into separate mutually agreed to arrangements to clarify roles and responsibilities associated with compliance with WECC and NERC Reliability Standards in respect of this Agreement.

IN WITNESS WHEREOF, each of the Parties has caused its duly authorized officer to execute this Implementation Agreement as of the date first above written.

Black Hills Service Company LLC,
a South Dakota Limited Liability Company

By:  8806685390F7473...
Name: Brian Weber
Title: Vice President, Utility Services & Transmission Strategy

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

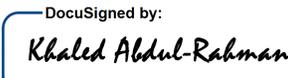
By:  018C598C28F0404...
Name: Khaled Abdul-Rahman
Title: Vice President, Power System and Market Technology

EXHIBIT A: PROJECT SCOPE AND SCHEDULE

The Project consists of the activities and delivery dates identified in this Exhibit A, implemented in accordance with the Agreement. The Parties have included a schedule for the Implementation Date to coordinate their efforts required for completion of the Project on a milestone track.

The Parties understand that input received from stakeholders during the course of implementing the Project, conditions imposed or questions raised in the regulatory approval process, and the activities of the Parties in implementing the Project may cause the Parties to determine that changes in the Project are necessary or desirable. Accordingly, this Exhibit A may be modified in accordance with Section 3(c) of the Agreement.

Each Party is responsible for performing a variety of tasks necessary to achieve the milestones on the scheduled dates specified in the table below (“Project Delivery Dates”) and shall plan accordingly. The Parties shall communicate and coordinate as provided in the Agreement to support the planning and execution to complete the Project.

Project Scope and Milestones	Project Delivery Dates supporting May 6, 2026
<p>Detailed Project Management Plan – The Parties will develop and initiate a final project management plan that describes specific project tasks each Party must perform, delivery dates, project team members, meeting requirements, and a process for approving changes to support completion of the Project. This phase will include a detailed IT system review to assist Black Hills in development of a detailed metering plan, bid-to-bill system, and coordination with Black Hills’ EMS. Work will be initiated on the Black Hills staff training program using the foundational and detailed system computer-based training module, as well as on the resource data templates needed during Milestone 2.</p>	October 2024
<ul style="list-style-type: none"> • Milestone 1 – This milestone is completed when the Agreement has been made effective in accordance with Section 1 of the Agreement. 	July 2024

<p>Full Network Model Expansion – Full Network Model expansion for Black Hills and EMS/SCADA, including, proof of concept of export/import of EMS data; complete model into the CAISO test environment; complete validation for all SCADA points from Black Hills; testing of the new market model; and validation of the Outage and State Estimator applications.</p>	<p>January 2025</p>
<ul style="list-style-type: none"> • Milestone 2 - This milestone is completed upon modeling Black Hills into the CAISO Full Network Model through the EMS which will be deployed into a non-production test environment using the CAISO's network and resource modeling process. 	<p>July 2025</p>
<p>System Implementation and Connectivity Testing – System requirements and software design, the execution of necessary software vendor contracts, development of Market network model including Black Hills, allow Black Hills to connect to a non-production test system.</p>	<p>August 2025</p>
<ul style="list-style-type: none"> • Milestone 3 - CAISO to promote market network model including Black Hills' area to non-production system, and allow Black Hills to connect and exchange data in advance of Market Simulation. 	<p>September 2025</p>
<p>Construction, Testing and Training in Preparation for Market Simulation - This task includes IT infrastructure upgrades, security testing, training, Day-in-life simulation, and functional testing.</p>	<p>September 2025</p>
<ul style="list-style-type: none"> • Milestone 4a – Start of Joint Integration Testing with CAISO, Interface testing with minimum data requirements and functional integration testing. CAISO will make the test environment available for Black Hills' connectivity testing prior to the delivery date assuming Black Hills has provided all requisite data and non-production system availability does not conflict with CAISO production system Spring Release schedule. 	<p>September 2025</p>
<ul style="list-style-type: none"> • Milestone 4b – Begin Structured Market Simulation – CAISO and Black Hills begin executing pre-defined structured and unstructured scenarios as part of Market Simulation testing in a non-production environment. 	<p>December 2025</p>

<p>Activate Parallel Operations – During January 2025, the CAISO will activate a parallel operation environment to practice production grade systems integration as well as market processes and operating procedures in anticipation of the impending Black Hills activation as an WEIM Entity and to confirm compliance with the WEIM readiness criteria set forth in the CAISO tariff.</p>	<p>January 2026</p>
<ul style="list-style-type: none"> • Milestone 5 – Start of parallel operations 	<p>February 2026</p>
<p>System Deployment and Go Live – Implementing the Project and going live will include resource registration, operating procedures and updates, execution of service agreements, completion of the Black Hills’ tariff process, applicable board approvals, the filing and acceptance of service agreements and tariff changes with FERC, and completion and filing of a readiness criteria certification in accordance with the CAISO tariff. These activities must be completed by May 6, 2026 as further described in the Project management plan.</p>	<p>March 2026</p>
<ul style="list-style-type: none"> • Milestone 6 – This milestone is complete upon the first production Black Hill energy imbalance market trade date. 	<p>May 6, 2026</p>

Attachment B – Declaration of April D. Gordon

WEIM IA between Black Hills Service Company

and the

California Independent System Operator Corporation

August 29, 2024

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER24-____-000
Operator Corporation)**

**DECLARATION OF APRIL D. GORDON
ON BEHALF OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

I, April D. Gordon, state as follows:

1. I am employed as Executive Director of Financial Planning and Procurement for the California Independent System Operator Corporation (CAISO). My business address is 250 Outcropping Way, Folsom, California 95630. As part of my duties at the CAISO, I oversee the development of the CAISO's grid management charge. I also oversee the CAISO's budget preparation and management, long-term financial planning, and corporate procurement and contract management. I received an undergraduate degree in Business Administration with a major in accounting and a Master in Business Administration degree from the California State University of Sacramento. Prior to my current position at the CAISO, I was a Director from 2016 to 2023, Manager from 2014 to 2016, and a Financial Analyst from 2010 to 2014. Prior to the CAISO, I was a Senior Accountant at the California Association of Hospitals and Health Systems (2003 – 2010) and an Accountant at Enterprise Resource Group (1999 – 2003).
2. The purpose of my declaration is to provide cost support for the fixed implementation fee that the CAISO proposes to charge Black Hills Service

Company, LLC,¹ a South Dakota Limited Liability Company (“Black Hills”), for the development and implementation of the Western Energy Imbalance Market (WEIM) under the Implementation Agreement that the CAISO is filing today.

The Implementation Fee

3. The implementation fee is based on the CAISO’s estimate of the start-up cost of implementing a WEIM that could ultimately accommodate the entire Western Electric Coordinating Council (WECC), should the WECC utilities all choose to participate.
4. As explained below, the CAISO estimates that the total start-up cost for the WEIM would be \$19.6 million. (Throughout this declaration I round millions of dollars to a single decimal point.) The CAISO would not incur this entire cost up front, however. Rather, the CAISO would incur the costs incrementally as the imbalance energy activity from additional balancing authority areas is incorporated into the market.
5. This total estimated cost of \$19.6 million comprises the estimated costs of eleven components: (1) licenses, \$12.15 million; (2) energy management system upgrades, \$1.0 million; (3) data storage, \$2.0 million; (4) hardware upgrades, \$500,000; (5) production software modifications, \$1.0 million; (6) network configuration and mapping, \$500,000; (7) integration, \$500,000; (8) testing, \$1.5

¹ Black Hills Service Company, LLC is a centralized service company that provides services to the various subsidiaries of Black Hills Corporation, including two of Black Hills Corporation’s electric public utility subsidiaries: Black Hills Power, Inc. and Cheyenne Light, Fuel and Power Company. Black Hills Service Company, LLC executed the Agreement on behalf of Black Hills Power, Inc. and Cheyenne Light, Fuel and Power Company.

million; (9) system performance tuning, \$250,000; (10) training and operations readiness, \$150,000; and (11) project management, \$100,000.

Licenses

6. To estimate the license costs, the CAISO used the costs for its existing licenses for software systems development for scheduling infrastructure, integrated forward market, real-time market and market quality system, and settlements software. The total base fees for the contracts covering these services are \$4.5 million. The fees in certain cases include a provision for a fee increase for each specified increment of additional CAISO peak demand. The details of these contracts are confidential, so I will need to describe the process without identifying the specific data.
7. Because the information on peak loads was not readily available, the CAISO decided to estimate costs by applying the 10 percent incremental cost to annual net energy for loads. The definition of “net energy for load” is posted on the WECC website. It comprises imports plus generation less exports with specific exclusions. Net energy for load, which I will hereafter refer to as load, is reported to WECC annually by each balancing authority area and used by the North American Electric Reliability Corporation (NERC) to allocate its annual charges to its load-serving regional entities. Load is the most consistent and available data on the majority of balancing authority areas within WECC. The CAISO used the 2013 annual load, which was included in the 2015 billing, for this allocation. The 2013 annual load for the CAISO was 232.3 million megawatt-hours (MWh).

Using this data, the CAISO estimated the increment in CAISO load that would occasion a specific amount of additional license costs.

8. The WECC load, exclusive of the CAISO, was 636.2 million MWh. The CAISO calculated that this is a particular multiple of the load increments used in the license contracts. The CAISO calculated the product of this multiple and the increased costs associated with the contractual increment. Using this methodology, the CAISO estimates the license costs for implementing a WECC-wide WEIM would be 27 times \$450,000, or \$12.15 million.

Data Storage

9. The CAISO will need to procure additional data storage to account for the expanded data requirements associated with integrating all WECC balancing authority areas into CAISO systems. The procured storage will provide the required highly available and redundant storage as well as cover long-term archiving.
10. Currently, storage for CAISO production requires 200 terabytes at a cost of approximately \$7.5 million. The CAISO estimates that it will require a 10 percent increase for additional storage and faster retrieval, which would equate to \$750,000 at the same rate. Additional cabinets and ports will cost \$500,000 and licensing for databases, monitoring, storage, backups, etc. will be \$750,000, for a total cost of \$2.0 million.

Hardware Upgrades

11. Hardware upgrades will be necessary to meet the market timeline requirements, including 5-minute dispatch. These upgrades include servers and supporting network systems to provide the needed availability, reliability, and performance.
12. The CAISO currently uses about 100 servers. The CAISO estimates that it will need an additional 10 percent, or ten servers, with an estimated cost of \$30,000 each, for a total of \$300,000. The CAISO also estimates \$200,000 in networking and data acquisition costs, for a total hardware upgrade cost of \$500,000.

Network Configuration and Mapping, Integration, and System Performance Tuning

13. The CAISO will need to include the other WEIM balancing authority areas in its network model and market model. The CAISO must also (1) integrate system interfaces to enable data exchange between systems to meet business and system requirements, and (2) measure and analyze performance in a non-production environment and mitigate any identified performance issues to ensure that production performance is as expected.
14. The CAISO project management team determined the costs of these activities in consultation with the relevant directors and managers of the affected departments by estimating the level of effort required based on an extrapolation from the level of effort necessary for similar past activities. The staff consulted has extensive experience in estimating costs in this area. In particular, the CAISO in 2009 completed a \$200 million implementation of a new market design and annually thereafter has carried out software implementation, modification, and redesign projects averaging about \$20 million each.

Energy Management System Upgrades, Production Software Modifications, and Testing

15. To build the WEIM for the entire WECC region, the CAISO will need to improve the existing energy management system, which currently supports the CAISO control area with a peak demand of approximately 50,000 megawatts (MW). These system improvements will enable the CAISO to integrate the imbalance energy for the additional balancing authority areas within a four-second data resource time.
16. The CAISO will also require production software modifications to support new inputs and outputs associated with the WEIM, including base schedules.
17. Following the system integration described above, the CAISO will need to conduct testing to ensure that it meets all WEIM business and system requirements.
18. The CAISO project management team determined the costs of these activities in consultation with the relevant directors and managers of the affected departments by estimating the resources (contractors and consultants) needed based on an extrapolation from the resources that the CAISO has required for recent software changes and modifications. As described above, the staff consulted has extensive experience in estimating costs in this area.

Training and Operations Readiness, and Project Management

19. Similarly, the CAISO project management team determined the costs of activities associated with training and operations readiness and project management, in consultation with the relevant directors and managers of the affected disciplines, by estimating the level of effort required based on an extrapolation from the level

of effort necessary for similar past activities. As described in paragraph 14 above, the staff consulted has extensive experience in estimating costs in this area.

Derivation of Implementation Fee

20. Having determined that the total cost of implementing the WECC-wide WEIM would be \$19.6 million as described above, the CAISO proceeded to develop a rate that could be used for individual participants. To do so, the CAISO divided the \$19.6 million total cost by the 636.2 million MWh of non-CAISO net energy for load in the WECC, for a rate of \$0.031/MWh.
21. Finally, to determine the implementation fee for Black Hills as set forth in the Implementation Agreement, the CAISO applied the rate described above to Black Hill's reported net energy for load for 2022 of 4.6 million MWh, for a rounded total of \$145,000.

Comparison of Black Hills Fee to Generic Rate

22. Although the CAISO intends to base the implementation fee on a generic rate that would reasonably allocate the costs of a WECC-wide WEIM to all potential participants, the CAISO thought it worthwhile to compare Black Hill's fee based on the \$0.031/MWh rate with an estimate of the specific costs of expansion of the existing WEIM to include Black Hills. Using the same process described above, the CAISO estimated the costs (in thousands of dollars) that appear in the following table:

Estimated Costs (\$ in thousands)	
Project management	\$120
Testing	7
Integration	6
Network configuration and mapping	6
Production software modification	6
Total	\$145

23. As is readily apparent, although the total costs are the same, the proportion of the total Black Hills-specific costs that each component represents differs from proportion of the WECC-wide costs that the component represents. For example, the CAISO does not anticipate incurring any additional software license costs, but to integrate Black Hills, the CAISO will need to incur costs to cover such items as project management, testing, integration, network configuration and mapping, as well as production software modifications. Although the Black Hills-specific costs are the same as the Black Hills fee based on the generic rate, the CAISO cannot determine at this time if this will be the case with regard to all future WEIM participants. Nonetheless, the CAISO has concluded that the generic fee represents the most equitable methodology of allocating the costs of a WECC-wide WEIM.

I hereby certify under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief:

Executed on: August 23, 2024

April D. Gordon
April D. Gordon