

**BEFORE THE
PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA**

Black Hills Power, Inc.
Application to Increase Electric Rates in South Dakota
Docket No. EL09-018

**Rebuttal Testimony of George W. Evans
on Behalf of the Commission Staff**

June 4, 2010

1 I. Qualifications

2
3 **Q. Please state your name, business address and occupation.**

4
5 A. George W. Evans. I am currently a Vice President with Slater Consulting.
6 My address is P.O. Box 2449, Robbinsville, North Carolina.

7
8 **Q. Does the Appendix to this testimony describe your education and**
9 **summarize your experience in public utility regulation?**

10
11 A. Yes, it does.

12
13 **Q. Have you testified previously before the South Dakota Public Utilities**
14 **Commission?**

15
16 A. Yes. I presented expert testimony on behalf of the South Dakota Public Utilities
17 Commission Staff in Docket No. EL95-003, which was filed in June 1995. In that
18 testimony, I discussed the modeling and assumptions utilized in the development
19 of the Black Hills Power, Inc. ("Company" or "BHP") Integrated Resource Plan.

20
21 **Q. Have you presented expert testimony in other jurisdictions concerning**
22 **integrated resource planning?**

23
24 A. Yes, I have. I presented expert testimony concerning integrated resource
25 planning on eleven previous occasions, before the Georgia Public Service
26 Commission, the Alabama Public Service Commission, the Mississippi Public

1 Service Commission, the Public Service Commission of Oklahoma, and the
2 South Carolina Public Service Commission.

3
4 **II. Purpose of Testimony and Summary of Conclusions**

5
6 **Q. What is the purpose of your rebuttal testimony in this case?**

7
8 A. My testimony responds to certain aspects of the direct testimony of Mr.
9 Christopher A. James, witness for the Residential Consumers Coalition
10 (“RCC”).

11
12 **Q. Please summarize your conclusions.**

13
14 A. Mr. James’ claim that BHP could meet current and future customer
15 demand through energy efficiency programs, demand side measures and
16 demand response programs, in place of Wygen III, is simply incorrect. Mr.
17 James fails to show that the capacity need that led to the construction of
18 Wygen III could be filled using demand-side management (or DSM)
19 programs.

20
21 **III. Direct Testimony of Christopher James**

22
23 **Q. What has Mr. James claimed concerning the impact of DSM programs on
24 the Company’s customer needs?**

25
26 A. Mr. James makes the following claims in his direct testimony¹:
27

¹ The direct testimony of Mr. James was not page numbered or line numbered, so the references to his direct testimony are based on assumed page and line numbering.

- 1 • “Black Hills Power (BHP) can provide reliable and affordable electricity to its
2 customers without the generating output from Wygen 3;”²
3
4 • “BHP can meet current and future customer demand more cost-effectively
5 through energy efficiency, demand side measures and demand response.”³
6
7 • “BHP’s IRP should have included the energy and capacity resources that
8 would be realized from even a modest DSM program that achieves energy
9 savings equal to 1% of annual electricity sales; a level that is considered to
10 be a good program goal per ACEEE. Inclusion of this factor alone would
11 have shown that Wygen 3 was unnecessary.”⁴
12

13 **Q. What issue do you have with these claims?**

- 14
15 A. These claims have no basis in fact. Had BHP instituted DSM programs that
16 achieved energy savings of one percent (1%) of annual electricity sales, the
17 capacity savings would be approximately one percent (1%) of peak demand,
18 which is a capacity savings of only 6.15 mega-watts (forecasted peak demand for
19 2010 is 615 mega-watts⁵). Mr. James has not disputed the Company’s claimed
20 need for an additional 77 mega-watts in 2010, but is claiming that this 77 mega-
21 watt need can be met with only 6 mega-watts of capacity savings from DSM
22 programs.
23

² Page 5, lines 3-4 of Mr. James’ direct testimony

³ Page 5, lines 15-16 of Mr. James’ direct testimony

⁴ Page 15, lines 8-12 of Mr. James’ direct testimony.

⁵ Page 61 of Exhibit JST-2

1 **Q. Is it reasonable to assume that new DSM programs could provide 77 mega-**
2 **watts of capacity savings for BHP?**

3
4 A. No, it is not reasonable. Mr. James makes this very clear when he describes the
5 capacity savings that other utilities in the region are projecting from new DSM
6 programs⁶:

- 7
- 8 • Otter Tail Power – 0.4 mega-watts
 - 9 • MidAmerican Energy – 0.6 mega-watts
 - 10 • Xcel Energy – 2.9 mega-watts

11
12 If a utility as large as Xcel Energy forecasts less than 3 mega-watts of capacity
13 savings from new DSM programs, it is highly unlikely that BHP could find 77
14 mega-watts of capacity savings from new DSM programs.

15
16 **Q. Near the bottom of page 25 of his direct testimony, Mr. James claims that**
17 **BHP could achieve 128 mega-watts of capacity savings from new DSM**
18 **programs. Do you agree?**

19
20 A. No, I do not agree. It appears that Mr. James is claiming this capacity savings by
21 the year 2020, which would mean that he is claiming that new DSM programs
22 could reduce BHP's peak demand by 17 percent (17%) in the year 2020.
23 According to the U.S. Energy Information Administration ("EIA"), realized peak
24 demand reductions through the year 2008 have achieved total reductions of only
25 four percent (4%) of peak demand throughout the country (see Exhibit ___GWE-
26 1). If BHP were to meet this average peak demand reduction of four percent
27 (4%), it would reduce peak demand by only 30 mega-watts in the year 2010.

⁶ Page 28 of Mr. James' direct testimony

1 Under this hypothetical (and highly unlikely) scenario, BHP would still need
2 Wygen III.

3

4 **Q. Does this mean that you do not recommend that BHP investigate additional**
5 **DSM programs?**

6

7 A. No, it does not. DSM programs can provide substantial benefits to both BHP and
8 the ratepayers of BHP, and should be considered in all long range planning
9 performed by the Company. However, Mr. James has greatly exaggerated the
10 potential impacts of new DSM programs.

11

12 **Q. Does this conclude your rebuttal testimony?**

13

14 A. Yes it does.