

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE)
APPLICATION OF BLACK HILLS)
POWER, INC. FOR APPROVAL) Docket No. EL 11-002
OF ENERGY EFFICIENCY)
PROGRAMS, TARIFFS, AND)
COST RECOVERY MECHANISM)
)**

APPLICATION FOR ADJUSTMENT IN RATES

INTRODUCTION

Black Hills Power, Inc. (“BHP” or the “Company”) hereby requests approval from the South Dakota Public Utilities Commission (the “Commission”) for an adjustment to the Energy Efficiency Solutions Adjustment (“EESA”) rates, to become effective on August 1, 2013.

BHP received approval of the Energy Efficiency Solutions (EES) Plan on July 7, 2011, with a program launch date of September 1, 2011. The approved Original Tariff Sheet No. 21 – Energy Efficient Solutions Adjustment (EESA) states that the EESA will be updated and filed by April 30th of each year; however, BHP has not proposed any previous adjustments to the EESA rates.

The following information is provided pursuant to South Dakota Administrative Rule 20:10:13:26 regarding the application for an adjustment to the EESA rates:

(1) Name and address of the public utility:

Black Hills Power, Inc.
625 Ninth Street
Rapid City, SD 57701

(2) Section and sheet number of tariff schedule:

The Energy Efficiency Solutions Adjustment rates are set forth in the Energy Efficiency Solutions Adjustment tariff sheets contained in Attachment 3 and Attachment 4, Section 3C Sheet No. 21, attached hereto. The Company proposes to submit the revised Cost Adjustment Summary tariff sheet, Section No. 3C, Sheet No. 11, as a compliance filing after the Commission issues its decision in this docket.

(3) Description of the change:

Black Hills Power requests Commission approval to reduce the Energy Efficiency Solutions Adjustment rate for the residential, commercial & industrial customer classes for the remainder of the 3-year pilot program.

(4) Reason for the change:

Black Hills Power's Energy Efficiency Solutions total program costs are less than the amount recovered from the current EES adjustment. BHP has elected not to expand our residential slate of energy efficiency measures as discussed in our April 30, 2013 report. Any new programs or modifications to existing programs will be evaluated and considered in next year's filing, reflecting the full experience and results of the three years of BHP's EES pilot program. BHP believes that based on results to date, it is appropriate to propose to reduce the EESA rate to reflect that program costs have been lower than budgeted based on actual participation through the first two years of the pilot program.

The EESA rate calculation does not include an over-collection carrying charge at this time. Interest will be reflected in next year's annual filing and either refunded to or collected from customers, as appropriate.

A revised "Attachment 1" is included that shows the calculation of the proposed new EESA rates. The "Plan Development Costs" (line 1) have been trued up to reflect the actual costs incurred.

A second document, referenced as "Attachment 2", compares the 3-year participation level (residential only) and budget levels between the original plan and current forecast.

BHP believes that participation levels for residential programs are less than forecast due to a number of factors.

Construction activity has remained low and is not expected to materially increase in 2013. Additionally, low natural gas prices may have prevented

some electric water heater and heat pump installations. Due to these factors, we have adjusted our participation forecasts as follows:

- Revised heat pump participation levels from 324 to 109 (3 yr. period).
- Revised water heater participation levels from 360 to 100 (3 yr. period)

Our original forecast for Residential Heat Pump retro-commissioning appears to have been high. It was projected that over the three years there would be a total of 2,250 participants. This projection assumed 500 participants in the first year, 750 in the second year, and 1,000 in the third year. Since the participation has been at much lower levels, we've revised the projections to 100 per year.

Refrigerator recycling goals are projected to remain at year 1 levels, rather than increasing each year. Comprehensive energy audits are projected at year 1 actual levels throughout, which are about 50% of our original forecast.

The school based energy education measure has exceeded our original goals and we expect those levels to continue for the remainder of the pilot program. Our weatherization participation will continue at budgeted levels.

The Commercial programs have received a significant amount of attention. As businesses look for ways to save money, they have found savings in the Energy Efficiency Solutions programs Black Hills Power has to offer. The Lighting retrofit program has strong momentum and there are four large geothermal heat pump projects completed or under construction. However, the replacement of motors and installation of Variable Frequency Drives on existing motors have seen little activity, which is the basis for the majority of our forecast reduction in non-residential program costs.

Throughout the next year of the program, Black Hills Power will aggressively work to attract customers to the Energy Efficiency programs.

(5) Present rate:

- Residential customers - \$0.0009/kWh
- Commercial & Industrial customers - \$0.0008/kWh

(6) Proposed rate:

- Residential customers - \$0.0004/kWh
- Commercial & Industrial customers - \$0.0002/kWh

(7) Proposed effective date of modified rate:

BHP proposes that the new rates be effective August 1, 2013.

COMPANY REPRESENTATIVES

Copies of all notices, other correspondence and all inquiries concerning this

Application should be sent to:

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VERIFICATION

Attached is the Verification signed by Chuck Loomis, who is authorized to act on behalf of Black Hills Power, affirming that the contents of this Application are true, accurate and correct to the best of his understanding, knowledge and belief.

CONCLUSION

Based on this Application and exhibits, Black Hills Power respectfully requests that the Public Utilities Commission of the State of South Dakota issue an order approving a reduction in the EESA rates from \$0.0009 per kWh to \$0.0004 per kWh for residential customers and from \$0.0008 per kWh to \$0.0002 per kWh for non-residential customers effective August 1, 2013.

Dated this 7th day of June, 2013.

BLACK HILLS POWER, INC.

By: _____



Chuck Loomis
Vice President, Operations

STATE OF SOUTH DAKOTA)
)SS.
COUNTY OF PENNINGTON)

I, Chuck Loomis, being duly sworn, do hereby depose and say that I am Vice-President, Operations of Black Hills Power, Inc., Applicant in the foregoing Application; that I have read such Application; and that the facts set forth therein are true and correct to the best of my knowledge, information and belief.

By: Chuck Loomis
Chuck Loomis
Vice-President, Operations

Signed and sworn to me on this 7th day of June, 2013 by Chuck Loomis.

Pamela K Wiley
Notary Public

My commission expires: 10-5-2015

