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February 23, 2016

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 East Capital Avenue
Pierre, SD 57501

RE: RESPONSE TO COMMISSION ORDER EL15--044

Dear Ms. Van Gerpen:

On December 11, 2015, the South Dakota Public Utilities Commission (“Commission”) approved BHE’s Black Hills Power, Inc d/b/a Black Hills Energy’s (“BHE” or “BHP”) status reports for Plan Years 2013 and 2014 of its Energy Efficiency Solutions Plan (“EESP”) – Docket No. EL15-044. The Commission also approved BHE’s proposed EESP plan for Plan Years 2015 and 2016 subject to the following:

1. Dealer incentives shall be removed for the Appliance Recycling program;
2. Dealer incentives shall be removed from the Residential Efficiency HVAC program;
3. BHE shall revise the “Recycle and Replace – ENERGY STAR Refrigerator” measure to make it cost effective or, in the alternative, remove the measure from the EESP;
4. BHE shall revise the “Central Air Conditioner (SEER 15)” and “Ductless Mini Split Air Conditioner (SEER ≥ 19)” measures to make them cost effective or, in the alternative, remove the measures from the EESP;
5. BHE shall revise the “Ceiling Mount Occupancy Sensors” measure to make them cost effective or, in the alternative, remove the measure from the EESP.

BHE’s Actions and Request

In response to the Commission order, BHE conducted a study of its avoided demand costs used in the approved plan and concluded that the avoided demand costs used in the EESP Plan Study needed to be updated. BHE subsequently updated its avoided demand costs, which provided for the “Ductless Mini Split Air Conditioner” measure to pass the Total Resource Cost (“TRC”) test. With the updated avoided demand costs, the TRC for “Ductless Mini Split Air Conditioner” measure is now 1.03 versus 0.91 calculated in the original study and respectfully requests that this measure remain in the current EESP program. The three other measures, “Recycle and Replace – ENERGY STAR Refrigerator”, “Central Air Conditioner (SEER 15)” and “Ceiling Mount Occupancy Sensors”, did not improve enough to meet the minimum TRC test of

1.00; therefore, BHE recommends that these three measures to not be included in BHE's approved EESP Program.

The updated avoided demand costs used were based on the current cost of installing a natural gas combustion turbine which were provided by BHE's Pueblo Colorado utility operations, whom is in the process of installing a turbine to meet their generation capacity plan. Although the updated costs were not enough to improve the TRCs of all the subject measures, we believe the updated costs of capacity are more realistic since it is a more accurate representation of the current avoided demand costs.

BHE's updated demand costs study and EESP Plan Study is being attached for your review. Also, please note that all dealer incentives for PY2015 and PY2016 have been removed and will not be offered for the "Appliance Recycling" and "Residential Efficiency HVAC" programs. BHE respectively asks for your support in maintaining the "Ductless Mini Split Air Conditioner" measure, which with the updated avoided demand costs carries a TRC of 1.03. The other three measures, which did not meet the TRC test, will be removed from BHE's EESP Program.

Questions or requests for further information can be directed to the undersigned at 402-880-6312 or jason.keil@blackhillscorp.com.

Respectfully submitted,

/s/ Jason S. Keil

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