

**BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**APPLICATION OF BLACK HILLS )  
POWER, INC. FOR APPROVAL )  
OF ENERGY EFFICIENCY ) Docket No. EL15-  
PROGRAM MODIFICATIONS, )  
TARIFFS, AND COST RECOVERY )  
MECHANISM )  
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**APPLICATION FOR ENERGY EFFICIENCY PROGRAM MODIFICATIONS,  
TARIFFS AND COST RECOVERY MECHANISM**

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INTRODUCTION

Black Hills Power, Inc. (“Black Hills Power” or the “Company”) hereby requests approval from the South Dakota Public Utilities Commission (the “Commission”) for certain modifications to the programs contained in its Energy Efficiency Solutions Plan (“EESP”). Black Hills Power received approval to extend its EESP and associated Energy Efficiency Solutions Adjustment (“EESA”) Tariff on August 26, 2014 (Docket No. EL14-038), with a program effective date of September 1, 2014 through May 31, 2017.

On August 26, 2014, Black Hills Power received approval for its currently effective EESA Tariff, effective September 1, 2014, representing a residential EESA of \$0.0002/kWh and a commercial and industrial EESA rate of \$0.0000/kWh. Company requests approval herein to increase its residential services EESA rate to \$0.0004/kWh and its commercial and industrial EESA rate to \$0.0009/kWh. In a filing on October 8, 2015 (EL15-042), Company requested an extension from October 15, 2015 until October

31, 2015 to file its EESA, which, under the terms of Company's EESA tariff, is required to be filed annually by October 15.

Company is also filing herein status reports for Plan Year 3 ("PY 3") of the EESP approved in Docket No. EL11-002 and Plan Year 1 ("PY 1") of the EESP approved in EL14-038.

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.  
409 Deadwood Avenue  
P.O. Box 1400  
Rapid City, SD 57709

(2) Section and sheet number of tariff schedule:

The Energy Efficiency Solutions Adjustment rates are set forth in the EESA tariff sheets contained in Attachment 1 and Attachment 2, Section 3C Sheet No. 21 and Section No. 3C, Sheet No. 11, attached hereto.

(3) Description of the change:

Black Hills Power requests Commission approval for modifications to its currently effective EESP, which are explained in more detail below, Commission approval for increases to its residential and commercial & industrial EESA rates and acceptance of the status reports filed for PY 3 of its previous EESP and PY 1 of its currently effective EESP.

(4) Reason for the change:

As indicated above, Company's currently effective EESP was approved on August 26, 2014 in Docket No. EL14-038. The plan contains the following programs:

Residential

- Lighting and Appliances
- Appliance Recycling
- High Efficiency HVAC
- Whole House Efficiency
- On-line Audit
- Student-Based Education
- Weatherization

Commercial & Industrial

- Small Business Direct Install
- Prescriptive
- Custom

Based on the experience gained during PY 1 of the currently effective EESP, Company is proposing herein a number of modifications designed to increase customer acceptance of and program participation in both the residential and commercial & industrial plan portfolio categories, while also proposing the elimination of a program in the commercial & industrial category. The proposed modifications are summarized as follows:

Residential

- Lighting: The offerings for this program were reduced to adjust for market changes. The CFL incentive has been discontinued due to market shifts. The ENERGY STAR refrigerator offering was reconfigured and moved to the Appliance Recycling program.

-Appliance Recycling: Company will continue to offer a customer rebate for recycling a secondary refrigerator or freezer. Additionally, Company will offer a \$25 rebate to the dealer for each appliance collected. A new measure was added to this program: Recycle and Replace – ENERGY STAR Refrigerator. Customers that recycle an inefficient secondary refrigerator will be eligible for a \$75 incentive for the purchase of a new ENERGY STAR refrigerator.

- High Efficiency HVAC: Several measures were added to the Residential High Efficiency HVAC program, including a ductless mini split air conditioner, ductless mini split heat pump and a central air conditioner. Additionally, the electric storage water heater measure has been split into two tiers: EF=0.95 and EF >0.95.

-Whole House Efficiency: Black Hills Power and Montana-Dakota Utilities (“MDU”) will continue to jointly offer a Whole House Efficiency Program to residential customers. Black Hills Power will now offer a Residential Kit containing easy to install measures at no cost to customers who participate in the program. The CFL rebate has been discontinued due to market shifts.

- On-line Audit: This program will continue to consist of an online energy audit for customers. Company will also offer the option to receive a Residential Kit containing easy to install measures at no cost to customers who complete an online energy audit.

-Student-Based Education: The core of this program will remain the same, but the participation goal has been increased to target a broader range of students.

Weatherization: Company will continue to offer the installation of measures to qualifying low-income customers. However, the CFL rebate has been discontinued due to market shifts. In addition to those installation measures, Company will offer a Residential Kit containing easy to install measures at no cost to customers who participate in the program.

#### Commercial & Industrial

-Small Business Direct Install: The direct install lighting program has been discontinued.

- Prescriptive: The list of qualifying prescriptive measures was modified based on current federal baseline standards and equipment costs. Variable Frequency Drives (“VFDs”) have been taken out of the program due to low participation.

- Custom: No program changes.

(5) Attachment 3, “2014 -2016 Demand-Side Management Portfolio Update,” provides detailed information, including target markets, program goals, eligible measures and incentives, marketing strategy, estimated participation, estimated savings and estimated budgets regarding the program modifications discussed above. Attachment 4 provides a side-by-side comparison of approved PY 2 (2015-2016) and PY 3 (2016-2017) versus PY 2 and PY 3 with the program modifications discussed above. As indicated in Attachment 4, the proposed modifications reduce program budgets (compared to the approved plan) in PY 2015/16 and PY 2016/17 while increasing projected MWh and kWh savings, increasing projected coincident kW savings, increasing the projected MWh and kWh savings per dollar of planned program spending and increasing the total portfolio TRC.

Attachment 5 summarizes the promotional techniques/initiatives undertaken in PY 1 to generate customer participation in the various programs.

(6) Status reports for PY 3 (Attachment 6) of the 2011-2014 EESP, approved in Docket No. EL11-002, and PY 1 (Attachment 7) of the 2014-2017 EESP, approved in Docket No. EL14-038 provide program-by-program comparisons of plan to actual program spending, plan to actual energy savings, plan to actual

demand savings, as well as providing measures of cost-effectiveness on a program-by-program basis.

(7) Attachment 8 presents the actual EESA account balances for April 2014 through August 2015. As of August 2015, the account balances reflect an over-recovery of \$151,556 for residential customers and an over-recovery of \$81,225 for commercial & industrial customers. Attachment 9 provides a detailed calculation of the residential and commercial & industrial EESA rates for Program Year\_2 (2015 – 2016).

(8) Present rate:

- Residential customers - \$0.0002/kWh
- Commercial & Industrial customers - \$0.0000/kWh

(9) Proposed rate:

- Residential customers - \$0.0004/kWh
- Commercial & Industrial customers - \$0.0009/kWh

(10) Proposed effective date of program modifications and modified rate:

Black Hills Power proposes that the program modifications and EESA rates be effective December 1, 2015. In light of the request for extension (Docket No. EL15-042) filed on October 8, 2015, Company is committed to working with Staff on extending the December 1 effective date for the proposed program modifications and the residential and commercial & industrial EESA rate changes to a later date should staff need additional time for review. (11) Company plans to provide notice to customers regarding the EESA rate through a bill message with the first bill for service under the proposed rate in accordance with South Dakota Administrative Rule 20:10:13:19. A customer notice will be

displayed in the Black Hills Power South Dakota district offices and has been attached and identified as Attachment 10. Company will work with Commission Staff to determine if there are any suggestions to modify the notice to customers.

#### 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 Vance Crocker, 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 (i) issue an order approving a 3-year extension of the EESP and EESA rate

Dated this 29<sup>th</sup> day of October, 2015.

BLACK HILLS POWER, INC.

By:   
Vance Crocker  
Vice President, Operations

