

BLACK HILLS POWER, INC.
SD PUC DOCKET: EL16-034

REQUEST DATE : October 27, 2016

RESPONSE DATE : November 4, 2016

REQUESTING PARTY: SDPUC Staff

SDPUC Request No. 1-1:

Provide more detail regarding the cross marketing & training expenses and general administration expenses. In particular:

- a) Are the cross marketing and training expenses comprised of the expenses relating to the education outreach and community events found on Exhibit 3?
- b) Page 1 of the 2016 Status Report states “the costs associated with Marketing/Training/General Administration were designed into the Residential and Commercial & Industrial Program.”
 - i. On Table ES1 and Table ES2 on page 2, do the PY2015 Goals for Residential and Commercial & Industrial programs include cross marketing and training expenses in addition to the \$39,646 separate line item? If so, provide the total PY2015 goal amount for cross marketing and training expense in the PY2015 goals and compare to the total actual PY2015 cross marketing and training expense. Provide an explanation of the differences between planned cross marketing and training expense and actual cross marketing and training expense for PY2015.
 - ii. On Table ES1 and Table ES2 on page 2, do the PY2015 Goals for Residential and Commercial & Industrial programs include general administration expenses in addition to the \$0 separate line item? If so, provide the total PY2015 goal amount for general administration in the PY2015 goals and compare to the total actual PY2015 general administration expense. Provide an explanation of the differences between planned general administration expense and actual general administration expense for PY2015.
- c) Page 3 of the 2016 Status Report states that “the common costs for cross marketing & training and general administration are factored in at the portfolio-level.” Explain why some of these costs cannot be allocated to the individual programs. If some costs are factored in at the individual program level, please provide and explain.
- d) Refer to the excel file “Exhibit 4 & 5.xlsx” provided to Staff on 10/26/2016.

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- i. On the tab “182302 Raw Data”, filter column K: “Work Order” to Work Order 10050635 and filter column E: “Year” to include both 2015 and 2016. Further explain the descriptions listed in Column R: “Line Descr”. Provide a general description of the types of expenses included in this work order and provide references to the descriptions found in Column R for each type of expense. Also, provide a specific explanation of the following:
 - 80 Folding Chairs
 - Dealer Incentive/HP Sales
 - Room Rental/Food Equipment
 - Dinner & Tip
 - Coffee/donuts/Rented Room
 - South of the Border Food
 - ii. On the tab “182302 Raw Data”, filter column K: “Work Order” to Work Order 10050636 and filter column E: “Year” to include both 2015 and 2016. Further explain the descriptions listed in Column R: “Line Descr”. Provide a general description of the types of expenses included in this work order and provide references to the descriptions found in Column R for each type of expense.

Response to SDPUC Request No. 1-1:

- a) Yes. Expenses related to these efforts were either directly assigned to a specific Program or to the general Cross Marketing & Training work order. There were also some BHP events and promotions where other work orders were used if portions of the promotion were other than Energy Efficiency. An example would be Home Shows – the costs associated with Home Shows were split between Energy Efficiency and Miscellaneous Marketing/DSM Activities (50%/50%). The expenses to Miscellaneous Marketing/DSM Activities are not included in Energy Efficiency and are also not recovered in Energy Efficiency rates.
- b) i. Yes. The expenses for each program were designed to include incentives and non-incentives. The non-incentive costs included Delivery, Administration, Marketing and Evaluation. This detail was provided in the Excel worksheet supplied with Data Request No. 1-1 when the Program was approved in December 2015. The information has been summarized in a worksheet file labeled 2015PY_BudgetDetail.xls. Tables ES1 and ES2 have been amended and

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are shown below. The plan included \$101,430 in the budget and the actual expenses were \$107,682 (106%) for Cross Marketing & Training. The differences between planned vs actual cross marketing and training expenses are mainly due to the changes associated with the new plan. BHP expects that the costs will be closer to planned in subsequent years since the higher initial startup costs will not be realized.

Table ES1: PY2015 PORTFOLIO SUMMARY OF ACTUAL SPEND VS PROJECTED BUDGET BY SECTOR

Sector	Amended		
	PY2015 Goal	PY2015 Actual	% of Budget
Residential	\$223,146	\$157,187	70%
Commercial & Industrial (C&I)	\$427,048	\$494,858	116%
Cross Marketing & Training	\$101,430	\$107,682	106%
General Administration	\$53,325	\$66,144	124%
Total	\$804,949	\$825,871	103%

Table ES2: PY2015 PORTFOLIO SUMMARY OF PROGRAM BUDGET VS ACTUAL EXPENDITURES BY PROGRAM

	PY2015 Budget	PY2015 Expenditures	% of Budget
Residential Programs			
Residential Lighting:	\$28,218	\$29,786	106%
Residential Appliance Recycling:	\$22,518	\$12,748	57%
Residential High Efficiency HVAC:	\$50,310	\$21,292	42%
Whole House Efficiency:	\$26,538	\$9,044	34%
Residential Audit:	\$23,203	\$6,425	28%
School-Based Education:	\$63,150	\$69,731	110%
Weatherization:	\$9,209	\$8,161	89%
C&I Programs			
Prescriptive:	\$199,537	\$295,247	148%
Custom:	\$227,511	\$199,611	88%
Cross Marketing & Training	\$101,430	\$107,682	106%
General Administration	\$53,325	\$66,144	124%
Total	\$804,949	\$825,871	103%

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- b) ii. See Answer to previous question. The plan included \$53,325 in the budget and the actual expenses were \$66,144 (124%) for General Administration. Differences between the planned vs actual general administration costs can largely be attributed to the high participation rate in the program.
- c) The Energy Efficiency Solutions Program has 23 separate Work Orders associated with the measures and the common costs for cross marketing & training and general administration have another 2 Work Order bringing the total Program Work Orders to 25. If there are costs that are only associated with the individual program – then the specific measure is charged. A common Work Order is used for the ease of administering the Energy Efficiency program rather than splitting out the costs between 23 Work Orders.

BHP also has several activities where Energy Efficiency and other Company items are jointly promoted at an event. In the case where there are jointly promoted events – the costs are split between Energy Efficiency and the non-Energy Efficiency Work Order. An example would be the area Home Shows in Rapid City, Spearfish, Custer and Hot Springs.

- d) i. The “Line Descr” is a field in our accounting system that may be used to provide additional information about the expenditure.

Work Order 10050635 is account coding for general Cross Marketing and Training. This code is used on any marketing and training event where BHP promotes the entire Energy Efficiency Solutions Program. If the marketing or training event is specific to a single measure then the Work Order associated with the costs are coded to the specific measure.

Items in question –

- 80 Folding Chairs. This was an event that Energy Efficiency and non-Energy Efficiency was being promoted. The \$112.87 cost to rent the chairs was shared and Energy Efficiency was charged for half of the rental cost.
- Dealer Incentive/HP Sales. Under the plan that was approved in December 2015, the \$40 cost should not have been charged to Energy Efficiency. The original Energy Efficiency Solutions Plan (September 1, 2011 through August 31, 2014) provided a \$10/ton incentive to contractors for installing heat pumps in residential homes.
- Room Rental/Food Equipment. The \$12,248.97 was for charges associated with the Electro Technology Expo held on January 21,

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2016. There is additional information about this event in Exhibit 3. The daylong event had over 300 attendees with 28 vendors. This event also received income associated with sponsorships and booth space to offset Expo costs.

- Dinner & Tip. The \$623.10 was the food cost associated with Realtor Training held on April 14, 2016. This event promoted the energy efficiency program and many leads were received from the attendees. The costs of this event was also shared with other non-Energy Efficiency programs.
- Coffee/donuts/Rented Room. The \$47.96 was associated with sponsoring the Energy Efficiency Workshop on May 19, 2016. Additional information about this event is also included in Exhibit 3.
- South of the Border Food. The \$441.25 was associated with the cost of lunch for the Energy Efficiency Workshop on May 19, 2016. The cost of this event was also split with a non-Energy Efficiency cost code.

- d) ii. The “Line Descr” is a field in our accounting system that may be used to provide additional information about the expenditure.

Work Order 10050636 is account coding for general Administration. This code is used for any Administrative costs for the entire Energy Efficiency Solutions Program. If the charge is specific to a single measure then the Work Order associated with the costs are coded to the specific measure. Most of the charges are associated with BHP labor.