

**BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**APPLICATION OF BLACK HILLS POWER, )  
INC. d/b/a BLACK HILLS ENERGY FOR )  
APPROVAL OF AN INCREASE OF THE ) Docket No. EL19-\_\_\_\_\_  
COMMERCIAL AND INDUSTRIAL ENERGY )  
SOLUTION ADJUSTMENT RATE )**

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**APPLICATION TO INCREASE COMMERCIAL AND INDUSTRIAL ENERGY  
SOLUTION ADJUSTMENT RATE**

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**INTRODUCTION**

Black Hills Power, Inc. d/b/a Black Hills Energy (“BHP”), a South Dakota corporation, respectfully requests approval from the South Dakota Public Utilities Commission (the “Commission”) to keep its Residential Energy Solutions Adjustment (“EESA”) rate at its current rate and increase the Commercial and Industrial EESA rate, effective December 1, 2019.

On November 21, 2018, BHP received approval of its currently effective EESA tariff with rates effective December 1, 2018 representing a residential service EESA rate of \$0.0005/kWh and a commercial and industrial service EESA rate of \$0.0010/kWh. BHP requests approval to keep its Residential EESA rate at \$0.0005/kWh and to increase its Commercial and Industrial Service EESA rate to \$0.0015/kWh.

**EXHIBITS**

- Exhibit 1: BHP’s Energy Efficiency Plan PY2017-2019
- Exhibit 2: BHP’s PY2018 Status Report
- Exhibit 3: BHP’s Narrative of Outreach and Community Events Conducted during PY2018
- Exhibit 4: BHP’s Balancing Account for PY2018
- Exhibit 5: BHP’s Proposed EESA Rate
- Exhibit 6: BHP’s Proposed Legislative Tariff
- Exhibit 7: BHP’s Proposed Tariff in Clean Form

- Exhibit 8: BHP's Total Resource Cost ("TRC") Calculation(s)
- Exhibit 9: BHP's LivingWise Program Summary Report

## **OVERVIEW OF PY2018 PROGRAMS AND RESULTS**

BHP's approved plan (PY2018) contains the following programs:

- Residential Lighting Program;
- Residential Appliance Recycling Program;
- Residential High Efficiency HVAC Program;
- Residential Whole House Efficiency Program;
- Student-Based Education Program;
- Commercial and Industrial Prescriptive Rebate Program; and
- Commercial and Industrial Custom Rebate Program.

Overall results for PY2018 demonstrate that BHP spent approximately 115% of the total budget and achieved 94% of the energy savings goal and 68% of the demand savings goal. In PY2018, General Administration spend was 51% under budget due to personnel changes. The Commercial and Industrial EESA rate increased from \$0.0010/kWh to \$0.0015/kWh, to fully recover PY2019 Commercial and Industrial costs. PY2019 General Administration is expected to trend more towards budget in PY2019. To evaluate the cost-effectiveness of BHP's Energy Efficiency Plan and each individual program within the portfolio, BHP used the Total Resource Cost ("TRC") ratio, which compares the total benefits defined as avoided energy to total costs for the portfolio and/or the total benefits to total costs for each program. Any TRC ratio of above one is considered to be cost-effective. In PY2018, the overall total portfolio cost-effectiveness resulted in a TRC of 1.27. Details on the TRC ratio for each individual program can be found in Exhibit 2 – BHP's PY2018 Status Report and is summarized in Table 1 below:

**Table 1**  
Portfolio Summary - PY2018

<u>Program</u>	<u>Budget \$'s</u>	<u>Actual Spend</u>	<u>% of Budget</u>	<u>Savings - Goal</u>	<u>Savings - Actual</u>	<u>% of Savings Goal</u>	<u>TRC</u>
Residential Lighting	\$ 30,212	\$ 6,866	23%	139,933	69,372	50%	1.01
Residential Appliance Recycling	\$ 13,104	\$ 22,626	173%	105,515	123,379	117%	0.92
Residential High Efficiency HVAC	\$ 23,859	\$ 42,560	178%	109,356	177,997	163%	0.64
Residential Whole House Efficiency	\$ 10,350	\$ 1,692	16%	31,406	4,648	15%	0.64
Residential School-Based Education	\$ 63,150	\$ 52,040	82%	476,400	468,460	98%	1.24
C&I Prescriptive	\$ 97,118	\$ 48,956	50%	1,369,713	407,275	30%	1.02
C&I Custom	\$ 444,910	\$ 664,305	149%	2,883,917	3,578,902	124%	1.66
	<u>\$ 682,701</u>	<u>\$ 839,045</u>					
Cross Marketing & Training	\$ 118,710	\$ 104,730	88%				
General Administrative	\$ 58,564	\$ 29,703	51%				
	<u>\$ 177,274</u>	<u>\$ 134,433</u>					
Total	\$ 859,975	\$ 973,478	113%				

The Appliance Recycling Program, the Residential High Efficiency HVAC Program, and the Whole House Efficiency program did not obtain a TRC of 1.0. The Appliance Recycling Program, which had a TRC of 0.92, had an increase of costs as it is now offered in rural areas of the BHP service territory which results in additional miles in order to recycle units. Although the Residential High Efficiency HVAC Program, which had a TRC of 0.64, fell short of cost effectiveness, the program reflected energy savings of 163%. The Whole House Efficiency Program, which had a TRC of 0.64, is an audit program which are rarely cost effective as the value of these programs come in the form of information for customers and often require additional investment following an audit.

A full executive summary containing the actual PY2018 spend compared to forecasted budget for energy savings, demand savings, by sector and program, along with the TRC cost-effectiveness results for each program and portfolio is attached as Exhibit 2: BHP's PY2018 Status Report. Exhibit 2 also provides detailed and summary information related to each program within BHP's energy efficiency portfolio. Exhibit 3 fully details BHP's outreach strategy and includes the marketing and outreach methods used to educate customers on the Energy Efficiency Solutions plan Exhibit 8 contains further details on the TRC calculation(s)

that support the summary information contained in Exhibit 2. Exhibit 8 summarizes the Student-Based Education Program and provides detail on the program as well as teacher and student comments and overall program impact.

### **REPORT OF PROPOSED TARIFF CHANGES**

The following information is provided pursuant to South Dakota Administrative Rule 20:10:13:26 regarding this application:

**(1) Name and Address of the Public Utility:**

Black Hills Power, Inc. d/b/a Black Hills Energy  
7001 Mount Rushmore Rd.  
Rapid City, SD 57701

**(2) Section and Sheet Number of Tariff Schedule:**

BHP's EESA rate(s) are set forth in the EESA tariff sheets contained in Exhibit 6 and Exhibit 7, Section No. 3C No. 11 and No. 21.

**(3) Description of the Change:**

BHP requests Commission approval increase its current Commercial and Industrial EESA rate as shown in Exhibit 5.

**(4) Reason for the Change:**

BHP's program costs are being fully recovered under the current Residential Service EESA rate, however an increase is necessary to fully recover under the current Commercial and Industrial Service EESA rate. The over/under recovery of program expenditures is shown in Exhibit 4 which is BHP's balancing account for PY2018. The balancing account reflects an under recovery for the Residential Service EESA rate, however, because the rates are rounded to four decimal points, it did not result in a change in the Residential Service EESA rate. The under recovery of program costs for the Commercial and Industrial EESA rate is primarily due to the Programs being over budget by 132% primarily caused by the Commercial Custom Rebate Program being over budget by 149%. The main driver was customer interest in LED lighting conversions.

**(5) Present Rate(s):**

Residential Service EESA Rate: \$0.0005/kWh  
Commercial & Industrial Service EESA Rate: \$0.0010/kWh

**(6) Proposed Rate(s):**

Residential Service EESA Rate: \$0.0005 /kWh  
Commercial & Industrial Service EESA Rate: \$0.0015 /kWh

**(7) Proposed Effective Date of Modified Rate(s):**

BHP proposes an effective date of December 1, 2019.

**(8) Approximate Annual Increase/Decrease in Revenue:**

Residential Revenue is estimated to not increase or decrease.

Commercial & Industrial Service Revenue will increase by an estimated \$339,219.

**(9) Points Affected:**

The proposed tariff changes would apply throughout the BHP electric service area in South Dakota to all customers.

**(10) Estimation of the Number of Customers Whose Cost of Service will be Affected and Annual Amounts of Either Increases or Decreases, or both, in Cost of Service to Those Customers:**

Approximately 70,000 South Dakota customers will be affected.

**PROPOSED CUSTOMER NOTICE**

Pursuant to South Dakota Administrative Rule 20:10:13:19, BHP will notify all customers with their first bill for service under the proposed rate through a bill message on each printed bill.

## COMPANY REPRESENTATIVES

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## VERIFICATION

Attached is the Verification signed by Jason S. Keil, who is authorized to act on behalf of Black Hills Power, Inc. d/b/a Black Hills Energy, affirming that the contents of the Application are true, accurate and correct to the best of his understanding, knowledge and belief.

## **CONCLUSION**

As supported by this Application and the incorporated exhibits, BHP respectfully requests that the Commission issue an order approving the proposed EESA rate(s) with an effective date of December 1, 2019.

Dated: October 1, 2019

