

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

**APPLICATION OF BLACK HILLS POWER,)
INC. d/b/a BLACK HILLS ENERGY FOR)
APPROVAL TO TERMINATE THE ENERGY) Docket No. EL20-_____
SOLUTION ADJUSTMENT RATE TARIFF)
AND THE ENERGY SOLUTIONS)
ADJUSTMENT RATE COMMODITY)
BALANCING ACCOUNT)**

**APPLICATION TO TERMINATE THE ENERGY SOLUTION ADJUSTMENT RATE
TARIFF AND THE ENERGY SOLUTIONS ADJUSTMENT RATE COMMODITY
BALANCING ACCOUNT**

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 terminate the Energy Efficiency Solutions Adjustment (“EESA”) tariff and the EESA Commodity Balancing Account, effective December 1, 2020. BHP also requests the Commission’s approval to apply the residual Commodity Balancing Account under-collected balance of \$160,556 to the Energy Cost Adjustments (“ECA”) mechanism as a charge in the next ECA filing due no later than May 10, 2021.

On November 26, 2019, BHP received approval of the currently effective EESA tariff with rates effective December 1, 2019, representing a residential service EESA rate of \$0.0004/kWh,, and a commercial and industrial service EESA rate of \$0.0015/kWh (Docket No. EL19-034). On June 24, 2020, BHP filed notification of its intention to not seek approval of a new Energy Efficiency Solutions Plan. *See* Docket No. EL19-034. On August 4, 2020, the Commission considered this matter and voted unanimously to accept BHP’s notification.

EXHIBITS

- Exhibit 1: BHP’s PY2019 Status Report
- Exhibit 2: BHP’s Narrative of Outreach and Community Events Conducted during PY2018
- Exhibit 3: BHP’s Balancing Account for PY2019
- Exhibit 4: BHP’s Proposed Legislative Tariff
- Exhibit 5: BHP’s Proposed Tariff in Clean Form
- Exhibit 6: BHP’s Total Resource Cost (“TRC”) Calculation(s)
- Exhibit 7: BHP’s LivingWise Program Summary Report

OVERVIEW OF PY2019 PROGRAMS AND RESULTS

BHP’s approved plan (PY2019) 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 PY2019 demonstrate that BHP spent approximately 121% of the total budget and achieved 92% of the energy savings goal and 88% of the demand savings goal. 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 or program. Any TRC ratio above 1.0 is considered to be cost-effective. In PY2019, the overall total portfolio cost-effectiveness resulted in a TRC of 1.22. Although the PY2019 portfolio is cost effective with the assumptions under which the plan was created, continuing to offer a portfolio of energy efficiency programs against BHP’s current resource planning assumptions makes it difficult to

establish a portfolio that is and that will remain cost effective (TRC of 1.0 or greater). The current resource planning assumptions drove BHP’s decision to not recommend modifications to the currently effective plan and discontinue the plan. Details on the TRC ratio for each individual program can be found in Exhibit 1 – BHP’s PY2019 Status Report and is summarized in Table 1 below:

Table 1
Portfolio Summary - PY2019

<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	\$ 29,374	\$ 4,197	14%	133,764	38,584	29%	1.56
Residential Appliance Recycling	\$ 13,104	\$ 17,528	134%	105,515	119,326	113%	1.11
Residential High Efficiency HVAC	\$ 28,631	\$ 14,910	52%	114,830	118,350	103%	1.21
Residential Whole House Efficiency	\$ 10,350	\$ 3,155	30%	31,406	8,632	27%	0.64
Residential School-Based Education	\$ 63,150	\$ 52,092	82%	476,400	405,337	85%	1.07
C&I Prescriptive	\$ 97,118	\$ 65,682	68%	1,369,713	522,045	38%	1.61
C&I Custom	\$ 449,966	\$ 708,376	157%	2,916,689	3,511,098	120%	1.47
	<u>\$ 691,692</u>	<u>\$ 865,940</u>					
Cross Marketing & Training	\$ 120,893	\$ 135,533	112%				
General Administrative	\$ 59,281	\$ 49,555	84%				
	<u>\$ 180,174</u>	<u>\$ 185,088</u>					
Total	\$ 871,866	\$ 1,051,028	121%				

All PY2019 programs passed the TRC test except the Residential Whole House Efficiency program. The Whole House Efficiency Program, which had a TRC of 0.64, is a comprehensive home energy audit program that encourages whole house improvements. This type of program is rarely cost effective as the value of the program comes in the form of information for customers and often requires additional investment following an audit. BHP designed this program to have lower costs through a cost sharing arrangement with Montana-Dakota Utilities (“MDU”). In PY2019, the Residential Whole House Efficiency Program experienced lower than anticipated participation. Although many calls were received requesting an energy audit, many customers did not qualify as they were not MDU and BHP customers. The Whole House Efficiency Program was suspended by MDU in early 2020 due to the COVID-19 pandemic due to safety concerns and has yet to resume.

BHP exceeded approved budgets related to the Residential Appliance Recycling program and C&I Custom program. In August of 2020, following the Commission's acceptance of the notification, BHP notified all customers, vendors, and trade allies of the decision to discontinue the program. As a result of this notification, BHP received greater than normal applications for rebates in these programs. As of the end of July 2020, BHP total spend was approximately 92% of the approved budget for the Residential Appliance Recycling program and approximately 83% of the approved budget for the C&I Custom program. The final budget over-spend for these programs are attributed to the increased efforts of customers to complete projects in order to meet the August 31st deadline for application acceptance.

BHP also exceeded the approved Cross Marketing & Training budget by 12% during PY2019, but only spent 84% of the General Administrative approved budget. BHP manages both the Cross Marketing & Training and the General Administrative budgets as one pool of budget dollars to maximize both approved budgets. When considering these two budgets as one, BHP only over-spent by 3% or approximately \$5,000 for PY2019, which can be attributed to the extra outreach and advertising regarding the discontinuance of the program.

A full executive summary containing the actual PY2019 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 1: BHP's PY2019 Status Report. Exhibit 1 also provides detailed and summary information related to each program within BHP's energy efficiency portfolio. Exhibit 2 fully details BHP's outreach strategy and includes the marketing and outreach methods used to educate customers on the Energy Efficiency Solutions plan. Exhibit 6 contains further details on the TRC calculations that support the summary information contained in Exhibit 2. Exhibit 7 summarizes the Student-

Based Education Program and provides detail on the program as well as teacher and student comments and overall program impact.

RESIDUAL UNDER-COLLECTED CBA BALANCE

At the end of PY2019, BHP’s EESA CBA had an under-collected balance of \$160,556.

Details are below in Table 2:

Table 2 - EESA CBA Balance at the end of PY2019

<u>Description</u>	<u>Reference</u>	<u>Residential (SDEES1)</u>	<u>C & I (SDEES2)</u>	<u>Total</u>
Balancing Account as of 8/31/2020		\$ 53,781	\$ 260,496	\$ 314,277
Estimated EESA Revenues (9/1/2020 to 11/30/2020)		\$ (46,471)	\$ (107,250)	\$(153,721)
PY2020 Budgeted Program Expenditures		\$ -	\$ -	\$ -
PY2020 Budgeted Fixed Percentage Incentive	Line 3 x 30%	\$ -	\$ -	\$ -
Total Estimated Recoverable Costs		\$ 7,310	\$ 153,246	\$ 160,556

BHP proposes to apply the residual CBA under-collected balance (\$160,556) to the ECA mechanism as a charge in the May 2021 ECA filing. If approved, BHP will include a line item in the calculation of the Fuel and Purchased Power Adjustment (“FPPA”) calculation in line 10.

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 to terminate the EESA Tariff and the EESA Commodity Balancing

Account.

(4) Reason for the Change:

Discontinuance of BHP's Energy Efficiency Plan.

(5) Present Rate(s):

Residential Service EESA Rate: \$0.0004/kWh

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

(6) Proposed Rate(s):

N/A

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

BHP proposes a termination date of December 1, 2020.

(8) Approximate Annual Increase/Decrease in Revenue:

N/A

(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 72,000 South Dakota customers will be affected.

PROPOSED CUSTOMER NOTICE

Pursuant to South Dakota Administrative Rule 20:10:13:19, BHP will notify all customers through a bill message on their first bill starting December 1, 2020 that the EESA charge has been terminated effective December 1.

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 this Application to terminate its energy solution adjustment rate tariff and energy solutions adjustment rate commodity balancing account with an effective date of December 1, 2020.

Dated: October 1, 2020

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF WYOMING

* * * * *

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

I, Jason S. Keil, being duly sworn, do hereby depose and say that I am Manager-Regulatory for 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.



Jason S. Keil

On October 1, 2020, appeared Jason Keil, not in my physical presence but rather appearing remotely by means of communication technology from 653 Conestoga Ct., Rapid City, SD 57701, known to me to be the person who executed the foregoing instrument, and acknowledged that he executed the same as his free act, and deed.





Notary Public

My Commission Expires: My Commission Expires **June 22, 2023**