
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: JOSEPH REZAC & KRISTEN EDWARDS
RE: **EL20-027 - IN THE MATTER OF THE APPLICATION OF BLACK HILLS POWER, INC. DBA BLACK HILLS ENERGY TO TERMINATE THE ENERGY EFFICIENCY SOLUTIONS ADJUSTMENT RATE TARIFF AND ENERGY EFFICIENCY SOLUTIONS ADJUSTMENT RATE COMMODITY BALANCING ACCOUNT**
DATE: **November 20, 2020**

1.0 OVERVIEW

On October 1, 2020, Black Hills Power, Inc. dba Black Hills Energy (BHE) filed an application for commission approval to terminate its Energy Efficiency Solutions Adjustment (EESA) tariff and EESA Commodity Balancing Account, effective December 1, 2020. Included in the application were results from Program Year (PY) 2019, revised tariff pages to reflect BHE's EESA elimination, and other supporting data. BHE also requests to include the Commodity Balancing Account's under-collected balance of \$160,556 to the Energy Cost Adjustment mechanism.

Specifically, BHE seeks remove the EESA rates and pages from its tariff. Currently the EESA rates are \$0.0004/kWh for residential customers and \$0.0015/kWh for commercial and industrial customers. The Commission approved an extension to BHE's Energy Efficiency Plan for Program Years 2017 through 2019 in docket EL17-026. In docket EL19-034 BHE filed a letter notifying its intentions to not seek approval of a new Energy Efficiency Solutions Plan beyond the current program year. On August 6, 2020 the Commission issued an order accepting BHE's notification of their intention to not seek approval of a new plan.

2.0 DISCUSSION

2.1 PY 2019 Spending

In PY2019, BHE came in over budget (Table 1). More specifically, BHE spent 121% of the approved budget. The residential programs experienced less participation than forecasted for many of the program's measures, which resulted in BHE spending only 64% of the approved budget. The commercial and industrial programs experienced strong participation and came in over budget thanks to strong interest and participation in LED lighting.

Table 1. EESP Budget to Actuals (PY 2019)			
Program	Budget	Actual	% Achieved
Residential Lighting	\$ 29,374	\$ 4,197	14%
Appliance Recycling	\$ 13,104	\$ 17,528	134%
High Efficiency HVAC	\$ 28,631	\$ 14,910	52%
Whole House Efficiency	\$ 10,350	\$ 3,155	30%
School-Based Education	\$ 63,150	\$ 52,092	82%
Total Residential Programs	\$ 144,608	\$ 91,882	64%
C&I Prescriptive	\$ 97,118	\$ 65,682	68%
C&I Custom	\$ 449,966	\$ 708,376	157%
Total C&I Programs	\$ 547,084	\$ 774,058	141%
Cross Marketing and Training	\$ 120,893	\$ 135,533	112%
General Administration	\$ 59,281	\$ 49,555	84%
Total Portfolio	\$ 871,866	\$ 1,051,028	121%

2.2 PY 2019 Energy Savings

Table 2 provides the energy savings that occurred in PY2019. The energy savings for PY2019 were slightly lower than forecasted as a result of less participation in residential lighting and MDU pausing energy audits due to the ongoing pandemic.

Table 2. PY 2019 Energy Savings (kWh)			
Program	Goal	Actual	% Achieved
Residential Lighting	133,464	38,584	29%
Appliance Recycling	105,515	119,326	113%
High Efficiency HVAC	114,830	118,350	103%
Whole House Efficiency	31,406	8,632	27%
School-Based Education	476,400	405,337	85%
Total Residential Programs	861,615	690,229	80%
C&I Prescriptive	1,369,713	522,045	38%
C&I Custom	2,916,689	3,511,098	120%
Total C&I Programs	4,286,402	4,033,143	94%
Total Portfolio	5,148,017	4,723,372	92%

2.3 PY 2019 Benefit/Cost Tests

Actual energy efficiency spending for PY2019 proved to be cost effective even while coming in over budget and with lower than expected participation in the residential program. As shown in table 3, the total portfolio had a TRC score of 1.22. The Residential Program reported a TRC of

1.13 and had some programs overachieve when compared to their expectations. The Commercial and Industrial Programs provided strong results as well with a TRC of 1.48. As the last program year of its current plan, BHE was able to achieve a cost-effective portfolio for its customers.

Table 3. Benefit/Cost Tests for PY2019					
Program	TRC	Utility	Societal	Part	RIM
Residential Lighting	1.56	2.13	2.13	9.04	0.20
Appliance Recycling	1.11	1.37	1.51	12.88	0.19
High Efficiency HVAC	1.21	2.60	1.63	6.53	0.20
Whole House Efficiency	0.64	0.64	0.87	N/A	0.16
School-Based Education	1.07	1.07	1.46	N/A	0.18
Total Residential Programs	1.13	1.41	1.54	14.23	0.19
C&I Prescriptive	1.61	2.27	2.15	7.58	0.27
C&I Custom	1.47	1.64	1.93	6.63	0.26
Total C&I Programs	1.48	1.69	1.96	6.72	0.26
Total Portfolio	1.22	1.37	1.61	7.14	0.24

2.4 Energy Efficiency Solutions Adjustment Rates and Commodity Balancing Account

In its initial filing, BHE proposed to eliminate its EESA rates and tariffs and apply the under-collected commodity balancing account to the ECA mechanism as a charge in the May 2021 ECA filing. At the time of its initial filing, BHE projected an under-collected balance of \$160,556.

Staff reached out to BHE after review of its initial filing to discuss other reconciliation methods for any over/under recovered balances given how the Commission has handled other utilities energy efficiency programs. Staff was interested in getting any under-collected balance charged through the existing EESA tariff before terminating any rates and associated tariffs. After discussion with staff, BHE agreed with Staffs proposal. In the process of calculating new rates BHE updated actual EESA Revenue for September and August which lowered the projected unrecovered commodity balancing account to \$26,969.

On November 19, 2020, BHE submitted a letter into the docket updating its request indicating they would not seek recovery of the under-collected balance and instead forego the collection of the balance. Staff is supportive of the BHE's updated request.

3.0 STAFF RECOMMENDATION

Staff makes the following recommendations to the Commission:

- 1) Approve the PY2019 Status Report;
- 2) Approve the ending Balancing Account for PY2019;

- 3) Approve the proposed elimination of the EESA rates and the and associated revised tariff sheets, with an effective date of December 1, 2020.