

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC d/b/a BLACK HILLS ENERGY	DOCKET NOS. EEP-2018-0004, TF-2020-0204
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ORDER APPROVING PLAN MODIFICATION AND APPROVING TARIFF

BACKGROUND

On March 26, 2019, the Utilities Board (Board) approved a 2019-2023 energy efficiency plan (Plan) filed by Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy (Black Hills) in Docket No. EEP-2018-0004. On May 28, 2020, and in Docket No. EEP-2018-0004, Black Hills filed a Plan modification (Modification), stating it underspent \$159,547 in the 2019 Plan year and proposed to allocate \$66,427 of the unspent funds to a new supplemental weatherization program and allocate the remaining \$93,120 equally to residential, non-residential, and low-income programs for the 2020 Plan year.

With the modification, Black Hills filed a proposed energy efficiency cost recovery (EECR) tariff implementing the revised energy efficiency budgets associated with the Modification. The tariff is identified as Docket No. TF-2020-0204. On June 10, 2020, Black Hills filed a revised EECR tariff to correct an error in the sheet revision labeling in the heading of Sheet No. 146.

DOCKET NOS. EEP-2018-0004, TF-2020-0204
PAGE 2

With respect to the Modification, on June 11, 2020, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed a conditional objection in Docket No. EEP-2018-0004. OCA stated that certain aspects of the Modification lacked sufficient detail to permit a thorough review and that OCA required additional time to receive and analyze the additional information from Black Hills. On June 25, 2020, Black Hills filed a response to the conditional objection in which Black Hills provided additional details concerning the Modification. Also on June 25, 2020, OCA filed a withdrawal of its conditional objection to the Modification.

Concerning the proposed EECR tariff, on June 25, 2020, the Board issued an order that docketed and suspended the tariff for further investigation as part of the Modification proceeding. On June 29, 2020, OCA filed a response stating it had no objection to Black Hills' EECR tariff as revised on June 10, 2020.

BOARD DISCUSSION

A. Modification of the 2019-2023 Energy Efficiency Plan

Rate-regulated gas utilities may request modification of an approved energy efficiency plan or budget during the course of a five-year plan. Iowa Code § 476.6(15)(a)(2). A plan modification may be implemented *if approved by the Board*. 199 Iowa Administrative Code (IAC) r. 35.10(1) (*emphasis added*). An application to modify an energy efficiency plan must be filed in the same docket in which the plan was approved. *Id.* at r. 35.10(2). Objections must be filed within 14 days and the failure to timely object shall be deemed agreement to the modification. *Id.*

DOCKET NOS. EEP-2018-0004, TF-2020-0204
PAGE 3

Prior to discussing the substance of the Modification, the Board notes that subrule 35.10(3) dictates the form of an application to modify an energy efficiency or demand response plan. Pursuant to this rule, a modification request must include a statement of the proposed modification, the party's interest in the modification, an analysis supporting the modification, an estimated implementation schedule, and a statement of the effect of the modification on attainment of the utility's performance standards and on projected results.

Black Hills' modification request took the form of a cover letter with attachments. In the cover letter, Black Hills explained that circumstances detailed in the letter "necessitates the need to file a plan modification for the Plan Year 2020" and stated it was filing a Plan modification. However, nowhere within its May 28, 2020 filings did Black Hills indicate it was applying for Board approval to modify its Plan, and nowhere in the filings did Black Hills request Board approval for the modification. See *e.g., id.* at r. 7.12 (providing that motions should "state the grounds for relief, and state the relief or order sought"). Further, Black Hills' May 28, 2020 filings did not contain all of the information required under subrule 35.10(3).

However, in its June 25, 2020 Response to Conditional Objections, Black Hills provided additional detail concerning the Modification. In light of the additional information, the Board finds that it has before it sufficient information to adjudicate Black Hills' Modification request. Therefore, rather than requiring Black Hills to refile its application to better conform to rule 35.10, the Board will address the merits of the Modification request. In doing so, however, the Board does not intend to set precedent

DOCKET NOS. EEP-2018-0004, TF-2020-0204
PAGE 4

for the acceptance and consideration of filings that do not conform to the rule. The Board also explicitly states that all future energy efficiency and demand response plan modifications shall comply with rule 35.10.

Black Hills' projected 2019 budget spending for natural gas energy efficiency programs was \$1,626,399. Black Hills' actual 2019 spending was \$1,466,852, resulting in a difference of \$159,547. In this Modification, Black Hills proposes to allocate \$66,427 of the unspent amount to a new supplemental weatherization program and the remaining \$93,120 equally to residential, nonresidential, and low-income programs for the 2020 Plan year.

With respect to the new supplemental weatherization program, Black Hills reports that it worked with the Iowa Department of Human Rights, Community Action Agencies, and others to determine the best use of the funds. As a result of such collaborative efforts, Black Hills proposes the program focus on the following three areas:

- Weatherization Kits – Black Hills proposes to budget \$30,000 to provide an additional 2,000 weatherization kits¹ for low-income customers. Each kit costs \$15 and produces an annual savings of approximately 40 therms.
- Low-Income Home Energy Assistance Program/Energy Crises Intervention Program – Black Hill proposes to budget \$35,000 to assist low-income customers by repairing and replacing furnaces. Black Hills

1. Black Hills states that each kit contains one high-efficiency showerhead, two faucet aerators, hot water pipe insulation, rope caulk for use as weather stripping, window wrap, and installation instructions and energy savings informational material.

DOCKET NOS. EEP-2018-0004, TF-2020-0204
PAGE 5

states the average amount spent is \$1,153.36 per unit and each repair produces average annual savings of 96 therms.

- Google Nest “Power Project” – Black Hills proposes to budget \$1,427 to partner with Google Nest to provide “smart” thermostats to low-income customers. Black Hills states each thermostat will cost \$119 and produce an average savings of 56 therms per year.

Concerning the remaining \$93,120, Black Hill explains it will be divided equally among the residential, nonresidential, and low-income programs. The funds allocated to the residential program will be used for furnace and advanced thermostat rebates, and the funds allocated to the nonresidential program will be used primarily for furnace rebates. The funds allocated to the low-income program will be used to weatherize additional homes through the weatherization program operated by the Community Action Agencies.

As explained by Black Hills, the purpose of the Modification is to adjust spending for the 2020 Plan year to include underspent amounts from the 2019 Plan year. In its submitted material, Black Hills provides the necessary calculations from the 2019 Plan year spending and the modified calculations for the 2020 Plan year spending. Black Hills also provided updated participation and therm savings goals associated with the increased 2020 Plan budget.

In creating the changes underlying the Modification, Black Hills worked collaboratively with affected entities, including local Community Action Agencies, the Iowa Department of Human Rights, and others. Black Hills also participated in a

DOCKET NOS. EEP-2018-0004, TF-2020-0204
PAGE 6

collaborative call with OCA and provided OCA additional clarifying information following which OCA withdrew its objection to the Modification. No other person or entity filed an objection to the Modification. For these reasons, the Board will approve Black Hills' Modification.

B. Energy Efficiency Cost Recovery Tariff

On May 28, 2020, Black Hills filed its natural gas EECR annual adjustment filings with a new tariff to implement the revised cost recovery factors. On June 10, 2020, Black Hills made an additional filing to correct an error in the sheet revision labeling in the heading of Sheet No. 146.

The EECR factor is computed as follows:

1. The actual energy efficiency expenditures for the previous calendar year (*i.e.*, 2019) are compared to the approved energy efficiency budget for 2019 to determine the difference between spending and budget.
2. The difference identified in step 1 is added to, or subtracted from, the approved energy efficiency budget for the current calendar year (*i.e.*, 2020) to determine the amount Black Hills is authorized to recover during 2020.
3. The actual amount Black Hills collected through the EECR factor during calendar year 2019 is compared to the amount Black Hills was authorized to recover to determine whether Black Hills over- or under-collected during 2019.

DOCKET NOS. EEP-2018-0004, TF-2020-0204
PAGE 7

4. The over- or under-collected amount is added to, or subtracted from, the amount Black Hills is authorized to recover during 2020, and that figure is divided by the estimated 2020 sales. The quotient is the EECR factor.

Applying this computation reveals the following natural gas EECR results for Black Hills' residential general service, non-residential general service, and non-general service customer classes:

Customer Class	Current Natural Gas EECR (\$/therm)	Proposed Natural Gas EECR (\$/therm)
Residential General Service	(\$0.02706)	\$0.00351
Non-Residential General Service	(\$0.01478)	\$0.01440
Non-General Service	(\$0.00546)	\$0.00066

The current EECR factors are negative because Black Hills over-recovered during the prior year. Because there is no longer an over-recovery in the factor calculation, the proposed EECR factors increased.

OCA has no objection to Black Hills' proposed EECR factors. Having performed its own review of Black Hills' filed material and noting no person or party has objected to Black Hills' proposed tariff, the Board will approve the EECR tariff as revised on June 10, 2020, to become effective as of the date of this order.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The May 28, 2020 modification filed by Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy, in Docket No. EEP-2018-0004, is granted.

DOCKET NOS. EEP-2018-0004, TF-2020-0204
PAGE 8

2. The proposed tariff filed by Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy, on May 28, 2020, as revised on June 10, 2020, and identified as Docket No. TF-2020-0204, is approved, subject to complaint and investigation, and will become effective as of the date of this order.

UTILITIES BOARD

Geri Huser Date: 2020.07.30
11:02:09 -05'00'

ATTEST:

Anna Hyatt Date: 2020.07.30
14:17:43 -05'00'

Richard W. Lozier, Date: 2020.07.29
Jr. 11:09:03 -05'00'

Dated at Des Moines, Iowa, this 30th day of July, 2020.