

**IOWA UTILITIES BOARD**  
**Regulatory Analysis Section**

Docket No.: EEP-2018-0004/TF-2020-0204

Utility: Black Hills/Iowa Gas Utility  
Company, LLC d/b/a Black Hills  
Energy

File Date/Due Date: May 28, 2020/July 1, 2020

Memo Date: July 1, 2020

**TO:** The Board

**FROM:** Brenda Biddle and Trisha Quijano

**SUBJECT:** Black Hills' Energy Plan Modification for 2020 and Energy  
Efficiency Cost Recovery Factor Annual Adjustment Filing  
(Docket Nos. EEP-2018-0004 and TF-2020-0204)

**I. Background**

On March 26, 2019, the Board issued the Final Order in Docket No. EEP-2018-0004, approving Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy's (Black Hills) 2019-2023 energy efficiency plan (Plan).

On May 28, 2020, Black Hills filed a modification (Modification) of its 2020 Plan year. Also on May 28, 2020, Black Hills filed its proposed energy efficiency cost recovery (EECR) tariff implementing the revised energy efficiency budgets associated with the Modification. The tariff was identified as Docket No. TF-2020-0204.

The Modification states that Black Hills underspent \$159,547 for the 2019 Plan year. The Modification proposes to allocate \$66,427 of the underspend amount a new supplemental weatherization program with the remaining \$93,120 allocated in thirds to the Residential, Non-Residential, and Low-Income programs for the 2020 Plan year. Black Hills states that a modification of its approved energy efficiency plan budget for the Plan year 2020 is required to implement this proposed changes.

On May 29, 2020, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed an appearance in Docket No. TF-2020-0204.

Black Hills filed a revised EECR tariff on June 10, 2020, to correct an error in the sheet revision labeling in the heading of Sheet No. 146.

On June 11, 2020, OCA filed a conditional objection in Docket No. EEP-2018-0004. OCA stated Black Hills' Modification lacked details on how the 2019 flexible funds budget would be allocated to low-income supplemental weatherization programs. OCA stated that it had been in communications with Black Hills concerning the allocation of these funds and received some information on June 11, 2020. However, OCA further requested that this matter be docketed to allow for further investigation.

Black Hills filed a response to OCA's conditional objection on June 25, 2020. In that response, Black Hills provided details on how the 2019 flexible funds budget would be allocated to low-income supplemental weatherization programs.

On June 25, 2020, the Board issued an Order Docketing and Suspending Tariff for further investigation as part of Black Hills' energy efficiency plan modification proceeding in Docket No. EEP-2018-0004.

On June 25, 2020, OCA filed a withdrawal of its conditional objection in Docket No. EEP-2018-0004, and on June 29, 2020, OCA filed a response in Docket No. TF-2020-0204 stating that it has no objection to the tariff filing filed on May 28, 2020, and revised on June 10, 2020.

## II. Legal Standards

**Iowa Code § 476.6(15)(e).** The board shall conduct contested case proceedings for review of energy efficiency plans and budgets filed by gas and electric utilities required to be rate-regulated under this chapter. The board may approve, reject, or modify the plans and budgets. Notwithstanding the provisions of section 17A.19, subsection 5, in an application for judicial review of the board's decision concerning a utility's energy efficiency plan or budget, the reviewing court shall not order a stay. Whenever a request to modify an approved plan or budget is filed subsequently by the office of consumer advocate or a gas or electric utility required to be rate-regulated under this chapter, the board shall promptly initiate a formal proceeding if the board determines that any reasonable ground exists for investigating the request. The formal proceeding may be initiated at any time by the board on its own motion. Implementation of board-approved plans or budgets shall be considered continuous in nature and shall be subject to investigation at any time by the board or the office of the consumer advocate.

**199—35.10(476) Modification of an approved plan.**

**35.10(1)** An approved energy efficiency plan or an approved demand response plan and associated budget may be modified if the modification is approved by the board.

a. Electric utilities may request a modification to an approved energy efficiency plan due to changes in the funding as a result of customers requesting exemptions from the electric energy efficiency plan.

b. Natural gas and electric utilities may request modification of an approved energy efficiency plan, or electric utilities may request modification of an approved demand response plan, for any reason.

c. The board, on its own motion, may consider modification of the energy efficiency or demand response plan and budget.

**35.10(2)** All applications to modify shall be filed in the same docket in which the energy efficiency or demand response plan was approved. All parties to the docket in which the energy efficiency or demand response plan was approved shall be served copies of the application to modify and shall have 14 days to file an objection or agreement. Objections should be specifically related to the contents of the modification. Failure to file timely objection shall be deemed agreement.

**35.10(3)** Each application to modify an approved energy efficiency or demand response plan shall include:

a. A statement of the proposed modification and the party's interest in the modification.

b. An analysis supporting the requested modification.

c. An estimated implementation schedule for the modification.

d. A statement of the effect of the modification on attainment of the utility's performance standards and on projected results, including cost-effectiveness, of the utility's implementation of its plan.

**35.10(4)** If the board finds that any reasonable grounds exist to investigate the proposed modification, a procedural schedule shall be set and the board shall take action within 90 days after the modification request is filed.

**35.10(5)** If an application to modify is filed and the board finds that there is no reason to investigate, then the board shall issue an order within 90 days after the modification request is filed stating the reasons for the board's decision relating to the application.

**35.10(6)** If the board rejects or modifies a utility's plan, the board may require the utility to file a modified plan and may specify the minimum acceptable contents of the modified plan.

**III. Staff Analysis**

Below, staff provides additional information and analysis on two subject areas: A) the limited modification of the 2019-2023 energy efficiency plan and B) the natural gas EECR tariff.

A. Modification of the 2019-2023 Energy Efficiency Plan

In 2019, Black Hills' projected budget spending in the natural gas energy efficiency programs was \$1,626,399. Black Hills' actual spending in 2019 was \$1,466,852, which was 90 percent of the projected budget. The difference of \$159,547 was reported by Black Hills as an underspend. Black Hills' Modification proposes to allocate \$66,427 of the 2019 underspend to a new supplemental weatherization program and that the remaining \$93,120 would be allocated in thirds to the Residential, Non-Residential, and Low-Income programs for the 2020 Plan Year.

Black Hills reported that it worked with the Iowa Department of Human Rights Community Action Agencies (CAAs) to determine the best use of the funds for the new supplemental weatherization program. The program has three focus areas. First, Black Hills plans to budget approximately \$30,000 to provide an additional 2,000 weatherization kits to the CAAs to distribute to eligible customers. Second, Black Hills plans to use approximately \$35,000 to assist Black Hills low-income homeowners with repairing and replacing furnaces. Third, Black Hills will use the remaining funds, approximately \$1,400, to partner with Google Nest to provide "smart" thermostats available to low-income customers.

The funds allocated to the Residential program will be used for furnace and advanced thermostat rebates while the funds allocated to the Non-Residential program will primarily be used for furnace rebates. The funds allocated to the Low-Income program (this is separate from the amount allocated to the new supplemental weatherization program) will be used to weatherize additional homes through the weatherization program operated by the CAAs.

Staff notes that Black Hills' proposed Modification does not contain all information as required by Board rule 199 IAC 35.10(3),<sup>1</sup> but is not contested by OCA or other parties. Black Hills stated that the purpose of the Modification is to adjust spending for the 2020 Plan year to include the underspend amount in the 2019 Plan year. Black Hills provides the calculations for the 2019 Plan year spending as well as the modified calculations for the 2020 Plan year spending. The proposed modification also provides updated participation and therm savings goals associated with the increase in the 2020 plan budget. OCA participated in a collaborative call with Black Hills to discuss the Modification and is satisfied with Black Hills' proposal. Staff recommends the Board approve Black Hills' Modification to its 2020 Plan year but remind Black Hills of the Board's rule (199 IAC 35.10) for energy efficiency plan modifications.

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<sup>1</sup> For instance, Black Hills did not file an "application" to modify its energy efficiency plan or budget per 199 IAC 35.10(3) and did not provide "A statement of the effect of the modification on attainment of the utility's performance standards and on projected results, including cost-effectiveness, of the utility's implementation of its plan" as required by 199 IAC 35.10(3)(d)

**B. Energy Efficiency Cost Recovery Tariff**

On May 28, 2020, Black Hills filed its natural gas EECR annual adjustment filing. The filing was accompanied with a new tariff to implement the revised cost recovery factors. Black Hills made an additional filing on June 10, 2020, to correct an error in the sheet revision labeling in the heading of Sheet No. 146. This filing incorporates the additional funds Black Hills has allocated to the various programs through its Modification filing.

The following table contains Black Hills' current and proposed natural gas EECR factor:

| <b>Customer Class</b>           | <b>Gas EECR Current<br/>\$/therm</b> | <b>Gas EECR Proposed<br/>\$/therm</b> |
|---------------------------------|--------------------------------------|---------------------------------------|
| 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. There is no longer an over-recovery in the factor calculation, which causes the proposed EECR factors to increase.

Staff believes that the tariff filing complies with the Board's energy efficiency cost recovery rules in 199 IAC 35.9 and recommends that they be approved.

**IV. Recommendation**

Staff recommends that the Board review and approve the attached order approving Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy's, modification of its energy efficiency plan for the plan year 2020 (Docket No. EEP-2018-0004) and the natural gas energy efficiency cost recovery tariff (Docket No. TF-2020-0204) as revised on June 10, 2020. The energy efficiency cost recovery tariff should become effective the date of the Board's order.

Staff also recommends the Board remind Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy of the Board's rule (199 IAC 35.10) for energy efficiency plan modifications.

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