

Black Hills Energy, Colorado Energy Office 90-Day Notices Final Decision

1. Black Hills Energy, Colorado Energy Office 90-Day notices

On Sept. 15, 2025, Black Hills Energy issued two 90-Day Notices to discontinue two residential programs under its 2025-2028 Demand Side Management (DSM) Plan:

- Residential Demand Response Program
- Residential Online Marketplace Program

Reason for discontinuation

Both programs have demonstrated low participation and poor cost-effectiveness:

- Demand Response Program: Only 16 customers enrolled versus an annual goal of 300, resulting in negligible peak demand reduction and an unfavorable cost-benefit ratio.
- Online Marketplace Program: Low transaction volumes and measure adoption, leading to high cost per unit of energy savings.

Proposed actions

- Reallocation of Funds:
 - Remaining funds from the Demand Response Program will be directed to the Moderate-Income Weatherization Program, which is expected to exceed initial demand projections and supports energy affordability goals.
 - Funds from the Online Marketplace Program will support the Residential Moderate Income Pilot Program and launch a new Residential Online Audit Program, offering personalized energy assessments through customers' online accounts.

Strategic rationale

These changes aim to optimize DSM portfolio performance by shifting resources to programs with higher customer demand and measurable impact, while introducing innovative digital tools to enhance customer engagement.

2. CEO responses to Black Hills Energy's 90-Day notices

Overview

The Colorado Energy Office (CEO) reviewed Black Hills Energy's proposals to discontinue the two residential programs under the 2025-2028 DSM/BE Plan. Both discontinuation proposals cite low participation and limited cost-effectiveness.

CEO recommendations

CEO advises continuing both programs for at least one more year before making a final decision on discontinuation.

Key reasons for recommendation

1. Recent program launch
 - Both programs began in May 2024, making them relatively new.
 - Initial costs in 2024 (\$167,999 for Demand Response; \$150,771 for Online Marketplace) are likely to include one-time development expenses.
2. Pending EM&V recommendations
 - Tetra Tech's 2024 Evaluation, Measurement, and Verification (EM&V) Report provided actionable recommendations:
 - Improve marketing and outreach.
 - Refine program objectives and metrics.
 - Consider additional incentives for participation.
 - Black Hills Energy has indicated plans to implement these changes.
3. Scheduled future evaluation
 - Both programs are slated for EM&V review in 2025, offering another opportunity to assess performance after improvements.
4. Additional considerations
 - Demand Response Program: No events were called in 2024; CEO urges calling an event in the next year to measure actual demand benefits.
 - Online Marketplace Program: Enhanced outreach could improve engagement and cost-effectiveness.

Next steps

- Implement EM&V recommendations immediately.
- Continue programs through 2025 and conduct evaluations.
- Reassess continuation or budget reallocation based on updated performance data.

3. Black Hills Energy/Colorado Energy Office Agreement Resolving the Proposed 90 Day Notices

Black Hills Energy and CEO worked to resolve CEO's responses to the 90-Day Notices. Both parties agreed to the following:

- 1) Black Hills Energy will close both the existing Residential Demand Response and Residential Online Marketplace programs as of Dec. 31, 2025. In its next DSM Plan as part of the potential study, the Company will include a review of residential direct load control demand response programs that will include potential modified Total Resource Costs ("mTRC") and practices of other utilities, and discuss the findings in the DSM Plan. Parties will have the ability to make recommendations in the next DSM Plan proceeding.
- 2) The budgets for the Residential Online Marketplace and Residential Demand Response programs will be transferred to the Moderate-Income program.
- 3) Black Hills Energy will work with interested parties to coordinate the Whole Home Electrification Pilot with the Moderate-Income program.