

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 17A - _____G

IN THE MATTER OF THE VERIFIED JOINT APPLICATION OF BLACK HILLS/COLORADO GAS UTILITY COMPANY, LP D/B/A BLACK HILLS ENERGY AND BLACK HILLS GAS DISTRIBUTION, LLC D/B/A BLACK HILLS ENERGY, FOR APPROVAL OF A COMBINED NATURAL GAS DEMAND SIDE MANAGEMENT (DSM) PLAN FOR CALENDAR YEARS 2018, 2019 AND 2020 AND FOR APPROVAL OF REVISIONS TO THEIR GAS DSM COST ADJUSTMENT TARIFFS.

VERIFIED JOINT APPLICATION

Pursuant to Commission Rules 4002(b), 4752(c) and 4753, and Decision No. C16-0378 issued in Proceeding No. 16A-0253G, Black Hills/Colorado Gas Utility Company, LP d/b/a Black Hills Energy (“BHCOG”) and Black Hills Gas Distribution, LLC d/b/a Black Hills Energy (“BHGD”)(collectively, the “Companies”), by their undersigned attorney, file this Verified Joint Application (“Joint Application”) for approval of a combined natural gas demand side management (“DSM”) plan for calendar years 2018, 2019 and 2020 and for approval of revisions to their gas DSM cost adjustment (“DSMCA”) tariffs. The Companies’ current DSM plans are in their final program year (calendar year 2017), and will expire December 31, 2017. In support of this Joint Application, BHCOG and BHGD state as follows:

I. INTRODUCTION

1. BHCOG is a public utility subject to the jurisdiction of the Commission, pursuant to C.R.S. § 40-1-103 *et seq.*, and provides natural gas service in nine counties and adjacent territories in the east central area of Colorado.

2. BHGD is a public utility subject to the jurisdiction of the Commission, pursuant to C.R.S. § 40-1-103 *et seq.* and provides natural gas service within two Base Rate areas in Colorado.

3. This Verified Joint Application is supported by the Direct Testimony and Attachment of James Dillon and the Direct Testimony and Attachments of Fredric C. Stoffel, which are incorporated herein by reference.

a. *Mr. Dillon, Senior Manager, Energy Efficiency and Demand Side Management*, sponsors Attachment JD-1 to his Direct Testimony, which is the BHCOG and BHGD Combined 2018-2020 Natural Gas Energy Efficiency Plan (“Combined Plan”), inclusive of its Appendices. Mr. Dillon also provides testimony regarding the Combined Plan’s design, budgets, implementation, oversight and cost effectiveness.

b. *Mr. Stoffel, Director, Regulatory*, discusses (i) the policy reasons for offering natural gas DSM programs, including the Colorado statutory and Commission rule framework to which such programs are subject and (ii) the Companies’ request for Commission approval of the Combined Plan. He also supports proposed changes to the Companies’ DSMCA tariffs (as reflected in the Attachments to his Direct Testimony) as well as the separate joint motion for waivers discussed in Paragraph 4 below.

4. In support of the Combined Plan, the Companies are contemporaneously filing a joint motion for waivers, through which they are seeking waivers necessary to implement the Combined Plan, including a partial waiver of Rule 4753(f)(VI)(the “Joint Motion”).

5. Together, this Joint Application and the Combined Plan (Attachment JD-1), as supported by the Direct Testimonies of Messrs. Dillon and Stoffel, contain all of the elements required for the Commission's approval of the Combined Plan pursuant to Commission Rule 4753, aside from the rule requirements for which waivers are sought in the Joint Motion, as well as the elements required for the Commission's approval of the Companies' DSMCA Tariffs.

II. BACKGROUND

6. On May 15, 2014, pursuant to Commission Rule 4753, BHCOG filed an application for approval of a Natural Gas Demand Side Management Energy Efficiency Plan covering the years 2015, 2016, and 2017. That application, which was uncontested, was approved by the Commission through Decision No. C14-0733 mailed on July 2, 2014 in Proceeding No. 14A-0488G. BHCOG's 2015-2017 DSM Plan is in its final year.

7. BHGD (f/k/a SourceGas Distribution LLC) filed its 2014-2016 Gas DSM application in Proceeding No. 13A-0458G on May 1, 2013. No petition to intervene or otherwise participate in the proceeding was filed and the proceeding was uncontested. As a result, on June 26, 2013, through Decision No. C13-0792, the Commission issued an Order approving the application and BHGD's 2014-2016 DSM Plan. That plan was implemented in collaboration with other natural gas utilities, including Colorado Natural Gas and Atmos Energy.

8. On April 8, 2016, BHGD (which became an affiliate of BHCOG in February 2016) requested a one-year variance from the requirement in Rule 4752(c) that BHGD file a DSM plan application by May 1, 2016 and applied for a one-year extension of its 2014-2016 DSM Plan. BHGD asked to use plan year 2016 as its DSM Plan for 2017. BHGD and BHCOG committed to file a joint application seeking approval of 2018-2020 DSM Plans that include similar programs and methods for developing goals that adopt best practices. These requests

were granted by the Commission on May 2, 2016 through Decision No. C16-0378 (issued in Proceeding No. 16A-0253G). As permitted by that Decision, the Companies are filing the Combined Plan.

III. COMBINED DSM PLAN

9. Pursuant to Colorado statutes and Commission rules, the purpose of the Combined Plan is to reduce end-use natural gas consumption in a cost effective manner, in order to save money for consumers and the Companies, and protect the environment by encouraging the reduction of emissions and air pollutants. The Companies have designed the Combined Plan to achieve cost-effective energy savings, considering factors such as: achievable energy savings, customer benefits, cost effectiveness ratios, adoption potential, market transformation capability and ability to replicate in their service territories. Consistent with these objectives, the Companies seek to continue the successful programs currently being offered by BHCOG under its 2015-2017 DSM Plan, with only modest changes to design, incentives, delivery, and operating protocols. In addition, the Companies propose adding a new Nonresidential New Construction Program.

10. The Combined Plan offers six programs: Residential Retrofit, Residential New Construction, Nonresidential Retrofit, Nonresidential New Construction, Income Qualified, and School-Based Energy Education. While the Combined Plan contains one set of DSM programs, BHCOG and BHGD each have their own separate budgets and goals, as reflected therein, in compliance with Commission Rules.

IV. APPROVALS SOUGHT

11. The Companies seeks approval of this Joint Application, the Combined Plan, the revised DSMCA Tariffs, and the separately filed Joint Motion. The Companies also seek the following specific approvals:

A. 2018-2020 Combined Plan

Proposed DSM Programs

12. The Companies request approval of the Combined Plan, Attachment JD-1 to the Direct Testimony of James Dillon. The Combined Plan contains comprehensive descriptions of each of DSM program the Companies propose to implement for calendar years 2018 through 2020.

Energy and Peak Savings Goals

13. The Companies designed the energy efficiency portfolio to achieve, over the life of the Combined Plan, (a) an aggregate goal for BHCOG of 226,591 Dekatherms (Dth) in energy savings and 1,618 Dth in peak savings and (b) an aggregate goal for BHGD of 226,047 Dth in energy savings and 1,638 Dth peak savings. The details regarding the proposed savings goals for BHCOG and for BHGD are in the Combined Plan and the Companies request approval of these goals.

Participation Goals

14. The Companies seek approval of all participation goals as set forth in the Combined Plan. The Combined Plan anticipates having 3,702 residential participants for BHCOG and 2,980 residential participants for BHGD. These participation numbers are exclusive of the Behavioral Program. In addition, it is estimated there will be 1,078 nonresidential participants for BHCOG and 1,282 nonresidential participants for BHGD.

Participation is set forth in the Combined Plan on a program and component level basis in Chapters 4, 5, 6, 7, 8, and 9.

Budgets

15. The Companies seek approval of all of the budgets set forth in the Combined Plan. For BHCOG, the aggregate budget totals \$2,241,700 for 2018, \$2,353,900 for 2019, and \$2,334,800 for 2020. For BHGD, the aggregate budget totals \$2,275,200 in 2018, \$2,410,200 in 2019, and \$2,387,500 in 2020.

Cost-Effectiveness

16. To determine cost-effectiveness, Colorado uses the modified total resource cost (“mTRC”) test, which accounts for non-energy benefits. The Companies request approval of two changes to the mTRC calculation as compared to previous BHCOG and BHGD DSM plans. The requested changes are detailed in the Combined Plan and supporting Direct Testimony of Mr. Stoffel.

17. Under Commission Rule 4753(l), a “utility shall propose a DSM plan with a benefit/cost value of unity (1) or greater, using a modified TRC test.” As shown in the Combined Plan, the portfolio yields a mTRC of 1.19 for BHCOG and a mTRC of 1.17 for BHGD. Thus, the Combined Plan, at the plan level, complies with Commission Rules.

18. Pursuant to Commission Rule 4753(f)(VI), “[e]ach proposed DSM program is to have a projected value greater than or equal to 1.0 using a modified TRC test,” excluding certain special programs, such as low income. Under the Combined Plan, and for both BHCOG and BHGD, the Residential New Construction Program and the Nonresidential New Construction Program do not meet Commission Rule mTRC requirements. Because it is appropriate, in the view of the Companies, to have a complete DSM portfolio, the concurrently-filed Joint Motion

requests a partial waiver of this Rule 4753(f)(VI) requirement as it applies to these two programs.

19. The Companies seek approval of the Combined Plan’s cost-effectiveness calculations and results, as well as the granting of the Joint Motion.

Technical Assumptions

20. The Combined Plan, as well as the Direct Testimonies of Messrs. Dillon and Stoffel, detail the net-to-gross (“NTG”) ratios, avoided gas capacity costs, discount and inflation rates, gas energy costs, avoided variable O&M costs, and lost revenue calculations. The Companies seek approval of these technical assumptions.

Evaluation, Measurement, and Verification (“EM&V”) Reporting Schedule

21. The Companies seek approval to perform EM&Vs of programs on a three-year rotating schedule as set forth in the Combined Plan.

Flexibility

22. Commission Rule 4753(k) allows each Company to “spend more than the annual expenditure target established by the Commission up to twenty-five percent over the target, without being required to submit a proposed DSM plan amendment.” Each Company is also asking for Commission authority to have the flexibility to, within the Combined Plan and consistent with the requirements of Commission Rule 4757(a), adjust incentive amounts and measures as necessary to administer the Combined Plan.

B. DSMCA Tariffs

23. The BHCOG and BHGD DSMCA Tariffs facilitate the recovery of DSM program costs and also set forth the approved methodology for calculating the DSMCA factors. The Companies are proposing updates and clarifying changes to their DSMCA Tariffs, as supported

by Mr. Stoffel in his Direct Testimony, and as reflected in his Attachments FCS-1 (BHCOG redlined), FCS-2 (BHCOG clean), FCS-3 (BHGD redlined) and FCS-4 (BHGD clean). The most substantive proposed change to the DSMCA Tariffs provides for the utility to recover cumulative lost revenues resulting from energy efficiency programs between rate cases. This is appropriate since the efficiency measures provide year-to-year savings and reductions in natural gas used and, therefore, the utility's margins are reduced every year from these programs.

24. The Companies request approval of the changes to their DSMCA Tariffs and, pursuant to Rule 1207(g), request that the Commission's decision in this Proceeding allow the Companies to file their compliance tariffs in the form set forth in Attachment FCS-2 (for BHCOG) and in Attachment FCS-4 (for BHGD), on not less than two business days' notice of a final order in this Proceeding.

25. Concurrently, the Companies are filing a Joint Motion for Approval of Alternative Form of Notice, with attached forms of Customer Notice for each of BHCOG and BHGD.

V. INFORMATION REQUIRED BY RULES 4002(B) AND (C)

Subparagraph 4002(b)(I). The name and address of the applying utility.

Black Hills/Colorado Gas Utility Company, LP

7060 Alegre Street
Fountain, Colorado 80817

Black Hills Gas Distribution, LLC

7060 Alegre Street
Fountain, Colorado 80817

Subparagraph 4002(b)(II). The name(s) under which the applying utility is, or will be, providing service in Colorado.

Black Hills/Colorado Gas Utility Company, LP provides service under Black Hills Energy. Black Hills Energy is its registered trade name on file with the Colorado Secretary of State's office.

Black Hills Gas Distribution, LLC provides service under Black Hills Energy. Black Hills Energy is its registered trade name on file with the Colorado Secretary of State's office.

Subparagraph 4002(b)(III). The name, address, telephone number, facsimile number, and e-mail address of the applying utility's representative to whom all inquiries concerning the application should be made.

The undersigned, as well as:

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Subparagraph 4002(b)(VII). In lieu of the separate statements required by subparagraphs (b)(IV) through (VI) of this rule, a utility may include a statement that it has read, and agrees to abide by, the provisions of subparagraphs (b)(IV) through (VI) of this rule.

BHCOG has read, and agree to abide by, the provisions of subparagraphs (b)(IV) through (VI) of this rule.

BHGD has read, and agree to abide by, the provisions of subparagraphs (b)(IV) through (VI) of this rule.

Subparagraph 4002(b)(VIII). A statement describing the applying utility's existing operations and general service area in Colorado.

BHCOG provides natural gas service to approximately 80,500 customers in nine counties and adjacent territories in the east central area of Colorado.

BHGD provides natural gas retail sales and distribution transportation service to approximately 95,000 residential, commercial, industrial and agricultural customers in two Base Rate Areas in Colorado.

Subparagraph 4002(b)(IX). For applications listed in subparagraphs (a)(I), (II), (III), (V), and (VI) of this rule, a copy of the applying utility's or parent company's and consolidated subsidiaries' most recent audited balance sheet, income statement, statement of retained earnings, and statement of cash flows so long as they provide Colorado specific financial information.

Not applicable. This is an application pursuant to subparagraph (a)(XIV).

Subparagraph 4002(b)(X). A statement indicating the town or city, and any alternative town or city, in which the applying utility prefers any hearings be held.

If this application is set for hearing, the Applicants prefer that the hearing be held at the Commission's offices in Denver, Colorado.

Subparagraph 4002(b)(XI). Acknowledgment that, by signing the application, the applying utility understands that:

- (A) The filing of the application does not by itself constitute approval of the application.**
- (B) If the application is granted, the applying utility shall not commence the requested action until the applying utility complies with applicable Commission rules and any conditions established by Commission order granting the application.**
- (C) If a hearing is held, the applying utility must present evidence at the hearing to establish its qualifications to undertake, and its right to undertake, the requested action.**
- (D) In lieu of the statements contained in subparagraphs (b)(XI)(A) through (C) of this rule, an applying utility may include a statement that it has read, and agrees to abide by, the provisions of subparagraphs (b)(XI)(A) through (C) of this rule.**

The Applicants have read, and agree to abide by, the provisions of subparagraphs (b)(XI) (A) through (C) of this rule.

Subparagraph 4002(b)(XII). An attestation which is made under penalty of perjury; which is signed by an officer, a partner, an owner, an employee of, an agent for, or an attorney for the applying utility, as appropriate, who is authorized to act on behalf of the applying utility; and which states that the contents of the application are true, accurate, and correct. The application shall contain the title and the complete address of the affiant.

An affidavit signed by an authorized representative of Black Hills verifying that the contents of the Verified Joint Application are true, accurate, and correct to the best of his knowledge is attached hereto. The Verification contains the name, title, and the complete address of the affiant, as required by Commission rules.

Subparagraph 4002(c). In addition to the requirements of specific rules, all applications shall include the information listed in subparagraphs (a)(I) through (V) of rule 1310. Applying utilities may either include the information in the application itself, or incorporate the information by reference to the miscellaneous docket created under rule 1310.

The corporate information for **BHGOG** required in Rule 1310(a)(I) thru (V) is on file with the Commission in Docket No. 06M-525EG and is incorporated and made a part of this Verified Joint Application by reference. **BHCOG** states that the information on file in that docket is correct as of the date of this Verified Joint Application.

The corporate information for **BHGD** required in Rule 1310(a)(I) thru (V) is on file with the Commission in Docket No. 06M-525EG and is incorporated and made a part of this Verified Joint Application by reference. **BHGD** states that the information on file in that docket is correct as of the date of this Verified Joint Application.

WHEREFORE, BHGD and BHCOG respectfully request that the Commission:

- A. Deem this Joint Application complete in accordance with the procedures set forth in Rule 1303(b);
- B. Grant this Joint Application in its entirety, including the approvals requested herein;
- C. Approve the Combined Plan contained in Attachment JD-1 to the Direct Testimony of James Dillon;
- D. Approve the revised DSMCA Tariffs attached to the Direct Testimony of Fredric C. Stoffel and direct the Companies to file, on not less than two business days' notice following a final Commission decision in this Proceeding, compliance tariffs

- implementing the revisions to their DSMCA Tariffs, in the form set forth in Attachment FCS-2 (for BHCOG) and in Attachment FCS-4 (for BHGD);
- E. Approve the Joint Motion that is being filed contemporaneously; and
 - F. Grant such waivers, conditions, approvals or other and further relief as the Commission deems necessary or appropriate, consistent with this Joint Application.

Dated May 1, 2017

Respectfully submitted,

/s/ Tana K. Simard-Pacheco
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Attorney for Black Hills/Colorado Gas Utility Company, LP d/b/a Black Hills Energy and Black Hills Gas Distribution, LLC d/b/a Black Hills Energy

Applicants' address:

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Black Hills Gas Distribution, LLC
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Fountain, Colorado 80817

CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of May 2017 the foregoing **VERIFIED JOINT APPLICATION** was E-filed and served through the Commission E-filings System.

/s/ Elaine Hegler _____