

Decision No. C23-0481

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 21A-0166E

IN THE MATTER OF THE VERIFIED APPLICATION OF BLACK HILLS COLORADO ELECTRIC, LLC FOR APPROVAL OF ITS ELECTRIC DEMAND-SIDE MANAGEMENT (DSM) PLAN FOR PROGRAM YEARS 2022-2024 AND FOR APPROVAL FOR CHANGES TO ITS ELECTRIC DSM COST ADJUSTMENT TARIFF.

**COMMISSION DECISION REQUIRING FUTURE FILING
OF DSM STRATEGIC ISSUES PROCEEDING**

Mailed Date: July 26, 2023

Adopted Date: July 19, 2023

I. BY THE COMMISSION

A. Statement

1. By Decision No. C22-0382 the Commission directed Black Hills Colorado Electric Company (BHE or the Company) to conduct stakeholder outreach on a set of issues raised in this Proceeding and to report on the results of these discussions no later than May 2023. The Commission stated that after reviewing the Company's report, it would decide whether to require the Company to file an application for an electric strategic issues (SI) proceeding.

2. On May 30, 2023, BHE submitted its DSM Strategic Issues Report, documenting the results of its stakeholder discussions.

3. By this Decision, we direct BHE to file an Application for a combined demand-side management (DSM) and beneficial electrification (BE) strategic issues Proceeding no later than April 1, 2024.

B. Discussion

4. In response to BHE's Application for Rehearing, Re-argument, or Reconsideration (RRR) of Decision No. C22-0272, the Commission, by Decision No. C22-0382 (RRR Decision), recognized the potential administrative burden that the SI proceeding required by its prior Decision in this Proceeding could place on the Company. The Commission therefore rescinded its requirement that BHE file an application for an SI proceeding within 180 days of the issuance of Decision No. C22-0272 and replaced it with the requirement that the Company conduct stakeholder outreach, involving at minimum the intervenors in this Proceeding, to address the following issues:

- a) How best to address the loss in fixed revenue caused by DSM program implementation (including the role of the Financial Disincentive Offset and decoupling);
- b) Whether the value of avoided carbon dioxide and methane emissions should be included in the calculation of net economic benefits, and the potential impact of doing so on the Company's performance incentive;
- c) Whether the value of non-energy benefits used in cost-effectiveness calculations should also be considered as a component of the net energy benefits used in the determination of the performance incentive;
- d) The appropriate discount rate to use in valuing future costs and savings from DSM programs, and whether any discount rate revision should apply only to cost-effectiveness determinations or also to the evaluation of net economic benefits; and
- e) Proper design and development of the demand response programs offered by the Company.¹

5. The RRR Decision directed the Company to file a report on this stakeholder outreach by May 2023, and indicated that it would make a determination on the need for an SI proceeding on the basis of the Company's report.

¹ Decision No. C22-0272, ¶ 12.

6. BHE filed its “DSM Strategic Issues Report” on May 31, 2023, in accordance with the directives of Decision No. C22-0382. The ten-page report contains sections addressing each of the issues listed above. A concluding section states that the Company believes its discussions with stakeholders were fruitful in gaining an understanding of parties’ positions, but that there was little, if any, agreement or movement in the parties’ positions.

C. Conclusions and Findings

7. We find that the stakeholder outreach BHE conducted did little if anything to resolve the five issues identified in the RRR Decision, and that as a result, these issues, along with others, will instead need to be fully litigated in a future proceeding.

8. The Commission must balance the need for resolution of these issues with the administrative burden their resolution places on BHE, and the costs of that burden, which are ultimately paid by BHE ratepayers.

9. Given that the Company is required by § 40-3.2-109(6)(a), C.R.S., to submit an application for a beneficial electrification SI proceeding no later than April 1, 2024 (approximately eight months from the publication date of this Decision) and that a DSM Plan application for program years 2025 – 2027 is currently expected in early 2024, we find it most expedient at this point to direct the Company to file an application for a combined DSM and BE SI proceeding no later than April 1, 2024. We encourage the Company to make its best efforts to file this combined application well in advance of that date to preserve the possibility that decisions made in the SI filing can be incorporated into a DSM Plan application, and a decision rendered on that DSM Plan ideally in advance of the start of the 2025 program year.

10. We direct the Company to address each of the five issues identified in the RRR Decision in direct testimony submitted with its SI application. With specific regard to the design and development of demand response (DR) programs, we encourage the Company to broadly explore alternative models for the development of DR resources, such as third-party aggregation of demand response acquired via a competitive solicitation.

11. We also direct the Company to address in its SI application the potential for on-bill financing (OBF) of program participant investments in efficiency improvements and beneficial electrification measures, particularly for the Company's income-qualified customers. We encourage the Company to participate in the ongoing stakeholder discussions regarding OBF between Public Service Company of Colorado and many of the intervening parties to this Proceeding, if it is not already doing so.

12. We further direct the Company to address in its direct testimony supporting the SI application the ways in which it is or can facilitate its customers' access to the tax credits and rebates for efficiency and BE measures made available by the Inflation Reduction Act.

13. Finally, we expect that the SI application required by this Decision will include the Company's proposals for DSM targets and budgets and a performance incentive mechanism, if appropriate, as well as any other strategic issues the Company wishes to explore through the proceeding.

II. ORDER**A. The Commission Orders That:**

1. Black Hills Colorado Electric, LLC shall file an application for a combined demand-side management and beneficial electrification proceeding no later than April 1, 2024 as discussed herein.

2. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration, begins on the first day following the effective date of this Decision.

3. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
July 19, 2023.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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Commissioners