BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

Proceeding No. 15A–0424E

IN THE MATTER OF THE APPLICATION OF BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP FOR APPROVAL OF ITS ELECTRIC DEMAND SIDE MANAGEMENT (DSM) PLAN FOR PROGRAM YEARS 2016-2018 AND FOR APPROVAL OF REVISIONS TO ITS ELECTRIC DSM COST ADJUSTMENT TARIFF.

SETTLEMENT AGREEMENT

Pursuant to Rule 1408, Black Hills/Colorado Electric Utility Company, LP ("Black Hills" or the "Company"), Trial Staff of the Colorado Public Utilities Commission ("Staff"), the Colorado Office of Consumer Counsel ("OCC"), the Colorado Energy Office ("CEO"), Southwest Energy Efficiency Project ("SWEEP"), the Energy Efficiency Business Coalition ("EEBC"), and the Board of Water Works of Pueblo, Colorado and the Fountain Valley Authority ("FVA") (together the "Public Intervenors") (collectively, "Settling Parties"), by their undersigned counsel, and for good and valuable consideration, enter into this Settlement Agreement ("Settlement Agreement") to resolve all disputes that have arisen between them related to the Company's Verified Application filed in Proceeding No. 15A-0424E. The Settling Parties specifically request that the Commission approve this Settlement Agreement as consistent with the public interest.

CERTIFICATE OF CONFERRAL

The undersigned counsel certifies that counsel for Black Hills has conferred with counsel for all parties to this proceeding about this Settlement Agreement and is authorized to state that all parties to this proceeding (Black Hills, Staff, OCC, CEO, SWEEP, EEBC and the Public Intervenors) join in this Settlement Agreement.

I. BLACK HILLS' ELECTRIC DSM PLAN BACKGROUND AND PROCEDURAL HISTORY

1. House Bill ("HB") 07-1037, *Concerning Measures to Promote Energy Efficiency, and Making an Appropriation Therefore*, was passed by the Colorado General Assembly and signed into law in 2007, and codified in relevant part at C.R.S. §§ 40-1-102(5), (6) and (7), as well as C.R.S. §§ 40-3.2-101 and 104. The bill establishes that:

> . . . cost-effective natural gas and electricity demand-side management programs will save money for consumers and utilities and protect Colorado's environment. The general assembly further finds, determines, and declares that providing funding mechanisms to encourage Colorado's public utilities to reduce emissions or air pollutants and to increase energy efficiency are matters of statewide concern and that the public interest is served by providing such funding mechanisms. Such efforts will result in an improvement in the quality of life and health of Colorado citizens and an increase in the attractiveness of Colorado as a place to live and conduct business.[1]

2. C.R.S. § 40-3.2-104 applies to electric demand side management ("DSM") programs. C.R.S. § 40-3.2-104 directed the Commission to establish energy savings and peak demand reduction goals to be achieved by an investor-owned electric utility ("IOU"), "taking into account the utility's cost-effective DSM potential, the need for electricity resources, the benefits of DSM investments, and other factors as determined by the Commission." While authorizing the Commission to establish interim goals, C.R.S. § 40-3.2-104(2) provides that by 2018, Colorado IOUs must achieve peak demand goals of at least five percent of the utility's retail system peak demand (measured in megawatts [MW]) in the base year of 2006 and energy savings goals of at least five percent of the utility's retail energy sales (measured in megawatt-hours [MWh]) in the 2006 base year. C.R.S. § 40-3.2-104 further requires that:

- An IOU be permitted to implement cost-effective electric DSM programs to reduce the need for additional resources that would otherwise be met through

[1] C.R.S. § 40-3.2-101.

a competitive acquisition process (§ 40-3.2-104(3));

- The Commission ensure that all classes of customers be given an opportunity to participate in electric DSM programs and give due consideration to the impact of DSM programs on nonparticipants and on low-income customers (§ 40-3.2-104(4));

- An IOU be given an opportunity for its investments in cost-effective DSM programs to be more profitable to it than any other utility investment that is not already subject to special incentives (§ 40-3.2-104(5)); and

- An IOU be required to submit an annual report to the Commission describing the DSM programs implemented by the IOU in the previous year (§ 40-3.2-104(6)).

3. Consistent with the foregoing statutory requirements, Black Hills has previously implemented two electric DSM plans covering calendar years 2009 through 2015. Black Hills filed an application to implement electric DSM measures and for an electric Demand Side Management Cost Adjustment ("DSMCA") charge for associated costs on November 21, 2008, under its Verified Application for Approval of its Electric Demand Side Management (DSM) Plan for Calendar Years 2009, 2010 and 2011 and for Approval of a DSMCA. The Commission initiated Docket No. 08A-518E to consider Black Hills' 2009 – 2011 DSM Plan filing. Several parties including Staff of the Public Utilities Commission and the Office of Consumer Counsel intervened. Prior to hearing, Black Hills and the intervening parties entered into a settlement agreement resolving all disputed issues in that proceeding. The settlement agreement, amending Black Hills' proposed 2009-2011 DSM Plan, was approved without modification by Decision No. R09-0542. In addition to modifying and adding DSM programs and allowing for flexibility, the settlement agreement provided that each program year under the plan would run from July 1 to June 30 and required the Company to perform a detailed DSM market potential study consistent with the National Action Plan for Energy Efficiency ("NAPEE") guidelines to be included with its next electric DSM application.

4. As part of the settlement relating to the 2009-2011 DSM Plan, and pursuant to Decision No. R09-0542, Black Hills was authorized to place into effect an electric DSMCA tariff and to implement electric DSMCA rates, which was accomplished through Advice Letter No. 622, filed on June 22, 2009. The DSMCA reflected on Black Hills' Tariff No. 8 at Sheet 51 included a Financial Disincentive Offset ("FDO") which authorized the Company to "upon the successful implementation of Commission approved DSM programs …collect $150,000 in additional after-tax revenue annually through the DSMCA. Successful implementation is accomplished when eighty percent of the annual Energy Savings Goal is achieved."[2] The DSMCA Tariff also included the following performance incentive:

- For each one percent of DSM Energy Savings Goal attainment beyond eighty percent, the Company shall earn two tenths of one percent of the net economic benefits achieved, up to a level of ten percent at one hundred thirty percent of goal attainment.

- For each one percent of DSM Energy Savings Goal attainment beyond one hundred thirty percent, the Company shall earn one tenth of one percent of the net economic benefits achieved, up to a level of twelve percent at one hundred fifty percent of goal attainment.

The sum of the FDO and the Performance Incentive could not exceed twenty percent of the total annual expenditure on DSM for each program year.

5. Under the approved 2009-2011 DSM Plan, Black Hills earned the following FDOs and performance incentives:

[2] Advice Letter No. 622, filed on June 22, 2009 in Docket No. 08A-518E, Black Hills Tariff PUC No. 8, First Revised Sheet No. 51, effective July 1, 2009.

Program Year	**Energy Savings Goal Attainment**	**Financial Disincentive Offset**	**Performance Incentive**
2009/2010	44%	-0-	-0-
2010/2011	114.1%	$150,000	$261,626[3]
2011/2012	112.34%	$150,000	$318,495[4]

6. Black Hills' current DSM plan, which expires on December 31, 2015, was filed on January 31, 2012, through a Verified Application for Approval of its Electric Demand Side Management (DSM) Plan for Program Years 2012-2013 (July 2012 - December 2013), 2014 and 2015 (the "Current DSM Plan") in Docket No. 12A-100E. In developing the Current DSM Plan, Black Hills performed a detailed DSM Potential Study as agreed to in Docket No. 08A-518E, and combined those results with its suite of DSM programs approved in the 2009-2011 DSM Plan. The application also sought approval of a pre-pay metering pilot program and approval of updates to and an increase in the DSMCA rider percentage in order to recover the ongoing costs of the Company's DSM programs for the period July 1, 2012 through December 31, 2013. Black Hills also proposed to transition the July 1 to June 30 program-year to a calendar year time-frame.

7. On May 30, 2012, Black Hills filed a Stipulation and Settlement Agreement in Docket No. 12A-100E through which the parties agreed to resolve non-program specific changes as well as program specific savings and budget changes. With the exception of the pre-pay metering pilot program, the Current DSM Plan, as modified by the stipulation, was approved by Decision No. R12-0900. Black Hills sought reconsideration of the decision rejecting the pre-pay

[3] The DSMCA Performance Incentive amount earned for 2010/2011 was reduced from $356,596 to reflect the actual earned performance incentive of $261,626 ($356,596 - $94,970 = $261,626). The adjusted energy savings goal attainment was 114.1%.

[4] The DSMCA Performance Incentive amount earned for 2011/2012 was reduced from $318,495 to $223,202, adjusted for a $94,970 over-collection during 2012, plus interest of $323. For comparison purposes, the earned $318,495 performance incentive is reflected here.

metering pilot program; however, the Commission affirmed the recommended decision in Decision No. C12-1122. On November 21, 2012, Black Hills, as directed in Decision No. R12-0900, filed an updated plan incorporating the changes in the stipulation and eliminating the pre-pay metering pilot program.

8. Under the settlement agreement for the Current DSM Plan, the parties agreed that Black Hills would continue to use the same incentive structure (including the same FDO and Performance Incentive) approved by the Commission in Docket No. 08A-518E. Thus far, Black Hills has earned the following FDOs and performance incentives under the Current DSM Plan:

Program Year	Energy Savings Goal Attainment	Financial Disincentive Offset	Performance Incentive
2012/2013 (18 months)	102.60%	$150,000	$678,507
2014	80.01%	$150,000	$168

9. On May 29, 2015, Black Hills commenced this proceeding by filing its verified application for approval of its electric DSM plan for program years 2016-2018 and for approval of revisions to its electric DSM cost adjustment tariff ("Application"). On this same date, Black Hills filed testimony in support of the Application.

10. On August 11, 2015, Administrative Law Judge Jennings-Fader ("ALJ") issued Decision No. R15-0852-I, which established the procedural schedule for this proceeding and set the matter for evidentiary hearing on October 15 and 16, 2015.

11. Thereafter, on August 24, 2015, Black Hills filed Corrected Direct Testimony and Attachments of Steven M. Jurek; Corrected Attachment MED-1_BHCOE 2016-2018 DSM Plan;

and Corrected Appendix A (Detailed Benefit-Cost Analysis Results) to Attachment MED-1[5] (collectively, "Corrected Filing"). Changes made through the Corrected Filing included:

- The delivery costs for the Small Business Direct Lighting portion of the C&I Lighting Program were corrected. The overall cost to deliver the C&I Lighting program should be approximately $0.35/kWh saved, but the BenCost model included a delivery charge adder of $0.35/kWh saved in addition to the other program costs (this resulted in overstatement). The delivery cost was reduced to a rate that results in the C&I Lighting program to be delivered at an overall cost of approximately $0.35/kWh saved. In order to keep budgets consistent with the proposed 2016-2018 DSM Plan, participation in the C&I Lighting program was increased.

- The BenCost model for plan year 2017 referenced the 2018 program evaluation cost. This was adjusted to reference the 2017 evaluation cost. This impacted the Portfolio mTRC.[6]

- In the BenCost model for plan year 2018, the incentives for certain programs were being referenced from plan year 2017. This had an impact on the Utility Cost Test and the Participant Cost Test. The following programs have updated test values: Residential High Efficiency Lighting, Residential Appliance Recycling, Residential On-Site Energy Evaluation, Residential High Efficiency Cooling, C&I Custom, and Low-Income.

- The mTRC for the Low-Income program changed from 3.91 to 3.94 because the model was not picking up the savings from a contributing measure for program year 2018. When the model was adjusted to account for this additional measure the mTRC increased.

12. The Settling Parties engaged in comprehensive settlement discussions and reached an agreement in principle on all matters raised in the Application. On September 3, 2015, the Settling Parties filed a motion to vacate and reset the procedural schedule. By Decision No. R15-0967-I, the ALJ granted the motion and set a due date of September 11, 2015 for (a) supplemental direct testimony and (b) stipulations/settlement agreements. The evidentiary hearing on the settlement was set for September 25, 2015.

[5] Corrected Attachment MED-1_BHCOE 2016-2018 DSM Plan and Corrected Appendix A (Detailed Benefit-Cost Analysis Results) to Attachment MED-1 are referred to, herein as the "Corrected 2016-2018 DSM Plan."

[6] mTRC refers to the Modified Total Resource Cost test used in Colorado.

13. Due to exigent circumstances, on September 8, 2015, the Settling Parties filed a Motion for Extension of Time to File Settlement Agreement and Supplemental Direct Testimony, requesting an extension of time to submit (a) supplemental direct testimony and (b) stipulations/settlement agreements by noon on September 18, 2015. The Settling Parties also requested that the evidentiary hearing would remain as scheduled for September 25, 2015. This motion was granted by the ALJ through Decision No. R15-0981-I.

14. On September 18, 2015, Black Hills also filed Supplemental Direct Testimony of Steven M. Jurek, through which Mr. Jurek provides further factual support for Black Hills' request to maintain its current DSMCA incentive structure. The Settling Parties agreed to the filing of this supplemental testimony, and the Settling Parties further agreed, through this Settlement Agreement (as discussed in more detail below), to allow Black Hills' existing DSMCA incentive structure to remain in place.

II. SETTLEMENT AGREEMENT

The Settling Parties hereby stipulate and agree as follows:

A. General Overview of Settlement

15. This Settlement Agreement reflects the input and careful consideration of all issues by the Settling Parties. The Settling Parties believe that Black Hills' Corrected 2016-2018 DSM Plan, as modified by the terms of this Settlement Agreement, incorporates substantial public policy reasons for its approval by the Commission.

16. Under C.R.S. § 40-3.2-104, the statutory electric DSM plan reduction goals are for utilities to achieve at least five percent of the utility's retail system peak demand measured in megawatts in 2006 (the base year) and at least five percent of the utility's retail energy sales measured in megawatt-hours in 2006. As stated in Mr. Jurek's Corrected Direct Testimony,

Black Hills has already met and exceeded that statutory requirement. Black Hills has, nevertheless, filed its pending DSM case in order to provide further benefits to its customers, as noted below.

GOAL REDUCTION PERCENTAGES (Actual and Projected)						
Plan Year	**Projected Peak Savings (MW)**	**CRS 40-3.2-104(2) Savings Requirements by 2018 (MW)**	**% of 2018 Peak Savings Goal**	**Projected Program Savings (MWh)**	**CRS 40-3.2-104(2) Savings Requirements by 2018 (MWh)**	**% of 2018 Program Savings Goal**
2009/2010	1.16	18	6%	4,554	91,208	5%
2010/2011	4.07	18	23%	17,378	91,208	19%
2011/2012	4.98	18	28%	18,250	91,208	20%
2012-2013	6.74	18	37%	31,740	91,208	35%
2014	4.50	18	25%	18,187	91,208	20%
2015	6.22	18	35%	22,870	91,208	25%
2016	5.23	18	29%	18,014	91,208	20%
2017	5.60	18	31%	19,769	91,208	22%
2018	5.82	18	32%	20,633	91,208	23%
Total	44.32	18	246%	171,394	91,208	188%

17. Relative to the Corrected 2016-2018 DSM Plan, the Settling Parties agree that the proposed Plan, as agreed upon in this Settlement Agreement, contains an approximate 10% increase in energy savings over the Plan period (2016 – 2018), a higher mTRC and higher kWh savings per dollar of Plan spending:

- Cumulative energy savings in the Corrected 2016-2018 DSM Plan totaled 50 GWh at the meter, while, in comparison, cumulative energy savings in the Plan as modified by this Settlement Agreement are 54.8 GWh at the meter.

- The three year portfolio mTRC reflected in the Settlement Agreement is 2.88, as compared to 2.51 in the Corrected 2016-2018 DSM Plan.

- kWh savings per dollar relative to the total program budget in spending in the Corrected 2016-2018 DSM Plan was 2.84 kWh per dollar spent, while under the Settlement Agreement, the Plan proposes to save 2.95 kWh per dollar spent.

18. Energy savings goals in this Settlement Agreement are greater than those achieved by Black Hills in the most recently completed year (2014) at both the meter and at the generator.[7]

DSM ENERGY SAVINGS COMPARISON		
Plan Year	**Savings @ Meter**	**Savings @ Generator**
2014 (Actual)	16.7 GWh	17.8 GWh
2016 (Settlement)	16.9 GWh	18 GWh
2017 (Settlement)	18.6 GWh	19.8 GWh
2018 (Settlement)	19.4 GWh	20.6 GWh

19. The Settling Parties agree that these goals are challenging. As reflected on the table below, the three-year cumulative savings of 46.2 GWh at the meter under this Settlement Agreement are at the high end of the cumulative GWh savings range set forth in the Demand-Side Management Potential Study ("Potential Study") filed in this proceeding.[8]

	GWh Savings (at meter)
3 Year (2016-2018) Achievable Potential Low	25.4
3 Year (2016-2018) Plan	46.2
3 Year (2016-2018) Achievable Potential High	50.6

[7] 2015 performance data is not yet available.
[8] *See* Direct Testimony and Attachments of Andrew W. Cottrell, Attachment AWC-1_DSM Potential Study. Note that the cumulative savings goal of 46.2 GWh excludes savings related to the Home Energy Comparison Report program because the Potential Study is measure based, and does not include any behavioral programs.

The low end of the three-year cumulative savings range of achievable savings was 25.4 GWh, while the high end was 50.6 GWh, meaning that the Settlement Agreement provides for energy savings that are in excess of 90% of Black Hills' "high-side" achievable potential for energy savings in its Colorado service territory, as determined by the Potential Study.

20. Even though Black Hills has met the statutory requirements of C.R.S. § 40-3.2-104, the settlement energy and demand savings goals in this Settlement Agreement are and should be viewed as challenging goals. As noted above Black Hills has not consistently achieved its goals since 2009 and, in fact, only achieved 80.01% of goal in 2014. In addition, the Corrected 2016-2018 DSM Plan, as amended by this Settlement Agreement, establishes savings goals that represent an increase over actual savings achieved in 2014.

21. This Settlement Agreement memorializes the negotiated settlement among and between the Settling Parties on all the issues raised in Proceeding No. 15A-0424E. As a result of these negotiations and this Settlement Agreement, the Settling Parties agree as set forth herein that the issues in dispute between them in this proceeding related to Black Hills' 2016-2018 Electric DSM Plan have been resolved to the satisfaction of the Settling Parties. The Settling Parties agree that this Settlement Agreement is a fair, just, and reasonable resolution of these issues. The Settlement Agreement accords with the public interest.

22. The Settling Parties agree that the Commission should grant Black Hills' Application filed in Proceeding No. 15A-0424E consistent with this Settlement Agreement.

23. The Settling Parties stipulate that all testimonies and attachments filed by Black Hills in Proceeding No. 15A-0424E should be admitted into evidence and made part of the record in this proceeding. The Settling Parties agree to support and defend the terms and principles of the Settlement Agreement before the Commission.

B. Approval of the Application and Corrected 2016-2018 DSM Plan with certain modifications

24. The Settling Parties acknowledge and agree that the Commission should approve the Application and the Corrected 2016-2018 DSM Plan, which was part of the Corrected Filing, subject to the modifications set forth in this Settlement Agreement. In the Application, Black Hills seeks approval of the Application, its 2016-2018 DSM Plan (Corrected Attachment MED-1), its revised DSMCA Tariff Sheets (Attachment MED-2), and continued use of the existing DSMCA incentive structure, along with other specific approvals set forth in the Application. The revised DSMCA Tariff Sheets (which have only changed from the as-filed version to reflect a change to Mr. Stoffel's title) are included with this Settlement Agreement as Attachment 1 and Black Hills will file its compliance tariff on not less than 2 days' notice of a final order in this proceeding.

25. With respect to the Corrected 2016-2018 DSM Plan as modified herein, Black Hills seeks approval of the proposed electric DSM programs, energy and demand savings goals, participation goals, DSM budgets; technical assumptions, deemed savings; avoided costs; net-to-gross ratios ("NTG"); evaluation, measurement, and verification ("EM&V") reporting schedule; and flexibility to revise the plan. In addition, Black Hills seeks approval of annual report filing requirements, stakeholder annual meetings, notice of plan changes, DSMCA tariff revisions and continued use of the existing DSMCA incentive structure.

26. There are substantive modifications to the Application and the Corrected 2016-2018 DSM Plan as described in this Settlement Agreement, but the Settling Parties agree that the Application, including the Corrected 2016-2018 DSM Plan, should be approved consistent with this Settlement Agreement.

27. The most substantive modifications, which are discussed in more detail below, include:

- Calculation of savings goals at the meter, but savings will also be reflected at the generator in the Corrected 2016-2018 DSM Plan and in Annual Reports;
- Residential Program changes, including High Efficiency Lighting participation increase and reduction of CFL net-to-gross ratio;
- Addition of an energy savings kit to the Residential Appliance Recycling program;
- Removal of the Residential Online Home Energy Evaluation program;
- Removal of the LEED certification requirement from the C&I New Construction program;
- Reinstatement of C&I Self Direct program and addition of it to the EM&V schedule;
- Increased participation in the C&I Prescriptive and C&I Lighting programs;
- Low Income Assistance program modifications including removal of the CFL component; increased participation for all remaining measures; and provision of low-income related assistance materials to the Home Energy Evaluation/Direct Install participants;
- Addition of CFL bulbs to the School Based Energy Education program kit;
- Increased budget resulting from these changes as reflected in this Settlement Agreement (which also incorporates budget reductions for General Administration and General Marketing/Education);
- Changed Demand and Energy Savings Goals as reflected in this Settlement Agreement;
- Increased overall Plan mTRC and changed mTRCs for each program;
- Adjusted projected January 1, 2016 DSMCA rider;
- Increased timing for notice of Plan changes and stakeholder responses to the same;
- Institution of low income stakeholder meetings;

- Demand response pilot development through stakeholder process; and
- Enhanced C&I customer outreach.

C. Approval of Modifications to Corrected 2016-2018 DSM Plan

28. Attachment 2 to this Settlement Agreement is a redlined version of the Corrected 2016-2018 DSM Plan which reflects budget, program-specific savings, and other changes to which the Settling Parties have agreed. Attachment 3 to this Settlement Agreement, inclusive of Appendix A (Detailed Ben Cost Analysis Results), is a clean copy of Attachment 2 with all changes accepted. The most substantive modifications to the Corrected 2016-2018 DSM Plan, as agreed by the Settling Parties, were highlighted above and are also discussed below.

i. Reporting of Corrected 2016-2018 DSM Plan Savings Goals

29. Under the Current DSM Plan, program savings goals were calculated at the generator. However, in the Corrected 2016-2018 DSM Plan, the savings goals are calculated at the meter. "Calculated at the meter" refers to savings that occur at the customer end of the distribution system, which are calculated using engineering algorithms, deemed savings values, or evaluated savings results. Savings at the meter are the customer-level savings that are realized at the customer side of the distribution system. As a result, in order to calculate savings at the generator, customer-level savings at the meter are adjusted for line losses to determine savings at the generator. Black Hills believes it is the industry standard practice to calculate savings goals at the meter. For example, utilities in many leading energy efficiency states including California, Massachusetts, New York, and Illinois calculate energy savings goals at the meter.[9]

[9] This includes California's Pacific Gas & Electric and Southern California Edison; New York's Con Edison and Central Hudson Gas & Electric; Illinois' Ameren Illinois Company and Commonwealth Edison Company; and Massachusetts' NSTAR Electric Company and National Grid.

30. Nevertheless, the Settling Parties agree that savings goals shall be calculated at the meter, but the Corrected 2016-2018 DSM Plan will reflect savings at both the meter and at the generator.[10] The Settling Parties also agree that in its Annual Status Reports, Black Hills will report savings in the same manner.

ii. Approval of Changes to Residential Program

31. *Residential High Efficiency Lighting Change – Participation Increase*. The Settling Parties acknowledge and agree that the overall participation in the Residential High Efficiency Lighting program should be increased by 25%, with the entire incremental increase going towards LED bulbs, given that the price and performance of LED bulbs is rapidly improving. LED bulbs are a newer and more desirable technology than CFL bulbs which is why the incremental increase is allocated 100% to LED bulbs. As a result, customers will be eligible to purchase up to 10 LED bulbs at a discount per transaction, and Standard LED bulbs will account for over 30% of total bulbs provided rebates. In addition, when combined with Specialty LED bulbs, LED bulbs, in general, account for over 40% of all bulbs provided rebates. As a result of this agreement, the new Standard LED bulb participation is reflected in the table below:

[10] In order to calculate savings at the generator, multiply savings at the meter by the line loss factor formula, which is 1.0643. The line loss factor itself is 6.43%.

Plan Year	Standard LED Bulb Participation
2016	**52,375**
2017	**55,375**
2018	**58,375**

32. *Residential High Efficiency Lighting Change – Net-to-Gross Decrease.* Black Hills, through its Corrected Filing, proposed a CFL NTG ratio of 90% and a Standard and Specialty LED NTG ratio of 90%. In other words, Black Hills assumed that the existence of the rebate influenced 90% of the purchases of CFL and LED bulbs Black Hills believed that 90% of the CFL and LED bulbs would not have been purchased, but for its DSM program. The Settling Parties agreed that while the Standard and Specialty LED NTG ratio of 90% was appropriate, the CFL NTG should be reduced to 70% because studies have shown that the NTG ratios for CFLs can be less than 90%. This change reduces both the annual net energy savings and net demand savings goals for CFLs.

33. *Residential Appliance Recycling – Addition of Energy Savings Kit.* In Black Hills' Corrected 2016-2018 DSM Plan, the Residential Appliance Recycling Program allows residential customers to recycle a refrigerator or freezer for a $50/unit incentive. Customers are also allowed to recycle room air conditioners free of charge during a scheduled pick-up for a qualifying refrigerator/freezer. After further review of this program, the Settling Parties agreed that since Black Hills will already be in the home to recycle a residential refrigerator or freezer, the opportunity to further encourage energy efficiency should be undertaken by giving participating customers a free energy savings kit, similar to the kit received in the School Based

Energy Education program. A customer who is recycling both a refrigerator and freezer will only receive one energy savings kit. As a result of this change, the Settling Parties agree that the participation goal for the number of kits distributed per year will be as reflected in the table below:

Plan Year	Residential Appliance Recycling – Energy Savings Kit
2016	140
2017	165
2018	190

The addition of the free energy savings kit increases the cost and savings associated with this program.

34. *Residential Online Home Energy Evaluation - Removal*. The Company originally proposed continuation of the Residential Online Home Energy Evaluation. However, the Settling Parties agreed to remove this program because a new On-Site Energy Evaluation program is being made available to residential customers under the Corrected 2016-2018 DSM Plan. In addition, the Company makes usage data available to customers through an online "My Account" portal. The Settling Parties agreed that the Company may (but is not required to) propose the addition of a residential online home energy evaluation or similar program during the 2016-2018 DSM plan period, through the notice process, as deemed appropriate by the Company.

iii. Approval of Changes to Commercial and Industrial Program

35. *C&I New Construction – LEED Certification Requirement Removed.* Under the Corrected 2016-2018 DSM Plan, there was a requirement that C&I new construction applies to

the design and construction of LEED-certified new buildings. The Settling Parties agree to the removal of the LEED certification requirement. Removal of the LEED requirement will make the program more customer friendly, may reduce the cost for participation in the program, and may solicit more participants.

36. *C&I Self Direct -- Reinstated and EM&V.* The Company, in its Corrected 2016-2018 DSM Plan, did not include a C&I Self Direct program. This program, which provides rebates for cost-effective non-prescriptive measures/equipment for customers with an aggregated peak demand higher than 1 MW in any single month and annual energy usage of 5,000 MWh, was included in the Current DSM Plan.[11] On May 21, 2015, the Company issued a 90-Day Notice to discontinue this program due to lack of participation. Since the introduction of the C&I Self Direct Program, the Company's C&I customers have shown a clear preference for the Custom Program, which competes directly with the Self Direct Program's target market. Nevertheless, the Settling Parties agreed that, due to the flexibility accorded to the Company under the Corrected 2016-2018 DSM Plan, it would be appropriate to reinstate the C&I Self Direct program in the Current DSM Plan in order to provide other DSM alternatives to qualifying C&I customers such as the customer planned program described in paragraph 59 below. To facilitate this change, the Settling Parties agreed to reallocate a portion of the budget dollars from the C&I Custom program to fund the C&I Self Direct program. The net savings and budget per project for the re-introduced C&I Self Direct program remains consistent with that of the C&I Custom program net savings and budget per project, as constructed under the Corrected 2016-2018 DSM Plan (e.g. tiered incentives per kWh savings). Due to the addition of the C&I

[11] The Self Direct Program was intended to provide rebates to large C&I customers for self-funded energy efficiency projects. Under this program, businesses that design, engineer, implement, and commission qualifying projects can receive increased rebate levels to offset their costs of implementation, as further detailed in Attachment 2 to this Settlement Agreement.

Self Direct program, the Settling Parties also agree that the EM&V on this program will be conducted in 2018.

37. *C&I Prescriptive and C&I Lighting – Increased Participation.* The Settling Parties agreed to increase the opportunity to participate in both the C&I Prescriptive and the C&I Lighting program in each program year in order to increase combined savings goals. These higher participation goals are warranted based on recent participation rates along with program design planned for 2016-2018. The Settling Parties agree that the new participation levels are:

Program	**2016 Participation**	**2017 Participation**	**2018 Participation**
C&I Prescriptive	60	64	70
C&I Lighting (Prescriptive Lighting component)	364	393	415

Because of these participation changes, the associated budgets and savings goals are adjusted as well.

iv. Approval of Changes to Low Income Assistance Program

38. *CFL and LED Bulbs – Removal of CFLs.* Under the Low Income Assistance Program contained in the Corrected 2016-2018 DSM Plan, the Company proposed to distribute CFL bulbs. In order to promote use of LED bulbs, which are newer technology than CFL bulbs, the Settling Parties agree to eliminate the CFL component of the program. The Standard LED component of the program will be the only lighting component of the program, and the Settling Parties agree it will serve 240 participants per program year.

39. *Increased Participation and Resource Materials.* The Settling Parties agree that all eligible measures in the Low Income Assistance Program (Home Energy Evaluation/Direct

Install, Standard LED, ENERGY STAR Refrigerator, and Evaporative Cooling) contain increased estimated participation, as reflected in Attachment 2 to this Settlement Agreement. In addition, the Settling Parties agree that Black Hills will provide Home Energy Evaluation/Direct Install participants with a list of local agencies providing bill payment assistance, in addition to Black Hills Energy Assistance Program ("BHEAP") materials.

v. Approval of Changes to School Based Energy Education Program

40. Through the Corrected 2016-2018 DSM Plan, the Company proposed a School Based Energy Education Program. The program provides hands-on education lessons and energy savings kits to middle and high school students within Black Hills' service territory. The Settling Parties agree that it would also be beneficial to promote use of both LED and CFL bulbs through this program. As a result, four CFL bulbs will be added to each kit that is distributed. This will make the lighting component of the kit include three standard LEDs and four CFLs. Even though LED bulbs are a newer technology, the addition of the CFL bulbs allows for greater program savings at a relatively low program cost, because CFL bulbs are relatively low-cost when purchased in bulk.

D. Approval of the Impact of Modifications to Corrected 2016-2018 DSM Plan

41. The Settling Parties agree that changes to the Corrected 2016-2018 DSM Plan, as discussed in Section B above and as reflected in Attachment 2 to this Settlement Agreement, impact the Plan's budget, savings goals, mTRCs, and NTG ratios. With the exception of a NTG ratio change (which is discussed in Paragraph 27 of this Settlement Agreement), each of these impacts are addressed below.

i. Approval of Changes to the Corrected 2016-2018 DSM Plan Budget

42. Black Hills' Corrected 2016-2018 DSM Plan Budget is impacted by the aforementioned modifications. In addition, the Settling Parties agreed to significantly reduce the General Administration and General Marketing/Education budgets. The budget impacts, as agreed by the Settling Parties, are reflected on the table below:

Budget Impacts of Settlement Agreement									
Sector	**2016**			**2017**			**2018**		
	Corrected Budget	**Settlement Budget**	**% Change**	**Corrected Budget**	**Settlement Budget**	**% Change**	**Corrected Budget**	**Settlement Budget**	**% Change**
Residential	$1,282,027	$1,327,978	3.6%	$1,301,695	$1,353,506	4.0%	$1,375,321	$1,432,992	4.2%
C&I	$2,703,442	$2,945,307	8.9%	$2,880,627	$3,126,354	8.5%	$3,051,728	$3,303,271	8.2%
Special[12]	$818,866	$1,028,026	25.5%	$818,866	$1,028,026	25.5%	$818,866	$1,028,026	25.5%
General Administration	$300,000	$187,500	(37.5%)	$300,000	$187,500	(37.5%)	$300,000	$187,500	(37.5%)
General Marketing/ Education	$300,000	$187,500	(37.5%)	$300,000	$187,500	(37.5%)	$300,000	$187,500	(37.5%)
Evaluation	$240,217	$283,816	18%	$250,059	$294,144	17.6%	$302,296	$346,964	14.8%
Total	**$5,644,552**	**$5,960,126**	**5.6%**	**$5,851,247**	**$6,177,030**	**5.6%**	**$6,148,211**	**$6,486,252**	**5.5%**

[12] The Special Sector includes the Low Income Assistance Program and School Based Energy Education Program.

ii. Approval of Changes to Demand and Energy Savings Goals

43. The estimated demand savings goals in Black Hills' Corrected 2016-2018 DSM Plan are affected by the modifications discussed above. The changes to the demand savings goals (at the meter), as agreed by the Settling Parties, are reflected in the table below:[13]

Demand Savings Goals (kW) @ Meter									
Sector	2016			2017			2018		
	Corrected Demand Savings Goals (kW)	Settlement Demand Savings Goals (kW)	% Change	Corrected Demand Savings Goals (kW)	Settlement Demand Savings Goals (kW)	% Change	Corrected Savings Goals (kW)	Settlement Demand Savings Goals (kW)	% Change
Residential	1,431	1,444	0.9%	1,630	1,646	1.0%	1,686	1,705	1.1%
C&I	2,136	2,513	17.6%	2,268	2,657	17.2%	2,397	2,803	16.9%
Special	780	959	22.9%	780	959	22.9%	780	959	22.9%
Total	**4,347**	**4,916**	**13.1%**	**4,678**	**5,261**	**12.5%**	**4,863**	**5,466**	**12.4%**

44. The estimated energy savings goals in Black Hills' Corrected 2016-2018 DSM Plan are likewise affected by the aforementioned modifications. The changes to the energy savings goals (at the meter), as agreed by the Settling Parties, are reflected in the table below:[14]

Energy Savings Goals (kWh) @ Meter									
Sector	2016			2017			2018		
	Corrected Energy Savings Goals (kWh)	Settlement Energy Savings Goals (kWh)	% Change	Corrected Energy Savings Goals (kWh)	Settlement Energy Savings Goals (kWh)	% Change	Corrected Energy Savings Goals (kWh)	Settlement Energy Savings Goals (kWh)	% Change
Residential	5,898,248	6,020,341	2.1%	6,965,846	7,117,048	2.2%	7,209,750	7,390,062	2.5%
C&I	7,891,034	8,891,014	12.7%	8,443,581	9,443,588	11.8%	8,982,222	9,982,329	11.1%
Special	1,555,842	2,013,891	29.4%	1,557,507	2,013,891	29.3%	1,559,171	2,013,891	29.2%
Total	**15,345,124**	**16,925,245**	**10.3%**	**16,966,934**	**18,574,528**	**9.5%**	**17,751,143**	**19,386,282**	**9.2%**

[13] Adjusted savings at the generator are reflected in Attachment 2 to this Settlement Agreement.
[14] Adjusted savings at the generator are reflected in Attachment 2 to this Settlement Agreement.

iii. Approval of Forecasted mTRCs

45. The forecasted mTRCs, on both an overall Plan and per program basis, are also affected by the aforementioned modifications. The Settling Parties agree that the forecasted overall Plan mTRC increases the cost effectiveness from 2.51 to 2.88. In addition, the changes to the forecasted mTRCs for each program, as agreed by the Settling Parties, are reflected in the table below:[15]

Forecasted Modified Total Resource Costs		
Program	**Corrected Plan mTRC**	**Settlement mTRC**
Residential High Efficiency Lighting	1.75	1.42
Residential Appliance Recycling	1.16	1.66
Residential Onsite Energy Evaluation	1.74	1.74
Residential High Efficiency Cooling Program	8.37	8.37
Residential Home Energy Comparison Report	1.19	1.19
C&I New Construction	3.59	3.59
C&I Custom	2.76	2.76
C&I Self Direct	n/a	2.92
C&I Prescriptive	3.04	2.95
C&I Lighting	3.70	3.69
Low Income Assistance	3.94	3.81
School Based EE	2.05	2.37

iv. Approval of DSMCA Impact

46. The current DSMCA, which became effective on July 1, 2015, is 2.26% as reflected on Black Hills Tariff No. 9 at Sheet No. 71. The next DSMCA filing is due on October

[15] Adjusted savings at the generator are reflected in Attachment 2 to this Settlement Agreement.

1, 2015, with an effective date of January 1, 2016. Inputs to the October 1, 2015 DSMCA filing include projected sales revenue, which is now available based on data through August 2015.

47. The Settling Parties are not seeking approval of the next DSMCA rider through this Settlement Agreement. However, the Settling Parties project that the DSMCA Rider for the October 2015 filing would be approximately 2.60%, as reflected on Attachment 4 to this Settlement Agreement. Under this scenario, as of January 1, 2016, the Settling Parties agree that the typical residential customer would have an increase of approximately 0.33% or about $0.33 per month. The typical small commercial customer would have an increase of approximately 0.33% or about $1.26 per month. The Settling Parties agree this is a reasonable impact in light of the energy efficiency opportunities made available to the Company's customers under the Corrected 2016-2018 DSM Plan, as modified by this Settlement Agreement.

E. Approval of Non-Program Specific Changes

48. In addition to the modifications to the Corrected 2016-2018 DSM Plan, the Settling Parties have agreed to several other non-program specific changes, as addressed in this section.

i. Approval of Notice of Plan Changes

49. In the Application, as further detailed in the Corrected Direct Testimony of Mr. Jurek filed in this proceeding, the Company sought approval to provide 30-day and 60-day advance notice of Plan changes without the requirement of Commission approval.[16] The Settling Parties agree that more advance notice of Plan changes is required (as existed in the Company's Current DSM Plan), and therefore agree to the following:

[16] Application, ¶¶ 19-21.

Notice of Changes. The Company will provide the following two types of advance notice of Plan changes. Changes pursuant to notice, however, cannot exceed the 115% budget flexibility.

60-Days Advance Notice:

- Addition of a new DSM program
- Changes to eligibility requirements
- Changes related to rebate levels
- New or eliminated measures within a DSM program
- Modification of the approved avoided costs or technical assumptions

90-Days Advance Notice:

- Discontinuance of any DSM program

50. 60- and 90-Day Notices will be provided to all parties on the certificate of service for this Proceeding via email and they will also be posted on Black Hills' energy efficiency website.[17] The required notice will explain the change being made. Parties receiving such notice will have 30 days from the date of the Notice within which to provide a response to the Company's notification. The notice will provide direction on how to provide a response to the Company. Prior to expiration of 30 days from the date of the Notice, the Company will offer to meet with the parties on the certificate of service or their representatives to discuss the Notice. If there are no timely responses to the proposal in the Notice, the Company will implement the proposed change on or after the 31st day from the date of the Notice. If timely responses are received by the Company, prior to implementing the proposed change upon expiration of 60- or 90-Day Notice, the Company will act in good faith in considering any responses received and,

[17] Posting the notices on the Black Hills energy efficiency website is a new requirement under this Plan.

upon written request, will provide its rationale for the action on the changes to a program proposed by a response. The Settling Parties agree that the previous notice of change process has been effective and provided both sufficient opportunity for stakeholder involvement and flexibility for Black Hills.

ii. *Approval of Avoided Costs*

51. The Settling Parties agree that the avoided costs used by Black Hills in development of the Corrected 2016-2018 DSM Plan should be approved. These avoided costs are set forth below.

	Avoided Cost	**Capacity Cost**	**Avoided Cost w/NEBs**	**Capacity Cost w/NEBs**	**Avoided Energy Cost**
Year	$ per kWh	$ per kW	Real $ per kWh	Real $ per kW	Real $ per therm
2016	$0.035	$241	$0.039	$266	$0.525
2017	$0.04	$247	$0.039	$253	$0.500
2018	$0.04	$254	$0.041	$241	$0.477
2019	$0.05	$260	$0.041	$230	$0.455
2020	$0.05	$266	$0.040	$219	$0.433
2021	$0.05	$273	$0.040	$209	$0.413
2022	$0.06	$280	$0.039	$199	$0.393
2023	$0.06	$287	$0.037	$190	$0.375
2024	$0.06	$294	$0.036	$181	$0.357
2025	$0.06	$302	$0.035	$172	$0.341
2026	$0.06	$309	$0.034	$164	$0.325
2027	$0.07	$317	$0.032	$156	$0.309
2028	$0.07	$325	$0.031	$149	$0.295
2029	$0.07	$333	$0.030	$142	$0.281
2030	$0.07	$341	$0.029	$135	$0.268
2031	$0.08	$350	$0.028	$129	$0.255
2032	$0.08	$358	$0.028	$123	$0.243
2033	$0.09	$367	$0.027	$117	$0.232
2034	$0.09	$377	$0.026	$112	$0.221
2035	$0.09	$386	$0.026	$106	$0.211
2036	$0.10	$396	$0.025	$101	$0.201
2037	$0.10	$406	$0.024	$97	$0.191
2038	$0.11	$416	$0.023	$92	$0.182
2039	$0.11	$426	$0.022	$88	$0.174
2040	$0.11	$437	$0.021	$84	$0.166
2041	$0.11	$448	$0.020	$80	$0.158
2042	$0.12	$459	$0.019	$76	$0.150
2043	$0.12	$470	$0.018	$72	$0.143

2044	$0.12	$482	$0.017	$69	$0.137
2045	$0.12	$494	$0.017	$66	$0.130
2046	$0.13	$506	$0.016	$63	$0.124
2047	$0.13	$519	$0.015	$60	$0.118

iii. *Approval of Changes to Annual Status Reports*

52. The Settling Parties agree to add the following additional reporting components, as discussed in this subsection, to the Annual Status Reports.

53. In the Corrected 2016-2018 DSM Plan, as mentioned earlier in this Settlement Agreement, Black Hills proposed reporting savings at the meter in its annual status reports. The Settling Parties have agreed, however, that in its Annual Status Reports, Black Hills will report kW and kWh savings at both the meter and at the generator.

54. In addition, the Settling Parties agree that Black Hills will, in its Annual Status Reports, numerically report on the number of participants in the Customer Evaluation (Direct Install) Measures component of its Low Income Assistance Program who also participate in the Company's BHEAP program.

iv. *Approval of Low Income Stakeholder Process*

55. The Settling Parties agree that Black Hills, CEO and other interested stakeholders, including Energy Outreach Colorado as appropriate, will, beginning in January 2016, meet quarterly, or at such other frequency as mutually agreed, for the purpose of discussing coordination and cross-promotion of its Energy Assistance Program (BHEAP) through its 2016-2018 DSM Plan Low Income Program. 2016-2018 DSM Plan changes resulting from these stakeholder meetings, if any, will be implemented through the Plan's notice provisions.

v. *Approval of Demand Response Pilot Development Process*

56. In order to achieve energy and demand response savings goals in its territory in this plan period and beyond, the Settling Parties agree that Black Hills, EEBC, SWEEP and other

interested stakeholders will, beginning in January 2016, meet quarterly, or at such other frequency as mutually agreed, for the purpose of developing a mutually acceptable framework for a potential demand response pilot focused on residential and/or small commercial customers. The pilot program investigation will include consideration of a program focused on studying demand response potential as well as energy savings from adoption of Smart Thermostats. If feasible, and if projected to result in a cost-effective full scale program, the Company would implement, sometime during the 2016-2018 DSM Plan period, the pilot upon a 60-day notice, or as otherwise agreed by the parties.

57. As a result of the Demand-Response Pilot development concept above, the Settling Parties agree that Black Hills will, at this time, withdraw its proposal to file a report with the Commission on the economic feasibility of implementing a residential DSM "Saver's Switch" program within twenty-four (24) months of the effective date of the final Commission decision approving the Plan. The Settling Parties agree that in light of the Company's AMI meters, and advancements in technology, other demand response alternatives should also be explored.

vi. Approval of Enhanced C&I Customer Outreach

58. In an effort to make C&I customers more aware of available DSM offerings, the Settling Parties agree that the Company will hold semi-annual C&I customer outreach meetings.

59. In addition, one of the Public Intervenors, FVA, a Large Power customer, operates two large pumping plants in the Company's service territory. FVA has informed the Settling Parties that it is currently in the process of redesigning a major pump replacement project (the "Replacement Project") at its Pumping Plant #2, the larger electric load of its two pumping plants. FVA advised the Settling Parties that the Replacement Project is underway in an effort to enhance energy efficiency and achieve FVA's energy efficiency goals. FVA has

requested that the Company provide coordination and information assistance to maximize the potential qualification of the Replacement Project as an eligible C&I Custom or C&I Self Direct program. To that end, the Settling Parties agree that the Company will assign a C&I Customer program supervisor to meet periodically and confer with FVA to provide such coordination assistance and work with FVA in a collaborative manner to maximize the opportunity to qualify this work as an eligible program in the DSM Plan approved in this proceeding. FVA acknowledges that it is solely responsible for undertaking the Replacement Project redesign and procuring equipment that meets the eligible DSM Program requirements approved in this proceeding.

F. Approval to Keep Existing Black Hills DSMCA Incentive Structure

60. In the Application, Black Hills seeks approval to keep its existing DSMCA incentive structure as set forth in the DSMCA Tariff Sheets and implemented through the DSMCA Rider found at Tariff Sheet No. 71. As discussed earlier in this Settlement Agreement, the existing DSMCA incentive structure has been in place, without change, since 2009. Even the FDO amount of $150,000 (which remains static regardless of the level of achievement above 80%) has remained the same. The Company's DSMCA incentive structure is similar to, but not identical to, the DSMCA incentive structure that was in place for Public Service Company of Colorado ("PSCo") through June 2015. PSCo's former DSMCA incentive structure, for example, provided for different levels of the FDO at 80% and 100% of energy savings goal achievement, and, at 100% of goal, the performance incentive was at 5%, while Black Hills' performance incentive at 100% of goal is only 4%.

61. The Settling Parties are aware that the Commission, through Decision No. C14-0731 issued on July 1, 2014 in Proceeding No. 13A-0686EG ("PSCo Decision"), rejected

PSCo's request to increase the amount of FDO it would earn at the 80 percent level of achievement of savings goals. PSCo also proposed that it be entitled to earn a performance incentive beginning at the 75 percent level of achievement, whereby PSCo would earn 3 percent of projected net savings and, thereafter, for every 5 percentage points of additional achievement, the performance incentive would increase by 2 percentage points. For example, under PSCo's proposal, it would have earned 13 percent of projected net savings for achieving 100 percent of goal. Likewise, PSCo proposed to cap the percentage of retained projected net dollar savings at 21 percent.[18]

62. In the PSCo Decision, the Commission rejected PSCo's request, and instead ordered a different DSMCA incentive structure on PSCo.[19]

63. The record in this proceeding, including without limitation the Supplemental Direct Testimony of Steven M. Jurek, and the comparative analysis contained in Attachment 5 to this Settlement Agreement, supports Black Hills' request to keep its current DSMCA incentive structure. The Settling Parties acknowledge and agree that the Company's current DSMCA incentive structure should be maintained notwithstanding the recent changes to PSCo's incentive structure for the reasons stated in Attachment 5.

64. *Black Hills' Current Financial Disincentive Offset Structure Compared to PSCo's Prior Financial Disincentive Offset Structure.* Under Black Hills' current FDO structure as found in its DSMCA tariff, Black Hills receives a $150,000 FDO if it meets 80% or higher of its energy savings goal. For plan years 2014 and 2015, this fixed FDO, if earned, is only 3.2% and 2.9% of the Black Hills' budget, respectively. By contrast, PSCo's FDO through the plan year ending June 2015 varies depending on the percentage of the energy savings goal attained. As

[18] Decision No. C14-0731, ¶24.
[19] *Id.* at ¶¶31-32.

shown on the table below, PSCo's FDO as a percentage of its DSM budget at 100% of goal for 2013 and 2014 is appreciably higher. PSCo had 2 thresholds under its prior FDO structure, and Black Hills only has one.

		DSM Plan Year	DSM Plan Year Budget	DO at 80% of Savings Goal	DO as a % of DSM Budget	DO at 100% of Savings Goal	DO as a % of DSM Budget
Black Hills	**Current DSM Plan**	2014	$4,734,284	$150,000	3.2%	$150,000	3.2%
		2015	$5,236,483	$150,000	2.9%	$150,000	2.9%
PSCo	**DSM Plan Ending June, 2015**	2013	$83,001,201	$3,200,000	3.9%	$5,000,000	6.0%
		2014	$87,763,495	$3,200,000	3.6%	$5,000,000	5.7%

65. *Black Hills' FDO Would Be Increased Under PSCo's Recently Approved FDO Structure*. If Black Hills were to be required to follow the design of PSCo's recently approved FDO, which at $5,000,000 is approximately 5.93% of PSCo's annual budget cap of $84.3 million,[20] Black Hills' FDO would increase to a minimum of $369,000 per year. This is illustrated below:

	Plan Year	Proposed Plan Budget
	2016	$5,960,126
	2017	$6,177,030
	2018	$6,486,252
	Total	$18,623,408
Financial Disincentive Offset set at 5.93% of Budget		$1,104,368
Plan Year Financial Disincentive Offset (DO)		$369,000

66. Further, grossing up the economic benefit actually achieved by Black Hills in 2014 to 100% demonstrates that if Black Hills were to achieve 100% of the energy savings goal

[20] The actual Commission-approved PSCo budgets for 2015 and 2016 are $81,620,698 and $78,987,015, respectively. *See* Appendix A to Decision No. R15-0496, Proceeding No. 14A-1057EG, at p. 6.

under PSCo's new structure, the combined FDO and performance incentive ("PI") would be significantly increased, which would result in a higher DSMCA rider relative to revenue for the Company's customers than the DSMCA rider that would result under the Company's current DSMCA structure:[21]

100% of 2014 Goal Attainment Under PSCo's New Structure:

$296,000[22] FDO + $525,213 PI = $821,213 Total

100% of 2014 Goal Attainment Under Black Hills' Current Structure:

$150,000 DO + $420,171 PI = $570,171 Total

Accordingly, the Company's combined FDO and PI has the potential to be significantly more impactful to Black Hills' customers under PSCo's current structure. The Settling Parties have reviewed comparative data as between Black Hills and PSCo and acknowledge and agree that it is not appropriate to change Black Hills' current DSMCA disincentive offset and incentive structure.[23] Rather, the Settling Parties agree that Black Hills should maintain its existing disincentive offset and incentive structure. The comparative data reviewed and relied upon in support of this Settlement Agreement includes (1) historical DSM plan performance, (2) DSM program allocations and (3) data regarding the utilities' respective service territories. This comparative data reflects distinct differences between PSCo and Black Hills as to plan performance, program allocation and service territory demographics, all of which support maintaining Black Hills' current DSMCA disincentive offset and incentive structure.

[21] Black Hills earns a 4% performance incentive at 100% of energy savings goal under its current DSMCA incentive structure while PSCo, under its new DSMCA incentive structure, earns a 5% performance incentive at 100% of energy savings goal.
[22] The $296,000 FDO is 5.93% of the average annual budget under the Current DSM Plan.
[23] *See* Supplemental Direct Testimony of Steven M. Jurek, and the comparative analysis contained in Attachment 5 to this Settlement Agreement

III. GENERAL TERMS AND CONDITIONS

67. Through active prehearing investigation and negotiations, the Settling Parties have negotiated agreements set forth in this Settlement Agreement, resolving the enumerated contested and disputed issues in this proceeding in a manner which the Settling Parties agree is just and reasonable and in the public interest. This Settlement Agreement reflects the compromise and settlement of those issues between the Settling Parties in this proceeding. The Settling Parties further agree that reaching agreement by means of negotiations, rather than through litigation, is in the public interest.

68. The Settling Parties agree to present, to support, and to defend this Settlement Agreement before the Commission and in the courts. They further agree to present testimony and exhibits in any hearing set, in whole or in part, for the purpose of obtaining the Commission’s approval of this Settlement Agreement. This Settlement Agreement shall not become effective until the issuance of a final Commission order approving the Settlement Agreement which Commission order does not contain any modification of the terms and conditions of this Settlement Agreement that is unacceptable to any of the Settling Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any of the Settling Parties, that Party shall have the right to withdraw from this Agreement and proceed to hearing on the issues that may be appropriately raised by that Party in this proceeding. The withdrawing Party shall notify the Commission and the other Party to the Settlement Agreement by e-filing within three business days of the Commission-ordered modification that the Party is withdrawing from the Settlement Agreement and that the Party is ready to proceed to hearing; the e-filing shall designate the precise issue or issues upon which the Party desires to proceed to hearing.

69. Approval by the Commission of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable, and reasonable resolution of the disputed issues resolved herein.

70. The Settling Parties specifically agree and understand that this Settlement Agreement represents a negotiated settlement that is in the public interest with respect to the various matters and issues enumerated herein and for the reasons stated. The Settling Parties shall not be deemed to have approved, accepted, agreed to, or consented to any concept, theory or principle underlying or supposed to underlie any of the matters provided for in this Settlement Agreement, other than as specifically provided for herein. Notwithstanding the resolution of the issues set forth in this Settlement Agreement, none of the methods or principles herein contained shall be deemed by the Settling Parties to constitute a settled practice or precedent in any future proceeding.

71. This Settlement Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. The parties are not relying on any statement or representation not contained herein.

72. This Settlement Agreement may be executed in counterparts and by facsimile or electronic copies of signatures, all of which when taken together shall constitute the entire Settlement Agreement with respect to the matters addressed herein.

IV. CONCLUSION

For the reasons stated above, the Settling Parties respectfully request that the Commission enter an order granting Black Hills' Application consistent with this Settlement Agreement, with the finding that the Commission's approval of this Settlement Agreement represents a fair, just, and reasonable resolution of any and all disputes in this proceeding as to those issues.

Date: September 18, 2015

Approved as to form:

BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP:

By: */s/ Kevin L. Opp*
Kevin L. Opp # 36607
Corporate Counsel
Black Hills Corporation
1515 Wynkoop Street, Suite 500
Denver, CO 80202
Telephone: 303-566-3455
Email: kevin.opp@blackhillscorp.com

Attorney for Black Hills/Colorado Electric Utility Company, LP

Agreed on behalf of:

BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, LP:

By: */s/ Steven M. Jurek*
Steven M. Jurek
Director Energy Efficiency
Black Hills Corporation
1102 East 1st Street
Papillion, NE 68046
Telephone: 402-221-2262
Email:Steve.Jurek@blackhillscorp.com

Approved as to form:

OFFICE OF THE ATTORNEY GENERAL

By: */s/ Scott F. Dunbar*

Scott F. Dunbar, # 44521*
Assistant Attorney General
Anne K. Botterud, # 20726*
First Assistant Attorney General
Revenue and Utilities Section
Attorneys for Trial Staff of the
Public Utilities Commission
Ralph L. Carr Colorado Judicial Center
1300 Broadway, 8th Floor
Denver, Colorado 80203
Telephone: 720-508-6336 (Dunbar)
Telephone: 720-508-6334 (Botterud)
Fax: -720-508-6038
Email: scott.dunbar@state.co.us

Attorneys for Staff of the Colorado Public Utilities Commission

Agreed on behalf of:

STAFF OF THE COLORADO PUBLIC UTILITIES COMMISSION:

By: */s/ Gene Camp*

Gene Camp, PE
Chief Engineer
Energy Section
Colorado Department of Regulatory Agencies
Public Utilities Commission
Energy Section
1560 Broadway, Suite 250
Denver, CO 80202
Telephone: 303-894-2047
Email: gene.camp@state.co.us

Approved as to form:

OFFICE OF THE ATTORNEY GENERAL

By: */s/ Thomas F. Dixon*

Thomas F. Dixon, 500
First Assistant Attorney General
Brent Coleman, 44400
Assistant Attorney General
Office of Consumer Counsel Unit
Ralph L. Carr Colorado Judicial Center
1300 Broadway, 7th Floor
Denver, Colorado 80203
Telephone: (720) 508-6214
(720) 508-6213
Email: thomas.dixon@state.co.us
brent.coleman@state.co.us

Attorneys for the Office of Consumer Counsel

Agreed on behalf of:

OFFICE OF THE CONSUMER COUNSEL:

By: */s/ Ron Fernandez*

Ron Fernandez
Rate/Financial Analyst
Office of Consumer Counsel
1560 Broadway, Suite 200
Denver, CO 80202
Telephone: 303-894-2123
ron.fernandez@state.co.us

Approved as to form:

OFFICE OF THE ATTORNEY GENERAL

By: *<u>/s/ Ellen I. Howard</u>*
Ellen I. Howard, #46019
Assistant Attorney General
Natural Resources and Environment Section
Ralph L. Carr Colorado Judicial Center
1300 Broadway, 7th Floor
Denver, Colorado 80203
Telephone:(720) 508-6271
Email: ellen.howard@state.co.us

ATTORNEY FOR THE COLORADO ENERGY OFFICE

Agreed on behalf of:

COLORADO ENERGY OFFICE:

By: *<u>/s/ Chris Worley</u>*
Christopher Worley, Ph.D.
Director of Policy and Research
Colorado Energy Office
1580 Logan Street, Suite 100
Denver, CO 80203
Telephone: 303-866-2614
Email: chris.worley@state.co.us

Approved as to form and agreed to on behalf of Southwest Energy Efficiency Project (SWEEP):

By: Sue Ellen Harrison

Sue Ellen Harrison #5770
Attorney for Southwest Energy Efficiency Project (SWEEP)
Sue Ellen Harrison PC
840 12th Street
Boulder, Colorado 80302
303-931-4433
seharrisonpc@gmail.com

By: Howard Geller

Executive Director
Southwest Energy Efficiency Project (SWEEP)
2334 Broadway, Ste. A
Boulder, CO 80304
303-447-0078 x 1
hgeller@swenergy.org

Approved as to form and agreed to on behalf of the Board of Water Works of Pueblo, Colorado and the Fountain Valley Authority:

William Hamilton McEwan

____

William H. McEwan, Reg. No. 3082
8272 W. Cielo Grande
Peoria, Arizona 85383
(303) 829-5371
bmcewan@ix.netcom.com
Attorney for the Board of Water Works and the Fountain Valley Authority

Approved as to form and agreed to on behalf of the Energy Efficiency Business Coalition:

DIETZE AND DAVIS, P.C.

By:
Mark D. Detsky, Atty. Reg. No. 35276
Gabriella Stockmayer, Atty. Reg. No. 43770
2060 Broadway, Suite 400
Boulder, CO 80302
Phone: (303) 447-1375
Fax: (303) 440-9036
Email: MDetsky@dietzedavis.com

ATTORNEYS FOR ENERGY EFFICIENCY BUSINESS COALITION

CERTIFICATE OF SERVICE

I hereby certify that on September 18, 2015 the foregoing document was served on those parties shown on the Commission's Certificate of Service accompanying such filing.

By: *<u>/s/ Margo A. Parker</u>*