BLACK HILLS POWER, INC.
d/b/a BLACK HILLS ENERGY
EL17-045

REQUEST DATE : 10/18/17

RESPONSE DATE : 10/30/17

REQUESTING PARTY: Staff

SDPUC Request No. 1.5:

Please explain what drove the overspending in General Administration expenses for PY2016.

Response to SDPUC Request No. 1.5:

The Company experienced higher administrative costs and lower marketing & training costs compared to the budgeted amounts included in plan design for PY2016. The Company makes it a practice to manage the administrative, marketing and training costs collectively as designed in the portfolio. Due to the difficulty in forecasting participation within certain programs, the Company makes allocation decisions and adjusts its time management costs as each program warrants. An example of an allocation decision that took place in PY2016 was the additional marketing efforts that were needed to address the issue the Company faces with the closing of the on-line store related to its Residential LED program. In PY2016, the Company also experienced additional higher than forecasted costs in administrative charges as a result of additional corporate oversight, which includes things like additional direct overhead, travel and other employee related expenses related to the management of the portfolio.

In PY2017, the new plan approved in Docket EL17-026, the Company took extra efforts in its ability to forecast administrative costs, by adopting the assignment of State specific administrative and marketing costs based upon the actual program percentage compared to the overall Black Hills portfolio. This approach was incorporated in the approved plan in Docket EL17-026, which should be a more accurate reflection of actual program administrative and marketing & training costs.

Attachments: None

Responder: Don Martinez