

NorthWestern Energy
Docket GE12-001
South Dakota Demand Side Management Plan
South Dakota Public Utility Commission (SDPUC)

Data Request May 13, 2014

PUC Fiegen – Q5

Describe the “give and take” between NorthWestern and staff over the years of 2009-2014 regarding the most recent DSM proposal.

RESPONSE: (May 23, 2014)

Since the original filing in 2009, there have been a number of interactions between the SD PUC Staff and NorthWestern Energy (NWE) regarding NorthWestern’s DSM Proposed Plan as recounted below:

1. Original filing in 2009 (GE09-001) NorthWestern initially requested the following:

- A. Capitalize DSM Program Costs
- B. Recovery of Lost Revenues- Using the same methodology as in Montana.
- C. Performance Incentive for exceeding DSM annual goals
 - a) Performance Incentive- original proposal by NorthWestern:

In conjunction with the DSM Program Cost Tracking and Lost Revenue Recovery Mechanism, NWE proposed a DSM Performance Incentive. The incentive would be capped at 30% of NorthWestern’s approved annual spending budget. This DSM Performance Incentive included the following attributes:

- Incentive calculated separately for gas and electric.
- Residential and non-residential programs combined for incentive calculations.

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- Incentives could not be negative (i.e., no penalty if goals are not achieved).
- Net benefits defined as the avoided cost of the energy savings minus the associated DSM Program costs.
- The kilowatt-hour (kWh) or Therm savings assumed for each program in establishing the target net benefits calculation used in calculating the achieved net benefits (i.e., assumes avoided costs do not change).
- Achieved net benefits calculated as a percentage of target net benefits.
- No incentive earned if less than 100% of targeted kWh or Therm savings achieved but incentive would begin at 100% of kWh or Therm savings achieved.
- Incentive based on six steps – 100%, 110%, 120%, 130%, 140%, and 150% of targeted energy savings – and not prorated between.
- Maximum incentive 30% of the approved DSM budget.
- Calculation to yield the percentage multiplier per step would be the maximum incentive (30% of budget) divided by 150% of the target net benefits proposed in the plan divided by six steps for incentive levels.
- Percentage multipliers established at the time of initial plan filing.

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- No incentive assumed in the initial year; incentive awards included in the following year's cost recovery filing.
 - If customer response to programs exceeds expectations, NWE would be allowed to adjust marketing, rebate levels and other program parameters in an effort to keep overall spending within budget.
- D. Home Energy Audit – included in the DSM Plan even though not cost-effective from a Total Resource Cost Test (TRC) standpoint.
- E. CFL program included in the DSM Plan.
- F. TRC Benefit/Cost test threshold of 0.9 or greater (a 10% Environmental Benefit Factor).
- 2. 2012 DSM program Filing (GE12-001)**
- A. SDPUC staff resisted capitalizing of DSM Program Costs, so NorthWestern proposed expensing for cost recovery.
- B. SDPUC staff resisted Lost Revenue Recovery Mechanism as proposed by NWE; staff instead indicated a Lost Margin Recovery method using a percentage adder to the approved DSM Program Budget ("Fixed Percentage Incentive" or "FPI") would be more appropriate and consistent with other South Dakota utility plans. NorthWestern agreed to this.
- C. SDPUC staff resisted original Performance Incentive proposed by NorthWestern Energy. NorthWestern deleted this from its proposal.

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D. SDPUC staff resisted inclusion of CFLs and Home Energy Audits. NorthWestern continued to argue in support of these two program elements.

3. 2014 Updated DSM Program Filing (GE12-001)

Primary DSM Plan elements include the following:

- A. Expensing DSM Program costs.

- B. Lost Margin adder ("FPI") on spending up to approved DSM budget, with request for a +/- 30% variance of actual spending vs. approved DSM budget. "FPI" would apply to actual spending up to 30% over approved DSM budget. NorthWestern commits to maintaining close communications with staff regarding spending vs. approved DSM budget.

- C. No Performance Incentive (as initially proposed by NorthWestern in Docket GE09-001).

- D. Environmental benefits adder included in cost-effectiveness calculation methodology; cost-effectiveness based on TRC value of 0.9 or greater.

- E. CFLs included in 2014 DSM Plan.

- F. Home Energy Audits remain in 2014 DSM Plan.