

NorthWestern Energy
Docket GE15-002
South Dakota DSM Filing

South Dakota Public Utilities Commission
First Data Request (1-1 – 1-11)

Data Requests received August 13, 2015

- 1-8) Please provide any evaluations completed that determined what programs should be removed and what programs should be added.

RESPONSE:

No external evaluations of the South Dakota offerings have been conducted at this time. Internal reviews of individual measures and programs are conducted annually. Individual measures for each program are reviewed based on average measure savings life, average measure savings quantity, and *average* incremental customer measure costs. This measure data originates from third party potential assessments performed for NorthWestern's Montana service territory—electric (2010) and natural gas (2014). As previously reported to the Commission, the Montana data has been applied to South Dakota. The measure savings life, savings quantity, and current South Dakota avoided costs for electricity and natural gas result in the resource value of the measure. The measure resource value is divided by the *average* cost for a customer to install the measure to derive the *measure* total resource cost (TRC) test. Individual measures with a TRC test result of 0.9 or greater are grouped for a program offering to customer segments—i.e. residential electric existing, commercial electric existing.

The steps followed to determine whether a measure is offered are:

- NorthWestern applies current avoided costs to the library of measure costs and savings for all sectors from the most recent third party potential assessment
 - Also for the Year 2 program design, the more current cost and savings were applied as available and appropriate—i.e. updated ENERGY STAR[®] calculators, or other current source
- If a measure results in a $TRC \geq 0.9$ for any sector, NorthWestern includes the measure for consideration in a program grouping
- If a measure results in a $TRC < 0.9$ for all sectors, NorthWestern removes the measure for consideration
- NorthWestern then reviews the measures with a $TRC \geq 0.9$ by considering the simple payback, the rebate percentage of the resource value, and the rebate percentage of the average customer incremental cost to determine rebates and for program design.

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Changes in avoided costs are the most predominant reason for measures being added or removed from programs on an annual basis. Lower avoided costs have resulted in some measures being removed or rebates to be reduced for Year 2 compared to Year 1. Also contributing to changes in rebates or measures for Year 2 are changes in qualifying ENERGY STAR measures and updates to the energy-savings calculators provided through ENERGY STAR.

For the most part, changes to Year 2 from the original DSM Plan have been at the measure level. There are three exceptions.

One delivery mechanism within the residential lighting program has been removed. In Year 1, NorthWestern offered the In-Store Coupon for instant rebates on compact fluorescent lamps (CFLs) through participating retailers as part of the residential lighting program. This delivery mechanism served to raise awareness of the energy efficiency offerings launched in Year 1 and, based on the cost effectiveness analysis and on the experience in Montana, was expected to acquire cost effective electric savings. The analysis of this offering following the Fall of 2014 and the Spring of 2015 campaigns has determined that this will not be a cost effective delivery mechanism in South Dakota. Attachment 1-8 provides an example evaluation of the Year 1 Spring CFL Coupon Offering, reflecting one portion of the residential lighting program. The measure savings life is assumed at 20 years. The savings for the In-Store Coupon Offering for Year 1 was 48,857 kWh. The cost of this delivery mechanism was \$54,918. The electric resource savings value is \$15,700. Based on this analysis, the In-Store Coupon delivery mechanism will not be offered in Year 2. However, the residential home lighting CFL mail-in rebate offering is continued in Year 2. Educational messages encouraging customers to install appropriate high efficiency lighting in high use locations will continue.

New Construction programs were included in the original DSM Plan for introduction in Year 2. Following the review process described above, the only measures remaining for the Residential Natural Gas New Construction program were measures to save natural gas related to hot water, specifically, low flow showerheads and faucet aerators. Based upon experience with residential new construction programs, it was determined

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that this limited set of measures for the small level of rebates available is not sufficient to attract the level of customer participation needed to support a cost-effective residential natural gas new construction program. As a result, the residential natural gas new construction program is not being introduced in Year 2. Similarly, the updated cost effective measure list for the Commercial Natural Gas New Construction program did not generate a sufficient volume of measures at a level of rebate in a limited market to warrant a program offering at this time.

See the response to Data Request 1-7 for a list of the revisions made to Year 2 compared to Year 1 for the existing residential and commercial measures as a result of the updated measure TRC analysis.

See Attachment1-8 for the outcomes of the 2015 Spring In-Store Coupon delivery mechanism.