



May 20, 2016

Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
500 E. Capital
Pierre, SD 57501

RE: Filing by NorthWestern Corporation, d.b.a NorthWestern Energy, for Approval of a Six Month Extension to its South Dakota Demand Side Management Plan and Accompanying Natural Gas and Electric Tariff Revisions

Dear Ms. Van Gerpen:

In its order dated June 16, 2014 in Docket GE12-001, the South Dakota Public Utilities Commission (“Commission”) approved NorthWestern Energy’s (“NorthWestern”) two-year South Dakota natural gas and electric Demand Side Management Program Plan (“DSM Plan”) and accompanying tariff sheets effective July 1, 2014, and ending on June 30, 2016.

With this correspondence, NorthWestern respectfully requests that the Commission approve a six month extension of its natural gas and electric DSM Plan approved in Docket GE12-001 for the period of July 1 through December 31, 2016. NorthWestern also seeks Commission approval of necessary electric and natural gas tariff revisions for the Energy Efficiency Adjustment (“EEA”) to be effective July 1, 2016.

As noted in the DSM Plan and in discussions with the Commission leading to its approval, NorthWestern based much of its program design and offerings on information gathered through studies of its energy efficiency work in Montana. A third party contractor is currently completing an updated Electric Efficiency Potential Assessment (“Assessment”) and End Use and Load Profile Study (“Study”) in NorthWestern’s Montana service territory. The results of these activities should be available midsummer. The extension of the DSM Plan through December 2016 will allow information from the Assessment and Study to be incorporated into measure and program design for the next South Dakota energy efficiency offerings.

Additionally, NorthWestern is using the current energy efficiency successes in the South Dakota market to refine its marketing efforts with specific customers, customer groups, and trade allies to stimulate additional participation in areas where interest has been growing and, to increase awareness around other programs and measures. These efforts will better inform the needs and opportunities for future energy efficiency offerings in South Dakota.

If NorthWestern’s request to extend the current DSM Plan by six months is approved, NorthWestern will include the incremental energy savings and expenses in its 2016 annual DSM Report to the Commission which would be filed in February 2017 and reflect six quarters of activity from June 2015 through December 2016.



NorthWestern anticipates that the six month program extension budget will require an additional \$600,000 (approximately 43% of the Year 2 budget of \$1,386,832). The 2015-2016 Revised Budget with this addition is shown in Table 1. It includes \$219,700 for 338 residential audits, \$147,000 for DNV GL labor and expenses related to processing of rebates and program outreach, and \$233,300 for incentive payments. The Revised Budget also includes a 2% increase to cover the cost of living adjustments and business operating cost increases of DNV GL and a South Dakota Sales Tax increase from 4% to 4.5% effective June 1, 2016.

Table 1: South Dakota DSM 2015-2016 Budget (Approved and Revised)

NorthWestern's South Dakota DSM 2015-2016 Budget		
Electric and Natural Gas		
	Approved 2015-16 Budget	REVISED 2015-16 Budget
Contractor Expenses (DNV GL)		
Residential Audit Program		
Program Startup (contractor cost):		
Two vehicles (approximate, at cost)	\$ -	\$ -
RECAP & Database Development (T&M, not to exceed)	\$ -	\$ -
In-home audits	\$ 433,440	\$ 653,140
Program Subtotal	\$ 433,440	\$ 653,140
Residential/Commercial Electric & Natural Gas Rebate Programs		\$ -
Program Startup (contractor cost)	\$ 11,692	\$ 11,692
Outside Services:	\$ 266,150	\$ 413,150
Program Subtotal	\$ 277,842	\$ 424,842
		\$ -
Contractor Expenses (DNV GL) Total	\$ 711,282	\$ 1,077,982
NorthWestern Energy Expenses		
Rebates	\$ 400,000	\$ 633,300
Admin/non-labor (Travel, office supplies, etc.)	\$ 8,000	\$ 8,000
Advertising	\$ 267,550	\$ 267,550
NorthWestern Energy Expenses Total	\$ 675,550	\$ 908,850
Totals	\$ 1,386,832	\$ 1,986,832



A review of the affected tariffs was conducted by NorthWestern and we submit the revised tariffs with this communication. These revisions to the tariffs are based on program spending through the end of April 2016. The new EEA amount reflected in electric customers' bills will be \$0.0000 per kWh and natural gas customers will see a credit of \$0.0117 per therm. For both sets of customers, the new EEA is a reduction from the last approved adjustment to the EEA tariffs. The document titled Appendix B denotes the calculations used to determine the updated EEA for the electric and natural gas tariffs. The calculation includes the true-up balance as of April 30, 2016. This calculation will be updated upon approval to include the most recent true-up balance available to calculate the final rate.

NorthWestern plans to file its 2017 South Dakota DSM Plan for Commission review and approval in October 2016 and it will cover the January 1, 2017 through December 31, 2017 period.

NorthWestern personnel are available to meet with the Commission and Commission Staff regarding specific details regarding the impact of the extension and Revised Budget to NorthWestern's DSM Plan. If you have any questions, please feel free to contact me at 605-978-2900.

Sincerely,

Pamela A. Bonrud

Director – Government and Regulatory Affairs

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○ 605-978-2900

○ 605-321-4025

Cc: Danie Williams, NorthWestern Energy
Deb Young, NorthWestern Energy
Jeff Decker, NorthWestern Energy