

TO: COMMISSIONERS AND ADVISORS
FROM: DARREN KEARNEY AND ADAM DE HUECK
SUBJECT: DOCKET GE16-002 – NORTHWESTERN ENERGY DEMAND SIDE
MANAGEMENT PLAN EXTENSION
DATE: JUNE 17, 2016

STAFF MEMORANDUM

Overview

Docket GE16-002 involves a request from NorthWestern Energy (NorthWestern) to extend its current Demand Side Management (DSM) Plan and Energy Efficiency Adjustment (EEA) rates through December 31, 2016. The company plans to file its 2017 DSM Plan and EEA rate adjustment in October or November of this year. NorthWestern requests the extension in order to use information gathered in its updated Electric Efficiency Potential Assessment, to be completed this summer, when developing its South Dakota DSM Plan.

Budget Extension

Table 1 provides NorthWestern’s proposed budget for the extension period. It should be noted that the budget for the extension period applies to in-home audits, outside services (for labor and expenses related to processing of rebates and program outreach), and rebates. Imbedded within the extension period budget is also a 2% increase to cover cost of living adjustments and business operating cost increases for the outside services contractor, as well as a South Dakota Sales Tax increase from 4% to 4.5%.

	2015-16 Budget Approved in GE15-002	6 Month Extension Period Budget ¹	Extension Period Budget as Percent of Original Budget	Total 2015-16 Budget With Extension Period	Proposed Electric Budget for Extension Period	Proposed Gas Budget for Extension Period
Contractor Expenses						
Residential Audit Program						
Program Startup Costs:						
Two Vehicles	\$ -	\$ -		\$ -	\$ -	\$ -
RECAP and Database Develop	\$ -	\$ -		\$ -	\$ -	\$ -
In-home Audits	\$ 433,440	\$ 219,700	51%	\$ 653,140	\$ 109,850	\$ 109,850
Program Subtotal	\$ 433,440	\$ 219,700	51%	\$ 653,140	\$ 109,850	\$ 109,850
Res/Comm Elec and Gas Rebate						
Program Startup	\$ 11,692	\$ -		\$ 11,692	\$ -	\$ -
Outside Services	\$ 266,150	\$ 147,000	55%	\$ 413,150	\$ 102,900	\$ 44,100
Program Subtotal	\$ 277,842	\$ 147,000	53%	\$ 424,842	\$ 102,900	\$ 44,100
Contractor Expenses Total	\$ 711,282	\$ 366,700	52%	\$ 1,077,982	\$ 212,750	\$ 153,950
NWE Expenses						
Rebates	\$ 400,000	\$ 233,300	51%	\$ 633,300	\$ 209,970	\$ 23,330
Admin/non-labor (travel, supplies)	\$ 8,000	\$ -		\$ 8,000	\$ -	\$ -
Advertising	\$ 267,550	\$ -		\$ 267,550	\$ -	\$ -
NWE Total	\$ 675,550	\$ 233,300	35%	\$ 908,850	\$ 209,970	\$ 23,330
Total Estimated Budget	\$ 1,386,832	\$ 600,000	43%	\$ 1,986,832	\$ 422,720	\$ 177,280

1) The 6 Month Extension Period Budget is what the Commission is considering in this docket

Energy Efficiency Adjustment Rates

In its original filing, submitted on May 20, 2016, NorthWestern requested that the Commission approve rate reductions for the gas and electric Energy Efficiency Adjustment (EEA) rates. While preparing the forecasted monthly tracker account balances in response to Staff’s Data Requests 1-1 and 1-2, NorthWestern identified that rates would need to increase for both gas and electric services. Table 2 provides the rate adjustments and tracker balances that were considered by Staff and NorthWestern.

Table 2. Rate Options Considered						
	Original Filing ¹ (Rate Reduction)		If Adjusted ² (Rate Increase)		Current Rate (No Change)	
	Rate	Forecasted Tracker Balance ³	Rate	Forecasted Tracker Balance ³	Rate	Forecasted Tracker Balance ³
Electric Service	\$0.0000/kWh	\$ 406,736.96	\$0.00054/kWh	\$ (14,109.99)	\$0.0005/kWh	\$ 17,063.86
Gas Service	(\$0.0117)/therm	\$ 259,249.39	\$0.00816/therm	\$ (535.24)	(\$0.0070)/therm	\$ 131,419.85

1) Rate that was originally proposed by NorthWestern on May 20, 2016

2) Rate that would be required to zero out tracker balance if NorthWestern Changed its rates in this filing to be effective July 1, 2016

3) Tracker Balance is forecasted for December 31, 2016 {Under Recovery or (Over Recovery)}

Staff and NorthWestern discussed the rate options and decided that best option would be to leave the EEA rates at their current levels and then adjust the rates at the time of the 2017 DSM plan filing. This approach will prevent rates from changing on July 1, 2016 and then again on January 1, 2017, six months later.

It should be noted that leaving the gas EEA rate at its current level will result in an under recovery of approximately \$131,419.85 at the end of December. Any under recovery will need to be made up in the next rate filing, resulting in a higher rate for that 12-month effective rate period. The actual tracker account balance to be factored in the next rate will depend on actual gas sales and actual gas DSM expenses recorded through December 31, 2016.

Staff Recommendation

Staff recommends that the Commission approve NorthWestern’s request for a six-month extension of its 2015-16 DSM plan (including the proposed budget) and currently effective EEA rates through December 31, 2016.