



SOUTH DAKOTA

Demand Side Management Plan

Update

November 30, 2015

Introduction

NorthWestern Energy's (NorthWestern's) South Dakota Demand Side Management ("DSM") Program Plan was approved by the South Dakota Public Utility Commission ("Commission") with its order issued on June 16, 2014 in Docket No. GE12-001. The two-year plan allows for a program ramp-up period to allow the DSM program portfolio to become fully operational and the customer base to become better informed about program features and availability.

NorthWestern provided an update to the PUC in July, 2015 and committed to providing quarterly updates during Year 2 (July 1, 2015 – June 30, 2016). The PUC approved updated energy efficiency program tariffs and moving forward with the Year 2 Plan at its September 15, 2015 meeting Docket No. GE15-002. This report outlines activities completed during the July 1, 2015 – September 30, 2015 period.

The electric and natural gas program offerings have been introduced under the NorthWestern sub-brand of Efficiency Plus ("E+"). As provided in the updated Year 2 plan, current program offerings include the E+ Audits for the Home, lighting, insulation, and equipment rebates for existing homes and businesses, limited rebates for electric new construction for homes and businesses, and custom incentives for existing and new construction commercial projects.

The Total Year 2 budget is \$1,386,832. Expenditures for this reporting period total \$194,994.64, for home energy audits, rebates, rebate implementation, travel, program start-up for the new offerings in Year 2, and advertising. However, expenditures lag results. Savings are reported based upon the activities invoiced but not all invoices are reflected in the reported expenditures. Of the Year 2 budget, \$400,000 is assigned to rebates and \$433,440 to home energy audits. For the reporting period of July 1, 2015 – September 30, 2015, expenditures on rebates totaled \$100,588 and home energy audits totaled \$59,575. Thus far in Year 2, 165 of the 675 planned home energy audits and 70 electric and natural gas rebate projects have been completed. Additionally, the final 918 CFLs purchased through the Spring In-Store CFL Coupon offer are reported during this period.

July 1, 2015 – September 30, 2015 Results

Since July 1, 2015, customer participation in the Year 2 E+ programs resulted in 1,581,632 kWh of electric savings and 1,128 dKt of natural gas savings.

A total of 165 E+ Audits for the Home have been completed since July 1, 2015 generating 39,023 kWh of electric and 648 dKt of natural gas savings. Customer satisfaction with the E+ Audit for the Home is high as customers value learning more about how their homes use energy and actions they can take to manage energy use and, in some cases, improve the natural gas safety of their homes.

As with Year 1, electric savings since July 1, 2015 have primarily been driven through commercial lighting rebates from 14 customer projects resulting in 975,479 kWh of savings. Projects for two customers involved replacing several hundred standard efficiency fixtures with high efficiency lamps and fixtures that accounted for 74% of these savings. Smaller commercial rebates included a small business that replaced 7 fixtures to save approximately 2,360 kWh. These examples illustrate the range of size for individual customer projects since July. Commercial customers have also taken advantage of the rebates for variable frequency drives (“VFDs”). High efficiency lighting and VFDs represent substantial energy-saving opportunities in the commercial electric sector and are applicable to many types of commercial facilities. Residential electric savings during this reporting period include the purchase of 918 CFLs through the Spring In-Store CFL Coupon offerings. As reported in the updated plan, the In-Store CFL Coupon offering has been discontinued for Year 2. Five rebates were provided through the Mail-in Residential Lighting offer for CFLs or ENERGY STAR® CFL Fixtures, one rebate was provided for an ENERGY STAR® refrigerator/freezer, and one rebate was provided for a residential electric water tank insulation wrap.

Customer participation in the residential high efficiency furnace and boiler rebates generated the most natural gas savings through 20 rebates. Other residential natural gas savings were the result of five insulation and 13 programmable thermostat rebates.

One commercial natural gas project has received a rebate for a high efficiency natural gas hot water tank.

It is premature for custom incentives under the E+ Business Partners program for existing or new businesses as such projects often require months of planning and development. The New Construction electric measures have not yet gained traction.

In total, 31 electric and 39 natural gas rebates have been processed for measures installed in homes and businesses. The calculated annual savings associated with these rebates and the CFL coupon offering total 1,581,632 kWh of electricity and 1,128 dKt of natural gas.

Indications are that a number of commercial projects are developing for future savings which signals increased customer awareness and progress toward growing participation. As noted in Year 1, results continue to be driven by a mix of the size of individual projects as well as the volume of projects.

Table 1 shows the total savings for the period of July 1, 2015 -September 30, 2015 the E+ Audit for the Home and all Rebates/Incentives.

Table 1: July 1, 2015 - September 30, 2015 Cumulative Savings by Program

| South Dakota DSM Programs | July 1, 2015 - Sept. 30, 2015 | |
|---|-------------------------------|--------------|
| | kWh | dKt |
| E+ Energy Audit | 39,023 | 648 |
| E+ Business Partners Program | - | - |
| E+ Commercial Lighting Rebate Program | 975,479 | |
| E+ Residential Lighting Programs | 19,993 | |
| E+ Residential NC Electric Rebate Program | - | |
| E+ Residential EX Electric Rebate Program | 263 | |
| E+ Commercial NC Electric Rebate Program | - | |
| E+ Commercial EX Electric Rebate Program | 546,873 | |
| E+ Residential EX Gas Rebate Program | | 471 |
| E+ Commercial EX Gas Rebate Program | | 8 |
| Total | 1,581,632 | 1,128 |

July 1, 2015 - September 30, 2015 Cost Summary

NorthWestern incurred \$194,995 in costs between July 1, 2015 and September 30, 2015. Expenses lag in comparison to savings. Table 3 shows a comparison of the Year 2 Budget to the expenditures of July 1, 2015 - September 30, 2015.

Table 2: Year 2 Budget Compared to Expenditures July 1, 2015 – September 30, 2015

| NorthWestern South Dakota DSM Program Budget vs. Spend through September 30, 2015 | | | | | | |
|--|---------------------------------------|--|-------------------------------------|--------------------------------------|---|------------------------------------|
| | 2015-16 Budget (Total) | 2015-16 Budget (Electric) | 2015-16 Budget (Gas) | 2015-16 Spend (Total) | 2015-16 Spend (Electric) | 2015-16 Spend (Gas) |
| Residential Audit Program Contractor Expenses (DNV GL) | | | | | | |
| Program Startup (contractor cost): | | | | | | |
| Two vehicles (approximate, at cost) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| RECAP & Database Development (T&M, not to exceed) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| In-home audits | \$ 433,440 | \$ 216,720 | \$ 216,720 | \$ 54,240 | \$ 27,120 | \$ 27,120 |
| Program Subtotal | \$ 433,440 | \$ 216,720 | \$ 216,720 | \$ 54,240 | \$ 27,120 | \$ 27,120 |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | |
| Program Startup (contractor cost) | \$ 11,692 | \$ 8,184 | \$ 3,508 | \$ 1,232 | \$ 863 | \$ 370 |
| Outside Services: | \$ 266,150 | \$ 186,305 | \$ 79,845 | \$ 32,469 | \$ 24,175 | \$ 8,293 |
| Program Subtotal | \$ 277,842 | \$ 194,489 | \$ 83,353 | \$ 33,701 | \$ 25,038 | \$ 8,663 |
| Contractor Expenses (DNV GL) Total | \$ 711,282 | \$ 411,209 | \$ 300,073 | \$ 87,941 | \$ 52,158 | \$ 35,783 |
| NorthWestern Energy Expenses: | | | | | | |
| Rebates | \$ 400,000 | \$ 328,000 | \$ 72,000 | \$ 100,588 | \$ 96,743 | \$ 3,846 |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 8,000 | \$ 4,000 | \$ 4,000 | \$ 520 | \$ 279 | \$ 241 |
| Advertising | \$ 267,550 | \$ 167,110 | \$ 100,441 | \$ 5,945 | \$ 3,124 | \$ 2,821 |
| NorthWestern Energy Expenses Total | \$ 675,550 | \$ 499,110 | \$ 176,441 | \$ 107,053 | \$ 100,146 | \$ 6,908 |
| Total Estimated Budget | \$ 1,386,832 | \$ 910,319 | \$ 476,513 | \$ 194,995 | \$ 152,304 | \$ 42,691 |

Year 2 Modifications

The Year 2 budget as approved changed the allocations from 50% / 50% split between electric and natural gas programs to 66% of the costs to the electric and 34% to natural gas.

Measure and program offerings are consistent with the updated DSM Plan. The following programs were added effective July 1, 2015:

- The E+ Business Partners Program provides custom incentives to NorthWestern commercial and industrial electric or natural gas customers for new or existing facilities. NorthWestern evaluates proposals for projects that incorporate conservation measures. Project proposals must demonstrate the cost effectiveness of the project; prove the availability of qualified design services, contractors, and maintenance service; and describe the project's use of reliable and available equipment. No projects have been completed under this program at this time and generally such projects take a period of months to be developed and completed.
- The E+ Residential and Commercial New Construction Electric Rebate programs provide rebates for new construction measures that cost effectively exceed code on qualifying measures.

Complete listings of the Year 2 (July 1, 2015 – June 30, 2016) rebates were included in Appendix A of the plan update filed July 6, 2015 and are also posted at NorthWesternEnergy.com/Eplus.

Conclusion

NorthWestern is committed to providing a DSM program that helps customers to reduce energy usage while meeting the expectations of the Commission in realizing a cost-effective DSM portfolio of offerings. Energy audits and electric rebates are in line with the Year 2 Plan one quarter of the way into the program year. Natural gas rebates are lagging. NorthWestern has been working to refocus advertising and outreach to provide

more satisfying results in Year 2. NorthWestern respectfully submits this update for the Year 2 DSM plan and budget for South Dakota customers.



SOUTH DAKOTA

Demand Side Management Plan

Update

Results for July 1, 2015 – December 31, 2015

March 7, 2016

Introduction

NorthWestern Energy's ("NorthWestern") South Dakota Demand Side Management ("DSM") Program Plan was approved by the South Dakota Public Utility Commission ("Commission") with its order issued on June 16, 2014 in Docket No. GE12-001. The two-year plan features a program ramp-up period to allow the DSM program portfolio to become fully operational and the customer base to become better informed about program features and availability.

This report includes the cumulative activities completed during the July 1, 2015 December 31, 2015 period. As background, NorthWestern provided an update to the Commission, including a revised plan for Year 2 (July 1, 2015 – June 30, 2016), in July, 2015 and committed to providing quarterly updates during Year 2. The Commission approved updated energy efficiency program tariffs and moving forward with the Year 2 Plan at its September 15, 2015 meeting (Docket No. GE15-002). The last report was provided for the period of July 1, 2015 – September, 30 2015. This report shows the Year 2 results through December 31, 2015 with the electric and natural gas savings and expenses broken out for by quarter.

The electric and natural gas program offerings have been introduced under the NorthWestern sub-brand of Efficiency Plus ("E+"). As provided in the updated Year 2 plan, current program offerings include the E+ Audits for the Home, lighting, insulation, and equipment rebates for existing homes and businesses, limited rebates for electric new construction for homes and businesses, and custom incentives for existing and new construction commercial projects.

The Total Year 2 budget is \$1,386,832. Expenditures for through December 31, 2015 total \$448,102 for home energy audits, rebates, rebate implementation, travel, program start-up for the new offerings in Year 2, and advertising. However, expenditures lag results. Savings are reported based upon the activities invoiced but not all invoices are reflected in the expenditures for this reporting period. Of the Year 2 budget, \$400,000 is assigned to rebates and \$433,440 to home energy audits. For the reporting period of July 1, 2015 – December 31, 2015, expenditures on rebates totaled \$164,933 and home

energy audits totaled \$186,560. Thus far in Year 2, 335 of the 675 planned home energy audits and 143 electric and natural gas rebate projects have been completed. As noted in the results through September 30, 2015, the final 918 CFLs purchased through the Spring In-Store CFL Coupon offer have been reported in the second year results.

July 1, 2015 – December 31, 2015 Results

Since July 1, 2015, customer participation in the Year 2 E+ programs resulted in 2,416,204 kWh of electric savings and 2,496 dKt of natural gas savings.

A total of 335 E+ Audits for the Home have been completed since July 1, 2015 generating 80,085 kWh of electric and 1,403 dKt of natural gas savings. Customer satisfaction with the E+ Audit for the Home is high as customers value learning more about how their homes use energy and actions they can take to manage energy use and, in some cases, improve the natural gas safety of their homes.

As with Year 1, electric savings since July 1, 2015 have primarily been driven through commercial lighting rebates from 20 customer projects resulting in 1,251,784 kWh of savings. Projects for two customers involved replacing several hundred standard efficiency fixtures with high efficiency lamps and fixtures that accounted for 58% of these savings. The third largest project under this program was completed since the last report and represents about 6% of the total commercial lighting savings. Two customers have now completed more than one lighting project either in the same facility or at a different location. Smaller commercial rebates included a small business that replaced 7 fixtures to save approximately 2,360 kWh. Commercial customers have also taken advantage of the rebates for variable frequency drives (“VFDs”). Rebates for VFD projects range from \$150 up to nearly \$19,250. These examples illustrate the range of size for individual customer projects in the second year of the plan, thus far. High efficiency lighting and VFDs represent substantial energy-saving opportunities in the commercial electric sector and are applicable to many types of commercial facilities. Residential electric savings during this reporting period include the purchase of 918 CFLs through the Spring In-Store CFL Coupon offerings. As reported in the updated plan, the In-Store CFL Coupon offering

has been discontinued for Year 2. Nine rebates were provided through the Mail-in Residential Lighting offer for CFLs or ENERGY STAR® CFL Fixtures, one rebate was provided for an ENERGY STAR® refrigerator/freezer, and one rebate was provided for a residential electric water tank insulation wrap.

Customer participation in the residential high efficiency furnace and boiler rebates generated the most natural gas savings through 48 rebates. Other residential natural gas savings resulted from eight insulation and 22 programmable thermostat rebates. Two commercial natural gas projects have received rebates for high efficiency natural gas hot water tanks.

It is premature for custom incentives under the E+ Business Partners program for existing or new businesses as such projects often require months of planning and development. There has been limited interest in this program to date. The New Construction electric measures have not yet gained traction.

In total Year to Date ("YTD"), 63 electric and 80 natural gas rebates have been processed for measures installed in homes and businesses. The calculated annual savings associated with these rebates and the CFL coupon offering total 2,416,204 kWh of electricity and 2,496 dKt of natural gas.

Indications are that a number of commercial electric projects are developing for future savings which signals increased customer awareness and progress toward growing participation. As noted in Year 1, results continue to be driven by a mix of the size of individual projects as well as the volume of projects.

Table 1-1 and Table 1-2 show the electric program participation and the natural gas program participation respectively for the period of July 1, 2015 -December 31, 2015 for the E+ Audit for the Home and all Rebates/Incentives.

Table 1-1. Electric Projects by Program

| South Dakota Electric DSM Programs | 2015 | | 2016 | | |
|---|-------------|----------------------|--------------------|--------------------|---------------------|
| | Projects | | | | |
| | Actuals YTD | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| E+ Energy Audit | 335 | 165 | 170 | - | - |
| E+ Business Partners Program | - | - | - | - | - |
| E+ Commercial Lighting Rebate Program | 20 | 14 | 6 | - | - |
| E+ Residential Lighting Programs | 9 | 5 | 4 | - | - |
| E+ Residential NC Electric Rebate Program | - | - | - | - | - |
| E+ Residential EX Electric Rebate Program | 2 | 2 | - | - | - |
| E+ Commercial NC Electric Rebate Program | - | - | - | - | - |
| E+ Commercial EX Electric Rebate Program | 32 | 10 | 22 | - | - |
| Total | 63 | 31 | 32 | - | - |

Table 1-2. Natural Gas Projects by Program

| South Dakota Natural Gas DSM Programs | 2015 | | 2016 | | |
|--|-------------|----------------------|--------------------|--------------------|---------------------|
| | Projects | | | | |
| | Actuals YTD | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| E+ Energy Audit | 335 | 165 | 170 | - | - |
| E+ Business Partners Program | - | - | - | - | - |
| E+ Residential EX Gas Rebate Program | 78 | 38 | 40 | - | - |
| E+ Commercial EX Gas Rebate Program | 2 | 1 | 1 | - | - |
| Total | 80 | 39 | 41 | - | - |

Table 2-1 and Table 2-2 shows the electric savings and the natural gas savings respectively the period of July 1, 2015 -December 31, 2015 for the E+ Audit for the Home and all Rebates/Incentives.

Table 2-1. Electric Savings by Program

| South Dakota Electric DSM Programs | 2015 | | 2016 | | |
|---|------------------|----------------------|--------------------|--------------------|---------------------|
| | Actuals YTD | kWh | | | |
| | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| E+ Energy Audit | 80,085 | 39,023 | 41,062 | | |
| E+ Business Partners Program | - | - | - | | |
| E+ Commercial Lighting Rebate Program | 1,251,784 | 975,479 | 276,306 | | |
| E+ Residential Lighting Programs | 20,241 | 19,993 | 248 | | |
| E+ Residential NC Electric Rebate Program | - | - | | | |
| E+ Residential EX Electric Rebate Program | 263 | 263 | | | |
| E+ Commercial NC Electric Rebate Program | - | - | - | | |
| E+ Commercial EX Electric Rebate Program | 1,063,831 | 546,873 | 516,957 | | |
| Total | 2,416,204 | 1,581,632 | 834,573 | - | - |

Table 2-2. Natural Gas Savings by Program

| South Dakota Natural Gas DSM Programs | 2015 | | 2016 | | |
|--|--------------|----------------------|--------------------|--------------------|---------------------|
| | Actuals YTD | dKt | | | |
| | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| E+ Energy Audit | 1,403 | 648 | 754 | | |
| E+ Business Partners Program | - | - | - | | |
| E+ Residential EX Gas Rebate Program | 1,047 | 471 | 576 | | |
| E+ Commercial EX Gas Rebate Program | 46 | 8 | 37 | | |
| Total | 2,496 | 1,128 | 1,368 | - | - |

July 1, 2015 - December 31, 2015 Cost Summary

NorthWestern incurred \$448,102 in costs between July 1, 2015 and December 31, 2015. As noted previously, expenses lag in comparison to savings. Tables 3-1 thru 3-3 show a comparison of the Year 2 Budget to the expenditures for July 1, 2015 - December 31, 2015 cumulatively and broken out by electric and natural gas programs.

Table 2-1. Budget Compared to Expenditures Natural Gas and Electric

| NorthWestern South Dakota DSM Program Budget vs. YTD | | | | | | |
|---|-------------------------------|-------------------------|----------------------|--------------------|--------------------|---------------------|
| Electric and Natural Gas | | | | | | |
| | Combined 2015-16 Budget | Combined 2015-16 YTD | 2015 | | 2016 | |
| | | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| 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 | \$ 178,674 | \$ 54,240 | \$ 124,433 | \$ - | \$ - |
| Program Subtotal | \$ 433,440 | \$ 178,674 | \$ 54,240 | \$ 124,433 | \$ - | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | |
| Program Startup (contractor cost) | \$ 11,692 | \$ 1,961 | \$ 1,232 | \$ 729 | \$ - | \$ - |
| Outside Services: | \$ 266,150 | \$ 93,469 | \$ 32,469 | \$ 61,000 | \$ - | \$ - |
| Program Subtotal | \$ 277,842 | \$ 95,430 | \$ 33,701 | \$ 61,729 | \$ - | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 711,282 | \$ 274,104 | \$ 87,941 | \$ 186,162 | \$ - | \$ - |
| NorthWestern Energy Expenses | | | | | | |
| Rebates | \$ 400,000 | \$ 164,933 | \$ 100,588 | \$ 64,345 | \$ - | \$ - |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 8,000 | \$ 523 | \$ 520 | \$ 3 | \$ - | \$ - |
| Advertising | \$ 267,550 | \$ 8,543 | \$ 5,945 | \$ 2,598 | \$ - | \$ - |
| NorthWestern Energy Expenses Total | \$ 675,550 | \$ 173,999 | \$ 107,053 | \$ 66,945 | \$ - | \$ - |
| Totals | \$ 1,386,832 | \$ 448,102 | \$ 194,995 | \$ 253,108 | \$ - | \$ - |

Table 2-2. Budget Compared to Expenditures – Electric

| NorthWestern South Dakota DSM Program Budget vs. YTD | | | | | | |
|---|-------------------------------|-------------------------|----------------------|--------------------|--------------------|---------------------|
| Electric | | | | | | |
| | Electric 2015-16 Budget | Electric 2015-16 YTD | 2015 | | 2016 | |
| | | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| 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 | \$ 216,720 | \$ 89,337 | \$ 27,120 | \$ 62,217 | \$ - | \$ - |
| Program Subtotal | \$ 216,720 | \$ 89,337 | \$ 27,120 | \$ 62,217 | \$ - | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | |
| Program Startup (contractor cost) | | | | | | |
| Outside Services: | \$ 8,184 | \$ 1,373 | \$ 863 | \$ 510 | \$ - | \$ - |
| Program Subtotal | \$ 186,305 | \$ 72,316 | \$ 24,175 | \$ 48,140 | \$ - | \$ - |
| Program Subtotal | \$ 194,489 | \$ 73,688 | \$ 25,038 | \$ 48,650 | \$ - | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 411,209 | \$ 163,025 | \$ 52,158 | \$ 110,867 | \$ - | \$ - |
| NorthWestern Energy Expenses | | | | | | |
| Rebates | | | | | | |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 328,000 | \$ 158,172 | \$ 96,743 | \$ 61,429 | \$ - | \$ - |
| Advertising | \$ 4,000 | \$ 280 | \$ 279 | \$ 2 | \$ - | \$ - |
| Advertising | \$ 167,110 | \$ 4,423 | \$ 3,124 | \$ 1,299 | \$ - | \$ - |
| NorthWestern Energy Expenses Total | \$ 499,110 | \$ 162,875 | \$ 100,146 | \$ 62,730 | \$ - | \$ - |
| Totals | \$ 910,319 | \$ 325,900 | \$ 152,304 | \$ 173,597 | \$ - | \$ - |

Table 2-3. Budget Compared to Expenditures – Natural Gas

| NorthWestern South Dakota DSM Program Budget vs. YTD | | | | | | |
|---|----------------------------------|----------------------------|----------------------|--------------------|--------------------|---------------------|
| Natural Gas | | | | | | |
| | Natural Gas 2015-16 Budget | Natural Gas 2015-16 YTD | 2015 | | 2016 | |
| | | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| 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 | \$ 216,720 | \$ 89,337 | \$ 27,120 | \$ 62,217 | \$ - | \$ - |
| Program Subtotal | \$ 216,720 | \$ 89,337 | \$ 27,120 | \$ 62,217 | \$ - | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | |
| Program Startup (contractor cost) | | | | | | |
| Outside Services: | \$ 3,508 | \$ 588 | \$ 370 | \$ 219 | \$ - | \$ - |
| Program Subtotal | \$ 79,845 | \$ 21,153 | \$ 8,293 | \$ 12,860 | \$ - | \$ - |
| | \$ 83,353 | \$ 21,742 | \$ 8,663 | \$ 13,079 | \$ - | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 300,073 | \$ 111,078 | \$ 35,783 | \$ 75,295 | \$ - | \$ - |
| NorthWestern Energy Expenses | | | | | | |
| Rebates | | | | | | |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 72,000 | \$ 6,761 | \$ 3,846 | \$ 2,915 | \$ - | \$ - |
| Advertising | \$ 4,000 | \$ 243 | \$ 241 | \$ 2 | \$ - | \$ - |
| | \$ 100,441 | \$ 4,120 | \$ 2,821 | \$ 1,299 | \$ - | \$ - |
| NorthWestern Energy Expenses Total | \$ 176,441 | \$ 11,123 | \$ 6,908 | \$ 4,216 | \$ - | \$ - |
| Totals | \$ 476,513 | \$ 122,202 | \$ 42,691 | \$ 79,511 | \$ - | \$ - |

Year 2 Modifications

The Year 2 budget as approved changed the allocations from 50% / 50% split between electric and natural gas programs to 66% of the costs to the electric and 34% to natural gas.

Measure and program offerings are consistent with the updated Year 2 DSM Plan. The following programs were added effective July 1, 2015:

- The E+ Business Partners Program provides custom incentives to NorthWestern commercial and industrial electric or natural gas customers for new or existing facilities. NorthWestern evaluates proposals for projects that incorporate conservation measures. Project proposals must demonstrate the cost effectiveness of the project; prove the availability of qualified design services, contractors, and maintenance service; and describe the project's use of reliable and available equipment. No projects have been completed under this program at this time and generally such projects take a period of months to be developed and completed.
- The E+ Residential and Commercial New Construction Electric Rebate programs provide rebates for new construction measures that cost effectively exceed code on qualifying measures.

Complete listings of the Year 2 (July 1, 2015 – June 30, 2016) rebates were included in Appendix A of the plan update filed July 6, 2015 and are also posted at NorthWesternEnergy.com/Eplus.

Conclusion

NorthWestern is committed to providing a DSM program that helps customers to reduce energy usage while meeting the expectations of the Commission in realizing a cost-effective DSM portfolio of offerings. Energy audits and electric rebates are in line with the Year 2 Plan halfway into the program year. Natural gas rebates are lagging, especially

in the commercial sector. Customer and trade ally interest and participation has been increasing, especially for commercial lighting and residential natural gas measures. NorthWestern has been working to refocus advertising and outreach to improve results in Year 2. NorthWestern respectfully submits this update for the Year 2 DSM plan and budget for South Dakota customers.



SOUTH DAKOTA

Demand Side Management Plan

Update

Results for July 1, 2015 – March 31, 2016

May 3, 2016

Introduction

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The Total Year 2 budget is \$1,386,832. Expenditures through March 31, 2016 total \$717,510 for home energy audits, rebates, rebate implementation, travel, program start-up for the new offerings in Year 2, and advertising. However, expenditures lag results. Savings are reported based upon the activities invoiced but not all invoices are reflected in the expenditures for this reporting period. Of the Year 2 budget, \$400,000 is assigned to rebates and \$433,440 to home energy audits. For the reporting period of July 1, 2015 – March 31, 2016, expenditures on rebates totaled \$251,156 and home energy audits

totaled \$290,345. In Year 2 thus far, 514 of the 675 planned home energy audits and 271 electric and natural gas rebate projects have been completed. As noted in the results through September 30, 2015, the final 918 CFLs purchased through the Spring In-Store CFL Coupon offer have been reported in the second year results.

July 1, 2015 – March 31, 2016 Results

Since July 1, 2015, customer participation in the Year 2 E+ programs resulted in 3,096,572 kWh of electric savings and 4,544 dKt of natural gas savings.

A total of 514 E+ Audits for the Home have been completed since July 1, 2015 generating 143,295 kWh of electric and 2,069 dKt of natural gas savings. Customer satisfaction with the E+ Audit for the Home is high as customers value learning more about how their homes use energy and actions they can take to manage energy use and, in some cases, improve the natural gas safety of their homes.

As with Year 1, electric savings since July 1, 2015 have primarily been driven through commercial lighting rebates from 30 customer projects resulting in 1,667,707 kWh of savings. One project for a commercial, small, office customer involved replacing several hundred standard efficiency fixtures with high efficiency lamps and fixtures. Commercial customers have also taken advantage of the rebates for variable frequency drives (“VFDs”). Rebates for VFD projects range from \$150 up to nearly \$19,250. One project for a local, government, facility involved installation of multiple, VFDs on 60 horsepower fan system motors. These examples illustrate the range of size for individual customer projects in the second year of the plan, thus far. High efficiency lighting and VFDs represent substantial energy-saving opportunities in the commercial electric sector and are applicable to many types of commercial facilities. Residential electric savings during this reporting period include the purchase of 918 CFLs through the Spring In-Store CFL Coupon offerings. As reported in the updated plan, the In-Store CFL Coupon offering has been discontinued for Year 2. Nine rebates were provided through the Mail-in Residential Lighting offer for CFLs or ENERGY STAR® CFL Fixtures, three rebates were provided for ENERGY STAR® refrigerator/freezers, one rebate was provided for a residential electric

water tank insulation wrap, one rebate was provided for residential attic insulation, and one rebate was provided for an ENERGY STAR® dishwasher.

Customer participation in the residential high efficiency furnace and boiler rebates generated the most natural gas savings through 116 rebates. Other residential natural gas savings resulted from 10 insulation, 58 programmable thermostat rebates, and 3 low-flow showerhead rebates. Two commercial natural gas projects have received rebates for high efficiency natural gas hot water tanks.

It is premature for custom incentives under the E+ Business Partners program for existing or new businesses as such projects often require months of planning and development. There has been limited interest in this program to date. The New Construction electric measures have not yet gained traction.

In total Year to Date (“YTD”), 82 electric and 189 natural gas rebates have been processed for measures installed in homes and businesses. The calculated annual savings associated with these rebates and the CFL coupon offering total 2,953,277 kWh of electricity and 2,474 dKt of natural gas.

Indications are that a number of commercial electric projects are developing for future savings which signals increased customer awareness and progress toward growing participation. As noted in Year 1, results continue to be driven by a mix of the size of individual projects as well as the volume of projects.

Table 1-1 and Table 1-2 show the electric program participation and the natural gas program participation respectively for the period of July 1, 2015 –March 31, 2016 for the E+ Audit for the Home and all Rebates/Incentives.

Table 1.1. Electric Projects by Program

| South Dakota Electric DSM Programs | 2015 | | 2016 | | |
|---|----------------|-------------------------|-----------------------|-----------------------|------------------------|
| | Actuals YTD | Projects | | | |
| | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| E+ Energy Audit | 514 | 165 | 170 | 179 | - |
| E+ Business Partners Program | - | - | - | - | - |
| E+ Commercial Lighting Rebate Program | 30 | 14 | 6 | 10 | - |
| E+ Residential Lighting Programs | 9 | 5 | 4 | - | - |
| E+ Residential NC Electric Rebate Program | - | - | - | - | - |
| E+ Residential EX Electric Rebate Program | 6 | 2 | - | 4 | - |
| E+ Commercial NC Electric Rebate Program | - | - | - | - | - |
| E+ Commercial EX Electric Rebate Program | 37 | 10 | 22 | 5 | - |
| Total | 596 | 196 | 202 | 198 | - |

Table 1.2. Natural Gas Projects by Program

| South Dakota Natural Gas DSM Programs | 2015 | | 2016 | | |
|--|----------------|-------------------------|-----------------------|-----------------------|------------------------|
| | Actuals YTD | Projects | | | |
| | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| E+ Energy Audit | 514 | 165 | 170 | 179 | - |
| E+ Business Partners Program | - | - | - | - | - |
| E+ Residential EX Gas Rebate Program | 187 | 38 | 40 | 109 | - |
| E+ Commercial EX Gas Rebate Program | 2 | 1 | 1 | - | - |
| Total | 703 | 204 | 211 | 288 | - |

Table 2-1 and Table 2-2 shows the electric savings and the natural gas savings respectively the period of July 1, 2015 – March 31, 2016 for the E+ Audit for the Home and all Rebates/Incentives.

Table 2-1. Electric Savings by Program

| South Dakota Electric DSM Programs | 2015 | | 2016 | | |
|---|------------------|----------------------|--------------------|--------------------|---------------------|
| | Actuals YTD | kWh | | | |
| | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| E+ Energy Audit | 143,295 | 39,023 | 41,062 | 63,210 | - |
| E+ Business Partners Program | - | - | - | - | - |
| E+ Commercial Lighting Rebate Program | 1,667,707 | 975,479 | 276,306 | 415,923 | - |
| E+ Residential Lighting Programs | 20,241 | 19,993 | 248 | - | - |
| E+ Residential NC Electric Rebate Program | - | - | - | - | - |
| E+ Residential EX Electric Rebate Program | 5,190 | 263 | - | 4,927 | - |
| E+ Commercial NC Electric Rebate Program | - | - | - | - | - |
| E+ Commercial EX Electric Rebate Program | 1,260,138 | 546,873 | 516,957 | 196,308 | - |
| Total | 3,096,572 | 1,581,632 | 834,573 | 680,368 | - |

Total 0.35 aMW

Table 2-2. Natural Gas Savings by Program

| South Dakota Natural Gas DSM Programs | 2015 | | 2016 | | |
|--|----------------|----------------------|--------------------|--------------------|---------------------|
| | Actuals YTD | dKt | | | |
| | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| E+ Energy Audit | 2,069 | 648 | 754 | 667 | - |
| E+ Business Partners Program | - | - | - | - | - |
| E+ Residential EX Gas Rebate Program | 2,428 | 415 | 632 | 1,381 | - |
| E+ Commercial EX Gas Rebate Program | 46 | 4 | 42 | - | - |
| Total | 4,544 | 1,068 | 1,428 | 2,048 | - |

Note: Gas savings for first two quarters updated due to correction of database error. Sum of savings for first two quarters did not change.

July 1, 2015 – March 31, 2016 Cost Summary

NorthWestern incurred \$717,510 in costs between July 1, 2015 and March 31, 2016. As noted previously, expenses lag in comparison to savings. Tables 3-1 thru 3-3 show a comparison of the Year 2 Budget to the expenditures for July 1, 2015 – March 31, 2016 cumulatively and broken out by electric and natural gas programs.

Table 3-1. Budget Compared to Expenditures Natural Gas and Electric

| NorthWestern South Dakota DSM Program Budget vs. YTD | | | | | | |
|---|-------------------------------|-------------------------|-------------------------|--------------------|--------------------|------------------------|
| Electric and Natural Gas | | | | | | |
| | Combined 2015-16 Budget | Combined 2015-16 YTD | 2015 | | 2016 | |
| | | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| 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 | \$ 290,345 | \$ 54,240 | \$ 124,433 | \$ 111,671 | \$ - |
| Program Subtotal | \$ 433,440 | \$ 290,345 | \$ 54,240 | \$ 124,433 | \$ 111,671 | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | |
| Program Startup (contractor cost) | \$ 11,692 | \$ 3,133 | \$ 1,232 | \$ 729 | \$ 1,172 | \$ - |
| Outside Services: | \$ 266,150 | \$ 163,811 | \$ 32,469 | \$ 61,000 | \$ 70,342 | \$ - |
| Program Subtotal | \$ 277,842 | \$ 166,943 | \$ 33,701 | \$ 61,729 | \$ 71,513 | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 711,282 | \$ 457,288 | \$ 87,941 | \$ 186,162 | \$ 183,184 | \$ - |
| NorthWestern Energy Expenses | | | | | | |
| Rebates | \$ 400,000 | \$ 251,156 | \$ 100,588 | \$ 64,345 | \$ 86,223 | \$ - |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 8,000 | \$ 523 | \$ 520 | \$ 3 | \$ - | \$ - |
| Advertising | \$ 267,550 | \$ 8,543 | \$ 5,945 | \$ 2,598 | \$ - | \$ - |
| NorthWestern Energy Expenses Total | \$ 675,550 | \$ 260,222 | \$ 107,053 | \$ 66,945 | \$ 86,223 | \$ - |
| Totals | \$ 1,386,832 | \$ 717,510 | \$ 194,995 | \$ 253,108 | \$ 269,407 | \$ - |

Table 3-2. Budget Compared to Expenditures – Electric

| NorthWestern South Dakota DSM Program Budget vs. YTD | | | | | | |
|---|--|---------------------------------|------------------------------|----------------------------|----------------------------|---------------------------------|
| Electric | | | | | | |
| | Electric 2015-16 Budget | Electric 2015-16 YTD | 2015 | | 2016 | |
| | | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| 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 | <u>\$ 216,720</u> | <u>\$ 145,172</u> | <u>\$ 27,120</u> | <u>\$ 62,217</u> | <u>\$ 55,836</u> | <u>\$ -</u> |
| Program Subtotal | \$ 216,720 | \$ 145,172 | \$ 27,120 | \$ 62,217 | \$ 55,836 | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | |
| Program Startup (contractor cost) | \$ 8,184 | \$ 2,193 | \$ 863 | \$ 510 | \$ 820 | \$ - |
| Outside Services: | <u>\$ 186,305</u> | <u>\$ 128,966</u> | <u>\$ 24,175</u> | <u>\$ 48,140</u> | <u>\$ 56,650</u> | <u>\$ -</u> |
| Program Subtotal | \$ 194,489 | \$ 131,159 | \$ 25,038 | \$ 48,650 | \$ 57,470 | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 411,209 | \$ 276,331 | \$ 52,158 | \$ 110,867 | \$ 113,306 | \$ - |
| NorthWestern Energy Expenses | | | | | | |
| Rebates | \$ 328,000 | \$ 231,874 | \$ 96,743 | \$ 61,429 | \$ 73,702 | \$ - |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 4,000 | \$ 280 | \$ 279 | \$ 2 | \$ - | \$ - |
| Advertising | <u>\$ 167,110</u> | <u>\$ 4,423</u> | <u>\$ 3,124</u> | <u>\$ 1,299</u> | <u>\$ -</u> | <u>\$ -</u> |
| NorthWestern Energy Expenses Total | \$ 499,110 | \$ 236,577 | \$ 100,146 | \$ 62,730 | \$ 73,702 | \$ - |
| Totals | \$ 910,319 | \$ 512,908 | \$ 152,304 | \$ 173,597 | \$ 187,008 | \$ - |

Table 3-3. Budget Compared to Expenditures – Natural Gas

| NorthWestern South Dakota DSM Program Budget vs. YTD | | | | | | |
|---|----------------------------------|----------------------------|-------------------------|--------------------|--------------------|------------------------|
| Natural Gas | | | | | | |
| | Natural Gas 2015-16 Budget | Natural Gas 2015-16 YTD | 2015 | | 2016 | |
| | | | Q1 July thru Sept | Q2 Oct thru Dec | Q3 Jan thru Mar | Q4 Apr thru June |
| 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 | <u>\$ 216,720</u> | <u>\$ 145,172</u> | <u>\$ 27,120</u> | <u>\$ 62,217</u> | <u>\$ 55,836</u> | <u>\$ -</u> |
| Program Subtotal | \$ 216,720 | \$ 145,172 | \$ 27,120 | \$ 62,217 | \$ 55,836 | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | |
| Program Startup (contractor cost) | \$ 3,508 | \$ 940 | \$ 370 | \$ 219 | \$ 352 | \$ - |
| Outside Services: | <u>\$ 79,845</u> | <u>\$ 34,845</u> | <u>\$ 8,293</u> | <u>\$ 12,860</u> | <u>\$ 13,692</u> | <u>\$ -</u> |
| Program Subtotal | \$ 83,353 | \$ 35,785 | \$ 8,663 | \$ 13,079 | \$ 14,043 | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 300,073 | \$ 180,957 | \$ 35,783 | \$ 75,295 | \$ 69,879 | \$ - |
| NorthWestern Energy Expenses | | | | | | |
| Rebates | \$ 72,000 | \$ 19,282 | \$ 3,846 | \$ 2,915 | \$ 12,521 | \$ - |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 4,000 | \$ 243 | \$ 241 | \$ 2 | \$ - | \$ - |
| Advertising | <u>\$ 100,441</u> | <u>\$ 4,120</u> | <u>\$ 2,821</u> | <u>\$ 1,299</u> | <u>\$ -</u> | <u>\$ -</u> |
| NorthWestern Energy Expenses Total | \$ 176,441 | \$ 23,644 | \$ 6,908 | \$ 4,216 | \$ 12,521 | \$ - |
| Totals | \$ 476,513 | \$ 204,601 | \$ 42,691 | \$ 79,511 | \$ 82,400 | \$ - |

Year 2 Modifications

The Year 2 budget as approved changed the allocations from 50% / 50% split between electric and natural gas programs to 66% of the costs to the electric and 34% to natural gas.

Measure and program offerings are consistent with the updated Year 2 DSM Plan. The following programs were added effective July 1, 2015:

- The E+ Business Partners Program provides custom incentives to NorthWestern commercial and industrial electric or natural gas customers for new or existing facilities. NorthWestern evaluates proposals for projects that incorporate conservation measures. Project proposals must demonstrate the cost effectiveness of the project; prove the availability of qualified design services, contractors, and maintenance service; and describe the project's use of reliable and available equipment. No projects have been completed under this program at this time and generally such projects take a period of months to be developed and completed.
- The E+ Residential and Commercial New Construction Electric Rebate programs provide rebates for new construction measures that cost effectively exceed code on qualifying measures.

Complete listings of the Year 2 (July 1, 2015 – June 30, 2016) rebates were included in Appendix A of the plan update filed July 6, 2015 and are also posted at NorthWesternEnergy.com/Eplus.

Conclusion

NorthWestern is committed to providing a DSM program that helps customers to reduce energy usage while meeting the expectations of the Commission in realizing a cost-effective DSM portfolio of offerings. Energy audits and electric rebates are in line with the Year 2 Plan halfway into the program year. Natural gas rebates are lagging, especially

in the commercial sector. Customer and trade ally interest and participation has been increasing, especially for commercial lighting and residential natural gas measures. NorthWestern has been working to refocus advertising and outreach to improve results in Year 2. NorthWestern respectfully submits this update for the Year 2 DSM plan and budget for South Dakota customers.



SOUTH DAKOTA

Demand Side Management Plan

Update

Results for July 1, 2015 – June 30, 2016

September 9, 2016

Introduction

NorthWestern Energy's ("NorthWestern") South Dakota Demand Side Management ("DSM") Program Plan was approved by the South Dakota Public Utility Commission ("Commission") with its order issued on June 16, 2014 in Docket No. GE12-001. The two-year plan features a program ramp-up period to allow the DSM program portfolio to become fully operational and the customer base to become better informed about program features and availability.

This report includes the cumulative activities completed during the July 1, 2015 through June 30, 2016 period. As background, NorthWestern provided an update to the Commission, including a revised plan for Year 2 (July 1, 2015 – June 30, 2016), in July, 2015 and committed to providing quarterly updates during Year 2. The Commission approved updated energy efficiency program tariffs and moving forward with the Year 2 Plan at its September 15, 2015 meeting (Docket No. GE15-002). NorthWestern requested an extension of the Year 2 Plan through December 31, 2016, which was approved by the Commission on June 23, 2016 (Docket No. GE16-002). The last report was provided for the period of July 1, 2015 – March 31, 2016. This report shows the Year 2 results through June 30, 2016 with the electric and natural gas savings and expenses broken out by quarter.

The electric and natural gas program offerings have been introduced under the NorthWestern sub-brand of Efficiency Plus ("E+"). As provided in the updated Year 2 plan, current program offerings include the E+ Audits for the Home, lighting, insulation, and equipment rebates for existing homes and businesses, limited rebates for electric new construction for homes and businesses, and custom incentives for existing and new construction commercial projects.

The Total Year 2 budget with the approved extension is \$1,986,832. Expenditures through June 30, 2016 total \$972,059 for home energy audits, rebates, rebate implementation, travel, program start-up for the new offerings in Year 2, and advertising. However, expenditures lag results. Savings are reported based upon the activities invoiced but not all invoices are reflected in the expenditures for this reporting period since

NorthWestern's E+ program implementation contractor invoices NorthWestern after energy audits are completed and after rebates are paid to customers. NorthWestern has reported savings based on completed energy audits and rebates paid to NorthWestern's customers by the E+ program implementation contractor through June 30, 2016. NorthWestern reports expenditures as actual spending as reflected in NorthWestern's accounting system. This leads to the lag between reported energy savings and the costs to achieve those savings. Of the Year 2 budget, \$633,300 is assigned to rebates and \$653,140 to home energy audits. For the reporting period of July 1, 2015 – June 30, 2016, expenditures on rebates totaled \$314,536 and home energy audits totaled \$396,273. In Year 2 thus far, 621 of the 1,013 planned home energy audits and 404 electric and natural gas rebates have been paid to participating customers. As noted in the results through September 30, 2015, the final 918 CFLs purchased through the Spring In-Store CFL Coupon offer have been reported in the second year results.

July 1, 2015 – June 30, 2016 Results

Since July 1, 2015, customer participation in the Year 2 E+ programs resulted in 3,648,070 kWh of electric savings and 5,986 dKt of natural gas savings.

Customer satisfaction with the E+ Audit for the Home is high as customers value learning more about how their homes use energy and actions they can take to manage energy use and, in some cases, improve the natural gas safety of their homes. A total of 621 E+ Audits for the Home have been completed since July 1, 2015 generating 180,092 kWh of electric and 2,413 dKt of natural gas savings. Unit energy savings (UES) values for energy audits were determined by SBW Consulting, Inc. as part of the 2012 Montana DSM Program Evaluation. The UES values for each audit type (electric and/or natural gas space and/or water heat) include direct-installed and indirect-installed measure savings. Direct-installed measures include water tank insulation wrap, hot water pipe insulation, low-flow showerheads, and faucet aerators for kitchens and bathrooms as applicable. Indirect-installed measures include both behavioral and non-behavioral measures. Behavioral measures depend on the actions of someone remembering to implement the measure when applicable (e.g. manually setting back a thermostat set point each night or laundering with cold water), whereas non-behavioral measures involve

some observable physical or controls change (e.g. adding insulation or programming temperature set points to automatically set back each night). Table 1 below shows the UES values by audit type.

Table 1. E+ Audit for the Home Types and UES values

| Residential Audit Type | Space Heat Fuel | Water Heat Fuel | Electricity Provider | Electric Savings (kWh) | Electric Savings (kw) | Natural Gas Savings (dKt) |
|------------------------|---|--------------------------|----------------------|------------------------|-----------------------|---------------------------|
| A | NorthWestern Natural Gas | NorthWestern Natural Gas | NorthWestern | 172.00 | 0.05 | 5.85 |
| B | NorthWestern Natural Gas | NorthWestern Natural Gas | Other Utility | - | - | 4.84 |
| C | NorthWestern Natural Gas | Other Utility | Other Utility | - | - | 1.82 |
| D | Electric | Electric | NorthWestern | 1,083.00 | 0.29 | - |
| E | Other Utility | Electric | NorthWestern | 430.00 | 0.03 | - |
| F | NorthWestern Natural Gas | Electric | NorthWestern | 540.00 | 0.06 | 3.18 |
| G | Electric | Natural Gas | NorthWestern | 350.00 | - | 3.13 |
| H | Electric & other gas appliances present | Electric | NorthWestern | 1,027.00 | 0.07 | - |
| M* | Any | Electric Only | NorthWestern | 430.00 | 0.03 | - |
| N | Other Utility | Natural Gas | Other Utility | - | - | 3.13 |

* Denotes Multifamily Audit

Electric savings since July 1, 2015 have primarily been driven through commercial lighting and commercial electric rebates resulting in 3,298,684 kWh of savings. Through the Commercial Electric Existing program, 12 customers were provided rebates for 39 variable frequency drives (“VFDs”) and through the Commercial New Construction program 2 customers received rebates for 24 VFDs. Rebates for VFD projects range from \$150 up to nearly \$19,250. High efficiency lighting and VFDs represent substantial energy-saving opportunities in the commercial electric sector and are applicable to many types of commercial facilities.

Residential electric savings during this reporting period include the purchase of 918 CFLs through the Spring In-Store CFL Coupon offerings. As reported previously, the In-Store CFL Coupon offering has been discontinued for Year 2. Through the Mail-in Residential Lighting offer, 9 rebates were provided for CFLs or ENERGY STAR® CFL Fixtures. The Residential Electric Existing Construction program provided a variety of rebates: 8 for ENERGY STAR® refrigerator/freezers, 3 for low-flow showerheads, 2 for ENERGY STAR® dishwashers, 2 for faucet aerators, 2 for steel doors with a foam core, 1 electric water tank insulation wrap, 1 residential attic insulation, and 1 for a programmable

thermostat. A rebate was provided through the Residential Electric New Construction program for canned lighting air tight sealing.

Customer participation in the residential high efficiency furnace and boiler rebates generated the most natural gas savings through 155 rebates. Other residential natural gas savings resulted from: 87 programmable thermostat rebates, 10 insulation, 7 foam sealant, 3 low-flow showerheads, 2 weather-stripping rebates, and 1 outlet gasket rebate. Commercial natural gas rebates were provided for 2 high efficiency natural gas hot water tanks and 2 rebates were provided for boiler modulating gas valves.

It is premature for custom incentives under the E+ Business Partners program for existing or new businesses as such projects often require months of planning and development. There has been limited interest in this program to date. As described above, the Electric New Construction programs have not yet gained much traction.

Between July 1, 2015 and June 30, 2016, 135 electric and 269 natural gas rebates have been processed for measures installed in homes and businesses. The calculated annual savings associated with these rebates and the CFL coupon offering total 3,467,978 kWh of electricity and 3,573 dKt of natural gas.

Indications are that a number of commercial electric projects are developing for future savings which signals increased customer awareness and progress toward growing participation. As noted in Year 1, results continue to be driven by a mix of the size of individual projects as well as the volume of projects.

Table 21 and Table 2-2 show the number of rebates paid in the electric and natural gas programs, respectively, for the period of July 1, 2015 – June 30, 2016. The tables also include the number of completed E+ Audits for the Home.

Table 2-1. Number of Electric Rebates by Program

| South Dakota Electric DSM Programs | Rebates | | | | | | |
|---|------------|-------------------|-----------------|-----------------|------------------|-------------------|-----------------|
| | Total | 2015 | | 2016 | | | |
| | | July thru Sept | Oct thru Dec | Jan thru Mar | Apr thru June | July thru Sept | Oct thru Dec |
| E+ Energy Audit ¹ | 621 | 85 | 195 | 175 | 166 | - | - |
| E+ Business Partners Program | - | - | - | - | - | - | - |
| E+ Commercial Lighting Rebate Program | 42 | 14 | 6 | 10 | 12 | - | - |
| E+ Residential Lighting Programs | 9 | 5 | 4 | - | - | - | - |
| E+ Residential NC Electric Rebate Program | 1 | - | - | - | 1 | - | - |
| E+ Residential EX Electric Rebate Program | 20 | 2 | - | 4 | 14 | - | - |
| E+ Commercial NC Electric Rebate Program | 24 | - | - | 24 | - | - | - |
| E+ Commercial EX Electric Rebate Program | 39 | 10 | 22 | 5 | 2 | - | - |
| Total | 756 | 116 | 227 | 218 | 195 | - | - |

1. Total number of residential audits completed through June 30, 2016. This total includes audits that save electricity only, natural gas only, and audits that save both electricity and natural gas.

Table 2-2. Number of Natural Gas Rebates by Program

| South Dakota Natural Gas DSM Programs | Rebates | | | | | | |
|--|------------|-------------------|-----------------|-----------------|------------------|-------------------|-----------------|
| | Total | 2015 | | 2016 | | | |
| | | July thru Sept | Oct thru Dec | Jan thru Mar | Apr thru June | July thru Sept | Oct thru Dec |
| E+ Energy Audit ¹ | 621 | 85 | 195 | 175 | 166 | - | - |
| E+ Business Partners Program | - | - | - | - | - | - | - |
| E+ Residential EX Gas Rebate Program | 265 | 38 | 40 | 109 | 78 | - | - |
| E+ Commercial EX Gas Rebate Program | 4 | 1 | 1 | - | 2 | - | - |
| Total | 890 | 124 | 236 | 284 | 246 | - | - |

1. Total number of residential audits completed through June 30, 2016. This total includes audits that save electricity only, natural gas only, and audits that save both electricity and natural gas.

Table 3-1 and Table 3-2 shows the electric savings and the natural gas savings respectively the period of July 1, 2015 – June 30, 2016 for the E+ Audit for the Home and all Rebates/Incentives.

Table 3-1. Electric Savings by Program

| South Dakota Electric DSM Programs | kWh | | | | | | |
|---|------------------|-------------------|-----------------|-----------------|------------------|----------------------|-----------------|
| | Total | 2015 | | 2016 | | | |
| | | July thru Sept | Oct thru Dec | Jan thru Mar | Apr thru June | July thru Sept | Oct thru Dec |
| E+ Energy Audit | 180,092 | 21,521 | 46,351 | 55,935 | 56,285 | - | - |
| E+ Business Partners Program | - | - | - | - | - | - | - |
| E+ Commercial Lighting Rebate Program | 1,948,926 | 975,479 | 276,306 | 415,923 | 281,218 | - | - |
| E+ Residential Lighting Programs | 20,241 | 19,993 | 248 | - | - | - | - |
| E+ Residential NC Electric Rebate Program | 2,795 | - | - | - | 2,795 | - | - |
| E+ Residential EX Electric Rebate Program | 7,593 | 263 | - | 4,927 | 2,403 | - | - |
| E+ Commercial NC Electric Rebate Program | 138,665 | - | - | 138,665 | - | - | - |
| E+ Commercial EX Electric Rebate Program | 1,349,758 | 546,873 | 516,957 | 196,308 | 89,620 | - | - |
| Total | 3,648,070 | 1,564,129 | 839,862 | 811,758 | 423,321 | - | - |

Table 3-2. Natural Gas Savings by Program

| South Dakota Natural Gas DSM Programs | dKt | | | | | | |
|--|--------------|-------------------|-----------------|-----------------|------------------|-------------------|-----------------|
| | Total | 2015 | | 2016 | | | |
| | | July thru Sept | Oct thru Dec | Jan thru Mar | Apr thru June | July thru Sept | Oct thru Dec |
| E+ Energy Audit | 2,413 | 301 | 864 | 665 | 583 | - | - |
| E+ Business Partners Program | - | - | - | - | - | - | - |
| E+ Residential EX Gas Rebate Program | 3,396 | 415 | 632 | 1,381 | 968 | - | - |
| E+ Commercial EX Gas Rebate Program | 177 | 4 | 42 | - | 131 | - | - |
| Total | 5,986 | 720 | 1,538 | 2,046 | 1,682 | - | - |

July 1, 2015 – June 30, 2016 Cost Summary

NorthWestern incurred \$972,059 in costs between July 1, 2015 and June 30, 2016. As noted previously, expenses lag in comparison to savings. Tables 4-1 through 4-3 show a comparison of the Year 2 Budget to the expenditures for July 1, 2015 – June 30, 2016 cumulatively and broken out by electric and natural gas programs.

Table 4-1. Budget Compared to Expenditures Electric and Natural Gas

| NorthWestern South Dakota DSM Program Budget (extension approved June 23, 2016) vs. Spending July 1, 2015 – June 30, 2016 | | | | | | | | |
|---|--|--|-------------------|-------------------|-------------------|-------------------|----------------|--------------|
| Electric and Natural Gas | | | | | | | | |
| | Electric and Natural Gas 2015-16 Budget (w/ Extension) | Electric and Natural Gas 2015-16 (07/01/15 through 06/30/16) | 2015 | | 2016 | | | |
| | | | July thru Sept | Oct thru Dec | Jan thru Mar | Apr thru June | July thru Sept | Oct thru Dec |
| 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 | \$ 653,140 | \$ 396,273 | \$ 54,240 | \$ 124,433 | \$ 111,671 | \$ 105,928 | \$ - | \$ - |
| Program Subtotal | \$ 653,140 | \$ 396,273 | \$ 54,240 | \$ 124,433 | \$ 111,671 | \$ 105,928 | \$ - | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | | | |
| Program Startup (contractor cost) | \$ 11,692 | \$ 10,954 | \$ 1,232 | \$ 729 | \$ 1,172 | \$ 7,821 | \$ - | \$ - |
| Outside Services: | \$ 413,150 | \$ 238,446 | \$ 32,469 | \$ 61,000 | \$ 70,342 | \$ 74,635 | \$ - | \$ - |
| Program Subtotal | \$ 424,842 | \$ 249,400 | \$ 33,701 | \$ 61,729 | \$ 71,513 | \$ 82,456 | \$ - | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 1,077,982 | \$ 645,672 | \$ 87,941 | \$ 186,162 | \$ 183,184 | \$ 188,384 | \$ - | \$ - |
| NorthWestern Energy Expenses | | | | | | | | |
| Rebates | \$ 633,300 | \$ 314,536 | \$ 100,588 | \$ 64,345 | \$ 86,223 | \$ 63,380 | \$ - | \$ - |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 8,000 | \$ 530 | \$ 520 | \$ 3 | \$ - | \$ 7 | \$ - | \$ - |
| Advertising | \$ 267,550 | \$ 11,321 | \$ 5,945 | \$ 2,598 | \$ - | \$ 2,778 | \$ - | \$ - |
| NorthWestern Energy Expenses Total | \$ 908,850 | \$ 326,387 | \$ 107,053 | \$ 66,945 | \$ 86,223 | \$ 66,166 | \$ - | \$ - |
| Totals | \$ 1,986,832 | \$ 972,059 | \$ 194,995 | \$ 253,108 | \$ 269,407 | \$ 254,550 | \$ - | \$ - |

Table 4-2. Budget Compared to Expenditures – Electric

| NorthWestern South Dakota DSM Program Budget (extension approved June 23, 2016) vs. Spending July 1, 2015 – June 30, 2016 | | | | | | | | |
|---|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Electric | | | | | | | | |
| | Electric 2015-16 Budget (w/ Extension) | Electric Spend 2015-16 (07/01/15 through 06/30/16) | 2015 | | 2016 | | | |
| | | | July thru Sept | Oct thru Dec | Jan thru Mar | Apr thru June | July thru Sept | Oct thru Dec |
| 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 | \$ 326,570 | \$ 198,136 | \$ 27,120 | \$ 62,217 | \$ 55,836 | \$ 52,964 | | |
| Program Subtotal | \$ 326,570 | \$ 198,136 | \$ 27,120 | \$ 62,217 | \$ 55,836 | \$ 52,964 | \$ - | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | | | |
| Program Startup (contractor cost) | \$ 8,184 | \$ 7,668 | \$ 863 | \$ 510 | \$ 820 | \$ 5,475 | | |
| Outside Services: | \$ 289,205 | \$ 187,541 | \$ 24,175 | \$ 48,140 | \$ 56,650 | \$ 58,575 | | |
| Program Subtotal | \$ 297,389 | \$ 195,208 | \$ 25,038 | \$ 48,650 | \$ 57,470 | \$ 64,050 | \$ - | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 623,959 | \$ 393,345 | \$ 52,158 | \$ 110,867 | \$ 113,306 | \$ 117,014 | \$ - | \$ - |
| NorthWestern Energy Expenses | | | | | | | | |
| Rebates | \$ 537,970 | \$ 284,089 | \$ 96,743 | \$ 61,429 | \$ 73,702 | \$ 52,215 | | |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 4,000 | \$ 284 | \$ 279 | \$ 2 | \$ - | \$ 4 | | |
| Advertising | \$ 167,110 | \$ 5,812 | \$ 3,124 | \$ 1,299 | \$ - | \$ 1,389 | | |
| NorthWestern Energy Expenses Total | \$ 709,080 | \$ 290,185 | \$ 100,146 | \$ 62,730 | \$ 73,702 | \$ 53,607 | \$ - | \$ - |
| Totals | \$ 1,333,039 | \$ 683,529 | \$ 152,304 | \$ 173,597 | \$ 187,008 | \$ 170,621 | \$ - | \$ - |

Table 4-3. Budget Compared to Expenditures – Natural Gas

| NorthWestern South Dakota DSM Program Budget (extension approved June 23, 2016) vs. Spending July 1, 2015 – June 30, 2016 | | | | | | | | |
|---|---|---|-------------------|------------------|------------------|------------------|-------------------|-----------------|
| Natural Gas | | | | | | | | |
| | Natural Gas 2015-16 Budget (w/ Extension) | Natural Gas Spend 2015-16 (07/01/15 through 06/30/16) | 2015 | | 2016 | | | |
| | | | July thru Sept | Oct thru Dec | Jan thru Mar | Apr thru June | July thru Sept | Oct thru Dec |
| 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 | \$ 326,570 | \$ 198,136 | \$ 27,120 | \$ 62,217 | \$ 55,836 | \$ 52,964 | | |
| Program Subtotal | \$ 326,570 | \$ 198,136 | \$ 27,120 | \$ 62,217 | \$ 55,836 | \$ 52,964 | \$ - | \$ - |
| Residential/Commercial Electric & Natural Gas Rebate Programs | | | | | | | | |
| Program Startup (contractor cost) | \$ 3,508 | \$ 3,286 | \$ 370 | \$ 219 | \$ 352 | \$ 2,346 | | |
| Outside Services: | \$ 123,945 | \$ 50,905 | \$ 8,293 | \$ 12,860 | \$ 13,692 | \$ 16,060 | | |
| Program Subtotal | \$ 127,453 | \$ 54,191 | \$ 8,663 | \$ 13,079 | \$ 14,043 | \$ 18,406 | \$ - | \$ - |
| Contractor Expenses (DNV GL) Total | \$ 454,023 | \$ 252,327 | \$ 35,783 | \$ 75,295 | \$ 69,879 | \$ 71,370 | \$ - | \$ - |
| NorthWestern Energy Expenses | | | | | | | | |
| Rebates | \$ 95,330 | \$ 30,447 | \$ 3,846 | \$ 2,915 | \$ 12,521 | \$ 11,166 | | |
| Admin/non-labor (Travel, office supplies, etc.) | \$ 4,000 | \$ 246 | \$ 241 | \$ 2 | \$ - | \$ 4 | | |
| Advertising | \$ 100,441 | \$ 5,509 | \$ 2,821 | \$ 1,299 | \$ - | \$ 1,389 | | |
| NorthWestern Energy Expenses Total | \$ 199,771 | \$ 36,203 | \$ 6,908 | \$ 4,216 | \$ 12,521 | \$ 12,558 | \$ - | \$ - |
| Totals | \$ 653,793 | \$ 288,530 | \$ 42,691 | \$ 79,511 | \$ 82,400 | \$ 83,929 | \$ - | \$ - |

Conclusion

NorthWestern is committed to providing a DSM program that helps customers to reduce energy usage while meeting the expectations of the Commission in realizing a cost-effective DSM portfolio of offerings. Energy audits and electric rebates are in line with the extended Year 2 Plan. Natural gas rebates are still lagging, especially in the commercial sector. NorthWestern is still working to refocus advertising and outreach to improve results in Year 2. NorthWestern respectfully submits this update for the Year 2 extended DSM plan and budget for South Dakota customers.