

**TO:** COMMISSIONERS AND ADVISORS  
**FROM:** DARREN KEARNEY, JON THURBER, AND AMANDA REISS  
**SUBJECT:** DOCKET GE16-005 – NORTHWESTERN ENERGY DEMAND SIDE  
MANAGEMENT PLAN  
**DATE:** FEBRUARY 24, 2017

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## STAFF MEMORANDUM

### **Overview**

On November 18, 2016, NorthWestern Energy (NorthWestern) filed for Commission review and approval its 2017 Demand Side Management (DSM) Plan. After reviewing the filing and actual DSM plan results submitted by Northwestern to the Commission on November 18, 2016, in docket GE15-002, Commission Staff (Staff) requested that the Commission suspend NorthWestern's 2017 DSM Plan until March 1, 2017 in order to allow additional time for review.<sup>1</sup> On December 21, 2016, the Commission issued an Order Suspending the 2017 Demand Side Management Plan. After considering its options to make the 2017 DSM Plan cost effective, NorthWestern concluded that it would be unable to do so under the current plan structure. On January 31, 2017, NorthWestern filed a letter regarding its intent to discontinue the company's DSM Plan.

### **DSM Plan Termination**

Staff's concern regarding NorthWestern's 2017 DSM Plan was the ability of the plan to be cost-effective as calculated using the Total Resource Cost (TRC) test. As noted in Staff's letter filed on December 13, 2016, the actual DSM Plan results from the 2-year pilot showed that the DSM Plan needed improvement in order to produce cost-effective results, particularly for the residential programs. Tables 1 and 2, below, identify that the energy audit programs, lack of participation, and overhead costs drove down the TRC scores for the 2015-16 plan year.

Staff communicated to NorthWestern its concerns regarding the energy audit programs, participation levels, and the DSM Plan overhead costs. Staff suggested to NorthWestern that the company may be able to reduce overhead costs by internalizing the DSM program rather than having a third party contractor run the program. In addition, Staff suggested that the company focus its program on only measures that produce cost-effective results. NorthWestern ultimately decided that it would not be able to offer a DSM Plan that is cost-effective. As such, NorthWestern intends to discontinue its DSM Plan in South Dakota.

Since NorthWestern identified the company cannot offer a cost-effective DSM Plan in South Dakota, Staff agrees with discontinuing the plan at this time. However, Staff notes that NorthWestern is the only investor owned utility in South Dakota that will not have a demand side management plan once it is terminated.

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<sup>1</sup> See PUC Staff's Letter requesting Suspending the Proposed 2017 DSM Plan (filed on 12/13/16)

Table 1. Electric Program Results (2015-16)							
Program	No. of Rebates	Lifetime kWh Savings	NWE Rebate Amount	DNV GL Cost	NWE Overhead	Total Overhead	TRC Score
Electric Audits	311	1,800,920	\$ -	\$ 198,136	\$ 5,336	\$203,472	0.17
Comm Electric Programs	56	70,870,446	\$282,390	\$ 167,512	\$ 532	\$168,044	1.92
Res Electric Programs	142	375,222	\$ 1,699	\$ 27,697	\$ 228	\$ 27,925	0.19
General Electric	-	-	\$ -	\$ -	\$ 24	\$ 24	-
Total Electric	509	73,046,588	\$284,089	\$ 393,345	\$ 6,120	\$399,465	1.40
Res Lighting	129	121,447	\$ 948	\$ 8,305	\$ -	\$ 8,305	0.24
Res Existing Electric	12	169,940	\$ 405	\$ 11,251	\$ 176	\$ 11,427	0.21
Res New Construction Electric	1	83,835	\$ 346	\$ 8,141	\$ 39	\$ 8,180	0.12
Total Residential	142	375,222	\$ 1,699	\$ 27,697	\$ 215	\$ 27,912	0.19
Comm Lighting	42	38,978,519	\$162,565	\$ 83,666	\$ -	\$ 83,666	1.69
Comm Existing Electric	12	29,118,635	\$106,375	\$ 40,156	\$ 379	\$ 40,535	2.94
Comm New Construction Electric	2	2,773,292	\$ 13,450	\$ 36,399	\$ 141	\$ 36,540	0.85
Business Partners - Electric	-	-	\$ -	\$ 7,291	\$ -	\$ 7,291	-
Total Commercial	56	70,870,446	\$282,390	\$ 167,512	\$ 520	\$168,032	1.92

Table 2. Gas Program Results (2015-16)							
Program	No. of Rebates	Lifetime dKt Savings	NWE Rebate Amount	DNV GL Cost	NWE Overhead	Total Overhead	TRC Score
Gas Audits	311	24,132	\$ -	\$ 198,136	\$ 5,336	\$203,472	0.30
Commercial Gas Programs	3	3,008	\$ 350	\$ 23,536	\$ 12	\$ 23,548	0.26
Residential Gas Programs	178	57,734	\$ 30,097	\$ 30,655	\$ 407	\$ 31,062	1.25
General Gas	-	-	\$ -	\$ -	\$ 24	\$ 24	-
Total Gas	492	84,874	\$ 30,447	\$ 252,327	\$ 5,779	\$258,106	0.59
Res Existing Gas	178	57,734	\$ 30,097	\$ 30,655	\$ 395	\$ 31,050	1.25
Total Residential Gas							1.25
Comm Existing Gas	3	3,008	\$ 350	\$ 16,245	\$ -	\$ 16,245	0.37
Business Partners - Gas	-	-	\$ -	\$ 7,291	\$ -	\$ 7,291	-
Total Commercial Gas	3	3,008	\$ 350	\$ 23,536	\$ -	\$ 23,536	0.26

### **Energy Efficiency Adjustment Rates and Tracker Account Balances**

The energy efficiency adjustment rates are currently effective until otherwise ordered by the Commission.<sup>2</sup> NorthWestern plans to complete a true-up of the tracking account balances once final costs have been compiled. At this time, NorthWestern is not requesting to change the rates until the true-up is completed. Staff agrees with NorthWestern to leave the existing rates in place until all costs are compiled and the true-up is completed. Once the true-up is completed, NorthWestern will request Commission approval to terminate the energy efficiency adjustment rates and the method for managing the tracker account balances.

<sup>2</sup> See Docket GE16-005: *Order Suspending 2017 Demand Side Management Plan*