

TO: COMMISSIONERS AND ADVISORS
FROM: DARREN KEARNEY, JON THURBER, AND AMANDA REISS
SUBJECT: DOCKET GE16-005 – NORTHWESTERN ENERGY DEMAND SIDE MANAGEMENT PLAN
DATE: APRIL 25, 2017

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.¹ 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. On March 9, 2017, the Commission issued an Order Approving Termination of the Demand Side Management Plan.

Tracker Account Closeout

NorthWestern plans to true-up the gas and electric tracker account balances during the month of May. Current tracker account balances and forecasted energy sales for the month of May (and part of June) indicate the need for an electric rate to be set at a credit of \$0.0005/kWh and a gas rate to be set at a charge of \$0.0144/therm. It should be noted that both electric and gas tracker accounts received a credit of \$14,805.56 (for a total of \$29,611.12) in March in order to account for the total net book value remaining for the two vehicles purchased by NorthWestern's contractor. According to invoices reviewed by Staff, NorthWestern's contractor spent a total of \$51,107.48 on the two vehicles during program start-up. Table 1 shows the forecasted tracker account balances at the end of the June based on the proposed rates as indicated above.

| Table 1. July 2014 through June 2017 Tracker Account Summary | | | | | | | |
|--|-------------------|------------------|----------------------------|-----------------|----------------|---------------------|-------------------------|
| Account | Recoveries | Program Expenses | Fixed Percentage Incentive | Carrying Costs | Vehicle Credit | Total Program Costs | Forecasted June Balance |
| Electric | \$ (2,780,900.01) | \$ 2,278,883.89 | \$ 603,824.11 | \$ (87,046.95) | \$ (14,805.56) | \$ 2,780,855.49 | \$ (44.52) |
| Gas | \$ (980,578.32) | \$ 982,985.27 | \$ 72,374.43 | \$ (59,909.24) | \$ (14,805.56) | \$ 980,644.89 | \$ 66.57 |
| Total | \$ (3,761,478.33) | \$ 3,261,869.16 | \$ 676,198.54 | \$ (146,956.20) | \$ (29,611.12) | \$ 3,761,500.38 | \$ 22.05 |

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

Since the June forecasted balance is based on estimated energy sales, it is difficult to get the tracker accounts to a zero dollar balance. As such, NorthWestern proposes to either: 1) maintain the tracker account balances (with interest) until the next general rate filing and then include that amount in the cost of services, or 2) if the balances remaining reflect an immaterial amount receivable from customers then NorthWestern would write-off that immaterial amount as a non-recoverable expense.

Following completion of the May true-up rates, NorthWestern proposes to eliminate the gas and electric DSM plan tariff sheets, effective June 1, 2017. The tariff sheets will remain in the NorthWestern's gas and electric rate books, however they will be intentionally left blank.

Staff Recommendation

It is Staff's recommendation that the Commission:

- 1) Approve the energy efficiency adjustment rates (and associated tariff sheets) set at a credit of \$0.0005/kWh for electric service and a charge of \$0.0144/therm for gas service, with an effective date of May 1, 2017;
- 2) Approve the revised tariff sheets that remove the energy efficiency adjustment rates from NorthWestern's rate book, with an effective date of June 1, 2017; and
- 3) Approve NorthWestern's plan for handling any small balances remaining in the tracker accounts at the end of June by either maintaining the accounts and incorporating into the next general rate filing or writing off immaterial amounts due from customers as a non-recoverable expense.