

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

In the Matter of NORTHWESTERN) REGULATORY DIVISION
ENERGY, Application for Approval of)
Unreflected Gas Cost Account Balance,) DOCKET NO. D2013.5.34
Projected Gas Cost and Gas Transportation)
Adjustment)

DATA RESPONSES OF MONTANA CONSUMER COUNSEL

NWE-001 RE: Electronic copies of Exhibits and work papers
Witness: George L. Donkin

Please provide working electronic copies of all exhibits and work papers with all supporting files and links intact.

RESPONSE:

Please see the attached compact disk.

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NWE-002 RE: Exhibit No.__(GLD-1)
Witness: George L. Donkin

- a. Calculations in column (5) of this exhibit recognize only one year of Dkt savings persistence in each year shown instead of total cumulative Dkt savings over the lives of the DSM measures. Please explain why. [Note: NorthWestern assumes an average 20-year useful life for DSM measures.]
- b. Please provide an updated Exhibit No.__(GLD-1) with an additional column that computes the USB Expenses Per Cumulative Dkt Saved over the total useful life of the DSM measures. Provide all supporting work papers.
- c. Please explain how the results of the calculations in part b above would affect your conclusions as stated on page 8, lines 15-18 of your pre-filed direct testimony. If you determine that the results would not affect your conclusions, please explain why.

RESPONSE:

- a. The purpose of Exhibit No.__(GLD-1) is to show the extent to which, if at all, USB expenses in recent years are producing increasing or decreasing Dkt savings. This can be done by relating USB expenses to the first year of Dkt savings, or in the alternative to the cumulative Dkt savings over the lives of the DSM measures.
- b. New Column (6) of Exhibit No.__(GLD-1) shows that NWE's USB expenses per 20 years of Dkt savings increased significantly in recent years, from \$0.98 per Dkt for program period 2006-07, to \$3.02 per 20 years of Dkt savings for program period 2011-12.
- c. The conclusion stated at page, lines 15-18, does not change – significant increases in USB expenses per Dkt of savings took place from program periods 2006-07 through 2012-13.

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NWE-003 RE: Exhibit No.__(GLD-2)
Witness: George L. Donkin

- a. The calculations in columns (2), (4), and (6) of this exhibit only recognize cumulative Dkt savings up to the 2012-2013 period and do not include the cumulative future Dkt savings produced over the useful lives of all measures installed during the time periods shown. Please explain why. [Note: NorthWestern assumes an average 20-year useful life for DSM measures.]
- b. Only one year of Dkt Savings for the 2012-2013 Dkt savings shown in Column (1) is incorporated into the calculations in columns (2), (4), and (6). Please explain why.
- c. Please provide an updated Exhibit No.__(GLD-2) with either a revised column (2) or an additional column that computes the Cumulative USB Savings in Dkt over the total useful life of the DSM measures installed in each and all of the years shown and which then recalculates the values based in columns (4) and (6). Provide all supporting work papers.
- d. Please explain how the results of the calculations in part b above would affect your conclusions as stated on page 9, lines 4-6 and lines 10-12, and on page 15, lines 11-18 of your pre-filed direct testimony. If you determine that the results would not affect your conclusions, please explain why.

RESPONSE:

- a. The purpose of Exhibit No.__(GLD-2) is to show the relationship to date of actual USB expenses to actual USB Dkt savings realized for the seven program periods that are shown in the exhibit. Exhibit No.__(GLD-2) is not intended to show that relationship over an assumed 20-year life for each program period's USB expenses. If instead cumulative Dkt gas cost savings were used, the nominal (undiscounted) dollar value of total USB gas cost savings would exceed the nominal (undiscounted) dollar value of all actual USB expenses incurred for the seven program periods shown in the exhibit.
- b. Only one year of Dkt Savings for the 2012-2013 Dkt savings is shown in Column (1) of the exhibit because actual USB Dkt gas cost savings in all years after 2012-13 have not yet been realized.
- c. The requested calculations have not been made. However, see also my response to NWE-3 a., above.
- d. As is stated in my response to NWE-3 a., above, I assume that including estimated future USB gas cost savings in the comparison would result in a nominal (undiscounted) dollar

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value of total USB gas cost savings that exceeds the nominal (undiscounted) dollar value of all actual USB expenses incurred in the seven program periods that are shown in the exhibit.

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NWE-004 RE: USB Lost Revenues
Witness: George L. Donkin

On page 14, lines 5-7 of your pre-filed direct testimony, you state that NorthWestern ratepayers would incur an additional cost of \$166,300 due to 2012-2013 USB activities, if cost recovery for lost USB revenues is allowed in this case.

- a. Would that same amount be paid by ratepayers through transmission and distribution rates if no USB activities were conducted that saved Dkt and thereby reduced Dkt throughput? If not, why not?
- b. If your answer to part a above is yes, then please explain how this amount of \$166,300 can be characterized as an additional cost, as stated on page 14, line 6 of your testimony.
- c. If the transmission and distribution revenues in the amount of \$166,300 would have been collected in the absence of any USB program activity, please explain why they were included in your estimate of \$1,858,680 for total costs to ratepayers for 2012-2013 USB activities.

RESPONSE:

- a. No. If NWE conducted no USB activities in program period 2012-13 that saved Dkt, it would be out of compliance with the statute and would be subject to penalties by the Commission.
- b. See the response to NWE-004(a), above.
- c. See the response to NWE-004(a), above.

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NWE-005 RE: USB Program Cost-effectiveness
Witness: George L. Donkin

Please explain your understanding of the purpose and intent of the USB Program.

RESPONSE:

The USB program in Montana has several purposes and intents. The Commission and the Montana Department of Revenue (DOR) are vested by the Legislature with USB rulemaking authority. The Commission is vested by the Legislature with ratemaking authority. The several purposes and intents of the Montana USB Program are described at pages 13 and 14 of the Commission's December 17, 2008, Final Order in Docket Nos. D2004.7.99, et al. There, in Par. 49, the Commission addressed the DOR's definitions of the following USB public purpose program categories.

- Cost-effective energy conservation;
- Low-income customer weatherization;
- Low-income energy assistance;
- Renewable resource projects and applications;
- Research and development; and
- Market transformation.

My testimony addresses the estimated lost revenues that result from NWE's "E+Free Weatherization" and "E+Energy Audit for the Home" USB-related DSM programs. See NWE's response to Data Request MCC-014, and Mr. Thomas's prefiled direct testimony at WTM-6. In so doing I paid particular attention to the following DOR USB public purpose definitions:

- Cost-effective energy conservation – the installation or implementation of an energy efficient measure or practice which results in a reduction of energy usage. *Cost-effective means that the expected benefits accrued as a result of pursuing the action must exceed the expected costs associated with that action over some reasonable period of time.* Permitted energy conservation expenditures/credits subject to DOR review are found at ARM 42.29.106 and include energy audits and DSM programs. (Emphasis added)

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- Low-income customer weatherization – a group of energy assistance measures targeted at improving energy efficiency and energy related safety of low-income homes. Permitted low-income weatherization expenditures/credits subject to DOR review are found at ARM 42.29.107.

Given these definitions, I analyzed the extent to which NWE’s USB-related activities have been cost effective, i.e., have they produced expected benefits that exceed expected costs over some reasonable period of time? The Company’s USB-related DSM activities in program periods 2006-07 through 2011-12 appear to have met this objective. On the other hand, my Exhibit ___ (GLD-3) demonstrates that the net present value (NPV) of future gas cost savings is significantly less than the NPV of the USB-related DSM expenses that were incurred in program period 2012-13.

In performing my analysis and developing my conclusions, I also took into account NWE’s response to Data Request PSC-003 (a), which includes in part the following statement:

NorthWestern’s natural gas DSM programs are currently producing at an approximate level of 100,000 Dkt of new incremental energy savings each year. The USB contribution has steadily declined since the beginning of the DSM Plan and is assumed to be 25% going forward; the non-USB DSM contribution is assumed to be 75%.

This response is consistent with the downward trend in annual USB-related Dkt savings experienced by NWE during program periods 2006-07 through 2012-13. See Exhibit ___ (GLD-1). It indicates that going after “low-hanging fruit” in the form of Dkt savings resulting from USB-related DSM activities will be more costly to obtain than it was in the past. To the extent that is so it becomes more important for NWE to have a significant incentive ensure that its USB-related DSM activities are cost effective.