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November 26, 2008

Patty Van Gerpen
Executive Director
SD Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

RE: 2008 Annual Report Concerning Renewable and Recycled Energy Objective

Dear Patty:

During the 2008 legislative session, House Bill 1123 was enacted creating a Renewable and Recycled Energy Objective (REO) for South Dakota. Specifically, SDCL 49-34A was amended to create the following (*emphasis added*) statutory requirement:

49-34A-105. Annual reports concerning renewable and recycled energy objective. *Beginning on December 1, 2008, each retail provider shall annually report to the Public Utilities Commission on the provider's energy sales during the twelve month period ending on the preceding September thirtieth. This report shall include information regarding qualifying electricity delivered and renewable energy and recycled energy certificates purchased and retired as a percentage of annual retail sales and a brief narrative report that describes steps taken to meet the state renewable and recycled energy objective over time and identifies any challenges or barriers encountered in meeting the objective.* The last annual report shall be made on December 1, 2017. The commission shall make the data and narrative reports available and accessible to the public on the internet. The commission shall compile the data obtained from the reports and submit the data to the Legislature by the following January first. A distribution cooperative may aggregate its reporting through generation and transmission cooperatives and a municipal utility may aggregate its reporting through a municipal power agency.

The following information is submitted by NorthWestern Energy in fulfillment of the 2008 Annual REO Report as required in SDCL 49-34A-105:

For the twelve-month period ending on September 30, 2008, the total megawatt hours (MWH) of retail energy sales by NorthWestern Energy in South Dakota equaled 1,383,498 MWH. Energy generated from burning tires as an alternative fuel source at the Big Stone Plant totaled 28,600 MWH or 2.06 percent of NorthWestern's total South Dakota retail energy sales. No renewable or recycled energy credits were purchased or retired by NorthWestern Energy during this twelve-month period.

NorthWestern Energy released a request for proposals (RFP) in November of 2007 to acquire up to 50 MW of South Dakota located wind energy. Responses were received from five potential wind generators with one being disqualified for submitting an incomplete application. Two prospective wind energy generation partners were invited for interviews resulting in the selection of one to proceed into negotiations for 25 MW of wind energy. With the filing of this report, negotiations are still on-going with the prospective wind energy generator. Once negotiations are successfully completed, NorthWestern anticipates receiving approximately 6.3 percent of its total retail sales from wind generation in South Dakota.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Pamela A. Bonrud". The signature is written in black ink and is positioned above the printed name.

Pamela A. Bonrud

Director – SD/NE Government and Regulatory Affairs