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January 27, 2012

Ms. Patricia Van Gerpen, Executive Director
S. D. Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: NorthWestern Corporation Demand Side Management Revision PUC Docket GE09-001

Dear Ms. Van Gerpen:

With this letter, NorthWestern Corporation ("NorthWestern" or the "Company"), doing business as NorthWestern Energy, is filing the requested revisions to its Demand Side Management (DSM) plan that was approved in GE09-001. With this filing, the following tariff sheets are included:

Electric revised tariff sheets

Section 1, sheet 2, 8th revised
Section 3, sheet 1, 13th revised
Section 3, sheet 2, 8th revised
Section 3, sheet 3, 11th revised
Section 3, sheet 4, 10th revised
Section 3, sheet 5, 15th revised
Section 3, sheet 6, 12th revised
Section 3, sheet 7, 10th revised
Section 3, sheet 8, 8th revised
Section 3, sheet 9, 15th revised
Section 3, sheet 10, 11th revised
Section 3, sheet 11, 12th revised
Section 3, sheet 12, 12th revised
Section 3, sheet 14, 13th revised
Section 3, sheet 15, 12th revised
Section 3, sheet 18, 7th revised
Section 3, sheet 23, 11th revised
Section 3, sheet 25.1, 4th revised
Section 3, sheet 28, 11th revised
Section 3, sheet 36, 5th revised

Natural Gas revised tariff sheets

Section 1, sheet 1, 31st revised

Section 3, sheet 1, 20th revised

Section 3, sheet 11, 5th revised

Description of the tariff change:

The original DSM plan in docket GE09-001 received approval with the order dated May 11, 2010. Within the order were three requirements:

1. NorthWestern's Residential Lighting Rebate Program be omitted from the Plan;
2. NorthWestern's Cost Recovery Rider shall be at a rate to be approved in a subsequent filing, and annually thereafter; and
3. Allow NorthWestern to make a return on their expenses approved in a subsequent filing, similar to rates approved by the Commission in other energy efficiency programs.

This filing addresses the three items listed above and seeks final approval to begin implementation of the DSM program for NorthWestern customers.

In response to item 1, NorthWestern requests the Commission reconsider the omission of the Residential Lighting Rebate or Compact Florescent Light (CFL) plan. As stated in the original filing, NorthWestern recognizes value in this program and asks that it be included in its DSM program offerings. The Commission recently approved a similar Home Lighting rebate program in EL11-013. The CFL program provides a way to entice home consumers to make efficiency changes in their home. This program would show customers that they can take energy efficiency steps without spending a lot of money. Implementing this program will allow NorthWestern to target customers who have not made the move to CFL's on their own, despite the fact that CFL's have been on the market for several years.

As requested in item 2, tariff sheets and rates for this DSM program are included in this filing. The Company asks for approval of these rates.

Regarding item 3, the company includes as Exhibit A its budgeted expenses and return on those expenses. Page 1 of Exhibit A provides the calculation of the rate. Page 2 shows the program costs by utility and customer group. The Company proposes a return similar to returns proposed and approved in dockets EL11-002 and EL11-013. The company is proposing a 30% return on its annual expenses for the program.

This program is new to NorthWestern and its customers. The program was developed based on the Company's experience in Montana. At this time, it is difficult to determine which programs will resonate with NorthWestern customers. So as to maximize the benefits received from this DSM plan, NorthWestern requests reasonable flexibility (within the limits of the overall proposed budget) of applying funds to specific programs within the plan that garner customer interest.

Reason for the Change

The proposed changes seek to answer the questions raised in GE09-001. By answering these questions, the Company hopes to gain the Commission's approval of its DSM program and begin implementation. This program will help customers realize lower energy consumption and assist the Company in its desire to promote energy conservation.

Present Rate

This is a new program to NorthWestern and costs are not currently included in rates.

Proposed Rate

The proposed rates are shown on attached tariff sheets Section 3, sheet 11 for residential natural gas customers and Section 3, sheet 36 for electric customers. The rates seek to recover the projected 2012 DSM program expenditures and include a 30% return on those expenditures. In March 2013, a filing will be made that includes the over/under recovered balance as well as the 2013 budgeted expenditures and return. The revised rate based on those numbers will be proposed to the Commission to be approved by May 1, 2013.

Conclusion

When the Commission approved the programs originally filed in GE09-001 on May 11, 2010, as discussed above, three questions remained. This filing seeks to answer the three questions and provide closure to the open items from the order. NorthWestern seeks Commission approval to include its CFL program as originally submitted in GE09-001. NorthWestern makes this filing with the goal of final approval of its rates and the inclusion of the CFL program as part of its DSM offering in South Dakota. NorthWestern accepts staff's proposed return and recovery percentage.

The name, address and phone number of the persons to be contacted regarding the filing are:

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Sincerely yours,

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