



April 23, 2014

Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

RE: GE12 – 001 – In the Matter of a Filing by NorthWestern Corporation, d.b.a. NorthWestern Energy, for Approval of Tariff Revisions to its South Dakota Demand Side Management Plan

Dear Ms. Van Gerpen:

Included with this communication is an updated version of NorthWestern Energy's South Dakota Demand Side Management (SDDSM) plan for review by the South Dakota Public Utilities Commission. This updated version replaces the SDDSM plan that is currently on file in the above referenced docket. NorthWestern respectfully requests the Commission's approval of the SDDSM plan for its initiation on June 1, 2014.

NorthWestern originally received Commission approval of a SDDSM portfolio in Docket GE09-001. In the Commission's order dated May 11, 2010, three requirements were addressed:

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

NorthWestern filed a request for proposed natural gas and electric tariff revisions on January 27, 2012. The request for proposed tariff revisions - which initiated this current docket proceeding (GE12-001) – also requested that the Commission reconsider its decision to omit the Residential Lighting Rebate Program. On December 6, 2012, a revised SDDSM plan was filed for Commission approval that reflected the inclusion of a Residential Lighting Rebate Program, a Cost Recovery Rider, and a Return on Expenses that was consistent with the mechanism previously approved by the Commission in other energy efficiency programs. Subsequent to the filing of our proposed tariff revisions and proposed SDDSM budget, NorthWestern responded to a series of Staff generated data requests. At which time, activity related to GE12-001 paused to allow time for a Commission sponsored DSM workshop to occur. Following the workshop, discussions continued with staff regarding the Residential Lighting Rebate program.

The 2014 updated SDDSM plan retains a Residential Lighting Rebate Program in its portfolio of offerings. NorthWestern is pleased that we reached a successful conclusion with Staff that the Residential Lighting Rebate Program has merit for inclusion in our SDDSM portfolio. The Cost Recovery Rider and Return on Expenses mechanisms as submitted in December 2012 remain the same. All numbers and calculations related to our 2012 DSM program and budget have been updated to reflect 2014 conditions.

Additionally, NorthWestern requests that the Commission consider providing some flexibility to NorthWestern in budget management related to SDDSM plan implementation, especially during the first two years of activation. As history has shown, developing a budget for the first few years of initiating a DSM program is challenging as it is very difficult to predict the level of customer participation in offered programs. The Commission has witnessed

the same predicament in its oversight of DSM programs offered by other regulated utilities in SD. With that in mind, NorthWestern is seeking the ability to have some flexibility in budget spending. NorthWestern is proposing that it have the flexibility to adjust between budgeted program spending if we discover there is greater customer interest in one program over another. We also are requesting that we have the ability to deviate from the overall budget by plus or minus 30%. In all cases, NorthWestern commits to maintaining close contact with staff if, or when, we start to see differences in spending that differ from the budget within in the proposed 30% buffer.

NorthWestern wishes to thank Staff for their diligence and good faith efforts in working with us to bring our SDDSM plan to the Commission for its review and decision. If there are any questions regarding this filing, please contact me at your convenience.

Thank you,



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