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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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September 25, 2009

Patricia Van Gerpen
SD Public Utilities Commission
500 E. Capitol Ave
Pierre, SD 57501

Re: Energy Independence and Security Act of 2007

Dear Ms. Van Gerpen:

The Commission recently heard testimony in EL08-028. EL08-028 addressed standards in the Energy Independence and Security Act of 2007 specific to electric utilities. The same Act amends Section 303(b) of the Public Utility Regulatory Policies Act of 1978 (15 U.S.C. 3203(b)). Specifically section 303 is amended by adding the following natural gas standards.

ENERGY EFFICIENCY- Each natural gas utility shall--

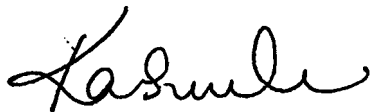
- (A) integrate energy efficiency resources into the plans and planning processes of the natural gas utility; and
- (B) adopt policies that establish energy efficiency as a priority resource in the plans and planning processes of the natural gas utility.

RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS-

- (A) **IN GENERAL-** The rates allowed to be charged by a natural gas utility shall align utility incentives with the deployment of cost-effective energy efficiency.
- (B) **POLICY OPTIONS-** In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider--
 - (i) separating fixed-cost revenue recovery from the volume of transportation or sales service provided to the customer;
 - (ii) providing to utilities incentives for the successful management of energy efficiency programs, such as allowing utilities to retain a portion of the cost-reducing benefits accruing from the programs;
 - (iii) promoting the impact on adoption of energy efficiency as 1 of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives; and
 - (iv) adopting rate designs that encourage energy efficiency for each customer class.

Commission Staff recommends the Commission open a docket to begin its research and consideration of the standards to determine whether they should be implemented in South Dakota. Consideration of said standards must be complete by December 19, 2009. Further Commission Staff recommends it work with Commission Counsel to set a procedural schedule for a paper hearing after time for intervention has run. Future workshops or live testimony shall be considered if necessary to completely investigate the standards.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kara Semmler".

Kara Semmler