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November 21, 2011

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-1234

Re: **Docket No. RM11-001**
In the Matter of the Adoption of Rules Regarding Renewable Energy
Credits and Renewable, Recycled and Conserved Energy; Gas and
Electric Customer Billing; ARSD 20:10:22:05; and ARSD 20:10:36:02

Dear Ms. Van Gerpen:

Northern States Power Company, a Minnesota Corporation operating in South Dakota, ("Xcel Energy" or the "Company") respectfully submits these comments to the South Dakota Public Utilities Commission ("Commission") regarding the proposed rules issued in this docket on October 12, 2011. We appreciate the opportunity to comment in this matter and the work that has been done to date in this docket as well as the two preceeding dockets regarding these rules. We support the proposed rules as presented. The comments that we offer below are based on previous comments submitted by the Company and other parties that are not addressed in the proposed rules.

Below we first offer some recommendations for modification that we support if the Commission were inclined to make further changes. However, we do not object to the rules as currently drafted. Second, we offer specific support for certain rules as proposed.

Potential Modifications to the Proposed Rules

Proposed Rule 20:10:38:01 Definitions

As we mentioned in comments submitted Dec 17, 2010 in the related docket RM09-002, we believe that two of the definitions could be improved to be clearer and more consistent with widely-accepted definitions. We reiterate the

following suggestions, which we believe would clarify the definitions and expand them to include a wider range of energy saving efforts:

Proposed Definition Number (7) "Energy efficiency" means an absolute decrease in consumption of electric energy or natural gas or a decrease in consumption of electric energy or natural gas on a per unit of production basis without a reduction in the quality or level of service provided to the energy consumer.

Proposed Definition Number (10) "Energy Efficiency Measure" means measures or programs, including energy conservation measures or programs, that target consumer behavior, equipment, processes, or devices designed to produce either an absolute decrease in consumption of electric energy or natural gas or a decrease in consumption of electric energy or natural gas on a per unit of production basis without a reduction in the quality or level of service provided to the energy consumer.

Proposed Rule 20:10:38:03 Measurement and Verification of Energy Efficiency Measures

We agree with the use of a deemed savings approach to estimate savings from energy efficiency measures. It is also common industry practice to validate savings through periodic impact evaluations conducted by third parties. However, we are concerned about what could constitute an "appropriate periodic interval" and recommend that the language be clarified to specify that the appropriate interval is no more frequent than once every three years. Requiring more frequent evaluations for each program would result in significant added cost for little added benefit. Further, we believe that measurement and verification is best addressed in the context of a DSM plan and the measurement and verification plan should be evaluated based on the characteristics of the specific program.

We note also that geographic specific values and annual reviews of deemed savings are not necessary and have appropriately not been included in the proposed rules.

Proposed Rule 20:10:38:06 Measurement and Verification of Demand Response Measures

This section implies that third party validation of data and impact evaluations are needed. These requirements can add costs to the measurement and verification process and should only be used as needed. Similar to our statement above, we would like to recommend that a measurement and verification plan is best addressed in the context of a DSM plan as part of the approval of the demand response program rather than attempting to create a one-size fits all approach.

Support for Proposed Rules

Demand Response Programs

We currently do not plan to use Demand Response Programs to meet the South Dakota Renewable, Recycled and Conserved Energy Objective (“RRCEO”). However, for those utilities that may want to meet the RRCEO with conserved energy or demand response programs, we believe that it should be up to the utility to demonstrate that the program reduces the need to add additional resources.

While a demand response program may not provide reductions in the same fashion as a conservation measure, program or a typical conventional utility resource, demand response programs can help improve system performance. For example, wind resources are more likely to operate at night when the customer’s needs are lower. But, a demand response program works during the day when the wind often does not blow. Thus demand response programs can help reduce the need for additional non-renewable resources during the day time peak periods.

If we want true parity between non-renewables and renewables, we need to explore ways to achieve additional savings when renewables cannot meet customers’ needs. We support including demand response programs in the definition of the RRCEO and we support the definitions as currently proposed that allow for this option to help utilities meet their goals.

Measured Savings Approaches

We believe that the proposed rule 20:10:38:05 Measured savings approaches, is appropriate as currently written.

We believe that it is appropriate to leave all four measured savings approaches available as outlined in the proposed rules. It should be noted that methods (2) and (4) comply with standard industry practice. The use of standard engineering formulas, research and computer models are standard industry practice. Direct metering is typically only used for very large energy savings projects; projects over one GWh because direct metering would otherwise be cost prohibitive and would render smaller projects non-cost effective. Direct metering of residential projects is not typical and would be very expensive in relation to the level of energy savings that can be captured within the residential sector.

Annual REO Reporting Requirements

We appreciate the streamlined approach to the annual reporting requirements in section 20:10:38:07 Renewable Energy Credit Requirements as currently proposed. In addition, we note that much of the information on our renewables portfolio is available in other forums, including rate cases, biennial reports and FERC Form 1s. We would caution against any changes to the rules that would result in a duplication of information already available elsewhere.

Xcel Energy appreciates the opportunity to comment and we look forward to answering any questions the Commission may have in regards to these comments.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "J Wilcox". The signature is fluid and cursive, with the first letter "J" being large and prominent.

Jim Wilcox