



Gary Hanson, Chairperson
Chris Nelson, Vice Chairperson
Kristie Fiegen, Commissioner

South Dakota

PUBLIC UTILITIES COMMISSION

500 East Capitol Avenue
Pierre, South Dakota 57501-5070
www.puc.sd.gov

Capitol Office
(605) 773-3201
1-866-757-6031 fax

Grain Warehouse
(605) 773-5280
(605) 773-3225 fax

Consumer Hotline
1-800-332-1782

September 25, 2013

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

Re: In the Matter of the Consideration of Standards to Govern Avoided Cost Determinations
RM13-002

Dear Ms. Van Gerpen:

In docket EL11-006, *In the Matter of the Complaint by Oak Tree Energy LLC against NorthWestern Energy for refusing to enter into a Purchase Power Agreement*, the Commission directed Staff to "open a rule-making docket for the purpose of considering, on a statewide basis, the proper standards that should govern avoided cost determinations in the future in this state". Specifically the Commission's May 15, 2012, Interim Order ordered Staff to open a rulemaking docket to address the following issues:

- 1) Requirements for the creation of a Legally Enforceable Obligation (LEO);
- 2) Acceptable methodology or methodologies for determination of avoided cost;
- 3) Appropriateness of particular methods in specified circumstances;
- 4) Appropriate contract term;
- 5) Standards for determination of when capacity credits shall be allowed; and
- 6) The appropriate method(s) for computing the magnitude and duration of such credits.

With the closing of EL11-006, Staff respectfully requests the Commission open a rulemaking docket in order to take comments on and draft such rules in an open and collaborative process. Staff recommends interested parties provide comments addressing each of the points set forth above, as well as commenting on any other issue pertinent to this matter, by December 3, 2013.

Sincerely,

Karen E. Cremer

Karen E. Cremer
Staff Attorney