



October 19, 2022

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

RE: Docket AA22-003 – In the Matter of the South Dakota Public Utilities Commission, Demand Response Investigation

Dear Ms. Van Gerpen,

On June 21, 2022 the South Dakota Public Utilities Commission (Commission) opened Docket AA22-003 to consider amendments to the Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (PURPA) contained in the Infrastructure Investment and Jobs Act of 2021 (IIJA). Section 111(d) of PURPA was amended by adding the following standard:

Each electric utility shall promote the use of demand-response and demand flexibility practices by commercial, residential and industrial customers to reduce electricity consumption during periods of unusually high demand.

On July 20, 2022, the Commission issued an order asking each electric public utility to file written comments in response to the following:

- a. A report of existing demand response and demand flexibility practices used by commercial, residential, and industrial customers to reduce electric consumption during periods of unusually high demand for service to South Dakota, as well as adjoining jurisdictions;
- b. Current rate mechanisms employed for timely recovery of costs of demand-response and demand flexibility practices;
- c. Previous actions taken by the Public Utilities Commission or State Legislature to implement the standard or a comparable standard;
- d. Opportunities to further promote the use of demand-response and demand flexibility practices to reduce electricity consumption during periods of unusually high demand; and
- e. Any further information the Commission should consider.

NorthWestern Corporation, dba NorthWestern Energy (NorthWestern), appreciates this opportunity to respond to the Commission's inquiries. Our responses follow below.

- 1. A report of existing demand response and demand flexibility practices used by commercial, residential, and industrial customers to reduce electric consumption during periods of unusually high demand for service to South Dakota, as well as adjoining jurisdictions.**

NorthWestern is a member of the Southwest Power Pool (SPP) so much of our and customers' efforts in response to periods of unusually high demand for electric service in South Dakota is governed by SPP protocol. When NorthWestern receives a call to reduce electric consumption

from SPP, we work with our large load customers to reduce their electricity demands to avoid needing to instigate rolling brown outs or black outs to maintain grid integrity. We will also issue media notifications and use social media outlets to alert our customers of the need to reduce their electric energy consumption and for how long they will need to use conservation practices. Once the need to conserve electric energy consumption has passed, we use these same notification procedures to let customers know they can return to normal.

2. Current rate mechanisms employed for timely recovery of costs of demand-response and demand flexibility practices.

NorthWestern has four time of use tariffed rates that allow timely recovery of costs for demand-response or demand flexibility practices. Rate 70 is available to commercial customers who choose to utilize off peak times for business operations. Commercial customers receive a significant rate discount if they can shift their energy usage to the hours of 8:00 pm to 9:00 am. Rate 16 is our irrigation rate to incent irrigation operators to use power from 9:00 pm to 9:00 am. It also allows NorthWestern to interrupt their electric usage between the hours of 3:00 pm to 7:00 pm if we are in a position of high customer energy demand. Rate 15 is an interruptible electric heat rate for residential customers.

3. Previous actions taken by the Public Utilities Commission or State Legislature to implement the standard or a comparable standard.

As the Commission will recall, NorthWestern initiated a two-year pilot Demand Side Management Plan (DSM Plan) with accompanying Energy Efficiency Adjustment (EEA) rates with a filing in January 2012. The Commission issued an order dated June 16, 2014 in Docket GE12-001 approving NorthWestern's two-year pilot DSM Plan and EEA rates. The DSM Plan was applied to both the electric and natural gas utilities in South Dakota. On June 23, 2016, the Commission approved a six-month extension to our DSM Plan and EEA rates through December 31, 2016. On November 18, 2016, NorthWestern filed its 2017 DSM Plan (Docket GE16-005) for Commission approval with a January 1, 2017 effective date. Commission staff conducted its initial review of our proposed 2017 DSM Plan and subsequently filed a letter on December 13, 2016 asking the Commission to suspend the effective date until March 1, 2017 to allow both parties more time to review the Plan. Staff stated in its December 13, 2016 letter that staff was concerned about the cost-effectiveness of the proposed 2017 DSM Plan based on the Total Resource Cost (TRC) scores for the Plan's proposed energy efficiency measures. Following an interchange of data requests from staff and NorthWestern responses to those data requests, NorthWestern filed a letter on January 31, 2017 requesting Commission approval to discontinue its DSM Plan. Among the reasons for this decision was that NorthWestern's cost effectiveness tests value energy only but not capacity. We did not have a way to monetize the capacity value of energy efficiency. On March 9, 2017 the Commission issued an order approving the termination of our DSM Plan and the continuation of our EEA rates until a final true-up was provided. On April 25, 2017, NorthWestern filed its proposal for closing out the EEA tracker accounts, including the tariff sheets for canceling the EEA rates. NorthWestern also requested to cancel its EEA rates and tariff sheets on June 1, 2017. On May 9, 2017, the Commission issued its order approving NorthWestern's request.

4. Opportunities to further promote the use of demand-response and demand flexibility practices to reduce electricity consumption during periods of unusually high demand.

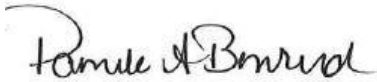
None at this time.

5. Any further information for the Commission to consider.

None at this time.

Please let me know if you have any questions or need additional information.

Sincerely,



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Director-Government and Regulatory Affairs

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