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**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

April 11, 2007

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

RE: *NorthWestern Corporation Proposed Change to Natural Gas Tariff*
PUC Docket no. NG06-011

Dear Ms. Van Gerpen:

This Commission granted intervention to Cornerstone Energy, Inc. (“Cornerstone”) on October 31, 2006 in the above-captioned matter, involving a tariff change proposed by NorthWestern Corporation (“NorthWestern”). Cornerstone intervened because the tariff change requested would allow NorthWestern substantial discretion in determining “credit worthiness” of natural gas marketers doing business with NorthWestern. Based on that determination, the proposed tariff would further allow NorthWestern substantial discretion in requiring “security” from the marketer, including cash deposits, irrevocable letters of credit, guarantees and prepayments.

As Cornerstone pointed out in its intervention, Cornerstone is one of just two marketers impacted by the proposed change to NorthWestern’s tariff – the other being NorthWestern’s affiliate. Cornerstone has long supported regulatory oversight of gas marketers, including certification requirements. Indeed, Cornerstone has consistently met any and all such requirements in the ten other states in which it operates. However, given the substantial discretion left to NorthWestern in its current proposed tariff, Cornerstone sees this tariff filing as an effort to vest any “oversight” function, not in the Commission, but in the utility – in this case a utility with an affiliate that competes directly with Cornerstone.

Since being granted intervention, Cornerstone initiated further discussions with NorthWestern in an effort to informally resolve Cornerstone’s concerns. As part of those discussions, Cornerstone agreed to provide information on which NorthWestern could conduct an initial financial review. Moreover, Cornerstone has worked to get any imbalances (allegedly a major driver for NorthWestern filing this tariff) as close to zero as possible. For example, in one recent month Cornerstone was long, resulting in NorthWestern owing Cornerstone money, not the converse. Thus, to the extent NorthWestern has problems with imbalances, Cornerstone can only assume those problems are being caused by its affiliate.

Unfortunately, despite these efforts by Cornerstone, NorthWestern persists in pursuing a tariff and credit policy that would be the most restrictive of any in the eleven states in which Cornerstone operates. Specifically, NorthWestern seeks the ability to review Cornerstone's finances on an at least an annual basis – a requirement Cornerstone faces in no other state.¹ The unreasonableness of NorthWestern's position on this matter becomes apparent when compared to the rules in place regarding establishing credit for nonresidential customers.

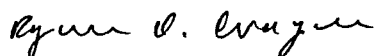
NorthWestern's proposed tariff mirrors much of the rules set forth in A.R. 20:10:19:02:01, et seq. Cornerstone has not objected to those portions of the tariff that align with these rules and has already met all reasonable requirements by receiving credit approval based on NorthWestern's review of our financials. However, the Commission's rules provide that nonresidential sales customers with twelve months of acceptable payment history are no longer required to have a deposit with NorthWestern. *See* A.R. 20:10:19:11. Similarly, if Cornerstone (or any other marketer) meets reasonable requirements for credit approval and then has acceptable payment history with NorthWestern, NorthWestern should not be able to subject that marketer to ongoing review of the marketer's finances. Such a requirement simply serves no legitimate purpose in such a scenario.

In addition, Cornerstone has discussed with NorthWestern the need for access to interday meter reads, in order to assist Cornerstone in staying in balance – a service Cornerstone receives from utilities in its other states. While NorthWestern has stated an openness to providing such information, the parties have not yet succeeded in negotiating the terms of such an arrangement. In summary, NorthWestern should not be allowed to impose burdensome credit requirements on the one non-affiliated marketer operating on its system.

Thank you for your attention to this matter and please contact Eric Swanson at (612) 604-6511 if you have any questions.

Very truly yours,

WINTHROP & WEINSTINE, P.A.



Ryan K. Crayne
South Dakota Attorney No. 2130
Eric F. Swanson

cc. Service List
Richard Haubensak, Cornerstone Energy

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¹ In that regard, Cornerstone would note that NorthWestern's initial filing in this matter indicated that Iowa requires an annual credit filing by marketers. In fact, it does not and South Dakota would become the only state in which Cornerstone operates to impose such a requirement.

FOR THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
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Pierre, South Dakota 57501

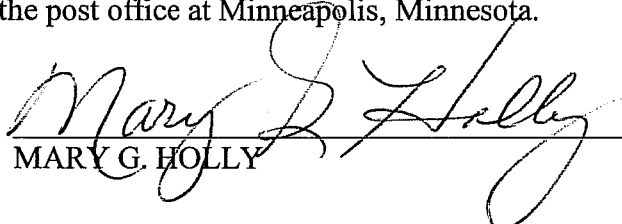
NorthWestern Corporation Proposed
Change to Natural Gas Tariff

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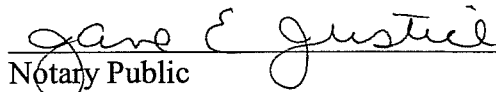
STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Mary G. Holly, of the City of Lake Elmo, County of Washington, the State of Minnesota, being first duly sworn, deposes and says that on the 11th day of April, 2007, she served the attached **Comments of Cornerstone Energy, Inc.** to all said persons on the attached Service List, true and correct copies thereof, by depositing the same enclosed in an envelope, postage prepaid in the United States Mail in the post office at Minneapolis, Minnesota.

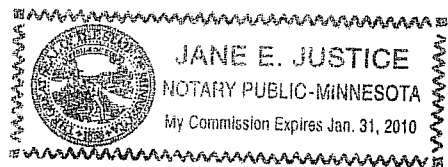


MARY G. HOLLY

Subscribed and sworn to before me this
11th day of April, 2007.



Notary Public



SERVICE LIST

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