



Pamela A. Bonrud
Director - SD/NE Government &
Regulatory Affairs
Phone: (605) 978-2900
Fax: (605) 978-2919
Pam.Bonrud@northwestern.com

NorthWestern Corporation
d/b/a NorthWestern Energy
3010 W 69th Street
Sioux Falls, SD 57108
Telephone: (605) 978-2940
Facsimile: (605) 978-2910
www.northwesternenergy.com

December 17, 2010

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

RE: RM09-002 – In the Matter of the Adoption of Rules Regarding Renewable, Recycled and Conserved Energy

Dear Ms. Van Gerpen:

NorthWestern Corporation, d.b.a. NorthWestern Energy (NorthWestern), appreciates this opportunity to provide comments on the proposed administrative rules as submitted by the South Dakota Public Utilities Commission (Commission) in the above referenced docket on November 23, 2010. NorthWestern also refers the Commission to comments we filed on June 30, 2010, as providing additional support for our comments contained herein.

Beginning with the Commission's proposed definition of terms in Section 20:10:38:01, NorthWestern respectfully requests that the Commission define "cost effective" to provide proper direction to utilities and the Commission in evaluating future DSM offerings for program implementation. Previously, NorthWestern suggested language to define "Cost Effective" in its June 30, 2010, filing. For ease of reference, we are including our proposed definition for "cost-effective" below:

"Cost-effective" means having a benefit-cost ratio equal to or greater than one.

(a) In calculating the benefit-cost ratio, the benefits must include, but are not limited to:

- (i) the utility's or natural gas utility's avoided generation, transmission, distribution, capacity, and energy costs; and
- (ii) non-energy benefits.

(b) In calculating the benefit-cost ratio, the costs must include, but are not limited to, applicable utility or natural gas utility expenditures for the following:

- (i) labor, program design, administration, evaluation, advertising, and promotion;
- (ii) customer education programs;
- (iii) incentives and discounts;
- (iv) capital costs;
- (v) customer costs; and
- (vi) operation and maintenance expenses.

NorthWestern firmly believes that providing a clear definition of what is meant by “cost-effective” within the realm of energy efficiency, or DSM, will help the Commission and the utilities to avoid potential disagreements in the future over the determination of qualifying measures and expenditures; controlling the scale and scope of DSM programs and related spending; and providing full cost recovery to a utility for program implementation. Also, with a clear definition of “cost-effective” in the administrative rules, South Dakota will be much more successful in identifying those measures that are truly beneficial to utility customers and not waste money or time implementing costly or time-consuming programs that have little or no customer benefit.

In regards to the Measurement and Verification (M&V) of energy efficiency or demand response savings, NorthWestern offers that a better approach would be to allow the evaluation timeline to be determined by the scope of a DSM plan as filed. This approach is more in-keeping with current industry standards and allows M&V to reflect individual characteristics of each utility’s DSM plan rather than using a blanket provision that treats all utilities the same.

NorthWestern believes that certain information that is being required within the Annual Reporting Requirements described in proposed Section 20:10:38:07 appears to be redundant to information the Commission receives in the biennial updates to our 10-year plan. Specifically, proposed subsections (1), (2) and (3) require us to resubmit information the Commission already has on file through the biennial update process (see ARSD Chapter 20:10:21). Therefore, NorthWestern respectfully suggests that subsections (1), (2), and (3) be deleted as that information is already being provided to the Commission through another reporting process.

NorthWestern suggests that the Commission consider deleting subsections (8) and (9) from proposed Section 20:10:38:07 as it does not apply to NorthWestern. Due to the Commission’s order issued on May 5, 2010 regarding NorthWestern’s DSM plan for South Dakota, there will be no capital expenses as NorthWestern will be required to expense our costs for DSM implementation (see Docket GE09-001).

NorthWestern also asks that subsections (10) and (11) be deleted from the reporting requirements under proposed Section 20:10:38:07. In referencing the Commission’s May 5, 2010 order regarding NorthWestern’s DSM plan for South Dakota, we expect that this information will be provided through information we submit as part of our annual review with the Commission for cost recovery of program implementation costs. Again, it creates redundancy and additional administrative costs to resubmit information the Commission will receive through alternative means.

NorthWestern Energy appreciates this opportunity to comment on the proposed rules regarding renewable, recycled and conserved energy. We look forward to working with the Commission through this rule-making process to further discuss our comments.

Sincerely,



Pamela A. Bonrud

Director – Government and Regulatory Affairs