



Pamela A. Bonrud
Director - 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

August 31, 2011

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

RE: Revised Draft Rules for RM09-002 and RM10-001

Dear Ms. Van Gerpen:

NorthWestern Corporation, d.b.a NorthWestern Energy, appreciates this opportunity to provide comments on the proposed administrative rule revisions contained in the above referenced dockets and for ARSD 20:10:22:05 and 20:10:36:02. Listed below are our comments:

1. We have no issues or comments in regards to the proposed rule changes for ARSD 20:10:17:06 through 20:10:17:09 which deal with billing adjustments related to fast or slow meter errors.
2. In regards to ARSD 20:10:17:09.01 – Timeframe for overcharge or undercharge payments – NorthWestern believes the proposed draft language provides clear guidance as to how regulated utilities are to address an overcharge situation. As we understand it, a credit for an overcharge would be applied to the customer account within 30 days of when it is determined that an overcharge occurred due to a meter error. However, the proposed language related to undercharged billing creates confusion as to how the word “billed” is used. Our take on the wording is the undercharged amount would be “billed” by dividing the total undercharged amount by 2 times the number of months undercharging occurred. For example - the customer was undercharged for 5 months and the total undercharged amount is \$500.00. We would be required to “bill” the customer \$ 50.00 a month for the next 10 months. NorthWestern believes it would not be able to meet this requirement with the way billing adjustments are calculated and billed using our current system or the ECIS+ that will be operational in the next year. Our suggestion would be to allow a utility to “bill” the total undercharged amount on the customer’s next bill cycle and allow for a 10 month credit arrangement (in the above situation) or allow the account to be placed on Budget Billing, which would spread the undercharged amount over the next 12 months. This would allow NorthWestern to meet the intent of “billing” the customer for the undercharged amount within the confines of our customer billing software.
3. NorthWestern is comfortable with draft language as proposed in ARSD 20:10:17:09.02 – Creation of regulatory asset for uncollected amounts.

4. The new draft language proposed under ARSD 20:10:38:03 and 20:10:38:06 regarding Measurement and Verification is acceptable, but is still incomplete as it does not address the issue of cost effectiveness. NorthWestern appreciates the proposed flexibility in using either reported energy/demand savings or results from recent impact evaluation studies to meet its annual reporting requirement. Specifically, proposed language in ARSD 20:10:38:06 includes the language "... at appropriate periodic intervals" which governs the frequency of Impact Evaluations. We appreciate Staff's recognition that these studies are time-consuming and costly to perform and are not necessary for each successive annual DSM report.

Although the draft rules address DSM Impact Evaluations, the draft rules do not require or mention economic evaluation of DSM, and do not address the critical issue of cost effectiveness. Without a cost effectiveness decision rule of some kind, regulated utilities and the Commission will have no useful mechanism for admitting or rejecting DSM measures that are not cost effective to implement or will benefit customers. Clearly defined rules on cost effectiveness that are grounded in the widely-accepted concept of DSM as a resource are foundational to any rational and successful utility DSM effort. Including a clear definition for cost effectiveness in the administrative rules will also help the Commission and 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. Further, all parties would be without a key justification guided by a clear economic benchmark when evaluating mechanisms to address cost recovery of DSM expenditures. Clear, comprehensive cost effectiveness rules will help South Dakota to pursue the right kind of energy efficiency offerings and develop programs that are truly beneficial to customers. Therefore, NorthWestern reiterates our initial position on the need to define DSM cost effectiveness and respectfully asks the Commission to include the specific cost effective and conserved energy language that NorthWestern requested in previous comments we have provided as a part of this rule making docket:

For inclusion in the Definitions section (ARSD 20:10:38:01):

- *"Conserved energy," the reduction of energy and capacity usage achieved through cost-effective energy efficiency measures and cost-effective demand response measures;*
- *"Cost-effective" means having a benefit-cost ratio equal to or greater than one.*
 - *In calculating the benefit-cost ratio, the benefits must include, but are not limited to:*
 - *the electric utility's or natural gas utility's avoided generation, transmission, distribution, capacity, and energy costs; and*
 - *non-energy benefits.*
 - *In calculating the benefit-cost ratio the costs must include, but are not limited to, applicable electric utility or natural gas utility expenditures for the following:*
 - *labor, program design, administration, evaluation, advertising, and promotion;*
 - *customer education programs;*
 - *incentives and discounts;*
 - *capital costs;*
 - *customer costs; and*
 - *operation and maintenance expenses.*

5. NorthWestern has no suggested changes to proposed Section 20:10:38:07 - Renewable energy credit requirements.

Thank you for this opportunity to provide comments as part of this rule-making procedure. If there are any additional questions from the Commission or Staff, please feel free to contact me at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Pamela A. Bonrud". The signature is written in a cursive style with a large initial "P".

Pamela A. Bonrud
Director – Government and Regulatory Affairs

Cc: John Phyfield – NorthWestern Energy
Bill Thomas – NorthWestern Energy
Sara Dannen – NorthWestern Energy
Jeff Decker – NorthWestern Energy