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December 17, 2010

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

RE: RM10-001 – In the Matter of the Request to Amend rules regarding ARSD Chapter 20:10:17 Gas and Electric Customer Billing Rules

Dear Ms. Van Gerpen:

NorthWestern Corporation, d.ba. NorthWestern Energy (NorthWestern), hereby submits its comments regarding the proposed administrative rule changes issued by the South Dakota Public Utilities Commission (Commission) in the above referenced docket. NorthWestern Energy appreciates this opportunity to provide comments.

Comments submitted by NorthWestern Energy in its communication dated June 30, 2010, in response to Staff questions regarding stopped, slow or fast meter adjustments to customer bills remain applicable and provide supporting documentation for responses included in this communication.

NorthWestern's long-standing practice to correct meter billing errors – whether the meter billing error results from a slow, stopped or misread meter – is to go back six months for recovery of unmetered units. In other words, when a meter billing error is discovered, NorthWestern uses a time period of the past six months to determine the amount due from the customer. NorthWestern contacts the affected customer to explain how the meter billing error occurred and if needed, work with the customer on a payment schedule for the unmetered usage. In contrast, if the meter billing error is the result of a fast meter, NorthWestern's current practice is to refund the customer back to the point in time where we can best determine that the meter error first occurred.

NorthWestern does not support the proposed amendments to prohibit our ability to back-bill for unmetered electric or natural gas usage from residential customers but allow that practice for commercial customers. The Commission's proposal to treat a "residential" customer differently than a "commercial" customer creates inconsistency in how a regulated utility is able to recover customer usage costs that are not billed as a result of meter reading errors. It is NorthWestern's opinion, a customer is a customer regardless of how they are classified and that customers should be treated the same under similar billing circumstances.

If a regulated utility is not able to back-bill its customers for unmetered usage, it will create situations whereby there is no incentive to customers to notify the utility of a possible stopped or slow meter. The customer is essentially given a

“green light” to continue to use utility services that they are not paying for without any repercussions. This approach does not follow the long-held regulatory paradigm that the “cost causer pays”. In the end, other utility customers are harmed as they will be required to pay for that electric or natural gas usage when a rate case is filed and utility costs are “trued-up”.

NorthWestern is also concerned about how the proposed rule changes will impact our customer budget billing program. When a meter is stopped or stuck, it will read the same as the previous month’s usage resulting in a zero record usage on the billing system for that month. Future usage estimations for budget billing purposes will estimate the usage at zero and budget billing amounts will be understated for each successive month. This could result in a situation where once the under-billed usage is discovered the customer’s budget billing may have a significant jump in one month (and each successive month) as it reflects the customer’s true usage. The same situation will be created when we do an estimated bill for a customer as we will not have a true record of what that customer’s historical usage. Once the meter error is discovered, and a true-up of the estimated billing occurs, the customer could be faced with a significant increase that may be difficult for the customer to pay.

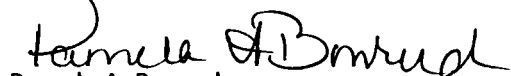
In addition, if NorthWestern is not allowed to correct usage history for billing purposes, customer security deposits may be understated, usage history graphs will be skewed, and usage history provided to landlords, renters, real estate agents and customers who are selling or looking to buy properties will be incorrect.

For all of the above reasons and concerns, NorthWestern Energy respectfully requests that the Commission reconsider its proposed changes to ARSD Chapter 20:10:17 regarding meter reading errors for electric and natural gas usage. NorthWestern is supportive of an approach that would allow a regulated utility to go back six months for the recovery of unmetered usage as is done under our current billing practices. NorthWestern also supports treating ALL customer classes the same for meter billing errors regardless of whether they are a residential or commercial customer. If the Commission agrees with NorthWestern that a utility should be allowed to back-bill for unmetered electric and natural gas usage regardless of the cause of the meter billing error, the proposed regulatory asset provision is not needed. In regards to refunds resulting from meter billing errors, NorthWestern is supportive of the proposed rule change to limit the refund period to one year but is open to considering a reasonable alternative.

NorthWestern Energy appreciates this opportunity to provide comments in response to Staff’s proposed rule changes. We look forward to the further discussions and finding a solution that is equitable to all parties involved.

Thank you.

Sincerely,



Pamela A. Bonrud

Director – Government and Regulatory Affairs