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May 18, 2009

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

RE: RM08-002 - In the Matter of the Adoption of Rules Regarding PURPA Interconnection.

Dear Ms. Van Gerpen:

In follow-up to the South Dakota Public Utilities Commission hearing held on May 6, 2009 regarding the above referenced docket, NorthWestern Corporation, d.b.a. NorthWestern Energy (NorthWestern), offers the following comments:

1. Proposed 20:10:36:02.
As in our October 8, 2008 letter and during hearing testimony, NorthWestern Energy suggests that it would be helpful to define the appropriate Tier levels in the Definitions section to avoid possible confusion as to how the review requirements are to be applied under Proposed Section 20:10:36:05 or other areas of the proposed rules that apply differing standards based on a Tier determination.
2. Proposed 20:10:36:15.
NorthWestern Energy remains committed to comments submitted in its letter dated October 8, 2008 and during the Commission's May 6, 2009 hearing regarding the need for isolation devices on Tier 1 small generator devices. The health, safety and welfare of our field personnel is too important to be risked over an estimated \$200 dollars worth of savings for those who chose to install devices under the Tier 1 interconnection requirements. We once again ask the Commission to favorably consider our request to require those devices that fall within the Tier 1 guidelines to have a separate isolation device installed as is required for all other small generator tiers.
3. Proposed Section 20:10:36:17.
NorthWestern agrees with comments submitted by other utilities that the \$100 per hour cap as proposed in this section for additional study costs is too low. Our experience in MT has demonstrated that additional study costs could be more in the range of range of \$150 to \$250 per hour, especially when outside consulting firms may be needed for more complicated interconnection applications. We would also agree with other utilities that the cap should be indexed for inflation if it is not removed from the rules as proposed.

During testimony at the hearing, NorthWestern suggested that a study deposit scenario like that used under FERC review requirements could be used to make sure the utility is fully reimbursed for its costs to review applications, study system impacts, and determine the feasibility of a requested small generation interconnection. If the entire deposit is not used, the remaining funds would be refunded to the applicant. If additional funds are needed to complete the general study requirements as defined within this section of the proposed rules, those would be billed to the applicant. Costs caused by an entity that is asking to use a utility's distribution system should not be shifted to existing utility customers. The rules should allow for full reimbursement to a utility for costs it would incur to complete an application review.

The FERC SGIA deposits are as follows for Commission consideration on this issue:

- * Interconnection Request - \$1,000 (this deposit is used to review the original application and also applied towards the Feasibility Study)
- * System Impact Study - \$5,000
- * Facility Study - \$10,000 (this deposit is also applied towards writing the final interconnection agreement).

4. Proposed 20:10:36:33 and 20:10:36:38

It would seem that a public scoping meeting in a Tier 1 and Tier 2 review procedure would be unnecessary for this type of small generation interconnection. NorthWestern respectfully requests that the requirement for a scoping meeting for Tier 1 and Tier 2 reviews be removed from these sections. The information as outlined for the scoping meeting could be provided to the customer at its request rather than requiring that a meeting be held.

5. Proposed 20:10:36:32 and 20:10:36:36.

NorthWestern Energy suggests that clarification is needed to ensure that the aggregated generation load from small generation does not exceed the annual minimum load for a distribution line section rather than using the 15 percent annual peak load as currently contained in the proposed rules. This would be a better threshold measure to insure that a utility's system does not get back feed into a substation bus from generation resources. It would also allow a utility to better maintain proper system protection.

6. Proposed 20:10:36:55.

NorthWestern respectfully requests that rather than defining what the minimum study requirements "shall" be to determine system impacts, it should be left as a "may include" to provide both parties flexibility to determine what is most appropriate for a particular request. No two projects will be the same. By allowing the parties to jointly agree to waive study requirements or to modify as needed to best fit a particular project, a more streamlined study approach and cost saving measures can be realized.

7. Proposed 20:10:36:64.

NorthWestern supports staff's proposed re-write of this section as contained in their letter dated May 8, 2009 on file with this docket.

8. Proposed 20:10:36:65.

NorthWestern appreciates staff's recognition of the importance of remote generation data gathering from small generator facilities as contained in its letter dated May 8, 2009. NorthWestern agrees that monitoring points and access to generation data is important and should be at the option of the utility. However, we do not agree with staff's proposed rewrite whereby it will be at the utility's expense to provide for remote monitoring capability from data monitoring points. When generation resources within a utility's existing distribution network change due to the interconnection of a small generator, the small generator should be responsible for all reasonable costs to provide output data and data monitoring points to the utility so it can operate and maintain its system in a safe and reliable mode.

As we stated during the Commission's May 6, 2009 hearing, it has not been NorthWestern's practice to require remote monitoring capabilities from small generators interconnected to its system and does not foresee changing that policy in the near future. NorthWestern also commented that if a utility determines that it must have the capability to remotely monitor small generation from customers that requested to connect to our distribution system, we believe that the small generator should pay for the cost of providing that remote monitoring capability. As staff noted in its May 8, 2009 letter, "Utilities must provide reliable service, and as a result must back up any distributed generator system." If a utility is to meet all of its requirements of maintaining and operating a reliable electric system and as provider of last resort, having access to all generation resource data is key.

NorthWestern also requests that the three (3) megawatt (MW) requirement as the threshold for not requiring remote monitoring contained in Proposed Section 20:10:36:65 be changed to two (2) MW as that is more in keeping with current FERC guidelines on this same issue.

9. Proposed 20:10:36:66 and 20:10:36:67

NorthWestern concurs with comments submitted by other utilities during the course of this docket proceeding that requiring a public utility to notify all interconnection customers of an outage, emergency condition or when routine maintenance is planned is unreasonable. Each utility has its own communication plan for how it notifies customers of possible emergencies, routine maintenance, or outage situations. Utilities should be allowed to notify customers as appropriate for particular situations rather than having to spend time trying to provide unnecessary customer contact when its resources are better spent in getting the situation corrected or conducting routine maintenance as needed.

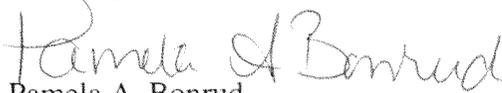
10. An administrative question has arisen as NorthWestern continues to contemplate how these rules will be implemented. Because South Dakota has not adopted PURPA in its entirety, there could be some confusion to a customer as to what set of rules apply when seeking interconnection rights. How do these proposed set of rules apply if FERC rules governing small generator interconnection also have jurisdiction? Will the customer be required to follow both the federal and state rules and incur the costs associated each?
11. Another thought for the Commission's consideration is the possible application of these rules to other electric utilities in South Dakota rather than just investor owned electric utilities. While NorthWestern appreciates that the Commission does not have rate regulation jurisdiction over all electric utility providers, it does have jurisdiction over quality of service (SDCL 49-34A-58) for all electric utilities.

Because much of the focus for these proposed rules centers on system reliability, quality of service and safety issues not only for investor owned utility employees but customers as well, it would seem probable that these rules should apply equally to all electric utilities as defined in SDCL 49-34A-1(7).

NorthWestern Energy sincerely appreciates the time and effort put forth by the Commission and staff in examining the myriad of issues related to developing rules to govern small generator interconnection agreement requirements. The workshop approach was useful for vetting many issues for consensus where possible and assisted in streamlining the rules drafting process. It also made for a more productive hearing before the Commission, as we were able to focus on those limited areas where consensus was not obtained.

NorthWestern respectfully requests that the Commission adopt our suggestions as demonstrated through written submissions filed in this docket and its testimony during the May 6, 2009 hearing. Please advise if you have any additional questions regarding our comments in regards to Docket RM08-002.

Sincerely,



Pamela A. Bonrud

Director – SD/NE Government and Regulatory Affairs

Cc: Sara Dannen, NorthWestern Energy
Carolyn Loos, NorthWestern Energy
Denny Wagner, NorthWestern Energy