



August 16, 2012

**RE: Comments on the Department of Energy's and Western Area Power Administration's Role in Defining the Future of Power Marketing Administrations**

NorthWestern Energy appreciates this opportunity to comment on the Grid Modernization proposal outlined in Secretary Chu's March 16, 2012 memo and the materials from the "listening" workshops held recently in South Dakota and Montana. NorthWestern Energy operates transmission systems in Montana and South Dakota. In Montana, NorthWestern Energy operates a Balancing Area and has approximately 339,500 electrical customers with a peak load of 1573 MW. In South Dakota, NorthWestern Energy is part of the WAPA Upper Great Plains Balancing Area with approximately 61,100 electrical customers and a peak load of 341 MW.

NorthWestern Energy encourages WAPA to continue to concentrate on providing for its core business responsibilities and supporting system reliability. Initiatives to increase the scope of WAPA should be carefully reviewed before implementation so that the current WAPA missions are not jeopardized. These initiatives should make business sense and bring additional benefits to the transmission system operated by WAPA.

One of WAPA's core missions is protecting system reliability and providing for system security. In this light, we encourage WAPA to collaborate with other organizations in taking a lead role in implementing the recommendations from the Arizona-Southern California FERC-NERC disturbance report dated September 8, 2011. WAPA should consider implementing these recommendations in all of its areas within both WECC and MRO-MAPP.

NorthWestern Energy agrees with the South Dakota Public Utility Commission regarding incentives for efficiency, demand side management and integration of renewable resources. Efficient use of electricity and demand side management are best handled at the Load Serving Entity level rather than through WAPA. Renewable resource integration should be done such that those who benefit from these resources pay for the integration and not the rest of WAPA's customers.