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Nestern Energy

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March 8, 2005

Ms. Pamela Bonrud, Executive Director S. D. Public Utilities Commission 500 East Capitol Avenue Pierre, SD 57501

RECEIVED

MAR 0 9 7005

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Re: NorthWestern Corporation Proposed Electric Tariff Changes PUC Docket EL05-

Dear Ms. Bonrud:

With this letter, NorthWestern Corporation ("NorthWestern" or the "Company"), doing business as NorthWestern Energy, is filing with the Commission proposed changes to two of its electric rate tariffs. Pursuant to ARSD 20:10:13:39, the Company states:

- (1) The documents submitted with this filing include:
 - The Application for Tariff Change of NorthWestern;
 - An original and one copy of a Report of NorthWestern Corporation in Support of Tariff Filing, pursuant to ARSD 20:10:13:26 (the "Report");
 - The Affidavit of NorthWestern's Vice President Distribution Operations Curtis T. Pohl, which is filed as Exhibit A to the Report; and
 - The proposed revised tariff schedules:
 - o Option N Section No. 3, Second Revised Sheet No. 19.1
 - o Option L Section No. 3, First Revised Sheet No. 21.1
- (2) The proposed effective date for the changes in the tariffs is April 10, 2005 (thirty days after the date of filing of this application).
- (3) The names and addresses of those to whom copies of the rate schedules have been mailed:

Because these proposed tariffs do not apply to any current customers of NorthWestern, the Company has not mailed copies of the proposal to any customers.

(4) Brief description of the proposed changes in rates:

NorthWestern is proposing the addition of language to these tariffs to allow NorthWestern to have the ability to discount energy charges applicable for a new customer, receiving service at a new location, with a demand of 2 megawatts or more in order to offer competitive rates for such customer.

(5) Reasons for the proposed changes:

The reasons for the proposed changes are spelled out more fully in the Report (see paragraph 4 therein).

(6) Number of customers whose cost of service will be affected and annual changes in cost of service to such customers.

The impact of the proposed changes are spelled out more fully in the Report (see paragraphs 8 and 10 therein).

Sincerely yours;

Alan D. Dietrich

Vice President – Legal Administration &

Corporate Secretary

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STATE OF SOUTH DAKOTA BEFORE THE

MAR 0 9 2005

PUBLIC UTILITIES COMMISSIONSOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Proposed Tariff Schedule Filing of)	
NorthWestern Corporation, doing business)	Docket No. EL05
as NorthWestern Energy)	

APPLICATION OF NORTHWESTERN CORPORATION FOR APPROVAL OF REVISED ELECTRIC TARIFFS

NorthWestern Corporation ("NorthWestern" of the "Company"), doing business as NorthWestern Energy, hereby applies to the South Dakota Public Utilities Commission (the "Commission") for approval of revised electric tariffs, as detailed and supported more fully in the Company's Report in Support of Tariff Filing, filed herewith.

WHEREFORE, NorthWestern requests that the Commission accept and approve these revised electric tariffs.

Dated at Sioux Falls, South Dakota, this 8th day of March, 2005.

By:

NORTHWESTERN CORPORATION

Alan D. Dietrich

Vice President – Legal Administration &

Corporate Secretary

125 S. Dakota Avenue, Suite 1100

Sioux Falls, SD 57104

Ph (605) 978-2907

Fax (605) 978-2910

CERTIFICATE OF SERVICE

The undersigned hereby certifies that an original and one copy of this Application of NorthWestern Corporation for Approval of Revised Electric Tariffs, the Report of NorthWestern Corporation in Support of Tariff Filing (with the attached Exhibit A Affidavit of Vice President – Distribution Operations Curtis T. Pohl), the proposed revised Tariffs, and the transmittal letter of Alan D. Dietrich have been sent by Federal Express overnight delivery, charges prepaid, to Pamela Bonrud, Executive Director, S. D. Public Utilities Commission, 500 East Capitol, Pierre, SD 57501, this 8th day of March, 2005.

Alan D. Dietrich, attorney for NorthWestern Corporation

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STATE OF SOUTH DAKOTA BEFORE THE PUBLIC UTILITIES COMMISSION

MAR 0 9 2005

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Proposed Tariff Schedule Filing of)	
NorthWestern Corporation, doing business)	Docket No. EL05
as NorthWestern Energy)	

REPORT OF NORTHWESTERN CORPORATION IN SUPPORT OF TARIFF FILING

NorthWestern Corporation ("NorthWestern" of the "Company"), doing business as

NorthWestern Energy, hereby files this report, pursuant to ARSD 20:10:13:26 in support of its

Proposed Tariff Schedule Filing to NorthWestern's electric service tariffs as follows:

Option N New Business Incentive Rider

Option L Extended Service Rider

Contents of Report:

(1) Name and address of the public utility

NorthWestern Corporation, doing business as NorthWestern Energy 600 West Market Street Huron, SD 57350-1500 Phone (605) 353-7500 Fax (605) 353-7519

Those individuals to whom information concerning this filing should be provided:

Alan D. Dietrich
Vice President – Legal Administration & Corporate Secretary
NorthWestern Corporation, doing business as NorthWestern Energy
125 S. Dakota Ave.
Sioux Falls, SD 57104
Phone (605) 978-2907
Fax (605) 978-2910
Email alan.dietrich@northwestern.com

Jeffrey Decker
Regulatory Analyst
NorthWestern Corporation, doing business as NorthWestern Energy
600 Market Street West
Huron, SD 57350
Phone (605) 353-8315
Fax (605) 353-7560
Email jeffrey.decker@northwestern.com

(2) Section and sheet numbers of tariff schedules:

Option N Section No. 3, Second Revised Sheet No. 19.1 Option L Section No. 3, First Revised Sheet No. 21.1

The other tariff sheets related to the Option N and L Riders are unaffected by this filing.

(3) Description of the change:

NorthWestern is proposing the addition of language to these tariffs to allow NorthWestern to have the ability to discount energy charges applicable for a new customer, receiving service at a new location, with a demand of 2 megawatts or more in order to offer competitive rates for such customer.

(4) Reason for the change:

Under SDCL 49-34A-56 a new customer seeking service to a new location, provided the customer has a minimum electrical demand of 2 MW, may petition the Commission to be served by a different electrical utility than the electric utility in whose assigned service area (under SDCL 49-34A-42) the customer will be located. Based upon a recent petition and upon what the Company anticipates will be potential future new large load customers, both in the Company's assigned service area and in the assigned service areas of neighboring electric utilities, NorthWestern would like to be able to offer electrical service including energy charges competitive with those offered by other electric utilities for service to such customers. Because, in most cases, the other competing electric utility is not providing service under a tariff regulated by the Commission, such competing electric utility can negotiate more freely with the new customer. In order to negotiate and fairly compete with such unregulated utilities, NorthWestern believes that it must have more energy rate flexibility. Without such flexibility, NorthWestern's Commissionapproved tariffs are a fixed "stalking horse," allowing an unregulated utility to offer a rate lower than the Company's, with NorthWestern having no way to effectively compete. The use of a "contract with deviation" negotiation with the customer is not an effective alternative because the Company could not ensure the customer that such contract will be approved by the Commission,

and in weighing two alternatives, including the unregulated utility's firm offer with a conditional offer from NorthWestern, the firm offer is likely to be preferred.

NorthWestern recognizes that its service to such a large customer needs to be at a rate that fully covers its cost to serve the customer and, beyond those costs, provides a benefit to the Company's system as a whole and its other customers served. Therefore, the proposed new tariff language includes the Company's recognition that it must make such a determination before it provides the customer a proposed discounted service offering.

This proposed energy sales flexibility is not without Commission precedent. In its rates for natural gas service in South Dakota, MidAmerican Energy Company has an interruptible rate for large volume customers (its Economic Development Service or EDS rate schedule, Section III, Sheet No. 21) which allows that company to provide service on a negotiated rate basis, with floor and ceiling rates.

(5) Present rate:

Currently, NorthWestern's Option N rider does not allow any discount in the energy charges for customers under such tariff, and NorthWestern's Option L rider allows a minimal discount in energy charges for customers under such tariff. These riders provide demand charge discounts, and NorthWestern does not propose changing any of the provisions of these tariffs related to such demand charge discounts.

(6) Proposed rate:

Under the proposed change to Option N, the proposed rate would simply allow NorthWestern to discount the energy charges, but only in the limited circumstance where a new customer, seeking service to a new location, has a 2 MW demand.

Under the proposed change to Option L, the proposed rate would simply allow NorthWestern to continue to discount energy charges for a large load customer who had previously qualified for a discount under the revised Option N, in order to allow NorthWestern to offer a longer term agreement to a proposed new customer, to be competitive with offerings from an unregulated electric utility.

(7) Proposed effective date of modified rates:

NorthWestern proposes that these revised rates be available thirty days following the filing of this application, or April 10, 2005.

(8) Approximation of annual amount of increase or decrease in revenue.

Because the application of such tariffs is subject to a variety of factors, including: potential new large load customers, at new service locations, qualifying for the tariff; ability of NorthWestern to successfully "bid" to serve such customers; and discount necessary to successfully compete for the electrical load; any approximation of a change in NorthWestern's revenues as a result of this tariff change would be conjecture. The Company can predict that, without a tool to assist it in competing with unregulated electric utilities, NorthWestern may be unsuccessful in obtaining commitments from such customers to serve them, resulting in it losing the opportunity to have such customers' revenues added to the Company's total electric revenues.

(9) Points affected:

These proposed tariff changes will only affect new, qualifying large load customers.

(10) Estimation of the number of customers whose cost of service will be affected and annual amounts of either increases or deceases, or both, in cost of service to those customers

These proposed tariff changes would not affect any of NorthWestern's existing electric customers directly (and should only affect them indirectly in a positive way).

(11) Statement of facts, expert opinions, documents, and exhibits to support the proposed changes.

The Affidavit of Vice President – Distribution Operations Curtis T. Pohl in support of this application is attached hereto as Exhibit A.

Dated at Sioux Falls, South Dakota, this 8th day of March, 2005.

By:

NORTHWESTERN CORPORATION

Alan D. Dietrich

Vice President – Legal Administration & Corporate Secretary

125 S. Dakota Avenue, Suite 1100 Sioux Falls, SD 57104

Sioux Falls, SD 57104 Ph (605) 978-2907

Fax (605) 978-2910

STATE OF SOUTH DAKOTA BEFORE THE PUBLIC UTILITIES COMMISSION

AFFID VICE PRESIDENT – DIST CURTIS	ON OPERATIONS		
NorthWestern Corporation, doing business as NorthWestern Energy)	Docket No. EL05	
Proposed Tariff Schedule Filing of)		

State of Montana)
) SS
County of Silver Bow)

Curtis T. Pohl, being first duly sworn, deposes and says as follows:

- He is the Vice President Distribution Operations for NorthWestern Corporation

 ("NorthWestern" or the "Company"), doing business as NorthWestern Energy,

 and has responsibility for the electric and natural gas distribution operations of the

 Company in the States of Montana, South Dakota, and Nebraska.
- He is familiar with SDCL 49-34A-56 and the rights afforded a new customer, seeking service at a new location, which customer has a minimum electrical demand of 2 MW under that statute.
- As larger new customers are seeking electrical service to their facilities, the competitive pricing of electricity is becoming an increasingly important item, and, particularly with the above-mentioned statute providing certain special options for such new customers, such customers are increasingly seeking competitive bids for electric service, including the facilities to be provided by the competing electric suppliers as well as the rates to be charged for such service.

- It is important for NorthWestern to be able to negotiate electric rates as part of its overall service proposal to such proposed electric customers, and with the electric utilities that are most likely to compete with NorthWestern for service to such customers, it is especially important that NorthWestern's service offerings be more flexible than a fixed price tariff.
- If NorthWestern is going to have a legitimate opportunity to serve such customers, the proposed tariff changes included in this application would be a helpful tool to allow the Company to compete.
- NorthWestern, if granted this tariff change, will seriously follow a procedure to ensure that any discount offered to a qualifying customer provides sufficient revenues to cover all of the Company's costs to serve the customer and to provide margins for the benefit of the NorthWestern system as a whole and its other customers.
- If requested by the Commission, NorthWestern will provide an annual report to the Commission, on a confidential basis because of the proprietary nature of the information, detailing any discounts provided and the analysis undertaken by the Company with regard to determining the benefits from such discounts.

Dated this 8th day of March, 2005.

Curtis T. Pohl

Subscribed and sworn to before me this 8th day of March, 2005.

Notary Public, State of Montana

My Commission Expires: 8-17-08

NORTHWESTERN CORPORATION, doing bu	usiness as NorthW	estern Energy 2nd Revised	Section No. 3 No. 19.1
SOUTH DAKOTA	Canceling_	1st Revised	Sheet No.19.1
New Busines	s Incentive Rider		OPTION <u>N</u>
(continued	d)		
OTHER PROVISIONS			
 The applicability of monthly custo clauses and other provisions is una tariff schedule under which load is New customer load is defined as lo for the first time or re-established I twelve months. In the event re-estativelye month off service provision basis at the Company's dispersion. 	ffected by this rice being served shaped being connect load that has been ablished load is u	der. Stated provider. Stated provider in effect of the Companion off service for ander new owner	isions of ct. any's system a period of ship, the
basis at the Company's discretion. 3) This promotional rider is being off on the Company's system. The Coloads for which sufficient capacity otherwise jeopardize the Company	ompany reserves y is not available	the right to reject or where said lo	et customer ads may
4) The Company shall have the ability customer, seeking service to a new order to offer competitive rates for service to the customer allows fulled to the extent the resulting demand.	v location, and wi such new custon er utilization of the	th a demand of 2 ner, if the Compa ne Company's ex	2 MW or more in any determines that disting facilities an

to serve the customer and provides benefit to the Company's electrical system through

Date Filed: March 9, 2005 Effective Date: April 10, 2005

margins in excess of such costs.

Jeffrey Decker
Issued By: Regulatory Analyst

NORTHWESTERN CORPORATION, doing business as NorthWestern Energy		Section No. 3
HURON	1 st Revised	No. 21.1
SOUTH DAKOTA	Canceling	Sheet No.21.1

Extended Service Rider OPTION L

(Continued)

For a customer for whom an energy charge discount has been provided under the Company's Option N Rider, the Company shall have the ability to discount energy charges applicable for such customer, provided the customer's demand continues to be 2 MW or more in order to offer competitive rates for such customer, if the Company determines that service to the customer allows fuller utilization of the Company's existing facilities and to the extent the resulting demand and energy charges fully cover the Company's costs to serve the customer and provides benefit to the Company's electrical system through margins in excess of such costs.

OTHER PROVISIONS

- 1) The applicability of monthly customer and minimum charges, adjustment clauses and other provisions is unaffected by this rider. Stated provisions of tariff schedule under which load is being served shall remain in effect.
- 2) This discount may not be used concurrently with any other discounting pursuant to tariff or special contract.
- 3) Option L may be renewed on an annual basis, at the discretion of Northwestern and the customer.
- 4) Northwestern reserves the right to reject customer loads for which sufficient capacity is not available or where said loads may otherwise jeopardize Northwestern's system or the welfare of existing customers.
- 5) Northwestern, at its option, may terminate the Option L agreement if the customers Demand or energy use is reduced on an annual basis by 10% or more.
- 5) Revenues which may be lost by Northwestern by reason of its entering into agreements under Option L shall not be recovered from its customers irrespective of their customer class. The determination of whether revenues have been lost shall be made by the South Dakota Public Utilities Commission in a rate proceeding or in a proceeding pursuant to SDCL 49-34A-26.
- 6) Discounts offered under Option L shall be applied to standard rates as approved by the South Dakota Public Utilities Commission from time to time.

Date Filed: March 9, 2005

Effective Date: April 10, 2005

Jeffrey Decker
Issued By: Regulatory Analyst

NORTHWESTERN PUBLIC SERVICE COMPANY Section No. 3 HURON 5th Revised No. 19 4th Revised Sheet No. 19 SOUTH DAKOTA Canceling New Business Incentive Rider OPTION N CLASS OF SERVICE: Commercial and Industrial Service APPLICABILITY This rider is available to new Commercial and Industrial customers for new loads which represent minimum additional demand requirements of 5 KW or greater. The applicability of this rider is subject to consummation of an agreement between the Company and customer and shall be effective on a prospective basis only. Customers have primary responsibility for applying for service pursuant to this rider. **TERRITORY** Company's Assigned Service Area **RATE** Qualifying loads applicable to new customers shall be eligible for: Non-Demand Accounts (Rate Nos. 21 & 25) A 20% discount applicable to standard rates (exclusive of fuel cost) otherwise applicable based upon the Company's filed retail tariff for a period of two years. Demand Accounts (Rate Nos. 33& 34) A 30% discount applicable to standard demand charges otherwise applicable based upon the Company's filed retail tariff for a period of five years. plus A bonus discount applicable to standard demand charges other wise applicable based upon achieved load factors during the billing period as follows: Achieved Load Factor Bonus Discount 50% 20% 60% 30% 70% 40% 50% 80% (continued)

Date Filed: October 11, 1984 Effective Date: October 15, 1984

R. F. Leyendecker

Issued By: Vice-President, Rates & Regulations

SOUTH DAKOTA ELECTRIC RATE SCHEDULE			
NORTHWESTERN PUBLIC SERVICE HURON SOUTH DAKOTA	COMPANY Canceling	1st Revised Original	Section No. 3 No. 19.1 Sheet No.19.1
New Busi	ness Incentive Rider		OPTION <u>N</u>
	(continued)		
OTHER PROVISIONS			
 The applicability of mont clauses and other provision tariff schedule under white 	ons is unaffected by th	is rider. Stated	provisions of
2) New customer load is det system for the first time of a period of twelve month ownership, the twelve month on a case by case basis at	or re-established load t s. In the event re-esta onth off service provis	hat has been of blished load is ion may be red	ff service for under new
3) This promotional rider is condition on the Compar customer loads for which loads may otherwise jeon existing customers.	y's system. The Com sufficient capacity is	pany reserves t not available o	he right to reject r where said

Date Filed: October 11, 1984

R. F. Levendecker
Issued By: Vice-President, Rates & Regulations

Effective Date: October 15, 1984

NORTHWESTERN PUBLIC SERVICE COMPANY HURON SOUTH DAKOTA	Y Original Canceling	Section No. 3 _No. 21 _Sheet No. 21
Extended Service Ri	<u>ider</u> C	PTION <u>L</u>
CLASS OF SERVICE: Commercial and Indu	istrial Service	
<u>APPLICABILITY</u>		
This rider is available to Commercial a represent either (1) a trailing 12 month average average load factor greater than 50 percent or (greater than 75 percent and an average demand of this rider is subject to consummation of an a customer and shall be effective on a prospective responsibility for applying for service pursuant	e demand of 1,000 KW or great (2) a trailing 12 month averaged of 500 KW or greater. The agreement between Northwest we basis only. Customers have	ater and an e load factor applicability ern and
TERRITORY		
Northwestern's Assigned Service Area	L	
RATE		
The following discounts shall be total demand and energy charge		ion of the
Months Remaining in Contract Term	Disc	<u>ount</u>
49 - 120 37 - 48 25 - 36 13 - 24 12 or less All provisions of Northwestern's filed	2 per 1 per	rcent rcent rcent rcent
schedule shall apply. Option L can be (Contin	contracted for a period of up	•
Date Filed: October 20, 1997	Effective Date: November 1, 1997	1

R. F. Leyendecker
Issued By: Vice-President, Market Development

NORTHWES HURON SOUTH DAK	Original No.	ion No. 3 21.1 et No.21.1
	Extended Service Rider OPTION L	
	(Continued)	
OTHER PR	ROVISIONS	
1)	The applicability of monthly customer and minimum charges, adjust clauses and other provisions is unaffected by this rider. Stated provi of tariff schedule under which load is being served shall remain in ex-	sions
2)	This discount may not be used concurrently with any other discount pursuant to tariff or special contract.	ng
3)	Option L may be renewed on an annual basis, at the discretion of Northwestern and the customer.	
4)	Northwestern reserves the right to reject customer loads for which sufficient capacity is not available or where said loads may otherwis jeopardize Northwestern's system or the welfare of existing customer.	
5)	Northwestern, at its option, may terminate the Option L agreement i customers Demand or energy use is reduced on an annual basis by 1 more.	
6)	Revenues which may be lost by Northwestern by reason of its entering agreements under Option L shall not be recovered from its customer irrespective of their customer class. The determination of whether replace been lost shall be made by the South Dakota Public Utilities Commission in a rate proceeding or in a proceeding pursuant to SDG 34A-26.	evenues
7)	Discounts offered under Option L shall be applied to standard rates approved by the South Dakota Public Utilities Commission from tintime.	

Date Filed: October 20, 1997

Effective Date: November 1, 1997

R. F. Leyendecker

Issued By: Vice-President, Market Development

NORTHWESTERN PUBLIC SERVICE COMP. HURON SOUTH DAKOTA		Original ing	Section No. 3No. 21.2Sheet No.21.2
EXTENDED SER	VICE AGR	REEMENT	
NAME(S)	D	ATE	
SERVICE ADDRESS	C	CITY	
ACCOUNT NORA	ATE NO	BILLING CYCLE	E
The undersigned Customer and Northwester will be provided by Northwestern to Customer as fo		rvice "Northwestern" ag	gree that electricity
(1) Customer has either (1) a trailing 12 average load factor greater than 50 percent or (2) a percent and an average demand of 500 KW or great under the rate listed above.	trailing 12 mo	onth average load factor	greater than 75
(2) During the term of this Agreement, the Northwestern to Customer will be subject to the discenergy charges in accordance with the following:			
Months Remaining in Contract	Гerm	Discount	
49 - 120 37 - 48 25 - 36 13 - 24 12 or less		8 percent 4 percent 3 percent 2 percent 1 percent	
(3) The term of this Agreement shall be_Agreement.	months, b	eginning with the execu	tion of this
(4) All provisions of Northwestern's file Terms and Conditions, all as amended from time to Commission, not specifically changed by this Agreen	time and file	d with the South Dakota	
Accepted and approved thisday of_	,1	.9	
NORTHWESTERN PUBLIC SERVICE		CUSTOMER	
Ву		Ву	
Title		Title	
Date Filed: October 20, 1997	Effective 1	Date: November 1, 19	997
Issued	By: Vice-P	R. F. Leyendecke resident, Market Deve	er elopment