



600 Market Street W  
Huron, SD 57350  
Telephone: (800) 245-6977  
Facsimile: (605) 353-7560  
www.northwesternenergy.com

June 29, 2010

Ms. Patricia VanGerpen, Executive Director  
S.D. Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, SD 57501

Re: Small Qualifying Facility Rider Updates

Dear Ms. VanGerpen:

With this letter, NorthWestern Corporation ("NorthWestern" or the "Company"), doing business as NorthWestern Energy, is filing with the Commission revisions to its Electric Tariff. NorthWestern respectfully requests Commission approval of these proposed revisions.

Pursuant to ARSD 20:10:13:39, the Company states:

**1. The documents submitted with this filing include:**

Rate No. 73	Section No. 3, 9 <sup>th</sup> revised Sheet No. 30
Rate No. 73	Section No. 3, 1st Revised Sheet No. 30.1
Rate No. 74	Section No. 3, 8 <sup>th</sup> Revised Sheet No. 31
Rate No. 74	Section No. 3, 1st Revised Sheet No. 31.1

Work-papers Supporting Tariff Changes. Confidential treatment requested per ARSD 20:10:01:41 (see Exhibit A to this letter);

**2. The proposed effective date for the tariff revisions is September 1, 2010.**

**3. Brief description of the tariff changes:**

This update reflects the Company's 2009 avoided cost of fuel and purchased power. Within the requirements to purchase the output of the small power producer, the Federal Regulations state in Section 292.304 that the rates "Be just and reasonable to the electric consumer of the electric utility and in the public interest." Because the Company will purchase the power as it is generated (during peak or non-peak hours), the Company used an average cost in order to calculate the rates to be paid for power. The avoided cost rates were calculated using the weighted average cost of the Company's own generation utilized, and the weighted average cost of the Company's purchased power for 2009.

The Company is also adding a capacity purchase option as required by the Federal Rules. A reference to the SDPUC approved rules for small generation projects has also been added to provide uniformity to the customer approval process. The Customer Charge section has been condensed as electronic metering has eliminated the need for Magnetic Tape Metering.

**4. Reasons for the proposed tariff changes:**

Prior to November 2008, there were no customers served on rates 73 and 74. This change will update the tariff to reflect current market prices.

In addition to the regularly filed tariff sheets, a red line version is also included for ease of determining the changes to the tariff.

**5. Number of customers whose cost of service will be affected and annual changes in cost of service to such customers.**

This change will affect three customers currently receiving service under rate 73. There are no customers currently receiving service under rate 74.

Over the past twelve months ending June 30, 2010, the three customers have sold 1,344 kwh to the Company. The annual impact of this tariff change is modest. The change can be calculated by multiplying 1,344 kwh times the difference between the new rate of \$0.0194 and the old rate of \$0.0175 for an annual purchase price change of \$2.55.

Sincerely,

Jeff Decker  
Regulatory Specialist

**EXHIBIT A****REQUEST FOR CONFIDENTIAL TREATMENT**

COMES NOW, NorthWestern Corporation, doing business as NorthWestern Energy ("NorthWestern" or the "Company"), and pursuant to ARSD 20:10:01:41, requests confidential treatment as follows:

- 1) The documents for which confidential treatment are the work papers used in determining the costs of the Companies annual rates for purchased power, as well as the list of customers and their annual generation.
- 2) The Company requests that such confidential treatment be afforded the Contract and Workpapers indefinitely, or, at a minimum, until the conclusion of the ten-year term of such Contract;
- 3) The name, address and phone number of the persons to be contacted regarding the confidentiality request are:

Jeffrey Decker  
Regulatory Analyst  
NorthWestern Energy  
600 Market Street West  
Huron, SD 57350  
(605) 353-8315

Pamela Bonrud  
Director Regulatory Affairs  
NorthWestern Energy  
125 S. Dakota Avenue  
Sioux Falls, SD 57103  
(605) 978-2990

- 4) The grounds for confidentiality are that the Workpapers provide proprietary information concerning both the Company and the Customer. Sharing this information to third parties may provide competitive advantages to the competitors for both NorthWestern and the Customer.
- 5) As a factual basis in support of this request, please see the response to item 4) above.

**SOUTH DAKOTA ELECTRIC RATE SCHEDULE**

**NORTHWESTERN PUBLIC SERVICE COMPANY  
HURON  
SOUTH DAKOTA**

Section No. 3  
Sheet No. 30  
9th Revised  
Canceling 8th Revised Sheet No. 30

**CLASS OF SERVICE:** Small Qualifying Facility Rider **RATE NO. 73**  
( Occasional delivery energy service )

APPLICABILITY

This schedule is available to all retail electric customers for any customer-owned or operated small qualifying facility for which qualifying status has been obtained under the rules of the Public Utility Regulatory Policies Act of 1978, and as further revised in EAct 2005.

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TERRITORY

Company's Assigned Service Area,

RATE

	<u>Per Meter</u> <u>Per Month</u>
Customer Charge	
Customer Charge	\$2.00
Payment schedule for energy	
All kilowatt hours per KWH	.0194
Payment for Capacity per KW	\$12.45

OTHER PROVISIONS

Service will be furnished under the Company's General Terms and Conditions and the following provisions:

1. Customer shall be billed monthly for the following:
  - a) Demand and energy consumed during the billing period pursuant to appropriate retail rate schedule(s).
  - b) Net compensation or billing applicable to energy delivered during the billing period at above prescribed rate.

( 1 ) to customers who purchase from the Company all electric load requirements which are in excess of the simultaneous output from the facility and sell to the Company all output which is in excess of the simultaneous load, or

**SOUTH DAKOTA ELECTRIC RATE SCHEDULE**

**NORTHWESTERN PUBLIC SERVICE COMPANY  
HURON  
SOUTH DAKOTA**

Section No. 3  
Sheet No.30.1  
1<sup>st</sup> Revised  
Canceling Original Sheet No.30.1

CLASS OF SERVICE: Small Qualifying Facility Rider RATE NO. 74 (L,N)  
(Occasional delivery energy service)

(continued)

(2) to customers who purchase their entire electric load requirements from the Company and sell the entire output from the facility to the Company.

- 2. Customer must comply with the applicable requirements of SD PUC Administrative Rules 20:10:36 including but not limited to a Tier 1 or Tier 2 Interconnect Request, an Interconnect Agreement and a Certificate of Completion. The minimum contracted term of service is 12 months. The rate contained in this tariff is subject to annual review.
- 3. Customer must provide a service disconnect that is accessible by Company employees at all times.
- 4. In order to qualify for capacity payments, the small qualifying facility must be able to deliver power at a minimum on-peak capacity factor of 65% in the months of June – September and must be able to deliver during the Company’s summer peak. Capacity payments will only be made in the months of June – September and will be updated annually as needed.

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**SOUTH DAKOTA ELECTRIC RATE SCHEDULE**

**NORTHWESTERN PUBLIC SERVICE COMPANY  
HURON  
SOUTH DAKOTA**

**Section No. 3  
Sheet No. 31  
Canceling 8th Revised 7th Revised Sheet No. 31**

**CLASS OF SERVICE: Small Qualifying Facility Rider RATE NO. 74 (D,N)**  
**( Time of delivery energy service )**

**APPLICABILITY**

This schedule is available to all retail electric customers for any customer-owned or operated small qualifying facility for which qualifying status has been obtained under the rules of the Public Utility Regulatory Policies Act of 1978, and as further revised in EPAct 2005.

**TERRITORY**

Company's assigned service area.

**RATE**

Per Meter  
Per Month

Customer Charge	
Customer Charge	\$2.00
Payment schedule for energy delivered to the Company	
On-peak energy payment per KWH ( 6 a.m. to 10 p.m. Monday through Saturday, inclusive, excluding Holidays)	.0215
Off-peak energy payment per KWH ( All hours not designated as on-peak )	.0171
Payment for Capacity per KW	\$12.45

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**OTHER PROVISIONS**

Service will be furnished under the Company's General Terms and Conditions and the following provisions:

1. Customer shall be billed monthly for the following:
  - a) Demand and energy consumed during the billing period pursuant to appropriate retail rate schedule(s).
  - b) Net compensation or billing applicable to energy delivered during the billing period at above prescribed rate.

(continued)

**Date Filed: June 29, 2010**

**Effective Date: September 1, 2010**

**Jeffrey Decker**

**Issued By: Regulatory Department**

**SOUTH DAKOTA ELECTRIC RATE SCHEDULE**

**NORTHWESTERN PUBLIC SERVICE COMPANY  
HURON  
SOUTH DAKOTA**

**Section No. 3  
Sheet No.31.1  
Sheet No.31.1**  
1<sup>st</sup> Revised  
Canceling Original

**CLASS OF SERVICE: Small Qualifying Facility Rider                      RATE NO. 74 (D,N)**  
**( Time of delivery energy service )**

(continued)

- (1) to customers who purchase from the Company all electric load requirements which are in excess of the simultaneous output from the facility and sell to the Company all output which is in excess of the simultaneous load, or
- (2) to customer who purchase their entire electric load.. requirements from the Company and sell the entire output from the facility to the Company.

- 2. Customer must comply with the applicable requirements of SD PUC Administrative Rules 20:10:36 including but not limited to a Tier 1 or Tier 2 Interconnect Request, an Interconnect Agreement and a Certificate of Completion. The minimum contracted term of service is 12 months. The rate contained in this tariff is subject to annual review.
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