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February 25, 2011

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 th revised Sheet No. 30
Rate No. 74	Section No. 3, 8 th Revised Sheet No. 31
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 May 1, 2011.

3. Brief description of the tariff changes:

This update reflects the Company's 2010 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 2010.

4. Reasons for the proposed tariff changes:

This change will update tariff rates 73 and 74 to reflect prices based on 2010 data.

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.

For the year ending December 31, 2010, the three customers have sold 1,453 kwh to the Company. The annual impact of this tariff change is modest. The change can be calculated by multiplying 1,453 kwh times the difference between the new rate of \$0.0204 and the old rate of \$0.0194 for an annual purchase price change of \$1.45.

Sincerely,

Jeff Decker
Regulatory Specialist