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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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September 8, 2011

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

**Re: EL11-022 - In the Matter of the Filing by NorthWestern Corporation, dba
NorthWestern Energy for Approval of a Contract with Deviations**

Dear Ms. Van Gerpen:

On August 2, 2011, the Commission received an application by NorthWestern Corporation, d/b/a NorthWestern Energy (NorthWestern or Company) for approval of a contract with deviations to add a second transformer to serve a proposed addition at the Andes Central School in Lake Andes, South Dakota (Lake Andes or School). NorthWestern will install, or arrange for installation of approximately 790 feet of underground cable and a 300 KVA transformer.

Under South Dakota Codified Law 49-34A-9, a utility may not deviate from approved scheduled rates and charges. Any contracts that deviate from established rates and charges must be approved by the Commission prior to implementation. In addition, the Administrative Rules of South Dakota require a utility to file a copy of such contracts¹ and maintain a tariff sheet showing a list of all existing contracts with deviations².

As stated in the Company's filing, this contract concerns an agreement between NorthWestern and Lake Andes. As a result of planned additions, the School's electric needs require a transformer

¹ ARSD 20:10:13:36

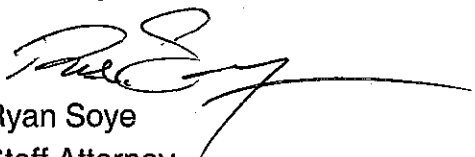
² ARSD 20:10:13:09

equipment upgrade. Instead of replacing the existing transformer at this location, the School asks for a second transformer to be installed and specific placement of this additional transformer. This is to accommodate issues of aesthetics, system performance, and possible future expansion. However, these additions are discretionary and not essential in providing adequate reliable service.

Generally, NorthWestern is able to provide installation and equipment upgrades without customer contribution. However, Lake Andes' special requests will create additional costs not factored into rates. In order to accommodate the School's requests, NorthWestern must deviate from its established practice to ensure other customers do not assume the burden of excess connection, installation, and equipment costs.

Under the circumstances of this agreement, Staff believes these excess charges should be the responsibility of the cost-causer. As these costs are not factored into NorthWestern's approved rates, deviation from scheduled rates and charges is appropriate. Therefore, Staff recommends Commission approval of the contract with deviations and updated tariff sheets.

Sincerely,



Ryan Soye
Staff Attorney
