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March 27, 2012

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, 10th revised Sheet No. 30
Rate No. 74 Section No. 3, 9th 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, 2012.

3. Brief description of the tariff changes:

This update reflects the Company's projected 2012 avoided cost of fuel and purchased power values listed on rates 73 and 74. This projection is based on the November 15, 2011 18 C.F.R. 292.302(b) Informational Compliance Filing. With this annual update, the Company is using a projection as opposed to one year prior historical data. The result is consistent price calculations between data filed with the Commission on November 15, 2011 and the rates published for customers on sheets 30 and 31. 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 2008 – September 2011.

4. Reasons for the proposed tariff changes:

This change will update tariff rates 73 and 74 to reflect prices based on projected 2012 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, 2011, the three customers have sold 1,678 kwh to the Company. The annual impact of this tariff change is modest. The change can be calculated by multiplying 1,678 kwh times the difference between the new rate of \$0.0245 and the old rate of \$0.0204 for an annual purchase price change of \$6.88.

Sincerely,

Jeff Decker
Regulatory Specialist