

# NorthWestern<sup>™</sup> Energy

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June 18, 2013

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. Van Gerpen:

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, 10 <sup>th</sup> revised Sheet No. 30
Rate No. 74	Section No. 3, 9 <sup>th</sup> 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 August 1, 2013.**

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

This update reflects the Company's projected 2013 avoided cost of fuel and purchased power values listed on rates 73 and 74. This projection is based on the historical information for the year ended December 31, 2012. 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 2012.

The kwh generated by this class of customers was spread over the hours of the year. For each hour that NWE was purchasing power, the purchased power cost was utilized. For each hour NWE was not purchasing power, the cost of NWE's generation was used. This method is consistent with that utilized in docket EL11-006. The exception to the EL11-006 method for Rates 73 and 74 is that an annual update is utilized as opposed to a one-time levelized cost calculation.

The "Payment for Capacity" rate has been updated on sheets 30 and 31. The Company recently completed a gas-fired peaking plant in Aberdeen, SD. The opportunity to avoid the cost of building the plant, due to the availability of power from SQF's, is no longer viable. With this plant now in place, the cost of replaced capacity from SQF's is equal to currently available capacity contracts. The current rate for this capacity is \$2.50 per KW per month.

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

This change will update tariff rates 73 and 74 to reflect prices based on historical 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 two customers currently receiving service under rate 73. There are no customers currently receiving service under rate 74.

For the year ending December 31, 2012, the two customers have sold 2,909 kwh to the Company. The annual impact of this tariff change is modest. The change can be calculated by multiplying 2,909 kwh times the difference between the new rate of \$0.0223 and the old rate of \$0.0204 for an annual purchase price change of \$5.53.

Sincerely,

Jeff Decker  
Regulatory Specialist