

Dear Mr. Hoffman:

Thank you for contacting our office regarding NorthWestern Energy's filed application requesting to increase electrical rates.

I have reviewed your complaint and calculations and there are some corrections to be made. When you figured the \$0.0223/kwh, you did not take into consideration the \$16.76 increase for a residential customer using 750 kwh is made up of a \$4 increase in the **customer charge** and increases in the "**first 200**" and "**next 600**" categories. The increase for the first category is actually \$0.01722 and the second category is \$0.01694. The rest of the \$0.0223 you figured is coming from the **customer charge increase**.

Commission staff's calculations show your increase during the month you use [REDACTED] kwh is [REDACTED]. There is not a proposed increase in the **fuel charge**.

	Present Rates	Proposed Rates	Increase
cust. Chg.	5.00	9.00	4.00
first 200	0.06146	0.07868	0.01722
next 600	0.06046	0.07740	0.01694
next 200	0.05446	0.06972	0.01526
next 200	0.04346	0.05564	0.01218
add'l	0.02046	0.02619	0.00573
Compare			
750	50.55	67.31	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

You question why NorthWestern Energy does not use hydroelectric power generated at the dam at Pickstown, 35 miles away. NorthWestern Energy is a utility member along with several others in the Western Area Power Administration Joint Marketing program. The WAPA program members each place all their electric generation resources into the pool. WAPA then manages the pool, apportioning out the hydro power according to members' needs. The apportioning of the pool changes continually as members are long or short on their own or other electrical generation or supply needs, and as the hydro-generation deals with increases and decreases in its generation. If the WAPA pool is long or short on supply, WAPA will buy or sell electric generation from other suppliers. If WAPA has available generation from one of the dams (such as Fort Randall Dam), that will be offered for sale to pool members such as NorthWestern Energy. Therefore, NorthWestern does purchase the dam's hydro-produced power when available, but the utility cannot rely upon this power source on a regular, firm basis since that is not an option.

I appreciate your concern about rising costs as an individual on a fixed income. Unfortunately, the cost of living increases for all of us due to cost causers over which we have little or no control. The testimony NorthWestern filed in their application provides the utility's justification for the requested increase, although the commission has yet to complete

the investigation of the case and the commissioners have yet to render a decision. Following is an excerpt from the letter NorthWestern filed with its application on Dec. 19, 2014.

*Pursuant to ARSD § 20:10:13:39, NorthWestern Corporation, d/b/a NorthWestern Energy ("NorthWestern"), provides this letter of transmittal and submits the enclosed Application to the South Dakota Public Utilities Commission ("Commission") for authority to increase rates for electric service in South Dakota ("Application"). NorthWestern last filed a general electric rate case in 1980, approximately 34 years ago. NorthWestern's addition of the Aberdeen peaker plant to its generation fleet, upgrades to the environmental controls at NorthWestern's thermal generation facilities, the Yankton transmission project, and NorthWestern's move to integrate with the Southwest Power Pool ("SPP") are the primary drivers for the need to increase electric rates in South Dakota.*

Here is an excerpt from the proposed customer rate increase notice NorthWestern also filed on this date:

*As part of NorthWestern Energy's continued commitment to keeping open communications with our customers, we would like to officially notify you that on December, 19, 2014, NorthWestern Energy submitted a filing to the South Dakota Public Utilities Commission (SDPUC) requesting an electric rate increase. NorthWestern is requesting a 20.24% increase in its South Dakota electric revenues, which would increase revenues from South Dakota customers by \$26,509,557. If approved, our new rates will continue to be in the middle of the pack when compared with other utilities in the state.*

*We have worked hard to maintain rate stability for the past 34 years, even as we've continued to invest back in our system to maintain reliability, meet the needs of growing communities and always improve on our customer service. However, increasing federal environmental regulatory mandates and continued investment into our electric utility have created the need for a rate adjustment to ensure we can continue to provide the high level of services that you have come to expect.*

The commission is currently processing electric rate cases for Black Hills Power, Xcel Energy and MidAmerican Energy, in addition to a natural gas case for the latter. By reading the testimony provided by these utilities with their applications, you will see that each cites new federal mandates requiring investments in order to be compliant.

Here is a link to a document that explains the commission's authority and processing of rate increase applications from utilities which may be helpful: <http://www.puc.sd.gov/commission/Publication/electricratecasehandout.pdf> Here is a link to the NorthWestern docket, EL14-106, so you can review the application and read the testimony explaining the utility's professed need for an increase: <http://www.puc.sd.gov/Dockets/Electric/2014/el14-106.aspx>

If you are not already on a monthly budget billing plan with NorthWestern, this may be an option to explore. With budget billing, you pay the same amount each month. Amounts are calculated based upon the past 12 months of usage at your current location and the rates currently in effect. NorthWestern will review your budget billing amount periodically to prevent a large overpayment or underpayment from accumulating on your account. Contact the utility by calling their customer service staff at (800) 245-6977 to inquire about this to help manage your utility expenses.

I encourage you to follow along as this rate case docket is processed. Additional information will be added to the docket throughout the process and you may find it helpful in understanding the different components of the rate case.

I will post both your message and this response in the NorthWestern Energy rate case docket, EL14-106, under Comments and Responses so that the commissioners and other interested parties in this case may read them. However, the information shown highlighted in blue will be redacted in the public version of your message and this response.

Deb Gregg, Consumer Affairs Manager  
South Dakota Public Utilities Commission  
[www.puc.sd.gov](http://www.puc.sd.gov)