



December 19, 2014

Ms. Patricia Van Gerpen  
South Dakota Public Utilities Commission  
State Capitol Building  
Pierre, SD

Dear Ms. Van Gerpen:

With this letter, NorthWestern Corporation ("NorthWestern"), 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 document submitted with this filing include:

Adjustment Clause                      Section No. 3, 3rd revised Sheet No. 33.1

2. The proposed effective date for the tariff revisions is February 1, 2015.
3. Brief description of the tariff changes:

NorthWestern is proposing to credit the sale of Renewable Energy Credits (RECs) through the Fuel Adjustment Clause. Please note that Section 3, 2<sup>nd</sup> revised Sheet 33.1 was included in our recently filed electric rate case filing with non-substantive T and L revisions. This 3<sup>rd</sup> revised sheet incorporates the requested changes from the Electric rate case filing 2<sup>nd</sup> revised along with this revision to credit the RECs through the fuel adjustment.

4. Reasons for the proposed tariff changes:

NorthWestern desires to return the revenue from the sale of RECs to customers. Utilizing the fuel adjustment clause provides an expeditious avenue to accomplish this. The Commission has approved this method of crediting customers in previous dockets affecting other rate regulated utilities.



NorthWestern has agreements with several wind power generators to purchase their output. In some cases, along with the energy, the Company also receives the RECs. Recently, NorthWestern sold the RECs from one supply contract through a market process. The RECs sold in this transaction were for the period of July 2013 through September 2014. NorthWestern solicited two different Brokers. The Brokers matched us with counter-parties and this match resulted in the transaction. Future sales will result in additional credits and the need to be able to return the credit to customers.

NorthWestern requests this change so the net proceeds from this sale and all future sales can be credited to customers through the fuel adjustment clause. The credits will be shown as a separate line in the adjustment clause. NorthWestern files the adjustment clause quarterly to update the fuel rate charged to customers.

5. Number of customers whose cost of service will be affected and annual changes in cost of service to such customers.

All South Dakota electric customers will benefit by this credit.

Sincerely,

**Jeff J. Decker**  
*Regulatory Specialist*  
jeff.decker@northwestern.com  
O 605-353-8315