



March 3, 2015

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 May 1, 2015.
3. Brief description of the tariff changes:

NorthWestern is proposing to modify the Fuel Adjustment Clause to allow the inclusion of reagent and treated water expenses that are necessary to comply with the Federal Environmental Protection Agency's ("EPA") Mercury and Air Toxics Standards ("MATS") rules. New emissions control equipment has been installed at the Neal 4 and Coyote plants and is in the process of being installed at the Big Stone Plant in order to comply with the EPA's MATS rules. The Aberdeen and Huron generating plants require a treated water injection process in order to comply with the pollution requirements. South Dakota Codified Laws Section 49-34A-25 provides for the "automatic adjustment of rates for changes in energy, fuel and gas costs..." incurred by a public utility. The Commission has previously approved recovery of reagent expense for Black Hills Power and Otter Tail Power Company through the Fuel and Purchase Power Adjustment. The quantity of reagents will fluctuate directly in relation to the operations of the generation facilities, just like fuel costs.



The Coyote and Neal plant equipment became operational in late 2014. The Big Stone plant equipment will go into service in late 2015. The annual cost to customers is projected to be \$1,596,310 for all plants. Based on December 31, 2014 sales volumes of 1,579,927,465 kwh, the increase in the Fuel Clause Adjustment is projected to be \$0.00101 per kwh.

NorthWestern is proposing to include the costs in the fuel clause adjustment filing that is made May 1, 2015. This filing is based on costs from April 1, 2014 – March 31, 2015. If approved, the May filing will include reagent costs incurred since January of 2015.

4. Reasons for the proposed tariff changes:

The reason for this filing is based on the requirements contained in the EPA MATS rules. In order to comply with the rules, the reagent is required in order to operate the plants with the new equipment. Following is the impact by plant:

Big Stone – NorthWestern owns 23.4% of the Big Stone power plant that is located near Milbank, South Dakota.. The emissions control equipment will be in service in October of 2015. The reagents of pebble lime, activated carbon and anhydrous ammonia will be utilized for the new emissions control equipment. NorthWestern's share of the estimated cost for the reagents at Big Stone is \$1,046,214. Reagent costs may be realized prior to the October start date due to equipment testing in late spring or early summer.

Coyote – NorthWestern is a 10% owner of this plant located in Beulah, North Dakota. Equipment installation was completed in December 2014. NorthWestern's estimated share of the activated carbon reagent at the Coyote plant is \$64,800 annually. This is based on the latest estimate provided to NorthWestern on January 12, 2015.

Neal #4 – The Neal Plant ownership percentage for NorthWestern is 8.681%. Neal #4 is located near Sioux City, Iowa. The reagents of pebble lime, activated carbon, calcium bromide and urea will be used. NorthWestern's annual estimated share of the reagent costs is \$385,296.

Aberdeen Unit #2 and and Huron Unit #2 – When the units are operating, treated water is necessary on a continuous basis, for control of nitrogen oxides (NOX). This is required by the EPA and South Dakota Department of Environment and Natural Resources operating permits. The peaking plants will not be allowed to operate without the water used in the injection process. The estimated annual treated water cost for the two plants is \$100,000.

The proposed language change on sheet 33.1, 3rd revised of the tariff will read "The cost of reagents and treated water used by the Company to operate its generating plants in compliance with the associated United States Environmental Protection Agency rules and regulations."



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 be subject to this change to the fuel adjustment clause. A small portion of the increase will start with the May 1, 2015 fuel clause adjustment filing. Each quarterly filing will contain additional increases until the entire projected increase of \$0.00101 is implemented in the November 1, 2016 filing. A residential customer using 750 kwh will see an increase of \$0.76 per month. An average commercial customer using 6,600 kwh will see an increase of \$6.67 per month.

In accordance with ARSD Part 20:10:13:18, the notice regarding this tariff change, is posted in area offices. A sample notice is attached as part of this filing.

The name, address and phone number of the persons to be contacted regarding this filing are:

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Sincerely,

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