



July 19, 2016

via eFiling

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, DC 20426

Re: *NorthWestern Corporation*, Docket No. ER16-____-000 ER16-2231-000
Revised Market-Based Rate Tariff

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act¹ and Part 35 of the Federal Energy Regulatory Commission's regulations², NorthWestern Corporation d/b/a NorthWestern Energy submits revisions to its market-based rate tariff to (1) reflect that NorthWestern Energy is a Category 1 seller in the Central region; (2) remove references to Montana Generation, LLC; and (3) modify the third-party ancillary service language to incorporate Primary Frequency Response as a separate service.

I. Background

NorthWestern Energy is a public utility engaged in the generation, transmission, and distribution of electricity and the supply and transportation of natural gas. Its facilities are located primarily in Montana and South Dakota. In South Dakota, NorthWestern Energy is a transmission owner within the Southwest Power Pool, Inc. and has transferred functional control of its electric transmission facilities there to SPP. In Montana, NorthWestern Energy is a transmission owner/operator and Balancing Authority Area operator within the Western Electricity Coordinating Council. NorthWestern Energy is authorized by the Commission to sell energy, capacity, and ancillary services at market-based rates. This filing concerns NorthWestern Energy's South Dakota operations.

¹ 16 U.S.C. § 824d.

² 18 C.F.R. Part 35.



II. Description of Filing

A. Category 1 Seller Classification in the Central Region

On November 23, 2015, NorthWestern Energy submitted revisions to its market-based rate tariff necessitated by its transmission to SPP.³ These tariff changes were accepted for filing, effective October 1, 2015, and NorthWestern Energy was designated as a Category 2 seller in the Southwest Power Pool region.⁴ NorthWestern Energy is now revising *Section 12 – Category* of its tariff to reflect that it is a Category 1 seller in the Central region.

In support of its determination as a Category 1 seller in the Central region, NorthWestern Energy states that it is a wholesale power producer that owns less than 500 MW of generation in the Central region.⁵ NorthWestern Energy does not own transmission facilities in the Central region, other than partial ownership in facilities whose functional control has been transferred to the Midwest ISO.⁶ Further, NorthWestern Energy is not affiliated with any entity that owns, operates, or controls transmission facilities in the Central region and is not affiliated with a franchised public utility in the Central region. Finally, NorthWestern Energy does not raise other vertical market power issues. Therefore, NorthWestern Energy respectfully requests a determination that it meets the criteria for classification as a Category 1 seller in the Central region.

B. Other Tariff Revisions

NorthWestern Energy is deleting the reference to its affiliate, Montana Generation, LLC, in *Section 11 – Limitations and Exceptions regarding Market-Based Rate Authority*. Montana Generation's market-based rate tariff was canceled, effective February 11, 2016.⁷ Therefore, it is appropriate to remove this reference.

³ On October 14, 2015, NorthWestern Energy filed a Notice of Non-Material Change in Status to report the transfer of functional control over certain transmission facilities in South Dakota to SPP. See *NorthWestern Corp.*, Docket No. ER11-1858-005 (Jan. 29, 2016) (delegated letter order).

⁴ *NorthWestern Corp.*, ER16-378-000 (Dec. 21, 2015) (delegated letter order).

⁵ NorthWestern Energy owns generation totaling approximately 210 megawatts in the Central region. NorthWestern Energy is a partial owner of three generation facilities in the Central region: Big Stone Plant (23.4% interest), Coyote Station (10% interest), and George Neal South (8.7% interest). NorthWestern Energy does not operate or control any of these plants. See updated asset appendix, Docket No. ER11-1858-006, Accession No. 20160629-5239.

⁶ Otter Tail Power Company transferred the Big Stone transmission line (Big Stone to Blair) to the Midwest ISO's functional control; Montana-Dakota Utilities Co. transferred functional control of the Coyote 1 transmission facilities (Coyote Switchyard to Center 345-kV Switchyard) to the Midwest ISO; and MidAmerican Energy Company transferred functional control of the Neal 4 transmission facilities (Raun to Sioux City (WAPA)) to the Midwest ISO. NorthWestern Energy is a partial owner of these facilities. *Id.*

⁷ *Montana Generation, LLC*, ER16-919-000 (Mar. 30, 2016) (delegated letter order).



In compliance with Order No. 819,⁸ NorthWestern Energy is revising the “Third Party Provider” ancillary services provision to change the reference to “Regulation and Frequency Response Service” to “Regulation Service” and to add a reference to “Primary Frequency Response Service.” These revisions are consistent with the standard tariff language provided in Order No. 819.⁹

III. Effective Date

NorthWestern Energy respectfully requests an effective date of September 18, 2016, for the proposed revisions. To the extent necessary, NorthWestern Energy seeks waiver of any requirements of Part 35 of the Commission’s regulations not satisfied by this filing.

IV. Filing Information

This filing includes the following documents:

- 1) This transmittal letter;
- 2) Marked version of market-based rate tariff; and
- 3) Clean version of market-based rate tariff.

V. Communications

Communications concerning this filing should be directed to the following representatives:

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⁸ *Third-Party Provision of Primary Frequency Response Service*, 153 FERC ¶ 61,220 (2015) (Order No. 819).

⁹ Order No. 819, at P 70.



VI. Conclusion

NorthWestern Energy respectfully requests that the Commission accept the tariff revisions submitted herein, effective September 18, 2016, as requested, and grant waiver of any other Commission regulations deemed applicable to this filing.

Respectfully submitted,

s/ M. Andrew McLain

M. Andrew McLain

Corporate Counsel & FERC Compliance Officer

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○ (406) 443-8987

MAM/dq

Attachments



Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated this 19th day of July, 2016.

s/ M. Andrew McLain

M. Andrew McLain
Corporate Counsel & FERC Compliance Officer
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Attachment 1

Market-Based Rate Tariff

Requested Effective Date: September 18, 2016

Marked Tariff Record

NorthWestern Corporation

FERC Electric Tariff

**NORTHWESTERN ENERGY
FERC ELECTRIC TARIFF**

1. **Availability.** NorthWestern Corporation (“Seller”) makes available under this Tariff the following services to customers with whom Seller has contracted:
 - a. electric energy and capacity for wholesale sales; and
 - b. ancillary services, as described in section 5 below.
2. **Applicability.** This Tariff is applicable to all wholesale power sales, including energy and capacity sales not otherwise subject to a particular rate schedule of Seller and applicable ancillary services.
3. **Rates.** All sales shall be made at rates established by agreement between the purchaser and Seller.
4. **Other Terms and Conditions.** All other terms and conditions shall be established by agreement between the purchaser and Seller.
5. **Ancillary Services.**

Southwest Power Pool

Seller offers regulation service and operating reserve service (which include 10-minute spinning reserve and 10-minute supplemental reserve) for sale to the Southwest Power Pool, Inc.

Third Party Provider

Third-party ancillary services include Regulation ~~and Frequency Response~~ Service, Reactive Supply and Voltage Control Service, Energy and Generator Imbalance Service, Operating Reserve - Spinning, ~~and~~ Operating Reserve ~~–~~ Supplemental, ~~and Primary Frequency Response Service~~. Sales will not include the following: (1) sales to an RTO or an ISO, i.e., where that entity has no ability to self-supply ancillary services but instead depends on third parties; and (2) sales to a traditional, franchised public utility affiliated with the third-party supplier, or sales where the underlying transmission service is on the system of the public utility affiliated with the third-party supplier. Sales of Operating Reserve – Spinning and Operating Reserve – Supplemental will not include sales to a public utility that is purchasing ancillary services to satisfy its own open access transmission tariff requirements to offer ancillary services to its own customers, except where the Commission has granted authorization. Sales of Regulation ~~Service~~ and ~~Frequency-Response-Service~~ ~~and~~ Reactive Supply and Voltage Control Service will not include sales to a public utility that is purchasing ancillary services to satisfy its own open access transmission tariff requirements to offer ancillary services to its own customers, except at rates not to exceed the buying public utility transmission provider’s OATT rate for the same service or where the Commission has granted authorization.

6. **Communications.** Except as otherwise agreed to in writing by the purchaser and Seller, any notice, demand, or request provided for in this Tariff shall be deemed to be properly given or made if set forth in writing and delivered or sent first class mail, postage prepaid, to Seller at its

principal office or any purchaser when sales are made to wholesale purchasers under this Tariff.

7. **Duration.** This Tariff shall continue in effect until terminated or changed and such termination or change becomes effective in accordance with any applicable regulatory requirements.
8. **Modifications.** Seller may unilaterally apply, under Federal Power Act Section 205 and the regulations promulgated thereunder, to the Federal Energy Regulatory Commission (“Commission”) or other regulatory agency having jurisdiction for a modification of this Tariff.
9. **Effective Date.** This Tariff is effective upon the date authorized by the Commission.
10. **Compliance with Commission Regulations.** Seller shall comply with the provisions of 18 CFR Part 35, Subpart H, as applicable, and with any conditions the Commission imposes in its orders concerning seller’s market-based rate authority, including orders in which the Commission authorizes seller to engage in affiliate sales under this tariff or otherwise restricts or limits the seller’s market-based rate authority. Failure to comply with the applicable provisions of 18 CFR Part 35, Subpart H, and with any orders of the Commission concerning seller’s market-based rate authority, will constitute a violation of this tariff.
11. **Limitations and Exemptions Regarding Market-Based Rate Authority.** ~~Montana Generation, LLC, an affiliate of Seller, is authorized to sell 90 MW of power to Seller. Montana Generation, LLC, Docket No. ER07-827-000, 119 FERC ¶ 61,339, PP 31-37 (2007).~~None.
12. **Category:** Seller is a Category 1 Seller, as defined in 18 CFR Section 35.36(a), in the Central Region, the Northeast Region, the Southeast Region, and the Southwest Region, and is a Category 2 Seller in ~~the Central Region~~, the Southwest Power Pool Region, and the Northwest Region.

Attachment 2

Market-Based Rate Tariff

Requested Effective Date: September 18, 2016

Clean Tariff Record

NorthWestern Corporation

FERC Electric Tariff

**NORTHWESTERN ENERGY
FERC ELECTRIC TARIFF**

1. **Availability.** NorthWestern Corporation (“Seller”) makes available under this Tariff the following services to customers with whom Seller has contracted:
 - a. electric energy and capacity for wholesale sales; and
 - b. ancillary services, as described in section 5 below.
2. **Applicability.** This Tariff is applicable to all wholesale power sales, including energy and capacity sales not otherwise subject to a particular rate schedule of Seller and applicable ancillary services.
3. **Rates.** All sales shall be made at rates established by agreement between the purchaser and Seller.
4. **Other Terms and Conditions.** All other terms and conditions shall be established by agreement between the purchaser and Seller.
5. **Ancillary Services.**

Southwest Power Pool

Seller offers regulation service and operating reserve service (which include 10-minute spinning reserve and 10-minute supplemental reserve) for sale to the Southwest Power Pool, Inc.

Third Party Provider

Third-party ancillary services include Regulation Service, Reactive Supply and Voltage Control Service, Energy and Generator Imbalance Service, Operating Reserve - Spinning, Operating Reserve – Supplemental, and Primary Frequency Response Service. Sales will not include the following: (1) sales to an RTO or an ISO, i.e., where that entity has no ability to self-supply ancillary services but instead depends on third parties; and (2) sales to a traditional, franchised public utility affiliated with the third-party supplier, or sales where the underlying transmission service is on the system of the public utility affiliated with the third-party supplier. Sales of Operating Reserve – Spinning and Operating Reserve – Supplemental will not include sales to a public utility that is purchasing ancillary services to satisfy its own open access transmission tariff requirements to offer ancillary services to its own customers, except where the Commission has granted authorization. Sales of Regulation Service and Reactive Supply and Voltage Control Service will not include sales to a public utility that is purchasing ancillary services to satisfy its own open access transmission tariff requirements to offer ancillary services to its own customers, except at rates not to exceed the buying public utility transmission provider’s OATT rate for the same service or where the Commission has granted authorization.

6. **Communications.** Except as otherwise agreed to in writing by the purchaser and Seller, any notice, demand, or request provided for in this Tariff shall be deemed to be properly given or made if set forth in writing and delivered or sent first class mail, postage prepaid, to Seller at its principal office or any purchaser when sales are made to wholesale purchasers under this Tariff.

7. **Duration.** This Tariff shall continue in effect until terminated or changed and such termination or change becomes effective in accordance with any applicable regulatory requirements.
8. **Modifications.** Seller may unilaterally apply, under Federal Power Act Section 205 and the regulations promulgated thereunder, to the Federal Energy Regulatory Commission (“Commission”) or other regulatory agency having jurisdiction for a modification of this Tariff.
9. **Effective Date.** This Tariff is effective upon the date authorized by the Commission.
10. **Compliance with Commission Regulations.** Seller shall comply with the provisions of 18 CFR Part 35, Subpart H, as applicable, and with any conditions the Commission imposes in its orders concerning seller’s market-based rate authority, including orders in which the Commission authorizes seller to engage in affiliate sales under this tariff or otherwise restricts or limits the seller’s market-based rate authority. Failure to comply with the applicable provisions of 18 CFR Part 35, Subpart H, and with any orders of the Commission concerning seller’s market-based rate authority, will constitute a violation of this tariff.
11. **Limitations and Exemptions Regarding Market-Based Rate Authority.** None.
12. **Category:** Seller is a Category 1 Seller, as defined in 18 CFR Section 35.36(a), in the Central Region, the Northeast Region, the Southeast Region, and the Southwest Region, and is a Category 2 Seller in the Southwest Power Pool Region and the Northwest Region.