

SOUTH DAKOTA ELECTRIC RATE SCHEDULE

NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY Section No. 3
SIOUX FALLS 76th Revised Sheet No. 36
SOUTH DAKOTA Canceling 65th Revised Sheet No. 36

ENERGY EFFICIENCY ADJUSTMENT

APPLICABILITY

This Energy Efficiency Adjustment (EEA) applies to all rate schedules for all classes of service authorized by the South Dakota Public Utilities Commission (Commission).

The EEA shall be calculated annually based on actual versus forecasted EE program costs and kwh retail sales for the applicable rate schedules for the twelve months of June through May, and shall include an over or under recovery from prior years' adjustments through the Balancing Account. NorthWestern Energy (the Company) will update and make an EEA filing with the Commission on an annual basis no later than August 1. Since the EE programs will be implemented June 1, 2014, the first year rate recovery period will be from July 1, 2014 through June 30, 2015. The 2nd year filing will be made by August 1, 2015 with an effective date of October 1, 2015. A filing will be made by August 1 each year thereafter. This annual filing will reflect a recovery period of July 1 through June 30.

ENERGY EFFICIENCY ADJUSTMENT RATE

An EEA rate shall be determined by dividing the EE program costs and the forecasted balance of the EEA Balancing Account by the forecasted retail sales volumes for the upcoming year. The EEA rate shall be rounded to the nearest \$0.0001 per kwh.

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The EEA rate may be adjusted annually with approval of the Commission. The EEA rate for all applicable rate schedules is **a credit of** \$0.0005.

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EE Program Costs shall include all expenses associated with EE programs and an incentive approved by the Commission. All revenues recovered pursuant to the EEA shall be credited to the Balancing Account.

EEA Balancing Account amount is the EE program costs incurred, less all revenues recovered pursuant to the EEA for the annual year, as adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the rate of return from the Company's last approved electric rate case. The EEA revenues will be applied monthly to the Balancing Account for each customer class.

Forecasted Retail Sales Volumes shall be the most recent twelve month ended retail electric sales for the applicable rate schedules for the designated recovery period.