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March 9, 2007

Ms. Patricia Van Gerpen, Executive Director  
S. D. Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501

Re: NorthWestern Corporation Proposed Contract With Deviation  
PUC Docket NG07-\_\_\_

Dear Ms. Van Gerpen:

With this letter, NorthWestern Corporation (“NorthWestern” or the “Company”), doing business as NorthWestern Energy, is filing with the Commission a proposed natural gas contract with deviation. Pursuant to ARSD 20:10:13:39, the Company states:

(1) The documents submitted with this filing include:

- The proposed revised tariff schedule, Section 4, 15<sup>th</sup> Revised Sheet No. 1 Summary List of Contracts with Deviations which includes a reference to the Contract and the information required by ARSD 20:10:13:09.
- A copy of the executed proposed Contract between NorthWestern and the Customer for which confidential treatment, has been requested, pursuant to ARSD 20:10:01:41;
- A copy of the Assignment between NorthWestern Services Corporation and NorthWestern Corporation, d/b/a NorthWestern Energy.

(2) The proposed effective date for the new tariff is April 1, 2007, and NorthWestern hereby requests that the Commission approve this application on less than thirty days notice.

(3) The names and addresses of those to whom copies of the rate schedule have been mailed:

James Valley Ethanol  
Attn: Kelly Klelden  
General  
Groton, SD 57445-9999

(4) Brief description of the proposed changes in rates:

NorthWestern is proposing the Contract With Deviation to adopt the contract that was in effect between James Valley Ethanol, LLC and NorthWestern Services Group. The rate that is currently contracted between the customer and NorthWestern will not change. The original contract was dated October 28, 2002 with a term of 15 years beginning with Plant start-up.

(5) Reasons for the proposed changes:

Over the past year, Northwestern has evaluated its non-regulated businesses and has looked at the strategic value of each entity versus the resources that are dedicated to these business units. After a thorough evaluation of the non-regulated gas business in SD/NE, it has been decided by the Northwestern Services, LLC management committee to execute a strategy to shift the majority of this business (Nekota Resources, LLC) into the regulated utility and look at alternatives to divest the rest of this business. The two main reasons for this conclusion are as follows:

1. Nekota pipeline margins make up the majority of this business. It was determined that these margins can be preserved by moving Nekota's assets into the regulated utility business while reducing risk to the overall corporation.
2. The remainder of the business, the commodity supply and management function, produces low margins with relatively high risk. There are, however, certain third parties that may be interested in purchasing this business from NorthWestern.

Since the merger is now effective, the business of Nekota needs to have an approved rate structure prior to the April 1, 2007 billing.

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

James Valley Ethanol, LLC will be the only customer impacted by this filing.

Sincerely yours,

Jeff Decker  
Rates Analyst

## EXHIBIT A

### REQUEST FOR CONFIDENTIAL TREATMENT

COMES NOW, NorthWestern Corporation, doing business as NorthWestern Energy ("NorthWestern" or the "Company"), and pursuant to ARSD 20:10:01:41, requests confidential treatment as follows:

- 1) The document for which confidential treatment is requested, is the Natural Gas Service Agreement between NorthWestern and James Valley Ethanol, LLC (the "Customer"), dated October 28, 2002 (the "Contract").
- 2) The Company requests that such confidential treatment be afforded the Contract indefinitely, or a minimum, of ten years
- 3) The name, address and phone number of the persons to be contacted regarding the confidentiality request are:

Jeffrey Decker  
Regulatory Analyst  
NorthWestern Energy  
600 Market Street West  
Huron, SD 57350  
(605) 353-8315

Pamela Bonrud  
Director Regulatory Affairs  
NorthWestern Energy  
125 S. Dakota Avenue  
Sioux Falls, SD 57103  
(605) 978-2990

- 4) The grounds for confidentiality are that the Contract provides proprietary information concerning both the Company and the Customer, including the pricing of natural gas service to the Customer. Sharing this information to third parties may provide competitive advantages to the competitors for both NorthWestern and the Customer.
- 5) As a factual basis in support of this request, please see the response to item 4) above.