

# NorthWestern<sup>TM</sup> Energy

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September 18, 2013

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

Re: NorthWestern Corporation's Application for Proposed Contract with Deviation  
PUC Docket NG13-\_\_\_\_

Dear Ms. Van Gerpen:

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

- (1) The documents submitted with this filing include:
  - The Application for Tariff Change and Report in Support of Tariff Filing of NorthWestern (the "Report"), pursuant to ARSD 20:10:13:26;
  - The proposed revised tariff schedule, Section 4, Sheet 1, 21st Revised
  - Exhibit A, Request for Confidential Treatment
  - A copy of the contract between NorthWestern and the Customer (Confidential)
  - Exhibit B, work-papers showing calculation of the rate (Confidential)
- (2) The proposed effective date for the new tariff is November 1, 2013.
- (3) The names and addresses of those to whom copies of the rate schedule have been mailed:

Mr. Tom Kersting  
SD Soybean Processors  
PO Box 500  
Volga, SD 57071-0500

Mr. Jeff McKinney  
EM&CS  
6805 E. Archstone St.  
Sioux Falls, SD 57110

Patricia Van Gerpen, Executive Director  
September 18, 2013  
Page 2

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

The current ten-year agreement with South Dakota Soybean Processors, LLC (Customer) expires October 31, 2013. In August 2013 NorthWestern began working with the Customer regarding the rate that would be offered after the original agreement expired. NorthWestern designed the rates for this transportation contract to compete with the economics of a potential bypass, given the Customer's plant is located within one mile of a Northern Natural Gas (NNG) transportation pipeline. Based on bypass economics, the gas delivery rate stated in the contract is 1.2 cents per dekatherm higher than the current contract rate.

Based on historical data, this rate change will increase current revenue from this customer by \$8,075 annually. If the Customer had proceeded to interconnect directly to NNG, NorthWestern's revenues would have been reduced to zero.

With the Agreement, both the Customer and NorthWestern benefit. The Customer will keep the same service at a slightly higher rate but avoids the construction process of a bypass, and NorthWestern will retain revenue that would have otherwise been lost. NorthWestern will continue to receive transportation revenue that exceeds its variable operating costs, which makes a significant contribution to fixed operating costs. We believe this contract is in the best interest of NorthWestern and its natural gas customers.

(5) Reasons for the proposed change:

The reason for the proposed change is the October 31, 2013 expiration of the Customer's current contract and the Customer's close proximity to an alternate pipeline.

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

SD Soybean Processors is the only customer directly affected by this filing; however, all NorthWestern natural gas customers benefit by having this customer on the natural gas system.

This filing also seeks to correct a date error on sheet 4. The expiration date for Great Plains Ethanol, LLC should be changed from 10/31/2013 to 10/31/2018.

Sincerely yours,

Jeff Decker  
Specialist – Regulatory