

SOUTH DAKOTA GAS RATE SCHEDULE

NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY Section No. 3
HURON 4th Revised Sheet No. 5.1
SOUTH DAKOTA Canceling 3rd Revised Sheet No. 5.1

CLASS OF SERVICE: Commercial and Industrial Rate No. 86
RATE DESIGNATION: Contract Sales Service

1. Applicability

This rate is available for gas volumes, on a contract basis, to commercial and industrial customers, including governmental entities. If no historical peak day usage is available, the nameplate input ratings of all gas burning equipment shall be used to determine a customer's maximum requirement.

2. Availability

This service is available to commercial and industrial customers, including governmental entities, with facilities served by the Company in South Dakota, with primarily space heating requirements, or grain dryers. This service is available on a firm or interruptible basis.

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3. Rates

Customer may choose the rate option, and level of daily contract demand (never less than 50 therms), which best fits the customer's needs.

Monthly Charges:

	<u>Option A</u>	<u>Option B</u>
<i>Customer Charge</i> per Meter:	\$150.00	\$350.00
<i>Non-Gas Commodity Charge</i> , all use, per therm:	\$0.0662	\$0.0335

Demand Charge per therm of daily contract demand as shown on Sheet No. 9a, as applicable to firm service customers, never less than 50 therms.

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Released Capacity and Balancing Services Surcharge:

For all therms taken during a month in excess of the product of the daily contract demand times the number of days in the billing period an additional \$0.0170 per therm shall be assessed and added to the Gas Commodity Charge shown on Sheet No. 9a.

Such surcharges collected will be credited to expense in the Company's Adjustment Clause filings.

One-Time Charges:

Application Charge: \$50.00 with each request for service.

Telemetry (as required by Paragraph 12 on Sheet No 5.4): Standard cost of telemetry, installation and hardware, including appropriate tax gross-up. Standard costs shall reflect actual costs and customers will be charged on a nondiscriminatory basis.

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Service on and after
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NORTHWESTERN ENERGY
HURON
SOUTH DAKOTA

Section No. 3
Sheet No. 5.4
1st Revised
Canceling Original Sheet No. 5.4

CLASS OF SERVICE: Commercial and Industrial Rate No. 86
RATE DESIGNATION: Contract Sales Service

(Con't.)

9. **Contract:** Customer shall execute a written Service Request Form for transportation of customer-owned gas hereunder.
10. **Minimum Term:** The minimum term of the Service Request Form shall be one year. Should the Company file tariff changes or be ordered by the Commission to change this transportation tariff, Company will, at Customer's request, waive the one year minimum term and six-month's notice of termination requirements. D
11. **Filing:** Transportation will not commence until the Customer files with the Company a completed Service Request Form and all other applicable documentation.
12. **Metering:** In order to utilize the services provided under this Tariff, automatic metering equipment is required for all customer with grain dryers. All costs related to telemetering and any other facilities constructed or installed to provide any Transportation Service will be charged to the Customer but will remain the property of Company. The Customer will be required to provide telephone or other interfaces agreed to by the Company and electric connections, if necessary, to the meter and provide access to the Company for maintaining and operating such equipment. C
13. **Request for Service:**
- (a) Requests for service under this Tariff must be made by filing with the Company the information required on the form entitled "Service Request Form".
- (b) Service under this Tariff will begin on the first of the month following a date which is thirty (30) days after the Service Request Form, and all additional information has been received by the Company. D

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SOUTH DAKOTA

Section No. 3
1st Revised Sheet No. 6.3A
Canceling Original Sheet No.

CLASS OF SERVICE: Gas Transportation Tariffs
RATE DESIGNATION: Customer Balancing

Rate No. 87

(Con't.)

- (c) Long Critical Day – The Customer is permitted to incur a Daily Positive Imbalance up to and including five percent (5%) and is permitted to incur an unlimited Negative Imbalance.
- (d) Operational Flow Order (OFO) – Company may call an OFO on a specific customer, multiple customers, or a Group Customer in order to limit critical day parameters to as small a segment of customers as possible. This customer or group will be subject to the same balancing parameters imposed on a Critical Day as outlined above.
- (e) In addition to the rules listed in this section, the imbalance cash out rules from Section 3, Sheet No. 6.4 apply

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Company Obligation - The Company is obligated to supply daily meter readings to the Customer, their agent or supplier. In addition, the Company has the obligation to provide applicable factors as are necessary to compute the Customer's usage.

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Section No. 3
4th Revised Sheet No. 6.4
Canceling 3rd Revised Sheet No. 6.4

CLASS OF SERVICE: Gas Transportation Tariffs

Rate No. 87

RATE DESIGNATION: Customer Balancing
(Cont.)

2. Cash Out of Commodity Imbalances:

On a monthly basis, the Customer will receive an Imbalance Statement from the Company which will show the daily quantities received by the Company on behalf of the Customer, Deliveries to the Customer's facilities and any Daily Imbalances resulting from the over or under delivery of gas.

(a) Commodity Imbalance Cash Out - In addition to the applicable over/under delivery charges, cumulative daily Positive or Negative Imbalances at a delivery point will be deemed to have been sold to or bought from the Company at the applicable Gas Daily index prices plus applicable interstate pipeline transportation fees. The Customer's imbalance will be subject to the index pricing point on the pipeline they are served by. The Company will establish the pricing index points and transportation used for each pipeline. The Company may change this index point at its discretion via the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. Customers with multiple index pricing points will be cashed out at a weighted cost of the pipeline index points listed in the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. A tiered level of Imbalance Cash out will be assessed when the Daily Imbalances are greater than 1,000 Dth. Imbalance volumes in excess of 1,000 but less than 2,500 Dth or 10% of scheduled volumes, whichever is greater, will be cashed out at 90% if long, or 110% if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees. Imbalance volumes in excess of 2,500 Dth or 25% of scheduled volumes, whichever is greater, will be cashed out at 50% if long, or 150%, if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees.

(b) Critical Day Cash Outs

Positive Commodity Imbalance on critical days will be cashed out according to Section No 3, Sheet No 6.4, paragraph 2(a) expect when the daily index price is over 200% of either the applicable Inside FERC First Of Month Gas Market Report index prices (FOM index price) or the appropriate pipeline cash out price. When the applicable daily cash out index price is over 200% of either FOM index price or the appropriate pipeline cash out price, the commodity will be cashed out using Section No 3, Sheet No 6.4, paragraph 2(a) for the first 500 Dth. Volumes over 500 Dth will be priced at the greater of the applicable FOM index pricing point or the appropriate monthly pipeline cash out price plus all applicable interstate pipeline transportation fees.

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Section No. 3
2nd Revised Sheet No. 6.4A
Canceling 1st Revised Sheet No. 6.4A

CLASS OF SERVICE: Gas Transportation Tariffs

Rate No. 87

RATE DESIGNATION: Customer Balancing

- (c) Waiver of Penalties – The Company may, at its discretion, in a non-discriminatory manner, waive its daily imbalance charges in the event of extraneous circumstances, beyond the customer’s control, if the imbalance results in no detriment to other NorthWestern customers. Any imbalance charge paid by the Customer or waived by the Company shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

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3. Over/Under Delivery Charges for Balancing Services:

- (a) Daily - Customers are allowed Positive or Negative Imbalances equal to 10% of net receipts without imbalance charges. Customers with a Positive or Negative Imbalance, after adjustment for optional balancing service, shall be subject to an additional charge at the rate of \$0.01 per therm (\$0.10 per Dth) up to 30% of net receipts. For imbalances greater than 30% of net receipts, the imbalance charge is \$0.10 per therm (\$1.00 per Dth). Daily charges on imbalances will be waived if the customer’s Daily Imbalance is in the opposite direction of the Company’s Daily net system pipeline imbalance, as determined by Gas Control personnel. Daily Net Pipeline System imbalance will be defined as daily variance between daily target and actual results. These charges apply except for Critical or OFO days.
- (b) Short Critical Day - Customers with a Negative Imbalance will be charged \$0.50 per therm (\$5.00 per Dth) for the first 5% Negative Imbalance and will be assessed the greater of \$3.00 per therm (\$30.00 per Dth) or three (3) times the Chicago City-gates “Midpoint” Index price as reported in Gas Daily publication for any Negative Imbalance in excess of 5% of net receipts.

Customers with a Positive Imbalance on any Short Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) over delivery charge.

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SOUTH DAKOTA**

Section No. 3
3rd Revised Sheet No. 6.11
Canceling 2nd Revised Sheet No. 6.11

CLASS OF SERVICE: Gas Transportation Tariffs **Rate No. 87**

(f) NorthWestern's Marketer/Gas Transportation Customer-
Creditworthiness Standards

1.1 Credit Evaluation:

This Policy has been developed to determine the ability of Marketers and/or Gas Transportation Customers ("Marketer/Customer") to satisfy their payment obligations related to services under NorthWestern Corporation, D.B.A. NorthWestern Energy's ("NorthWestern") South Dakota Natural Gas Transportation Tariff and to mitigate NorthWestern's financial exposure against any potential risk of non-payment. These standards will be documented and available for all existing and prospective Marketer/Customers. A credit evaluation may occur at any time, not less than annually, and at NorthWestern's discretion. The following information will be required by each Marketer/Customer to enable NorthWestern to conduct its credit review:

- a. Last 2 years of Audited Financial Statements;
- b. Most recent annual report;
- c. Most recent quarterly report;
- d. Upon request by NorthWestern, any other reasonable commercial information that would assist in determining the Marketer/Customer's creditworthiness.

NorthWestern reserves the right to modify these standards at any time.

1.2 Creditworthiness:

The Credit Manager, via application of NorthWestern's Credit Policy and a credit-scoring model, will determine the amount of open credit that NorthWestern will grant to any given Marketer/Customer. The following components are used in calculating the Marketer/Customer's overall credit score:

- a. Traditional Information (payment history, years in business, rank within industry by asset size, number of years a customer, management expertise etc.).
- b. Proprietary Information (including Moody's Expected Default Frequency (EDF)).
- c. Financial Information.

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Section No. 3
Sheet No. 6.12
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CLASS OF SERVICE: Gas Transportation Tariffs **Rate No. 87**

A score is calculated for each of the components above. The score from each component is then multiplied by a weighted percent to arrive at an overall score. The overall score is used to determine the amount of open credit.

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If the overall credit score is not sufficient under NorthWestern's Credit Policy, then the Marketer/Customer will be notified in writing of the amount of security that will be required.

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If the above information in section 1.1 is not made available to NorthWestern, then the Marketer/Customer will be required to post security with NorthWestern.

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1.3 Acceptable Forms of Security:

a. Cash Deposit.

b. Irrevocable Letter of Credit (issuing bank must have at minimum A- from S&P, A3 from Moody's or another rating acceptable to NorthWestern).

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(1) Costs associated with the Letter of Credit will be the obligation of the Marketer/Customer.

(2) Form of Letter of Credit will need to be approved by NorthWestern.

c. Guarantee.

(1) The guarantor must go through the same credit review process as the Marketer/Customer.

(2) Guarantors must be legally affiliated with the counter-party or able to show an acknowledged beneficial interest in the counter-party.

d. The Marketer/Customer may receive service if it prepays for such service an amount equal to the cost of performing the Daily Balancing Service (DBS) for a three (3) month period of the highest previous 12 month imbalance fee and three (3) months of distribution exposure if applicable. In the event of a new customer the exposure amounts will be estimated.

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