Chris Nelson, Chairperson
Kristie Fiegen, Vice Chairperson
Gary Hanson, Commissioner

South Dakota

PUBLIC UTILITIES COMMISSION

500 East Capitol Avenue
Pierre, South Dakota 57501-5070
www.puc.sd.gov

Capitol Office
(605) 773-3201

Grain Warehouse
(605) 773-5280

Consumer Hotline
1-800-332-1782

Email
puc@state.sd.us

NG15-004

1-1) Explain why it was decided to have a significant decrease in the customer charge and go with a significant increase in the per dekatherm rate.

When the prior contract was established in 2001, the monthly customer charge was $2,583. At that time, SDSU's natural gas usage was inconsistent and substantially lower than current levels due to the ability to burn coal for their boilers. Usage over the past few years has stabilized and increased to the point that NorthWestern is comfortable with a rate 87B customer charge and recovering the revenue through a volumetric charge as opposed to a base customer charge. NorthWestern will benefit through this rate structure as the customer continues to increase volumes.

1-2) If in the next 10 years, while the contract is effective, NorthWestern filed a rate case, explain how this would affect the contract. Would the contract have to be cancelled in order for SDSU to pick up their share of any increase or decrease?

The rate calculated in this filing includes an annual 3% inflation escalator. However, the rate proposed in this filing will not be subject to any system wide natural gas rate increase during the contract period.

1-3) Are there any penalties to be assessed to either NorthWestern or SDSU if one were to cancel the contract prior to the 10 year period?

The contract does not provide for early termination, and cancellation could result in a breach of contract action with associated available remedies. However, the contract does not specifically assess penalties to either party for canceling this relationship during the 10-year period.

1-4) Were any fuel loss studies done on the pipe connecting SDSU to NNG pipeline to justify the 0.0% retention factor? If not, explain the basis for the 0.0% retention factor.

In order to compare SDSU taking service from NorthWestern or building its own line to bypass NorthWestern's system, gas loss must be excluded in the calculation. The bypass option would be a direct-connect line and therefore little to no losses would occur on that line therefore, a 0.0% retention factor is justified.