



May 20, 2015

Ms. Patricia Van Gerpen
South Dakota Public Utilities Commission
State Capitol Building
Pierre, SD

Dear Ms. Van Gerpen:

With this letter, NorthWestern Corporation doing business as NorthWestern Energy ("NorthWestern"), is filing with the South Dakota Public Utilities Commission (the "Commission") revisions to its Natural Gas Tariff. NorthWestern respectfully requests Commission approval of these proposed revisions.

Pursuant to ARSD 20:10:13:36 and ARSD 20:10:13:39 NorthWestern states:

1. The documents submitted with this filing include:

- The proposed revised tariff schedule, Section 4, 22nd Revised Sheet No. 1 Summary List of Contracts with Deviations which includes a reference to the Natural Gas Transportation Service Agreement (the "Agreement") between NorthWestern and South Dakota State University ("Customer") and the information required by ARSD 20:10:13:09
- A copy of the executed proposed Agreement, for which confidential treatment has been requested, pursuant to ARSD 20:10:01:41 (see Exhibit A to this letter)
- Confidential work papers showing the calculation of the rate (see Exhibit B to this letter)

2. The proposed effective date for the tariff revisions is July 1, 2015.

3. The names and addresses of those to whom this filing has been emailed:

South Dakota State University
P.O. Box 2150
Brookings, SD 577007-2150
Attn: Assistant Vice President of Facilities & Services

4. Brief description of the tariff changes:

The current agreement with the Customer was put into place in 2002. This agreement had a ten year term with automatic annual extensions unless a 12 month notice was given by either party. Due to normal inflationary cost increases over the term of the agreement, NorthWestern desired to update the rates in the contract for the benefit of its



customer base. In October 2013, NorthWestern gave the required one year notice of intent to cancel the existing agreement effective October 31, 2014. In March 2014, NorthWestern and the Customer began discussing revisions to this contract. Ultimately, the 2002 agreement was extended until June 30, 2015 at the request of the Customer, to facilitate its annual budgeting process.

NorthWestern designed the rates for this transportation contract to compete with the economics of a potential bypass. The Customer's service is located within two miles of a Northern Natural Gas ("NNG") transportation pipeline. Based on bypass economics, the average gas delivery rate including the base monthly charge stated in the contract is \$0.14 per dekatherm higher than the current contract rate.

Based on historical data, this rate change will increase current revenue from this customer. 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 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 tariff changes:

The reason for the proposed change is to cancel and update an agreement that was put in place in 2002.

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

SDSU 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 the Prairie Ethanol Plant should be changed from 012/20/2005 to 12/20/2005.

Sincerely,

Jeff J. Decker
Regulatory Specialist
jeff.decker@northwestern.com
O 605-353-8315