



October 12, 2017

Ms. Patricia Van Gerpen  
South Dakota Public Utilities Commission  
State Capitol Building  
Pierre, SD 57501

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, 9th Revised Sheet No. 2, Summary List of Contracts with Deviations which includes a reference to the Natural Gas Transportation Service Agreement (the "Agreement") between NorthWestern and Ag Processing Inc a cooperative ("AGP") and the information required by ARSD 20:10:13:09.
  - A copy of the executed proposed Agreement, attached as Exhibit B, 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 AGP's by-pass project costs, NorthWestern's project costs, and deviated Rate 87, attached as Exhibit C and Exhibit D.
2. The proposed effective date for the tariff revisions is December 1, 2017.
3. The names and addresses of those to whom this filing has been emailed:

Ag Processing Inc., a cooperative  
12700 West Dodge Road  
Omaha, NE 68154  
Attn: Director of Purchasing  
Email: [RChoquette@AGP.com](mailto:RChoquette@AGP.com)
4. Brief description of the tariff changes:

AGP will be a new customer on NorthWestern's natural gas system near Aberdeen, South Dakota. AGP is building a soybean processing facility at this location and requires natural gas transportation service. The deviations from tariff requested in this file include:

  - A deviation of the tariff transportation Rate 87 as negotiated with the Customer.
  - Utilization of an annual lookback in order to meet annual volume requirements as opposed to the one-time, three year look back per tariff.
  - Requirement of a letter of credit from Customer.

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- Termination conditions as set forth in the Agreement.

Except as otherwise set forth in the Agreement, Customer will be served under Rate 87 tariff, Option B, and all other conditions of the general terms and conditions.

Additionally, NorthWestern has an expired contract with deviation which it proposes to remove as part of this filing. On Section 4, sheet 2, summary list of contracts with deviations, Item 18 AMPI Freeman needs to be removed as the contract with this customer expired on February 1, 2017. The customer is now served under tariff rate 87.

5. Reasons for the proposed tariff changes:

This is a large load customer NorthWestern desires to serve on its natural gas system. The AGP facility is in close proximity to a transmission pipeline. AGP asked for a rate lower than the tariff rate. Otherwise, AGP represented that it intended to develop and operate its own pipeline to serve this location. NorthWestern calculated a discounted rate based on an economic comparison of AGP bypassing NorthWestern versus NorthWestern serving AGP itself. NorthWestern initially analyzed the cost for AGP to build and operate its own pipeline as shown in Exhibit C. Page 1 of Exhibit C shows the estimated costs to construct the bypass line. Pages 2 and 3 of Exhibit C show the calculation of the rate for AGP to own and operate the line. This cost was used to develop an appropriate rate under which AGP could be served.

NorthWestern applied this rate to its own cost of service, including the costs to build and operate the distribution line to serve AGP. The costs to build the distribution line are shown in Exhibit D, page 1. Exhibit D, page 2, illustrates the recovery of NorthWestern's costs under this rate. The deviated rate covers all costs (including a contribution to overhead), provides for transportation service without subsidy from existing customers, and allows for a net income return to NorthWestern.

The additional protections included in this Agreement provide security for NorthWestern and legacy customers. The letter of credit protects against unforeseen circumstances associated with the Customer's annual usage requirement.

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

AGP will be the only customer served under this rate deviation. All NorthWestern natural gas customers will benefit from the addition of AGP to the distribution system. The revenue from the service to AGP provides a contribution to overhead and a return to the company.

Sincerely,

**Jeff J. Decker**

*Regulatory Specialist*

jeffrey.decker@northwestern.com

☎ 605-353-8315



## 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 documents for which confidential treatment is requested are the Natural Gas Transportation Service Agreement between NorthWestern and Ag Processing Inc a cooperative (the "*Customer*"), effective August 25th, 2017 (the "*Agreement*" attached as Exhibit B), and confidential work papers attached as Exhibits C and D;
- 2) The Company requests that such confidential treatment be afforded the Agreement and confidential work papers indefinitely, or, at a minimum, until the conclusion of the term of the Agreement;
- 3) The name, address and phone number of the persons to be contacted regarding the confidentiality request are:

Jeff Decker	Pamela Bonrud
Specialist Regulatory	Director Government and Regulatory Affairs
NorthWestern Energy	NorthWestern Energy
600 Market St. West	3010 W. 69 <sup>th</sup> Street
Huron, SD 57350	Sioux Falls, SD 57108
(605) 353-8315	(605) 978-2900
- 4) The grounds for confidentiality are that the Agreement and exhibits to this filing provide proprietary information concerning both the Company and the Customer. Sharing this information with third parties could provide competitive advantages to the competitors of NorthWestern and the Customer.
- 5) As a factual basis in support of this request, please see the response to item 4) above.