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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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October 21, 2011

Patricia Van Gerpen
Executive Director
SD Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501

**Re: EL11-026 - In the Matter of the Filing by NorthWestern Corporation, d/b/a
NorthWestern Energy for Approval of a Contract with Deviations**

Dear Ms. Van Gerpen:

On October 4, 2011, NorthWestern Corporation, d/b/a NorthWestern Energy (NorthWestern) filed for approval of a contract with deviations. The proposed contract will extend electric distribution service to a new location for an existing customer. The costs associated with this line extension fall outside connection charges currently factored into rates. As such, NorthWestern requests permission to deviate from its tariffed rates to permit customer contribution and for approval of the contract on less than 30 days notice.

Upon review of the filing, Commission Staff recommends approval of the contract with deviations. Permitting a customer contribution for this line extension will avoid other ratepayers absorbing extraordinarily high costs for a line extension that benefits only one customer. Further, the only customer affected by this deviation is aware of the costs and has entered into an agreement with NorthWestern to satisfy the contribution. As no other parties will be affected by this contract, Commission Staff recommends approval of the request on less than the 30-day notice period required by the Administrative Rules of South Dakota (ARSD) 20:10:13:15.

Tariff Deviations for Repeat Customer Connections

Under South Dakota Codified Law 49-34A-9, a utility may not deviate from approved scheduled rates and charges. Any contracts that deviate from established rates and charges must be approved by the Commission prior to implementation. In addition, the ARSD require a utility to file a copy of such contracts¹ and maintain a tariff sheet showing a list of all existing contracts with deviations².

As stated above, this contract with deviations deals with a line extension for the connection of an existing NorthWestern customer. This customer is relocating a farming operation to a new site but retains ownership of the old farming site which will cease operations. Therefore, this represents a second customer connection for a single customer load. Generally, there is no charge for new connections as these costs are factored into tariffed rates. However, existing rates are not structured to cover multiple connections for a single customer, or unusually high connection costs.

Until a new customer occupies the old location and resumes that load, this line extension creates extraordinarily high connection costs associated with a single customer. NorthWestern states its normal practice is to enter a follow up agreement offsetting the customer contributions if another customer resumes the load at the old location within a specified period. Until such time, the affected customer should be responsible as the cost-causer for the additional costs placed on the system. Staff agrees with NorthWestern in the principle that the overall customer base should not be forced to absorb these types of costs.

Sincerely,



Ryan Soye
Staff Attorney

¹ ARSD 20:10:13:36

² ARSD 20:10:13:09