
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: KRISTEN EDWARDS AND LORENA REICHERT
RE: DOCKET EL16-003 – IN THE MATTER OF THE FILING BY NORTHWESTERN CORPORATION DBA NORTHWESTERN ENERGY FOR APPROVAL OF A CONTRACT WITH DEVIATIONS
DATE: March 28, 2016

Overview

On February 12, 2016, in Docket No. EL15-023, NorthWestern Corporation dba NorthWestern Energy (NorthWestern or Company) was approved as the electric provider for the pump station owned and operated by Dakota Access, LLC (Dakota Access). In the current filing, NorthWestern requests the Commission grant approval to provide service to Dakota Access pursuant to a contract with deviations.

Staff's main objective in this docket is to determine whether, because of the size and exceptional load factor of the pump station, the contract with deviations reflects the contention that Dakota Access does not fit with the standard customers in Rate 34 and, thus, as a new customer, merits a separate rate through May 1, 2019. After which, Dakota Access will receive service under the Rate 34 tariff in effect at that date.

Background Information

Description of Dakota Access' Load and comparison to Rate 34

The typical load factor for the pump station is estimated by Dakota Access to be 83% and the annualized expected peak demand is estimated to increase from 10 MW in 2016 to 11.7 MW by 2019.¹ Currently, the average load factor of the Rate 34 class as a whole is [Begin Confidential] [Redacted] [End Confidential].² In comparison, the twenty-five largest customers in Rate 34, based on load size, have an average load factor of [Begin Confidential] [Redacted] [End Confidential].³

Effect on other customers in Rate 34

NorthWestern provided a comparison of what revenues would hypothetically be under a previous discount option for new Rate 34 customers, Option N, at the current rates, and revenues under the old Rate 34 rates. Option N would have been available to new rate 34 customers prior to NorthWestern's most recent rate case. Upon looking at response to DR 2-4, it is shown that the rates NorthWestern

¹ See March 24, 2016 Attachment – DAPL Redfield Expected Power Demand and Energy

² See Response to Data Request 2-1.

³ See Response to Data Request 2-2.

would be providing to Dakota Access, the old Rate 34 rates, still provides annual demand and energy charges comparable to the new Rate 34 rates with an Option N discount applied to them.

With the contract with deviations discounted rates, as currently written and agreed upon by NorthWestern and Dakota Access, Dakota Access will still be providing significant contribution to not only the Rate 34 customer class but to the entire system of NorthWestern. Additionally, on May 1, 2019, Dakota Access will be going to the full Rate 34 rates providing an even larger contribution to the system.

Other Issues

NorthWestern is also removing four customers from the Contracts with Deviations tariff page. NorthWestern's response to DR2-3 provides confirmation that all construction costs for these customers have been collected and that they have been transferred to their proper rate schedules.

Staff Recommendation

The current contract with deviations will allow for NorthWestern to gain a new customer, which will be one of the largest on NorthWestern's system, with an expected high load factor, a positive contribution to the system, and a contribution that will be comparable to the previous new customer Option N discount provided in the past. Staff recommends approval of the contract with deviations and the associated tariff revisions.