



July 20, 2018

Ms. Patricia VanGerpen, Executive Director  
S.D. Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, SD 57501

**RE:** EL18-\_\_\_\_ - Small Qualifying Facility Rider Updates (rates 73 and 74)

Dear Ms. Van Gerpen:

With this letter, NorthWestern Corporation ("NorthWestern" or the "Company"), doing business as NorthWestern Energy, is filing with the Commission revisions to its Electric Tariff. NorthWestern respectfully requests Commission approval of these proposed revisions.

Pursuant to ARSD 20:10:13:39, the Company states:

**1. The documents submitted with this filing include:**

Rate No. 73	Section No. 3, 14 <sup>th</sup> revised Sheet No. 30
Rate No. 74	Section No. 3, 13 <sup>th</sup> Revised Sheet No. 31
Exhibit B	Work-papers Supporting Tariff Changes. Confidential treatment requested per ARSD 20:10:01:41 (see Exhibit A to this letter);
Exhibit C	Capacity Cost Update
Exhibit D	Annual SQF Purchases

**2. The proposed effective date for the tariff revisions is September 1, 2018.**

**3. Brief description of the tariff changes:**

This update reflects the Company's projected 2018-2019 avoided cost of fuel and purchased power values listed on rates 73 and 74. The proposed rates are based on the projected avoided costs of the next 1 MW that would be purchased by NorthWestern.



The development of this rate uses the same methodology as that approved in EL16-021. The updated rates reflect projected prices for September 2018 – August 2019.

The “Payment for Capacity” rate has been updated on sheets 30 and 31. This rate reflects the cost of capacity contracts currently available through the Southwest Power Pool (“SPP”) market. The SPP market maintains separate pricing for wind and solar, and as such, NorthWestern has broken the rates out as well. The capacity rates are based on the fixed cost of capacity resources from the 2018 plan adjusted for the ratio of capacity SPP allows for wind or solar.

**4. Reasons for the proposed tariff changes:**

This change will update tariff rates 73 and 74 to reflect prices based on projected 2018 - 2019 data.

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

This change will affect one customer receiving service under rate 73 and five customers receiving service under rate 74.

For the twelve months ending May 31, 2018, the six customers have sold 22,122 kwh to the Company. Applying the new rates to historical volumes would result in an annual decrease of \$255.81 for purchased power costs.

Sincerely,

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