ENERGY EFFICIENCY ADJUSTMENT

APPLICABILITY

This Energy Efficiency t Adjustment (EE) applies to retail customers, rates 81, 82, 84, 85 and 86 as authorized by the South Dakota Public Utilities Commission (Commission). T

The EEA shall be calculated annually based on actual versus forecasted EE program costs and residential therm sales for the applicable rate schedules for the twelve months of June through May, and shall include an over or under recovery from prior years' adjustments through the Balancing Account. NorthWestern Energy (the Company) will update and make a EEA filing with the Commission on an annual basis no later than August 1. The first year rate recovery period will be from July 1, 2014 through June 30, 2015. The 2nd year filing will be made by August 1, 2015 with an effective date of October 1, 2015. A filing will be made by August 1 each year thereafter. This filing will reflect a recovery period of July 1 through June 30.

ENERGY EFFICIENCY ADJUSTMENT RATE

An EEA rate shall be determined by dividing the EE program costs and the forecasted balance of the EEA Balancing Account by the forecasted sales volumes for the upcoming year. The EEA rate shall be rounded to the nearest $0.0001 per therm.

The EEA rate may be adjusted annually with approval of the Commission. The EEA rate for the applicable rate schedules is a charge of $0.0144credit of $0.0007 per therm. I

EE Program Costs shall include all expenses associated with EE programs and an incentive approved by the Commission. All revenues recovered pursuant to the EEA shall be credited to the Balancing Account.

EEA Balancing Account amount is the EE program costs incurred, less all revenues recovered pursuant to the EEA for the annual year, as adjusted for applicable interest. The Balancing Account shall have interest applied or credited monthly at the rate of return from the Company's last approved natural gas rate case. The EEA revenues will be applied monthly to the Balancing Account for each customer class.

Forecasted Sales Volumes shall be the most recent twelve month ended natural gas sales for the applicable rate schedules for the designated recovery period.