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STATE OF SOUTH DAKOTA
BEFORE THE
PUBLIC UTILITIES COMMISSION

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Refund of)
Northern Natural Gas Company)
Interstate Transportation Charges)

Docket No. NG05-0____

**PROPOSED REFUND PLAN SUBMITTED BY
NORTHWESTERN CORPORATION,
doing business as NORTHWESTERN ENERGY,
FOR REFUND TO CUSTOMERS OF FUNDS
RESULTING FROM SETTLEMENT OF
INTERSTATE PIPELINE RATE CASE**

NorthWestern Corporation, doing business as NorthWestern Energy ("NorthWestern" or the "Company"), hereby submits, for Commission review and approval, the following proposed Refund Plan for the refund of funds, previously collected, subject to refund, by Northern Natural Gas Company ("Northern") from its interstate natural gas pipeline customers (including NorthWestern), as a result of the settlement of Northern's rate increase application before the Federal Energy Regulatory Commission ("FERC"). Because the final rates approved by the FERC in the rate case were less than the rates imposed, subject to refund, a cash refund was remitted by Northern to its customers. NorthWestern's refund amount is \$958,629.26.

In NorthWestern's Adjustment Clause rate schedule for service to its South Dakota customers, Section No. 3, 7th Revised Sheet No. 9, subsection (2)(b) provides as follows with respect to refunds of interstate pipeline charges:

Any refund, including interest thereon, received by the Company from a pipeline transporter of charges paid and applicable to natural gas purchased for resale shall be refunded to the customer as a reduction in billings over the succeeding twelve month period or other period determined appropriate. However, in a case where a refund exceeds \$500,000, the Company shall file a refund plan for Commission review and approval.

Based upon this NorthWestern tariff provision and the size of the Northern refund, NorthWestern is submitting the following proposed Refund Plan:

- NorthWestern proposes to credit the Company's Adjustment Clause demand true-up in the sum of \$879,025.41 and the Company's Adjustment Clause commodity true-up in the sum of \$79,603.85; and
- By using these Adjustment Clause true-up mechanisms, the refund dollars will be returned to customers, with interest payable by the Company, over the next 12-month period through the normal purchased gas adjustment ("PGA") monthly filings process.

This proposed Refund Plan allows the customers to receive the credit based on volumes used through the course of the year, as opposed to returning the entire credit to customers in a single or few months, and, in particular, does not return such credit during the late summer and fall months, when volumes for space heating would be minimal. Because the excess funds were collected by Northern for a lengthy period of time preceding the FERC rate case settlement, NorthWestern believes that crediting such funds over a twelve-month time period is also appropriate. If the Commission approves the proposed Plan, NorthWestern expects to be able to implement it, with the first credit beginning on October 1, 2005, with the PGA filing to be made at that time.

NorthWestern hereby requests Commission approval of the proposed Refund Plan.

Dated this 29th day of August, 2005.

Respectfully submitted,

NorthWestern Corporation,
doing business as NorthWestern Energy

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