

NorthWestern[™] Energy

600 Market Street W
Huron, SD 57350
Telephone: (800) 245-6977
Facsimile: (605) 353-7560
www.northwesternenergy.com

November 14, 2008

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

Re: Tariff Revisions

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 Gas Transportation, Customer Balancing tariff and a change to the Rate 86 gas purchasing timeframe. NorthWestern respectfully requests Commission approval of these proposed tariff revisions.

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

1. The documents submitted with this filing include:

Section No. 3, 2nd revised Sheet No. 5.3
Section No. 3, 3rd revised Sheet No. 6.4
Section No. 3, 1st revised Sheet No. 6.4A
Section No. 3, 2nd revised Sheet No. 6.5
Section No. 3, 1st revised Sheet No. 6.5A
Section No. 3, 2nd revised Sheet No. 6.6
Section No. 3, 166th revised Sheet No. 9b

2. The proposed effective date for the tariff revisions is January 1, 2009.

3. The names and addresses of those to whom copies of this filing have been mailed:

Dale L. Wateland
CenterPoint Energy
dale.wateland@centerpointenergy.com

Jeff McKinney
Energy Management & Consulting Service, LLC
emcs@sio.midco.net

Richard Haubensak, Christy Atchison, Dawn Bradburn
Constellation Energy
Dick.haubensak@constellation.com

4. Brief description of the tariff changes:

There are several "T" symbol changes contained in the filing that should make the language more clear. Several sheets contain "C" symbol changes that relate to imbalance penalties and the Company's ability to waive the penalties. In some instances, a large customer may have an outage and NorthWestern's retail customers may benefit from purchasing the gas through the cash out. The Company would like the ability to make the favorable economic choice.

On sheet 5.3, NorthWestern is proposing to increase the number of available offers and the timeframe that gas can be purchased for customers.

5. Reasons for the proposed tariff changes:

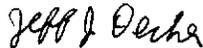
Our desire is to make the tariff easier to understand due to comments the Company received from marketers reading the tariff. With the ability to waive the imbalance penalties, NorthWestern will be able to benefit its retail customers and not penalize the marketers when their gas position actually helps NorthWestern's system.

Regarding the changes to rate 86, the greater number of available offers and option to purchase gas during the present winter for next winter will be of benefit to customers. There may be purchasing opportunities available between November and April of the current winter, that will be missed if customers are limited to the current April 1 – October 15 purchasing period.

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

NorthWestern anticipates that approximately 80 rate 86 customers, 80 transport customers and the 3 marketers on NorthWestern's system, will be impacted by the tariff changes.

Sincerely,



Jeff Decker

Regulatory Specialist

SOUTH DAKOTA GAS RATE SCHEDULE

**NORTHWESTERN ENERGY
HURON
SOUTH DAKOTA**

Section No. 3
2nd Revised Sheet No. 5.3
Canceling 1st Revised Sheet No. 5.3

CLASS OF SERVICE: Commercial and Industrial **Rate No. 86**
RATE DESIGNATION: Contract Sales Service
(Cont.)

5. Curtailment of Service

Service, other than firm service, which is rendered under this rate schedule shall be subject to curtailment by the Company in accordance with the priority guidelines set forth in the Company's General Terms and Conditions, Section No. 5, Sheet No. 5.2. The Customer shall, as directed, curtail the use of natural gas in excess of firm contracted volumes upon two (2) hours notice by the Company, unless the notification is waived by the Customer. All unauthorized gas in excess of Contract Demand so used shall be "Penalty Gas" and be paid by the Customer at a rate which is the greater of \$3.00 per therm or the maximum penalty charges permitted to be made by the Company's upstream service providers for takes of natural gas in excess of authorized limitations, in addition to the regular Commodity Charge for such gas. All Penalty Gas costs collected will be credited to expense in the Company's Adjustment Clause filings.

6. Gas Contracting Period

The gas contracting period will be November 1 – October 15 for the following November – April winter period. Grain Dryer Customers will be allowed to contract their October – December Supply. Gas contracts will be offered at least three different times, at the Company's Gas Supply Department's discretion. During such offering periods, the Company will designate the price at which gas can be obtained for the winter or grain drying period, and a customer may choose to contract for such price.

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7. True-Up Mechanism

Rate 86 customers will have their own over/under recovery true-up mechanism. The balances will be reviewed at the end of the winter contract period. The over/under recovered balance will be charged/paid on the July billing. Each customer's share of the balance will be based on that customer's November – April volume as compared to the total November – April volumes used by the rate 86 customer class. Customers choosing to leave the rate 86 tariff will be responsible for their pro rata share of the true-up balance at the time of their leaving rate 86 service. Grain Dryer customers' gas purchases will not contribute to the over/under true-up as they will be cashed out daily. The pricing of the cash out will be as defined in the Customer Balancing section of Rate No. 87, Paragraph 2 of section 3, sheet 6.4.

8. Other Provisions

Service will be furnished under the Company's General Terms and Conditions, as set forth in Section No. 5.

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Jeffrey Decker
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SOUTH DAKOTA GAS RATE SCHEDULE

NORTHWESTERN ENERGY
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Section No. 3
Sheet No. 6.4
3rd Revised
Canceling 2nd Revised Sheet No. 6.4

CLASS OF SERVICE: Gas Transportation Tariffs **Rate No. 87**
RATE DESIGNATION: Customer Balancing
(Cont.)

2. Cash Out of Commodity Imbalances:

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On a monthly basis, the Customer will receive an Imbalance Statement from the Company which will show the daily quantities received by the Company on behalf of the Customer, Deliveries to the Customer's facilities and any Daily Imbalances resulting from the over or under delivery of gas.

(a) Commodity Imbalance Cash Out - In addition to the applicable over/under delivery charges, cumulative daily Positive or Negative Imbalances at a delivery point will be deemed to have been sold to or bought from the Company at the applicable Gas Daily index prices plus applicable interstate pipeline transportation fees. The Customer's imbalance will be subject to the index pricing point on the pipeline they are served by. The Company will establish the pricing index points and transportation used for each pipeline. The Company may change this index point at its discretion via the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. Customers with multiple index pricing points will be cashed out at a weighted cost of the pipeline index points listed in the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. A tiered level of Imbalance Cashout will be assessed when the Daily Imbalances are greater than 1,000 Dth. Imbalance volumes in excess of 1,000 but less than 2,500 Dth or 10% of scheduled volumes, whichever is greater, will be cashed out at 90% if long, or 110% if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees. Imbalance volumes in excess of 2,500 Dth or 25% of scheduled volumes, whichever is greater, will be cashed out at 50% if long, or 150%, if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees.

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(b) Waiver of Penalties - The Company may, at its discretion, waive its daily imbalance charges in the event of extraneous circumstances. Any imbalance charge paid by the Customer or waived by the Company, shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

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SOUTH DAKOTA GAS RATE SCHEDULE

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Section No. 3
1st Revised Sheet No. 6.4A
Canceling Original Sheet No.

CLASS OF SERVICE: Gas Transportation Tariffs **Rate No. 87**
RATE DESIGNATION: Customer Balancing

(Cont.)

3. **Over/Under Delivery Charges for Balancing Services:** L,T

(a) Daily - Customers are allowed Positive or Negative Imbalances equal to 10% of net receipts without imbalance charges. Customers with a Positive or Negative Imbalance, after adjustment for optional balancing service, shall be subject to an additional charge at the rate of \$0.01 per therm (\$0.10 per Dth) up to 30% of net receipts. For imbalances greater than 30% of net receipts, the imbalance charge is \$0.10 per therm (\$1.00 per Dth). Daily charges on imbalances will be waived if the customer's Daily Imbalance is in the opposite direction of the Company's Daily net system pipeline imbalance, as determined by Gas Control personnel. Daily Net Pipeline System imbalance will be defined as daily variance between daily target and actual results. These charges apply except for Critical or OFO days. L, T, L, T, L, L, L, T, L, T, L, C, L, C, L, C, L, C, L, C

(b) Short Critical Day - Customers with a Negative Imbalance will be charged \$0.50 per therm (\$5.00 per Dth) for the first 5% Negative Imbalance and will be assessed the greater of \$3.00 per therm (\$30.00 per Dth) or three (3) times the Chicago City-gates "Midpoint" Index price as reported in Gas Daily publication for any Negative Imbalance in excess of 5% of net receipts. T

Customers with a Positive Imbalance on any Short Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) over delivery charge.

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SOUTH DAKOTA GAS RATE SCHEDULE

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	<u>2nd Revised</u>	Section No. 3
	<u>Canceling 1st Revised</u>	Sheet No. <u>6.5</u>
		Sheet No. <u>6.5</u>

CLASS OF SERVICE: Gas Transportation Tariffs
RATE DESIGNATION: Customer Balancing

Rate No. 87

(Cont.)

- (c) Long Critical Day - Customers with a Positive Imbalance in excess of 5% of net receipts will be charged \$1.00 per therm (\$10.00 per Dth).

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Customers with a Negative Imbalance on any Long Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) under delivery charge.

- (d) Additional Charges - If the Company incurs additional charges due to a Customer's Imbalance, those costs will be passed on to the Customer.

The customer shall reimburse the Company for any penalty, storage, or other costs incurred by the Company or imposed on the Company by a pipeline as a result of any under or over delivery imbalance, daily, monthly or otherwise, caused by the customer.

If the Company incurs additional charges due to a Customer's Imbalance, which is in excess of the penalty recoveries from transportation customers, the net excess penalty will be collected on a pro rata basis from all parties that created the additional charges.

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Section No. 3
Sheet No. 6.5A
1st Revised
Canceling Original Sheet No. 6.5A

CLASS OF SERVICE: Gas Transportation Tariffs Rate No. 87
RATE DESIGNATION: Customer Balancing

(Cont.)

- (e) Revenue Sharing – Over/Under Delivery Charges for Imbalances shall be credited to the sales customers via the Purchased Gas Cost Adjustment filing.
- (f) Waiver of Penalties – Regardless of Customer circumstances, the Company will not waive interstate pipeline imbalance charges that are incurred due to a customer imbalance. However, in the event of unanticipated, non-recurring conditions experienced by the Customer with their natural gas fueled equipment where the Customer as a result of problems with its natural gas fueled equipment was unable to use all quantities of gas confirmed for delivery (excluding changes in production levels by the Customer), or other extraneous circumstances beyond the customer’s control, the Company may, at its discretion, waive its daily imbalance charges for the gas day the condition initially occurred.

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Any imbalance charge paid by the Customer or waived by the Company shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

4. Optional Daily Balancing Service (DBS):

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- (a) Description - A Customer or Group Customer shall have the option to choose a Daily Balancing Service ("DBS"). This balancing service is not available to customers on critical or OFO days. This is a delivery point service providing balancing tolerance, on a reasonable efforts basis, above or below the Customer's Receipts without the incurrence of Daily Over/Under Delivery Charges. This service is available on a monthly basis. The Customer must notify the Company of its DBS quantity coincident with reporting gas nominations for the first day of the month. If a Customer also elects to enter a Group Balancing arrangement, the Customer's DBS quantity becomes available for use by the Group Customer. DBS does not affect the monthly Cash Out of Imbalances.

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SOUTH DAKOTA GAS RATE SCHEDULE

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SOUTH DAKOTA

Section No. 3
2nd Revised Sheet No. 6.6
Canceling 1st Revised Sheet No. 6.6

CLASS OF SERVICE: Gas Transportation Tariffs
RATE DESIGNATION: Customer Balancing

Rate No. 87

(Cont.)

The DBS begins after a ten percent (10%) of Net Receipts tolerance is applied. DBS quantity is the daily volume variance between Net Receipts at the Receipt Point, plus or minus the ten percent (10%) of Net Receipts tolerance, and the amount actually used at the Delivery Point (Deliveries), unless a Critical Day is called.

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(b) Rates - The rates and charges for service under this optional service shall include each of the following:

Reservation Charge - The reservation rate is \$0.15 per therm (\$1.50 per Dth) per month, October-March, and \$0.03 per therm (\$0.30 per Dth) per month, April-September for all DBS therms purchased.

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Commodity Charge - The commodity rate is \$0.003 per therm (\$0.03 per Dth). The monthly charge is equal to the commodity rate multiplied by the sum of the DBS variance volumes. DBS variance volumes are defined as: the absolute value of receipts less deliveries (capped at the DBS quantity contracted for), less 10% of the net receipts tolerance.

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Revenues collected under this section will be credited to expense in PGA true-up filings.

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Section No. 3
Sheet No. 9b
Canceling 167th Revised Sheet No. 9b
168th Revised

ADJUSTMENT CLAUSE RATES (Cont.)

Delivered Cost of Energy (Cont.): Per Therm
Per Month

Rate No. 85 - Commercial and Industrial-Interruptible Sales Service	
Gas Commodity Charge	
<i>Gas Supply - Average of NNG Ventura and Demarcation Indices</i>	
as reported in the first of the month issue of	
<u><i>Inside F.E.R.C. Gas Market Report</i></u> published	
for the month of billing	\$ 0.8080
<i>Fuel Use - 1.54% NNG and 0.30% Company L&U</i>	0.0151
<i>Gas Supply Management Fee</i>	0.0038
<i>Released Capacity Surcharge</i>	0.0140
<i>Balancing Services</i>	0.0030
<i>Pipeline Transportation Charges</i>	<u>0.0016</u>
Total Gas Component Charge	<u>\$ 0.8455</u>

Rate No. 86 – Gas Contract Sales Service	
Rate No. 86 Gas Commodity Charge – Group 1	\$ 0.8336
Rate No. 86 Gas Commodity Charge – Group 2	\$ 0.8336
Rate No. 86 Gas Commodity Charge – Group 3	\$ 0.8336
Rate No. 86 Gas Commodity Charge – Group 4	\$ 0.8336
Rate No. 86 Gas Commodity Charge – Group 5	\$ 0.8336
Rate No. 86 Index	\$ 0.8336
Rate No. 86 True-up Surcharge	

Rate No. 87 - Gas Transportation Firm Supply Standby Service	
Gas Demand Charge, per therm of daily contract demand	
Rate No. 84 supply standby costs	\$ 0.07
Rate No. 84 pipeline capacity costs	<u>0.75</u>
Total Demand Charge	<u>\$ 0.82</u>
Gas Commodity Charge	
Rate No. 84 Gas Commodity Charge	<u>\$ 0.8285</u>

Imbalance Cash-out Rate Index Points
Northern, Ventura 20%, Demarcation 80%
Northern Border, Ventura 100%% less applicable fuel

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Ad Valorem Taxes Paid:

Rate No. 81 - Residential Gas Service	Commodity Charge	\$ 0.0055
Rate No. 82 - General Gas Service	Commodity Charge	\$ 0.0035
Rate No. 84 - Commercial and Industrial - Firm Sales Service		
	Commodity Charge - Option A	\$ 0.0022
	Commodity Charge - Option B	\$ 0.0015
Rate No. 86 – Contract Sales Service		
	Commodity Charge - Option A	\$ 0.0022
	Commodity Charge - Option B	\$ 0.0015
Rate No. 85 - Commercial and Industrial - Interruptible Sales Service		
	Commodity Charge - Option A	\$ 0.0022
	Commodity Charge - Option B	\$ 0.0015
Rate No. 87 - Gas Transportation Service		
	Commodity Charge - Option A	\$ 0.0022
	Commodity Charge - Option B	\$ 0.0015

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