



January 29, 2018

Ms. Patricia Van Gerpen  
South Dakota Public Utilities Commission  
State Capitol Building  
Pierre, SD

Dear Ms. Van Gerpen:

With this letter, NorthWestern Corporation, doing business as NorthWestern Energy (“NorthWestern”), is filing with the South Dakota Public Utilities Commission (the “Commission”) revisions to its Natural Gas Tariff. NorthWestern respectfully requests Commission approval of these proposed revisions.

Pursuant to ARSD 20:10:13:36 and ARSD 20:10:13:39 NorthWestern states:

1. The documents submitted with this filing include:
  - The proposed revised tariff schedule, Section 4, 11th Revised Sheet No. 2, Summary List of Contracts with Deviations, that includes a reference to the Natural Gas Transportation Service Agreement (the “Agreement”) between NorthWestern and NuGen Energy, LLC (“Customer”) and the information required by ARSD 20:10:13:09
  - A copy of the executed proposed Agreement, for which confidential treatment has been requested, pursuant to ARSD 20:10:01:41 (see Exhibit A to this letter)
  - Confidential work papers showing the calculation of the rate to serve this customer (see Exhibit B to this letter)
2. The proposed effective date for the tariff revisions is March 1, 2018.
3. The names and addresses of those to whom this filing has been emailed:

Energy Management Services  
6805 E Archstone St.  
Sioux Falls, SD 57110  
Attn: Jeff McKinney

4. Brief description of the tariff changes:

NuGen is a large ethanol customer on NorthWestern’s natural gas system with a contract with deviation expiring February 28, 2018. This original contract included recovery of pipeline costs over a ten year period. At the contract expiration date, the original investment in the pipeline will have been fully recovered and the net book value of the pipeline asset will be zero. NorthWestern



is requesting to use the same method of calculating the new rate to serve the Customer as was used in Docket NG16-015, which is described below:

The rate to serve the Customer will include the FERC method of calculating a management fee component as the return for serving the Customer. The rate will also include Operation and Maintenance and Administrative costs, which are calculated using a system-wide average per foot rate multiplied by the length of this pipeline. An allocation of common and general plant assets and related expenses will also be charged to this Customer. Ad Valorem tax costs will be recovered using the rate for the 87B customers. The recovery of costs using system-wide averages provides a benefit to existing rate base customers by providing cost recovery from this Customer, based on overall system costs. Details of the calculation are shown in confidential Exhibit B of this filing.

In summary, the deviations from tariff requested in this filing include:

- The rate on which the Customer is served.
- The requirement of take or pay volumes tied to the Customer's capacity request.
- Termination conditions as set forth in the Agreement.

Except for the deviations described above, this Customer will be served under rate 87 tariff rates and all other conditions of the general terms and conditions will apply.

5. Reasons for the proposed tariff changes:

NorthWestern desires to provide this Customer with continuing natural gas service after the original 10 year agreement has expired. This new rate will allow NorthWestern to maintain this Customer, which will benefit the Customer, NorthWestern and its natural gas customers, through recovery of admin and general costs and common costs from this Customer.

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

NuGen Energy, LLC will be the only customer affected by this filing.

Sincerely,

**Jeff J. Decker**

*Regulatory Specialist*

jeff.decker@northwestern.com

○ 605-353-8315



## EXHIBIT A

### REQUEST FOR CONFIDENTIAL TREATMENT

COMES NOW, NorthWestern Corporation, doing business as NorthWestern Energy ("NorthWestern" or the "Company"), and pursuant to ARSD 20:10:01:41, requests confidential treatment as follows:

- 1) The documents for which confidential treatment is requested are the Natural Gas Transportation Service Agreement between NorthWestern and NuGen Ethanol, LLC (the "Customer"), dated January 26, 2018 (the "Agreement"), and Exhibit B;
- 2) The Company requests that such confidential treatment be afforded the Agreement and Exhibit B indefinitely, or, at a minimum, until the conclusion of the term of the Agreement;
- 3) The name, address and phone number of the persons to be contacted regarding the confidentiality request are:

Jeff Decker  
Specialist Regulatory  
NorthWestern Energy  
600 Market St. West  
Huron, SD 57350  
(605) 353-8315

Pamela Bonrud  
Director Government and Regulatory Affairs  
NorthWestern Energy  
3010 W. 69<sup>th</sup> Street  
Sioux Falls, SD 57108  
(605) 978-2900

- 4) The grounds for confidentiality are that the Agreement and Exhibits provide proprietary information concerning both the Company and the Customer, including the pricing of natural gas service. Sharing this information to third parties may provide competitive advantages to the competitors of NorthWestern or the Customer.
- 5) As a factual basis in support of this request, please see the response to item 4) above.