



May 10, 2018

Ms. Patricia Van Gerpen
South Dakota Public Utilities Commission
500 E. Capitol
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, 26th Revised Sheet No. 1, Summary List of Contracts with Deviations, that includes a reference to the Natural Gas Transportation Service Agreement (the “Agreement”) between NorthWestern and Dakota Ethanol, 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 July 1, 2018.
3. The names and addresses of those to whom this filing has been emailed:

Dakota Ethanol, LLC
46269 SD HWY 34
Wentworth, SD 27075-0100
Attn: Scott Mundt
smundt@dakotaethanol.com

4. Brief description of the tariff changes:

Dakota Ethanol, LLC is a large ethanol customer on NorthWestern’s natural gas system, and is currently receiving transportation service pursuant to a contract with deviation expiring in 2021. The existing short-form contract governing the relationship was signed in 1999 and the ethanol plant commenced operation in 2001. The original agreement included a ten-year term which expired in 2011, with an optional rollover right for a second term with the same duration. The Customer exercised the option and is currently in year seven of the second term. In 2017, the



Customer approached NorthWestern requesting additional capacity for a potential expansion of the plant. In response, NorthWestern offered a number of solutions to the Customer for their review and selection of a preferred option. The Customer chose the option presented in the attached agreement with terms consistent with other ethanol agreements.

The Customer was the first ethanol facility on NorthWestern's system and the contractual terms approved by the Commission contemplated a thirty year recovery period. Since NorthWestern has not recovered its original investment in the pipeline serving this Customer, the rate analysis in this instance is not identical to other recently expired ethanol facility transportation agreements approved by the Commission. The dockets recently approved by the Commission utilized the FERC management fee recovery calculation for the return component of the rate. In these dockets, the rate base had been previously recovered from the customer. In this docket, the remaining rate base value projected over the term of the Agreement was used in the calculation of the return component of the rate. With the exception of this change, NorthWestern utilized the same method of calculating the new rate to serve the Customer as was approved by the Commission in Docket NG16-015, Docket NG18-001, Docket NG18-003 and Docket NG18-007 for other ethanol transportation customers. Details of the calculation are shown in confidential Exhibit B.

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

- The rate on which the Customer is served.
- 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 the Customer with continued natural gas service. This new rate will allow NorthWestern to maintain the Customer. The rate also benefits all of NorthWestern's natural gas customers through recovery of administrative and general costs and common costs from Dakota Ethanol, LLC.

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

Dakota Ethanol, LLC will be the only customer affected by this filing.

Sincerely,

Jeff J. Decker

Regulatory Specialist

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