



October 12, 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, 27th 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 Valero Renewable Fuels Company, LLC, formerly VeraSun Energy Corporation (“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 November 1, 2018. NorthWestern requests the Commission approve this contract with deviation on less than thirty days’ notice.
3. The names and addresses of those to whom this filing has been emailed:

Valero Renewable Fuels Company, LLC  
One Valero Way  
San Antonio, TX 78249  
Attn: Chris Culver  
Email: [chris.culver@valero.com](mailto:chris.culver@valero.com)

4. Brief description of the tariff changes:

The Valero ethanol plant is a large ethanol customer on NorthWestern’s natural gas system with a contract with deviation expiring October 31, 2018. This original contract included recovery of pipeline costs over a fifteen year period. At the contract expiration date, the original investment in the pipeline will be fully recovered and the net book value of the customer’s share of the pipeline asset will be zero. As in previous ethanol contract renewals, NorthWestern has calculated the rate using the FERC method of calculating a management fee component as the return for serving the Customer. The rate also includes Operation and



Maintenance and Administrative costs, and an allocation of common and general plant assets. 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.
- 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 transportation service after the original 15-year agreement expires. This new rate will allow NorthWestern to maintain this Customer, which will benefit not only Valero Renewable Fuels, but also NorthWestern and its natural gas customers through recovery of administrative 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.

Valero Renewable Fuels, LLC will be the only customer affected by this filing.

Sincerely,

**Jeff J. Decker**

*Regulatory Specialist*

jeff.decker@northwestern.com

○ 605-353-8315