



October 30, 2018

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 E. Capitol
Pierre, SD, 57501

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”) an updated refund plan regarding its recovery of remediation costs related to the Aberdeen, SD Manufactured Gas Plant (“Aberdeen MGP”) site. NorthWestern respectfully requests Commission approval of the proposed refund plan including the applicable rates per customer class as described below.

The proposed effective date for the refund plan is December 1, 2018.

1. Brief description of the proposed refund plan:

The purpose of this filing is to update the customer refund credit rate related to the Aberdeen MGP site remediation plan. The original refund plan was approved in Docket NG16-010 and began December 1, 2016. Based on October 2018 – December 2019 projected recoveries and expenses, NorthWestern desires to continue the refund plan for an additional twelve months at the credit rates described in item 2 below. This refund will be administered via bill credits that will be applicable from December 1, 2018 – November 30, 2019.

2. Reasons for the proposed refund plan:

As part of the Commission’s order approving the settlement stipulation agreement in Docket NG11-003, costs for the ongoing Aberdeen MGP site remediation were included in base rates with a requirement to separately track project expenses and recoveries and provide an annual tracker update to the Commission. Between the approval of NG11-003 and December 2016, actual expenditures for remediation were less than forecasted, resulting in a credit to customers of approximately \$4,700,000. NorthWestern began refunding this balance with the credit rates approved in NG16-010. The credit rate was lowered with the approval of docket NG17- 015. With two months remaining in the current refund plan, the recovered balance is just over \$1,300,000. We have refunded approximately \$1.6 million in the first ten months of the current plan, however, actual remediation costs have come in lower than the amount recovered through the tracker.

Exhibit A of this filing shows the annual expenses, tracker recoveries, interest and refunds for December 2011 – September 2018.



Exhibit B shows the projected expenditures, tracker recoveries, refund amounts and interest by month through December 31, 2019. The exhibit uses NorthWestern’s budgeted volumes for October 2018 – December 2019. Under this proposed refund plan, the projected recovered balance as of December 31, 2019 will be reduced to \$443,382.

Exhibit C shows the derivation of rates to be used to refund the excess tracker recovery. The refund amount requested for this plan is \$1,500,000. The refund amount of \$1,500,000 is allocated among customer classes, based on the original allocation of \$1,739,887 from NG11-003. The refund by customer class is divided by the volumes from that customer class to calculate the refund per therm rate. The proposed refund rates per customer class are as follows:

	2019 <u>Proposed</u>	2018 <u>Approved</u>
Rate 81 Residential	\$0.0339	\$0.0274
Rate 82 Small Commercial	\$0.0148	\$0.0121
Large Commercial Option A	\$0.0095	\$0.0074
Large Commercial Option B	\$0.0020	\$0.0018

NorthWestern is proposing a term of one year for the refund, ending November 30, 2019. The final refund amount will depend on actual natural gas volumes for December 1, 2018 – November 30, 2019. A true-up for the refund plan is not requested as the balance will continue to be tracked as described in Docket NG11-003. At the end of the refund period, NorthWestern will evaluate its options to file with the Commission requesting approval to end the refund plan, extend the existing plan or file a new plan. Factors that may affect NorthWestern’s evaluation will include natural gas volumes sold over the next 12 months, the likelihood of an upcoming rate case, actual and future estimated cleanup costs and other relevant factors.

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

This change will affect approximately 46,300 customers in South Dakota. An average residential customer using 64 therms per month will see a monthly refund of \$2.17 as compared to a monthly refund of \$1.75 under the current plan.

If NorthWestern’s proposed refund plan is approved by the Commission, customer notice of the Aberdeen MGP refund plan will begin December 1, 2018, with the following message to be printed on customer bills:

“The SD Public Utilities Commission recently approved a refund plan for NorthWestern Energy natural gas customers for activities related to the Aberdeen Manufactured Gas Plant environmental remediation project. For a residential customer using an average of 64 therms, a refund of \$2.17 per month will be applied to your account. The monthly refund amount will vary based on actual usage. The refund is effective December 1, 2018 – November 30, 2019.”

Sincerely,

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