



August 18, 2023

Ms. Patricia Van Gerpen
South Dakota Public Utilities Commission
State Capitol Building, 1st Floor
500 E. Capitol Avenue
Pierre, SD 57501

via eFiling

Re: *Request for Approval of a Contract with Deviations with Valley Queen Cheese Factory, Inc.*

Ms. Van Gerpen:

With this letter, NorthWestern Corporation d/b/a 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 No. 4, 21st Revised Sheet No. 2, Summary List of Contracts with Deviations, which includes a reference to the Interruptible Transportation Service Agreement dated August 1, 2023 (the “Agreement”) between NorthWestern and Valley Queen Cheese Factory, Inc. (“Customer”) and the information required by ARSD 20:10:13:09.
- A copy of the executed proposed Agreement, for which confidential treatment is being requested pursuant to ARSD 20:10:01:41.
- Exhibit A: Request for Confidential Treatment.
- Exhibit B: Confidential work papers showing the calculation of the project cost and cost recovery.
- Exhibit C: Map of the NorthWestern pipeline to Customer’s facility.

2. *The proposed effective date is October 1, 2023.*

3. *The names and addresses of those to whom this filing has been emailed:*

Valley Queen Cheese Factory, Inc.
Attn: Brian Sandvig – CFO
201 S. Dakota Street
Milbank, SD 57252
bsandvig@vqcheese.com

Woods, Fuller, Shultz & Smith P.C.
Attn: James Moore
300 South Phillips Ave., Suite 300
Sioux Falls, SD 57104
james.moore@woodsfuller.com



4. *Brief description of the proposed tariff changes:*

Customer operates a cheese processing facility in Milbank, South Dakota, and currently receives firm transportation service pursuant to an Amended and Restated Transportation Service Agreement dated April 11, 2018, on file with and approved by this Commission in Docket No. NG 18-008. Customer is expanding its operation and requested additional transportation service capacity. NorthWestern provided several firm transportation service options to Customer to increase its capacity. Customer did not choose one of those options and instead selected interruptible transportation service.

To provide the interruptible service, NorthWestern will upgrade its distribution facilities in the area in an attempt to mitigate interruptions to Customer, with such upgrades shown on Exhibit C. Customer acknowledges that future demand and growth in the area may impact the volume of gas that can be transported to its facility under this interruptible service option. Customer indicated that it may install an electric boiler at its facility to mitigate the risk to its production process.

NorthWestern will install sensors to monitor pressure and flow capabilities on its gas distribution system and the Milbank transmission line as these lines do not have capacity available. NorthWestern will also install a control valve on the pipeline to Customer's facility that will automatically curtail Customer's service to the volume stated in its firm capacity contract if there is a drop in pressure or flow capability on the gas distribution system or the Milbank transmission line.

The Agreement includes provisions to secure NorthWestern's development costs to provide the interruptible service to Customer. The development costs and tariff delivery charges will be recovered through Tariff Rate No. 87 and a fixed surcharge rate on volumes transported. The term of the Agreement is 15 years with interruptible transportation service capacity of 131,250 MMBtu for years 1-3 and 175,000 MMBtu for years 4-15. Customer's base use for this Agreement is 415,094 MMBtu, which is the average amount of gas the Customer transported annually pursuant to its firm capacity contract. Customer must transport its base use prior to receiving credit towards the interruptible transportation service. NorthWestern will conduct an annual review to determine if volumes transported meet the volumetric requirements in the Agreement.

The deviations from Tariff requested in this filing include:

- Monthly billing for the surcharge that applies to volumes transported;
- Annual take-or-pay volume requirements;
- Required letter of credit or other security from Customer; and
- Termination conditions as set forth in the Agreement.

Except for the deviations described above, Customer will be served under Tariff Rate No. 87 and all other conditions of the general terms and conditions.



5. *Reasons for the proposed tariff changes:*

NorthWestern desires to provide Customer with the interruptible transportation service it desires. The protections included in this Agreement provide security for NorthWestern and its legacy customers.

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

Valley Queen Cheese Factory, Inc. will be the only customer affected by this filing.

Sincerely,

Jeff J. Decker

Regulatory Specialist

jeff.decker@northwestern.com

(605) 353-8315