

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE REQUEST OF)		ORDER ALLOWING
NORTHWESTERN ENERGY TO ESTABLISH)		ESTABLISHMENT OF
DEFERRAL OF FORMER NEKOTA PIPELINE)		DEFERRAL
GAS COSTS)		NG07-009

On March 12, 2007, the Public Utilities Commission (Commission) received a filing from NorthWestern Energy (NWE) for Deferral of Certain Costs currently being charged through the Purchased Gas Adjustment. The reason for the proposed change is the fact the Nekota Assets have been merged into the Utility. Over the past year, NWE has evaluated its non-regulated businesses and has looked at the strategic value of each entity versus the resources that are dedicated to these business units. After a thorough evaluation of the non-regulated gas business in SD/NE, it has been decided by the Northwestern Services, LLC management committee to execute a strategy to shift the majority of this business (Nekota Resources, LLC) into the regulated utility and look at alternatives to divest the rest of this business. As the pipelines would now be included in rates as rate base of the regulated utility, Nekota is no longer able to bill the Utility for the costs of the pipeline. Although the costs are a normal course of business, NWE is not able to collect the costs through the Purchased Gas Adjustment (PGA) as they are no longer third-party costs. Due to the timing of this change in relation to the next rate case, NWE requests to set up a deferral account to later recover the costs from customers.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL 49-34A.

At its regularly scheduled meeting on March 27, 2007, the Commission considered this matter. The Commission voted unanimously to allow NWE to establish deferral regarding former Nekota PGA costs for consideration in NWE's next general rate proceeding, that the Commission is not taking any final determination on ratemaking treatment for those dollars until the next rate case, and that the Commission is taking this action after less than 30 days notice. It is therefore

ORDERED, that the request of NWE to establish deferral regarding former Nekota PGA costs for consideration in NWE's next general rate proceeding is granted, that the Commission is not taking any final determination on ratemaking treatment for those dollars until the next rate case, and that the Commission is taking this action after less than 30 days notice.

Dated at Pierre, South Dakota, this 10th day of April, 2007.

CERTIFICATE OF SERVICE
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.
By: <u><i>Arlaine Kolbe</i></u>
Date: <u>4/10/07</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Dustin Johnson
DUSTIN M. JOHNSON, Chairman

Gary Hanson
GARY HANSON, Commissioner

Steve Kolbeck
STEVE KOLBECK, Commissioner