

Statement Q

20:10:13:101. Statement Q -- Description of utility operations. Statement Q shall include a description of the utility's area and diversity of operations, including miles of lines and generating stations operated and a breakdown of sales between jurisdictional and nonjurisdictional. A concise statement of the last rate case of the filing public utility, whether or not it was concluded at the time of the filing of the current rate increase, shall also be included.

Source:2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

General Authority: SDCL 49-34A-4.

Law Implemented: SDCL 49-34A-10, 49-34A-12, 49-34A-41.

NorthWestern Corporation, doing business as Northwestern Energy, is one of the largest providers of electricity and natural gas in the Upper Midwest and Northwest, serving approximately 678,200 customers in Montana, South Dakota and Nebraska. We have generated and distributed electricity in South Dakota and distributed natural gas in South Dakota and Nebraska since 1923. On February 15, 2002, we acquired electricity and natural gas transmission and distribution assets and natural gas storage assets of the former Montana Power Company, which have been in operation since 1912.

Electric

Our South Dakota electric utility business operates as a vertically integrated generation, transmission and distribution utility. We have the exclusive right to serve an area in South Dakota comprised of 25 counties with a combined 2010 estimated population of approximately 226,200. We provide retail electricity to more than 62,100 customers in 110 communities in South Dakota. In 2013, by category, residential, commercial, and other sales accounted for approximately 38%, 55%, 7%, respectively, of our South Dakota electric utility revenue. Peak demand was approximately 326 MWs, the average daily load was approximately 179 MWs, and more than 1.56 million MWhs were supplied during the year ended December 31, 2013.

Our transmission and distribution network in South Dakota consists of approximately 3,350 miles of overhead and underground transmission and distribution lines as well as 123 substations. We have interconnection and pooling arrangements with the transmission facilities of Otter Tail Power Company; Montana-Dakota Utilities Co.; Xcel Energy Inc.; and WAPA. We have emergency interconnections with the transmission facilities of East River Electric Cooperative, Inc. and West Central Electric Cooperative. These interconnection and pooling arrangements enable us to arrange purchases or sales of substantial quantities of electricity with other pool members and to participate in the efficiency benefits of pool arrangements.

Our electric supply load requirements are primarily provided by power plants that we own jointly with unaffiliated parties. Each of the jointly owned plants is subject to a joint management structure. We are not the operator of any of these plants. Except as otherwise noted, based upon our ownership interest, we are entitled to a proportionate share of the electricity generated in our jointly owned plants and are responsible for a proportionate share of the operating expense. During periods of lower demand, electricity in excess of our load requirements is sold in the competitive wholesale market. In 2013, this was approximately 6% of our share of the power generated. We estimate our base-load generation capacity is adequate to meet customer supply needs through at least 2015.

We use market purchases and peaking generation to provide peak supply in excess of our base-load capacity. We entered into an agreement with Basin Electric Power Cooperative to supply firm capacity of 11 MW in 2013, 15 MW in 2014, and 19 MW in 2015. We have a resource plan that includes estimates of customer usage and programs to provide for the economic, reliable and timely supply of energy. We continue to update our load forecast to identify the future electric energy needs of our customers, and we evaluate additional generating capacity requirements on an ongoing basis. We completed construction of a 60 MW simple cycle peaking facility located in Aberdeen, South Dakota and placed it in operation during April 2013. We also have several wholly owned peaking/standby generating units at seven locations throughout our service territory.

Breakdown of Sales between Jurisdictional

All of the company's South Dakota electric sales revenue during the test year is under the jurisdiction of the South Dakota Public Utility Commission.

Status of the Latest Rate Proceeding

The Company's most recent electric rate proceeding was Docket No. F-3367.