

NG 99-004

August 23, 1999

Mr. William Bullard, Jr.
Executive Secretary
S.D. Public Utilities Commission
500 East Capitol Ave
Pierre SD 57501

RECEIVED

AUG 24 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: NorthWestern Public Service
Request for Approval of "Contract with Deviations"

Dear Mr. Bullard:

Enclosed herein are twelve (12) copies of 5th Revised Sheet No. 1 of Section 4 of NorthWestern's filed Natural Gas Tariff. The revised schedule lists an additional Contract with Deviations pursuant to which the Company proposes to serve a new ethanol plant at a site near Wentworth.

As the Commission is aware, value-added agriculture businesses are key to South Dakota's rural economy. Over the years, NorthWestern Public Service has worked with many producer groups, assisting them in their feasibility studies as it related to energy requirements. One of the biggest success stories was connecting natural gas to the South Dakota Soybean Processor's facility in Volga during 1996. This plant has been an economic benefit for the Brookings area. This month, NorthWestern begins delivery of natural gas to Heartland Grain Fuel's new ethanol plant in Huron. This will regain gas loads lost due to the closing of Dakota Pork in August 1997.

During the past eight months, NorthWestern has been working with Lake Area Corn Processors Cooperative in their efforts to bring another ethanol plant to South Dakota. Several locations were under review in the study. Earlier this month, an 80-acre site along Highway 34 near Wentworth was tentatively selected to host a 40-million gallon ethanol plant. If all goes according to plan, groundbreaking could take place early next year, with the plant to be complete by mid-year 2001. The final determination will be contingent on several factors, one being the Public Utilities Commission approval of a natural gas distribution delivery rate.

Many factors, besides the delivery cost for gas, come into play when selecting a site for a facility of this magnitude. These factors include the cost of electricity, corn producer interest, water availability, rail and highway access, etc. Shipping

energy and water cost are the largest operating expenses, next to the purchase of corn.

NorthWestern is very much interested in having the Dakota Ethanol plant built in the Lake Madison area. NorthWestern has a distribution delivery system in a close proximity to Wentworth. It is estimated that the cost to build incremental facilities to meet the capacity requirements of the proposed ethanol plant is approximately \$700,000.

The Lake Area Corn Processors are willing to agree to a \$0.12 per MMBtu distribution delivery charge, plus NorthWestern's PUC tariff transportation delivery service customer charge, for the Wentworth location. Any fuel reimbursement is assumed to be included in the proposed \$0.12 commodity charge. The negotiated rate proposed herein was instrumental in the cooperative's decision to tentatively select a site near Wentworth for the new ethanol plant. Attached is a Letter Agreement dated June 24, 1999, between NorthWestern and the Lake Area Corn Processors, setting forth this intent.

Relatively modest additional investment in facilities is required to connect this desirable load to NorthWestern's system. The negotiated delivery service rate recovers related cost of service and represents a net benefit to NorthWestern's system and its customer base. A net present value analysis is attached, which is identified as Appendix A. NorthWestern requests that the enclosed Appendix A be designated as confidential in Commission files.

NorthWestern asks that the proposed distribution delivery rate with Lake Area Corn Processors be approved in a timely manner. The cooperative is interested in getting a final determination on the rate before a final site determination is made. If the Commission requires additional information, please let me know.

Sincerely,



Michael J. Hanson
President and CEO

MJH/tp

Enclosure

SUMMARY LIST OF CONTRACTS WITH DEVIATIONS

NORTHWESTERN PUBLIC SERVICE COMPANY
HURON
SOUTH DAKOTA

Section No. 4
Sheet No. 1
Canceling 5th Revised Sheet No. 1
4th Revised Sheet No. 1

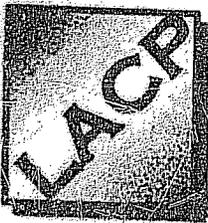
Contracts With Deviations

1. Minnesota Mining and Manufacturing Company
2. Big Stone Cheese (FRIGO)
3. South Dakota Soybean Processors
4. Dakota Ethanol - Lake Area Corn Processors

Date Filed: August 23, 1999

Billings on and after
Effective Date: October 1, 1999

Michael J. Hanson
Issued By: President and CEO



4, 1999

Michael J. Hanson
President and CEO
NorthWestern Public Service
600 Market Street West
Huron, SD 57350-1500

RE: Dakota Ethanol - Lake Area Corn Processors Natural Gas Distribution Rate

Dear Mr. Hanson,

Northwestern Public Service (Northwestern) has offered to provide natural gas distribution service to Dakota Ethanol - Lake Area Corn Processors (Dakota Ethanol) at a fixed rate equal to \$.12/Dth if the plant is constructed at a site near Wentworth, SD. Such rate includes all distribution related costs, inclusive of L&U fuel retention. The customer charge will be at the applicable tariff rate. Dakota Ethanol agrees that should the plant be constructed at the site near Wentworth, SD, Dakota Ethanol will execute a 10 year service agreement, with a 10 year rollover right at the same rate exercisable by Dakota Ethanol, to take distribution service from Northwestern at the rate proposed by Northwestern.

Dakota Ethanol understands that the rate proposed by Northwestern is less than the full tariff rate and, as such, requires South Dakota Public Utilities Commission (SDPUC) approval. Dakota Ethanol agrees to support any filing made to the SDPUC to implement the \$.12/Dth rate proposed by Northwestern.

If the above information accurately reflects your understanding of the rates and conditions of service offered by Northwestern and accepted by Dakota Ethanol please indicate so by signing below.

Agreed and Accepted:

A handwritten signature in black ink, appearing to read "Michael J. Hanson", is written over a horizontal line.

Michael J. Hanson, President and CEO, NorthWestern Public Service

Agreed and Accepted:

A handwritten signature in black ink, appearing to read "Ronald Alverson", is written over a horizontal line.

Ronald Alverson, Chairman of the Board, Lake Area Corn Processors - Dakota Ethanol

PHONE: 605-489-3000

FAX: 605-489-2177

WWW.LACPCOOP.COM

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of August 19, 1999 through August 25, 1999

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing. Phone: 605-773-3705 Fax: 605-773-3809

CONSUMER COMPLAINTS

CT99-037 In the Matter of the Complaint filed by Lyle Tunheim, Andover, South Dakota, against MCI WorldCom Regarding Increase in Rates Without Notice.

The Complainant indicates that he was contacted by a telemarketer representing MCI offering a rate of 10 cents per minute for long distance calling. The Complainant then received a billing in which he was charged up to \$3.04 per minute. The Complainant wishes the billing to be rerated to 10 cents per minute.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Filed: July 8, 1999
Intervention Date: NA

CT99-038 In the Matter of the Complaint filed by Loren A. Odland, Arlington, South Dakota, against Preferred Billing Regarding Unauthorized Switching of Services.

The Complainant indicates that phone service for Trinity Lutheran Church was switched to Preferred Billing without authorization during December 1998. The Complainant has been unable to successfully resolve the dispute and is seeking complete reimbursement of charges and penalties assessed.

Staff Analyst: Leni Healy
Staff Attorney: Camron Hoseck
Date Filed: August 9, 1999
Intervention Date: NA

NATURAL GAS

NG99-004 In the Matter of the Filing by NorthWestern Public Service for Approval of Contract with Deviations with Dakota Ethanol - Lake Area Corn Processors.

NorthWestern Public Services is proposing to revise its South Dakota Natural Gas Tariff. The proposed revision lists an additional Contract with Deviations to serve Dakota Ethanol - Lake Area Corn Processors, a new ethanol plant near Wentworth.

Staff Analyst: Dave Jacobson
Staff Attorney: Karen Cremer
Date Filed: August 24, 1999
Intervention Date: September 10, 1999

NG99-005 In the Matter of the Filing by NorthWestern Public Service for Approval of Tariff Revisions.

NorthWestern Public Service has filed to revise its South Dakota Natural Gas Tariff by adjusting its fuel retention percentage in Subsection 6.2. The Gas Transportation Tariff General Terms and Conditions call for the retention percentage for the Company's South Dakota distribution system to be adjusted annually based upon the actual percentage incurred by the Company in the prior year.

Staff Analyst: Heather Forney
Staff Attorney: Camron Hoseck
Date Filed: August 24, 1999
Intervention Date: September 10, 1999

TELECOMMUNICATIONS

TC99-087 In the Matter of the Application of TON Services Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

TON Services Inc. has filed a request for a Certificate of Authority to offer resold interexchange services, specifically prepaid card service, to residential and business customers.

Staff Analyst: Heather Forney
Staff Attorney: Camron Hoseck
Date Filed: August 20, 1999
Intervention Date: September 10, 1999

TC99-088 In the Matter of the Application of AS Telecommunications, Inc. d/b/a ALLSTAR Telecom for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

AS Telecommunications, Inc. d/b/a ALLSTAR Telecom has filed a request for a Certificate of Authority to offer resold intrastate interexchange services, including, but not limited to, 1+ telecommunications service; and toll free, private line, and travel card services.

Staff Analyst: Heather Forney
Staff Attorney: Camron Hoseck
Date Filed: August 25, 1999
Intervention Date: September 10, 1999

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NorthWestern[™]

E N E R G Y

ND 99-004

11 Third Street SE
Huron, SD 57350-1605
Telephone: 605-353-5411
Facsimile: 605-353-8216
Internet: www.northwestern.com

November 2, 1999

Mr. Dave Jacobson
S.D. Public Utilities Commission
500 East Capitol Ave
Pierre, SD 57501

RECEIVED

NOV 8 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: NorthWestern Public Service
Request for Approval of "Contract with Deviations"
Dakota Ethanol - Lake Area Corn Processors

Dear Mr. Jacobson:

Enclosed is an updated Appendix A to the Contract with Deviations filing made by NorthWestern Public Service, dated August 23, 1999. The Appendix A has been adjusted to reflect the approved capital structure and returns in NorthWestern's Docket No. NG99-002. If you need additional information, please let me know.

Sincerely,

Thomas P. Hitchcock

Thomas P. Hitchcock
EVP - NorthWestern Energy

Enclosure

CONTINUATION

3 -

CONFIDENTIAL

1

NorthWestern
PUBLIC SERVICE

RECEIVED

FEB 22 2000

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

600 Market Street W.
Huron, SD 57350-1500
Telephone: 605-352-8411
Facsimile: 605-352-7510
Internet: www.northwestern.com

February 21, 2000

Dave Jacobson
South Dakota Public Utilities Commission
State Capitol Building
Pierre, South Dakota 57501

Dear Mr. Jacobson:

Enclosed herein are two (2) copies of 5th Revised Sheet No. 1 of Section
4 of NorthWestern's filed Natural Gas Tariff per your request.

Sincerely,

Jeff G. Decker /lak

J. J. Decker

JJD/lak

enclosure

SUMMARY LIST OF CONTRACTS WITH DEVIATIONS

NORTHWESTERN PUBLIC SERVICE COMPANY
HURON
SOUTH DAKOTA

Section No. 4
Sheet No. 1
Sheet No. 1
Canceling 5th Revised
4th Revised

Contracts With Deviations

1. Minnesota Mining and Manufacturing Company
2. Big Stone Cheese (FRIGO)
3. South Dakota Soybean Processors
4. Dakota Ethanol - Lake Area Corn Processors

(N)

Date Filed: August 23, 1999

Billings on and after
Effective Date: December 31, 1999

Michael J. Hanson
Issued By: President and CEO

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

**IN THE MATTER OF THE FILING BY)
NORTHWESTERN PUBLIC SERVICE FOR)
APPROVAL OF CONTRACT WITH)
DEVIATIONS WITH DAKOTA ETHANOL -)
LAKE AREA CORN PROCESSORS)**

**ORDER APPROVING
CONTRACT WITH
DEVIATIONS**

NG99-004

On August 24, 1999, the Public Utilities Commission (Commission) received a filing by NorthWestern Public Service (NWPS) requesting approval of its 5th Revised Sheet No. 1 of Section 4 of NWPS' filed Natural Gas Tariff. The revised schedule lists an additional Contract with Deviations pursuant to which NWPS proposes to serve a new ethanol plant at a site near Wentworth. The negotiated delivery service rate recovers related cost of service and represents a net benefit to NWPS' system and its customer base. The proposed contract becomes effective on the date of Commission approval and will be used by Lake Area Corn Processors in making a final determination as to the site of the ethanol plant.

On December 14, 1999, at a regularly scheduled meeting, the Commission considered the request for approval of the Contract with Deviations. Commission Staff recommended approval.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL 49-34A, specifically, 49-34A-6, 49-34A-8, 49-34A-8.3, 49-34A-10, and 49-34A-11. Further, the Commission finds that NWPS' request for approval of a Contract with Deviations is just and reasonable and shall be approved. As the Commission's final decision in this matter, it is therefore

ORDERED, that as of the date of this Order, the request seeking approval of a Contract with Deviations is in the public interest and is hereby granted; and it is further

ORDERED, that the above-mentioned tariff is approved and is effective for service rendered on and after the date of this order.

Dated at Pierre, South Dakota, this 21st day of December, 1999.

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>Aleksandra Koeko</u>	
Date: <u>12/23/99</u>	
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner