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**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

August 30, 2004

Ms. Pam Bonrud
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501-5070

Re: Gas Transportation Tariff Change - Fuel Retention Percentage

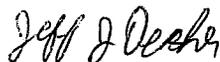
Dear Ms. Bonrud:

Enclosed are an original and ten copies of 9th Revised Sheet No. 6.2 of Section No. 5 of NorthWestern's filed Natural Gas Tariff. This filing is made to comply with the fuel retention provisions of Paragraph 7 of the Gas Transportation Tariff General Terms and Conditions. Those provisions call for the retention percentage for the Company's South Dakota distribution system to be adjusted annually, to be effective October 1, based on the actual percentage incurred by the Company for the prior 12 month period ending July 31.

The new fuel retention percentage proposed to be effective October 1, 2004 is 2.21%. This is an increase of 1.32% from the currently effective retention percentage of 0.89%. The retention percentages effective October 1, 2001 and 2002 were 1.38% and 1.08%, respectively. Exhibit A, attached, shows the computation of the actual percentage incurred by the Company for the twelve month period ending July 31, 2004.

NorthWestern asks that the proposed retention percentage be approved to be effective October 1, 2004.

Sincerely,



Jeff J. Decker

enclosure

SOUTH DAKOTA GAS RATE SCHEDULE

NORTHWESTERN PUBLIC SERVICE COMPANY
HURON
SOUTH DAKOTA

Section No. 5
9th Revised Sheet No. 6.2
Canceling 8th Revised Sheet No. 6.2

CLASS OF SERVICE: Gas Transportation Tariffs
RATE DESIGNATION: General Terms and Conditions

(Con't)

6. Liability:

- (a) General - Gas shall be and shall remain the property of the Customer while being transported and delivered by the Company. The Company shall not be liable to the Customer for any loss arising from or out of Gas Transportation Service while in the Company's system or for any other cause, except for gross or willful negligence of the Company's own employees. The Company reserves the right to commingle gas of the Customer with other gas supplies including propane and liquefied natural gas.
- (b) Insurance - The Customer shall be responsible for determining the extent of and maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.

7. Retention: A Customer or Group Customer, if applicable, shall have the option to choose one of the following methods to apply retention:

Option One (Indexed Based): The value of retention shall be determined by multiplying i) the monthly average price plus applicable interstate pipeline transportation charges as reported in the BTU's Daily Gas Wire Index for each pipeline (NNG: MidContinent Pooling Point) times ii) the Retention percentage times iii) the Deliveries. This value shall be billed monthly. This billing shall represent compensation for Lost and Unaccounted for Gas. The Retention percentage for the Company's South Dakota distribution system is 2.21% and will be adjusted annually, to be effective October 1, based on the actual percentage incurred by the Company for the prior 12 month period ending July 31. Retention amounts collected under this option will be credited to expense in PGA true-up filings. If the Customer, or Group Customer, does not select one of the options presented in this retention section, retention shall be calculated as stated in this paragraph.

Option Two (Inkind): The Customer, or Group Customer, if applicable, upon written request, may deliver retention quantities inkind. The request shall include the Customer's account number and the meter number of which inkind retention is being requested and shall be delivered to the Company's representative. Upon the Company's acknowledgment of the receipt of the request, the Customer shall be allowed to deliver retention volumes inkind. The Customer shall have the option to have the quantity of transportation gas received from the transporting pipeline reduced, upon delivery to the Customer, by a fixed percentage of 2.21% (to be adjusted as set forth above), which shall represent compensation for Company-Used Gas and Lost and Unaccounted For Gas. Where fuel reimbursement is inkind, the standard fuel calculation mechanism, as this is related to the nominating process, should be $(1 - (\text{fuel \%}/100))$ multiplied by receipt quantity = delivery quantity.

Date Filed: August 30, 2004

Effective Date: October 1, 2004

Michael J. Hanson
Issued By: President & CEO

NORTHWESTERN PUBLIC SERVICE
Gas Balancing Statement
Twelve Months Ended July 31, 2004

Exhibit A

Description	South Dakota MMBtu					
	9 Mos. Ended 9/30/2003	3 Mos. Ended 12/31/2003	Year Ended 12/31/2003	7 Mos. Ended 7/31/2004	7 Mos. Ended 7/31/2003	12 Mos. Ended 7/31/2004
Gas Sources						
Purchases	3,349,099	1,744,535	5,093,634	3,105,374	3,141,343	5,057,665
Transportation Receipts	5,134,506	1,633,112	6,767,618	3,620,082	4,218,914	6,168,786
Propane Peaking	0	0	0	0	0	0
Total Sources	8,483,605	3,377,647	11,861,252	6,725,456	7,360,257	11,226,451
Gas Uses						
Sales	3,864,121	1,251,561	5,115,682	3,443,911	3,702,096	4,857,497
Transportation Deliveries	5,079,053	1,618,577	6,697,630	3,587,863	4,173,350	6,112,143
Company Use	7,324	1,886	9,210	6,638	7,270	8,578
Total Uses	8,950,498	2,872,024	11,822,522	7,038,412	7,882,716	10,978,218
Lost & Unaccounted For	(466,893)	505,623	38,730	(312,956)	(522,459)	248,233
L&U Retention Percentage	1.08%	0.89%		0.89%	1.08%	2.21%

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of August 26, 2004 through September 1, 2004

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 report. Phone: 605-773-3201

NATURAL GAS

NG04-008 In the Matter of the Filing by NorthWestern Energy for Approval of Tariff Revisions.

Application by NorthWestern Energy to update its fuel retention percentage for natural gas transportation service. NorthWestern Energy's tariff provides that the fuel retention percentage be adjusted annually with the updated percentage to be effective October 1 of each year.

Staff Analyst: David Jacobson
Staff Attorney: Karen Cremer
Date Filed: 08/31/04
Intervention Deadline: 09/17/04

NG04-009 In the Matter of the Filing by NorthWestern Energy for Approval of a Contract with Deviations and Approval of Tariff Revisions.

Application by NorthWestern Energy for approval of a contract with deviations for service to Northern Lights Ethanol Plant by discontinuing to charge for company used and lost and unaccounted for gas. NorthWestern Energy states the gas line serving the plant is a direct line to the plant and does not come in contact with the NorthWestern distribution system. The filing also proposes to remove certain currently listed contracts with deviations because they are no longer in effect.

Staff Analyst: Dave Jacobson
Staff Attorney: Karen Cremer
Date Filed: 08/31/04
Intervention Deadline: 09/17/04

TELECOMMUNICATIONS

TC04-188 In the Matter of the Request of PrairieWave Community Telephone, Inc. for Certification Regarding its Use of Federal Universal Service Support.

On August 30, 2004, PrairieWave Community Telephone, Inc. (PrairieWave) provided information constituting PrairieWave's plan for the use of its federal universal service support and to otherwise verify that PrairieWave will use all federal universal service support received in a manner that is consistent with the federal universal service provisions of 47 U.S.C. Section 254.

Staff Analyst: Harlan Best
Staff Attorney: Karen E. Cremer
Date Filed: 08/30/04
Intervention Deadline: 09/10/04

TC04-189 In the Matter of the Request of Santel Communications Cooperative for Certification Regarding its Use of Federal Universal Service Support.

On August 31, 2004, Santel Communications Cooperative (Santel) provided information constituting Santel's plan for the use of its federal universal service support and to otherwise verify that Santel will use all federal universal service support received in a manner that is consistent with the federal universal service provisions of 47 U.S.C. Section 254.

Staff Analyst: Harlan Best
Staff Attorney: Karen E. Cremer
Date Filed: 08/31/04
Intervention Deadline: 09/10/04

TC04-190 In the Matter of the Request of Great Plains Communications, Inc. for Certification Regarding its Use of Federal Universal Service Support.

On August 31, 2004, Great Plains Communications, Inc. (Great Plains) provided information constituting Great Plains' plan for the use of its federal universal service support and to otherwise verify that Great Plains will use all federal universal service support received in a manner that is consistent with the federal universal service provisions of 47 U.S.C. Section 254.

Staff Analyst: Harlan Best
Staff Attorney: Karen E. Cremer
Date Filed: 08/31/04
Intervention Deadline: 09/10/04

TC04-191 In the Matter of the Filing for Approval of Terms and Conditions for Interconnection, Unbundled Network Elements, Ancillary Services and Resale of Telecommunications Services between Qwest Corporation and Qwest Communications Corporation.

On September 1, 2004, the Commission received a filing for approval of Terms and Conditions for Interconnection, Unbundled Network Elements, Ancillary Services, and Resale of Telecommunication Services Agreement between Qwest Corporation (Qwest) and Qwest Communications Corporation (QCC). The parties state that the Agreement "sets forth the terms, conditions and prices under which Qwest will provide services for resale to QCC for the provision of local exchange services." Any party wishing to comment on the Agreement may do so by filing written comments with the Commission and the parties to the Agreement no later than September 21, 2004. Parties to the Agreement may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Rolayne Ailts Wiest
Date Filed: 09/01/04
Initial Comments Due: 09/21/04

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

IN THE MATTER OF THE FILING BY) ORDER APPROVING TARIFF
NORTHWESTERN ENERGY FOR APPROVAL) REVISIONS
OF TARIFF REVISIONS) NG04-008

On August 31, 2004, the Public Utilities Commission (Commission) received a filing from NorthWestern Energy (NWE) for approval of revisions to its 8th Revised Sheet No. 6.2 of Section No. 5 of NWE's filed Natural Gas Tariff. According to the filing, "This filing is made to comply with the fuel retention provisions of Paragraph 7 of the Gas Transportation Tariff General Terms and Conditions. Those provisions call for the retention percentage for NWE's South Dakota distribution system to be adjusted annually, to be effective October 1, based on the actual percentage incurred by NWE for the prior 12 month period ending July 31. The new fuel retention percentage proposed to be effective October 1, 2004 is 2.21%. This is a increase of 1.32% from the currently effective retention percentage of 0.89%."

The proposed revised tariff is Section No. 5, 9th Revised Sheet No. 6.2, Cancelling 8th Revised Sheet No. 6.2.

At its regularly scheduled meeting on September 30, 2004, the Commission considered this matter. Commission Staff recommended approval.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL 49-34A-4 and 49-34A-6. The Commission further finds that the filing is just and reasonable and shall be approved. As the Commission's final decision in this matter, it is therefore

ORDERED, that the above mentioned proposed tariff is approved and is effective for service rendered on and after October 1, 2004.

Dated at Pierre, South Dakota, this 4th day of October, 2004.

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>Helaine Kalbo</u>
Date: <u>10/5/04</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner