

# NorthWestern<sup>™</sup> Energy

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August 31, 2007

Ms. Patricia Van Gerpen, Executive Director  
S.D. Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, SD 57501

Re: Tariff Revisions

Dear Ms. Van Gerpen:

With this letter, NorthWestern Corporation ("NorthWestern" or the "Company"), doing business as NorthWestern Energy, is filing with the Commission revisions to tariff rates 85, 86 and 87. NorthWestern respectfully requests Commission approval of these proposed tariff revisions.

Pursuant to ARSD 20:10:13:39, the Company states:

1. The documents submitted with this filing include:

Rate 85	Section No. 3, 8 <sup>th</sup> revised Sheet No. 4.1
Rate 86	Section No. 3, 1 <sup>st</sup> revised Sheet No. 5.1
Rate 86	Section No. 3, 1 <sup>st</sup> revised Sheet No. 5.3
Forms	Section No. 6, 1 <sup>st</sup> revised Sheet No. 9.4, 9.5
Rate 87	Section No. 3, 2 <sup>nd</sup> revised Sheet No. 6.4

2. The proposed effective date for the tariff revisions is October 1, 2007.

3. The names and addresses of those to whom copies of this filing have been mailed:

Wade L. Wiken  
CenterPoint Energy  
800 LaSalle Avenue, Suite 1725  
Minneapolis, MN 55402-2006

Dawn Bradburn  
Cornerstone Energy  
111011 "Q" Street, Suite 106A  
Omaha, NE 68137

Bill Paulson  
Heartland Grain  
38469 133<sup>rd</sup> St  
Aberdeen, SD 57401

4. Brief description of the tariff changes:

NorthWestern is proposing three changes to its tariff with this filing. The first change will limit the size of Grain Dryers on Rate 85 to 20 MMBtuH of connected load. Those Grain Dryer customers that exceed 20MMbtuH will be moved to Rate 86. The second tariff proposal is to modify the Rate 86 true-up date to allow the over/under recovery balance from the winter contract period to be returned to customers on July 1 of each year instead of spreading it over a twelve-month period. The final tariff change contains provisions for daily imbalance cashout of large use customers.

5. Reasons for the proposed tariff changes:

**Grain Dryers**

Currently Rate 85 grain dryer customers are billed with a commodity price that is set on the first of the month, based on the index price. As the month of October progresses, the rate has historically increased. This results in the under recovered balance being passed on to residential and small commercial customers through the PGA true-up. With this tariff change, large grain dryer customers that exceed the 20 MmbtuH threshold will be moved to Rate 86 and cashed out daily. They will also be benefited by the opportunity to lock in their drying season natural gas commodity price during the summer contract season.

**Rate 86 True-Up Revision**

Current tariff provides for crediting/charging the winter contract period over/under recovery balance over a 12-month period. The proposed change would allow the company to put a one-time credit/charge on the customers' bills in July of each year. Each customer will receive their share of the balance based on the percent of gas they consumed during the months of November – April as compared to the total Rate 86 customer class. This enables NorthWestern to clear the balance with less administration and in the instance of School Systems, allows them to receive the charge/credit in the same budget year.

**Imbalance Cash-Out**

This change is needed to protect NorthWestern and its customers from penalties created by large customers through either over delivering or under delivering gas to NorthWestern's system. This change provides for a tiered cash-out mechanism for daily balancing customers who are out of balance by a minimum of 1,000 Mmbtu per day. The proposed changes correspond to the charges incurred by NorthWestern from interstate pipelines when these instances occur.

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

NorthWestern anticipates that approximately 20 customers will be impacted by the Grain Dryer change, approximately 80 customers will be impacted by the true-up change and approximately 10 customers will be impacted by the imbalance cash-out change.

Sincerely,

Jeff Decker  
Regulatory Specialist

**SOUTH DAKOTA GAS RATE SCHEDULE**

**NORTHWESTERN ENERGY  
HURON  
SOUTH DAKOTA**

Section No. 3  
Sheet No. 4.1  
8<sup>th</sup> Revised  
Canceling 7<sup>th</sup> Revised Sheet No. 4.1

**CLASS OF SERVICE: Commercial and Industrial**  
**RATE DESIGNATION: Interruptible Sales Service**

**Rate No. 85**

**1. Applicability**

Gas service under this rate schedule is available on an interruptible basis to any customer for commercial and industrial purposes, whose maximum requirements for natural gas are greater than 200 therms per day, provided that the customer's premises are adjacent to the Company's mains and that the capability of the Company's system and the supply of gas available from its suppliers is in excess of the requirements of its existing customers. If no historical peak day usage is available, the name plate input ratings of all gas burning equipment shall be used to determine a customer's maximum requirement. All Grain Dryer Customers with a connected load greater than 20 Mmbtu per hour will be required to obtain service under Rate No. 86.

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**2. Territory**

The area served with natural gas by the Company in South Dakota.

**3. Rates**

Customer may choose the rate option which best fits the customer's needs.

<u>Monthly Charges:</u>	<u>Option A</u>	<u>Option B</u>
<i>Customer Charge</i> per Meter:	\$ 80.00	\$280.00
<i>Non-Gas Commodity Charge</i> , all use, per therm:	\$0.0388	\$0.0204

Minimum Monthly Bill:

The Customer Charge.

Adjustment Clauses:

- a. Adjustment Clause shall apply. (Sheet Nos. 9, 9a, 9b)
- b. Tax Adjustment Clause shall apply. (Sheet No. 10)
- c. BTU Adjustment Clause shall apply. (Sheet Nos. 12, 12a)
- d. Manufactured Gas Plant Removal Cost Adjustment Clause shall apply. (Sheet No. 11)

**4. Penalty Provision**

If customer fails to comply with Company's request to curtail the use of gas, then all unauthorized gas so used shall be "Penalty Gas" and be paid by the Customer at a rate which is the greater of \$3.00 per therm or the maximum penalty charges permitted to be made by the Company's upstream service providers for takes of natural gas in addition to the regular Commodity Charge for such gas. All costs collected will be credited to expense in PGA true-up filings.

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Service on and after  
Effective Date: October 1, 2007

Jeffrey Decker  
Issued By: Regulatory Specialist

**SOUTH DAKOTA GAS RATE SCHEDULE**

**NORTHWESTERN ENERGY  
HURON  
SOUTH DAKOTA**

Section No. 3  
Sheet No. 5.1  
Canceling 1<sup>st</sup> Revised Original Sheet No. 5.1

**CLASS OF SERVICE: Commercial and Industrial**

**Rate No. 86**

**RATE DESIGNATION: Contract Sales Service**

**1. Applicability**

This rate is available for gas volumes, on a contract basis, to commercial and industrial customers, including governmental entities. If no historical peak day usage is available, the nameplate input ratings of all gas burning equipment shall be used to determine a customer's maximum requirement.

**2. Availability**

This service is available to commercial and industrial customers, including governmental entities, with facilities served by the Company in South Dakota, with primarily space heating requirements, or grain dryers, who have Company installed telemetric equipment in place to monitor daily usage. This service is available on a firm or interruptible basis.

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**3. Rates**

Customer may choose the rate option, and level of daily contract demand (never less than 50 therms), which best fits the customer's needs.

Monthly Charges:

	<u>Option A</u>	<u>Option B</u>
<i>Customer Charge</i> per Meter:	\$ 130.00	\$330.00
<i>Non-Gas Commodity Charge</i> , all use, per therm:	\$0.0388	\$0.0204
<i>Demand Charge</i> per therm of daily contract demand as shown on Sheet 9a, as applicable to firm service customers, never less than 50 therms.		

Unless otherwise mutually agreed upon between the Company and customer all elections must be for a minimum period of twelve consecutive months.

Released Capacity and Balancing Services Surcharge:

For all therms taken during a month in excess of the product of the daily contract demand times the number of days in the billing period an additional \$0.0170 per therm shall be assessed and added to the Gas Commodity Charge shown on Sheet No. 9a.

Such surcharges collected will be credited to expense in the Company's Adjustment Clause filings.

One-Time Charges:

Application Charge: \$50.00 with each request for service.  
Telemetry: Standard cost of telemetry, installation and hardware, including appropriate tax gross-up, shall be \$2,100 per unit installed.

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SOUTH DAKOTA GAS RATE SCHEDULE

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Section No. 3  
Sheet No. 5.3  
1<sup>st</sup> Revised  
Canceling Original Sheet No. 5.3

CLASS OF SERVICE: Commercial and Industrial Rate No. 86

RATE DESIGNATION: Contract Sales Service

(Con't.)

5. Curtailment of Service

Service, other than firm service, which is rendered under this rate schedule shall be subject to curtailment by the Company in accordance with the priority guidelines set forth in the Company's General Terms and Conditions, Section No. 5, Sheet No. 5.2. The Customer shall, as directed, curtail the use of natural gas in excess of firm contracted volumes upon two (2) hours notice by the Company, unless the notification is waived by the Customer. All unauthorized gas in excess of Contract Demand so used shall be "Penalty Gas" and be paid by the Customer at a rate which is the greater of \$3.00 per therm or the maximum penalty charges permitted to be made by the Company's upstream service providers for takes of natural gas in excess of authorized limitations, in addition to the regular Commodity Charge for such gas. All Penalty Gas costs collected will be credited to expense in the Company's Adjustment Clause filings.

6. Gas Contracting Period

The gas contracting period will be April 1 – October 15 for the following November – April winter period. Grain Dryer Customers will be allowed to contract their October – December Supply. Gas contracts will be offered from 1 to 7 different times, at the Company's Gas Supply Department's discretion. During such offering periods, the Company will designate the price at which gas can be obtained for the winter or grain drying period, and a customer may choose to select and contract for such price.

7. True-Up Mechanism

Rate 86 customers will have their own over/under recovery true-up mechanism. The balances will be reviewed at the end of the winter contract period. . The over/under recovered balance will be charged/paid on the July billing. Each customer's share of the balance will be based on that customer's November – April volume as compared to the total November – April volumes used by the rate 86 customer class. . Customers choosing to leave the rate 86 tariff will be responsible for their pro rata share of the true-up balance at the time of their leaving rate 86 service. Grain Dryer customer's gas purchases will not contribute to the over/under true-up as they will be cashed out daily. The pricing of the cash out will be as defined in the Customer Balancing section of Rate No. 87, Paragraph 2 of section 3, sheet 6.4.

8. Other Provisions

Service will be furnished under the Company's General Terms and Conditions, as set forth in Section No. 5.

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SOUTH DAKOTA GAS RATE SCHEDULE

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SOUTH DAKOTA

Section No. 6  
Sheet No.9,4  
1st Revised  
Canceling Original Sheet No.9,4

Fixed Price Gas Contract for Purchase and Delivery of Natural Gas to \_\_\_\_\_

1. Agreement and Service:

This Agreement is made and entered this \_\_\_\_ day of \_\_\_\_\_, to be effective \_\_\_\_\_ by and between NorthWestern Energy, a division of NorthWestern Corporation, a South Dakota corporation, hereinafter referred to as "Seller", and \_\_\_\_\_, hereinafter referred to as (Buyer). Seller will provide a natural gas supply and management service providing for the purchase and delivery of fixed price natural gas volumes as agreed to by Buyer..

2. Quantity of Natural Gas:

Seller will agree to sell and tender natural gas at the existing interconnection between the facilities of NorthWestern Energy ("NWE") and the buyer located near \_\_\_\_\_, South Dakota. Buyer agrees to purchase and receive at this point from Seller, natural gas supplies. Buyer elects to purchase a base load gas quantity ("BLGQ") per month from Seller for the months of November – April. The BLGQ is a fixed commitment, and the level of BLGQ is based on the customer's last 3 year average of consumption. Adjustments will be allowed for material changes in the nature of the customers business. Seller will provide a swing load gas quantity (SLGQ) service, for actual gas usage above or below the base load quantity. All gas purchases for the months May 1 – October 31 will be priced at the monthly Ventura/Demarcation index price.

3. Price - Gas Supply:

a. Commodity Charge Price The BLGQ fixed rate is established at \_\_\_\_\_ including the gross up for applicable fuel rates for all pipeline and distribution systems utilized in delivery of Buyer's supply. Purchases for consumption beyond the contracted average will be available at this price as well. A true-up for the variance in price will be applied to all Rate 86 customers as stated in b. below.

b. Rate 86 True-Up Charge / Credit- The monthly over/under recovery of gas costs from the group of rate 86 customers will be tracked on a monthly basis. The customer's pro-rata share will be credited/charged annually on the July billing and will be shown as a separate line item. . Any customer leaving the Rate 86 customer group will need to make arrangements to recover their share of the balance upon leaving the rate group, as stated in the Rate 86 tariff.

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Section No. 6  
Sheet No.9.5  
1<sup>st</sup> Revised  
Canceling Original Sheet No.9.5

4. Term:

The term of this Agreement will be from \_\_\_\_\_ and will expire \_\_\_\_\_

5. Terms of Payment

Bills are due and payable upon receipt and will be delinquent if not paid by the 20<sup>th</sup> day after billing. A late payment charge of 1% of the unpaid balance plus a collection fee of \$2.00 will be assessed against any delinquent account having an unpaid balance of \$5.00 or more at the time of processing of the next monthly bill. Where a customer has been disconnected for non-payment of a bill, a reconnection charge will be assessed in accordance with the Company's concurrent connection policy.

APPENDIX A

Original Dated

Gas Management Service Agreement for Purchase and Delivery of Natural Gas between NorthWestern Energy ("seller") and to Customer, Inc. ("Buyer")

Seller and Buyer agree to the following BLGQ volumes

Monthly BLGQ Therms

Month	Year 1 Volume	Year 2 Volume	Year 3 Volume	Average Volume
October **				
November				
December				
January				
February				
March				
April				

\* BLGQ can be adjusted with a five-business day notice prior to the month of use.

\*\* October Contracts are allowed for grain dryers only.

Buyer: \_\_\_\_\_ Seller: **Northwestern Energy**

By: \_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

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**SOUTH DAKOTA GAS RATE SCHEDULE**

**NORTHWESTERN ENERGY  
HURON  
SOUTH DAKOTA**

Section No. 3  
2nd Revised Sheet No. 6.4  
Canceling 1<sup>st</sup> Revised Sheet No. 6.4

**CLASS OF SERVICE: Gas Transportation Tariffs**  
**RATE DESIGNATION: Customer Balancing**  
**(Con't.)**

**Rate No. 87**

**2. Settlement of Imbalances:**

On a monthly basis, the Customer will receive an Imbalance Statement from the Company which will show the daily quantities received by the Company on behalf of the Customer, Deliveries to the Customer's facilities and any Daily Imbalances resulting from the over or under delivery of gas.

- (a) Imbalance Settlement - In addition to the applicable over/under delivery charges, cumulative daily Positive or Negative Imbalances at a delivery point will be deemed to have been sold to or bought from the Company at the applicable Gas Daily index prices plus applicable interstate pipeline transportation fees. The Customer's imbalance will be subject to the index pricing point on the pipeline they are served by. The Company will establish the pricing index points and transportation used for each pipeline. The Company may change this index point at its discretion via the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. Customers with multiple index pricing points will be cashed out at a weighted cost of the pipeline index points listed in the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. A tiered level of Imbalance Cashout will be assessed when the Daily Imbalances are greater than 1,000 Dth. Imbalance volumes in excess of 1,000 Dth or 10% of scheduled volumes, whichever is greater, will be cashed out at 90% if long, or 110% if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees. Imbalance volumes in excess of 2,500 Dth or 25% of scheduled volumes, whichever is greater, will be cashed out at 50% if long, or 150%, if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees.

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**3. Over/Under Delivery Charges for Imbalances:**

- (a) Daily - Customers are allowed Positive or Negative Imbalances equal to 10% without imbalance charges. Customers with a Positive or Negative Imbalance, after adjustment for optional balancing service, shall be subject to an additional charge at the rate of \$0.01 per therm (\$0.10 per Dth) up to 30% Imbalances. For imbalances greater than 30%, the imbalance charge is \$0.10 per therm (\$1.00 per Dth. These charges apply except for Critical or OFO days.

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