

SOUTH DAKOTA GAS RATE SCHEDULE

NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY	Section No. 3
HURON	<u>11<sup>th</sup> Revised</u> Sheet No. 6.1
SOUTH DAKOTA	Canceling <u>10<sup>th</sup> Revised</u> Sheet No. 6.1

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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Transportation Service**

**1. Applicability and Character of Service**

This Transportation Service Tariff shall apply to gas purchased by Customer from a third-party supplier, or through an agency relationship with the Company, delivered to Company's system by an interstate pipeline, and received, transported, and delivered, on a firm basis, by Company to Customer's premises, when the Company and Customer have executed a Service Request Form.

**2. Availability**

This service is available to any Customer with facilities served by the Company in South Dakota who has Company installed telemetric equipment in place to monitor daily usage. Company shall have no obligation to provide gas supplies to customers.

**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:	\$150.00	\$350.00
<i>Commodity Charge</i> , all use, per therm:	\$0.0662	\$0.0335

NBPL Milbank Line Contract demand rate, per therm \$1.08\*

NBPL Milbank Line Firm Transport Only Credit, per therm of Contract demand (\$0.28)

\* \$1.08 per therm of contract demand rate assumes delivery at Ortonville tap (milepost 54.6). Rate for deliveries at points upstream will be adjusted as follows: Mileage at selected delivery point divided by 54.6 times \$1.08.

Where a NBPL Milbank Line Customer transports volumes in excess of contract demand, all such additional transport volumes, will be assessed \$0.017 per therm per day.

**Fuel Retention**, a Customer or Group Customer, if applicable, shall have the option to choose either an indexed based or inkind method to apply retention, as provided in the Gas Transportation General Terms and Conditions in Section No. 5 of this tariff.

One-Time Charges:

Application Charge: \$50.00 with each request for service.

Telemetering: Standard cost of telemetry, installation and hardware, including appropriate tax gross-up. Standard costs shall reflect actual

costs and customers will be charged on a nondiscriminatory basis.

Minimum Monthly Bill: The Customer Charge

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(Con't.)

Adjustment Clauses:

- a. Adjustment Clause shall apply. (Sheet Nos. 9, 9.1, 9b)
- b. Tax Adjustment Clause shall apply. (Sheet No. 10)
- c. BTU Adjustment Clause shall apply. (Sheet Nos. 12, 12a)

**4. 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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**Section No. 3**  
3<sup>rd</sup> Revised **Sheet No. 6.3**  
**Canceling** 2<sup>nd</sup> Revised **Sheet No. 6.3**

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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Customer Balancing**

**1. Obligations of Customer and Company:**

**Customer Obligation** - Customer shall have the obligation to balance on a daily basis the receipt of transportation gas by the Company at the Receipt Point with deliveries of thermally equivalent quantities of gas by the Company to the Delivery Point ("Balance"). Differences between Daily Receipts and Deliveries ("Imbalances") shall be accumulated and recorded in a Customer account. NorthWestern Energy will review the Customer's nomination made to the interstate pipeline. For purposes of determining distribution system imbalances, NorthWestern Energy will use the lesser of the volume confirmed on the interstate pipeline or the nomination submitted by the Customer to NorthWestern Energy.

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a) **Daily Balancing Limit** - The Customer is permitted to incur a daily Positive (Receipts greater than Deliveries) or Negative (Receipts less than Deliveries) Imbalance up to and including ten percent (10%) of the quantities delivered by the Company on the Customer's behalf, except on Critical Days.

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(c) **Short Critical Day** - The Customer is not permitted to incur a Daily Negative Imbalance but is permitted to incur an unlimited daily Positive Imbalance.

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<b>SIOUX FALLS</b>	<u>2nd Revised</u> <b>Sheet No. 6.3A</b>
<b>SOUTH DAKOTA</b>	<del>Canceling 1st Revised</del> <b>Sheet No. 6.3A</b>

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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Customer Balancing**

(Con't.)

- (c) Long Critical Day – The Customer is permitted to incur a Daily Positive Imbalance up to and including five percent (5%) and is permitted to incur an unlimited Negative Imbalance.
  
- (d) Operational Flow Order (OFO) – Company may call an OFO on a specific customer, multiple customers, or a Group Customer in order to limit critical day parameters to as small a segment of customers as possible. This customer or group will be subject to the same balancing parameters imposed on a Critical Day as outlined above.
  
- (e) In addition to the rules listed in this section, the imbalance cash out rules from Section 3, Sheet No. 6.4a apply.

**Company Obligation** - The Company is obligated to supply daily volumes to the Customer, their agent or supplier. If the Customer requests, the Company will supply meter reads that support the daily volumes. In addition, the Company has the obligation to provide applicable factors as are necessary to compute the Customer's usage.

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<b>SIOUX FALLS</b>	<b>5th Revised</b> <u>Sheet No. 6.4</u>
<b>SOUTH DAKOTA</b>	<b>Canceling 4th Revised</b> <u>Sheet No. 6.4</u>

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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Customer Balancing**  
**(Continued)**

**2. Cash Out of Commodity 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) Commodity Imbalance Cash Out - 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 next day ahead index gas 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 Cash out will be assessed when the Daily Imbalances are greater than 1,000 Dth. Imbalance volumes in excess of 1,000 but less than 2,500 Dth or 10% of scheduled volumes, whichever is greater, will be cashed out at 90% if long, or 110% if short, of applicable day ahead 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 day ahead index prices plus applicable interstate pipeline transportation fees.

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(b) Critical Day Cash Outs

Positive Commodity Imbalance on critical days will be cashed out according to Section No 3, Sheet No 6.4, paragraph 2(a) except when the daily index price is over 200% of either the applicable first of month index gas price (FOM index gas price) or the appropriate pipeline cash out price. When the applicable daily cash out index price is over 200% of either FOM index gas price or the appropriate pipeline cash out price, the commodity will be cashed out using Section No 3, Sheet No 6.4, paragraph 2(a) for the first 500 Dth. Volumes over 500 Dth will be priced at the greater of the applicable FOM index gas pricing point or the appropriate monthly pipeline cash out price plus all applicable interstate pipeline transportation fees.

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3rd Revised **Sheet No. 6.4A**  
**Canceling** 2nd Revised **Sheet No. 6.4A**

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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Customer Balancing**

**(Cont.)**

(c) Waiver of Penalties – The Company may, at its discretion, in a non-discriminatory manner, waive its daily imbalance charges in the event of extraneous circumstances, beyond the customer’s control, if the imbalance results in no detriment to other NorthWestern customers. Any imbalance charge paid by the Customer or waived by the Company shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

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**3. Over/Under Delivery Charges for Balancing Services:**

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(a) Daily - Customers are allowed Positive or Negative Imbalances equal to 10% of net receipts 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% of net receipts. For imbalances greater than 30% of net receipts, the imbalance charge is \$0.10 per therm (\$1.00 per Dth). Daily charges on imbalances will be waived if the customer’s Daily Imbalance is in the opposite direction of the Company’s Daily net system pipeline imbalance, as determined by Gas Control personnel. Daily Net Pipeline System imbalance will be defined as daily variance between daily target and actual results. These charges apply except for Critical or OFO days.

(b) Short Critical Day - Customers with a Negative Imbalance will be charged \$0.50 per therm (\$5.00 per Dth) for the first 5% Negative Imbalance and will be assessed the greater of \$3.00 per therm (\$30.00 per Dth) or three (3) times the Chicago City-gates “Next Day Ahead Index Gas Price” for any Negative Imbalance in excess of 5% of net receipts.

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Customers with a Positive Imbalance on any Short Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) over delivery charge.

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Public Utilities Commission of South Dakota, dated 12/17/2015.

**Jeffrey Decker**  
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**SOUTH DAKOTA GAS RATE SCHEDULE**

**NORTHWESTERN ENERGY  
HURON  
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**Section No. 3**  
2nd Revised **Sheet No. 6.5**  
**Canceling** 1<sup>st</sup> Revised **Sheet No. 6.5**

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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Customer Balancing**

**(Cont.)**

- (c) Long Critical Day - Customers with a Positive Imbalance in excess of 5% of net receipts will be charged \$1.00 per therm (\$10.00 per Dth). C

Customers with a Negative Imbalance on any Long Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) under delivery charge. C

- (d) Additional Charges - If the Company incurs additional charges due to a Customer's Imbalance, those costs will be passed on to the Customer.

The customer shall reimburse the Company for any penalty, storage, or other costs incurred by the Company or imposed on the Company by a pipeline as a result of any under or over delivery imbalance, daily, monthly or otherwise, caused by the customer.

If the Company incurs additional charges due to a Customer's Imbalance, which is in excess of the penalty recoveries from transportation customers, the net excess penalty will be collected on a pro rata basis from all parties that created the additional charges.

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<b>SIOUX FALLS</b>	<u>2nd Revised</u> <b>Sheet No. 6.5A</b>
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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Customer Balancing**

**(Cont.)**

- (e) Revenue Sharing – Over/Under Delivery Charges for Imbalances shall be credited to the sales customers via the Purchased Gas Cost Adjustment filing.
  
- (f) Waiver of Penalties – Regardless of Customer circumstances, the Company will not waive interstate pipeline imbalance charges that are incurred due to a customer imbalance. However, in the event of unanticipated, non-recurring conditions experienced by the Customer with their natural gas fueled equipment where the Customer as a result of problems with its natural gas fueled equipment was unable to use all quantities of gas confirmed for delivery (excluding changes in production levels by the Customer), or other extraneous circumstances beyond the customer’s control, the Company may, at its discretion, waive its daily imbalance charges for the gas day the condition initially occurred, if the imbalance results in no detriment to other NorthWestern customers. Any imbalance charge paid by the Customer or waived by the Company shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

**4. Optional Daily Balancing Service (DBS):**

- (a) Description - A Customer or Group Customer shall have the option to choose a Daily Balancing Service ("DBS"). This balancing service is available on critical days. The balancing service available on critical days will be limited by the percentage available on the applicable interstate pipeline, as published on the pipeline’s bulletin board notice. The percentage available will mirror the applicable interstate pipeline’s percentage per the pipeline bulletin board notice. This is a delivery point service providing balancing tolerance, on a reasonable efforts basis, above or below the Customer's Receipts without the incurrence of Daily Over/Under Delivery Charges. This service is available on a monthly basis. The Customer must notify the Company of its DBS quantity coincident with reporting gas nominations for the first day of the month. If a Customer also elects to enter a Group Balancing arrangement, the Customer's DBS quantity becomes available for use by the Group Customer. DBS does not affect the monthly Cash-Out of Imbalances.

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Canceling 1st Revised Sheet No. 6.6

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**RATE DESIGNATION: Customer Balancing**

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(Cont.)

The DBS begins after a ten percent (10%) of Net Receipts tolerance is applied. DBS quantity is the daily volume variance between Net Receipts at the Receipt Point, plus or minus the ten percent (10%) of Net Receipts tolerance, and the amount actually used at the Delivery Point (Deliveries), unless a Critical Day is called.

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- (b) Rates - The rates and charges for service under this optional service shall include each of the following:

*Reservation Charge* - The reservation rate is \$0.15 per therm (\$1.50 per Dth) per month, October-March, and \$0.03 per therm (\$0.30 per Dth) per month, April-September for all DBS therms purchased.

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*Commodity Charge* - The commodity rate is \$0.003 per therm (\$0.03 per Dth). The monthly charge is equal to the commodity rate multiplied by the sum of the DBS variance volumes. DBS variance volumes are defined as: the absolute value of receipts less deliveries (capped at the DBS quantity contracted for), less 10% of the net receipts tolerance.

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Revenues collected under this section will be credited to expense in PGA true-up filings.

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1<sup>st</sup> Revised \_\_\_\_\_ Sheet No. 6.7  
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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Customer Balancing**

(Con't.)

**5. Optional Group Balancing Service:**

(a) Description - The Customer shall have the option to choose a Group Balancing Service (GBS) with the same balancing provisions, on the same pipeline and in the same interstate pipeline operational zone. For purposes of calculating the level of Customer Imbalances incurred under the terms of this tariff, the Group Customer shall be considered to be one Customer and the sum of the individual Customers' DBS quantities shall be the minimum DBS quantity for the Group Customer. All Customers within a group must choose the same method of Fuel Retention. In all respects, the Customer shall operate individually under the provisions of this tariff. The Group Customer shall enter into a Group Balancing Agreement under this tariff, which shall be for a term of not less than one month. The term Group Customer shall mean a person, corporation, partnership, or other legal entity that provides gas under the parameters as specified above.

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(b) Applicability

(i) The Group Customer must execute a Supplier Service Agreement and must notify the Company of the Customers to be grouped, by Delivery Point(s), at least two (2) working days before the first of the month nominations are due. All billing will be based on the Group Customer's notification. Any requests to change Customers in a group after the notification timeframe outlined above will be accommodated at Company's discretion and shall be subject to a Rescheduling Service fee of \$50 for each Customer change in a Group.

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(ii) The Group Customer shall provide the Company a single combined daily nomination representing the sum of the daily nominations for all of the Delivery Points applicable to the Group Customer. The Group Customer shall retain

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Canceling Original Sheet No. 6.8

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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**  
**RATE DESIGNATION: Customer Balancing**

**(Con't.)**

information regarding individual nominations, which shall be provided to Company upon request. Each Delivery Point within the group must have operational telemetering in place.

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- (iii) If the Group Customer does not comply with the provisions of its Supplier Service Agreement, Company may terminate the Agreement and each Customer whose Delivery Point is part of the Group Customer will be individually responsible for the settlement of gas transportation imbalances and other charges regardless of payments that the Customer may have rendered to the Group Customer. The Group Customer shall remain responsible for Pipeline Imbalances, penalties, overrun charges or other charges it may create on the interstate pipeline system. Company reserves the right to terminate the Supplier Service Agreement for due cause upon three days of written notice. In the event the Agreement is terminated during any month, the Customers whose Delivery Points are within the Group Customer shall be billed separately for any imbalances and shall also be billed the Group Balancing Charge.

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<b>SOUTH DAKOTA</b>	<b>Canceling Original</b> <b>Sheet No. 6.9</b>

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<b>SOUTH DAKOTA</b>	<b>Canceling <u>2nd Revised</u></b> <b>Sheet No. 6.10</b>

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HURON  
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**Section No. 3**  
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**Canceling** 2nd Revised **Sheet No. 6.11**

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**CLASS OF SERVICE: Gas Transportation Tariffs**

**Rate No. 87**

- (f) NorthWestern’s Marketer/Gas Transportation Customer-  
Creditworthiness Standards

1.1 Credit Evaluation:

This Policy has been developed to determine the ability of Marketers and/or Gas Transportation Customers (“Marketer/Customer”) to satisfy their payment obligations related to services under NorthWestern Corporation, D.B.A. NorthWestern Energy’s (“NorthWestern”) South Dakota Natural Gas Transportation Tariff and to mitigate NorthWestern’s financial exposure against any potential risk of non-payment. These standards will be documented and available for all existing and prospective Marketer/Customers. A credit evaluation may occur at any time, not less than annually, and at NorthWestern’s discretion. The following information will be required by each Marketer/Customer to enable NorthWestern to conduct its credit review:

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- a. Last 2 years of Audited Financial Statements;
- b. Most recent annual report;
- c. Most recent quarterly report;
- d. Upon request by NorthWestern, any other reasonable commercial information that would assist in determining the Marketer/Customer’s creditworthiness.

NorthWestern reserves the right to modify these standards at any time.

1.2 Creditworthiness:

The Credit Manager, via application of NorthWestern’s Credit Policy and a credit-scoring model, will determine the amount of open credit that NorthWestern will grant to any given Marketer/Customer. The following components are used in calculating the Marketer/Customer’s overall credit score:

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- a. Traditional Information (payment history, years in business, rank within industry by asset size, number of years a customer, management expertise etc.).
- b. Proprietary Information (including Moody’s Expected Default Frequency (EDF)).
- c. Financial Information.

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**CLASS OF SERVICE: Gas Transportation Tariffs** **Rate No. 87**

A score is calculated for each of the components above. The score from each component is then multiplied by a weighted percent to arrive at an overall score. The overall score is used to determine the amount of open credit. T

If the overall credit score is not sufficient under NorthWestern's Credit Policy, then the Marketer/Customer will be notified in writing of the amount of security that will be required. T

If the above information in section 1.1 is not made available to NorthWestern, then the Marketer/Customer will be required to post security with NorthWestern. T

**1.3 Acceptable Forms of Security:**

- a. Cash Deposit.
- b. Irrevocable Letter of Credit (issuing bank must have at minimum A- from S&P, A3 from Moody's or another rating acceptable to NorthWestern ). C  
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  - (1) Costs associated with the Letter of Credit will be the obligation of the Marketer/Customer.
  - (2) Form of Letter of Credit will need to be approved by NorthWestern.
- c. Guarantee.
  - (1) The guarantor must go through the same credit review process as the Marketer/Customer.
  - (2) Guarantors must be legally affiliated with the counter-party or able to show an acknowledged beneficial interest in the counter-party.
- d. The Marketer/Customer may receive service if it prepays for such service an amount equal to the cost of performing the Daily Balancing Service (DBS) for a three (3) month period of the highest previous 12 month imbalance fee and three (3) months of distribution exposure if applicable. In the event of a new customer the exposure amounts will be estimated. C  
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