Docket Number: NG18-010
Subject Matter: Second Data Request
Request to: NorthWestern Corporation dba NorthWestern Energy
Request from: South Dakota Public Utilities Commission Staff
Date of Request: July 13, 2018
Responses Due: July 27, 2018

1-1. Why is the agreement term 10 years instead of for the remainder of the recovery of the construction costs?

The original agreement signed in 1999 was for 10 years with an automatic rollover for another 10 year period. Accordingly, the 10 year term is consistent with prior terms with this customer. Commission staff has discouraged contract with deviation agreements with terms exceeding 10 – 15 years.

1-2. How have NorthWestern's cost recovery methodologies and tracking changed since the original agreement in 1999?

There have been several notable changes since the 1999 Dakota Ethanol agreement:

- Terms of 10 – 15 years with project cost recovery and depreciation lives to match
- Requirement of take or pay volumes when necessary to mitigate risk
- Requirement of letter of credit to support new construction costs

1-3. Has Dakota Ethanol always paid per tariff for the Customer Charge, Fuel Retention, Adjustment Clause, Tax Adjustment Clause, Metering, and Balancing?

Dakota Ethanol has paid the customer charge per tariff. This customer purchases natural gas through a marketer, so the adjustment clause is not applicable. The fuel retention, ad valorem tax, metering and balancing were built into the 1999 Dakota Ethanol agreement rate. With the new agreement, these charges will be billed separately per tariff.

1-4. Is this Contract with Deviations necessary specifically for customer contribution and aid to construction?

The rate offered to Dakota Ethanol deviates from the tariff. The recovery of the project costs and the large volume utilized by this customer supports a rate other than the tariff rate.

1-5. Are all the direct project costs below the line?

There are no costs below the line for this customer.

1-6. Does NorthWestern service Dakota Ethanol gas? If so, is this Contract with Deviations for excess construction charges?

No. Dakota Ethanol purchases its gas commodity through a marketer. NorthWestern provides the delivery service for the commodity.

1-7. What amount of profit have shareholders received from this agreement?

The profit to shareholders was determined in rate cases described as follows:
See Dakota Ethanol Appendix A 2018, the net of Excel rows 37 and 38 for the values as described below.

1999 – December 1, 2007. There was a rate case in 1999. The rates became effective in December of 1999 and did not include revenue from this customer as the plant began using gas in August of 2001. Shareholders received the full benefit of the income provided by this customer from August 2001 – November 2007. Total benefit of $XXXXXXXXX.

December 1, 2007 – December 1, 2011. New rates became effective December 1, 2007 that included a return to shareholders of $ XXXXXXXXX for the rate base value of this customer.

December 1, 2011 – present. New rates became effective December 1, 2011 that included a return to shareholders of $ XXXXXXXXX.

1-8. What total benefits have other customers seen from this agreement?

1999 – December 1, 2007. There was a rate case in 1999. The rates became effective in December of 1999 and did not include revenue from this customer as the plant began using gas in August of 2001. Other customers did not receive the margin benefit of this agreement for this time period. However, customers did benefit from $ XXXXXXXXX of contribution to the ad valorem tax tracker from this customer.

December 1, 2007 – December 1, 2011. New rates became effective December 1, 2007. Other customers received the margin benefit of $ XXXXXXXXX in addition to a $ XXXXXXXXX contribution to the ad valorem tax tracker.

December 1, 2011 – present. New rates became effective December 1, 2011. Other customers received the margin benefit of $ XXXXXXXXX in addition to a $ XXXXXXXXX contribution to the ad valorem tax tracker.

1-9. Do other customers use the pipeline built for Dakota Ethanol?

The Lake Madison community and one farmer are served from this line.

1-10. Does the company acknowledge that if this remaining cost of the pipeline becomes stranded, that it is not guaranteed that NorthWestern would recover the stranded costs in a rate case?

NorthWestern agrees that the remaining cost recovery would be determined in a rate case.