

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PUBLIC) STIPULATION AND SETTLEMENT AGREEMENT
UTILITIES COMMISSION INVESTI-)
GATION INTO THE EFFECTS OF) (F-3647-9)
THE 1986 TAX REFORM ACT ON)
SOUTH DAKOTA UTILITIES.)

This Stipulation is made and entered into by Northwestern Public Service Company (Company) and the Public Utilities Commission Staff (Staff).

I.

Background

On October 22, 1986, President Reagan signed into law the Tax Reform Act of 1986 (TRA-86). Subsequently, on October 29, 1986, the Staff requested information from Company concerning the cost of service effects of the Tax Reform Act of 1986 on Company's jurisdictional utility operations.

On March 3, 1987, Company made its initial filing in this docket based on the twelve months ended December 31, 1985.

On June 18, 1987, Staff filed a Motion requesting the Public Utilities Commission (Commission) to require Company to make a formal filing with the Commission which would reflect the effects of the Tax Reform Act of 1986 and TRA-86 associated adjustments. The Commission granted this Motion in its Interim Order issued June 26, 1986. Accordingly, Company filed its position on July 27, 1987.

The Interim Order presented four TRA-86 options for South Dakota regulated utilities. The Company selected the third alternative which allowed it to file tariffs reflecting the per books effect of the TRA.

According to Company, its calculations would result in decreased annual revenue requirements of \$2,519,500 for electric operations and \$55,400 for natural gas operations.

As a result of informal negotiations between Company and Staff, the two parties have reached a settlement in this docket as set forth below.

II.

Settlement Rates

It is agreed that if the Commission approves this Stipulation and Settlement Agreement:

A. Company will file revised rate schedules designed to produce an annual reduction in base rate revenues of \$2,589,761 for electric service and \$81,821 for natural gas service. The revised rate schedules shall be effective for customer billings on and after September 1, 1987.

B. In order to implement this rate decrease for electric service as of July 1, 1987, Company will determine the amount of revenues it would have received had the revenue reduction set forth in II(A) above been in effect, compared to the amount actually billed for electric service rendered during that period. The difference shall be treated as an overpayment by the customers. Customer refunds shall be applied to customer bills beginning with October billings.

C. Staff will end its investigation in Docket F-3647-9 and will not initiate further proceedings in this matter.

General Conditions

A. The making of this Settlement Agreement establishes no principles and shall not be deemed to foreclose the Company, Staff or any other person from making any contention in any proceeding or investigation.

B. Approval of this Settlement Agreement by the Commission shall not in any respect constitute a determination by the Commission as to the merits of any allegations or contentions made in this proceeding.

C. The Settlement Agreement is expressly conditioned upon the Commission's acceptance of all the provisions thereof, without change or condition which is unacceptable to any party.

D. The discussions between Staff and Company which produced this Settlement Agreement have been conducted with the customary understanding that all offers of settlement and discussions relating thereto are not to be used in any manner in connection with this proceeding or otherwise except as required by law.

E. This Settlement Agreement includes all terms of settlement and is submitted on the condition that in the event the Commission imposes any change or condition which is unacceptable to any party, this settlement shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding or be used for any other purpose.

F. This Settlement Agreement shall be binding upon the parties hereto, and upon their successors, assigns, agents and representatives.

G. It is understood that Staff enters into this Settlement Agreement for the benefit of the Company's electric and natural gas customers which are located in the State of South Dakota.

H. This Settlement Agreement is entered into between Staff and Company by their respective agents who represent that they are fully authorized to do so on behalf of their principals.

STAFF OF THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

By: Diane M Patrick
Diane M. Patrick
Assistant Attorney General
On Behalf of Commission Staff

Dated: 8/28/87

NORTHWESTERN PUBLIC SERVICE COMPANY

By: [Signature]
Date: August 28, 1987