

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PUBLIC ) ORDER APPROVING SETTLEMENT AGREEMENT  
UTILITIES COMMISSION INVESTI- )  
GATION INTO THE EFFECTS OF ) (F-3647-6)  
THE 1986 TAX REFORM ACT ON )  
SOUTH DAKOTA UTILITIES. )

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

On June 18, 1987, Staff filed a Motion requesting the Public Utilities Commission (Commission) to require MDU 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, 1987. Accordingly, MDU filed its position on July 16, 1987.

The Interim Order presented four TRA-86 options for South Dakota regulated utilities. MDU selected the second alternative for its electric operations which allowed it to file limited adjustments relating to the TRA. For its natural gas operations the company selected the fourth alternative which allowed it to reach a Stipulation with Staff regarding further proceedings in this docket.

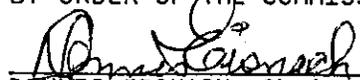
As a result of informal negotiations between MDU and Staff, the two parties reached a Settlement Agreement in this docket. The Commission has carefully reviewed the Stipulation and Settlement Agreement in this docket and finds that it properly establishes just and reasonable rates and therefore should be approved. It is therefore

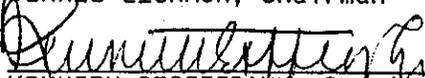
ORDERED, that the Stipulation and Settlement Agreement reached between Staff and MDU be and hereby is approved upon the terms and conditions set forth therein; and it is

FURTHER ORDERED, that the Stipulation and Settlement Agreement reached between MDU and Staff in this matter be and the same is incorporated as if fully set forth herein.

Dated at Pierre, South Dakota, this 20<sup>th</sup> day of June, 1988.

BY ORDER OF THE COMMISSION:

  
DENNIS EISNACH, Chairman

  
KENNETH STOFFERAHN, Commissioner

  
JAMES A. BURG, Commissioner

(OFFICIAL SEAL)

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-3647-6)  
THE 1986 TAX REFORM ACT ON )  
SOUTH DAKOTA UTILITIES. )

This Stipulation is made and entered into by Montana-Dakota Utilities Co. (Company) and the Public Utilities Commission Staff (Staff).

I.

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 January 28, 1987, Company made its initial filing in this docket based on the twelve months ending June 30, 1986 (natural gas) and June 30, 1985 (electric). Subsequently, the Company filed revisions on February 11, 1987.

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, 1987. Accordingly, Company filed its position on July 16, 1987.

The Interim Order presented four TRA-86 options for South Dakota regulated utilities. The Company selected the second alternative for its electric operations which allowed it to file limited adjustments relating to the TRA.

For its natural gas operations the Company selected the fourth alternative which allowed it to reach a Stipulation with Staff regarding further proceedings in this docket. According to Company's July 16, 1987 filing, its calculations would result in a decrease in annual revenue requirements of \$177,480 for the TRA-only effect on electric operations. Furthermore, the Company's position is that its presently effective rates for natural gas are just and reasonable after July 1, 1987. Accordingly, no downward adjustment would be necessary in South Dakota.

As a result of informal negotiations between Company and Staff, the two parties have reached a settlement pursuant to SDCL 1-26-20 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 annually reduce base rate revenues by \$110,000 for electric service. The revised rate schedules shall be effective for customer billings on and after July 1, 1988.

B. Company also agreed to refund \$110,000 of the revenues which were billed from July 1, 1987 to July 1, 1988. This period coincides with the effective date of the TRA. This sum will be reflected as bill credits to customers. The bill credits will be calculated by estimating sales for July, August and September 1988, and apportioning a per Kwh credit for the bulk of the refund based on July and August sales. Any portion of the \$110,000 not yet refunded by August 31, 1988, will be allocated to customers based on estimated September sales.

C. No adjustments will be made in natural gas rates as a result of the investigation in this docket.

D. Staff will end its investigation in Docket F-3647-6 and will not initiate further proceedings in this matter.

### III.

#### 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  
Staff Counsel

MONTANA-DAKOTA UTILITIES CO.

By: *Mark H. Gray*  
Dated: *June 17, 1987*