



UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58501

(701) 222-7900

December 3, 2018

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

Re: In the Matter of Staff's Request to Investigate the
Tax Cuts and Jobs Act on South Dakota Utilities
Montana-Dakota's Compliance Filing

Docket No. GE17-003

Montana-Dakota Utilities Co., a Division of MDU Resources Group Inc. (Montana-Dakota), herewith submits its filing made in compliance with the Settlement Stipulation submitted by the Staff of the Public Utilities Commission (Staff) and Montana-Dakota on September 27, 2018 in the above referenced docket.

The Settlement Stipulation was approved by the Commission on October 16, 2018 subject to the Commission's condition that Montana-Dakota include an interest rate of seven percent in determining the 2018 refund amounts. Pursuant to Article III. 2. of the Settlement Stipulation, Montana-Dakota has updated the 2017 test year data underlying the 2018 Refund Amounts, to reflect plant additions placed into service by October 31, 2018 in support of the base retail rate reductions to be effective January 1, 2019.

Natural Gas Service Rate Changes

The following natural gas service rate schedules in Section 3 of Montana-Dakota's tariff are proposed to be effective with service rendered on and after January 1, 2019. The proposed rates will produce a reduction in annual revenues of \$339,207 or approximately .7 percent from current rates. The proposed rate schedules are provided in Exhibit 1. The Rate Summary Sheet will be provided at the time the Cost of Gas to be effective January 1, 2019 is submitted to the Commission.

- 7th Revised Sheet No. 2
- 6th Revised Sheet No.11
- 5th Revised Sheet No. 12
- 8th Revised Sheet No. 13

- 6th Revised Sheet No. 22.1
- 6th Revised Sheet No. 26

The cost of service schedules supporting the annual reduction in natural gas service revenues necessary to reflect the effects of the Tax Cuts and Jobs Act are provided in Exhibit 3. The pro forma 2017 cost of service adjusted to reflect the current federal tax rate of 21 percent and the amortization of plant related excess accumulated deferred income taxes based on the Average Rate Assumption Methodology (ARAM) provided in Exhibit 3 is the cost of service provided to Staff on August 2, 2018 as updated to reflect non-revenue producing plant additions closed to plant in service as of October 31, 2018 along with applicable updates to corresponding cost of service items. The assumptions underlying the update are provided on Exhibit 3 page 1. As shown on Exhibit 3, page 4 a reduction of \$339,252 in base retail rates is warranted.

Support for the proposed natural gas rates is provided in Exhibit 4. The difference in the revenue requirement reduction and the annual revenue reduction produced by the proposed rates is due to rounding differences occurring in the rate design process.

Electric Service Rate Changes

The following electric service rate schedules in Section 3 of Montana-Dakota's tariff are proposed to be effective with service rendered on and after January 1, 2019. The proposed rates will produce a reduction in annual revenues of \$76,787 or approximately .6 percent from current rates. The proposed rate schedules are provided in Exhibit 2.

- 1st Revised Sheet No. 1
- 1st Revised Sheet No. 3
- 1st Revised Sheet Nos. 5-5.1
- 1st Revised Sheet No. 8-8.1
- 1st Revised Sheet No. 9
- 1st Revised Sheet Nos. 10-10.1
- 1st Revised Sheet No. 13
- 1st Revised Sheet No. 14
- 1st Revised Sheet No. 15
- 1st Revised Sheet No. 19
- 1st Revised Sheet No. 21
- 1st Revised Sheet No. 24

The cost of service schedules supporting the annual reduction in electric service revenues necessary to reflect the effects of the Tax Cuts and Jobs Act are provided in Exhibit 5. The pro forma 2017 cost of service adjusted to reflect the current federal tax rate of 21 percent and the amortization of plant related excess accumulated deferred

income taxes based on ARAM provided in Exhibit 5 is the cost of service provided to Staff on August 2, 2018 as updated to reflect non-revenue producing plant additions closed to plant in service as of October 31, 2018 along with applicable updates to corresponding cost of service items. The assumptions underlying the update are provided on Exhibit 5 page 1. As shown on Exhibit 5, page 4 a reduction of \$76,419 in base retail rates is warranted.

Support for the proposed electric service rates is provided in Exhibit 6. The difference in the revenue requirement reduction and the annual revenue reduction produced by the proposed rates is due to rounding differences occurring in the rate design process.

If you have any questions regarding this compliance filing, please contact me, at (701) 222-7856 or tamie.aberle@mdu.com.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: B. Koenecke