

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF STAFF'S REQUEST)	
TO INVESTIGATE THE EFFECTS OF THE)	DOCKET NO. GE17-003
TAX CUTS AND JOBS ACT)	
ON SOUTH DAKOTA UTILITIES)	

I. SETTLEMENT STIPULATION

On December 21, 2017, South Dakota Public Utilities Commission (Commission) Staff filed a motion with the Commission to investigate the impact of the Tax Cuts and Jobs Act (TCJA) on South Dakota Utilities. On December 29, 2017, the Commission issued its Order Requiring Comments; Order Requiring Rates in Effect in 2018 are Subject to Refund; Order Granting Intervention in the above referenced Docket (Initial Order). The Initial Order, among other things, (1) granted Montana-Dakota Utilities Co.'s, a Division of MDU Resources Group, Inc. (Montana-Dakota or the Company) request to intervene; (2) required the Company to file comments no later than February 1, 2018; and (3) established that all rates impacted by the federal income tax, not limited to base rates, shall be adjusted effective January 1, 2018 and are subject to refund or any other ratemaking treatment which ensures ratepayers receive the benefits of the tax change as of January 1, 2018, pending a determination of the impact of the TCJA.

On February 1, 2018 Montana-Dakota filed comments in the above referenced Docket. The Company described the impacts of the TCJA on its natural gas and electric operations in South Dakota which include, among other things the over recovery of income tax expense and the impacts on Accumulated Deferred Income Taxes (ADIT). Montana-Dakota provided detailed information to Staff based on an update of the cost of service approved in the Company's last rate cases EL15-024 and NG15-005. The Company's analysis indicated that reductions were warranted for electric and natural gas rates with the reduction in tax rates under the TCJA.

Staff and Montana-Dakota (jointly the Parties) held several negotiating sessions in an effort to arrive at a jointly acceptable resolution of this Docket as it related to Montana-Dakota only. Through these discussions the Parties have resolved all issues in this proceeding and have entered into this Settlement Stipulation (Stipulation) which, if accepted and ordered by the Commission, will capture the 2018 benefits of the TCJA for Montana-Dakota's customers through a refund to customers in 2018 and reduced rates for electric and natural gas service to be effective January 1, 2019.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purposes of resolving Docket No. GE17-003 for Montana-Dakota only. The Parties acknowledge that they may have differing views and reasons to support and justify the end result of the Stipulation, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether expressed or implied by the Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of this Stipulation, the Parties shall immediately file this Stipulation with the Commission together with a joint motion requesting that the Commission issue an Order approving this Stipulation in its entirety without condition or modification.
2. This Stipulation includes all terms of settlement and is submitted with the condition that in the event the Commission imposes any material changes to or conditions upon this stipulation which are unacceptable to either Party, this Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding, nor be used for any other purpose in this case or any other.
3. This Stipulation shall become binding on the Parties upon execution by the Parties, provided however, if this Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this case or any other

case. This Stipulation is intended to relate only to the specific matter referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed, or consented to any rate making principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation, or be prejudiced or bound thereby in any other current or future rate proceeding before the Commission but for the additional proceeding contemplated by this Stipulation. Neither Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission as precedent in any other current or future rate proceeding before the Commission except as may be set forth in this Stipulation.

4. The Parties stipulate that all filings made by Staff and the Company be made part of the record in this proceeding. The Parties understand that if the issues settled in this matter had not been settled, additional record evidence from each of the Parties would have been developed.

5. It is understood that the Commission Staff enters into this Stipulation for the benefit of Montana-Dakota's South Dakota customers affected by this Docket.

III. ELEMENTS OF THE STIPULATION

The Parties agree that the resolution of the instant proceeding is global in nature and that each and every element of the Stipulation is reliant on each and every other element of this Stipulation, unless otherwise specified herein.

1. Resolution of the Impacts of the TCJA for 2018

The Parties agree that the total benefit of the TCJA based on the Company's rates currently in effect in 2018, as determined in accordance with the cost of service authorized in EL15-024 and NG15-005, adjusted to reflect 2017 test year costs calculated in a manner consistent with the authorized electric and natural gas cost of service, is \$591,424 for electric service and \$1,326,915 for natural gas service hereinafter referred to as the 2018 Refund Amounts. The 2018 Refund Amounts, as

presented in Exhibit 1, include the change in the current tax rate, the amortization of property related Excess Accumulated Deferred Income Taxes based on the Average Rate Assumption Methodology and the elimination of the entire non-property related Excess Accumulated Deferred Income Tax balance.

The Parties agree the 2018 Refund Amounts shall be returned to Montana-Dakota's customers in a single payment to customers which shall be posted to customers' accounts no later than February 15, 2019, or on some other schedule as required due to the timing of the Commission's Order on this Stipulation as a one-time refund with no associated change in base retail rates. The 2018 Refund Amounts shall be allocated to the classes based on each class' share of the revenue allocations authorized in EL15-024 and NG15-005. Individual customer refunds will then be calculated based on each customer's actual 2018 volumes and shown as a separate line item credit on customer bills. An estimated refund by rate class is shown on Exhibit 2. In the event a customer account is no longer active, checks will be issued if the refund is \$5.00 or greater. Any remaining refund amount associated with inactive customers whose refund is less than \$5.00 which in total is less than or equal to \$5,000 will require no further regulatory action. Staff recommends the above refund method; however, the Parties agree that as an alternative, the Commission may approve a November 2018 refund. This refund amount would be determined by dividing the class allocated 2018 Refund Amounts by the November 2018 expected kWh or Dk sales as applicable and applied to the actual billing units billed to each customer in November 2018. Any difference in the amount to be refunded which is less than or equal to \$5,000 will require no further regulatory action.

2. Base Retail Rate Adjustment

The Parties agree the base retail rates authorized in EL15-024 and NG15-005 for electric service and natural gas service respectively, shall be reduced effective January 1, 2019 by amounts based on the 2017 gas and electric test year data supporting the 2018 Refund Amounts as further adjusted to reflect plant additions placed into service by October 31, 2018. The Thunder Spirit Wind Expansion investment and the Leola to Ellendale transmission line investment will be included in the Infrastructure Rider and

Transmission Cost Recovery Rider respectively and not as plant additions to be included in base retail rates. However, this Stipulation does not preclude Staff and Commission review of the prudence of these investments and associated costs. The revenue reduction amounts shall be determined by December 1, 2018, with new tariff sheets reflecting the new rates to be effective January 1, 2019 submitted to the Commission. The revenue reductions shall be allocated to the classes based on each class' share of the revenue allocations authorized in EL15-024 and NG15-005.

3. Infrastructure and Transmission Cost Riders.

The Parties agree the Infrastructure Rider (Rate 56) and the Transmission Cost Recovery Rider (Rate 59) have been adjusted to reflect the TCJA with rates approved in EL18-010 and EL18-011 respectively.

IV. Conclusion

For the reasons stated and based on the representations and agreements made herein, the parties do so agree.

This Stipulation is entered into on this 28th day of September 2018.

MONTANA-DAKOTA UTILITIES CO.

By: Garret Senger

Its: EVP - Regulatory Affairs,
Customer Service & Administration

SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION STAFF

By: Kristin Edwards

Its: Staff Attorney