

NOV 15 2004

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA **SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

IN THE MATTER)	DOCKET NO. NG04-004
OF THE APPLICATION OF)	
MONTANA-DAKOTA UTILITIES CO.)	
FOR AUTHORITY TO INCREASE)	
NATURAL GAS RATES IN)	
SOUTH DAKOTA)	

I. SETTLEMENT STIPULATION

On June 7, 2004, Montana-Dakota Utilities Co. ("Montana-Dakota") filed with the South Dakota Public Utilities Commission ("Commission") an application for approval to increase rates for natural gas service in the State of South Dakota for its Black Hills system. Montana-Dakota proposed an overall increase of \$1,281,417. The Staff of the Commission ("Commission Staff") on October 19, 2004, filed its direct testimony supporting an overall increase for Montana-Dakota of \$210,448.

The Commission Staff and Montana-Dakota (jointly the "Parties") held several negotiating sessions in an effort to arrive at a jointly acceptable resolution of this matter. As a result of the sessions, the Parties have been able to resolve all issues in this proceeding and have entered into this Settlement Stipulation ("Stipulation"), which, if accepted and ordered by the Commission, will determine rates to result from this proceeding.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket No. NG04-004. The Parties acknowledge that they may have differing views that justify the end result, which they deem to be just and reasonable, and, in light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Settlement Agreement, 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any changes in or conditions to this Stipulation which are unacceptable to any party, this Stipulation shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose.

3. This Stipulation shall become binding upon execution by the Parties, provided however, that if this Stipulation does not become effective in accordance with Paragraph 2 above, it shall be null, void and privileged. This Stipulation is intended to relate only to the specific matters referred to herein; no party waives any claim or right which it may otherwise have with respect to any matter not

expressly provided for herein; no 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 proceeding before the Commission. No party or representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission referring to this Stipulation as precedent in any other current or future rate proceeding before the Commission.

4. The Parties to this proceeding stipulate that all prefiled testimony, exhibits, and workpapers be made a part of the record in this proceeding. The Parties understand that if this matter had not been settled, Montana-Dakota would have filed rebuttal testimony and the Commission Staff would have responded to certain of the positions contained in Montana-Dakota's rebuttal testimony.

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

III. ELEMENTS OF THE SETTLEMENT STIPULATION

1. Revenue Requirement

The Parties agree that Montana-Dakota's attached rate schedules are designed to produce annual increases in base rate levels (excluding purchased gas cost adjustment and sales taxes) of \$669,549 annually for retail natural gas service in the Company's Black Hills service area in the State of South Dakota. The parties agree to an overall rate of return of 8.917%.

2. Tariffs

The increase will be allocated on an equal percentage basis to the Residential, Firm General Service and Large Interruptible rate classes resulting in an increase of 1.6% to each of the affected rate classes. The Tariffs reflect the following basic service charges with the remainder of the applicable revenue increase collected through the Distribution Delivery Charges:

<u>Rate Class</u>	<u>Base Rate</u>
Residential	\$0.25 per day
Firm General	
Meters < 500 cubic ft./hour	\$0.35 per day
Meters > 500 cubic ft./hour	\$0.70 per day
Air Force	\$95.00 per month
Small Interruptible Sales	\$50.00 per month
Small Interruptible Transport	\$125.00 per month
Large Interruptible Sales	\$175.00 per month
Large Interruptible Transport	\$225.00 per month

3. Implementation of Rates

The revised rate schedules shall be implemented with service rendered on and after December 1, 2004, with bills prorated so that usage prior to December 1, 2004 is billed at the previous rates and usage on and after December 1, 2004, is billed at the new rates.

4. Conclusion

This Stipulation is entered into this 15 day of November, 2004.

Montana-Dakota Utilities Co.

BY: [Signature]

South Dakota Public Utilities Commission

BY: [Signature]

Mr. Brett M. Koenecke
Attorney
May, Adam, Gerdes and Thompson
503 South Pierre Street
P.O. Box 160
Pierre, SD 57501

Karen E. Cremer
Attorney
State Capitol Building
500 East Capitol Building
Pierre, SD 57501-5070

DATED: 11/15/04

DATED: 11/16/04