

IN THE MATTER OF THE APPLICATION OF
MONTANA-DAKOTA UTILITIES CO. FOR AUTHORITY
TO INCREASE RATES FOR NATURAL GAS SERVICE

STAFF MEMORANDUM SUPPORTING
SETTLEMENT STIPULATION

DOCKET NG05-002

Commission Staff (Staff) submits this memorandum in support of the Settlement Stipulation filed August 23, 2005, by Staff and Montana-Dakota Utilities Co. in the above captioned matter.

BACKGROUND

On March 24, 2005, Montana-Dakota Utilities Co. (MDU) filed for approval to increase rates for natural gas service in its East River service territory by \$849,745. MDU's proposed increase was based on a historic test year ended December 31, 2004, adjusted for projected changes and a return on common equity of 12.25%. MDU witnesses submitted testimony stating that the increase was necessary because the cost of providing safe and reliable natural gas service to East River customers is not adequately reflected in currently authorized rates. Existing rates were the result of MDU's initial East River rate filing at the time of service commencement in 1993 (Docket NG93-003). Those rates were based on the expectation that a certain volume of sales would be achieved over a ten year period. That volume of sales has not been achieved due to lower customer growth than projected and lower use per customer than anticipated.

On March 31, 2005, the South Dakota Public Utilities Commission (Commission) gave notice of the application and the intervention deadline of April 13, 2005. By Orders dated April 15th, 2005, and July 13, 2005, the Commission suspended the proposed rates in this matter. On August 15, 2005, the parties met to discuss possible settlement of the rate increase request and rate design. MDU and Commission Staff have reached a settlement of all of their outstanding differences.

On August 23, 2005, the Parties filed a Joint Motion with the Commission requesting approval of the Settlement Stipulation.

Overview of the Settlement

As previously stated MDU's filing was based on a historic test year ending December 31, 2004, adjusted for 2005 projected changes and a claimed 9.921% overall rate of return reflecting a 12.25% return on common equity capital. Testimony by MDU witnesses stated that an increase of \$1,786,862 in East River customer rates was necessary to produce a reasonable return on investment. However, the application

requested an increase of only \$849,745. MDU stated that in recognition of customer impacts and the need to remain competitive with alternative energy sources available to customers, they are requesting only 48% of the required increase. The proposed increase represents approximately 12.7% of MDU's East River test year revenue of approximately \$6.7 million which included adjustments by MDU for normal weather, projected increased gas costs, and projected increased customer numbers.

Because of the limited increase requested by MDU as compared to the increase claimed to be justified, Staff pursued a very conservative approach in its analysis of the issues in this case. Starting with test year operating results, Staff analyzed each issue taking the position of allowing either no increase in test year operating costs or applying the maximum decrease in cost that could be justified. Staff then compared this result with the amount of increase requested by MDU. In this way, Staff was able to more efficiently determine whether MDU's requested increase was justified. This approach differs from normal Staff analysis of deriving a revenue requirement by accepting known and measurable post test year adjustments which would have increased Staff's justifiable revenue requirement determination for MDU. As a result of this approach, the revenue requirement presented by Staff is less than what would result from a traditional Staff analysis.

Operating Revenue and Expense

As explained above, Staff did not accept any MDU pro-forma expense increases to test year operating results in its analysis but did incorporate decreases identified by MDU regarding bonuses and depreciation expense. In addition, Staff further reduced MDU's test year operating expense by refining MDU adjustments for interest annualization and weather normalization and for such issues as the transfer of the Pierre/Onida/Agar portion of the East River System from Rapid City to Bismarck and claimed economic development, advertising and association dues expenses.

Rate Base

Staff did not incorporate any post test year plant additions to its rate base calculation and did perform a working capital analysis which resulted in a decrease to rate base.

Cost of Capital

Staff's determination of MDU's revenue requirement incorporated MDU's pro-forma capital structure with the exception of removal of short term debt as a component. Staff utilized the return on equity agreed to in the recent Black Hills System rate case NG04-004 which was 9.5% resulting in an overall return of 8.898%.

Result of Staff Revenue Requirement Analysis

Incorporating the above conservative ratemaking treatment resulted in a justifiable rate increase for MDU East River operations of \$1,375,033. As noted previously, if Staff had performed a traditional revenue requirement calculation, issues such as known and measurable in-service plant additions, labor increases, rate case expense, and others would have served to increase Staff's revenue requirement. Staff's analysis clearly shows that MDU's requested increase of \$849,745 is reasonable and justified.

Rate Design

Separation of Customer Classes - Currently, MDU offers only one tariffed rate schedule for General Service in its East River System comprised of a flat monthly Basic Service Charge and a single volumetric Distribution Delivery Charge. The Basic Service Charge is either \$2 per month for meters rated under 500 cubic feet per hour (cfh) or \$4 for meters rated over 500 cfh. MDU has proposed in this filing to now offer separate Residential Service and Firm General Service in order to be consistent with the Black Hills System Tariff and to recognize customer diversity. Residential Service would consist of a single Basic Service Charge and a single volumetric Distribution Delivery Charge. Firm General Service would have one Basic Service Charge for meters rated under 500 cfh and a separate higher Basic Service Charge for meters rated over 500 cfh. Both General Service groups would have the same Distribution Delivery Charge. Residential, and both General Service customer groups would have the same Purchased Gas Adjustment.

MDU proposed the Basic Service Charge be increased to \$7.60 per month for the Residential class, \$10.64 per month for Firm General Service customers with meters rated under 500 cfh, and \$21.28 for Firm General Service customers with meters rated over 500 cfh. MDU has proposed that these rates be assessed on a daily basis resulting in Basic Service Charges of 25 cents per day for Residential Service, 35 cents per day for Small Meter General Service and 70 cents per day for Large Meter General Service. MDU's class cost of service study identified fixed monthly costs of \$22.94 for Residential customers and \$44.14 for both General Service customer groups combined. Staff's class cost of service study identified fixed monthly costs of \$8.03 for Residential customers and \$19.47 for General Service customer groups combined.

Staff accepted MDU's separation of customer classes but objected to the sharp increases in the Basic Service Charges. MDU proposed the current low Service Charges in Docket NG93-003 as a way to promote customer service connection. Staff at that time expressed concern that future increases would need to be gradual over time to avoid customer rate shock. It has long been a fundamental ratemaking principle that sudden extreme rate increases should be avoided when possible to minimize customer dissatisfaction. Staff proposed customer charges of \$4.56, or 15 cents per day for Residential Service, \$7.60, or 25 cents per day for Firm General Service with meters rated under 500 cfh and \$15.21 or 50 cents per day for customers with meters rated over 500 cfh. MDU accepted Staff's proposal for settlement purposes.

Distribution of Settlement Increase - In its initial filing, MDU's class cost of service analysis determined that full equalization of class returns would require that 89% of the increase requested would be assessed to the Residential class and 11% to the Firm General Service class. However MDU did not propose that full equalization take place in this rate proceeding and instead recommended a move toward equalization but limiting the percentage increase to Residential customers to "less than 2 times the overall increase." MDU's proposed distribution would assign 64% of the increase to Residential and 36% to Firm General Service. This results in a 17.8% increase to residential customers and 9.0% increase to Firm General Service customers, with an increase in revenues from all classes combined of 12.8%, which includes the cost of gas.

Staff's class cost of service analysis differs from MDU's cost study by allocating the cost of Mains (and related items) wholly on the basis of customers' Peak day requirements rather than a combination of Peak day requirements and a factor based on the number of customers in each class. This allocation resulted in a larger share of MDU's claimed system costs being associated with the Firm General Service class and a smaller share with the Residential class. Whereas MDU determined that its earned return from the Firm General Service class was a negative 1.660%, Staff's analysis indicated a larger loss – specifically, a negative return of 3.391%. To recognize this difference in allocated costs and to retain MDU's objective of minimizing the diverse impacts of any reasonable distribution of the total agreed-upon increase of approximately \$850,000, Staff was prepared to recommend to the Commission that the increase be apportioned 59%, or \$500,557, to the Residential class (as compared to MDU's 64%) and 41%, or \$349,443, to Firm General Service customers (as compared to MDU's 36%).¹

The Settlement reflects the Staff's recommended apportionment and results in increases of 16.5% and 10.7% in total billings to the Residential and Firm General Service classes respectively (13% overall) over Staff test year revenues.

¹ Based on Staff's class cost of service analysis of MDU's claimed revenue requirements, the settlement rate increase to Firm General Service customers would permit the Company to earn a rate of return from this class that compensates it only for interest on its debt and the contractual cost of other senior capital but with no return to common stockholders. Thus, an increase of \$349,443 to Firm General Service customers remains well below the more than \$600,000 increase that would be supported if MDU's claimed cost of service were to be adopted and limited only by the full rate of return reflected in Staff's revenue requirement analysis. The Firm General Service increase also is substantially less than this \$600,000 reduced to \$462,000 by Staff's 23% reduction in the rate increase that the Company believes it could justify. (Staff's \$1,375,000 determination of MDU's revenue deficiency is 23% less than MDU's claimed \$1,787,000 deficiency.)

Distribution Delivery Stabilization Mechanism (DDSM) - MDU in this case proposed to implement a DDSM rate stability adjustment as is currently in effect in the Black Hills System (Rate 87). In summary, the DDSM weather normalizes temperature sensitive customer volumes during winter months and in effect lowers a customer's bill when temperatures are colder than normal and increases a customer's bill when temperatures are warmer than normal. For the reasons outlined in Staff's testimony in Docket NG02-011, namely avoidance of customer hardship during colder than normal periods, and because virtually no negative customer reaction has been experienced with the mechanism's use in the Black Hills System, Staff accepted implementation of the DDSM for the East River System with the provision that customer non-temperature sensitive usage be based on the three month average of lowest use as opposed to usage from the single lowest usage month.

Montana-Dakota Utilities Co.
Docket NG05-002
South Dakota Gas Revenue Requirement
Adjusted Test Year Ended December 31, 2004

Line	Description	Settlement Position Adjusted 2004 Test Year	Staff's Position South Dakota - Gas Adjusted 2004 Test Year	MDU Proposed South Dakota - Gas Pro Forma 2005
	(a)	(b)	(b)	(c)
1	Average Rate Base	\$ 6,696,026	\$ 6,696,026	\$ 6,581,796
2	Adjusted Test Year Operating Income	<u>(296,621)</u>	<u>(296,621)</u>	<u>(506,738)</u>
3	Adjusted Test Year Earned Rate of Return	-4.430%	-4.430%	-7.699%
4	Required Rate of Return	3.811%	8.898%	9.921%
5	Required Operating Income	255,153	595,812	652,980
6	Income Deficiency (Excess)	551,774	892,433	1,159,718
7	Gross Revenue Conversion Factor	<u>1.53846</u>	<u>1.53846</u>	<u>1.53846</u>
8	Revenue Deficiency (Excess)	848,883	1,372,974	1,784,182
9	Gross Receipts Tax (at 0.0015)	<u>1,273</u>	<u>2,059</u>	<u>2,680</u>
10	Total Revenue Deficiency (Excess)	<u>850,156</u>	<u>1,375,033</u>	<u>1,786,862</u>
11	Adjusted Test Year Revenue	6,133,370	6,133,370	6,700,854
12	Revenue Requirement	\$ 6,983,526	\$ 7,508,403	\$ 8,487,716

Montana-Dakota Utilities Co.
Docket NG05-002
South Dakota Gas Operating Income Statement With Known and Measurable Adjustments and Revenue Adjustment
Adjusted Test Year Ended December 31, 2004

Line No.	Description	South Dakota Per Books (b)	Total Staff Adjustments (c)	Adjusted Test Year (d)	SETTELMENT POSITION		STAFF'S POSITION	
					Revenue Adjustment (e)	Adjusted Test Year with Revenue Adjustment (f)	Revenue Adjustment (e)	Adjusted Test Year with Revenue Adjustment (f)
1	OPERATING REVENUES:							
2	Sales (480-485) (including unbilled)	\$ 6,006,140	\$ 69,156	\$ 6,075,296	\$ 850,156	\$ 6,925,452	\$ 1,375,033	\$ 7,450,329
3	Transporation (489) (including unbilled)	-	-	-	-	-	-	-
4	Other Revenues (488, 493, 495)	58,074	-	58,074	-	58,074	-	58,074
5	TOTAL OPERATING REVENUES	6,064,214	69,156	6,133,370	850,156	6,983,526	1,375,033	7,508,403
6	OPERATING EXPENSES:							
7	Operation and Maintenance:							
8	Natural Gas (acctcs 728, 804, 805, 808)	4,741,019	-	4,741,019	-	4,741,019	-	4,741,019
9	Labor	923,283	(137,940)	785,343	-	785,343	-	785,343
10	Benefits Expense	153,047	-	153,047	-	153,047	-	153,047
11	Insurance Expense	39,733	-	39,733	-	39,733	-	39,733
12	Uncollectible Account Expense	7,286	-	7,286	-	7,286	-	7,286
13	Regulatory Commission Expense	-	-	-	-	-	-	-
14	Other Operation and Maintenance	419,807	(36,219)	383,588	-	383,588	-	383,588
15	Total Operation and Maintenance	6,284,175	(174,159)	6,110,016	-	6,110,016	-	6,110,016
16	Depreciation and Amortization	524,264	(89,200)	435,064	-	435,064	-	435,064
17	Gain on Sale	-	-	-	-	-	-	-
18	Taxes:							
19	Property Taxes	124,443	-	124,443	-	124,443	-	124,443
20	Payroll Taxes							
21	FICA	57,560	(12,442)	45,118	-	45,118	-	45,118
22	Federal Unemployment	746	(180)	566	-	566	-	566
23	State Unemployment	2,194	(221)	1,973	-	1,973	-	1,973
24	Gross Receipts Tax	7,682	104	7,786	1,273	9,059	2,059	9,845
25	Federal Income Taxes	(578,226)	143,569	(434,657)	297,109	(137,548)	480,541	45,884
26	Deferred Income Taxes	137,346	-	137,346	-	137,346	-	137,346
27	Investment Tax Credit	-	-	-	-	-	-	-
28	Other Taxes	2,336	-	2,336	-	2,336	-	2,336
29	Total Taxes	(245,919)	130,830	(115,089)	298,382	183,293	482,600	367,511
30	TOTAL OPERATING EXPENSES	6,562,520	(132,529)	6,429,991	298,382	6,728,373	482,600	6,912,591
31	OPERATING INCOME	\$ (498,306)	\$ 201,685	\$ (296,621)	\$ 551,774	\$ 255,153	\$ 892,433	\$ 595,812
32	Rate Base	6,798,195		\$ 6,696,026		\$ 6,696,026		\$ 6,696,026
33	Rate of Return	-7.330%		-4.430%		3.811%		8.898%

Montana-Dakota Utilities Co.
Docket NG05-002
South Dakota Gas Operating Income Statement With Known and Measurable Adjustments
Adjusted Test Year Ended December 31, 2004

Line No.	Description	South Dakota Per Books	Interest Sync	Weather Norm	Advertising Economic Dev Ind Dues & Outside Ser.	Payroll Consolidation	Bonus Adjustment	Depreciation Rate Change	Total Staff Adjustments	Adjusted Test Year
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(x)	(y)
1	OPERATING REVENUES:									
2	Sales (480-485) (including unbilled)	\$ 6,006,140		\$ 69,156					\$ 69,156	\$ 6,075,296
3	Transportation (489) (including unbilled)	-							-	-
4	Other Revenues (488, 493, 495)	58,074							-	58,074
5	TOTAL OPERATING REVENUES	6,064,214	-	69,156	-	-	-	-	69,156	6,133,370
6	OPERATING EXPENSES:									
7	Operation and Maintenance:									
8	Natural Gas (accts 804, 805, 808)	4,741,019							-	4,741,019
9	Labor	923,283				(65,000)	(72,940)		(137,940)	785,343
10	Benefits Expense	153,047							-	153,047
11	Insurance Expense	39,733							-	39,733
12	Uncollectible Account Expense	7,286							-	7,286
13	Regulatory Commission Expense	-							-	-
14	Other Operation and Maintenance	419,807			(36,219)				(36,219)	383,588
15	Total Operation and Maintenance	6,284,175	-	-	(36,219)	(65,000)	(72,940)	-	(174,159)	6,110,016
16	Depreciation and Amortization	524,264						(89,200)	(89,200)	435,064
17	Gain on Sale	-							-	-
18	Taxes:									
19	Property Taxes	124,443							-	124,443
20	Payroll Taxes									
21	FICA	57,560				(5,863)	(6,579)		(12,442)	45,118
22	Federal Unemployment	746				(85)	(95)		(180)	566
23	State Unemployment	2,194				(104)	(117)		(221)	1,973
24	Gross Receipts Tax	7,682		104		-	-		104	7,786
25	Federal Income Taxes (35%)	(578,226)	22,730	24,168	12,677	24,868	27,906	31,220	143,569	(434,657)
26	Deferred Income Taxes	137,346							-	137,346
27	Investment Tax Credit	-							-	-
28	Other Taxes	2,336							-	2,336
29	Total Taxes	(245,919)	22,730	24,272	12,677	18,816	21,115	31,220	130,830	(115,089)
30	TOTAL OPERATING EXPENSES	6,562,520	22,730	24,272	(23,542)	(46,184)	(51,825)	(57,980)	(132,529)	6,429,991
31	OPERATING INCOME	\$ (498,306)	\$ (22,730)	\$ 44,884	\$ 23,542	\$ 46,184	\$ 51,825	\$ 57,980	\$ 201,685	\$ (296,621)

Montana-Dakota Utilities Co.
Docket NG05-002
South Dakota Average Rate Base with Known and Measurable Adjustments
Adjusted Test Year Ending December 31, 2004

Line No.	Description	South Dakota Test Year Average Per Books	Total Pro Forma Adjustments	South Dakota Pro Forma Rate Base
	(a)	(b)	(c)	(d)
1	Gas Plant in Service (101)			
2	Distribution (including Intangible - 303)	\$ 10,535,446	\$ -	\$ 10,535,446
3	General (including Intangible - 303)	1,260,399	-	1,260,399
4	Common (including Intangible 303)	1,098,585	-	1,098,585
5	Total Gas Plant in Service (101)	12,894,429	-	12,894,429
6	Gas - Completed Construction Not Classified (106)	46,797	-	46,797
7	Total Plant in Service (101 and 106)	12,941,226	-	12,941,226
8	Accumulated Depreciation			
9	Distribution (including Intangible)	4,738,007	(41,915)	4,696,093
10	General (including Intangible)	190,954	(3,383)	187,571
11	Common (including Intangible)	479,906	697	480,602
12	Total Accumulated Depreciation	5,408,867	(44,601)	5,364,266
13	TOTAL NET GAS PLANT IN SERVICE	7,532,359	44,601	7,576,960
14	Additions to Rate Base:			
15	Material and Supplies	24,220	-	24,220
16	Fuel Stocks	-	-	-
17	Prepayments	25,503	-	25,503
18	Advanced Tax Collection	-	-	-
19	Working Capital	-	(99,557)	(99,557)
20	Other	-	(19,702)	(19,702)
21	TOTAL ADDITIONS TO RATE BASE	49,723	(119,259)	(69,536)
22	Deductions to Rate Base:			
23	Accumulated Deferred Income Taxes	722,432	-	722,432
24	Accumulated Investment Tax Credit	3,391	27,511	30,902
25	Customer Advances for Construction	5,623	-	5,623
26	Customer Deposits	32,973	-	32,973
27	Accumulated Provision for Uncollectibles	3,504	-	3,504
28	Accumulated Provision for Injuries and Damages	15,964	-	15,964
29	Miscellaneous Operating Provisions	-	-	-
30	Other	-	-	-
31	TOTAL DEDUCTIONS TO RATE BASE	783,887	27,511	811,398
32	TOTAL SOUTH DAKOTA RATE BASE	\$ 6,798,195	\$ (102,169)	\$ 6,696,026

Montana-Dakota Utilities Co.
Docket NG05-002
South Dakota Average Rate Base with Known and Measurable Adjustments
Adjusted Test Year Ending December 31, 2004

Line No.	Description	South Dakota Test Year Average Per Books	Investment Tax Credit	Working Capital	Depreciation Rate Change		Total Staff Adjustments	Total Staff South Dakota Rate Base
	(a)	(b)	(c)	(d)	(e)	(f)	(i)	(j)
1	Gas Plant in Service (101)							
2	Distribution (including Intangible - 303)	\$10,535,446					-	\$ 10,535,446
3	General (including Intangible - 303)	\$1,260,399					-	1,260,399
4	Common (including Intangible 303)	\$1,098,585					-	1,098,585
5	Total Gas Plant in Service (101)	12,894,429	-	-	-	-	-	12,894,429
6	Gas - Completed Construction Not Classified (106)	46,797					-	46,797
7	Total Gas Plant in Service (101 and 106)	12,941,226	-	-	-	-	-	12,941,226
8	Accumulated Depreciation							
9	Distribution (including Intangible)	4,738,007			(41,915)		(41,915)	4,696,093
10	General (including Intangible)	190,954			(3,383)		(3,383)	187,571
11	Common (including Intangible)	479,906			697		697	480,602
12	Total Accumulated Depreciation	5,408,867	-	-	(44,601)	-	(44,601)	5,364,266
13	TOTAL NET GAS PLANT IN SERVICE	7,532,359	-	-	44,601	-	44,601	7,576,960
14	Additions to Rate Base:							
15	Material and Supplies	24,220					-	24,220
16	Fuel Stocks	-					-	-
17	Prepayments	25,503					-	25,503
18	Advanced Tax Collection	-					-	-
19	Working Capital	-		(99,557)			(99,557)	(99,557)
20	Other	-		(19,702)			(19,702)	(19,702)
21	TOTAL ADDITIONS TO RATE BASE	49,723	-	(119,259)	-	-	(119,259)	(69,536)
22	Deductions to Rate Base:							
23	Accumulated Deferred Income Taxes	722,432					-	722,432
24	Accumulated Investment Tax Credit	3,391	27,511				27,511	30,902
25	Customer Advances for Construction	5,623					-	5,623
26	Customer Deposits	32,973					-	32,973
27	Accumulated Provision for Uncollectibles	3,504					-	3,504
28	Accumulated Provision for Injuries and Damages	15,964					-	15,964
29	Miscellaneous Operating Provisions	-					-	-
30	Other	-					-	-
31	TOTAL DEDUCTIONS TO RATE BASE	783,887	27,511	-	-	-	27,511	811,398
32	TOTAL SOUTH DAKOTA RATE BASE	\$ 6,798,195	(27,511)	(119,259)	44,601	-	(102,169)	\$ 6,696,026

**Montana-Dakota Utilities Co.
Average Utility Capital Structure
2004**

SETTELMENT POSITION					
Line No.	<u>Component</u>	<u>Balance as of June 30, 2004</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
	(a)	(b)	(c)	(d)	(e)
1	Long Term Debt	\$145,850,000	41.7485%	8.596%	3.589%
2	Preferred Stock	\$16,050,000	4.5942%	4.614%	0.212%
3	Common Equity	<u>\$187,454,197</u>	<u>53.6573%</u>	0.019%	<u>0.010%</u>
4	Total	\$349,354,197	100.0000%		<u><u>3.811%</u></u>

STAFF'S POSITION					
	<u>Component</u>	<u>Balance as of June 30, 2004</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
	(a)	(b)	(c)	(d)	(e)
5	Long Term Debt	\$145,850,000	41.7485%	8.596%	3.589%
6	Preferred Stock	\$16,050,000	4.5942%	4.614%	0.212%
7	Common Equity	<u>\$187,454,197</u>	<u>53.6573%</u>	9.500%	<u>5.097%</u>
8	Total	\$349,354,197	100.0000%		<u><u>8.898%</u></u>

**MONTANA-DAKOTA UTILITIES
REVENUE INCREASE
COMPARISON**

LINE NO.	BASE RATE REVENUE INCREASE by CUSTOMER CLASS	Weather Normalized Dekatherms	Weather Normalized Dekatherms	Test Year Revenue (Current Rates)	Proposed Revenue	Revenue (Inc./Dec.)	Percent (Inc./Dec.)
1	RESIDENTIAL	305,065	305,065	\$653,240	\$1,153,822	\$500,582	76.6%
2	FIRM GENERAL SERVICE	340,123	340,123	622,067	971,507	349,439	56.2%
3	CONTRACT RATE 66	29,440	29,440	9,498	9,633	135	1.4%
4	TOTAL	674,629	674,629	\$1,284,806	\$2,134,961	\$850,156	66.2%

**Montana-Dakota Utilities
South Dakota - Gas
Residential and Firm Commercial
Rate Comparison
Per Staff**

LINE NO.		PRESENT	PROPOSED	DAILY CHARGE
1	CUSTOMER CHARGE	\$2.00	\$4.56	(\$0.15/day)
2	ALL DEKATHERMS	\$1.76100	\$2.91500	
3	PGA	\$7.77500	\$7.77500	

Rate 66 RESIDENTIAL - SMALL METER

	DEKATHERMS	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE/ (DECREASE)	% INCREASE/ (DECREASE)
	(A)	(B)	(C)	(D)	(E)
4	0	\$2.00	\$4.56	\$2.56	128.1%
5	1	11.54	15.25	3.72	32.2%
6	2	21.07	25.94	4.87	23.1%
7	3	30.61	36.63	6.02	19.7%
8	4	40.14	47.32	7.18	17.9%
9	5	49.68	58.01	8.33	16.8%
10	6	59.22	68.70	9.49	16.0%
11	7	68.75	79.39	10.64	15.5%
12	8	78.29	90.08	11.79	15.1%
13	9	87.82	100.77	12.95	14.7%
14	10	97.36	111.46	14.10	14.5%
15	12	116.43	132.84	16.41	14.1%
16	15	145.04	164.91	19.87	13.7%
17	20	192.72	218.36	25.64	13.3%
18	25	240.40	271.81	31.41	13.1%
19	30	288.08	325.26	37.18	12.9%

MONTH	AVERAGE DEKATHERMS	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE/ (DECREASE)	PERCENT INCREASE/ (DECREASE)
(F)	(G)	(H)	(I)	(J)	(K)
JAN	13.1	126.92	144.60	17.68	13.9%
FEB	12.1	117.39	133.91	16.53	14.1%
MAR	10.2	99.27	113.60	14.33	14.4%
APR	6.2	61.12	70.84	9.72	15.9%
MAY	2.8	28.70	34.49	5.79	20.2%
JUN	1.6	17.26	21.67	4.41	25.5%
JUL	0.8	9.63	13.11	3.49	36.2%
AUG	0.7	8.68	12.05	3.37	38.8%
SEP	0.7	8.68	12.05	3.37	38.8%
OCT	1.5	16.30	20.60	4.29	26.3%
NOV	4.4	43.96	51.60	7.64	17.4%
DEC	8.8	85.92	98.63	12.72	14.8%
TOTAL	62.9	\$623.81	\$727.15	\$103.34	16.6%

AVERAGE MONTHLY USE = 5.2 DekaTherms

**Montana-Dakota Utilities
South Dakota - Gas
Residential and Firm Commercial
Rate Comparison
Per Staff**

LINE NO.		PRESENT	PROPOSED	DAILY CHARGE
1	CUSTOMER CHARGE	\$4.00	\$4.56	(\$0.15/day)
2	ALL DEKATHERMS	\$1.76100	\$2.91500	
3	PGA	\$7.77500	\$7.77500	

Rate 66 RESIDENTIAL - LARGE METER

	DEKATHERMS	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE/ (DECREASE)	% INCREASE/ (DECREASE)
	(A)	(B)	(C)	(D)	(E)
4	0	\$4.00	\$4.56	\$0.56	14.1%
5	1	11.54	15.25	3.72	32.2%
6	2	21.07	25.94	4.87	23.1%
7	3	30.61	36.63	6.02	19.7%
8	4	40.14	47.32	7.18	17.9%
9	5	49.68	58.01	8.33	16.8%
10	6	59.22	68.70	9.49	16.0%
11	7	68.75	79.39	10.64	15.5%
12	8	78.29	90.08	11.79	15.1%
13	9	87.82	100.77	12.95	14.7%
14	10	97.36	111.46	14.10	14.5%
15	12	116.43	132.84	16.41	14.1%
16	15	145.04	164.91	19.87	13.7%
17	20	192.72	218.36	25.64	13.3%
18	25	240.40	271.81	31.41	13.1%
19	30	288.08	325.26	37.18	12.9%

MONTH	AVERAGE DEKATHERMS	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE/ (DECREASE)	PERCENT INCREASE/ (DECREASE)
(F)	(G)	(H)	(I)	(J)	(K)
JAN	15.8	141.63	160.43	18.80	13.3%
FEB	15.8	139.63	160.43	20.80	14.9%
MAR	12.5	110.89	127.88	16.99	15.3%
APR	6.6	59.49	69.67	10.18	17.1%
MAY	4.5	34.11	41.86	7.76	22.7%
JUN	4.4	35.47	43.11	7.64	21.5%
JUL	4.0	36.54	43.72	7.18	19.6%
AUG	3.5	31.23	37.83	6.60	21.1%
SEP	4.5	36.58	44.34	7.76	21.2%
OCT	4.5	37.93	45.69	7.76	20.4%
NOV	6.3	50.06	59.90	9.83	19.6%
DEC	67.6	517.72	598.29	80.57	15.6%
TOTAL	150.0	\$1,231.30	\$1,433.15	\$201.85	16.4%

AVERAGE MONTHLY USE = 12.4 DekaTherms

Montana-Dakota Utilities
South Dakota - Gas
Residential and Firm Commercial
Rate Comparison
Per Staff

LINE NO.		PRESENT	PROPOSED	DAILY CHARGE
20	CUSTOMER CHARGE	\$2.00	\$7.60	(\$0.25/day)
21	ALL DEKATHERMS	\$1.76100	\$2.59800	
22	PGA	\$7.77500	\$7.77500	

Rate 700 **SMALL METER FIRM GENERAL SERVICE**

	DEKATHERMS	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE/ (DECREASE)	% INCREASE/ (DECREASE)	MONTH	AVERAGE DEKATHERMS	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE/ (DECREASE)	PERCENT INCREASE/ (DECREASE)
23	0	2.00	7.60	\$5.60	280.2%	JAN	29.4	282.36	312.57	30.21	10.7%
24	1	11.54	17.98	6.44	55.8%	FEB	28.7	275.68	305.31	29.63	10.7%
25	2	21.07	28.35	7.28	34.5%	MAR	22.4	215.61	239.96	24.35	11.3%
26	3	30.61	38.72	8.12	26.5%	APR	11.5	111.66	126.89	15.23	13.6%
27	4	40.14	49.10	8.95	22.3%	MAY	4.8	47.77	57.39	9.62	20.1%
28	5	49.68	59.47	9.79	19.7%	JUN	3.3	33.47	41.84	8.37	25.0%
29	6	59.22	69.84	10.63	17.9%	JUL	1.9	20.12	27.31	7.19	35.8%
30	7	68.75	80.22	11.46	16.7%	AUG	1.9	20.12	27.31	7.19	35.8%
31	8	78.29	90.59	12.30	15.7%	SEP	1.8	19.16	26.28	7.11	37.1%
32	9	87.82	100.96	13.14	15.0%	OCT	2.7	27.75	35.61	7.86	28.3%
33	10	97.36	111.33	13.97	14.4%	NOV	8.1	79.24	91.63	12.38	15.6%
34	12	116.43	132.08	15.65	13.4%	DEC	18.3	176.51	197.43	20.92	11.9%
35	15	145.04	163.20	18.16	12.5%	TOTAL	134.8	\$1,309.45	\$1,489.53	\$180.08	13.8%
36	20	192.72	215.06	22.34	11.6%	AVERAGE MONTHLY USE = 11.1 DekaTherms					
37	25	240.40	266.93	26.53	11.0%						
38	30	288.08	318.79	30.71	10.7%						

**Montana-Dakota Utilities
South Dakota - Gas
Residential and Firm Commercial
Rate Comparison
Per Staff**

LINE NO.		PRESENT	PROPOSED	DAILY CHARGE
1	CUSTOMER CHARGE	\$4.00	\$15.21	(\$0.50/day)
2	ALL DEKATHERMS	\$1.76100	\$2.59800	
3	PGA	\$7.77500	\$7.77500	

Rate 701 LARGE METER FIRM GENERAL SERVICE

	DEKATHERMS	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE/ (DECREASE)	% INCREASE/ (DECREASE)	MONTH	AVERAGE DEKATHERMS	PRESENT RATE	PROPOSED RATE	AMOUNT OF INCREASE/ (DECREASE)	PERCENT INCREASE/ (DECREASE)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
4	0	4.00	15.21	\$11.21	280.2%	JAN	284.3	2,715.08	2,964.25	\$249.17	9.2%
5	5	51.68	67.07	15.39	29.8%	FEB	261.8	2,500.52	2,730.86	\$230.33	9.2%
6	10	99.36	118.94	19.58	19.7%	MAR	230.9	2,205.86	2,410.33	\$204.47	9.3%
7	15	147.04	170.80	23.76	16.2%	APR	162.2	1,550.74	1,697.71	\$146.97	9.5%
8	20	194.72	222.67	27.95	14.4%	MAY	91.8	879.40	967.45	\$88.04	10.0%
9	30	290.08	326.40	36.32	12.5%	JUN	72.7	697.27	769.33	\$72.06	10.3%
10	40	385.44	430.13	44.69	11.6%	JUL	55.2	530.39	587.80	\$57.41	10.8%
11	50	480.80	533.86	53.06	11.0%	AUG	50.5	485.57	539.04	\$53.48	11.0%
12	60	576.16	637.59	61.43	10.7%	SEP	58.3	559.95	619.95	\$60.01	10.7%
13	70	671.52	741.32	69.80	10.4%	OCT	74.5	714.43	788.00	\$73.56	10.3%
14	80	766.88	845.05	78.17	10.2%	NOV	142.5	1,362.88	1,493.36	\$130.48	9.6%
15	90	862.24	948.78	86.54	10.0%	DEC	217.9	<u>2,081.89</u>	<u>2,275.49</u>	<u>\$193.59</u>	<u>9.3%</u>
16	100	957.60	1,052.51	94.91	9.9%	TOTAL	1,702.6	\$16,283.99	\$17,843.57	\$1,559.58	9.6%
17	150	1,434.40	1,571.16	136.76	9.5%						
18	200	1,911.20	2,089.81	178.61	9.3%						
19	250	2,388.00	2,608.46	220.46	9.2%						
20	300	2,864.80	3,127.11	262.31	9.2%						
21	350	3,341.60	3,645.76	304.16	9.1%						

AVERAGE MONTHLY USE = 140.8 DekaTherms