

**BLACK HILLS**

| Line No.  | Description                      | Billing Units | Rate                | Revenue                     | Per Books Revenue           | Adjustment                 |
|---|----------------------------------|---------------|---------------------|-----------------------------|-----------------------------|----------------------------|
|   | (a)                              | (b)           | (c)                 | (d)                         | (e)                         | (f)                        |
| <b>Residential - Rate 60</b>                        |                                  |               |                     |                             |                             |                            |
| 1   | Bills                            | 41,775        | \$ 0.25 per day     | \$ 3,811,969                | \$ 3,823,418                | \$ (11,449)                |
| 2   | Distribution Delivery Charge     | 2,704,029     | 1.571 per dk        | 4,248,030                   | 4,634,512                   | (386,482)                  |
| 3   | Cost of Gas                      | 2,704,029     | 4.815 per dk        | 13,019,007                  | 13,213,392                  | (194,385)                  |
| 4   | Total Revenue                    |               |                     | <u>\$ 21,079,006</u>        | <u>\$ 21,671,322</u>        | <u>\$ (592,316)</u>        |
| <b>Air Force - Rate 641 (Interruptible)</b>         |                                  |               |                     |                             |                             |                            |
| 5   | Bills                            | 1             | 95.00 per month     | \$ 1,140                    | \$ 1,140                    | \$ -                       |
| 6   | Distribution Delivery Charge     | 299,443       | 0.062 per dk        | 18,565                      | 18,565                      | -                          |
| 7   | Cost of Gas                      | 299,443       | 3.772 per dk        | 1,129,604                   | 1,148,571                   | (18,967)                   |
| 8   | Total Revenue                    |               |                     | <u>\$ 1,149,309</u>         | <u>\$ 1,168,276</u>         | <u>\$ (18,967)</u>         |
| <b>Firm General - Rate 70 Small Meters</b>          |                                  |               |                     |                             |                             |                            |
| 9   | Bills                            | 4,024         | \$ 0.35 per day     | \$ 514,066                  | \$ 515,205                  | \$ (1,139)                 |
| 10  | Distribution Delivery Charge     | 423,405       | 1.175 per dk        | 497,501                     | 548,383                     | (50,882)                   |
| 11  | Cost of Gas                      | 423,405       | 4.815 per dk        | 2,038,555                   | 2,075,651                   | (37,096)                   |
| 12  | Total Revenue                    |               |                     | <u>\$ 3,050,122</u>         | <u>\$ 3,139,239</u>         | <u>\$ (89,117)</u>         |
| <b>Firm General - Rate 70 Large Meters</b>          |                                  |               |                     |                             |                             |                            |
| 13  | Bills                            | 1,511         | \$ 0.70 per day     | \$ 386,061                  | \$ 386,058                  | \$ 3                       |
| 14  | Distribution Delivery Charge     | 1,594,595     | 1.175 per dk        | 1,873,649                   | 2,045,013                   | (171,364)                  |
| 15  | Cost of Gas                      | 1,594,595     | 4.815 per dk        | 7,677,449                   | 7,778,152                   | (100,703)                  |
| 16  | Total Revenue                    |               |                     | <u>\$ 9,937,159</u>         | <u>\$ 10,209,223</u>        | <u>\$ (272,064)</u>        |
| <b>Small Interruptible - Rate 71</b>                |                                  |               |                     |                             |                             |                            |
| 17  | Bills                            | 14            | \$ 50.00 per month  | \$ 8,400                    | \$ 7,600                    | \$ 800                     |
| 18  | Distribution Delivery Charge     | 70,818        | * per dk            | 31,469                      | 31,471                      | (2)                        |
| 19  | Cost of Gas                      | 70,818        | 3.772 per dk        | 267,150                     | 344,420                     | (77,270)                   |
| 20  | Total Revenue                    |               |                     | <u>\$ 307,019</u>           | <u>\$ 383,491</u>           | <u>\$ (76,472)</u>         |
| <b>Large Interruptible - Rate 85</b>                |                                  |               |                     |                             |                             |                            |
| 21  | Bills                            | 1             | \$ 175.00 per month | \$ 2,100                    | \$ 2,100                    | \$ -                       |
| 22  | Distribution Delivery Charge     | 65,164        | 0.187 per dk        | 12,186                      | 12,186                      | -                          |
| 23  | Cost of Gas                      | 65,164        | 3.772 per dk        | 245,821                     | 252,399                     | (6,578)                    |
| 24  | Total Revenue                    |               |                     | <u>\$ 260,107</u>           | <u>\$ 266,685</u>           | <u>\$ (6,578)</u>          |
| 25  | Unbilled Revenue                 |               |                     |                             | \$ (258,905)                | \$ 258,905                 |
| 26  | Total Black Hills Sales          |               |                     | <u><b>\$ 35,782,722</b></u> | <u><b>\$ 36,579,331</b></u> | <u><b>\$ (796,609)</b></u> |
| <b>Small Interruptible Transportation - Rate 81</b> |                                  |               |                     |                             |                             |                            |
| 27  | Bills                            | 17            | \$ 125.00 per month | \$ 25,500                   | \$ 29,512                   | \$ (4,012)                 |
| 28  | Distribution Delivery Charge     | 261,240       | * per dk            | 109,225                     | 109,224                     | 1                          |
| 29  | Cost of Gas                      |               |                     |                             | 10,058                      | (10,058)                   |
| 30  | Total Revenue                    |               |                     | <u>\$ 134,725</u>           | <u>\$ 148,794</u>           | <u>\$ (14,069)</u>         |
| <b>Large IT Transport - Rate 82</b>                 |                                  |               |                     |                             |                             |                            |
| 31  | Bills                            | 10            | \$ 225.00 per month | \$ 27,000                   | \$ 32,400                   | \$ (5,400)                 |
| 32  | Distribution Delivery Charge     | 755,000       | 0.187 per dk        | 141,185                     | 145,013                     | (3,828)                    |
| 33  | Cost of Gas                      |               |                     |                             | 30,039                      | (30,039)                   |
| 34  | Total Revenue                    |               |                     | <u>\$ 168,185</u>           | <u>\$ 207,452</u>           | <u>\$ (39,267)</u>         |
| 35  | Unbilled Revenue                 |               |                     |                             | \$ (3,322)                  | \$ 3,322                   |
| 36  | Total Black Hills Transportation |               |                     | <u><b>\$ 302,910</b></u>    | <u><b>\$ 352,924</b></u>    | <u><b>\$ (50,014)</b></u>  |
| 37  | TOTAL BLACK HILLS                |               |                     | <u><b>\$ 36,085,632</b></u> | <u><b>\$ 36,932,255</b></u> | <u><b>\$ (846,623)</b></u> |

**EAST RIVER**

| Line No.                                    | Description<br>(a)              | Billing Units<br>(b) | Rate<br>(c)     | Current Revenue<br>(d) | Per Books Revenue<br>(e) | Adjustment<br>(f)     |
|---|---------------------------------|----------------------|-----------------|------------------------|--------------------------|-----------------------|
| <b>Residential - Rate 66</b>                |                                 |                      |                 |                        |                          |                       |
| 1   | Bills                           | 6,006                | \$ 0.15 per day | \$ 328,829             | \$ 329,592               | \$ (763)              |
| 2   | Distribution Delivery Charge    | 302,862              | 2.915 per dk    | 882,843                | 1,013,873                | (131,030)             |
| 3   | Cost of Gas                     | 302,862              | 4.815 per dk    | 1,458,181              | 1,490,626                | (32,445)              |
| 4   | Total Revenue                   |                      |                 | <u>\$ 2,669,853</u>    | <u>\$ 2,834,091</u>      | <u>\$ (164,238)</u>   |
| <b>Firm General - Rate 760 Small Meters</b> |                                 |                      |                 |                        |                          |                       |
| 5   | Bills                           | 861                  | \$ 0.25 per day | \$ 78,566              | \$ 78,661                | \$ (95)               |
| 6   | Distribution Delivery Charge    | 91,238               | 2.598 per dk    | 237,036                | 272,481                  | (35,445)              |
| 7   | Cost of Gas                     | 91,238               | 4.815 per dk    | 439,281                | 448,849                  | (9,568)               |
| 8   | Total Revenue                   |                      |                 | <u>\$ 754,883</u>      | <u>\$ 799,991</u>        | <u>\$ (45,108)</u>    |
| <b>Firm General - Rate 761 Large Meters</b> |                                 |                      |                 |                        |                          |                       |
| 9   | Bills                           | 226                  | \$ 0.50 per day | \$ 41,245              | \$ 41,427                | \$ (182)              |
| 10  | Distribution Delivery Charge    | 325,096              | 2.598 per dk    | 844,599                | 936,270                  | (91,671)              |
| 11  | Cost of Gas                     | 325,096              | 4.815 per dk    | 1,565,230              | 1,612,296                | (47,066)              |
| 12  | Total Revenue                   |                      |                 | <u>\$ 2,451,074</u>    | <u>\$ 2,589,993</u>      | <u>\$ (138,919)</u>   |
| <b>Firm General - Rate 762</b>              |                                 |                      |                 |                        |                          |                       |
| 13  | Bills                           | 1                    | \$ 0.50 per day | \$ 183                 | \$ 183                   | \$ -                  |
| 14  | Distribution Delivery Charge    | 14,470               | 2.598 per dk    | 37,593                 | 4,645                    | 32,948                |
| 15  | Cost of Gas                     | 14,470               | 4.815 per dk    | 69,668                 | 58,472                   | 11,196                |
| 16  | Total Revenue                   |                      |                 | <u>\$ 107,444</u>      | <u>\$ 63,300</u>         | <u>\$ 44,144</u>      |
| 17  | Unbilled Revenue                |                      |                 |                        | \$ (12,663)              | \$ 12,663             |
| 18  | Total East River Sales          |                      |                 | <u>\$ 5,983,254</u>    | <u>\$ 6,274,712</u>      | <u>\$ (291,458)</u>   |
| 19  | Total East River Transportation |                      |                 | <u>\$ -</u>            | <u>\$ -</u>              | <u>\$ -</u>           |
| 20  | TOTAL EAST RIVER                |                      |                 | <u>\$ 5,983,254</u>    | <u>\$ 6,274,712</u>      | <u>\$ (291,458)</u>   |
| 21  | TOTAL SOUTH DAKOTA GAS          |                      |                 | <u>\$ 42,068,886</u>   | <u>\$ 43,206,967</u>     | <u>\$ (1,138,081)</u> |

**Sources:**

Column b: MDU Response to DR 2-1, workpapers I-13 to I-26  
Column c: MDU Response to DR 9-39 (See Flex Rates for Rate 71 and 81 distribution delivery charges w/p I-18 & I-21)  
Column d, page 1, lines 1, 9, 13, & 17 and page 2, lines 1, 5, 9, 13: Column b \* column c \* 365  
Column d, page 1, lines 5, 17, 21, 27, & 31: Column b \* column c \* 12  
Remaining column d: Column b \* column c  
Column e, expect page 1 lines 5-7: MDU Response to DR 9-39, follow-up excel files  
Column e, page 1, lines 5-7: Email from Rita Mulkern on 9/23/13  
Column f: column d - column e

Page 1, line 26: sum of lines 4, 8, 12, 16, 20, 24, and 25  
Page 1, line 36: sum of lines 30 and 34  
Page 1, line 37: sum of lines 26 and 36  
Page 2, line 18: sum of lines 4, 8, 12, 16, and 17  
Page 2, line 20: line 18  
Page 2, line 21: sum of Page 1, line 37 and Page 2, line 20

| Description  | Billing Units | Rate            | Revenue      | Per Books Revenue | Adjustment  | Cost of Gas Adjustment | Net Effect on Revenue Deficiency |
|--|---------------|-----------------|--------------|-------------------|-------------|------------------------|----------------------------------|
| <b><u>STAFF PROPOSED ADJUSTMENT</u></b>            |               |                 |              |                   |             |                        |                                  |
| <b><u>Air Force - Rate 641 (Interruptible)</u></b> |               |                 |              |                   |             |                        |                                  |
| Bills  | 1             | 95.00 per month | \$ 1,140     | \$ 1,140          | \$ -        |                        |                                  |
| Distribution Delivery Charge                       | 299,443       | 0.062 per dk    | 18,565       | 18,565            | -           |                        |                                  |
| Cost of Gas  | 299,443       | 3.772 per dk    | 1,129,604    | 1,148,571         | (18,967)    |                        |                                  |
| Total Revenue                                      |               |                 | \$ 1,149,309 | \$ 1,168,276      | \$ (18,967) | \$ (18,967)            | \$ -                             |

**STAFF ADJUSTMENT WOULD BE WITHOUT FIRST CORRECTING MISCLASSIFICATION IN PER BOOKS**

|  |         |                 |              |              |             |              |              |
|--|---------|-----------------|--------------|--------------|-------------|--------------|--------------|
| <b><u>Air Force - Rate 641 (Interruptible)</u></b> |         |                 |              |              |             |              |              |
| Bills  | 1       | 95.00 per month | \$ 1,140     | \$ 1,140     | \$ -        |              |              |
| Distribution Delivery Charge                       | 299,443 | 0.062 per dk    | 18,565       | 1,167,136    | (1,148,571) |              |              |
| Cost of Gas  | 299,443 | 3.772 per dk    | 1,129,604    | -            | 1,129,604   |              |              |
| Total Revenue                                      |         |                 | \$ 1,149,309 | \$ 1,168,276 | \$ (18,967) | \$ 1,129,604 | \$ 1,148,571 |

**COMPANY PROPOSED - NO CORRECTION TO MISCLASSIFICATION IN PER BOOKS**

|  |         |                 |              |              |             |              |              |
|--|---------|-----------------|--------------|--------------|-------------|--------------|--------------|
| <b><u>Air Force - Rate 641 (Interruptible)</u></b> |         |                 |              |              |             |              |              |
| Bills  | 1       | 95.00 per month | \$ 1,140     | \$ 1,140     | \$ -        |              |              |
| Distribution Delivery Charge                       | 299,443 | 0.062 per dk    | 18,565       | 1,167,136    | (1,148,571) |              |              |
| Cost of Gas  | 299,443 | 3.603 per dk    | 1,078,893    | -            | 1,078,893   |              |              |
| Total Revenue                                      |         |                 | \$ 1,098,598 | \$ 1,168,276 | \$ (69,678) | \$ 1,078,893 | \$ 1,148,571 |

**COMPANY PROPOSED WOULD BE IF MISCLASSIFICATION CORRECTED IN PER BOOKS FIRST**

|  |         |                 |              |              |             |             |      |
|--|---------|-----------------|--------------|--------------|-------------|-------------|------|
| <b><u>Air Force - Rate 641 (Interruptible)</u></b> |         |                 |              |              |             |             |      |
| Bills  | 1       | 95.00 per month | \$ 1,140     | \$ 1,140     | \$ -        |             |      |
| Distribution Delivery Charge                       | 299,443 | 0.062 per dk    | 18,565       | 18,565       | -           |             |      |
| Cost of Gas  | 299,443 | 3.603 per dk    | 1,078,893    | 1,148,571    | (69,678)    |             |      |
| Total Revenue                                      |         |                 | \$ 1,098,598 | \$ 1,168,276 | \$ (69,678) | \$ (69,678) | \$ - |

**Sources:**

BAM-4 page 1 , MDU Response to DR 2-1, Workpapers I-1 and I-14, and Email from Rita Mulkern on 9/23/13

**Mehlhoff, Brittany**

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**From:** Mulkern, Rita <Rita.Mulkern@mdu.com>  
**Sent:** Monday, September 23, 2013 1:23 PM  
**To:** Mehlhoff, Brittany  
**Subject:** RE: NG12-008 Current Revenue Adjustment

The detail of the revenue for the air force per books amounts are:

|                       |                  |
|-----------------------|------------------|
| Distribution Delivery | \$18,565         |
| Basic Service Charge  | 1,140            |
| Cost of Gas           | <u>1,148,571</u> |
| Total                 | \$1,168,276      |

The revenue at current rates calculation recalculates revenue using the per books billing determinants. If a customer has changed services, i.e. moved from sales to transportation or from interruptible to firm service, that change is also made in calculation revenue at current rates. In Black Hills and East River, the per books revenue includes the distribution delivery stabilization mechanism (DDSM Rate 87) revenue, as weather was warmer than normal. In the calculation of current rates, those revenues are eliminated, and there is no cost of gas associated with the DDSM. The DDSM revenues for the twelve months ending June 30, 2012 were \$859,997 for total Black Hills and East River. I do not have the breakout between the two areas readily available. The recalculation of revenues assuming normal weather is then done in Adjustment 3. I hope that this answers your questions.

**Rita A. Mulkern**  
Director of Regulatory Affairs  
Montana-Dakota Utilities Co.  
[rita.mulkern@mdu.com](mailto:rita.mulkern@mdu.com)  
(701)222-7854

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**From:** Mehlhoff, Brittany [<mailto:Brittany.Mehlhoff@state.sd.us>]  
**Sent:** Saturday, September 21, 2013 2:59 PM  
**To:** Mulkern, Rita  
**Subject:** NG12-008 Current Revenue Adjustment  
**Importance:** High

Rita,

Could you provide the per books revenue for the Air Force classified correctly between Distribution Delivery Charge and Cost of Gas? Since it was all included in the Distribution Delivery Charge for per books, when we make the current revenue adjustment and most is then included in cost of gas, it is having an effect on the revenue requirement that I don't think should be there. Classifying it as cost of gas vs. distribution delivery charge should be a revenue neutral change. Since the change to cost of gas offsets the cost of gas revenues, that has a \$0 impact, but we're still left with over \$1 million dollars being removed from revenues relating to the distribution delivery charge.

Could you also explain further why the basic service charge revenues and distribution delivery charge revenues need to be updated with the current revenue adjustment and why the per books are "off" even after accounting for the unbilled revenue?

Thanks

Brittany

**Brittany Mehlhaff**

Utility Analyst

SD Public Utilities Commission

500 E. Capitol Avenue

Pierre, SD 57501

Phone: (605) 773-3201

Fax: 1-866-757-6031

MONTANA-DAKOTA UTILITIES CO.  
REVENUE CALCULATIONS - *Rate 71*  
GAS UTILITY - SOUTH DAKOTA *Black Hills*  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012

Flex Rate Calculations Workpaper

| Customer ID | Commodity Charge/Dk | Current Rates |                 | Normalized    |                 |
|-------------|---------------------|---------------|-----------------|---------------|-----------------|
|             |                     | Dk            | Revenues        | Dk            | Revenues        |
| 71-1        | \$0.453             | 1,002         | \$454           | 1,075         | \$487           |
| 71-2        | 0.453               | 6,029         | 2,731           | 6,371         | 2,886           |
| 71-3        | 0.453               | 3,575         | 1,619           | 4,358         | 1,974           |
| 71-4        | 0.453               | 12,739        | 5,771           | 15,734        | 7,128           |
| 71-5        | 0.453               | 950           | 430             | 1,165         | 528             |
| 71-6        | 0.453               | 6,683         | 3,027           | 7,477         | 3,387           |
| 71-7        | 0.453               | 662           | 300             | 1,116         | 506             |
| 71-8        | 0.453               | 18,362        | 8,318           | 20,409        | 9,245           |
| 71-9        | 0.453               | 3,503         | 1,587           | 3,734         | 1,692           |
| 71-10       | 0.453               | 3,862         | 1,749           | 4,433         | 2,008           |
| 71-11       | 0.453               | 2,728         | 1,236           | 3,009         | 1,363           |
| 71-12       | 0.131               | 1,895         | 248             | 1,831         | 240             |
| 71-13       | 0.453               | 3,380         | 1,531           | 3,203         | 1,451           |
| 71-14       | 0.453               | 5,448         | 2,468           | 12,000        | 5,436           |
|             |                     | <u>70,818</u> | <u>\$31,469</u> | <u>85,915</u> | <u>\$38,331</u> |

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MONTANA-DAKOTA UTILITIES CO  
REVENUE CALCULATIONS *Rate 81*  
GAS UTILITY - SOUTH DAKOTA *Black Hills*  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012

Flex Rate Calculations Workpaper

| Customer ID | Commodity Charge/Dk | Current Rates  |                  | Normalized     |                  |
|-------------|---------------------|----------------|------------------|----------------|------------------|
|             |                     | Dk             | Revenues         | Dk             | Revenues         |
| 81-1        | \$0.453             | 4,013          | \$1,818          | 4,605          | \$2,086          |
| 81-2        | 0.453               | 5,220          | 2,365            | 5,695          | 2,580            |
| 81-3        | 0.453               | 4,396          | 1,991            | 4,913          | 2,226            |
| 81-4        | 0.453               | 9,662          | 4,377            | 11,989         | 5,431            |
| 81-5        | 0.453               | 12,848         | 5,820            | 12,443         | 5,637            |
| 81-6        | 0.453               | 27,264         | 12,351           | 34,098         | 15,446           |
| 81-7        | 0.453               | 15,204         | 6,887            | 15,928         | 7,215            |
| 81-8        | 0.453               | 14,315         | 6,485            | 14,165         | 6,417            |
| 81-9        | 0.453               | 19,885         | 9,008            | 19,237         | 8,714            |
| 81-10       | 0.453               | 13,208         | 5,983            | 12,986         | 5,883            |
| 81-11       | 0.453               | 14,748         | 6,681            | 13,846         | 6,272            |
| 81-12       | 0.453               | 12,432         | 5,632            | 15,436         | 6,993            |
| 81-13       | 0.453               | 36,921         | 16,725           | 36,972         | 16,748           |
| 81-14       | 0.247               | 21,691         | 5,358            | 22,453         | 5,546            |
| 81-15       | 0.453               | 9,510          | 4,308            | 9,318          | 4,221            |
| 81-16       | 0.453               | 8,720          | 3,950            | 9,443          | 4,278            |
| 81-17       | 0.304               | 31,205         | 9,486            | 27,108         | 8,241            |
|             |                     | <u>261,242</u> | <u>\$109,225</u> | <u>270,635</u> | <u>\$113,934</u> |