

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

IN THE MATTER OF THE APPLICATION OF) SOUTH DAKOTA INTRASTATE PIPELINE) COMPANY FOR AUTHORITY TO INCREASE ITS) NATURAL GAS RATES)	AMENDMENT TO SETTLEMENT STIPULATION NG17-009
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This Amendment to the Settlement Stipulation reflects the resolution reached between South Dakota Intrastate Pipeline Company (SDIP), Montana-Dakota Utilities Co. (MDU), Ring-Neck Energy & Feed, LLC, dba Ring-Neck Energy, LLC (Ring-neck), and the Staff of the South Dakota Public Utilities Commission (Staff), together “Parties,” on the issue of SDIP’s substantial and unexpected increase in insurance premiums as described in SDIP’s September 24, 2019 Letter regarding Rate Adjustment.

I. BACKGROUND

On June 1, 2017, the South Dakota Public Utilities Commission (Commission) received a letter of transmittal from SDIP requesting authority to increase its natural gas rates. On June 22, 2017, MDU filed a Petition to Intervene and on July 6, 2017, the Commission issued an Order Granting Intervention; Order Assessing Filing Fee. On February 15, 2018, Ring-neck filed a Petition to Intervene and the Commission issued an order granting intervention to Ring-neck on March 2, 2018.

The Parties held several negotiating sessions in an effort to arrive at a mutually acceptable resolution of this matter. As a result of those negotiations, the Parties entered into a Settlement Stipulation which set rates resulting from SDIP’s Application. On July 6, 2018, the Commission issued an Order Granting Joint Motion for Approval of Settlement Stipulation and set the rates as agreed to in the Settlement Stipulation.

On September 24, 2019, SDIP filed a Letter regarding Rate Adjustment. This letter indicated SDIP began to incur a substantial and unexpected increase in insurance costs on September 1, 2019 and requested recoupment of the insurance expenses from September 1, 2019 forward. The parties held several negotiating discussions regarding this issue in an attempt to arrive at a mutually acceptable resolution to this matter. As a result of these discussions, the Parties entered into this Amendment to the Settlement Stipulation (Amendment), which, if approved by the Commission, would revise the rates that resulted from SDIP's initial Application.

II. PURPOSE OF THE AMENDMENT TO THE SETTLEMENT STIPULATION

This Amendment has been prepared and executed by the Parties for the sole purpose of resolving the request raised in SDIP's September 24, 2019 Letter regarding Rate Adjustment in Docket NG17-009. The Parties acknowledge that they may have differing views that justify the end result, 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 express or implied by the Amendment, 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 Amendment, the Parties shall immediately file this Amendment with the Commission together with a joint motion requesting that the Commission issue an order approving this Amendment in its entirety without further condition or modification.
2. This Amendment includes all terms of settlement and is submitted with the condition that in the event that the Commission imposes any material changes in or conditions to this Amendment which are unacceptable to either Party, this Amendment may, at the option of any 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 in any other case.
3. This Amendment shall become binding upon execution by the Parties, provided however, if this Amendment is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and privileged. This Amendment is intended to relate only to the specific matters referred to herein; no Party waives any right or claim 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 ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Amendment, or be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission. No Party nor representative thereof shall directly or indirectly refer to this Amendment or that part of any order of the Commission relating to this Amendment as precedent in any other current or future rate proceeding or any other proceeding before the Commission.
 4. The Parties to this proceeding stipulate that documents filed in relation to SDIP's September 24, 2019 request be made a part of the record in this proceeding.
 5. It is understood that Staff enters into this Amendment for the benefit of SDIP's South Dakota customers affected by this docket.

III. ELEMENTS OF THE AMENDMENT

The Parties agree that all terms of the Settlement Stipulation dated June 20, 2018 remain in full force and effect, except as specifically indicated in this Amendment. The Parties Agree that the Settlement Stipulation dated June 20, 2018 be amended as follows:

1. Revenue Requirement

The Cost of Service reflects SDIP's revenue requirement before the inclusion of rate case expense. The Parties agree that Cost of Service produces an ongoing annual revenue decrease for the period of September 1, 2018 through October 31, 2019 of \$397,883 to recover a total annual revenue requirement of \$1,795,961 for natural gas transportation service in South Dakota, as opposed to current revenues. This revenue requirement is based upon an overall rate of return of 7.22% agreed to by the Parties. The Parties agree that the revised Cost of Service, including the increased insurance premiums, produces a revised ongoing annual revenue requirement, excluding rate case expense, beginning November 1, 2019 of \$1,928,893. Beginning November 1, 2019, the revised revenue requirement is based upon an overall rate of return of 7.23%.

2. Rate Case Expense

The Parties agree that the total estimated rate case expense is \$502,028. The Parties agree that the estimated rate case expense amount shall be recovered in addition to the revenue requirement discussed in paragraph III.1 above and shall be amortized over five years. This results in \$100,406 in rate case expenses plus \$18,123 in rate case rate base ROR recovery for a total recovery of \$118,529 in total rate case expenses per year and results in a revenue requirement of \$1,914,490 for the time period of September 1, 2018 through October 31, 2019 and a revised revenue requirement of \$2,047,447 for the time period of November 1, 2019 through August 31, 2023, or until SDIP submits a new application for rates and such rates are approved to be effective prior to August 31, 2023,

as set forth in paragraph III.3 below. When SDIP submits a new application to increase rates, the Parties agree that any unrecovered balance for rate case expense from this docket shall be included as a cost of service item in SDIP's new application, and a rate of return will be applied to the associated unamortized balance.

3. Tariffs

The Parties have agreed to revised tariffs and those tariffs are attached as Exhibit A to this Stipulation for presentation to the Commission. The Parties agree that MDU, as the sole firm transportation service customer of SDIP, will be billed a flat monthly fee for firm transportation service of \$159,540.83 monthly, \$1,914,490 annually, until October 31, 2019 and \$170,620.58 monthly and \$2,047,447 annually, from November 1, 2019 until SDIP submits a new application for rates consistent with this Stipulation. If SDIP has not submitted a new application for rates, with an effective date prior to August 31, 2023, the Parties agree that rates for MDU will be adjusted as follows: Consistent with the Cost of Service, MDU will be billed a flat monthly fee for firm transportation service of ~~\$149,663.42~~ \$160,741.08 monthly, ~~\$1,795,961~~ \$1,928,893 annually, beginning September 1, 2023.

4. Ring-neck Energy

- c. The interruptible rate is determined based upon a 100 percent load factor assumption. The interruptible rate in effect from September 1, 2018 through ~~August 30, 2023~~ October 31, 2019 will be \$0.3365 per dk. The interruptible transportation service rate in effect from November 1, 2019 through August 31, 2023 will be \$0.3599 per dk. The interruptible transportation service rate in effect beginning September 1, 2023, will be ~~\$0.3157~~ \$0.3390 per dk, if SDIP has not

submitted a new application for rates, with an effective date prior to August 31, 2023.

CONCLUSION

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

This Amendment to the Stipulation is entered into effective this _____ day of October 2019.

Redlined Version

NG17-009 Amendment to Settlement Stipulation Signature Page

South Dakota Intrastate Pipeline Company

By:_____

Its:_____

Montana-Dakota Utilities Co.

By:_____

Its:_____

South Dakota Public Utilities Commission Staff

By:_____

Its:_____

Ring-neck Energy &Feed, LLC dba Ring-neck Energy

By:_____

Its:_____