

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

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

) **ORDER DENYING PROPOSED**
) **REFUND PLAN AND**
) **APPROVING ALTERNATIVE**
) **PLAN**

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) **NG12-008**

On December 21, 2012, the South Dakota Public Utilities Commission (Commission) received an application from Montana-Dakota Utilities (MDU) for approval to increase rates for natural gas service to customers in its South Dakota service territory, consisting of the Black Hills and East River service areas, by approximately \$1.5 million based on MDU's test year ending June 30, 2012. MDU also proposed to consolidate the Black Hills and East River areas into one rate jurisdiction. MDU stated that a typical residential customer in the Black Hills area using 75 dk on an annual basis would see an average increase of approximately \$3.00 per month while a typical residential customer in the East River area using 61 dk on an annual basis would see an average decrease of approximately \$1.10 per month. The proposed changes would potentially affect approximately 47,600 customers in MDU's Black Hills service area and approximately 7,200 customers in MDU's East River service area.

On December 28, 2012, the Commission electronically transmitted notice of the filing and the intervention deadline of February 22, 2013, to interested individuals and entities on the Commission's PUC Weekly Filings electronic listserv. On January 18, 2013, the Commission issued an Order of Assessment of Filing Fee and Suspension of Imposition of Tariff. On February 19, 2013, Federal Executive Agencies (FEA) filed a Petition to Intervene. On March 6, 2013, the Commission issued an Order granting intervention to FEA. The Commission received a Petition to Withdraw from FEA on April 19, 2013, and on May 10, 2013, the Commission issued an Order Granting Withdrawal. On November 5, 2013, the Commission issued an Order Granting Joint Motion for Approval of Settlement Stipulation (Order) approving the rates, terms, conditions, and tariff sheets as specified in the Settlement Stipulation. On November 22, 2013, MDU filed a Refund Plan proposing to refund the difference between the interim rates charged by MDU and the final rates approved in the Order through a credit to the fuel clause. On November 26, 2013, the Commission's staff (Staff) filed a Staff Memorandum in Opposition to Refund Plan.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-34A, specifically 49-34A-4, 49-34A-6, 49-34A-8, 49-34A-10, 49-34A-11, 49-34A-12, 49-34A-13, 49-34A-13.1, 49-34A-17, 49-34A-19, 49-34A-21, and 49-34S-22, and ARSD Chapter 20:10:13.

The Commission considered this matter at its regular meeting on December 3, 2013. MDU presented its reasons for use of the fuel clause to refund interim rate overages as: 1) the relatively small refund amount accumulated; and 2) the ease and inexpensiveness of using the standard fuel clause pass through mechanism of SDCL 49-34A-25. Staff argued that the language of the fuel clause does not include use as a rate refund mechanism and is therefore not legally available for that purpose, that SDCL 49-34A-22 specifies the refund mechanisms that are permissible, that the refunds should be based on customers' proportionate usage, and that it is important to reflect the refund through an identified bill credit so that customers receive notice and proof that a bill credit refund was in fact made and the amount of the credit. Staff

recommended that the Commission approve a refund methodology similar to that approved for Black Hills Power in Docket EL12-061 or, if that is not practicable, similar to that approved for Xcel in Docket EL12-046. Finding that SDCL 49-34A-25 does not include an interim rate refund within the enumerated purposes for use of the fuel clause pass through mechanism, that SDCL 49-34A-22 specifies the refund mechanisms to be used for interim rate refunds, that it is appropriate for customer refunds to be based on usage over the interim rate period, and that it is important for customers to receive their bill credits with a line item on the bill identifying the credit as an interim rate refund, the Commission voted unanimously to approve the refund methodology approved for Black Hills Power set forth in Settlement Stipulation Exhibit 3 in Docket EL12-061, with interest at the rate of 7 percent as specified in ARSD 20:10:19:08. It is therefore

ORDERED, that MDU shall employ the refund methodology approved for Black Hills Power set forth in Settlement Stipulation Exhibit 3 in Docket EL12-061, with interest at the rate of 7 percent.

Dated at Pierre, South Dakota, this 9th day of December, 2013.

CERTIFICATE OF SERVICE
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, electronically.
By: <u><i>Joy Lashley</i></u>
Date: <u>12-10-13</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Gary Hanson
GARY HANSON, Chairman

Chris Nelson
CHRIS NELSON, Commissioner

Kristie Fiegen
KRISTIE FIEGEN, Commissioner