

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

IN THE MATTER OF STAFF'S	)	DOCKET No. GE17-003
REQUEST TO INVESTIGATE THE EFFECTS	)	
OF THE TAX CUTS AND JOBS ACT	)	
ON SOUTH DAKOTA UTILITIES	)	

**I. SETTLEMENT STIPULATION**

On December 21, 2017, South Dakota Public Utilities Commission (Commission) Staff filed a motion with the Commission to investigate the impact of the Tax Cuts and Jobs Act (TCJA) on South Dakota Utilities. On December 29, 2017, the Commission issued its Order Requiring Comments; Order Requiring Rates in Effect in 2018 are Subject to Refund; Order Granting Intervention in the above referenced Docket (Initial Order). The Initial Order, among other things, (1) granted NorthWestern Corporation d/b/a/ NorthWestern Energy's (NorthWestern or Company) request to intervene; (2) required the Company to file comments no later than February 1, 2018; and (3) established that all rates impacted by the federal income tax, not limited to base rates, shall be adjusted effective January 1, 2018, and are subject to refund or any other ratemaking treatment which ensures ratepayers receive the benefits of the tax change as of January 1, 2018, pending a determination of the impact of the TCJA.

On January 29, 2018 and April 3, 2018, the Company filed comments in the above referenced Docket. In its initial comments, NorthWestern proposed to use the tax benefits as a means to moderate the impact of future rate increases. NorthWestern's April 3, 2018 comments estimated the 2018 TCJA benefits for its South Dakota electric utility to be \$476,000 and for its South Dakota natural gas utility to be \$378,000. NorthWestern proposed two alternatives to the Commission: 1) refunding the annual TCJA benefits to customers with an annual true-up adjustment and 2) accumulating the benefits from the TCJA in a regulatory liability until its next general rate case, anticipated by 2020.

Staff and NorthWestern (jointly the Parties) held several negotiating sessions in an effort to arrive at a jointly acceptable resolution of this Docket as it relates to NorthWestern only. Through these discussions, NorthWestern indicated the need to file for a rate increase effective in 2020. Additionally, its expected deployment of AMI infrastructure had been delayed, resulting in larger 2018 TCJA benefits to customers. The Company expects that such rates would be materially

increased from existing rates, even after accounting for the impact of the TCJA. In light of this, Staff and the Company have agreed to terms that will capture the benefits of the TCJA for the Company's customers while keeping overall rates low.

The Parties have, therefore, resolved all issues in this proceeding and have entered into this Settlement Stipulation (Stipulation), which, if accepted and ordered by the Commission, will capture the 2018 benefits of the TCJA for NorthWestern's customers, institute an additional two-year rate case moratorium, and secure stable rates for customers over the moratorium period with the elimination of potential rider filings.

## II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purposes of resolving Docket No. GE17-003, as it relates to NorthWestern only. The Parties acknowledge that they may have differing views and reasons to support and justify the end result of the Stipulation, 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 Stipulation, 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, which may be executed in counterparts, 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. This Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Stipulation, this Stipulation may, at the option of either 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.

3. This Stipulation shall become binding on the Parties upon execution by the Parties, provided however, if this Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this case or in any other case. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may

otherwise have with respect to any matter not expressly provided for herein; neither 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 Stipulation except as explicitly stated in this Stipulation, or either be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission but for the additional proceeding contemplated by this Stipulation. Neither Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission as precedent in any other current or future proceeding before the Commission except as may be set forth in this Stipulation.

4. The Parties stipulate that all filings made by Staff and the Company be made part of the record in this proceeding. The Parties understand that if the issues settled in this matter had not been settled additional record evidence from each of the Parties would have been developed.

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

### **III. ELEMENTS OF THE STIPULATION**

The Parties agree that the resolution of the instant proceeding is global in nature and that each and every element of this Stipulation is reliant on each and every other element of this Stipulation. In consideration of the promises of each of NorthWestern and Staff to each other, the Parties agree to the following elements of this Stipulation:

1. Resolution of Impacts of TCJA for 2018

The Parties agree that NorthWestern shall refund its South Dakota natural gas and electric customers a total of \$3,000,000 associated with the 2018 TCJA benefit. This refund is one-time only and does not change the Company's base rates. The 2018 refund shall be made by the Company in a single payment to customers which shall be posted to customers' accounts no later than October 31, 2018, or on some other schedule as the Commission may order or as required due to the timing of the Commission's order on this Stipulation. The refund will be allocated between electric and natural gas customers based on the cost of service models from the Company's most recent rate cases, which results in \$2,257,504 for electric customers and \$742,496 for gas customers. It will further be allocated to customer classes based on each class'

share of the Commission's most recent approved revenue allocations. Individual customer refunds will then be calculated based on each customer's most recent 12 months of volumes available at the time of the refund, anticipated to be August 2017 through July 2018. The refund shall be limited to active customers as of July 31, 2018. The resulting class allocation of the refund is provided in Attachment A to this Stipulation. In light of the early refund of the amount associated with the 2018 TCJA benefits, there shall be no carrying charge applied. Any remaining refund amount less than or equal to \$5,000 will not need to be recorded in a regulatory asset/liability account and shall be written off.

2. Base Rate Moratorium

The Parties agree that the benefits of the TCJA for customers should be balanced with the overall interest of safe, reliable, and affordable electric service. To that end, in lieu of the Company making additional TCJA related refunds in subsequent years beyond 2018, the Company agrees to a two-year rate moratorium (Moratorium Period). The base rate moratorium will avoid a base rate increase, net of the TCJA, for these additional years. In furtherance of the foregoing, the Company may not file another general rate case prior to June 30, 2020, so that new base rates may not be effective prior to January 1, 2021. No additional TCJA related refunds will be made by the Company unless and until the Company files a general rate case. In the Company's next general rate case, it shall adjust rates to reflect the impacts of the TCJA. The Parties acknowledge that for the purposes of the Company's books and records, as well as the next general rate case, excess protected plant-related ADIT will be amortized over the average rate assumption method (ARAM) lives, commencing January 1, 2018. **[Begin Confidential]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[End Confidential]**

The Parties acknowledge NorthWestern does not currently utilize any riders outside of the mechanisms for automatic adjustment of rates for changes in wholesale rates for energy delivered, the delivered costs of fuel, the delivered cost of gas, and ad valorem taxes paid pursuant to SDCL 49-34A-25. The Company agrees that it shall not file for the implementation of any new riders during the moratorium period.

[Begin Confidential]


[REDACTED]

This Stipulation is hereby executed as of the 31<sup>st</sup> day of August, 2018 by the authorized representatives of the Parties:

NorthWestern Corporation  
d/b/a NorthWestern Energy

South Dakota Public Utilities  
Commission Staff

By:   
Its: Robert C. Rowe  
CEO & President

By:   
Its: Staff Attorney

Aug. 30, 2018