

**Montana-Dakota Utilities Co.
Refund Plan
Docket No. NG12-008**

Montana-Dakota Utilities Co., a Division of MDU Resources Group Inc., submits the following plan for refunding the difference between the final overall increase in distribution revenues effective December 1, 2013 and the interim increase in revenues implemented on July 22, 2013 pursuant to SDCL 49-34A-17 and the Settlement Stipulation submitted in this Docket and approved by the Commission on October 31, 2013.

On June 19, 2013, Montana-Dakota filed its Notice of Intent to Implement Interim Rates pursuant to SDCL 49-3A-17. On July 22, 2013 Montana-Dakota implemented an interim increase of \$1,547,982 on an annual basis for service rendered on and after July 22, 2013. The interim increase was applied on an equal percentage basis to the Basic Service Charge and Distribution Delivery Charge applicable under all rates in the Black Hills area.

In its Order issued November 5, 2013, the Commission authorized Montana-Dakota to increase distribution revenues in amount of \$898,778 on an annual basis. This results in the requirement to refund 41.939 percent of the revenues collected on an interim basis.

As shown on Attachment A, Montana-Dakota collected \$210,703 on an interim basis as of October 31, 2013. It is estimated that an additional amount of \$279,822 will be collected through the end of the prorate period effective December 1, 2013. Applying the interim refund percentage factor of 41.939 percent to the estimated interim amount collected results in an estimated refund requirement of \$205,721 before the

application of interest. The refund requirement will be adjusted to reflect actual dollars collected when those amounts are available.

As shown on Attachment A, the estimated refund per residential customer is \$3.26 and the refund per firm general service customer is \$10.12. Given the small amount of the refund per customer and the provision in 49-34A-22 that provides the Commission the alternative to reduce future rates that would otherwise be charged, the Company proposes to reduce the Unrecovered Purchased Gas Cost Account balance (PGA Balancing Account) by the amount of the refund for the residential, firm general service and small interruptible customers. An under-recovered balance of \$1,013,471 from the Black Hills residential, firm general service and small interruptible sales customers exists as of October 31, 2013. Reducing the amount owed in the PGA Balancing Account will provide a benefit to customers and represents an efficient means of refunding the dollars collected under the interim rates. The Company proposes to also offset the Air Force and Large Interruptible PGA Balancing Accounts by the refund due to those two classes. The amount applicable to the transportation service customers is proposed to be refunded as a bill credit. This plan represents the most efficient means of refunding the dollars owed to customers and allowed by SDCL 49-34A-22 given the relatively small nature of the refund on a per customer basis.

The final amount to be refunded will include interest, for the period the interim was collected, based on the rate of interest for a three-month Treasury Bill as published monthly by the Federal Reserve Board for the preceding month. This interest calculation is the same process applied to the Unrecovered Purchased Gas Cost Account pursuant to the Purchased Gas Cost Account Rate 88.