

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

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF MONTANA-DAKOTA UTILITIES CO.</b>	)	<b>SETTLEMENT STIPULATION</b>
<b>FOR AUTHORITY TO INCREASE ITS</b>	)	
<b>NATURAL GAS RATES</b>	)	<b>NG12-008</b>
	)	
	)	

**I. SETTLEMENT STIPULATION**

On December 21, 2012, Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company") filed with the Public Utilities Commission ("Commission") an application for authority 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. In its application, Montana-Dakota also requested that the Black Hills and East River service areas be consolidated into one rate jurisdiction. The Company proposed an increase of approximately \$1.5 million annually or 3.3 percent of total retail revenues, based on Montana-Dakota's test year ending June 30, 2012. Under the requested increase, 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 rates would have affected approximately 47,600 customers in Montana-Dakota's Black Hills service area and approximately 7,200 customers in the East River service area.

On February 19, 2013, the Federal Executive Agencies filed a petition to intervene in this proceeding. The Commission issued an Order Granting Intervention on March 6, 2013. On April 19, 2013, the Federal Executive Agencies filed a Petition to Withdraw. The Commission entered an Order Granting Withdrawal on May 10, 2013.

On October 1, 2013, Staff of the Commission ("Commission Staff") filed its direct testimony supporting an overall decrease for Montana-Dakota's South Dakota service territory of \$1,393,261.

Montana-Dakota and Commission Staff, jointly referred to as "Parties," have been able to resolve all issues in this proceeding and have entered into this Settlement Stipulation ("Stipulation"), which, if accepted and ordered by the Commission, will determine the rates to result from Montana-Dakota's Application.

## **II. PURPOSE**

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket No. NG12-008. 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, 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 and is submitted with the condition that in the event the Commission imposes any material changes to or conditions upon this Stipulation which are unacceptable to either Party, 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.

3. This Stipulation shall become binding upon execution by the Parties provided, however, that if this Stipulation does not become effective in accordance with Paragraph 2 above, it shall be null, void, and privileged. This Stipulation is intended to relate only to the specific matter 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 rate making principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation, or be prejudiced or bound thereby in any other current or future rate proceeding before the Commission. Neither Party nor a representative thereof shall directly or indirectly refer to this Stipulation as precedent in any other current or future rate proceeding before the Commission.
4. The Parties to this proceeding stipulate that all pre-filed testimony, exhibits, and work papers be made a part of the record in this proceeding. The Parties understand that if the issues settled in this matter had not been settled, the procedural schedule would have continued, Montana-Dakota would have filed rebuttal testimony, and an evidentiary hearing would have been conducted where the witnesses providing testimony would have been subject to examination.
5. It is understood that Commission Staff enters into this Stipulation for the benefit of Montana-Dakota's South Dakota customers affected by this docket.

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

1. Revenue Requirement

The parties agree that Montana-Dakota's attached rate schedules are designed to produce an annual increase in base rate levels (excluding the cost of gas and sales taxes) of \$898,778, or approximately 2% annually for retail natural gas service in South Dakota. The parties agree to an overall rate of return of 7.60%. The parties also agree this amount does not include the cost of service for Montana-Dakota's Billings Landfill production operations, consisting of all Landfill operating expenses and return on investment, claimed in the Company's base rate filing. In lieu thereof, gas from the Billings Landfill gas production facility that is used in the Company's system gas supply will be priced for purposes of the monthly Purchased Gas Adjustment Tariff at the Company's average cost of gas for its other system gas supplies.

## 2. Rate Consolidation

The Parties agree to the consolidation of the Black Hills and East River rate areas resulting in the elimination of Rate Schedules 66, 76, 86 and 89.

## 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 the increase in rates for natural gas service will be allocated to the affected rate classes resulting in increases as shown on attached Exhibit B. The Parties agree that the rates agreed to by the Parties result in just and reasonable rates for all of Montana-Dakota's South Dakota customers. The parties agree that the net margin sharing plan for grain drying customers set forth in the Cost of Gas Rate 88 schedule should be adopted. The Tariffs reflect the following proposed basic service charges with the remainder of the applicable revenue increase collected through the Distribution Delivery Charges:

<u>Rate Class</u>	<u>Base Rate</u>
Residential	\$0.28 per day
Firm General	
Meters < 500 cubic ft./hour	\$0.35 per day
Meters > 500 cubic ft./hour	\$1.07 per day
Small Interruptible Sales	\$150.00 per month
Small Interruptible Transport	\$150.00 per month
Large Interruptible Sales	\$230.00 per month
Large Interruptible Transport	\$230.00 per month

#### 4. Depreciation Rates

The Parties agree to use the depreciation rates proposed by the Company with the exception of the following accounts, which shall use the depreciation rate and net salvage components shown below:

<u>Acct. No.</u>	<u>Account</u>	<u>Rate</u>	<u>Net Salvage</u>
	<u>Distribution Plant</u>		
376	Mains	2.25%	-30%
380	Services	7.17%	-175%
381	Positive Meters	3.10%	-5%
	<u>Common Plant</u>		
390	Structures and Improvements	1.46%	20%

The depreciation rates shall be effective December 1, 2013.

#### 5. Implementation of Rates

The revised rate schedules shall be implemented with service rendered on and after December 1, 2013, with bills prorated so that usage prior to December 1, 2013, is billed at the previous rates and usage on and after December 1, 2013 is billed at the new rates.

#### 6. Interim Rate Refund

Interim rates were implemented on July 22, 2013. Approval of this Stipulation will

authorize a rate increase less than the interim rate level in effect. The Company agrees to refund customers paying the interim increase based on the difference between the final overall increase in distribution revenues effective December 1, 2013 and the interim increase in distribution revenues, including interest . A detailed Refund Plan will be submitted upon Commission approval of this Stipulation.

Conclusion

This Stipulation is entered into this 24<sup>th</sup> day of October, 2013.

Montana-Dakota Utilities Co.

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DATED: 24 October 2013

South Dakota Public Utilities Commission

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DATED: 24 October 2013