

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Application of)	NG15-005
MONTANA-DAKOTA UTILITIES CO., a)	
Division of MDU Resources Group, Inc.,)	SETTLEMENT STIPULATION
for Authority to Increase its Natural Gas)	
Rates)	

I. SETTLEMENT STIPULATION

On June 30, 2015, 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. The Company proposed an increase of approximately \$1.5 million annually or 3.1 percent of total retail revenues, based on Montana-Dakota’s test year ending December 31, 2014. Under the requested increase, a typical residential customer using 72 dk on an annual basis would see an average increase of approximately \$2.21 per month. The proposed rates would affect approximately 57,600 customers in Montana-Dakota’s service area.

On July 29, 2015, the Federal Executive Agencies filed a petition to intervene in this proceeding. The Commission issued an Order Granting Intervention on August 21, 2015.

Montana-Dakota, the Federal Executive Agencies 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 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. NG15-005. 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 expressed 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 any Party, this Stipulation 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.
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. All Parties waive any claim or right which they 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 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. No 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 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, Commission Staff would have filed direct testimony, 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 the 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 the base rate levels (excluding the cost of gas and sales taxes) of \$1,206,944, or approximately 2.45% annually for retail natural gas service in South Dakota. The Parties agree to an overall rate of return of 7.216%.

2. 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 below.

Residential	3.16%
Small Firm General	3.43%
Large Firm General	1.00%
Small Interruptible Sales & Transportation	0.46%
Large Interruptible Sales & Transportation	0.46%
Total South Dakota	<u>2.45%</u>

The cost allocation underlying the stipulated allocation of revenues does not include a peak day design demand allocation to the interruptible classes. 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 Tariffs reflect the following proposed basic service charges with the remainder of the application revenue increase collected through the Distribution Delivery Charges:

	<u>Basic Service Charge</u>
Residential	\$0.30 Per Day
Small Firm General	\$0.55 Per Day
Large Firm General	\$1.68 Per Day
Small Interruptible Sales & Transportation	\$180.00 Per Month
Large Interruptible Sales & Transportation	\$275.00 Per Month

3. Moratorium.

Company agrees that no general rate case shall be filed with the South Dakota Public Utilities Commission for an increase in base rates which would go into effect prior to January 1, 2019. However, this restriction would not prevent Montana-Dakota from filing for a base rate increase to take effect prior to January 1, 2019, if the requested rate increase is for permitted transmission system construction and/or upgrades or based solely on system integrity and safety costs that may have a material effect on the Company's earnings, whether occasioned by federal or state regulatory requirements, an act of God or other unpredictable extraordinary occurrences. The Parties agree that this rate moratorium does not apply to any rider or other adjustment mechanism allowed by state statute.

4. Implementation of Rates

The revised rate schedules shall be implemented with service rendered on and after July 1, 2016, with bills prorated so that usage prior to July 1, 2016 is billed at the previous rates and usage on and after July 1, 2016 is billed at the new rates.

5. Interim Rate Refund

Interim rates were implemented on January 1, 2016. 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 upon approval and the interim increase in distribution revenues, including interest. A detailed Refund Plan is provided as Exhibit B.

Conclusion

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

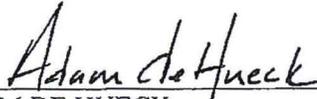
This Stipulation is entered into on this 18th day of May, 2016.

MONTANA-DAKOTA UTILITIES CO.

BY: 
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Dated: 5/18/16

SOUTH DAKOTA PUBLIC UTILITIES
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Dated: 16 May 2016