

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

IN THE MATTER OF THE APPLICATION)	
OF MONTANA-DAKOTA UTILITIES CO., A)	SETTLEMENT STIPULATION
SUBSIDIARY OF MDU RESOURCES GROUP,)	
INC. FOR AUTHORITY TO INCREASE ITS)	NG23-014
NATURAL GAS RATES)	

I. SETTLEMENT STIPULATION

On August 15, 2023, Montana-Dakota Utilities Co. (“Montana-Dakota” or “Company”) filed with the South Dakota 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 \$7.4 million annually or 11.2 percent of total retail revenues, based on Montana-Dakota’s test year ending December 31, 2022. Under the requested increase, a typical residential customer using 5.5 dk per month would see an average increase of approximately \$8.70 per month, or an approximate increase of 15.9%. The proposed rates would affect approximately 64,600 customers in Montana-Dakota’s service area.

Montana-Dakota and South Dakota Public Utilities Commission Staff (“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. NG23-014. 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 for this or any future rate proceeding involving Montana-Dakota or any other South Dakota regulated public utility under the Commission’s jurisdiction. 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 an 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 in this case or any other case.
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 advantaged or 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 or that part Commission order relating 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 issued settled in this matter had not been settled, a procedural schedule would have been established, Staff would have formalized their positions in testimony, Montana-Dakota would have filed rebuttal testimony, Staff would have responded to certain positions contained in Montana-Dakota's rebuttal testimony, and an evidentiary hearing would have been conducted where the witnesses providing testimony would have been subject to direct and cross-examination.

5. It is understood that the 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 the revenue deficiency is \$5,369,333. 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 \$5,366,373, or approximately 8.14% annually for retail natural gas service in South Dakota.

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 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 Tariffs reflect the following proposed Basic Service Charges with the remainder of the application revenue increase collected through the Distribution Delivery Charges:

<u>Rate Class</u>	<u>Basic Service Charge</u>
Residential	\$0.32 per day
Firm General	
Small Meters < 500 cubic ft./hr	\$0.73 per day
Large Meters > 500 cubic ft./hr	\$1.86 per day
Small Interruptible Sales	\$210.00 per month
Small Interruptible Transport	\$210.00 per month
Large Interruptible Sales	\$370.00 per month
Large Interruptible Transport	\$370.00 per month

3. 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	1.85%	-15%

The depreciation rates shall be effective March 1, 2024.

4. Incentive Compensation

The Parties have agreed that the revenue requirement includes incentive compensation of \$474,455. In the event that Montana-Dakota determines that no incentive compensation will be paid to employees in a calendar year, the Company shall reserve \$474,455 to be used as an offset in the next filed general rate case. This provision shall apply for each year the Company does not pay employees incentive compensation, until the next general rate case.

5. Future General Rate Increase

The Parties have agreed that the Company will not file any application to increase general rates, for rates that would go into effect prior to March 1, 2027. However, this restriction would not prevent Montana-Dakota from filing for a base rate increase to take effect prior to March 1, 2027, if the requested rate increase is based solely on system integrity and safety costs that may have a material effect on the Company's cost of service, 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 adjustment mechanism allowed by state statute.

6. Capital Structure

The Parties have agreed that the balance of short term debt shall use the same cost of debt

as long term debt in the current general rate case as well as future general rate cases.

7. Implementation of Rates

The revised rate schedules shall be implemented with service rendered on and after September 1, 2024, with bills prorated so that usage prior to September 1, 2024 is billed at the previous rates and usage on and after September 1, 2024 is billed at the new rates.

8. Interim Rate Refund

Interim rates were implemented on March 1, 2024. 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 September 1, 2024 and the interim increase in distribution revenues, including interest. A detailed Refund Plan is attached as Exhibit C.

9. Customer Notice

Customers will be notified of the changes in rates through a bill insert provided with the first month of bills to which new rates apply. The bill insert is provided in Exhibit D.

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 26 day of July, 2024.

MONTANA-DAKOTA UTILITIES CO.

BY: Brett Koenecke
BRETT KOENECKE
May, Adam, Gerdes & Thompson, LLP
Attorney for Montana-Dakota Utilities Co.
503 S. Pierre Street
Pierre, SD 57501

SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION STAFF

BY: Amanda M. Reiss
AMANDA REISS
Staff Attorney
South Dakota Public Utilities Commission
500 E. Capitol Avenue
Pierre, SD 57501

Dated: 7/26/24

Dated: 7/26/2024