



# MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street  
Bismarck, ND 58501  
(701) 222-7900

# ORIGINAL

April 16, 2012

## RECEIVED

APR 16 2012

### PUBLIC SERVICE COMMISSION

Executive Secretary  
North Dakota Public Service Commission  
State Capitol Building  
Bismarck, ND 58505-0480

Re: Electric Earnings Sharing  
Case No. PU-10-124

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and seven copies of its earnings sharing adjustment pursuant to the Partial Settlement Agreement dated June 16, 2010 and adopted in the Commission's Final Order issued on June 8, 2011 in Case No. PU-10-124.

The Settlement Agreement contained a provision requiring that if the return on equity for North Dakota electric operations exceeded 10.75 percent, Montana-Dakota would share revenues corresponding to 50 percent of the earnings above 10.75 percent. Montana-Dakota's return on equity for the twelve months ending December 31, 2011, as normalized, was higher than the 10.75 percent threshold established in the Settlement Agreement. Montana-Dakota has calculated a refund of \$1,280,682 to be returned to customers, which is shown on Exhibit A, pursuant to the Partial Settlement Agreement. Exhibit A shows the actual results of operations for 2011 and the normalizing adjustments to exclude those items that are not typically included in a general rate case or reflect prior period amounts.

The Partial Settlement Agreement states that the shared revenues will be applied as a one-time bill credit to customers as soon as practicable after July 1. Montana-Dakota is requesting that an alternate method be used to provide the required bill credits to customers. Montana-Dakota is in the midst of developing a new customer care and billing (CC&B) system and the work requirements necessary to implement a bill credit will cause a delay completion of the new CC&B system. Montana-Dakota is proposing to refund to customers on a per kwh basis effective with service rendered June 1, 2011 to be effective for the months of June and July, with any amounts under or over refunded then placed in the electric supply cost deferred balance. Exhibit B shows the calculation of the credit of \$0.00410 per Kwh that will be applied to all customers' bills in June and July 2012 based on the Kwh billed under each rate schedule. The credit will be applied as a separate line item on customer bills. A residential customer using 750 Kwh per month will see a total bill credit of \$6.15.

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Earnings sharing adjustment

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter, attached hereto, and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Rita A. Mulkern  
Regulatory Affairs Manager

Attachments

**MONTANA-DAKOTA UTILITIES CO.  
NORTH DAKOTA ELECTRIC  
2011 EARNINGS SHARING SUMMARY**

	<u>2011</u>	<u>Adjustments 1/</u>	<u>2011 Adjusted</u>
Revenue			
Sales	\$128,810,476	\$0	\$128,810,476
Sales for Resale	2,838,998	(1,815,479)	1,023,519
Reserve for Refunds	(640,000)	640,000	0
Other	5,453,500	0	5,453,500
Total	<u>136,462,974</u>	<u>(1,175,479)</u>	<u>\$135,287,495</u>
Expenses			
Cost of Fuel & PP	35,904,196	0	35,904,196
Fuel - SFR	777,073	0	777,073
O&M	43,366,547	(608,801)	42,757,746
Total	<u>80,047,816</u>	<u>(608,801)</u>	<u>79,439,015</u>
Depreciation	21,128,807	0	21,128,807
Taxes Other	4,826,878	0	4,826,878
Current Income Taxes	(8,477,328)	5,785,517	(2,691,811)
Deferred Income Taxes	12,994,926	(4,414,107)	8,580,819
Expenses	<u>110,521,099</u>	<u>762,609</u>	<u>111,283,708</u>
Net Income	\$25,941,875	(\$1,938,088)	\$24,003,787
Rate Base	\$251,452,820		\$251,452,820
Rate of Return	10.317%		9.546%
<b>Return on Equity</b>	<b><u>13.341%</u></b>		<b>11.913%</b>
Authorized Return			10.750%
Difference in Return			1.163%
Revenue to Share			\$2,561,364
Share 50 percent			<u>\$1,280,682</u>

**MONTANA-DAKOTA UTILITIES CO.  
NORTH DAKOTA ELECTRIC  
2011 EARNINGS SHARING**

	2011	Adjustments					Total Adjustments	Adjusted 2011
		Reserve 1/	MSA 2/	SISP 3/	401K 4/	Prior Period Tax 5/		
<b>Revenue</b>								
Sales	\$128,810,476						\$0	\$128,810,476
Sales for Resale	2,838,998		(\$1,815,479)				(1,815,479)	1,023,519
Reserve for Refunds	(640,000)	\$640,000					640,000	0
Other	5,453,500						0	5,453,500
<b>Total</b>	<b>136,462,974</b>	<b>640,000</b>	<b>(1,815,479)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,175,479)</b>	<b>135,287,495</b>
<b>Expenses</b>								
Cost of Fuel & PP	35,904,196						0	35,904,196
Fuel - SFR	777,073						0	777,073
O&M	43,366,547			(608,801)			(608,801)	42,757,746
<b>Total</b>	<b>80,047,816</b>	<b>0</b>	<b>0</b>	<b>(608,801)</b>	<b>0</b>	<b>0</b>	<b>(608,801)</b>	<b>79,439,015</b>
Depreciation	21,128,807						0	21,128,807
Taxes Other	4,826,878						0	4,826,878
Current Income Taxes 6/	(8,477,328)	245,424	(696,191)	80,931	360,159	5,795,194	5,785,517	(2,691,811)
Deferred Income Taxes	12,994,926			113,368		(4,527,475)	(4,414,107)	8,580,819
<b>Expenses</b>	<b>110,521,099</b>	<b>245,424</b>	<b>(696,191)</b>	<b>(414,502)</b>	<b>360,159</b>	<b>1,267,719</b>	<b>762,609</b>	<b>111,283,708</b>
<b>Net Income</b>	<b>\$25,941,875</b>	<b>\$394,576</b>	<b>(\$1,119,288)</b>	<b>\$414,502</b>	<b>(\$360,159)</b>	<b>(\$1,267,719)</b>	<b>(\$1,938,088)</b>	<b>\$24,003,787</b>
<b>Rate Base</b>	<b>\$251,452,820</b>							<b>\$251,452,820</b>
<b>Rate of Return</b>	<b>10.317%</b>							<b>9.546%</b>
<b>Return on Equity</b>	<b>13.341%</b>							<b>11.913%</b>

1/ Eliminates the reserve for the earnings sharing mechanism.

2/ Eliminates the margin sharing adjustment.

3/ Eliminates supplemental insurance and related adjustments as it is not included in a general rate case.

4/ Eliminates permanent tax deduction for the 401K as it is not included in a general rate case.

5/ Eliminates prior period and closing/filing income tax adjustments and not included in a general rate case.

6/ Tax Calculation	Reserve	MSA	SISP	401K	Prior Period Tax	Total Adjustments
Change in Rev. & Expense	\$640,000	(\$1,815,479)	\$608,801	\$0	\$0	(\$566,678)
Change in Tax Deductions			397,755	(939,199)	0	(541,444)
Net change in taxable income	640,000	(1,815,479)	211,046	939,199	0	(25,234)
Income Taxes @ 38.3475%	245,424	(696,191)	80,931	360,159	0	(9,677)

**Montana-Dakota Utilities Co.  
Electric Utility - North Dakota  
Earnings Sharing - 2011  
Case No. PU-10-124**

2011 Earnings Sharing Amount to Customers	\$1,280,682
Projected Kwh Sales - June & July 2012	312,037,000
Bill Credit Amount per Kwh	<u>\$0.00410</u>
Average Residential Bill Credit - 750 Kwh/ month	\$6.15