

April 2, 2015

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

Re: Case Nos. PU-14-108 and PU-14-109  
Amended Application for an Electric  
Generation Resource Recovery Rider  
Tariff and Rates

Earnings Sharing Provision

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits an original and two copies of its earnings sharing adjustment pursuant to the Commission's Order On Settlement dated August 20, 2014 in the above referenced cases.

The Settlement Agreement contained a provision requiring that if the return on equity for North Dakota electric operations in 2014 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, 2014 was higher than the 10.75 percent threshold. Montana-Dakota has calculated a refund of \$879,018 to be returned to customers, which is shown on Attachment A, page 2. Attachment A shows the actual results of operations for 2014 and the adjustments to exclude those items not applicable to the earnings sharing. The sales for resale revenue and fuel expense were eliminated as the net margin from these sales is returned to customers each month as a credit to the Fuel and Purchased Power Adjustment. The reserve for refund, which represents the amount reserved for the earnings sharing in 2014, was also eliminated.

Attachment A, page 1 summarizes the 2014 earnings sharing, with a total amount of \$879,018 to be returned to customers. Montana-Dakota is proposing to refund this amount to all electric customers, with the exception of contract customers, on a per Kwh basis effective with service rendered June 1, 2015 to be effective for the months of June and July, with any amounts under- or over-refunded then placed in the Fuel and Purchased Power balancing account. Attachment A, page 1 shows the calculation of the credit of \$0.00239 per Kwh that will be applied to customers' bills in June and July

2015 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 894 Kwh per month will see a total bill credit over the two month period of \$2.14.

Montana-Dakota requests Commission approval of this plan by May 27, 2015 in order to implement the earnings sharing credit effective with serviced rendered on and after June 1, 2015.

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,



Tamie Aberle  
Director of Regulatory Affairs

Attachments

**MONTANA-DAKOTA UTILITIES CO.  
NORTH DAKOTA ELECTRIC  
2014 EARNINGS SHARING**

Earning Sharing Amount to Customers 2014 Sharing 1/	\$879,018
Projected Kwh Sales 2/	367,237,267
Refund per Kwh	<u>\$0.00239</u>
Monthly Typical Residential Bill Credit using 894 Kwh per month	<u>\$2.14</u>

1/ Page 2.

2/ 2015 projected sales (Kwh) excluding contract sales

**MONTANA-DAKOTA UTILITIES CO.  
NORTH DAKOTA ELECTRIC  
2014 EARNINGS SHARING SUMMARY**

	<u>2014</u>	<u>Adjustments 1/</u>	<u>2014 Adjusted</u>
Revenue			
Sales	\$170,424,715	\$0	\$170,424,715
Sales for Resale	442,000	(442,000)	0
Reserve for Refunds	(450,000)	450,000	0
Other	7,179,001	0	7,179,001
Total	<u>177,595,716</u>	<u>8,000</u>	<u>\$177,603,716</u>
Expenses			
Cost of Fuel & PP	53,095,423	0	53,095,423
Fuel - SFR	338,731	(338,731)	0
O&M	53,664,618	0	53,664,618
Total	<u>107,098,772</u>	<u>(338,731)</u>	<u>106,760,041</u>
Depreciation	22,909,594	0	22,909,594
Taxes Other	5,579,666	0	5,579,666
Current Income Taxes	(12,444,065)	131,565	(12,312,500)
Deferred Income Taxes	21,683,004	0	21,683,004
Expenses	<u>144,826,971</u>	<u>(207,166)</u>	<u>144,619,805</u>
Net Income	\$32,768,745	\$215,166	\$32,983,911
Average Rate Base	\$389,530,184		\$389,530,184
Rate of Return	8.412%		8.468%
<b>Return on Equity</b>	<u><b>11.182%</b></u>		<b>11.291%</b>
Authorized Return			10.750%
Difference in Return			0.541%
Revenue to Share			\$1,758,036
Share 50 percent			<u><u>\$879,018</u></u>

**MONTANA-DAKOTA UTILITIES CO.  
NORTH DAKOTA ELECTRIC  
2014 EARNINGS SHARING**

	2014	Adjustments		Total Adjustments	Adjusted 2014
		Reserve 1/	Sales for Resale (SFR) 2/		
Revenue					
Sales	\$170,424,715			\$0	\$170,424,715
Sales for Resale	442,000		(\$442,000)	(442,000)	0
Reserve for Refunds	(450,000)	\$450,000		450,000	0
Other	7,179,001			0	7,179,001
Total	177,595,716	450,000	(442,000)	8,000	177,603,716
Expenses					
Cost of Fuel & PP	53,095,423			0	53,095,423
Fuel - SFR	338,731		(338,731)	(338,731)	0
O&M	53,664,618			0	53,664,618
Total	107,098,772	0	(338,731)	(338,731)	106,760,041
Depreciation	22,909,594			0	22,909,594
Taxes Other	5,579,666			0	5,579,666
Current Income Taxes 3/	(12,444,065)	170,750	(39,185)	131,565	(12,312,500)
Deferred Income Taxes	21,683,004			0	21,683,004
Expenses	144,826,971	170,750	(377,916)	(207,166)	144,619,805
Net Income	\$32,768,745	\$279,250	(\$64,084)	\$215,166	\$32,983,911
Average Rate Base	\$389,530,184				\$389,530,184
Rate of Return	8.412%				8.468%
<b>Return on Equity</b>	<b>11.182%</b>				<b>11.291%</b>

1/ Eliminates the estimated reserve for the earnings sharing mechanism.

2/ Eliminates the sales for resale as the margin is reflected in the Fuel and Purchased Power Adjustment.

3/ Tax Calculation	Reserve	SFR	Adjustments
Change in Rev. & Expense	\$450,000	(\$103,269)	\$346,731
Change in Tax Deductions			0
Net change in taxable income	450,000	(103,269)	346,731
Income Taxes @ 37.9445%	170,750	(39,185)	131,565

Capital Structure	Average 2014	Cost	Weighted
LTD	42.556%	5.870%	2.498%
STD	4.017%	1.213%	0.049%
PS	1.658%	4.581%	0.076%
CE	51.769%	11.182%	5.789%
	100.000%		8.412%