

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Generation Resource Cost Recovery
Tariff

Case No. PU-14-108

Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Generation Resource Recovery Rider
Rates

Case No. PU-14-109

AFFIDAVIT OF SERVICE BY CERTIFIED & REGULAR MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Shelly A. Bauske deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **26th** day of **August, 2014**, she deposited in the United States Mail, at Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

Order on Settlement

The envelope was addressed as follows:

Tamie Aberle
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

Cert. No. 7013 2250 0001 0313 8716

Shelly A. Bauske further deposes and says that on the **26th** day of **August, 2014**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope by regular mail, with postage fully prepaid, securely sealed, each containing a photocopy of the same.

Daniel S. Kuntz
MDU Resources Group, Inc.
PO Box 5650
Bismarck, ND 58506-5650

41 PU-14-109 Filed 08/26/2014 Pages: 27
Affidavit of Service cert. & reg. mail – Order on Settlement
Public Service Commission

39 PU-14-108 Filed 08/26/2014 Pages: 27
Affidavit of Service cert. & reg. mail – Order on Settlement
Public Service Commission

Affidavit of Service by Certified & Regular Mail
Page 2
August 26, 2014

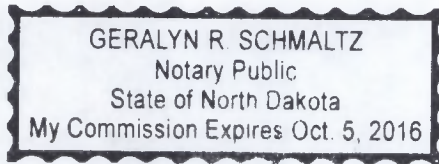
The addresses shown are the respective addressee's last reasonably ascertainable post office address.

Shelly A Bausk

Subscribed and sworn to before me
this 26th day of **August, 2014.**

Geralyn R Schmaltz
Notary Public

SEAL



**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Generation Resource Recovery Rider
Tariff

Case No. PU-14-108

Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Generation Resource Recovery Rider
Rates

Case No. PU-14-109

ORDER ON SETTLEMENT

August 20, 2014

On February 27, 2014 Montana-Dakota Utilities Co. (MDU) filed for approval to implement a generation resource cost recovery rider tariff (Case No. PU-14-108) and rate increases under the rider (Case No. PU-14-109) to recover costs associated with a new 88 MW combustion turbine generator (Heskett III) located at Mandan, North Dakota, and a new natural gas pipeline constructed to provide fuel for Heskett III.

On April 23, 2014 the Commission issued a Notice of Hearing, scheduling a public hearing on both cases for May 28, 2014 at 1:00 p.m. CDT in the Commission Hearing Room, 12th floor, State Capitol, 600 E Boulevard Ave, Bismarck, ND 58505. The notice identified the issues to be considered were whether the proposed generation resource cost recovery rider and proposed initial rate increases should be approved. The public hearing was held as scheduled on May 28, 2014.

On May 9, 2014 MDU filed an amendment to its application to remove from the proposed rate increases costs associated with the new natural gas pipeline.

On May 20, 2014 MDU and Commission Advocacy Staff filed with the Commission a Settlement Agreement.

On June 11, 2014 the Commission issued a Notice of Opportunity For Consolidated Hearing, which provided until July 23, 2014 for receiving written comments and requests for hearing. The notice identified the issue to be considered as whether the Settlement Agreement should be accepted. No response was received.

On July 25, 2014 MDU and Advocacy Staff filed an Amendment to Settlement Agreement,.

The Settlement Agreement recommends the Commission approve a generation resource recovery rider tariff that includes no rate increases. The Settlement Agreement provides that MDU could file rate increases later if current and projected earnings for the year are expected to be below 10.75% return on equity. Under the Settlement Agreement, as originally proposed, the rate increases for residential and small general service customers would be in the form of a fixed charge per customer per day. Under the Amendment to Settlement Agreement, the form of residential and small general service customer charges is changed from a fixed charge to a volumetric charge per kWh. For large general service customers the rate increase would be a charge per kW

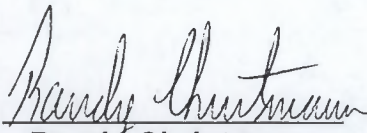
of demand. Finally, the Settlement Agreement provides that if 2014 earnings exceed 10.75% MDU would refund to customers 50% of the excess earnings.

Having considered this matter, the Commission finds the Settlement Agreement filed May 20, 2014, as amended by filing on July 25, 2014, reasonable and acceptable. Therefore, the Commission issues the following:

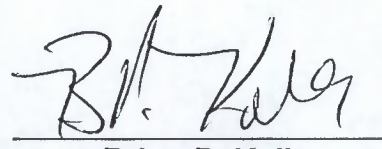
Order

The Commission Orders the Settlement Agreement filed by the parties on May 20, 2014 and amended July 25, 2014 is approved. Copies of the Settlement Agreement and Amendment to Settlement Agreement are attached to and made a part of this Order.

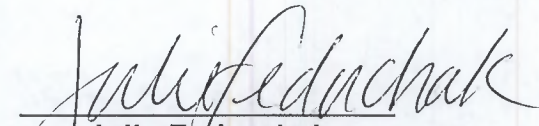
PUBLIC SERVICE COMMISSION



Randy Christmann
Commissioner



Brian P. Kalk
Chairman



Julie Fedorchak
Commissioner



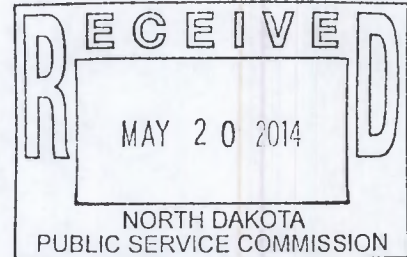
MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

May 20, 2014



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

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

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith submits the original and seven (7) copies of a Settlement Agreement entered into by Montana-Dakota and the Advocacy Staff of the North Dakota Public Service Commission. Acceptance of this Settlement Agreement by the Public Service Commission will resolve the issues in this proceeding.

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

Sincerely,

Garret Senger
Vice President – Regulatory Affairs and
Chief Accounting Officer

Attachment

cc: D. Kuntz
M. Diller

- 17 PU-14-109 Filed 05/20/2014 Pages: 16
Executed Settlement Agreement
Montana-Dakota Utilities Co. / Public Service Commission Advocacy Staff
Garret Senger / Mike Diller
- 15 PU-14-108 Filed 05/20/2014 Pages: 16
Executed Settlement Agreement
Montana-Dakota Utilities Co. / Public Service Commission Advocacy Staff
Garret Senger / Mike Diller

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
a Division of MDU Resources Group, Inc.
Generation Resource Recovery Rider Tariff

Case No. PU-14-108

Montana-Dakota Utilities Co.
a Division of MDU Resources Group, Inc.
Generation Resource Recovery Rider Rates

Case No. PU-14-109

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., ("Montana-Dakota" or "Company") and the Advocacy Staff of the North Dakota Public Service Commission ("Staff"), (collectively the "Parties"). The Parties agree this Settlement Agreement, upon approval by the North Dakota Public Service Commission ("Commission"), resolves all issues in this case in a manner consistent with the public interest and will result in just and reasonable rates for the Company's retail electric operations in North Dakota.

PROCEDURAL HISTORY

A. On February 27, 2014, Montana-Dakota filed an application for Commission approval of a Generation Resource Recovery Rider Tariff ("Generation Rider"). The Company also proposed rate adjustments under the Generation Rider to recover North Dakota's share of the investment in the Heskett III 88 MW Simple Cycle Combustion Turbine Station ("Heskett III") expected to be operational in July 2014. Filed with the Application were revised tariffs, direct testimony, exhibits and supporting statements.

The Commission issued an Advance Determination of Prudence for Heskett III in Case No. PU-11-395 and a Certificate of Public Convenience and Necessity in Case No. PU-11-396. The Heskett III project is nearing completion at an estimated cost of \$76.1 million, approximately 11 percent less than the projected costs included in the ADP in Case No. PU-11-395.

Montana-Dakota requested approval of the Generation Rider with an initial rate adjustment effective on or after the in-service date of Heskett III as to provide a recovery on the Heskett III investment and associated operating costs. The proposed rate adjustment was intended to recover the costs of the Heskett III project and would result in a monthly increase of \$3.62 for a typical residential customer using 894 Kwh per month. The proposed rate adjustments under the Generation Rider, by rate class, reflecting estimated costs for the period July 2014 through July 2015 with an expected effective date of August 1, 2014 were as shown below:

Residential and Small General	\$0.00405 per Kwh
Large General	\$0.00324 per Kwh
Lighting	\$0.00195 per Kwh

Montana-Dakota proposed to file an updated rate adjustment under the Generation Rider annually with the Company ceasing recovery for the Heskett III resource through the Generation Rider when the investment is included in effective rates after a general rate filing.

B. The Commission suspended Montana-Dakota's application by motion on March 12, 2014.

C. On May 9, 2014 Montana-Dakota filed an Amended Application for a Generation Rider that removed the costs of the natural gas pipeline from the revenue

requirement. The revised revenue requirement is \$5,270,008. The revised monthly increase for a typical residential customer using 894 Kwh per month is \$2.57. The proposed rate adjustments under the Generation Rider, by rate class, reflecting estimated costs for the period July 2014 through June 2015 with an expected effective date of August 1, 2014 are as shown below:

Residential and Small General	\$0.00288 per Kwh
Large General	\$0.00231 per Kwh
Lighting	\$0.00139 per Kwh

D. No person has yet filed a petition to intervene in this proceeding.

E. Settlement discussions were held between the Parties. As a result of those discussions, the Parties reached this Settlement Agreement.

F. The Settlement Agreement is supported by the administrative record. Accordingly, the Parties recommend the Commission issue an Order approving this Settlement Agreement in its entirety, without conditions or modifications.

1. **Generation Resource Recovery Rider Tariff**. The Parties agree to, and recommend the Commission approve, a Generation Rider establishing a mechanism to recover the costs of large generation resources incurred outside of a general rate proceeding. The approved Generation Rider should be in the form attached hereto as Attachment A. Montana-Dakota shall file the approved Generation Rider as a compliance filing within 15 days of the Commission's approval of this Agreement.

2. **Rate Adjustment under the Generation Rider**. The Parties agree, and recommend the Commission approve, that Montana-Dakota will withdraw its pending rate adjustment under the Generation Rider. On or after August 1, 2014, Montana-Dakota may re-file the rate adjustment in the amount and in the manner provided herein

to recover North Dakota's share of the costs of the Heskett III combustion turbine and associated facilities, including those facilities necessary to interconnect the Heskett III generator with Montana-Dakota's existing electric transmission system. Montana-Dakota may re-file the rate adjustment upon a reasonable showing that the combination of its current and projected earnings for the year are expected to be below a return level of 10.75% ROE. Costs to be recovered include a return on capital expenditures including AFUDC, operating expenses, depreciation, and taxes. The rate adjustment under the Generation Rider shall not include recovery of the costs of the natural gas pipeline constructed to supply fuel for the Heskett III generator. Rather, the costs of the pipeline shall be recovered in the manner provided in paragraph 8. A rate adjustment for recovery of Heskett III costs may remain in effect, subject to re-calculation as provided in paragraph 5, until the Heskett III costs are included in retail rates following a general rate filing.

3. **Revenue Requirement.** The parties agree that the annual revenue requirement associated with the Heskett III generator is \$5,270,008 as provided in Attachment B. For purposes of this Agreement, Montana-Dakota's revenue requirement is based upon a return on equity of 10.75 percent.

4. **Effective Date.** The rate adjustment for recovery of the Heskett III costs shall be effective thirty days following the re-filing by the Company in accordance with paragraph 2. The Company will keep the Staff informed of any developments (and provide supporting documents) leading up to the decision to refile in order to accommodate the expedited approval process.

5. **Recovery Method.** The revenue requirement associated with cost recovery of the Heskett III generator will be allocated among the customer classes using a demand factor, excluding the lighting schedules. The lighting schedules are excluded from the increase due to the class producing returns much greater than the overall allowed return coupled with the fact that most lighting services have an associated general service account that will see the increase. The rate adjustment for recovery of the revenue requirement within the customer classes will be recovered on fixed charge basis for the residential and small general service classes. The rate adjustment for recovery of the revenue requirement for the large general service class is based on peak demand applied on a per KW basis.

6. **Annual Filing.** The Company will file with the Commission a recalculation of the rate adjustment based upon the annual revenue requirement stated in paragraph 3 and projected energy sales for the subsequent annual period on an annual basis. The filing is to be coordinated with the Company's Annual Reports to the Commission so earnings levels are considered each year prior to authorizing new or modified rate adjustments under the Generation Rider.

7. **Return on Equity Refunds.** Fifty percent of any revenues received by Montana-Dakota in 2014 that allow it to earn an annual return on equity on its North Dakota retail electric operations in excess of 10.75 percent shall be refunded to its North Dakota customers. All refunds under this paragraph shall be implemented in accordance with a plan filed with and approved by the Commission.

8. **Pipeline Costs Recovery.** The Parties agree to, and recommend the Commission approve an agreement between the Company's Gas Utility and the

Company's Electric Supply Group for provision of firm natural gas services to the Heskett III Station. The agreement will allow for: (1) recovery of the costs incurred to construct, maintain and operate the pipeline constructed for delivery of natural gas to the Heskett III generator; (2) credit for marginal revenues received from third parties receiving natural gas distribution service off of the pipeline; and (3) credit for value, if any, provided by the pipeline for reliability and support to Montana-Dakota's natural gas distribution system. Amounts paid under this rate for provision of natural gas service to the Heskett III Station shall be recovered under the Fuel and Purchased Power Adjustment Rate 58. The Parties recommend approval of the revisions to the Fuel and Purchased Power Adjustment Rate 58 provided in Attachment C.

OTHER TERMS AND CONDITIONS

1. Basis of Settlement.

It is agreed this Settlement Agreement is a negotiated settlement agreement subject to approval by the Commission. The Settlement Agreement does not establish any principle or precedent, nor adopt or recommend any specific type or amount of expense or rate base, for this or any future proceeding.

2. Effect of the Settlement Negotiations.

It is understood and agreed that all offers of settlement and discussions related to this Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Commission does not approve this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any party for any purpose in this case or otherwise.

3. Applicability and Scope.

This Settlement Agreement shall be binding on the Parties, and their successors, assigns, agents, and representatives. Consistent with the Commission's settlement guidelines, this Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement shall not in any respect constitute an agreement, admission or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in this proceeding.

4. Effective Date.

This Settlement Agreement shall be effective on the date of the Commission Order approving the Settlement Agreement. The revised rates and tariff agreed to by this Settlement Agreement shall be effective on the dates specified herein.

5. Modification.

If the Commission Order modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if any party files a letter with the Commission within three (3) business days of notice of such Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party.

CONCLUSION

The Parties agree to the foregoing terms to resolve the issues in this proceeding. The terms of this Settlement Agreement are a result of negotiations between the Parties, are in the public interest and will result in reasonable rates. For these reasons, the Parties urge the Commission to approve the Settlement Agreement.

Dated this 20th day of May 2014.

Montana-Dakota Utilities Co.,
a Division of MDU Resources Group, Inc.

By: David Dwyer
Vice President-Regulatory Affairs & CAO

Dated this 20th day of May 2014.

North Dakota Public Service Advocacy Staff

By: Mike Diller
Director of Economic Regulation

Attachment A

Attachment A



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 40

Generation Resource Recovery Rider Rate 56

Page 1 of 2

1. Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates. Costs to be recovered may include operations and maintenance expenditures, depreciation, taxes, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

2. Generation Resource Recovery Rider:

- a. The North Dakota jurisdictional GRRR revenue requirement will be allocated to the customer classes based on the forecasted 12 month coincidental peak allocation factor for each class. The adjustment applied to the Residential and Small General Service Classes will be calculated based on the customer class revenue requirement and the forecasted number bills for the forecasted period and expressed on a daily basis. The adjustment applied to the Large General Service Class will be calculated based on the customer class revenue requirement and the forecasted demand for the forecasted period and expressed as a KW charge. The return component of the revenue requirement calculation will be the authorized rate of return from the Company's most recent general rate case.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under lighting schedules and special contracts, and are allocated amongst the rate classes based on the an applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

Date Filed: May 20, 2014

Effective Date:

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-14-108 & PU-14-109



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

3. Time and Manner of the Filing:

Montana-Dakota shall file the GRRR at least 60 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of a revised GRRR tariff sheet identifying the amounts of the adjustment, the derivation of the GRRR and the resulting GRRR by class.

4. Generation Resource Recovery Rider:

Residential	0.000¢ per Day
Small General	0.000¢ per Day
Large General	0.000¢ per KW

Date Filed: May 20, 2014

Effective Date:

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-14-108 & PU-14-109

MONTANA-DAKOTA UTILITIES CO.
REVENUE REQUIREMENT - HESKETT TURBINE
NORTH DAKOTA
JULY 1, 2014-JUNE 30, 2015

<u>Revenue Requirement 1/</u>	
O&M	\$284,988
Depreciation	843,710
Taxes Other than Income	219,624
Return 2/	2,755,668
Income Taxes 2/	1,166,018
Total	<u>\$5,270,008</u>

Average Rate Base 1/ \$34,062,647

1/ Exhibit No. ____ (TAA-2), page 2.

2/ Exhibit No. ____ (TAA-2), page 3.

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recover Rider
Heskett III - Per Settlement Agreement
Flat Rate Design**

		Embedded Class COS Study Factor No. 2 1/	North Dakota Projected 2014 Generation Costs 2/	Flat Rate Determinant	Charge
Residential	(Rates 10 & 13)	44.903633%	\$2,366,425	75,367	\$0.08602 per day
Small General	(Rates 20 & 25)	7.191273%	\$378,981	10,989	\$0.09449 per day
Large General	(Rates 30, 31, 32, 38, 40, 48)	47.905094%	2,524,602	3,188,261	\$0.79 per KW
		100.000000%	\$5,270,008		

1/ Projected 2014 Class demand allocation based on 12 CP.

2/ Total Revenue Requirement \$5,270,008

3/ August 2014 -July 2015 projected sales (KWh) excluding contract sales.

	12-CP Factor 2 Projected 2014	
Residential Rate 10	165,090	44.903633%
Small General Rate 20	26,360	7.169785%
Irrigation Rate 25	79	0.021488%
Large General Primary Rate 30	24,401	6.636947%
Large General Secondary Rate 30	129,517	35.227959%
TOD Large General Rate 31	1,689	0.459399%
Space Heating Rate 32	8,682	2.361459%
Small Municipal Rate 40	701	0.190668%
Municipal Lighting Primary Rate 41	0	0.000000%
Municipal Lighting Secondary Rate 41	0	0.000000%
Municipal Pumping Secondary Rate 48	3,620	0.984621%
Municipal Pumping Primary Rate 48	1,760	0.478711%
Outdoor Lighting Rate 52	0	0.000000%
Interruptible Power Rate 39	0	0.000000%
Interruptible Demand Response Rate 38	5,755	1.565330%
	367,654	100.000000%

1/ Excludes internal rate codes 303, 304 and 30T and 390.

Attachment C

Attachment C



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
25th Revised Sheet No. 42.2
Canceling 24th Revised Sheet No. 42.2

FUEL AND PURCHASED POWER ADJUSTMENT Rate 58

Page 3 of 3

2. Refunds from supplier(s) and market operators with respect to fuel and purchased power costs.
3. Carrying charges or credits at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.
4. The balance in the Deferred Fuel Cost Account shall be decreased each month by the amount of the Surcharge Adjustment multiplied by the Kwh sales for the month. The amount amortized shall be applied pro rata between the Deferred Fuel Cost Account and the interest balance.
5. **Manner of Filing:**
The Company shall file a monthly statement showing the calculation of the Fuel and Purchased Power Adjustment with the Commission prior to implementing the monthly adjustment. The adjustment in rates shall be effective with service rendered on and after the first day of each month, unless the Commission shall otherwise order.

6. Fuel and Purchased Power Adjustment:

	Primary	Secondary
Base Fuel	2.024¢	2.087¢
Fuel and Purchased Power Adjustment	0.546	0.558
Total FPPA	2.570¢	2.645¢

Date Filed: May 20, 2014

Effective Date:

Issued By: Tamie A. Aberle
Director- Regulatory Affairs

Case No.: PU-14-108 & PU-14-109



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

July 24, 2014

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

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

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc. herewith submits the original and seven (7) copies of an Amendment to Settlement Agreement entered into by Montana-Dakota and the Advocacy Staff of the North Dakota Public Service Commission.

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

Sincerely,

Garret Senger
Vice President – Regulatory Affairs and
Chief Accounting Officer

Attachment

cc: D. Kuntz
M. Diller

- 38 PU-14-109 Filed 07/25/2014 Pages: 7
Executed Amendment to Settlement Agreement
Montana-Dakota Utilities Co. / Public Service Commission Advocacy Staff
Garret Senger / Mike Diller
- 36 PU-14-108 Filed 07/25/2014 Pages: 7
Executed Amendment to Settlement Agreement
Montana-Dakota Utilities Co. / Public Service Commission Advocacy Staff
Garret Senger / Mike Diller

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
a Division of MDU Resources Group, Inc.
Generation Resource Recovery Rider Tariff

Case No. PU-14-108

Montana-Dakota Utilities Co.
a Division of MDU Resources Group, Inc.
Generation Resource Recovery Rider Rates

Case No. PU-14-109

AMENDMENT TO SETTLEMENT AGREEMENT

This **SETTLEMENT AMENDMENT** is entered into between Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., ("**Montana-Dakota**"), and the Advocacy Staff of the North Dakota Public Service Commission ("**Staff**"), (individually a "**Party**" and collectively the "**Parties**").

WHEREAS, the Parties entered into a Settlement Agreement on May 20, 2014 ("**Settlement**") which would, upon approval by the Public Service Commission ("**Commission**") resolve all issues in these cases in a manner consistent with the public interest and result in just and reasonable rates for the Company's retail electric operations in North Dakota.

WHEREAS, pursuant to notice issued by the Commission, a hearing on the Settlement Agreement was held before the Commission on May 28, 2014.

WHEREAS, the Commission during a work session on these cases following the hearing, expressed a preference for recovery of the revenue requirement within the residential and small general service classes on a per KWh basis rather than a fixed charge basis.

WHEREAS, the Parties desire to amend the terms of the Settlement as set forth herein,

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree the Settlement shall be amended as follows:

1. Paragraph 5 of the Settlement shall be amended to provide:
Recovery Method. The revenue requirement will be allocated among the customer classes based on the forecasted 12 month coincidental peak allocation factor, excluding the lighting schedules and special contract customers. The lighting schedules are excluded from the increase due to the class producing returns much greater than the overall allowed return coupled with the fact that most lighting services have an associated general service account that will see the increase. The rate adjustment for recovery of the annual revenue requirement within the customer classes will be recovered on an energy basis (per KWh) for the residential and small general service classes. The rate adjustment for recovery of the annual revenue requirement for the large general service class is based on peak demand applied on a per Kw basis.
2. Attachment A and Page 2 of Attachment B of the Settlement shall be amended in the manner of the Attachment A and Page 2 of Attachment B hereto.
3. All other terms of the Settlement shall remain effective and unchanged.

Dated this 24th day of July 2014.

**Montana-Dakota Utilities Co., a Division
of MDU Resources Group, Inc.**

By: Garret Senger
Vice President- Regulatory Affairs &
CAO

Dated this 25th day of July 2014.

**North Dakota Public Service
Commission Advocacy Staff**

By: Mark Diller
Director of Economic Regulation

**Amended
Attachment A**

**Amended
Attachment A**



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 40

Generation Resource Recovery Rider Rate 56

Page 1 of 2

1. Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates. Costs to be recovered may include operations and maintenance expenditures, depreciation, taxes, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

2. Generation Resource Recovery Rider:

- a. The North Dakota jurisdictional GRRR revenue requirement will be allocated to the customer classes based on the forecasted 12 month coincidental peak allocation factor for each class. The adjustment applied to the Residential and Small General Service Classes will be calculated based on the customer class revenue requirement and the forecasted Kwh for the forecasted period. The adjustment applied to the Large General Service Class will be calculated based on the customer class revenue requirement and the forecasted demand for the forecasted period and expressed as a KW charge. The return component of the revenue requirement calculation will be the authorized rate of return from the Company's most recent general rate case.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under lighting schedules and special contracts, and are allocated amongst the rate classes based on the an applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

Date Filed: July 24, 2014

Effective Date:

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-14-108 & PU-14-109



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
Original Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

3. Time and Manner of the Filing:

Montana-Dakota shall file the GRRR at least 60 days prior to the proposed effective date. The filing by Montana-Dakota shall be made by means of a revised GRRR tariff sheet identifying the amounts of the adjustment, the derivation of the GRRR and the resulting GRRR by class.

4. Generation Resource Recovery Rider:

Residential	0.000¢ per Kwh
Small General	0.000¢ per Kwh
Large General	0.000¢ per KW

Date Filed: July 24, 2014

Effective Date:

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Director – Regulatory Affairs

Case No.: PU-14-108 & PU-14-109

**Montana-Dakota Utilities Co.
 Electric Utility - North Dakota
 Generation Resource Recover Rider
 Heskett III without Pipeline
 Revised Settlement Rate Design**

	Embedded Class COS Study Factor No. 2	1/ 1/	North Dakota Projected 2014 Generation Costs 2/	2/ 2/	Determinant	Charge
Residential (Rates 10 & 13)	44.903633%		\$2,366,425		784,995,496	\$0.00301 per Kwh
Small General (Rates 20 & 25)	7.191273%		\$378,981		159,406,759	\$0.00238 per Kwh
Large General (Rates 30, 31, 32, 38, 40, 48)	47.905094%		2,524,602		3,188,261	\$0.79 per KW
	<u>100.000000%</u>		<u>\$5,270,008</u>			

1/ Projected 2014 Class demand allocation based on 12 CP.

2/ Total Revenue Requirement \$5,270,008

	12-CP Factor 2 Projected 2014	
Residential Rate 10	165,090	44.903633%
Small General Rate 20	26,360	7.169785%
Irrigation Rate 25	79	0.021488%
Large General Primary Rate 30	24,401	6.636947%
Large General Secondary Rate 30	129,517	35.227959%
TOD Large General Rate 31	1,689	0.459399%
Space Heating Rate 32	8,682	2.361459%
Small Municipal Rate 40	701	0.190668%
Municipal Lighting Primary Rate 41	0	0.000000%
Municipal Lighting Secondary Rate 41	0	0.000000%
Municipal Pumping Secondary Rate 48	3,620	0.984621%
Municipal Pumping Primary Rate 48	1,760	0.478711%
Outdoor Lighting Rate 52	0	0.000000%
Interruptible Power Rate 39	0	0.000000%
Interruptible Demand Response Rate 38	5,755	1.565330%
	<u>367,654</u>	<u>100.000000%</u>