



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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Direct Dial No.
(701) 530-1081

February 22, 2016

Executive Secretary
North Dakota Public Service Commission
600 East Boulevard Ave., Department 408
Bismarck, ND 58505-0480

Re: Electric Generation Resource Recovery Rider
Case No. PU-15-704

Montana-Dakota Utilities Co. ("Montana-Dakota"), a division of MDU Resources Group, Inc. herewith electronically submits the original and seven (7) copies of its proposed Order in the above-referenced proceeding. The Public Service Commission Advocacy Staff concurs and joins in the filing of this proposed Order.

Please contact me with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'K. Liepitz', is written over the typed name.

Karl A. Liepitz
Senior Attorney

Attachment
cc: Service List

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

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

Case No. PU-15-704

PROPOSED ORDER

February ____, 2016

Appearances

Commissioners Julie Fedorchak, Brian P. Kalk, and Randy Christmann.

Karl A. Liepitz, Senior Attorney, P.O. Box 5650, 1200 West Century Avenue, Bismarck, ND 58506-5650 and Paul Sanderson, Evenson Sanderson, PC, 103 S. 3rd St., Suite 5, Bismarck, ND 58501, appearing on behalf of Montana-Dakota Utilities Co.

John M. Schuh, Legal Counsel, Public Service Commission, State Capitol, 600 E. Boulevard Avenue, Bismarck, ND 58505, appearing on behalf of Public Service Commission Advocacy Staff.

Illona Jeffcoat-Sacco, General Counsel, Public Service Commission, State Capitol, 600 E. Boulevard Avenue, Bismarck, North Dakota 58505, appearing on behalf of the Public Service Commission Advisory Staff.

Preliminary Statement

On October 26, 2015, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (Montana-Dakota) filed an application and notice to implement a change in rates under its Generation Resource Recovery Rider Rate 56 (GRRR). The changes proposed to the GRRR include a true-up to the Heskett III revenue requirement initially approved to be effective January 9, 2015 in Case No. PU-14-109 and the addition of the Reciprocating Internal Combustion Engines (RICE) units co-located with the Lewis & Clark Generating Station. The application also requested a revision to the GRRR tariff to reflect the allocation of the revenue requirement to the classes based on the average and excess demand allocator factor and the return component to reflect the authorized return on equity both of which were established in Montana-Dakota's last electric general rate case.

On November 18, 2015, the Public Service Commission (Commission) issued a Notice of Opportunity for Hearing. On December 16, 2015 pursuant to its own Motion, the Commission issued a Notice of Hearing for February 4, 2016. The notice specified

the issue to be considered in this proceeding regarding the proposed change to the GRRR is whether the change is just and reasonable. The notice further specified the issues to be considered in this proceeding regarding Heskett III and the RICE units as:

1. What is the value of Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota?
2. What is Montana-Dakota's rate of return on its property, used and useful, for the service and convenience of the public in North Dakota?
3. What is a just and reasonable rate of return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota?
4. What rates and charges are necessary to provide a just and reasonable rate of return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota?
5. Are Montana-Dakota's proposed rate schedules designed in such a manner that they result in a basis of change to its customers that is just and reasonable without discrimination?
6. Other relevant information or proposals concerning the proceeding.

The Commission held the public hearing, as scheduled in the Commission Hearing Room, State Capitol, 600 E. Boulevard Avenue, 12th Floor, Bismarck, North Dakota 58505.

Settlement Agreement

On January 25th, 2016, Montana-Dakota and Commission Advocacy Staff (Advocacy Staff) entered into a Settlement Agreement that would resolve all the issues in this proceeding including expense, revenue, return, and rate design on an interim basis, pending the outcome of a general electric rate case to be filed by Montana-Dakota no later than September 30, 2016. Following the hearing on February 4, 2016, Montana-Dakota and Advocacy Staff made minor revisions to Section 4 of the Settlement Agreement, regarding the interim adjustment, to clarify the parties' intent with respect to such paragraph. The revised Settlement Agreement was entered into by Montana-Dakota and Advocacy Staff on February 12, 2016 (Settlement Agreement) and is attached as Attachment No. 1.

The Settlement Agreement provides for a revenue requirement of \$9,669,944 to be recovered through the GRRR effective on an interim basis, with service rendered on and after February 10, 2016. This revenue requirement is based upon a return on equity of 10.50 percent and a return on rate base of 7.952 percent. The GRRR would be allocated among customer classes as described in the Settlement Agreement.

The Settlement Agreement further provides the GRRR shall be implemented on an interim basis pending the outcome of a general electric rate case to be filed by Montana-Dakota no later than September 30, 2016.

The changes in tariff and rates proposed on an interim basis by the Settlement Agreement are reasonable pending the outcome of the agreed upon general electric rate case to be filed by Montana-Dakota.

Order

The Commission Orders:

1. The Settlement Agreement, attached to this Order and made a part of this Order, is approved in its entirety.
2. Montana-Dakota's application for approval to update its Generation Resource Recovery Rider Rate 56 Tariff, consistent with the Settlement Agreement and this Order, is APPROVED.
3. The Generation Resource Recovery Rider Rate 56 Tariff interim rates shall be effective as of the date of this Order.

PUBLIC SERVICE COMMISSION

Randy Christmann
Commissioner

Julie Fedorchak
Chairman

Brian Kalk
Commissioner