

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Great Plains Natural Gas Co.
Gas Service
Tariff and Rates**

Case No. PU-17-75

ORDER ON SETTLEMENT

January 9, 2019

Preliminary Statement

On February 3, 2017, Great Plains Natural Gas Co., a division of Montana-Dakota Utilities Co. (formerly a division of MDU Resources Group, Inc.) (Great Plains) filed an Application to revise its Natural Gas Tariff Volume No. 2 in compliance with the Public Service Commission's Order issued in Case No. PU-16-604 regarding natural gas transportation service and requiring Great Plains to file updated tariffs and rate schedules for all classes of customers.

On March 1, 2017, the Public Service Commission (Commission) issued a Notice of Opportunity for Hearing, which provided until April 15, 2017 for receiving written comments and hearing requests. No response was received. The notice identified the following issues to be considered:

1. What rates and charges are necessary to provide a just and reasonable rate of return on Great Plains Natural Gas Co.'s property, used and useful, for the service and convenience of the public in North Dakota?
2. Are Great Plains Natural Gas Co.'s proposed rate schedules designed in such a manner that they result in a basis of charge to its customers that is just and reasonable without discrimination?

On December 29, 2017, Commission Advocacy Staff (Advocacy Staff) filed an agreement between Advocacy Staff and Great Plains for extension of rate suspension until September 30, 2018 in order to address tax reform issues related to implementation of the federal 2017 Tax Cuts and Jobs Act (TCJA).

On January 10, 2018, the North Dakota Public Service Commission issued an Order Initiating Investigation to determine the effect of the TCJA on Great Plains and other jurisdictional utilities in Case No. PU-17-490.

On February 15, 2018, Great Plains filed its initial comments regarding the effects of Tax Reform on its natural gas rates in Case No. PU-17-490.

On April 20, 2018, Advocacy Staff filed its initial comments in Case No. PU-17-490, including comments on the impact on Great Plains.

On October 1, 2018, Advocacy Staff filed an Agreement for Extension of Rate Suspension until January 1, 2019.

On October 19, 2018, Great Plains filed a Settlement Agreement between Great Plains and Advocacy Staff intended to resolve all outstanding issues.

On November 8, 2018, the Commission issued its second Notice of Opportunity for Hearing, which provided until December 12, 2018 for receiving written comments and hearing requests. No response was received.

The Notice identified the issue to be considered as whether the Settlement Agreement is reasonable and should be approved.

On December 19, 2018, the Commission discussed these matters with Great Plains and Advocacy Staff during an informal hearing.

Discussion

Great Plains is an investor owned public utility providing natural gas service to customers in Wahpeton, North Dakota under the regulatory jurisdiction of this Commission. Great Plains provides natural gas service to approximately 2,300 customers located in North Dakota.

The Settlement Agreement provides for miscellaneous tariff changes and a reduction in natural gas rates necessary to yield an annual revenue decrease of \$168,306 representing a 4 percent reduction in Great Plains' annual sales revenues. The decrease would be applied on an equal percentage basis to each sales class.

The Settlement Agreement further provides that Great Plains would issue refunds to customers for the period January 1, 2018 through the period ending with the implementation of new rates by applying the 4 percent decrease to sales revenues collected during that time period. The amount to be refunded will be offset by the total non-plant excess deferred income taxes as grossed up for taxes of \$4,152.

Under the terms of the Settlement Agreement, Great Plains will submit its results of operations as part of Montana-Dakota Utilities Co.'s Annual Report starting with the reporting requirements for calendar year 2018.

The Settlement Agreement includes an attached Exhibit 1 provided as supporting documentation. Standard Commission practice is to attach an approved settlement

agreement to the Commission's order approving the same, and make the attachment a part of the order. In this case, however, the Commission concludes that Exhibit is not necessary to an understanding of the Settlement Agreement and the Commission's Order, and attaching it to this Order will result in an unnecessarily long and unwieldy document. Therefore, Exhibit 1 attached to the Settlement Agreement, while approved, should not be included as a part of this Order.

Having considered this matter, the Commission finds the Settlement Agreement will result in just and reasonable rates.

Based on the foregoing, the Commission issues the following:

Order

The Commission Orders:

1. The Settlement Agreement is approved in its entirety.
2. The Settlement Agreement and Exhibit 2 are attached to and made a part of this Order.
3. Great Plains shall file, for Commission approval, compliance rate schedules consistent with this Order and the Settlement Agreement.
4. Great Plains shall submit a refund plan reflecting the provisions set forth in the Settlement Agreement within 30 days of this Order.

PUBLIC SERVICE COMMISSION


Julie Fedorchak
Commissioner


Brian Kroshus
Chairman


Randy Christmann
Commissioner

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Great Plains Natural Gas Co.'s)	
Application for Approval to Update)	Case No. PU-17-075
Its Tariff and Rate Schedules for)	
All Classes of Customers)	
Great Plains Natural Gas Co.'s)	
Tax Reform Effects Rates)	Case No. PU-17-490

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. ("Great Plains" or "Company"), and the Advocacy Staff of the North Dakota Public Service Commission ("Advocacy Staff"), (each a "Party" and collectively the "Parties"). If approved, the Parties agree this Settlement Agreement will result in just and reasonable rates for the Company's natural gas property, used and useful, for the service and convenience of the public in North Dakota and the rate schedules will result in a basis of charge to its customers that is just and reasonable without discrimination. The Parties also agree that this resolves all outstanding issues for Great Plains related to the Tax Reform and Jobs Act of 2017 ("Tax Reform") enacted on December 22, 2017.

PROCEDURAL HISTORY

1. On February 3, 2017, Great Plains filed an Application to revise its Natural Gas Tariff Volume No. 2 ("Application") in compliance with the Commission's Order issued in Case No. PU-16-604 requiring Great Plains to file updated tariffs and rate schedules for all classes of customers. The natural gas rates proposed by Great Plains in its Application were designed to produce the same level of distribution revenues as the

currently authorized distribution rates. Great Plains proposed to modify the rate form and update the cost of gas, extension policy, meter testing policy and its terms and conditions of service as described in the Application.

2. On March 1, 2017, the Commission issued a Notice of Opportunity for Hearing in Case No. PU-17-075. The Commission received no comments or requests for a hearing.

3. On December 29, 2017, the Parties entered into an Agreement for Extension of Rate Suspension until September 30, 2018 in order to address the Tax Reform.

4. On January 10, 2018, the North Dakota Public Service Commission issued an Order Initiating Investigation to determine the effect of the Tax Reform on Great Plains and other jurisdictional utilities in Case No. PU-17-490.

5. On February 15, 2018, Great Plains filed its initial comments regarding the effects of Tax Reform on its natural gas rates in Case No. PU-17-490.

6. On October 1, 2018, the Parties entered into a Second Agreement for Extension of Rate Suspension until January 1, 2019 in Case No. PU-17-075.

7. The Parties have engaged in discovery and good faith discussions and believe that this Settlement Agreement is in the public interest. Accordingly, the Parties jointly recommend the Commission issue an Order approving this Settlement Agreement in its entirety, without conditions or modifications.

TERMS OF SETTLEMENT AGREEMENT

1. Change in Retail Rates. The Parties agree to a decrease in Great Plains'

natural gas rates for retail customers in North Dakota to yield an annual revenue decrease of \$168,306 effective upon a final Order in this proceeding. Supporting schedules are provided in Exhibit 1. This amount represents an overall decrease in retail rates, excluding the contract customer, of 4 percent. The change in natural gas rates reflects a reduction in rates necessary to produce a rate of return of 7.078 percent based on a return on equity of 9.4 percent based on pro forma results projected for calendar year 2018. This revenue reduction also reflects the following related to the Tax Reform:

- i. The current federal income tax rate of 21 percent resulting in a reduction of \$38,386 in operating expenses and;
- ii. The amortization of plant related excess deferred income taxes based on the average rate assumption methodology resulting in a reduction in operating expenses of \$11,598.

2. Revenue Allocation. The Parties agree to allocate the decrease in retail rates described in paragraph 1 to the classes on an equal percentage basis in order to maintain the class revenue allocation currently authorized as shown on Exhibit 2. Great Plains withdraws its request to modify the rate structures as submitted in Case No. PU-17-075 at this time. The Parties agree that, if feasible, Great Plains will propose to roll Great Plains' rate structure into Montana-Dakota Utilities Co. ("Montana-Dakota") rate structure upon filing the next Montana-Dakota natural gas rate case in North Dakota. The tariff forms will be updated as further explained below.

3. Modified Tariffs. To comply with the intent of the Commission's October 19, 2016 Order in Case No. PU-16-604, the Parties agree to modify the tariff forms applicable to customers served by Great Plains as proposed in Case No. PU-17-075 and as

explained below:

- i. The Firm Gas Service General rate schedule will be designated as Rate 65 and modified as described in Paragraph 4.
- ii. The Interruptible Gas Service General rate schedule will be designated as Rate 71 and modified as described in Paragraph 4.
- iii. The Transportation Service rate schedule will be renamed as Interruptible Transportation Service Rate 80 and modified as described in Paragraph 4. In compliance with the Commission's October 19, 2016 Order in Case No. PU-16-604, a maximum and minimum Distribution Delivery Charge will be designated on the transportation service tariff with the maximum rate set at the Interruptible Sales Rate 71 level and the minimum charge set at a rate of \$0.130 per dk. The minimum charge is set based on the demand component for the interruptible sales class based on an allocation excluding distribution plant. Typically, a negotiated distribution rate is necessary to avoid a bypass situation that does not involve the distribution system i.e., those customers are located near the transmission system. Therefore, the minimum cost was determined based on the transmission investment and associated allocations of general and common plant and expenses.

4. Other Tariff Changes. The Parties agree to the tariff changes described in Paragraph VIII of the Application as modified and discussed below.

- i. Great Plains' proposal to clarify the payment provision applicable under each rate schedule will be modified to state: "Billed amounts will

be considered past due if not paid by the due date shown on the bill”.

The same change will be modified for the referenced provision in Rate 100. This language is consistent with language approved for the same provision for Montana- Dakota in Case No. PU-17-295.

- ii. Great Plains’ proposal to revise the Interruptible Gas Service - General tariff to provide customers with the option of taking firm service through the same meter under a contract basis in lieu of installing a separate firm service or meter will be adopted as proposed.
- iii. Great Plains’ proposal to remove the “Metering Requirements” provisions currently included in the Interruptible Gas Service and Transportation Service tariffs will be adopted as modified in similar tariffs in Case No. PU-17-295.
- iv. Great Plains’ proposal to eliminate the Interruptible Gas Service - Grain Processing tariff will be adopted as proposed. No customers have recently or are currently taking service under this tariff.
- v. Great Plains’ proposed changes to its Cost of Gas tariff and designation as Rate 88 will be adopted as submitted. The changes will:
 - 1) Incorporate details applicable to the current gas supply environment;

2) Include a demand component based on a 100 percent load factor allocation of Great Plains' system demand charges (i.e. total pipeline demand charges divided by 100 percent of contracted capacity) in the determination of the interruptible cost of gas rate. Any amounts received from interruptible customers will be credited to firm customers in the balancing account to be reflected as a credit to rates through the annual Gas Cost Reconciliation similar to Montana-Dakota's calculation of gas costs assigned to the interruptible class; and

3) Revise the minimum filing threshold for the Cost of Gas from \$0.0001 per dk to \$0.25 per dk as authorized in Case No. PU-17-295.

vi. Great Plains' proposal to establish the reconnection fee applicable to seasonal or temporary customers and to reconnect customers disconnected for non-payment of amounts owed at \$45.00 rather than the current language of "equal to the Company's minimum service charge" will be adopted at \$30.00.

- vii. Great Plains' proposal to increase the Returned Check Charge from \$12.00 to \$18.25 will be modified to reflect a charge of \$15.00 as recently approved in Case No. PU-17-295.
- viii. Great Plains' proposed modifications to the General Terms and Conditions Rate 100 will be adopted as proposed.

5. Gas Extension Policy. The Parties agree the tariff changes described in Paragraph IX of the Application regarding the Gas Extension Policy should be adopted as submitted.

6. Meter Testing Policy. The tariff changes described in Paragraph X of the Application regarding the Meter Testing Policy should be adopted as submitted.

7. Future Reporting of Jurisdictional Operating Results. The Parties agree that beginning with reporting requirements for calendar year 2018, Great Plains and Montana-Dakota natural gas operations will be submitted as a single operation for North Dakota. This includes the Annual Report required to be submitted by April 15 each year.

8. The parties agree that upon execution of this Settlement Agreement there are no outstanding issues related to the Tax Reform with respect to Great Plains' natural gas operations in North Dakota.

OTHER TERMS AND CONDITIONS

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

B. Effect of the Settlement Negotiations. It is understood and agreed that all offers of settlement and discussions related to this Settlement 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.

C. Rate Refund. Upon issuance of a Commission Order for new natural gas rates, the Company will determine the final amount to be refunded to customers subject to Advocacy Staff review and agreement. The amount to be refunded will be determined by applying the 4.0 percent decrease in retail rates to the sales revenues (not to include transportation or other revenues) collected for service provided beginning January 1, 2018 through the period ending with the implementation of new rates. The resulting refund amount will be offset by the total non-plant EDIT balance grossed up for taxes of \$4,152. The Parties agree the Company shall issue a bill credit to customers, upon determination of the amount to be refunded, including interest at the three-month Treasury Bill rate as published by the Federal Reserve Board. A refund plan will be submitted within 30 days of an entry of an Order in this case.

D. 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.

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

F. Modification. If the Commission's Order modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if any Party files a letter with the Commission within five (5) business days of such Party's receipt of a written and signed Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party.

CONCLUSION

The Parties agree the terms of this Settlement Agreement are will result in just and reasonable rates for the Company's natural gas property, used and useful, for the service and convenience of the public in North Dakota and the rate schedules will result in a basis of charge to its customers that is just and reasonable without discrimination. The Parties also agree that this resolves the outstanding issues related to Tax Reform in the public interest. For these reasons, the Parties urge the Commission to approve the Settlement Agreement.

Dated this 19th day of October, 2018.

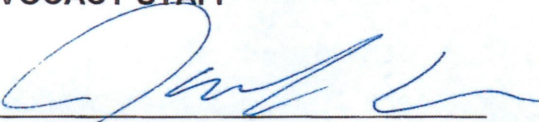
MONTANA-DAKOTA UTILITIES CO.

By: Garret Senger
Garret Senger

Its: EVP - Regulatory Affairs,
Customer Service & Administration

Dated this 19th day of October, 2018.

**NORTH DAKOTA PUBLIC SERVICE
ADVOCACY STAFF**

By: 

Its: Advocacy Staff Counsel

**GREAT PLAINS NATURAL GAS CO.
 GAS UTILITY - NORTH DAKOTA
 ALLOCATION OF REVENUES
 Projected 2018**

RATE CLASS	Billing Determinants 1/				Target Rate Design			Rate Design Results		
	Customers	Dk	Distribution Revenues	Gas Costs	Total Revenues	Change in Revenue	% Change	Change in Revenue	Total Revenues	% Change
Firm General	2,298	288,376	\$434,930	\$1,223,320	\$1,658,250	(\$66,330)	-4.0%	(\$66,338)	\$1,591,912	-4.0%
Interruptible	18	759,847	626,179	1,940,042	2,566,221	(102,649)	-4.0%	(102,277)	2,463,944	-4.0%
Transportation	9	1,201,859	371,358	0	371,358				371,358	0.0%
Total North Dakota	2,325	2,250,082	\$1,432,467	\$3,163,362	\$4,595,829	(\$168,979)	-3.7%	(\$168,615)	\$4,427,214	-3.7%

Proposed Decrease (\$168,306) 2/
 % Decrease Excl Contract Transport -4.00%

1/ Exhibit 1 page 5.
 2/ Exhibit 1 page 1.