



UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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

May 7, 2019

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

Re: Tesoro Refining & Marketing Company
Electric Service Agreement Amendment
Case No. PU-18-434

Montana-Dakota Utilities Co. (Montana-Dakota), herewith submits for Commission approval an original and seven (7) copies of a Settlement Agreement in this case between Montana-Dakota and the Advocacy Staff of the North Dakota Public Service Commission. Approval of the Settlement Agreement in its entirety by the Public Service Commission would 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.

Please contact me at (701) 222-7856 or at Tamie.Aberle@mdu.com with any questions regarding this filing.

Sincerely,

A handwritten signature in black ink that reads 'Tamie A. Aberle'.

Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: Jack Schuh
Victor Schock
Karl Liepitz
Garret Senger

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Montana-Dakota Utilities Co.)	
Application to Amend the Electric)	Case No. PU-18-434
Service Agreement with Tesoro)	
Refining & Marketing Company)	

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company"), and the Advocacy Staff of the North Dakota Public Service Commission ("Advocacy Staff"), (collectively the "Settling Parties"). The Settling Parties agree this Settlement Agreement, if approved by the North Dakota Public Service Commission ("Commission"), will resolve all outstanding issues in this case between the Settling Parties in a manner consistent with the public interest.

PROCEDURAL HISTORY

1. In the Company's most recent electric rate case, Case No. PU-16-666, Montana-Dakota entered into a Settlement Agreement with Commission Advocacy Staff and the AARP which was approved by the Commission on June 16, 2017. In compliance with Paragraph 10 of the Settlement Agreement, Montana-Dakota submitted updates to the Commission advising the Commission that the four contract rates, including the Company's Electric Service Agreement with Tesoro Refining & Marketing Company, LLC ("Tesoro"), had been reviewed, customers meetings were being held to discuss rate options and negotiate new agreements, if needed, and that updated amendments would be submitted to the Commission.
2. On December 10, 2018, Montana-Dakota filed updated agreements in Case No.

PU-16-666.

3. On December 28, 2018, Montana-Dakota filed Amendment No. 2 to Tesoro's Electric Service Agreement with Montana-Dakota in Case No. PU-18-434 (the "Amendment No. 2").
4. The Settling Parties have engaged in good faith negotiation and have agreed that settlement of this proceeding is an efficient and an appropriate means of resolving this administrative action, the Settling Parties agree to the following, subject to approval and acceptance of the Commission.

TERMS OF SETTLEMENT AGREEMENT

1. The Settling Parties agree to, and recommend the Commission approve, Amendment No. 2 that provides for the continued sale of all firm electric power required by Tesoro at a rate other than the applicable General Electric Service Rate 30.
2. Montana-Dakota agrees to include a determination of cost to serve Tesoro as part of the class cost of service study submitted in its next general electric rate case.
3. The Settling Parties agree that upon review of the cost to serve Tesoro in the next general electric rate case, Amendment No. 2 may be subject to Commission modification.
4. The rates being offered to retain the existing load at Tesoro reflect a two-phase rate agreement. The first phase reflects the continuation of the electric service rates charged Tesoro today, which reflect the rate decrease authorized in Case No. PU-18-89, Montana-Dakota's Tax Cuts and Jobs

Act docket, authorized by the Commission November 20, 2018 with rates implemented for service rendered on and after December 1, 2018. These rates will continue until the Commission takes action on the rates proposed in this docket.

5. The contracted electric service rates included in Phase 2 are:
 - a. A Basic Service Charge of \$100.00 per month which is the same Basic Service Charge applicable to primary service customers under General Electric Service Rate 30, the otherwise applicable service rate.
 - b. Continuation of Phase 1 demand and energy charges effective in the first phase and the addition of the Company's four rate riders, Renewable Resource Cost Adjustment Rate 55, Generation Resource Recovery Rider Rate 56, Environmental Cost Recovery Rider Rate 57, and Transmission Cost Adjustment Rate 59.
6. In addition, the Company's 1806 substation will no longer be covered under the Tesoro Electric Service Agreement as service has been stopped at this location.

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 this or 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. Applicability and Scope. This Settlement Agreement shall be binding on the Settling 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 Settling Parties as to the merits of any specific allegation or contention made by the Settling Parties in this proceeding.

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

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

CONCLUSION

The Settling Parties agree the terms of this Settlement Agreement are a result of negotiations between the Settling Parties, are in the public interest and will result in

reasonable electric rates. For these reasons, the Settling Parties urge the Commission to approve the Settlement Agreement.

Dated this 6th day of May, 2019.

MONTANA-DAKOTA UTILITIES CO.

By: Garret Senger

Its:

Garret Senger
EVP - Regulatory Affairs,
Customer Service & Administration

Dated this 2nd day of May, 2019.

**NORTH DAKOTA PUBLIC SERVICE
ADVOCACY STAFF**

By: [Signature]

Its: Attorney