

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PUBLIC)	<u>ORDER APPROVING SETTLEMENT AGREEMENT</u>
UTILITIES COMMISSION INVESTI-)	
GATION INTO THE EFFECTS OF)	(F-3647-9)
THE 1986 TAX REFORM ACT ON)	
SOUTH DAKOTA UTILITIES.)	

On October 22, 1986, President Reagan signed into law the Tax Reform Act of 1986 (TRA-86). Subsequently, on October 29, 1986, the Public Utilities Commission Staff (Staff) requested information from Northwestern Public Service Company (NWPS) concerning the cost of service effects of the Tax Reform Act of 1986 on NWPS' jurisdictional utility operations. On March 31, 1987, NWPS made its initial filing in this docket based on the twelve months ending December 31, 1985.

On June 18, 1987, Staff filed a Motion requesting the Public Utilities Commission (Commission) to require NWPS to make a formal filing with the Commission which would reflect the effects of the Tax Reform Act of 1986 and TRA-86 associated adjustments. The Commission granted this Motion in its Interim Order issued June 26, 1987. Accordingly, NWPS filed its position on July 27, 1987.

The Interim Order presented four TRA-86 options for South Dakota regulated utilities. NWPS selected the third alternative, which allowed it to file tariffs reflecting the per books effect of the TRA.

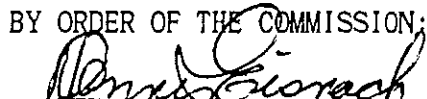
As a result of informal negotiations between NWPS and Staff, the two parties reached a Settlement Agreement in this docket. The Commission has carefully reviewed the Stipulation and Settlement Agreement in this docket and finds that it properly establishes just and reasonable rates and therefore should be approved. It is therefore

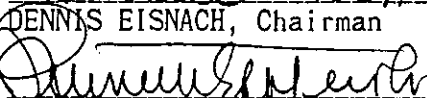
ORDERED, that the Stipulation and Settlement Agreement reached between Staff and NWPS be and hereby is approved upon the terms and conditions set forth therein; and it is

FURTHER ORDERED, that the Stipulation and Settlement Agreement reached between NWPS and Staff in this matter be and the same hereby is incorporated as if fully set forth herein.

Dated at Pierre, South Dakota, this 1st day of September, 1987.

BY ORDER OF THE COMMISSION:


DENNIS EISNACH, Chairman


KENNETH STOFFERAHN, Commissioner


JAMES A. BURG, Commissioner

(OFFICIAL SEAL)