

Memorandum

To: Commissioners
Jon Mielke
Illona Jeffcoat-Sacco

From: Mike Diller

Date: May 4, 2000

Re: **2000 Reported Returns on Equity
Admin Agenda Item for May 9**

As you can see from the attached chart, two out of seven rate of return regulated utilities reported earnings on equity greater than 12% for the year ended 2000. Of these two, Otter Tail's electric operation reported a slightly higher return of 12.91% and is currently operating under a performance-based ratemaking plan. Great Plain's has not reported yet but staff does not expect reported earnings to exceed 12% given recent earnings levels and the closure of the ProGold plant during 2000.

You will note that MDU's electric operations reported a return on equity of 17.95%. Like 1999, MDU's electric operation reported the highest earnings. Further, MDU's electric operations have reported earnings above 12% for the last five years.

Staff recommends that the annual reports be closed for all gas and electric operations except for MDU's electric operation. Staff also recommends that MDU's 1999 annual report for electric operations be closed. The 2000 annual report and the information gathered by staff relating to 1999 will be used to file a complaint against MDU alleging that its electric rates are too high.

In accordance with commission policy, this memo has been copied to all rate of return regulated companies for purposes of responding. Any responses to this memo will be docketed in the annual report case and distributed to commissioners and applicable staff members.