

Memo

To: Darrell Nitschke, Executive Secretary

From: Mike Diller, Director of Economic Regulation



Date: June 6, 2013

Re: Recommend Approval of MDU's 2012 Earnings Sharing Adjustment
Case No. PU-10-124

The Earnings Sharing Adjustment (ESA) was born out of Montana-Dakota Utilities Co.'s last electric rate increase application (June, 2010) whereby the Company agreed to share earnings above 10.75% equally with customers for the years ended 2011 and 2012. The agreement occurred through settlement with Advocacy Staff and was approved by the commission on June 8, 2011.

Last year, Montana-Dakota Utilities Co. (MDU) filed its 2011 ESA. The Advocacy Staff's review of the first ESA established rules and parameters for determining the proper sharing amount and was ordered by the commission on December 21, 2012.

On April 12, 2013, MDU filed its 2012 ESA. On May 8, 2013, the commission issued a Notice of Opportunity for Hearing as to whether the application is fair and reasonable and in compliance with commission Order. Comments or a request for hearing must be received by June 14, 2013. No comments or requests have been received to date.

MDU's 2012 filing complies with the adjustments and decisions made in the commission's 2011 ESA Order. Staff recommends that the commission approve the application as filed. Since there are no new issues in this case, staff will prepare a Motion to approve after the Notice date for comments and requests for a hearing expires. If approved, customers consuming 750 kWh's per month will receive a total credit of \$16.48 over a two month billing cycle beginning July, 2013.

Going Forward

MDU's electric earnings continue to remain above the authorized level in its 2010 rate case. The growth in the oil patch has spurred more growth in earnings than were anticipated. Since the earnings sharing mechanism expires at the end of 2012, staff is working with MDU to provide a solution going forward. We expect to apprise the commission of our success within the next month.