

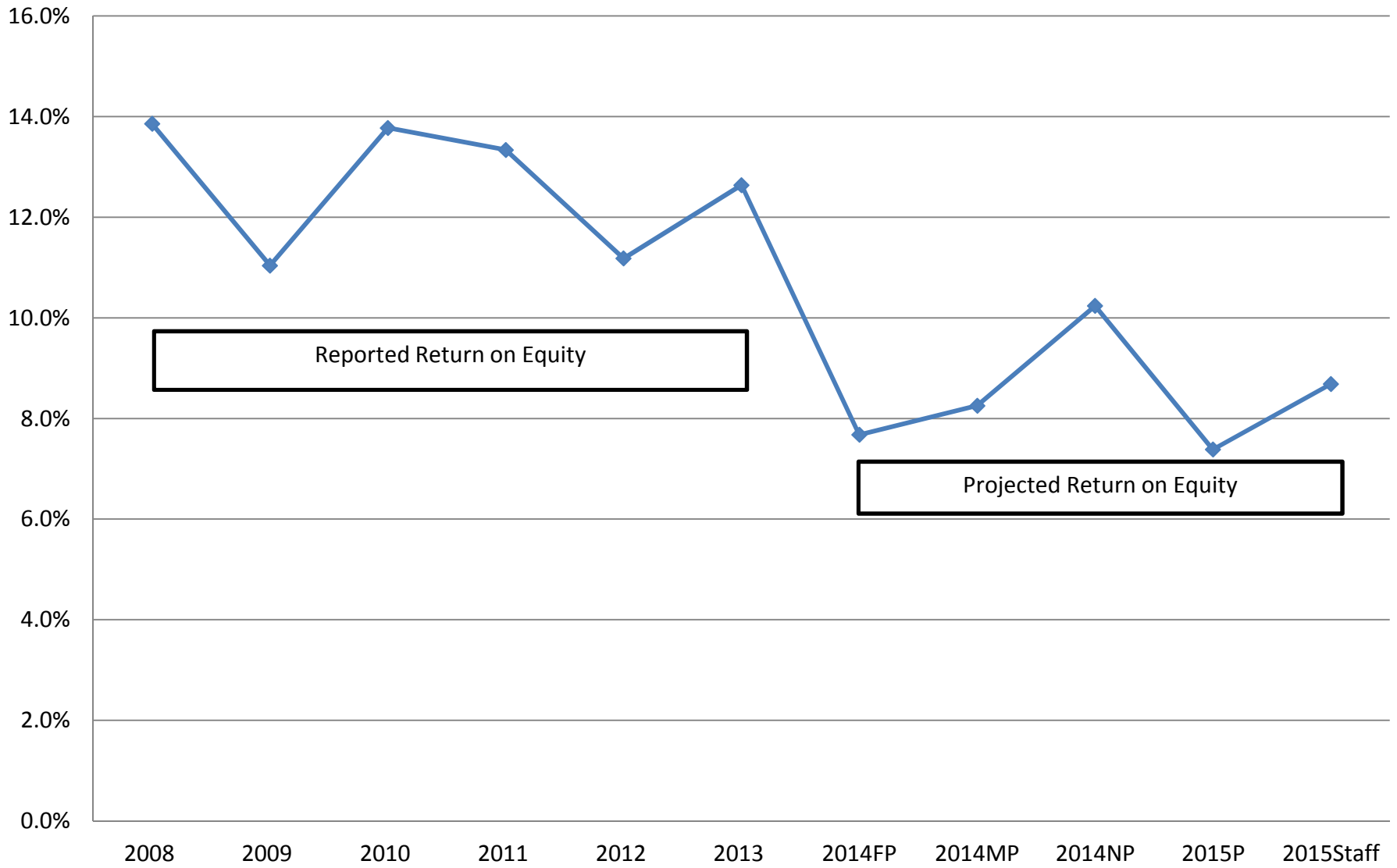
# Heskett III Generation Resource Recovery Rider (PU-14-109)

Mike Diller  
Director of Economic Regulation  
Informal Hearing  
December 17, 2014

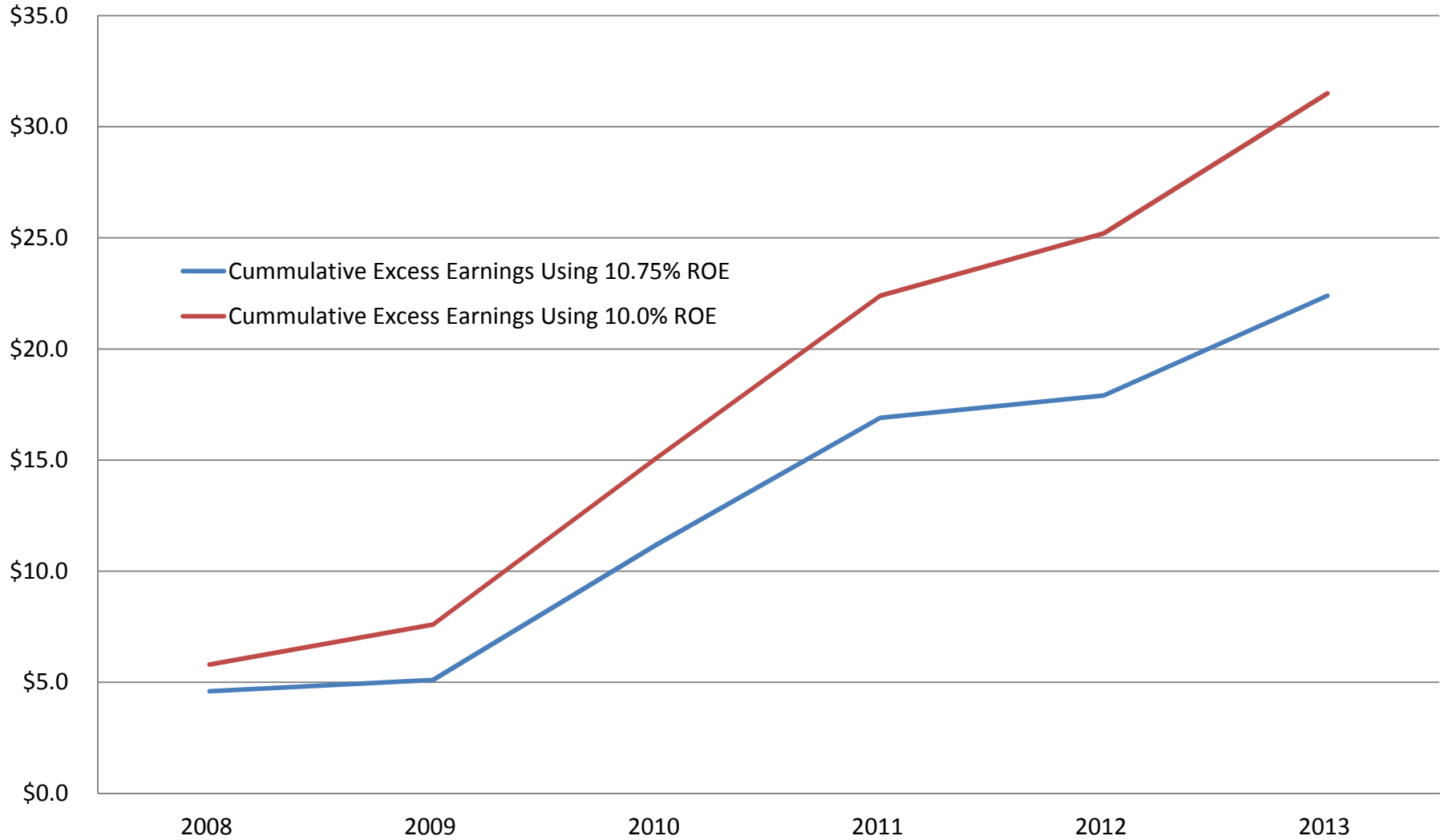
# Quick History of Case

- Application Feb. 2014
- Amended Application Removing Gas Line May 2014
- Settlement Agreement Delaying Implementation May 2014
  - \$5.27 Million When Needed
  - 2014 Earnings Sharing Agreement
  - Annual Filing Coordinated with Annual Reported Earnings
  
- Staff Testimony Filed May 2014
- MDU Testimony Filed June 2014
- Commission Order Approving Settlement Aug 2014
- MDU Re-Filed Application to Show Need Nov 2014
- Notice of Opportunity for Hearing Issued Nov 2014
- Informal Hearing Dec 2014

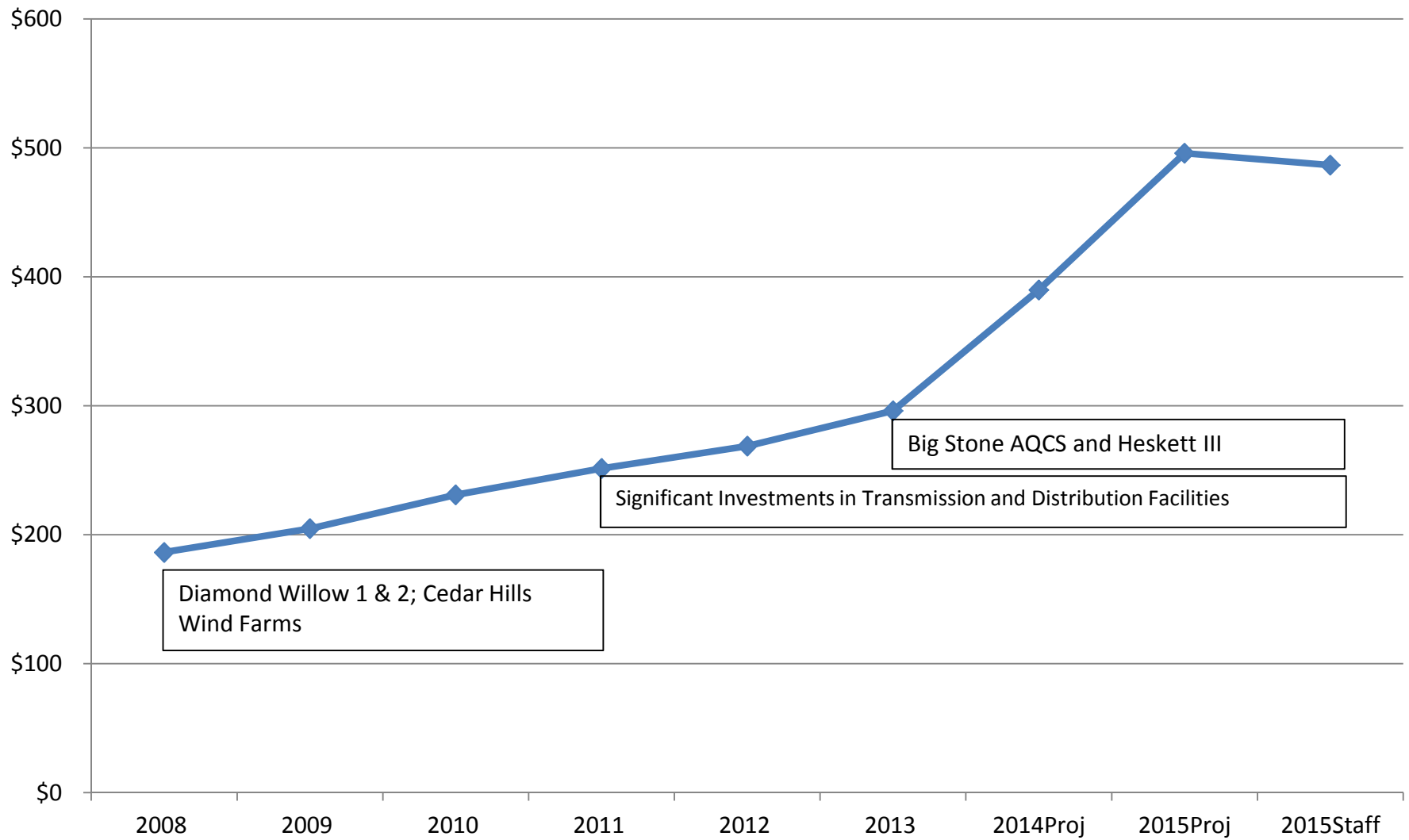
# Montana-Dakota Utilities Co. North Dakota Electric Return on Equity



**Montana-Dakota Utilities Co.**  
**North Dakota Electric Cummulative Excess Earnings**  
**(Millions)**

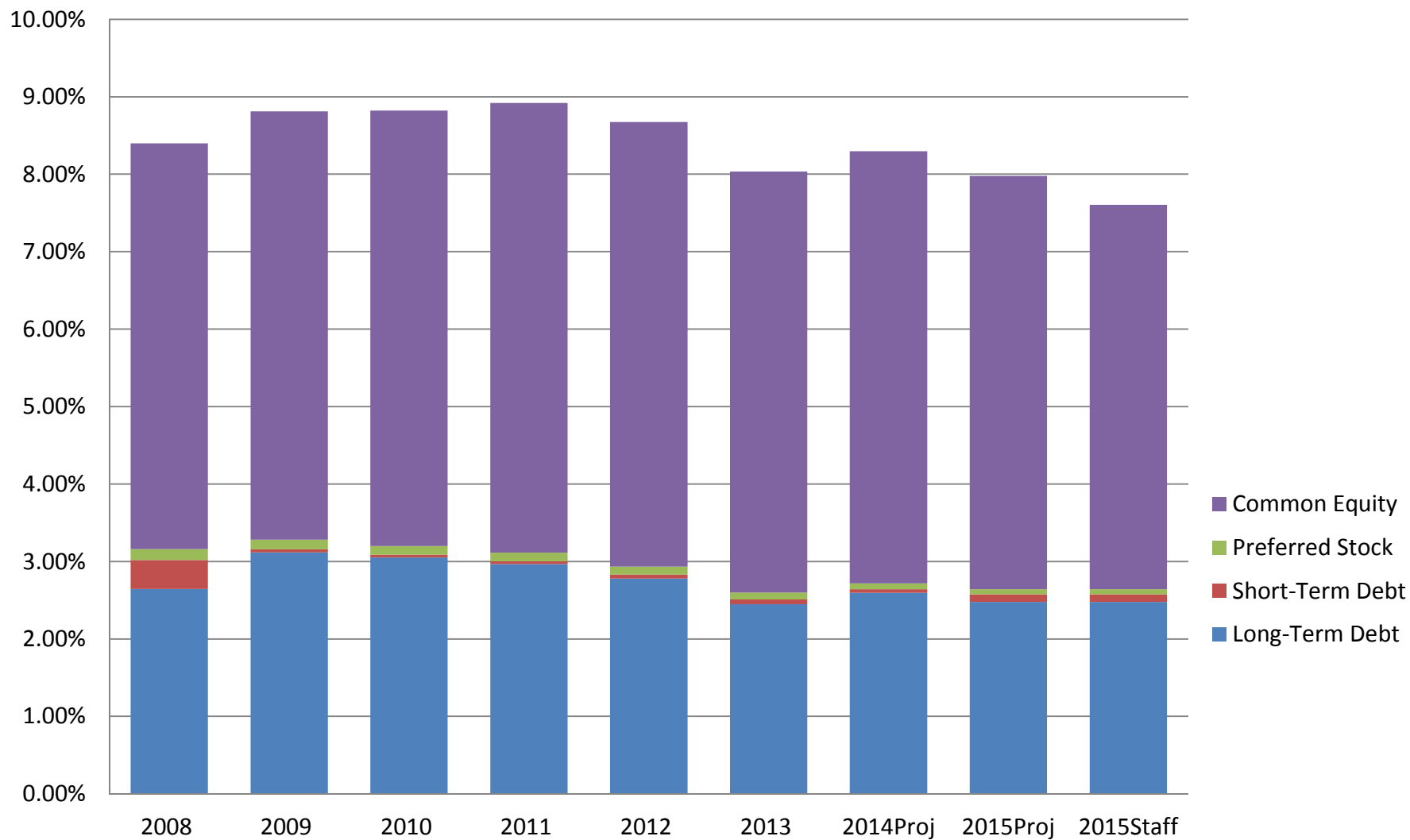


**Montana-Dakota Utilities Co.  
Average North Dakota Electric Rate Base  
(Millions)**

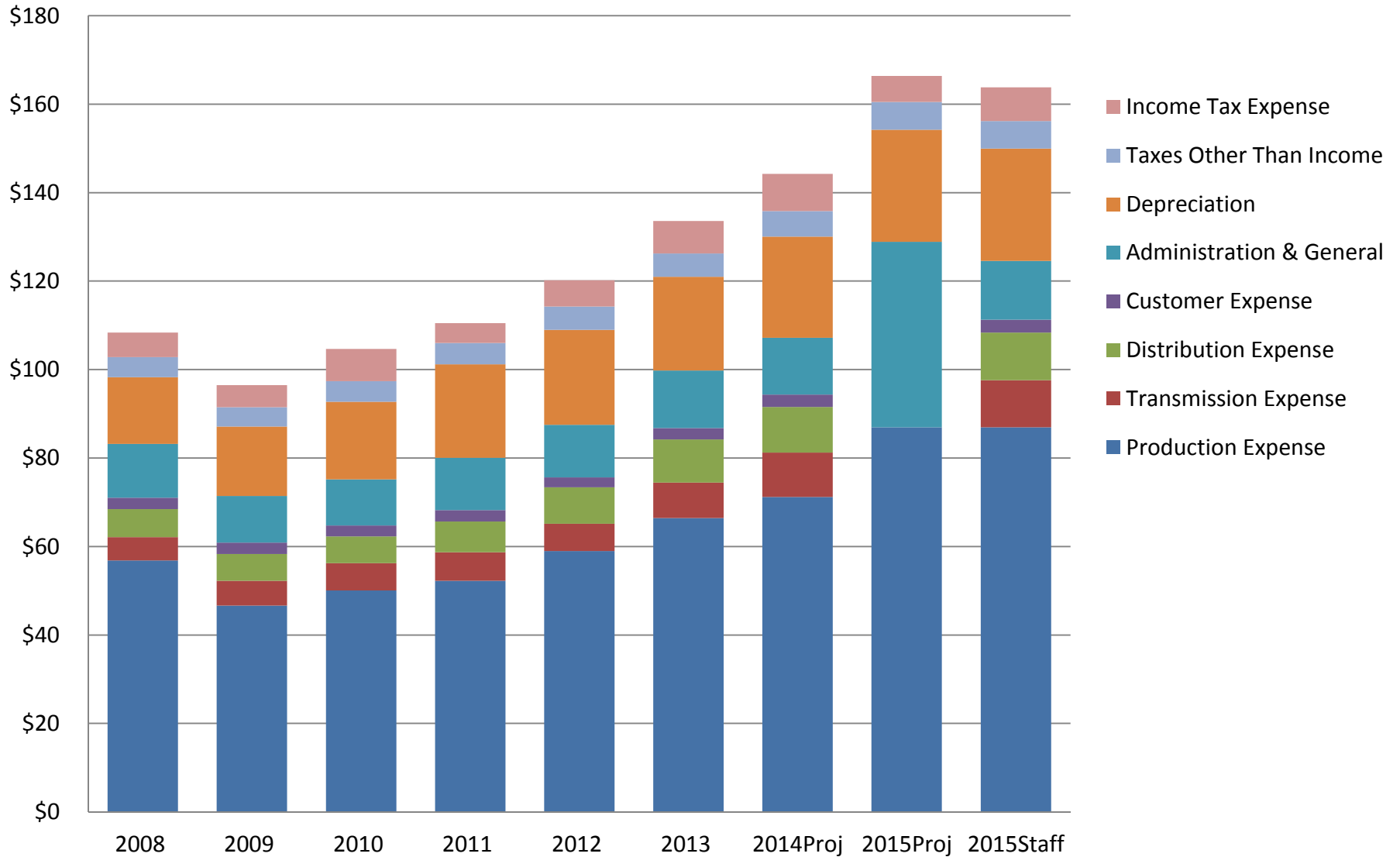


**Montana-Dakota Utilities Co.  
North Dakota Electric Weighted Cost of Capital**

**Assumes 10.75% ROE except for 2015 Staff Postion (10% ROE)**



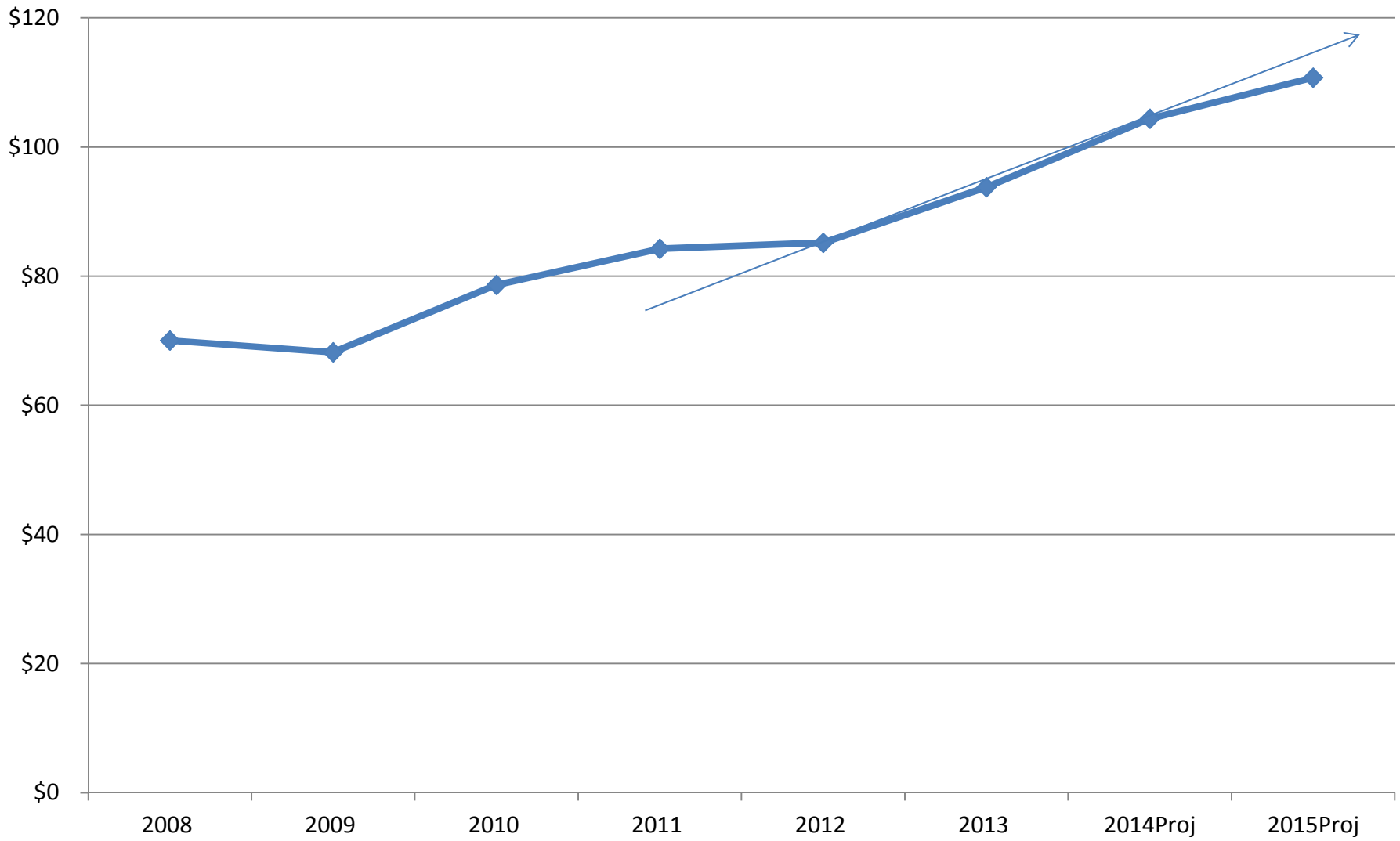
## Montana-Dakota Utilities Co. North Dakota Electric Expenses (Millions)



# Staff Conclusion

<u>Description</u>	<u>2015 Projection</u>		
	<u>MDU</u>	<u>Adj.</u>	<u>Staff</u>
Average Rate Base	\$496,031	(\$9,238)	\$486,793
Rate of Return	<u>7.98%</u>	-0.37%	<u>7.61%</u>
Return Required	\$39,574		\$37,025
Return Earned	<u>31,285</u>	\$2,559	<u>33,844</u>
Return Deficiency	\$8,289		\$3,181
Tax Factor	<u>1.61</u>		<u>1.61</u>
<b>Revenue Deficiency</b>	<u><u>\$13,357</u></u>		<u><u>\$5,126</u></u>

**Montana-Dakota Utilities Co.  
North Dakota Electric Gross Margins  
(Millions)**



# Staff Recommendations

- Extend Earnings Sharing Through 2015
- Future Filings Should Functionalize Other O&M Costs to Match Annual Earnings Reports
  - Accountability
  - Comparability
  - Continuity
  - Long-Term Regulator Happiness