

*via hand-delivery*

November 22, 2016

Darrell Nitschke  
Executive Secretary  
North Dakota Public Service Commission  
600 E. Blvd. Ave. Dept. 408  
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co.,  
a Division of MDU Resources Group, Inc.  
2016 Electric Rate Increase  
Application

Case No. PU-16-666

Dear Mr. Nitschke:

Montana-Dakota Utilities Co. (Montana-Dakota) filed for an electric rate increase on October 14, 2016. The Company used a 2017 projected test year to calculate its interim rate relief request of \$13,027,771, or 6.5 percent. The interim increase to a residential electric customer using 980 kilowatt-hours per month on average is \$6.78.

Staff reviewed the Commission's last rate case order (PU-10-124) and the Company's current interim rate request for compliance with the laws and rules governing interim rate increases. The applicable section of law reads:

**49-05-06. Hearing by commission on proposed change of rates.**

**2. Notwithstanding that the commission may suspend a filing and order a hearing, a public utility may file for interim rate relief as part of its general rate increase application and filing. If interim rates are requested, the commission shall order that the interim rate schedule take effect no later than sixty days after the initial filing date and without a public hearing. The interim rate schedule must be calculated using the proposed test year cost of capital, rate base, and expenses, except that the schedule must include:**

**a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;**

**b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and**

**c. No change in existing rate design.**

**3. In ordering an interim rate schedule, the commission may require a bond to secure any projected refund required by subsection 4. The terms of the bond, including the amount and surety, are subject to the commission's approval.**

**4. As ordered by the commission, the utility shall promptly refund to persons entitled thereto all interim rate amounts collected by the public utility in excess of the final rates approved by the commission plus reasonable interest at a rate to be determined by the commission.**

Montana-Dakota calculated its interim rates by using the return on common equity it is requesting in this case versus that authorized in the last rate case. The Company is requesting a lower rate of return on common equity than authorized in its last case. Accordingly, Staff agrees that using the 10.0 percent rate of return that the Company is requesting in this case for the interim is acceptable.

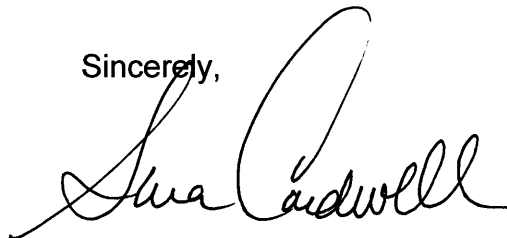
In reviewing Montana-Dakota's rate base and expenses to verify they are the "same in nature and kind" as allowed by the Commission in the last rate order, Staff found that the Company had not complied with the settlement agreement in the last case. Therefore, the Company refiled its interim request on November 21, 2016 to comply with the settlement agreement from its 2010 electric rate case. The revised interim rate request is \$11,695,592, or 5.8 percent. The revised interim increase to a residential electric customer using 980 kilowatt-hours per month on average is \$6.09.

Montana-Dakota's proposed interim rates do not change the existing rate design. The increase is only applied to the Basic Service Charge, Energy Charges and the Demand Charges resulting in an increase to the non-fuel and rider portions of the customers' bills of 10.320 percent.

Even though the Commission may require a bond to ensure a refund in the event that the Commission does not find in Montana-Dakota's favor, Staff believes the financial security of Montana-Dakota is sufficient so as to not require a bond.

In summary, Staff believes that Montana-Dakota's revised interim rate request complies with the North Dakota laws and rules and should be approved for customer usage on or after December 13, 2016.

Sincerely,

A handwritten signature in black ink, appearing to read "Sara Cardwell". The signature is fluid and cursive, with a large initial "S" and "C".

Sara Cardwell  
Public Service Commission  
Advocacy Staff

c: Tamie Aberle  
Karl Liepitz  
Paul Sanderson