



Public Service Commission

State of North Dakota

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June 8, 2017

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

Re: Montana-Dakota Utilities Co.
2016 Electric Rate Increase Application
Case No. PU-16-666

Dear Mr. Nitschke:

Advocacy Staff (Staff) herewith submits the following responses regarding the commission's questions from their May 30, 2017 work session on the captioned case.

Staff has reviewed all results, work papers and filings submitted by Montana-Dakota Utilities Co. (MDU). Additionally, Staff has discussed the work papers and results with MDU to ensure the accuracy of the information being presented by MDU and a thorough understanding of the calculations.

Each of the riders over/under collection balances along with the backup work papers and calculations presented by MDU is accurate. The resulting over and under collection balances are the result of MDU's projected kWh usage being far higher than actual usage in 2015 and 2016 and the actual expenses applicable to the transmission and environmental riders coming in higher than projected by MDU. These two factors alone would normally cause a moderate level of under collection in the normal one-year timeframe between rider true-ups. In the current case, the under collection was exacerbated by the prolonged period of time between true-ups which has now been over two years.

Staff believes it is more appropriate to implement the new rider rates at the same time the changes based on the rate case are implemented. Note that because some projects are moving from base rates to the riders and vice versa, it is difficult to separate the rider issues from the base rate changes. Additionally, some rider issues are discussed in the settlement agreement and may make it necessary to implement these changes at the same time.

133 **PU-16-666** Filed: 6/8/2017 Pages: 3
**Advocacy Staff response to Commission's
questions from 30 May 2017 work session**

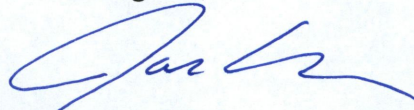
Public Service Commission Advocacy Staff
John Schuh, Advocacy Counsel

Lastly, the sand and reagent expense included in the calculation of the interim refund is accurate. The sand and reagent expense is not specifically discussed in the settlement agreement, however, there is a provision stating “[t]he Settling Parties agree to all other tariff provision changes as proposed by the Company.” The proposal to add sand and reagent costs to the fuel and purchased power adjustment was contained within the company’s proposed tariff changes in the rate case.

The cost of sand and reagents was discussed by both MDU and Advocacy staff (Mike Diller) in MDU’s 2015 environmental cost recovery rider case PU-15-143. At that time Advocacy staff recommended and the commission agreed that at such time the costs are known and established, they could be added to the fuel and purchased power adjustment. The emission control systems using the sand and reagents have been operating since late 2015 giving over a year of operating history and providing some consistency in the expenses. Since the cost of sand and reagent is based on generation similar to fuel, Advocacy staff agrees that this cost can be recovered in the fuel and purchased power adjustment as proposed by MDU.

Having reviewed MDU’s response and provided the opportunity to submit its position on the rider impacts and the resulting interim refund calculations and balances, Staff waives cross-examination of Ms. Aberle with regard to MDU’s response to the Commission’s June 1, 2017 request.

Best regards,



John M. Schuh
Advocacy Counsel

c:w/encl. Paul Sanderson
Mitch Armstrong
Sarah Kuntz
Pat Ward

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

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

Case No. PU-16-666

AFFIDAVIT OF SERVICE BY HAND DELIVERY

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Geralyn R. Schmaltz deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **8th day of June, 2017**, she hand delivered an original of:

- **Advocacy Staff Response to Commission's Questions from the May 30, 2017 Work Session**

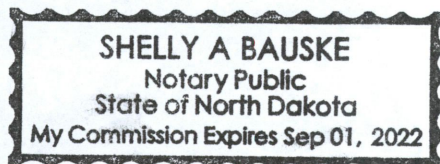
To:

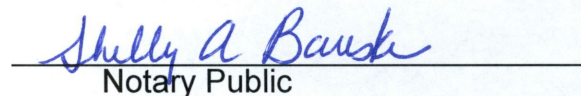
Darrell Nitschke
Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard Ave. Dept. 408
Bismarck, ND 58505-0480

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **8th day of June, 2017**.







Notary Public

SEAL