



Public Service Commission

State of North Dakota

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29 August 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.
2017 Natural Gas Rate Increase
Application

Case No. PU-17-295

Dear Mr. Nitschke:

MDU filed for a natural gas rate increase on July 21, 2017. The Company used a 2018 projected test year to calculate its interim rate relief request of \$4.6 million in increased revenue collections or an overall increase in revenue collections of 4.2%. This equates to an average increase per month for residential customers of \$2.44.

Staff finds Montana-Dakota's interim rate request in compliance with the laws and rules governing interim rate increases. The following is staff's analysis.

Staff reviewed the Commission's last rate case order (PU-15-90) 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;

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Letter re staff analysis of interim rate request

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.

MDU calculated its interim rates by using the return on common equity authorized in the last rate case of 9.5%. MDU's rate base and expenses are the "same in nature and kind" as allowed by the Commission in MDU's last rate order.

MDU's proposed interim rates do not change the existing rate design. Because the overall increase is only applied to the Basic Service Charge and the Distribution Delivery Charge, the non-fuel portion of the customers' bills will increase 12.486% for all classes other than those receiving service provided under a discounted contract rate. The large difference between the overall increase and increase applied only to the non-fuel portion of the bill occurs because approximately 58% of MDU's cost to provide service is fuel related.

Even though the commission may require a bond to ensure a refund in the event that the commission does not find in MDU's favor, staff believes the financial security of MDU is sufficient so as to not require a bond.

In summary, staff believes that MDU's interim rate request complies with the laws and rules and should be approved for use on or after September 19, 2017. A Motion and Order has been prepared for the September 6, 2017 Commission meeting.

Sincerely,



Victor Schock
Public Service Commission
Advocacy Staff

c:w/encl: Tamie Aberle
Karl Liepitz