

**North Dakota Gas Rate Case  
Case No. PU-17-295  
Technical Hearing  
May 30 - June 1, 2018**

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Exhibit MDU-15**



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# Tax Cuts and Jobs Act Impact

	As Filed	TCJA	Final Proposed
Revenue Deficiency	\$5,863,197	(\$2,287,809)	\$3,575,388
Overall Increase	5.4%		3.3%
Residential Increase	5.9%		3.6%

*Requested increase reduced nearly  
40% as a result of the TCJA*



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# Embedded Class Cost of Service Study

## Purpose

- Embedded study provides a basis for measuring the rate of return provided by each rate class
- Forms a basis for allocating the revenue increase to the rate classes
- Used as a guide when determining rate designs applicable to each customer class



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# Embedded Class Cost of Service Study - Results

<b>Customer Class</b>	<b>ROR</b>
<b>Residential</b>	<b>3.84%</b>
<b>Small Firm General</b>	<b>5.95%</b>
<b>Large Firm General</b>	<b>7.71%</b>
<b>Air Force Delivery</b>	<b>17.20%</b>
<b>Small IT Sales and Transport</b>	<b>18.71%</b>
<b>Large IT Sales and Transport</b>	<b>15.71%</b>
<b>Overall</b>	<b>5.57%</b>



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# Embedded Class Cost of Service Study

## Process

- **Functionalize and Classify the revenue requirement as:**
  - Customer-related, energy-related and demand-related costs
- **Allocate these costs to the various customer classes**
  - First allocated directly to classes when known, then using allocation factors on the basis of cost responsibility
- **Distribution Mains a primary cost driver in distribution case**
  - Company uses minimum system approach to address allocation of mains
    - Recognizes two primary drivers of investment - customers and their associated demand on the system
- **Revenue allocation is not disputed**



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# Total Revenue Effect

Customer Class/Rate	Projected 2018			Proposed Increase		Return on Rate Base	
	Customers	Dk	Revenue	\$	%	Before Increase	With Rev Increase
Residential - Rate 60	96,792	8,826,214	\$58,201,289	\$2,109,146	3.6%	3.8%	5.7%
Firm General - Rate 70	15,560	8,035,663	44,071,987	1,469,531	3.3%	7.1%	9.6%
Air Force - Rate 64	3	490,100	1,604,860	0	0.0%	17.2%	17.2%
Small Interruptible	155	1,677,385	3,402,925	(171)	0.0%	18.7%	18.7%
Large Interruptible	6	4,321,943	1,327,781	139	0.0%	15.7%	15.7%
<b>Total North Dakota</b>	<b>112,516</b>	<b>23,351,305</b>	<b>\$108,608,842</b>	<b>\$3,578,645</b>	<b>3.3%</b>	<b>5.6%</b>	<b>7.5%</b>



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# Proposed Rate Changes

## Residential

- Proposing a 3.6% overall increase
- Monthly increase of \$1.82 per customer
- Roughly 60% of bill remains volumetric
  - Incentive to conserve remains
  - Appropriate price signal of “use less, pay less - use more, pay more” being sent

## Firm General Service

- Proposing a 3.3% overall increase
- Monthly increase of approximately \$3.08 and \$18.49 for Small and Large Firm General customers, respectively

## Other Changes

- Increases to Small and Large IT basic service charges



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# Proposed Residential Rates

## RATE 60 BILL COMPARISON RESIDENTIAL GAS SERVICE

Month	Dk	Present Rate		Proposed Rate		Amount of Increase	% Increase
		Basic Service Charge	Cost of Gas	Basic Service Charge	Cost of Gas		
January	16	\$19.97	\$64.18	\$21.82	\$64.18	\$1.85	2.20%
February	15	18.04	60.17	19.71	60.17	1.67	2.14%
March	12	19.97	48.13	21.82	48.13	1.85	2.72%
April	9	19.33	36.10	21.12	36.10	1.79	3.23%
May	5	19.97	20.06	21.82	20.06	1.85	4.62%
June	2	19.33	8.02	21.12	8.02	1.79	6.54%
July	2	19.97	8.02	21.82	8.02	1.85	6.61%
August	2	19.97	8.02	21.82	8.02	1.85	6.61%
September	2	19.33	8.02	21.12	8.02	1.79	6.54%
October	4	19.97	16.04	21.82	16.04	1.85	5.14%
November	10	19.33	40.11	21.12	40.11	1.79	3.01%
December	12	19.97	48.13	21.82	48.13	1.85	2.72%
<b>Total</b>	<b>91</b>	<b>\$235.15</b>	<b>\$365.00</b>	<b>\$256.93</b>	<b>\$365.00</b>	<b>\$21.78</b>	<b>3.63%</b>

Average Monthly Increase

\$1.82

\$0.00

\$1.82



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# Residential Rate Design

## Straight Fixed Variable Rate

- Residential customers pay a flat fee for service, plus the cost of any commodity consumed
- Customer benefits of this design include:
  - Mitigates the impact of significantly cold weather on customer's bills - such as last winter
  - Provides for a more stable bill with 40% of the bill fixed, while maintaining the incentive to conserve with 60% of the bill variable
  - Addresses inequities and subsidies that occur when volumetric charges are used to collect fixed costs
  - Fixed costs recovered through fixed charge



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# Proposed Residential Bill Changes

Month	Dk	Present Rate	Proposed Rate	Amount of Increase	% Increase
January	16	\$84.15	\$86.00	\$1.85	2.20%
February	15	78.21	79.88	1.67	2.14%
March	12	68.11	69.96	1.85	2.72%
April	9	55.43	57.22	1.79	3.23%
May	5	40.03	41.88	1.85	4.62%
June	2	27.35	29.14	1.79	6.54%
July	2	28.00	29.85	1.85	6.61%
August	2	28.00	29.85	1.85	6.61%
September	2	27.35	29.14	1.79	6.54%
October	4	36.02	37.87	1.85	5.14%
November	10	59.44	61.23	1.79	3.01%
December	12	68.11	69.96	1.85	2.72%
Total	91	\$600.20	\$621.98	\$21.78	3.63%

Average Increase per Month  
\$1.82



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# Proposed Bill Components

	Current	Proposed
<b>Residential Rate 60</b>		
Basic Service Charge per day	\$0.6443	\$0.7040
Cost of Gas per Dk	\$4.011	\$4.011
<b>Small Firm Rate 70</b>		
Basic Service Charge per day	\$0.67	\$0.70
Distribution Delivery	\$0.730	\$0.866
Cost of Gas per Dk	\$4.011	\$4.011
<b>Large Firm Rate 70</b>		
Basic Service Charge per day	\$1.90	\$2.05
Distribution Delivery	\$0.730	\$0.866
Cost of Gas per Dk	\$4.011	\$4.011