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September 11, 2018

Via hand-delivery

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



Re: Montana-Dakota Utilities Co., Case No. PU-17-295

Attached are an original and seven copies of the **AARP'S OBJECTION TO NON-UNANIMOUS SETTLEMENT** in the above-referenced matter.

A copy of this filing has been served upon all parties of record. Please feel free to contact me or John Coffman with any questions or concerns.

Sincerely,

TSCHIDER and SMITH



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AARP's Objection to Non-unanimous Settlement

AARP, Intervenor

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**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Montana-Dakota Utilities Co., a Division of)	
MDU Resources Group, Inc.)	Case No. PU-I7-295
2017 Natural Gas Rate Increase Application)	

AARP’S OBJECTION TO NON-UNANIMOUS SETTLEMENT

On May 30 through June 1, 2018, a public evidentiary hearing was held by the North Dakota Public Service Commission (“Commission”) on the natural gas rates for Montana-Dakota Utilities Co. (“MDU” or “Company”). At that hearing, MDU argued that 100% of the proposed increase to residential customers in this case be applied as a flat increase to the fixed customer charge (the “residential basic service charge”). This means that each residential household would bear the same monthly rate increase as a result of this rate case, *regardless of their natural gas usage*. This utility proposal for designing residential gas rates was contradicted by clear and convincing evidence at the hearing. In fact, the cost studies entered into the record show that between 25% and 36% of the residential class's costs are related to the class's peak demand, *even under MDU’s own CCOSS analysis*.¹

Well after the record closed in this case, on July 19, 2018, MDU filed a non-unanimous “Settlement Agreement” with the Commission Staff and other parties. Under

¹ Statement M of MDU’s initial filing in this rate case. See the discussion of this issue in the Post-Hearing Brief of AARP, pp. 13-19.

the provisions of this settlement agreement, the Advocacy Staff and others would agree to accept MDU's proposed residential rate design. No party to this rate case which exclusively represents the residential class was a party to this July 16 Settlement Agreement, even though the document purports to resolve rate design issues completely within the residential class.² For this reason alone, the Settlement Agreement should not be adopted as a resolution of this matter affecting residential rates, and rather it should be treated as merely a change in position for the signatory parties.

However, the most compelling reason to reject the Settlement Agreement is that it would resolve residential rate design *against the evidence* taken in full rate case proceeding. It would be unjust and unreasonable for the Commission to ignore the litigation of this case and attempt to resolve rate design issues within the residential rate class contrary to the competent and substantial evidence already placed into the record.

AARP is not requesting that the Commission hold another hearing in this rate case. An evidentiary hearing has already been held on all contested issues. All parties were already allowed to cross examine and offer evidence. The Commission has all of the evidence necessary to decide this case on the current record. The Settlement Agreement should not be used as a way to ignore the competent and substantial evidentiary record, which does not support dumping 100% of the impact of any rate increase into the fixed residential service charge. The Commission should resolve this issue based upon the current evidentiary record.

AARP continues to believe that the proposed residential rate design is radical and extreme, as well as contrary to the established goals of rate design, including the goals

² Settlement Agreement, p. 5, Paragraph 5.

of public acceptability and energy efficiency. In this case, MDU's proposed residential rate design is also contrary to the goal of aligning rates with the true cost of providing service. The proposal to place 100% of any increase to the residential customer class into a fixed customer charge is not balanced, and thus is not just and reasonable. It is an extreme approach that completely ignores the evidence of cost allocations, placing *no significance* on the proven fact the much of residential cost of service is dependent upon energy demand. AARP is merely advocating for bringing the current rate structure back into a more balanced approach between fixed charges and volumetric charges for the delivery of natural gas.

Fairness requires that residential customers who cause more costs to be incurred should pay more than customers whose usage patterns result in lower costs for the class. Moreover, economic efficiency requires that those customers should pay rates that reflect the increased costs associated with their increased consumption.³ Higher demands result in higher costs for the class and the principle of efficiency suggests that rate design should reflect that fact. MDU would have the Commission ignore this proven fact and proceed to set residential rates in a manner that glosses over the evidentiary record. AARP urges the Commission to carefully review the evidence and adopt at least some compromise that moves rates back towards a more reasonable approach which gives low usage customers some level of protection, which fairly acknowledges the CCROSS data, and which gives customers more control over their monthly bills.

³ Exhibit AARP-41, p. 34.

WHEREFORE, AARP objects to the Settlement Agreement and respectfully recommends that the Commission not adopt it. The Settlement Agreement should only be treated as a change in position by the parties which signed it.

The Commission does not need to hold another evidentiary hearing. Rather, the Commission should simply resolve the contested issues in this rate case based upon the record taken at the hearing held on May 30 through June 1, 2018, including a resolution of the rate design for the residential customer class that would bring it into greater balance and fairness. The evidence on the record in this matter does not support Paragraph 5 of the Settlement Agreement.

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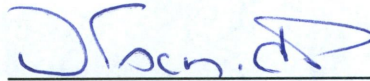
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CERTIFICATE OF SERVICE

I hereby certify that the original and seven (7) copies of the foregoing was hand delivered to the Secretary of the North Dakota Public Service Commission, with a complete copy thereof mailed to **all parties of record** on this 11th day of September, 2018.



David A. Tschider