



UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

March 22, 2019

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505

Re: Natural Gas Rate Increase
Interim Rate Refund Compliance Filing
Case No. PU-17-295

Montana-Dakota Utilities Co. (Montana-Dakota) herewith submits an original and seven (7) copies of its Interim Rate Refund Compliance Report in the above referenced case.

On July 21, 2017, Montana-Dakota submitted an application with the North Dakota Public Service Commission (Commission) to increase the Company's natural gas rates by approximately \$5.9 million annually or 5.4 percent over current rates. The Company concurrently submitted an Application for an interim increase in rates to be effective sixty days from the date of filing. On September 6, 2017, the Commission authorized Montana-Dakota to implement an interim rate increase in the amount of \$4.6 million annually or 4.2 percent over current rates to be effective September 19, 2017. On February 14, 2018, Montana-Dakota submitted an update to the Company's interim rate application to reflect the reduction in the federal corporate income tax rate effective with the passage of the Tax Cuts and Jobs Act of 2017, with the new interim rate implemented March 1, 2018 as authorized by the Commission. The interim rates were applicable to the amounts billed under the Basic Service Charge and Distribution Delivery Charge applicable under all rate schedules and shown as a separate line item on the customer's bill.

On September 26, 2018, the Commission issued its Final Order in the above referenced case, authorizing a final increase in rates of \$2.5 million annually, or 2.3 percent over current rates. In compliance with the Final Order, Montana-Dakota was required to refund the difference in the interim increases implemented and that authorized in final rates which amounted to 13.321 percent of the revenues collected on an interim basis. On November 20, 2018, the Commission approved the Company's October 5, 2018 Compliance Filing and Interim Rate Refund Plan, requiring Montana-Dakota to issue refunds by March 1, 2019 and file an interim refund compliance report within 30 days after completion of the refunds.

As shown in Attachment A, page 1, Montana-Dakota collected total interim revenue, from September 19, 2017 up to the December 1, 2018 implementation of final rates in this case, of \$4,098,579. In applying the refund factor to the interim revenue collected, including the application of interest using the three-month Treasury Bill rate, the Company applied the final refund factor of 13.546 percent as shown on Attachment A, page 2 in order to return a total of \$555,220 to customers.

On March 1, 2019, a total of \$537,469 was refunded through a bill credit to active customer accounts or checks issued if the account was inactive and the refund was \$5.00 or greater in accordance with the Company's Interim Rate Refund Plan. The remaining balance of \$17,731 is the amount associated with inactive customer accounts where the refund was less than \$5.00 and the difference due to rounding. This un-refunded balance will be credited to the Unrecovered Purchased Gas Account in March. A breakdown of the refund by rate class is shown in Attachment B. As shown on Attachment B, the unrefunded balance for the residential class is higher than has typically occurred in the past. This is attributable to 9,502 inactive customers with a refund less than \$5.00. The average refund for this group of residential customers was \$1.80, whereas the average refund applied to active residential customer accounts was \$3.19.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: K. Lieptiz

**Montana-Dakota Utilities Co.
Gas Utility - North Dakota
Interim Refund Factor
Case No. PU-17-295**

| | Interim Rate Periods 1/ | | | Interim Refund | Interim Refund Factor |
|---|-----------------------------|---------------------------|---------------------------|---------------------------|-----------------------|
| | 9/19/17 through 12/31/17 | 1/1/18 through 2/28/18 | 3/1/18 through 1/31/19 | | |
| Calculation of Interim Refund Factor: | | | | | |
| Interim Rate Increase | \$4,561,074 ✓ | \$4,561,074 ✓ | \$2,687,424 ✓ | | |
| Authorized Rate Increase | <u>4,452,298 ✓</u> | <u>2,500,000 ✓</u> | <u>2,500,000 ✓</u> | | |
| Amount to be Refunded | 108,776 ✓ | 2,061,074 ✓ | 187,424 ✓ | | |
| % Refundable | 2.3849% ✓ | 45.1883% ✓ | 6.9741% ✓ | | |
| Total Interim Collected | 1,327,019 ✓ | 840,079 ✓ | 1,931,481 ✓ | \$4,098,579 ✓ | |
| Interim to be Refunded (excluding interest) | 31,648 ✓ | 379,617 ✓ | 134,703 ✓ | 545,968 ✓ | 13.321% |
| Interest on Interim Balance | | | | <u>9,232 ✓</u> | |
| Total Amount to be Refunded | | | | <u><u>\$555,200 ✓</u></u> | |
| Interim Refund Factor | | | | | 13.546% ✓ |

1/ Actual interim collected through implementation of final rates effective date December 1, 2018.

Montana-Dakota Utilities Co.
Gas Utility - North Dakota
Calculation of Interest on Interim Collected
Case No. PU-17-295

| | Beginning Interim Refund Balance | Current Month Interim Collected | Interim to be Refunded 1/ | Interest on Interim Refund Balance 2/ | Ending Interim Refund Balance |
|-------------------|--|---------------------------------------|------------------------------|---|-------------------------------------|
| September 2017 3/ | \$0 | \$4,734 | \$631 | \$0 | \$631 |
| October | 631 | 229,981 | 30,636 | 0 | 31,267 |
| November | 31,267 | 355,159 | 47,311 | 16 | 78,594 |
| December | 78,594 | 415,623 | 55,365 | 60 | 134,019 |
| January 2018 | 134,019 | 470,569 | 62,684 | 125 | 196,828 |
| February | 196,828 | 419,322 | 55,858 | 216 | 252,902 |
| March | 252,902 | 383,812 | 51,128 | 319 | 304,349 |
| April | 304,349 | 232,815 | 31,013 | 409 | 335,771 |
| May | 335,771 | 216,637 | 28,858 | 496 | 365,125 |
| June | 365,125 | 197,053 | 26,249 | 555 | 391,929 |
| July | 391,929 | 184,146 | 24,530 | 618 | 417,077 |
| August | 417,077 | 201,505 | 26,842 | 684 | 444,603 |
| September | 444,603 | 180,018 | 23,980 | 765 | 469,348 |
| October | 469,348 | 207,917 | 27,697 | 857 | 497,902 |
| November | 497,902 | 217,062 | 28,915 | 939 | 527,756 |
| December | 527,756 | 179,412 | 23,899 | 1,013 | 552,668 |
| January 2019 | 552,668 | 2,813 | 375 | 1,067 | 554,110 |
| February | 554,110 | | | 1,093 | 555,203 |
| | | <u>\$4,098,578</u> | <u>\$545,971</u> | <u>\$9,232</u> | |

1/ Interim collected x Refund Factor of 13.321%

2/ Three month Treasury Bill rate applied to the average monthly refund balance.

3/ Interim rate effective with service rendered on and after September 19, 2017. Updated interim rate effective March 1, 2018.

Montana-Dakota Utilities Co.
Gas Utility - North Dakota
Summary of Interim Rate Refund Applied on March 1, 2019
Case No. PU-17-295

| Rate Class | Interim Collected | Total Amount to be Refunded 1/ | Refund via | | Total Amount Refunded | Amount due to Inactive Accts < \$5 and Difference due to Rounding | Average Customers |
|---------------------|--------------------|--------------------------------|------------------|----------------|-----------------------|---|-------------------|
| | | | Bill Credit | Check | | | |
| Residential | | | | | | | |
| Rate 60 | \$2,452,540 | \$332,226 | \$314,938 | \$749 | \$315,687 | \$16,539 | 117,374 |
| Rate 90 | 7,114 | 964 | 889 | 7 | 896 | 68 | 315 |
| | <u>2,459,654</u> | <u>333,190</u> | <u>315,827</u> | <u>756</u> | <u>316,583</u> | <u>16,607</u> | <u>117,689</u> |
| Air Force | 14,571 | 1,974 | 1,974 | 0 | 1,974 | 0 | 6 |
| Firm General | | | | | | | |
| Rate 70 | 1,372,562 | 185,927 | 181,029 | 3,784 | 184,813 | 1,114 | 17,590 |
| Rate 72 | 1,879 | 255 | 255 | 0 | 255 | 0 | 16 |
| Rate 92 | 4,694 | 636 | 629 | 0 | 629 | 7 | 80 |
| | <u>1,379,135</u> | <u>186,818</u> | <u>181,913</u> | <u>3,784</u> | <u>185,697</u> | <u>1,121</u> | <u>17,686</u> |
| Small Interruptible | 226,714 | 30,711 | 30,682 | 27 | 30,709 | 2 | 214 |
| Large Interruptible | <u>18,505</u> | <u>2,507</u> | <u>2,506</u> | <u>0</u> | <u>2,506</u> | <u>1</u> | <u>6</u> |
| Total North Dakota | <u>\$4,098,579</u> | <u>\$555,200</u> | <u>\$532,902</u> | <u>\$4,567</u> | <u>\$537,469</u> | <u>\$17,731</u> | <u>135,601</u> |

1/ Final interim refund factor = 13.546%