

Memorandum

To: Commissioners Brian Kroshus, Julie Fedorchak, and Randy Christmann

From: Adam Renfandt

Date: June 5, 2020

Re: Montana-Dakota Utilities, Co. (MDU), 2019 Electric Operations, Annual Report

Case No. PU-20-177

Staff reviewed MDU's electric annual report filing for 2019. MDU provides electric service to about 93,065 customers in North Dakota. The company's return on equity (ROE) was 8.8% in 2019. The company under-earned by approximately \$3.9M. The ROE authorized by the Commission is weather normalized, and the authorized ROE was 9.65% (Case No. PU-16-666).

Attached are staff generated summaries of MDU's ND electric earnings since 2010.

Attachment 1 – Return Calculation

Attachment 2 – Return on Equity Chart

Attachment 3 – Net Operating Income

c: Travis Jacobson, MDU

Montana-Dakota Utilities Co.

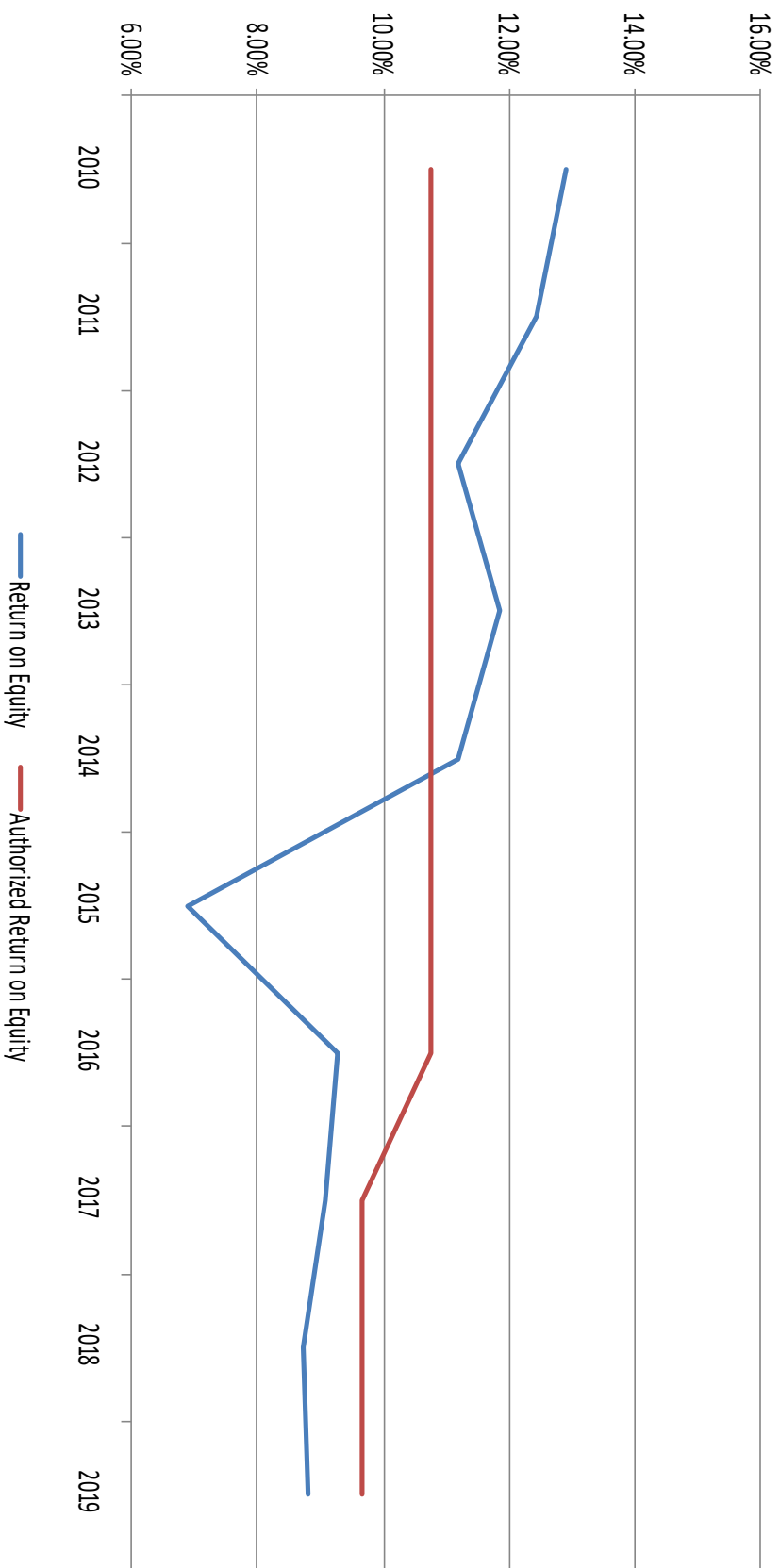
Attachment 1

North Dakota Electric Operations

Return Calculation
(000's)

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Average Rate Base	\$231,001	\$251,453	\$268,801	\$309,734	\$389,530	\$558,552	\$680,103	\$678,730	\$694,034	\$710,156
Rate of Return	8.82%	8.92%	8.67%	8.03%	8.19%	7.84%	7.84%	7.40%	7.32%	7.18%
Return Required	\$20,385	\$22,431	\$23,315	\$24,885	\$31,894	\$43,783	\$53,344	\$50,252	\$50,836	\$50,984
Return Earned	\$24,036	\$25,942	\$23,933	\$26,624	\$32,769	\$33,150	\$48,296	\$48,272	\$47,636	\$48,037
Return (Excess)	(\$3,651)	(\$3,511)	(\$618)	(\$1,739)	(\$875)	\$10,633	\$5,049	\$1,980	\$3,200	\$2,947
Tax Factor	1.622	1.622	1.622	1.622	1.622	1.608	1.608	1.604	1.323	1.323
Revenue Deficiency (Excess)	(\$5,922)	(\$5,695)	(\$1,003)	(\$2,820)	(\$1,419)	\$17,095	\$8,117	\$3,175	\$4,234	\$3,899

Return on Equity



Montana-Dakota Utilities Co.

Attachment 3

North Dakota Electric Operations

Operating Income
(000's)

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales for Resale	\$961	\$1,024	\$194	\$378	\$442	\$0	\$701	\$573	\$711	\$951
All Other Revenues	127,721	135,439	143,957	159,835	177,154	181,011	215,464	218,243	212,150	219,409
Total Revenues	\$128,682	\$136,463	\$144,151	\$160,213	\$177,596	\$181,012	\$216,165	\$218,815	\$212,861	\$220,359
Cost of Fuel	50,047	52,232	58,998	66,445	70,653	71,231	68,635	70,891	73,234	78,653
Production Expense	\$78,635	\$84,231	\$85,153	\$93,768	\$106,943	\$109,781	\$147,530	\$147,924	\$139,628	\$141,706
Gross Margins	61%	62%	59%	59%	60%	61%	68%	68%	66%	64%
Gross Margin % of Revenue	\$10,438	\$5,596	\$922	\$8,615	\$13,175	\$2,838	\$37,749	\$394	(\$8,296)	\$2,079
Margin Change										
Other O&M										
Transmission Expense	6,205	6,486	6,155	7,993	10,449	9,503	24,666	26,654	24,269	24,964
Distribution Expense	6,054	6,916	8,212	9,740	10,199	10,257	9,642	9,340	9,808	9,866
Customer Accounts	2,015	2,170	1,998	2,321	2,524	2,625	3,161	2,960	3,178	2,512
Customer Service & Info.	338	276	153	170	175	172	174	159	141	195
Sales Expense	82	156	123	96	105	114	66	70	70	82
Administration & General	10,459	11,812	11,876	13,039	12,993	14,445	16,062	16,684	17,220	18,379
Total O&M	75,200	80,048	87,515	99,804	107,099	108,347	122,406	126,759	127,920	134,651
O&M No Production Expense	25,153	27,816	28,517	33,359	36,446	37,116	53,771	55,868	54,686	55,998
Depreciation	17,536	21,129	21,480	21,147	22,910	25,070	34,884	32,552	34,918	38,519
Taxes Other Than Income	4,635	4,826	5,265	5,282	5,580	5,808	6,741	7,394	7,642	8,274
Income Tax Exp (from L. 24)	7,275	4,518	5,958	7,356	9,239	8,636	3,838	3,837	(5,255)	(9,122)
Net Regulated Income	24,036	25,942	23,933	26,624	32,769	33,150	48,296	48,272	47,636	48,037
Growth In Net Income	31.0%	7.9%	-7.7%	11.2%	23.1%	1.2%	45.7%	0.0%	-1.3%	0.8%
Return on Equity	12.90%	12.45%	11.18%	11.86%	11.18%	6.88%	9.27%	9.09%	8.73%	8.82%