

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Montana-Dakota Utilities Co. 2020) Case No. PU-20-379
Natural Gas Rate Increase Application)

AARP’S OBJECTION TO NON-UNANIMOUS SETTLEMENT AGREEMENT

Comes Now AARP to hereby lodge its objection to the non-unanimous settlement agreement filed on March 11, 2021 on behalf of the applicant Montana-Dakota Utilities Company (“MDU”) and the Commission’s Advocacy Staff (“Staff”). Despite a concerted effort towards reaching a unanimous compromise, the parties to this case could not find a compromise that was agreeable to all parties.

AARP does not plan to focus on revenue requirement issues at the hearing this week. The settlement agreement would apply a \$6,886,091 revenue requirement, which is essentially the same as the interim rate increase of \$6,893,176 that became effective January 1, 2021. However, despite an agreed upon revenue requirement essentially the same as interim rate levels, the settlement agreement would have the Commission shift approximately *\$1.7 Million more* onto residential customers (while reducing the rates from interim levels for almost all other customers). AARP’s primary concerns with the settlement agreement relate to:

- 1) the proposal to further increase residential rates by a significant amount, and
- 2) the proposed residential rate design that allocates *all* gas delivery costs to an unavoidable fixed customer charge (contrary to the class cost of service study filed by MDU in this case).

a few years ago, MDU's fixed charge was about \$9.00, closer to the typical customer charge throughout the region.⁵ Many older energy consumers use less than the average amount of energy and work hard to conserve their energy usage, and no amount of conservation or energy efficiency can reduce a fixed charge on a residential energy bill. Many AARP members live in 1-person or 2-person households, and some of these members try to save money by aggressively conserving energy. But with a higher fixed charge, and no volumetric charge for delivery, the less control a customer has over their energy bills. Those customers are impacted negatively, losing much of the monetary savings they would otherwise experience for their efforts at energy efficiency and conservation.

Collecting all gas delivery costs through a fixed fee is also contrary to the utility's own COS, which acknowledges energy-related cost differences and substantial costs related to serving customers' demand for gas. MDU's own study confirms that there are *customer-related, demand-related, and energy-related* costs in the delivery of natural gas to residential customers. Yet MDU proposals ignore both the demand-related and the energy-related cost evidence, continuing to suggest that residential customers be charged with only a single flat fee for delivery.

The settlement agreement proposal is not suggesting any compromise, instead proposing something that is outside the zone of reasonableness and would be the most extremely negative rate design possible from the perspective of small usage customers. AARP is seeking a middle ground decision that is within the range of reasonableness by including a fixed fee *and* a usage rate for the delivery of gas.

⁵ Surrebuttal testimony of Scott Rubin, pp. 12-13.

The settlement's proposed fixed charge would be a very high outlier in the region, as shown on the following table comparing MDU North Dakota to other regulated natural gas companies. MDU's existing customer charge of \$20.48 per month already is the highest fee—more than 33% higher than the next highest customer charge in the region:

Natural Gas Utility Residential Customer Charges North Central U.S.⁶			
Gas Distribution Utility	State	Customers(Count)	Customer Charge
Settlement Agreement	ND	96,662	\$25.91
MDU (present permanent)	ND	96,662	\$20.58
Black Hills Energy	WY	115,185	\$20.00
Black Hills Energy	IA	141,056	\$18.25
Black Hills Energy	NE	251,599	\$15.45
Interstate Power & Light	IA	199,056	\$12.82
Midamerican Energy	IA	541,399	\$10.00
Centerpoint Energy	MN	800,336	\$9.50
Minnesota Energy Resources	MN	214,292	\$9.50
Northern States Power	MN	428,517	\$9.00
Montana Dakota Utilities	SD	54,610	\$9.00
Midamerican Energy	SD	89,292	\$8.00
Montana Dakota Utilities	MT	76,353	\$7.80
Northwestern Energy	MT	174,861	\$6.50

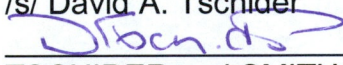
⁶ Scott Rubin Surrebuttal, pp. 11-13, See Table 5. Modified to show settlement agreement proposal.

The interim rate increase in this case took place in January 2021, at the height of the COVID-19 pandemic. Many residential customers have been paying higher gas bills all through the long winter, while suffering under additional economic stress due to the pandemic. AARP implores the Commission to consider carefully whether they believe such residential customers deserve another rate increase right now.

WHEREFORE, AARP respectfully requests that the Commission decline to adopt the proposed non-unanimous settlement agreement, and grant AARP the opportunity to cross-examine witnesses at the evidentiary hearing regarding the issues of customer class revenue allocations and residential rate design, and the opportunity to make an oral argument.

Respectfully Submitted,

/s/ David A. Tschider



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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-20-379
2017 Natural Gas Rate Increase Application)

STATE OF NORTH DAKOTA)
) ss.
COUNTY OF BURLEIGH)

AFFIDAVIT OF SERVICE

I hereby certify that an original and seven (7) copies of AAPR's Objection to Non-unanimous Settlement Agreement, were hand delivered/mailed and e-mailed to the following on this 15th day of March, 2021:

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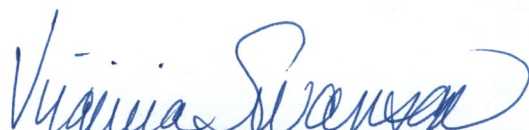
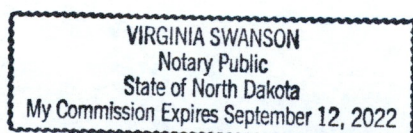
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David A. Tschider

Subscribed and sworn to before me this 15th day of March, 2021 by David A. Tschider.


Virginia Swanson, Notary Public