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April 20, 2021

Executive Secretary
ND Public Service Commission
600 East Boulevard Avenue, Dept. 480
Bismarck, ND 58505-0480

**Re: Montana Dakota Utilities Co. 2020 Natural Gas Rate Case
Case No. PU-20-379**

Attached for filing please find Montana-Dakota Utility Company and Public Service Commission Advocacy Staff's proposed Findings of Fact, Conclusions of Law, and Order in this case. AARP's counsel, John Coffman, contacted me and indicated AARP has no objection to Montana-Dakota and Staff's proposed Findings of Fact, Conclusions of Law, and Order. If you have any questions, please feel free to contact me.

Sincerely,

Paul Sanderson

Enclosure

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Public Service Commission
Montana-Dakota Utilities Co.
2020 Natural Gas Rate Increase Application**

Case No. PU-20-379

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

April ____, 2021

Appearances

Commissioners Randy Christmann, Julie Fedorchak, and Brian Kroshus.

Paul Sanderson, Evenson Sanderson, PC, 1100 College Drive, Suite 5, Bismarck, ND 58501, appearing on behalf of Montana-Dakota Utilities Co.

Brian L. Johnson, Legal Counsel, Public Service Commission, State Capitol, 600 E. Boulevard Avenue, Bismarck, ND 58505, appearing on behalf of Public Service Commission Advocacy Staff.

John B. Coffman, John B. Coffman, LLC, 871 Tuxedo Blvd., St. Louis, MO 63119-2044, and David Tschider, Tschider & Smith, 418 E. Rosser Ave., Ste. 200, Bismarck, ND 58501, appearing on behalf of AARP.

John M. Schuh, General Counsel, Public Service Commission, State Capitol, 600 E. Boulevard Avenue, Bismarck, North Dakota 58505, appearing on behalf of the Public Service Commission Advisory Staff.

Timothy J. Dawson, Administrative Law Judge, Office of Administrative Hearings, 2911 North 14th Street, Suite 303, Bismarck, North Dakota 58503 as Procedural Hearing Officer.

Preliminary Statement

On August 26, 2020, Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company") filed an Application and notice to increase its rates for natural gas service in North Dakota to provide additional annual revenue of \$8,972,496, or a 7.80 percent increase over current rates. Filed with the Application were revised tariffs, direct testimony, exhibits and supporting statements.

Montana-Dakota concurrently submitted an Application and Notice for an interim increase in gas rates in the annual amount of \$6,893,176 to be effective January 1, 2021.

On September 23, 2020, the Public Service Commission (“Commission”) suspended Montana-Dakota’s general rate increase application by motion.

A Petition to Intervene was filed by AARP on November 3, 2020. On November 17, 2020, the Administrative Law Judge granted the petition to intervene of AARP.

On December 16, 2020, the Commission issued an Order approving an interim rate increase of \$6,893,176 to become effective for service rendered on or after January 1, 2021.

On January 6, 2021, the Commission issued a Notice of Public Input Sessions and Hearing, scheduling public input sessions for March 2, 2021, and scheduling the formal hearing for March 17, 2021.

On February 12, 2021, Montana-Dakota filed rebuttal testimony seeking to reduce its requested annual revenue requirement from \$8,972,496 to \$7,709,931.

Prior to the Hearing, settlement discussions were held between the Settling Parties pursuant to the Commission’s Settlement Guidelines dated January 4, 1995. As a result of the settlement discussions, the Montana-Dakota and The Public Service Advocacy Staff (“Advocacy Staff”) reached a Settlement Agreement that was filed with the Commission on March 11, 2021.

The Settlement Agreement is supported by the administrative record. Accordingly, the Settling Parties jointly recommend the Commission issue an Order approving this Settlement Agreement in its entirety, without conditions or modifications.

The Commission held the public hearing, as scheduled on March 17 and 18, 2021 in the Commission Hearing Room, State Capitol, 600 E. Boulevard Avenue, 12th Floor, Bismarck, North Dakota 58505.

On April 9, 2021, following the hearing, Montana-Dakota, Advocacy Staff, and AARP entered into a Unanimous Settlement Agreement that would resolve all the issues in this proceeding. A copy of the Settlement Agreement is attached as Exhibit No. 1. The Settlement Agreement provides for implementation of a net increase in natural gas rates for retail customers in North Dakota to yield a net annual revenue increase of \$6,886,091, or an overall increase in rates of 6.0%, effective upon a final order in this proceeding. This revenue increase is based upon a return on equity of 9.3 percent and a return on rate base of 6.851 percent.

Having allowed all interested persons an opportunity to be heard, and having heard, reviewed and considered all testimony and evidence presented, the Commission makes the following:

Findings of Fact

1. Montana-Dakota is a Delaware corporation, duly authorized to provide

natural gas service to retail customers in North Dakota.

2. The Settlement Agreement proposes a net increase in Montana-Dakota's natural gas rates for retail customers in North Dakota to yield an annual revenue increase of \$6,886,091 effective upon a final order in this proceeding. This represents an overall increase in rates of 6.0%.

3. The Settlement Agreement proposes a return on equity of 9.30 percent effective upon a final order in this proceeding resulting in an overall rate of return of 6.851 percent based on the following capital structure:

| | | | |
|-----------------|-----------------|--------|---------------|
| Long Term Debt | 42.370% | 4.718% | 1.999% |
| Short Term Debt | 7.324% | 2.378% | 0.174% |
| Common Equity | <u>50.306%</u> | 9.300% | <u>4.678%</u> |
| Total | <u>100.000%</u> | | <u>6.851%</u> |

4. The Settlement Agreement proposes the following allocation of revenues resulting in an increase by rate class as described below:

| <u>Customer Class</u> | <u>%</u> |
|-----------------------|-------------|
| Residential Service | 8.4% |
| Firm General Service | 3.7% |
| Air Force Delivery | 2.7% |
| Small Interruptible | 2.9% |
| Large Interruptible | 0.9% |
| Overall | <u>6.0%</u> |

Residential customers will receive an annual revenue increase of \$4,943,556. The average monthly increase for a residential customer will be \$4.21 for a Montana-Dakota residential customer and \$3.62 for a Great Plains residential customer.

5. The Settlement Agreement proposes that all revenue increases for the Residential Class be collected through an increase to the fixed basic service charge, which amounts to \$0.8244 per day or \$25.06 per month under Montana-Dakota's Residential Rate 60. AARP indicated as part of the Settlement Agreement that it is agreeable to the resolution of the residential rate design in consideration for the overall settlement reached in this case. AARP does not concede to "straight fixed variable" rate design as a matter of ratemaking policy, and it reserves the right to challenge such rate design methods in future rate cases.

6. The Settlement Agreement proposes a reduction of \$193,851 from Montana-Dakota's requested requirement for incentive compensation.

7. The Settlement Agreement proposes a five-year average of Montana-Dakota's uncollectible accounts, which results in a reduction of \$11,474 from the amount Montana-Dakota requested in its Application.

8. The Settlement Agreement proposes a reduction of \$12,878 from Montana-Dakota's revenue requirement representing the franchise fee charged by the City of Hettinger. Upon implementation of rates, the Hettinger franchise fee will be billed directly to Hettinger customers rather than as a component of the North Dakota gas operations revenue requirement.

9. The Settlement Agreement proposes that implementation of Phase II of rates for Great Plains' customers will not occur until Montana Dakota's next filed rate case with the Commission.

10. The Settlement Agreement proposes that Montana-Dakota will make a change to Firm Gas Service Extension Policy Rate 120(A)(2) changing the word "may" to "shall" in Section A(2). In addition, Montana-Dakota and Advocacy Staff will collectively modify Rate 120 tariff in a way that mutually addresses the needs of the Company and ensures North Dakota natural gas customers are not subsidizing growth projects in Montana-Dakota's service territory. The Company shall submit mutually agreeable tariff revisions no later than January 1, 2022.

11. Since the net rate increase is approximately \$7,085 less than interim rates, Montana-Dakota will have over collected less than \$2,500, or a refund of approximately \$0.02 per customer. The cost of refunding will likely exceed the value of the refund. The Settlement Agreement proposes no refund of the *de minimis* over-collection.

From the foregoing Findings of Fact, the Commission makes the following:

Conclusions of Law

1. The Commission has jurisdiction in these proceedings.
2. The rates proposed by the Settlement Agreement are necessary to provide a just and reasonable rate of return on Montana-Dakota's property, used and useful, for the service and convenience of the public in North Dakota.
3. The rates proposed by Settlement Agreement are designed to result in a basis of charge to customers that are just and reasonable without discrimination.

From the foregoing Findings of Fact and Conclusions of Law, the Commission makes the following:

Order

The Commission Orders:

1. The Settlement Agreement, attached to this Order and made a part of this Order, is adopted and approved in its entirety.
2. Except as specifically modified by this Order, the Application of Montana-Dakota to increase its North Dakota natural gas service rates is adopted and approved in its entirety.
3. Montana-Dakota shall file, for Commission approval, compliance rate schedules consistent with this Order.

PUBLIC SERVICE COMMISSION

Randy Christmann
Commissioner

Julie Fedorchak
Chair

Brian Kroshus
Commissioner

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Dated today, April 20, 2021.

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By: /s/ Paul Sanderson
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