

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

March 31, 2021

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

Re: Cost of Gas Adjustment (COG)
Rate 88
Case No. PU-21-008

Montana-Dakota Utilities Co. (Montana-Dakota) electronically submits a variance request to its surcharge adjustment pursuant to the terms of its Cost of Gas – Natural Gas Rate 88. The nature of this variance request is related to the February 2021 extreme weather and market conditions surrounding the natural gas commodity market. Montana-Dakota’s request is intended to mitigate the impact of the recovery of these costs from customers while also maintaining financial integrity of the utility.

Montana-Dakota is requesting a variance to allow an alternative computation of the surcharge adjustment and the timing of implementation. Section 4 of the Company’s Cost of Gas – Natural Gas Rate 88 Tariff references the annual surcharge adjustment calculation to be performed annually in October of each year and Section 7(a) references the time and manner of filing. Montana-Dakota requests a variance to allow it to recover the gas costs resulting from the February 2021 cold weather event over a seventeen-month period (beginning May 1, 2021 through September 30, 2022) at which point the February 2021 under-recovered gas costs will be fully amortized.

For firm customers, Montana-Dakota believes that a staggered rate recovery, in which summer rates differ from winter rates, will ensure that customers will not be unduly harmed during the heating season. While natural gas customer consumption is typically cyclical, implementing higher rates during the summer season will allow the utility to continue to recover costs during a time when lower amounts of natural gas are consumed. The lower rates during the heating season will continue at a normal level of recovery by the utility without being overly burdensome to customers as they naturally consume more gas as the weather changes.

	Proposed	Effective
	Adjustment	Dates
Firm (Summer)	\$2.046	May 1 - September 30, 2021
Firm (Winter)	\$0.391	October 1, 2021 - April 30, 2022
Firm (Summer)	\$2.046	May 1 - September 30, 2022

Section 4 of the Company's Gas Cost Rate 88 references the annual surcharge adjustment calculation to be performed annually in October of each year; however, the magnitude of the natural gas price increase due to the weather event in February 2021 necessitates the above referenced adjustment. This change, along with the previous over collected balance, will help mitigate and smooth out future price increases. In the absence of the proposed mitigation, the surcharge gas cost adjustment calculated in accordance with the Company's tariff for firm customers would be approximately \$0.79 per dk. This rate would be effective for October 1, 2021 through September 30, 2022.

Due to the minimal surcharge adjustment for each class, the Company proposes a flat rate recovery method for the surcharge adjustment for small and large interruptible customers, Air Force interruptible customers, and contracted demand customers over the same seventeen-month period. This will create equity amongst the customer class to ensure those seasonal use interruptible customers aren't over or under recovered.

Exhibit 1 shows the anticipated amortization of the deferred gas costs that Montana-Dakota incurred as of February 28, 2021.

Exhibit 2 demonstrates the impact Montana-Dakota's proposed recovery will have on its residential customers.

Please contact me at (701) 222-7855 or travis.jacobson@mdu.com if you have any questions regarding this submittal.

Sincerely,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

Attachments

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ADJUSTMENT
APPLICABLE TO NORTH DAKOTA
FIRM
TO BE EFFECTIVE MAY 1, 2021 THROUGH SEPTEMBER 30, 2022

(Over)/under recovered gas costs @ February 28, 2021 \$12,860,236

	<u>Projected DK</u>	<u>Rate</u>	<u>Collected</u>	<u>Interest 1/</u>	
May 2021	526,000	\$2.046	\$1,076,196	\$429	\$11,784,469
June	247,000	\$2.046	505,362	393	11,279,500
July	298,000	\$2.046	609,708	376	10,670,168
August	298,000	\$2.046	609,708	356	10,060,816
September	385,000	\$2.046	787,710	335	9,273,441
October	1,140,000	\$0.391	445,740	309	8,828,010
November	2,008,000	\$0.391	785,128	294	8,043,176
December	2,736,000	\$0.391	1,069,776	268	6,973,668
January 2022	2,945,000	\$0.391	1,151,495	232	5,822,405
February	2,479,000	\$0.391	969,289	194	4,853,310
March	1,972,000	\$0.391	771,052	162	4,082,420
April	1,174,000	\$0.391	459,034	136	3,623,522
May	531,000	\$2.046	1,086,426	121	2,537,217
June	249,000	\$2.046	509,454	85	2,027,848
July	301,000	\$2.046	615,846	68	1,412,070
August	301,000	\$2.046	615,846	47	796,271
September	389,000	\$2.046	795,894	27	404
Ending Balance					\$404

1/ Estimated interest rate is .04%.

MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ADJUSTMENT
APPLICABLE TO NORTH DAKOTA
INTERRUPTIBLE
TO BE EFFECTIVE MAY 1, 2021 THROUGH SEPTEMBER 30, 2022

(Over)/under recovered gas costs @ February 28, 2021 \$282,579

	<u>Projected DK</u>	<u>Rate</u>	<u>Collected</u>	<u>Interest 1/</u>	
May 2021	33,000	\$0.267	\$8,811	\$9	\$273,777
June	27,000	\$0.267	7,209	9	266,577
July	24,000	\$0.267	6,408	9	260,178
August	27,000	\$0.267	7,209	9	252,978
September	31,000	\$0.267	8,277	8	244,709
October	92,000	\$0.267	24,564	8	220,153
November	175,000	\$0.267	46,725	7	173,435
December	119,000	\$0.267	31,773	6	141,668
January 2022	120,000	\$0.267	32,040	5	109,633
February	106,000	\$0.267	28,302	4	81,335
March	102,000	\$0.267	27,234	3	54,104
April	59,000	\$0.267	15,753	2	38,353
May	33,000	\$0.267	8,811	1	29,543
June	27,000	\$0.267	7,209	1	22,335
July	24,000	\$0.267	6,408	1	15,928
August	27,000	\$0.267	7,209	1	8,720
September	31,000	\$0.267	8,277	0	443
Ending Balance					\$443

1/ Estimated interest rate is .04%.

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ADJUSTMENT
APPLICABLE TO NORTH DAKOTA
AIR FORCE INTERRUPTIBLE
TO BE EFFECTIVE MAY 1, 2021 THROUGH SEPTEMBER 30, 2022**

(Over)/under recovered gas costs @ February 28, 2021 \$270,749

	<u>Projected DK</u>	<u>Rate</u>	<u>Collected</u>	<u>Interest 1/</u>	
May 2021	17,000	\$0.486	\$8,262	\$9	\$262,496
June	12,000	\$0.486	5,832	9	256,673
July	12,000	\$0.486	5,832	9	250,850
August	20,000	\$0.486	9,720	8	241,138
September	29,000	\$0.486	14,094	8	227,052
October	42,000	\$0.486	20,412	8	206,648
November	51,000	\$0.486	24,786	7	181,869
December	67,000	\$0.486	32,562	6	149,313
January 2022	71,000	\$0.486	34,506	5	114,812
February	62,000	\$0.486	30,132	4	84,684
March	52,000	\$0.486	25,272	3	59,415
April	32,000	\$0.486	15,552	2	43,865
May	17,000	\$0.486	8,262	1	35,604
June	12,000	\$0.486	5,832	1	29,773
July	12,000	\$0.486	5,832	1	23,942
August	20,000	\$0.486	9,720	1	14,223
September	29,000	\$0.486	14,094	0	129
Ending Balance					\$129

1/ Estimated interest rate is .04%.

**MONTANA-DAKOTA UTILITIES CO.
COMPUTATION OF (OVER) / UNDER RECOVERED GAS COST ADJUSTMENT
APPLICABLE TO NORTH DAKOTA
CONTRACTED DEMAND
TO BE EFFECTIVE MAY 1, 2021 THROUGH SEPTEMBER 30, 2022**

(Over)/under recovered gas costs @ February 28, 2021 \$98,185

	<u>Projected DK</u>	<u>Rate</u>	<u>Collected</u>	<u>Interest 1/</u>	
May 2021	9,000	\$0.342	\$3,078	\$3	\$95,110
June	4,000	\$0.342	1,368	3	93,745
July	5,000	\$0.342	1,710	3	92,038
August	5,000	\$0.342	1,710	3	90,331
September	7,000	\$0.342	2,394	3	87,940
October	18,000	\$0.342	6,156	3	81,787
November	31,000	\$0.342	10,602	3	71,188
December	43,000	\$0.342	14,706	2	56,484
January 2022	46,000	\$0.342	15,732	2	40,754
February	39,000	\$0.342	13,338	1	27,417
March	31,000	\$0.342	10,602	1	16,816
April	19,000	\$0.342	6,498	1	10,319
May	9,000	\$0.342	3,078	0	7,241
June	4,000	\$0.342	1,368	0	5,873
July	5,000	\$0.342	1,710	0	4,163
August	5,000	\$0.342	1,710	0	2,453
September	7,000	\$0.342	2,394	0	59
Ending Balance					\$59

1/ Estimated interest rate is .04%.

Average Residential Bills Incorporating February Gas Cost Recovery

	Year 1		Year 2	
	Current Bill	Recovery	Current Bill	Recovery
January				
February			\$81.03	\$5.87
March			\$78.97	\$5.87
April			\$69.07	\$4.69
May	\$41.19	\$10.23	\$56.44	\$3.52
June	\$28.55	\$4.09	\$41.19	\$10.23
July	\$25.25	\$2.05	\$28.55	\$4.09
August	\$25.25	\$2.05	\$25.25	\$2.05
September	\$28.55	\$4.09	\$25.25	\$2.05
October	\$37.20	\$1.56	\$28.55	\$4.09
November	\$56.44	\$3.52		
December	\$73.06	\$5.08		
Total	\$315.49	\$32.67	\$434.30	\$42.46
				\$476.76

Average Monthly Residential Bill

Average Monthly Residential Bill	\$39.44	\$4.08	\$48.26	\$4.72	\$52.97
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