

Memorandum

To: Commissioners Fedorchak, Christmann and Kroshus

From: Victor Schock Public Utility Analyst (VS)

Date: August 3, 2021

Re: Montana-Dakota Utilities Co.
February 2021 Extreme Cold Weather Event Investigation – Natural Gas
Case No. PU-21-101

On April 9, 2021 Montana-Dakota Utilities Co. (MDU) filed its responses to the Commission's data requests relative to MDU's natural gas impacts from the February 2021 cold weather event.

The responses, which can be found in docket item 2 of the above captioned case, detail the impacts of the cold weather event on MDU's North Dakota natural gas customers. I found additional information relevant to this event in docket items 14, 17, 19 and 24 of Case No. PU-21-8, which is MDU's 2021 monthly Cost of Gas (COG) adjustment.

The calculation of the COG is completed monthly and adjusted for changes to the COG since the most recent COG filing. The costs included in the calculation are demand, commodity, storage, gathering and transportation charges. The difference between the revenues received each month and what the actual costs were are calculated annually and a surcharge to the COG adjustment is implemented for the subsequent twelve months to recover an under-collected balance or pass back an over-collected balance.

The Commission's investigation included an Informal Hearing (hearing) held on April 23, 2021, during which the Commission discussed MDU's gas supply purchasing strategy and the details of the February 2021 cold weather event with MDU and commission staff (staff). The Commission requested additional details from MDU during this hearing, which was filed on April 27, 2021. Of particular interest in MDU's proposal was higher summer and lower winter surcharge rate rather than the standard flat rate surcharge adjustment. This would serve to move the larger monthly rate impact away from the coldest winter months and move them to the spring and fall months when usage and utility bills are normally smaller.

The impact of the February 2021 cold weather event on the MDU North Dakota natural gas system was an under-collection of gas costs in the amount of approximately \$13.5 M. This under collection would normally be collected from October 1, 2021 through September 30, 2022 which would result in an increase of \$0.790 per dekatherm for the firm customer class over that time period. Believing that this impact should be tempered, the commission desired alternate treatment of the balance.

On May 27, 2021, the Commission ordered the balance to be collected over a period of 16 months starting June 1, 2021 through September 30, 2022. Increasing the timeframe from 12 to 16 months served to reduce the average monthly rate impact by approximately 10%. Additionally, the commission set both summer and winter surcharge rates for the Firm customer class, which serves to reduce the monthly residential impact by 50% during the winter months. The interruptible and demand customer classes were given a flat rate surcharge for the same 16 month period due to the inequities that could be created within those customer classes by using different summer and winter rates.

Based on its investigation staff recommends that no further action be taken and the case be closed.

c. Travis Jacobson (MDU)