

# Memorandum

To: Commissioners Christmann, Fedorchak and Kroshus

From: Victor Schock Public Utility Analyst

VS

Date: December 23, 2021

Re: Montana-Dakota Utilities Co., Generation Facility Cost Recovery, Rates,  
Case No. PU-21-421

On November 1, 2021 Montana-Dakota Utilities Co. (MDU) filed its annual Generation Resource Cost Recovery (GRR) rate update. This annual filing seeks rider recovery of North Dakota's share of the costs for MDU's Lewis & Clark reciprocating internal combustion engine units.

The filing proposes a 2021 revenue requirement of \$3,389,595, a decrease of \$62,606 from 2021's filing. The change in revenue requirement results in a decrease to the average residential customer of \$0.03 per month. The revenue requirement categories changed from 2021 to 2022 as follows:

- **Project Costs:** The revenue requirement includes the cost of the Lewis & Clark reciprocating internal combustion engines. Due to additional equipment necessary for the decommissioning of Lewis & Clark unit 1, this portion of the revenue requirement was an increase of approximately \$28,166 from 2021 to 2022.
- **GRR True-up:** The true-up represents the over or under collection for the previous year. MDU is projecting an over-collection of \$32,871 for the prior year, which results in a net decrease to this line of approximately \$90,772 from 2021 to 2022.
- **Lewis & Clark Unit 1 (LC1) and Heskett Units 1 & 2 (H1&2) Decommissioning and early retirement tracking:** While this does not contribute to the current revenue requirement, per the settlement agreement in cases PU-19-306, 307 & 317, the GRR is to be the mechanism used to track the balances for these units. At this time staff is not in agreement with the calculations and schedules provided by MDU. On December 22, 2021, MDU made a supplemental filing stipulating that the calculations and schedules will be subject to further review during their next rate case and/or a future GRR annual filing. Staff believes a rate case is a better vehicle for an accurate determination of the calculations and schedules related to LC1 and H1&2.

Staff believes the incurred costs detailed in MDU's filing are reasonable and prudent, comply with MDU's tariff, and are eligible for recovery through the GRR. Based on this and the details contained within the filing, Staff recommends approval of MDU's 2022 GRR rates contingent upon the calculations and schedules for the amortization of the deferred regulatory assets for LC1 and H1&2 are subject to further review in a future proceeding.

c. Travis Jacobson

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Public Service Commission  
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