



Public Service Commission

State of North Dakota

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July 1, 2022

Executive Secretary
North Dakota Public Service Commission
600 E. Blvd. Ave. Dept. 408
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co.
2022 Electric Rate Increase
Application

Case No. PU-22-194

Montana-Dakota Utilities Co. (MDU) filed for an electric rate increase on May 16, 2022. The Company used a 2023 projected test year to calculate its interim rate relief request of \$11.422 million in increased revenue collections or an overall increase in revenue collections (excluding riders) of 9.317%. This equates to an average increase per month for residential customers of \$5.33.

Staff finds MDU's interim rate request largely in compliance with the laws and rules governing interim rate increases. The following is staff's analysis.

Staff reviewed the Commission's last rate case order (PU-16-666) and the Company's current interim rate request for compliance with the laws and rules governing interim rate increases. The applicable section of law reads:

49-05-06. Hearing by commission on proposed change of rates.

2. Notwithstanding that the commission may suspend a filing and order a hearing, a public utility may file for interim rate relief as part of its general rate increase application and filing. If interim rates are requested, the commission shall order that the interim rate schedule take effect no later than sixty days after the initial filing date and without a public hearing. The interim rate schedule must be calculated using the proposed test year cost of capital, rate base, and expenses, except that the schedule must include:

a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;

b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and

c. No change in existing rate design.

3. In ordering an interim rate schedule, the commission may require a bond to secure any projected refund required by subsection 4. The terms of the bond, including the amount and surety, are subject to the commission's approval.

4. As ordered by the commission, the utility shall promptly refund to persons entitled thereto all interim rate amounts collected by the public utility in excess of the final rates approved by the commission plus reasonable interest at a rate to be determined by the commission.

MDU calculated its interim rates by using a return on common equity (ROE) of 9.65%, as this was the rate approved in case PU-16-666.

In reviewing MDU's rate base and expenses to verify they are the 'same in nature and kind' as allowed by the Commission in MDU's last rate order, Staff found that MDU had not removed \$500k worth of incentive compensation as it was in the prior rate case settlement agreement. Therefore, MDU filed revised interim tariffs on June 30, 2022, to comply with the settlement agreement. The revised interim rate request is \$10,922,625, or 8.909%. The revised interim increase contains rate base and expenses that are the 'same in nature and kind' as allowed by the Commission in MDU's last rate order. The revised interim increase to a residential electric customer using 980 kilowatt-hours per month is \$5.09.

MDU's proposed interim rates do not change the existing rate design. The interim increase is proposed to be the same for all customer classes.

Even though the commission may require a bond to ensure a refund in the event that the commission does not find in MDU's favor, staff believes the financial security of MDU is sufficient so as to not require a bond.

In summary, staff believes that MDU's interim rate request complies with the laws and rules and should be approved for use on or after July 15, 2022.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Victor Schock', with a long horizontal line extending to the right.

Victor Schock
Public Service Commission
Advocacy Staff

c: Travis Jacobson