

# Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Robert Frank Public Utility Analyst

Date: January 3, 2023

Re: Montana-Dakota Utilities Co., Generation Resource Cost Recovery, Rates, Case No. PU-22-400

On November 1, 2022, Montana-Dakota Utilities Co. (MDU) filed its annual Generation Resource Cost Recovery Rate (GRRR) update. This annual filing seeks rider recovery of North Dakota's share of the costs for MDU's Lewis & Clark reciprocating internal combustion engine (RICE) units as well as the Financial Incentive Rate related to its Power Purchase Agreement pursuant to the Order in Case No. PU-21-373.

The filing proposes a 2023 revenue requirement of \$3,133,683, a decrease of \$255,912 from 2022's filing. The change in revenue requirement results in a decrease to the average residential customer of \$0.13 per month or \$1.56 per year.

## Project Costs:

- The 2023 revenue requirement includes the cost of the Lewis & Clark RICE units at \$3,210,496, a decrease of \$211,970 from the 2022 filing.
- The GRRR true-up represents the over or under collection from the previous year. The 2023 GRRR rate reflects an over-recovered balance of \$111,801, which is subtracted from the revenue requirement.
- The Commission allowed the Financial Incentive Rate to be included in the GRRR on April 13, 2022. The actuals for 2021 and 2022 are included in the GRRR true-up amount.

MDU is requesting that the Financial Incentive Rate approved at \$0.79 in Case No. PU-21-373 be changed effective February 1, 2023, to reflect the 5-year treasury rate updated monthly. At the time of the filing, the 5-year treasury rate was 4.06% and this percentage was used to calculate the Financial Incentive recovery amount starting in February for the 2023 GRRR.

The current GRRR filing does not include the decommissioning and early retirement tracking of Lewis & Clark Unit 1 (LC1) and Heskett Units 1 & 2 (H1&2). The settlement agreement in Cases Nos. PU-19-306, 307 & 317 determined that the GRRR is to be the mechanism used to track the balances for these units. On May 16, 2022, MDU filed a rate case with the Commission in Case No. PU-22-194 and proposed to move the revenue requirement associated with the Lewis & Clark RICE units to the base rate and bring the revenue requirements related to LC1 and H1&2 into the GRRR. Upon approval of the final rates, MDU will provide a supplemental filing reflecting the above change.