

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Generation Resource Cost Recovery
Rates

Case No. PU-22-400

ORDER

February 8, 2023

Preliminary Statement

On November 1, 2022, Montana-Dakota Utilities Co. (MDU), filed a change to its Generation Resource Recovery Rate (GRRR) Rates to reflect 2023 projected costs for its Lewis & Clark Reciprocating Internal Combustion Engine units.

On November 30, 2022, the Commission issued a Notice of Opportunity for Hearing, which provided until January 13, 2023, for receiving written comments and hearing requests. No response was received. The notice provided that, if deemed appropriate, the Commission can determine the matter without a hearing.

The Notice identified the issues to be considered in this proceeding are:

1. Whether the investments and associated costs for the resources qualify for recovery.
2. Whether the incurred costs are reasonable and prudent.
3. Whether the rate adjustments are consistent with MDU's tariff.

On January 11, 2023, an informal hearing was held to discuss MDU's request to modify the Financial Incentive.

On January 31, 2023, MDU filed supplemental information.

Discussion

Under its GRRR Tariff, MDU recovers costs associated with generation resource additions approved by the Commission but not currently recovered in the retail rates established at the time of MDU's last electric rate case.

The rates filed by MDU on November 1, 2022, reflect projected costs through December 31, 2023, related to MDU's Lewis & Clark reciprocating internal combustion engine units and the Financial Incentive related to its Power Purchase Agreement (PPA)

pursuant to the Order in Case No. PU-21-373. The updated rates also reflect a projected over-recovered balance of the GRRR as of December 31, 2022.

MDU requested that the Financial Incentive Rate, approved at an annual recovery rate of 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 Commission determined that the Financial Incentive Rate remain at the annual recovery rate of 0.79%.

The proposed rates for the 2023 GRRR are:

Residential & Small General	\$0.00168	per Kwh
Large General	\$0.47396	per KW
Space Heating Rate 32	\$0.22368	per KW
Lighting	\$0.00082	per Kwh

The implementation date for the GRRR was refiled to March 1, 2023, with a 2023 Revenue Requirement of \$2,762,568. The change in revenue requirement results in a decrease to the average residential customer of \$0.15 per month or \$1.80 for the year.

The GRRR filing did 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 Case 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 Case No. PU-22-194, MDU will provide a supplemental filing reflecting the above change.

The incurred costs are reasonable and prudent.

Having considered this matter, the Commission finds MDU's proposed 2023 GRRR rate is just and reasonable and should be approved.

Order

The Commission Orders:

1. Montana-Dakota Utilities Co.'s 2023 Generation Resource Recovery rates filed on January 31, 2023, are approved for electric service rendered on or after March 1, 2023.

2. The Financial Rate recoverable in Montana-Dakota Utilities Co.'s 2023 Generation Resource Recovery Rider shall remain at an annual rate of 0.79%.

PUBLIC SERVICE COMMISSION



Sheri Haugen-Hoffart
Commissioner



Randy Christmann
Chair



Julie Fedorchak
Commissioner