

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Chris Hanson *CH*

Date: May 30, 2023

Re: Montana-Dakota Utilities, Co. (MDU), 2023 Electric, Annual Report
Case No. PU-23-170

In Case No. PU-16-666, the Commission authorized a return on equity (ROE) of 9.65% for MDU's ND electric rate case. Staff reviewed MDU's North Dakota electric annual report for 2021. MDU reports an ROE of approximately 9.6% for 2022, which represents slight under-earnings of \$179,000.

North Dakota Administrative Code (NDAC) Section 69-09-02-06.6 requires electric public utilities to publish their electric reliability statistics utilizing the indices based on the Institute of Electrical and Electronics Engineers (IEEE) 1366 Standards. At present MDU is not in compliance with NDAC 69-09-02-06.6. MDU has noted that it does not have a way to report these indices using IEEE 1366 Standards and instead uses an alternative manual process to calculate this information. In MDU's letter to the Commission dated May 24, 2022, MDU indicated that the new Outage Management System (OMS), that will follow the IEEE 1366, will be in place in 2023 and will be used for calendar year 2024.

Using this alternative method, MDU reported seven Major Event Days (MED) between April 23rd and 30th of 2022 resulting from a major spring snowstorm affecting their Williston District. MDU's system average interruption frequency index (SAIFI, or the average number of interruptions per customer) was 0.601 interruptions per customer, the system average interruption duration index (SAIDI, or the average outage duration per customer) was 33.17 minutes per customer, and the customer average interruption duration index (CAIDI, or the average restoration time) was 55.17 minutes. This represents a small increase in frequency (SAFI) along with shorter durations (SAIDI/ CAIDI) from 2021.

Given the under-earnings and the recent rate case filing allowing the Commission to review MDU's rates, Staff recommends the Commission close the case.

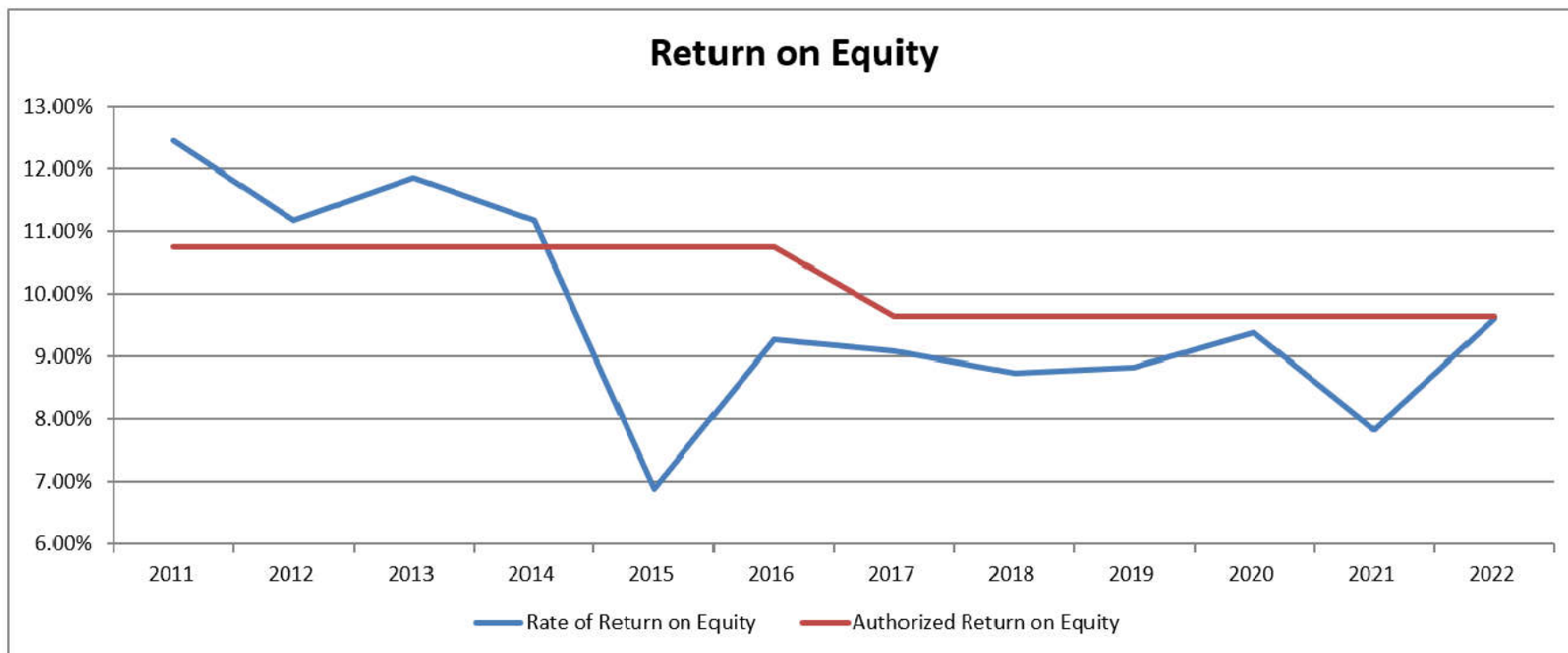
Attachment 1 – Return Calculation

Attachment 2 – Return on Equity Chart

Attachment 3 – Net Operating Income

Attachment 4 – Reliability Indices

c: Travis Jacobson, MDU



Montana-Dakota Utilities Co.
North Dakota Electric Operations
Operating Income
(000's)

Attachment 3

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sales for Resale	\$1,024	\$194	\$378	\$442	\$0	\$701	\$573	\$711	\$951	\$518	\$1,186	\$1,367
All Other Revenues	135,439	143,957	159,835	177,154	181,011	215,464	218,243	212,150	219,409	204,659	212,450	232,674
Total Revenues	\$136,463	\$144,151	\$160,213	\$177,596	\$181,012	\$216,165	\$218,815	\$212,861	\$220,359	\$205,176	\$213,635	\$234,040
Cost of Fuel												
Production Expense	\$52,232	\$58,998	\$66,445	\$70,653	\$71,231	\$68,635	\$70,891	\$73,234	\$78,653	\$60,327	\$65,979	\$76,603
Gross Margins	\$84,231	\$85,153	\$93,768	\$106,943	\$109,781	\$147,530	\$147,924	\$139,628	\$141,706	\$144,849	\$147,656	\$157,437
Gross Margin % of Revenue	62%	59%	59%	60%	61%	68%	68%	66%	64%	71%	69%	67%
Margin Change	\$5,596	\$922	\$8,615	\$13,175	\$2,838	\$37,749	\$394	(\$8,296)	\$2,079	\$3,143	\$2,806	\$9,782
Other O&M												
Transmission Expense	\$6,486	\$6,155	\$7,993	\$10,449	\$9,503	\$24,666	\$26,654	\$24,269	\$24,964	\$26,388	\$26,437	\$26,607
Distribution Expense	6,916	8,212	9,740	10,199	10,257	9,642	9,340	9,808	9,866	9,487	9,354	9,807
Customer Accounts	2,170	1,998	2,321	2,524	2,625	3,161	2,960	3,178	2,512	2,837	2,540	2,651
Customer Service & Info.	276	153	170	175	172	174	159	141	195	210	229	247
Sales Expense	156	123	96	105	114	66	70	70	82	96	95	101
Administration & General	11,812	11,876	13,039	12,993	14,445	16,062	16,684	17,220	18,379	16,425	19,554	19,140
Total O&M	\$80,048	\$87,515	\$99,804	\$107,099	\$108,347	\$122,406	\$126,759	\$127,920	\$134,651	\$115,769	\$124,190	\$135,156
O&M No Production Expense	\$27,816	\$28,517	\$33,359	\$36,446	\$37,116	\$53,771	\$55,868	\$54,685	\$55,998	\$55,442	\$58,210	\$58,553
Depreciation	21,129	21,480	21,147	22,910	25,070	34,884	32,552	34,918	38,519	39,681	43,429	45,351
Taxes Other Than Income	4,826	5,265	5,282	5,580	5,808	6,741	7,394	7,642	8,274	8,529	8,251	7,557
Income Tax Exp	4,518	5,968	7,356	9,239	8,636	3,838	3,837	(5,255)	(9,122)	(8,756)	(7,056)	(5,869)
Net Regulated Income	\$25,942	\$23,933	\$26,624	\$32,769	\$33,150	\$48,296	\$48,272	\$47,635	\$48,037	\$49,953	\$44,821	\$51,845

Attachment 4:

Reliability Index - Without Identified Storm Event(s)	2022	2021	2020	2019	2018
System Average Interruption Frequency Index (SAIFI)	0.601	0.475	0.615	0.545	0.739
System Average Interruption Duration Index (SAIDI) ^{2/}	33.17	40.82	55.83	52.40	47.95
Customer Average Interruption Duration Index (CAIDI) ^{2/}	55.17	85.91	90.85	96.17	64.88