

Memorandum

To: Commissioners Christmann, Haugen-Hoffart, and Fedorchak

From: Adam Renfandt



Date: April 5, 2024

Re: Montana-Dakota Utilities Co., Electric Service Agreement - Applied Digital, Approval, Case No. PU-23-322

Montana-Dakota Utilities (MDU) is seeking Commission approval for an electric service agreement (ESA) with Applied Digital for a 225 MW load. MDU's authorized return on equity (ROE) is 9.75%, and based on the last rate case settlement, they are required to return to customers 70% of over-earnings above a 10% ROE. The ESA has a margin sharing component attached to it, and MDU proposes to retain 100% of this margin. Therefore, customers are not guaranteed 70% of the margin. Customers would only receive 70% if MDU earned at least a 10% ROE. Any portion earned below 10% ROE would increase the share of margin retained by MDU. MDU argues that such a proposal would delay the next rate case. However, the Commission may have a preference that MDU return 70% regardless of earnings.

Second, because MDU is retaining 100% of the margin, MDU is not proposing to pass the margin back to customers using the credit mechanism established in the prior ESA with Applied Digital in which the credit is passed through the Fuel and Purchased Power Adjustment Rate 58 (FPPA). This method more quickly returns the margin to customers.

Third, two conditions absent in this ESA that were part of the prior ESA settlement and/or Order are the following features:

1. An agreement that to the extent that jurisdictional allocators are impacted by Applied Digital's sales volumes, investment or costs, MDU shall not seek recovery for the change from the allocators. They also agreed to defend such a position to update the allocators or to amend the ESA if ordered by another state.
2. An agreement that if the cost to disconnect and remove facilities to serve Applied Digital exceeds the value of the salvage, MDU would not seek recovery of the incremental cost. The tariff requires that the customer is responsible for the costs to remove and disconnect.