

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: ~~Chris~~ Hanson, Public Utility Analyst

Date: December 27, 2023

Re: Montana-Dakota Utilities Co., Generation Resource Cost Recovery, Rates, Case No. PU-23-339

On October 31, 2023, 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 amortization of the regulatory assets for Lewis and Clark (L&C) Unit 1 and Heskett Unit 1 & 2 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 2024 revenue requirement of \$7,934,006, an increase of \$101,426 from MDU's Rate Case PU-22-194 and an increase of \$4,800,323 from the 2023 filing. This reflects the movement of the L&C Unit 2 assets that were included in the 2023 GRRR into base rates and the L&C Unit 1 and Heskett Units 1 & 2 from the base rates into the 2024 GRRR as part of rate case PU-22-194 settlement. Also note that the rate of return increased from 9.65% in the 2023 filing to 9.75% in the 2024 filing due to the same rate case settlement.

The GRRR filing also includes the Revenue Requirement Financial Incentive, which decreased from \$34,988 in the 2023 filing to \$7,570 in the 2024 filing as well as the Over Recovery Balance which was a \$111,801 over recovery in the 2023 and was a \$93,856 under recovery in the 2024 filing.

	2024 Filing	Case PU-22-194	2023 Filing
Amortization of L&C 1 and Heskett 1 & 2	7,832,580	7,832,580	0
Revenue Requirements RICE	0	0	3,210,496
Revenue Requirement Financial Incentive	7,570	0	34,988
Over Recovery Balance	93,856	0	(111,801)
	<u>7,934,006</u>	<u>7,832,580</u>	<u>3,133,683</u>

The change in revenue requirement results in a decrease to the average residential customer of \$0.01 per month or \$0.12 per year from rate case PU-22-194 and an increase of \$1.90 per month or \$22.75 per year as compared to the 2023 filing.