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September 25, 2024

via hand-delivery

Steve Kahl, Executive Secretary
North Dakota Public Service Commission
600 E. Blvd. Ave. Dept. 408
Bismarck, ND 58505-0480

Re: Montana-Dakota Utilities Co., Case No. **PU-23-341**

Attached are an original and seven copies of **AARP's Settlement Testimony of Bradley Cebulko** in the above referenced matter.

Please feel free to contact me with any questions or concerns.

Sincerely,

TSCHIDER and SMITH



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**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Montana-Dakota Utilities Co.)
2023 Natural Gas Rate Increase)
Application)**

Case No. PU-23-341

CERTIFICATE OF SERVICE

I hereby certify that the original and seven (7) copies of the Settlement Testimony of Bradley Cebulko and this Certificate of Service were hand delivered/mailed/emailed, on this 25th day of September, 2024 to the following:

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David A. Tschider

BEFORE THE NORTH DAKOTA PUBLIC SERVICE COMMISSION

Northern States Power Company 2024 Natural Gas)
Rate Increase Application)
Case No. PU-23-341)
)
)
)
_____)

Settlement Testimony of

BRADLEY CEBULKO

On behalf of

AARP

September 25, 2024

1 **I. Introduction**

2 **Q. Please state your name.**

3 A. My name is Bradley Cebulko.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the founder of CEB Energy Consulting and co-founder and Partner at Current
6 Energy Group. CEB Energy Consulting and Current Energy Group provide technical,
7 economic, and policy analysis to public interest organizations who participate in public
8 utility commission proceedings. I have been retained by AARP in this proceeding.

9 **Q. Please summarize your qualifications, experience, and education.**

10 A. I founded CEB Energy Consulting in March 2024 and co-founded Current Energy Group
11 in May 2024. Current Energy Group is a boutique regulatory and policy consulting firm that
12 informs innovative, practical solutions for a reliable, sustainable, and affordable energy
13 system. Previously, I was a Senior Manager at Strategen Consulting from 2021 to 2024. At
14 Strategen, I provided technical and policy analysis and testimony on utility regulatory issues
15 including cost of service, rate design, low-income ratepayer issues, capital investment
16 investments, electric and gas long-term planning, performance-based regulation, and new
17 regulatory business models. Prior to joining Strategen, I worked at the Washington Utilities
18 and Transportation Commission (“UTC”) for 8 years. From 2013-2016, I was an analyst with
19 the UTC Commission Staff focused on electric and natural gas integrated resource planning
20 (“IRP”), electric and natural gas energy efficiency programs, and new program design and
21 implementation. From 2016-2021, I was an advisor to the Washington State Commissioners,

1 where I led Commissioners' review of major filings and adjudications, electric and natural
2 gas general rate cases, purchase gas adjustments, rulemakings, and natural gas IRPs.

3 **Q. Have you testified before the North Dakota Public Service Commission previously?**

4 A. Yes. I filed direct and settlement testimony in Northern States Power Company 2024
5 Natural Gas Rate Increase Application, Docket No. 23-367, on behalf of AARP. I have also
6 testified before public utility commissions in Washington, Oregon, Colorado, Minnesota,
7 Illinois, Michigan, Massachusetts, and Connecticut.

8 **Q. What is AARP's interest in this case?**

9 A. AARP advocates for the needs of people aged 50 and older on a range of issues that
10 impact health, well-being and financial security. That includes advocacy to protect the
11 interests of residential customers of energy, for whom utility costs can represent a significant
12 share of household income. Many of our approximately 84,000 members in the state of North
13 Dakota live on fixed incomes, or struggle to make ends meet. To support these individuals,
14 we fight for the adoption of fair and affordable utility rates and reliable service. Any sizeable,
15 proposed increase to their natural gas bill is of great concern to our members area served by
16 Montana Dakota Utilities Company (MDU).

17 **Q. What is the purpose of your settlement testimony?**

18 A. The purpose of my testimony is to provide support for approval of the Settlement
19 Agreement in this docket and explain why I believe that the Settlement is in the public
20 interest. AARP intervened in this case before the North Dakota Public Service Commission
21 (Commission) to advocate on behalf of its members who are residential ratepayers. As such,

1 AARP's primary interest relates to issues that impact residential rates including the revenue
2 requirement, cost of capital, the Class Cost of Service Study ("CCOSS"), and residential rate
3 design. In this case, AARP also took interest in the integration of Great Plain's Gas
4 Customers in Wahpeton into MDU.

5 **Q. What was the Company's proposed revenue requirement increase in this case?**

6 A. MDU's initial filing sought a \$11.645 million, or 7.45%, increase over its existing
7 revenue requirement.¹ The Company testified that the driving factors of the rate increase
8 included increasing capital expenditure investments, O&M expenses, depreciation expense,
9 and a higher requested cost of capital.²

10 **Q. What is the overall revenue increase as agreed to in this settlement?**

11 A. The Parties agreed to a revenue increase of \$9.443 million over its existing rates upon a
12 final order in this proceeding. This represents an overall increase in rates of 6.05%.

13 **Q. What was the Company's initial proposed revenue increase to MDU and Wahpeton
14 residential customers?**

15 A. The Company initially sought an increase of 9.84% increase to rates for MDU residential
16 customers, and a 10.61% increase for Great Plains Wahpeton customers.³ MDU estimated
17 that the average MDU residential customer's monthly bill would have increased
18 \$5.16/month, and the average Wahpeton residential customer's annual bill would have
19 increased from \$583.35/year to \$635.98/year, or approximately \$4.39/month, a 9% increase.⁴

¹ Direct Testimony of Nicole Kivisto, p. 7.

² Direct Testimony of Nicole Kivisto, p. 11.

³ Direct Testimony of Nicole Kivisto, p. 7.

⁴ Response No. PSC 2.1 – ND Gas Rate Design – Statement L

1 **Q. Is the Settlement's overall increase in revenues reasonable?**

2 A. I have concerns that an average monthly increase of \$4.39 - \$5.16/month will further
3 stress residential customers, particularly low-income and fixed-income customers. However,
4 a settlement requires each party to compromise on its positions. AARP did not achieve all the
5 outcomes it desired, nor did any other party. Nevertheless, there are several aspects of the
6 Settlement that demonstrate significant improvements over the Company's initial filing.
7 Specifically, the Company agreed to:

- 8 • Decrease to its proposed revenue requirement from \$11.645 million to \$9.443
9 million,
- 10 • Equal revenue apportionment across customer classes,
- 11 • Not increase the residential basic service charge for MDU customers and allocate the
12 entirety of the residential revenue increase through the volumetric charge,
- 13 • Reduce the Company's proposed increase to Wahpeton residential customers' basic
14 service charge from \$15.36/month to \$12.00/month.

15 **Q. Please discuss why an equal revenue apportionment is reasonable?**

16 A. As previously stated, the Company initially proposed a 9.84% increase in rates for MDU
17 residential customers, and 10.61% for Great Plains Wahpeton residential customers. The
18 Company sought a higher increase for its residential customers, relative to most other
19 customer classes, because it believed that it was not recovering sufficient revenue from
20 residential customers to cover their costs. MDU based its conclusion on the results of its cost

1 of service study (COSS).⁵ However, I have concerns with the Company's COSS
2 methodologies - Minimum Distribution System and Zero-intercept methods⁶ - which
3 erroneously over allocate the costs of distribution mains to residential customers. In
4 testimony before this Commission, I have recommended the Commission transition to COSS
5 methodologies that do not rely on hypotheticals, reduce the number of subjective decisions a
6 utility needs to make, and recognize that the cost of distribution mains are demand rather
7 than customer related.⁷ However, these issues can be put aside in this case because the
8 overall outcome for residential customers is reasonable.

9 **Q. By recommending the Commission approve this settlement, are you endorsing the**
10 **Company's COSS methodologies?**

11 A. No. However, I find that the settlement in its entirety is reasonable. The settlement does
12 not require – nor would I have recommended my client support – a settlement that endorses a
13 specific COSS methodology. The settlement is silent on the appropriate COSS methodology
14 preserving all parties' ability to bring this issue forward in a future proceeding.

15 **Q. Please discuss the Settlement Agreement's treatment of the residential Basic**
16 **Customer Charge.**

17 For its core MDU service, the Company sought to significantly increase MDU
18 residential customer basic charges from \$25.08/month to \$28.01/month, and to set the
19 basic customer charge for a new large residential class to \$32.70/month. For Wahpeton

⁵ Direct Testimony of Ronald Amen, p. 34.

⁶ Direct Testimony of Ronald Amen, p. 19.

⁷ Docket 23-367 Northern States Power Company 2024 Natural Gas Rate Increase Application, Direct Testimony of Bradley Cebulko on Behalf of AARP.

1 customers, the Company sought to increase the basic customer charge from \$7.60/month
 2 to \$15.21/month.

3 *Table 1: MDU Proposed Residential Rates⁸*

	Current Rates		Proposed Rates		Settlement Rates	
	Basic Customer Charge	Distribution/Delivery Charge	Basic Customer Charge	Distribution/Delivery Charge	Basic Customer Charge	Distribution/Delivery Charge
Residential 60 small	\$25.08/mo	\$0.00/therm	\$28.01/mo	\$0.225/therm	\$25.08/mo	\$0.525/therm
Residential 60 large			\$32.70/mo			
Wahpeton 62/63	\$7.60/mo	\$0.922/therm	\$15.21/mo	\$0.439/therm	\$12.00/mo	\$0.781/therm

4
 5 Through the settlement, the Company agreed to maintain the existing basic customer
 6 charge for MDU residential customers at \$25.08/month and reduce the proposed increase
 7 for Wahpeton customers from \$15.21/month to \$12.00/month. For MDU customers, the
 8 entirety of the rate increase will occur through the reintroduction of a distribution
 9 delivery charge. Wahpeton customers will experience an increase in the basic customer
 10 charge and a decrease in the distribution delivery charge.

⁸ MDU Response No. PSC 2.1 – ND Gas Rate Design Statement L.

1 **Q. Why is it reasonable to maintain the current basic customer charge for MDU**
 2 **customers, and reduce the Company’s proposed increase to the basic customer**
 3 **charge for Wahpeton customers?**

4 **A. MDU already has one of the highest basic customer charges in the country. Based on my**
 5 **research of 20 neighboring gas utilities, MDU’s monthly customer charge is more than twice**
 6 **as high as all but two gas utilities outside North Dakota that I examined.**

7 *Table 1: Regional Comparison of Gas Utility Customer Charges*

Utility	Monthly Cost	Source	Utility	Monthly Cost	Source
North Dakota			Minnesota		
Xcel	\$22.25	link	Xcel	\$9.00	link
MDU	\$25.56	link	CenterPoint	\$9.50	link
Great Plains	\$7.60	link	Great Plains	\$7.50	link
Dakota Natural Gas	\$16.00	link	Minnesota Energy Resources	\$9.50	link
South Dakota			Montana		
MDU	\$9.30	link	MDU	\$9.30	link
Mid-American	\$6.25	link	Northwestern Energy	\$6.50	link
Northwestern Energy	\$8.00	link	Energy West: West Yellowstone	\$6.50	link
Colorado			Energy West: Great Falls	\$6.73	link
Xcel – Public Service Co. Colorado	\$11.00	link	Energy West: Cascade	\$6.73	link
Black Hills Energy	\$12.00	link	Energy West: Cut Bank	\$13.23	link
Wyoming					
MDU	\$19.22	link			

8
 9 A high basic customer charge discourages the efficient use of the system relative to a
 10 lower customer charge, all else equal. There is an elasticity of demand for energy services -
 11 even for residential customers - and customers generally respond rationally to price signals.

1 The less it matters how much energy a customer uses, the more likely that customer is to use
2 more energy and thereby contribute to triggering additional capital and operational
3 expenditures upon the system. In my experience, consumer advocates, such as the National
4 Association of State Utility Advocates, generally oppose increases to fixed charges because
5 high fixed charges disproportionately and inequitably increase the rates of low usage
6 customers, a group that often includes low-income, elderly and minority customers.⁹ The
7 reintroduction of the distribution delivery charge is much needed progress towards a better
8 rate design that sends appropriate prices signals to customers for the efficient use of the gas
9 system and allows customers to better manage their own bills.

10 With respects to Wahpeton customers, they were already experiencing a reasonable basic
11 customer charge of \$7.60/month. Based on the Company's initial filing, MDU intends to
12 completely integrate those customers and eliminate the Great Plains Gas Tariff over time.¹⁰
13 During Phase 1 of the integration, the Company sought to double residential Wahpeton
14 customers basic customer charge to \$15.21/month as a first step towards residential rate
15 design harmony with MDU customers. Doubling a customer's basic customer charge could
16 be a shock for customers and would go against a regulatory principle of gradualism. Through
17 this settlement, the Company is agreeing to slightly reduce the impact on Wahpeton
18 residential customers.

19 **Q. Does this conclude your testimony?**

20 **A.** It does, thank you.

⁹ NASUCA Customer Charge Resolution 2015-1. Available at: <https://www.nasuca.org/customer-charge-resolution-2015-1/>.

¹⁰ Direct Testimony of Ronald Amen, p. 47.