



UTILITIES CO.

*A Subsidiary of MDU Resources Group, Inc.*

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October 11, 2024

Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard Ave Dept 408  
Bismarck, ND 585025-0480

**Re: Montana-Dakota Utilities Co.  
2023 Application for Increase in Natural Gas Rates  
Case No. PU-23-341  
OAH File No. 20230372**

Montana-Dakota Utilities Co. herewith electronically submits the Proposed Findings of Fact, Conclusions of Law and Order entered into by and between Montana-Dakota Utilities Co., the Advocacy Staff of the North Dakota Public Service Commission, Intervenor AARP, and Intervenor Federal Executive Agencies, collectively the Settling Parties in this proceeding.

If you have any questions, please contact Travis Jacobson at (701) 222-7855 or [travis.jacobson@mdu.com](mailto:travis.jacobson@mdu.com).

Sincerely,

*/s/ Travis R. Jacobson*

Travis R. Jacobson  
Director of Regulatory Affairs

Enclosure

cc: Allison Waldon, Counsel for MDU  
John B. Coffman, Counsel for AARP  
Brian Johnson, Counsel for ND PSC Advocacy Staff  
Drew Jernigan, Counsel for Federal Executive Agencies

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Public Service Commission  
Montana-Dakota Utilities Co.  
2023 Natural Gas Rate Increase Application**

**Case No. PU-23-341  
OAH File No. 20230372**

**PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

**October \_\_\_\_\_, 2024**

**Appearances**

Commissioners Randy Christmann, Julie Fedorchak, and Sheri Haugen-Hoffart.

Paul Sanderson, Montana-Dakota Utilities Co., 400 North Fourth Street, Bismarck, North Dakota, 58501, appearing on behalf of Montana-Dakota Utilities Co.

Brian L. Johnson, Legal Counsel, Public Service Commission, State Capitol, 600 E. Boulevard Avenue, Bismarck, ND 58505, appearing on behalf of Public Service Commission Advocacy Staff.

John B. Coffman, John B. Coffman, LLC, 871 Tuxedo Blvd., St. Louis, MO 63119-2044, and David Tschider, Tschider & Smith, 418 E. Rosser Ave., Ste. 200, Bismarck, ND 58501, appearing on behalf of AARP.

Michael A. Rivera, United States Air Force Utility Law Field Support Center, Federal Executive Agencies, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, Florida 32403, appearing on behalf of the Federal Executive Agencies.

John M. Schuh, General Counsel, Public Service Commission, State Capitol, 600 E. Boulevard Avenue, Bismarck, North Dakota 58505, appearing on behalf of the Public Service Commission Advisory Staff.

Hope L. Hogan, Administrative Law Judge, Office of Administrative Hearings, 2911 North 14<sup>th</sup> Street, Suite 303, Bismarck, North Dakota 58503 as Procedural Hearing Officer.

**Preliminary Statement**

On November 1, 2023, Montana-Dakota filed an application to increase its rates for natural gas service in North Dakota to provide additional annual revenue of \$11,640,010, or a 7.45 percent increase over current rates based on a 2024 projected test period. Filed with the Application were revised tariffs, direct testimony, exhibits and

supporting statements.

Montana-Dakota concurrently submitted an Application and Notice for an interim increase in natural gas rates in the annual amount of \$10,094,595.

The Commission suspended Montana-Dakota's general rate increase application by motion on November 29, 2023.

On December 13, 2023, the Commission issued an Order approving an interim rate increase of \$10,094,595 to become effective for service rendered on or after January 1, 2024.

A Petition to Intervene was filed by the FEA on February 22, 2024. On May 13, 2024, the Administrative Law Judge granted the petition to intervene for the FEA.

A Petition to Intervene was filed by the AARP on May 7, 2024. On May 13, 2024, the Administrative Law Judge granted the petition to intervene for the AARP.

On July 8, 2024, the Commission issued a Notice of Public Input Sessions and Hearing, scheduling public input sessions for July 22, 2024, and scheduling the formal hearing for September 30, 2024.

On July 22, 2024, two public hearings were held as scheduled in the Commission Hearing Room in the State Capitol.

After the public hearings, settlement discussions were held between the Settling Parties pursuant to the Commission's Settlement Guidelines dated January 4, 1995. As a result of the settlement discussions, the Settling Parties reached this Settlement Agreement.

On September 16, 2024, Montana-Dakota, Advocacy Staff, AARP, and the FEA entered into a Unanimous Settlement Agreement, with Exhibits A and B, that would resolve all the issues in this proceeding. Doc. # 53. A copy of the Settlement Agreement with its exhibits has also been attached as Exhibit No. 1. The Settlement Agreement provides for implementation of a net increase in natural gas rates for retail customers in North Dakota to yield a net annual revenue increase of \$9,443,883, or an overall increase in rates of 6.05%. This revenue increase is based upon a return on equity of 9.9 percent and a return on rate base of 7.262 percent.

The Commission held a public hearing, as noticed, on September 30, 2024, in the Commission Hearing Room, State Capitol, 12<sup>th</sup> Floor, Bismarck, ND 58505.

Having allowed all interested persons an opportunity to be heard, and having heard, reviewed and considered all testimony and evidence presented, the Commission makes the following:

## Findings of Fact

1. Montana-Dakota is a Delaware corporation, duly authorized to provide natural gas service to retail customers in North Dakota.

2. The Settlement Agreement proposes a net increase in Montana-Dakota's natural gas rates for retail customers in North Dakota to yield an annual revenue increase of \$9,443,883. This represents an overall increase in rates of 6.05%.

3. The Settlement Agreement proposes a return on equity of 9.90 percent resulting in an overall rate of return of 7.262 percent based on the following capital structure:

Long Term Debt	45.296%	4.569%	2.070%
Short Term Debt	4.519%	4.954%	0.224%
Common Equity	<u>50.185%</u>	9.900%	<u>4.968%</u>
Total	<u>100.000%</u>		<u>7.262%</u>

4. The Settlement Agreement proposes the following allocation of revenues resulting in an increase by rate class as described below:

Customer Class	%
Residential Service	6.09%
Firm General Service	6.06%
Air Force Delivery	6.08%
Small Interruptible	6.08%
Large Interruptible	1.68%
Overall	<b>6.05%</b>

Residential customers will receive an annual revenue increase of \$4,641,161. The average monthly increase for a Montana-Dakota residential customer will be \$3.55 and \$3.47 for a Wahpeton residential customer.

5. The Settlement Agreement proposes that all revenue increases for the Residential Class, excluding Wahpeton customers, be collected through a reintroduced volumetric charge of \$0.525/dk, while leaving the Basic Service Charge at \$0.8244 per day or \$25.08 per month under Montana-Dakota's Residential Rate 60. For the Wahpeton residential class, the revenue increases will be collected through both an increase to the Basic Service Charge of \$0.145 per day, which amounts to \$0.395 per day, or \$12.01 per month and a decrease in the Distribution Delivery Charge to \$0.781 per dk under Montana-Dakota's Firm Gas Service – Wahpeton Rate 62. All other Basic Service Charges remain as proposed by the Company with the exception of the Basic

Service Charge applicable to the Large Interruptible Class which was reduced to \$1,800.00 per month.

6. The Settlement Agreement proposes a reduction of \$171,000 from Montana-Dakota's revenue requirement for capital projects that have been canceled or delayed within the test Year.

7. The Settlement Agreement proposes a reduction of \$1,060,000 from Montana-Dakota's revenue requirement for incentive compensation.

8. The Settlement Agreement proposes an increase of \$1,000 to Montana-Dakota's revenue requirement representing the delay in distribution system capital projects required to provide service to the City of Portal, North Dakota. In addition to the removal of these capital expenses, the projected volumes and associated revenues expected to be generated by Portal customers were also removed and will not be a component of Montana-Dakota's natural gas operation's revenue requirement.

9. The Settlement Agreement proposes a reduction of \$95,000 from Montana-Dakota's revenue requirement for certain expenses related to postage and materials.

10. The Settlement Agreement proposes that the revised rates and tariffs be effective November 1, 2024. At the public hearing held September 30, 2024, Montana-Dakota requested the effective date of the rates and tariffs be set to December 1, 2024. There was no objection to this request.

11. Because the net annual rate increase is approximately \$650,712 less than interim rates, upon approval of the Settlement Agreement, Montana-Dakota will file a proposed Interim Rate Refund Plan for refunding the difference, with interest, to customers.

12. Exhibit A (15 pages) to the Settlement Agreement contains the specific revenues under proposed rates and rate reconciliation for each rate class.

13. Exhibit B (159 pages) to the Settlement Agreement contains the specific tariffs and changes for each specific rate class.

14. The Unanimous Settlement Agreement and its exhibits were stipulated to in the hearing on September 30, 2024.

From the foregoing Findings of Fact, the Commission makes the following:

**Conclusions of Law**

1. The Commission has jurisdiction in these proceedings.
2. The rates proposed by the Settlement Agreement with Exhibit A and B are necessary to provide a just and reasonable rate of return on Montana-Dakota’s property, used and useful, for the service and convenience of the public in North Dakota.
3. The rates proposed by Settlement Agreement with Exhibit A and B are designed to result in a basis of charge to customers that are just and reasonable without discrimination.

From the foregoing Findings of Fact and Conclusions of Law, the Commission makes the following:

**Order**

The Commission Orders:

1. The Settlement Agreement with Exhibit A and B, attached to this Order and made a part of this Order, is adopted and approved in its entirety, with the sole exception of the effective date of the rates described therein, which shall instead be December 1, 2024.
2. Except as specifically modified by this Order, the Application of Montana-Dakota to increase its North Dakota natural gas service rates is adopted and approved in its entirety.
3. Montana-Dakota shall file, for Commission approval, compliance rate schedules consistent with this Order.
4. Within thirty (30) days of this Order, Montana-Dakota shall file a proposed Interim Rate Refund Plan.

**PUBLIC SERVICE COMMISSION**

\_\_\_\_\_  
Randy Christmann  
Commissioner

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Julie Fedorchak  
Chair

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Sheri Haugen-Hoffart  
Commissioner