

# Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Chris Hanson  
*CH*

Date: August 30, 2024

Re: Montana-Dakota Utilities, Co. (MDU), 2023 Electric, Annual Report  
Case No. PU-24-176

In Case No. PU-16-666, the Commission authorized a return on equity (ROE) of 9.65% for MDU's ND electric rate case. In Case No. PU-22-194, the Commission authorized a ROE of 9.75% effective July 1, 2023, along with a 70% sharing of earnings in excess of 10.0%. The analysis of this split of 2023 earnings along with the MDU recommended refund options is discussed in PU-24-177, 2023 Earnings Sharing Refund Plan.

Staff reviewed MDU's North Dakota electric annual report for 2023. MDU reports an ROE of approximately 12.0% for 2023 which represents an overearning of \$9.841 million (MM). However, as the new earnings cap was implemented effective July 1, 2023, the actual refund to customers as per Case No. PU-24-177 is \$4.852MM.

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 fifteen Major Event Days (MED) with two winter storm events in January of 2023, twelve spring and summer storms between April and September and one additional winter storm even in December 2023. MDU's system average interruption frequency index (SAIFI, or the average number of interruptions per customer) was 0.503 interruptions per customer, the system average interruption duration index (SAIDI, or the average outage duration per customer) was 35.87 minutes per customer, and the customer average interruption duration index (CAIDI, or the average restoration time) was 71.35 minutes. This represents a small decrease in frequency (SAFI) but with longer durations (SAIDI/ CAIDI) from 2022.

Staff recommends the Commission close the case.

Attachment 1 – Return Calculation

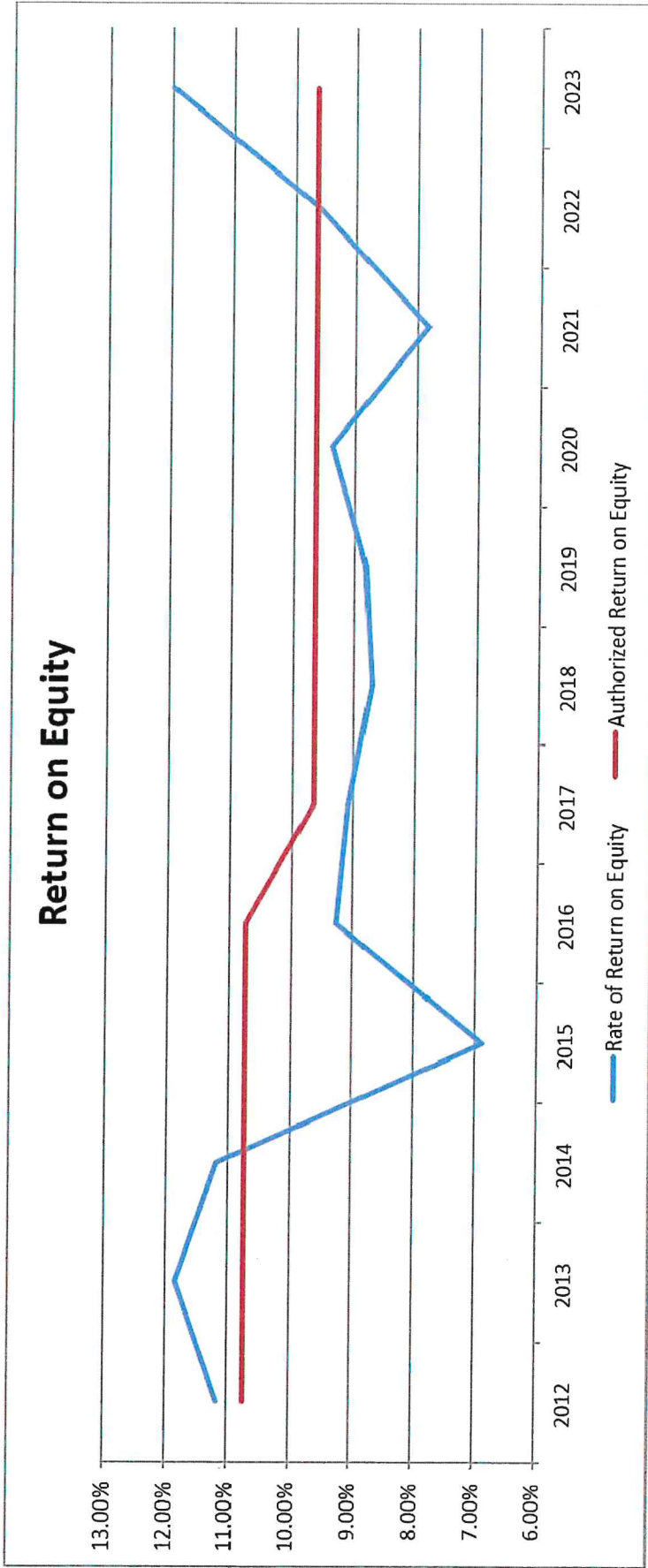
Attachment 2 – Return on Equity Chart

Attachment 3 – Net Operating Income

Attachment 4 – Reliability Indices

c: Travis Jacobson, MDU





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Attachment 3

Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales for Resale	\$194	\$378	\$442	\$0	\$701	\$573	\$711	\$951	\$518	\$1,186	\$1,367	\$672
All Other Revenues	143,957	159,835	177,154	181,011	215,464	218,243	212,150	219,409	204,659	212,450	232,674	250,297
Total Revenues	\$144,151	\$160,213	\$177,596	\$181,012	\$216,165	\$218,815	\$212,861	\$220,359	\$205,176	\$213,635	\$234,040	\$250,970
Cost of Fuel												
Production Expense	\$58,998	\$66,445	\$70,653	\$71,231	\$68,635	\$70,891	\$73,234	\$78,653	\$60,327	\$65,979	\$76,603	\$85,059
Gross Margins	\$85,153	\$93,768	\$106,943	\$109,781	\$147,530	\$147,924	\$139,628	\$141,706	\$144,849	\$147,656	\$157,437	\$165,910
Gross Margin % of Revenue	59%	59%	60%	61%	66%	68%	66%	64%	71%	69%	67%	66%
Margin Change	\$922	\$8,615	\$13,175	\$2,838	\$37,749	\$394	(\$8,296)	\$2,079	\$3,143	\$2,806	\$9,782	\$8,473
Other O&M												
Transmission Expense	\$6,155	\$7,993	\$10,449	\$9,503	\$24,666	\$26,654	\$24,269	\$24,964	\$26,388	\$26,437	\$26,607	\$25,997
Distribution Expense	8,212	9,740	10,199	10,257	9,642	9,340	9,808	9,866	9,487	9,354	9,807	9,321
Customer Accounts	1,998	2,321	2,524	2,625	3,161	2,960	3,178	2,512	2,837	2,540	2,651	2,997
Customer Service & Info.	153	170	175	172	174	159	141	195	210	229	247	234
Sales Expense	123	96	105	114	66	70	70	82	96	95	101	93
Administration & General	11,876	13,039	12,993	14,445	16,062	16,684	17,220	18,379	16,425	19,554	19,140	19,568
Total O&M	\$87,515	\$99,804	\$107,099	\$108,347	\$122,406	\$126,759	\$127,920	\$134,651	\$115,769	\$124,190	\$135,156	\$143,269
O&M No Production Expense	\$28,517	\$33,359	\$36,446	\$37,116	\$53,771	\$55,868	\$54,686	\$55,998	\$55,442	\$58,210	\$58,553	\$58,210
Depreciation	21,480	21,147	22,910	25,070	34,884	32,552	34,918	38,519	39,681	43,429	45,351	40,473
Taxes Other Than Income	5,265	5,282	5,580	5,808	6,741	7,394	7,642	8,274	8,529	8,251	7,557	7,667
Income Tax Exp	5,958	7,356	9,239	8,636	3,838	3,837	(5,255)	(9,122)	(6,756)	(7,056)	(5,869)	(2,124)
Net Regulated Income	\$23,933	\$26,624	\$32,769	\$33,150	\$48,296	\$48,272	\$47,636	\$48,037	\$49,953	\$44,821	\$51,844	\$61,685

Attachment 4:

Reliability Index - Without Identified Storm Event(s)	2023	2022	2021	2020	2019
System Average Interruption Frequency Index (SAIFI)	0.503	0.601	0.475	0.615	0.545
System Average Interruption Duration Index (SAIDI) 2/	35.87	33.17	40.82	55.83	52.40
Customer Average Interruption Duration Index (CAIDI) 2/	71.35	55.17	85.91	90.85	96.17