



A Subsidiary of MDU Resources Group, Inc.

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May 1, 2024

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

**Re: Earnings Sharing Refund Plan
Case No. PU-24-____**

Montana-Dakota Utilities Co. (Montana-Dakota) herewith electronically submits its request to the North Dakota Public Service Commission (Commission) for approval of the 2023 Earnings Sharing Refund Plan pursuant to the Commission's June 6, 2023 Order (June 6 Order) in Case No. PU-22-194.

The June 6 Order Point 3 states that Montana-Dakota shall file, with its annual report, the achieved return on equity for the prior year and a refund plan to the extent the return on equity exceeds 10 percent. The Order further states that 70 percent of the earnings which produce a return on equity above 10 percent shall be refunded to North Dakota electric customers. Final rates resulting from Case No. PU-22-194 were effective with service rendered on and after July 1, 2023. Interim rates prior to July 1, 2023 were authorized based on the adjustments and methodologies contained in Case Nos. PU-16-666 and PU-18-089, including a 9.65% return on equity and did not include a sharing provision.

As shown in the attached Exhibit 1, Montana-Dakota's 2023 Annual Report of Electric Operations, also filed on May 1, 2024, showed realized earnings of \$61.7 million on a rate base of \$746.5 million producing a return on equity of 11.889 percent. Included in earnings was a \$4.5 million reserve for the earnings sharing refund and, in absence of the reserve, realized earnings would have been \$65.1 million producing a return on equity of 12.797 percent. As noted, the Company achieved a return on equity in excess of 10 percent; therefore, Montana Dakota has calculated and now requests approval of an earnings sharing refund of \$4,852,253. The level of sharing reflects the Commission's June 6 Order granting final rates in Case No. PU-22-194 effective July 1, 2023 or the 6 months that the associated rates were in effect.

Montana-Dakota considered different options to refund the earnings sharing and proposes to apply the earnings sharing refund of \$4,852,253 as a reduction to the regulatory asset related to the the closure and decommissioning of Lewis & Clark Unit I and Heskett Units I and II. The regulatory asset is currently being recovered

through the Generation Resource Recovery Rate (GRRR) and includes a return on the outstanding balance of the regulatory asset. The current amortization period of the regulatory assets ends in approximately November 2030. The application of the credit, with an effective date of June 1, 2024, would accelerate the reduction of the regulatory asset and reduce the return earned by the Company. While there would be no immediate impact or revenue credit to electric customers, the application of the earnings sharing refund to the regulatory asset would reduce the amortization period by approximately 11 months or ending approximately January 2030. The reduced regulatory asset balance results in an overall savings to customers of approximately \$7.3 million, including the initial credit of \$4.9 million, or approximately \$35.69 for a residential customer using 800 kwh per month.

Finally, the Company's proposal provides a more immediate application of the refund, increasing the customer benefit slightly and administrative efficiency for the Company. In addition, there would be a perfect matching of the refund amount eliminating the need for a subsequent true up.

Alternatively, the Company has previously issued similar refunds directly to customers over a period of two months. Given the timing of the filing, it is expected the refund would likely take place during the months of August and September 2024. Any remaining balance is typically applied to the Company's Fuel and Purchased Power Adjustment – Rate 58. While the Company's preferred approach is a reduction to the regulatory asset, Montana-Dakota also provides this alternative for the Commission's consideration. The alternative would result in a total refund of approximately \$24.62, a portion applied as a credit to the customer's account in both August and September, for a residential customer using 800 kwh per month.

Montana-Dakota appreciates the Commission's consideration of the proposal to apply this earnings sharing refund as a credit to the regulatory asset associated with the closure and decommissioning of Lewis & Clark Unit I and Heskett Units I and II and requests approval to apply the earnings sharing refund as a reduction to the regulatory asset with an effective date of June 1, 2024.

Please contact me at 701.222.7855 or travis.jacobson@mdu.com with any questions.

Sincerely,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

Attachment

**MONTANA-DAKOTA UTILITIES CO.
OPERATING INCOME AND RETURNS
ELECTRIC UTILITY - NORTH DAKOTA
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023**

	2023 Actual W/O Reserve	Reserved Earnings Sharing	2023 Reported Results	Revenue Above 10% ROE	70% Sharing Above 10% ROE	July 1 - December 31 Earnings Sharing
Operating Revenues						
Sales / Reserve	\$255,469,631	(\$4,500,000)	\$250,969,631	\$13,863,578	\$9,704,505	\$4,852,253
Operating Expenses						
Operation and Maintenance	\$143,268,938		\$143,268,938			
Depreciation	40,473,190		40,473,190			
Taxes Other Than Income	7,667,047		7,667,047			
Income Taxes	(1,025,974)	(\$1,098,221)	(2,124,195)	3,383,392	2,368,375	1,184,187
Total Expenses	\$190,383,201	(\$1,098,221)	\$189,284,980			
Operating Income	\$65,086,430	(\$3,401,779)	\$61,684,651	\$54,606,244	\$57,750,300	\$61,418,364
Rate Base	\$746,496,843		\$746,496,843	\$746,496,843	\$746,496,843	\$746,496,843
Rate of Return	8.719%		8.263%	7.315%	7.736%	8.228%
Return on Equity	12.797%		11.889%	10.000%	10.839%	11.819%