

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
2023 Earnings Sharing Refund Plan
Approval

Case No. PU-24-177

ORDER

September 27, 2024

Preliminary Statement

On May 1, 2024, Montana-Dakota Utilities Co. (MDU) filed a request for approval of the 2023 Earnings Sharing Refund Plan pursuant to the Commission's June 6, 2023, Findings of Fact, Conclusions of Law and Order (June 6 Order) in Case No. PU-22-194. The June 6 Order stipulates that MDU shall file the achieved return on equity for the prior year along with their annual report, that 70% of the earnings in excess of a 10% return on equity (ROE) shall be refunded to ratepayers and that MDU shall submit a refund plan which includes the amount and timing of the refund back to ratepayers.

On June 5, 2024, the Commission issued a Notice of Opportunity for Hearing, which provided until July 19, 2024, for receiving comments and hearing requests. No response was received. The notice identified the issue to be considered in this matter is whether the proposed credit is just and reasonable.

On July 23, 2024, the Commission discussed this matter with MDU during an informal.

Discussion

MDU filed its 2023 Electric Annual Report in Case No. PU-24-176, showing earnings of \$61.7 million on a rate base of \$746.5 million for a return on equity of 11.889%. This includes a \$4.5 million reserve for earnings sharing resulting in total earnings (excluding the reserve) of \$65.1 or 12.797%, which exceeds the 10% earnings threshold. This results in an earnings sharing refund total of \$4,852,253 for the period from July 1, 2023 (Case No. PU-22-194 start date for new rates) to December 31, 2023.

MDU proposed two methods to refund the overearnings. This included a direct refund to customers or applying the balance to the Lewis & Clark Unit I and Heskett Units I & II decommissioning regulatory asset. The direct refund to customers would be over a two-month period and would result in a reduction to customers' bills. The reduction of the regulatory asset would maintain the current amortization and would not result in an

immediate refund, but would shorten the life of that asset by approximately eleven months.

Staff subsequently requested an alternative method to the reduction in the regulatory asset where the life would remain the same, but the amortization would be lower, reflecting the reduction in the regulatory asset rate base which would require MDU to file for a change in the tariff to reflect the change in the amortization rate.

The Commission finds the method by which the refund is applied against the regulatory asset and the amortization rate is reduced to be just and reasonable. Therefore, the Commission issues its:

Order

The Commission Orders:

1. Montana-Dakota Utilities Co. shall apply the 2023 overearnings refund against the Lewis & Clark Unit I and Heskett Units I & II decommissioning regulatory asset balances resulting in a reduction of the amortization rate of those assets.
2. Montana-Dakota Utilities Co. shall file the necessary tariff revisions required to comply with this order as part of its annual Generation Resource Cost Recovery rider filing.

PUBLIC SERVICE COMMISSION



Sheri Haugen-Hoffart
Commissioner



Randy Christmann
Chair



Julie Fedorchak
Commissioner