

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER OF THE Application of ) REGULATORY DIVISION  
Montana-Dakota Utilities Co. for Authority to )  
Establish Increased Rates for Electric Service in ) DOCKET NO. D2015.6.51  
the State of Montana ) ORDER NO. 7433d

**ORDER**

1. On June 25, 2015, Montana-Dakota Utilities Co. (MDU), a Division of Montana-Dakota Resources Group, Inc., filed an application with the Montana Public Service Commission (Commission) seeking approval of increased electricity rates for service to its Montana customers. MDU’s proposed rates would provide an additional \$11,755,752 of annual revenue, a 21.1% increase overall. MDU seeks an interim increase of \$10,977,511 in annual revenue. On December 15, 2015, a regularly scheduled work session was held to discuss and act upon MDU’s request for an interim increase. The Commission finds that MDU’s motion for interim rates does not conform to the statutory requirements for interim rates, nor the Commission’s administrative rules.

2. Interim relief is to be implemented at the discretion of the Commission. Pursuant to Mont. Code Ann. § 69-3-304 (2015), “[t]he commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision.” Additionally, “[a]n order of the commission approving or denying a temporary rate increase... shall be based upon consistent standards appropriate for the nature of the case pending...” The consistent standards employed by the Commission are articulated in part in Mont. Admin. R. 38.5.105 *et seq* (2015).

3. Utilities are required to comply with certain minimum filing standards when initiating a rate case. For example, Mont. Admin. R. 38.5.125 states that working papers “shall show plant balances on a beginning and end of period basis averaged for the test period representing functional classifications and total plant.” MDU presents a form with its *Application for Interim Increase in Electric Rates* which it labels “Plant in Service –

Annualization – Interim,” with a recorded average balance at the end of the 2014 test year of \$236,462,751. Statement C, p. 1. This recorded average balance results in a rate base of \$87,013,106, as seen on MDU’s “Interest Expense Annualization – Interim” form. Statement J, p. 2. If post-test year modifications to existing plant were incorporated, the net plant in service would increase by about \$7.3 million. *See generally* Statement C, pp. 1-7. This increase is primarily a result of new generators, such as the Heskett III Station.

4. Whether the 2015 pro forma adjustments to plant in service by the end of the test year are incorporated or not, the result is a rate base of less than \$100 million. However, MDU proposes to use a rate base of a much greater size, specifically \$169,879,751. Statement J, p. 2. MDU reaches this result only by adding four significant plant additions to the average year-end balance of the test year. Statement C, p. 8. These additions were not in service at all during the test year.

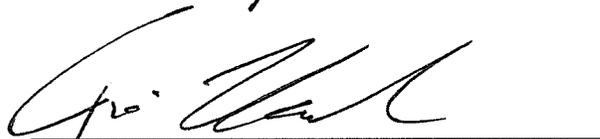
5. Mont. Admin R. 38.5.506(2)(a) states that “[t]est year booked net utility operating income and test year average rate base will be normalized and annualized, when such test year data is available.” The adjustments presented in MDU’s working papers fall outside the meaning of Mont. Admin. R. 38.5.506(2)(a), because new facilities, such as Thunder Spirit Wind Farm, or retrofits of existing facilities, such as the Big Stone Air Quality Control System, cannot be said to annualize or normalize the recorded “test year average rate base” associated with booked electric plant in service. When these impermissible adjustments are removed, MDU still earns a substantial return on its average rate base. Therefore, the Commission finds interim rate relief to be inappropriate in this case, and exercises its discretion pursuant to Mont. Code Ann. § 69-3-304 to deny interim rate relief.

Based upon the foregoing, MDU’s request for an interim increase is DENIED.

DONE AND DATED this 15<sup>th</sup> day of December 2015 by a vote of 4 to 0. Commissioner Lake abstaining.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

  
BRAD JOHNSON, Chairman

  
TRAVIS KAVULLA, Vice Chairman

  
KIRK BUSHMAN, Commissioner

  
ROGER KOOPMAN, Commissioner

ATTEST:

  
Aleisha Solem  
Commission Secretary

(SEAL)

