

From: PUC
Sent: Friday, October 27, 2023 10:04 AM
To: [REDACTED]
Subject: MDU Rate Cases

This is in response to your comments regarding MDU's request filed with the commission to increase their rates.

When a utility files a rate case with the commission, the commissioners and staff are obligated by law to thoroughly investigate and make a just, reasonable decision. This process typically takes most of the one year allowed for a rate case to be completed. Each commissioner, the commission's staff and expert consultants hired by staff will review the entire case or docket separately, along with any intervenors in the case. Staff will request and review additional data and other information from the utility before a decision is rendered by the commissioners.

Staff will ask questions concerning the utility's staffing and will question any significant increases or decreases in staffing levels and compensation as part of the investigation. The utility has a set amount of time by law to respond to each of staff's data requests – also known as discovery – and this process along with the unraveling process by staff and its experts takes a significant amount of time in the investigation and processing of rate cases.

MDU is required by law to provide safe, reliable service to its customers. The utility must ensure the infrastructure and plants it relies upon to generate capacity are sufficient to meet customer demand, while also meeting state and federal legal requirements. Pursuant to law, the utility can collect sufficient revenues to meet the cost of meeting this obligation and the opportunity to earn a fair and reasonable return, or profit. MDU's profits do not take away the need for rate increases. The laws governing regulated utilities include what is known as ring-fencing. This separates the account and revenue of the regulated entity, from the other owned entities within the larger corporate ownership structure. It essentially prevents an investor-owned utility, in this case MDU, of being stripped of its profits by shareholders. The purpose is to retain sufficient funding to operate the utility safely and reliably, and to reinvest in the utility's system in order to continue to provide safe, reliable service to the utility's customers.

The rate case dockets are available for review online, and we encourage you to review the filings in each docket, and to review new documents as they are posted in [EL23-020](#) and [NG23-014](#).

The commission is currently processing not only MDU's electric and natural gas requested rate increases, but one for NorthWestern Energy. MDU last filed rate case increase requests in 2015. The commission processed requested rate increases from Xcel Energy and MidAmerican Energy last year. There are six electric investor-owned utilities and three natural gas investor-owned utilities in the South Dakota. It is important to read the reasoning provided by the utility when filing its case to understand the cost causers.

As a regulated utility, MDU's rates are set by the commission based on an authorized rate of return. Authorized does not mean guaranteed. The utility is not guaranteed to earn that ROR. The rates are set based on a ROR established by utility debt and equity market rates determined by present market conditions. In the past several years, the commission's approved ROR has been the lowest in the nation for the electric sector.

To help you better understand the processing of rate increase requests, documents titled [Electric Rate Increase Requests](#) and [Natural Gas Rate Increase Requests](#) information guides are linked in these dockets and the commission's website home page at PUC.sd.gov.

As far as millions being given away by MDU, such donations or contributions will be flagged by staff investigating the rate cases. These will be considered unallowable expenses for ratepayers. It is rare that a utility includes such donations or contributions in a rate case, as the utility staff preparing the case know that these expenses will be flagged, result in disapproval, and not be allowed for ratepayer reimbursement. These costs are routinely covered by shareholders' separate funds.

If you wish for your comments to be posted in the online rate case dockets and available for commissioners to review, you must provide your full name and address and specify the electric or natural gas rate case that you are addressing. This is explained in the information guides.

We hope that this helps answer your questions on MDU's rate case processing.

South Dakota Public Utilities Commission Staff
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