



UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

400 North Fourth Street
Bismarck, ND 58501
701-222-7900

March 31, 2021

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501

Re: Cold Weather Impact on the May
Purchased Gas Cost Adjustment
Docket No. GE21-001

Montana-Dakota Utilities Co. (Montana-Dakota) electronically submits a variance request to its Purchased Gas Cost Adjustment pursuant to the terms of Rate 88. The nature of this variance request is related to the February 2021 extreme weather and market conditions surrounding the natural gas commodity market. Montana-Dakota's request is intended to mitigate the impact of the recovery of these costs from customers while also maintaining financial integrity of the utility.

Montana-Dakota is requesting a variance to allow an alternative computation of the surcharge amount and the timing of implementation. Sections 4 and 5 of the Company's Purchased Gas Cost Adjustment Rate 88 reference the annual surcharge adjustment credit calculation to be performed annually in October of each year. Montana-Dakota requests a variance to allow it to recover the gas costs resulting from the February 2021 cold weather event over a seventeen-month period (beginning May 1, 2021 through September 30, 2022) at which point the February 2021 under-recovered gas costs will be fully amortized.

For firm customers, Montana-Dakota believes that a staggered rate recovery, in which summer rates differ from winter rates, will ensure that customers will not be unduly harmed during the heating season. While natural gas customer consumption is typically cyclical, implementing higher rates during the summer season will allow the utility to continue to recover costs during a time when lower amounts of natural gas are consumed. The lower rates during the heating season will continue at a normal level of recovery by the utility without being overly burdensome to customers as they naturally consume more gas as the weather changes.

	Proposed	Effective
	Adjustment	Dates
Firm (Summer)	\$1.614	May 1 - September 30, 2021
Firm (Winter)	\$0.420	October 1, 2021 - April 30, 2022
Firm (Summer)	\$1.614	May 1 - September 30, 2022

Sections 4 and 5 of the Company's Purchase Gas Cost Adjustment Rate 88 references the annual surcharge adjustment calculation to be performed annually in October of each year; however, the magnitude of the natural gas price increase due to the weather event in February 2021 necessitates the above referenced adjustment. This change, along with the previous over collected balance, will help mitigate and smooth out future price increases. In the absence of the proposed mitigation, the surcharge adjustment calculated in accordance with the Company's tariff for firm customers would be approximately \$0.75 per dk. This rate would be effective for October 1, 2021 through September 30, 2022.

Due to the minimal surcharge adjustment of \$0.201, the Company proposes a flat rate recovery method for interruptible customers over the same seventeen-month period. This will create equity amongst the customer class to ensure those seasonal use interruptible customers aren't over or under recovered.

Exhibit 1 shows the anticipated amortization of the deferred gas costs that Montana-Dakota incurred as of February 28, 2021.

Exhibit 2 demonstrates the impact Montana-Dakota's proposed recovery will have on its residential customers.

Please contact me at (701) 222-7855 or travis.jacobson@mdu.com if you have any questions regarding this submittal.

Sincerely,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

Attachments