

## MEMORANDUM

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To: Chairman Robinson  
Deputy Chairman Petrie  
Commissioner Throne

CC: Melisa Mizel  
John Burbidge

From: Nathan Petrisin *NP*  
Drake Richards *DR*  
Wesley Neuman *WN*

Date: May 22, 2025

RE: Docket No. 20004-172-ET-25 (Record No. 17782)

IN THE MATTER OF THE APPLICATION OF MONTANA-DAKOTA UTILITIES CO. FOR AUTHORITY TO IMPLEMENT A RATE DECREASE OF \$0.21 PER BLOCK FOR A TOTAL OF \$0.01 PER BLOCK UNDER THE COMPANY'S OPTIONAL RENEWABLE ENERGY RIDER RATE 15 PROGRAM

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### **Background**

On October 14, 2014, the Commission approved Montana-Dakota Utilities Co.'s (MDU or the Company) application to establish a five-year Renewable Energy Rider pilot program, effective November 1, 2014.<sup>1</sup> Through proceedings in Docket No. 20004-142-ET-19 (Record No. 15392), the Commission approved MDU's Renewable Energy Rider program (Rate 15) on a permanent basis. The Company purchases Renewable Energy Credits (RECs). Then, MDU passes on the cost of the RECs to Wyoming electric customers who opt-in to the Rate 15 program. The Rate 15 subscribers can purchase renewable energy in the form of "blocks". Each block represents one-tenth of a REC or 100 kWh of electricity generated by a renewable energy source.

### **Application Summary**

On March 31, 2025, MDU filed the Application requesting authority to decrease the currently authorized rate of \$0.22 per block to \$0.01 per block effective June 1, 2025. The Company explains that a decrease in the charge per block is required at this time due to an over-recovery of costs in 2024 which can be attributed to the first five months of 2024 reflecting revenue at the higher authorized rate of \$0.62 per block, the elimination of the under-recovered balance included in the current rates, and a reduction in program costs due to a decrease in the price per REC.<sup>2</sup> MDU provided clean and legislative copies of 8<sup>th</sup> Revised Sheet No. 15 of the Company's tariff to reflect the block rate the Company proposed in the Application.

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<sup>1</sup> Docket No. 20004-108-ET-14 (Record No. 13907).

<sup>2</sup> Application, p. 2.

## **Proposed Rates**

Table 1 illustrates the components of the current, estimated and proposed per-block rates.

**Table 1: Components of Current and Proposed Per-Block Charges<sup>3</sup>**

	Current Rate	Estimated Rate	Dollar Change
REC Costs	\$0.1500	\$0.1250	(\$0.0250)
REC Issuance & Retirement Costs	\$0.0030	\$0.0030	\$0.0000
REC Subscription Fees	\$0.0004	\$0.0004	\$0.0000
Program Advertising Costs	\$0.0000	\$0.0000	\$0.0000
Amortize (Over-)/Under-Recovery	\$0.0680	(\$0.1693)	(\$0.2373)
Calculated Charge per Block	\$0.2214	(\$0.0409)	(\$0.2623)
 Estimated Charge per Block	 \$0.22	 (\$0.04)	 (\$0.26)
 Proposed Charge per Block	 \$0.22	 \$0.01	 (\$0.21)

While Table 1 reflects a calculated charge per block of (\$0.04), Montana-Dakota is proposing a charge of \$0.01 per block. The Company believes the proposed charge of \$0.01 per subscribed block will provide participating customers the continued visual verification of their renewable purchase while recognizing the price per REC fluctuates and costs will be incurred for the 2025 subscriptions. While the Company anticipates an over-recovered balance will remain at the end of 2025 due to the current charge per block still being recovered from subscribers, Montana-Dakota believes the proposed rate will lessen the rate of over-recovery while helping to avoid a potential swing in the charge per block in next year's rate update due to changes in the number of subscribed blocks and/or price per REC.<sup>4</sup>

Staff agrees with the Company that there needs to be a positive charge, even if it's \$0.01, to stop ratepayers from abusing this service. Staff could see a situation where customers opt-into the program to receive enough blocks at a credit that it could fully pay off a customer's bill. This would quickly create an under-recovery in the balancing account, increasing these block prices next time the Company files for new Rate 15 rates, which then a customer could just opt-out of dodging the situation created by "gaming the system". Even at \$0.01 Staff sees some risk that customers "over-subscribe" and purchase many more blocks than previous years, only to opt-out later, but this risk is at least lessened by having the positive charge as proposed.

The Company usually calculates the rate necessary to amortize the over/ under recovery by taking the pervious years ending balance and dividing it by the number of blocks the program participants purchased in the previous year plus the blocks carried over from that year.<sup>5</sup> Due to a change in the number of subscribed blocks that occurred during 2024, the February 2025 subscriptions of 215 were annualized for purposes of calculating the (over)/under recovery rate per block. The

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<sup>3</sup> Exhibit 2, p. 2.

<sup>4</sup> Application, p. 2.

<sup>5</sup> MDU cannot purchase a fraction of a REC so the remaining REC fraction is carried forward to be included in the following program year.

Company illustrated the actual Rate 15 revenue and expenses for the deferral period of January 1 through December 31, 2024, in Exhibit 2.

Table 2 shows the calculation.

**Table 2: Calculation of Balancing Account Adjustment<sup>6</sup>**

Balancing Account Balance at December 31, 2024	(\$436.85)
Divided by 2025 Projections	<u>2,580<sup>7</sup></u>
Per-Block Rate Necessary to Amortize Balancing Account Balance	(\$0.1693)

### **Program Participation**

The Company stated 20 residential customers were enrolled in the program in the deferral period of 2024, and 20 customers are participating in the program as of March 2025. MDU stated, the participating customers purchased 2,216 blocks of renewable energy in 2024 resulting in program revenue of \$837.92.<sup>8</sup> As illustrated in Table 3, the Company purchased 222 RECs to fulfill customers' subscriptions at an expense of \$285.07. The Company states, for every 10-block subscription, a Rate 15 customer will see a decrease of \$2.10 per month.

**Table 3: 2024 Program Year Summary<sup>9</sup>**

Participants	Blocks Subscribed	Program Revenue	RECs Purchased	Program Expenses
20	2,216	\$837.92	222	\$285.07

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<sup>6</sup> Exhibit 2, p. 1.

<sup>7</sup> 215 blocks x 12 months = 2,580 blocks

<sup>8</sup> Exhibit 1.

<sup>9</sup> Exhibit 1.