

December 22, 2014

Executive Secretary
North Dakota Public Service Commission
State Capitol Building
Bismarck, ND 58505-0480

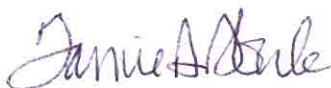
Re: Case No. PU-14-109
Request to Implement Rates under Electric Generation Resource Recovery
Rider Tariff

Informal Hearing Presentation and Revised Schedule

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., herewith files the presentation discussed at the Informal Hearing regarding this matter held on December 17, 2014 in support of its request for approval to implement the rate adjustments to recover the Heskett Station III generation investment under the electric Generation Resource Recovery Rider (GRRR) tariff approved by the Commission on August 20, 2014 in Case No. PU-14-108.

As part of the Company's presentation on December 17, 2014, a comparison of electric rates based on a comparison of average electric rates calculated on an annual bill prepared in September 2014 based on rates effective in August was provided. Subsequently, the Company discovered discrepancies in the rates used for Otter Tail Power Company and Xcel Energy. As shown, the average rate based on this calculation was overstated for these two companies in the original presentation of the rankings. The revised bill comparison is provided on page 9 of the attachment.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments
cc: Daniel S. Kuntz

Generation Resource Recovery Rider

Case No. PU-14-409

Informal Hearing
December 17, 2014



*In the Community
to Serve®*

Background

- Order approving Settlement Agreement issued on 8/20/14
- Settlement Agreement with Advocacy Staff filed on 5/20/14 & Amended on 7/24/14
 - \$5,270,008 revenue requirement
 - Withdrawal of rate adjustment
 - Rate adjustment to be effective following re-filing of request and supporting documentation
 - 50% of any revenues in 2014 that contribute to a return in excess of 10.75% will be returned to customers
 - Recovery Method at the time of a rate change amended to be
 - Residential & Small General Service - Energy
 - Large General Service - Demand
 - Lighting - No change



Heskett III
On-line 8/7/14

Overview of Application

- Montana-Dakota is requesting to implement the GRRR effective 1/8/15 pursuant to the approved Settlement Agreements

		Allocated Heskett III	
		Revenue Requirement	Charge
Residential	(Rates 10 & 13)	\$2,366,425	\$0.00283
Small General	(Rates 20 & 25)	\$378,981	\$0.00223
Large General	(Rates 30, 31, 32, 38, 40, 48)	\$2,524,602	\$0.75
		\$5,270,008	

- Based on the Plan for 2015; Montana-Dakota is estimating a ROE of 7.39% without the GRRR and an ROE of 8.72% with the GRRR

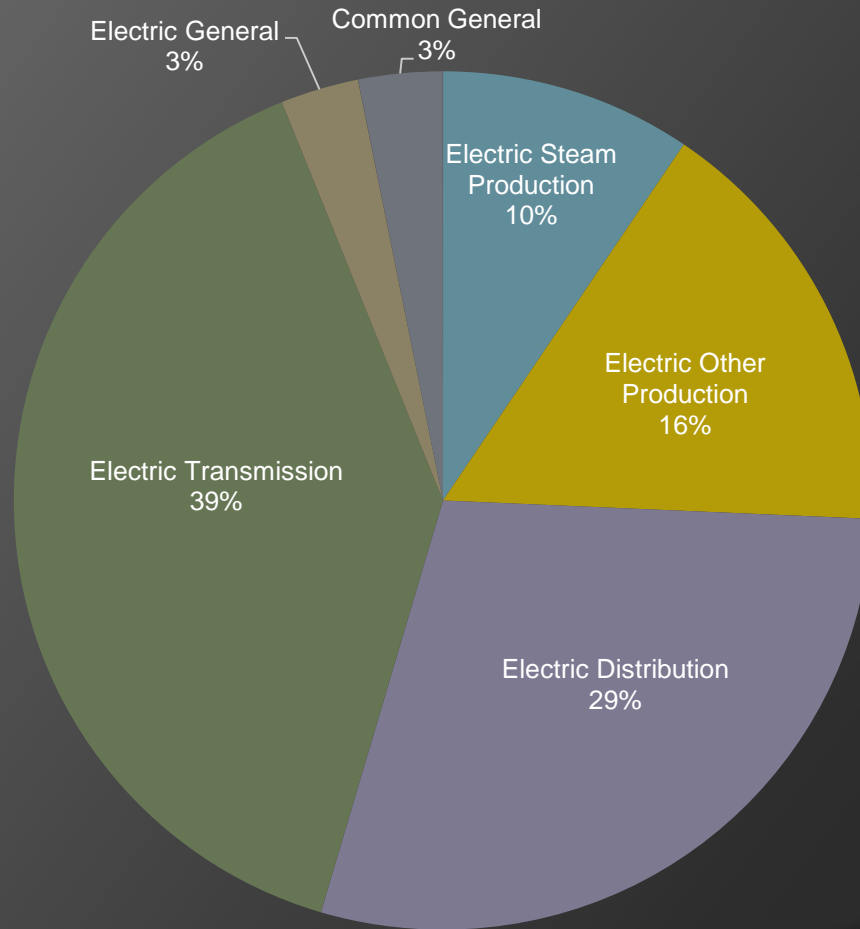
		Projected	Projected
	2013	2014	2015
Operating Revenues			
Sales	\$ 152,910	\$ 168,410	\$ 190,638
Sales for Resale	378	413	-
Other	6,925	6,746	7,005
Total Revenues	160,213	175,569	197,643
Cost of Fuel & Purchased Power	49,648	54,088	66,824
Other O&M	50,156	53,099	62,028
Total O&M	99,804	107,187	128,852
Depreciation	21,147	22,858	25,387
Taxes Other Than Income	5,282	5,780	6,230
Current Income Taxes	(5,102)	(2,126)	5,889
Deferred Income Taxes	12,458	10,555	-
Total Expenses	133,589	144,254	166,358
Operating Income	\$ 26,624	\$ 31,315	\$ 31,285
Average Rate Base	\$ 296,185	\$ 389,991	\$ 496,031
Return on Rate Base	8.99%	8.03%	6.31%
Return on Equity	12.64%	10.24%	7.39%
Operating Income - Incl. GRRR			\$ 34,555
Return on Rate Base - Incl. GRRR			6.97%
Return on Equity - Incl. GRRR			8.72%

* Projected 2014= 9 months actual/3 estimated

O&M Sensitivity

	Projected 2015
Operating Revenues	
Sales	\$ 190,638
Sales for Resale	-
Other	7,005
Total Revenues	197,643
Cost of Fuel & Purchased Power	66,824
Other O&M	57,761
Total O&M	124,585
Depreciation	25,387
Taxes Other Than Income	6,230
Current Income Taxes	7,525
Deferred Income Taxes	-
Total Expenses	163,727
Operating Income	\$ 33,916
Average Rate Base	\$ 496,031
Return on Rate Base	6.84%
Return on Equity	8.46%
Operating Income - Incl. GRRR	\$ 37,186
Return on Rate Base - Incl. GRRR	7.50%
Return on Equity - Incl. GRRR	9.79%

2015 Plant Additions



\$119
million

Summary

- Incremental revenues are required to recover the cost of the Heskett III investment given the following:
 - 27 percent increase in Rate Base
 - 17 percent increase in non-fuel O&M
 - Partially offset by 8 percent increase in non-fuel revenue
- Offer to extend the Return on Equity Refund Provision through 2015

Revised
12/22/14

MONTANA-DAKOTA UTILITIES CO.
ELECTRIC RATE COMPARISON
RESIDENTIAL SERVICE
Last updated: September 2014

	Base Rate	Annual Bill 1/	Average Cost Per Kwh
North Dakota			
Slope Electric Cooperative	\$13.00	\$1,044.00	\$0.08700
Montana-Dakota	10.64	1,050.60	0.08755
Mountrail-Williams Electric Cooperative	9.00	1,116.00	0.09300
Capital Electric Cooperative - Urban	16.50	1,116.00	0.09300
Roughrider Electric Cooperative	20.00	1,152.00	0.09600
Ottertail Co.	8.00	1,220.24	0.10169
Xcel Energy - NSP	14.00	1,238.88	0.10324
Capital Electric Cooperative - Rural	19.00	1,254.00	0.10450
Dakota Valley Electric - Urban	22.00	1,269.60	0.10580
NoDak Electric Cooperative - Urban	13.15	1,309.80	0.10915
Burke-Divide Electric Cooperative	28.00	1,416.00	0.11800
NoDak Electric Cooperative - Rural	36.15	1,537.80	0.12815
McLean Electric Cooperative	32.00	1,582.80	0.13190
Dakota Valley Electric - Rural	28.00	1,592.40	0.13270
Mor-Gran-Sou Electric Cooperative - Ru	34.00	1,836.00	0.15300

