



**UTILITIES CO.**

A Division of MDU Resources Group, Inc.

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June 3, 2015

Executive Secretary  
North Dakota Public Service Commission  
State Capital – Department 408  
600 East Boulevard Avenue  
Bismarck, ND 58505-0480

Re: Case No. PU-14-843 and Case No. PU-14-844

Enclosed for filing are the original and seven copies of Montana-Dakota Utilities Co.'s proposed Findings of Fact, Conclusions of Law and Order in the above referenced proceedings. Copies of the proposed Findings of Fact, Conclusions of Law and Order were previously provided to the Commission's Advocacy Staff and they have advised they have no objections to the document. An electronic copy of the proposed Findings of Fact, Conclusions of Law and Order will also be submitted for filing.

Sincerely,

Daniel S. Kuntz  
Associate General Counsel

DSK/djv

Enclosure

cc: Tamie Aberle  
Illona Jeffcoat-Sacco  
John M. Schuh

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Proposed Findings of Fact, Conclusions of Law and Order  
Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.  
Daniel Kuntz, Associate General Counsel

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Proposed Findings of Fact, Conclusions of Law and Order  
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Daniel Kuntz, Associate General Counsel

**STATE OF NORTH DAKOTA**

**PUBLIC SERVICE COMMISSION**

**Montana-Dakota Utilities Co.  
Advance Prudence – Thunder Spirit Wind Project  
Application**

**Case No. PU-14-843**

**Montana-Dakota Utilities Co.  
Thunder Spirit Wind Project – Adams County  
Public Convenience and Necessity**

**Case No. PU-14-844**

**Montana-Dakota Utilities Co.'s  
PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

\_\_\_\_\_, 2015

**Appearances**

Commissioners Randy Christmann and Julie Fedorchak.

Daniel S. Kuntz, Associate General Counsel, MDU Resources Group, Inc., P.O. Box 5650, Bismarck, ND 58506-5650, appearing on behalf of Montana-Dakota Utilities Co.

John M. Schuh, Special Assistant Attorney General appearing on behalf of the Advocacy Staff.

Illona Jeffcoat-Sacco, Special Assistant Attorney General appearing on behalf of the Public Service Commission.

Patrick J. Ward, Administrative Law Judge, P.O. Box 1695, 316 North 5<sup>th</sup> Street, Bismarck, ND 58502-1695

**Preliminary Statement**

On December 22, 2014, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. ("Montana-Dakota" or "Company") filed for an advance determination of prudence (Case No. PU-14-843) and a certificate of public convenience and necessity (Case No. PU-14-844) to purchase and operate the 107.5 MW Thunder Spirit Wind Project to be located in Adams County, North Dakota.

Believing there would be no prejudice to the rights of the parties or the public interest, and finding the cases involve similar questions of law and fact, the Commission consolidated the two cases under North Dakota Admin. Code section 69-02-04-04.

A Notice of Consolidated Hearing was issued on March 25, 2015 setting the consolidated cases for public hearing on May 14, 2015 at the Commission Hearing Room, 12<sup>th</sup> Floor, State Capitol, 600 East Boulevard Avenue, Bismarck, North Dakota 58505. The Notice set forth the following issues to be determined:

1. Is Montana-Dakota's proposed investment in the Thunder Spirit Wind Project prudent?
2. Whether public convenience and necessity will be served by the purchase and operation of the facilities.
3. Whether the applicant is fit, willing, and able to provide service.

On May 14, 2015, a public hearing on the applications was held as scheduled. No person appeared at the hearing in opposition to the applications.

Having heard and considered these matters, the Commission makes its:

### **Findings of Fact**

1. Montana-Dakota is an investor owned public utility providing electric service to customers in North Dakota under the regulatory jurisdiction of this Commission. Montana-Dakota's certificate of incorporation and amendments thereto have been previously filed with the Commission under Case No. PU-08-710.

2. Montana-Dakota provides electric service to approximately 138,000 customers. Approximately 89,000 of those customers are located in North Dakota. Montana-Dakota is fit, willing and able to own and operate the Project.

3. The Thunder Spirit Wind Project ("Thunder Spirit" or "Project") is a 107.5 MW wind generation project currently under construction in Adams County, North Dakota, northeast of the City of Hettinger. On-site measured data and long-term wind assessment studies demonstrated the location of the Project has an excellent wind regime. The Project will consist of 43 Nordex (2.5 MW) wind turbines and is expected to have a net capacity factor of 45.2 percent and be online by the end of 2015. At a capacity factor of 45.2 percent, the projected average annual output is estimated at 426,000 megawatt-hours per year.

4. The Project will interconnect with Montana-Dakota's Hettinger 230 kV Junction Substation. The network upgrades to interconnect the Project to the substation are expected to cost less than \$1.5 million. In addition, as part of Montana-Dakota's transmission service request to Midcontinent Independent System Operator, Inc. ("MISO") for point-to-point transmission service, Montana-Dakota will reconductor five miles of its 115kV line between the Coyote and Beulah Junction Substations at a cost of less than \$1 million to increase its facility rating to accommodate the transmission service request. No other wind projects are currently located in the Hettinger area and the likelihood for Project curtailments is small compared to other project opportunities that Montana-Dakota reviewed in other parts of the state.

5. The Company originally entered into a Power Purchase Agreement (“PPA”) to buy the output from the Project in October 2013 following a review of responses to a request for proposal (“RFP”) process utilized by Montana-Dakota to solicit offers for additional generation in accordance with its 2013 Integrated Resource Plan (“IRP”). With the uncertainty of the Project to obtain timely financing, Montana-Dakota determined it was advantageous and in the best interest of its customers to consider ownership of the Project as an alternative to the PPA arrangement. Allete Clean Energy reviewed the Project at the request of Montana-Dakota and determined it was willing to develop the Project and either sell the output or the completed Project to Montana-Dakota. Montana-Dakota subsequently entered into both an amended PPA and a conditional-asset purchase agreement for the Project. Pursuant to these agreements, Montana-Dakota agreed to purchase the completed Project conditioned upon approval by the Commission of a Certificate of Public Convenience and Necessity and an Advance Determination of Prudence. Alternatively, Montana-Dakota will purchase the Project output under the amended PPA.

6. Montana-Dakota’s need for additional energy is identified in the Company’s five year plan provided in its IRP (Case No. PU-13-510). The IRP forecasts an increase in the Company’s total net energy requirements of nearly 1 million MWh between 2012 and 2020 and more than 100 MW in peak demand over the same period. The Project will meet a portion of the energy need identified in the IRP. The Project is scheduled to be complete by the end of 2015 and will provide a low cost energy resource that will serve to offset purchases from the MISO energy market that currently represent approximately 20 percent of the energy supplied by Montana-Dakota with projections for the purchases to increase absent the addition of energy by the Company on the system.

7. The levelized cost of Montana-Dakota’s ownership of the Project over a 20-year period is approximately \$32 per MWh. Montana-Dakota updated the IRP modeling to analyze the Project within the Company’s anticipated generation needs. The updated modeling selected the full 107.5 MW Project as a cost effective resource and the addition of the Project does not affect the remainder of the Future Resource Plan. Ownership of the Project is projected to save nearly \$30 million on a net present value basis over 20 years in comparison to purchases of the output of the Project under the PPA.

8. The Project is designed and has an electrical interconnect and wind energy leases under contract to support a 150 MW project size. Ownership of the Project provides Montana-Dakota with the ability to expand the Project to 150 MW if necessary to meet future customer energy requirements while capturing the economies of scale offered by a larger Project site.

9. Montana-Dakota has a need for additional generation resources and a wind resource at the size of the Project was identified as a part of a cost effective generation portfolio to meet that need. Project ownership provides the opportunity for

lower costs in comparison to PPA prices over the term of the PPA with further opportunity for realization of additional generation beyond the term of the PPA. Typically, Company owned resources can provide low cost energy to customers over a longer period than a PPA. Through the ownership of the Project, Montana-Dakota is able to manage the uncertainty of inflation and future maintenance costs.

10. The Project provides price protection against future MISO energy price increases, price protection against future natural gas price increases, greater fuel source diversity in the Company's generation mix, and the ability to capture significant value from federal and state tax incentives.

11. The annual wind lease payments from the Project to local landowners will be approximately \$500,000. Property taxes from the Project are expected to be approximately \$500,000 annually. There will also be local economic benefits to the area as a result of the construction employment activity during 2015 and full time employment of approximately seven persons for maintenance and operation of the Project.

From the foregoing findings of fact, the Commission makes its:

### **Conclusions of Law**

1. The Commission has jurisdiction over the applicant and the subject matter of these applications.

2. Public convenience and necessity require the granting of a Certificate of Public Convenience and Necessity to the applicant in this proceeding.

3. Prudence review considers whether a company's investment, based upon what is known or should have been known at the time of the investment, is reasonable and prudent in light of the circumstances existing at the time.

4. Pursuant to N.D.C.C. §49-05-16(7) there is a rebuttal presumption that a resource addition located in the state is prudent.

5. Pursuant to N.D.C.C. §49-05-16 the Commission considers the benefits of having a resource addition located in this state in determining whether a resource addition is prudent.

From the foregoing Findings of Fact and Conclusions of Law, the Commission issues its:

**Order**

The Commission Orders:

1. Montana-Dakota's application for a certificate of public convenience and necessity to acquire and operate the Thunder Spirit Wind Project is granted.
2. Montana-Dakota's application for Advance Determination of Prudence for the ownership and operation of the Thunder Spirit Wind Project is approved.

**PUBLIC SERVICE COMMISSION**

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**Randy Christmann**  
Commissioner

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**Julie Fedorchak**  
Chairman

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**Brian P. Kalk**  
Commissioner