

**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

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

June 30, 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 5th Street, Bismarck, ND 58502-1695.

Preliminary Statement

On December 22, 2014, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (MDU) filed applications 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.

On March 25, 2015, the Commission issued a Notice of Consolidated Hearing, scheduling a consolidated public hearing to begin May 14, 2015 at 8:30 a.m. CDT in the Commission Hearing Room, 12th Floor, State Capitol, 600 East Boulevard Avenue,

Bismarck, North Dakota 58505. The Notice identified the following issues to be determined:

1. Is MDU'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.

Having allowed all interested persons an opportunity to be heard, and having heard, reviewed and considered all testimony and evidence presented, the Commission makes its:

Findings of Fact

1. MDU is an investor owned public utility providing electric service to customers in North Dakota under the regulatory jurisdiction of this Commission.
2. MDU provides electric service to approximately 138,000 customers. Approximately 89,000 of those customers are located in North Dakota.
3. The Thunder Spirit Wind Project (Project) is a 107.5 MW wind generation project 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 energy output is estimated at 426,000 megawatt-hours.
4. The Project will interconnect with MDU's Hettinger 230 kV Junction Substation. The network upgrades to interconnect the Project to the substation are expected to cost approximately \$1.5 million. In addition, as part of MDU's transmission service request to Midcontinent Independent System Operator, Inc. (MISO) for point-to-point transmission service, MDU will reconductor five miles of its 115kV line between the Coyote and Beulah Junction Substations at an estimated cost of approximately \$1 million. No other wind projects are currently located in the Hettinger area and MDU believes the likelihood for Project curtailments is small compared to other project opportunities that it reviewed in other parts of the state.
5. MDU originally entered into a Power Purchase Agreement (PPA) to purchase the output from the Project in October 2013 following a review of responses to a request for proposal (RFP) soliciting offers for additional generation in accordance with its 2013 Integrated Resource Plan (IRP). With the uncertainty of the Project to obtain timely financing, MDU determined it 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 MDU and agreed to develop the Project and either sell the output or the completed Project to MDU. MDU subsequently entered into both an amended PPA and a conditional-asset purchase agreement for the Project. Pursuant to these agreements, MDU 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, MDU will purchase the Project output under the amended PPA.

6. MDU identified a need for additional energy in its 2013 IRP (Case No. PU-13-510). The IRP forecasts an increase between 2012 and 2020 in MDU's total resource requirements of up to approximately 1 million MWh of energy and 100 MW of peak demand generating capacity. The Project will meet a portion of these needs.

7. The Project is scheduled to be complete by the end of 2015 and will provide a low cost energy resource to offset purchases from the MISO energy market that currently represent approximately 20 percent of MDU's system energy supply.

8. The levelized cost of MDU's ownership of the Project over a 20-year period is approximately \$32 per MWh. MDU updated its IRP modeling to analyze the Project and the updated modeling selected the full 107.5 MW Project as a cost effective resource. Ownership of the Project is projected to save nearly \$30 million on a net present value basis over 20 years in comparison to energy purchases from the Project under the amended PPA.

9. 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 MDU 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.

10. MDU has demonstrated a need for additional generation resources and a wind resource at the size of the Project was identified as 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.

11. 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.

12. 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 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.

13. The Commission finds MDU's proposed investment in the Project is prudent.
14. The Commission finds public convenience and necessity will be served by the purchase and operation of the Project.
15. The Commission finds MDU fit, willing and able to own and operate 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. Pursuant to N.D.C.C. §49-05-16(7) there is a rebuttable presumption that a resource addition located in the state is prudent.
4. 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. MDU's application for a certificate of public convenience and necessity to acquire and operate the Thunder Spirit Wind Project is granted.
2. Certificate of Public Convenience and Necessity No. 5870 is issued to Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
3. MDU's application for advance determination of prudence for the ownership and operation of the Thunder Spirit Wind Project is granted.

PUBLIC SERVICE COMMISSION


Randy Christmann
Commissioner


Julie Fedorchak
Chairman


Brian P. Kalk
Commissioner

PUBLIC SERVICE COMMISSION

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 5870

This is to certify that public convenience and necessity require, and permission is granted for Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., to acquire and operate the Thunder Spirit Wind project located in Adams County, North Dakota.

This certificate is issued in accordance with the Order of this Commission dated June 30, 2015 in Case No. PU-14-844, and is subject to the conditions and limitations noted in the Order.

This certificate is conditioned upon Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges.

Bismarck, North Dakota, June 30, 2015.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner