



MONTANA-DAKOTA
UTILITIES CO.

A Division of MDU Resources Group, Inc.

In the Community to Serve®

North Dakota Electric Rate Case Filing

Case No. PU-16-666

Public Input Meetings January 23 & 25, 2017



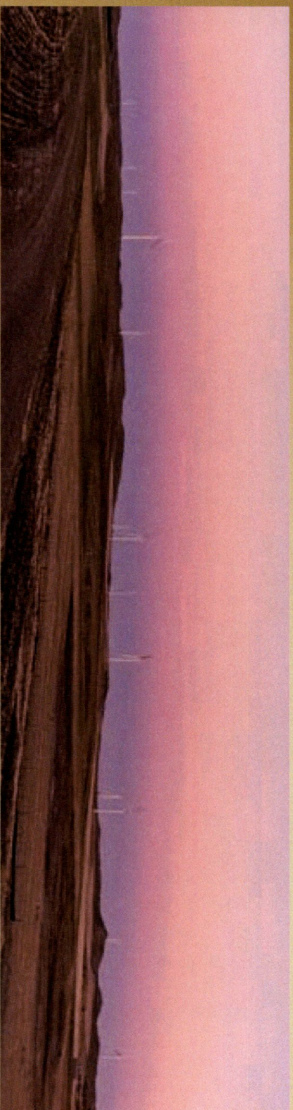
ELECTRIC SERVICE IN NORTH DAKOTA

- 100,687 customers (80,000 residential)
- 117 communities served
- Region offices in Bismarck and Dickinson and district offices located throughout service area
- 567 employees
- Fully integrated utility service
 - Generation
 - Transmission
 - Distribution

Application for Increase in Electric Service Rates

- Application filed October 14, 2016
- Increase of \$13.4 Million
- 6.6% overall increase in rates
- Overall Rate of Return of 7.459%
- Last general rate case filed in 2010 with rates effective July 2011
- Interim rate increase of \$11.7 million or 5.8% effective December 13, 2016 (subject to refund)

WHY THE NEED FOR A RATE INCREASE?



- Increased investment in facilities
- Higher operation and maintenance expenses
- Higher taxes - primarily property tax

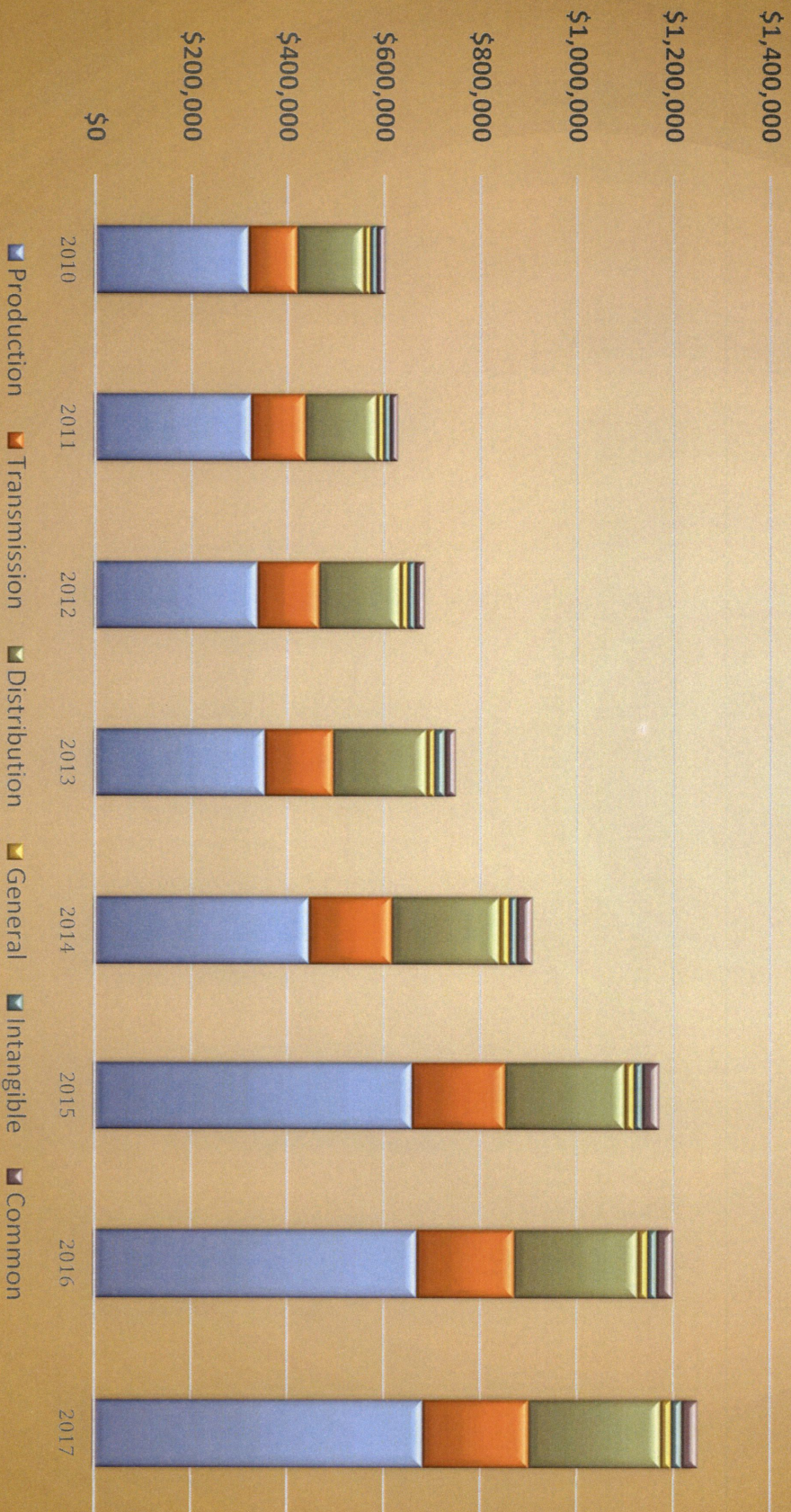


NORTH DAKOTA ELECTRIC INVESTMENT



\$412 million	Production	Environmental compliance; low cost energy to displace purchases; meet growing capacity requirements
\$126 million	Transmission	Reliability, bulk power, and storm damage
\$142 million	Distribution	Substation replacements, upgrades, and automation
\$36 million	Other	Work equipment, Williston/Watford City offices & software

North Dakota Electric Plant 2010 - Projected 2017 (in 000s)



Montana-Dakota's Capacity by Generation Resource Type



HIGHLIGHTS SINCE LAST CASE

	2010	Projected 2017	% Change
Total Customers	77,239	100,687	30
Energy Use (MWH)	1,608,983	2,121,877	32
Peak Demand (KW)	357,782	411,000	15
Rate Base/ Customer	\$2,991	\$6,943	132
O&M/ Customer	\$513	\$550	7
Overall Rate of Return	8.736%	7.459%	(15)

RATE RIDERS

Transmission Cost Adjustment (TCA) Rate 59

- Transmission expenses assessed by regional transmission organizations - MISO and Southwest Power Pool
- Investment in 2 large transmission projects in western ND completed in 2015

Environmental Cost Recovery Rider Rate 57

- Costs incurred for complying with environmental mandates
 - ❖ Air Quality Control System (Big Stone Plant)
 - Mercury and Air Toxic Standards (Lewis & Clark Station)

RATE RIDERS

Generation Resource Recovery Rider Rate 56

- Investment in generation resource additions:
 - ❖ Heskett III
 - ❖ Lewis & Clark RICE

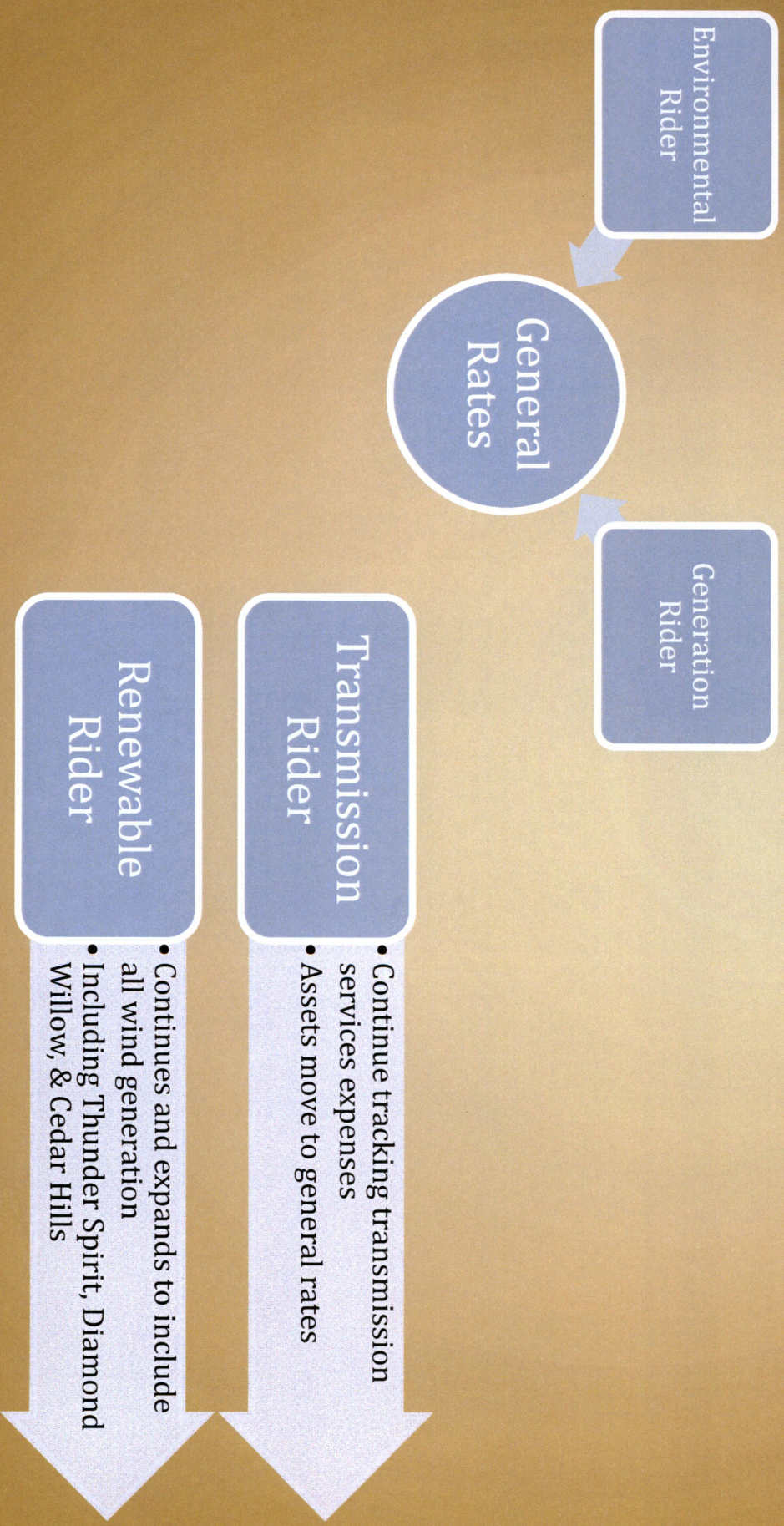
Renewable Resource Cost Adjustment Rate 55

- Investment in renewable resources
 - ❖ Thunder Spirit

WHY RATE RIDERS ?

- **Allows recovery between rate cases**
- **Avoids costly rate cases**
- **More gradual rate increases**
- **May provide lower long term costs for customers**
- **Available tax credits flowed through to customers**

WHAT IS THE PROPOSED FUTURE OF RIDERS?



Proposed Increase by Rate Class

	Current <u>Return</u>	Increase Required for <u>Proposed Return</u>	Requested <u>Increase</u>
• Residential:	3.8%	20.7%	9.4%
• Small General	5.2%	11.9%	10.9%
• Large General	8.1%	(2.8%)	4.0%
• Municipal Lighting	11.0%	(18.4%)	1.1%
• Municipal Pumping	3.4%	21.9%	9.7%
• Outdoor Lighting	11.9%	(18.7%)	1.6%

Proposed Residential Rates

	<u>Residential Rate 10</u>	<u>Current</u>	<u>Proposed</u>	
Basic Service Charge		\$0.35	\$0.65	per day
Energy				
1 st 750 Kwh winter and summer		\$0.05304	\$0.06066	per Kwh
Over 750 - winter		\$0.02304	\$0.03066	per Kwh
Transmission Tracker		\$0.00329	\$0.00298	per Kwh
Renewable Tracker		\$0.00712	\$0.00706	per Kwh
Environmental Tracker		\$0.00396	\$0.00	per Kwh
Generation Tracker		\$0.00283	\$0.00	per Kwh
Fuel & Purchased Power		\$0.02536	\$0.02536	per Kwh

Residential Service Bill Comparison

	Current Rates					Proposed Rates					
	Kwh	Base Rate	Energy	Riders	FPP Charge	Total Current Bill	Base Rate	Energy	Riders	FPP Charge	Total Proposed Bill
January	1,000	\$10.85	\$45.54	\$17.20	\$25.36	\$98.95	\$20.15	\$53.16	\$10.04	\$25.36	\$108.71
February	900	9.80	43.24	15.48	22.82	91.34	18.20	50.09	9.04	22.82	100.15
March	900	10.85	43.24	15.48	22.82	92.39	20.15	50.09	9.04	22.82	102.10
April	900	10.50	43.24	15.48	22.82	92.04	19.50	50.09	9.04	22.82	101.45
May	850	10.85	42.08	14.62	21.56	89.11	20.15	48.56	8.53	21.56	98.80
June	1,000	10.50	53.04	17.20	25.36	106.10	19.50	60.66	10.04	25.36	115.56
July	1,100	10.85	58.34	18.92	27.90	116.01	20.15	66.73	11.04	27.90	125.82
August	1,200	10.85	63.65	20.64	30.43	125.57	20.15	72.79	12.05	30.43	135.42
September	1,000	10.50	53.04	17.20	25.36	106.10	19.50	60.66	10.04	25.36	115.56
October	910	10.85	43.47	15.65	23.08	93.05	20.15	50.40	9.14	23.08	102.77
November	1,100	10.50	47.84	18.92	27.90	105.16	19.50	56.23	11.04	27.90	114.67
December	900	10.85	43.24	15.48	22.82	92.39	20.15	50.09	9.04	22.82	102.10
	11,760	\$127.75	\$579.96	\$202.27	\$298.23	\$1,208.21	\$237.25	669.55	\$118.08	298.23	\$1,323.11
Change by Component	980										
							\$109.50	\$89.59	(\$84.19)	\$0.00	\$114.90
											9.5%
											\$9.58
											Per Month

Interim Increase Implemented December 13, 2016

- \$11.7 million annual increase implemented subject to refund and final Commission decision
- Applied as a percentage increase to actual Basic Service Charge, Energy and Demand amounts billed
- Overall increase of 5.8%; \$6.09 per month for average residential customer