



UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58501

(701) 222-7900

November 27, 2017

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

Re: Annual Update to the Generation Resource Recovery Rate 56 Tariff
Case No. PU-17-_____

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits for Commission approval an original and (7) copies of the Company's Application to update its Generation Resource Recovery Rate 56 tariff pursuant to the terms of Rate 56 tariff which states that "[t]he GRRR will be adjusted annually to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule."

The proposed rates, included herein on Exhibit 1, reflect the projected costs through 2018 related to the Company's investment in the Lewis & Clark RICE units.

Montana-Dakota requests approval of 3rd Revised Sheet No. 40 and 4nd Revised Sheet No. 40.1 of its electric tariffs to be effective with service rendered on and after February 27, 2018. In addition to the change in rates reflected on Sheet No. 40.1, Sheet No. 40 has been corrected to identify the lighting class in Paragraph 1a, as authorized in Case No. PU-16-666 but inadvertently not added to this paragraph.

The total cost to be recovered through the proposed rates is \$4,990,612, which reflects the annual projected revenue requirement for 2018 of \$4,073,312 plus the continued collection of the amortized 2016 under collected balance, totaling \$917,300 for a 12 month period. The Company began amortizing the prior period under collected balance of \$1,834,599 over a twenty-four month period effective with service rendered August 7, 2017, pursuant to the Order in Case No. PU-16-666, the established per unit amounts have not been updated in this filing.

A residential customer using 894 Kwh would see a total decrease of \$0.11 per month from that currently authorized charge under Rate 56.

The Generation Resources Recovery Rider (GRRR) rates, as proposed, are shown below, along with the change from the current GRRR rates implemented August 7, 2017:

	<u>Proposed Rate</u>	<u>Current Rate</u>	<u>Change</u>
Residential / Small General Rate/Kwh	\$0.00272	\$0.00284	(\$0.00012)
Large General/KW	\$0.78929	\$0.82212	(\$0.03283)
Space Heating/KW	\$0.43495	\$0.44987	(\$0.01492)
Lighting/Kwh	\$0.00105	\$0.00110	(\$0.00005)

Please refer all inquiries regarding this filing to:

Tamie A. Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501
Tamie.aberle@mdu.com

Also, please send copies of all written inquiries, correspondence and pleadings to:

Karl Liepitz
Assistant General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650
Karl.Liepitz@mduresources.com

Montana-Dakota herewith submits a check for \$10,000 for the filing fees in this case. In the event the Commission deems an additional deposit is required, Montana-Dakota will submit the required fees.

Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Please contact me at 701.222.7856 or tamie.aberle@mdu.com with any questions.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments
cc: Karl Liepitz
Garret Senger

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

In the Matter of the Application of)
MONTANA-DAKOTA UTILITIES CO., a)
Division of MDU Resources Group, Inc. for)
Approval to Update its Generation Resource) Case No. PU-17-____
Recovery Rider Rate 56 Tariff)

I. Summary of Application

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (Montana-Dakota or Applicant), herewith submits this Application to update the rates applicable under its Generation Resources Recovery Rate 56 tariff pursuant to the terms of Rate 56 to reflect projected costs through December 2018 related to the Company's investment in the Lewis & Clark RICE units. Montana-Dakota respectfully requests approval of its Generation Resources Recovery Rate 56 tariff 3rd Revised Sheet No. 40 and 4th Revised Sheet No. 40.1 to be effective with service rendered on and after February 27, 2018. In support of the Company's Application, Montana-Dakota is providing the following Exhibits:

- Exhibit 1 – Generation Resource Cost Adjustment Rate 56 4th Revised Sheet No. 40.1.
- Exhibit 2 – Derivation of Proposed Rates.
- Exhibit 3 – Lewis & Clark RICE Units Projected Revenue Requirement for 2018.
- Exhibit 4 – Balancing Account Summary.
- Exhibit 5 – Customer Notice of Filing.

II. Description of Applicant

Montana-Dakota is a Division of MDU Resources Group, Inc., a Delaware corporation duly authorized to do business in the State of North Dakota as a foreign

corporation, and doing business in the State of North Dakota as a public utility subject to the jurisdiction of and regulation by the North Dakota Public Service Commission (Commission) under NDCC Title 49. Montana-Dakota's Certificate of Incorporation and amendments thereto have been previously filed with the Commission and such Certificate and Amendments are hereby incorporated by reference as though fully set forth herein. Montana-Dakota provides electric service to approximately 92,800 customers in North Dakota as of September 30, 2017.

III. Background of Generation Resource Recovery Rider Rate 56

On February 27, 2014, Montana-Dakota filed an application with the Commission for approval of a Generation Resource Recovery Rider (GRRR) tariff and proposed rates in Case Nos. PU-14-108 and PU-14-109 in order to recover North Dakota's share of the Company's investment in the Heskett III Combustion Turbine Station (Heskett III). On July 24, 2014, an amended Settlement Agreement was submitted to the Commission revising the administration of the rates to exclude the lighting rate schedules and special contract customers. On August 20, 2014, the Commission approved the amended Settlement Agreement. On November 14, 2014, Montana-Dakota filed its first GRRR rates under Rate 56. The Commission approved the GRRR rates on January 7, 2015 and the Company's first GRRR rates were implemented on January 9, 2015. On October 26, 2015, Montana-Dakota filed an application to update the GRRR rates to reflect both the actual project costs and expenditures incurred through July 2015 for Heskett III and the projected capital costs and expenditures through December 2016 for Heskett III and the Reciprocating Internal Combustion

Engines (RICE) units at the Company's Lewis & Clark Generating Station. On January 5, 2016, the Commission approved Montana-Dakota's GRRR Rate 56 tariff, effective with service rendered on and after January 7, 2016. On October 14, 2016, Montana-Dakota filed an application and notice to increase electric service rates in Case No. PU-16-666, which included converting the generation resources from being collected in the rider to being collected in base retail rates. Pursuant to the Settlement in Case No. PU-16-666 approved by the Commission on June 16, 2017, the Heskett III unit was removed from the GRRR rates and rolled into the base retail rates and the Lewis & Clark RICE units will continue to be collected through the GRRR rider rates. Rates for Case No. PU-16-666 were effective with service rendered on and after August 7, 2017.

The GRRR rates approved in Case No. PU-16-666 were based on an annual 2017 revenue requirement that was recovered through interim rates in that case implemented on December 13, 2016 and final rates implemented on August 7, 2017.

Effective January 1, 2018, the first full annual period following the rate case, the collection of revenue will be compared to the revenue requirement with the difference shown in the over/under recovered balance.

Montana-Dakota is now requesting the update to the GRRR rates to projected costs through December 2018 for the Lewis & Clark RICE units. The Company began amortizing the prior period under collected balance of \$1,834,599 effective with service rendered August 7, 2017, pursuant to the Order in Case No. PU-16-666. The amortization rate established in that case was established to recover the balance through December 31, 2016 over a twenty-four-month period and will not be updated in this filing. The Company is proposing the rates proposed herein be effective with

service rendered on and after February 27, 2018.

IV. Calculation of the Proposed GRRR Rates

The following exhibits are included herein in support of the Company's proposed GRRR rates and in accordance with the Company's Rate 56 tariff:

- *Exhibit 2* shows the derivation of the proposed GRRR rates and the allocation of the total costs to each of the rate classes, excluding special contracts (per Paragraphs 2b of Rate 56). Total costs to be recovered include the projected 2018 revenue requirement for the Lewis & Clark RICE units. Projected costs are then allocated to the rate classes based on the Company's Demand - 12 CP Factor No. 2 from Case No. PU-16-666, and divided by the forecasted billing determinants.
- *Exhibit 3* shows the projected monthly revenue requirements for the Lewis & Clark RICE units for the year ending December 2018. The revenue requirement is comprised of:
 - *Average rate base of \$28,291,251.*
 - Return: reflective of the overall rate of return of 7.262% including a Return on Equity of 9.45% authorized in the Company's last electric rate case (Case No. PU-16-666) applicable to the RICE units.
 - Depreciation Expense: annual depreciation rate of 2.5% based on a 40-year life as authorized in Case No. PU-16-666.
 - Taxes Other than Income: reflective of projected property taxes.
 - Income Taxes: current federal and state income tax rates.

- *Exhibit 4* shows the projected GRRR Balancing Account (per Paragraph 2d of Rate 56) through December 2017. The under recovered balance includes a carrying charge based on the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

V. Estimated Impact by Customer Class

As shown in Exhibit 2, Montana-Dakota’s projected 2018 costs to be recovered under the GRRR rates are \$4,073,312 plus the continued collection of the amortized 2016 under collected balance, totaling \$917,300 for a 12 month period for a total to be collected of \$4,990,612. A residential customer using 894 Kwh would see a decrease of \$0.11 per month.

Montana-Dakota requests approval of the following GRRR rates to be effective February 27, 2018:

	<u>Proposed Rate</u>	<u>Current Rate</u>	<u>Change</u>
Residential / Small			
General Rate/Kwh	\$0.00272	\$0.00284	(\$0.00012)
Large General/KW	\$0.78929	\$0.82212	(\$0.03283)
Space Heating/KW	\$0.43495	\$0.44987	(\$0.01492)
Lighting/Kwh	\$0.00105	\$0.00110	(\$0.00005)

Montana-Dakota has included as Exhibit 5 a Customer Notice to be included with customer’s bills starting thirty days from date of filing in accordance with NDCC § 69-09-02-02.1 requiring a notice to be provided to customers, within thirty days after filing, informing customers of the Company’s request to update rates.

VI. Conclusion

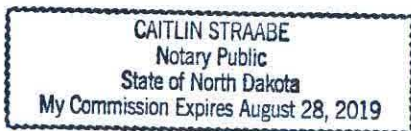
Montana-Dakota respectfully requests that the Commission approve this annual update to the Company's GRRR rates applicable under Generation Resource Recovery Rider Rate 56 tariff to be effective with service rendered on and after February 27, 2018.

Dated this 27th day of November, 2017.



Tamie A. Aberle
Director of Regulatory Affairs

Subscribed and sworn to before me this 27th day of November 2017.



Caitlin Straabe, Notary Public
Burleigh County, North Dakota
My Commission Expires: 08/28/2019

Of Counsel:

Karl Liepitz
Assistant General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
Bismarck, ND 58506-5650

Exhibit 1

Exhibit 1



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
3rd Revised Sheet No. 40
Canceling 2nd Revised Sheet No. 40

Generation Resource Recovery Rider Rate 56

Page 1 of 2

Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates. Costs to be recovered may include operations and maintenance expenditures, depreciation, taxes, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

1. Generation Resource Recovery Rider:

- a. The North Dakota jurisdictional GRRR revenue requirement will be allocated to the customer classes based on the Company's Demand Factor No. 2 established in the Company's most recent general rate case. The adjustment applied to the Residential, Small General Service and Lighting Classes will be calculated based on the customer class revenue requirement and the forecasted Kwh for the forecasted period. The adjustment applied to the Large General Service Class will be calculated based on the customer class revenue requirement and the forecasted demand for the forecasted period and expressed as a KW charge. The return component of the revenue requirement calculation will include the authorized return on equity specified in Case No. PU-16-666.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under special contracts, and are allocated amongst the rate classes based on the applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

Date Filed: November 27, 2017

Effective Date:

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.:



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4

4th Revised Sheet No. 40.1

Canceling 3rd Revised Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

2. Generation Resource Recovery Rider:

Residential & Small General	0.272¢ per Kwh
Large General	78.929¢ per KW
General Space Heating Rate 32	43.495¢ per KW
Lighting	0.105¢ per Kwh

Date Filed: November 21, 2017

Effective Date:

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.:

Tariffs Reflecting Proposed Changes



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4
2nd Revised Sheet No. 40
Canceling 1st Revised Sheet No. 40

Generation Resource Recovery Rider Rate 56

Page 1 of 2

Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates. Costs to be recovered may include operations and maintenance expenditures, depreciation, taxes, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

1. Generation Resource Recovery Rider:

- a. The North Dakota jurisdictional GRRR revenue requirement will be allocated to the customer classes based on the Company's Demand Factor No. 2 established in the Company's most recent general rate case. The adjustment applied to the Residential, ~~and Small General Service~~ and Lighting Classes will be calculated based on the customer class revenue requirement and the forecasted Kwh for the forecasted period. The adjustment applied to the Large General Service Class will be calculated based on the customer class revenue requirement and the forecasted demand for the forecasted period and expressed as a KW charge. The return component of the revenue requirement calculation will include the authorized return on equity specified in Case No. PU-16-666.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under ~~lighting schedules and special contracts~~, and are allocated amongst the rate classes based on the applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

Date Filed: June 26, 2017	Effective Date: Service rendered on and after August 7, 2017
Issued By: Tamie A. Aberle Director – Regulatory Affairs	Case No.: PU-16-666



Montana-Dakota Utilities Co.

A Division of MDU Resources Group, Inc.

400 N 4th Street
Bismarck, ND 58501

State of North Dakota Electric Rate Schedule

NDPSC Volume 4

3rd Revised Sheet No. 40.1

Canceling 2nd Revised Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

2. Generation Resource Recovery Rider:

Residential & Small General	0.2840.272¢ per Kwh
Large General	82.21278.929¢ per KW
General Space Heating Rate 32	44.98743.495¢ per KW
Lighting	0.1100.105¢ per Kwh

Date Filed: June 26, 2017

Effective Date: Service rendered on and
after August 7, 2017

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-16-666

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Proposed Generation Rider Rates**

	<u>Total</u>	<u>Residential & Small General</u>	<u>Large General</u>	<u>Space Heating Rate 32</u>	<u>Lighting</u>
Revenue Requirement 1/ 2/	\$4,073,312	\$1,976,536	\$1,992,462	\$80,755	\$23,559
Projected Kwh 4/ Projected KW 4/		888,808,000	3,067,460	273,550	27,283,000
Proposed GRRR Rate per unit					
Revenue Requirement per unit		\$0.00222	\$0.64955	\$0.29521	\$0.00086
Amortization per unit 3/		0.00050	0.13974	0.13974	0.00019
Proposed GRRR Rate per unit		<u>0.00272</u>	<u>0.78929</u>	<u>0.43495</u>	<u>0.00105</u>
Current GRRR Rate per unit 5/					
Revenue Requirement per unit		\$0.00234	\$0.68238	\$0.31013	\$0.00091
Amortization per unit 3/		0.00050	0.13974	0.13974	0.00019
Current GRRR Rate per unit		<u>0.00284</u>	<u>0.82212</u>	<u>0.44987</u>	<u>0.00110</u>
Increase in GRRR Rate		<u>(\$0.00012)</u>	<u>(\$0.03283)</u>	<u>(\$0.01492)</u>	<u>(\$0.00005)</u>

1/ Exhibit 3

2/ Demand Allocation Factor 2 (Case No. PU-16-666, Statement M, Schedule M-2):

Residential & Small General	48.524051%	(Rates 10, 13, 16, 20, 25, 26, and 40)
Large General	48.915028%	(Rates 30, 31, 38, and 48)
Space Heating Rate 32	1.982544%	(Rate 32)
Lighting	0.578377%	(Rates 41, 52)
	<u>100.000000%</u>	

3/ Amortization rate per Kwh as authorized in Case No. PU-16-666. Generation balance being amortized is \$917,300.

4/ Projected Kwh and KW sales excluding contracts.

5/ Current GRRR rates effective August 7, 2017.

Montana-Dakota Utilities Co.
 Electric Utility - North Dakota
 Generation Resource Recovery Rider
 Revenue Requirement - Lewis & Clark RICE
 Projected 2018

	Projected												End Balance	
	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	June 2018	July 2018	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018		
Rate Base														
Total Plant Balance	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	\$32,200,401	
Total Accumulated Reserve	\$1,664,847	\$1,731,931	\$1,799,015	\$1,866,099	\$1,933,183	\$2,000,267	\$2,067,351	\$2,134,435	\$2,201,519	\$2,268,603	\$2,335,687	\$2,402,771	\$2,402,771	
Net Plant in Service	\$30,535,554	\$30,468,470	\$30,401,386	\$30,334,302	\$30,267,218	\$30,200,134	\$30,133,050	\$30,065,966	\$29,998,882	\$29,931,798	\$29,864,714	\$29,797,630	\$29,797,630	
Accum Def Income Taxes	\$1,749,095	\$1,783,475	\$1,814,385	\$1,841,935	\$1,866,010	\$1,886,725	\$1,903,970	\$1,917,745	\$1,928,160	\$1,935,105	\$1,938,690	\$1,938,800		
Total Plant in Service	\$28,786,459	\$28,684,995	\$28,587,001	\$28,492,367	\$28,401,208	\$28,313,409	\$28,229,080	\$28,148,221	\$28,070,722	\$27,996,693	\$27,926,024	\$27,858,830	\$27,858,830	
Return on Rate Base 1/	\$174,206	\$173,592	\$172,999	\$172,426	\$171,875	\$171,343	\$170,833	\$170,344	\$169,875	\$169,427	\$168,999	\$168,592	\$168,592	
Expenses														
Operating Expenses													Total	
Depreciation	67,084	67,084	67,084	67,084	67,084	67,084	67,084	67,084	67,084	67,084	67,084	67,084	67,084	805,008
Property Tax	30,825	30,825	30,825	30,825	30,825	30,825	30,825	30,825	30,825	30,825	30,825	30,825	30,824	369,899
Total Expenses	\$97,909	\$97,909	\$97,909	\$97,909	\$97,909	\$97,909	\$97,909	\$97,909	\$97,909	\$97,909	\$97,909	\$97,908	\$97,908	\$1,174,907
Income before Taxes (EBIT)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,909)	(\$97,908)	(\$97,908)	(\$1,174,907)
Interest Expense	56,469	56,270	56,078	55,893	55,714	55,541	55,376	55,217	55,065	54,920	54,782	54,650	54,650	665,975
Taxable income	(\$154,378)	(\$154,179)	(\$153,987)	(\$153,802)	(\$153,623)	(\$153,450)	(\$153,285)	(\$153,126)	(\$152,974)	(\$152,829)	(\$152,691)	(\$152,558)	(\$152,558)	(1,840,882)
Income Taxes	(\$58,357)	(\$58,282)	(\$58,209)	(\$58,139)	(\$58,072)	(\$58,006)	(\$57,944)	(\$57,884)	(\$57,826)	(\$57,772)	(\$57,719)	(\$57,669)	(\$57,669)	
Net Income Taxes	(\$58,357)	(\$58,282)	(\$58,209)	(\$58,139)	(\$58,072)	(\$58,006)	(\$57,944)	(\$57,884)	(\$57,826)	(\$57,772)	(\$57,719)	(\$57,669)	(\$57,669)	(\$695,879)
Operating Income	(\$39,552)	(\$39,627)	(\$39,700)	(\$39,770)	(\$39,837)	(\$39,903)	(\$39,965)	(\$40,025)	(\$40,083)	(\$40,137)	(\$40,190)	(\$40,239)	(\$40,239)	(\$479,028)
Revenue Requirement	\$343,671	\$342,804	\$341,968	\$341,159	\$340,381	\$339,632	\$338,912	\$338,222	\$337,561	\$336,928	\$336,325	\$335,749	\$335,749	\$4,073,312

1/ Authorized return on equity specified in Case No. PU-16-666:

	Ratio	Cost	
Long Term Debt	42.673%	5.245%	2.238%
Short Term Debt	4.840%	2.402%	0.116%
Preferred Equity	1.084%	4.579%	0.050%
Common Equity	51.403%	9.450%	4.858%
	100.000%		7.262%

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Cost Adjustment
Balancing Account and Carry Charge Calculation**

	Cumulative				
	Beginning Balance	Less: Amortization of 2016 Under Recovery 1/	Ending Balance 2/	Carrying Charge 3/	Grand Total (Over)/Under Collection
December 2016			1,831,582		1,834,599
January 2017	1,831,582		1,831,582	484	1,835,083
February	1,831,582		1,831,582	494	1,835,577
March	1,831,582		1,831,582	703	1,836,280
April	1,831,582		1,831,582	759	1,837,039
May	1,831,582		1,831,582	845	1,837,884
June	1,831,582		1,831,582	930	1,838,814
July	1,831,582		1,831,582	1,016	1,839,830
August	1,831,582	17,731	1,813,851	959	1,823,058
September	1,813,851	69,395	1,744,456	968	1,754,631
October	1,744,456	70,681	1,673,775	931	1,684,881
November	1,673,775	75,042	1,598,733	894	1,610,733
December	1,598,733	92,647	1,506,086	854	1,518,940
Total		325,496		9,837	

1/ Revenue recovery on projected sales based on approved rates in Case No. PU-16-666.

2/ (Over)/Under collection on revenue requirement not including the carrying charge, for use in calculating the carrying charge.

3/ Carrying charges calculated based on the three-month Treasury Bill rate, based on prior month ending balance.

Notice of Annual Update to the Generation Resource Recovery Rider with the North Dakota Public Service Commission

On November 27, 2017, Montana-Dakota Utilities Co. (Montana-Dakota) filed its application with the North Dakota Public Service Commission (Commission) to update its Generation Resource Recovery Rider (GRRR) rates in accordance with the Company's Generation Resource Recovery Rider Adjustment Rate 56 tariff that states the rates will be revised annually to reflect the most recent projected costs to be recovered.

The proposed GRRR rates include North Dakota's allocation of North Dakota's allocation of the Company's investment in its Reciprocating Internal Combustion Engines (RICE) units at its Lewis & Clark Generation Station that are not being recovered through the Company's electric rates and the continued amortization of the under recovered balance through 2016.

Montana-Dakota has requested the proposed GRRR rates be effective with service rendered on and after February 27, 2018, subject to Commission review and approval. This change is only being proposed at this time and, if rates are suspended by the Commission, the new rates will not be effective until Commission action has been taken.

If approved, a typical residential customer using 894 Kwh will see an decrease of \$.11 per month. The GRRR is shown as a separate line item on your bill.

	<u>Residential & Small General</u>
Applicable Rate Schedules	10, 13, 16, 20, 25, & 40
Current Rate	\$0.00284 per Kwh
Proposed Rate	\$0.00272 per Kwh
Change	(\$0.00012) per Kwh
	<u>Large General</u>
Applicable Rate Schedules	30, 31, 38, & 48
Current Rate	\$0.82212 per Kw
Proposed Rate	\$0.78929 per Kw
Change	(\$0.03283) per Kw
	<u>Space Heating</u>
Applicable Rate Schedule	32
Current Rate	\$0.44987 per Kw
Proposed Rate	\$0.43495 per Kw
Change	(\$0.01492) per Kw
	<u>Lighting</u>
Applicable Rate Schedules	41 & 52
Current Rate	\$0.00110 per Kwh
Proposed Rate	\$0.00105 per Kwh
Change	(\$0.00005) per Kwh

For more information, please contact a Montana-Dakota representative at 1-800-638-3278.