

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

November 2, 2018

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-18-_____

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 (GRRR) 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." Montana-Dakota requests approval of 4th Revised Sheet No. 40 and 5th Revised Sheet No. 40.1 of its electric tariffs, provided herein as Exhibit 1, to be effective with service rendered on and after February 1, 2019.

Montana-Dakota is requesting to update its GRRR rates to reflect the projected costs through December 31, 2019 related to the Company's investment in the Lewis & Clark RICE units. The total cost to be recovered through the proposed rates is \$3,597,952, which reflects the annual projected revenue requirement for 2019 and represents a decrease of \$1,002,173, or approximately 21.8%, from the revenues currently being collected under the GRRR. As shown on Exhibit 4, the amortization of the previously under-collected balance was eliminated through the application of non-plant related excess deferred income taxes as provided for in the Settlement Agreement approved in Montana Dakota's Tax Reform Effects docket, Case No. PU-18-89. All costs to be recovered through the GRRR rates are currently not being recovered through Montana-Dakota's North Dakota retail electric rates.

The Company is also requesting modifications to the GRRR tariff provisions to provide for the inclusion of special rate contracts, currently being excluded from TCA applicability.

A residential customer using 894 Kwh would see a total decrease of \$0.57 per month from that currently authorized charge under Rate 56, or a decrease of \$6.84 annually.

The Generation Resources Recovery Rider (GRRR) rates, as proposed, are shown below, along with the change from the current GRRR rates implemented April 17, 2018:

	<u>Proposed Rate</u>	<u>Current Rate</u>	<u>Change</u>
Residential / Small General Rate/Kwh	\$0.00187	\$0.00251	(\$0.00064)
Large General/KW	\$0.55642	\$0.72702	(\$0.17060)
Space Heating/KW	\$0.25220	\$0.40665	(\$0.15445)
Lighting/Kwh	\$0.00087	\$0.00097	(\$0.00010)

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,

A handwritten signature in black ink that reads "Tamie A. Aberle". The signature is written in a cursive style with a large initial "T" and "A".

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-18-____
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 2019 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 4th Revised Sheet No. 40 and 5th Revised Sheet No. 40.1 to be effective with service rendered on and after February 1, 2019. 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 and 5th Revised Sheet No. 40.1.
- Exhibit 2 – Generation Resource Recovery Rate Proposed Rates.
- Exhibit 3 – Projected 2019 Lewis & Clark RICE Units Revenue Requirement.
- Exhibit 4 – Balancing Account Summary with Carrying Charge Calculation and 2018 Monthly Revenue Requirement Calculation.
- 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 92,900 customers in North Dakota as of September 30, 2018.

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. 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 were ordered to be continued 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.

Montana-Dakota's currently authorized GRRR rates reflect the projected 2018 revenue requirement for the Lewis & Clark RICE units updated to reflect the Tax Cuts & Jobs Act of 2017, as authorized in Case No. PU-17-469, and the amortization of the deferred account established in Case No. PU-16-666.

The Company is proposing the rates proposed herein be effective with service rendered on and after February 1, 2019.

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 select special contracts (per Paragraphs 2b of Rate 56). Total costs to be recovered, \$3,597,952, include the projected 2019 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. Demand Factor No. 2 has been updated in this 2019 GRRR update from that included in the Company's last general rate case (Case No. PU-16-666) to reflect the inclusion of the special contract rate customers previously excluded from the allocator as the customers' contracts limited rate increases or decreases to those unilaterally affecting the energy and demand charges under Montana-Dakota's General Service Rate 30 charges. New contracts have recently been negotiated with contract rate customers providing for the applicability of any of the Montana-Dakota's current, as well as future, rate riders to these contract customers. Allocated costs are then divided by the forecasted billing determinants to derive the proposed GRRR rates.

The proposed GRRR rates reflect the elimination of the amortization rates included in Montana-Dakota's current GRRR rates, pursuant to the Settlement Agreement approved in Montana-Dakota's Tax Reform Effects docket, Case No. PU-18-89 as shown in Exhibit 4.

- *Exhibit 3* shows the projected monthly revenue requirements for the Lewis & Clark RICE units for the year ending December 2019. The revenue requirement is comprised of:
 - Average rate base of \$26,926,875.
 - 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 2018. As shown on Exhibit 4, the Company is projecting that \$352,733 of the non-plant excess deferred income tax credit will be applied to eliminate the GRRR deferred balance estimated at December 31, 2018. 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. Proposed Rate 56 Tariff Changes

Montana-Dakota is also proposing the following change to the Rate 56 tariff: to add the language "where the contract does not provide for GRRR applicability" following "except those served under special contract" of paragraph 1b of 4th Revised Sheet No. 40. The clarifying revision to the contract rate exclusion language is necessary to recognize that, while each of the special rate contracts have been updated to include the applicability of Montana-Dakota's current, and future, electric rate riders, not all include the GRRR applicability for 2019. The inclusion of these special rate contracts is a benefit to all customers and provides for a lesser increase in 2019 for all rate classes

VI. Estimated Impact by Customer Class

As shown in Exhibit 2, Montana-Dakota's projected 2018 costs to be recovered under the GRRR rates are \$3,597,952. A residential customer using 894 Kwh would see a decrease of \$0.57 per month, or \$6.84 annually. Montana-Dakota requests approval of the following GRRR rates to be effective February 1, 2019:

	<u>Proposed Rate</u>	<u>Current Rate</u>	<u>Change</u>
Residential / Small General Rate/Kwh	\$0.00187	\$0.00251	(\$0.00064)
Large General/KW	\$0.55642	\$0.72702	(\$0.17060)
Space Heating/KW	\$0.25220	\$0.40665	(\$0.15445)
Lighting/Kwh	\$0.00087	\$0.00097	(\$0.00010)

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.

Montana-Dakota is submitting a check in the amount of \$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.

VII. Conclusion

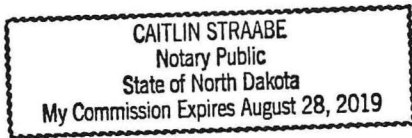
Montana-Dakota respectfully requests that the Commission approve this annual update to the Company's GRRR rates applicable under Generation Resource Recovery Rider Rate 56 tariff to be effective with service rendered on and after February 1, 2019.

Dated this 2nd day of November 2018.



Tamie A. Aberle
Director of Regulatory Affairs

Subscribed and sworn to before me this 2nd day of November 2018.



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



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
Canceling 3rd 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 contract, where the contract does not provide for GRRR applicability, 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 2, 2018

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

5th Revised Sheet No. 40.1

Canceling 4th Revised Sheet No. 40.1

Generation Resource Recovery Rider Rate 56

Page 2 of 2

2. Generation Resource Recovery Rider:

Residential & Small General	0.187¢ per Kwh
Large General	55.642¢ per KW
General Space Heating Rate 32	25.220¢ per KW
Lighting	0.087¢ per Kwh

Date Filed: November 2, 2018

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
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:

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- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under special contracts, where the contract does not provide for GRRR applicability, 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: Service rendered on and after April 17, 2018

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-17-469



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	0.2510.187¢ per Kwh
Large General	72.70255.642¢ per KW
General Space Heating Rate 32	40.66525.220¢ per KW
Lighting	0.0970.087¢ per Kwh

Date Filed: February 23, 2018

Effective Date: Service rendered on and after April 17, 2018

Issued By: Tamie A. Aberle
Director – Regulatory Affairs

Case No.: PU-17-469

**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/	\$3,597,952	\$1,688,582	\$1,820,252	\$68,990	\$20,128
Projected Kwh 4/ Projected KW 4/		905,126,965	3,271,356	273,550	23,006,954
Proposed GRRR Rate per unit					
Revenue Requirement per unit		\$0.00187	\$0.55642	\$0.25220	\$0.00087
Amortization per unit 6/		0.00000	0.00000	0.00000	0.00000
Proposed GRRR Rate per unit		<u>0.00187</u>	<u>0.55642</u>	<u>0.25220</u>	<u>0.00087</u>
Current GRRR Rate per unit 5/					
Revenue Requirement per unit		\$0.00201	\$0.58728	\$0.26691	\$0.00078
Amortization per unit 3/		0.00050	0.13974	0.13974	0.00019
Current GRRR Rate per unit		<u>0.00251</u>	<u>0.72702</u>	<u>0.40665</u>	<u>0.00097</u>
Increase in GRRR Rate		<u>(\$0.00064)</u>	<u>(\$0.17060)</u>	<u>(\$0.15445)</u>	<u>(\$0.00010)</u>

1/ Exhibit 3

2/ Demand Allocation Factor 2:

Residential & Small General	46.931766%	(Rates 10, 13, 16, 20, 25, 26, and 40)
Large General	50.591348%	(Rates 30, 31, 38, and 48)
Space Heating Rate 32	1.917488%	(Rate 32)
Lighting	0.559398%	(Rates 41, 52)
	<u>100.000000%</u>	

3/ Amortization rate per Kwh as authorized in Case No. PU-16-666.

4/ Projected Kwh and KW sales excluding contracted rate customers not currently subject to the GRRR.

5/ Current GRRR rates effective April 17, 2018.

6/ Amortization rate eliminated as authorized in Case No. PU-18-89.

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Revenue Requirement - Lewis & Clark RICE
Projected Year End 2019

	Projected												End Balance
	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	
Rate Base													
Plant Balance													
Total Plant Balance	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124
Accumulated Reserve													
Total Accumulated Reserve	\$2,453,070	\$2,519,305	\$2,585,540	\$2,651,775	\$2,718,010	\$2,784,245	\$2,850,480	\$2,916,715	\$2,982,950	\$3,049,185	\$3,115,420	\$3,181,655	\$3,181,655
Net Plant in Service	\$29,340,054	\$29,273,819	\$29,207,584	\$29,141,349	\$29,075,114	\$29,008,879	\$28,942,644	\$28,876,409	\$28,810,174	\$28,743,939	\$28,677,704	\$28,611,469	\$28,611,469
Accum Def Income Taxes 1/	\$1,952,714	\$1,978,904	\$2,002,451	\$2,023,438	\$2,041,778	\$2,057,559	\$2,070,696	\$2,081,190	\$2,089,124	\$2,094,414	\$2,097,145	\$2,097,229	
Total Plant in Service	\$27,387,340	\$27,294,915	\$27,205,133	\$27,117,911	\$27,033,336	\$26,951,320	\$26,871,948	\$26,795,219	\$26,721,050	\$26,649,525	\$26,580,559	\$26,514,240	\$26,514,240
Return on Rate Base 2/	\$165,739	\$165,180	\$164,636	\$164,109	\$163,597	\$163,100	\$162,620	\$162,156	\$161,707	\$161,274	\$160,857	\$160,455	\$1,955,430
Expenses													
Operating Expenses													Total
Depreciation	66,235	66,235	66,235	66,235	66,235	66,235	66,235	66,235	66,235	66,235	66,235	66,235	794,820
Property Tax	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,083	421,051
Total Expenses	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,318	\$1,215,871
Income before Taxes (EBIT)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,318)	(\$1,215,871)
Interest Expense	53,725	53,544	53,367	53,196	53,030	52,870	52,714	52,563	52,418	52,277	52,142	52,012	633,858
Taxable income	(\$155,048)	(\$154,867)	(\$154,690)	(\$154,519)	(\$154,353)	(\$154,193)	(\$154,037)	(\$153,886)	(\$153,741)	(\$153,600)	(\$153,465)	(\$153,330)	(\$1,849,729)
Income Taxes 3/	(\$37,839)	(\$37,795)	(\$37,752)	(\$37,710)	(\$37,670)	(\$37,631)	(\$37,593)	(\$37,556)	(\$37,520)	(\$37,486)	(\$37,453)	(\$37,420)	
Net Income Taxes	(\$37,839)	(\$37,795)	(\$37,752)	(\$37,710)	(\$37,670)	(\$37,631)	(\$37,593)	(\$37,556)	(\$37,520)	(\$37,486)	(\$37,453)	(\$37,420)	(\$451,425)
Operating Income	(\$63,484)	(\$63,528)	(\$63,571)	(\$63,613)	(\$63,653)	(\$63,692)	(\$63,730)	(\$63,767)	(\$63,803)	(\$63,837)	(\$63,870)	(\$63,898)	(\$764,446)
Revenue Requirement	\$303,225	\$302,543	\$301,881	\$301,239	\$300,615	\$300,009	\$299,424	\$298,859	\$298,313	\$297,785	\$297,277	\$296,782	\$3,597,952

Factor 15-Integrated Sys. 12 2018
Month Peak Demand 71.042017%

1/ Monthly Deferred Income Tax activity is 1/12 of projected 2019 DIT activity. Monthly activity prorated based on DIT proration methodology.

Projected DIT activity 2018: 525,967
ND Fac. #15: 71.042017%
ND projected activity: 373,658
Monthly: 31,138

January	February	March	April	May	June	July	August	September	October	November	December
91.78%	84.11%	75.62%	67.40%	58.90%	50.68%	42.19%	33.70%	25.48%	16.99%	8.77%	0.27%
28,578	26,190	23,547	20,987	18,340	15,781	13,137	10,494	7,934	5,290	2,731	84

2/ Capital structure with authorized return on equity from most recent rate case.

	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%
			2.354%

3/ Tax Rate 2018
1- tax rate 24.4049% (Federal Tax Rate = 21%, Tax Rate = 4.31%)
75.5951%

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

	Cumulative									
	Beginning Balance	Less: Deferred Revenue 1/	Add: Current Year Over/Under 2/	Less: Non-plant EDIT 3/	Ending Balance 4/	Carrying Charge Calculation			Carrying Charge 5/	Grand Total (Over)/Under Collection 6/
						Deferred Income Tax	Net Balance	Rate 5/		
December 2017					1,525,643 6/	372,332	1,153,311			1,538,950 6/
January 2018	1,525,643	96,565	(120,905)	29,394	1,278,779	312,085	966,694	1.4100%	1,355	1,293,441
February	1,278,779	85,835	(70,394)	29,394	1,093,156	266,784	826,372	1.5700%	1,265	1,109,083
March	1,093,156	85,801	(71,128)	29,394	906,833	221,312	685,521	1.7000%	1,171	923,931
April	906,833	76,681	(26,504)	29,394	774,254	188,956	585,298	1.7600%	1,005	792,357
May	774,254	70,448	29,358	29,394	703,770	171,754	532,016	1.8600%	907	722,780
June	703,770	72,666	30,781	29,394	632,491	154,359	478,132	1.9000%	842	652,343
July	632,491	75,654	14,585	29,394	542,028	132,281	409,747	1.9600%	781	562,661
August	542,028	81,343	(9,806)	29,394	421,485	102,863	318,622	2.0300%	693	442,811
September	421,485	70,856	30,373	29,394	351,608	85,810	265,798	2.1300%	566	373,500
October - Est.	351,608	70,645	17,986	29,394	269,555	65,785	203,770	2.1300%	472	291,919
November - Est.	269,555	74,972	2,073	29,394	167,262	40,820	126,442	2.1300%	362	189,988
December - Est.	167,262	93,053	(67,760)	29,399	(22,950)	-	(22,950)	2.1300%	224	0
Total		954,519	(241,341)	352,733					9,643	

1/ Deferred revenue collected on actual volumes through September 2018 and projected sales for October 2018 - December 2018 based on approved amortization rates authorized in Case No. PU-16-666.

2/ Net of current year monthly revenue requirement (Exhibit 4, page 2) and recovery of current revenue established in Case No. PU-17-469.

	Revenue Requirement	Current Revenue	(Over)/Under Collection	Current Year Cumulative (Over)/Under
January 2018	312,831	433,736	(120,905)	(120,905)
February	312,113	382,507	(70,394)	(191,299)
March	311,420	382,548	(71,128)	(262,427)
April	310,745	337,249	(26,504)	(288,931)
May	308,322	278,964	29,358	(259,573)
June	307,195	276,414	30,781	(228,792)
July	306,594	292,009	14,585	(214,207)
August	306,016	315,822	(9,806)	(224,013)
September	305,459	275,086	30,373	(193,640)
October - Est.	304,923	286,937	17,986	(175,654)
November - Est.	304,413	302,340	2,073	(173,581)
December - Est.	303,919	371,679	(67,760)	(241,341)
Total	3,693,950	3,935,291		

3/ Pursuant to settlement in Commission Order in Case No. PU-18-89, balance eliminated by non-plant excess deferred taxes credit.

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

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

6/ Ending Over/Under balance per Case No. PU-17-469, Exhibit 4, page 1, submitted on February 23, 2018.

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

	Actual									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	\$32,033,855	\$32,033,855	\$32,033,855	\$32,033,855	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124	\$31,793,124
Total Accumulated Reserve	\$1,656,239	\$1,722,976	\$1,789,714	\$1,856,451	\$1,923,188	\$1,989,424	\$2,055,659	\$2,121,895	\$2,188,130	\$2,254,365	\$2,320,600	\$2,386,835	\$2,386,835
Net Plant in Service	\$30,377,616	\$30,310,879	\$30,244,141	\$30,177,404	\$29,869,936	\$29,803,700	\$29,737,465	\$29,671,229	\$29,604,994	\$29,538,759	\$29,472,524	\$29,406,289	\$29,406,289
Accum Def Income Taxes	\$1,755,255	\$1,785,861	\$1,813,378	\$1,837,904	\$1,859,337	\$1,877,778	\$1,893,130	\$1,905,393	\$1,914,665	\$1,920,847	\$1,924,038	\$1,924,136	
Total Plant in Service	\$28,622,361	\$28,525,018	\$28,430,763	\$28,339,500	\$28,010,599	\$27,925,922	\$27,844,335	\$27,765,836	\$27,690,329	\$27,617,912	\$27,548,486	\$27,482,153	\$27,482,153
Return on Rate Base 1/	\$173,213	\$172,624	\$172,054	\$171,501	\$169,511	\$168,998	\$168,505	\$168,030	\$167,573	\$167,134	\$166,714	\$166,313	\$2,032,170
Expenses													
Operating Expenses													Total
Depreciation	66,737	66,737	66,737	66,737	66,737	66,235	66,235	66,235	66,235	66,235	66,235	66,235	797,330
Property Tax	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,088	35,083	421,051
Total Expenses	\$101,825	\$101,825	\$101,825	\$101,825	\$101,825	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,323	\$101,318	\$1,218,381
Income before Taxes (EBIT)	(\$101,825)	(\$101,825)	(\$101,825)	(\$101,825)	(\$101,825)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,323)	(\$101,318)	(\$1,218,381)
Interest Expense	56,148	55,957	55,772	55,593	54,947	54,781	54,621	54,467	54,319	54,177	54,041	53,911	658,734
Taxable income	(\$157,973)	(\$157,782)	(\$157,597)	(\$157,418)	(\$156,772)	(\$156,104)	(\$155,944)	(\$155,790)	(\$155,642)	(\$155,500)	(\$155,364)	(\$155,229)	(\$1,877,115)
Income Taxes 2/	(\$38,553)	(\$38,507)	(\$38,461)	(\$38,418)	(\$38,260)	(\$38,097)	(\$38,058)	(\$38,020)	(\$37,984)	(\$37,950)	(\$37,916)	(\$37,883)	
Net Income Taxes	(\$38,553)	(\$38,507)	(\$38,461)	(\$38,418)	(\$38,260)	(\$38,097)	(\$38,058)	(\$38,020)	(\$37,984)	(\$37,950)	(\$37,916)	(\$37,883)	(\$458,107)
Operating Income	(\$63,272)	(\$63,318)	(\$63,364)	(\$63,407)	(\$63,565)	(\$63,226)	(\$63,265)	(\$63,303)	(\$63,339)	(\$63,373)	(\$63,407)	(\$63,435)	(\$760,274)
Revenue Requirement	\$312,831	\$312,113	\$311,420	\$310,745	\$308,322	\$307,195	\$306,594	\$306,016	\$305,459	\$304,923	\$304,413	\$303,919	\$3,693,950

1/ Capital structure with authorized return on equity from most recent rate case.

	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%

2/ Tax Rate 2018 24.4049% (Federal Tax Rate = 21%, Tax Rate = 4.31%)
1- tax rate 75.5951%

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

On November 2, 2018, 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 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.

Montana-Dakota has requested the proposed GRRR rates be effective with service rendered on and after February 1, 2019, 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 a decrease of \$0.57 per month or a decrease of \$6.84 annually. The GRRR is shown as a separate line item on your bill.

	Residential & Small General
Applicable Rate Schedules	10, 13, 16, 20, 25, & 40
Current Rate	\$0.00251 per Kwh
Proposed Rate	\$0.00187 per Kwh
Change	(\$0.00064) per Kwh
	Large General
Applicable Rate Schedules	30, 31, 38, & 48
Current Rate	\$0.72702 per Kw
Proposed Rate	\$0.55642 per Kw
Change	(\$0.17060) per Kw
	Space Heating
Applicable Rate Schedule	32
Current Rate	\$0.40665 per Kw
Proposed Rate	\$0.25220 per Kw
Change	(\$0.15445) per Kw
	Lighting
Applicable Rate Schedules	41 & 52
Current Rate	\$0.00097 per Kwh
Proposed Rate	\$0.00087 per Kwh
Change	(\$0.00010) per Kwh

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