



**UTILITIES CO.**

*A Subsidiary of MDU Resources Group, Inc.*

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

February 26, 2019

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

Re: Annual Update to the Renewable  
Resource Cost Adjustment Rate 55  
Case No. PU-18-381

Montana-Dakota Utilities Co. (Montana-Dakota) herewith submits its supplemental response to a request made during the informal hearing on February 13, 2019 for the above referenced case. Montana-Dakota was asked to provide a long-term view of the current rider mechanism along with a version that would spread the remaining production tax credit (PTC) benefits over the remaining life of each facility.

Mr. Jacobson prepared a high-level analysis to answer this request. However, due to the limited time to prepare the two scenarios, the information may not match exactly to the initial filing but the representation between the models provide a good match and indication of the variance. For comparative purposes, the table below presents the results of each model and is presented as an average residential monthly addition to the bill for Montana-Dakota’s renewable resources:

Year	Residential Monthly Charge		Variance
	Current Method	Level PTCs	
2019	\$6.34	\$10.57	\$4.23
2020	5.64	9.67	4.03
2021	5.84	8.82	2.98
2022	5.45	8.25	2.80
2023	5.09	7.71	2.62
2024	4.72	7.19	2.47
2025	4.40	6.68	2.28
2026	8.33	6.31	(2.02)
2027	8.09	6.07	(2.02)
2028	8.29	5.86	(2.43)

In this ten-year frame, the current method does fluctuate from year to year whereas the level PTC method is more consistent. However, the initial years do present a significant increase over the Company’s initial filing.

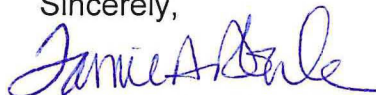
Below are a number of factors for consideration:

- Montana-Dakota's renewable resources have five different PTC lives based on the in-service dates of the turbines at each of the Company's wind facilities:
  - Diamond Willow I – PTCs have already expired
  - Diamond Willow II – PTCs will expire in the next two years
  - Cedar Hills – PTCs expire shortly after Diamond Willow II
  - Thunder Spirit – PTCs expire between 2025-2026
  - Thunder Spirit Expansion – PTCs expire between 2028-2029
- The number of projects with differing PTC expiration dates tends to provide some 'leveling' in the current methodology.
- The current methodology does not swing quite as drastically as probably anticipated because of the number of projects. The biggest change is in 2026 and is when Thunder Spirit PTCs expire. However, the change is less than \$4 per month.
- Because of the time it would take to fully provide a recalculation of the current rider that was initially filed in November 2018, it does seem appropriate that the current rider is used for this year and, if necessary, a more thorough analysis could be completed prior to filing the next update.
- The potential for other changes during the time frame displayed above could potentially provide some leveling as well but has not been included at this time.
- At this time, Montana-Dakota expects that all future projects will not have the PTCs associated as current tax code has them expiring.
- As a part of this analysis, Montana-Dakota prepared a present value analysis for each model and they are nearly the same value with a slight edge to the level PTC method.

To summarize, Montana-Dakota would recommend approval of the rider that was initially filed in November 2018. The time necessary to fully analyze the impact would result in a delay in implementation and potentially result in a buildup in the under recovered balance.

Please contact me at (701) 222-7856 or at [Tamie.Aberle@mdu.com](mailto:Tamie.Aberle@mdu.com) with any questions regarding this filing.

Sincerely,



Tamie A. Aberle  
Director of Regulatory Affairs