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Montana-Dakota Utilities Co.
Regulatory Asset Amortization Analysis
Information Request - Case Nos. PU-19-306, PU-19-307 and PU-19-317

	2020	2021	2022	2023	2024	2025	2026	2027
<u>Estimated Revenues Currently Reflected in Rates</u>								
Estimated Lewis & Clark Revenue Requirement		\$9,805,557	\$9,805,557	\$9,805,557	\$9,805,557	\$9,805,557	\$9,805,557	\$9,805,557
Estimated Heskett Revenue Requirement		13,678,646	13,678,646	13,678,646	13,678,646	13,678,646	13,678,646	13,678,646
Total Revenue Collected		\$23,484,203	\$23,484,203	\$23,484,203	\$23,484,203	\$23,484,203	\$23,484,203	\$23,484,203
<u>Close Coal Units and Add Gas Turbine</u>								
Estimated Lewis & Clark Revenue Requirement		\$2,451,389	\$0	\$0	\$0	\$0	\$0	\$0
Estimated Heskett Revenue Requirement		13,678,646	3,419,662	-	-	-	-	-
Heskett 4 Revenue Requirement		-	-	10,641,984	10,641,984	10,641,984	10,641,984	10,641,984
Total Revenue Collected		\$16,130,035	\$3,419,662	\$10,641,984	\$10,641,984	\$10,641,984	\$10,641,984	\$10,641,984
Revenue Available to Reduce Regulatory Asset		\$7,354,168	\$20,064,541	\$12,842,219	\$12,842,219	\$12,842,219	\$12,842,219	\$12,842,219
Cumulative Revenue Available			\$27,418,709	\$40,260,928	\$53,103,147	\$65,945,366	\$78,787,585	\$91,629,804
Estimated Balance - Regulatory Asset	\$36,320,367	\$64,506,643	\$48,264,395	\$39,276,776	\$29,422,728	\$18,928,666	\$7,743,088	\$0

Montana-Dakota Utilities Co.
Response to Commission Question No. 2 from 5/21/20 Work Session
Case Nos. PU-19-306, PU-19-307 and PU-19-317

Request:

What is the incremental cost of adding a combined cycle now and a comparison to the cost of adding a combined cycle a few years later with the idea that Heskett 4 is operational. Essentially, are there costs that would be avoided by building a base load combined cycle now rather than waiting?

Response:

From the Burns & McDonnell study contained in the 2019 IRP and the Company's Application for PU-19-306 and PU-19-307 (see Pages 51, 52, 56, and 58).

Cost of Heskett Combined Cycle	\$353 million
Summer MW output of Heskett Combined Cycle	329.77 MW
Cost of Heskett Expansion GE 7E.03 LLI	\$80 million
Summer MW output of Heskett Expansion	78.3 MW

Incremental cost to build Heskett Combined Cycle	\$273 million
Increment MW output of Heskett Combined Cycle	173.17 MW

Costs avoided by building larger Heskett combined cycle today:

Changes in future material costs and contractor construction rates.	\$1 to \$10 million
Additional contractor mobilization fees associated with combined cycle.	\$1 to \$2 million
Replacement of Heskett 4 stack to install combined cycle at a later date	\$2 million
Air permit modification to convert from simple cycle to combined cycle.	\$0.25 million

Costs avoided by building simple cycle Heskett 4 as a replacement generator project versus combined cycle project at a later date.

MISO transmission study and network upgrades associated with a larger project size	\$5 to \$100+ million
Air permit netting allows the construction of Heskett 4 without a SCR for NOx controls	\$19 million