

February 6, 2020

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

Re: Renewable Resource Cost Adjustment
 Rider
 Case No. PU-19-355

Montana-Dakota Utilities Co. (Montana-Dakota) herewith submits, for the North Dakota Public Service Commission's (Commission) consideration and approval, revised Renewable Resource Cost Adjustment (RRCA) rates pursuant to the Commission's discussion at the Work Session held on January 30, 2020 in the above referenced Case. Two sets of revised RRCA rates are attached as Exhibit Nos. 1 and 2 to reflect the Commission's alternative revenue requirement method (i.e. Victor Method) of \$18,185,155 as well as the collection of the current under collected balance of \$2,840,713 over either a twelve (12) month or a twenty-four (24) month period.

As requested, Montana-Dakota has updated its 2020 revenue requirement to reflect an alternative declining level of Production Tax Credits (PTCs) associated with the Thunder Spirit wind facility to be applied over the remaining life of the Thunder Spirit wind facility. The PTCs provided by the Diamond Willow and Cedar Hills wind facilities are immaterial and expire in the first half of 2020 and, therefore the revenue requirement is consistent with the Company's initial filing where PTCs have not been spread to future periods. The table below shows the approximate allocation of the Thunder Spirit PTCs over the estimated life of the wind facilities, subject to adjustment in each annual true up if an adjustment is warranted.

PTC Allocation (Thunder Spirit only)

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|-------|------|------|------|------|------|------|------|------|------|------|
| 10.8% | 9.4% | 8.2% | 7.4% | 7.0% | 6.6% | 6.2% | 5.8% | 5.4% | 5.0% | 4.6% |
| 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 |
| 4.2% | 3.8% | 3.4% | 3.0% | 2.5% | 2.1% | 1.7% | 1.3% | 0.9% | 0.5% | 0.1% |

The table below presents the revenue requirement in three major categories. The categories are the return requirement (the authorized return on the average rate base), operating income (operation & maintenance expenses, depreciation, and taxes other than income net of federal and state income taxes) and the PTCs. It should be noted that the return requirement and operating income are consistent regardless of the method chosen. It is expected that both

components will be trued up in each annual filing to be included in the true-up portion of the rate calculation whereas the PTCs will be spread over the expected life of the Thunder Spirit assets' lives.

| | <u>2020</u> |
|--|---------------------|
| Return Requirement | \$15,326,921 |
| Operating Income | 14,034,622 |
| PTCs adj. to Rev Req (Grossed Up) | <u>(14,646,575)</u> |
| Revenue Requirement (Standard) | \$14,714,968 |
| | |
| Return Requirement | \$15,326,921 |
| Operating Income | 14,034,622 |
| PTCs adj. to Rev Req | <u>(11,176,388)</u> |
| Alternate Revenue Requirement - Victor Method | \$18,185,155 |
| | |
| Difference | \$3,470,187 |

Montana-Dakota will continue to update the under or over collected balance consistent with its tariff and the three-month Treasury Bill rate will continue to be applied to over or under recovered amounts.

The proposed RRCA rates are shown below, along with the change from the current RRCA rates implemented April 1, 209 for both Exhibits:

Exhibit No. 1 - True Up over Twelve (12) Months

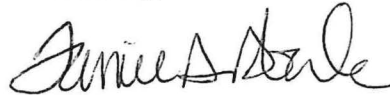
| | <u>Proposed Rate</u> | <u>Current Rate</u> | <u>Change</u> |
|--------------------------------------|--------------------------|-------------------------|---------------|
| Residential / Small General Rate/Kwh | \$0.01031 | \$0.00777 | \$0.00254 |
| Large General/Kwh | \$0.00937 | \$0.00754 | \$0.00183 |
| Lighting/Kwh | \$0.00991 | \$0.00813 | \$0.00178 |

Exhibit No. 2 - True Up over Twenty-Four (24) Months

| | <u>Proposed Rate</u> | <u>Current Rate</u> | <u>Change</u> |
|--------------------------------------|--------------------------|-------------------------|---------------|
| Residential / Small General Rate/Kwh | \$0.00962 | \$0.00777 | \$0.00185 |
| Large General/Kwh | \$0.00873 | \$0.00754 | \$0.00119 |
| Lighting/Kwh | \$0.00924 | \$0.00813 | \$0.00111 |

Montana-Dakota will submit an updated 4th Revised Sheet No. 39 of its electric tariff reflecting the Commission approved rates to be effective with service rendered on and after March 1, 2020 in compliance with a Commission Order issued in this case.

Sincerely,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments

cc: Jack Schuh
Victor Schock
Karl Liepitz
Garret Senger

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Renewable Resource Cost Adjustment
Proposed RRCA Rates**

| | Total | Residential & Small General | Large General | Lighting |
|---|-------------------|--------------------------------|-------------------------|-------------------------|
| Revenue Requirement 1/ | \$18,185,155 | \$7,812,890 | \$10,168,083 | \$204,182 |
| Prior (Over)/Under Recovery 1/ Net to be Recovered | 2,840,713 | 1,220,456 | 1,588,362 | 31,895 |
| | <u>21,025,868</u> | <u>9,033,346</u> | <u>11,756,445</u> | <u>236,077</u> |
| Projected Kwh 2/ | 2,154,532,000 | 875,587,833 | 1,255,115,509 | 23,828,658 |
| Proposed RRCA Rate per Kwh | | | | |
| Revenue Requirement per Kwh | | \$0.00892 | \$0.00810 | \$0.00857 |
| Prior (Over)/Under Recovery per Kwh | | 0.00139 | 0.00127 | 0.00134 |
| Proposed RRCA Rate per Kwh | | <u>0.01031</u> | <u>0.00937</u> | <u>0.00991</u> |
| Current RRCA Rate per Kwh 3/ | | | | |
| Revenue Requirement per Kwh | | \$0.00777 | \$0.00754 | \$0.00813 |
| Prior (Over)/Under Recovery per Kwh | | 0.00000 | 0.00000 | 0.00000 |
| Current RRCA Rate per Kwh | | <u>0.00777</u> | <u>0.00754</u> | <u>0.00813</u> |
| Increase in RRCA Rate | | <u><u>\$0.00254</u></u> | <u><u>\$0.00183</u></u> | <u><u>\$0.00178</u></u> |

1/ Demand/Energy for Wind Allocation Factor 3

| | | |
|-----------------------------|--------------------|--|
| Residential & Small General | 42.963008% | (Rates 10, 13, 16, 20, 25, 26, and 40) |
| Large General | 55.914195% | (Rates 30, 31, 32, 38, 48 and contracts) |
| Lighting | 1.122797% | (Rates 41, 52) |
| | <u>100.000000%</u> | |

2/ Projected Kwh sales.

3/ Current RRCA rates effective April 1, 2019.

**Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Renewable Resource Cost Adjustment
Proposed RRCA Rates**

| | Total | Residential & Small General | Large General | Lighting |
|---|-------------------|--------------------------------|-------------------------|-------------------------|
| Revenue Requirement 1/ | \$18,185,155 | \$7,812,890 | \$10,168,083 | \$204,182 |
| Prior (Over)/Under Recovery 1/ Net to be Recovered | 1,420,357 | 610,228 | 794,181 | 15,948 |
| | <u>19,605,512</u> | <u>8,423,118</u> | <u>10,962,264</u> | <u>220,130</u> |
| Projected Kwh 2/ | 2,154,532,000 | 875,587,833 | 1,255,115,509 | 23,828,658 |
| Proposed RRCA Rate per Kwh | | | | |
| Revenue Requirement per Kwh | | \$0.00892 | \$0.00810 | \$0.00857 |
| Prior (Over)/Under Recovery per Kwh | | 0.00070 | 0.00063 | 0.00067 |
| Proposed RRCA Rate per Kwh | | <u>0.00962</u> | <u>0.00873</u> | <u>0.00924</u> |
| Current RRCA Rate per Kwh 3/ | | | | |
| Revenue Requirement per Kwh | | \$0.00777 | \$0.00754 | \$0.00813 |
| Prior (Over)/Under Recovery per Kwh | | 0.00000 | 0.00000 | 0.00000 |
| Current RRCA Rate per Kwh | | <u>0.00777</u> | <u>0.00754</u> | <u>0.00813</u> |
| Increase in RRCA Rate | | <u><u>\$0.00185</u></u> | <u><u>\$0.00119</u></u> | <u><u>\$0.00111</u></u> |

1/ Demand/Energy for Wind Allocation Factor 3

| | | |
|-----------------------------|--------------------|--|
| Residential & Small General | 42.963008% | (Rates 10, 13, 16, 20, 25, 26, and 40) |
| Large General | 55.914195% | (Rates 30, 31, 32, 38, 48 and contracts) |
| Lighting | 1.122797% | (Rates 41, 52) |
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