

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Montana-Dakota Utilities Co.
Renewable Resource Cost Adjustment
Rates**

Case No. PU-19-355

ORDER

February 19, 2020

Preliminary Statement

On November 1, 2019, Montana-Dakota Utilities Co. (MDU) filed an application for approval of an annual update to its Renewable Resource Cost Adjustment Rate 55 (RRCA). The RRCA is utilized to allow MDU to recover the jurisdictional costs associated with renewable generation resource modifications or additions approved by the Commission, but not recovered through retail rates.

On December 18, 2019, the Commission issued Notice of Opportunity for Hearing that provided until January 30, 2019 for receiving written comments and hearing requests. No response was received.

The notice identified the issues to be considered in these proceedings are:

1. Do the proposed rates comply with the tariff?
2. Are the proposed rates just and reasonable?

On January 8, 2020, the Commission discussed this matter with MDU during an Informal Hearing.

On January 22, 2020 MDU filed supplemental information requested by the Commission during the January 8, 2020 Informal Hearing.

Also on January 22, 2020, the Commission discussed this matter with MDU during an Informal Hearing.

On January 23, 2020 MDU filed supplemental information requested by the Commission during the January 22, 2020 Informal Hearing.

On February 6, 2020 MDU filed a revised RRCA.

Discussion

The rate changes to the RRCA reflect updated costs related to MDU's investment in the Thunder Spirit Wind Project 1 & 2, the Cedar Hills Wind Project, and the Diamond Willow Wind Project. The updated rates also reflect a projected under-recovered RRCA balance through September 2019 that will be collected over 12 months beginning March 1, 2020. And finally, the updated rates reflect a partial levelization of Production Tax Credits (PTCs).

The partial levelization of PTCs is applied as follows:

1. PTCs for Cedar Hills Wind Project and Diamond Willow Wind Project will be recognized as they are earned.
2. PTCs for Thunder Spirit Wind Projects 1 & 2 will be recognized for the purposes of annual revenue requirements as a percentage of remaining PTC total value spread over the remaining life of the project. The approximate annual percentages are as follows:

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

The proposed RRCA rates by customer class are as follows:

<u>Customer Class</u>	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Change</u>
Residential & Small General	\$0.00777/kWh	\$0.01031	\$0.00254 /kWh
Large General	\$0.00754/kWh	\$0.00937	\$0.00183 /kWh
Lighting	\$0.00813/kWh	\$0.00991	\$0.00178 /kWh

The monthly billing impact of the updated RRCA on the bill of a residential customer without electric space heating using 894 kWh per month is an increase of \$2.27 per month.

The Commission finds the proposed RRCA rate changes are reasonable and appropriate.

Order

The Commission orders the rates listed above for MDU's Renewable Resource Cost Adjustment Rate 55 are APPROVED effective for service rendered on or after March 1, 2020.

PUBLIC SERVICE COMMISSION



Julie Fedorchak
Commissioner



Brian Kroshus
Chairman



Randy Christmann
Commissioner