

400 North Fourth Street
Bismarck, ND 58501
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March 2, 2021

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

Re: Informational Update to the Generation Resource Recovery Rider - Rate 56
Case No. PU-20-436

Montana-Dakota Utilities Co. (Montana-Dakota) submitted its annual update to the Company's Generation Resource Recovery Rider (GRRR) Rate 56 on October 30, 2020 in the above referenced case. The GRRR includes projected costs through December 31, 2021 related to the Lewis & Clark reciprocating internal combustion engine units. On January 6, 2021, the North Dakota Public Service Commission (Commission) approved the Company's request with rates effective February 1, 2021.

On September 16, 2019, Montana-Dakota filed an application for deferred accounting treatment of costs related to the retirement of the Lewis & Clark Unit 1, Heskett Unit 1, and Heskett Unit 2 in Case No. PU-19-317. On July 23, 2020, Montana-Dakota and Commission Advocacy Staff filed a Modified Settlement Agreement (Agreement) in Case Nos. PU-19-306, PU-19-307 and PU-19-317. The Agreement allows the Company to defer the costs associated with the accelerated depreciation, decommissioning, employee related costs and an offset associated with excess deferred income taxes. Then upon the closure of the coal units, the annual reduction in the revenue requirement resulting from the closure is to be offset (or credited against) the costs discussed above. The accelerated depreciation and decommissioning costs, net of the offset associated with the excess deferred income taxes, is to include a rate of return on the unamortized balance. Employee related costs are to be recovered without the application of a rate of return. All costs are to be included and evaluated in future GRRR filings until the revenue recovery is reflected in base rates in a general rate case. The Commission approved the Agreement on August 5, 2020.

The Lewis & Clark Unit 1 will cease operations on March 31, 2021. Beginning April 1, the Company will begin pre-decommissioning activities with Montana-Dakota employees and then commence decommissioning of the unit later in 2021.

Montana-Dakota has estimated the annual revenue requirement based on its most recent electric rate case in Case No. PU-16-666. Case No. PU-18-89 updated the income tax components resulting from the Tax Cuts and Jobs Act of 2017 and the Company has also reflected those updates in the annual revenue requirement. Pursuant to the Agreement discussed above, the Company proposes to reflect the annual revenue requirement and the offset related to the amortization of the accelerated depreciation, net of excess deferred income taxes, and the

decommissioning costs and employee related costs as those costs are projected to be incurred during 2021. Please see Attachment A for the projected activity for 2021. Montana-Dakota will true up the amortization in its next annual update to the GRRR that will be filed on or around October 29, 2021.

The Company's proposal results in no change in the per unit rates under the GRRR. The revenue reflected in the GRRR will match the related amortizations and the rate of return component. Therefore, no customer impacts will be realized.

Please refer all inquiries regarding this filing to:

Travis R. Jacobson
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
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Bismarck, ND 58501
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Also, please send copies of all written inquiries, correspondence, and pleadings to:

Allison Mann
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Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Sincerely,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

Attachment

cc: Allison Mann

Montana-Dakota Utilities Co.
Electric Utility - North Dakota
Generation Resource Recovery Rider
Revenue Requirement - Lewis & Clark Regulatory Assets Recovery
Projected Year End 2021

	Projected												Average Balance
	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	June 2021	July 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021	
Rate Base													
Deferred Depreciation Asset Decommissioning				\$27,804,708	\$27,804,708	\$27,804,708	\$27,804,708	\$27,804,708	\$27,804,708	\$27,804,708	\$27,804,708	\$27,804,708	\$27,804,708
Excess ADIT Amortization Accumulated Amortization				1,646,281	1,876,982	2,085,298	2,524,122	3,049,205	3,473,039	5,306,627	5,592,440	5,839,639	5,839,639
				(1,701,444)	(1,701,444)	(1,701,444)	(1,701,444)	(1,701,444)	(1,701,444)	(1,701,444)	(1,701,444)	(1,701,444)	(1,701,444)
				0	(479,198)	(960,071)	(1,442,787)	(1,912,487)	(2,381,430)	(2,850,315)	(3,309,151)	(3,768,909)	(3,768,909)
Total Regulatory Asset	\$0	\$0	\$0	\$27,749,545	\$27,501,048	\$27,228,491	\$27,184,599	\$27,239,982	\$27,194,873	\$28,559,576	\$28,386,553	\$28,173,994	\$20,768,222
Return on Rate Base 1/	\$0	\$0	\$0	\$160,462	\$159,025	\$157,449	\$157,195	\$157,515	\$157,254	\$165,146	\$164,145	\$162,916	\$1,441,107
L&C Revenue				\$697,124	\$697,124	\$697,124	\$697,124	\$697,124	\$697,124	\$697,124	\$697,124	\$697,124	\$6,274,116
Expenses													
Amortization - Deferred Asset				\$479,198	\$480,873	\$482,716	\$469,700	\$468,943	\$468,885	\$458,836	\$459,758	\$460,947	\$4,229,856
Amortization - Employee Related				19,567	19,650	19,736	33,063	33,428	33,806	34,197	34,500	34,815	262,762
Amortization - Other				2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	2,003	18,027
Total Expenses	\$0	\$0	\$0	\$500,768	\$502,526	\$504,455	\$504,766	\$504,374	\$504,694	\$495,036	\$496,261	\$497,765	\$4,510,645
Income before Taxes (EBIT)	\$0	\$0	\$0	\$196,356	\$194,598	\$192,669	\$192,358	\$192,750	\$192,430	\$202,088	\$200,863	\$199,359	\$1,763,471
Interest Expense	0	0	0	49,279	48,837	48,353	48,275	48,374	48,294	50,717	50,410	50,032	442,571
Taxable income	\$0	\$0	\$0	\$147,077	\$145,761	\$144,316	\$144,083	\$144,376	\$144,136	\$151,371	\$150,453	\$149,327	\$1,320,900
Income Taxes 2/	\$0	\$0	\$0	\$35,894	\$35,573	\$35,220	\$35,163	\$35,235	\$35,176	\$36,942	\$36,718	\$36,443	\$322,364
Net Income Taxes	\$0	\$0	\$0	\$35,894	\$35,573	\$35,220	\$35,163	\$35,235	\$35,176	\$36,942	\$36,718	\$36,443	\$322,364
Operating Income	\$0	\$0	\$0	\$160,462	\$159,025	\$157,449	\$157,195	\$157,515	\$157,254	\$165,146	\$164,145	\$162,916	\$1,441,107
Revenue Requirement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

1/ Projected Capital Structure with Authorized Return on Equity:

	Ratio	Cost	
Long Term Debt	43.871%	4.647%	2.039%
Short Term Debt	6.310%	1.463%	0.092%
Common Equity	49.819%	9.650%	4.808%
	100.000%		6.939%
			2.131%

2/ Income Tax Rate:

	2021
Tax Rate	24.4049% (Federal Tax Rate = 21%, Tax Rate = 4.31%)
1- tax rate	75.5951%