

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

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

**Case No. PU-20-440**

**ORDER**

**January 6, 2021**

**Preliminary Statement**

On November 2, 2020, Montana-Dakota Utilities Co. (MDU) filed changes to rates under its Renewable Resource Cost Adjustment Rate 55 Tariff (RRCA Tariff) for electric service rendered on or after February 1, 2021.

On November 18, 2020, the Commission issued a Notice of Opportunity for Hearing that provided until January 2, 2021 for receiving written comments and hearing requests. No response was received. The notice identified the issues to be considered in this proceeding are:

1. Whether the investments and associated costs for the resources qualify for recovery,
2. Whether the incurred costs are reasonable and prudent, and
3. Whether the rate adjustments are consistent with the terms of MDU's tariff.

On November 25, 2020, Commission Staff (Staff) filed a memo summarizing the filing.

On November 30, 2020, MDU filed a response to Staff's memo.

**Discussion**

Under its RRCA Tariff, MDU recovers costs associated with renewable generation resource modifications or additions approved by the Commission but not currently recovered in the retail rates established at the time of MDU's last electric rate case.

The updated RRCA rates reflect projected 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 revenue balance as of December 31, 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 updated RRCA rates by customer class are as follows:

<u>Customer Class</u>	<u>Existing Rate</u>	<u>Updated Rate</u>	<u>Change</u>
Residential & Small General	\$0.01031/kWh	\$0.01033	\$0.00002 /kWh
Large General	\$0.00937/kWh	\$0.00976	\$0.00039 /kWh
Lighting	\$0.00991/kWh	\$0.01221	\$0.00230 /kWh

The monthly billing impact of the updated RRCA rate on the bill of a residential customer using 894 kWh per month is an increase of \$0.02 per month.

Staff's November 25, 2020 memo noted that the additional PTC levelization revenue, which results from MDU realizing more PTCs than are utilized in a given year, results in a balance that should be considered a regulatory liability. This regulatory liability was being treated by MDU similarly to the over/under collection balance, which results in a relatively small benefit to customers. Staff recommended that the regulatory liability be treated as an offset to rate base, which provides a greater benefit to customers.

MDU's November 30, 2020 response to Staff's memo agreed with the recommendation and stated that future filings will treat the regulatory liability as an offset to rate base, and in the 2022 filing 2020 will be trued up using this same methodology.

The investments and associated costs for the Thunder Spirit Wind Projects 1 & 2, the Cedar Hills Wind Project, and the Diamond Willow Wind Project qualify for recovery.

The incurred costs are reasonable and prudent.

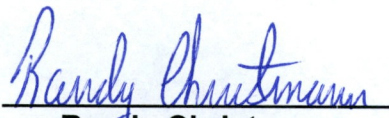
The proposed rates comply with the RRCA Tariff and are just and reasonable.

## Order

The Commission orders:

1. Montana-Dakota Utilities Co. must treat the additional levelization revenue as a regulatory liability and utilize it to offset to rate base when calculating the annual revenue requirement.
2. Montana-Dakota Utilities Co.'s 2021 Renewable Resource Cost Recovery rates filed on October 30, 2020 are APPROVED for service rendered on or after February 1, 2021.

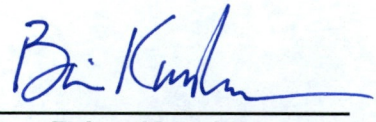
### PUBLIC SERVICE COMMISSION



**Randy Christmann**  
Commissioner



**Julie Fedorchak**  
Chair



**Brian Kroshus**  
Commissioner