

August 17, 2021

Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard Ave. Department 408  
Bismarck, ND 58505-0480

Re: Case No. PU-21-\_\_\_\_  
Application for Financial Incentive

Montana-Dakota Utilities Co. ("Montana-Dakota" or "Company") herewith submits for Commission approval an Application for Rate Treatment of a Financial Incentive related to a Power Purchase Agreement pursuant to North Dakota Century Code ("N.D.C.C.") § 49-06-02. An original and seven (7) copies are included. Montana-Dakota is requesting approval of the following tariff sheet provided as Exhibit 1 of the Application to be effective with the next annual update to the Generation Resource Recovery Rider - Rate 56:

- 5<sup>th</sup> Revised Sheet No. 40

Montana-Dakota proposes to recover a financial incentive for a power purchase agreement of a dispatchable on-demand generating unit that serves to protect grid reliability beginning with the effective date of Subsection 4 added to N.D.C.C. § 49-06-02 (enacted August 1, 2021) as detailed and supported in the attached Application. Also provided as Attachment A is the testimony of Mr. Darcy Neigum, Director of Electric System Operations and Planning. Mr. Neigum describes the Company's power purchase agreement and the reliability benefits of this coal unit on the electric power grid.

Montana-Dakota proposes to include the financial incentive in its existing Generation Resource Recovery Rider - Rate 56 in the next annual update to be filed on or about November 1, 2021. As shown in Attachment B, the proposed incentive as allocated to North Dakota electric customers for 2021 and 2022 is \$13,330 and \$59,058, respectively. The bill impact of including the combined proposed incentive of \$72,388 in the Company's Generation Resource Recovery Rider would be approximately \$0.04 per month for a residential customer using 894 Kwh or \$0.48 per year.

Please refer all inquiries regarding this filing to:

Travis R. Jacobson  
Director of Regulatory Affairs  
Montana-Dakota Utilities Co.  
400 North Fourth Street  
Bismarck, ND 58501  
[Travis.Jacobson@mdu.com](mailto:Travis.Jacobson@mdu.com)

Also, please send copies of all written inquiries, correspondence, and pleadings to:

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Bismarck, ND 58506-5650  
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Also enclosed are an original and seven (7) copies of Montana-Dakota's Application for Trade Secret Protection of portions of the PPA and the financial incentive worksheets that have been marked as "Trade Secret". The referenced materials are provided herein with the trade secret information redacted. The Trade Secret versions have been provided on yellow paper, marked confidential and placed in a sealed envelope.

Montana-Dakota has included a check for \$10,000 in accordance with N.D.C.C. § 49-05-04.3 and respectfully requests the Commission reduce the required \$100,000 filing fee pursuant to N.D.C.C. § 49-05-04.3(2)(d), which states the North Dakota Public Service Commission may waive or reduce the fee.

Please contact me at 701.222.7855 or [travis.jacobson@mdu.com](mailto:travis.jacobson@mdu.com) if you have questions.

Sincerely,



Travis R. Jacobson  
Director of Regulatory Affairs

Attachments



fully set forth herein. Montana-Dakota provides electric service to approximately 93,400 customers in North Dakota as of June 30, 2021.

### **III. Description of the Proposed Recovery of a Financial Incentive**

N.D.C.C. § 49-06-02 sets forth the rules for valuing the property of a public utility for ratemaking purposes. It was amended by the Sixty-Seventh Legislative Assembly to include Subsection 4, which allows a public utility, in relation to facilities using lignite mined in North Dakota as its primary fuel, “[t]o recover costs in rates, including a financial incentive set at a reasonable rate for power purchase agreements of a dispatchable on-demand generating unit, plant, or facility deemed to protect grid reliability.” This new Subsection became effective August 1, 2021.

As detailed in the testimony of Mr. Darcy Neigum, Director of System Operations and Planning, Montana-Dakota entered into two power purchase agreements (“PPA”) with Minnkota Power Cooperative (“Minnkota”) for the purchase of capacity and energy. Both PPAs began June 1, 2021 and expire May 31, 2026. The first PPA provides needed capacity to cover the period from the retirement of three coal units and the in-service date of a new gas turbine. The second PPA provides additional capacity to cover a projected shortfall the Company is forecasting through May 31, 2026 along with energy purchases from June 1, 2021 to May 31, 2026.

The purchased energy will be generated from the Milton R Young Unit 1

station owned by Minnkota. Milton R Young Unit 1 is a coal-fired generation plant located near Center, North Dakota, and is connected to the AC transmission system, which provides local and regional reliability benefits with its energy production and system voltage support. The energy and capacity purchased ensures Milton R Young Unit 1 remains available to support local customers and helps support North Dakota coal-fired generation to preserve grid resilience and reliability in the region. North Dakota coal-fired generation provides reliability benefits to the area through its dispatchable nature, voltage support into the area transmission system, and ancillary services. Milton R Young Unit 1 is a mine mouth generating unit that protects Montana-Dakota's customers from fuel delivery issues. In addition, the PPA has stated capacity and energy pricing which removes market energy price risk.

#### **IV. Proposed Incentive Rate**

Montana-Dakota proposes to use the weighted average cost of capital, including the authorized return on equity specified in Case No. PU-16-666, to be applied to North Dakota's allocated share of PPA costs consistent with Section 1(a) of the Company's Rate 56 tariff, shown in the table below, and filed in Case No. PU-20-436. The long- and short-term debt components are updated annually to reflect the current interest costs in each annual update.

	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%
	<u>100.000%</u>		<u>6.939%</u>

The weighted average cost of capital is a reasonable rate to use for an incentive as a PPA is generally used in place of building Company-owned generating facilities. Montana-Dakota's generating units are included in rate base and are expected to earn the authorized rate of return. Finally, as noted previously, the 9.65 percent return on equity was authorized by the Commission in Case No. PU-16-666.

#### **V. Generation Resource Recovery Rider**

Generation Resource Recovery Rider - Rate 56 was established in 2014 to recover North Dakota allocated costs associated with generation related resources that are not currently recovered in rates. The GRRR is updated annually on or about November 1 of each year. Montana-Dakota has included as Exhibit 1 a revision to Rate 56's Applicability to include an incentive on a PPA. Upon Commission approval and in conjunction with the Company's next annual update, Montana-Dakota proposes to include the incentive in the GRRR with a separate schedule so that the incentive is clearly identified.

In addition, the GRRR, by its nature, accounts for changes in rates throughout the PPA as well as ceases recovery upon the expiration of the contract.

## VI. Estimated Impact by Customer Class

As shown in the table below, Montana-Dakota’s projected costs to be recovered under the GRRR is a total of \$72,388 for 2021 and 2022. A residential customer using 894 Kwh per month would see an increase of \$0.04 per month under the proposed GRRR rates or an increase of \$0.48 annually. Montana-Dakota requests approval to include the financial incentive in the GRRR and to be effective simultaneously with updated rates with that filing.

Financial Incentive	Total
Projected 2021	\$13,330
Projected 2022	59,058
Cost to be Recovered	<u>\$72,388</u>

Allocation of Costs & Rates	Allocated Costs	Projected Billing Determinants	Proposed GRRR Rates
Residential & Small General	\$34,005	864,798,670 Kwh	\$0.00004 per Kwh
Large General	36,657	3,140,613 KW	\$0.01167 per KW
Space Heating Rate 32	1,389	275,414 KW	\$0.00504 per KW
Lighting	337	19,125,548 Kwh	\$0.00002 per Kwh
	<u>\$72,388</u>		

Montana-Dakota has included a check for \$10,000 in accordance with North Dakota Century Code § 49-05-04.3 and respectfully requests the Commission reduce the required \$100,000 filing fee pursuant to N.D.C.C. § 49-05-04.3(2)(d), which states the North Dakota Public Service Commission may waive or reduce the fee.

## VII. Conclusion

Montana-Dakota respectfully requests that the Commission find that the energy and capacity received through the PPA is from a dispatchable on-demand generating unit resource that protects grid reliability, approve this Application, and allow the Company to include the financial incentive in its existing Generation Resource Recovery Rider - Rate 56 in the next annual update to be filed on or about November 1, 2021.

Dated this 17<sup>th</sup> day of August 2021



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Travis R. Jacobson  
Director of Regulatory Affairs

Of Counsel:

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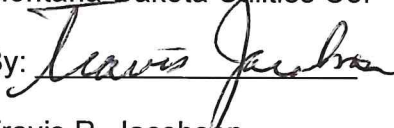


advantage in competing for power purchase opportunities, while competitors could use the information to leverage their rate positions in the marketplace to Montana-Dakota's, and its customer's, detriment.

In accordance with N.D. Admin. Code § 69-02-09-02, Montana-Dakota includes one copy of the information requested which was marked PROTECTED INFORMATION - PRIVATE. Further, Montana-Dakota has included a redacted public version of the PPA and Attachment B pursuant to N.D. Admin. Code § 69-02-09-01(5).

Dated this 17<sup>th</sup> day of August 2021.

Montana-Dakota Utilities Co.

By: 

Travis R. Jacobson  
Director of Regulatory Affairs

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Generation Resource  
Recovery Rider -  
Rate 56



# Montana-Dakota Utilities Co.

A Subsidiary of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

NDPSC Volume 4

5th Revised Sheet No. 40

Canceling Substitute 4th Revised Sheet No. 40

### Generation Resource Recovery Rider Rate 56

Page 1 of 2

#### **Applicability:**

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates and financial incentives for power purchase agreements eligible for recovery under NDCC 49-06-02 subpart 4. Costs to be recovered may include operations and maintenance expenditures, depreciation, taxes, power purchase agreement financial incentives, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

#### **1. Generation Resource Recovery Rider:**

- a. The North Dakota jurisdictional GRRR revenue requirement will be allocated to the customer classes based on the Company's Demand Factor No. 2 established in the Company's most recent general rate case. The adjustment applied to the Residential, Small General Service and Lighting Classes will be calculated based on the customer class revenue requirement and the forecasted Kwh for the forecasted period. The adjustment applied to the Large General Service Class will be calculated based on the customer class revenue requirement and the forecasted demand for the forecasted period and expressed as a KW charge. The return component of the revenue requirement calculation will include the authorized return on equity specified in Case No. PU-16-666.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under special contract, where the contract does not express GRRR applicability, and are allocated amongst the rate classes based on the applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

**Date Filed:** August 17, 2021

**Effective Date:**

**Issued By:** Travis R. Jacobson  
Director – Regulatory Affairs

**Case No.:**

# **Tariff Reflecting Proposed Changes**



# Montana-Dakota Utilities Co.

A Subsidiary of MDU Resources Group, Inc.

400 N 4<sup>th</sup> Street  
Bismarck, ND 58501

## State of North Dakota Electric Rate Schedule

NDPSC Volume 4

~~Substitute 4<sup>th</sup>-5<sup>th</sup>~~ Revised Sheet No. 40

Canceling ~~Substitute 4<sup>th</sup> 3<sup>rd</sup>~~ Revised Sheet No. 40

### Generation Resource Recovery Rider Rate 56

Page 1 of 2

#### Applicability:

This rate schedule represents a Generation Resource Recovery Rider (GRRR) and specifies the procedure to be utilized to recover the jurisdictional costs associated with generation resource additions approved by the Commission but not recovered through retail rates and financial incentives for power purchase agreements eligible for recovery under NDCC 49-06-02 subpart 4. Costs to be recovered may include operations and maintenance expenditures, depreciation, taxes, power purchase agreement financial incentives, and a current return on the project costs during construction. Costs being recovered under this tariff are currently not included in the rates established at the time of the Company's last general rate case.

#### 1. Generation Resource Recovery Rider:

- a. The North Dakota jurisdictional GRRR revenue requirement will be allocated to the customer classes based on the Company's Demand Factor No. 2 established in the Company's most recent general rate case. The adjustment applied to the Residential, Small General Service and Lighting Classes will be calculated based on the customer class revenue requirement and the forecasted Kwh for the forecasted period. The adjustment applied to the Large General Service Class will be calculated based on the customer class revenue requirement and the forecasted demand for the forecasted period and expressed as a KW charge. The return component of the revenue requirement calculation will include the authorized return on equity specified in Case No. PU-16-666.
- b. The GRRR is applicable to all retail customers for electric energy sold, except those served under special contract, where the contract does not express GRRR applicability, and are allocated amongst the rate classes based on the applicable demand factor.
- c. The GRRR will be adjusted annually (or other period authorized by the Commission) to reflect the Company's most recent projected capital costs and related expenses for projects determined to be recoverable under this schedule.
- d. A true-up will reflect any over or under collection of revenue under the GRRR based on actual expenditures from the preceding twelve month recovery period plus carrying charges or credits accrued at a rate equal to the three-month Treasury Bill rate as published monthly by the Federal Reserve Board.

Date Filed: ~~November 20, 2018~~ August 17, 2021

Effective Date: ~~Service rendered on and after March 1, 2019~~

Issued By: ~~Tamie A. Aberle~~ Travis R. Jacobson  
Director – Regulatory Affairs

Case No.: ~~PU-18-380~~

# Testimony of Mr. Darcy Neigum

MONTANA-DAKOTA UTILITIES CO.

Before the North Dakota Public Service Commission

Case No. PU-21-\_\_\_\_

Direct Testimony  
of  
Darcy J. Neigum

1 **Q. Please state your name and business address.**

2 A. My name is Darcy J. Neigum and my business address is 400  
3 North Fourth Street, Bismarck, North Dakota 58501.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the Director of System Operations and Planning for Montana-  
6 Dakota Utilities Co. (Montana-Dakota).

7 **Q. Please describe your duties and responsibilities with Montana-**  
8 **Dakota.**

9 A. I have managerial responsibility for overseeing the day-to-day  
10 operations of the Company's electric control center and System  
11 Operations & Planning Department.

12 **Q. Please outline your educational and professional background.**

13 A. I hold a bachelor's degree in Electrical and Electronics Engineering  
14 from North Dakota State University as well as a Master of Business  
15 Administration from the University of Mary. My work experience includes  
16 four years as a nuclear plant engineer; three years of experience as a  
17 coal-fired power plant engineer; eleven years of generation development

1 and operational responsibilities for coal-fired, gas-fired, and renewable  
2 generation sources; and thirteen years of experience managing the  
3 system operations & planning department for Montana-Dakota.

4 **Q. What is the purpose of your testimony in this proceeding?**

5 A. I will describe the request by Montana-Dakota to receive a financial  
6 incentive in rates for two power purchase agreements (PPA) the Company  
7 has entered into with Minnkota Power Cooperative (Minnkota) that the  
8 Company believes meets the requirements of N.D.C.C. § 49-06-02(4),  
9 created by Senate Bill (SB) No. 2206 during the 2021 North Dakota  
10 Legislative Session.

11 **Q. Can you describe the Minnkota PPAs?**

12 A. Montana-Dakota has entered into two PPAs with Minnkota for the  
13 purchase of capacity and energy. The following table details the time  
14 period and amounts of the capacity and energy purchase under the  
15 Minnkota PPAs.

	<u>MISO Planning Year*</u>	<u>ZRC Amount**</u>	<u>Energy Amount</u>
16			
17	2021-2022	75	30
18	2022-2023	90	75
19	2023-2024	30	75
20	2024-2025	30	75
21	2025-2026	30	75

22 \*MISO Planning Year runs June 1 to May 31

23 \*\*ZRC represents a MW equivalent used for Resource

24 Adequacy Purposes

1 **Q. Why does the Company have two PPAs with Minnkota?**

2 A. The first Minnkota PPA was entered into to provide a needed  
3 capacity purchase between the retirement of Lewis & Clark 1, Heskett 1,  
4 and Heskett 2 and the in-service date for Heskett 4. The second PPA  
5 provided additional capacity purchases that the company was forecasting  
6 to need through May 31, 2026 along with energy purchases from June 1,  
7 2021 to May 31, 2026. The energy purchases were sized to cover the  
8 amount of energy at minimum generation output levels from Lewis & Clark  
9 1, Heskett 1, and Heskett 2 that the company would otherwise be  
10 purchasing from the MISO Energy Market.

11 **Q. Where does the capacity and energy under the Minnkota PPAs come**  
12 **from?**

13 A. Capacity purchases under the Minnkota PPAs are for Zonal  
14 Resource Credits (ZRCs) within MISO Local Resource Zone (LRZ) #1.  
15 The ZRCs come from the Milton R Young Unit 1 coal-fired power plant  
16 located near Center, ND, which Minnkota owns and operates.

17 Energy purchases are from a MISO Financial Schedule (FinSched)  
18 at the OTP.Center1 MISO commercial pricing (CP) node. The energy is  
19 also from Milton R Young Unit 1 and is transacted as a non-unit contingent  
20 product.

21 **Q. What is the incentive language that the Company is seeking to**  
22 **receive in this docket that was created under SB 2206 during the**  
23 **2021 North Dakota Legislative Session?**

1 A. SB 2206 during the 2021 North Dakota Legislative Session created  
2 a Subsection in North Dakota Century Code § 49-06-02 which reads: “4.  
3 To recover costs in rates, including a financial incentive set at a  
4 reasonable rate for power purchase agreements of a dispatchable on-  
5 demand generating unit, plant, or facility deemed to protect grid reliability.”

6 **Q. How does the Minnkota PPA meet the requirement of a dispatchable  
7 on-demand generating unit?**

8 A. The energy from the Minnkota PPA comes from the Milton R Young  
9 Unit 1 coal-fired generation plant. Montana-Dakota purchases the energy  
10 on a firm non-unit contingent basis through a MISO FinSched at the  
11 OTP.Center1 commercial pricing node. The energy purchase is a 24x7  
12 firm product at the contracted level for the entire contract period. The  
13 energy supply is firm and not intermittent or non-dispatchable. The MISO  
14 FinSched is used for the transaction where Montana-Dakota buys a given  
15 quantity of energy at a contract price from Minnkota at the designated  
16 MISO commercial pricing node and then is responsible for the settlement  
17 of the purchased energy in the MISO energy day ahead market.

18 **Q. How does the Minnkota PPA meet the requirement of being deemed  
19 to protect grid reliability?**

20 A. The Milton R Young Unit 1 is a coal-fired generation plant located  
21 near Center, ND. It connects into the AC transmission system and  
22 provides local and regional reliability benefits to the area with its energy  
23 production and system voltage support. The PPA transaction with  
24 Minnkota ensures the energy and capacity purchased from Milton R

1 Young Unit 1 remains available to support local customers and helps  
2 support North Dakota coal-fired generation to preserve grid resilience and  
3 reliability for the region.

4 North Dakota coal-fired generation provides reliability benefits to  
5 the area through its dispatchable nature, voltage support into the area  
6 transmission system, and ancillary services which the unit can provide.  
7 Coal for the Milton R Young Unit 1 is also supplied from a mine mouth  
8 source of lignite fuel which also provides fuel supply and delivery benefits  
9 that protects Montana-Dakota customers from fuel delivery issues and  
10 market energy price changes.

11 **Q. How do you propose to calculate a rate for the PPA incentive?**

12 A. See Attachment 1, which is considered Confidential as it contains  
13 contract pricing information from the Minnkota PPA. The Minnkota PPA is  
14 billed monthly and settled in full each month. The Company would look to  
15 apply one-twelfth of the weighted average cost of capital, including the  
16 authorized return on equity (“ROE”) from its last North Dakota electric rate  
17 case (Case No. PU-16-666), as an incentive to the allocated North Dakota  
18 customer portion of the monthly Minnkota PPA invoice amounts.

19 The weighted average cost of capital, including the authorized  
20 ROE, is a reasonable rate as a PPA is generally used in place of building  
21 Company-owned generating facilities. For example, if Montana-Dakota  
22 were to build a generating station, that station would be included in rate  
23 base or within the Generation Resource Recovery Rider and, consistent

1 with the Rate 56, would earn the weighted average cost of capital as  
2 noted above.

3 **Q. How would you propose to recover the PPA incentive in rates?**

4 A. The PPA incentive would be recovered through Generation  
5 Resource Recovery Rider - Rate 56 (GRRR). Attachment B, which  
6 contains confidential information, to the Company's application provides  
7 the calculation of the monthly financial incentive. Montana-Dakota  
8 proposes to include the incentive in the GRRR with a separate schedule  
9 so that the incentive is clearly identified. The GRRR is updated annually  
10 on or about November 1 and the Company proposes to include the  
11 financial incentive in its next update, including the necessary changes to  
12 Rate 56 so that the implementation is simultaneous with updated rates in  
13 that update.

14 **Q. Does this conclude your direct testimony?**

15 A. Yes, it does.

# Minnkota Power Purchase Agreements - Redacted Public Copies

**CAPACITY  
CONFIRMATION AGREEMENT**

This Capacity Confirmation Agreement ("Agreement") shall confirm the agreement reached on March 4, 2020 ("Transaction Date"), by and between Minnkota Power Cooperative ("MPC"), and Montana-Dakota Utilities Co. ("MDU"), (hereinafter MDU and MPC are sometimes referred to singly as a "Party" and collectively as the "Parties") with respect to the purchase and sale of capacity under the terms and conditions as follows:

**Seller:** MPC

**Buyer:** MDU

**Schedule P Product:**

[X] Other: Capacity, which for the purposes of this transaction shall mean "Zonal Resource Credits" ("ZRC"), as such term is defined in (i) the Midcontinent Independent System Operator, Inc. ("MISO") Open Access Transmission, Energy, and Operating Reserve Markets Tariff, as may be amended from time to time ("MISO Tariff"); and (ii) the MISO Resource Adequacy Business Practices Manual, as may be amended from time to time ("RA BPM", or together with the MISO Tariff referred to as the "MISO Rules").

For clarification purposes, the Parties acknowledge and understand that, in accordance with the MISO Rules, one ZRC represents one megawatt ("MW") of Unforced Capacity from a Planning Resource that qualifies to satisfy the resource adequacy requirements of Module E-1 of the MISO Tariff.

**Contract Quantity and Contract Price:**

The Quantity of ZRCs and the applicable Local Resource Zone ("LRZ"), as further described in Attachment VV of the MISO Tariff, associated with such ZRCs for each Planning Year (i.e., June 1<sup>st</sup> of one year through May 31<sup>st</sup> of the following year) encompassed by this Transaction, and the Contract Price(s) associated therewith shall be as follows:

Planning Year	Quantity (# of ZRCs)	LRZ	Contract Price (\$ per ZRC)	Purchase Price (\$)
2021/2022	75	LRZ 1	[REDACTED]	[REDACTED]
2022/2023	90	LRZ 1	[REDACTED]	[REDACTED]
Total	165	[REDACTED]	[REDACTED]	[REDACTED]

Seller represents and warrants that with respect to the Product, Seller: (A) Will enter the ZRCs in the MISO Module E capacity tracking system; and (B) Has not and will not sell such ZRCs (or the MWs of Unforced Capacity associated with each ZRC) to any other counterparty.

**Special Conditions:**

**1. Delivery and Receipt:**

Seller shall accomplish delivery of the Quantity by submitting the appropriate transaction(s) in MISO's Module E capacity tracking system, or any successor system ("MECT") to electronically assign the Quantity to Buyer. Buyer shall accomplish receipt of the Quantity by confirming the appropriate transaction(s) submitted by Seller in the MECT. It is the intention of the Parties that Seller and Buyer shall accomplish delivery and receipt of the Quantity by submitting and confirming the appropriate transaction(s) in the MECT not later than ten (10) Business Days prior to each Resource Plan Deadline, as such term is defined in the MISO Tariff, for the first Planning Year and each subsequent Planning Year encompassed by this Transaction as is permissible to deliver and receive in the MECT ("Transfer Deadline").

**2. Payment Terms:**

The Parties agree that the payment schedule for the Product delivered and received hereunder shall be governed by the terms and conditions of the North American Energy Marketers Association ("NAEMA") Capacity and Energy Tariff, effective February 22, 2011 (the "NAEMA Tariff"). For the avoidance of doubt, as soon as practicable, after the end of each electronic delivery for each Planning Year set forth above, Seller will render to Buyer a monthly invoice for the ZRCs attributable to the delivery.

**3. Failures to Deliver and/or Receive:**

(a) Seller's Failure to Deliver. In the event that: (i) Seller fails to deliver all or part of the Product by the Transfer Deadline, and such failure is not excused by Buyer's failure to perform; (ii) Buyer provides notice of such failure to Seller at least nine (9) Business Days prior to the Resource Plan Deadline; and (iii) Seller fails to cure such failure within one (1) Business Day after notice from the Buyer, then Seller shall pay Buyer, within five (5) Business Days of invoice receipt, all Financial Settlement Charges assessed to Buyer (either directly or through contractual obligation) resulting directly from Seller's failure to deliver all or part of the Product. In addition, to the extent that Seller's failure to deliver all or part of the Product results in Buyer being assessed (i) Financial Settlement Charges for an amount of MW that is less than the Quantity that Seller failed to deliver, or (ii) no Financial Settlement Charges for the Quantity that Seller failed to deliver, then Buyer shall also be entitled to the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price and multiplying such positive difference, if any, by the portion of the Quantity which Seller failed to deliver and for which no Financial Settlement Charges are assessed to Buyer.

In the event that: (i) Seller fails to deliver all or part of the Product by the Transfer Deadline, and such failure is not excused by Buyer's failure to perform; and (ii) Buyer fails to provide notice of such failure to Seller at least nine (9) Business Days prior to the Resource Plan Deadline, then Seller shall pay Buyer, within five (5) Business Days of invoice receipt, the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price and multiplying such positive difference, if any, by the Quantity which Seller failed to deliver.

Buyer shall use commercially reasonable efforts to purchase replacement Product for the Quantity which Seller failed to deliver.

The invoice from Buyer to Seller for any amount owed by Seller to Buyer pursuant to this provision shall include a written statement explaining in reasonable detail the calculation of such amount. The Parties acknowledge and agree that with respect to this Transaction only, Section 2.47 of the NAEMA Tariff shall be amended to delete all references to "at the Delivery Point" and "to the Delivery Point" contained in such section.

(b) Buyer's Failure to Receive.

In the event that: (i) Buyer fails to receive all or part of the Product by the Transfer Deadline, and such failure is not excused by Seller's failure to perform; (ii) Seller provides notice of such failure to Buyer at least nine (9) Business Days prior to the Resource Plan Deadline; and (iii) Buyer fails to cure such failure within one (1) Business Day after notice from the Seller, then Buyer shall pay Seller, within five (5) Business Days of invoice receipt, an amount equal to the Contract Price multiplied by the portion of the Quantity which Buyer failed to receive.

In the event that: (i) Buyer fails to receive all or part of the Product by the Transfer Deadline, and such failure is not excused by Seller's failure to perform; and (ii) Seller fails to provide notice of such failure to Buyer at least nine (9) Business Days prior to the Resource Plan Deadline, then Buyer shall pay Seller, within five (5) Business Days of invoice receipt, an amount equal to the positive difference, if any, obtained by subtracting the Sales Price from the Contract Price and multiplying such positive difference, if any, by the portion of the Quantity which Buyer failed to receive; provided, however, that if Seller, after using commercially reasonable efforts, is unable to resell all or a portion of the Quantity which Buyer failed to receive, the Sales Price with respect to such Quantity that Seller is unable to resell shall be deemed to be equal to zero (0).

The invoice from Seller to Buyer for any amount owed by Buyer to Seller pursuant to this provision shall include a written statement explaining in reasonable detail the calculation of such amount. The Parties acknowledge and agree that with respect to this Transaction only, Section 2.49 of the NAEMA Tariff shall be amended to delete all references to "at the Delivery Point" contained in such section.

(c) Limitation of Remedies. The Parties acknowledge and agree that the remedies set forth herein regarding failures to deliver/receive shall supersede and replace Sections 5.1 and 5.2 of the NAEMA Tariff with respect to this Transaction only.

4. Governing Agreement:

The commercial terms and conditions of the NAEMA Tariff shall apply to this Agreement; provided, however, that to the extent that there is an inconsistency between the terms and conditions of this Agreement and the NAEMA Tariff, the applicable terms and conditions of this Agreement shall govern. Terms used but not defined herein shall have the meanings ascribed to them in the NAEMA Tariff. Capitalized terms used but not defined herein or in the NAEMA Tariff shall have the meanings ascribed to such terms in the MISO Rules.

**Minnkota Power Cooperative**

By: Lowell Stave Date: 3-4-2020  
Name: Lowell Stave  
Title: Vice President & COO

**Montana-Dakota Utilities Co.**

xl By: Jay Skabo Date: 3/3/2020  
Name: Jay Skabo  
Title: Vice President Electric Supply

**CAPACITY AND ENERGY  
CONFIRMATION AGREEMENT**

This Capacity and Energy Confirmation Agreement ("Agreement") shall confirm the agreement reached on July 22, 2020 ("Transaction Date"), by and between Minnkota Power Cooperative ("MPC"), and Montana-Dakota Utilities Co. ("MDU"), (hereinafter MDU and MPC are sometimes referred to singly as a "Party" and collectively as the "Parties") with respect to the purchase and sale of capacity and energy under the terms and conditions as follows:

**Seller:** MPC

**Buyer:** MDU

**Schedule P Product:**

[X] Other: Capacity, which for the purposes of this transaction shall mean "Zonal Resource Credits" ("ZRC"), as such term is defined in (i) the Midcontinent Independent System Operator, Inc. ("MISO") Open Access Transmission, Energy, and Operating Reserve Markets Tariff, as may be amended from time to time ("MISO Tariff"); and (ii) the MISO Resource Adequacy Business Practices Manual, as may be amended from time to time ("RA BPM", or together with the MISO Tariff referred to as the "MISO Rules").

For clarification purposes, the Parties acknowledge and understand that, in accordance with the MISO Rules, one ZRC represents one megawatt ("MW") of Unforced Capacity from a Planning Resource that qualifies to satisfy the resource adequacy requirements of Module E-1 of the MISO Tariff.

**Contract Quantity and Contract Price:**

The Quantity of ZRCs and the applicable Local Resource Zone ("LRZ"), as further described in Attachment VV of the MISO Tariff, associated with such ZRCs for each Planning Year (i.e., June 1<sup>st</sup> of one year through May 31<sup>st</sup> of the following year) encompassed by this Transaction, and the Contract Price(s) associated therewith shall be as follows:

<b>Planning Year</b>	<b>Quantity (# of ZRCs)</b>	<b>LRZ</b>	<b>Contract Price (\$ per ZRC)</b>	<b>Purchase Price (\$)</b>
2023/2024	30	LRZ 1		
2024/2025	30	LRZ 1		
2025/2026	30	LRZ 1		
<b>Total</b>	<b>90</b>			

Confirmation Agreement  
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Seller represents and warrants that with respect to the Product, Seller: (A) Will enter the ZRCs in the MISO Module E capacity tracking system; and (B) Has not and will not sell such ZRCs (or the MWs of Unforced Capacity associated with each ZRC) to any other counterparty.

**Special Conditions:**

1. Delivery and Receipt:

Seller shall accomplish delivery of the Quantity by submitting the appropriate transaction(s) in MISO's Module E capacity tracking system, or any successor system ("MECT") to electronically assign the Quantity to Buyer. Buyer shall accomplish receipt of the Quantity by confirming the appropriate transaction(s) submitted by Seller in the MECT. It is the intention of the Parties that Seller and Buyer shall accomplish delivery and receipt of the Quantity by submitting and confirming the appropriate transaction(s) in the MECT not later than ten (10) Business Days prior to each Resource Plan Deadline, as such term is defined in the MISO Tariff, for the first Planning Year and each subsequent Planning Year encompassed by this Transaction as is permissible to deliver and receive in the MECT ("Transfer Deadline").

2. Payment Terms:

The Parties agree that the payment schedule for the Product delivered and received hereunder shall be governed by the terms and conditions of the North American Energy Marketers Association ("NAEMA") Capacity and Energy Tariff, effective February 22, 2011 (the "NAEMA Tariff"). For the avoidance of doubt, as soon as practicable, after the end of each electronic delivery for each Planning Year set forth above, Seller will render to Buyer a monthly invoice for the ZRCs attributable to the delivery.

3. Failures to Deliver and/or Receive:

(a) Seller's Failure to Deliver. In the event that: (i) Seller fails to deliver all or part of the Product by the Transfer Deadline, and such failure is not excused by Buyer's failure to perform; (ii) Buyer provides notice of such failure to Seller at least nine (9) Business Days prior to the Resource Plan Deadline; and (iii) Seller fails to cure such failure within one (1) Business Day after notice from the Buyer, then Seller shall pay Buyer, within five (5) Business Days of invoice receipt, all Financial Settlement Charges assessed to Buyer (either directly or through contractual obligation) resulting directly from Seller's failure to deliver all or part of the Product. In addition, to the extent that Seller's failure to deliver all or part of the Product results in Buyer being assessed (i) Financial Settlement Charges for an amount of MW that is less than the Quantity that Seller failed to deliver, or (ii) no Financial Settlement Charges for the Quantity that Seller failed to deliver, then Buyer shall also be entitled to the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price and multiplying such positive difference, if any, by the portion of the Quantity which Seller failed to deliver and for which no Financial Settlement Charges are assessed to Buyer.

In the event that: (i) Seller fails to deliver all or part of the Product by the Transfer Deadline, and such failure is not excused by Buyer's failure to perform; and (ii) Buyer fails to provide notice of such failure to Seller at least nine (9) Business Days prior to the Resource Plan Deadline, then Seller shall pay Buyer, within five (5) Business Days of invoice receipt, the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price and multiplying such positive difference, if any, by the Quantity which Seller failed to deliver.

Buyer shall use commercially reasonable efforts to purchase replacement Product for the Quantity which Seller failed to deliver.

The invoice from Buyer to Seller for any amount owed by Seller to Buyer pursuant to this provision shall include a written statement explaining in reasonable detail the calculation of such amount. The Parties acknowledge and agree that with respect to this Transaction only, Section 2.47 of the NAEMA Tariff shall be amended to delete all references to "at the Delivery Point" and "to the Delivery Point" contained in such section.

(b) Buyer's Failure to Receive.

In the event that: (i) Buyer fails to receive all or part of the Product by the Transfer Deadline, and such failure is not excused by Seller's failure to perform; (ii) Seller provides notice of such failure to Buyer at least nine (9) Business Days prior to the Resource Plan Deadline; and (iii) Buyer fails to cure such failure within one (1) Business Day after notice from the Seller, then Buyer shall pay Seller, within five (5) Business Days of invoice receipt, an amount equal to the Contract Price multiplied by the portion of the Quantity which Buyer failed to receive.

In the event that: (i) Buyer fails to receive all or part of the Product by the Transfer Deadline, and such failure is not excused by Seller's failure to perform; and (ii) Seller fails to provide notice of such failure to Buyer at least nine (9) Business Days prior to the Resource Plan Deadline, then Buyer shall pay Seller, within five (5) Business Days of invoice receipt, an amount equal to the positive difference, if any, obtained by subtracting the Sales Price from the Contract Price and multiplying such positive difference, if any, by the portion of the Quantity which Buyer failed to receive; provided, however, that if Seller, after using commercially reasonable efforts, is unable to resell all or a portion of the Quantity which Buyer failed to receive, the Sales Price with respect to such Quantity that Seller is unable to resell shall be deemed to be equal to zero (0).

The invoice from Seller to Buyer for any amount owed by Buyer to Seller pursuant to this provision shall include a written statement explaining in reasonable detail the calculation of such amount. The Parties acknowledge and agree that with respect to this Transaction only, Section 2.49 of the NAEMA Tariff shall be amended to delete all references to "at the Delivery Point" contained in such section.

(c) Limitation of Remedies. The Parties acknowledge and agree that the remedies set forth herein regarding failures to deliver/receive shall supersede and replace Sections 5.1 and 5.2 of the NAEMA Tariff with respect to this Transaction only.

4. Governing Agreement:

The commercial terms and conditions of the NAEMA Tariff shall apply to this Agreement; provided, however, that to the extent that there is an inconsistency between the terms and conditions of this Agreement and the NAEMA Tariff, the applicable terms and conditions of this Agreement shall govern. Terms used but not defined herein shall have the meanings ascribed to them in the NAEMA Tariff. Capitalized terms used but not defined herein or in the NAEMA Tariff shall have the meanings ascribed to such terms in the MISO Rules.

Schedule P Product:

[X] Firm: Energy via MISO market financial bilateral transaction “FinSched” as defined in (i) the Midcontinent Independent System Operator, Inc. (“MISO”) Open Access Transmission, Energy, and Operating Reserve Markets Tariff, as may be amended from time to time (“MISO Tariff”).

Governing Agreements: NAEMA Tariff, Minnkota Power Cooperative, Inc., Open Access Transmission Tariff, Version 3.4, Effective May 9, 2017 (“Minnkota Tariff”), for energy supply arrangements and the MISO Tariff for delivery arrangements.

Delivery Period: June 1, 2021 through May 31, 2026  
7x24 HE 0100-2400 EST  
Monday-Sunday, including NERC Holidays

Contract Quantity  
And Contract Price:

Year	Firm Energy Quantity MWh	Firm Energy Cost \$/MWh
2021-2022	30	
2022-2023	75	
2023-2024	75	
2024-2025	75	
2025-2026	75	

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Delivery Point: OTP.CENTER1 MISO commercial pricing (“CP”) node.

1. MISO Contract and Financial Bilateral Schedule.

Seller will enter, and Buyer will approve, a contract in the MISO market to facilitate the entry of financial bilateral transaction (“FinScheds”). Buyer and Seller shall agree on the format of the FinSched, which shall include the following:

- Market: Day Ahead
- Source: OTP.CENTER1
- Sink: MDU.MDU
- Quantity: Firm Energy Quantity

2. Payment Terms.

The Parties agree to the payment terms in Section 7.1 and 7.2 of the NAEMA Tariff.

3. Failures to Deliver and/or Receive.

For this FinSched transaction only, the Parties acknowledge and agree that in regards to the remedies set forth in Section 5.1 and Section 5.2 of the NAEMA Tariff regarding failures to deliver/receive Energy, “Preplacement Price” in Section 5.1 of the NAEMA Tariff and “Sales Price” in Section 5.2 of the NAEMA Tariff shall mean the Day-Ahead Locational Marginal Price at the OTP.CENTER1 CP node, for any hours in which Seller failed to deliver Energy or Buyer failed to receive Energy.

4. Special Conditions.

- a. Seller will be responsible for all transmission tariffs, congestion and losses to the Point of Delivery.
- b. Buyer will be responsible for all transmission tariffs, congestion and losses from the Point of Delivery.
- c. There is no separate transmission charge to the Buyer under the Minnkota Tariff for energy purchase under this Agreement.
- d. The schedule cannot be interrupted for economic reasons.

**Other Conditions:****1. Governing Agreement:**

The commercial terms and conditions of the NAEMA Tariff shall apply to this Agreement; provided, however, that to the extent that there is an inconsistency between the terms and conditions of this Agreement and the NAEMA Tariff, the applicable terms and conditions of this Agreement shall govern. Terms used but not defined herein shall have the meanings ascribed to them in the NAEMA Tariff. Capitalized terms used but not defined herein or in the NAEMA Tariff shall have the meanings ascribed to such terms in the MISO Rules.

**2. Entire Agreement:**

This Agreement represents the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral and written proposals and communications pertaining hereto. There are no representations, conditions, warranties or agreements, express or implied, statutory or otherwise, with respect to or collateral to this Agreement other than contained herein or expressly incorporated herein.

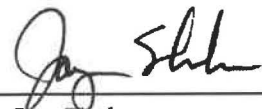
**3. Confidentially:**

The Parties agree that neither Party shall disclose the terms or conditions of the Transaction(s) to a third party (other than the Party's or its Affiliate's employees, lenders, counsel, agents, accountants, advisors or members of the governing body of the Party who have a need to know such information and have agreed to keep such terms confidential) except in order to comply with any applicable law, regulation, or any exchange, control area, regional reliability council, or independent system operator rule, or in connection with any court or regulatory proceeding; provided, however, each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

**Minnkota Power Cooperative**

By:  Date: 7-22-2020  
Name: Lowell Stave  
Title: Vice President & COO

**Montana-Dakota Utilities Co.**

By:  Date: 7/21/2020  
Name: Jay Skabo  
Title: Vice President Electric Supply

Generation Resource  
Recovery Rider -  
Incentive Calculation  
Worksheets







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**Montana-Dakota Utilities Co.  
Electric Utility - North Dakota  
Generation Resource Recovery Rider  
Revenue Requirement - Power Purchase Agreement Incentive  
Projected Year End 2024**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Power Purchase Agreement</b>												
Capacity												
Energy												
Total PPA												
Allocated to North Dakota	\$939,814	\$881,931	\$939,814	\$910,872	\$939,814	\$959,281	\$989,481	\$989,481	\$959,281	\$989,481	\$959,281	\$989,481
<b>Incentive Rate 1/</b>	\$5,434	\$5,100	\$5,434	\$5,267	\$5,434	\$5,547	\$5,722	\$5,722	\$5,547	\$5,722	\$5,547	\$5,722
<b>Incentive Rate - Pre-Tax 1/</b>	\$6,650	\$6,240	\$6,650	\$6,445	\$6,650	\$6,788	\$7,001	\$7,001	\$6,788	\$7,001	\$6,788	\$7,001

1/ Authorized Return on Equity:

	Ratio	Cost	Weighted	Pre-Tax
Long Term Debt	43.871%	4.647%	2.039%	2.039%
Short Term Debt	6.310%	1.463%	0.092%	0.092%
Common Equity	49.819%	9.650%	4.808%	6.360%
	100.000%		6.939%	8.491%

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



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**Montana-Dakota Utilities Co.  
Electric Utility - North Dakota  
Generation Resource Recovery Rider  
Revenue Requirement - Power Purchase Agreement Incentive  
Projected Year End 2026**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Power Purchase Agreement</b>												
Capacity												
Energy												
Total PPA												
Allocated to North Dakota	\$1,039,148	\$944,774	\$1,039,148	\$1,007,690	\$1,039,148	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Incentive Rate 1/</b>	\$6,009	\$5,463	\$6,009	\$5,827	\$6,009	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Incentive Rate - Pre-Tax 1/</b>	\$7,353	\$6,685	\$7,353	\$7,130	\$7,353	\$0	\$0	\$0	\$0	\$0	\$0	\$0
												<b>\$29,317</b>
												<b>\$35,874</b>

1/ Authorized Return on Equity:

	Ratio	Cost	Weighted	Pre-Tax
Long Term Debt	43.871%	4.647%	2.039%	2.039%
Short Term Debt	6.310%	1.463%	0.092%	0.092%
Common Equity	49.819%	9.650%	4.808%	6.360%
	100.000%		6.939%	8.491%

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