

# Memorandum

To: Commissioners Christmann, Fedorchak and Kroshus

From: Victor Schock Public Utility Analyst

(VS)

Date: January 7, 2022

Re: Montana-Dakota Utilities Co., Renewable Resource Cost Recovery, Rates,  
Case No. PU-21-420

On November 1, 2021 Montana-Dakota Utilities Co. (MDU) filed a change to its Renewable Resource Cost Adjustment (RRCA) rates. The new rates reflect projected costs through December 31, 2022 related to investment in the Thunder Spirit Wind Project, Cedar Hills Wind Project, Diamond Willow Wind Project, Diamond Willow repower project and reflect a projected over-collected balance of the current RRCA as of December 31, 2021.

The filing proposes a 2022 revenue requirement of \$18,010,803, a decrease of \$2,784,827 from 2021's filing. The reduced revenue requirement results in a decrease to the average residential customer of \$1.20 per month. The revenue requirement categories changed from 2021 to 2022 as follows:

- **Project Costs:** The revenue requirement includes the cost of the Cedar Hills, Diamond Willow, Diamond Willow repower and Thunder Spirit wind facilities. Due to depreciation reducing the net plant balance and the addition of the regulatory liability caused by the PTC levelization, this portion of the revenue requirement was a decrease of approximately \$2,031,639 from 2021 to 2022.
- **PTC Levelization:** Due to the Commission's Order in Case PU-19-355, PTCs must be levelized over the life of the projects. The levelization was intended to smooth out the cost of the wind facility to customers over the life of the project. This requires recalculation on an annual basis to account for changes in the amount of PTCs actually earned versus the estimates that were used. For 2022 this resulted in a net increase to this line item of \$1,464,958 relative to 2021. Staff notes that in PU-19-355, the Commission required the partial levelization method for the thunder spirit wind facility, but indicated a desire to use the straight levelization method for all new wind facilities. In this case MDU has proposed using the partial levelization method for the PTCs to be earned by the Diamond Willow repower project. MDU is willing to utilize any method chosen by the Commission, and staff recommends the Commission provide its desired method during an Informal Hearing.
- **RRCR True-up:** The true-up represents the over or under collection for the previous year. MDU is projecting an over-collection of \$647,906 for the prior year, which results in a net decrease to this line of approximately \$2,218,146 from 2021 to 2022.

Staff believes the incurred costs detailed in MDU's filing are reasonable and prudent, comply with MDU's tariff, and are eligible for recovery through the RRCA. Based on this and the details contained within the filing, Staff recommends approval of MDU's 2022 RRCA rates.

c. Travis Jacobson