

# Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: Robert Frank Public Utility Analyst

RF

Date: January 10, 2025

Re: Montana-Dakota Utilities Co., Renewable Resource Cost Recovery, Rates, Case No. PU-24-366

On November 1, 2024, 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, 2025, related to investment in the Thunder Spirit Wind Facility, Cedar Hills Wind Facility, and the Diamond Willow Wind Facility.

	Current Filing	Prior Filing	Variance
Revenue Requirement	\$6,767,594	\$9,525,721	(\$2,758,127)
Levelization	10,631,340	8,563,018	2,068,322
(Over)/Under Recovered Balance	854,363	2,958,382	(2,104,019)
	<u>\$18,253,297</u>	<u>\$21,047,121</u>	<u>(\$2,793,824)</u>

The revenue requirement changes from 2024 to 2025 include the following:

- **Project Costs:** The revenue requirement includes the authorized return on rate base and operating expenses for the Cedar Hills, Diamond Willow, and Thunder Spirit wind facilities. Included in the projected rate base starting in October 2025, are the costs associated with the Phase 2 repower for Diamond Willow as well as the Cedar Hill repower starting the summer of 2025.

The overall project costs decreased by \$2,793,824, or 13% from the revenues currently being collected by the RRCA for a revenue requirement of \$18,253,297.

- **Levelization:** Due to the Commission's Order in Case PU-19-355, PTCs must be levelized over the life of the projects. The levelization smooths out the cost of the wind facility to customers over the life of the project. All the PTCs associated with the wind projects have been levelized as required. The PTCs associated with the Phase 2 Repowers are aligned with the remaining life of the wind assets making a levelization component redundant.
- **RRCR True-up:** The true-up represents the over or under collection for the previous year. MDU is projecting an under-collection of \$854,363. This under-collected

balance significantly decreased from the prior year filing. MDU experienced lower than projected PTCs due to lower production, but this was partially offset by a payment of \$1,206,035 for liquidated damages received from an “Availability Warranty” with the turbine manufacturer.

The decrease in the revenue requirement results in a decrease to the average residential customer of \$1.14 per month collected over the recovery period.

The RRCA rates to be effective February 1, 2025, are as follows:

	Proposed Rate	Current Rate	Change
Residential & Small General Rate/kWh	\$0.00890	\$0.01033	(\$0.00143)
Large General/kWh	\$0.00832	\$0.00979	(\$0.00147)
Lighting/kWh	\$0.00832	\$0.00954	(\$0.00122)

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 2025 RRCA rates.

c. Travis Jacobson