



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street

Bismarck, ND 58501

(701) 222-7900

June 30, 2015

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501

Re: General Electric Rate Application
Docket No. EL15-____

Montana-Dakota Utilities Co. (Montana-Dakota, Company or Applicant), a Division of MDU Resources Group, Inc., herewith submits its Application to the South Dakota Public Utilities Commission for authority to increase rates for electric service in South Dakota. This filing is made in accordance with Administrative Rules of South Dakota (ARSD), Sections 20:10:13:26 and 20:10:13:39 through 20:10:13:104 inclusive.

Montana-Dakota will prove by competent evidence that its existing electric service rates do not allow Montana-Dakota to fully recover the cost of providing electric service to its South Dakota customers and that therefore, the current rates are unjust, unreasonable and not compensatory.

Montana-Dakota is proposing to increase its electric rates for the following reasons:

1. The need to make modifications at generation facilities to comply with new Environmental Protection Agency (EPA) requirements and the increased operating costs of this compliance effort to keep the low cost generating units operating. This includes modifications required to the Lewis & Clark coal fired station located at Sidney, Montana and the Big Stone coal fired plant located at Big Stone City, South Dakota
2. The need to add, and/or replace, capacity and energy requirements including:
 - The 107.5 MW Thunder Spirit Wind Project which is scheduled to go into service in December of 2015;

- Two Reciprocating Internal Combustion Engines (RICE Units) being added at the Lewis & Clark Station for a total of 18.6 additional MWs; and
 - The 88 MW Heskett III Simple Cycle Combustion Turbine which went into service in the fall of 2014.
3. Transmission investments needed to ensure reliability and additional costs that will be incurred due to replacing transmission services previously provided by the Western Area Power Administration and Basin Electric Power Cooperative that will now be provided through the Southwest Power Pool.

With each of these investments, there is additional depreciation, operation and maintenance expenses and taxes associated with the increases in investment. The gross investment in South Dakota electric operations has increased by approximately \$55 million, or 172 percent, since the last increase in rates effective June 1, 1986.

Recovery of these increased costs will provide Montana-Dakota a reasonable opportunity to earn a fair rate of return for its South Dakota electric operations.

The Company proposes a total increase of \$2,654,880 as shown on Statement O, page 1 based on an average test year for the twelve months ended December 31, 2014 adjusted for known and measurable changes. The proposed increase will affect approximately 8,600 electric customers in South Dakota. The proposed change in rates will affect customer classes by the following amounts and percentages:

| Class | Amount | Percent Increase |
|-------------------------------|--------------------|------------------|
| Residential | \$1,362,936 | 19.2% |
| Small General Service | 605,461 | 19.2% |
| Large General Service | 555,173 | 19.2% |
| General Service Space Heating | 52,558 | 19.1% |
| Municipal Lighting | 46,307 | 19.3% |
| Municipal Pumping | 19,344 | 19.2% |
| Lighting | 13,101 | 19.2% |
| Overall | <u>\$2,654,880</u> | <u>19.2%</u> |

A typical residential customer will see an average increase of approximately \$16.90 per month.

The Application has been efiled and in addition, an Original and thirteen (13) copies of the following have also been filed with the Commission:

- Notice and Certificate of Service
- The Application including:
 - Appendix A – Current Rate Schedules
 - Appendix B - Proposed Final Rate Schedules including a redlined version of tariffs denoting proposed changes.
- Prefiled Direct Testimony and Exhibits in support of the Application
- Supporting Statements and Workpapers required by the Commission's filing requirements, ARSD §20:10:13:51 through §20:10:13:102

Authorization of the requested increase in revenues will provide Montana-Dakota a reasonable opportunity to earn a fair rate of return for its South Dakota electric operations.

In accordance with ARSD 20:10:13:39(6), it is noted that the proposed rates may potentially affect 8,600 electric customers located in the Company's service area in South Dakota. Attached as Exhibit A is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26.

The Company will comply with ARSD 20:10:13:18 by posting a Notice of the proposed rates, as shown on Exhibit B, in each of its business offices affected by the proposed change.

Please refer all inquiries regarding this filing to:

Ms. Tamie A. Aberle
Director, Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, North Dakota 58501
Tamie.aberle@mdu.com

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

Mr. Brett Koenecke
May, Adam, Gerdes & Thompson
503 South Pierre Street
P.O. Box 160
Pierre, South Dakota 57501-0160

All of the materials included in this Application will be available for public inspection at each of Montana-Dakota's business offices and posted on Montana-Dakota's internet site.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Garret Senger
Executive Vice President-
Regulatory Affairs & CAO