

**MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
DATA REQUEST
DATED AUGUST 1, 2016
DOCKET NO. EL16-026**

- 1-7. Provide the definitions of occasional, short-term, and long-term and explain how the Company determines which rate the QF is on.**

Response:

Pursuant to the Commission's Order issued in Docket No. F-3365, the following definitions (specified in the terms and conditions of each schedule) are applicable under each of the Power Purchase schedules.

Occasional – Applicable to a seasonal or month-to-month generator. No capacity value assigned to the generator with a term of at least 12 months but less than 10 years.

Short-term – Applicable to a QF eligible for capacity payments committing to an agreement of at least 12 months but less than 10 years. The capacity payment is based on the cost of a combustion turbine which was deemed to be consistent with the short term nature of the service provided.

Long-term – Applicable to a customer eligible for capacity payments committing to an agreement of 10 years or more. This rate would not be available to intermittent resources as they do not offset the need or provide additional value that a baseload unit provides. The capacity payment for a long-term resource is based upon the capacity value of a baseload resource which has traditionally been a new coal-fired resource.

It is Montana-Dakota's opinion that the short-term and long-term tariffs could ultimately be combined into one category with the energy rate being equal to Montana-Dakota's marginal cost study and the capacity rate equal to Montana-Dakota's ownership in a new combustion turbine which is what Montana-Dakota uses to determine avoided capacity in Montana and North Dakota.