

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

October 19, 2017

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol
Pierre, SD 57501-5070

Re: Docket No. EL17-_____
2018 Avoided Costs Update

Dear Ms. Van Gerpen:

In accordance with South Dakota Codified Laws, Chapter 49-34A, Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith electronically submits for Commission approval revisions to the Company's Occasional Power Purchase Non-Time Differentiated Rate 95 and Power Purchase Rate 96 tariffs. This filing is made in compliance with the Commission's Order No. F-3365 and in accordance with the Special Terms and Conditions of these tariffs which state that the rate schedules will be reviewed annually and revised when necessary.

The methodology used to develop the proposed energy and capacity payments is consistent with the approved avoided cost rate tariffs. The proposed energy payments for Rates 95 and 96 were generated using Montana-Dakota's production costing model PLEXOS® for Power Systems (PLEXOS), reflecting a test year of calendar year 2018. The proposed energy payments under Rates 95 and 96 reflect a decrease in the energy payment per Kwh attributable to a decrease in the forecasted Midcontinent Independent System Operators, Inc. (MISO) market prices and natural gas prices from those included in the currently approved energy payments.

The proposed capacity payment under Rate 96 reflects the projected levelized cost of a new peaking facility at an estimated cost of \$905/kW. Montana-Dakota is anticipating a capacity surplus until 2024, which lowers the capacity payments applicable under Rate 96 from the authorized capacity payments. The proposed energy and capacity payments are shown on Attachment A.

Montana-Dakota has reviewed the metering charges applicable under Rates 95 and 96 and has determined no change in the daily metering charges is necessary in this annual

update.

In accordance with the Administrative Rules of South Dakota (ARSD), 20:10:13:39(6), Montana-Dakota currently only has one customer taking service under the Company's Avoided Cost Rates 95 and 96. The Rate 95 customer's maximum generation during a given month over the course of the previous twelve-month period was 113 Kwh, with the average generation over the past twelve months being 43 Kwh. The proposed annual change in revenue, assuming the same customer load and generation as the past twelve months, would be minimal.

Included herein is a second set of the affected tariffs on which Montana-Dakota has indicated the revisions requested by lining through the existing language which the Company proposes to delete and clearly highlighting the new language proposed.

Included as Attachment B is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26. Also included as Attachment C is the "Data Requirements" in accordance with the Commission's Order No. F-3563 which discloses certain information for miscellaneous filings.

The Company will comply with ARSD 20:10:13:18 by posting the Notice shown in Attachment D in a conspicuous place in each business office in its affected electric service territory in South Dakota for at least 30 days before the change becomes effective.

Montana-Dakota respectfully requests that the rate schedules set forth herein be approved with an effective date of service rendered on and after January 1, 2018.

Please refer all inquiries regarding this filing to:

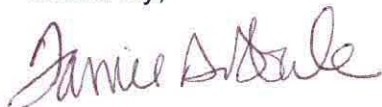
Ms. Tamie A. Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

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

This filing has been electronically submitted to the Commission in accordance with ARSD 20:10:01:02:05. Montana-Dakota respectfully requests that this filing be accepted as being in full compliance with the filing requirements of this Commission.

Sincerely,

A handwritten signature in purple ink that reads "Tamie A. Aberle". The signature is written in a cursive style with a large initial "T".

Tamie A. Aberle
Director of Regulatory Affairs

Attachments