MONTANA-DAKOTA
UTILITIES CO.
A Subsidiary of MDU Resources Group, Inc.

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

March 11, 2021

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

Re: Informational Update to Infrastructure Rider - Rate 59
Docket No. EL21-007

Montana-Dakota Utilities Co. (Montana-Dakota) submitted its annual update to the Company's Infrastructure Rider (IR) Rate 59 on February 26, 2021 in the above referenced docket. The IR includes projected costs through December 31, 2021 related to the Thunder Spirit Wind Facility and certain transmission projects benefiting South Dakota customers. The Company has requested rates to be effective on and after May 1, 2021.

On November 1, 2019, Montana-Dakota filed an Application for deferred accounting treatment of costs related to the retirement of the Lewis & Clark Unit 1, Heskett Unit 1, and Heskett Unit 2 in Docket No. EL19-040. An Amended Application was submitted on November 8, 2019. In these filings, the Company requested deferred accounting for costs related to the retirement of the three coal-fired generating stations. The South Dakota Public Utilities Commission (Commission) approved the Company's Amended Application on January 10, 2020 (January 10 Order). The Commission's Order stated "that the deferral/amortization accounting method and the resulting creation of a regulatory asset (the deferred balance) shall not preclude Commission review of these amounts for prudence, reasonableness, and possible disallowance of the rate recovery in any determination of rates, including both rate filings by the company and rate reviews initiated by the Commission".

The Lewis & Clark Unit 1 will cease operations on March 31, 2021. Beginning April 1, the Company will begin pre-decommissioning activities with Montana-Dakota employees and then commence decommissioning of the unit later in 2021.

Montana-Dakota's most recent electric rate case was filed June 30, 2015 in Docket No. EL15-024 and approved by the Commission with rates effective on and after July 1, 2016. On September 28, 2018, Montana-Dakota and Commission Staff filed a Joint Motion for Approval of Settlement Stipulation in Docket No. GE17-003 to address the impacts of the Tax Cuts and Jobs Act of 2017 (TCJA). The Settlement Stipulation was approved by the Commission on October 23, 2018. While both proceedings established a revenue requirement and new tariffed rates for Montana-Dakota's

South Dakota electric customers, neither specifically identified the revenue requirement for the Lewis & Clark or Heskett coal units or the portion of rates applicable to these units. A revenue requirement was developed for the Lewis & Clark unit based on the information that was ultimately used to establish a rate reduction approved in Docket No. GE17-003. Each applicable line item on the income statement and rate base was analyzed to determine the corresponding value used in the overall revenue requirement and have determined the amount associated with the retiring Lewis & Clark Unit 1 of $616,582 on an annual basis.

The Company proposes, and requests approval, to reflect the annual revenue requirement, as described above, and offset the related amortization of the accelerated depreciation, net of excess deferred income taxes, and the decommissioning and employee related costs as projected to be incurred during 2021. The accelerated depreciation and decommissioning costs, net of the offset associated with the excess deferred income taxes, include a return component, based on the rate of return authorized in Docket No. EL15-024, on the prior month unamortized balance. The employee related costs have been shown to be amortized over a 36 month period beginning in April 2021 without the application of a return component. Please see Attachment A for the projected activity for 2021. Montana-Dakota will true up the amortization in its next annual update to the IR that will be filed on or around March 1, 2022.

Montana-Dakota recognizes that the January 10 Order provides the Commission an opportunity to review the deferred costs and the computation of revenue used for the purposes of recovery for prudence and reasonableness of the rate recovery in future rate filings or rate reviews. However, the Company will experience cost savings as a result of the closure of Lewis & Clark Unit 1 in 2021 and Heskett Units 1 & 2 in 2022. The timing of the closures and the necessity of a general rate case are at odds. Based on the Company's current projections, a general electric rate case will not be contemplated for 2021. Therefore, the Company's proposal attempts to stabilize rates for customers while allowing for recovery of the regulatory asset in an expedited manner to minimize the overall cost to customers.

The Company's proposal results in no change in the per unit rates under the IR. The revenue reflected in the IR will match the related amortizations and the rate of return component. Therefore, no customer impacts will be realized.

Please refer all inquiries regarding this filing to:

Travis R. Jacobson
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Montana-Dakota Utilities Co.
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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

Montana-Dakota respectfully requests that this electronic filing be accepted as being in full compliance with the filing requirements of this Commission.

Sincerely,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

Attachment

cc: B. Koenecke