



UTILITIES CO.

A Division of MDU Resources Group, Inc.

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

December 28, 2018

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

Re: Docket No. EL18-_____
2019 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.

Montana-Dakota requests approval of the following revised tariff sheets:

- 3rd Revised Sheet No. 35
- 3rd Revised Sheet No. 36
- 2nd Revised Sheet No. 36.1.

The methodology used to develop the proposed energy 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 2019. 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 Company is proposing three modifications to the capacity payments provision of its Power Purchase Time Differentiated Rate 96.

- The first change is to recognize that a qualifying facility (QF) is either a non-registered MISO QF or a MISO-registered QF. The distinction determines who assigns the amount of qualifying capacity eligible for payment, either Montana-Dakota or MISO, respectively. MISO-registered and non-registered MISO generators are then paid for such capacity under the Company's Rate 96 tariff.
- The second change is in the determination of the capacity payment rate applicable under Rate 96 through the year 2023. The change in the determination of the rate recognizes that, while Montana-Dakota has adequate capacity through 2023, the capacity provided by a qualifying facility can be sold into the annual MISO capacity auction at some value, other than \$0. The capacity payment rate proposed to be included in the Rate 96 tariff is the MISO capacity auction price for Zone 1, the pricing zone for Montana-Dakota, for the period June 1, 2018 through May 31, 2019. This capacity price is subject to change annually each June 1. The Company is proposing to include the most recent auction price in its tariff through the year 2023, after which Montana-Dakota becomes capacity deficient based on the 2017 IRP. Starting in the year 2024, the capacity payment determination will again reflect the projected levelized cost of a new peaking turbine.
- The third change is the inclusion of fixed O&M at one percent of investment costs in the capacity payment calculation. Previously the Company had this amount set to zero.

Montana-Dakota does not have any customers taking service under the Rate 96 tariff and therefore the proposed changes to the tariff does not have any effect on current customers.

The workpapers supporting the proposed energy and capacity payments are provided in Attachment A.

The proposed metering charges for Rates 95 and 96 reflect updated meter costs, including the carrying charge and maintenance expenses. The workpapers supporting the proposed metering charges are provided in Attachment B.

In accordance with the Administrative Rules of South Dakota (ARSD), 20:10:13:39(6), Montana-Dakota currently has only one customer taking service under the Company's Avoided Cost Rate 95. The Rate 95 customer's maximum generation during a given month over the course of the previous twelve-month period was 77 Kwh, with the average generation over the past twelve months being 31 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 C is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:26. Also included as Attachment D 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 E 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 February 15, 2019.

Please refer all inquiries regarding this filing to:

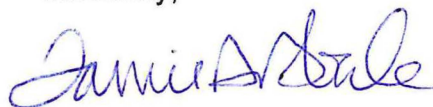
Ms. Tamie A. Aberle
Director of Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501

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,



Tamie A. Aberle
Director of Regulatory Affairs

Attachments