



UTILITIES CO.

A Subsidiary of MDU Resources Group, Inc.

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

November 15, 2019

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

Re: Docket No. EL19-_____
2020 Avoided Costs Update

Dear Ms. Van Gerpen:

In accordance with South Dakota Codified Laws, Chapter 49-34A, Montana-Dakota Utilities Co. (Montana-Dakota), a Subsidiary 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:

- 4th Revised Sheet No. 35
- 4th Revised Sheet No. 36

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 2020. The proposed energy payments under Rates 95 and 96 reflect an increase in the energy payment per Kwh attributable to an increase in the forecasted Midcontinent Independent System Operator, Inc.'s (MISO) market prices from those included in the currently approved energy payments. The effects of the MISO market energy pricing have caused the Company's marginal off-peak energy price to exceed the on peak energy price. Montana-Dakota proposes to continue to reflect the outcome of the modeling at this time including the on and off-peak hour designations. Evidence does not support changing the designation of on/off peak hours at this time. The Company will continue to monitor and will propose changes if necessary at the time of the next update.

As noted in the Company's 2019 Integrated Resource Plan (IRP), Montana-Dakota has adequate capacity through 2021. As such, 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. The Company has updated the tariff language to provide a general reference to the use of MISO capacity auction prices rather than referencing actual auction prices. This change is being made to accommodate the fact that MISO capacity prices change annually each June 1, while this filing is submitted in late fall. Monthly capacity payments shall be the MISO capacity auction clearing price for Zone 1 through the year 2021, after which Montana-Dakota becomes capacity deficient based on the 2019 IRP. The current MISO clearing price is \$0.0299 per Kw. Starting in the year 2022, the capacity payment determination will again reflect the projected levelized cost of a new peaking turbine.

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

Montana-Dakota has reviewed the metering charges applicable under Rates 96 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 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 177 Kwh, with the average generation over the past twelve months being 53 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, 2020.

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