

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

October 16, 2020

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

Re: Docket No. EL20-_____
2021 Avoided Costs Rate Update

Dear Ms. Van Gerpen:

In accordance with South Dakota Codified Laws, Chapter 49-34A, Montana-Dakota Utilities Co. (Montana-Dakota) herewith electronically submits for Commission approval revisions to the Company's Occasional Power Purchase Non-Time Differentiated Rate 95 and Power Purchase Rate 96 tariff sheets. 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:

- 5th Revised Sheet No. 35
- 5th Revised Sheet No. 36

The methodology used to develop the proposed energy payments is consistent with the approved avoided cost rates. 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 2021. 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 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.

Montana-Dakota has adequate capacity through 2027 with minimal purchases required through 2030 that can be met with purchases through the MISO capacity auction. Montana-Dakota's 2019 Integrated Resource Plan (IRP) identified a short-term capacity deficiency beginning in 2022 with the retirement of the Lewis & Clark and Heskett coal fired generating units and the addition of an 88 MW natural gas fired Simple Cycle Combustion Turbine to be online in 2023. The IRP also identified an action plan that included monitoring the availability and price of energy and short-term capacity in the MISO market or through bi-lateral arrangements. Montana-Dakota has secured a bi-lateral arrangement for 30 Zonal Resource Credits annually for three consecutive planning years beginning on June 1, 2023 and ending May 31, 2026. In addition, Montana-Dakota has entered into an agreement with CPower to expand the current Demand Response Agreement for a five-year period (through May 31, 2027) and expanding the program to 50 MW. As noted above the minimal capacity purchases required through 2030 can be met with purchases through the MISO capacity auction. As such, the capacity payment rate included in the Rate 96 tariff is the MISO capacity auction price for Zone 1, the pricing zone for Montana-Dakota, through 2030. The current MISO clearing price is \$0.152 per Kw.

The workpapers supporting the proposed energy and capacity payments are provided in 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 has only one customer taking service under Rate 95. The maximum generation received by the Company during any given month over the course of the previous twelve-month period was 177 Kwh with generation received by the Company in two out the twelve months. 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, 2021.

Please refer all inquiries regarding this filing to:

Mr. Travis R. Jacobson
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,

/s/ Travis R. Jacobson

Travis R. Jacobson
Director of Regulatory Affairs

Attachments